



ASX Announcement
24 April 2012

MERGER IMPLEMENTATION DEED – UPDATE

Highlights

- **SER/Tarcoola shareholders to receive increased value from MEGA Graphite representing 50% of the shares in MEGA Graphite on listing, up from 33%**
- **A further CAD\$3 million total cash payments to SER, paid in tranches, by the time of listing**

SER wishes to update SER and Tarcoola shareholders on the Merger and Implementation Deed (**MID**) with the Canadian company MEGA Graphite Inc. (**MEGA Graphite**).

Since 31 March 2012 SER and MEGA Graphite have made significant progress in negotiating a mechanism to implement the scheme of arrangement under the MID on varied terms. SER notes there has been a change of management at MEGA, based on the resignation of its CEO which was announced on MEGA's website in early April. An agreement has now been reached with MEGA Graphite on revised terms and an adjusted timetable.

Due to unforeseen delays, which were not caused by SER or Tarcoola and because of the continued strength of the graphite market and its impact on the value of the Uley Operations, there is a revised basis for the scheme. The MID originally contemplated a transfer of Tarcoola shares to MEGA Graphite for which the shareholders of Tarcoola would receive 33% of MEGA Graphite or CAD\$70M (whichever is the greater value). It now provides for Tarcoola's shareholders to receive 50% of MEGA Graphite pursuant to the second Scheme of Arrangement (**Transfer Scheme**). The shares in MEGA Graphite under the Transfer Scheme will be issued shortly after this announcement by MEGA Graphite and placed in escrow pending completion of the share exchange by 31 August 2012.

The listing of MEGA Graphite on the TSX is now scheduled to occur by 31 August 2012 under the revised MID. There will also be cash payments totalling CAD\$3 million by MEGA Graphite to SER, in tranches. The final tranche is payable on completion of the listing of MEGA Graphite.

MEGA Graphite is currently negotiating with a Canadian investment fund to provide additional working capital. These funds will allow for the continued conduct of operations and upgrades by MEGA Graphite to the current graphite processing facility at Uley in South Australia to build on the substantive work performed at site to date.

The Board of SER is also pleased to note that Macquarie Capital, Canada has been engaged by MEGA Graphite as a financial advisor and will assist with MEGA's listing. With these revised terms and elements in place it is our assessment that this transaction reflects significantly improved value for the shareholders of SER and the recently demerged Tarcoola.

Further Information

For further information, contact:

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