



ASX Announcement
3 October 2012

MEGA GRAPHITE UPDATE

SER has previously announced that the completion of the transactions contemplated under the Merger Implementation Deed would be delayed until approximately the end of October 2012. SER has subsequently become aware that the transactions will not be completed by the end of October and are unlikely to be completed in a manner or within a time which the board of SER (or its partly held subsidiary Tarcoola) would consider satisfactory.

SER and Tarcoola continue to be committed to the goal of listing Tarcoola on a stock exchange and were of the view that a listing in Canada was likely to represent the best value for shareholders. Accordingly, SER has continued discussions with both MEGA Graphite and directly with institutional investors and corporate advisors in Canada to reach a satisfactory outcome in terms of both timing and value for the effective listing of Tarcoola in Canada, either through merger, reverse takeover or direct listing of Tarcoola, with Tarcoola shareholders now taking the majority stake.

SER and Tarcoola have determined to allow MEGA an opportunity to re-frame the transaction in a manner that would be satisfactory to SER and Tarcoola, in recognition that:

- the current share market conditions have contributed to the difficulties MEGA has experienced;
- MEGA has made previous unconditional contribution towards costs; and
- MEGA has made progress towards securing further fund raising arrangements which would support the Canadian market listing of Tarcoola;
- have progressed Uley in preparation for production.

Difficult share market conditions for smaller companies, especially those not yet producing, has made these discussions both protracted and problematic and it now appears to the directors of SER and Tarcoola that it may not be possible to achieve the previously indicated by MEGA \$70 million valuation for Tarcoola shareholders.

The SER and Tarcoola boards have asked MEGA to provide a firm agreement for:

- Initial funding of approximately \$5 million, to be made available to Tarcoola; and
- further future funding for amounts sufficient to effect Tarcoola's development plan in respect of the Uley mine in the short to medium term; in both cases, at a valuation that SER and Tarcoola believe shareholders will find reasonable.

SER is also seeking alternative ways to realise value.

Further information:

Melanie Leydin
Company Secretary