ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES

ABN 64 123 993 233

Financial Report

Half-year ended

31 December 2016

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DIRECTORS' REPORT

Your Directors present the financial report for Archer Exploration Limited and its consolidated entities ("Group") for the half-year ended 31 December 2016.

Directors

The names of each person who has been a Director during this period and to the date of this report are:

- Gregory David English
- Alice McCleary
- Paul Rix
- Thomas Robin Phillips AM (resigned 31st December 2016)

Company Secretary

- Damien Connor

Review of Operations

During the half-year ended 31 December 2016 the Group incurred a loss of $559,976 (2015: loss $73,777).

The principal continuing activity of the Group is exploration, evaluation and development of Archer's tenements with a focus on the development of the Eyre Peninsula Graphite Project and the Leigh Creek Magnesite Project whilst also assessing the cobalt potential of Archer's remaining tenements.

The following summary lists the operational activities for the half-year ended 31 December 2016:

EYRE PENINSULA GRAPHITE PROJECT

Campoona Mining Lease Proposal

Archer completed and lodged with the South Australian Department of State Development:

- An application for a Mining Lease over the Campoona Shaft graphite project area; and
- Applications for Miscellaneous Purposes Licences (MPL) for the Sugarloaf Graphite Processing Facility and Pindari Borefield and Pipeline.

The decision to proceed with a Mining Lease Application (MLA) follows the completion of a high-level Scoping Study that supported Archer's future development of the broader Eyre Peninsula Graphite Project.

The covers an area of approximately 68ha and includes the Campoona Shaft graphite deposit – one of several such advanced deposits within Archer's broader Eyre Peninsula Graphite Project. The MLA is accompanied with applications for miscellaneous purposes licenses for associated graphite processing infrastructure at nearby Sugarloaf, including treatment plant, site office, power station, workshop, water supply and tailings storage facility.

Archer's proposed graphite mining and processing operations include:

- Small open pit mining operation at Campoona of up to 140,000tpa of ore. Mining will be mostly free dig for the first 70 metres with operations planned for day shift only.
- The graphite will be processed at the Sugarloaf Processing Facility (located approximately 15km west of the Campoona Mine) using a conventional flotation circuit. The graphite will be upgraded on site at Archer's Carbon Upgrade Facility.
- At Sugarloaf: saline process water to be sourced from the Pindari Borefield (approximately 10km north of the processing plant), potable water will be supplied by SA Water and electricity will be supplied via a new 4.75km powerline to the existing 11kV electricity line to the west of Sugarloaf.

The statutory public consultation period for the MLA and MPLs is expected to commence in February 2017 with Archer hopeful of having all licenses and leases granted by mid-2017.

Scoping Study

During September 2016, Archer released the results of a Scoping Study for the Eyre Peninsula Graphite Project (EPGP). The Scoping Study only considered an initial mine life of 17 years which includes 3 years of ramp up and 14 years of steady state production.

The results of the Scoping Study indicate that the EPGP has robust economics and is a technically low risk graphite development when considered against a strong graphite and graphene market outlook (subject to the cautionary statements set out in the ASX announcement dated 19 September 2016).

Key observations of the Scoping Study include[1]:

Description	Value
Physicals	
Annual steady state ore tonnes mined and processed	140,000 tpa, increasing to 210,000 tpa in Year 8
Mine life considered	17 years
Processing plant recovery	90%
Average life of mine feed grade	9.5% Total Graphitic Carbon (TGC)
Average annual steady state graphite concentrate production	11,592 tpa (Years 4 – 7) 18,648 tpa in (Years 8 -14) 16,632 (Years 15-17)
Financials	
Capital costs – pre-production	A$36 million
Capital costs – expansion	A$18 million (Years 6 and 7) + A$7 million (Year 14)
Average life of mine operating costs (excl. royalties and sustaining capital)	A$1,680/t of graphite
AUD:USD exchange rate	$0.69
Graphite basket sales price	US$2,500/t or A$3,623/t
NPV before tax (10% discount rate)	A$126 million

Sugarloaf

Archer was granted the Cockabidnie tenement on the Eyre Peninsula; this tenement abuts the Carappee Hill tenement to the south. Cockabidnie contains extensions of the Sugarloaf Project and as a result, Archer announced a significant increase in the Exploration Target at Sugarloaf.

Previous testing has shown Sugarloaf carbon, when added to soils, improves soil wettability and aids moisture retention. Archer has previously announced that it was expecting to undertake wettability

1 This information is extracted from the report titled “Positive results from SA Graphite Project scoping study”, lodged with ASX on 19 September 2016 and is available to view at www.archerexploration.com.au. Archer confirms that all material assumptions underpinning the production target and financial information set out in the Scoping Study announcement continue to apply and have not materially changed.

test work for the Sugarloaf carbon sometime in 2017 however, this work has been suspended as Archer focuses its attention on other projects. At this stage, Archer does not intend to undertake any further Sugarloaf test work during 2017.

Graphene and graphite marketing

Archer continues to identify opportunities to engage with different industry participants regarding possible future graphene research and in particular the use of Archer graphite in graphene manufacture. Archer will continue to look for opportunities to work with industry participants to identify commercial applications for Archer graphite and graphene production.

LEIGH CREEK MAGNESITE

Whyalla Bulk Trial

The Leigh Creek Magnesite Project (LCMP) business plan is based on Archer toll processing magnesite, in third part rotary kilns, to make caustic calcined magnesia (CCM) and monolithic dead burn magnesia (MDBM) products for sale to domestic and international customers. The current configuration of these rotary kilns means that they operate at maximum temperatures of about 1,500 –1,650^{o} Celsius. Archer has been in continuous negotiations with different third parties regarding access to infrastructure for the toll processing of magnesite. These negotiations are ongoing.

Archer engaged CSIRO to undertake the following testing and analysis of the Leigh Creek magnesite:

- Calcining of magnesite to make MDBM at different temperatures (1450^{o}, 1550^{o} and 1650^{o} Celsius).
- Compare the Leigh Creek MDBM product against commercially available MDBM products.

The CSIRO test work showed that MDBM could be made at each of the different temperatures stated above.

The positive results from the CSIRO test work gave Archer the confidence to proceed with a bulk calcining trial using an industrial kiln in South Australia. A 300 tonne bulk trial was completed at OneSteel's Whyalla Steelworks in late November 2016. Magnesite ore was mined at Leigh Creek and initially stockpiled in Adelaide in preparation for the trial. The magnesite ore was transported to Whyalla for crushing (6mm – 20mm) and then dispatched to the Whyalla Steelworks for calcining.

The purpose of the bulk trial was to:

- Calcine the magnesite to make MDBM which Archer could give to prospective customers for testing.
- Manufacture of CCM for use by OneSteel in the steel making process.

SA Government grant

Archer received a $200,000 grant from the South Australian Government's Upper Spencer Gulf and Outback Futures Program to assist in the development of the LCMP. The receipt of the grant monies is conditional on Archer satisfying several conditions precedent, including the grant of a mining lease and the commencement of mining operations.

COBALT PROJECTS

In late August 2016 Archer announced the execution of a farmin and joint venture with Cobalt Bull Pty Ltd whereby Cobalt Bull could earn a 75% interest in certain tenements which are prospective for cobalt. This joint venture was terminated by Archer on 31 January 2017.

Apart from Ketchowla (near Burra), little significance had historically been placed on cobalt as an associated metal within drill hole samples and cobalt had not been assayed during drill testing at some prospects. As part of ongoing project development, a review of previous explorers' data has been undertaken by Archer. Sample sites (including historical drilling) have been identified for cobalt mineralisation that requires follow up.

Existing tenements within the larger cobalt project area host numerous cobalt prospective targets including Jamieson Tank, Polinga, Hodgins, Salt Creek and Ketchowla.

Archer has received numerous enquiries regarding the cobalt potential of the Company's tenements and as a result Archer has applied for additional tenements which are highly prospective for cobalt.

OTHER PROJECTS

With Archer's current focus on developing its graphite, magnesite and cobalt projects no substantive work was done on Archer's gold, copper, barite or other tenements.

CORPORATE

Retirement of director – Tom Phillips AM

Tom Phillips AM announced his retirement from the Board of Archer on 1 November 2016 with the effective date of the retirement being 31 December 2016. Tom retired from Archer for personal reasons. Mr. Phillips served as a Non-Executive Director of Archer for more than 10 years and was the Company's foundation Chairman. Tom oversaw the initial ASX listing of Archer and brought extensive business experience to the Board and provided both the Board and management with valuable guidance and assistance.

Changes in equity

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

- 22,035,974 options issued to shareholders who were allotted shares under the Company's 2016 share purchase plan. The options were issued for nil consideration, are unlisted and have an exercise price of $0.12 and expiry date of 30 June 2017.
- 5,000,000 options issued to Paul Rix who is a non-executive director of Archer. 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, are unlisted and have an exercise price of $0.15 and expiry date of 31 January 2019.
- 2,700,000 Performance Rights issued to directors and management of Archer subsequent to shareholder approval granted at 2016 AGM. The vesting of the Performance Rights is subject to the satisfaction of certain conditions precedent.

EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any significant changes in the state of affairs of the Company subsequent to the half-year ended 31 December 2016 other than outlined below.

On 1 February 2017, Archer terminated the farmin and joint venture agreement with Cobalt Bull Pty Ltd. The tenements the subject of the agreement remain 100% held by Archer.

Auditor's Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7 for the half-year ended 31 December 2016.

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

Greg English
Executive Chairman

Adelaide
Dated this 24th day of February 2017

AUDITOR'S INDEPENDENCE DECLARATION

Grant Thornton

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF ARCHER EXPLORATION LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Archer Exploration Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 24 February 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	CONSOLIDATED GROUP	
		31 Dec 2016	**31 Dec 2015**
		$	**$**
REVENUES FROM ORDINARY ACTIVITIES			
Income	2	31,850	38,516
EXPENSES FROM ORDINARY ACTIVITIES			
Depreciation and amortisation expense		(7,837)	(10,173)
Employee benefits expense		(364,025)	(407,537)
ASX listing and share registry expense		(40,282)	(31,996)
Consulting expense		(10,775)	(19,429)
Exploration expensed		(24,096)	-
Other expenses from ordinary activities		(144,811)	(188,658)
LOSS BEFORE INCOME TAX EXPENSE		**(559,976)**	**(619,277)**
Income tax benefit – R&D tax concession		-	545,500
LOSS FOR THE PERIOD		**(559,976)**	**(73,777)**
LOSS ATTRIBUTED TO MEMBERS OF THE PARENT ENTITY		**(559,976)**	**(73,777)**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(559,976)**	**(73,777)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**(559,976)**	**(73,777)**
		Cents	Cents
Basic loss per share		(0.51)	(0.09)
Diluted loss per share		(0.51)	(0.09)

The accompanying notes form part of the financial statements.

ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES
ABN: 64 123 993 233

STATEMENT OF FINANCIAL POSITION – AS AT 31 DECEMBER 2016

	NOTES	Consolidated Group 31 Dec 2016 $	30 June 2016 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		612,691	1,983,721
Trade and other receivables		86,275	35,261
Total current assets		698,966	2,018,982
NON-CURRENT ASSETS			
Property, plant and equipment		1,424,447	1,437,390
Exploration and evaluation expenditure	3	13,166,353	12,427,038
Total non-current assets		14,590,800	13,864,428
TOTAL ASSETS		15,289,766	15,883,410
CURRENT LIABILITIES			
Trade and other payables		185,605	271,882
Short-term provisions		60,242	17,012
Total current liabilities		245,847	288,894
NON-CURRENT LIABILITIES			
Long-term provisions		2,410	43,735
Total non-current liabilities		2,410	43,735
TOTAL LIABILITIES		248,257	332,629
NET ASSETS		**15,041,509**	**15,550,781**
EQUITY			
Issued capital	4	17,746,577	17,746,577
Reserves		86,330	197,100
Retained earnings		(2,791,398)	(2,392,896)
TOTAL EQUITY		**15,041,509**	**15,550,781**

The accompanying notes form part of the financial statements.

ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES

ABN: 64 123 993 233

STATEMENT OF CHANGES IN EQUITY – FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Retained Earnings	Share Based Payments Reserve	Total
	$	$	$	$
BALANCE AT 1 JULY 2015	15,730,908	(1,170,740)	285,815	14,845,983
Fair value of shares issued during the period	22,000			22,000
Fair value of performance rights issued in prior periods / (lapsed)	-	-	(32,799)	(32,799)
Total comprehensive income for the period	-	(73,777)	-	(73,777)
BALANCE AT 31 DECEMBER 2015	**15,752,908**	**(1,244,517)**	**253,016**	**14,761,407**
BALANCE AT 1 JULY 2016	17,746,577	(2,392,896)	197,100	15,550,781
Fair value of shares issued during the period	-			-
Fair value of unlisted options issued in prior periods			43,410	43,410
Fair value of performance rights issued during the period			7,294	7,294
Performance rights – write-back of expense associated with previously issued performance rights.		161,474	(161,474)	-
Total comprehensive income for the period	-	(559,976)	-	(559,976)
BALANCE AT 31 DECEMBER 2016	**17,746,577**	**(2,791,398)**	**86,330**	**15,041,509**

The accompanying notes form part of the financial statements.

STATEMENT OF CASH FLOWS – FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	CONSOLIDATED GROUP	
	31 Dec 2016	**31 Dec 2015**
CASH FLOW FROM OPERATING ACTIVITIES	**$**	**$**
Payments to suppliers and employees	(679,121)	(711,288)
Interest received	11,390	18,839
Research & development tax concession	-	545,500
Other revenue	-	(226)
NET CASH (USED IN) OPERATING ACTIVITIES	**(667,731)**	**(147,175)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	(703,299)	(475,071)
Payment for plant and equipment	-	(28,862)
Receipts from sale of plant and equipment	-	33,000
Payments for land and buildings	-	(3,304)
NET CASH (USED IN) INVESTING ACTIVITIES	**(703,299)**	**(474,237)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	**-**	**-**
Net (decrease) in cash held	(1,371,030)	(621,412)
Cash at beginning of period	1,983,721	1,680,965
CASH AT THE END OF THE PERIOD	**612,691**	**1,059,553**

The accompanying notes form part of the financial statements.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Archer Exploration Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the half-year.

Significant Accounting Policies

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

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

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

NOTE 2 – REVENUE	CONSOLIDATED GROUP	
	6 months to 31 December 2016 $	6 months to 31 December 2015 $
Interest income	11,391	18,839
Other income	20,459	19,677
TOTAL REVENUE	**31,850**	**38,516**

NOTE 3 – EXPLORATION AND EVALUATION EXPENDITURE	CONSOLIDATED GROUP 31 December 2016 $	30 June 2016 $
Balance at the beginning of the period	12,427,038	12,160,914
Amounts capitalised during the period	739,314	742,238
Impairment/exploration expense during the period	-	(476,114)
Balance at the end of the period	**13,166,353**	**12,427,038**

NOTE 4 – ISSUED CAPITAL

31 DECEMBER 2016	**Number of shares**	**31 December 2016 $**
(a) issued and paid up capital		
Fully paid ordinary shares	110,194,306	17,746,577
(a) Movements in fully paid shares		
Balance as at 1 July 2016	110,194,306	17,746,577
Movement during the period	-	-
Balance as at 31 December 2016	110,194,306	17,746,577

30 JUNE 2016	**Number of shares**	**30 June 2016 $**
(a) issued and paid up capital		
Fully paid ordinary shares	110,194,306	17,746,577
(a) Movements in fully paid shares		
Balance as at 1 July 2015	84,520,409	15,730,908
Shares issued - third party for services	244,444	22,000
Shares issued - Share Purchase Plan (net of costs)	25,429,453	1,993,669
Balance as at 30 June 2016	110,194,306	17,746,577

NOTE 5 – SHARE BASED PAYMENTS

a) Performance Rights

	31 December 2016	30 June 2016
	Number of Performance Rights	Number of Performance Rights
Balance at the beginning of the period	684,211	2,322,881
Granted during the period	2,700,000	-
Vested during the period	-	-
lapsed/expired during the period	(1,134,211)	(1,638,670)
Balance at the end of the period	**2,250,000**	**684,211**

During the half-year ended 31 December 2016 the Directors granted 2,700,000 Performance Rights (Rights) to Directors, the Company Secretary and employees. 1,800,000 of the Rights were granted following shareholder approval at the Company's Annual General Meeting held on 28 October 2016. 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 31 December 2016, the 450,000 Rights that were issued to him lapsed.

The share based payment expense for the remaining 2,250,000 Rights issued has been calculated in accordance pursuant to AASB 2: Share Based Payments using a Monte Carlo Simulation method to determine the fair value of the Rights. No Rights will vest before 1 July 2017 when the vesting conditions for the first tranche for the year ending 30 June 2017 are known.

The total fair value for the remaining 2,250,000 Rights issued to date is $25,253 and this amount will be expensed over the 3 years commencing 1 July 2016. $7,294 (2015: $18,124) has been included in the Statement of Profit or Loss and Other Comprehensive Income under Employee benefits expense for the half-year ended 31 December 2016.

During the half-year ended 31 December 2016, an amount of $161,474, relating to the expense for previously issued Rights that have either lapsed, expired or exercised, has been written-back to retained losses, from the share based payments reserve. Refer also to Statement of Changes in Equity for further details.

NOTE 5 – SHARE BASED PAYMENTS….CONTINUED

b) Unlisted Options

	31 December 2016 Number of Performance Rights	30 June 2016 Number of Performance Rights
Balance at the beginning of the period	5,000,000	-
Granted during the period	-	5,000,000
Vested during the period	-	-
lapsed/expired during the period	-	-
Balance at the end of the period	**5,000,000**	**5,000,000**

5,000,000 options were agreed to be granted to Non-Executive Director Paul Rix by resolution of the Board on 01 February 2016, prior to his appointment as a Director. Shareholder approval to issue the options to Mr Rix was received at the General Meeting held on 05 August 2016, and Mr Rix was subsequently issued the options on 12 August 2016. Under accounting rules, the options need to be expensed in the financial year using 01 February 2016 as the provisional grant date, even though shareholder approval to issue the options to Mr Rix was not received until after year end.

No options have been exercised during the half-year ended 31 December 2016. The options outstanding at 31 December 2016 have a weighted average exercisable price of $0.15 and a weighted average remaining contractual life of 2.09 years.

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

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

$43,410 (2015: nil) has been included in the Statement of Profit or Loss and Other Comprehensive Income under Employee benefits expense for the half-year ended 31 December 2016.

NOTE 6 – OPERATING SEGMENTS

The Directors have considered the requirements of AASB 8 - Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources have concluded at this time there are no separately identifiable segments.

NOTE 7 – CONTINGENT LIABILITIES & COMMITMENTS

$250,000 in respect of land acquisition at Campoona remains unpaid as at the date of this report and is subject to completion conditions prescribed in the Heads of Agreement between the Company and the vendor.

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

NOTE 8 – GOING CONCERN

This financial report has been prepared on the basis of going concern. The cash flow projections of the Group indicate that it will require additional capital for continued operations. The Group incurred a net loss of $559,976 (2015: loss of $73,777) and operations were funded by a net cash outlay of $1,371,030 (2015: outlay of $621,412). The Group's ability to continue as a going concern is contingent on obtaining additional capital through either an equity capital raise, asset sale or a combination of both. If additional capital is not obtained, then going concern basis may not be appropriate, with the result that the Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 8 to 16 are in accordance with the *Corporations Act 2001*, including:
   a) complying with Accounting Standard AASB 134 Interim Financial Reporting, and
   b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Greg English
Chairman

Adelaide
Dated this 24th day of February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

Grant Thornton

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ARCHER EXPLORATION LIMITED

We have reviewed the accompanying half-year financial report of Archer Exploration Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

The Directors of Archer Exploration Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Archer Exploration Limited consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Archer Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

INDEPENDENT AUDITOR'S REVIEW REPORT-CONTINUED

Grant Thornton

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

Electronic presentation of reviewed financial report

This auditor's review report relates to the financial report of Archer Exploration Limited for the half-year ended 31 December 2016 included on Archer Exploration Limited's web site. The Company's directors are responsible for the integrity of Archer Exploration Limited's web site. We have not been engaged to report on the integrity of Archer Exploration Limited's web site. The auditor's review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Archer Exploration Limited is not in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

INDEPENDENT AUDITOR'S REVIEW REPORT-CONTINUED

GrantThornton

Material uncertainty regarding continuation as a going concern

Without qualifying our review conclusion, we draw attention to Note 8 in the half-year financial report which indicates that the company and consolidated entity incurred a net loss of $559,976 during the half year ended 31 December 2016 and net cash outlay from operating and investing activities of $1,371,030. These conditions, along with other matter as set forth in *Note 8*, indicate the existence of a material uncertainty which may cast significant doubt about the company and consolidated entity's ability to continue as a going concern and therefore, the company and consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the half-year financial report.

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 24 February 2017

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Damien Connor

REGISTERED OFFICE

Level 1
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WAYVILLE SA 5034

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Fax:	08 8272 3888
Email:	info@archerexploration.com.au

SHARE REGISTRY

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ADELAIDE SA 5000

AUDITORS

Grant Thornton Audit Pty Ltd
Grant Thornton House,
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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