



**ASX Announcement**  
**22 April 2013**

## **ENGINEERING STUDY COMPLETED – ULEY GRAPHITE**

- Engineering report completed
- Favourable economics confirmed
- No significant infrastructure or environmental permitting constraints were identified

### ***Cautionary Statement***

This report on the results of the Scoping Study has been prepared to comply with the recently updated 2012 edition of the JORC Code. The following should be noted:

*'The Scoping Study referred to in this announcement is based on low level technical and economic assessments, and it is insufficient to support an estimation of ore reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.'* (JORC Code Cautionary Statement).

### **Introduction**

As previously reported in our December quarterly activities report, a Scoping Study was completed by Tech Minerals Consulting Group and a further engineering report was commissioned. The completed engineering report has been incorporated in to the revised Scoping Study, which included an enhanced marketing review.

Some key parameters of the Scoping Study are summarised below, some of the details contained in the report are of a confidential nature and are only being released under a Confidentiality Agreement with potential investors under the guidance of our advisors, Origin Merchant Partners, Toronto.

The project economics for Uley have again shown to be favourable and it has been recommended that the project should advance to production subject to further plant design.

The engineering study considered the capital and operating costs for a 50,000 tpa plant with the following conclusions -

- Operating costs have been reduced significantly with efficiency in plant design which adds to the favourable economics of the project. Production costs are expected to be under \$300 per tonne.

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- The average graphite price over the full range of products to be produced is expected to be A\$1,337, based on marketing study by Tech Minerals Consulting Group.
- Process plant capital expenditure for 50,000 tpa capacity is expected to be circa \$33m.
- Indicative EBITDA at full production in excess of A\$45m per annum using the graphite price as supplied by our marketing specialist @ US\$1.0425 conversion and the operating costs as indicated above.
- No significant infrastructure or environmental permitting constraints were identified.

According to the report the mine life is approximately 9 to 10 years under the current Resource Statement, of which just over six years is accounted for by Indicated Resources and the balance Inferred resources. See table below for key production variables.

Production Variables			Production Streams			Production Variables	
Fresh One Grade Calculation	Tonnes	Graphite C%	Total C – tonnes	Plant Capacity – (Annual Utilisation)	74.20%		
Indicated (as per JORC)	4,300,000	9.4%	404,200	Average Head Grade	8.74%		
Inferred (as per JORC)	2,300,000	7.5%	172,500	Mill Recovery Yield	85.00%		
ROM (run of mine)(as per JORC) Total	6,600,000	8.74%	576,700	Plant Capacity (tones per day)	139		

There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. No Ore Resources, in accordance with the JORC Code or other similar reporting codes have been generated by the Scoping Study.

Based on the previous production from Uley, the production split indicates that there will be a significant proportion of premium product produced. See table below.

	Production Splits	Annual Graphite production
Premium large flake: -40 +60 mesh	16.05%	8,025
Premium large flake: -60 +80 mesh	22.7%	11,369
Large graphite flake: -80 + 150 mesh	14.7%	7,356
Fine graphite flake: -150 + 300 mesh	46.50%	23,250
<b>Totals</b>	<b>100.0%</b>	<b>50,000</b>

A key conclusion of the report is that the Uley Graphite Project is considered to have positive economic potential.

### Recommendations

The primary conclusion of the Scoping Study report is that the development of the Uley Graphite mining and processing operations, combined with the mining and processing management and customer engagement programs pursued in the manner outlined in the Scoping Study report, are capable of proceeding to exploit and realise value from the existing asset base and the inferred

and indicated resource. There is potential scope for future growth and development beyond the 9 to 10 year immediate mine life at the current Uley site.

In the short-term further work can be specifically directed to finalising the refurbishment and re-commissioning of the processing plant, putting in place sale and supply arrangements with customers and completing the programs required for final pit design and commencement of mining within the contemplated time frames.

Our Advisors, Origin Merchant Partners, along with management, are progressing discussions with a number of groups and a number of potential strategic investors.

Further information:

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