SEGUE
RESOURCES LTD

ABN 49 112 609 846

Annual Financial Report
30 June 2010

Corporate Directory

Directors

Glenn Whiddon	Executive Chairman
Paul Fry	Non-executive Director
Jurgen Hendrich	Non-executive Director (resigned 13 July 2010)
Simon Fleming	Executive Director (appointed 13 July 2010)
Dr Eric Lilford	Non-executive Director (appointed 24 August 2010)

Company Secretary

Neville Bassett

Registered Office

Ground Floor
1306 Hay Street
West Perth WA 6005
Telephone: (08) 9486 4699
Facsimile: (08) 9486 4799
Email: admin@segueresources.com

Auditors

Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St Georges Terrace
Perth WA 6000

Bankers

National Australia Bank
Level 1, 1238 Hay Street
West Perth WA 6005

Share Registry

Advanced Share Registry Service
110 Stirling Highway
Nedlands WA 6000
Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Ltd (ASX)
Home Exchange: Perth, Western Australia

ASX Code: SEG

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DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2010.

DIRECTORS

The names of the Segue Resources Limited's ("Segue" or "Company") directors in office during the Year and until the date of this report are as below.

Glenn Whiddon
Paul Fry
Jurgen Hendrich (resigned 13 July 2010)
Simon Fleming (appointed 13 July 2010)
Eric Lilford (appointed 24 August 2010)

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Glenn Whiddon – Executive Chairman

Mr Whiddon has a background in banking and corporate advisory, working for the Bank of New York in Sydney, Melbourne, Geneva and Moscow. In 1994 he established a boutique merchant bank in Moscow, providing corporate advice and undertaking direct investments.

Other current directorships

Chairman of Statesman Resources Limited, Non-Executive Director of Excelsior Gold Limited, and Non Executive Chairman of Rialto Energy Ltd.

Former directorships in last 3 years

Grove Energy Limited (resigned 2007), Omegacorp Limited (resigned 2007), Oklo Uranium Limited (resigned 2007), UMC Energy plc (resigned December 2008), Stream Oil and Gas Limited (resigned February 2009), Ferrum Crescent Limited (resigned March 2010), North River Resources plc (resigned 23 November 2009).

Paul Fry – Non-Executive Director

Mr Fry has over 25 years experience advising companies operating in the resources industry in Australia, UK and North America. He was formerly a partner with Ernst & Young and PriceWaterhouseCoopers in Australia and Canada, two global professional advisory firms, and has worked closely with emerging resource companies particularly in providing commercial and financial related advice.

Other current directorships

Chairman of Kairiki Energy Limited.

Former directorships in last 3 years

Nil

Jurgen Hendrich – Non-Executive Director

Mr Hendrich has over 24 years investment banking and resources industry experience. He commenced his career as a petroleum geologist with Esso Australia in 1984 and enjoyed a variety of specialist technical roles in Australia and Norway, before advancing to commercial roles including strategic planning and joint venture relations. In 1996, Mr Hendrich joined J B Were (now Goldman Sachs J B Were) and established a reputation as a top ranking Energy Analyst.

In 2001 he founded his own consulting company specialising in providing strategic advice and attracting investment capital to early stage resources companies. From 2005, Jürgen worked with Tolhurst initially as a resources analyst, then Head of Resources Research and for the last two years as Director, Corporate Finance. In June 2008, Jürgen was appointed CEO of MEO Australia, and was appointed Managing Director in July 2008.

Other current directorships

Managing Director of MEO Australia Limited.

Former directorships in last 3 years

Cambrian Oil & Gas Plc (resigned June 2007)

Simon Fleming - Executive Director (appointed 13 July 2010)

Mr Fleming is a geologist with a broad range of minerals exploration experience including, most recently, 5 years in the Uranium sector. He has more than 30 years experience in gold, base metals and uranium exploration and development, in Australia and a number of overseas locations. Mr Fleming previously held senior technical and management positions with Reynolds Australia Metals Ltd, Sons of Gwalia Limited, China Metals Ltd, Paladin Energy Ltd and Energy and Minerals Australia Ltd. Mr Fleming is a Fellow of the AusIMM and holds a Bachelor of Science (Geology), Honours degree at the University of Western Australia.

Other current directorships

Executive Director of Stonehenge Metals Limited

Former directorships in last 3 years

None

Eric Lilford – Non Executive Director (appointed 24 August 2010)

Dr Lilford recently held the positions of National Head of Mining for Deloitte Touche Tohmatsu and Partner of Deloitte Corporate Finance. He has over 23 years operational and investment experience across the global resources sector. In addition to almost a decade of investment banking experience, Dr Lilford has mine production experience at significant gold, platinum, copper and coal mines. Specifically Dr Lilford was Director of Project and Business Development at Beny Steinmetz Group Resources where he managed aspects of a copper-cobalt mine and refinery in Zambia producing 30,000tpa of copper and up to 6,500tpa of special grade cobalt metal. Earlier in his career, Dr Lilford was a Mine Overseer for Randcoal Limited's Rietspruit and Khutala coal mines, responsible for production from a number of operating sections in these underground coal mines.

Dr Lilford's experience includes the completion of both pre feasibility (PFS) and bankable feasibility studies (BFS) in numerous jurisdictions including the Democratic Republic of Congo, Zambia and Macedonia. Dr Lilford jointly managed the full BFS of the Nikanor copper and cobalt project in the DRC and was appointed Non-Executive Director of Nikanor plc, a role he relinquished on emigration to Australia.

Commensurate with his PhD in Mineral Economics, Dr Lilford has guest-lectured on this topic at a post-graduate level at internationally recognised universities.

Other current directorships

Managing Director of ZYL Limited.

Former directorships in last 3 years

Non-Executive Director of Nikanor plc.

Neville John Bassett, B.Bus, FCA - Company Secretary

Mr Bassett was appointed company secretary on 2 April 2008. A chartered accountant with over 25 years experience, Mr Bassett has been involved with a diverse range of Australian public listed companies in directorial, company secretarial and financial roles.

Auditor

Mr Conley Manifis is the signing partner for Segue Resources Limited. Mr Manifis is a partner of Deloitte Touche Tohmatsu who continues in office in accordance with section 327 of the Corporations Act 2001.

Principal Activities

The principal activities of the Company during the year were mineral exploration, identification of potential mining assets for acquisition and development, and raising capital to fund those opportunities.

There were no significant changes in the nature of the Company's principal activities during the year.

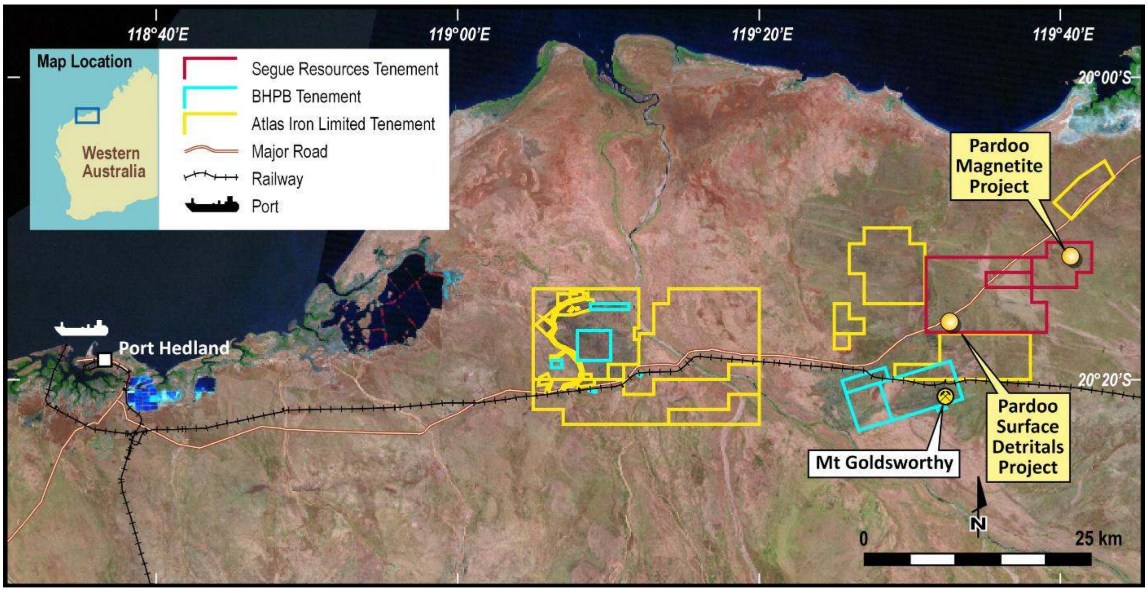
Overview

During the year ended 30 June 2010, the Company focused its exploration activities at its Pardoo Iron Ore Project, located in the Pilbara region of Western Australia, approximately 100km east of Port Hedland.

The Pardoo Iron Ore Project offers the Company an opportunity to leverage off the buoyant iron ore market through its prospectivity for buried magnetite, iron rich surface detrital gravels, and channel iron deposits. The iron rich surface detrital gravels could provide an opportunity for early cash flow.

Segue's Pardoo Iron Project is located approximately 120km east of Port Hedland and 15km from the coast. The project is close to key infrastructure including an "open" railway, gas and electric power. Abundant good quality ground water is also available from the Canning Basin immediately to the north of the project. In addition the Project is located less than 10km north of the BHP-Goldsworthy Iron Ore Mine which produced 157Mt of DSOHematite over the period 1966 to 1982.

Figure 1: Pardoo Iron Ore Project Tenement Location



The Company is also exploring the nickel-copper potential of the Project via a farmin and joint venture agreement with Mithril Resources Limited ("Mithril" ASX Code: MTH). Potential exists to expand the size and grade of the existing nickel-copper mineralisation on the Pardoo tenements. Mithril advised, in an ASX release on 30 July 2010, that they have estimated an Inferred Mineral Resource of 50 million tonnes, grading 0.3% nickel, 0.13% copper and 0.03% cobalt (in accordance with the JORC guidelines – details of the Competent Person's Statement relating to the mineral resource are contained in the Mithril ASX Announcement dated 30 July 2010). Mithril continues to evaluate potential processing and development options aimed at unlocking the potential of the resource at the Highway Deposit.

In addition to the nickel-copper and iron ore potential at the Project, both Mithril and the Company believe that there is potential for the Project to host a number of other commodities including gold, cobalt, tin and tungsten.

Under the terms of the Farmin, Mithril is earning up to a 65% interest in the Pardoo Project, for all minerals other than iron ore, through the expenditure of A$5 million over 5 years and by spending a further A$10 million on exploration or by completing a feasibility study.

Over the past 6 months the Company has undertaken further exploration at the Pardoo Project to evaluate the iron ore potential of the project area. A comprehensive desktop evaluation was undertaken followed up by a field trip including rock chip assays, geological mapping and sampling. The Company has also been working closely with Mithril to evaluate extraction options to unlock the value of the nickel and copper potential at the Pardoo Project with particular focus on the Highway Deposit where the existing JORC compliant resource exists.

Subsequent to year end, the Company has reviewed a number of other new minerals project opportunities and continues to evaluate new opportunities for investment or acquisition to enhance shareholder value. The Company's intent is to position itself as a diversified minerals explorer.

Pardoo Iron Ore Project - Western Australia (Segue 100%)

During the Year, the Company entered into a separate agreement to acquire the remaining 50% of the iron ore rights at the Pardoo Project to result in 100% of the iron ore rights for Pardoo being held by the Company. This move to 100% ownership of the iron ore rights underpins Segue's strategy to aggressively explore the exciting iron ore potential at Pardoo.

Given its focus on the iron ore prospectivity at Pardoo, the Company developed an exploration program based around a comprohensive desktop analysis and a field exploration program. The results of these programs have helped the Company improve its understanding the geology of the region and the prospectivity of the Pardoo Project to host economic magnetite, detrital and channel iron deposits. The Company now has a detailed interpretation of the geological sequences for the Pardoo Project with several magnetic anomalies identified at both the Highway and Supply Well tenements.

Buried Magnetite

Diamond drilling completed in 1990 by CRA produced an assay result of **257m @ 30% Fe** (see the full set of drill hole results in Segue's "Pardoo Investor Presentation" released to ASX on 8 October 2009). Davis Tube test results from recent testing conducted on samples from the partially weathered 1990 CRA drill core have helped advance the process of determining the optimum grind size and final concentrate specifications of the magnetite mineralisation. These Davis Tube test results show that the material between 120m and 176m is characterised by an average recovered iron grade of **68.1% Fe** and low sulphur content (average 0.06% S). The results, as previously outlined in Segue's ASX release on 13 August 2010, also indicate generally low impurities throughout. The Davis Tube test work has confirmed the potential for producing a marketable concentrate with minimal contaminants at a grind of 80% passing 25 microns.

Following completion of the composite desktop analysis, reconnaissance field exploration program and field sampling program, a magnetite iron ore exploration target of **900Mt – 1,100Mt**[1] at an expected grade of between **30% Fe and 40% Fe** has been estimated at the Pardoo Iron Ore Project by independent geologists and consultants.

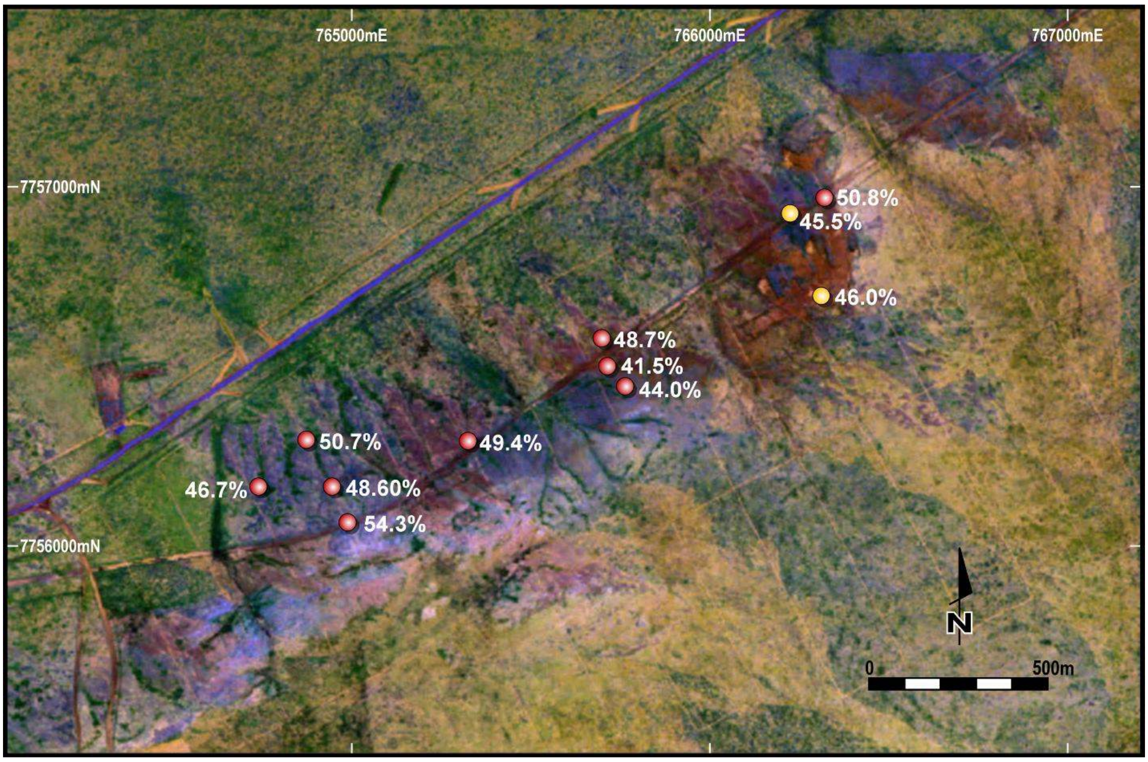
These results justify further exploration work to determine whether a potentially economic magnetite iron ore resource exists in the project area. Therefore Segue plans to commence a new program, of at least three diamond drill holes, to further test the magnetite mineralised zone and provide fresh samples for additional metallurgical testing. This new diamond drilling program is expected to commence during late September or early October 2010.

[1] The potential quantity and grade of the Pardoo Iron Ore Project is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Surface Detrital Iron
During the period, the Company also undertook a preliminary investigation to identify the potential for detrital iron formations and to identify other surface targets.

The surface detrital iron gravel at the Pardoo Iron Ore Project may also represent an economic target with potential to generate near term cash flow. The surface detrital iron gravels have previously been grab sampled and have returned iron (Fe) assay results up to **54.3%** Fe with an average grade of 44.6% Fe (see previous ASX releases dated 24 March 2010 and 15 September 2010 for the full set of sampling results). Test pits also show that the gravels are approximately five (5m) metres thick and cover a large area of at least 3sq/km. Significant additional material may also be available buried beneath shallow (< 1 metre) sand cover.

Figure 2: Segue Pardoo Project map showing iron grades from previous sampling (red dots) & recent sampling (yellow dots) of the surface detrital iron deposit



Segue's initial field exploration program identified a number of targets that warrant systematic follow up exploration to test the depth of the mineralisation and the mineralisation along strike. As a result, after the end of the quarter, the Company completed an auger drilling program to help investigate the potential of producing a saleable product from the large area of iron rich surface detrital gravels at the Pardoo Project.

The auger drilling program systematically tested a wide area with approximately 115, one (1) metre deep, auger holes drilled across the area on a 400m X 100m spaced pattern. Samples are currently being assayed to establish an average iron grade for the area and for any deleterious elements. An additional suite of bulk samples will be sent for metallurgical testing to establish if a saleable product can be produced.

Pardoo Nickel Project – Western Australia (Mithril earning 65%)

There is considerable potential on the Pardoo tenements to expand the size and grade of the existing nickel-copper mineralisation. Mithril advised, in an ASX release on 30 July 2010, that they have estimated an Inferred Mineral Resource of 50 million tonnes, grading 0.3% nickel, 0.13% copper and 0.03% cobalt (in accordance with the JORC Guidelines – details of the Competent Person's Statement relating to the mineral resource are contained in the Mithril ASX Announcement dated 30 July 2010). Mithril continues to evaluate potential processing and development options for the Highway Deposit aimed at unlocking the potential of this resource.

During the period, Mithril engaged CESL Limited ("CESL"), a subsidiary of Teck Resources Limited, to complete a bench-scale assessment of hydrometallurgical processing on samples from the Highway deposit. The work involved nine leach tests on a bulk nickel-copper concentrate sample provided to CESL by Mithril. The purpose of these tests was to demonstrate the amenability of the concentrate to the CESL Process, hydrometallurgical technology that can be applied to a wide variety of copper and nickel sulphide concentrates.

Previous metallurgical test work has demonstrated that high nickel, copper and cobalt recoveries can be achieved to produce a relatively low grade concentrate from the Highway deposit using conventional floatation techniques. The CESL Process is being reviewed to determine the feasibility of processing such a concentrate on site, extracting the payable metals including nickel, copper and cobalt and eliminating the costs of shipping the concentrate to a smelter.

The nickel concentrate showed excellent nickel extraction throughout all series of tests, with optimal results achieved with a two-stage leaching process.

For the tests performed on a combined rougher concentrate grading 3.6% nickel, 1.1% copper and 0.25% cobalt, optimal nickel, copper and cobalt extractions were 97.6%, 97.9% and 99.7%, respectively. For the test performed on a higher grade concentrate sample (5.7% nickel, 2.0% copper and 0.38% cobalt) optimal nickel, copper and cobalt extractions were 99.4%, 98.7% and 98.4% cobalt. Moderate levels of sulphur oxidation were experienced throughout the initial pressure oxidation test program.

These early results demonstrate that the CESL Process can extract maximum metal values from a Highway concentrate. The next phase of work will involve the development of a preliminary overall processing flowsheet and the determination of operating and capital costs at a conceptual level. Some additional bench testing may be undertaken to support the study.

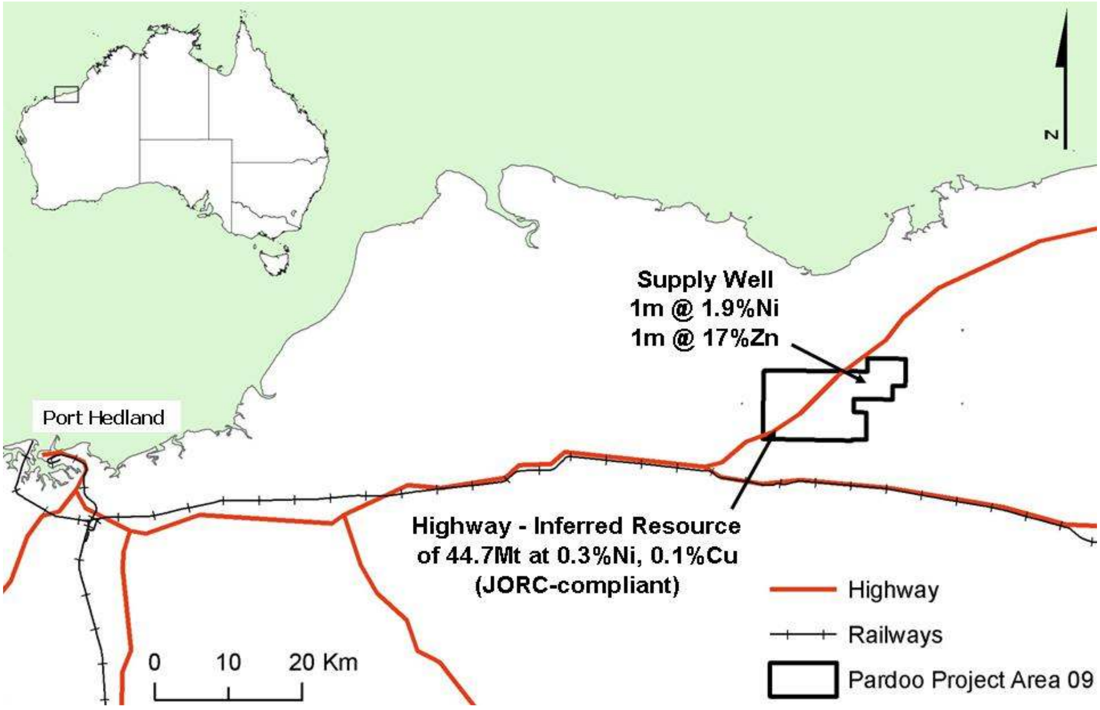


Figure 3: Pardoo Nickel Project Tenement Location

Coronet Hill Project – Northern Territory

During the year the Coronet Hill Project was relinquished with the joint venture/farm-in agreement with North River Resources PLC terminated.

Wauchope - Northern Territory (Segue 100%)

During the year the Group surrendered its rights to the Wauchope Project incorporating EL 24950 and ELA 25369.

The information in this report relating to iron ore exploration results is based on information compiled by Mr S Fleming who is a member of the AusIMM. Mr Fleming, a director of Segue Resources Limited (Segue) acts as Exploration Manager for Segue, and consents to the inclusion in this report of the information presented in relation to iron ore. He has sufficient experience relevant to the style of mineralisation/type of deposit under consideration and to the type of activity described to qualify as a competent person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". The information in this report relating to exploration results for minerals other than iron ore is based on information compiled by Mr G L Ascough, who is managing Director of Mithril Resources Limited (ASX Code: MTH "Mithril"), and otherwise sourced from an ASX disclosure made by Mithril Resources Limited on 30 July 2010. Mithril's ASX release dated 30 July 2010 outlines Mr Ascough's qualifications as a Competent Person, as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

REVIEW AND RESULTS OF OPERATIONS

The principal activities of the company and its subsidiaries during the period were mineral exploration. The net loss for the year ended 30 June 2010 was $892,565 (2009: $703,153) The net loss included the following items:

- Impaired exploration and evaluation expenditure of $312,560 (2009: $23,182); and
- Director's fees of $90,000 (2009: $90,000).

Summary of Financial Position

At 30 June 2010 the Group's cash reserves were $168,839 (2009: $338,038). The decrease in cash was due to net cash used in operating activities of $577,850, net cash used in investing activities of $126,702 and other proceeds from financing activities during the year consisting of the issue of 95,935,369 shares to investors for net proceeds of $835,354 and borrowing of ($300,000). Net assets of the Group as at 30 June 2010 were $6,270,420 (2009 $5,948,755).

Significant Changes in the State of Affairs

There were no changes in the state of affairs of the Company other than those referred to elsewhere in this report of the financial statements or notes thereto.

Significant Events After Balance Date

Jurgen Hendrich resigned from his post as a non executive director of the Company on 13 July 2010 and Simon Fleming was appointed as an executive director of the Company on 13 July 2010. Dr Eric Lilford was appointed as a non executive director of the Company on 24 August 2010.

The Company advised ASX on 18 August 2010 that it had agreed to place 26,496,221 new shares to sophisticated investors, through a private placement to raise the sum of $476,932 before costs. The shares were subsequently issued on 23 August 2010 at a price of 1.8 cents each to clients of Patersons Securities Limited. The shares were issued under the Company's 15% capacity in accordance with listing rule 7.1. The placement was part of a total equity raising package of $1.39M (before costs) which also included a fully underwritten non-renounceable Rights Issue.

The Company advised on 18 August 2010 that it was proceeding with a fully underwritten non-renounceable Rights Issue to raise approximately $914,120 before costs ("Rights Issue"). The Rights Issue offered, to eligible shareholders, one (1) new fully paid ordinary share in the Company for every four (4) shares held on the Record Date (31/08/2010), at an issue price of 1.8 cents per share. The rights issue and shortfall shares were subsequently issued on 28 September 2010 at a price of 1.8 cents each. The Rights Issue was fully underwritten by Patersons Securities Limited.

The funds raised will be applied to support the continued exploration of the Company's promising Pardoo Iron Project, enable the Company to continue to fund the evaluation of new project opportunities, and for general working capital.

Environmental Regulation

The Company is subject to and compliant with all aspects of environmental regulation of its exploration activities. The Directors are not aware of any environmental law that is not being complied with.

Likely Developments

- The Company will continue the exploration and evaluation of the iron ore prospectivity at the Pardoo Project;

- The Company's Farmin and joint venture partner and operator of the Pardoo Project, Mithril, continues to evaluate the potential for nickel, copper, gold and cobalt at the Pardoo Project; and

- The Company continues to review new project venture opportunities which are consistent with the Company's strategy to become a diversified minerals explorer.

Dividends

No dividend has been paid since the end of the financial period and no dividend is recommended for the current year.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Remuneration Report (Audited)

Remuneration of directors and executives is referred to as compensation throughout this report. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company including directors of the Company and other executives. They include the five most highly remunerated section 300A directors and executives for the Company.

Compensation levels for directors and key management personnel of the Company are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The Board is responsible for compensation policies and practices. The Board, where appropriate, seeks independent advice on remuneration policies and practices, including compensation packages and terms of employment.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company.

There are no service agreements with Key Management personnel of the Company.

Non-Executive Directors

Total remuneration for all Non-Executive Directors, is not to exceed $250,000 per annum as approved by shareholders. This does not include Consulting Fees.

Non-executive directors, including the Chairman, receive a fixed fee for their services of $30,000 per annum including statutory superannuation for services performed.

There is no direct link between remuneration paid to any executive and non-executive directors and corporate performance. There are no termination or retirement benefits for non-executive directors (other than statutory superannuation).

Fixed Compensation

Fixed compensation consists of base compensation. The executive director receives the same compensation as non-executive directors, i.e. $30,000 per annum. This remuneration figure includes statutory superannuation.

Share Based Remuneration

The grant of Options to directors is designed to encourage Directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances of limited cash resources the Directors consider that the issue of Options are a cost effective and efficient reward and incentive for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation to the Directors.

The terms and conditions of each grant under the company's Share Option Plan options affecting remuneration in this reporting period are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
28/11/2008	30/11/2008	30/11/2011	$0.08	$0.0237
28/11/2008	30/11/2009	30/11/2011	$0.08	$0.0242

Options granted under the Plan carry no dividend or voting rights. The grant date equals the vesting date for all options.

Details of options over ordinary shares in the Company provided as remuneration to each director of Segue Resources Limited is set out below. When exercisable, each option is convertible into one ordinary share of Segue Resources Limited.

	No. of options granted during the year		No. of options vested during the year	
Name	**2010**	**2009**	**2010**	**2009**
Directors of Segue Resources Limited				
G Whiddon	-	3,000,000	1,500,000	1,500,000
P Fry	-	3,000,000	1,500,000	1,500,000
J Hendrich	-	3,000,000	1,500,000	1,500,000
S Fleming	-	-	-	-
E Lilford	-	-	-	-

The model inputs for options granted during the year ended 30 June 2009 included:

	Tranche A	**Tranche B**
Number of Options	4,500,000	4,500,000
Grant date	28/11/2008	28/11/2008
Dividend yield (%)	-	-
Expected volatility (%)	99.06	95.35
Risk-free interest rate (%)	4.7	4.78
Vesting date	30/11/2008	30/11/2009
Expected life of option (years)	3	3
Option exercise price ($)	0.08	0.08
Share price at grant date ($)	0.05	0.05
Valuation of Option ($)	0.0237	0.0242

Remuneration

Details of the remuneration of the directors of Segue are set out in the following table. Currently, the Company does not employ any staff and directors are responsible for the management of the Company.

2010	**Short-term Benefits**			**Post employ-ment benefits**	**Share-based Payment**			
Name	**Salary and Fees $**	**Cash Bonus $**	**Non-Monetary Benefit $**	**Super-annuation $**	**Options $**	**Total $**	**% Perform-ance Related**	**% of Total Consist-ing of Options**
Directors								
G Whiddon	30,000	-	-	-	36,292	66,292	54.7%	54.7%
P Fry	27,523	-	-	2,477	36,292	66,292	54.7%	54.7%
J Hendrich	30,000	-	-	-	36,292	66,292	54.7%	54.7%
S Fleming	-	-	-	-	-	-	-	-
E Lilford	-	-	-	-	-	-	-	-
Totals	87,523	-	-	2,477	108,876	198,876	-	-
Other Executives								
N Bassett	16,000	-	-	-	-	16,000	-	-

(a) Mr Whiddon's services as a director were provided by Lagral SCP for which the consolidated entity was charged $30,000.

(b) Mr Fry's services as a director were provided personally for which the consolidated entity was charged $30,000.

(c) Mr Hendrich's services as a director were provided by BTN Ventures Pty Ltd for which the consolidated entity was charged $30,000.

(d) Mr Bassett's services as company secretary were provided by Mandevilla Pty Ltd for which the consolidated entity was charged $16,000.

2009	Short-term Benefits			Post employ-ment benefits	Share-based Payment			
Name	Salary and Fees $	Cash Bonus $	Non-Monetary Benefit $	Super-annuation $	Options $	Total $	% Perform-ance Related	% of Total Consist-ing of Options
Directors								
G Whiddon	30,000	-	-	-	35,591	65,591	54.3%	54.3%
P Fry	32,400	-	-	-	35,591	67,991	52.3%	52.3%
J Hendrich	30,000	-	-	-	35,591	65,591	54.3%	54.3%
Totals	92,400	-	-	-	106,773	199,173		
Other Executives								
N Bassett	24,000	-	-	-	-	24,000	-	-

(e) Mr Whiddon’s services as a director were provided by Lagral SCP for which the consolidated entity was charged $30,000.
(f) Mr Fry’s services as a director were provided personally for which the consolidated entity was charged $32,400.
(g) Mr Hendrich’s services as a director were provided by BTN Ventures Pty Ltd for which the consolidated entity was charged $30,000.
(h) Mr Bassett’s services as company secretary were provided by Mandevilla Pty Ltd for which the consolidated entity was charged $24,000.

End of Remuneration Report

Directors’ Interests in the Shares and Options of the Company

As at the **date of this report**, the relevant interest of each director in the shares and options of Segue Resources Limited were:

	Ordinary Shares		Options	
Name	Direct	Indirect	Direct	Indirect
G Whiddon	400	31,346,880	3,000,000	
P Fry	-	1,333,333	-	3,000,000
S Fleming	-	-	-	-
E Lilford	-	-	-	-

Shares Under Options

Options to take up ordinary shares in the Company at **the date of this report** are as follows:

	Number	Exercise Price	Expiry Date
Unlisted Options issued to directors on 22/12/2008 pursuant to shareholders resolution dated 28/11/08	4,500,000	8 cents	30/11/2011
Unlisted Options issued to directors on 22/12/2008 pursuant to shareholders resolution dated 28/11/08	4,500,000	8 cents	30/11/2011
Unlisted options issued to the then Consultants pursuant to shareholders resolution dated 28/11/08	1,400,000	8 cents	30/11/2011

No options were exercised during the financial year and no shares have been issued from the exercise of options since year-end to the date of this report. No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate. The names of all holders of options are entered into the Company's register, inspection of which may be made free of charge.

Meetings of Directors

The following directors' meetings (including meetings of committees of directors) were held during the year and the number of meetings attended by each of the directors during the year were:

Directors	**Directors' meetings held**	**Directors' meetings attended**	**Audit Committee meetings held**	**Audit Committee meetings attended**
Glenn Whiddon	3	3	-	-
Paul Fry	3	3	-	-
Jurgen Hendrich	3	3	-	-

Officers' Indemnities and Insurance

During the year the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors' and Officers' Liability Insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company or a related body corporate.

The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the premium paid is subject to a confidentiality clause under the insurance policy.

The Company has entered into an agreement with the Directors and certain officers to indemnify these individuals against any claims and related expenses which arise as a result of work completed in their respective capabilities.

The Company nor any of its related bodies corporate have provided any insurance for any auditor of the Company or a related body corporate.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important.

Details of the amount paid or payable to the auditor (Deloitte) for the audit and non-audit services provided during the year are set out in note 15.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor's, Deloitte Touche Tohmatsu, which is included on page 30.

Signed in accordance with a resolution of the directors

Glenn Whiddon
Executive Chairman
Perth, 30 September 2010

Corporate Governance Statement

The Board of Directors of Segue Resources Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Segue Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Segue Resources Limited's corporate governance practices were in place throughout the year ended 30 June 2010 and were fully compliant with the Council's best practice recommendations, unless otherwise stated.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. The Board continues to review its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines with a view to making amendments where applicable after considering the Company's size and resources it has available.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration.

The table below is available on the Company's website and summaries the Company's compliance with the Corporate Governance Council's Recommendations:

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 1	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2(a)	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	2(h), 3(b), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	2(a), 2(h), 3(b), Remuneration Report	Yes
Principle 2	**Structure the board to add value**		
2.1	A majority of the board should be independent directors.	2(b), 2(e)	Yes
2.2	The chair should be an independent director.	2(c), 2(e)	No
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2(b), 2(c)	No
2.4	The Board should establish a nomination committee.	2(d)	No
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	2(h)	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	2(b), 2(c), 2(d), 2(e), 2(h)	Yes

Principle 3	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary as to:	4(a)	Yes
	the practices necessary to maintain confidence in the company's integrity;		
	the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and		
	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	4(b)	Yes
3.3	Provide the information indicated in the Guide to reporting on principle 3.	4(a), 4(b)	Yes
Principle 4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	3(a)	Yes
4.2	The audit committee should be structured so that it:	3(a)	No
	consists only of non-executive directors;		
	consists of a majority of independent directors;		
	is chaired by an independent chair, who is not chair of the Board; and		
	has at least three members.		
4.3	The audit committee should have a formal charter	3(a)	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	3(a)	Yes
Principle 5	**Make timely and balanced disclosure**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	5(a), 5(b)	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	5(a), 5(b)	Yes
Principle 6	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5(a), 5(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	5(a), 5(b)	Yes

Principle 7	Recognise and manage risk		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6(a)	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6(a), 6(b), 6(d)	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	6(a), 6(b), 6(c), 6(d)	Yes
Principle 8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee.	3(b)	No
8.2	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	3(b), Remuneration Report	Yes
8.3	Provide the information indicated in the Guide to reporting on principle 8.	3(b),	Yes

THE BOARD OF DIRECTORS

2(a) Roles and Responsibilities of the Board

The Board is accountable to the shareholders and investors for the overall performance of the Company and takes responsibility for monitoring the Company's business and affairs and setting its strategic direction, establishing and overseeing the Company's financial position.

The Board is responsible for:

- ensuring the Company's conduct and activities are ethical and carried out for the benefit of all its stakeholders;
- development of corporate strategy, implementation of business plans and performance objectives;
- reviewing, ratifying and monitoring systems of risk management, codes of conduct and legal and regulatory compliance;
- the appointment of the Company's Managing Director, Chief Executive Officer (or equivalent), Chief Financial Officer, Company Secretary and other senior executives; (if considered necessary)
- monitoring senior executives' performance and implementation of strategy;
- determining appropriate remuneration policies;

- allocating resources and ensuring appropriate resources are available to management;
- approving and monitoring the annual budget, progress of major capital expenditure, capital management, and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

Other than as specifically reserved to the Board, responsibility for the day-to-day management of the Company's business activities is delegated to the Executive Chairman.

2(b) Board Composition

The Directors determine the composition of the Board employing the following principles:
- the Board, in accordance with the Company's constitution must comprise a minimum of three Directors;
- the roles of the Chairman of the Board and of the Chief Executive Officer should be exercised by different individuals;
- the majority of the Board should comprise Directors who are non-executive;
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company; and
- the Board must be structured in such a way that it has a proper understanding of, and competency in, the current and emerging issues facing the Company, and can effectively review management's decisions.

The Board is currently comprised of one Executive Director and three Non- Executive Directors. The skills, experience, expertise, qualifications and terms of office of each director in office at the date of the annual report is included in the Directors' Report.

The Chair is not independent and the role of Chair and chief executive officer are exercised by the same person. The Board considers that, at this stage of the Company's development, the executive role carried out by the Chairman is in the best interests of the Company. The Chairman of the Company at the time of writing this report is Glenn Whiddon.

The Company's constitution requires one-third of the Directors (or the next lowest whole number) to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM when they may be re-elected.

The Executive Chairman is not subject to retirement by rotation and, along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

2(c) Chairman and Chief Executive Officer

The Chairman is responsible for:
- leadership of the Board;
- the efficient organisation and conduct of the Board's functions;
- the promotion of constructive and respectful relations between Board members and between the Board and management;
- contributing to the briefing of Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution of all Board members; and
- committing the time necessary to effectively discharge the role of the Chairman.

The Chief Executive Officer is responsible for:
- implementing the Company's strategies and policies; and
- the day-to-day management of the Company's business activities

Board policy specifies that the roles of the Chairman and the Chief Executive Officer are separate roles to be undertaken by separate people. Presently, the role of Chair and chief executive officer are exercised by the same person. The Board considers that, at this stage of the Company's development, the executive role carried out by the Chairman is in the best interests of the Company. The Board will monitor the need to separate these roles as the company's circumstances change.

2(d) Nomination Committee

The Company does not comply with ASX Recommendation 2.4. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

Nominations of new Directors are considered by the full Board. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement. The Board has taken a view that the full Board will hold special meetings or sessions as required. The Board are confident that this process for selection and review is stringent and full details of all Directors are provided to shareholders in the annual report and on the Company's website.

2(e) Independent Directors

The Company recognises that independent Directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgment.

Directors of Segue Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

The Board currently comprises of 2 independent non-executive Directors.

In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of Segue Resources Limited are considered to be independent:

Name	Position
Paul Fry	Non-Executive Director
Jurgen Hendrich	Non-Executive Director (resigned 13/07/10)
Eric Lilford	Non-Executive Director (appointed 24/08/10)

The following persons were directors of Segue Resources Limited during the financial year and up to the date of this report:

Glenn Whiddon	Executive Chairman
Paul Fry	Non-Executive Director
Simon Fleming	Executive Director (appointed 13/07/10)
Jurgen Hendrich	Non-Executive Director (resigned 13/07/10)
Eric Lilford	Non-Executive Director (appointed 24/08/10)

The Board recognises the importance of independent views and, in the Board's role in supervising the activities of management, the Chairman should be a Non-Executive Director. The Board considers that, at this stage of the Company's development, the executive role carried out by the Chairman is in the best interests of the Company.

2(f) Avoidance of conflicts of interest by a Director

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are known by each Director, each Director is required by the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

2(g) Board access to information and independent advice

Directors are able to access members of the management team at any time to request relevant information.
There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

2(h) Review of Board performance

The performance of the Board is reviewed regularly by the Chairman. The Chairman conducts performance evaluations which involve an assessment of each Board member's performance against specific and measurable qualitative and quantitative performance criteria. The Board member assessment measures are the responsibility of the Chairman. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Segue Resources Limited. Primarily, the review will be carried out through consultation by the Chairman and with individual Directors. Directors whose performance is consistently unsatisfactory may be asked to retire.

BOARD COMMITTEES

3(a) Audit Committee

Given the size and scale of the Company's operations the full Board undertakes the role of the Audit Committee. The Audit Committee does not comply with ASX Recommendation 4.2 as the Chair of the Board is Chair of the Audit Committee and the Audit Committee does not comprise only Non-Executive Directors. The role and responsibilities of the Audit Committee are summarised below.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Company and the independence of the auditor.

The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

The Board is also responsible for establishing policies on risk oversight and management. The Company has not formed a separate Risk Management Committee due to the size and scale of its operations.

External Auditors
The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is Deloitte's policy to rotate engagement Directors on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

There is no indemnity provided by the company to the auditor in respect of any potential liability to third parties.
The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

There were no non-audit services provided by the auditors during the year, other than as disclosed in Note 15 to the financial statement.

3(b) Remuneration Committee

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Board has not established a separate Remuneration Committee due to the size and scale of its operations. This does not comply with Recommendation 8.1 however the Board as a whole takes responsibility for such issues.

The responsibilities include setting policies for senior officers remuneration, setting the terms and conditions for the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive directors and undertaking reviews of the CEO's performance.

The Company has structured the remuneration of its senior executive, where applicable, such that it comprises a fixed salary, statutory superannuation and, where applicable, participation in the Company's employee share option plan. The Company believes that by remunerating senior executives in this manner it rewards them for performance and aligns their interests with those of shareholders and increases the Company's performance.

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for non-executive director remuneration. The Company does not adhere to Recommendation 8.2 Box 8.2 'Non-executive directors should not receive options or bonus payments'. The Company has and may, in the future, grant options to non-executive directors. The Board is of the view that options (for both executive and non-executive directors) are a cost effective benefit for small companies such as Segue Resources Limited that seek to conserve cash reserves. They also provide an incentive that ultimately benefits both shareholders and the optionholders, as optionholders will only benefit if the market value of the underlying shares exceeds the option strike price. Ultimately, shareholders will make that determination.
The board policy is to remunerate Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholders interests, the Directors are encouraged to hold shares in the Company.

The Company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and Directors are remunerated to a level consistent with the size of the Company.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

In determining remuneration, the Board has taken a view that the full Board will hold special meetings or sessions as required. No Director participated in any deliberation regarding his or her own remuneration or related issues. The Board are confident that this process for determining remuneration is stringent and full details of remuneration policies and remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

ETHICAL AND RESPONSIBLE DECISION MAKING

4(a) Code of Ethics and Conduct

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The "Code of Conduct" sets out the principles, practices, and standards of personal behaviour the Company expects people to adopt in their daily business activities.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

All Directors, officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

4(b) Policy concerning trading in Company securities

The Company's "Policy for Trading in Company Securities" applies to all Directors, officers and employees. This policy sets out the restrictions on dealing in securities by people who work for, or are associated with the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities. The policy stipulates that the only appropriate time for a Director, officer or employee to deal in the Company's securities is when they are not in possession of price sensitive information that is not generally available to the market.

As a matter of practice, Company shares may only be dealt with by Directors and officers of the Company under the following guidelines:

- No trading is permitted in the period of 14 days preceding release of each quarterly report, half-yearly report and annual financial report of the Company or for a period of 2 trading days after the release of such report;

- Guidelines are to be considered complementary to and not replace the various sections of the Corporations Act 2001 dealing with insider trading; and

- Prior approval of the Chairman, or in his absence, the approval of two directors is required prior to any trading being undertaken.

Within 24 hours of a director being appointed to the Board, resigning or being removed from the Board, or trading in the Company's securities, full details of the director's notifiable interests in the Company's securities and changes in such interest must be advised to the Company Secretary so that a record is kept within the Company and so that necessary ASX notifications will occur.

All directors must notify the Company Secretary of any margin loan or similar funding arrangement entered into in relation to the Company's securities and any variations to such arrangements, including the number of securities involved, the circumstances in which the lender can make margin calls, and the right of the lender to dispose of securities.

TIMELY AND BALANCED DISCLOSURE

5(a) Shareholder communication

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's "ASX Disclosure Policy" encourages effective communication with its shareholders by requiring that Company announcements:
- be factual and subject to internal vetting and authorisation before issue;
- be made in a timely manner;
- not omit material information;
- be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions;
- be in compliance with ASX Listing Rules continuous disclosure requirements; and
- be placed on the Company's website promptly following release.

Shareholders are encouraged to participate in general meetings. Copies of addresses by the Chairman or Chief Executive Officer are disclosed to the market and posted on the Company's website. The Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

5(b) Continuous disclosure policy

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company. The Company's "ASX Disclosure Policy" described in 5(a) reinforces the Company's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

RECOGNISING AND MANAGING RISK

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. A written policy in relation to risk oversight and management has been established ("Audit and Risk Management Charter"). Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn responsibilities.

6(a) Board oversight of the risk management system

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- at least quarterly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and:

- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

6(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

6(c) Chief Executive Officer and Chief Financial Officer Certification

Glenn Whiddon holds the positions of Chief Executive Officer and Chief Financial Officer and provides to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- The Company's risk management an internal compliance and control system is operating efficiently and effectively in all material respects.

6(d) Internal review and risk evaluation

Assurance is provided to the Board by executive management on the adequacy and effectiveness of management controls for risk on a regular basis.

Deloitte.

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The Board of Directors
Segue Resources Limited
Ground Floor
1306 Hay St
WEST PERTH WA 6005

30 September 2010

Dear Board Members

Segue Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Segue Resources Limited.

As lead audit partner for the audit of the financial statements of Segue Resources Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Conley Manifis
Partner
Chartered Accountants

SEGUE RESOURCES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

		CONSOLIDATED	
		2010	**2009**
	Notes	**$**	**$**
Continuing Operations			
Other Income	**2**	14,267	8,298
Employee benefits	**2**	(231,772)	(262,698)
Occupancy		(48,016)	(35,457)
Consultants		(68,409)	(75,904)
Corporate administration		(42,653)	(27,155)
Depreciation	**2**	(3,835)	(16,959)
Audit		(23,837)	(55,179)
Accounting and tax		(48,468)	(35,339)
Legal		(21,378)	(5,696)
Impairment of exploration expenditure		(312,560)	(23,182)
Travel		(38,725)	(27,589)
Interest		-	(92,733)
Other expenses		(67,179)	(53,560)
Loss before income tax		(892,565)	(703,153)
Income tax expense	**3**	-	-
Loss from continuing operations after tax		(892,565)	(703,153)
Other Comprehensive Income		-	-
Total Comprehensive Income for the year		(892,565)	(703,153)
Earnings per share (cents per share)			
- basic; for loss for the Year	**14**	(0.579)	(0.99)
- diluted; for loss for the Year	**14**	(0.579)	(0.99)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

SEGUE RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	CONSOLIDATED 2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	168,839	338,038
Trade and other receivables	5	32,735	34,315
Total Current Assets		**201,574**	**372,353**
Non-Current Assets			
Exploration and evaluation	7	6,129,887	6,321,317
Property, plant and equipment	8	27,968	3,485
Total Non-Current Assets		**6,157,855**	**6,324,802**
TOTAL ASSETS		**6,359,429**	**6,697,155**
LIABILITIES			
Current liabilities			
Trade and other payables	9	89,009	203,400
Financial liabilities	10	-	545,000
Total Current Liabilities		**89,009**	**748,400**
TOTAL LIABILITIES		**89,009**	**748,400**
NET ASSETS		**6,270,420**	**5,948,755**
EQUITY			
Issued Capital	11	10,540,589	9,435,235
Reserves	12	518,547	409,671
Accumulated losses	13	(4,788,716)	(3,896,151)
TOTAL EQUITY		**6,270,420**	**5,948,755**

The above statement of financial position should be read in conjunction with the accompanying notes

SEGUE RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	CONSOLIDATED 2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	465
Payments to suppliers and employees		(582,227)	(458,524)
Interest received		14,153	8,033
Other payments (GST)		(9,776)	(2,657)
Net cash outflow from operating activities	**24**	(577,850)	(452,683)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(27,793)	-
Payments for exploration expenditure		(98,910)	(232,717)
Net cash flows from investing activities		(126,703)	(232,717)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		835,354	137,949
Receipt/(repayment) of funding from related parties		(300,000)	500,000
Net cash flows from financing activities		535,354	637,949
Net increase/(decrease) in cash and cash equivalents		(169,199)	(47,451)
Cash and cash equivalents at beginning of period	**4**	338,038	385,489
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		168,839	338,038

The above statement of cash flows should be read in conjunction with the accompanying notes

SEGUE RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED	Issued Capital $	Option Reserve $	Accumulated Losses $	Total Equity $
At 1 July 2008	9,297,285	269,680	(3,192,998)	6,373,967
Operating loss for the year	-	-	(703,153)	(703,153)
Other comprehensive Income	-	-	-	-
Total comprehensive income	-	-	(703,153)	(703,153)
Issue of Shares	137,950	-	-	137,950
Share Based payments	-	139,991	-	139,991
At 30 June 2009	9,435,235	409,671	(3,896,151)	5,948,755
At 1 July 2009	9,435,235	409,671	(3,896,151)	5,948,755
Operating loss for the year	-	-	(892,565)	(892,565)
Other comprehensive Income	-	-	-	-
Total comprehensive income	-	-	(892,565)	(892,565)
Issue of Shares	1,105,354	-	-	1,105,354
Share Based Payments	-	108,876	-	108,876
At 30 June 2010	10,540,589	518,547	(4,788,716)	6,270,420

This above statement of changes in equity should be read in conjunction with the accompanying notes

1. Corporate Information

Segue Resources Limited (the "Company") is a company limited by shares incorporated whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial report of the Company for the year ended 30 June 2010 comprises the Company and its subsidiary (together referred to as the "consolidated entity").

The financial report was authorised for issue by the directors on 30 September 2010.

The nature of the operation and principal activities of the Company are described in the attached Directors' Report.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and by all entities in the consolidated entity.

(A) Statement of Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of the group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of Preparation

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

Financial Statement presentation

The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(B) Going Concern

The consolidated entity has incurred net losses after taxes for the year ended 30 June 2010 of $892,565 (30 June 2009 $703,153) and has a working capital surplus of $112,565 (30 June 2009 deficiency $376,047).

Subsequent to year end, the company:

On 18 August 2010 Segue Resources Limited ("Segue" or "the Company") announced that it has agreed to place 26,496,221 new shares to sophisticated investors, through a private placement to raise the sum of $476,932 before costs. The shares were issued at a price of 1.8 cents each to clients of Patersons Securities Limited.

The Company also advised on 18 August 2010 that it was proceeding with a fully underwritten non-renounceable Rights Issue to raise approximately $914,120 before costs ("Rights Issue"). The Rights Issue offered, to eligible shareholders, one (1) new fully paid ordinary share in the Company for every four (4) shares held on the Record Date (31/08/2010), at an issue price of 1.8 cents per share. The Rights Issue and shortfall shares were issued on 28 September 2010 at a price of 1.8 cents each. The Rights Issue was fully underwritten by Patersons Securities Limited.

The funds raised will be applied to support the continued exploration of the Company's promising Pardoo Iron Project, enable the Company to continue to fund the evaluation of new project opportunities, and for general working capital.

The directors have prepared a cash flow forecast for the period ending 30 September 2011 that includes the capital raising noted above, and indicates that the company will have sufficient cash flows to meet all working capital requirements and its minimum spend requirements on its tenements.

Based on the above, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(C) Segment Reporting

Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Managing Director and other members of the Board of directors.

Change in Accounting policy

The group adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. Comparatives for 2009 have been restated.

Full details of the group's segment reporting can be found at note 20.

(D) Functional and Presentation of Currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the presentation currency of the consolidated entity.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at statement of financial position date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Translation differences arising on non-monetary items, such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(E) Use of Estimates and Judgements

The preparation of financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 1(N). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

I. Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

II. Commitments - Exploration

The Group has certain minimum exploration commitments to maintain its right of tenure to exploration permits. These commitments require estimates of the cost to perform exploration work required under these permits.

Also, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 3 Income Taxes and Note 1(T) Employee Benefits.

(F) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Interests in joint venture operations

The Consolidated Entity's interest in joint venture operations is accounted for by recognising the Consolidated Entity's share of assets and liabilities from the joint venture, as well as expenses incurred by the Consolidated Entity and the Consolidated Entity's share of net income earned from the joint venture, in the consolidated financial statements.

Changes in accounting policy

The group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements,* became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures* .

Previously transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(G) Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

- Interest income is recognised as it accrues using the effective interest method.

(H) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxed levied by the taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(I) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(J) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

(K) Investments and Other Financial Assets

The consolidated entity determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each reporting date.

Fair value is the measurement basis, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost. Changes in fair value are either taken to the statement of comprehensive income or to an equity reserve.

Fair value is determined based on current bid prices for all quoted investments. If there is not an active market for a financial asset fair value is measured using established valuation techniques.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists the cumulative loss is removed from equity and recognised in the statement of comprehensive income.

(L) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased Assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent Costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Plant and equipment	over 2 to 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Derecognition

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

(M) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2009) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

The initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(N) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure, including the costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (O). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

(O) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

(P) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(Q) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(R) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(S) Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivable and payable are stated with the amount of GST included.

The amount of GST recoverable from the taxation authority is included as part of the receivables in the Statement of financial position. The amount of GST payable to the taxation authority is included as part of the payables in the Statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

(T) Employee Benefits

Share-based payment transactions

The Company provides benefits to employees (including directors) of the Company in the form of share options. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black Scholes valuation model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a straight line basis over the period from grant date to the date on which the relevant employees become fully entitled to the award ("vesting date"). The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(U) Earnings Per Share

Basic Earnings Per Share – is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted Earnings Per Share – adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(V) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(W) Financial Instruments

Financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder. The liability component is a non derivative financial instrument that is initially recognised at fair value. Subsequent to initial recognition the liability component is measured at amortised cost using the effective interest rate method, unless it is designated at fair value through profit and loss.

(X) New standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption for financial reporting periods beginning 1 July 2009 but have not been applied in preparing the financial report.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2009-8 (issued July 2009)	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions	Clarifies the scope and accounting for group cash-settled share-based payment transactions in the individual financial statements of an entity receiving the goods/services when that entity has no obligation to settle the share-based payment transaction. Supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions.	Periods beginning on or after 1 January 2010	There will be no impact as there are no share-based payment transactions where the entity receives goods or services with no corresponding obligation to settle the share-based payment transaction.
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.

AASB Interpretation 19 (issued December 2009)	Extinguishing Financial Liabilities with Equity Instruments	Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss.	Periods beginning on or after 1 July 2010	There will be no impact as the entity has not undertaken any debt for equity swaps.

Standards Likely to Have a Disclosure Impact Only

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 124 (issued December 2009)	Related Party Disclosures	Simplifies disclosure requirements for government-related entities and clarifies the definition of a related party.	Annual reporting periods commencing on or after 1 January 2011.	No impact
AASB 107	Statement of Cash Flows	Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.	Periods commencing on or after 1 January 2010	Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.
AASB 136	Impairment of Assets	Clarifies that CGUs to which goodwill is allocated cannot be larger than an operating segment as defined in AASB 8 *Operating Segments* before aggregation.	Periods commencing on or after 1 January 2010	There will be no impact as these requirements are only required to be applied prospectively to goodwill impairment calculations for periods commencing on or after 1 July 2010.

2. Revenue and Expenses

	2010 $	2009 $
Other income		
Other income	114	-
Rental income	-	265
Interest income – non related entities	14,153	8,033
	14,267	**8,298**
Expenses		
Depreciation		
- Plant and equipment	3,835	6,824
- Leasehold improvements	-	10,135
	3,835	**16,959**
Impairment of exploration assets	312,560	23,182
Employee benefit expense	32,896	32,707
Directors fees	90,000	90,000
Expense of share based payments	108,876	139,991
Total employee benefits expense	**231,772**	**262,698**

3. Income Tax Expense

The income tax expense for the year differs from the prima facie tax as follows:

	2010 $	2009 $
Loss for the year	(892,565)	(703,153)
Prima facie income tax (benefit) @ 30% (2009: 30%)	(267,769)	(210,946)
- Expenditure not allowable for income tax purposes	117,641	43,616
- Temporary differences & tax losses not brought to account as a deferred tax asset	150,128	167,330
Income tax reported in statement of comprehensive income	-	-

3. Income Tax Expense (contd)

	2010 $	2009 $
Deferred income tax at 30 June relates to the following:		
Deferred income tax liabilities		
- Capitalised expenditure deductible for tax purposes	1,838,966	1,896,395
	1,838,966	1,896,395
Deferred income tax assets		
- Tax losses	1,838,966	1,896,395
	1,838,966	1,896,395
Net deferred tax asset/(liability)	-	-

Unrecognised deferred tax assets

	2010 $	2009 $
Deferred tax assets have not been recognised in respect of the following items:		
- Tax losses	763,241	757,841
- Capital raising costs	17,912	7,481
- Other	4,050	14,550
Potential unrecognised tax benefit @ 30%	785,203	779,872

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise benefits.

Tax Consolidation

For the purposes of income taxation, the Company and its 100% controlled Australian entity have not elected to form a tax consolidated group. There will be no consequences to the deferred tax assets, deferred tax liability unutilised tax losses by not joining the consolidated tax regime.

4. Cash and cash equivalents

	2010 $	2009 $
Cash at bank and on hand	150,023	319,595
Deposits at call	18,816	18,443
	168,839	338,038

The weighted average interest rate for the year was 5.58% (2009: 3.6%)

	2010 $	2009 $
5. Trade and other receivables		
Current		
Trade debtors	-	6,762
Other debtors	2,766	-
GST receivable	13,370	10,977
Environmental bond for EL 10004	5,000	5,000
Prepayments	11,599	11,576
	32,735	34,315

6. Controlled entities

The consolidated entity has the following investments in subsidiaries:

	Class	Country of Incorporation	Investment 2010 %	Investment 2009 %
Parent Entity				
Segue Resources Limited	Ord	Australia	-	-
Controlled Entity				
Segue (Pardoo) Limited	Ord	Australia	100%	100%

7. Exploration Expenditure

	2010 $	2009 $
Opening balance at 1 July	6,321,317	6,349,533
Exploration expenditure during the year / (recoupment) during the year	121,130	(5,034)
Exploration asset impairment	(312,560)	(23,182)
Closing balance at 30 June	**6,129,887**	**6,321,317**

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation.

For the 2010 year an amount of $312,560 was impaired due to the relinquishment of the Coronet Hill exploration lease. This impairment represents 100% of the carrying value of capitalised exploration expenditure on this exploration lease. This impairment relates solely to the Northern Territory reportable segment.

In 2009 an amount of $23,182 was impaired which related to the Pamela and Angela project. The Group had withdrawn from this project in 2008 however was required to pay a final acquisition payment adjustment of $23,182 in 2009. This impairment relates solely to the Northern Territory reportable segment.

Further information in relation to segment disclosures can be found at note 20.

8. Property, plant and equipment

	2010 $	2009 $
Office equipment		
- At cost	34,011	27,065
- Accumulated depreciation	(26,599)	(23,580)
Total office equipment	7,412	3,485
Office improvements		
- At cost	20,845	-
- Accumulated depreciation	(289)	-
Total office improvements	20,556	-
Total property, plant and equipment	27,968	3,485

Movement in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Office Equipment	Office Improvement	Total
Consolidated:			
Balance at the beginning of the year	3,485	-	3,485
Acquisitions	7,471	20,845	28,316
Disposal	-	-	-
Depreciation expense	(3,544)	(289)	(3,833)
Carrying amount at the end of the year	7,412	20,556	27,968

9. Trade and other payables

	2010 $	2009 $
Trade creditors and accruals	89,009	203,400
	89,009	203,400

10. Financial liabilities

	2010 $	2009 $
Loan from related parties (Note 22(d))	-	545,000
	-	545,000

	2010 $	2009 $
11. Issued Capital		
(a) Share capital		
176,614,476 (2009: 81,106,106) Ordinary shares fully paid	10,540,589	9,435,235

	Company	
(b) Movements in ordinary shares on issue	**Number**	**$**
At 1 July 2009	81,106,106	9,435,235
Issued on 25/08/2009 – Rights issue	15,332,796	153,328
Issued on 27/08/2009 – Rights issue shortfall	11,702,573	117,026
Issued on 01/09/2009 – Working capital loan and interest	20,416,667	245,000
Issued on 01/09/2009 – Iron ore rights acquisition	1,000,000	25,000
Issued on 24/09/2009 – Placement	23,416,667	281,000
Issued on 20/11/2009 – Placement	22,083,333	265,000
Issued on 01/12/2009 – Placement	1,583,334	19,000
At reporting date 30/06/2010	176,641,476	10,540,589

	Number	$
At 1 July 2008	70,307,050	9,297,285
Issued on 07/08/2008 – Debt payment via shares	220,000	11,000
Issued on 30/06/2009 - Placement	10,579,056	126,950
At reporting date 30/06/2009	81,106,106	9,435,235

Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(c) Options
On issue as at 30 June 2010

Number	Exercise price $	Exercise date
10,400,000	0.08	30/11/2011

12. Reserves

	2010 $	2009 $
Option reserve – balance 1 July	409,671	269,680
Options issued to directors/management	108,876	139,991
Option reserve – balance 30 June	518,547	409,671

The purpose of the reserve is to record share based payment transactions.

13. Accumulated Losses

	2010 $	2009 $
Balance at the beginning of the financial year	3,896,151	3,192,998
Net loss attributable to members	892,565	703,153
Balance at the end of the financial year	4,788,716	3,896,151

14. Earnings Per Share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2010 $	2009 $
Losses used in calculating basic and diluted earnings per share	892,565	703,153

	2010 Number	2009 number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per shares	154,087,679	70,562,716

The entity's options over ordinary shares could potentially dilute basic earnings per share in the future, however they have been excluded from the calculation of diluted earnings per share because they are anti dilutive for either of the years presented.

15. Auditor's Remuneration

Amounts received or due and received by PKF and Deloitte Touche Tohmatsu:

	2010 $	2009 $
An audit or review of the financial report of the Consolidated Entity		
- PKF	10,337	55,039
- Deloitte	13,500	-
Taxation advice		
- PKF	9,000	28,615
Total remuneration	32,837	83,654

16. Contingent Assets and Liabilities

The Group has a contingent liability of $15,000 (2009: $15,000) to The Minister of State Development of Western Australia. This liability represents a contingent liability for future rehabilitation of exploration leases.

There are no other material contingent assets or liabilities as at 30 June 2010.

17. Subsequent Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years other than the following:

On 18 August 2010 Segue Resources Limited ("Segue" or "the Company") announced that it had agreed to place 26,496,221 new shares to sophisticated investors, through a private placement to raise the sum of $476,932. The shares were issued at a price of 1.8 cents each to clients of Patersons Securities Limited. The shares were issued under the Company's 15% capacity in accordance with listing rule 7.1. This placement was part of a total equity raising package of $1.39M (before costs) which also included a fully underwritten non-renounceable Rights Issue.

The Company advised on 18 August 2010 that it was proceeding with a fully underwritten non-renounceable Rights Issue to raise approximately $914,120 before costs ("Rights Issue"). The Rights Issue offered, to eligible shareholders, one (1) new fully paid ordinary share in the Company for every four (4) shares held on the Record Date (31/08/2010), at an issue price of 1.8 cents per share. The Rights Issue and shortfall shares were issued on 28 September 2010 at a price of 1.8 cents each. The Rights Issue was fully underwritten by Patersons Securities Limited.

18. Commitments

The consolidated entity has certain minimum obligations in pursuance of the terms and conditions of tenement licences in the forthcoming year. Whilst these obligations are capable of being varied from time to time, in order to maintain current rights of tenure to mining tenements, the Group will be required to outlay $171,251 in 2010/11. ($68,000 in 2009/10) These obligations will be met in full by the Joint Venture partners for each area of interest.

	2010	**2009**
Payable:	**$**	**$**
Not later than one year	171,251	68,000
Later than one year but not later than 2 years	137,001	-
Later than 2 years but not later than 5 years	338,485	-
TOTAL	646,737	68,000

During the 2010 financial year the Group entered into a service agreement to pay general office expenses, company secretarial support, general administration services and rental of office space for approximately $20,660 per quarter.

19. Related Party Transactions

(a) Parent entities

The parent entity within the Group is Segue Resources Limited. The ultimate Australian parent entity is Segue Resources Limited which at 30 June 2010 owns 100% of the issued ordinary shares of Segue (Pardoo) Limited. The ultimate parent entity and ultimate controlling party is Segue Resources Limited (incorporated in Australia) which at 30 June 2010 owns 100% of the issued ordinary shares of Segue (Pardoo) Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 6.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 22.

(d) Loans to/from related parties

All loans to/from related parties have been eliminated upon consolidation and as such are not disclosed.

20. Segment Reporting

Management has determined that the Group has two reportable segments, the first being mineral exploration in the Northern Territory and the second being mineral exploration in Western Australia. As the Group is focused on mineral exploration, the Board monitors the Group based on actual versus budgeted exploration expenditure incurred by area of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

Consolidated	**Western Australia $**	**Northern Territory $**	**Total $**
30 June 2010			
Segment revenue	-	-	-
Unallocated items:			
Interest revenue			14,153
Other income			114
Total revenue and other income			14,267
Segment result	-	(312,560)	(312,560)
Unallocated items:			
Unallocated revenue and other income			14,267
Corporate and other costs			(594,272)
Loss after tax as per the statement of comprehensive income			(892,565)

20. Segment Reporting (contd)

Consolidated	**Western Australia $**	**Northern Territory $**	**Total $**
30 June 2009			
Segment revenue	-	-	-
Unallocated items:			
Interest revenue			8,033
Other income			265
Total revenue and other income			8,298
Segment result	-	(23,182)	(23,182)
Unallocated items:			
Unallocated revenue and other income			8,298
Corporate and other costs			(688,269)
Loss after tax as per the statement of comprehensive income			(703,153)
Segment assets 30 June 2010	6,110,245	19,642	6,129,887
Unallocated items:			
Cash and cash equivalents			168,839
Other corporate assets			60,703
Total assets			6,359,429
Segment assets 30 June 2009	6,302,970	18,347	6,321,317
Unallocated items:			
Cash and cash equivalents			338,038
Other corporate assets			37,800
Total assets			6,697,155
Segment liabilities 30 June 2010	-	-	-
Unallocated items:			
Trade creditors and accruals			89,009
Total liabilities			89,009
Segment liabilities 30 June 2009	-	-	-
Unallocated items:			
Trade creditors and accruals			203,400
Financial liabilities			545,000
Other corporate liabilities			-
Total liabilities			748,400

21. Financial Risk Management

Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from receivables from customers and cash and cash equivalents.

All cash balances are held with recognised institutions limiting the exposure to credit risk. There are no formal credit approval processes in place.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2010	**2009**
	$	**$**
Trade receivables	32,735	34,315
Cash and cash equivalents	168,839	338,038
	201,574	372,353

Guarantees

Group policy is to provide financial guarantees only to wholly-owned subsidiaries.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about default rates.

Financial assets that are neither past due and not impaired are as follows:-

Trade receivables - counterparties without external credit rating		
Existing customers with defaults in past.	-	-
New customers (less than 6 months)	-	-
	-	-
Cash and cash equivalents		
AA S&P rating	168,839	338,038

21. Financial Risk Management (contd)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows.

The Group is in the process of raising capital to meet forecasted operational activities. Refer to Note 17 Subsequent Events.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial assets the Group had at reporting date were trade and other receivables incurred in the normal course of the business.

The financial liabilities the Group had at the 2010 reporting date were trade payables incurred in the normal course of the business. In 2009, in addition to trade payables, there was a fixed interest loan from a related party of $500,000 the amount disclosed in the below table includes with a nominal interest $45,000. Refer to Note 22(d) for further details of the related party loan.

Maturities of financial assets

The table below analyses the Group's financial assets into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	arrying amount assets
	$	$	$	$	$	$	$
As at 30 June 2010							
Non-interest bearing	13,370	14,365	-	5,000	-	32,735	32,735
	13,370	14,365	-	5,000	-	32,735	32,735
As at 30 June 2009							
Non-interest bearing	10,977	18,338	-	5,000	-	34,315	34,315
	10,977	18,338	-	5,000	-	34,315	34,315

21. Financial Risk Management (contd)

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
	$	$	$	$	$	$	$
As at 30 June 2010							
Non-interest bearing	89,009	-	-	-	-	89,009	89,009
	89,009	-	-	-	-	89,009	89,009
As at 30 June 2009							
Non-interest bearing	203,400	-	-	-	-	203,400	203,400
Fixed interest rate instrument	245,000	300,000	-	-	-	545,000	545,000
	448,400	300,000	-	-	-	748,400	748,400

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The group is not exposed to any foreign exchange risk. Details of interest rate risk are detailed below. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Cashflow interest rate risk

The Group's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the group to cash flow interest rate risk.

21. Financial Risk Management (contd)

The following sets out the Group's exposure to interest rate risk, including the effective weighted average interest rate by maturity periods:

30 June 2010 Consolidated	Note	Weighted average interest rate	1 year or less $	2-5 years $	Total $
Financial assets					
Cash and cash equivalents	4	5.58%	168,839	-	168,839

30 June 2009 Consolidated	Note	Weighted average interest rate	1 year or less $	2-5 years $	Total $
Financial assets					
Cash and cash equivalents	4	3.6%	338,038	-	338,038

Consolidated - 30 June 2010	Carrying Value at year end	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
Cash and cash equivalents	168,839	1,688	-1,688	1,688	-1,688
Trade and other receivables	32,735	-	-	-	-
Cash flow sensitivity (net)		1,688	-1,688	1,688	-,1688

Consolidated - 30 June 2009	Carrying Value at year end	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
Cash and cash equivalents	338,038	3,380	-3,380	3,380	-3,380
Trade and other receivables	34,315	-	-	-	-
Cash flow sensitivity (net)		3,380	-3,380	3,380	-3,380

21. Financial Risk Management (contd)

(d) Fair values

Fair values versus carrying amounts
The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Consolidated	2010 $		2009 $	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	32,735	32,735	34,315	34,315
Cash and cash equivalents	168,839	168,839	338,038	338,038
Trade and other payables	(89,009)	(89,009)	(203,400)	(203,400)
Financial liabilities	-	-	(545,000)	(545,000)
	112,565	112,565	(376,047)	(376,047)

(e) Other Price Risk

The Group has no significant concentrations of price risk.

(f) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The Group defines capital as cash and cash equivalents plus equity. The Board of Directors monitors capital on an ad-hoc basis. No formal targets are in place for return on capital, or gearing ratios as the Group has not derived any income from their mineral exploration and currently has no debt facilities in place.

22. Key Management Personnel Disclosures

(a) Details of Directors and Key Management Personnel

The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Directors
Glenn Whiddon
Paul Fry
Jurgen Hendrich (resigned 13 July 2010)
Simon Fleming (appointed 13 July 2010)
Eric Lilford (appointed 24 August 2010)

22. Key Management Personnel Disclosures (contd)

(b) Key management personnel compensation

The key management personnel compensation included in employee benefit and director compensation expenses are as follows:

	2010 $	2009 $
Short-term employee benefits	87,523	92,400
Post employment benefits	2,477	-
Equity compensation benefits	108,879	106,773
	198,879	199,173

(c) Equity Instrument Disclosures Relating to Key Management Personnel

(i) *Options provided as remuneration and shares issued on any exercise of such options*

Details of options provided as remuneration and shares issued on any exercise of such options, together with terms and conditions can be found within the Directors' Report.

(ii) *Option holdings*

The number of options over ordinary shares in the Company held during the financial period by each Director of Segue Resources Limited and any other key management personnel of the Company, including their personally related parties, are set out below:

2010	Balance 1 July 2009	Granted as Remuner-ation	Options Exercised	Net Change Other	Balance 30 June 2010	Options Vested but not Exercisable	Options Vested and Exercisable
Directors							
G Whiddon	4,187,250	-	-	(1,187,250)	3,000,000	-	3,000,000
P Fry	3,000,000	-	-	-	3,000,000	-	3,000,000
J Hendrich	3,000,000	-	-	-	3,000,000	-	3,000,000
	10,187,250	-	-	(1,187,250)	9,000,000	-	9,000,000

2009	Balance 1 July 2008	Granted as Remuner-ation	Options Exercised	Net Change Other	Balance 30 June 2009	Options Vested but not Exercisable	Options Vested and Exercisable
Directors							
G Whiddon	1,181,250	3,000,000	-	6,000	4,187,250	-	2,687,250
P Fry	-	3,000,000	-	-	3,000,000	-	1,500,000
J Hendrich	-	3,000,000	-	-	3,000,000	-	1,500,000
	1,181,250	9,000,000	-	6,000	10,187,250	-	5,687,250

22. Key Management Personnel Disclosures (contd)

(iii) *Share holdings*
The number of ordinary shares in the Company held during the financial year by each Director of Segue Resources Limited and any other key management personnel of the Company, including their personally related parties, are set out below:

2010	Balance 1 July 2009	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2010
Directors					
G Whiddon	2,811,990	-	-	22,265,914	25,077,904
P Fry	1,142,500	-	-	1,422,501	2,565,001
J Hendrich	-	-	-	541,667	541,667
S Fleming	-	-	-	-	-
E Lilford	-	-	-	-	-
	3,954,490	-	-	24,230,082	28,184,572

2009	Balance 1 July 2008	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2009
Directors					
G Whiddon	2,299,990	-	-	512,000	2,811,990
P Fry	1,000,000	-	-	142,500	1,142,500
J Hendrich	-	-	-	-	-
	3,299,990	-	-	654,500	3,954,490

(d) Related Party Loan

Between 30 October 2008 and 9 June 2009, an entity controlled by Mr Glenn Whiddon, the Executive Chairman, provided the Company with a $500,000 working capital loan facility. The loan was provided with no fixed repayment term, however subsequent to year end agreement was reached and approved by shareholders on 20 August 2009 that:

(i) An amount of $200,000 be repaid in kind by way of the issue of 16,666,667 ordinary fully paid shares in the capital of the Company

(ii) The balance of $300,000 be repaid in cash, such repayment to be made from the proceeds of a capital raising to be undertaken by the Company; and

(iii) 3,750,000 shares be issued as consideration for the provision of the working capital loan, equivalent to a nominal interest amount of $45,000 through to 31 August 2009. The nominal interest charge equates to the interest that would have been required to have been paid by the Company had the loan been provided by an arm's length party.

22. Key Management Personnel Disclosures (contd)

(e) Other Transactions with Key Management Personnel

During the period the Company entered into a service agreement with Hemisphere Corporate Services Pty Ltd to pay general office expenses, company secretarial, general administration services and rental of office space for approximately $20,660 per quarter. Glenn Whiddon is a director of Hemisphere Corporate Services Pty Ltd and Segue Resources Ltd.

Aggregate amounts of each of the above types of other transactions with key management personnel of Segue Resources Limited are as follows:

	2010 $	2009 $
Amounts recognised as expense		
Office, company secretarial support, administration and rent	87,734	-
	87,734	-
Balance outstanding at year end		
Trade payables	19,479	-

23. Share Based Payments

Share based payments are provided to directors, consultants and other advisors.

The issue to each individual director, consultant or advisor is controlled by the Board and the ASX Listing Rules. Terms and conditions of the payments, including the grant date, vesting date, exercise price and expiry date are determined by the Board, subject to shareholder approval where required.

The following share-based payments were made during the prior year:

Granted to Directors and approved by shareholders on 28 November 2008:
- 4,500,000 options expiring 30 November 2011, exercisable at $0.08 each, vesting on 30 November 2008; and
- 4,500,000 options expiring 30 November 2011, exercisable at $0.08 each, vesting on 30 November 2009.

Granted to Consultants and approved by shareholders on 28 November 2008:
- 700,000 options expiring 30 November 2011, exercisable at $0.08 each, vesting on 30 November 2008; and
- 700,000 options expiring 30 November 2011, exercisable at $0.08 each, vesting on 30 November 2009.

These options are not listed and may not be traded.

23. Share Based Payments (contd)

The fair value of the options are estimated at the date of grant using the binomial model. The following table gives the assumptions made in determining the fair value of the options granted:

	Tranche B	Tranche A
Grant date	28/11/2008	28/11/2008
Dividend yield (%)	-	-
Expected volatility (%)	95.35	99.06
Risk-free interest rate (%)	4.78	4.70
Vesting date	30/11/2009	30/11/2008
Expected life of option (years)	3	3
Option exercise price ($)	0.08	0.08
Share price at grant date ($)	0.05	0.05
Valuation of Option ($)	0.242	0.237

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.

During the year ended 30 June 2010 nil options were exercised over ordinary shares. Balance from 2009 is nil.

Movement in number of share options held by past and present directors, employees, consultants and advisors:

Expiry Date	2010 No.	2009 No.
Outstanding at the beginning of the year	11,581,250	1,181,250
Granted during the year	-	10,400,000
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	(1,181,250)	-
Outstanding at the end of the year	10,400,000	11,581,250
Exercisable at the end of the year	10,400,000	7,081,250

The weighted average contractual life for the share options outstanding as at 30 June 2010 is 1.42 years (2009: 2.25 years).

24. Reconciliation of Cash Flows from Operating Activities

	2010 $	2009 $
Cash flows from operating activities		
Loss for the year	(892,565)	(703,153)
Non-cash flows in loss:		
- Depreciation	3,835	16,959
- Share based remuneration	108,876	139,991
- Impairment	312,560	-
- Other non cash flows	(161)	-
Changes in assets and liabilities		
- Increase/(decrease) in trade creditors and accrual	(114,391)	94,869
- Decrease/(increase) in trade receivables	3,996	(1,349)
Net cash from operating activities	(577,850)	(452,683)

Non-cash investing and financing activities

Acquisition of exploration assets via share issue	25,000	-

On 14 August 2009 the Group announced that an agreement for the purchase of the remaining 50% of the Iron Ore Rights over Exploration License 45/2146 has been executed with Richmond Resources Pty Ltd. The agreement gives Segue the exclusive right to acquire the remaining 50% of the Rights within the Exploration License 45/2146 thereby providing Segue with a 100% interest in the Iron Ore Rights within the Pardoo Project, comprising of Supply Well and Highway. A share issue of 1,000,000 shares was made to Richmond Resources Pty Ltd in relation to this transaction.

Cash balances not available for use

Credit cards	(50)	-

25. Parent Information

	Note	2010 $	2009 $
ASSETS			
Current Assets		176,119	287,364
Non-Current Assets		4,234,854	4,549,886
TOTAL ASSETS		**4,410,973**	**4,837,250**
LIABILITIES			
Current liabilities		89,009	748,400
Total Non-current Liabilities		-	92,036
TOTAL LIABILITIES		**89,009**	**840,436**
EQUITY			
Issued Capital		10,540,589	9,435,235
Reserves		518,547	409,671
Accumulated losses		(6,737,172)	(5,848,092)
TOTAL EQUITY		**4,321,964**	**3,996,814**
Profit/loss for the year		(888,804)	(692,276)
Other comprehensive income/(loss) for the year		-	-
Total comprehensive income/loss for the year		**(888,804)**	**(692,276)**

Parent entity capital commitments

During the 2010 financial year the parent entity entered into a service agreement to pay general office expenses, company secretarial, general administration services and rental of office space for approximately $20,660 per quarter.

Contingencies

The parent entity has no contingent liabilities or assets at the date of this report.

DIRECTORS' DECLARATION

In accordance with a resolution of the Board of Directors, I state that:

In the opinion of the Directors:

(1) (a) the consolidated financial statements and accompanying notes are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Consolidated Entity's financial position at 30 June 2010 and of their performance for the year ended on that date: and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.

(3) The group consolidated financial statements and notes are also in compliance with International Financial Reporting Standards as disclosed in Note 1 (a).

On behalf of the Board

Glenn Whiddon
Executive Chairman

Perth, 30 September 2010

Deloitte.

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Independent Auditor's Report to the Directors of Segue Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Segue Resources Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 31 to 67.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian Accounting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Segue Resources Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 16 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Segue Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

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Conley Manifis
Partner
Chartered Accountants
Perth, 30 September 2010

SHAREHOLDER INFORMATION

As At 29 September 2010

1. Total number of issued fully paid ordinary shares was 253,922,120.

2. Distribution of Holders

	Number of Holders Shares
1-1,000	30
1,001-5,000	31
5,001 – 10,000	16
10,000 – 100,00	268
100,001 – and over	190
Total	535

3. The number of holders of less than a marketable parcel of fully paid shares is 61.

4. Substantial Shareholders (i.e. shareholders who hold 5% or more of the issued capital);

	Number of Shares Held	Percentage Held
Mimo Strategies Pty Ltd <Mimo A/C>	31,346,880	12.34
NEFCO Nominees Pty Ltd	21,952,364	8.65
Mr Nigel Thomas Tarratt <Nigel Tarratt Super Fund A/C>	16,811,043	6.62

5. Top 20 Shareholders

	Number of Shares Held	Percentage Held
Mimo Strategies Pty Ltd <Mimo A/C>	31,346,880	12.34
NEFCO Nominees Pty Ltd	21,952,364	8.65
Mr Nigel Thomas Tarratt <Nigel Tarratt Super Fund A/C>	16,811,043	6.62
Sunbeam Securities Pty Ltd	11,545,160	4.55
Kobia Holdings Pty Ltd <Kobia A/C>	6,805,555	2.68
HSBC Custody Nominees (Australia) Ltd	6,399,954	2.52
Blu Bone Pty Ltd <The Share Trading A/C>	5,496,222	2.16
Fiske Nominees Ltd <Param0001 A/C>	5,053,966	1.99
Mr Graham John Woolford	5,000,000	1.97
Vogue Overseas SA	4,406,250	1.74
BT Portfolio Services Pty Ltd <Warrell Holdings S/F A/C>	4,245,549	1.67
Mr Daniel Paul Wise <Ark Investments A/C>	3,590,546	1.41
Kingslane Pty Ltd <Cranstone Superannuation A/C>	3,472,223	1.37
Bank SAL Oppenheim JR & CIE (SWITZ) AG	3,468,750	1.37
Professional Trading Services SA	3,262,500	1.28
Mr Jeremy Bond	3,119,014	1.23
Theseus Investments Pty Ltd	3,046,004	1.20
Aran Asset Management SA	2,935,542	1.16
Benjamin Vittorio Tana	2,935,540	1.16
Ashabia Pty Ltd <Superannuation Fund A/C>	2,800,369	1.10
Total	147,693,431	58.165
Shares on issue	253,922,120	

Shareholders Information
As at 29 September 2010

6. Listed options – at the date of this report there are no listed options for the Group.

7. Restricted Securities

There are no restricted securities or securities subject to voluntary escrow.

8. Voting Rights

Shares

On a show of hands every member present in person or by proxy or attorney or being a corporation by its authorized representative who is present in person or by proxy, shall have one vote for every fully paid share of which he is holder.

Options

Options have no voting rights until such options are exercise as fully paid ordinary shares.

9. On-market Buy-Back

Currently there is no on-market buy-back of the Company's securities.

10. Unlisted Options

	Class of Unlisted options	No. of Options	No. Holders
a)	Options exercisable at 8 cents on or before 30 November 2011	10,400,000	7
	Holdings of more than 20% of this class		
	- Glenn Ross Whiddon	3,000,000	
	- Mount Royal Pty Ltd	3,000,000	
	- Blue Mount Estate Pty Ltd	3,000,000	

11. Tenement Schedule

Project	Manager	Tenement No.	Interest
Pardoo	Mithril Resources	EL 45/1866-I	100%, (i)
Pardoo	Mithril Resources	EL 45 /3383	100%, (i)
Pardoo	Mithril Resources	EL 45/2146-I	100%, (i)
Pardoo	Mithril Resources	EL 45/3464	100%, (i)
Pardoo	Mithril Resources	PL 45/3465	100%, (i)

(i) The farminee Mithril Resources has the right to earn a 51% interest in the permit by expending $5,500,000 over a 4 year period and to earn a 65% interest by spending a further $10 million or completing a bankable feasibility study