



ASX Announcement
13 May, 2011

Mega Graphite Inc Press Release

The Company informs that the attached Press Release has been posted on Mega Graphite Inc. ("Mega") updated website on 12 May 2011.

Shareholders can also refer to Mega's website www.megagraphite.com for further information about Mega.

For further information:

Mark Muzzin

Managing Director
Strategic Energy Resources



Mega Graphite Signs Agreement with Strategic Energy Resources to Purchase Uley Graphite Project

Oakville, Ontario, Canada, Thursday, May 12, 2011 : Mega Graphite Inc., (Mega) announced today it has signed an agreement, in the form of a Term Sheet with Strategic Energy Resources (SER) of Australia (ASX: SER) to purchase the Uley Graphite Project, located 23 kilometres south of Port Lincoln in on the Eyre Peninsular in South Australia.

The term sheet is the basis for negotiating a definitive agreement for the sale of the Uley Graphite Project currently held by Strategic Energy Graphite Pty Ltd (SEG), a wholly owned subsidiary owned and controlled by SER.

The term sheet outlines the proposed sale where Mega agrees to purchase SEG for shares in its upcoming initial public offering (IPO) or strategic merger with a listed entity, and a non-refundable payment to cover expenses totalling Cdn\$1 million. Mega has support from several major investment banks, which are helping it examine funding, and growth options.

The Uley graphite deposit, owned by SER, is part of the Mikkira Graphite Province, known as one of the largest coarse flake graphite deposits in the world, containing disseminated, high-grade flake graphite. Discovered in the early 1900's, Uley was worked intermittently since the late 1920's. Exploration during the 1980's led to the re-opening of the mine in 1989, but a sharp decline in the world graphite prices in 1992 and an increase in freight prices caused the mine to cease production in 1993.

When in operation, the plant was capable of producing up to 14 000 tonnes per year and the aim was to progressively build up to 20 000 tonnes per year, rating the Uley graphite project one of the largest flake deposits in the world.

The mine and processing facility has been under care and maintenance since its closure. The 20 tonnes per hour processing plant is intact and operable, however, it requires some refurbishment to make it operational. Power, water and communication lines are all connected. We believe the mill can be fully functioning within six months.

The mineralisation is near surface and the graphite flake produced from the former operation was very popular with trading companies for its high quality and consistency. The *JORC compliant resource currently stands at 4 million tonnes with a total graphitic carbon content of 9%. The existing plant and metallurgical test-work provide a strong platform to undertake a bankable feasibility study for a 10 000 – 20 000 tonnes per year initial operation. The mine's large flake products has always had good acceptance from customers and provides the confidence to focus on mass distribution of the different grades to both the traditional and emerging market customers. There is a nearby skilled workforce and substantial infrastructure with all exports to be made through a deepwater port less than 25km away.

Mega Graphite is led by a highly experienced management team. Chief Executive Officer Paul Ogilvie stated, "We are extremely excited about the prospects of combining the Uley world class graphite project with our projects. We are very confident, that our technologies, engineering, sales and marketing, will create the number one graphite company in the Pacific Rim. Our team has spent years building a company with superior products for a growing global demand. As the Pacific Rim has the lion's share of lithium battery global manufacturing, the fit between Mega and Uley could not be better. Over the last four months, we have applied our proprietary technologies to the liberation and upgrading of the Uley ore, the results have been fantastic, and we expect the mine to produce concentrate material, affordably, of high quality and in a very environmentally sound way".

Mark Muzzin, Managing Director of SER, commented: "The proposed deal with Mega is a perfect fit for both organizations. Not only does it deliver on our strategic direction, but it gives SER and its

shareholders a much bigger opportunity in participating in the value added side of the graphite business. By combining a world class asset with purification processes and a well defined customer base for high purity flake puts us in an advantageous position for viable and sustained growth. The future for graphite is in the development of high-tech and value added products for the high-end growing technology and 'green' markets and not just refractory and traditional markets."

"Mega's aim is to become the global supplier of choice for high grade graphite products within these markets. They have the customers and the strategic relationships and with the scheduled public listing, they are poised to exponentially grow" Muzzin stated.

About Mega Graphite Inc.

Mega Graphite Inc. (www.megagraphite.com) is engaged in the mining, processing and purifying of natural flake graphite from its 100% owned North American based projects. The Company's primary target markets include high purity graphite applications in lithium-ion batteries, graphene-based flat panel displays, and expandable graphite used in fire retardants, high performance gaskets, conductive fillers, and electromagnetic pulse and radiation shielding. Mega Graphite Inc. owns and operates a number of world class graphite properties in North America and is in the process of supplying large flake graphite to customers around the world. Its vertically integrated open-pit multi-plant operation combined with its leading edge technology positions Mega Graphite to become a leading cost-competitive supplier to global markets of high grade graphite products.

Mega Graphite employs proprietary technologies with on-site milling systems running in the highest grade zones to achieve graphite grades that can be refined efficiently and economically. The benefits of using these systems include an environmentally friendly process where the land is not stripped into wasteland and the liberation costs remain very low. Mega Graphite has the outstanding technology and impressive level of experience to benefit Strategic Energy Resources and complement its goals in the prospering graphite market.

Mega Graphite has a global database of customers who require purified natural flake graphite which enhances the run rate and conductivity of their technologies. Mega can size, shape and coat its graphite through licensed processes to purity levels that give companies the ability to build systems that will hold up to economic and environmental concerns.

With a mandate to own and develop the chemistry of new technologies, MEGA also owns the Big Mack rare earth petalite property, located in the Kenora mining district, Ontario. The Separation Lake Greenstone Belt (SLGB) is host to the most important rare-element pegmatites in Ontario and may contain the greatest number of complex-type, petalite-subtype pegmatite occurrences in Canada. These pegmatites are host to many rare elements and metals such as lithium, tantalum, niobium, tin, rubidium and cesium.

The project site is referred to as the Separation Lake Property (the Property) and is known to contain significant deposits of rare-element pegmatites that have been described as *"the most important rare-element pegmatites in Ontario"* (Tindle & Breaks, 2000) which, when considered with similar deposits on an adjoining property, *may potentially represent one of the world's largest lithium deposits of this type"*.

JORC Compliance* : The *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (the 'JORC Code' or 'the Code') sets out minimum standards ,recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The Joint Ore Reserves Committee ('JORC') was established in 1971

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