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Company Announcement

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Uley Graphite Project

In November 2006, Strategic Energy Resources Limited entered into an agreement with Mikkira Graphite Pty Ltd regarding the Uley Graphite Project in South Australia. Mikkira had an option to acquire 75% of the project assets and tenements in exchange for payments to Strategic, commitments for certain types of expenditures for development of the project at Port Lincoln in South Australia, and certain other obligations.

In December 2008, Mikkira gave notice to Strategic that it purported to exercise the option and move to acquire 75% of the project, envisaging only the payment of \$290,000 to Strategic.

The new Board of Strategic has made formal enquires of Mikkira regarding expenditures on the project at Port Lincoln in South Australia. Strategic has not received the responses necessary to show that Mikkira has met its obligations. Accordingly Strategic has given Mikkira formal notice of termination of the agreement. Informally Mikkira has indicated it disputes this action.

Strategic now believes that it is free to deal with the Uley Graphite mine as it now determines, and is now unfettered and able to assess the alternatives for development of the project in South Australia, so that Strategic shareholders and all stakeholders can fully benefit.

Uley Graphite is a world class deposit of high grade flake graphite. The project consists of a mine and processing plant at Uley which has been on care and maintenance since 1993, and a number of adjoining tenements where graphite deposits are indicated from geophysical work and limited drilling. From earlier exploration work, the graphite deposits in the tenements were estimated by CRA at 387 million tonnes at 7.4% graphite. Past costs on mining and processing activities total some \$14 million.

A handwritten signature in black ink, appearing to read 'Mark Muzzin', is written over a horizontal line.

Mark Muzzin
Managing Director