

Media Release

13 November 2015

Doomed Leigh Creek coalfield infrastructure opens new options for Archer's nearby magnesia project

The pending closure next Tuesday of SA's Leigh Creek coalfield has potentially opened up an opportunity for a new magnesia-based mining venture there – though developers stress it is early days yet.

Diversified Adelaide-based Archer Exploration Limited announced at its 2015 annual general meeting today that while the coalfield closure was a sad and worrying occasion for the mine's workforce and the Leigh Creek community, the earlier-than-expected closure had provided a reversal of fortunes for Archer's magnesia vision for the area.

Archer Chairman, Mr Greg English, told shareholders that the Company's wholly-owned Leigh Creek magnesia project to the immediate northwest of the coalfield town remained the world's largest cryptocrystalline (fine grained) magnesite deposit.

"Development of this valuable resource has previously been restricted by both the lack of infrastructure and the inability to access existing Leigh Creek coalfield infrastructure," Mr English said.

"However, Alinta's decision to close the Leigh Creek coalfield from next week means that its railway line and associated infrastructure is potentially available to Archer," he said.

"This has greatly improved the logistics of our magnesia project. We have commenced discussions with the SA Government and third parties regarding the development of the Leigh Creek Magnesia Project through this unexpected window of opportunity."

"We have had a positive response and assistance from all levels of the SA Government.

"It is certainly a turnaround of our intentions, as prior to Alinta's closure announcement about the coalfield, we had announced that the Leigh Creek magnesia project was for sale.

"Instead, we are now considering several low risk and low cost development options for this project but will remain receptive to offers that may emerge for this world-class asset."

Any such positive outcomes would add to Archer's success to date in advancing its flagship hub of ultra-high grade graphite projects on SA's Eyre Peninsula where a final mining lease application is pending by end of month. The Company also has interests elsewhere in SA in manganese, gold, copper, nickel, coal and industrial minerals.

Large quantities of magnesite are commonly burnt to make magnesium oxide, an important refractory material used as a lining in blast furnaces, kilns and incinerators.

In the past two decades or so, previous owners of Archer's magnesite tenements at Leigh Creek spent millions of dollars in exploration and study costs underpinning a bankable feasibility study for a 50,000 tonnes per annum magnesium metal plant on the site or nearby.

At the time, dumping by the Chinese of cheap magnesia, resultant falling prices and projected high capital and operating costs for the plant, torpedoed its start-up and the licences were relinquished – with the southern portion picked up by Archer in 2011.

“Our magnesia strategy has been very focused,” Mr English said.

“The deposits we acquired are known to be world-class in both tonnage and grade, with a JORC 1999 Measured, Indicated and Inferred Resources of 453Mt grading 41.4% MgO (magnesium oxide or magnesia) with further resource estimate and mining lease application upside on offer,” he said.

“Our belief is based around a very long-term profitable business case for a project producing Caustic Calcined Magnesia (‘CCM’) or Dead-Burned Magnesia (‘DBM’), negating the high capital costs faced by the previous owners’ proposed magnesium metal plant.

“In essence, much of the work needed to develop a magnesia mining operation at Leigh Creek has already been completed and simply needs updating.

“In particular, the high grade nature of our magnesite deposits can help overcome a myriad of obstacles and provide Archer, any joint development partner or new project owner with the financial cushion needed to ride out periodic price cycles.”

Mr English noted that a large magnesia operation by world standards would be one producing 150,000tpa of CCM, requiring around 315,000tpa of magnesite feed.

“With JORC resources of 453Mt, it is not difficult to realise that Archer’s Leigh Creek magnesite resources represent an ‘almost inexhaustible’ source of high grade magnesia,” Mr English said.

“In addition, one deposit, Mt Hutton, is just 20km from the main Leigh Creek to Port Augusta standard gauge rail line, potentially providing an efficient supply chain.

“A reserve estimate completed in 2002 by Minarco reported a JORC 1999 Reserve of 7Mt. Mt Hutton alone could support a large magnesia operation (150,000tpa CCM) for more than 20 years.”

Mr English said Archer did not underestimate the barriers to entry that exist for new entrants into the extremely competitive magnesia ‘industrial minerals’ market.

“However, the Company believes the comparatively modest expenditure needed to identify the optimum process flow sheet for our Leigh Creek deposits, is well worth the risk.”

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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.

Archer Exploration Limited is an Australian Stock Exchange listed company with 100% ownership of 15 tenements all in South Australia covering more than 5,000 km².

