

**SEGUE RESOURCES LIMITED ("SEGUE")**  
**BONARC PTY LTD ("BONARC")**  
**CREDIT FACILITY AND CONVERTIBLE NOTE AGREEMENT**  
**MATERIAL TERMS**

Pursuant to the terms of a Credit Facility and Convertible Note Deed ("Deed") dated 16 August 2005 between Segue and Bonarc, Bonarc has agreed to provide a standby credit facility of up to \$500,000 ("Facility") to the Company to fund the ongoing exploration and development of Segue's assets and the evaluation, assessment and possible procurement of additional assets.

Segue has the right to drawdown the Facility until 31 December 2007 or as otherwise extended as agreed in writing between the parties.

For each advance made by Bonarc to Segue, Bonarc will be issued with options and a convertible note that may either be repaid or converted into equity at a later stage. The details of the issue of these options and convertible notes are provided below:

**Options**

- Bonarc will be entitled to 400,000 options for every \$100,000 advanced under the Facility.
- The options will be exercisable at \$0.25 with an expiry date of 30 June 2010 (see Attachment I for option terms and conditions).
- Accordingly, if the total Facility amount of \$500,000 is advanced, Segue will issue 2,000,000 options to Bonarc. If Bonarc elects to exercise these options before 30 June 2010, 2,000,000 Shares will be issued which will generate \$500,000 of cash for Segue.
- Segue has no obligation to pay interest to Bonarc on the balance of all advances made to Segue nor grant any options unless the Facility is drawn.
- The granting of the options will be subject to any shareholder approval required or other requirements under the Listing Rules.
- Bonarc is not required to make any advance to Segue unless certain conditions subsequent are met - most notably Segue not being in default under the Deed and any shareholder approvals required under the Listing Rules or the Corporations Act.

### Convertible Notes

- Segue must issue a convertible note to Bonarc in consideration for all advances of the Facility made.
- All advances under the Facility shall be repaid by Segue, if not converted into equity, on 31 December 2007.
- Segue may repay all advances at any time prior to this date provided Bonarc has elected not to convert the outstanding Facility balance into shares.
- Bonarc may elect to convert the whole or part of all advances made to Segue into Shares at \$0.40 per Share.
- Bonarc may convert the outstanding Facility balance to Shares at any time up to and including 31 December 2007.
- Accordingly, if the total Facility amount of \$500,000 is advanced and converted into shares, a total of 1,250,000 shares will be issued to Bonarc.
- If the outstanding amount to be converted into shares exceeds the 15% capacity of Segue pursuant to Listing Rule 7.1, shareholder approval will be sought for the issue of the shares.

### Representations & Warranties

- The Deed contains standard representations and warranties from Segue as well as positive and negative covenants in favour of Bonarc binding for the term of the Agreement.
- Bonarc may assign its interest under the Deed to a third party at any time during the term of the Deed provided that the assignee agrees to be bound by the obligations set out in the Deed.
- If a default event occurs Bonarc may either demand repayment of all outstanding monies at that time or convert the outstanding amount into shares.

**Attachment I****Option Terms**

1. No monies will be payable for the issue of the Options.
2. A certificate will be issued for the Options.
3. The Options expire at 5pm on 30 June 2010 ("Expiry Date").
4. The Option is a right in favour of the option holder to subscribe for one fully paid ordinary share in the capital of the Company ("Share"). The Company shall not apply to have the options listed for Official Quotation.
5. The option holder may exercise Options any time prior to the Expiry Date.
6. Shares allotted to option holders on exercise of Options shall be issued at 25 cents each ("Exercise Price").
7. The Exercise Price of Shares the subject of the Options shall be payable in full on exercise of the Options.
8. Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to:
  - (a) exercise all or a specified number of Options; and
  - (b) pay the subscription monies in full for the exercise of each Option.
9. The notice must be accompanied by the option certificate and a cheque made payable to the Company for the subscription monies for the Shares. An exercise of only some Options shall not affect the rights of the option holder to the balance of the Options held by the option holder.
10. The Company shall allot the resultant Shares and deliver the holding statement within ten business days of the exercise of the Option.
11. Subject to any restrictions on transfer agreed between the Company and the option holder, the Options shall be freely transferable.
12. Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing ordinary fully paid Shares of the Company in all respects.
13. If the Company is admitted to the Official List of ASX, the Company shall in accordance with the ASX Listing Rules make application to have Shares allotted pursuant to an exercise of options listed for Official Quotation.
14. In the event of any re-organisation of the issued capital of the Company (including consolidation, subdivisions, reduction or return), the rights of an option holder will be changed to the extent necessary to comply with the ASX listing rules applying to a re-organisation of capital at the time of the re-

organisation (regardless of whether or not the Company is admitted to the Official List of the ASX).

15. The Options will not give any right to participate in dividends, bonus issues or entitlement issues until Shares are allotted pursuant to the exercise of the relevant Options. The option holder will be afforded the period of ten business days prior to and inclusive of the record date (to determine entitlements to the issues to exercise the Options). There is no right to change the exercise price of Options nor the number of underlying Shares over which the Options can be exercised, if the Company completes a bonus or entitlements issue.