

ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES
ABN 64 123 993 233



Financial Report

Half-year ended
31 December 2012

ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES

ABN: 64 123 993 233

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ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES

ABN: 64 123 993 233

DIRECTORS' REPORT

Your Directors present the financial report for Archer Exploration Limited and its consolidated entities ("Group") for the half-year ended 31 December 2012.

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
- Thomas Robin Phillips AM
- Alice McCleary
- Gerard Anderson

Company Secretary

- Craig Gooden

Review of Operations

During the half-year ended 31 December 2012 the Group incurred a loss of \$316,936 (2011: loss \$588,292).

Exploration activities during the six months ended 31 December 2012 focused on exploration of the Group's Campoona and Sugarloaf Graphite projects, on the Leigh Creek Magnesite deposits and airborne EM surveys over the Company's Burra Region copper and gold targets. All projects are located in South Australia.

The following summary lists the operational activities for the half-year ended 31 December 2012:

GRAPHITE

- Resource Drilling at Campoona Shaft was completed during July 2012. The total program included 28 RC holes drilled for 2,588 drill metres resulting in 50m x 20m sectional drill coverage.
- Resource Drilling reported outstanding wide high grade graphite intervals including 27m @ 18.5%TGC from 60m in hole CSRC12_041; 20m @ 13.3%TGC from 31m in CSRC12_042; and 28m @ 17.1%TGC from 18m in CSRC12_048.
- Six diamond drill holes were completed at Campoona Shaft to provide samples for further ore characterisation and to evaluate process design options.
- A detailed 2,000 line km airborne RepTEM survey was completed over large portions of EL4693 Wildhorse Plain and EL4893 Cleve West on 6th August 2012. The EM survey covered Archer's Campoona Graphite Deposit and its north-eastern and south-western strike extensions as well as covering the main regional graphite targets.
- A Maiden JORC Resource estimation for Campoona was conducted by MiningPlus, an independent expert resource consultancy with offices in Australia, Canada and South America. Information used in the Resource estimates included five (5) diamond drill holes and thirty seven (37) Reverse Circulation (RC) drill holes completed up to the end of September 2012. Using a lower cut-off grade of 5%TGC the Phase 1 JORC Resource at Campoona is 2.572Mt grading 12.3% TGC with 310,800 tonnes of contained graphite.

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Table 1. Campoona JORC Resource (2%TGC lower cut-off grade)

Area	Resource Category	Tonnes (Mt)	Graphite (% TGC)	Contained Graphite (t)
Campoona Shaft	Measured	0.339	14.8	50,200
	Indicated	1.059	12.7	134,500
	Inferred	3.475	5.0	173,800
Central Campoona*	Inferred	0.397	10.1	40,100
Combined	Total Resource	5.270	7.6	397,600

Table 2. Campoona JORC Resource (5%TGC lower cut-off grade)

Area	Resource Category	Tonnes (Mt)	Graphite (% TGC)	Contained Graphite (t)
Campoona Shaft	Measured	0.339	14.8	50,200
	Indicated	1.056	12.7	134,100
	Inferred	0.837	10.7	89,600
Central Campoona*	Inferred	0.295	12.5	36,900
Combined	Total Resource	2.527	12.3	310,800

**Central Campoona Resource estimation confined to 200m of known strike of 1,400m*

The Central Campoona graphite pod, located just 2km south of Campoona Shaft, has been drilled on a 200m spacing with on-section drill spacings from 20-40m. Central Campoona has a known strike of 1,400m. Drill density over a length of 200m of the known strike was deemed sufficient to support an Inferred Resource of 0.295Mt grading 12.5%TGC.

- Baseline flora and fauna studies were completed by independent experts Golder & Associates Pty Ltd during November 2012. Such studies are an important element for any future Program for Environmental Protection and Rehabilitation (PEPR) as required by the Department of Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) prior to the grant of a Mining Lease.
- Significant progress made on defining the optimum processing flow sheet for the extraction of high value graphite product has been achieved. Results to date demonstrate >98.5%TGC concentrates are reproducible with excellent recoveries. Full metallurgical results expected February 2013.
- A sample preparation laboratory was established at Lonsdale for the current round of metallurgical sampling. The site was chosen with a view to house later pilot-scale testing.
- Two diamond drill holes were completed at the crest of Sugarloaf Hill to recover graphite material for metallurgical test work. Results included:

Diamond Hole ID	From (m)	To (m)	Interval (m)	Assay (TGC)	Lithology
SLDD12_001 and	0 19	6 48.5	6 29.5	9.3% 11.0%	Soft porous graphite to EOH
SLDD12_002 and incl	0 24.5 28	18 34 34	18 9.5 6	5.9% 15.4% 20.4%	

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COPPER

- With a strong cash position Archer is now able to fund increased exploration on the Company's non-graphite projects, specifically copper, gold and manganese.
- A review of the Company's main copper projects at Robertstown, World's End, North Cowell and Spring Creek led to the flying of airborne EM across the Robertstown and World's End (Mimic) copper targets as a precursor to RC drilling.
- Previous auger drilling at Robertstown identified a 400m x 60m wide copper soil anomaly. Previous rock chip sampling returned assays to 1.75g/t Au and 1.14% Cu in a cuprite-bearing ferruginous gossan.
- Mimic is a conceptual target but has compelling vectors - structurally identical to the nearby historic Monster Mine at Burra (86,000t recovered Cu) – anti-form with oblique faulting; NMS9 marker bed in Koorunga Member and the presence of prominent iron blows.
- At North Cowell previous rock chip sampling returned highly anomalous copper with assays to 15.1% Cu over a strike of some 3kms. A drill program is planned for post-2012 harvest. Nearby, airborne EM identified a non-graphitic conductor requiring drill assessment.
- Spring Creek near Wilmington hosts the historic Spring Creek underground copper mine. Mining extracted ferruginous silicified slate with copper carbonates (malachite and azurite) passing into cuprite, native copper and minor chalcocite in what appears to be a classic supergene profile. No primary sulphides were recorded. Mining drive sampling reported up to 21 feet @ 2.5% - 8.9% Cu.

Historic drilling (1969) at Spring Creek identified a zone of 21m @ 1.8%Cu 60m below the mine workings. Copper mineralisation is contained within a breccia. Drilling indicates the breccia has significant depth extent and may extend to the Brighton Limestone opening the opportunity for skarn mineralisation.

The Department of Environment and Heritage must approve exploration programs at Spring Creek.

GOLD AND MANGANESE

- As part of the airborne EM targeting copper, flight excursions were included to cover the Napoleon's Hat gold target near Burra and testing for manganese extending under cover at Ketchowla also in the Burra region. Once data is received from the EM surveys drill targets will be defined and applications made to DMITRE for drilling testing of the surveyed areas.
- At Bartel near Cleve on Eyre Peninsula, free gold was recorded in a petrological sample of highly altered brecciated calcareous rocks. Field mapping also reported further fluorite identified along strike from Bartel. The combination of petrology and electromagnetic data indicates the presence of a very large hydrothermal (epithermal) alteration system. Previous drilling at Bartel recorded highly anomalous gold in EPIRC12_001 which recorded 29m @ 0.57g/t Au from 79m.

MAGNESITE

- Test work continued on samples of Leigh Creek magnesite as part of an ongoing R&D project to identify the optimum process flow sheet to produce saleable magnesia products. High Pressure

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Grinding Rolls were used to dry crush ROM magnesite followed by attritioning produced high quality magnesia grading 95.7% MgO and 2.5% SiO₂.

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 2012.

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



Greg English
Chairman

Adelaide

Dated this 4th day of February 2013

The exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr. Wade Bollenbagen, Exploration Manager of Archer Exploration Limited. Mr. Bollenbagen is a Member of the Australasian Institute of Mining and Metallurgy who has more than eighteen years experience in the field of activity being reported. Mr. Bollenbagen has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activities that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' relating to the reporting of Exploration Results. Mr. Bollenbagen consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

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AUDITOR'S INDEPENDENCE DECLARATION



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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Archer Exploration Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink, appearing to read "S J Gray", written over a horizontal line.

S J Gray
Director – Audit & Assurance

Adelaide, 4 February 2013

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ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES

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STATEMENT OF COMPREHENSIVE INCOME – FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	CONSOLIDATED GROUP	
	31 Dec	31 Dec
	2012	2011
	\$	\$
REVENUES FROM ORDINARY ACTIVITIES		
Interest income	305,809	67,508
EXPENSES FROM ORDINARY ACTIVITIES		
Depreciation and amortisation expense	(7,319)	(16,401)
Exploration expense written off	-	(178,288)
Finance cost	-	(45)
Employee benefits expense	(302,053)	(249,221)
ASX listing and share registry expense	(50,104)	(41,810)
Consulting expense	(79,500)	-
Other expenses from ordinary activities	(183,769)	(161,971)
LOSS BEFORE INCOME TAX EXPENSE	(316,936)	(580,228)
Income tax expense	-	(8,764)
LOSS FOR THE PERIOD	(316,936)	(588,992)
LOSS ATTRIBUTED TO MEMBERS OF THE PARENT ENTITY	(316,936)	(588,992)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(316,936)	(588,992)
TOTAL COMPRHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	(316,936)	(588,992)
	Cents	Cents
Basic loss per share	(0.4)	(0.9)

The accompanying notes form part of the financial statements.

ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES
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STATEMENT OF FINANCIAL POSITION – AS AT 31 DECEMBER 2012

		CONSOLIDATED GROUP	
	NOTES	31 Dec	30 June
		2012	2012
ASSETS		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		11,192,772	12,752,896
Trade and other receivables		142,290	319,189
Total current assets		11,335,062	13,072,085
NON-CURRENT ASSETS			
Plant and equipment		126,071	123,196
Exploration and evaluation expenditure		4,816,461	3,501,119
Total non-current assets		4,942,532	3,624,315
TOTAL ASSETS		16,277,594	16,696,400
CURRENT LIABILITIES			
Trade and other payables		237,684	339,591
Short-term provisions		42,875	106,237
Total current liabilities		280,559	445,828
NON-CURRENT LIABILITIES			
Long-term provisions		27,133	22,225
Total non-current liabilities		27,133	22,225
TOTAL LIABILITIES		307,692	468,053
NET ASSETS		15,969,902	16,228,347
EQUITY			
Issued capital	2	15,456,408	15,528,408
Reserves		369,278	238,787
Retained earnings		144,216	461,152
TOTAL EQUITY		15,969,902	16,228,347

The accompanying notes form part of the financial statements.

ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES

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STATEMENT OF CHANGES IN EQUITY – FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Issued Capital \$	Retained Earnings \$	Share Option Reserve \$	Total \$
BALANCE AT 1 JULY 2011	10,699,698	(2,926,126)	196,062	7,969,634
Fair value of options issued	-	-	21,365	21,365
Shares issued during the period net of costs and tax	454,552	-	-	454,552
Total comprehensive income for the period	-	(588,992)	-	(588,992)
BALANCE AT 31 DECEMBER 2011	11,154,250	(3,515,118)	217,427	7,856,559
BALANCE AT 1 JULY 2012	15,528,408	461,152	238,787	16,228,347
Fair value of options issued	-	-	130,491	130,491
Shares issued during the period	-	-	-	-
Transaction costs (net of tax)	(72,000)	-	-	(72,000)
Total comprehensive income for the period	-	(316,936)	-	(316,936)
BALANCE AT 31 DECEMBER 2012	15,456,408	144,216	369,278	15,969,902

The accompanying notes form part of the financial statements.

ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES

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STATEMENT OF CASH FLOWS – FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	CONSOLIDATED GROUP	
	31 Dec	31 Dec
	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES	\$	\$
Payments to suppliers and employees	(608,500)	(523,846)
Interest received	267,017	67,508
Finance cost	-	(45)
NET CASH (USED IN) OPERATING ACTIVITIES	(341,483)	(456,383)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	(1,196,193)	(622,713)
Payment for plant and equipment	(22,448)	(362)
NET CASH (USED IN) INVESTING ACTIVITIES	(1,218,641)	(623,075)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	175,000
Payments for the costs of capital raising	-	(29,212)
Repayment of borrowings	-	(1,690)
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	-	144,098
Net (decrease) in cash held	(1,560,124)	(935,360)
Cash at beginning of period	12,752,896	2,674,176
CASH AT 31 DECEMBER 2012	11,192,772	1,738,816

The accompanying notes form part of the financial statements.

ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES**ABN: 64 123 993 233****NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

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 2012 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 2012, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

NOTE 2 – ISSUED CAPITAL

	Consolidated Group	
	Ordinary Shares	\$
BALANCE 1 JULY 2011	64,428,477	10,699,698
Shares issued as a placement during the period net of issue costs and tax	2,714,286	454,552
BALANCE 31 DECEMBER 2011	67,142,763	11,154,250
BALANCE 1 JULY 2012	82,362,763	15,528,408
Transaction cost of shares issued	-	(72,000)
BALANCE AT 31 DECEMBER 2012	82,362,763	15,456,408

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 3 – SHARE BASED PAYMENTS

2012

Grant date	Grant date Number of instruments	Vesting conditions	Contractual life of options
31 October 2012	1,500,000	Vested on grant	520 days
19 December 2012	1,500,000	Vested on grant	467 days

The options were granted to two Company financial advisors for services provided. Fair value of share options and assumptions used in determining fair value for the six months ended 31 December 2012:

	31 October 2012	19 December 2012
Fair value at grant date	\$0.048 per option	\$0.033 per option
Share price	\$0.19	\$0.19
Exercise price	\$0.40	\$0.40
Expected volatility	97%	85%
Expiry date	1 April 2014	1 April 2014

Included in the Statement of Comprehensive Income under Employee benefits expense \$8,991 (2011: \$21,363), under Consulting expense \$49,500 (2011: \$nil) and included in the Statement of Changes in Equity \$72,000 (2011: \$nil)

2011

No share based payments were made during the period.

NOTE 4 – SEGMENT INFORMATION

Segment Performance

TENEMENTS

	Leigh Creek Magnesite		Graphite		Other		Total	
	31-Dec 2012	31-Dec 2011	31-Dec 2012	31-Dec 2011	31-Dec 2012	31-Dec 2011	31-Dec 2012	31-Dec 2011
	\$	\$	\$	\$	\$	\$	\$	\$
Segment results before income tax	-	-	-	-	-	(178,288)	-	(178,288)
	-	-	-	-	-	(178,288)	-	(178,288)
Reconciliation of segment results to Group net loss before tax								
Unallocated income and expenses								
Interest and other income							305,809	67,508
Depreciation							(7,319)	(16,401)
Corporate overheads							(615,426)	(453,047)
(Loss) before tax							(316,936)	(580,228)

ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 4 – SEGMENT INFORMATION - cont

	Leigh Creek Magnesite		Graphite		Other		Total	
	31-Dec	30 June	31-Dec	30 June	31-Dec	30 June	31-Dec	30 June
	2012	2012	2012	2012	2012	2012	2012	2012
	\$	\$	\$	\$	\$	\$	\$	\$
Segment assets as at 31 December 2012	249,885	233,105	3,483,123	2,376,546	1,083,453	891,468	4,816,461	3,501,119
Segment asset increase for the year								
- exploration expenditure capitalised	16,780	109,544	1,106,578	1,757,813	191,984	272,541		
- expensed during the year	-	-	-	-	-	(191,338)		
Total corporate and unallocated assets							11,461,133	13,195,281
Total Group assets							<u>16,277,594</u>	<u>16,696,400</u>

NOTE 5 – CONTINGENT LIABILITIES & COMMITMENTS

Since the last annual report there has been no material change to any contingent liabilities.

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.

NOTE 6 – EVENTS SUBSEQUENT TO REPORTING DATE

There has been no material event subsequent to the half-year ended 31 December 2012.

ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES

ABN: 64 123 993 233

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 8 to 14 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 2012 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

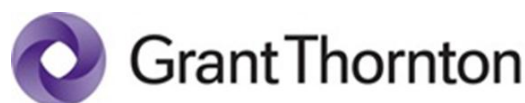
Adelaide

Dated this 4th day of February 2013.

ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES

ABN: 64 123 993 233

INDEPENDENT AUDITORS'S REVIEW REPORT



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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 ("Entity"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2012, and the statement of 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 Entity 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 2012 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.

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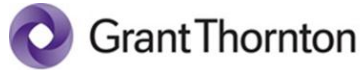
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INDEPENDENT auditor's REVIEW REPORT CONT



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.

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 2012 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A stylized blue ink signature, likely belonging to S J Gray, written over a horizontal line.

S J Gray
Director – Audit & Assurance

Adelaide, 4 February 2013

ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES

ABN: 64 123 993 233

CORPORATE DIRECTORY

DIRECTORS

Greg English – Non –Executive Chairman
Tom Phillips AM – Non-Executive Director
Alice McCleary – Non-Executive Director
Gerard Anderson – Managing Director

COMPANY SECRETARY

Craig Gooden

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AUSTRALIAN SECURITIES EXCHANGE

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