# ARCHER

## Annual Report 2018

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# CHAIRMAN'S REPORT

The last year has been transformational for Archer. The achievements contributing to enabling our transformation could not have been realised without the excellence, dedication and focus shown by the Archer team. There have been some significant changes to our company, with the appointment of Dr Mohammad Choucair as Archer's CEO and the associated acquisition of Carbon Allotropes in the second quarter. With that strategic acquisition came a narrowing of our long-term focus to three key areas to make an impact in emerging, high growth markets: reliable energy, human health, and quantum technology. The ensuing grant of a mining lease in the second quarter for our Campoona graphite deposit has underpinned our integrated approach to the materials lifecycle.

**In the second quarter, the oversubscription to the share purchase plan highlighted the strong demand and show of support from our shareholders. The funds raised enabled Archer to implement a strategy developing the advanced materials business.**

In the third and fourth quarter, Archer was already experiencing the benefits of our advanced materials business. This brought to Archer world-class expertise, a diverse advanced materials inventory, and access to over $100M in product research and development infrastructure. This has allowed us to rapidly identify, evaluate and respond to market opportunities for acquisitions, partnerships, and growth. For example, in addressing our target area of reliable energy; we signed a collaboration agreement with The University of New South Wales to develop lithium-ion batteries, executed an MOU with a US based company Urbix Resources to investigate potential capital cost benefits associated with its proprietary graphite purification processes, and we signed a collaboration agreement with the Australia-Sweden based FlexeGRAPH to convert our graphite to graphene materials for thermal management applications.

To make inroads to the key focus area of human health, the existing collaboration agreement with The University of Adelaide ARC Graphene Hub was varied to focus on the use of our graphene and carbon-based materials in complex biosensing. Further, along the lines of quantum technology, Archer entered into negotiations with the University of Sydney for an exclusive licence to quantum technology intellectual property (IP) that requires key enabling advanced materials available in our inventory.

Throughout the year, and in parallel to implementing and executing on our advanced materials strategy, Archer has continued to have success in the exploration of our copper and cobalt projects at North Burra and North Broken Hill. Archer undertook a considerable amount of cobalt focussed exploration on North Broken Hill and Ketchowla project tenements. At North Burra, exploration led to the identification of deep conductive targets with potential intrusive associations for copper and gold mineralisation, which are now ready for future drill testing. These metals all have relevance to further downstream use in reliable energy applications and are of critical importance in global supply chains.

Achieving better outcomes has also included revisiting the Company's structure, which has led to the decision (subject to shareholder and certain approvals) to sell the Leigh Creek Magnesia Project and a proposed divestiture, or 'spin-out', of Archer's non-graphite assets that included various base metal projects relating to copper, cobalt, and manganese.

Looking ahead, we are buoyed by the Company's prospects. Archer is a small company with large aspirations. Entering developed markets in the US, UK, and EU remain key to Archer's growth, despite their uncertainty and volatility. The Company is in a good position to capitalise, in the near term, on potential opportunities in China and Southeast Asia. For example, the widespread use of lithium-ion batteries in converging technologies like electric vehicles is facilitating the commoditisation of graphite. The potential for electric vehicles to gain market share is dependent on using cheaper materials, efficient processing, and efficiencies of scale while improving battery performance through effective materials and formulations.

We could not have achieved what we have during the year without the support of shareholders, our employees, staff, contractors and the support of the communities in which we operate. At Archer, we have developed a strong and competent team capable of delivering on our ambitious work program.

**Greg English**
*Executive Chairman*

# SIGNIFICANT ACHIEVEMENTS 2017 - 2018

1

## Acquisitions

Archer completed the purchase of 100% ownership of Carbon Allotropes (www.carbonallotropes.com) in Q2, an online graphite and graphene market place that sells carbon material products to international and domestic customers. This acquisition was a first major step in Archer's strategy to integrate the Campoona graphite development. It has added a key sales platform for our proposed graphite and graphene manufacturing operations, and provided a major step forward in Archer's growth.

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## Divestitures

In Q4 Archer engaged Sequoia Financial Group to undertake a strategic review of its non-graphite assets, which included the Blue Hills Copper Project, Jamieson Tank Manganese Project, Ketchowla Manganese Cobalt Project, North Broken Hill Cobalt Project and the Leigh Creek Magnesia Project. The review led to the decision to sell the Leigh Creek Magnesia Project and to sell the non-graphite projects to a company that aims to list on the ASX.

3

## Leadership

Dr Mohammad Choucair was appointed as Archer CEO in Q2. Dr Choucair was the founder of Carbon Allotropes. He has a strong technical background in nanotechnology, and has spent the last decade implementing governance, control and key compliance requirements for the creation and commercial development of innovative technologies with global impact. Mohammad served a 2-year mandate on the World Economic Forum Global Future Council for Advanced Materials and is a Councillor of The Royal Society of New South Wales. He has a strong record of delivering innovation and has been recognised internationally as a forward thinker.

4

## Capital

In Q2, Archer raised funds through a share purchase plan, which was heavily oversubscribed. The funds raised enabled Archer to implement a strategy developing the advanced materials business.

5

## Advanced Materials

Archer signed a collaboration agreement with The University of New South Wales for battery development and Australia-Sweden based FlexeGRAPH for thermal technology development. The existing collaboration agreement with The University of Adelaide ARC Graphene Hub was varied to focus on the use of our graphene materials in complex biosensing. Archer entered into negotiations with the University of Sydney for an exclusive licence to quantum technology intellectual property (IP) that requires advanced materials available in our Carbon Allotropes inventory. We executed an MOU with a US based company, Urbix Resources, to investigate potential capital cost benefits associated with its proprietary graphite purification processes.

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## Exploration

Extensive exploration of the North Broken Hill tenement project area for cobalt was undertaken throughout the year. At North Burra, exploration led to the identification of deep conductive targets with potential intrusive associations for copper and gold mineralisation. Early metallurgical test work and review of historical drill results of Archer's two Manganese projects located near our proposed Sugarloaf graphite processing facility were also conducted and showed positive early results.

# OPERATING AND FINANCIAL REVIEW

# STRATEGY

Since listing on ASX in 2007, the Company has been focused on discovering, developing and commercialising (through sale or development) mineral deposits in Australia. This strategy led to the discovery of the Campoona graphite deposit on the Eyre Peninsula, South Australia. The Archer board has committed to 'commercialising' the Campoona graphite deposit and during the year Archer was granted a mining lease at Campoona. Consistent with this strategy, a new CEO with impeccable graphite and graphene experience was appointed, Dr Mohammad Choucair, and the Company acquired the Carbon Allotropes online graphene and graphite marketplace.

Archer's strategy is to grow an advanced materials business with a key focus on developing and integrating graphite and graphene based advanced materials in three key growth areas: reliable energy, human health, and quantum technology. To allow the Company to grow the advanced materials business, in July 2018 the Company announced the sale of the Leigh Creek Magnesia Project and all non-graphite exploration tenements.

In 2018/19 the Company will continue the growth of the advanced materials business. Key priorities include:

- *Permitting of the Campoona Graphite Mine.*
- *Continue development of Campoona graphite in lithium-ion batteries.*
- *Growing sales on the Carbon Allotropes online marketplace.*
- *Securing a licence agreement for quantum computing technology intellectual property.*
- *Developing biosensor technology in conjunction with The University of Adelaide.*
- *Identify and acquire appropriate intellectual property in the key areas of reliable energy, human health, and quantum technology.*

The sale of the non-graphite exploration tenements is subject to the company that is acquiring the tenements (Ballista Resources Ltd) listing on the ASX. If Ballista Resources Ltd does not list on ASX, then the sale agreement will terminate, and the tenements will remain 100% owned by Archer; and in addition to the activities described above, Archer will actively explore the non-graphite tenements with a focus on the Blue Hills Copper Gold Project.

# SUMMARY OF FINANCIAL PERFORMANCE

The net loss of the Group for the 2017/18 financial year was $1,854,520 (2017: $659,859) after accounting for R&D tax concession benefits of $58,641 (2017: $269,843) and includes mineral exploration impaired and written off $257,931 (2017: $35,195).

During the year ended 30 June 2018 the Group's net cash position increased by $1,220,952 from $1,528,634 (1 July 2017) to $2,749,586 (30 June 2018) and no corporate debt. This net increase was predominantly influenced by cash inflows associated with an oversubscribed share purchase plan ($3,000,025), the exercise of share options (exercise price of $0.075 and expiry date of 28 February 2019) issued under the share purchase plan ($729,836) and a research and development tax incentive ($58,641), which were offset largely by outflows associated with exploration expenditure ($1,534,727) and wages, corporate & administration expenditure ($1,206,380).

# CHANGES IN SHARE CAPITAL

The number of shares on issue increased from 137,194,306 (1 July 2017) to 186,925,829 (30 June 2018) during the year as a result of the successful share purchase plan and the subsequent exercise of options issued under the share purchase plan. A total of 3,000,000 performance rights were issued to the CEO during the year as compensation for the acquisition of the Carbon Allotropes business. These performance rights will automatically convert into 3,000,000 new Archer shares if the CEO is still employed by Archer on 30 October 2018. A further 150,000 performance rights were issued to each of the CEO and Archer's two Sydney based employees (total of 450,000 performance rights). In addition, in early July 2018 total of 750,000 performance rights issued to directors and management after the 2016 AGM converted into Archer shares.

# CORPORATE

Dr Mohammad Choucair was appointed as Archer Chief Executive Officer on 1 December 2017. He has spent the last decade implementing governance, control and key compliance requirements for the creation and commercial development of innovative technologies with global impact. Mohammad served a 2-year mandate on the World Economic Forum Global Future Council for Advanced Materials and is a Councillor of The Royal Society of New South Wales. He has a strong record of delivering innovation and has been recognised internationally as a forward thinker. Dr Choucair is based at Archer's Sydney Office, together with Archer's Marketing and Communications Officer, Mr James Galvin (B Commun.), and Business Development Analyst, Mr Jun Hong (BSc Hons. 1).

# DIVIDENDS

No dividends were declared or paid during the financial year. No recommendation for payment of dividends has been made to the date of this report.

# FACTORS AND RISKS AFFECTING FUTURE PERFORMANCE

The following describes some of the external factors and business risks that could have a material impact on the Company's ability to deliver its strategy:

**Access to funding**

The Company does not make sufficient income from sales on the Carbon Allotropes web site to fund its operations and the Company is reliant on capital raisings to fund its future operations. Therefore, the Company's ability to continue to develop the Advanced Materials business is contingent upon the Company's ability to source timely access to additional funding as it is required.

**Government approvals**

In December 2017 the Company was granted a mining lease application for the Campoona graphite project. The mining lease does not permit the Company to commence mining operations. The Company is only permitted to commence mining once it has lodged a Program for Environmental Protection and Rehabilitation (PEPR) and the PEPR is approved by the South Australian Government. It is highly unlikely that the PEPR will be submitted and approved before the end of 2019.

**Key Agreements**

Development of the quantum technology intellectual property is dependent on Archer executing a Licence Agreement with the University of Sydney. Whilst Archer is confident of executing a Licence Agreement on terms favourable to the Company, there is a risk that no agreement is reached and Archer is unable to access the intellectual property required to grow the key area of quantum technology in the Advanced Materials business.

**Offtake and customers**

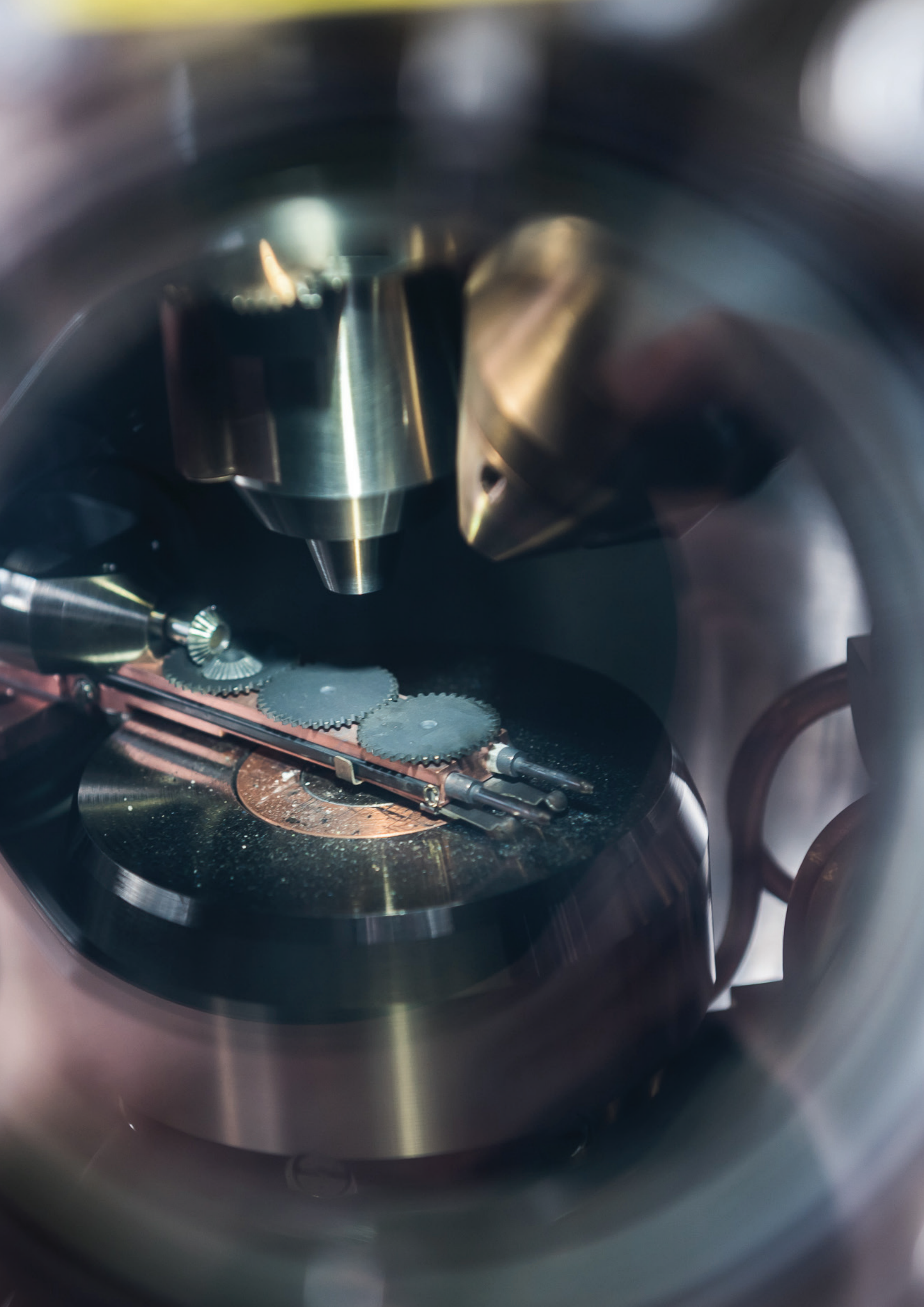
The success of the Advanced Materials business is dependent on Archer securing long term offtake agreements with key customers. Unlike gold, copper and base metals magnesia and graphite are industrial minerals and require contracts with customers as opposed to selling commodities on the spot market. Archer has not yet entered into any offtake agreements.

**Commodity demand and risk**

The Company is exposed to adverse global demand for graphite and/or adverse commodity price movements. This could affect the Company's ability to raise funds to advance its projects.

**Sale of non-graphite tenements**

The sale of the non-graphite tenements is dependent on Ballista Resources Ltd raising funds and listing on the ASX. There is a risk that Ballista Resources Ltd will not be unable to list on the ASX and the sale of the non-graphite tenements will not proceed. In this case, Archer plans to continue actively exploring the non-graphite tenements, and the Company would need to raise additional funds in the near-term to fund these exploration activities.



# ADVANCED MATERIALS

# ADVANCED MATERIALS

## *At Archer, we develop mineral resources.*

Through a unique combination of exploration and innovation, we're creating advanced materials from Australia's natural resources to find and source the building blocks of modern technology. With projects spanning graphite, graphene, and more, we're making the materials of the future possible.

## *Innovation to reinvent materials thinking.*

By harnessing the potential of scientific innovation, we're transforming our mineral resources into the advanced materials needed to drive the new order of performance required by future industries and technologies.

## *Integration to accelerate global impact.*

Our collaborative approach to mineral and materials development is enabling a new wave of converging technologies, each with the potential to revolutionise global industries spanning energy, medicine, and electronics.

Archer's mission is to positively contribute to global markets enabling the Fourth Industrial Revolution. Our vision is to develop and integrate advanced materials for use in reliable energy, human health, and quantum technologies for the betterment of society. We know that this can only be achieved by applying our values of excellence, creativity, and collaboration, in everything we aim to achieve.

## *Reliable Energy*

Energy technologies are an integral part of society. The ability to control the accumulation of heat, light and electricity efficiently and reversibly has wide-reaching applications in energy storage and use. We are developing advanced materials for a future circular economy based on providing non-polluting alternatives to fossil fuels.

## *Human Health*

Future technologies incorporating complex biosensing devices will need to quickly identify disease and infection. We are developing material probes that can be integrated as functional elements for rapid diagnostic medical imaging and in the detection of complex biological molecules connected to the human immune system.

## *Quantum Technology*

Materials that enable quantum information processing could transform all industries dependent on computational power and are at the heart of some of the biggest challenges facing quantum computing. We are developing the fundamental components to practical quantum computers for wide-scale commercial use.

Our focus on end-to-end material centric solutions results in an interdependency of materials across the various high-growth markets we operate, which gives rise to unique opportunities for end-to-end material centric solutions to some of the world's grand challenges.

# CARBON ALLOTROPES

In October 2017, Archer completed the purchase of 100% ownership of Carbon Allotropes (www.carbonallotropes.com), an online graphite and graphene market place that sells carbon material products to international and domestic customers. Carbon Allotropes' clients are synergistic with Archer's potential clients and include multinational companies, research institutions and development networks in Australia, Europe, the US and Asia. Carbon Allotropes' competitive advantages include its reputation, wide range of consolidated product offering, and geographic reach.

This acquisition was a first major step in Archer's strategy to integrate the Campoona graphite development. It has added a key sales platform for our proposed graphite and graphene manufacturing operations, and provided a major step forward in Archer's growth. The acquisition is in line with Archer's goal of acquiring businesses that complement existing operations, deliver scale, and are of immediate benefit to Archer shareholders. Carbon Allotropes fit all of these criteria, as well as giving Archer a much greater competitive advantage in the areas of lead generation, graphite and graphene sales, and customer insights.

Post-acquisition, Carbon Allotropes' founder, Dr Mohammad Choucair was be appointed as CEO of Archer on 1 December 2017. The purchase price for Carbon Allotropes was the issue of 3,000,000 performance rights to Dr Choucair that 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.

Dr Choucair was the first person in the world to directly synthesise graphene and led to his receipt of the coveted Cornforth Medal from the Royal Australian Chemical Institute for the most outstanding Chemistry PhD in Australia. He is a Fellow of RACI, Honorary Fellow of The University of Sydney, Councillor of The Royal Society of New South Wales, and has been recognised by Virgin Australia as one of the Top 10 Australian Stars of 2016. Dr Choucair is based in Archer's Sydney office along with Archer's Marketing and Communications Officer, Mr James Galvin, and Business Development Analyst, Mr Jun Hong.

Dr Choucair brings to Archer a strong internationally recognised record of delivering materials innovation, and a diverse multi stakeholder network, having successfully managed complex research and commercial development programs spanning lithium ion batteries, quantum technologies, human health and synthetic nanomaterials in Australia and abroad.

Since Dr Choucair's appointment as CEO, Archer is now better positioned in the greater materials economy. Archer is developing a reputation in the advanced materials and graphene market for excellence. We have attracted a growing number of unsolicited approaches for participation in joint development projects, progressed agreements with large institutions, and addressed value addition and creation with our substantial graphite and graphene resources.

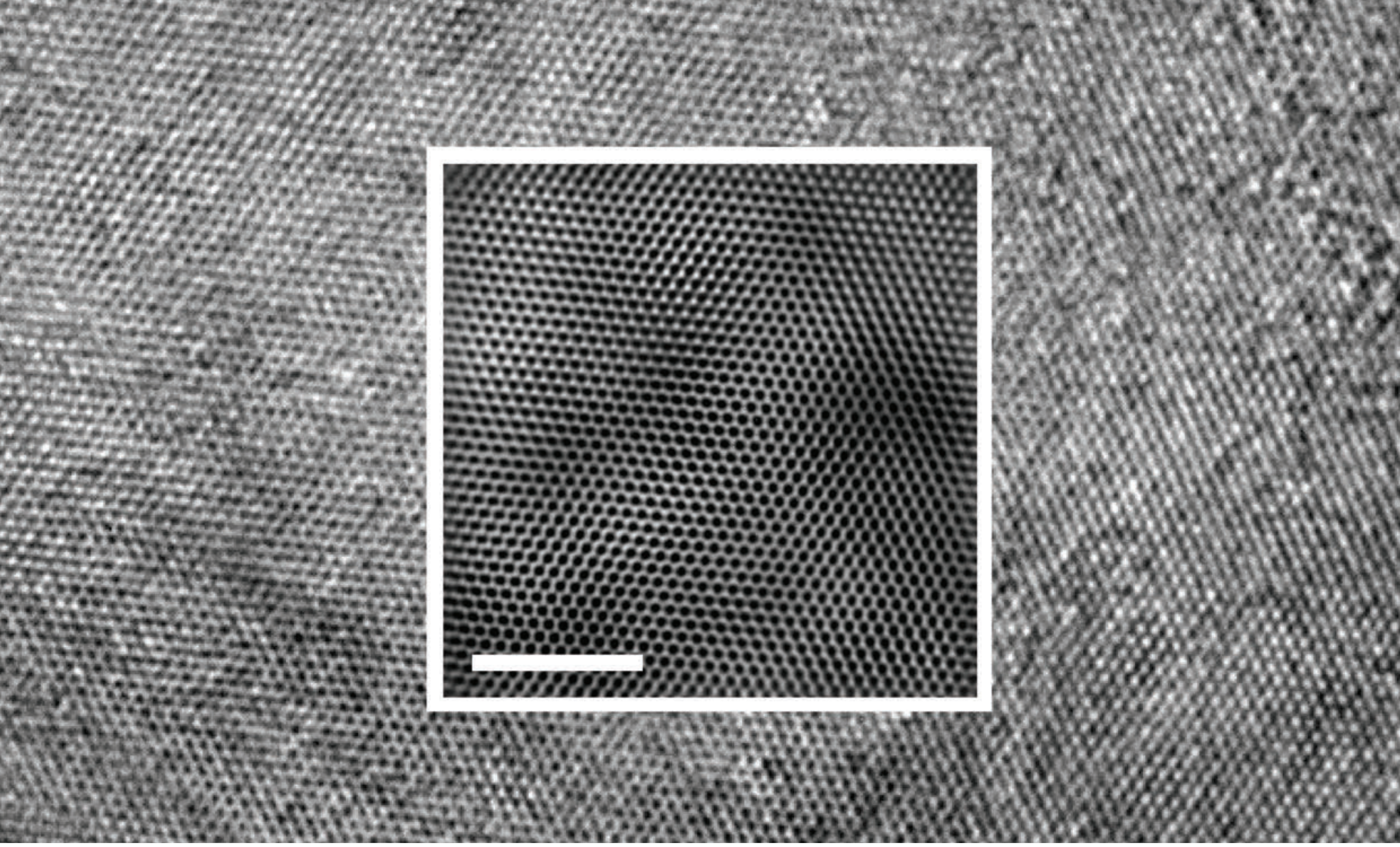
As a result, we have been in contact with over 100 potential offtake and investment partners for our integrated graphite and graphene related activities, and over 150 new customers have been pre-qualified for graphene sales and collaborations on the Carbon Allotropes marketplace. This gives us confidence that our strategy is working and that the advanced materials business is taking shape and is poised for growth.

# GRAPHITE DEVELOPMENT

On 8 December 2017, Archer announced the grant of mining tenements to Pirie Resources Pty Ltd, a wholly owned subsidiary of Archer. This included a Campoona Mining Lease, the site of the proposed Campoona Shaft graphite mine (ML 6470), Sugarloaf Graphite Processing Facility Miscellaneous Purposes Licence (MPL 150), and The Pindari Borefield Miscellaneous Purposes Licence (MPL 151). The mining tenements 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, as part of Archer's 100% owned Eyre Peninsula Graphite Project.

The Eyre Peninsula Graphite Project is a valuable asset that gives Archer access to a high-grade graphite resource that is capable of making high quality graphene. Following the grant of the Mining Lease by the South Australian Government last December, the program for environment protection and rehabilitation (PEPR) is now ongoing, with Archer recently lodging its draft Community Consultation Plan with the South Australian Government for review and approval. The PEPR must be completed and approved by the South Australian Government any mining operations can be conducted.

In parallel to the PEPR process during Archer announced in April 2018 the signing a Memorandum of Understanding (MOU) with Urbix Resources LLC (Urbix) for preliminary purification testing of Archer's Campoona graphite to HF-equivalent purification grades suitable for battery and energy storage applications using Urbix's proprietary purification processes. Urbix is a private company founded in 2014 and based in Phoenix, Arizona, USA, which specialises in aspects of the graphite value chain, and have developed proprietary methods for the purification of various graphite and graphene products using low-temperature, non- oxidative techniques.



The MOU with Urbix outlined that consideration would be given to the joint development of additional purification process optimisation, technology licensing, and toll processing services for the Campoona Graphite Project. This is a valuable step for Archer in developing relationships with graphite industry partners and work with Urbix is currently ongoing.

The work with Urbix presents a toll processing opportunity in North America that could reduce the capital costs of the Campoona Graphite Project while providing efficient, high-volume processing of the Campoona Graphite Deposit with low environmental impact, whilst still maintaining the 99%+ grades required for downstream battery technologies.

An important factor in the suitability of graphite use by off-take partners in downstream applications including battery technologies and graphene production is maintaining the intrinsic physical properties of Archer's graphite after processing. In April 2018, Archer was able to directly prove the high quality of Campoona graphite by showing individual atoms in the material are structurally near-perfect down to the atomic scale (image displayed above).

The intrinsic physical properties of Archer's graphite confirmed suitability for use in batteries and the production of graphene, and these properties were maintained even after mechanical and chemical processing. These excellent results will greatly assist the ability for Archer to market Campoona Graphite to potential customers and end users.

# RELIABLE ENERGY

In April 2018, Archer announced the signing of a collaboration agreement (Collaboration) with Flex-G Pty. Ltd (FlexeGRAPH) to jointly develop graphite and graphene based advanced materials for the thermal management of electric vehicle batteries, internal combustion engines, and high- performance computing systems. The objective of the Collaboration is to commercially translate products and patents in areas relating to high volume and high value graphite-to-graphene development within the reliable energy segment of the market. This involves Archer and FlexeGRAPH prototyping materials using Archer's Campoona Graphite, and any new products developed with FlexeGRAPH to be sold through the Carbon Allotropes Marketplace (www.market.carbonallotropes.com).

This strategic relationship with FlexeGRAPH provides an opportunity for Archer to integrate our graphite materials with a clear view downstream connecting the sourcing, processing and use of graphite and graphene in high value systems including electrified vehicles and high-power computing. Together with FlexeGRAPH Archer has an opportunity to convert our high-volume Campoona graphite to high-value graphene materials that can impact the automotive and computing industries where thermal management and reliable energy is critical to their widespread use.

FlexeGRAPH have experience in developing advanced graphene-based materials with nano-enhanced products for cooling and heat transfer applications and have connections to global markets in the chemicals and automotive sectors. FlexeGRAPH was founded in Australia in 2017 and produces cooling fluids enhanced with nanomaterials and technology, intended for electrified systems such as batteries as well as high performance computing and data centres. The core technology was developed at the Australian National University and has been patented and exclusively licenced to FlexeGRAPH.

Also in April 2018, Archer announced the signing a collaboration agreement (Collaboration) and Research Service Agreement with The University of New South Wales (UNSW) to develop carbon-based electrical energy storage technology. The development is seeking graphite and graphene-based materials for lithium-ion batteries, potentially generating technologies and patents that have commercial applications in reliable energy. The collaborative effort combines Archer's graphite and graphene materials with the R&D capability of The University of New South Wales, with the University ranking in the top 3% globally in Engineering and Technology and housing world-class facilities for battery materials testing (image displayed above) and development at the Mark Wainwright Analytical Centre.

Archer now enjoys a unique relationship with UNSW and facilities within the University including those in the Mark Wainwright Analytical Centre. This Centre, unique in its diversity in Australia, comprises AUD$100 million of state-of-the-art characterisation equipment, managed by over 80 instrument scientists ready to engage and drive research projects within Archer. The Centre has a broad range of capabilities that fulfil our aims to participate in the integration of advanced materials in battery technologies that will provide future opportunities and new markets to underpin the development of Archer's substantial graphite resources.

# HUMAN HEALTH

In March 2018, Archer announced that an existing collaboration agreement with The University of Adelaide for the Australian Research Council Research Hub for Graphene Enabled Industry Transformation was varied. The new collaboration project involves developing and implementing graphene and carbon-based materials for use in complex biosensing targeting applications in human health.

This Agreement contributed to the repositioning of our materials development focus with the University of Adelaide to target a high value, high growth market for innovative carbon-based technologies. This change is part of our strategy to capture niche segments of the carbon-based material's market where we have potential competitive advantages as a vertically integrated participant. The Agreement represented the first of our targeted efforts to capture and develop carbon-based solutions with Archer's graphite and graphene materials through collaboration with The University of Adelaide, and one that offers significant upside potential for Archer.

This work is expected to result in the development of all functional elements of a versatile in vitro electrochemical carbon-based biosensor. The carbon-based materials developed would be electronically, chemically and structurally tuneable with nanoscale-level optimisation tailored for electrochemical detection of complex biological molecules. Such outcomes are anticipated to be used to secure intellectual property rights to commercially viable technology integrating printed graphene componentry for biosensing devices.


Instrument Services
/Fax: (02) 4657 1154
Mobile: 0411 573 169
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# QUANTUM TECHNOLOGY

In May 2018, Archer announced that The University of Sydney Commercial Development and Industry Partnerships (CDIP) agreed to exclusively negotiate terms for an exclusive licence that would allow Archer to develop and commercialise graphene-based quantum computing technology. The IP has the potential to positively impact the quantum computing industry by developing and integrating critical componentry (qubits) that can operate under practical conditions.

The patent rights are jointly held between the University of Sydney (University) and École Polytechnique Fédérale de Lausanne through a collaborative research project co-led by Dr Mohammad Choucair while previously at the University. The University and EPFL finalised an inter-institutional agreement with which EPFL allows the University to take the commercialisation lead in proceeding to negotiate with Archer. The negotiations will facilitate the filing of an international patent application by CDIP under the Patent Cooperation Treaty (PCT), as international trade accounts for 96% of revenue in the global semiconductor and electronic parts manufacturing industry.

Our negotiations with CDIP will allow Archer to leverage our strategic graphite and graphene resources, and our inventory of specialised materials assets held in our Carbon Allotropes business, to find high value, materials-centric, end-to-end solutions to solve one of the most significant problems in our technological age. It is important to note that Australia has globally recognised expertise in quantum materials and is at the forefront of quantum technology. Archer is in a strong position to develop and commercialise strategically relevant IP for long-term company success and business development.

We are looking forward to our involvement in the development and commercialisation of this potential breakthrough in quantum computing IP which reduces many of the technological barriers to realising practical quantum computing using materials in Archer and Carbon Allotropes inventory. Given the established years of research and results supporting this IP, it has the potential, over a short time frame, to allow Archer to develop and commercialise a world first, practical quantum computing chip (device), with significantly reduced costs compared to current approaches.

# EXPLORATION

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# MAGNESIA

## Leigh Creek Magnesia Project

Archer's Leigh Creek Magnesia Project (Magnesia Project) hosts the world's largest cryptocrystalline magnesite deposit, located approximately 530km north of Adelaide, South Australia. The Magnesia Project consists of two exploration licences held by Leigh Creek Magnesite Pty Ltd (LCM) and CH Magnesite Pty Ltd (CHM), both of which are wholly owned subsidiaries of Archer.

On 2 July 2018, Archer announced the sale of the Magnesia Project. Sale of the Magnesia Project is facilitated by Archer agreeing to sell all of the shares in LCM and CHM and represents a minimum $2 million cash injection for Archer over the next 12 months. The sale was completed as part of Archer's 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 allows Archer to intensify its focus on its emerging advanced materials and technology business and associated development of the Campoona graphite mine.

The key agreement terms and conditions for the completion of the sale and purchase of the Magnesia Project (Completion) are noted below:

*The sale of the Magnesia Project is between Archer and Australian Consolidated Venture Capital Pty Ltd or a subsidiary or related entity of Australian Consolidated Venture Capital Pty Ltd appointed as nominee (together the buyer) at any time prior to completion of the share sale.*

*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 million (Base Payment) plus a Bonus. Within two weeks of the signing of the sale agreement, Archer received a $50,000 non-refundable deposit (Deposit) and the buyer must pay to Archer a further non-refundable $200,000 (Additional Deposit) if the Buyer elects to proceed to Completion after the end of the due diligence period (i.e. 31 August 2018). Completion will take place on 31 December 2019 or such other date agreed by Archer and the buyer.*

*Completion of the sale of the shares under the agreement will result in the buyer or its nominee owning all of the shares of LCM and CHM and the buyer or its nominee owning the tenements held by LCM and CHM.*

*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 of the buyer has occurred, shares in the relevant listed entity (or a combination of both) at the election of the buyer or its nominee.*

*The Bonus is payable if the buyer or a related entity of the buyer or nominee lists on a regulated stock exchange either before or within 6 months of Completion. The Bonus amount is an additional payment calculated as 5% of an amount $2 million below the IPO market capitalisation of the listed entity.*

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# COBALT

## North Broken Hill Cobalt Project

The North Broken Hill Cobalt Project (Cobalt Project) is located approximately 20km north of Broken Hill and is situated along strike from Cobalt Blue Ltd's Thackaringa Cobalt Project which includes the Pyrite Hill, Big Hill and Railway cobalt deposits.

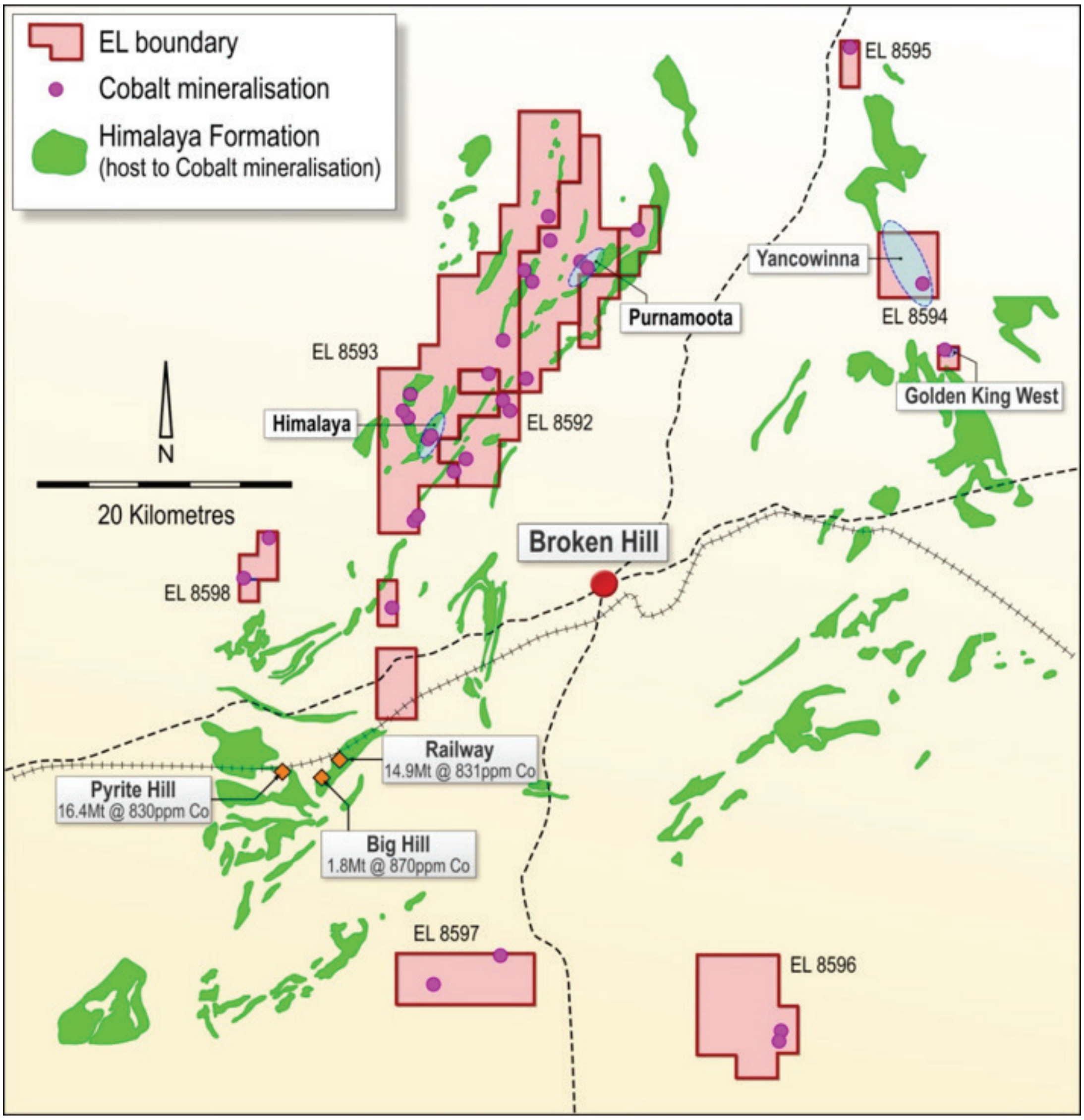
The majority of the Cobalt Project tenements were granted to Archer in July / August 2018 and soon after Archer commenced a regional rock chip sampling program which involved the company systematically collecting rock chip samples from previously unsampled areas considered prospective for cobalt and copper mineralisation. This initial exploration work targeted those areas identified by NSW government mapping as hosting rock types that are prospective for cobalt mineralisation (e.g. Big Hill, Sisters, Himalaya and Great Eastern type). Whilst undertaking the cobalt focused exploration work, the Archer's geologists have also identified significant surface copper mineralisation, most of which has never been drill tested. In many instances, the copper mineralised outcrop disappears under cover, meaning that the overall dimensions of the mineralisation remain unknown.

The copper mineralisation occurs within different formations, in some instances it appears to be hosted within shears, whilst in other areas locations it is associated with quartz veining. Significantly, due to the historical focus on "Broken Hill Style" (Pb-Zn-Ag) mineralisation, historically little attention has been paid to the copper mineralisation, which in some parts is considerable.

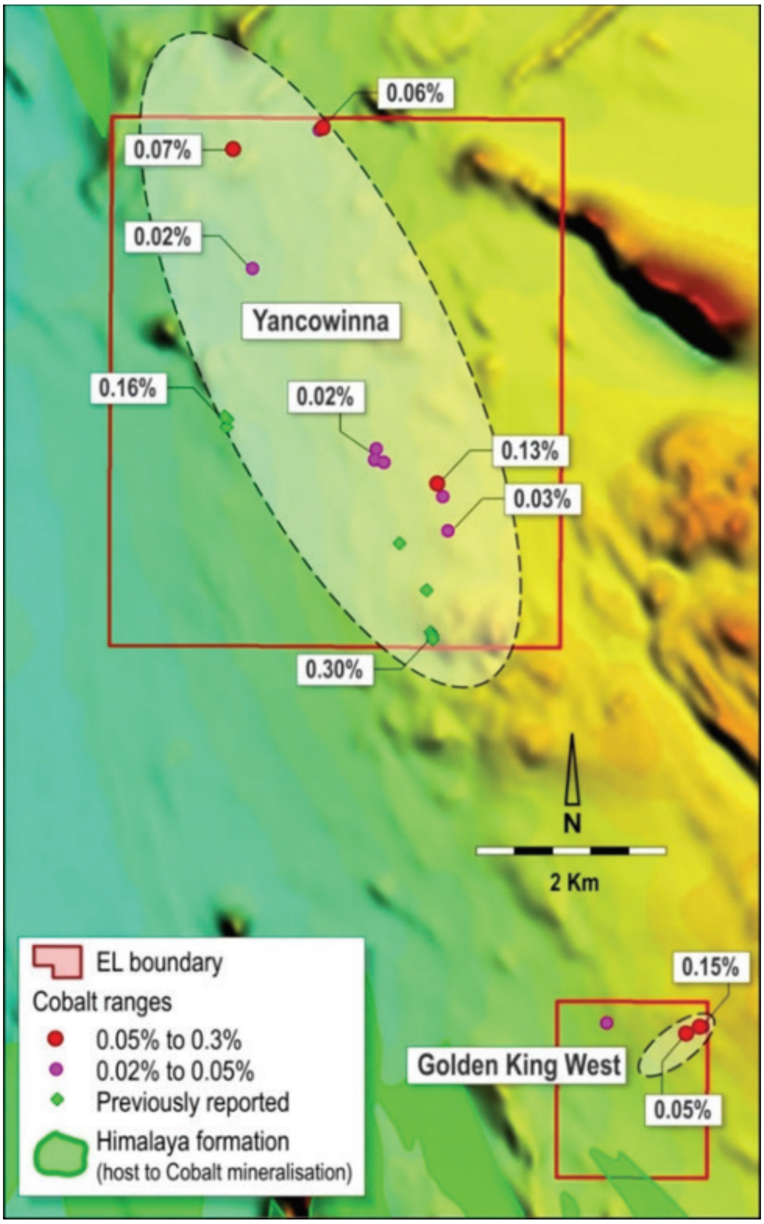
A particularly exciting location identified by Archer is Purnamoota, located 1-2km east of a historic Pb-Zn-Ag target that was drilled in the 1980's, and is an example where historic exploration was focused solely on finding repetitions of Broken Hill and ignoring other base metals, such as cobalt. Minimal historic copper exploration work has been performed within the larger project area and an opportunity exists to explore these prospects for copper mineralisation as well as cobalt: both Purnamoota and Yancowinna extend under cover and Archer believes there is potential to extend the dimensions of these prospects with further exploration.

The reconnaissance sampling program conducted during the year identified four discrete cobalt prospects and three copper-cobalt prospects within the larger Cobalt Project area, these prospects are:

| Prospect | Commodity | Description |
|---|---|---|
| Yancowinna | Cobalt | Mapped strike length of 2.5km with the overall area of mineralisation extended to 9km2, and peak grades of 0.30% cobalt & 15.4% copper. |
| Himalaya | Cobalt | Mapped strike length of 3km and peak grade of 0.16% co-balt, with the identification of a further 4 to 5 new cobalt targets. |
| Golden King West | Cobalt | Mapped strike length of 300m and peak grades of 0.15% cobalt & 0.6% copper. |
| Purnamoota | Cobalt | +4km long and peak grades of 0.15% cobalt (+1km strike length) & 3.45% copper. |
| Highway | Copper | Strike length not yet determined, with peak grades of 29.4% copper & 0.15% cobalt. |
| Salty Hill | Copper | Strike length not yet determined, with peak grades of 7.5% copper & 0.09% cobalt. |
| Secret South West | Copper | +5km long with peak grades of 6.4% copper. |




*Location of cobalt targets within the Broken Hill tenements. Purnamoota is located approximately 15km northwest of the Himalaya prospect and approximately 20km west of the Yancowinna prospect. Cobalt mineralisation at Purnamoota is associated with the Himalaya suite rocks.*



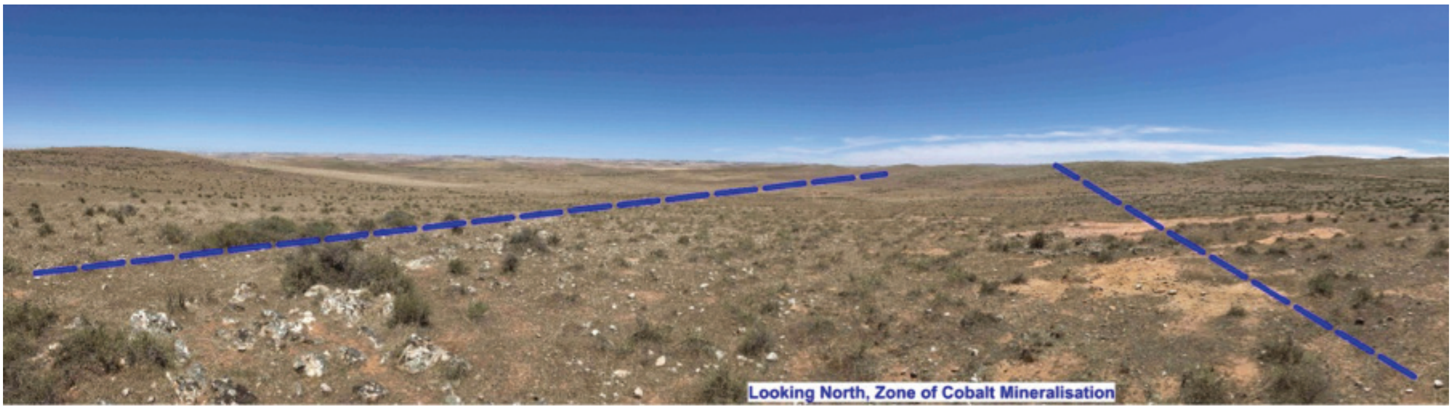

*Cobalt results from rock chip sampling at Yancowinna over magnetic image. Tenement EL 8594 is divided into two distinct areas, the northern block which hosts the Yancowinna Cobalt Prospect and the southern block which hosts the Golden King West Prospect. The Golden King West Prospect is a new discovery by Archer, and the mineralisation appears to be hosted within a large structure (+300m) that cross cuts the local geology. It is located SW of the Golden King Mine (off tenement), which was mined for gold with past production quoted as being <50t with recorded ore grades of averaging 44g/t Au with several percent copper and the workings consist of a series of shafts and open pits and winzes. Big Hill cobalt targets (same mineralisation as Cobalt Blue's Thackaringa Cobalt project) identified by the NSW government to the west of Golden King West have not yet been sampled but will be targeted in future exploration programs.*

## Yarcowie Cobalt Project

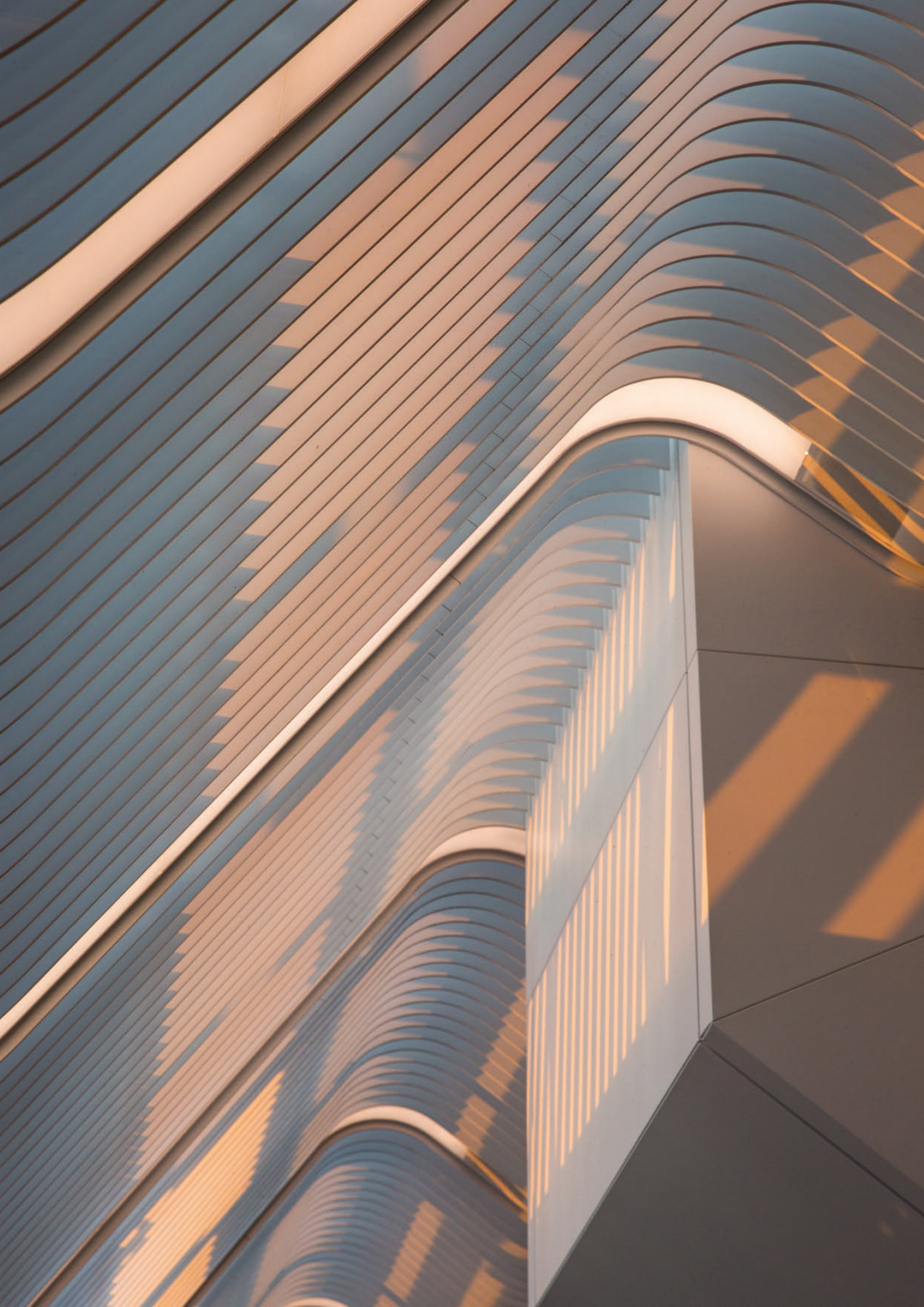
The Yarcowie Project is located approximately 20km east of the Tesla 100MW battery array at Jamestown, South Australia. The Yarcowie tenement area crosses the Barrier Highway and is within close proximity to existing rail, power, gas and other significant infrastructure.

In November 2017 Archer announced the results from the maiden reconnaissance sampling program at Yarcowie. Rock chips were collected over a large area at Yarcowie with high grades ranging from 0.36% (3,600ppm) to 0.94% (9,400ppm) cobalt. Following the success of this first program, Archer undertook further exploration work involving geological mapping and the collection of rock chips in proximity to the site of the previous rock chip sampling.

Archer has mapped the cobalt mineralisation at Yarcowie over a length of 1km and a width of approximately 500 metres. 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.




*Standing at site of Sample Hill 271117_15 (0.15% cobalt) looking north along conceptual mineralised corridor*



Cu

# COPPER

Archer's tenement portfolio contains a number of prospective copper opportunities, located in areas that are considered to have the right structural and geological systems capable of hosting large deposits.

Archer's main focus is on the North Burra area (North Burra Project), located 40km to the NE of the township of Burra, South Australia. The North Burra Project tenements cover an area of 2,800km2 and includes the Blue Hills Copper-Gold Project and the Ketchowla Manganese Cobalt Project.

Archer undertook a considerable amount of exploration at North Burra Project during the past 12 months. Since the initial drill testing of some minor copper workings in August 2017, a program of soil sampling, the completion of an aerial electro-magnetic survey and follow up RAB drilling has been completed. This work has led to the identification of deep conductive targets with potential intrusive association for copper and gold mineralisation. All these targets are now ready for future drill testing.

## Blue Hills Copper Prospect

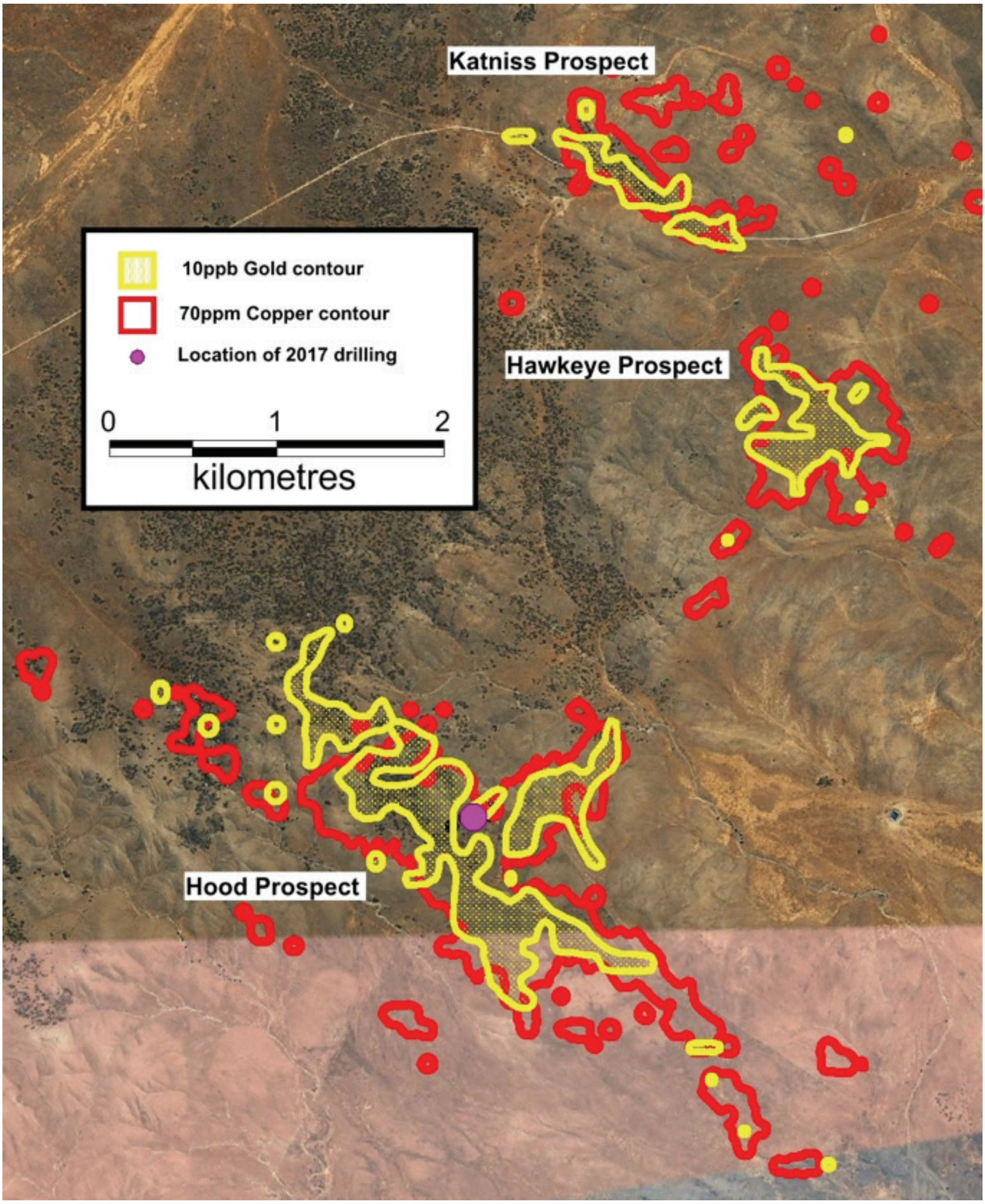
The Company completed a 4,700 sample soil survey over about 40km2 (60% of the larger Blue hills magnetic anomaly). The soil sampling identified three separate large copper anomalies along the interpreted edges of the large intrusive body. The anomalies are defined as:

- Hood anomaly, located on the southern edge of the magnetic intrusion, is approximately 4km long and 2km wide (at +90ppm copper).
- Hawkeye anomaly, located on the south-eastern edge of the magnetic intrusion, is approximately 1.5km long and 1.0km wide (at +90ppm copper).
- Katniss anomaly, trending in a north-west direction, is approximately 1km long and 0.5km wide (at +90ppm copper).

In February 2018, Archer reported the results from a 373-line km airborne electro-magnetic survey (AEM), which was flown over the soils anomalies and their possible extensions under cover. The initial interpretation of the AEM data, highlighted a number of basement conductors that are considered prospective for intrusion related sedimentary hosted copper-gold mineralisation. Some of these are co-incident with previously reported soil anomalies (Hood, Hawkeye and Katniss). Additionally, a number of large, conductive targets (Legolas & Ygritte) were identified by the new AEM survey within the Blue Hills area. These two targets are located to the east of the soil anomalies and are under cover.

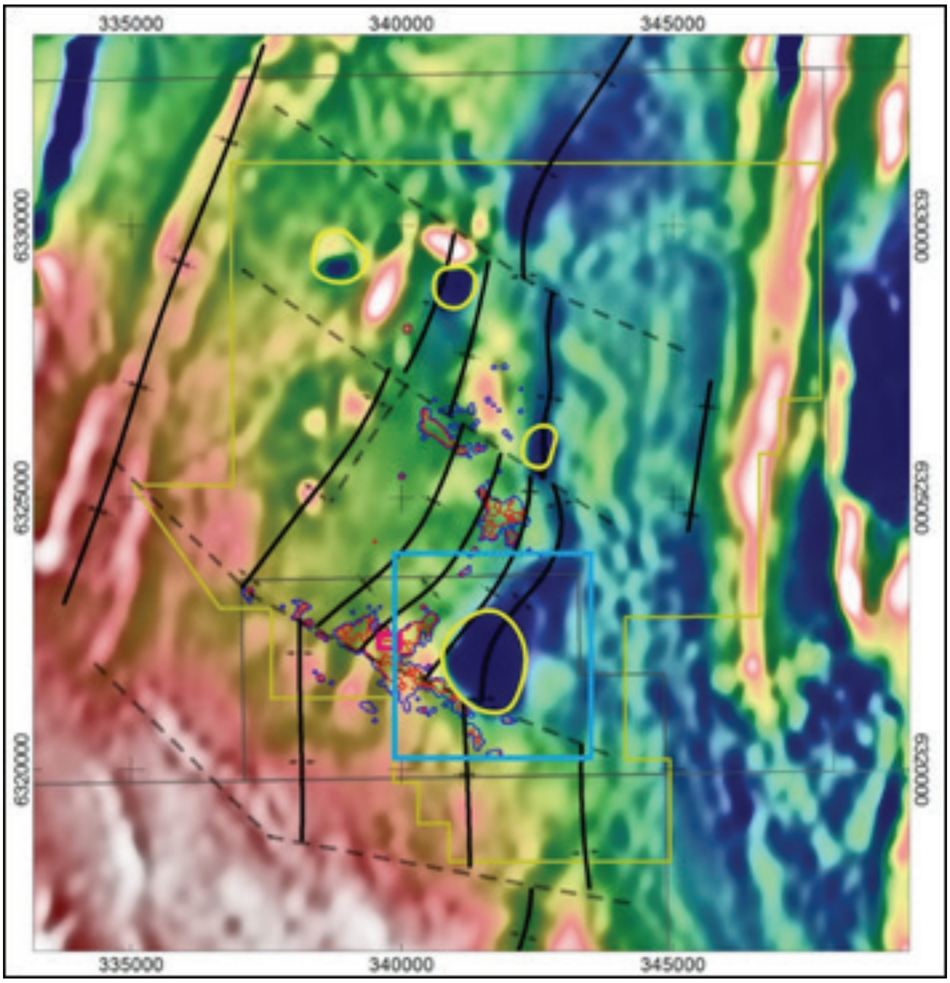
RAB geochemical drilling program was completed at the Blue Hills in early 2018, comprising 234 holes for 2,955m. The drilling intersected strong anomalous copper and widespread gold in bedrock. The key objective of the drilling was to confirm the presence of copper in the bedrock at Hood, Hawkeye and Katniss as well identify any anomalism under cover at both Ygritte and Legolas (which could not be sampled using soils). This was successfully achieved for the limited drilling undertaken, while other significant EM targets (under cover) have not been tested with drilling yet.

The drill holes encountered a thin residual regolith cover before penetrating the weathered and leached siltstones that dominate the area. Deeper (+20m) drilling was required at Ygritte and Legolas due the volume of transported material present. Samples were collected at the bottom of the hole as well as other intervals identified by the geologist as significant (e.g. the intersection of quartz veins of iron oxides). As the nature of exploration was essentially an advanced soil testing approach using RAB, the mineralisation is consistent with the generally low-grade results achieved with this method, in comparison to mining grade ore, however it was sufficient to confirm extensive soil anomalism and identify additional anomalies under cover (i.e. +1m of transported material).




*Blue Hills copper mineralisation contours overlain on magnetic image, with the locations of Hood, Hawkeye, and Katniss Prospects. Hood was the location of Archer's original exploration efforts at Blue Hills. Both Hawkeye and Katniss anomalies were new discoveries for Archer. Like Hood, the Hawkeye anomaly is also located on the edge of the Blue Hills magnetic anomaly. The Katniss anomaly is unique in that it is not located on the edge of the magnetic anomaly. Katniss strikes parallel to Hood and is open to the north.*

Numerous copper drill intersections were recorded by Archer from the shallow RC drilling in 2017, with drill intercepts of 23m @ 0.30% and 12m @ 0.5% copper from surface. The Hood RC drill holes were not located within the highest-grade soil anomalies with significant +90ppm copper soil anomalies located in the vicinity of the RC drill hole collars.




*Reprocessed magnetic image showing the location of modelled intrusions with soil anomalies. Reprocessing of the available magnetic data has allowed high confidence in the modelling of a buried Intrusion. The location of the Intrusion is to the SE of the largest Cu-Au anomaly (Hood), as it is located adjacent to the same structure that hosts the Hood and may be the source for the mineralisation being observed at the surface..*

Mn

# MANGANESE

While manganese has traditionally been seen as a component in steel alloys, it is the battery applications of Electrolytic Manganese Dioxide (EMD) that are predicted to be the fastest growing segment of manganese production. EMD is a high value manganese product which is a critical component within various applications, especially for lithium ion battery cathode material for electric vehicles. Archer has two Manganese projects within close proximity to the site of Archer's proposed Sugarloaf graphite processing facility. Metallurgical test work and review of historical drill results resulted in positive early results for the development of Archer's Manganese projects.

## Ketchowla Cobalt-Manganese Project

The Ketchowla Cobalt-Manganese Project is located approximately 45km north of Burra, South Australia. Ketchowla is an outcropping fold structure that has been mapped over 20km and comprises the K1 to K9 prospects. Drilling by Archer in 2017 at K1 intersected near surface copper, cobalt and manganese mineralisation.
A 3m composite from K1 (hole K1RC1700, 8m to 11m) was submitted for metallurgical testing to determine whether or not the manganese, cobalt, copper and other metals could be recovered from the ore material. The test work was undertaken in two stages:

- Stage 1: desliming (removal of clays) and gravity separation to make a concentrate that could then be leached. Initial testing was performed by hand panning the sample to displace slimes and to separate the minerals. The repeated panning process, with intermediate milling, resulted in a 25% – 35% increase in the manganese and base metal grades at a recovery of 60% – 70%.
- Stage 2: leaching of the concentrate, using sulphuric acid and sulphur dioxide (to control the pH), to recover the cobalt, manganese and other metals.

The introduction of sulphur dioxide and the lowering of the pH led to a significant levels of metal recovery, up to 99.39% Mn (Ket#3) and 98.66% Co (Ket#3), when compared to baseline tests. The exceptional test results of the metallurgical test work demonstrate the potential for a simple acid leaching process to extract manganese, cobalt, nickel and copper. The manganese extractions achieved close to 100%, and at pH 1, more than 96% of cobalt and nickel were extracted, along with 91% of the copper.

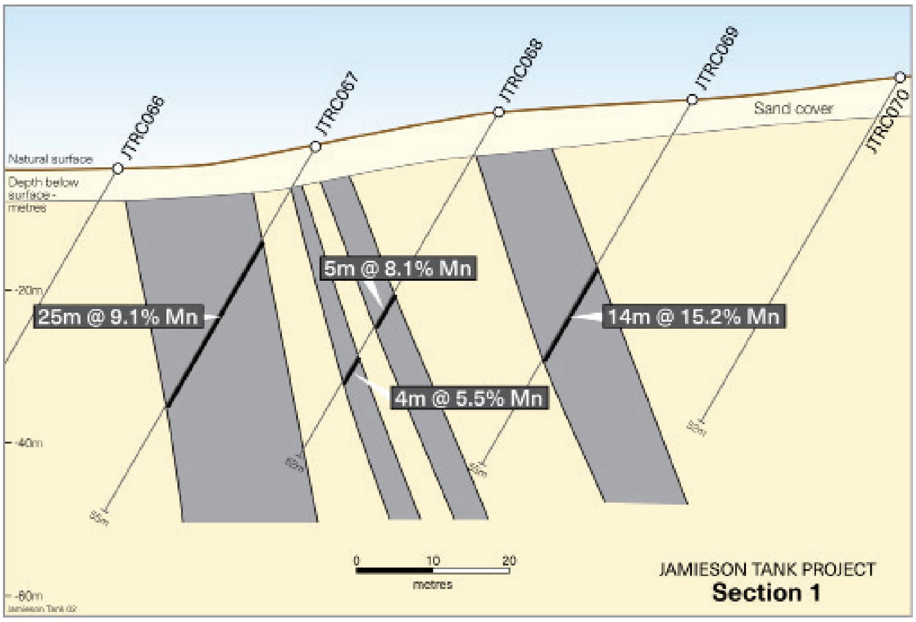
**Jamieson Tank Manganese Project**

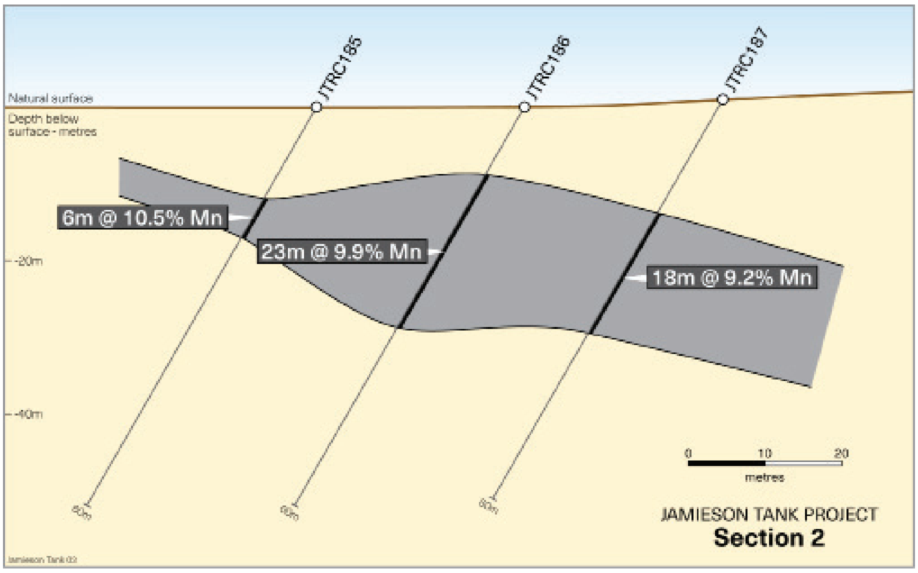
The Company provided to Kemetco Research Inc. a drill sample from Jamieson Tank with a head grade of approx. 12% manganese. Whilst the grade of Jamieson Tank manganese is lower than direct shipping manganese (e.g. Jupiter Mines and South32) the manganese is low in iron and other impurities which may make it suitable for electrolytic manganese dioxide (EMD) production.

The test work completed by Kemetco involved the leaching of the manganese from the drill sample provided by Archer, purification of the leach to remove iron, cobalt, nickel and other potentially deleterious elements and finally the precipitation of the electrolytic manganese dioxide onto graphite cathode and titanium anodes. The test work showed that the Jamieson Tank manganese was capable of making an EMD product with a manganese content of > 92% which is the standard required for alkaline and lithium ion batteries (ASX announcement 23 April 2018).

The positive results from the Kemetco test work led Archer to undertake a review of historical drill results and has resulted in the establishment of a maiden exploration target of 15Mt - 25Mt at a grade of 8% - 12% manganese for the Jamieson Tank Manganese Project (ASX announcement 7 May 2018). Investors should be aware that the potential quantity and grade of the Exploration Target is conceptual in nature, and there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The Exploration Target is based on historical drilling, across 208 drill holes and 11,200 drill metres, undertaken by Archer (2008 - 2011) and Monax Mining Ltd (2008 – 2012). These holes cover around 6.6km of the Jamieson Tank strike and were drilled at distances of 20 to 25m apart on 200m spaced drill lines. The holes are a mixture of RAB and Air Core (AC), with 22 holes exceeding downhole lengths of 70m, with some of the holes ending in manganese mineralisation.




*Jamieson Tank, with Section 1 showing the interpretation of steeply dipping mineralisation, and Section 2 showing interpretation of flat dipping mineralisation (refer to ASX announcement 7 May 2018).*

# MINERAL RESOURCES

## *Eyre Peninsula Graphite Project*

### *JORC 2012 Compliant*

| *Project* | *Category* | *Cut-off grade (% Cg)* | *Tonnes (Mt)* | *Graphitic Carbon %* | *Contained Graphite (t)* |
|---|---|---|---|---|---|
| **Campoona Shaft** | Measured | >5.0 | 0.32 | 12.7 | 40,600 |
| | Indicated | >5.0 | 0.78 | 8.2 | 64,000 |
| | Inferred | >5.0 | 0.55 | 8.5 | 46,800 |
| **Central Campoona** | Indicated | >5.0 | 0.22 | 12.3 | 27,100 |
| | Inferred | >5.0 | 0.30 | 10.3 | 30,900 |
| **Wilclo South** | Inferred | >5.0 | 6.38 | 8.8 | 561,400 |
| **Total Resource** | | | **8.55** | **9.0** | **770,800** |

## *Leigh Creek Magnesia Project*

### *JORC 2012 Compliant*

| Project | Category | Tonnes (kt) | MgO (%) |
|---|---|---|---|
| Mount Hutton Central | Measured | 12,059 | 40.1 |
| | Indicated | 5,460 | 40.2 |
| Total Resource | | 17,523 | 40.3 |

### *JORC 2004 Compliant*

| Project | Category | Tonnes (Mt) | MgO (%) |
|---|---|---|---|
| Mount Hutton South | Indicated | 72 | 42.9 |
| | Inferred | 53 | 42.9 |
| Mount Playfair | Indicated | 21 | 42.5 |
| | Inferred | 23 | 42.5 |
| Pug Hill | Indicated | 10 | 42.7 |
| | Inferred | 10 | 42.7 |
| Termination Hill | Measured | 4 | 42.8 |
| | Indicated | 5 | 42.8 |
| | Inferred | 20 | 42.8 |
| Witchelina | Measured | 23.7 | 40.0 |
| | Indicated | 94 | 40.0 |
| | Inferred | 99 | 40.0 |
| Total Resource | | 434.7 | 41.4 |

**Competent Person Statement**

The Mineral Resources Statement as a whole has been approved by Wade Bollenhagen who consents to its inclusion in the Annual Report in the form and context in which it appears.

The exploration results and exploration targets reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr Wade Bollenhagen, Exploration Manager 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.

**Campoona Shaft and Central Campoona**

The information pertaining to the Campoona Shaft and Central Campoona Mineral Resource estimates were:

- detailed in an announcement entitled "Archer Exploration announces Australia's largest JORC 2012 Graphite Resources", lodged with ASX on 6 August 2014.
- prepared by Mr B Knell who is a Member of the AusIMM and peer reviewed by Dr C Gee who is also a Member of the AusIMM (CP). At the time of the report Mr Knell and Dr Gee were both full time employees of Mining Plus Pty Ltd and both qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

**Wilclo South**

The information pertaining to the Wilclo South Mineral Resource estimate was:

- extracted from an announcement entitled "Maiden Wilclo South Graphite Resource", lodged by Monax Mining Limited with ASX on 26 August 2013.
- prepared by Ms Sharon Sylvester who at the time of the report Ms Sylvester was a full time employee of AMC Consultants Pty Ltd and qualifies as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

**Leigh Creek Magnesite Project**

The information pertaining to the Mt Hutton Central Mineral Resource estimate was:

- extracted from an announcement entitled "Mount Hutton Central JORC 2012 Resource", lodged with ASX on 12 April 2016.
- prepared by Mr Wade Bollenhagen who is a full time employee of Archer Exploration Limited and qualifies as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

The information relating to the Leigh Creek Magnesite Resource (excluding Mount Hutton Central) was first reported by Pima Mining NL on 3 September 1999 and was prepared in accordance with the JORC Code 1999.

Confirmation by Archer

The Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcements referred to above and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

**Eyre Peninsula Graphite Project**

There has been no change in the Campoona Shaft, Central Campoona or Wilclo South Mineral Resource estimate stated as at 30 June 2017. Accordingly, no comparison is provided.

The information pertaining to the Campoona Shaft and Central Campoona Mineral Resource estimates were:

- Detailed in an announcement entitled "Archer Exploration announces Australia's largest JORC 2012 Graphite Resources", lodged with ASX on 6 August 2014.
- Prepared by Mr B Knell who is a Member of the AusIMM and peer reviewed by Dr C Gee who is also a Member of the AusIMM (CP). At the time of the report Mr Knell and Dr Gee were both full time employees of Mining Plus Pty Ltd and both qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

**Wilclo South Mineral Resource**

The information pertaining to the Wilclo South Mineral Resource estimate was:

- Extracted from an announcement entitled "Maiden Wilclo South Graphite Resource", lodged by Monax Mining Limited with ASX on 26 August 2013.
- Prepared by Ms Sharon Sylvester who at the time of the report was a full time employee of AMC Consultants Pty Ltd and qualifies as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

**Scoping Study**

The Eyre Peninsula Graphite Project Scoping Study was first released as an ASX announcement entitled "Positive results from SA Graphite Project scoping study", lodged with ASX on 19 September 2016. Archer confirms that all material assumptions underpinning the production target and financial information set out in that announcement continue to apply and have not materially changed.

**Leigh Creek Magnesia Project**

There has been no change in the Leigh Creek Magnesia Project Mineral Resource estimate as at 30 June 2018. Accordingly, no comparison is provided.

**Mt Hutton Central Mineral Resource**

The information pertaining to the Mt Hutton Central Mineral Resource estimate was:

Extracted from an announcement entitled 'Mount Hutton Central JORC 2012 Resource', lodged with ASX on 12 April 2016.

- Prepared by Mr Wade Bollenhagen who is a full time employee of Archer Exploration Limited and qualifies as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

**Leigh Creek Magnesia Mineral Resources (excluding Mt Hutton Central)**

The information relating to the Leigh Creek Magnesia Resource (excluding Mount Hutton Central) was first reported by Pima Mining NL on 3 September 1999 and was prepared in accordance with the JORC Code 1999.

Archer has since updated the Mount Hutton Central Resources to JORC 12 standard however, the remaining Leigh Creek Magnesia Project Mineral Resource (comprising Witchelina, Termination Hill, Pug Hill, Mt Playfair and Mount Hutton South) is a historic estimate prepared by Pima Mining NL. There has been no material change or re-estimation of those mineral resources since they were first reported or as a result of the introduction of the 2012 JORC Code.

Future estimations will be prepared in accordance with 2012 JORC Code. Archer's focus is on the development of Mount Hutton Central, which the Company believes, has the potential to support a mining operation. As such, no work was done during the year on updating and reporting the remaining Leigh Creek Magnesia Project Mineral Resource historic estimate in accordance with JORC Code 2012.

Archer does not intend to upgrade the historic estimate to JORC 2012 standard prior to completion of the sale of the Leigh Creek Magnesia Project.

**Leigh Creek Magnesia Project Study**

The Leigh Creek Magnesia Project Study was first released as an ASX announcement entitled "Leigh Creek Magnesite - Project Study", lodged with ASX on 21 March 2016. Archer confirms that all material assumptions underpinning the production target and financial information set out in that announcement continue to apply and have not materially changed..

**Governance**

Archer maintains strong governance and internal controls in respect of its estimates of Mineral Resources and the estimation process. Archer ensures its sampling techniques, data collection, data veracity and the application of the collected data is at a high level of industry standard. Contract RC and diamond drilling with QA/QC controls approved by Archer are used routinely. All drill holes are logged by Archer geologists.

Archer employs QC procedures, including addition of standards, blanks and duplicates ahead of assaying which is undertaken using industry standards and fully accredited laboratories. Assay data is continually validated and stored. Geological models and wireframes are built using careful geological documentation and interpretations. Resource estimation is undertaken using industry standard estimation techniques and include block modelling. Application of other parameters including cut off grades, top cuts and classification are all dependent on the style and nature of mineralisation being assessed.

# TENEMENT INTERESTS

All mining tenements held by Archer and its related bodies corporate (Archer Group) as at 30 June 2018 are listed below. All tenements and tenement applications are held 100% by the Archer Group, except for EL 5804 where S Uranium Pty Ltd has the right to explore and develop uranium projects.

## *Exploration Licenses (South Australia)*

| Project | Tenement | Commodity |
|---|---|---|
| **South Australia** | | |
| Carappee Hill | EL 5920 | Graphite |
| North Cowell | EL 5434 | Graphite |
| Wildhorse Plain | EL 5804 | Graphite |
| Carpie Puntha | EL 5870 | Graphite |
| Cockabidnie | EL 5791 | Graphite |
| Waddikee | EL 5815 | Graphite |
| Beltana[(2)] | EL 4869 | Barite |
| Beltana [(2)] | PELA 567 | Petroleum |
| Witchelina[(3)] | EL 6019 | Magnesite |
| Termination Hill[(3)] | EL 5730 | Magnesite |
| Mt Messenger | EL 5383 | Graphite |
| Napoleons Hat | EL 5769 | Gold |
| Blue Hills | EL 5794 | Copper/Gold |
| Pine Creek[(1)] | EL 6000 | Copper/Gold |
| Altimeter[(1)] | EL 6029 | Copper/Gold |
| Franklyn[(1)] | EL 6160 | Copper/Gold |
| North Burra | EL 5433 | Base Metals |
| Yanyarrie[(2)] | EL 5909 | Barite |
| Whyte Yarcowie | EL 5935 | Cobalt/Copper |

## *Exploration Licenses (South Australia)*

| ***Project*** | ***Tenement*** | ***Commodity*** |
|---|---|---|
| **New South Wales** | | |
| North Broken Hill | EL 8592 | Cobalt/Copper |
| North Broken Hill | EL 8593 | Cobalt/Copper |
| North Broken Hill | EL 8594 | Cobalt/Copper |
| North Broken Hill | EL 8595 | Cobalt/Copper |
| North Broken Hill | EL 8596 | Cobalt/Copper |
| North Broken Hill | EL 8597 | Cobalt/Copper |
| North Broken Hill | EL 8598 | Cobalt/Copper |
| North Broken Hill(4) | EL 8779 | Cobalt/Copper |
| **Western Australia** | | |
| Mt Keith (4) | 23/1926 | Nickel |
| **Other Licences** | | |
| Eyre Peninsula Graphite | ML 6470(1) | Campoona Shaft |
| Eyre Peninsula Graphite | MPL 151(1) | Pindari pipeline & borefield |
| Eyre Peninsula Graphite | MPL 150(1) | Sugarloaf Processing |

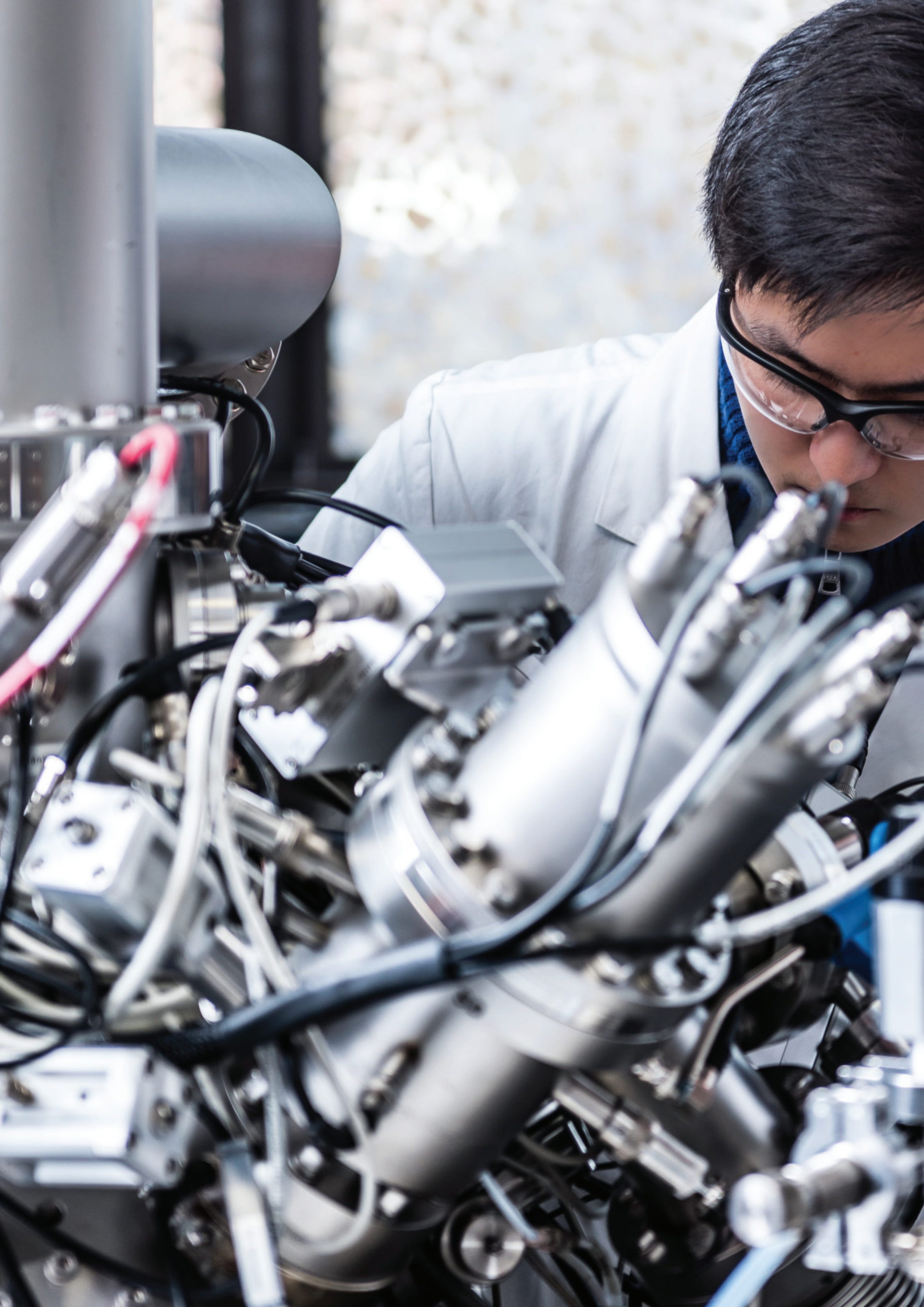
Notes

(1) Tenements were granted during FY17.

(2) Tenement relinquished after FY18

(3) Tenement sold after FY18

(4) Tenement granted after FY18



# DIRECTORS' REPORT

**Information on continuing Directors**

Your Directors present this report on Archer Exploration Limited and its consolidated entities ('Group' or 'Archer'), for the year ended 30 June 2018.

The Operating and Financial Review (which includes the Chairman's Review) of this Annual Report is incorporated by reference into, and forms part of, this Directors' Report.

**Directors**:

The following Directors were in office at any time during or since the end of the financial year.

- Gregory David English
- Alice McCleary
- Paul Rix

**Greg English**
*LLB, BE (Mining)*
Executive Chairman

Greg English is a co-founder of Archer and has been a director of the company since 2007. Greg is a qualified lawyer, mining engineer and experienced company director with more than 25 years hands on resource industry experience across different commodities and mining jurisdictions. Greg has worked on underground and open pit mine operations and has a First-Class Mine Manger's Certificate. As a lawyer he has a sound understanding ASX compliance matters, mergers and acquisitions, project financing and general commercial matters.

**Directorships of other ASX Listed entities in the last 3 years:**
Core Exploration Limited (ASX:CXO), Leigh Creek Energy Limited (ASX:LCK).

**Interest in Shares and Performance Rights:**
9,319,733 ordinary shares and 150,000 performance rights and 46,545 unlisted options.

**Special Responsibilities:**
Executive Chairman. Member, Audit and Risk Management Committee

**Alice McCleary**
*DUniv, BEc FCA FTIA FAICD*
Director (Non-Executive)

Alice McCleary is a Chartered Accountant. She is Chairman of Twenty Seven Co. Limited (ASX:TSC). She is a member of the South Australian Government's Minerals and Energy Advisory Council and Deputy Chair of the Uniting Church of South Australia's Resources Board. She is a former Director of Adelaide Community Healthcare Alliance Inc. (ACHA), Benefund Ltd and Forestry Corporation of South Australia. Previous leadership roles include Vice-President of the South Australian Chamber of Mines and Energy (SACOME), Deputy Chancellor of the University of South Australia and National President of the Taxation Institute of Australia. Alice's professional interests include financial management and corporate governance.

**Directorships of other ASX Listed entities in the last 3 years:**
Twenty Seven Co. Limited (ASX:TSC)

**Interest in Shares and Performance Rights:**
2,588,261 ordinary shares and 150,000 performance rights.

**Special Responsibilities:**
Chair, Audit & Risk Management Committee.

**Paul Rix**
*B.Com FAICD*
Director (Non-Executive)

Paul Rix was appointed as a Director of the Company on 8 February 2016. Paul Rix is an experienced mining professional with more than 30 years' experience in the marketing of industrial minerals and products. From 2003 – 2013, Paul worked for Queensland Magnesia Pty Ltd (QMAG) as General Manager Marketing where he was responsible for the development and implementation of QMAG's long term marketing strategy, focusing on diversification of magnesia products and markets whilst maintaining high plant utilisation. His magnesia marketing responsibilities stretched across six continents and more than 30 countries.

**Directorships of other ASX Listed entities in the last 3 years:**
None.

**Interest in Shares, Unlisted Options and Performance Rights:**
150,000 ordinary shares and 5,000,000 unlisted options and 150,000 performance rights.

**Special Responsibilities:**
Member, Audit & Risk Management Committee.

**Damien Connor**
*CA GAICD AGIA B.Com*
CFO / Company Secretary

Damien Connor was appointed Company Secretary on 1 August 2014. Damien performs the financial/accounting role in the Company as well as the secretarial duties. Damien has been a member of the Institute of Chartered Accountants since 2002 and is a Graduate of the Australian Institute of Company Directors and a Member of the Governance Institute of Australia. Damien has been employed in the resources sector since 2005. He also provides Company Secretary and Chief Financial Officer services to other ASX-listed and unlisted entities.

**Significant Changes in State of Affairs**

The Directors are not aware of any significant changes in the state of affairs of the Group occurring during the financial year, other than as disclosed in this Annual Report.

**Events arising since the end of the reporting period**

**1.** On 2 July 2018, the Company announced it had executed a legally binding agreement for sale of subsidiaries that hold the Leigh Creek Magnesia Project tenements (Refer to Note 26). Shareholders approved the sale of the Company's wholly owned subsidiaries that hold the Leigh Creek Magnesia Project, being Leigh Creek Magnesite Pty Ltd and CH Magnesite Pty Ltd, at the General Meeting of Shareholders held on 3 September 2018.

**2.** On 6 July 2018, the Company allotted 750,000 fully paid ordinary shares as a result of the vesting of 100% of the Performance Rights that met the performance conditions for the year ended 30 June 2018.

**3.** On 6 July 2018, 450,000 Performance Rights were issued to employees of the Company. The Performance Rights are subject to meeting vesting criteria for the performance period 1 July 2018 to 30 June 2019 and expire on 31 July 2019. On vesting, the holder will be issued fully paid ordinary shares in the Company on a one for one basis and the holder will not pay for the shares. The Performance Rights are governed by the terms and conditions of the Company's Performance Rights Plan.

**4.** On 19 July 2018, the Company announced it had entered into binding share sale agreements with Ballista Resources Limited for the sale of Archer's wholly owned subsidiaries SA Exploration Pty Ltd and Archer Energy and Resources Pty Ltd (refer to Note 26). Shareholders approved the sale of SA Exploration Pty Ltd and Archer Energy and Resources Pty Ltd to Ballista Resources Limited at the General Meeting of Shareholders held on 3 September 2018.

**5.** In July 2018, the Company and the vendor re-structured the terms of the Campoona land sale agreement such that instead of purchasing the land outright, Archer has been granted an option to acquire the land sometime in the next 5 years. An amount of $180,629, previously capitalised to the Campoona land asset, has been expensed to the statement of profit or loss and other comprehensive income for the year ended 30 June 2018.

**6.** The Company allotted 570,431 fully paid ordinary shares on 25 July 2018 and a further 55,854 fully paid ordinary shares on 15 August 2018, as a result of the exercise of unlisted SPP Options. SPP Options have an exercise price of $0.075 each, and expire on 28 February 2019.

**Environmental Issues**

The Group's operations are subject to significant environmental regulations under the laws of the Commonwealth and/or State. No notice of any breach has been received and to the best of the Directors' knowledge no breach of any environmental regulations has occurred during the financial year or up to the date of this Annual Report.

**Corporate Governance**

The Board has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3rd Edition" (ASX Recommendations). The Board continually monitors and reviews its existing and required policies, charters and procedures with a view to ensuring its compliance with the ASX Recommendations to the extent deemed appropriate for the size of the Company and the status of its projects and activities. Good corporate governance practices are also supported by the ongoing activities of the Audit & Risk Management Committee.

The Company's Corporate Governance Statement for the financial year ending 30 June 2018 is dated as at 30 June 2018 and was approved by the Board on 5th September 2018.

The Corporate Governance Statement provides a summary of the Company's ongoing corporate governance practices in accordance with the ASX Recommendations. The Corporate Governance Statement is supported by a number of policies, procedures, code of conduct and formal charters, all of which are located in the Corporate Governance section of the Company's website: www.archerx.com.au

**Remuneration Report (Audited)**

The Directors of Archer Exploration Limited (the Group) present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001 and the Corporations Regulations 2001*.

The names and roles of the Company's key management personnel during the year are:

- Mr Gregory English *Chairman - Executive*
- Ms Alice McCleary *Director - Non executive*
- Mr Paul Rix *Director - Non executive*
- Dr Mohammad Choucair *Chief Executive Officer*
- Mr Damien Connor *Chief Financial Officer and Company Secretary*

The Remuneration Report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements
D. Share-based remuneration
E. Bonuses included in Remuneration
F. Other information

**A. Principles used to determine the nature and amount of remuneration**

The Board acts as the remuneration committee as a consequence of the size of the Board and the Group. The Board believes that individual salary negotiation is more appropriate than formal remuneration policies and external advice and market comparisons are sought where necessary. The Group discloses the fees and remuneration paid to all Directors as required by the Corporations Act 2001. The Board recognises that the attraction of high calibre executives is critical to generating shareholder value.

The directors and executives receive a superannuation guarantee contribution required by the government of 9.50% per annum and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation and/or elected to increase superannuation contributions a part of their salary package.

All remuneration paid to Directors and executives is valued at the cost to the Group. The Group has established a Performance Rights Plan and a Share Option Plan for the benefit of Directors, officers, senior executives and consultants. Shares issued under the Share Option Plan to Directors and executives are valued at the difference between the market price of those shares and the amount paid by the director or executive.

Options are valued using the Black-Scholes valuation methodology. Performance Rights are valued using a Monte Carlo based model and recognised as remuneration in accordance with the attached vesting conditions. The Board policy is to remunerate non-executive directors at the market rates for time, commitment and responsibilities. The Board determines payments to non-directors and reviews their remuneration annually, based on market price, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive directors is $500,000 per annum which has not changed since Archer listed on the ASX in August 2007. These amounts are not linked to the financial performance of the consolidated Group.However, to align director's interests with shareholder interests, the directors are encouraged to hold shares in Archer.

Each member of the executive team has signed a formal contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on terminations. The standard contract sets out the specific formal job description.

**Use of remuneration consultants**

The Company has not engaged the services of a remuneration consultant during the year.

**Voting and comments made at the Company's last Annual General Meeting**

The Company only received 23.6% 'no' votes on its Remuneration Report for the financial year ending 30 June 2017. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

**Consequences of performance on shareholder wealth**

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following in respect of the current financial year and the previous four (4) financial years:

| **Item** | 30 June 2018 | 30 June 2017 | 30 June 2016 | 30 June 2015 | 30 June 2014 |
|---|---|---|---|---|---|
| **Share price ($)** | $0.110 | $0.036 | $0.072 | $0.093 | $0.145 |

**B. Details of Remuneration**

Details of the nature and amount of each element of the remuneration of each key management personnel (KMP) of the Company are shown in the table below:

| Director and other Key Management Personnel | | Short-term Employee Benefits | | Post employment Benefits | Termination Benefits | Share Based Payments | | |
|---|---|---|---|---|---|---|---|---|
| Employee | Year | Cash Salary & Fees $ | Cash Bonus $ | Superannuation $ | Termination Benefits $ | Unlisted Options & Performance Rights [4] $ | Total $ | Performance based remuneration % |
| Executive Directors | | | | | | | | |
| Greg English[1] | 2018 | 301,370 | 45,205[2] | 32,925 | - | 1,563 | 381,063 | 13.4% |
| *Executive Chairman* | 2017 | 301,370 | 25,000[3] | 31,005 | - | 2,918 | 360,293 | 8.4% |
| Non-Executive Directors | | | | | | | | |
| Alice McCleary | 2018 | 59,831 | - | 5,169 | - | 1,563 | 66,563 | 2.3% |
| *Independent* | 2017 | 59,361 | - | 5,639 | - | 2,918 | 67,918 | 4.3% |
| Paul Rix | 2018 | 59,361 | - | 5,639 | - | 1,563 | 66,563 | 2.3% |
| *Independent* | 2017 | 59,361 | - | 5,639 | - | 55,293[5] | 120,293 | 46% |
| Other Key Management Personnel | | | | | | | | |
| Dr Mohammad Choucair[6] | 2018 | 100,962 | - | 9,591 | - | 160,000[7] | 270,553 | 62.3% |
| *Chief Executive Officer* | 2017 | - | - | - | - | - | - | - |
| Damien Connor | 2018 | 123,848 | - | - | - | 1,563 | 125,411 | 1.2% |
| *Company Secretary & CFO* | 2017 | 136,650 | - | - | - | 2,918 | 139,568 | 2.1% |
| **2018 Total** | **2018** | **645,372** | **45,205** | **53,324** | **-** | **166,252** | **910,153** | |
| **2017 Total** | **2017** | **556,742** | **25,000** | **42,284** | **-** | **64,047** | **688,072** | |

1 In addition, Piper Alderman Lawyers were paid $57,449 (2017: $3,297) during the year for services rendered to the Company. Mr English is a partner of Piper Alderman lawyers. The fees were at normal commercial rates.

2 Short-term incentive bonus related to KPI achievement for the year ended 30 June 2018, pursuant to Mr English's employment contract.

3 Short-term incentive bonus related to KPI achievement for the year ended 30 June 2017, pursuant to Mr English's employment contract.

4 In accordance with Accounting Standards, remuneration includes a portion of the notional value of the options and performance rights (Rights) granted during the year. The notional value of options and Rights are determined as at the issue date and is progressively allocated over the vesting period. The amount included as remuneration is not indicative of the benefit (if any) that the employee may ultimately realise should the option or Right vest. The notional value of the options and Rights as at the issue date has been determined in accordance with the accounting policy detailed at Note 20.

5 Options were agreed to be granted to Mr Rix by resolution of the Board on 01 February 2016, prior to his appointment as Non-Executive Director. The options were granted as consideration for the termination of a previous Services Agreement with the Company 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. 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 the year ended 30 June 2016.

6 Dr Mohammad Choucair was appointed Chief Executive Officer on 1 December 2017.

7 Dr Mohammad Choucair, the founder of Carbon Allotropes Pty Limited, was issued 3,000,000 performance rights on 30 October 2017, as purchase consideration for Archer acquiring all of the shares in Carbon Allotropes Pty Limited. The share based payment expense for the 3,000,000 Rights issued to Dr Mohammad Choucair, 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 $160,000 expensed to the Statement of Profit or Loss and Other Comprehensive Income under employee benefits expense for the year ended 30 June 2018 to recognise the vesting criteria within the Share Purchase Agreement.

**C. Service Agreements**

Remuneration and other terms of employment for the Executive Directors and other key management personnel are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration are set out below:

| Employee | Base Salary | Terms of agreement | Notice Period |
|---|---|---|---|
| Greg English<br>*Executive Chairman* | $330,000 per annum<br>(inclusive of 9.50% Superannuation) | Contract term:<br>Permanent employee, no fixed term.<br><br>Short-term incentive bonus:<br>Discretionary up to 15% of salary each year, is determined with reference to KPIs as set by the Board annually.<br><br>Long-term incentive bonus:<br>Entitled to receive Options or Performance Rights equal to the maximum number of Options or Performance Rights granted to a director of the Company in the same financial year, subject to shareholder approval and KPIs including the Company's share Price compared with the ASX Small Ordinaries Resources Index. | Calculated based on reasons for termination from 4 weeks plus leave entitlements up to 12 months' salary plus leave entitlements. |
| Dr Mohammad Choucair<br>*Chief Executive Officer* | $191,625 per annum<br>(inclusive of 9.50% Superannuation) | Contract term:<br>Permanent employee, no fixed term.<br><br>Short-term incentive bonus:<br>Short-term inventive bonus as determined by the Board from time to time.<br><br>No short-term inventive bonus offered for the year ended 30 June 2018.<br><br>For the year ended 30 June 2019, a discretionary bonus of up to 25% of salary has been offered, and is determined with reference to KPIs as set by the Board.<br><br>Long-term incentive bonus:<br>Eligible to participate in any incentive or bonus plans, as may be introduced by the Company from time to time. | Either party may terminate by providing 6 months' notice. |
| Damien Connor<br>*Company Secretary & CFO* | Hourly rate | None | Either party may terminate by providing 3 months' notice. |

## D. Share-based Remuneration

### Unlisted Options (Options)

All Options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements.

The Group has established a Share Option Plan for the benefit of Directors, officers, senior executives and consultants. Under the Share Option Plan, the Company, through the Board, may offer Options to eligible persons on such terms that the Board considers appropriate, including any performance or other vesting hurdles that may apply.

No Options have been issued as remuneration during the year ended 30 June 2018.

### Performance Rights (Rights)

The Archer Exploration Performance Rights Plan (Plan) provides for the issue of Rights to Directors, senior executives and employees of the Company and its associated body corporates.

All Rights issued under the Plan refer to Rights over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements.

The 3,000,000 Rights issued to Dr Mohammad Choucair as purchase consideration for the Company's acquisition of Carbon Allotropes Pty Limited on 30 October 2017, will vest upon satisfaction of a service condition, being that Dr Mohammad Choucair must remain employed by the company for at least 12 months from 30 October 2017, being the completion date of the Company's acquisition of Carbon Allotropes Pty Limited.

For all other Rights issued, vesting is subject to the achievement of the following performance conditions:

**1) Service Condition**
Must be employed by a member of Archer Exploration Group on the date of grant and must remain employed by a member of the Archer Exploration Group on an anniversary of the date of the grant (or such other date as the Board determines at the time of grant).

**2) Share price performance condition**
Archer's share price performance as compared to the ASX Small Ordinaries Resources Index (ASXR). The Company share price performance for each year commencing 1 July to 30 June each year will be compared to ASX Small Ordinaries Resources Index (ASXRD) movement for the same 12 month period.

| Archer Ranking versus ASX Small Ordinaries Resources Index (ASXRD) | % of Maximum Award |
|---|---|
| Below the 100th percentile | 0% vest |
| Between the 100th and 125th percentile | 50% vest |
| Between the 125th and 150th percentile | 75% vest |
| At or above 150th percentile | 100% vest |

In addition to each level of performance set out in the above table, the share price performance condition will not be met if the Company's share price at 30 June in a particular year is below the Company's share price on 1 July of the preceding year.

No Rights will vest if the Company share price performance does not meet thresholds detailed above.

**Rights as consideration for acquisition of Carbon Allotropes Pty Limited**

Dr Mohammad Choucair, the founder of Carbon Allotropes Pty Limited, was issued 3,000,000 Rights on 30 October 2017, as purchase consideration for Archer acquiring all of the shares in Carbon Allotropes Pty Limited. In accordance with Accounting Standards, the 3,000,000 Rights are required to be treated as remuneration, even though the Rights were issued to Dr Mohammad Choucair as consideration for Archer acquiring the business that he was the founder and sole shareholder of. The Rights have been treated as remuneration as a result of the service condition for the rights to vest, being that Dr Mohammad Choucair must remain employed by the company for at least 12 months from 30 October 2017, being the completion date of the Company's acquisition of Carbon Allotropes Pty Limited. In accordance with AASB 2: Share Based Payments, the total fair value for the 3,000,000 Rights is $240,000. An amount of $160,000 has been expensed to the Statement of Profit or Loss and Other Comprehensive Income under employee benefits expense for the year ended 30 June 2018 to recognise the vesting criteria within the Share Purchase Agreement. This expense amount of $160,000 is also shown in the Remuneration table at item B of the Remuneration Report as 'a 'Share Based Payment'.

Subsequent to year end, on 6 July 2018, 150,000 Rights were granted to Dr Mohammad Choucair. The Rights are subject to meeting vesting criteria for the performance period 1 July 2018 to 30 June 2019 and expire on 31 July 2019. On vesting, the holder will be issued fully paid ordinary shares in the Company on a one for one basis and the holder will not pay for the shares. The Rights are governed by the terms and conditions of the Company's Performance Rights Plan.

**E. Bonuses included in Remuneration**

Details of the short-term incentive cash bonuses awarded as remuneration to each key management personnel, the percentage of the available bonus that was paid in the financial year, and the percentage that was forfeited because the person did not meet the performance criteria is set out below. No part of the bonus is payable in future years.

| Employee | Included in remuneration ($) | Percentage vested during the year | Percentage forfeited during the year |
|---|---|---|---|
| Greg English [1]<br>Executive Chairm an | $49,500<br>(inclusive of 9.5% Superannuation) | 100% | 0% |

[1] Mr English's contract of employment provides for a discretionary cash bonus of up to 15% of his salary each year, determined with reference to KPIs as set by the Board annually.

No other key management personnel were awarded short-term incentive cash bonuses as remuneration during the year ended 30 June 2018. The board has agreed to award Dr Mohammad Chroucair (CEO) a short-term incentive cash bonus for the year ended 30 June 2019, subject to meeting agreed KPIs.

## F. Other Information

### Number of Unlisted Options held by Directors and Key Management Personnel

The number of options to acquire shares in the Company held during the 2018 reporting period by each of the key management personnel of the Group, including their related parties are set out below.

| 2018 Key Management Personnel | Balance 1/7/17 | Granted as Remuneration | Exercised | Other Changes | Balance 30/06/18 | Vested and exercisable | Vested and un-exercisable |
|---|---|---|---|---|---|---|---|
| Greg English [1] | - | - | - | 46,545 | 46,545 | 46,545 | - |
| Alice McCleary [1] | - | - | (46,545) | 46,545 | - | - | - |
| Paul Rix [2] | 5,000,000 | - | - | - | 5,000,000 | - | - |
| Dr Mohammad Choucair | - | - | - | - | - | - | - |
| Damien Connor | - | - | - | - | - | - | - |
| Total | 5,000,000 | - | (46,545) | 93,090 | 5,046,545 | 46,545 | - |

1 Alice McCleary and Greg English applied for, and were each issued, 46,545 unlisted options (SPP Options) in the Company on 22 January 2018, pursuant to the prospectus dated 5 December 2017. SPP Options, have an exercise price of $0.075 each and expire on 28 February 2019. Alice McCleary exercised all of her SPP Options into fully paid ordinary shares on 25 June 2018.

2 On 5 August 2016, 5,000,000 options were issued to Mr. Rix as compensation for the termination of a consultancy agreement between Archer and Mr. Rix which was in place prior to Mr. Rix becoming a director of Archer. The options were issued for nil consideration, are unlisted and have an exercise price of $0.15 and expiry date of 31 January 2019

No further unlisted options held by Directors or Key Management Personnel were issued, exercised, forfeited, expired or cancelled during the year ended 30 June 2018.

## Number of Unlisted Performance Rights held by Directors and Key Management Personnel

| 2018 Key Management Personnel | Balance 01/07/17 | Granted as Compensation | Vested | Forfeited[1] | Balance 30/06/18 | Total Vested [2] |
|---|---|---|---|---|---|---|
| Greg English | 450,000 | - | - | (150,000) | 300,000 | 150,000 |
| Alice McCleary | 450,000 | - | - | (150,000) | 300,000 | 150,000 |
| Paul Rix | 450,000 | - | - | (150,000) | 300,000 | 150,000 |
| Dr Mohammad Choucair[3 4] | - | 3,000,000 | - | - | 3,000,000 | - |
| Damien Connor | 450,000 | - | - | (150,000) | 300,000 | 150,000 |
| **Total** | **1,800,000** | **3,000,000** | **-** | **(600,000)** | **4,200,000** | **600,000** |

1 On 3 July 2017 600,000 Rights granted to Directors and key management personnel in 2016, were forfeited. The criteria for vesting of these Performance Rights during the performance period 1 July 2016 to 30 June 2017 was not achieved.

2 On 6 July 2018, the Company allotted 600,000 fully paid ordinary shares as a result of the vesting of 100% of the Rights previously granted to Directors and key management personnel that met the performance conditions for the performance period 1 July 2017 to 30 June 2018.

3 Dr Mohammad Choucair, the founder of Carbon Allotropes Pty Limited, was issued 3,000,000 Rights on 30 October 2017, as purchase consideration for Archer acquiring all of the shares in Carbon Allotropes Pty Limited. In accordance with Accounting Standards, the 3,000,000 Rights are required to be treated as remuneration, even though the Rights were issued to Dr Mohammad Choucair as consideration for Archer acquiring the business that he was the founder and sole shareholder of. The Rights have been treated as remuneration as a result of the service condition for the rights to vest, being that Dr Mohammad Choucair must remain employed by the company for at least 12 months from 30 October 2017, being the completion date of the Company's acquisition of Carbon Allotropes Pty Limited.

4 On 6 July 2018, 150,000 Performance Rights were granted to Dr Mohammad Choucair. The Rights were granted in accordance with the long term equity incentive as outlined in the Archer Performance Rights Plan.

## Number of shares held by Directors and Key Management Personnel

| 2018 Key Management Personnel | Balance 1/7/2017 | Granted as Compensation | Unlisted Options Exercised | Performance Rights Exercised | SPP Participation | Balance 30/6/2018 |
|---|---|---|---|---|---|---|
| Greg English [1] | 9,076,644 | - | - | - | 93,089 | 9,169,733 |
| Alice McCleary [1] | 2,298,627 | - | 46,545 | - | 93,089 | 2,438,261 |
| Paul Rix [1] | - | - | - | - | - | - |
| Dr Mohammad Choucair | - | - | - | - | - | - |
| Damien Connor [1] | - | - | - | - | - | - |
| **Total** | **11,375,271** | **-** | **46,545** | **-** | **186,178** | **11,607,994** |

1 On 6 July 2018, the Company allotted 150,000 fully paid ordinary shares each to Greg English, Alice McCleary, Paul Rix and Damien Connor (in aggregate 600,000 fully paid ordinary shares), as a result of the vesting of 100% of the Rights previously granted to them, that met the performance conditions for the performance period 1 July 2017 to 30 June 2018.

## End of Audited Remuneration Report

**Meetings of Directors**

The number of meetings of the Company's Board of Directors and each Board Committee held during the year ended 30 June 2018 and the numbers of meetings attended by each Director were as follows

| Director | Board Meetings | | Audit & Risk Management Committee Meetings | |
|---|---|---|---|---|
| | A | B | A | B |
| Greg English | 10 | 10 | 2 | 2 |
| Alice McCleary | 10 | 10 | 2 | 2 |
| Paul Rix | 10 | 10 | 2 | 2 |

Where:
**Column A** is the number of meetings the Director was entitled to attend.
**Column B** is the number of meetings the Director attended.

Greg English attended each of the Audit & Risk Management Committee meetings by invitation.

The Company has not formed a Remuneration Committee or a Corporate Governance Committee. The Board as a whole considers these matters. The Board considers this appropriate given the size and nature of the Company at this time.

**Unissued Shares Under Option**

The following table details unissued ordinary shares in the Company under option at the date of this report. See **Note 13** for further details regarding unlisted options.

| Grant Date | Type | Exercise Price | Expiry Date | Granted | Exercised | Vested and exercisable | No. shares subject to remaining exercised options |
|---|---|---|---|---|---|---|---|
| 1-Feb-16 [1] | Unlisted | $0.15 | 31-Jan-19 | 5,000,000 | Nil | Nil | 5,000,000 |
| 22-Jan-18 [2] | Unlisted | $0.075 | 28-Feb-19 | 18,639,125 | 10,357,432 | 8,281,693 | 8,281,693 |

1 These options were issued to Mr. Rix as compensation for the termination of a consultancy agreement between Archer and Mr. Rix which was in place prior to Mr. Rix becoming a director of Archer. The options were issued for nil consideration.
The 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.

2 On 22 January 2018, 18,639,125 SPP Options were granted pursuant to the prospectus dated 5 December 2017. SPP Options, have an exercise price of $0.075 each, expire on 28 February 2019.

During financial year and since the end of the financial year, 10,357,432 shares have been issued as a result of the exercise of options.

**Performance Rights**

The following table details performance rights that remain unvested as at the date of this report. See Note 13 for further details regarding performance rights.

| Grant Date | Type | Exercise Price | Expiry Date | Granted | Vested | Forfeited | No. shares subject to remaining unlisted performance rights |
|---|---|---|---|---|---|---|---|
| 28-Oct-16 | Unlisted | Nil | 31-Jul-19 | 2,700,000 | 750,000 | 1,200,000 | 750,000 |
| 30-Oct-17 [1] | Unlisted | Nil | Nil | 3,000,000 | - | - | 3,000,000 |
| 6-Jul-18 | Unlisted | Nil | 31-Jul-19 | 450,000 | - | - | 450,000 |

1 Dr Mohammad Choucair, the founder of Carbon Allotropes Pty Limited, was issued 3,000,000 Rights on 30 October 2017, as purchase consideration for Archer acquiring all of the shares in Carbon Allotropes Pty Limited. In accordance with Accounting Standards, the 3,000,000 Rights are required to be treated as remuneration, even though the Rights were issued to Dr Mohammad Choucair as consideration for Archer acquiring the business that he was the founder and sole shareholder of. The Rights have been treated as remuneration as a result of the service condition for the rights to vest, being that Dr Mohammad Choucair must remain employed by the company for at least 12 months from 30 October 2017, being the completion date of the Company's acquisition of Carbon Allotropes Pty Limited.

No shares were issued from the vesting of performance rights during the financial year. Since the end of the financial year, 750,000 shares have been issued as a result of the vesting and exercise of performance rights.

**Proceedings on Behalf of Company**

As far as the Directors' are aware, no person has applied to the Court for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

**Indemnification and Insurance of Directors and Officers**

The Company's Constitution provides that the Company indemnifies, on a full indemnity basis and to the full extent permitted by law, officers of the Company for all losses or liabilities incurred by the person as an officer of the Company or a related body corporate. In conformity with the Constitution, the Company is party to Deeds of Indemnity in favour of each of the Directors referred to in this report who held office during the year.

The Company has paid premiums to insure each of the Directors, Officers and Consultants against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Executive of the company, other than conduct involving wilful breach of duty or a lack of good faith in relation to the company. The policy does not specify the individual premium for each officer covered and the amount paid is confidential. Since the end of the year the Company has paid, or agreed to pay, premiums in respect of such contracts for the year ending 30 June 2018.

**Non-Audit Services**

The Board of Directors is satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid to the external auditors during the year ended 30 June 2018:

| | |
|---|---|
| Taxation Services | $15,000 |

**Auditor's Independence Declaration**

The lead auditor's independence for the year ended 30 June 2018 has been received and can be found on page 61 of the Financial Report.

Signed in accordance with a resolution of the Board of Directors.

*Greg English*
*Chairman*

*Adelaide*
*Dated this 5th September 2018*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# AUDITOR'S INDEPENDANCE DECLARATION

Grant Thornton

Grant Thornton Audit Pty Ltd
Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA
5000

T +61 8 8372 6666
F +61 8 8372 6677

# 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 audit of Archer Exploration Limited for the year ended 30 June 2018, 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 audit; and

b No contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 5 September 2018

# FINANCIAL INFORMATION

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

| | | Consolidated Group | |
|---|---|---|---|
| | | 2018 | 2017 |
| | *Notes* | $ | $ |
| **INCOME** | | | |
| Income | *2* | 149,192 | 64,026 |
| **EXPENSES** | | | |
| Depreciation and amortisation expense | | (16,225) | (15,497) |
| Impairment of exploration assets | | - | (2,981) |
| Exploration expenditure expensed | | - | - |
| Employee benefits expense | | (889,169) | (562,117) |
| Amortisation of intangibles | | (104,808) | - |
| Write-down of Campoona Land asset | *9* | (180,629) | - |
| Corporate Consultants/Public Relations | | (159,647) | (65,287) |
| Occupancy expense | | (62,074) | (39,535) |
| ASX listing and share registry expense | | (129,646) | (86,183) |
| Other expenses | | (257,553) | (187,362) |
| **LOSS BEFORE INCOME TAX EXPENSE** | | (1,650,559) | (894,936) |
| Income tax benefit – R&D tax concession | *3* | 58,641 | 269,843 |
| **LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS** | | (1,591,918) | (625,093) |
| **DISCONTINUED OPERATIONS** | | | |
| Loss after income tax for the period from discontinued operations | | (262,602) | (34,766) |
| **LOSS ATTRIBUTED TO MEMBERS OF THE PARENT ENTITY** | | (1,854,520) | (659,859) |
| Other comprehensive income | | - | - |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY** | | (1,854,520) | (659,859) |
| | | Cents | Cents |
| **EARNINGS PER SHARE** | | | |
| Basic loss for the year per share | *14* | (1.14) | (0.56) |
| Diluted loss for the year per share | | (1.14) | (0.56) |
| **EARNINGS PER SHARE FOR CONTINUING OPERATIONS** | | | |
| Basic loss for the year per share | *14* | (0.98) | (0.53) |
| Diluted loss for the year per share | | (0.98) | (0.53) |

*The accompanying notes form part of the financial statements.*

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

| | Notes | Consolidated group 2018 $ | 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | *6* | 2,749,586 | 1,528,634 |
| Trade and other receivables | *7* | 110,107 | 214,635 |
| Inventory | | 76,800 | - |
| | | 2,936,493 | 1,743,269 |
| Assets of disposal groups classified as held for sale | *26* | 3,661,551 | - |
| **TOTAL CURRENT ASSETS** | | 6,598,044 | 1,743,269 |
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *9* | 1,247,806 | 1,413,757 |
| Exploration and evaluation expenditure | *10* | 11,638,439 | 13,970,106 |
| Intangible assets | | 52,403 | - |
| **TOTAL NON- CURRENT ASSETS** | | 12,938,648 | 15,383,863 |
| | | | |
| **TOTAL ASSETS** | | 19,536,692 | 17,127,132 |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *11* | 227,090 | 305,586 |
| Employee entitlements | *12* | 143,829 | 85,611 |
| | | 370,919 | 391,197 |
| Assets of disposal groups classified as held for sale | *26* | 140,528 | - |
| **TOTAL CURRENT LIABILITIES** | | 511,447 | 391,197 |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Employee entitlements | *12* | 11,454 | 5,302 |
| **TOTAL NON-CURRENT LIABILITIES** | | 11,454 | 5,302 |
| | | | |
| **TOTAL LIABILITIES** | | 522,901 | 396,499 |
| | | | |
| **NET ASSETS** | | **19,013,791** | **16,730,633** |
| | | | |
| **EQUITY** | | | |
| Issued capital | *13* | 23,249,187 | 19,519,325 |
| Reserves | *15* | 503,632 | 102,589 |
| Accumulated losses | | (4,739,028) | (2,891,281) |
| **TOTAL EQUITY** | | **19,013,791** | **16,730,633** |

*The accompanying notes form part of the financial statements.*

## STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2018

| | Issued Capital | Accumulated Losses | 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 share based payments | - | - | 66,963 | - | 66,963 |
| Shares issued during the year (net of costs) | 1,772,748 | - | - | - | 1,772,748 |
| **Transactions with owners** | **19,519,325** | **(2,392,896)** | **264,063** | **-** | **17,390,492** |
| Transfer of share based payments reserve to retained earnings [1] | - | 161,474 | (161,474) | - | - |
| Total loss for the year | - | (659,859) | - | - | (659,859) |
| Other comprehensive income | - | - | - | - | - |
| **BALANCE AT 30 JUNE 2017** | **19,519,325** | **(2,891,281)** | **102,589** | **-** | **16,730,633** |

1 Relates to the prior year(s) share-based payments expense associated with forfeited performance rights.

| | Issued Capital | Accumulated Losses | Share Based Payments Reserve | Acquisition Reserve | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **BALANCE AT 1 JULY 2017** | **19,519,325** | **(2,891,281)** | **102,589** | **-** | **16,730,633** |
| Fair value of performance rights issued in prior period(s) | - | - | 167,816 | - | 167,816 |
| Fair value of performance rights issued as consideration for acquisition of Carbon Allotropes Pty Limited. | - | - | - | 240,000 | 240,000 |
| Shares issued during the year (net of costs) | 3,729,862 | - | - | - | 3,729,862 |
| **Transactions with owners** | **23,249,187** | **(2,891,281)** | **270,405** | **240,000** | **20,868,311** |
| Transfer of share based payments reserve to retained earnings [1] | - | 6,773 | (6,773) | - | - |
| Total loss for the year | - | (1,854,520) | - | - | (1,854,520) |
| Other comprehensive income | - | - | - | - | - |
| **BALANCE AT 30 JUNE 2018** | **23,249,187** | **(4,739,028)** | **263,632** | **240,000** | **19,013,791** |

1 Relates to the prior year(s) share-based payments expense associated with forfeited performance rights.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

| | | Consolidated Group | |
|---|---|---|---|
| | | **2018** | **2017** |
| | *Notes* | **$** | **$** |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Receipts from rental activities | | 82,601 | 50,481 |
| Payments to suppliers and employees | | (1,206,380) | (989,479) |
| Interest received | | 29,190 | 16,225 |
| Research and development tax concession | | 157,790 | 112,297 |
| **NET CASH USED IN OPERATING ACTIVITIES** | *19* | **(936,799)** | **(810,476)** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for exploration expenditure | | (1,534,727) | (1,417,359) |
| Payments for plant and equipment | | (85,687) | - |
| Proceeds from sale of plant and equipment | | 48,303 | - |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(1,572,111)** | **(1,417,359)** |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of shares | *13* | 3,729,862 | 1,890,000 |
| Share issue transaction costs | | - | (117,252) |
| **NET CASH PROVIDED BY FINANCING ACTIVITIES** | | 3,729,862 | 1,772,748 |
| | | | |
| Net increase/(decrease) in cash held | | 1,220,952 | (455,087) |
| Cash at the beginning of the year | | 1,528,634 | 1,983,721 |
| **CASH AT THE END OF THE FINANCIAL YEAR** | *6* | **2,749,586** | **1,528,634** |

The accompanying notes form part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the consolidated financial statements and notes of Archer Exploration Limited and controlled entities ('Consolidated' or 'Group').

**Basis of Preparation**

The finanial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Archer Exploration Limited is a for profit entity for the purposes of preparing the financial statements. The financial report has been presented in Australian dollars.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**a. Principles of Consolidation**

The parent entity controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

A list of controlled entities is contained in Note 8 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included/(excluded) from the date control was obtained/(ceased).

All inter-group balances and transactions between entities in the consolidated group, including any recognised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with those adopted by the parent entity.

*Business Combination*

The Group applies the acquisition method in accounting for business combinations.

The acquisition method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

**b. Income Tax**

The income tax expense/(revenue) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense/(income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset recognised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

*Tax Consolidation*

Archer Exploration Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2007.

*Research and Development Tax Concession*

To the extent that research and development costs are eligible activities under the “Research and development tax incentive” programme, a refundable tax offset is available for companies with annual turnover of less than $20 million. The Group recognises refundable tax offsets received in the financial year as an income tax benefit, in profit or loss, resulting

**c. Property, Plant and Equipment**

Property, plant and equipment is carried at cost less where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which are they are incurred.

*Depreciation*

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Non-Current Asset | Depreciation Rate | Basis of Depreciation |
|---|---|---|
| Plant and Equipment | 10 - 33% | Straight Line |
| Buildings | 2% | Straight Line |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss.

**d. Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Where a decision is made to proceed with development the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**e. Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**f. Financial Instruments**

*Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transactions costs related instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**Classification and Subsequent Measurement**

**i. Financial assets at fair value through profit or loss**

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

**ii. Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

**iii. Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

**iv. Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed determinable payments.

**v. Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**g. Impairment of Non-Financial Assets**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**h. Interests in Joint Arrangements**

The Consolidated Group's share of assets, liabilities, revenue and expenses of the joint operations are included in the appropriate items of the Consolidated Financial Statements. Details of the Consolidated Group's interest is shown in Note 16.

**i. Employee Benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled wholly within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for these benefits. Those cashflows are discounted using market yields on high quality corporation bonds with terms to maturity that match the expected timing of cashflows.

**Equity Settled Compensation**

The Company provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Company currently provides benefits under an Employee Share Option Plan and a Performance Rights Plan.

The cost of these equity-settled transactions with employees and directors is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

i) the extent to which the vesting period has expired; and

ii) the number of awards that, in the opinion of the directors, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options and rights is reflected as additional share dilution in the computation of earnings per share.

**j. Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**k. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

**l. Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

**m. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**n. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**o. Comparative Figures**

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation of the current financial year.

**p. Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Group.

**Key estimates**

*Impairment*

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value–in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Impairment was recognised in respect of non-current exploration and evaluation assets for the year ended 30 June 2018 $244,954 expensed (2017: $4,577). Impairment recognised for the year ended 30 June 2018 and 30 June 2017 related to relinquishment of the tenement(s) to which expenditure had been previously capitalised.

*Exploration and evaluation*

The consolidated entity's policy for exploration and evaluation is discussed at Note 1(d). The application of this policy requires the Directors to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, the Directors conclude that the capitalised expenditure is unlikely to be recovered by future sale or exploitation, then the relevant capitalised amount will be written off though the Statement of Profit or Loss.

**q. Non-current assets held sale and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 26. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

**r. Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which expenditure is incurred. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

**Intellectual Property**

The Group recognised intellectual property when it purchased Carbon Allotropes Pty Limited on 30 October 2017 (Acquisition Date). The intellectual property has been amortised over a period of 12 months from the date of acquisition to be consistent with service condition associated with the Performance Rights that were issued as consideration for the acquisition of Carbon Allotropes Pty Limited (see Note 25). Included within the statement of profit or loss and other comprehensive income for the year ended 30 June 2018 is an amortisation expense of $104,808.

**s. Adoption of New and Revised Accounting Standards**

During the current year the Group adopted all of the new and revised Australia Accounting Standards and Interpretations applicable to its operations which became mandatory.

**Accounting standards issued but not yet effective and not been adopted early by the Group**

Australian Accounting Standards and Interpretations that are issued, but are not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, is applicable, when they become effective.

**AASB 9 Financial Instruments**

In December 2014, the AASB issued the final version of AASB 9 Financial Instruments that replaces AASB 139 Financial Instruments: Recognition and Measurement and all previous versions of AASB 9. AASB 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2018, the Group has performed a detailed impact assessment of all three aspects of AASB 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2019 when the Group will adopt AASB 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of AASB 9. In addition, the Group will implement changes in classification of certain financial instruments. (a) Classification and measurement The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of AASB 9.

**AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address the conflict between AASB 10 and AASB 128 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in AASB 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. 9 The Group will apply these amendments when they become effective.

**AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions**

The AASB issued amendments to AASB 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

**AASB 15 Revenue from Contracts with Customers**

AASB 15 was issued in December 2014, and amended in May 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under Australian Accounting Standards. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018.Given the nature of revenue streams of the Group, the introduction of AASB 15 is not expected to have a material impact on the Group.

**AASB 16 Leases**

AASB 16 was issued in February 2016 and it replaces AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases-Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. AASB 16 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 similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under AASB 16 is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases. AASB 16 also requires lessees and lessors to make more extensive disclosures than under AASB 117. AASB 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies AASB 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2019, the Group will continue to assess the potential effect of AASB 16 on its consolidated financial statements.

**AASB Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

*The financial report was authorised for issue on 5th September 2018 by the Board of Directors.*

| | | Consolidated Group | |
|---|---|---|---|
| | | 2018 | 2017 |
| | *Notes* | $ | $ |
| **NOTE 2 - INCOME** | | | |
| - Rental income | | 80,418 | 41,756 |
| - Interest received | | 28,634 | 22,270 |
| - Gain on sale of plant and equipment | | 37,479 | - |
| - Carbon Allotropes product sales | | 2,661 | - |
| Income from continuing operations | | 149,192 | 64,026 |
| **Income from discontinued operations** | | | |
| Interest income from discontinued operations | *26* | 1,444 | - |
| Total Income | | 150,636 | 64,026 |

**NOTE 3 – INCOME TAX BENEFIT**

| | | 2018 | 2017 |
|---|---|---|---|
| a) The components of income tax benefit comprise: | | | |
| Current tax | | 58,641 | 269,843 |
| | | 58,641 | 269,843 |
| b) The prima facie tax on loss before income tax is reconciled to the income tax as follows 30% (2017: 30%): | | | |
| Net loss from continuing operations | | (1,913,961) | (929,702) |
| Prima facie tax benefit before income tax at 30% | | (573,948) | (278,911) |
| | | (573,948) | (278,911) |
| Research and development tax concession | | 58,641 | 269,843 |
| Tax effect of temporary differences not brought to account as they do not meet the recognition criteria | | 573,948 | 278,911 |
| Income Tax attributable to operating loss | | 58,641 | 269,843 |
| c) Unused tax losses for which no deferred tax asset has been recognised at 30% | | 4,779,311 | 4,205,363 |

## NOTE 4 – KEY MANAGEMENT PERSONNEL REMUNERATION

**a) Names and positions held of consolidated entity key management personnel in office at any time during the financial year are:**

| | | |
|---|---|---|
| Mr Greg English | Chairman – Executive | |
| Ms Alice McCleary | Director – Non-executive | |
| Mr Paul Rix | Director – Non-executive | |
| Dr Mohammad Choucair | Chief Executive Officer | (appointed 1 December 2017) |
| Mr Damien Connor | Chief Financial Officer & Company Secretary | |

Other than those employees of the company listed above there are no additional key management personnel.

**b) Key Management Personnel Compensation**

Refer to the Remuneration Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP).

The aggregate remuneration of KMP of the Group during the year is as follows:

| | Consolidated Group | |
|---|---|---|
| | **2018** **$** | **2017** **$** |
| Short term benefits | 690,557 | 604,573 |
| Post-employment benefit | 53,324 | 44,452 |
| Share - based payments | 166,252 | 64,047 |
| | 910,153 | 713,072 |

## NOTE 5 – AUDITORS' REMUNERATION

| | | |
|---|---|---|
| Remuneration of the auditor for: | | |
| - auditing or review of the financial report | 29,500 | 28,000 |
| - tax compliance services provided by the practice of the auditor | 15,000 | 7,750 |
| | 44,500 | 35,750 |

| | Consolidated Group | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |

## NOTE 6 – CASH AND CASH EQUIVALENTS

| | 2018 $ | 2017 $ |
|---|---|---|
| Short term deposits | 2,131,803 | 1,120,000 |
| Cash at bank and on hand | 617,783 | 408,634 |
| | 2,749,586 | 1,528,634 |

The effective interest rate on short term bank deposits at 30 June 2018 is 2.33% (30 June 2017: 2.47%). These deposits have an average maturity term of 90 days (30 June 2017: 90 days). The Group's exposure to interest rate risk is summarised at Note 23.

## NOTE 7 – TRADE AND OTHER RECEIVABLES

| | 2018 $ | 2017 $ |
|---|---|---|
| CURRENT | | |
| Prepayments | 10,597 | 10,228 |
| Other receivables [1] | 99,510 | 204,407 |
| | 110,107 | 214,635 |

[1] *Includes an amount of $58,641 relating to research and development tax concession for the year ended 30 June 2018 (30 June 2017: $157,546).*

At 30 June 2018, the consolidated entity did not have any receivables which were outside normal trading terms (past due but not impaired).

## NOTE 8 – INVESTMENT IN CONTROLLED ENTITIES

| | | *Percentage Owned* | |
|---|---|---|---|
| | | **2018** | **2017** |
| | *Country of Incorporation* | **%** | **%** |
| **Parent Entity** | | | |
| - Archer Exploration Limited | *Australia* | - | - |
| **Subsidiaries of Archer Exploration Limited:** | | | |
| - Pirie Resources Pty Ltd | *Australia* | 100 | 100 |
| - Archer Pastoral Company Pty Ltd | *Australia* | 100 | 100 |
| - Leigh Creek Magnesite Pty Ltd | *Australia* | 100 | 100 |
| - Archer Energy and Resources Pty Ltd | *Australia* | 100 | 100 |
| - SA Exploration Pty Ltd | *Australia* | 100 | 100 |
| - CH Magnesite Pty Ltd | *Australia* | 100 | 100 |
| - Carbon Allotropes Pty Limited [1] | *Australia* | 100 | - |

[1] *Archer Exploration Limited acquired Carbon Allotropes Pty Limited on 30 October 2017, refer to Note 25.*

| | Consolidated Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| **NOTE 9 – PROPERTY, PLANT AND EQUIPMENT** | | |
| a) Plant and Equipment at cost | 192,637 | 217,680 |
| Accumulated depreciation | (152,617) | (196,237) |
| | 40,020 | 21,443 |
| **Movements in carrying amounts:** | | |
| Balance at the beginning of the year | 21,443 | 41,076 |
| Additions | 88,639 | - |
| Disposals | (11,587) | - |
| Depreciation | (17,105) | (19,633) |
| Transferred to assets held for sale | (41,370) | - |
| Balance at 30 June | 40,020 | 21,443 |
| | | |
| b) Land at cost | 1,028,453 | 1,208,981 |
| **Movements in carrying amounts:** | | |
| Balance at the beginning of the year | 1,208,981 | 1,208,981 |
| Additions | 101 | - |
| Write-off of Campoona Land asset [1] | (180,629) | - |
| Balance at 30 June | 1,028,453 | 1,208,981 |
| | | |
| c) Buildings at cost | 200,000 | 200,000 |
| Accumulated depreciation | (20,667) | (16,667) |
| | 179,333 | 183,333 |
| **Movements in carrying amounts:** | | |
| Balance at the beginning of the year | 183,333 | 187,333 |
| Depreciation | (4,000) | (4,000) |
| Balance at 30 June | 179,333 | 183,333 |
| | | |
| **Total property, plant and equipment** | **1,247,806** | **1,413,757** |

[1] *In July 2018, the Company and the vendor re-structured the terms of the Campoona land sale agreement such that instead of purchasing the land outright, Archer has been granted an option to acquire the land sometime in the next 5 years. An amount of $180,629, previously capitalised to the Campoona land asset, has been expensed to the statement of profit or loss and other comprehensive income for the year ended 30 June 2018.*

| | Consolidated Group | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| **NOTE 10 – EXPLORATION AND EVALUATION EXPENDITURE** | | |
| Costs carried forward in respect of areas of interest in: | | |
| Exploration and evaluation at cost | 11,638,439 | 13,970,106 |
| | 11,638,439 | 13,970,106 |
| **Movements in carrying amounts:** | | |
| Balance at the beginning of the year | 13,970,106 | 12,427,038 |
| Amounts capitalised during the year | 1,504,526 | 1,547,645 |
| Impairment expense during the year | (244,954) | (4,577) |
| Transferred to assets held for sale | (3,591,239) | - |
| Balance at 30 June | 11,638,439 | 13,970,106 |

During the year $4,000 (2017: $8,137) of equipment depreciation was included in the amount capitalised as exploration and evaluation.

Impairment recognised for the year ended 30 June 2018 and 30 June 2017 related to relinquishment of the tenement(s) to which expenditure had been previously capitalised.

A summary by tenement is included at Note 16.

## NOTE 11 – TRADE AND OTHER PAYABLES

| | 2018 $ | 2017 $ |
|---|---|---|
| CURRENT | | |
| Unsecured liabilities: | | |
| Trade payables | 93,294 | 145,201 |
| Other creditors and accruals | 133,796 | 160,385 |
| | 227,090 | 305,586 |

## NOTE 12 – EMPLOYEE ENTITLEMENTS

| | 2018 $ | 2017 $ |
|---|---|---|
| Current [1] | 143,829 | 85,611 |
| Non-current | 11,454 | 5,302 |

1 Includes an amount of $49,500 (including 9.5% SGC) relating to STI bonus payable to Greg English in respect of KPI achievement for the year ended 30 June 2018 (30 June 2017: $27,375).

| | Consolidated Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| **NOTE 13 – ISSUED CAPITAL** | | |
| 186,925,829 (2017: 137,194,306) fully paid ordinary shares | 23,249,187 | 19,519,325 |

**a) Shares on issue:**

| **30 June 2018** | ***Number*** | ***$*** |
|---|---|---|
| **Issued and paid up capital** | | |
| Fully paid ordinary shares | 186,925,829 | 23,249,187 |
| **Movements in fully paid shares** | | |
| Balance as at 1 July 2017 | 137,194,306 | 19,519,325 |
| Shares issued - Share Purchase Plan (27 Nov 2017) | 40,000,376 | 3,000,025 |
| Shares issued - Exercise of SPP Options (16 Feb 2018) | 1,670,968 | 125,323 |
| Shares issued - Exercise of SPP Options (13 Mar 2018) | 954,175 | 71,563 |
| Shares issued - Exercise of SPP Options (3 Apr 2018) | 628,359 | 47,127 |
| Shares issued - Exercise of SPP Options (1 May 2018) | 696,008 | 52,201 |
| Shares issued - Exercise of SPP Options (16 May 2018) | 1,670,314 | 125,274 |
| Shares issued - Exercise of SPP Options (7 June 2018) | 1,166,940 | 87,521 |
| Shares issued - Exercise of SPP Options (25 June 2018) | 2,634,457 | 197,584 |
| Shares issued - Exercise of SPP Options (29 June 2018) | 309,926 | 23,244 |
| Balance as at 30 June 2018 | 186,925,829 | 23,249,187 |

| **30 June 2017** | ***Number*** | ***$*** |
|---|---|---|
| **Issued and paid up capital** | | |
| Fully paid ordinary shares | 137,194,306 | 19,519,325 |
| **Movements in fully paid shares** | | |
| Balance as at 1 July 2016 | 110,194,306 | 17,746,577 |
| Shares issued - Placement (net of costs) | 27,000,000 | 1,772,748 |
| Balance as at 30 June 2017 | 137,194,306 | 19,519,325 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### NOTE 13 – ISSUED CAPITAL (continued)

#### b) Options on issue

Details of the share options outstanding as at the end of the year are set out below:

| Grant Date | Options | Expiry Date | Exercise Price | 30 June 2018 | 30 June 2017 |
|---|---|---|---|---|---|
| 1 Feb 2016 | Rix Options [1] | 31 Jan 2019 | $0.15 | 5,000,000 | 5,000,000 |
| 22 Jan 2018 | SPP Options [2] | 28 Feb 2019 | $0.075 | 8,907,978 | Nil |
| **TOTAL** | | | | **13,907,978** | **5,000,000** |

[1] *On 12 August 2016 5,000,000 unlisted options (Rix Options) were issued to Director Paul Rix following shareholder approval at the General Meeting held on 5 August 2016. Rix Options have an exercise price of $0.15 each and expire on 31 January 2019.*

*These options were issued to Mr. Rix as compensation for the termination of a consultancy agreement between Archer and Mr. Rix which was in place prior to Mr. Rix becoming a director of Archer. The options were issued for nil consideration.*

[2] *On 22 January 2018, 18,639,125 SPP Options were issued pursuant to the prospectus dated 5 December 2017. SPP Options, have an exercise price of $0.075 each and expire on 28 February 2019. 9,731,147 SPP Options were exercised into shares during the financial year.*

All Options are unlisted.

#### c) Performance Rights on issue

Details of the performance rights outstanding as at the end of the year are set out below:

**2018**

| Grant Date | Total Granted | Expiry Date | Exercise price | Total Vested | Total forfeited | Balance at 30 June 2018 |
|---|---|---|---|---|---|---|
| 28 Oct 2016 | 2,700,000 | 31 Jul 2019 | Nil | - | 1,200,000 | 1,500,000 [1] |
| 30 Oct 2017[2] | 3,000,000 | Nil | Nil | - | - | 3,000,000 |

[1] *On 6 July 2018, the Company allotted 750,000 fully paid ordinary shares as a result of the vesting of 100% of the Performance Rights that met the performance conditions for the year ended 30 June 2018.*

[2] *Dr Mohammad Choucair, the founder of Carbon Allotropes Pty Limited, was issued 3,000,000 Rights on 30 October 2017, as purchase consideration for Archer acquiring all of the shares in Carbon Allotropes Pty Limited. In accordance with Accounting Standards, the 3,000,000 Rights are required to be treated as remuneration, even though the Rights were issued to Dr Mohammad Choucair as consideration for Archer acquiring the business that he was the founder and sole shareholder of. The Rights have been treated as remuneration as a result of the service condition for the rights to vest, being that Dr Mohammad Choucair must remain employed by the company for at least 12 months from 30 October 2017, being the completion date of the Company's acquisition of Carbon Allotropes Pty Limited.*

During the year, 750,000 performance rights were forfeited as the criteria for verting of performance rights for the performance period 1 July 2016 to 30 June 2017 was not achieved. No performance rights were issued or exercised into shares during the year ended 30 June 2018.

**2017**

| Grant Date | Total Granted | Expiry Date | Exercise price | Total Vested | Total forfeited | Balance at 30 June 2017 |
|---|---|---|---|---|---|---|
| 28 Oct 2016 | 2,700,000 | 31 Jul 2019 | Nil | - | 450,000 | 2,250,000 |

#### d) Capital Management

The Group has no externally imposed capital requirements.

## NOTE 14 - EARNINGS PER SHARE

| | Consolidated Group | |
|---|---|---|
| Reconciliation of earnings to Statement of Profit or Loss and other Comprehensive Income | 2018<br>$ | 2017<br>$ |
| Loss for year used to calculate basic EPS | (1,854,520) | (659,859) |
| a) Weighted average number of shares outstanding during the year used in calculation of basic EPS | *Number* | *Number* |
| | 162,236,875 | 118,553,210 |

## NOTE 15 – RESERVES

| | Consolidated Group | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Share based payment reserve | 263,632 | 102,589 |
| Acquisition Reserve | 240,000 | - |
| Total | 503,632 | 102,589 |

The share based payments reserve records items recognised as an expense on valuation of options or performance rights.

The acquisition reserve represents the fair value 3,000,000 performance rights issued as consideration for the acquisition of Carbon Allotropes Pty Limited during the year, treated in accordance with AASB 3 Business Combinations.

## NOTE 16 – TENEMENT INTERESTS

**Exploration Licences**

The Company's interest in tenements are as follows:

| *Project* | *Tenement* | *Commodity* | *2018 Carrying Value $* | *2017 Carrying Value $* |
|---|---|---|---|---|
| **South Australia** | | | | |
| Carappee Hill [5] | EL 5920 | Graphite | 1,492,029 | 1,478,574 |
| Wildhorse Plain [5] | EL 5804 | Graphite | 8,696,325 | 8,289,526 |
| Waddikee [5] | EL 5815 | Graphite | 996,358 | 946,919 |
| Mt Messenger [5] | EL 5383 | Graphite | 19,162 | 15,789 |
| Cockabidnie [5] | EL 5791 | Graphite | 35,052 | 31,189 |
| North Cowell [5] | EL 5434 | Graphite | 383,256 | 379,693 |
| Carpie Puntha [5] | EL 5870 | Graphite | 16,257 | 7,534 |
| ***Total non-current exploration and evaluation expenditure*** | | | **11,638,439** | **11,149,224** |

| *Project* | *Tenement* | *Commodity* | *2018 Carrying Value $* | *2017 Carrying Value $* |
|---|---|---|---|---|
| Witchelina [6] | EL 4729 | Magnesite | 145,112 | 137,238 |
| Termination Hill [6] | EL 5730 | Magnesite | 1,376,941 | 1,340,462 |
| Collaby Hill [2] | EL 5553 | Magnesite | - | 21,619 |
| Spring Creek [2] | EL 5540 | Copper | - | 102,070 |
| Blue Hills [7] | EL 5794 | Copper/Gold | 346,019 | 117,109 |
| Pine Creek [1,7] | EL 6000 | Copper/Gold | 318,101 | - |
| Altimeter [1,7] | EL 6029 | Copper/Gold | 51,984 | - |
| Napoleans Hat [7] | EL 5769 | Gold | 118,528 | 106,606 |
| North Burra [7] | EL 5433 | Base Metals | 952,266 | 829,645 |
| Whyte Yarcowie [7] | EL 5935 | Cobalt/Copper | 17,717 | - |
| Franklyn [1,7] | EL 6160 | Base Metals | 10,200 | - |
| Yanyarrie [3] | EL 5909 | Barite | - | 2,534 |
| Ediacara [3] | EL 4869 | Barite | - | 106,353 |
| Ediacara [3] | PELA 567 | Coal to Liquids | - | 3,634 |
| **New South Wales** | | | | |
| North Broken Hill [7] | EL 8592 | Cobalt/Copper | 62,208 | 3,914 |
| North Broken Hill [7] | EL 8593 | Cobalt/Copper | 97,817 | 37,588 |
| North Broken Hill [7] | EL 8594 | Cobalt/Copper | 32,145 | 2,019 |
| North Broken Hill [7] | EL 8595 | Cobalt/Copper | 6,889 | 2,019 |
| North Broken Hill [7] | EL 8596 | Cobalt/Copper | 25,300 | 4,459 |
| North Broken Hill [7] | EL 8597 | Cobalt/Copper | 24,372 | 2,019 |
| North Broken Hill [7] | EL 8598 | Cobalt/Copper | 5,640 | 1,594 |
| **Western Australia** | | | | |
| Mt Keith [7] | 23/1926 | Nickel | - | - |
| ***Total exploration assets classified as held for sale (as at 30 June 2018)*** | | | **3,591,239** | **2,820,882** |
| **TOTAL TENEMENT INTEREST CARRYING VALUE** | | | **15,229,678** | **13,970,106** |

**Other Licenses**

| *Project* | *Tenement* | *Description* |
|---|---|---|
| Eyre Peninsula Graphite | ML 6470 [1] | Campoona Shaft |
| Eyre Peninsula Graphite | MPL 150 [1] | Sugarloaf Graphite Processing Facility |
| Eyre Peninsula Graphite | MPL 151 [1] | Pindari pipeline |

1 *Granted during the year.* [2] *Relinquished during the year.* [3] *Relinquished subsequent to year end.*

4 *EL 8779 (Campbells Creek) was granted subsequent to 30 June 2018.*

5 *These tenements were transferred from Pirie Resources Pty Ltd (PRPL) to Archer Energy & Resources Pty Ltd (AER). Under the terms of the Tenement Sale and Purchase Agreement, PRPL will still have the right to explore for, and if warranted mine, graphite on the area of the tenements. Subsequent to year end, Archer executed a share agreement with Ballista Resources Limited (Ballista) whereby Ballista has agreed to buy all of the shares in AER (Refer to Note 26).*

6 *The magnesite tenements consist the Leigh Creek Magnesia Project and were sold subsequent to year end. The sale and purchase of these tenements is subject to satisfaction of several conditions precedent (Refer to Note 26).*

7 *These tenements are held by SA Exploration Pty Ltd (SAEx). Archer has executed a share agreement with Ballista Resources Limited (Ballista) whereby Ballista has agreed to buy all of the shares in SAEx (Refer to Note 26).*

All tenements and tenement applications are held 100% by Archer and its related body corporates except for EL 5804 where S Uranium Pty Ltd has the rights to explore and develop uranium projects.

## NOTE 17 – CAPITAL AND OTHER EXPENDITURE COMMITMENTS

| | Consolidated Group 2018 $ | Consolidated Group 2017 $ |
|---|---|---|

**(a) Expenditure Commitments**

**Capital commitments relating to tenements**

The consolidated group is required to meet minimum expenditure requirements of various Australian Government bodies. These obligations are subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements.

| | 2018 $ | 2017 $ |
|---|---|---|
| **Exploration expenditure commitments** | | |
| Expenditure commitment | 2,339,500 [1] | 2,695,000 |

[1] *Includes exploration expenditure commitments relating to tenements that have been classified as assets held for sale in the statement of financial position as at 30 June 2018.*

| | 2018 $ | 2017 $ |
|---|---|---|
| **Property commitments** | | |
| Expenditure commitment | | |
| - Purchase of Campoona Land [1] | - | 250,000 |

[1] *Subsequent to 30 June 2018, the Company and the vendor re-structured the terms of the Campoona land sale agreement such that instead of purchasing the land outright, Archer has been granted an option to acquire the land sometime in the next 5 years. An amount of $180,528 previously capitalised to the Campoona land asset, has been expensed to the statement of profit or loss and other comprehensive income for the year ended 30 June 2018.*

**(b) Contingent Assets/Liabilities**

The Group did not have any contingent assets or liabilities as at 30 June 2018.

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 18 – OPERATING SEGMENTS

***Segment Information***

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 19 – CASH FLOW INFORMATION

| **a) Reconciliation of cash flows from operations with Loss after Income Tax** | **Consolidated Group 2018** | **Consolidated Group 2017** |
|---|---|---|
| | **$** | **$** |
| Loss after income tax | (1,854,520) | (659,859) |
| Depreciation (net of capitalised depreciation) | 17,105 | 15,497 |
| Amortisation of intangibles | 104,808 | - |
| Write-off of Campoona land asset | 180,629 | - |
| Share based payment - to employees | 167,816 | 66,963 |
| Gain on sale of assets | (37,479) | - |
| Exploration expenditure expensed | 12,977 | 30,618 |
| Impairment of exploration assets | 244,954 | 4,577 |
| Changes in assets and liabilities: | | |
| - Decrease / (increase) in trade and other receivables | 75,586 | (179,373) |
| - Increase / (decrease) in trade and other payables | 86,955 | (119,065) |
| - Decrease in employee entitlements | 64,370 | 30,166 |
| Net cash used in operating activities | (936,799) | (810,476) |

**b) Non-Cash Financing and Investing Activities**

There were no non-cash financing and investing activities undertaken during the current or prior reporting periods.

## NOTE 20 – SHARE BASED PAYMENTS

| | Consolidated Group | |
|---|---|---|
| | **2018** | **2017** |
| | Number of Performance Rights | Number of Performance Rights |
| **a) Performance Rights** | | |
| Balance at the beginning of the year | 2,250,000 | 684,211 |
| Performance rights granted during the year | 3,000,000 [1] | 2,700,000 |
| Performance rights vested during the year | - | - |
| Performance rights forfeited /cancelled during the year | (750,000) | (1,134,211) |
| **Balance at the end of the year** | **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 $160,000 expensed to the Statement of Profit or Loss and Other Comprehensive Income under employee benefits expense for the year ended 30 June 2018 to recognise the vesting criteria within the Share Purchase 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 is $25,253 and this amount is being expensed over 3 years commencing 1 July 2016. $7,816 has been included in the Statement of Profit or Loss and Other Comprehensive Income under employee benefits expense for the year ended 30 June 2018 (30 June 2017: $14,588).

On 3 July 2017, 750,000 performance rights previously issued to Directors and Employees, 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 Rights, 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 year ended 30 June 2018. Subsequent to 30 June 2018, the Company allotted 750,000 fully paid ordinary shares as a result of the vesting of performance rights that met the performance conditions for the performance period 1 July 2017 to 30 June 2018. The shares were allotted on 6 July 2018.

Additionally, on 6 July 2018, 450,000 performance rights were granted to employees of the Company. The performance rights were granted in accordance with the long-term equity incentive as outlined in the Archer Performance Rights Plan.

## NOTE 20 – SHARE BASED PAYMENTS (continued)

| | Consolidated Group | |
|---|---|---|
| | **2018** | **2017** |
| | ***Number of Unlisted Options*** | ***Number of Unlisted Options*** |
| **b) Unlisted Options** | | |
| Balance at the beginning of the year | 5,000,000 | 5,000,000 |
| Unlisted options granted during the year | - | - |
| Unlisted options vested during the year | - | - |
| Unlisted options lapsed/cancelled during the year | - | - |
| **Balance at the end of the year** | **5,000,000** | **5,000,000** |

The options outstanding at 30 June 2018 had a weighted average exercisable price of $0.15 and a weighted average remaining contractual life of 0.59 years.

The fair value of options issued during the year as remuneration were calculated by using a Black-Scholes option pricing model. The fair value of the options at the date of grant, being 1 February 2016, was $88,000 and was being expensed over the 12 month vesting period to 1 February 2017.

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 during the reporting period (2017: $52,375).

## NOTE 21 – EVENTS AFTER REPORTING DATE

- On 2 July 2018, the Company announced it had executed a legally binding agreement for sale of subsidiaries that hold the Leigh Creek Magnesia Project tenements (Refer to Note 26). Shareholders approved the sale of the Company's wholly owned subsidiaries that hold the Leigh Creek Magnesia Project, being Leigh Creek Magnesite Pty Ltd and CH Magnesite Pty Ltd, at the General Meeting of Shareholders held on 3 September 2018.
- On 6 July 2018, the Company allotted 750,000 fully paid ordinary shares as a result of the vesting of 100% of the performance rights that met the performance conditions for the performance period 1 July 2017 to 30 June 2018.
- On 6 July 2018, 450,000 performance rights were issued to Employees of Archer. The Performance Rights are subject to meeting vesting criteria for the performance period 1 July 2018 to 30 June 2019 and expire on 31 July 2019. On vesting, the holder will be issued fully paid ordinary shares in the Company on a one for one basis and the holder will not pay for the shares. The Performance Rights are governed by the terms and conditions of the Company's Performance Rights Plan.
- On 19 July 2018, the Company announced it had entered into binding share sale agreements with Ballista Resources Limited for the sale of Archer's wholly owned subsidiaries SA Exploration Pty Ltd and Archer Energy and Resources Pty Ltd (Refer to Note 26). Shareholders approved the sale of SA Exploration Pty Ltd and Archer Energy and Resources Pty Ltd to Ballista Resources Limited at the General Meeting of Shareholders held on 3 September 2018.
- In July 2018, the Company and the vendor of the Campoona land re-structured the terms of the sale agreement such that instead of purchasing the land outright, Archer has been granted an option to acquire the land sometime in the next 5 years. An amount of $180,629, previously capitalised to the Campoona land asset, has been expensed to the statement of profit or loss and other comprehensive income for the year ended 30 June 2018.
- The Company allotted 570,431 fully paid ordinary shares on 25 July 2018 and a further 55,854 fully paid ordinary shares on 15 August 2018, as a result of the exercise of unlisted SPP Options. SPP Options have an exercise price of $0.075 each, expire on 28 February 2019.

Other than the matters noted above there have been no other subsequent events which require disclosure.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 22 – RELATED PARTY TRANSACTIONS

### a) Subsidiaries

Interests in subsidiaries are disclosed in Note 8.

### b) Key Management Personnel

Disclosures relating to Key Management personnel are set out in Note 4 and the Remuneration Report contained within the Directors' Report.

### c) Other transactions with related parties

Piper Alderman lawyers were paid a total of $57,449 (2017: $3,297) for legal services rendered to the Group. Greg English is a partner of Piper Alderman lawyers.

## NOTE 23 – FINANCIAL RISK MANAGEMENT

### a) Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payables and loans to and from subsidiaries.

### i) Treasury Risk Management

The Board meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

### ii) Financial Risk Exposure and Management

The main risk the group is exposed to through its financial instruments is interest rate risk.

### Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. It is the policy of the group to keep surplus cash in high yielding deposits.

| | *Weighted Average Effective Interest Rate* | | *Interest Bearing* | | *Non Interest Bearing* | | | *Total* |
|---|---|---|---|---|---|---|---|---|
| | ***2018*** | ***2017*** | ***2018*** | ***2017*** | ***2018*** | ***2017*** | ***2018*** | ***2017*** |
| | ***%*** | ***%*** | ***$*** | ***$*** | ***$*** | ***$*** | ***$*** | ***$*** |
| **Financial Assets** | | | | | | | | |
| Cash at bank | 1.50% | 1.15% | 617,783 | 408,634 | - | - | 617,783 | 408,634 |
| Deposits | 2.33% | 2.53% | 2,131,803 | 1,120,000 | - | - | 2,131,803 | 1,120,000 |
| Receivables | - | - | - | - | 110,107 | 214,635 | 110,107 | 214,635 |
| **Total Financial Assets** | | | **2,749,586** | **1,528,634** | **110,107** | **214,635** | **2,859,693** | **1,743,269** |
| **Financial liabilities** | | | | | | | | |
| Payables | - | - | - | - | (227,090) | (305,586) | (227,090) | (305,586) |
| **Total Financial Liabilities** | | | - | - | **(227,090)** | **(305,586)** | **(227,090)** | **(305,586)** |
| **Total Net Financial Assets/ (Liabilities)** | | | **2,749,586** | **1,528,634** | **(116,983)** | **(90,951)** | **2,632,603** | **1,437,683** |

## NOTE 23 – FINANCIAL RISK MANAGEMENT (continued)

### b) Sensitivity Analysis

*Interest Rate and Price Risk*

The group has performed a sensitivity analysis relating to its exposure to interest rate risk and price risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

*Interest Rate Sensitivity Analysis*

At 30 June 2018, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | Consolidated Group | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| **Change in loss** | | |
| - Increase in interest rates by 2% | 42,636 | 22,400 |
| - Decrease in interest rates by 2% | (42,636) | (22,400) |
| **Change in equity** | | |
| - Increase in interest rates by 2% | 42,636 | 22,400 |
| - Decrease in interest rates by 2% | (42,636) | (22,400) |

### c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalent and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximate their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based on discounting future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The balances are not materially different from those disclosed in the balance sheet of the consolidated entity.

### d) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 24 – ARCHER EXPLORATION LIMITED PARENT COMPANY INFORMATION

| | Parent Entity | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| **PARENT ENTITY** | | |
| **ASSETS** | | |
| Current Assets | 2,656,821 | 1,526,031 |
| Non-current assets | | |
| Loans to subsidiaries | - | 9,147,778 |
| Investments in subsidiaries | 266,624 | 26,624 |
| Other non-current assets | 35,787 | 21,442 |
| **TOTAL ASSETS** | **2,959,232** | **10,721,875** |
| | | |
| **LIABILITIES** | | |
| Current Liabilities | 320,994 | 179,027 |
| Non-current Liabilities | 11,454 | 5,302 |
| Loans from subsidiaries | 25,268 | 5,302 |
| **TOTAL LIABILITIES** | **357,716** | **184,329** |
| | | |
| **EQUITY** | | |
| Issued capital | 23,249,187 | 19,519,325 |
| Reserves | 503,632 | 102,589 |
| Accumulated losses | (21,151,303) | (9,084,367) |
| **TOTAL EQUITY** | **2,601,516** | **10,537,547** |
| | | |
| **FINANCIAL PERFORMANCE** | | |
| Loss for the year [1] | (12,066,936) | (651,897) |
| Other comprehensive income | - | - |
| **TOTAL EQUITY** | **(12,066,936)** | **(651,897)** |

[1] Includes expense associated with the elimination of intercompany balances between wholly owned subsidiaries within the Archer Group as at 30 June 2018.

### Guarantees in relation to relation to the debts of subsidiaries

Archer Exploration Limited has not entered into a deed of cross guarantee with its wholly-owned subsidiaries Pirie Resources Pty Ltd, Archer Pastoral Company Pty Ltd, Leigh Creek Magnesite Pty Ltd, Archer Energy & Resources Pty Ltd, SA Exploration Limited, CH Magnesite Pty Ltd and Carbon Allotropes Pty Limited.

### Contingent Liabilities

Archer Exploration Limited has no contingent liabilities as at 30 June 2018 (2017: nil).

## NOTE 24 – ARCHER EXPLORATION LIMITED PARENT COMPANY INFORMATION (continued)

| Contractual Commitments | 2018 $ | 2017 $ |
|---|---|---|
| Purchase of Campoona land | - | 250,000 |

In July 2018, the Company and the vendor re-structured the terms of the Campoona land sale agreement such that instead of purchasing the land outright, Archer has been granted an option to acquire the land sometime in the next 5 years.

An amount of $180,629, previously capitalised to the Campoona land asset, has been expensed to the statement of profit or loss and other comprehensive income for the year ended 30 June 2018.

## NOTE 25 – 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 30 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.

## NOTE 25 – ACQUISITION OF CARBON ALLOTROPES PTY LIMITED (continued)

### 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** | $ |
|---|---|
| Cash | 21 |
| Plant & equipment | 2,953 |
| Intellectual property | 157,211 |
| Inventory | 79,815 |
| Total identifiable assets | 240,000 |

## NOTE 26 – ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUTED OPERATIONS

In late 2017, Archer received the grant of the Campoona graphite mining lease, acquired the Carbon Allotropes online graphene marketplace and appointed Dr Mohammad Choucair as Chief Executive Officer. Since that time the Company has made significant progress in the development of its carbon focused advanced materials business whilst also selectively exploring the Non-Graphite Projects.

On 27 April 2018, the Company lodged an ASX announcement advising that it was undertaking a strategic review (Review) of its non-graphite assets which include the Blue Hills Copper Project, Jamieson Tank Manganese Project, Ketchowla Manganese Cobalt Project, North Broken Hill Cobalt Project and the Leigh Creek Magnesia Project (the Non-Graphite Projects).

Sequoia Financial Group has been engaged by the Company to undertake the Review. Part of the Review has been the consideration of the long-term Archer shareholder value, including whether a separately listed company holding the non-Graphite Projects would be better able to develop these projects and allow Archer to better focus on its graphite and graphene development goals and the growth of the Company's Advanced Materials business.

Sequoia Financial Group has been mandated by Archer to assist in:

- The sale of the Leigh Creek Magnesia Project (Disposal Group A); and
- The sale and ASX listing of Archer's Non-Graphite Assets (Disposal Group B).

### DISPOSAL GROUP A – SALE OF THE LEIGH CREEK MAGNESIA PROJECT

During the reporting period, 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 emerging advanced and specialty materials business 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 (Magnesia 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.

## NOTE 26 – ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

Key terms of the Magnesia Sale Agreement are:

- The Magnesia Sale Agreement is between Archer and Australian Consolidated Venture Capital Pty Ltd 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:
    1. Buyer conducting due diligence by 31 August 2018 and the results of those enquiries being to the satisfaction of the Buyer. This condition has since been satisfied;
    2. Archer shareholder approval of the sale of the shares in LCM and CHM. This condition has since been satisfied; and
    3. the consent (if required) of counterparties under agreements affecting the Tenements. This condition has since been satisfied.
- Completion will take place on 31 December 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 has paid to Archer a $50,000 non-refundable deposit (Deposit) and a further non-refundable $200,000 (Additional Deposit). 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.

Subsequent to year end, 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:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Impairment of exploration assets | (21,618) | - |
| Other expenses | (1,145) | (558) |
| **Loss for year from discontinued operations before tax** | **(22,763)** | **(558)** |

## NOTE 26 – ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

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

| | 2018 $ |
|---|---|
| **Statement of financial position** | |
| Other current assets | 18 |
| Non-current exploration assets | 1,522,053 |
| **Assets of the disposal group held for sale** | **1,522,071** |
| | |
| Current trade payables | 254 |
| **Liabilities included in disposal group held for sale** | **254** |

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

| | 2018 $ | 2017 $ |
|---|---|---|
| Operating activities | (1,145) | (558) |
| **Net cash used in discontinued operations** | **(1,145)** | **(558)** |

### DISPOSAL GROUP B – SALE OF NON-GRAPHITE ASSETS

During the reporting period, the Company decided to sell its wholly owned subsidiaries, SA Exploration Pty Ltd (SAEx) and Archer Energy and Resources Pty Ltd (AER), which together consist the Company's Non-Graphite Assets.

Included within the Company's non-graphite assets are the following Projects:

- Blue Hills Copper Project, approximately 20km north of the township of Burra, South Australia.
- Jamieson Tank Manganese Project, approximately 15km north west of the township of Cleve, South Australia.
- Ketchowla Manganese Cobalt Project, adjoins the southern tenement boundary of the Blue Hills Copper Project and approximately 15km north of the township of Burra, South Australia.
- North Broken Hill Project, approximately 20km north of the township of Broken Hill, New South Wales.

The Non-Graphite Assets consist of:

a) All of the exploration licences (ELs) and exploration licence applications (ELAs) currently held by SAEx and AER.

b) All intellectual property attaching to the ELs but excluding all graphite and graphene related IP.

c) One Toyota utility motor vehicle.

d) Security deposit bonds associated with ELs

but excludes, the right to explore and mine graphite on the area of the Eyre Peninsula Graphite Project (**EPGP**) exploration licences.

## NOTE 26 – ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

Included in the Non-Graphite Assets, are 22 granted exploration licences and 1 exploration licence application, within South Australia, New South Wales and Western Australia. The following tables detail the exploration tenements that are included as part of the Non-Graphite Assets:

### SA Exploration Pty Ltd Tenements

| Id | Name | Location |
|---|---|---|
| EL 5769 | Napoleons Hat | South Australia |
| EL 5433 | Burra North | South Australia |
| EL 5794 | Blue Hills | South Australia |
| EL 5935 | Whyte Yarcowie | South Australia |
| EL 6000 | Pine Creek | South Australia |
| EL 6029 | Altimeter | South Australia |
| EL 6160 | Franklyn | South Australia |
| 23/1926 | Mt Keith North | Western Australia |

| Id | Name | Location |
|---|---|---|
| EL 8592 | Morris's Blow | New South Wales |
| EL 8593 | Broken Hill NW | New South Wales |
| EL 8594 | Broken Hill NW | New South Wales |
| EL 8595 | Broken Hill NW | New South Wales |
| EL 8596 | Kanbarra | New South Wales |
| EL 8597 | Kanbarra | New South Wales |
| EL 8598 | Kanbarra | New South Wales |
| ELA 5666 | Campbells Ck | New South Wales |

### Archer Energy and Resources Pty Ltd Tenements [1]

| Id | Name | Location |
|---|---|---|
| EL 5920 | Carappee Hill | South Australia |
| EL 5804 | Wildhorse Plains [2] | South Australia |
| EL 5815 | Waddikee | South Australia |
| EL 5383 | Mt Messenger | South Australia |

| Id | Name | Location |
|---|---|---|
| EL 5791 | Cockabidnie | South Australia |
| EL 5434 | North Cowell | South Australia |
| EL 5870 | Carpie Puntha | South Australia |

1 *The Company entered into a tenement sale and purchase agreement between Pirie Resources Pty Ltd (a wholly owned subsidiary of Archer) and Archer Energy and Resources Pty Ltd dated 6 July 2018 (**Tenement Sale Agreement**), for the transfer all of these tenements, from Pirie Resources Pty Ltd to Archer Energy and Resources Pty Ltd. Part of the consideration payable to Pirie Resources Pty Ltd pursuant to the Tenement Sale Agreement is a Graphite Mineral Rights Agreement between Pirie Resources Pty Ltd and Archer Energy and Resources Pty Ltd, whereby Archer Energy and Resources Pty Ltd grants to Archer, for no consideration, the exclusive rights to access, explore and mine graphite on the EPGP tenements.*

2 *Under an agreement with S Uranium Pty Ltd (SUPL), SUPL has the exclusive right to explore for, and if warranted, mine uranium minerals on the area of EL 5804.*

**NOTE 26 – ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)**

The decision to sell the Company's Non-Graphite Assets was taken in line with the group's strategy to intensify its focus on its emerging advanced and specialty materials business 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 SAEx and AER 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 agreements with Ballista Resources Limited (ACN 626 158 352) (**Ballista**) for the sale of all of the shares in SAEx and AER (together the "Non-Graphite Assets Sale Agreements").

Key terms of the Non-Graphite Assets Sale Agreements are:

- Archer agrees to sell all of the shares in SA Exploration Pty Ltd and Archer Energy and Resources Pty Ltd to Ballista.
- Completion of the sale and purchase of the shares is conditional upon:
    1. Archer shareholder approval to the sale of the shares in SA Exploration Pty Ltd and Archer Energy and Resources Pty Ltd. This condition has since been satisfied.
    2. Ballista being admitted to the Official List of ASX.
    3. Ballista raising at least $5,000,000 from an initial public offer of Ballista Shares under a prospectus or other form of disclosure document.
    4. The transfer of the tenements from Pirie Resources Pty Ltd to Archer Energy and Resources Pty Ltd having been completed in accordance with the terms of the Tenement Sale Agreement between the two parties. This condition has since been satisfied.

  Completion is subject to and conditional upon the satisfaction or waiver of the above conditions precedent on or before 30 September 2018 or such other date agreed by the parties in writing.
- Completion will take place on the fifth Business Day after the last of the conditions precedent have been duly satisfied or waived or such other date agreed by the Ballista and Archer in writing.
- The consideration payable to Archer pursuant to the Non-Graphite Assets Sale Agreements is, in aggregate, 48,000,000 fully paid ordinary Ballista Shares (Consideration Shares) to be issued at the price at which Ballista Shares are offered for subscription pursuant to the IPO (expected to be $0.20 per IPO share), being:
    - 24,000,000 Ballista Shares pursuant to the SA Exploration Pty Ltd Share Sale Agreement; and
    - 24,000,000 Ballista Shares pursuant to the Archer Energy and Resources Pty Ltd Share Sale Agreement

It is the Board's intention to distribute some or all of the Consideration Shares to Archer shareholders by way of an in-specie distribution, subject to the receipt of favourable tax advice, regulatory and shareholder approval.

Subsequent to year end, Shareholders approved the sale of SA Exploration Pty Ltd and Archer Energy and Resources Pty Ltd to Ballista Resources Limited at the General Meeting of Shareholders held on 3 September 2018.

## NOTE 26 – ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

Operating profit of SA Exploration Pty Ltd and Archer Energy and Resources Pty Ltd are shown below:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Interest income | 1,444 | - |
| Exploration expensed | (12,977) | (30,619) |
| Impairment of exploration assets | (223,336) | (1,596) |
| Depreciation expense | (880) | - |
| Other expenses | (4,090) | (1,993) |
| **Loss for year from discontinued operations before tax** | **(239,839)** | **(34,208)** |

Assets and Liabilities of SA Exploration Pty Ltd and Archer Energy and Resources Pty Ltd are shown below:

| | 2018 |
|---|---|
| | $ |
| **Statement of financial position** | |
| Other current assets | 28,924 |
| Non-current plant and equipment | 41,370 |
| Non-current exploration assets | 2,069,186 |
| **Assets of the disposal group held for sale** | **2,139,480** |
| | |
| Current trade and other payables | 140,274 |
| **Liabilities included in disposal group held for sale** | **140,274** |

Cash flows generated by SA Exploration Pty Ltd and Archer Energy and Resources Pty Ltd are shown below:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Operating activities | (2,646) | (1,993) |
| **Net cash used in discontinued operations** | **(2,646)** | **(1,993)** |

# DIRECTOR'S DECLARATION

The Directors of the Company declare that:

1. the Financial Statements and Notes as set out on pages 63 to 100 are in accordance with the Corporations Act 2001 and:

   a) comply with Australian Accounting Standards and International Financial Reporting Standards as disclosed in Note 1; and

   b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Company and Consolidated Group;

2. the Executive Chairman and the Chief Financial Officer have each declared that:

   a) the financial records of the Company for the year ended have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   c) the financial statements and notes give a true and fair view;

3. in the Directors' 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*
*Chairman*

*Adelaide*
*Dated the 5th September 2018*

# INDEPENDENT AUDIT REPORT

Grant Thornton

Grant Thornton Audit Pty Ltd
Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA
5000

T +61 8 8372 6666
F +61 8 8372 6677

# Independent Auditor's Report

## To the Members of Archer Exploration Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Archer Exploration Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Grant Thornton

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Accounting for Assets Held for Sale – Note 1q and 26** | |
| During the year, the Group identified business assets and associated liabilities that would be realised through a sale transaction rather than through continuing use. The total value of assets classified as held for sale as at 30 June 2018 was $3,661,551.<br><br>Discontinued operations and the associated assets classified as held for sale require specific conditions to be met before an asset can be classified in accordance with *AASB 5: Non-current Assets held for Sale and Discontinued Operations*. Upon classification under AASB 5, an assessment is required to determine whether assets are held at the lower of cost of fair value less costs to sell. This area is a key audit matter due to judgements required for classification under AASB 5 and assessment of carrying value. | Our procedures included, amongst others:<br><br>• evaluation of management's assumptions applied to determine the assets held for sale are in accordance with the requirements of AASB 5;<br>• assessment of managements identification of the related assets and liabilities classified as held for sale;<br>• testing the carrying value to determine that this is measured at the lower of its carrying value amount and fair value less costs to sell; and<br>• assessing the adequacy of the disclosures included in the financial statements. |
| **Exploration and evaluation assets – Note 1d, 1q and 10** | |
| At 30 June 2018, the carrying value of exploration and evaluation assets was $11,638,439.<br><br>In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.<br><br>The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.<br>This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers. | Our procedures included, amongst others:<br><br>• obtaining management's reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;<br>• reviewing management's area of interest classifications against AASB 6;<br>• conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including;<br>• tracing to statutory registers, exploration licenses and determine whether a right of tenure existed;<br>• enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure;<br>• understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;<br>• assessing the accuracy of impairment recorded for the year as it pertained to exploration interests;<br>• evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and<br>• assessing the appropriateness of the related financial statement disclosures. |

Grant Thornton

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Acquisition of Carbon Allotropes Pty Ltd – Note 1a and 25** | |
| During the year, the Group acquired 100% of the share capital of Carbon Allotropes Pty Ltd.<br><br>Acquisition accounting requires management to exercise judgement in the identification and assessment of the fair value of the assets and liabilities acquired and determining the consideration payable to vendors.<br><br>This area is a key audit matter due to judgements and estimates required in determining the appropriate accounting, including estimating fair values of net assets acquired and estimating the fair value of the purchase consideration. | Our procedures included, amongst others:<br><br>• reviewing the share purchase agreement in relation to the acquisition to understand the purchase consideration and details of the assets and liabilities acquired as part of the transaction to determine whether the accounting for the acquisition is consistent with the requirements of *AASB 3: Business Combinations;*<br>• testing the identification and valuation of identifiable assets and liabilities against available supporting documentation;<br>• assessing the judgements and estimates made by management in determining of the consideration for the acquisition;<br>• testing the methodology and mathematical accuracy of the calculations performed by management; and<br>• assessing the adequacy of Group's disclosures within the financial statements. |

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Grant Thornton

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

## Report on the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Archer Exploration Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 5 September 2018

# ADDITIONAL INFORMATION

Compiled as at 27 August 2018

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below.

## SHAREHOLDER INFORMATION

**Substantial Shareholders**

There are no substantial shareholders in the Company with 5% or greater relevant interest in securities of the company.

**Distribution of equity securities**

Number of security holders by size of holding:

| *Range* | *Shares* | *Unlisted Options* | *Unlisted Performance Rights* |
|---|---|---|---|
| 1 - 1,000 | 132 | - | - |
| 1,001 - 5,000 | 335 | - | - |
| 5,001 - 10,000 | 459 | - | - |
| 10,001 - 100,000 | 1,224 | - | - |
| 100,001 - 999,999,999 | 402 | 1 | 8 |
| **Total** | **2,552** | **1** | **8** |

| *Unmarketable Parcels* | *Minimum parcel size* | *Holders* | *Units* |
|---|---|---|---|
| Minimum $500.00 parcel at $0.079 per unit | 6,330 | 543 | 1,734,721 |

**Voting Rights**

At meeting of members or classes of members.

**Ordinary shares**

On a show of hands, every person present who is a member or proxy, attorney or representative of a member has one vote.

**Unlisted options**

No voting rights.

**Unlisted Performance Rights**

No voting rights.

## Twenty largest holders of each class of quoted equity security

Ordinary Shares:

| *Rank* | *Name* | *Units* | *% Issued capital* |
|---|---|---|---|
| 1 | GDE EXPLORATION (SA) PTY LTD <DRAGON MINING INVESTMENT A/C> | 7,534,798 | 4.00 |
| 2 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 6,134,140 | 3.26 |
| 3 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 5,529,389 | 2.94 |
| 4 | MS ALICE MCCLEARY + MR BRIAN JOHN MCCLEARY <ALICE MCCLEARY S/F A/C> | 2,173,627 | 1.15 |
| 5 | MR BASIL CATSIPORDAS | 2,059,634 | 1.09 |
| 6 | DEBORAH ANNETTE ROSSITER | 1,883,679 | 1.00 |
| 7 | MR PETER PALAN + MRS CLARE PALAN <NAPLA PROVIDENT FUND A/C> | 1,836,363 | 0.98 |
| 8 | CITICORP NOMINEES PTY LIMITED | 1,817,810 | 0.97 |
| 9 | GDE EXPLORATION (SA) PTY LTD <A1 ENGLISH FAMILY A/C> | 1,784,935 | 0.95 |
| 10 | MR PETER IRWIN <SIAM DISCRETIONARY A/C> | 1,650,000 | 0.88 |
| 11 | MR JOHN VINCENT WIGGINS | 1,561,400 | 0.83 |
| 12 | MR HEUNG MING LAM | 1,557,775 | 0.83 |
| 13 | KOOYAP PTY LTD <YAP & FOO S/F A/C> | 1,500,000 | 0.80 |
| 14 | GERARD ANDERSON SUPER PTY LTD <GERARD ANDERSON SF A/C> | 1,478,041 | 0.78 |
| 15 | EAP NOMINEES PTY LTD <TOM PHILLIPS SUPER FUND A/C> | 1,355,709 | 0.72 |
| 16 | MR PHILLIP STANLEY HOLTEN | 1,336,000 | 0.71 |
| 17 | NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C> | 1,247,817 | 0.66 |
| 18 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 1,234,563 | 0.66 |
| 19 | MR HUGH ROBINSON BEGGS <THE BEGGS A/C> | 1,233,452 | 0.66 |
| 20 | MR NEVILLE ROBERT STEVENS | 1,195,348 | 0.63 |
| **Total** | | **46,104,480** | **24.48** |

## Corporate Governance Statement

*For the Year Ended 30 June 2018*

The Corporate Governance Statement for the Group is located in the Corporate Governance section of the Company's website at: www.archerx.com.au

# CORPORATE DIRECTORY

### DIRECTORS

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

### CHIEF EXECUTIVE OFFICER

Mohammad Choucair

### COMPANY SECRETARY

Damien Connor

### REGISTERED OFFICE

Ground Floor
28 Greenhill Road
WAYVILLE SA 5034

| | |
|---|---|
| Telephone: | +61 8 8272 3288 |
| Fax: | +61 8 8272 3888 |
| Email: | info@archerx.com.au |

### SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
ADELAIDE SA 5000

### AUDITORS

Grant Thornton Audit Pty Ltd
Level 3, 170 Frome Street
ADELAIDE SA 5000

### SOLICITOR

Piper Alderman
Level 16, 70 Franklin Street
ADELAIDE SA 5000

### BANKERS

National Australia Bank
Level 1, 22 King William Street
ADELAIDE SA 5000

### AUSTRALIAN SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange
ASX CODE: AXE

# NOTES