

28th June 2012

**ASX ANNOUNCEMENT / MEDIA RELEASE**

**CAMPOONA METALLURGY AND DRILLING UPDATE**

**HIGHLIGHTS**

**Metallurgy**

The final metallurgy results from the composited RC samples returned:

- Medium Flake grading 95%TGC
- Fine Flake grading 96%TGC
- Amorphous graphite grading up to 97%TGC.

These results mark a significant milestone in the evaluation of the Campoona Graphite Deposit.

**Drilling**

- The RC drill program that commenced on 23<sup>rd</sup> May 2012 is nearing completion with eighteen (18) RC holes for 1,700m completed to date. Some five (5) RC holes remain to be drilled to complete the RC drilling at Campoona Shaft.
- A program of HQ diamond drill holes commenced on 27<sup>th</sup> June 2012 over that portion of the Campoona Graphite Deposit known as Campoona Shaft. Six to eight diamond drill holes will be drilled to collect samples for metallurgical test work which will define the basis of product type and product recovery needed to support JORC Measured and Indicated Resources and JORC Reserves.
- Diamond drilling will support the estimation of a maiden JORC Measured and Indicated Resource. Drilling is expected to be completed, weather permitting, within four (4) weeks.
- Based on drilling to date the Campoona Graphite Project has an Exploration Target\* of 6-10Mt grading 11-13%TGC at the Campoona Shaft and Campoona Central areas. EM data suggests the graphite extends for many kilometres beyond the two areas.
- The Campoona Shaft area by itself has an Exploration Target\* to 100m depth estimated at 3-5Mt grading 10-12% TGC. The Campoona Shaft deposit is open to the north.

*\*The potential quantities and grades presented are conceptual in nature, there has been insufficient exploration to define an overall Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource*

- Drilling at Central Campoona to support the estimation of an expanded JORC Resource will resume following the 2012 harvest in December 2012.

## METALLURGY

As previously reported on 1<sup>st</sup> June 2012 a composite RC sample from Campoona RC drill hole CSRC12\_006 produced large, medium and fine flake with most in the medium and fine flake range. That announcement stated that samples had been acid treated and the results would be reported as and when received. The outstanding assays have been received and include:

- Medium Flake grading 95%TGC
- Fine Flake grading 96%TGC
- Amorphous graphite grading to 97%TGC

These results are very encouraging. The Company believes that further optimization of product quality is highly likely. Attention will be directed at retrieving representative samples from the current HQ diamond drilling program and investigating the average metallurgical performance across the length, breadth and depth of Campoona Shaft body so that JORC Reserves can be calculated to support a future Mine Lease Proposal.

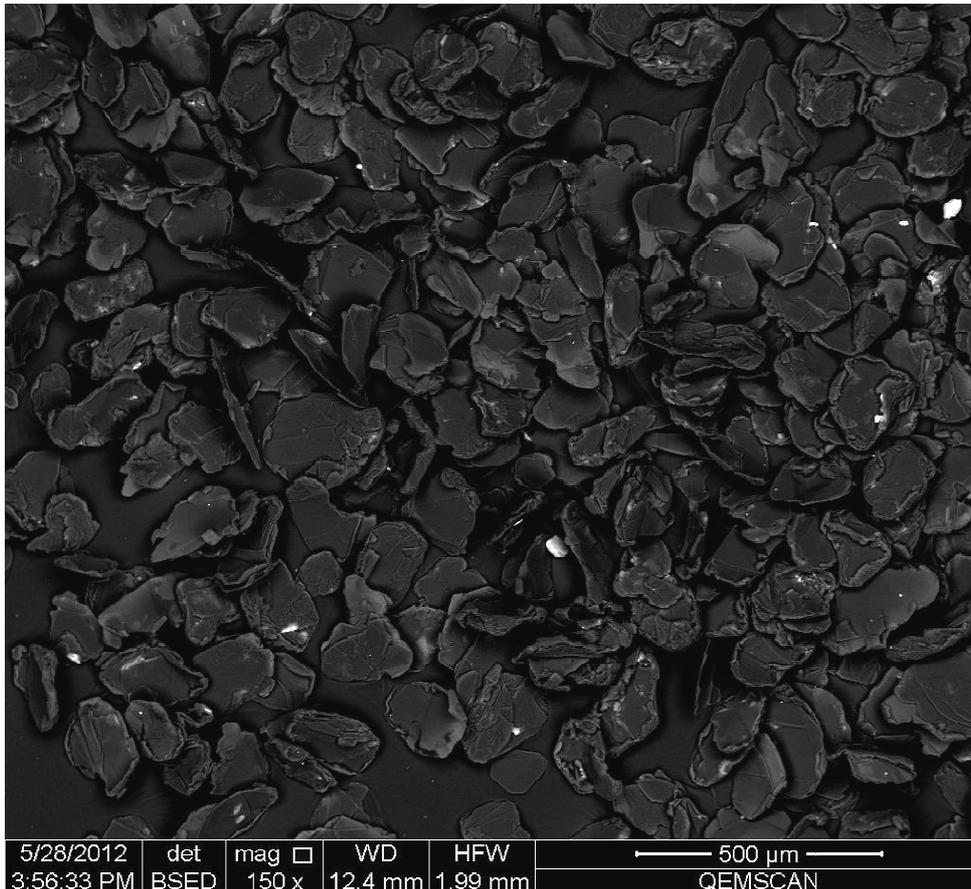


Plate 1. QEMSCAN image of Campoona flake graphite

## DRILLING

Resource drilling commenced at Campoona Shaft on 23<sup>rd</sup> May 2012 using RC drilling. That drilling remains in progress with some 5 holes needed to complete nominal 50m x 20m drill spacing over the 600m of strike. The RC drilling was designed to provide volume and geochemistry data for JORC Resource estimation.

In addition to RC drilling, Archer has commenced diamond drilling program designed to recover HQ samples over the entire profile of the deposit from the weathered surface material through to fresh rock. The drill core will provide quality samples for further metallurgical test work to investigate the product types and product quality able to be recovered from different levels within the deposit. The results will be used in the estimation of JORC Reserves.

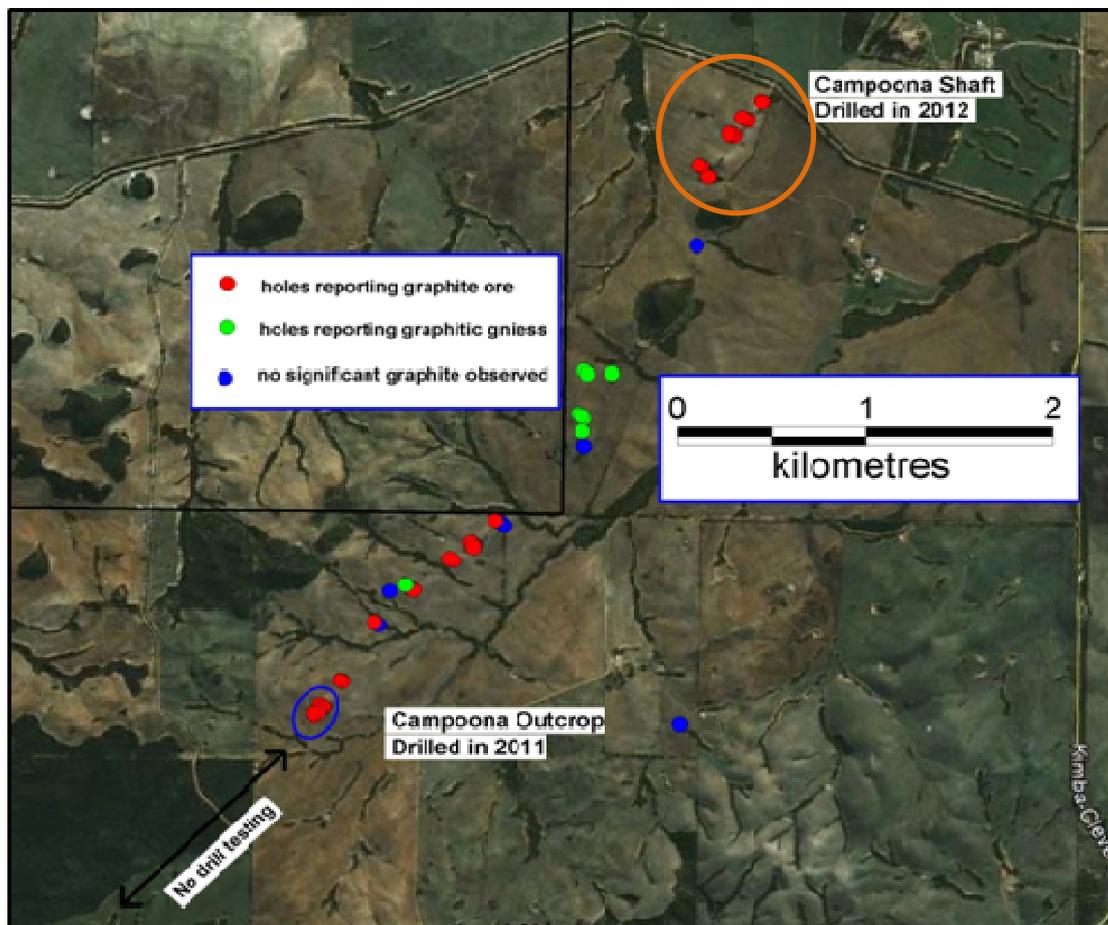
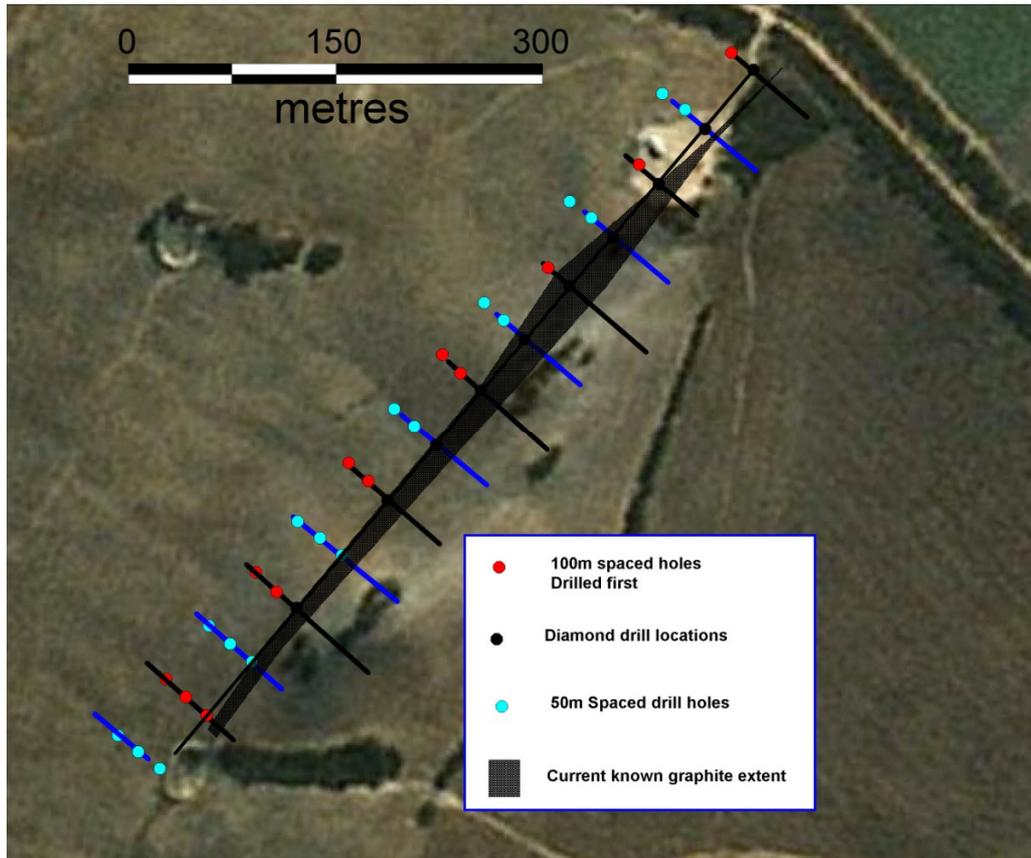


Figure 1. Plan view of Campoona Graphite Deposit showing drill collar locations prior to current RC and diamond drilling programs. Campoona Shaft area is highlighted.



**Figure 2. Planned drill locations for final phase of Resource Drilling at Campoona Shaft**

To date RC drilling has been used as a cost effective method of defining the volume and geochemistry of the Campoona Shaft graphite body.

#### **NOTES ON EXPLORATION POTENTIAL**

##### **Exploration Potential – Tonnage\***

Drilling results at Campoona Shaft from the February and April 2012 drilling campaigns confirmed that the graphitic-rich body consists of a discrete intense graphitic shear zone hosted in low grade graphitic proto-gneiss (high grade metamorphosed sediments). The high grade graphite unit averaged 10-50m in true width with the hangingwall section particularly high grade averaging over 15% graphitic carbon and carrying visible flake. The drilling showed the graphite to extend to a vertical depth of at least 100m and there were no signs of thinning at depth. Drilling results are limited to a strike length of 600 metres however the deposit remains open along strike to the north. No density measurements have been conducted at this time but given the composition of the unit it is reasonable to ascribe a density of 2.2gm/cc.

The lower bound exploration potential assuming a strike length of 600m, an average width of 25m, a down-dip extent of 100m is estimated at 3Mt.

The upper bound exploration target assumed a strike of 600m (despite the deposit being open to the north) and a vertical extent to the deposit of 150m is estimated at 5Mt.

Central Campoona has the same overall geology however the intense graphitic unit is narrower averaging 10m in true width. Drilling results are limited to a strike length of 1,400 metres however the deposit remains open along strike to the south. The lower bound exploration potential assuming a strike length of 1,400m an average width of 10m, a down-dip extent of 100m and a specific gravity of 2.2gm/cc is estimated at 3Mt.

The upper bound exploration target assumed a strike of 1,400m (despite the deposit being open to the south) and a vertical extent to the deposit of 150m is estimated at 5Mt.

#### **Exploration Potential – Grade\***

At Campoona Shaft the arithmetic average of the graphitic schist in the 10 holes completed to date (sample size n=267;  $\bar{x}$  11.0%TGC) is 10-12%TGC. A lower grade cut-off of 5%TGC was used.

At Central Campoona the arithmetic average of the graphitic schist in the 6 holes completed to date (sample size n=72;  $\bar{x}$  12.4%TGC) is 11-13%TGC. A lower grade cut-off of 5%TGC was used.

The depth of oxidation at both areas is approximately 80m vertically below surface corresponding with the current water table.

***\*The potential quantities and grades presented are conceptual in nature, there has been insufficient exploration to define an overall Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource***

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*The exploration results 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 eighteen years experience in the field of activity being reported. Mr. Bollenhagen consents to the inclusion in the report of matters based on his information in the form and context in which it appears.*