



**ASX Announcement**  
**22 January, 2010**

## **Resource upgrade for Uley's Main Road deposit**

### **Highlights**

- **Upgraded resource statement for Uley's Main Road graphite deposit**
- **Part of Main Road resource upgraded from Inferred to Indicated**
- **A new total resource of 4Mt at 8.1% graphitic carbon, which is a 25% increase.**
  - **Indicated Resource : 2.2Mt at 7.5% graphitic carbon**
  - **Inferred Resource : 1.8Mt at 8.9% graphitic carbon**
- **Coffey Mining continuing the analysis of the Casey deposit**
- **Infill diamond drilling program of six holes proposed to upgrade the whole Main Road resource**

*Based in Melbourne Victoria, Strategic Energy Resources (SER) is a versatile explorer working on a diversified portfolio of exploration assets including the world class Uley Graphite Project. The company aims to create shareholder value through the systematic exploration of our tenements with the aim of becoming a producer.*

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Strategic Energy Resources (SER) engaged Coffey Mining Pty Ltd (Coffey Mining) to further develop the existing resource model of the Uley Main Road Resource by re-evaluating key variables such as density as well as re-validating the drillhole database, assay and sample data, in the expectation that this would lead to an upgraded resource status for the Main Road deposit.

SER is pleased to announce that Coffey Mining has completed a resource upgrade of the Uley graphite Main Road resource. Part of the Uley Main Road deposit has been upgraded from Inferred Resources to Indicated Resources. This milestone has added considerable value to the Project, as it provides more certainty for some of SER's potential partners.

## **Uley Graphite Project**

Located only 23 kilometres from Port Lincoln, the regional centre for the Lower Eyre Peninsula in South Australia, Uley is recognised as a substantive and significant area of graphite mineralisation. The graphite deposit is part of the Mikkira Graphite Province, one of the largest coarse flake graphite deposits in the world, containing disseminated, high-grade flake graphite.

Discovered around 1910, Uley was worked intermittently since the late 1920s. Exploration during the 1980s led to the re-opening of the mine in 1986, but a sharp decline in world graphite prices in 1992 and an increase in freight prices caused the mine to cease production in 1993.

The mine and processing facility has been under care and maintenance since 1993. The 20 tonnes per hour processing plant is substantially intact and operable, albeit it will require refurbishment. Power, water and communication lines are still connected.

The mineralisation is near surface (see Figure 1) and the graphite produced from the former operation was accepted by many traders for its high quality.



*Figure 1: On the side of road at Uley Main Road deposit*

## **Uley Main Road Resource Upgrade**

In August 2009, Coffey Mining completed a JORC-compliant resource statement showing an Inferred Resource of 3.2Mt @ 9% Total Carbon. The Inferred Resource is quoted at a 3.8% Total Carbon cutoff grade. Coffey has re-validated substantial parts of the Conzinc Rio Tinto Exploration (CRAE) database, containing sample, assay and drillhole data. Recently independent contractors have re-established collar and survey control points. Coffey Mining originally undertook resource modelling and reporting of this deposit, starting with RSG Global, in 1997.

Coffey Mining has reclassified portions of the previous 2007 Resource as Inferred for regions with a nominal 50 x 50m diamond drilling and Indicated for regions with a nominal 50m x 25m drillhole spacing. The reclassification was based upon a review of the resource, the database, the quality of the drilling, sample and assay data, and available documentation.

The current material changes to the Inferred Resource include the update of a bulk density model using recent density data measured to applicable Australian Standards by Coffey Information (an associated company to Coffey Mining).

In addition Coffey Mining has verified: that all the relevant core, as documented in the archive provided by SER, is intact; that the original and residual sampling is verified; that all collar positions have been updated and that a topographic survey has been completed.

<b>Table 1</b> <b>Uley Main Road Graphite Deposit - January, 2010 Resource Update</b> <b>Based on a 3.8% Total Carbon Cut-off</b> <b>Ordinary Kriged Estimate using a Parent Block of 10mY by 10mE and 4mRL</b>			
<b>Classification</b>	<b>Lower Cutoff Grade (Total Carbon %)</b>	<b>Tonnage (Mt)</b>	<b>Average Grade (Graphitic carbon %)</b>
Indicated	3.8	2.2	7.5
Inferred	3.8	1.8	8.9
	<b>Total</b>	<b>4.0</b>	<b>8.1</b>

Notes: Material changes are in bulk densities modelled (from 2.0 to 2.56g/cm<sup>3</sup> ) plus drill spacing classification are the main difference between this resource statement and the August, 2009 resource statement. Estimate of global grades only. Coarse graphite % estimated at 60% of total graphite.

*Table 1: Uley Main Road Mineral Resources Upgrade Statement – January 2010*

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## Exploration Potential & Target Ranking

As previously reported, Coffey Mining were previously engaged to rank the exploration potential of other identified deposits in the entire Uley project area.

Prospect Name	Surface Area km <sup>2</sup>	Discovery Hole	Intersections	Target ranking
Homestead	0.25	83MKRC10	18-60m, 42m @ 7.0% C 30-60m, 30m @ 8.6% C	1
Salt Lake	2.5	83MKRC08	16-42, 26m @ 7.5% C	2
Casey	3.00	83KRD011	44.2-51.9m, 7.7m @ 9.2% C	3
Remnant Uley	2.0	82MKD14	40-46m, 6m @ 6.1% C	4
Fisheries	1.5	83MKRC11	68.0-99.2m, 31m @ 7.1% C	5

*Table 2: Significant Intersections and Target Ranking*

Based upon the available drillhole data, Coffey Mining estimates that the leases have an exploration potential of 25 - 150 million tonnes at 6-9% total carbon.

*It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information in this report relating to exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource, in cases other than the Uley Main Road deposit.*

Homestead (Figure 2) was highlighted as the highest priority target, as there are thick intersections of higher grade material. This deposit is close to surface and close to the existing processing facilities, which could contribute to cost savings.

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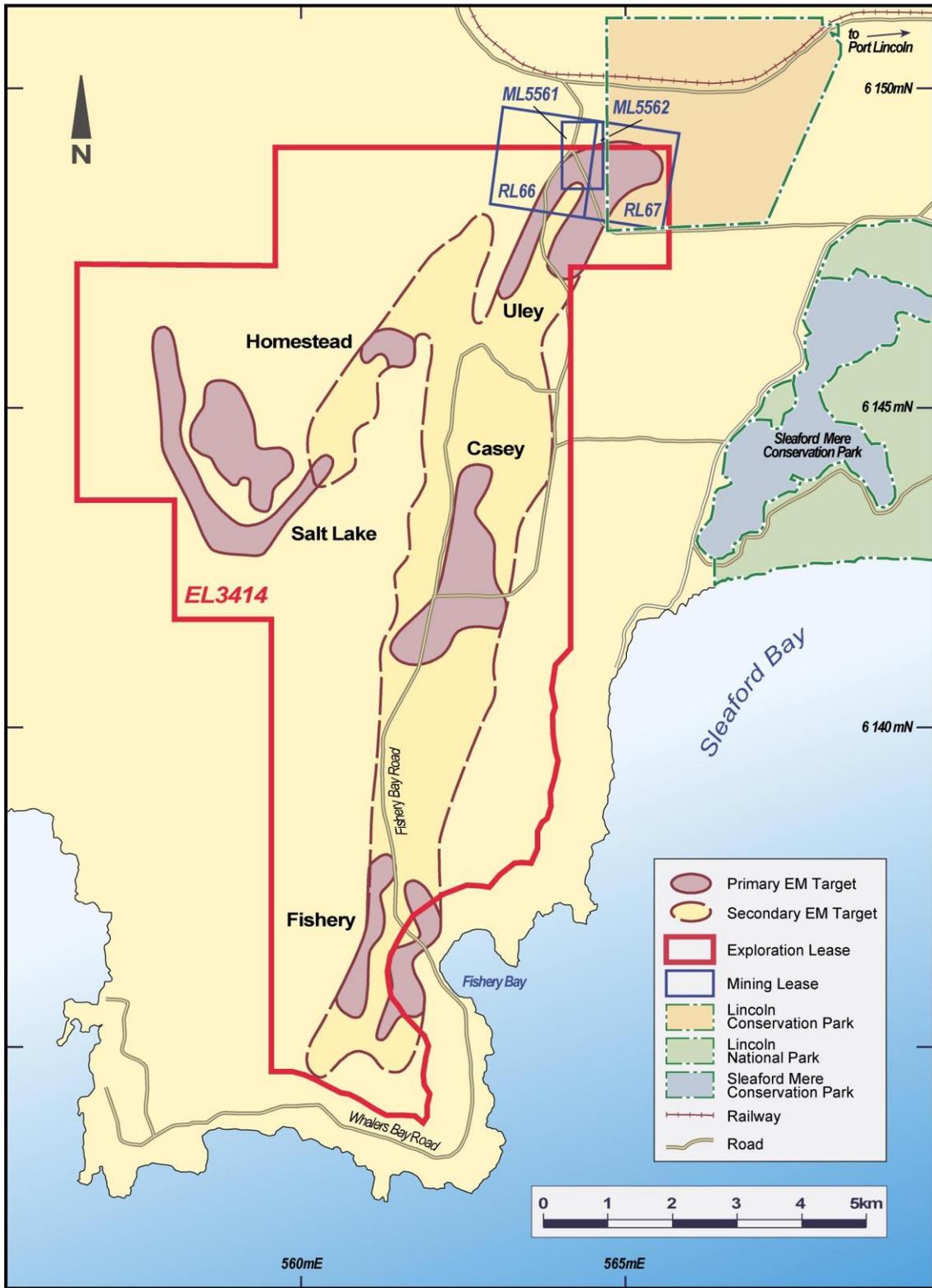


Figure 2: Illustrates the key leases and areas of the deposit.

## Future Plans

Further scope exists to improve the geological and resource estimation confidence in the regions currently defined as an Inferred Mineral Resource but only with additional infill and extensional drilling along the general regional geophysical anomaly. The resource is constrained at depth by structure and stratigraphy but appears open along strike to the north and south and an extension into the Uley 3 anomaly is supported by geophysical interpretation (see Figure 3). This resource may be upgraded in terms of size by further step-out drilling and in terms of classification by in-fill drilling at Uley Main Road.

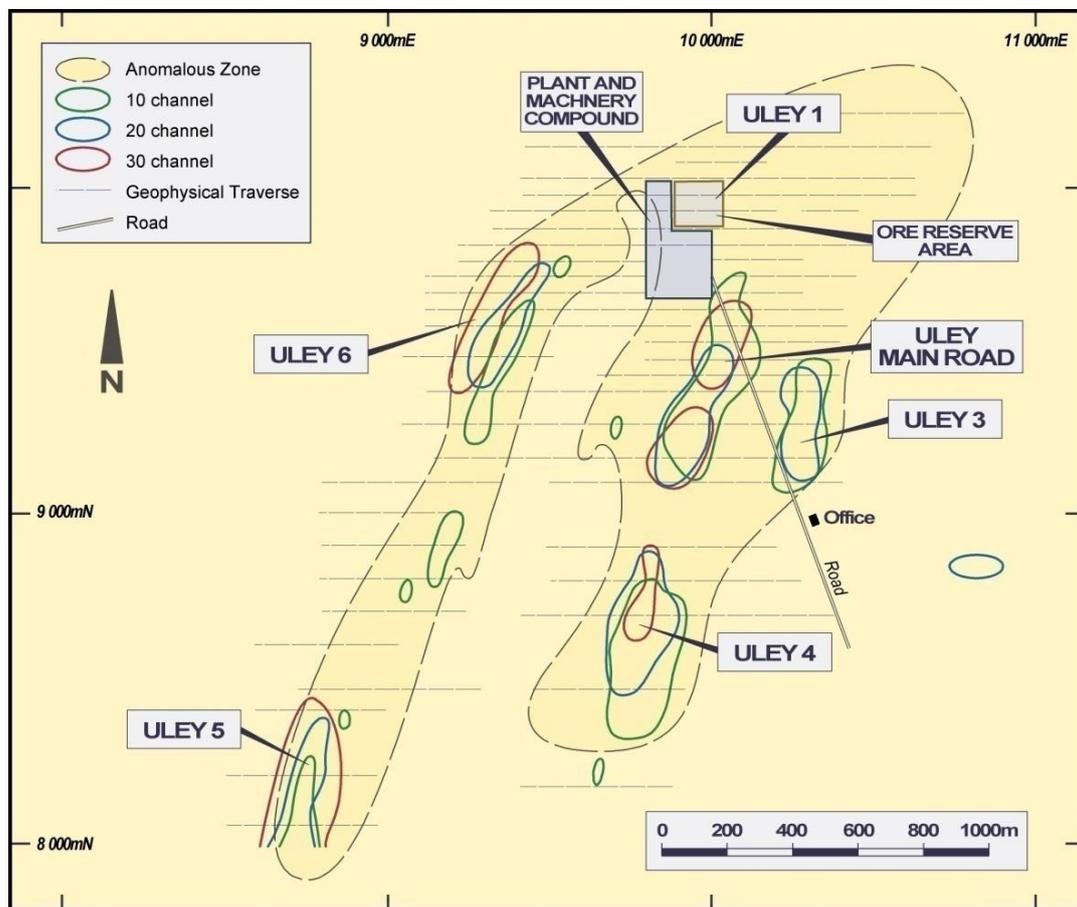


Figure 3: Uley deposit – other adjacent anomalies

*Note: Sirotem is a time domain based electro-magnetic technique used to locate geophysical conductors. The 10, 20 and 30 channels are essentially used to survey the position of secondary electromagnetic fields due to ground conductors. The approximate orientation and depth of conductors can be approximated from the response from shallow conductors (channel 10) to deeper ones (channel 30).*

Coffey Mining has recommended infill drilling to 100m depth below collar, incorporating six to eight HQ sized diamond drillholes, which should effectively upgrade the whole Uley Main Road resource to an Indicated Resource classification.

Coffey Mining has also recommended undertaking further resource modelling work at individual projects such as Casey, Fisheries and Salt Lake. These projects have similar geophysical responses to Uley and Uley Main Road; being an interpreted predominantly flat lying mineralised zone. Homestead can be interpreted to be dipping to the northwest.

At this stage no decision has been made regarding the infill drilling recommended by Coffey Mining. At present there are a number of international companies that have signed confidentiality agreements in order to review the available data on the Project. We are confident a partner will be found for the Project in the not too distant future. The goal is to mine our world class deposit and get it back into production as soon as feasibly possible.



*View over the Uley Main Road deposit*

The information in this report that relates to Resources and Exploration Results is based on information compiled by Albert Thamm who is a Fellow of the Australasian Institute of Mining and Metallurgy. Albert Thamm, who is an employee of Coffey Mining, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves. He has consented to the inclusion in the report of these matters based on his information in the form and context in which it appears, on 21 January, 2010 in West Perth, Western Australia.

**For further information:**

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