

7 January 2010

Dear Option Holder,

**RE: EXPIRY OF LISTED OPTIONS – 13 FEBRUARY 2010**

As at the date of this letter you are the registered holder of ASX listed options (**Options**) in Archer Exploration Limited (ASX code AXEO), which are due to expire at 5:00pm (Australian Eastern Standard Time) on 13 February 2010 unless exercised on or before that date.

**Please read the following information carefully.**

In accordance with the ASX Listing Rules the Company provides the following information:

- Each Option allows the holder to apply for one fully paid ordinary Archer share;
- The exercise price of each Option is \$0.25;
- All Options will expire at 5:00pm AEST on 13 February 2010 and Options not exercised by that time will lapse with no value;
- Quotation of the Options will cease at close of trading on Friday 5 February 2010; and
- The latest market price of fully paid ordinary Archer shares prior to the issue of this notice was 15 cents (\$0.15) on 31 December 2009 with highest and lowest sale price on the ASX for the three months preceding the date of this notice being:

Highest - 15.5 cents (\$0.155) on 7 December 2009.

Lowest - 12 cents (\$0.12) on 12 November 2009.

To convert your Options to Archer shares please complete the enclosed Application Form on Exercise of Options Expiring 13 February 2010 and return it together with your payment of the total exercise price to Computershare Investor Services Pty Limited, Level 5, 115 Grenfell Street, Adelaide SA 5000 (GPO Box 1903, Adelaide SA 5001) **before 5:00pm AEST on 13 February 2010**. If your Option holding has changed since **4 January 2010** then please multiply the exercise amount of \$0.25 by the number of Options to calculate the amount payable.

If you have any queries, please contact the Share Registry on 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia).

Yours faithfully,

**Greg English**



**Chairman**

**Archer Exploration Limited**



# Archer Exploration Limited

ABN: 64 123 993 233

Level 1  
135 Fullarton Road  
ROSE PARK SOUTH AUSTRALIA 5067  
Australia

Number of options held:  
Amount due on exercise:

## Application Form on Exercise of Options Expiring 13 February 2010

I/we hereby exercise my/our option to subscribe for  ordinary fully paid shares in Archer Exploration Limited at an exercise price of A\$0.25 per share.

I/we enclose application money of

I/we authorise you to register me/us as the holder of the shares to be allotted under my/our SRN/HIN (as shown on my/our Issuer Sponsored holding statement or CHESS holding statement)

and I/we agree to accept such shares subject to the Company's Constitution. Cheques should be made payable to "ARCHER EXPLORATION LIMITED" and crossed "NOT NEGOTIABLE".

Drawer	BSB	Amount

**Sign Here – This section must be signed for your instructions to be executed.**

I/we authorise you to act in accordance with my/our instructions set out above.

**Individual or Securityholder 1**

**Director**

**Name of Contact Person**

**Securityholder 2**

**Sole Director and Sole Company Secretary**

**Securityholder 3**

**Director/Company Secretary**

**Contact Person's Daytime Telephone**

*Note: When signed under Power of Attorney, the attorney states that they have not received a notice of revocation. Computershare Investor Services Pty Limited needs to sight a certified copy of the Power of Attorney*

**Date – Day      Month      Year**

### Authorised Signatures

You must sign this form as follows:

- Joint Holding: Where the holding is in more than one name, all of the securityholders must sign.
- Power of Attorney: To sign as Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: Director, Company Secretary, Sole Director and Sole Company Secretary can sign. Please indicate the office held by signing in the appropriate space.

### Lodgement Instructions

The application for shares on exercise of the options with the appropriate remittance should be lodged at the Company's Registry, Computershare Investor Services Pty Limited, GPO Box 1903, ADELAIDE SOUTH AUSTRALIA 5001.

**ARCHER EXPLORATION LIMITED**  
**TERMS & CONDITIONS**  
**BONUS OPTIONS EXPIRING 13 FEBRUARY 2010**

**The terms and conditions of the Bonus Options are as follows:**

1. Each Bonus Option will entitle the holder (Optionholder) to subscribe for one fully paid ordinary share (Share) in the Company (subject to possible adjustments referred to in paragraphs 10, 11 and 12 below).
2. Each Bonus Option is exercisable at any time before 5:00pm Adelaide time on 13 February 2010 (Expiry Date). Bonus Options not exercised before the Expiry Date will lapse.
3. The exercise price of each Bonus Option is \$0.25 (Exercise Price).
4. Bonus Options are exercisable by notice in writing to the Company, delivered to the registered address of the Company and accompanied by the full payment of the Exercise Price in cleared funds.
5. Some or all of the Bonus Options may be exercised at any one time or times prior to the Expiry Date.
6. Shares issued pursuant to the exercise of any of the Bonus Options will rank in all respects on equal terms with the existing Shares in the Company and the Company will make application for new Shares allotted on exercise of the Bonus Options to be admitted to the Official List of ASX.
7. The Company has applied to the ASX to have the Bonus Options admitted to the Official List of ASX.
8. Subject to any restriction agreement executed by the Optionholder and the Company in accordance with the official listing rules of the Australian Securities Exchange (Restriction Agreement), each Bonus Option will be freely transferable at any time before the Expiry Date.
9. Bonus Options will not entitle the Optionholder to participate in any new issue of securities by the Company unless the Bonus Option has been duly exercised prior to the relevant record date. The Company will ensure that for the purposes of determining entitlements to participate in any new issues of securities to holders of Shares, that the record date will be at least seven business days after the date the issue is announced.
10. If there is a bonus issue to the holders of Shares:
  - (a) the number of Shares over which the Bonus Option is exercisable will be increased by the number of Shares which the holder of the Bonus Option would have received if the Bonus Option had been exercised before the record date for the bonus issue; and
  - (b) no change will be made to the Exercise Price of the Bonus Option.
11. If, prior to the Expiry Date the issued capital of the Company is reorganised, the rights of the Optionholders may be varied to comply the listing rules of ASX which apply to the reconstruction.
12. If the Company makes a rights issue (other than a bonus issue), the Exercise Price of Bonus Options on issue will be reduced in accordance with the following formula:

$$\text{New Bonus Option Exercise Price} = O - \frac{E(P - (S + D))}{(N + 1)}$$

Where:

- O = the old Exercise Price of the Bonus Option;
- E = the number of underlying Shares into which one Bonus Option is exercisable;
- P = the volume weighted average price per Share recorded on the stock market of ASX during the 5 trading days immediately preceding the ex rights date or ex-entitlements date;
- S = the subscription price for a Share under the pro rata issue;
- D = the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue); and
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.