

ASX Announcement

28 October 2016

Chairman's 2016 AGM address

It is with pleasure that I welcome you to the Archer Exploration Limited 2016 Annual General Meeting. Thank you for your attendance today and the continued interest you show in the Company. Archer has continued to grow over the past year, with a number of significant achievements. 2016 has seen the Company focus on progressing our two South Australian flagship projects, the Campoona Graphite project on Eyre Peninsula and the Leigh Creek Magnesite Project in the State's far north, towards maiden production.

At Campoona, the Company continued the preparation of the mining lease application and is undertaking further graphite and graphene product testing. The amount of work required to complete a mining lease application for Campoona should not be understated, including considerable community engagement, test work, studies and associated technical activities. Work on the mining lease proposal is now completed and Archer hopes to commence the required public consultation process in the next few weeks.

The Campoona Scoping Study¹ released by Archer in mid-September shows that our enlarged Eyre Peninsula Graphite Project has the potential to generate \$858 million of sales revenue over an initial 17-year mine life. The Scoping Study reported an initial capital cost of \$36 million and a pre-tax NPV of \$126 million. Archer is excited by the potential of the larger Eyre Peninsula Graphite Project and the benefits that it can provide to the Eyre Peninsula and the State of South Australia. We will continue the process for the granting of a mining lease for Campoona with the aim of being awarded a mining lease during 2016/17.

Whilst the detailed technical work undertaken by Archer over the past two years has seen Archer leapfrog many of its peers in the move toward graphite production, the information and reports generated are not in a form that can be released to the ASX. This means that the limited news flow about Campoona does not reflect the large amount of work that has been undertaken around this now well advanced project.

We commenced the past financial year with a clear focus on prioritising the development of our advanced graphite projects. However, over the course of the year, it became apparent that changing economic conditions in South Australia would allow the Company to develop our Leigh Creek Magnesite Project more quickly and at less cost than originally anticipated.

Firstly, the closure of the Leigh Creek Coalfield, whilst devastating to the people of the Leigh Creek area, provides Archer with an opportunity to access well developed local mining infrastructure including the rail line and Leigh Creek Township and to potentially

¹ Information in relation to the Eyre Peninsula Graphite Project Scoping Study, including production targets and financial information, included in this document is extracted from an ASX announcement entitled "*Positive results from SA Graphite Project scoping study*", lodged with ASX on 19 September 2016 and is available to view at www.arccherexploration.com.au. 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.

provide employment opportunities to local businesses through development of our own magnesite project located just a short distance from the now closed coal mining area.

Secondly, during the year, Archer became aware of the potential to access facilities in South Australia, capable of toll processing Archer's magnesite. Discussions with these parties are at an advanced stage and Archer hopes to undertake kiln trials on bulk samples from our Leigh Creek magnesite deposit, during 2016/17. The completion of successful bulk trials will allow Archer to finalise agreements with interested offtake partners and raise the funds required to take the Leigh Creek Magnesite Project through to construction, commissioning and sustained commercial production.

The addition during the year of Paul Rix to the Archer Board has greatly helped the development of the Leigh Creek Project. Paul has a track record of Australian and international success in the marketing and sales of magnesia products and his experience will prove invaluable as we move toward the next stage of development.

The Leigh Creek Magnesite Project provides your Company with a great opportunity to develop a large, world class deposit, at low capital cost.

On a broader note, Archer has assembled within its asset portfolio, a large tenement holding in South Australia that is highly prospective for key minerals such as gold, cobalt, copper and manganese. At the end of August, we announced the signing of a farmin and joint venture agreement with Cobalt Bull whereby Cobalt Bull can earn a 75% joint venture interest in our Burra and North Burra tenements. We understand Cobalt Bull's key focus to be on North Burra where Archer has previously reported high cobalt grades in drilling and rock chip sampling.

We will continue to review our tenement portfolio and identify potential business development opportunities to either sell or joint venture our non-core assets and to identify opportunities to acquire additional projects at low cost.

During the year, Gerard Anderson resigned as Managing Director of Archer. Gerard joined Archer as a non-Executive Director in July 2008 and was appointed as Managing Director in October 2010. In July 2013, his contract was extended for a further 3 years until 30 June 2016. Gerard was instrumental in the early exploration and subsequent development of the Company's graphite and graphene projects and Archer has built a strong technical foundation as a result of this work. The Board is appreciative of Gerard's efforts and contribution to Archer and wish him well with his future endeavours.

In 2017, Archer has an exciting year ahead of it, particularly project delivery at Campoona and Leigh Creek. Our strategy is to unlock the value of the Company's significant graphite and magnesite resources. We have the skills, teamwork and commitment to deliver on our plans, safely, profitably and sustainably.

We could not have achieved what we did over the past year without the strong support shown by our loyal shareholders. The Company's Share Purchase Plan was an overwhelming success and gave loyal shareholders the opportunity to increase their investment in the Company. With your support, Archer now stands on the threshold of delivering its transformational strategy to develop the Company's extensive graphite and magnesite resources.

In conclusion, Archer remains committed and focused on progressing the Leigh Creek Magnesite Project and Campoona Graphite Project toward production and in the short term completing bulk field trials for the magnesite. We have some significant milestones to achieve over the next 12 months - amongst them the granting of a mining lease at Campoona and the signing of toll processing agreements for the magnesite.

The Board and Management thank all employees, contractors and suppliers for their hard work and support during the year.

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