

Application for Forfeiture and Transfer of the Uley Graphite Mine mining tenements

Strategic Energy Resources Limited (ASX:SER) is making an application for forfeiture and transfer of the mining leases known as the Uley Graphite Mine under section 70 of the Mining Act 1971 (SA). If successful, this will see the Uley Graphite Mine leases stripped from Quantum Graphite Limited (ASX:QGL, formerly Valence Industries Ltd) and transferred to SER.

In order for the application to succeed, SER must show that “the requirements of this Act in relation to the lease have not been complied with in a material particular and that the matter is of sufficient gravity to justify the forfeiture of the lease.” SER has already accumulated significant evidence relating to environmental compliance and site integrity.

Concerns regarding QGL issue of 29,852,400 shares announced on 17 November 2017

SER also advises that it has today written to QGL about concerns that SER holds regarding the issue of 29,852,400 new QGL shares (*the Issued Shares*) as announced to the ASX by QGL on 17 November 2017. <http://www.asx.com.au/asxpdf/20171117/pdf/43pbldg46khmr0.pdf>

The Issued Shares now represent the largest holding in QGL and will likely play a decisive role in shareholder decisions regarding the future of the company.

In the correspondence to QGL, SER has raised the following issues:

1. section 182 of the Corporations Act 2001 requires that the directors of a company must not improperly use their position to gain advantage for themselves or someone else, or to cause detriment to the company. Such improper conduct includes issuing shares for the purpose of attempting to influence the passing of a resolution at a general meeting. Similar fiduciary duties apply to Administrators.
2. the Appendix 3B requesting quotation of the Issued Shares states that the Issued Shares were issued as consideration for a range of services including environmental compliance, site maintenance, government relations and geological services. The Notice of AGM also announced on 17 November 2017 indicates that the Issued Shares were issued for a deemed consideration of \$0.0252 per share or \$752,280.48 in total.
3. SER questions why a bona fide service provider would accept payment in shares that are due to be reduced to little or no value pursuant to the recapitalisation proposed by the QGL Deed of Company Arrangement.
4. SER questions why other expenses of QGL to date have been paid using the secured loan facility whereas these have been paid in shares on the eve of a critical vote.
5. the number of Issued Shares equals 14.99% of QGL’s previous issued capital, i.e. the maximum amount the directors may issue without shareholder approval.

6. Documentation regarding the Issued Shares appears inconsistent. The Appendix 3B in relation to the Issued Shares was dated 27 September 2017 but announced simultaneously with the calling of the Annual General Meeting to be conducted on 18 December 2017. The Notice of AGM states that the shares were issued on 29 September 2017 whereas the Appendix 3B states that the Issued Shares were issued on 21 September 2017. Furthermore, SER lawfully obtained a true copy of the QGL share register dated 25 September 2017 which did not include the Issued Shares. Further, Tony Harbrow, the recipient of Issued Shares equivalent to 12.4% of the issued capital in the Company, has not released a Form 603 – Notice of Becoming a Substantial Shareholder.

SER has requested that QGL provide further information regarding the nature and reasons for the recent share issue and to address SER's concerns. SER is taking legal advice on this matter and has reserved its rights in relation to taking injunctive or other action to protect shareholders. SER will contact shareholders shortly regarding our voting recommendations for the upcoming QGL General Meeting.

For further information, please contact the Company:

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or visit website www.strategicenergy.com.au

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