SEGUE RESOURCES LTD

ABN 49 112 609 846

Annual Financial Report
30 June 2012

CORPORATE DIRECTORY

Directors

Ian Benning	Non-Executive Chairman
Steven Michael	Managing Director
Robert van Zyl	Commercial Director
Nicholas Ong	Non-Executive Director

Company Secretary

Matthew Foy

Registered Office

Level 8, 225 St Georges Terrace

Perth WA 6000

Telephone:	(08) 9486 4699
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Email:	info@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

150 Stirling Highway

Nedlands WA 6009

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Ltd (**ASX**)

ASX Code: SEG

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CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of your Directors, I am pleased to present you with the Company's 2012 Annual Report and Financial Statements.

During the past 12 months, Segue commenced exploration at the Emang Manganese Project in South Africa, which included a very successful initial drilling programme of 71 holes for 2,750 metres. The Company recently reported an inferred resource at the Project of 16.5 million tonnes at 25% manganese and 21% iron. Segue now has a 30% interest in the Emang Project and will continue to meets its obligations under the joint venture agreement to increase its interest to 51% of the Project.

A resource of this size and grade after only one programme of exploration drilling is an excellent result for Segue and confirms the potential to develop a long life mining operation producing around 500,000 tonnes per annum of saleable manganese ore. The grade and composition of the resource at Emang is consistent with other operations in the Postmasburg region, where the majority of ore is sold to Asian steelmills, especially China.

The Company's focus over the coming year will be to increase the size of the overall resource at Emang and to report the first measured and/or indicated resource. Segue is finalising plans for a pre-feasibility study on the Project, which will determine capital and operating cost estimates, as well as saleable product specifications. The Company is also assessing options to generate cashflow from the Project through the potential sale of stockpile material.

Limited work was carried out on the Pardoo Project in Western Australia during the year, as the Company's joint venture partner Red October Resources Ltd suffered significant financial problems. Segue has renegotiated the terms of the joint venture, whereby Red October will commence exploration on the Pardoo Nickel Project by the end of 2012. The Board of Segue assessed the carrying value of its Pardoo Project, both iron ore and base metals, and has decided to write down the carrying value of the asset by $3.2 million to reflect the current marketplace for early stage exploration assets.

During the year I became Chairman of Segue following the departure of Dr Eric Lilford, who was on the Board of Segue for two years. I would like to thank Eric for his contribution to Segue and for his work in securing the Emang Manganese Project for the Company.

The past 12 months have been a trying time in equity markets, especially for junior exploration companies – Segue being no exception. I thank the shareholders of Segue for their support over the past year and believe that the Company is on the cusp of transforming from a grass roots explorer to a company with a clear focus on transitioning from exploration through to development and into production.

Ian Benning
Chairman
Segue Resources Ltd

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2012.

DIRECTORS AND MANAGEMENT

The names of Segue Resources Limited's (**Segue** or the **Company**) directors that held office during the year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Ian Benning	Non-Executive Chairman
Steven Michael	Managing Director (appointed 6 July 2011)
Robert Van Zyl	Commercial Director (appointed 22 February 2012)
Nicholas Ong	Non-Executive Director
Dr Eric Lilford	Non-Executive Chairman (resigned 22 February 2012)

Ian Benning – Non-Executive Chairman

Mr Benning is a registered mining engineer with experience in specialised mining finance, mining operations and production. He spent 13 years with Anglo American Corporation in mining operations and production roles and worked for 16 years in investment banking and private equity, specialising in mining finance with FirstRand Group at Rand Merchant Bank, Absa Capital and African Global Capital.

Mr Benning holds a B.Sc. Eng (Mining), NHD (Metalliferous Mining), MBA.

Other current directorships

Mr Benning is currently the Chief Executive Officer of ZYL Limited (ASX listed).

Former directorships in last 3 years

Non-Executive Director of Noventa Limited (AIM and TSX listed) from April 2011 to January 2012.

Steven Michael – Managing Director (appointed 6 July 2011)

Mr Michael has extensive experience in the global resources sector specialising in corporate finance and equity capital markets. He has over 15 years' experience in natural resources with RBC Capital Markets, Macquarie Bank and NM Rothschild & Sons.

Mr Michael holds a B.Com and is a Member of the Institute of Chartered Accountants in Australia.

Other current directorships

Nil.

Former directorships in last 3 years

Nil.

DIRECTORS' REPORT

Robert van Zyl – Commercial Director (appointed 22 February 2012)

Mr van Zyl has over 10 years' experience in the financial services industry, the last 5 of which has been focused on the resource sector. He has led numerous transactions in Sub-Saharan Africa including acquisitions and disposals of significant mining projects, raising of exploration and mine development funding for green and brown field mining projects, resource specific regulatory and compliance advisory for South African and cross border transactions and negotiations of off-take and other partnership agreements.

Mr van Zyl has a B.Com (Hon) and a double MBA from Pontificia Universidad Catolica de Chile and McCombs School of Business, University of Texas.

Other current directorships

Mr van Zyl is currently an Executive Director of Minerals Corporation Ltd (ASX listed), Opes Capital (Pty) Ltd (private) and Invescape Financial Services (Pty) Ltd (private).

Former directorships in last 3 years

Nil.

Nicholas Ong – Non-Executive Director

Mr Ong was a Principal Adviser at the ASX in Perth and brings seven years' experience in listing rules compliance and corporate governance to the board. Mr Ong was an active member of the ASX JORC Group and has overseen the admission of in excess of 100 companies to the official list of the ASX.

Mr Ong is a member of Chartered Secretaries Australia and has a MBA from the University of Western Australia.

Other current directorships

Mr Ong is currently Non-Executive Director of Excelsior Gold Limited (ASX listed) and AAQ Holdings Limited (ASX listed).

Former directorships in last 3 years

Nil.

Eric Lilford – Non Executive Director (resigned 22 February 2012)

Dr Lilford 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. Dr Lilford was previously Partner and National Head of Mining at Deloitte Touche Tohmatsu.

Dr Lilford holds a PhD in Mineral Economics.

DIRECTORS' REPORT

Matthew Foy – Company Secretary (appointed 13 July 2011)

Mr Foy was a Senior Adviser at the ASX and has five years' experience in facilitating the compliance of listed companies. Mr Foy is a qualified Chartered Secretary and has reviewed and approved the listing of over 40 companies during his tenure at the ASX. Mr Foy is also Company Secretary of ASX-listed Stonehenge Metals Limited, SWW Energy Limited and Terranova Minerals NL.

Mr Foy is a member of Chartered Secretaries Australia, has a Graduate Diploma (Applied Finance) from FINSIA and a B.Com from the University of Western Australia.

Nikolas Rhodes – Project Manager (appointed 22 February 2012)

Mr Rhodes has 25 years' experience in the global mining sector, having worked on mining projects in South Africa, Fiji, Zambia, DRC and India. Prior to joining Segue, Mr Rhodes was Operations Manager for Vedanta/Hindustan Zinc Ltd overseeing production at the Zawar Mines complex.

Mr Rhodes has a B.Sc (Mining Engineering) from the University of Witwatersrand.

Auditor

Mr Neil Smith is the signing partner for Segue Resources Limited. Mr Smith is a partner of Deloitte Touche Tohmatsu who continue 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.

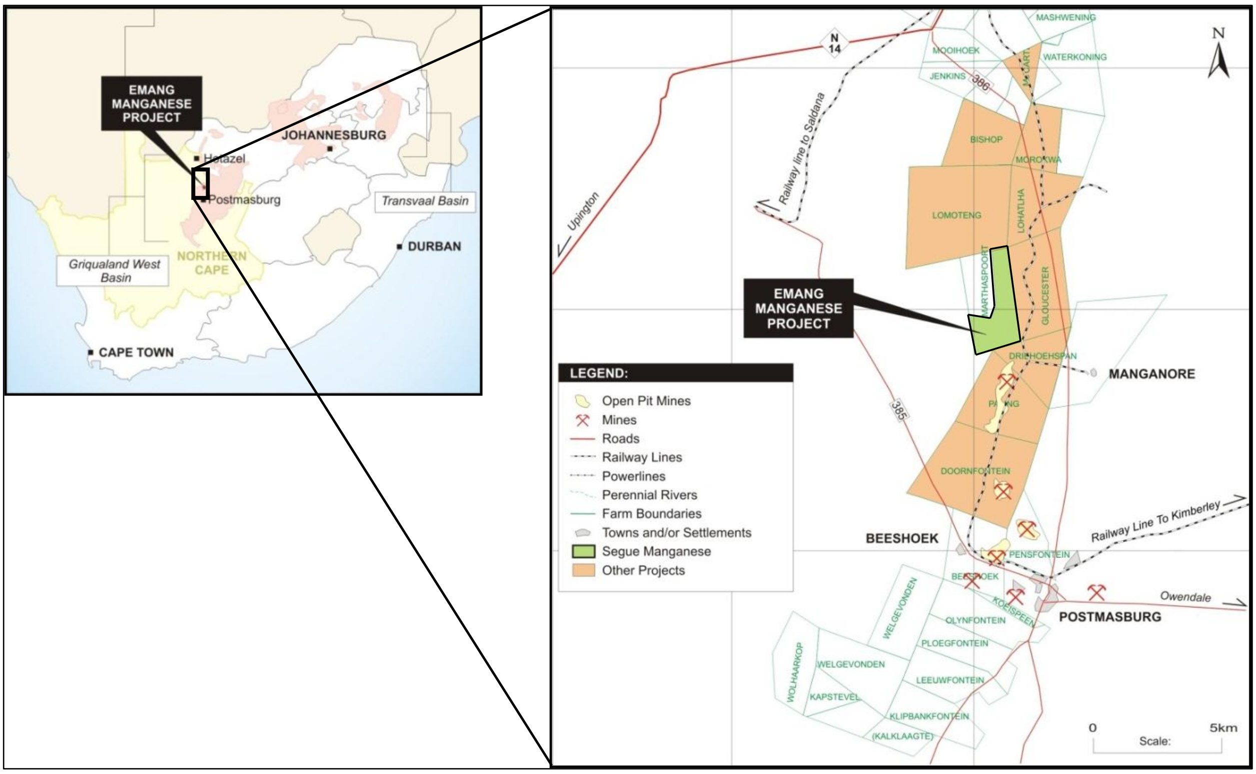
There were no significant changes in the nature of the Company's principal activities during the year.

DIRECTORS' REPORT

EMANG MANGANESE PROJECT, SOUTH AFRICA

In July 2011, Segue entered into a farm-in agreement to acquire up to a 51% interest in the Emang Manganese Project (**Emang Project**) in South Africa. The Emang Project covers 1,668 hectares within the western limb of the Postmasburg Manganese Field between Sishen and Postmasburg in the Northern Cape Province of South Africa. The Northern Cape Province contains the bulk of South Africa's economic manganese resources and is one of the largest manganese producing regions in the world.

Figure 1 – Emang Manganese Project Location Map



Emang Project Acquisition

Segue earned a 30% interest in the Emang Project during the year by spending ZAR14 million ($1.9 million[1]) on an Initial Drilling Programme and paying a total of ZAR14 million ($1.9 million[1]) in two tranches to the vendors. Segue can increase its interest in the joint venture company, Emang One Resources (Pty) Ltd (**Emang One**) to 51% by contributing the first ZAR21 million ($2.5 million[2]) towards completing a Bankable Feasibility Study on the Emang Project.

A payment of ZAR7 million (A$0.8 million[2]) will be made to the vendors if a JORC-compliant measured and indicated resource of at least 10 million tonnes at a grade of 34% manganese is defined at the Emang Project.

A Bonus Payment of $0.75 per tonne of ore will be payable to the vendors upon commencement of commercial production, and is limited to the first 25 million tonnes of JORC resources in the indicated and/or measured categories. The Bonus Payment will be paid in three equal instalments 12, 24 and 36 months after the commencement of commercial production.

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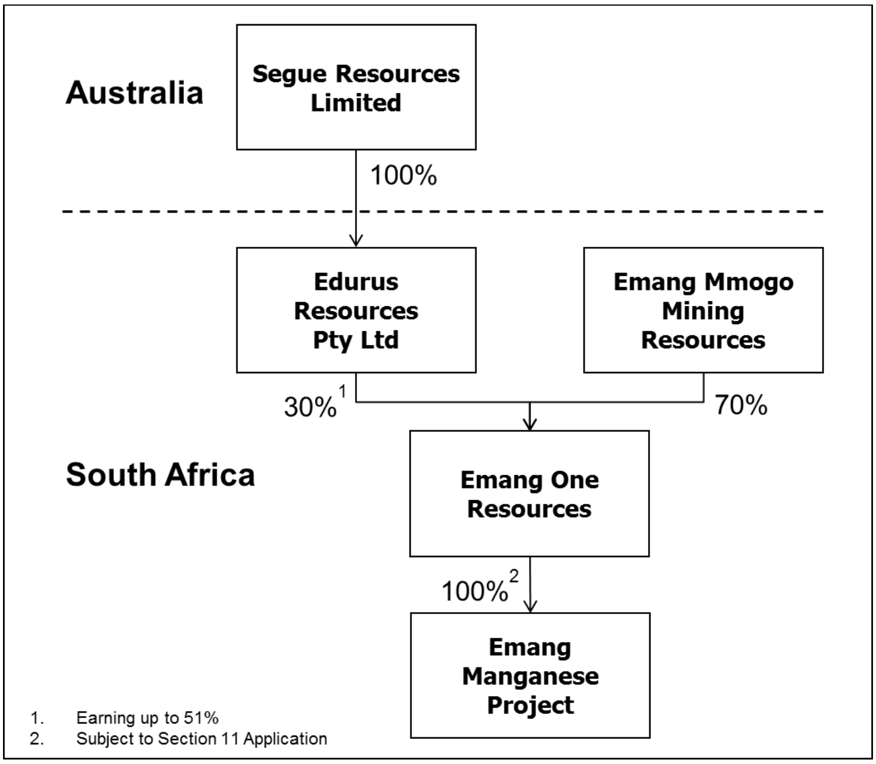
1 Based on actual exchange rates at the time of payment.

2 Based on an exchange rate of A$1=ZAR8.53, as at 27 September 2012.

Figure 2 – Joint Venture Structure for the Emang Project



Initial Drilling Programme

Segue commenced drilling at the Emang Project in October 2011 and completed a total of 62 reverse circulation (**RC**) and 9 diamond drill holes for a total of 2,750 metres. The drilling focussed on areas of outcropping manganese mineralisation covering around 20% of the total Prospecting Right area.

The drilling results exceeded the Company's expectations, with around 80% of all drill holes intersecting manganese and most intersections starting less than 15 metres from surface. In addition, a large number of drill holes intersected multiple zones of manganese, with a maximum thickness of 27 metres.

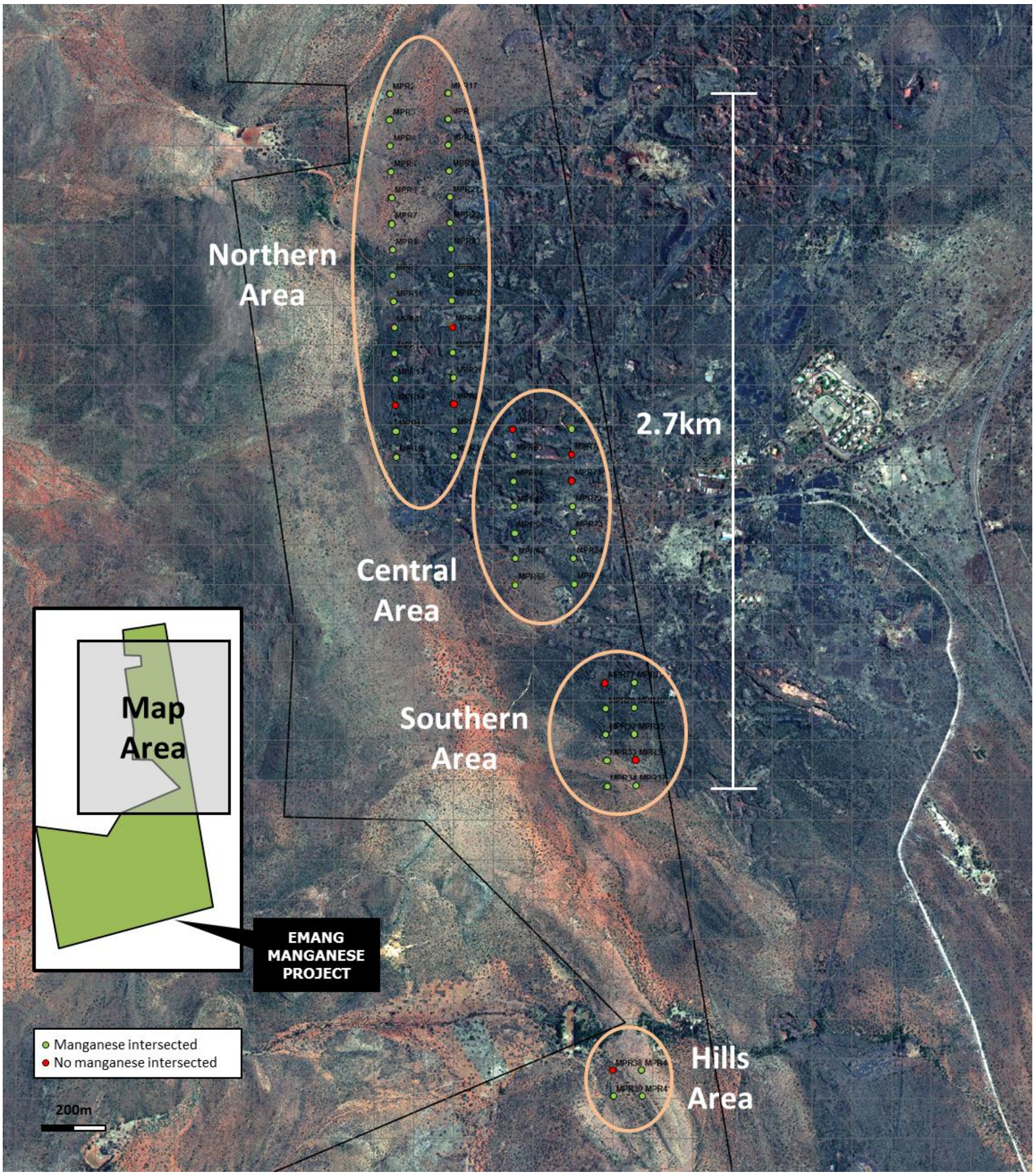
Table 1 – Report on Drilling at Emang Manganese Project

	RC Holes	Diamond Holes	All Holes
Holes completed	62	9	71
Holes intersecting manganese ore	48	8	56
% holes intersecting manganese ore	77%	89%	79%
Total metres drilled	2,244m	506m	2,750m
Ave. manganese intersection per hole	5.9m	5.7m	5.9m
Maximum manganese intersection	16.5m	26.7m	26.7m

A full list of drill results is in Appendix A.

The Initial Drilling Programme identified four areas of manganese mineralisation, three in the northern portion of the Prospecting Right comprising the Northern, Central and Southern Areas, and one in the Hills Area which lies approximately 500 metres further south. The Northern, Central and Southern Areas have a combined strike length of 2.7 kilometres and lie adjacent to historical manganese mine workings.

Figure 3 – Drill Collar Locations



In April 2012 the Company announced a maiden inferred resource at the Emang Project, which was subsequently upgraded in September 2012 following a review of the initial resource estimate. The majority of the resource at the Emang Manganese Project lies within 30 metres of surface and is likely to be amenable to shallow open pit mining with a low waste to ore ratio.

Table 2 – Emang Mineral Resource[1,2,3]

	Mt	Mn%	Fe%	SiO_2%	Al_2O_3%	P_2O_5%
Inferred Resource	16.5	24.8	20.6	16.4	11.7	0.08

1. Cut-off grade for the Emang Global Resource is 20% Mn.
2. No geological losses have been applied to the resource estimate. Full details of the resource procedures are in Appendix A.
3. A specific gravity (SG) of 3.60 has been used.

Export Infrastructure Alternatives

Segue has entered into preliminary discussions with various infrastructure and transport providers in the Northern Cape Province, to establish alternative scenarios for transporting manganese from the Emang Project to ports around South Africa. The options include traditional rail and road transport from Postmasburg to Port Elizabeth (South Africa's largest manganese export terminal) as well as the use of containers to transport manganese to other ports in South Africa before being exported. Segue is considering the total cost of transport (from mine to port and port to customer) and available volume of each alternative scenario.

Following discussions with Transnet Freight Rail, Transnet National Ports Authority and several private sector logistics operators, Segue has determined that the three most viable transport options are:

1. Railing product in bulk from the Emang Manganese Project to Port Elizabeth down the existing bulk rail line;
2. Containerising the product on site for railing to Bloemfontein and then onto Port Elizabeth or Coega; and
3. Railing product to Durban or Richards Bay Dry Bulk Terminal for export in bulk carriers.

Figure 4 – Transport Options for the Emang Project

Metallurgical Testwork

As part of the Initial Drilling Programme, a Metallurgical Study Report was prepared by Process Consulting & Engineering (**ProConsult**) of South Africa. ProConsult completed pilot plant testwork based on a one tonne sample consisting of reverse circulation drill chips from the Emang Manganese Project. The testwork involved crushing and screening to 12mm, 2mm and 1mm, with dense medium separation (**DMS**) tests performed on the 12mm to 2mm fraction, jigging of the 2mm to 1mm fraction and spiralling of the -1mm fraction.

Using a DMS plant and a density cut off of 3.00t/m^3, ProConsult was able to increase the manganese grade by almost 30%. Manganese grades were also increased in the concentrates produced from jigging (+16%) and spiralling (+11%). Table 3 shows the results of the three metallurgical testwork procedures.

Table 3 – Initial Metallurgical Testwork Results

		DMS	Jigging	Spiralling
Size fraction	mm	-12 to +2	-2 to +1	>1
Head grade	Mn%	21.0	24.7	26.5
Concentrate grade	Mn%	26.9	28.6	29.4
Manganese grade increase	**%**	**+28%**	**+16%**	**+11%**
Mass yield to concentrate	%	80.5	68.0	
Recovery	%	95.3		

The results show separation of the high density minerals from the low density minerals can be achieved via both gravity (jigging and spiralling) and dense medium separation techniques. Jigging may be used to produce a final saleable product or as a primary concentration step prior to dense medium separation. Segue plans on using freshly mined material from test pits for the Phase 2 metallurgical testwork to provide a more accurate representation of future mined material.

Phase 2 Exploration Programme and Exploration Targets

Segue's exploration programme for Phase 2 at the Emang Project will focus on increasing the size of the overall resource and defining a maiden measured and/or indicated resource.

In order to identify areas of high grade mineralisation and better define bedrock topography, Segue will commence a geophysical survey, including High Resolution Resistivity, across the Northern, Central, Southern and Hills Areas. Following the geophysical survey, Segue will be able to plan the drill collar locations for the Phase 2 drilling programme to provide the maximum increase in inferred resource and also potentially increase the resource classification to measured and/or indicated in some areas.

In conjunction with the Phase 2 exploration programme, Segue will also commence a pre-feasibility study to better define the project parameters, including mining rate, plant size, processing method and infrastructure requirements. The pre-feasibility study will include a manganese market assessment, aimed at providing an in-depth understanding of the product quality requirements of various manganese ore customers, specifically in China, Japan, South Korea, India and the Middle East.

PARDOO PROJECT, AUSTRALIA

Segue has a 100% interest in the Pardoo Project, which consists of four contiguous exploration licenses (E45/1866, E45/2146, E45/3383 and E45/3464) covering 174 square kilometers located on the Great Northern Highway, approximately 120 kilometres east-northeast of Port Hedland in the Pilbara region of Western Australia. The Pardoo Project is prospective for iron ore, nickel and copper.

Figure 5 – Location of Pardoo Tenements

Segue's Pardoo Iron Ore Project is located approximately 120 kilometres east of Port Hedland and 15 kilometres 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 10 kilometres north of the BHP-Goldsworthy Iron Ore Mine which produced 157 million tonnes of "direct shipping ore" over the period 1966 to 1982.

The Company is also exploring the nickel-copper potential of the Pardoo Project area via a farm-in and joint venture agreement with Red October Resources Limited (**Red October**).

Pardoo Nickel and Base Metal Project, Western Australia (Segue 100%, subject to farm-in)

The Pardoo Nickel Project is highly prospective for nickel sulphide mineralisation. Snowden Mining Industry Consultants Ltd (**Snowden**) prepared an updated resource estimate for the Highway deposit during early 2010. The total Mineral Resource at Highway is 50 million tonnes grading 0.30% nickel, 0.13% copper and 0.03% cobalt, reported above a 0.1% nickel cut-off grade. Snowden has classified the resource in its entirety as an Inferred Resource.

Table 4 – Pardoo Nickel Project Inferred Resource[1]

	Mt	Ni%	Cu%	Co%	S%
Weathered	5.5	0.25	0.18	0.03	0.10
Fresh	44.5	0.31	0.12	0.03	2.96
Total Inferred Resource	**50.0**	**0.03**	**0.13**	**0.03**	**2.65**

1. Cut-off grade for the Pardoo Nickel Resource is 0.1% Ni.

The Pardoo Nickel Joint Venture with Red October covers the nickel and non-iron ore rights over the Pardoo Project area. In April 2012 Segue agreed to restructure the terms of the Pardoo Joint Venture in order to bring forward expenditure on the tenements.

Under the revised farm-in agreement, Red October may earn up to a 50% interest in the Pardoo Joint Venture as follows:

1. A 30% interest can be earned by spending a minimum of $1.0 million on the Project within two years from the date of re-instatement of Red October to trading on the ASX (Commencement Date), with a minimum spend of $250,000 on the Project by the earlier of six months from the Commencement Date or 31 December 2012; and
2. Once a 30% interest is earned, then a further 20% (to a total of 50%) interest in the Project can be earned by spending a further minimum total amount of $2.0 million on the Project within four years from the Commencement Date.

Subject to approval of Red October shareholders, and in consideration for agreeing to the revised farm-in agreement, Red October will issue Segue 11,250,000 ordinary shares in Red October. Segue currently owns 15,000,000 ordinary shares in Red October.

Segue is working with Red October in assessing possible options to progress exploration work on the Pardoo Joint Venture. Segue continues to monitor and review the carrying value of the Pardoo Tenements and its investment in Red October.

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

No exploration work was carried out on the Pardoo Iron Ore Project during the financial year.

The information in this Annual Report that relates to Mineral Resources at the Emang Manganese Project is based on information reviewed by Mr Vimal Bansi who is a full time employee of RSV GEM. Mr Bansi is a senior geostatistician and resource geologist with over 20 years' African project evaluation including extensive involvement with mineral projects throughout South Africa. He is a member of the South African Council for Natural Scientific Professions, and qualifies as an 'Expert', 'Competent Person' and 'Qualified Person' as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Bansi consents to the inclusion in this Annual Report of the matters based on his information in the form and context in which it appears.

The information in this Annual Report relating to Mineral Resources at the Pardoo Nickel Project is based on information compiled by Mr John Graindorge who is a full time employee of Snowden Mining Industry Consultants. Mr Graindorge is a Member of the Australian Institute of Mining and Metallurgy and consents to the inclusion in this report of the information presented. He has sufficient experience relevant to the style of mineralisation and type of deposit 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".

APPENDIX A – Drill Results - Emang Manganese Project

Table 5 – Drill Hole Intersections

Hole No	Area	Co-ordinates		Manganese Intersection			Grade	
		Easting	Northing	From	To	Width	Mn%	Fe%
Diamond Drill Holes								
MPD001	Northern	2345.2	-3106150	12.0	12.3	0.3	36.4	13.3
MPD002	Northern	2342.7	-3106788	3.0	4.5	1.5	27.9	17.4
MPD003	Northern	2377.9	-3107412	0.0	1.1	1.1	28.7	25.8
MPD004	Southern	3012.4	-3108693	91.0	96.1	5.1	24.5	25.3
			and	99.8	102.8	3.0	33.9	12.3
MPD005	Hills	3051.6	-3109978	54.8	62.7	7.9	29.1	10.9
MPD010	Central	2762.8	-3107404	2.0	4.0	2.0	25.1	23.7
MPD011	Central	2752.4	-3107685	0.0	2.2	2.2	34.8	14.7
			and	3.0	4.0	1.0	38.8	20.0
MPD012	Central	2769.8	-3107889	19.0	23.8	4.8	26.8	23.8
Reverse Circulation Holes								
MPR002	Northern	2228.0	-3106093	31.0	37.5	6.5	25.5	16.1
MPR003	Northern	2186.6	-3106185	30.0	38.0	8.0	21.4	17.3
MPR004	Northern	2255.4	-3106303	20.0	21.0	1.0	23.1	21.6
			and	22.0	25.5	3.5	27.9	26.8
			and	27.5	28.5	1.0	34.7	17.7
MPR005	Northern	2238.4	-3106398	17.0	19.0	2.0	20.2	29.3
			and	21.0	24.0	3.0	28.9	16.4
MPR006	Northern	2245.7	-3106491	14.0	24.0	10.0	24.6	16.1
			incl.	15.0	18.0	3.0	32.6	12.8
			incl.	22.0	24.0	2.0	33.6	10.8
MPR007	Northern	2238.6	-3106590	18.0	23.0	5.0	30.8	18.7
			and	24.0	26.0	2.0	20.8	10.8
MPR008	Northern	2236.6	-3106684	25.0	34.5	9.5	24.2	18.5
			incl.	26.0	30.0	4.0	31.1	21.7
MPR009	Northern	2251.1	-3106791	0.0	10.0	10.0	23.8	17.9
			incl.	8.0	10.0	2.0	35.1	20.1
MPR010	Northern	2249.5	-3106885	12.0	17.0	5.0	21.7	16.3
MPR011	Northern	2254.2	-3106990	0.0	6.0	6.0	28.5	24.9
			and	10.0	12.0	2.0	19.7	15.3
MPR012	Northern	2249.8	-3107089	0.0	4.0	4.0	11.9	18.7
MPR013	Northern	2265.8	-3107189	0.0	2.0	2.0	21.0	31.7
MPR014	Northern	2257.4	-3107279	0.0	2.0	2.0	22.6	32.1
MPR015	Northern	2251.2	-3107423	0.0	2.0	2.0	28.7	24.1
MPR015A	Northern	2250.3	-3107405	0.0	1.0	1.0	27.7	21.4
MPR016	Northern	2258.6	-3107490	7.0	10.0	3.0	25.6	30.6
			and	12.0	13.0	1.0	31.9	26.0
MPR017	Northern	2439.0	-3106090	26.0	28.0	2.0	16.2	28.6
			and	30.0	32.0	2.0	32.2	16.9
MPR018	Northern	2438.0	-3106191	15.0	20.0	5.0	22.2	24.3
			and	23.0	26.0	3.0	23.3	13.2
MPR019	Northern	2436.2	-3106289	4.0	5.0	1.0	25.6	13.8

Hole No	Area	Co-ordinates		Manganese Intersection			Grade	
		Easting	Northing	From	To	Width	Mn%	Fe%
			and	18.0	21.0	3.0	23.0	30.8
			and	26.0	27.0	1.0	23.0	11.9
MPR020	Northern	2443.1	-3106383	4.0	5.0	1.0	24.2	17.3
			and	8.0	16.0	8.0	21.9	18.1
MPR021	Northern	2428.9	-3106482	20.0	22.0	2.0	36.2	13.9
			and	25.0	30.0	5.0	25.7	19.2
MPR022	Northern	2444.9	-3106591	6.0	11.0	5.0	21.5	16.0
MPR023	Northern	2443.9	-3106683	0.0	6.0	6.0	22.8	21.5
MPR024	Northern	2456.0	-3106797	0.0	2.0	2.0	24.0	22.4
MPR024A	Northern	2456.2	-3106797	0.0	1.0	1.0	29.1	21.5
MPR025	Northern	2472.9	-3106903	0.0	3.0	3.0	26.3	22.5
MPR026	Northern	2426.2	-3107001	1.0	3.0	2.0	23.3	27.6
MPR027	Northern	2447.5	-3107098	0.0	12.0	12.0	25.7	23.2
			and	18.0	22.0	4.0	20.6	20.4
MPR028	Northern	2460.3	-3107122	5.0	10.0	5.0	26.3	23.5
MPR031	Northern	2465.7	-3107438	1.0	2.0	1.0	32.4	23.3
MPR031A	Northern	2479.7	-3107463	2.0	3.0	1.0	30.0	18.5
MPR032	Southern	2977.1	-3108560	35.0	36.0	1.0	30.0	25.1
			and	41.0	51.0	10.0	23.4	15.7
MPR033	Southern	2979.5	-3108662	89.0	107.5	18.5	25.9	19.3
			incl.	96.0	101.0	5.0	36.0	11.6
MPR034	Southern	2981.6	-3108765	33.0	48.0	15.0	26.4	21.0
			incl.	33.0	35.0	2.0	45.3	11.3
			incl.	43.0	48.0	5.0	33.8	15.7
MPR035	Southern	3079.9	-3108565	24.5	32.0	7.5	20.8	19.4
MPR037	Southern	3087.6	-3108758	63.0	68.0	5.0	27.7	28.9
			and	70.0	73.5	3.5	26.1	9.4
MPR038A	Hills	3009.4	-3109895	61.0	71.0	10.0	29.4	9.8
MPR039	Hills	2971.0	-3109970	64.0	74.0	10.0	25.8	13.8
MPR040	Hills	3058.4	-3109898	56.5	66.0	9.5	24.7	12.2
MPR041	Hills	3097.6	-3109982	42.0	57.0	15.0	25.5	11.7
MPR063	Central	2636.0	-3107491	25.0	32.0	7.0	24.0	24.1
MPR064A	Central	2650.9	-3107582	10.0	18.0	8.0	20.6	30.3
			incl.	11.0	14.0	3.0	33.2	23.1
MPR065	Central	2659.6	-3107692	1.0	6.0	5.0	18.3	30.9
MPR066	Central	2661.1	-3107796	0.0	3.0	3.0	24.0	22.4
MPR067	Central	2667.7	-3107890	17.0	28.0	11.0	27.2	23.9
			incl.	23.0	28.0	5.0	40.2	14.6
MPR068	Central	2658.3	-3107995	20.0	29.0	9.0	25.0	31.7
MPR069	Central	2861.4	-3107415	1.0	4.0	3.0	33.6	16.8
MPR072	Central	2853.1	-3107696	2.0	5.0	3.0	24.6	23.1
MPR073	Central	2856.1	-3107794	1.0	2.0	1.0	21.9	26.2
MPR075	Central	2861.0	-3107994	16.0	18.0	2.0	23.5	31.0
MPR076	Southern	2978.6	-3108478	26.0	27.0	1.0	26.7	18.8

Note: All holes drilled vertically.

DIRECTORS' REPORT

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 2012 was $5,852,656 (2011: ($611,950)) the net loss included the following items:

- Impaired exploration and evaluation expenditure of $3,120,754 (2011: $28,156); and
- Director's fees excluding share based payments of $390,423 (2011: $101,722).

Summary of Financial Position

At 30 June 2012 the Group's cash reserves were $233,354 (2011: $356,016). The decrease in cash was due to net cash used in operating activities of $1,326,636 (2011: $583,067), net cash used in investing activities of $4,206,798 (2011: $571,985) and other proceeds from financing activities during the year consisting of the issue of 245,626,636 shares to investors for proceeds of $5,404,355 (2011: $1,342,229). Net assets of the Group as at 30 June 2012 were $7,611,545 (2011 $7,000,549).

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 or the financial statements or notes thereto.

Significant Events After Balance Date

On 20 September 2012 the Company advised of the result of a new resource estimate compiled by RSV GEM, the geological consultancy division of Read, Swatman & Voigt (Pty) Ltd. The new resource estimate is 16.5 million tonnes grading 24.8% manganese and 20.6% iron. The entire resource is classified as inferred. For more information see the Company's announcement entitled "Emang Manganese Project Resource Upgrade".

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.

Future Developments

- The Company will continue the exploration and evaluation of the Emang Manganese Project;
- The Company, through its joint venture arrangements will continue the exploration and evaluation of the iron ore prospectivity 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.

DIRECTORS' REPORT

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.

During the reporting period the following persons were considered key management personnel:

- Mr Steven Michael;
- Mr Ian Benning;
- Mr Nicholas Ong;
- Mr Robert van Zyl; and
- Dr Eric Lilford.

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 $36,000 per annum including statutory superannuation for services performed.

The Chairman is entitled to charge up to an additional $500 per month subject to the level of company activity during the month.

There is no direct link between remuneration paid to any 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 and 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 of options affecting remuneration in this reporting period are as follows:

Number of options	Grant date	Date vested and exercisable	Expiry date	Class of shares	Exercise price	Value per option at grant date
11,800,000	08/11/2011	08/11/2011	08/11/2014	Ordinary	$0.051	$0.0166

Options granted carry no dividend or voting rights. The grant date equals the vesting date for the above 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	**2012**	**2011**	**2012**	**2011**
Directors				
S. Michael	11,800,000	-	11,800,000	-
I. Benning	-	-	-	-
N. Ong	-	-	-	-
R. van Zyl	-	-	-	-
E Lilford	-	-	-	-

The model inputs for options issued during the year ended 30 June 2012 included:

Number of Options	11,800,000
Grant date	08/11/2011
Dividend yield (%)	-
Expected volatility (%)	100.00
Risk-free interest rate (%)	5.0
Vesting date	08/11/2011
Expected life of option (years)	3
Option exercise price ($)	0.051
Share price at grant date ($)	0.04
Valuation of Option ($)	0.0166

DIRECTORS' REPORT

Remuneration

Details of the remuneration of the Key Management Personnel 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.

30 June 2012	*Short term benefits* Salary & fees	*Post employment benefits* Superannuation	*Share based payments* Equity Shares*	*Share based payments* Options	*Total*	*Proportion of options*
	$	$	$	$	$	%
Directors						
S Michael	259,319	-	472,000	195,880	927,199	21%
I Benning	36,250	-	150,000	-	186,250	0%
N Ong	36,875	-	60,000	-	96,875	0%
R van Zyl	34,207	-	60,000	-	94,207	0%
E Lilford	19,397	-	60,000	-	79,397	0%
	386,048	**-**	**802,000**	**195,880**	**1,383,928**	**14%**
Executives						
M Foy	17,419	-	30,000	-	47,419	0%
N Bassett	9,000	-	-	-	9,000	0%
	26,419	**-**	**30,000**	**-**	**56,419**	**0%**
Total	**412,467**	**-**	**832,000**	**195,880**	**1,440,347**	**14%**
30 June 2011						
Directors						
G Whiddon	31,399	2,601	-	-	34,000	0%
P Fry	26,376	2,374	-	-	28,750	0%
S Fleming	11,452	-	-	-	11,452	0%
E Lilford	23,528	2,117	-	-	25,645	0%
I Benning	1,250	-	-	-	1,250	0%
N Ong	625	-	-	-	625	0%
	94,630	**7,092**	**-**	**-**	**101,722**	**0%**
Executives						
M Foy	-	-	-	-	-	0%
	-	**-**	**-**	**-**	**-**	**0%**
Total	**94,630**	**7,092**	**-**	**-**	**101,722**	**0%**

* The following equity shares were granted to the KMPs during the year (2011: NIL):

	Nos[1].
S Michael	11,800,000
I Benning	3,750,000
N Ong	1,500,000
R van Zyl	3,000,000
E Lilford	1,500,000
M Foy	1,000,000
	22,550,000

1. The above securities were issued subject to certain vesting conditions. As at 30 June 2012 all of the shares remain unvested.

Other Financial Information

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2012:

	30 June 2012 $	30 June 2011 $	30 June 2010 $	30 June 2009 $	30 June 2008 $
Revenue	39,195	25,080	14,267	8,298	150,690
Net loss before tax	5,852,656	611,950	892,565	703,153	523,628
Net loss after tax	5,852,656	611,950	892,565	703,153	523,628
Share price at start of year (cps)	4.0	2.0	1.0	3.0	10.0
Share price at end of year (cps)	1.0	4.0	2.0	1.0	3.0
Basic earnings per share (cps)	(0.013)	(0.255)	(0.579)	(0.99)	(0.82)
Diluted earnings per share (cps)	(0.013)	(0.255)	(0.579)	(0.99)	(0.82)

End of Remuneration Report

Directors' Interests in the Shares and Options of the Company

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

Name	Ordinary Shares Vested	Ordinary Shares Unvested[1]	Ordinary Shares Total	Options Direct
S Michael	2,250,000	11,800,000	14,050,000	11,800,000
I Benning	1,250,000	3,750,000	5,000,000	-
N Ong	1,250,000	1,500,000	2,750,000	-
E Lilford	-	-	-	-
R van Zyl	-	3,000,000	3,000,000	-

1. The above securities were issued subject to certain vesting conditions.

Shares Under Options

As at 30 June 2012 there were 11,800,000 options to take up ordinary shares in the Company held by Directors.

As at 30 June 2012 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:

2012	Directors' meetings held	Directors' meetings attended
Director		
Steven Michael	4	4
Ian Benning	4	4
Robert van Zyl	1	1
Eric Lilford	3	3
Nicholas Ong	4	4

DIRECTORS' REPORT

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.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Deloitte Touche Tomatsu, which is included on page 34.

Signed in accordance with a resolution of the directors

Steven Michael

Managing Director

Perth, 28 September 2012

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 2012 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)	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2(b), 2(c)	Yes
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:	3(a)	Yes
	the practices necessary to maintain confidence in the company's integrity;	3(a)	Yes
	the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and	3(a)	Yes

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	3(a)	Yes
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	3(b)	Yes
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	3(b)	No
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	3(b)	Yes
3.5	Provide the information indicated in the Guide to reporting on principle 3.	3(a)	Yes
Principle 4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	4(a)	No
4.2	The audit committee should be structured so that it:		
	consists only of non-executive directors;	4(a)	No
	consists of a majority of independent directors;	4(a)	No
	is chaired by an independent chair, who is not chair of the Board; and	4(a)	No
	has at least three members.	4(a)	No
4.3	The audit committee should have a formal charter	4(a)	No
4.4	Provide the information indicated in the Guide to reporting on principle 4.	4(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	5(a), 5(b)	Yes

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
	principle 6.		
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.	4(b)	No
8.2	The remuneration committee should be structured so that it:		
	Consists of a majority of independent directors;	4(b)	No
	Is chaired by an independent chair; and	4(b)	No
	Has at least three members	4(b)	No
8.3	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	4(b), Remuneration Report	Yes
8.4	Provide the information indicated in the Guide to reporting on principle 8.	4(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 Managing Director.

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 two Executive Directors and two Non- Executive Directors. The skills, experience, expertise, qualifications and terms of office of each director in office at the date of the annual report are included in the Directors' Report.

The Chair is independent and the role of Chair and Chief Executive Officer are not exercised by the same person. The Chairman of the Company at the time of writing this report is Ian Benning.

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.

An 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 not exercised by the same person.

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.

CORPORATE GOVERNANCE STATEMENT

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 half 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 deemed to be independent:

Name	Position
Ian Benning	Non-Executive Chairman
Nicholas Ong	Non-Executive Director

The following persons were directors of Segue Resources Limited during the financial year:

Ian Benning	Executive Director (appointed 14 June 2011)
Steven Michael	Managing Director (appointed 6 July 2011)
Robert van Zyl	Commercial Director (appointed 22 February 2012)
Nicholas Ong	Non-executive Director (appointed 14 June 2011)
Eric Lilford	Non-executive Director (resigned 22 February 2012)

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.

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.

PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

3(a) Code of Conduct

The Company's Corporate Governance Plan includes a Corporate Code of Conduct which provides a framework of principles for conducting business and dealing with customers, stakeholders and colleagues and can be summarised as follows:

a. To act with integrity and professionalism and be scrupulous in proper use of Company information, funds, equipment and facilities;

b. To exercise fairness, equity, proper courtesy, consideration and sensitivity in dealing with customers, employees and other stakeholders; and

c. To avoid real or apparent conflict of interests.

3(b) Diversity Policy

The Company has adopted a diversity policy to address equal opportunities in the hiring, training and career advancement of Directors, officers and employees. The Company has not yet set measurable objectives for achieving diversity. The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company Due to the size of the Company, the Board does not consider it appropriate at this time, to formally set objectives for gender diversity.

As at 30 June 2012 the Company has no female employee or Board Member.

BOARD COMMITTEES

4(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.

4(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 Group outlines the structure of remuneration of non-executive Directors and executives of the Group in the Remuneration report in the annual report

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.

CORPORATE GOVERNANCE STATEMENT

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

5(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.

TIMELY AND BALANCED DISCLOSURE

6(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.

6(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.

7(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.

7(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.

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

Mr Steven Michael held the position of Managing Director and Chief Executive Officer for the period. Mr Michael 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.

7(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
Level 8, 225 St Georges Terrace
PERTH WA 6000

28 September 2012

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 2012, 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

Neil Smith
Partner
Chartered Accountant

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 $	2011 $
Continuing Operations			
Other Income	2	39,195	25,080
Employee benefits	2	(1,551,322)	(147,626)
Occupancy		(56,048)	(48,027)
Consultants		(514,619)	(162,820)
Corporate administration		(52,126)	(44,195)
Depreciation	2	(3,891)	(6,799)
Audit		(47,000)	(31,030)
Accounting and tax		(42,077)	(54,685)
Borrowing Costs	2	(50,000)	-
Legal		(46,337)	(1,367)
Impairment of exploration expenditure	7	(3,120,754)	(28,156)
Travel		(103,419)	(19,412)
Interest		(18,732)	(20)
Loss on disposal of asset	8	-	(5,611)
Other expenses		(285,526)	(87,282)
Loss before income tax		(5,852,656)	(611,950)
Income tax expense	3	-	-
Loss from continuing operations after tax		(5,852,656)	(611,950)
Other Comprehensive Income			
Change in the value of available-for-sale financial assets	9	-	(150)
Movements in foreign exchange reserve		(350,141)	-
		(350,141)	(150)
Total Comprehensive Income for the year		(6,202,797)	(612,100)
Earnings per share (cents per share)			
basic; for loss for the Year	14	(1.295)	(0.255)
- diluted; for loss for the Year	14	(1.295)	(0.255)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	**4**	233,354	356,016
Trade and other receivables	**5**	221,019	38,676
Asset held for sale	**6**	33,333	-
Total Current Assets		**487,706**	**394,692**
Non-Current Assets			
Exploration and evaluation	**7**	7,427,180	6,687,382
Property, plant and equipment	**8**	26,008	29,899
Available-for-sale financial assets	**9**	-	-
Total Non-Current Assets		**7,453,188**	**6,717,281**
TOTAL ASSETS		**7,940,894**	**7,111,973**
LIABILITIES			
Current liabilities			
Trade and other payables	**10**	329,349	111,424
Total Current Liabilities		**329,349**	**111,424**
TOTAL LIABILITIES		**329,349**	**111,424**
NET ASSETS		**7,611,545**	**7,000,549**
EQUITY			
Issued Capital	**11**	18,500,731	11,882,818
Reserves	**12**	364,136	518,397
Accumulated losses	**13**	(11,253,322)	(5,400,666)
TOTAL EQUITY		**7,611,545**	**7,000,549**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

CONSOLIDATED	**Issued Capital**	**Option Reserve**	**Foreign Currency Reserve**	**Investment Reserve**	**Accumulated Losses**	**Total Equity**
	$	**$**	**$**	**$**	**$**	**$**
At 1 July 2010	10,540,589	518,547	-	-	(4,788,716)	6,270,420
Operating loss for the year	-	-	-	-	(611,950)	(611,950)
Other comprehensive Income			-	(150)	-	(150)
Total comprehensive income	-	-	-	(150)	(611,950)	(612,100)
Issue of Shares	1,342,229	-	-		-	1,342,229
Share Based payments	-	-	-		-	-
At 30 June 2011	11,882,818	518,547	-	(150)	(5,400,666)	7,000,549
At 1 July 2011	11,882,818	518,547	-	(150)	(5,400,666)	7,000,549
Operating loss for the year	-	-	-	-	(5,852,656)	(5,852,656)
Other comprehensive Income	-	-	(350,141)	-	-	(350,141)
Total comprehensive income	-	-	(350,141)	-	(5,852,656)	(6,202,797)
				-		
Issue of Shares	6,617,913	-	-	-	-	6,617,913
Share Based payments	-	195,880	-	-	-	195,880
At 30 June 2012	18,500,731	714,427	(350,141)	(150)	(11,253,322)	7,611,545

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,261,717)	(605,567)
Interest received		20,495	25,009
Other payments (GST)		(85,414)	(2,509)
Net cash outflow from operating activities	**24**	(1,326,636)	(583,067)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(42,976)
Sales of property, plant and equipment		-	28,636
Investment in convertible note		(33,333)	-
Payments for exploration expenditure		(4,173,465)	(557,645)
Net cash flows from investing activities		(4,206,798)	(571,985)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		5,404,355	1,342,229
Net cash flows from financing activities		5,404,355	1,342,229
Net increase/(decrease) in cash and cash equivalents		(129,079)	187,177
Effects of exchange rate changes on cash and cash equivalents		6,417	-
Cash and cash equivalents at beginning of year	**4**	356,016	168,839
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		233,354	356,016

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. CORPORATE INFORMATION

Segue Resources Limited (the "Company") is a limited company incorporated in Australia. The consolidated financial report of the Company for the year ended 30 June 2012 comprises the Company and its subsidiary (together referred to as the "consolidated entity").

The financial report was authorised for issue by the directors on 28 September 2012.

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

These are for-profit 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 except where stated otherwise in the notes. Cost is based on the fair values of the consideration given in exchange for assets.

(B) Going Concern

The financial report has been prepared on the 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.

The consolidated entity has incurred net losses after tax of $5,852,656 (2011: $611,950) and experienced net cash outflows from operating and investing activities of $5,533,434 (2011: $1,155,052) for the year ended 30 June 2012. As at 30 June 2012 the consolidated entity had cash assets of $233,354 and net current assets of $158,357.

At the date of this report the Company had approximately $367,000 cash on hand and its trade payables were approximately $239,000.

The ability of the Company and the consolidated entity to continue as going concerns is principally dependent upon raising additional capital to fund ongoing exploration expenditure, other principal activities and working capital.

These conditions indicate a material uncertainty that may cast significant doubt about the company's and the consolidated entity's ability to continue as going concerns.

During the year to 30 June 2012 and for the period to the date of this report, the directors have taken steps to ensure the Company and consolidated entity continues as going concerns. These steps include:

- Raising $5.4 million (after issue costs) pursuant to capital raisings during the year.
- Managing advanced discussions with a third party to raise sufficient capital over the next six months.

- Securing a finance facility of $500,000 subsequent to year end. To the date of this report, the facility has been fully drawn.
- Ongoing management of the level of exploration and corporate expenditure in line with funds available to the consolidated entity.

The ability of the Company and consolidated entity to continue as going concerns is dependent on:

i. Finalisation of negotiations with a third party to secure funding.
ii. The ability of the company to manage its ongoing management of the level of exploration and corporate expenditure in line with funds available to the consolidated entity.
iii. The ability of the company and consolidated entity to secure additional debt/equity funding if required.

Based on the cash flow forecast, the consolidated entity is required to raise a minimum of $1 million by November 2012 from any one or all of the sources mentioned above in order to meet minimum forecasted expenditure.

The Directors have reviewed the cash flow forecasts and believe the matters set out in (i) to (iii) above will be achieved and therefore are satisfied that the going concern basis of preparation is appropriate.

Should the consolidated entity and the Company be unable to raise the funding referred to above, there is a material uncertainty whether the consolidated entity and the company will be able to continue as going concerns and therefore, whether they will be able to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not be able to continue as going concerns.

(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.

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.

1. CORPORATE INFORMATION (Cont)

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, 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 profit or loss.

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.

1. CORPORATE INFORMATION (Cont)

(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.

(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.

1. CORPORATE INFORMATION (Cont)

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 taxes 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 profit or loss.

(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 using the effective rate method. Changes in fair value are either taken to the profit or loss 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 profit or loss.

(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.

1. CORPORATE INFORMATION (Cont)

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 profit or loss on a straight-line or diminishing value 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:

Capital Improvements	over 40 years
Plant and equipment	over 3 to 10 years

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

De-recognition

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss 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 where:

- 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 Payments; 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.

1. CORPORATE INFORMATION (Cont)

If 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 profit or loss.

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

1. the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
2. 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 profit or loss 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.

1. CORPORATE INFORMATION (Cont)

(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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. CORPORATE INFORMATION (Cont)

(V) Comparatives

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

(W) New standards and Interpretations

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Adoption of these standards has had no impact on the Group's Financial Statements:

New Standards and Interpretations Not Yet Adopted

Reference	Title	Nature of Change	Application date of standard	Impact on Group financial statements
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Group has not yet made an assessment of the impact of these amendments.
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the Group's returns from investee. • Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group does not have any special purpose entities. The 'Group' does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

(T) New accounting standards and interpretations (Cont)

AASB 13 (issued September 2011)	Fair Value Measurement	AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date
AASB 2011-4 (issued July 2011)	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the *Corporation Act 2001*	Annual periods commencing on or after 1 July 2013	When this standard is first adopted for the year ended 30 June 2014 the Group will show reduced disclosures under Key Management Personnel note to the financial statements
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows: • 1 statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income' • 2 statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. • OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

(T) New accounting standards and interpretations (Cont)

AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32)	Periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2013, there will be no material impact.
AASB 2012- 6	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.
AASB 127 (issued August 2011)	Separate Financial Statements	Requirements for consolidation removed and inserted into AASB 10 Consolidated Financial Statements Disclosures removed and inserted into AASB 12 Disclosure of Interests in Other Entities.	Annual periods commencing on or after 1 January 2013	1 July 2013
AASB 128 (issued August 2011)	Investments in Associates and Joint Ventures	Disclosures removed and inserted into AASB 12 *Disclosure of Interests in Other Entities*.	Annual periods commencing on or after 1 January 2013	1 July 2013
AASB 2012-3 (issued June 2012	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	Amendments clarify the requirements for offsetting financial instruments and introduce new disclosure requirements	Annual periods commencing on or after 1 January 2013	1 July 2013

2. REVENUE AND EXPENSES

	2012 $	2011 $
Other income		
Other income	-	50
Interest income – non related entities	39,195	25,030
	39,195	**25,080**

2. REVENUE AND EXPENSES (Cont)

	2012 $	2011 $
Expenses		
Depreciation		
- Plant and equipment	3,891	6,799
	3,891	**6,799**
Borrowing Costs *	50,000	-
Impairment of exploration assets	3,120,754	28,156
Employee benefit expense	289,322	45,904
Directors fees	166,620	101,722
Expense of share based payments	1,095,380	-
Total employee benefits expense	**1,551,322**	**147,626**

* Relates to facility and set up fees paid for the facility with Hemisphere Investment Partners Pty Ltd

3. INCOME TAX EXPENSE

	2012 $	2011 $
(a) Income tax expense		
Current tax expense	-	-
Deferred tax expense	-	-
Adjustments for current tax of prior periods	-	-
	-	**-**
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(5,852,656)	(611,950)
Tax at the Australian tax rate of 30% (2011: 30%)	(1,755,797)	(183,585)
Tax effect of amounts which are not deductible(taxable)in calculating taxable income		
Expenditure not allowable for income tax purposes	1,375,165	31,481
Temporary differences & tax losses not brought to account as a deferred tax asset	380,632	152,104
Income tax reported in statement of comprehensive income	-	-
Deferred income tax at 30 June relates to the following:		
Deferred income tax liabilities		
Capitalised expenditure deductible for tax purposes	2,175,539	2,006,215
	2,175,539	2,006,215
Deferred income tax assets		
Tax losses	2,175,539	2,006,215
	2,175,539	2,006,215
Net deferred tax asset/(liability)	-	-

3. INCOME TAX EXPENSE (Cont)

Unrecognised deferred tax assets

	2012 $	2011 $
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	1,143,873	763,241
Capital raising costs	7,489	7,481
Other	29,960	21,225
Potential unrecognised tax benefit @ 30%	1,181,322	791,947

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 elected to form a tax consolidated group.

4. CASH AND CASH EQUIVALENTS

	2012 $	2011 $
Cash at bank and on hand	214,159	336,821
Deposits at call	19,195	19,195
	233,354	356,016
The weighted average interest rate for the year	2.8%	4.9%

5. TRADE AND OTHER RECEIVABLES

	2012 $	2011 $
Current		
Other debtors	57,182	139
GST receivable	114,861	15,650
Environmental bond for EL 10004	5,000	5,000
Prepayments	43,976	17,887
	221,019	38,676

6. ASSET HELD FOR SALE

Convertible Note – Unsecured	33,333	-

Pursuant to an agreement dated 5th April 2012, the company has acquired 33,333 Convertible Notes issued by Red October Limited. The Convertible Notes will automatically convert to shares in Red October Resources Limited at a pre-determined price of $0.005 per Convertible Note.

The Directors of the company are currently negotiating the sale of the Convertible Note and these have been classified as assets held for sale at reporting date.

7. EXPLORATION EXPENDITURE

	2012 $	2011 $
Opening balance at 1 July	6,687,382	6,129,887
Exploration expenditure during the year	4,173,465	585,651
Exploration asset impairment	(3,120,754)	(28,156)
Effect of foreign currency translation	(312,913)	-
Closing balance at 30 June	**7,427,180**	**6,687,382**

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

For the 2012 year an amount of $3,120,754 was impaired in relation to the Pardoo exploration project in Western Australia. The Directors have reassessed the carrying amount of the exploration asset at reporting date and have impaired the carrying amount based on the stage of the project and the financial capacity of the farm-in partner

8. PROPERTY, PLANT AND EQUIPMENT

Office equipment		
At cost	38,169	38,169
Accumulated depreciation	(32,730)	(30,066)
Total office equipment	5,439	8,103
Office improvements		
At cost	20,845	20,845
Accumulated depreciation	(1,333)	(811)
Total office improvements	19,512	20,034
Geological Equipment		
At cost	2,677	2,677
Accumulated depreciation	(1,620)	(915)
Total property, plant and equipment	1,057	1,762
	26,008	29,899

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	Geological Equipment	Total
Consolidated:				
Balance at the beginning of the year	8,103	20,034	1,762	29,899
Acquisitions	-	-	-	-
Disposal	-	-	-	-
Loss on disposal	-	-	-	-
Depreciation expense	(2,664)	(522)	(705)	(3,891)
Carrying amount at the end of the year	5,439	19,512	1,057	26,008

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS	**2012 $**	**2011 $**
Listed shares*	-	-
	-	-

At 30 June 2012 the Consolidated Group held a 34% (2011: 34%) interest in Red October Resources Ltd which is currently suspended.

The board has assessed the investment in Red October Resources Ltd and concluded that it doesn't have significant influence to warrant equity accounting.

*The board has also acknowledged the ASX trading suspension as well as the unstable financial situation of Red October Resources Ltd and therefore resolved to fully impair the value of the original investment.

10. TRADE AND OTHER PAYABLES

Trade creditors and accruals	329,349	111,424

Trade creditors are generally settled in 30 to 90 day terms

11. ISSUED CAPITAL

Issued Capital	Number	$
(a) Share capital		
536,348,756 (2011: 256,422,120) Ordinary shares fully paid	536,348,756	18,500,731

	Company	
	Number	$
(b) Movements in ordinary shares on issue		
At 1 July 2011	256,422,120	11,882,818
Tranche 1 paid 8 July 2011	38,000,000	760,000
Rights Issue 22 July 2011	68,826,003	1,376,520
Facilitation Fee 24 July 2011	7,500,000	267,750
Employee Share Issue 6 September 2011	3,250,000	97,500
Share Placement 15 September 2011	54,500,633	1,090,013
Rights Issue Shortfall 16 September 2011	15,000,000	300,000
Employee Share Issue 9 November 2011	18,550,000	742,000
Placement 28 February 2012	69,300,000	2,079,000
Employee Share Issue 31 May 2012	5,000,000	100,000
Placement costs	-	(194,870)
At reporting date 30/06/2012	536,348,756	18,500,731

	Number	$
At 1 July 2010	536,348,756	18,500,731
Issued on 20/08/10 - Placement	26,496,221	476,932
Issued on 24/09/10 - Placement	50,784,424	914,120
Issued on 31/10/10 - Placement	2,500,000	45,000
Placement costs	-	(93,823)
At reporting date 30/06/2011	256,422,120	11,882,818

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 2012

	Number	Exercise price $	Exercise date
Opening Balance 1 July	10,400,000	0.08	30/11/2011
Lapsed during the year on 30 November 2011	(10,400,000)		
Issued during the year on 8 November 2011	11,800,000	0.051	08/11/2014

12. RESERVES

	2012 $	2011 $
Option Reserve		
Option reserve – balance 1 July	518,547	518,547
Options issued to directors/management	195,880	-
Option reserve – balance 30 June	714,427	518,547

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

Revaluation Reserve		
Revaluation reserve – balance 1 July	(150)	-
Revaluation of financial asset	-	(150)
Revaluation reserve – balance 30 June	(150)	(150)

The purpose of this reserve is to record revaluation adjustments to financial assets.

Foreign Exchange Reserve		
Foreign Exchange Reserve – balance 1 July	-	-
Foreign Exchange Reserve movement this year	(350,141)	-
Foreign Exchange Reserve – balance 30 June	(350,141)	-

This reserve arised on consolidation of foreign subsidiary.

13. ACCUMULATED LOSSES

	2012 $	2011 $
Balance at the beginning of the financial year	5,400,666	2,011
Net loss attributable to members	5,852,656	611,950
Balance at the end of the financial year	11,253,322	5,400,666

14. EARNINGS PER SHARE

	2012 $	2011 $
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Losses used in calculating basic and diluted earnings per share	5,852,656	611,950
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per shares	451,866,989	239,911,797

	Number	Number
Anti-dilutive equity instruments not considered in earnings per share	11,800,000	-

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 both of the years presented.

15. AUDITOR'S REMUNERATION

An audit or review of the financial report of the Consolidated Entity		
Deloitte Touche Tohmatsu	47,000	31,030
Total remuneration	47,000	31,030

16. CONTINGENT ASSETS AND LIABILITIES

The Group has a contingent liability of $15,000 (2011: $15,000) to The Minister of State Development of Western Australia. This liability represents a contingent liability for future rehabilitation of exploration leases.

Pardoo Joint Venture Agreement

On 10 April 2012 the Company advised it had revised the Pardoo Joint Venture Agreement with Red October Resources Limited (ASX:ROS) for the Nickel and Non-Iron Ore Rights at the Pardoo Project, Western Australia (**Farmin**).

Under the revised Farmin, the Red October may earn, in two stages up to an initial 50% interest in the nickel and non-iron ore mineral rights associated with the Project as follows:

i) A 30% interest can be earned by spending a minimum of $1.0 million on the Project within 2 years from the date of re-instatement of the Company to trading on the ASX (**Commencement Date**), with a minimum spend of $250,000 on the Project by the earlier of six months from the Commencement Date or 31 December 2012; and

ii) Once a 30% interest is earned then a further 20% (to a total of 50%) interest in the Project can be earned by spending a further minimum total amount of $2.0 million on the Project within four years from the Commencement Date.

Red October Resources Ltd Convertible Note

Pursuant to an agreement dated 5 April 2012, the Company has acquired Convertible Notes issued by Red October Limited. The Convertible Notes will automatically convert to shares in Red October Resources Limited at a pre-determined price. The Company has subscribed for the First Tranche of the Convertible Notes however the Second Tranche of the Convertible Notes is yet to be called by Red October. If Red October issues the Second Tranche Convertible Notes the Company may be obliged to subscribe for a further $66,666 of Convertible Notes. The Directors of the company are currently negotiating the sale of the Convertible Note.

Other than set out above there are no other material contingent assets or liabilities as at 30 June 2012.

17. SUBSEQUENT EVENTS

On 20 September 2012 the Company advised of the results of a new resource estimate compiled by RSV GEM, the geological consultancy division of Read, Swatman & Voigt (Pty) Ltd. A new resource estimate was prepared following an independent review of the work undertaken in the Initial Drilling Programme by Theo Pegram & Associates.

The key finding of the review was an error in the conversion of iron in the assay results, expressed as Fe2O3, to an equivalent iron grade in the geological model, expressed as Fe. The error in the conversion factor resulted in the iron grade contained in the original geological database and resource estimate to be lower than if the correct conversion factor was applied. The new inferred resource compiled by RSV GEM is 16.5 million tonnes @ 24.8% Mn and 20.6% Fe.

Subsequent to 30 June 2012, the Company has fully drawn on a facility from Hemisphere Corporate Services Pty Ltd of $500,000.

Other than the above there were no subsequent events after the reporting date.

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 $267,000 in 2011/12. ($171,251 in 2010/11) These obligations will be met in full by the Joint Venture partners for each area of interest.

The expenditure commitment for the company for later than 2 years but not later than 5 years is uncertain as the tenements require re-application prior to this date of which the outcome is not certain.

	2012	**2011**
Payable:	**$**	**$**
Not later than one year	202,000*	267,000
Later than one year but not later than 2 years	-	117,000
Later than 2 years but not later than 5 years	-	-
TOTAL	202,000	384,000

*** Under the terms of the Pardoo Joint Venture agreement these commitments are to be met by Red October Resources Ltd.**

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 2012 owns 100% of the issued ordinary shares of Segue (Pardoo) Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 26.

(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 three reportable segments (2011: two), the first being mineral exploration in South Africa, the second being mineral exploration in Western Australia and the third being mineral exploration in the Northern Territory. 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.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1C. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Consolidated	**Western Australia $**	**Northern Territory $**	**South Africa $**	**Total $**
30 June 2012				
Segment revenue	-	-	-	-
Unallocated items:				-
Interest revenue				39,195
Other income				-
Total revenue and other income	-	-	-	39,195
Unallocated items:				-
Unallocated revenue and other income			,	-
Provision for Investment reversed				-
Capitalised exploration expenditure written off	(3,101,112)	(19,642)	-	(3,120,754)
Corporate and other costs				(2,771,097)
Loss after tax as per the statement of comprehensive income	(3,101,112)	(19,642)	-	(5,852,656)

Consolidated	**Western Australia $**	**Northern territory $**	**Total $**
30 June 2011			
Segment revenue	-	-	-
Unallocated items:			
Interest revenue			25,030
Other income			50
Total revenue and other income			25,080
Unallocated items:			
Unallocated revenue and other income			25,080
Capitalised exploration expenditure written off			(28,156)
Corporate and other costs			(608,874)
Loss after tax as per the statement of comprehensive income			(611,950)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

20. SEGMENT REPORTING (Cont)

Consolidated	Western Australia $	Northern Territory $	South Africa $	Total $
Segment assets 30 June 2012	3,407,290	-	4,019,890	7,427,180
Unallocated items:				
Cash and cash equivalents				233,354
Other corporate assets				280,360
Total assets				7,940,894

Consolidated	Western Australia $	Northern Territory $	Total $
Segment assets 30 June 2011	6,547,734	139,648	6,687,382
Unallocated items:			
Cash and cash equivalents			356,016
Other corporate assets			68,575
Total assets			7,111,973

Consolidated	Western Australia $	Northern Territory $	Total $
Segment liabilities 30 June 2012	-	-	-
Unallocated items:			
Trade creditors and accruals			329,349
Total liabilities			329,349

Consolidated	Western Australia $	Northern Territory $	Total $
Segment liabilities 30 June 2011	-	-	-
Unallocated items:			
Trade creditors and accruals			111,424
Total liabilities			111,424

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:

	2012 $	2011 $
Convertible Note	33,333	-
Trade receivables	221,019	38,676
Cash and cash equivalents	233,354	356,016
	487,706	394,692

Guarantees

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 are neither past due nor impaired.

21. FINANCIAL RISK MANAGEMENT (Cont)

(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 2012 reporting date were trade payables incurred in the normal course of the business.

Maturities of financial assets

Group	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount assets
	$	$	$	$	$	$	$
As at 30 June 2012							
Non-interest bearing	249,352	-	-	5,000		254,352	254,352
	249,352	-	-	5,000		254,352	254,352
As at 30 June 2011							
Non-interest bearing	33,676			5,000		38,676	38,676
	33,676			5,000		38,676	38,676

The table below analyses the Group's financial assets, excluding cash and cash equivalents, 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.

21. FINANCIAL RISK MANAGEMENT (Cont)

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 assets
	$	$	$	$	$	$	$
As at 30 June 2012							
Non-interest bearing	329,349	-	-	-	-	329,349	329,349
	329,349	-	-	-	-	329,349	329,349
As at 30 June 2011							
Non-interest bearing	111,424					111,424	111,424
	111,424					111,424	111,424

(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 exposed to foreign exchange risk through its operations in South Africa. However, the financial instruments are helf by the parent entity in Australia. Hence the foreign currency risk exposure at the reporting date is minimal.

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.

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

30 June 2012 Consolidated	Note	Weighted average interest rate	1 year or less $	2-5 years $	Total $
Financial assets					
Cash and cash equivalents	4	2.8%	233,354	-	233,354

21. FINANCIAL RISK MANAGEMENT (Cont)

30 June 2011 Consolidated	Note	Weighted average interest rate	1 year or less $	2-5 years $	Total $
Financial assets					
Cash and cash equivalents	4	4.9%	356,016	-	356,016

		Profit or loss		Equity	
Consolidated - 30 June 2012	**Carrying Value at year end**	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
Cash and cash equivalents	233,354	2,334	-2,334	2,334	-2,334
Trade and other receivables	221,019	-	-	-	-
Held-for-sale financial assets	33,333	333	-333	333	-333
Cash flow sensitivity (net)		2,667	-2,667	2,667	-2,667

		Profit or loss		Equity	
Consolidated - 30 June 2011	**Carrying Value at year end**	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
Cash and cash equivalents	356,016	3,560	-3,560	3,560	-3,560
Trade and other receivables	38,676	-	-	-	-
Cash flow sensitivity (net)		3,560	-3,560	3,560	-3,560

(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	**2012 $**		**2011 $**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Trade and other receivables	221,019	221,019	38,676	38,676
Cash and cash equivalents	233,354	233,354	356,016	356,016
Available-for-sale financial assets	33,333	33,333	-	-
Trade and other payables	(329,349)	(329,349)	(111,424)	(111,424)
	158,357	158,357	283,268	283,268

(e) Other Price Risk

The Group has no significant concentrations of price risk.

21. FINANCIAL RISK MANAGEMENT (Cont)

(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

Mr Ian Benning	Non-Executive Chairman
Mr Steven Michael	Managing Director (appointed 6 July 2011)
Mr Nicholas Ong	Non-Executive Director
Dr Eric Lilford	Non-Executive Chairman (resigned 22 February 2012)
Mr Robert van Zyl	Executive Director (appointed 22 February 2012)

(b) Key management personnel compensation

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

	2012	2011
	$	$
Short-term employee benefits	412,467	94,630
Post employment benefits	-	7,093
Equity compensation benefits	1,027,880	-
	1,440,347	101,722

(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.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont)

(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:

2012	Balance 1 July 2011	Granted as Remuner-ation	Options Exercised	Balance 30 June 2012	Options Vested but not Exercisable	Options Vested and Exercisable
Directors						
S Michael	-	11,800,000	-	11,800,000	-	11,800,000
I Benning	-	-	-	-	-	-
N Ong	-	-	-	-	-	-
E Lilford	-	-	-	-	-	-
R van Zyl	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	11,800,000	-	11,800,000	-	11,800,000

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont)

2011	Balance 1 July 2010	Granted as Remuneration	Options Exercised	Net Change Other*	Balance 30 June 2011	Options Vested but not Exercisable	Options Vested and Exercisable
Directors							
G Whiddon*	3,000,000	-	-	(3,000,000)	-	-	-
P Fry*	3,000,000	-	-	(3,000,000)	-	-	-
J Hendrich*	3,000,000	-	-	(3,000,000)	-	-	-
E Lilford	-	-	-	-	-	-	-
S Fleming	-	-	-	-	-	-	-
I Benning	-	-	-	-	-	-	-
N Ong	-	-	-	-	-	-	-
	9,000,000	-	-	(9,000,000)	-	-	-

*Directors were not in office at the end of the financial year therefore any option holdings for these directors have been removed during the period.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont)

(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

2012	Balance 1 July 2011	Granted as Remuneration[1]	Shares Acquired/Options Exercised	Net Change Other*	Balance 30 June 2012
Directors					
S Michael	1,250,000	11,800,000	1,000,000	-	14,050,000
I Benning	1,250,000	3,750,000	-	-	5,000,000
N Ong	1,250,000	1,500,000	-	-	2,750,000
E Lilford*	3,750,000	1,500,000	-	(5,250,000)	-
R van Zyl	-	3,000,000	-	-	3,000,000
M Foy	-	1,000,000	-	-	1,000,000
	7,500,000	22,550,000	1,000,000	(5,250,000)	25,800,000

1. The above shares were issued subject to certain vesting conditions. As at 30 June 2012 all shares remain unvested.

2011	Balance 1 July 2010	Granted as Remuneration	Options Exercised	Net Change Other*	Balance 30 June 2011
Directors					
G Whiddon*	25,077,904	-	-	(25,077,904)	-
P Fry*	1,333,334	-	-	(1,333,334)	-
J Hendrich*	541,667	-	-	(541,677)	-
E Lilford	-	-	-	3,750,000	3,750,000
I Benning	-	-	-	1,250,000	1,250,000
S Michael	-	-	-	1,250,000	1,250,000
N Ong	-	-	-	1,250,000	1,250,000
	26,952,905	-	-	(19,452,915)	7,500,000

*Directors were not in office at the end of the financial year therefore any share holdings for these directors have been removed during the period.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont)

(d) Related Party Loan

On 12 July 2011, an entity controlled by Mr Glenn Whiddon, the previous Executive Chairman, provided the Company with a $400,000 loan facility. The loan had a repayment date of 8 July 2012, 5% establishment fee and an interest rate of 7.5% p.a. The loan facility was repaid in full on 26 August 2011.

(e) Other Transactions with Key Management Personnel

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 $51,326 per quarter. Glenn Whiddon, a director of Hemisphere Corporate Services Pty Ltd resigned as a director of Segue Resources Ltd on 14 June 2011.

	2012	2011
Amounts recognised as expense	**$**	**$**
Office, company secretarial support, administration and rent	-	205,303
	-	205,303
Balance outstanding at year end		
Trade payables	-	56,597

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 financial year.

Date	Shareholder	Expense	Shares	Options	$
24 August 2011	Breamline Investments Ltd	Consultants Expense	7,500,000		267,750
6 September 2011	M Foy	Consultants Expense	1,000,000[1]		30,000
6 September 2011	B Tarrant	Consultants Expense	1,250,000[1]		37,500
6 September 2011	D Smith	Consultants Expense	1,000,000[1]		30,000
9 November 2011	S Michael	Directors Fees	11,800,000[1]		472,000
9 November 2011	I Benning	Directors Fees	3,750,000[1]		150,000
9 November 2011	E Lilford	Directors Fees	1,500,000[1]		60,000
9 November 2011	N Ong	Directors Fees	1,500,000[1]		60,000
9 November 2011	S Michael	Directors Benefits		11,800,000	195,880
31 May 2012	R van Zyl	Directors Fees	3,000,000[1]		60,000
31 May 2012	N Rhodes	Consultants Expense	2,000,000[1]		40,000
					1,403,130

1. The above shares were issued subject to certain vesting conditions. As at 30 June 2012 all shares remain unvested.

During the year ended 30 June 2012 11,800,000 options exercisable at $0.051 on or before 8 November 2014 were issued over ordinary shares. Balance from 2011 is nil.

23. SHARE BASED PAYMENTS (Cont)

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

Expiry Date	2012 No.	2011 No.
Outstanding at the beginning of the year	10,400,000	10,400,000
Granted during the year	11,800,000	-
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	(10,400,000)	-
Outstanding at the end of the year	-	10,400,000
Exercisable at the end of the year	11,800,000	10,400,000
The weighted average contractual life for the share options outstanding at 30 June	2.35 years	0.42 years

24. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2012 $	2011 $
Cash flows from operating activities		
Loss for the year	(5,852,656)	(611,950)
Non-cash flows in loss:		
Depreciation	3,891	6,799
Loss on sale of non-current asset	-	5,611
Share based remuneration	1,403,130	-
Impairment of exploration assets	3,120,754	28,156
Changes in assets and liabilities		
Increase/(decrease) in trade creditors and accrual	35,149	(11,683)
Decrease/(increase) in trade receivables	(36,904)	-
Net cash from operating activities	(1,326,636)	(583,067)
Non-cash investing and financing activities		
Acquisition of exploration assets via share issue	-	-

There were no non-cash investing and financing activities in the 2012 financial year.

	2012 $	2011 $
Cash balances not available for use		
Credit cards	(4,059)	(18)

25. PARENT INFORMATION

	Note	2012 $	2011 $
ASSETS			
Current Assets		298,076	370,355
Non-Current Assets		7,578,318	4,806,547
TOTAL ASSETS		**7,876,394**	**5,176,901**
LIABILITIES			
Current liabilities		264,849	111,424
Total Non-current Liabilities		-	-
TOTAL LIABILITIES		**264,849**	**111,424**
EQUITY			
Issued Capital		18,500,731	11,882,818
Reserves		714,277	518,397
Accumulated losses		(11,603,463)	(7,335,738)
TOTAL EQUITY		**7,611,545**	**5,065,477**
Profit/loss for the year		(4,267,725)	(598,565)
Other comprehensive income/(loss) for the year		-	(150)
Total comprehensive income/loss for the year		**(4,267,725)**	**(598,715)**

Parent entity capital commitments

During the 2012 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.

26. CONTROLLED ENTITIES

The consolidated entity has the following investment in subsidiaries:

	Class	Country of Incorporation	Investment 2012 %	Investment 2011 %
Parent Entity				
Segue Resources Limited	Ord	Australia		
Controlled Entity				
Segue (Pardoo) Limited	Ord	Australia	100%	100%
Edurus Resources SA	Ord	South Africa	100%	-

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

1. The consolidated financial statements and accompanying notes are in accordance with the Corporations Act 2001, including:
    a. giving a true and fair view of the Consolidated Entity's financial position at 30 June 2012 and of their performance for the year ended on that date: and
    b. complying with Accounting Standards and Corporations Regulations 2001; and
2. 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
3. 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 2012.
4. 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

Steven Michael

Managing Director

Perth, 28 September 2012

Deloitte.

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Independent Auditor's Report to the members 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 2012, 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 35 to 70.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply 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.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Segue Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

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 2012 and its performance for the year ended on that date; and

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

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

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 1B to the financial report which indicates that the Consolidated Entity has incurred a net loss of $5,852,656 and experienced net cash outflows from operating and investing activities of $5,533,434 for the year ended 30 June 2012. These conditions, along with other matters set forth in Note 1B, indicate the existence of a material uncertainty which may cast significant doubt about the Company's and the Consolidated Entity's ability to continue as going concerns and therefore, the Company and the Consolidated Entity may be unable to realise their assets and extinguish their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 20 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith

Neil Smith
Partner
Chartered Accountants
Perth, 29 September 2012

ADDITIONAL INFORMATION

Shareholders Information

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

Information as at 26 September 2012

1. Shares on Issue

Total number of issued fully paid ordinary shares was 536,348,756.

2. Distribution of Holders

	Number of Holders Shares	Percentage of Issued Capital
1 - 1,000	41	0.00%
1,001 - 5,000	29	0.02%
5,001 - 10,000	10	0.01%
10,001 - 100,000	282	2.18%
> 100,000	416	97.89%
Total	**778**	**100.00%**

3. Unmarketable Parcels

The number of holders of less than a marketable parcel of fully paid shares is 255.

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

Name	Number of Shares Held	Percentage Held
Nigel Tarratt Pty Ltd	47,233,899	8.81%
MIMO Strategies Pty Ltd	33,750,944	6.29%

5. Top 20 Shareholders

Rank	Name	Units	%
1	HSBC Custody Nominees (Australia) Limited - A/C 2	50,975,586	9.50
2	Niglel Tarratt Pty Ltd[1]	42,233,899	7.87
3	MIMO Strategies Pty Ltd[2]	28,550,944	5.32
4	Breamline Investments Limited	24,750,000	4.61
5	Kobia Holdings Pty Ltd	16,000,001	2.98
6	Kingslane Pty Ltd	14,900,000	2.78
7	National Nominees Limited	14,698,362	2.74
8	Laureen Michael	13,050,000	2.43
9	Mr Mark John Bahen + Mrs Margaret Patricia Bahen	9,250,000	1.72

Rank	Name	Units	%
10	Blu Bone Pty Ltd	6,500,000	1.21
11	Blu Bone Pty Ltd – The Share Trading Account	6,145,089	1.15
12	J P Morgan Nominees Australia Limited	6,113,000	1.14
13	Fiske Nominees Ltd	5,053,966	0.94
14	6466 Investments Pty Ltd[2]	5,000,000	0.93
15	Nigel Tarratt Pty Ltd[1]	5,000,000	0.93
16	Solequest Pty Ltd	4,800,000	0.89
17	Vogue Overseas SA	4,406,250	0.82
18	Mr Matthew Joel Norton + Mrs Roselynn Fay Norton	4,210,889	0.79
19	Mattinc Ventures Pty Limited	4,084,714	0.76
20	Citygate Securities Limited	4,000,000	0.75
Totals: Top 20 holders of SEG ORDINARY FULLY PAID		**269,722,700**	**50.29**
Total Remaining Holders Balance		**266,626,056**	**49.71**
Total Holders Balance		**536,348,756**	**100.00**

1. Related entities for Substantial Shareholder reporting purposes.
2. Related entities for Substantial Shareholder reporting purposes.

6. Restricted Securities

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

7. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

There are no voting rights attached to any class of options that is on issue.

8. On-market Buy-Back

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

9. Company Secretary

The name of the Company Secretary is Matthew Foy

ADDITIONAL INFORMATION

10. Registered Address

The address of the principal registered office is:

Level 8

225 St Georges Terrace

Perth WA 6000

Telephone (08) 9486 4699

11. Registers

The register of securities are held at the following address:

Advance Share Registry

150 Stirling Highway

Nedlands WA 6009

12. Unquoted Securities

As at 26 September 2012 the following options over unissued shares were on issue:

- 11,800,000 options exercisable at 5.1 cents on or before 8 November 2014

13. Unquoted Equity Security Holders with Greater than 20% of an Individual Class

As at 26 September 2012 the following class of unquoted securities had holders with greater than 20% of the class on issue.

Unquoted Options exercisable at $0.051 on or before 8 November 2014

Percentage Held %	Name	Number of Securities held
100%	Laureen Michael	11,800,000

14. Tenement Schedule

Project	Manager	Tenement No.	Interest
Pardoo	Segue Resources	EL45/1866	100%
Pardoo	Segue Resources	EL 45/1866	100%
Pardoo	Segue Resources	EL 45/2146	100%
Pardoo	Segue Resources	PL 45/2572	100%