

SEGUE
RESOURCES LTD

ABN 49 112 609 846

**Half-Year Financial Report
31 December 2010**

Corporate Directory

Directors

Glenn Whiddon	Executive Chairman
Paul Fry	Non-executive Director
Jurgen Hendrich	Non-executive Director (resigned 13/07/2010)
Simon Fleming	Executive Director (appointed 13/07/2010, resigned 30/11/2010)
Dr Eric Lilford	Non-executive Director (appointed 24/08/2010)

Company Secretary

Neville Bassett

Registered Office

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

Auditors

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

Bankers

National Australia Bank
226 Main Street
Osborne Park WA 6017

Share Registry

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

Stock Exchange Listing

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

ASX Code: SEG
SEGO

SEGUE RESOURCES LIMITED

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SEGUE RESOURCES LIMITED

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2010.

DIRECTORS

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

Glenn Whiddon	Executive Chairman
Paul Fry	Non-executive Director
Jurgen Hendrich	Non-executive Director (resigned 13/07/10)
Simon Fleming	Executive Director (appointed 13/07/10, resigned 30/11/10)
Dr Eric Lilford	Non-executive Director (appointed 24/08/10)

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 half-year ended 31 December 2010 was \$276,894 (31 December 2009 \$545,668). The net loss included the following items:

- Consulting fees of \$66,095.
- Director's fees of \$52,097.

Overview & Highlights

During the half-year ended 31 December 2010 (**Period**), the Company continued to focus its exploration activities at its Pardoo Magnetite Iron Project, located in the Pilbara region of Western Australia, approximately 100km east of Port Hedland.

The Pardoo Magnetite Iron Project offers the Company an opportunity to leverage off the buoyant iron ore market with a project that is close to infrastructure being less than 15km from the coast and a rail spur that is less than 10km south of the Project. The Project is located approximately 15km north of the BHP-Goldsworthy Iron Ore Mine which produced 157Mt of DSO over the period 1966 to 1982 (**Figure 1**).

During the Period the Company conducted a drilling program and entered into a non-binding Memorandum of Intent (**MOI**) with a Korean consortium lead by Korea Resources Corporation (**KORES**) to review the Company's Pardoo Magnetite Iron Project to assess the merits of an exploration joint venture (**Iron Ore JV**).

The Company also explored the nickel-copper potential of the Project via a farm-in and joint venture agreement (**Mithril JV**) with Mithril Resources Limited ("Mithril"). Mithril subsequently withdrew from the Mithril JV, on 7 January 2011, to focus on their other 100% owned exploration projects. As a consequence of Mithril's withdrawal from the Mithril JV, Segue formed a subsidiary called Red October Resources Ltd (Red October) that, subject to a successful ASX listing, will farm-in to the nickel and non-iron ore mineral rights at the Company's Pardoo Project (**Farmin**).

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Potential exists on the Pardoo tenements to expand the size and grade of the existing nickel-copper Mineral Resource. The Project hosts the Highway Deposit which, as advised by Mithril in an ASX release on 2 August 2010, contains an estimated Inferred Mineral Resource of 50 million tonnes, grading 0.3% nickel, 0.13% copper and 0.03% cobalt (in accordance with JORC guidelines – details of the Competent Person's Statement relating to the mineral resource are contained in the Mithril ASX Announcement dated 2 August 2010).

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

During the Period the Company also continued to evaluate new opportunities for investment in, or acquisition of, mineral resource projects to enhance shareholder value. The Company's intent is to position itself as a diversified minerals explorer.

The Company also undertook a capital raising of \$1.39M (before costs) which included a fully underwritten non-renounceable Rights Issue to raise approximately \$914,120 and a placement to raise the sum of \$476,932. Both of these new issues offered shares at a price of 1.8 cents per share resulting in a combined total of 77,280,645 new shares.

Pardoo Iron Project (SEG 100%) – Exploration Activity, Assay & DTR Results

During the Period Segue conducted an auger sampling campaign on detrital iron mineralisation at the Highway Prospect. The sampling was designed to collect a systematic suite of samples to better understand the distribution of iron and potential deleterious elements in the area. Assay results from this sampling showed that, whilst iron grades are elevated and sulphur and phosphorus grades are low, silica and aluminium levels appear to be too high to warrant further work at this stage.

A diamond drilling campaign on the Supply Well magnetite deposit was also conducted. The diamond drilling program was designed to obtain fresh metallurgical samples of magnetite and detrital mineralisation whilst enhancing the Company's geological understanding of the project.

Preliminary Davis Tube Recovery (**DTR**) results were received from core samples taken from a historical diamond drill hole (DD90SW009), completed by CRAE in 1990, at Supply Well. The CRAE drill hole intersected **257m @ 30% Fe** from 98m depth. The DTR test work on the partially weathered drill core was completed to determine the optimum grind size and final concentrate specifications of the magnetite mineralisation. The results show that the material between 120m and 176m is characterised by an average recovered iron grade of **68.1% Fe** and low sulphur content (average 0.06% S). The results also indicate generally low impurities throughout.

The DTR test work confirmed the potential of producing a marketable concentrate with minimal contaminants at a grind of 80% passing 25 microns (please refer to the Company's ASX release on 13 August 2010 for the full set of DTR results).

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The Company subsequently advised, on 26 October 2010, that it had halted the Pardoo drilling campaign because mineralisation at the Supply Well magnetite deposit was intersected at greater depth than expected. Initial drilling at the shallower Highway deposit was suspended until DTR testing was completed on recently located historical drill core from Mithril drill hole DD08 – HW004.

On 12 January 2011, the Company advised that it had received XRF derived assay results from existing Mithril Resources Ltd (**Mithril**) 2008 diamond drill-hole DD08-HW004 and from the recently completed drilling program at the Pardoo Magnetite Project.

The Pardoo Magnetite Project is divided into two areas referred to as '**Highway**' and '**Supply Well**' (See Figure 1). The assay results were obtained from half core samples cut from the NQ diameter diamond core and from reverse circulation (RC) chip samples. Down-hole sample length was typically one metre for both holes.

Highway hole DD08-HW004 (Mithril 2008) & recent Segue hole RC10-HW001 (2010).

Segue's assay results from diamond drill hole DD08-HW004 at Highway reported an intersection of 120m @ 28.7% Fe from 30.3 metres depth and ending in mineralisation. In addition, Segue RC drill-hole RC10-HW001 showed an intercept of 21m @ 33.7% Fe from 33 metres depth. Drill-hole RC10-HW001 also ended in mineralisation and was abandoned due to drilling difficulties. The mineralisation in both drill-holes was made up of coarse grained magnetite in a gabbroic host. Both intersections reported low levels of deleterious elements.

Supply Well hole DD10-SW001 (2010).

Segue diamond drilling at the Supply Well prospect during late 2010 intersected two different styles of mineralisation. Two short intersections were reported in massive, hematite rich material closely associated with banded iron formations (BIF) and a larger intersection is reported from a section of coarse grained magnetite mineralisation, hosted by a sheared mafic unit (probably sheared gabbro). Notable intercepts included;

- **3m @ 61.2% Fe from 105m** **Massive hematite mineralisation**
- **3m @ 65.3% Fe from 162m** **Massive hematite mineralisation**
- **22m @ 37.9% Fe from 215m** **Coarse grained magnetite in mafic unit**

The full assay results from all three drill holes are detailed in the Company's 12 January 2011 ASX release.

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Figure 1: Segue Pardoo Project: Location Map



These assay results encouraged the Company to submit an extensive suite of samples, of the magnetite rich material from the recent drilling and historical core, for DTR testing.

The recent drilling program, assay results and DTR results have significantly extended the Company's structural and lithological knowledge of the iron mineralisation at Highway & Supply Well ahead of a planned field visit by KORES to review the Pardoo Magnetite Project and assess the merits of an iron ore exploration joint venture (**Iron Ore JV**) with Segue. In light of these encouraging results Segue is reviewing its ongoing exploration plan for the Pardoo Magnetite Project in consultation with KORES and the parties to the MOI.

Segue Signs MOI with KORES Lead Korean Consortium

On 30 November 2010, Segue advised that it had entered into a non-binding Memorandum of Intent (**MOI**) with a Korean consortium lead by Korea Resources Corporation (**KORES**). This MOI allows the Korean consortium to review the Company's Pardoo Magnetite Iron Project so that the merits of an Iron Ore JV can be assessed.

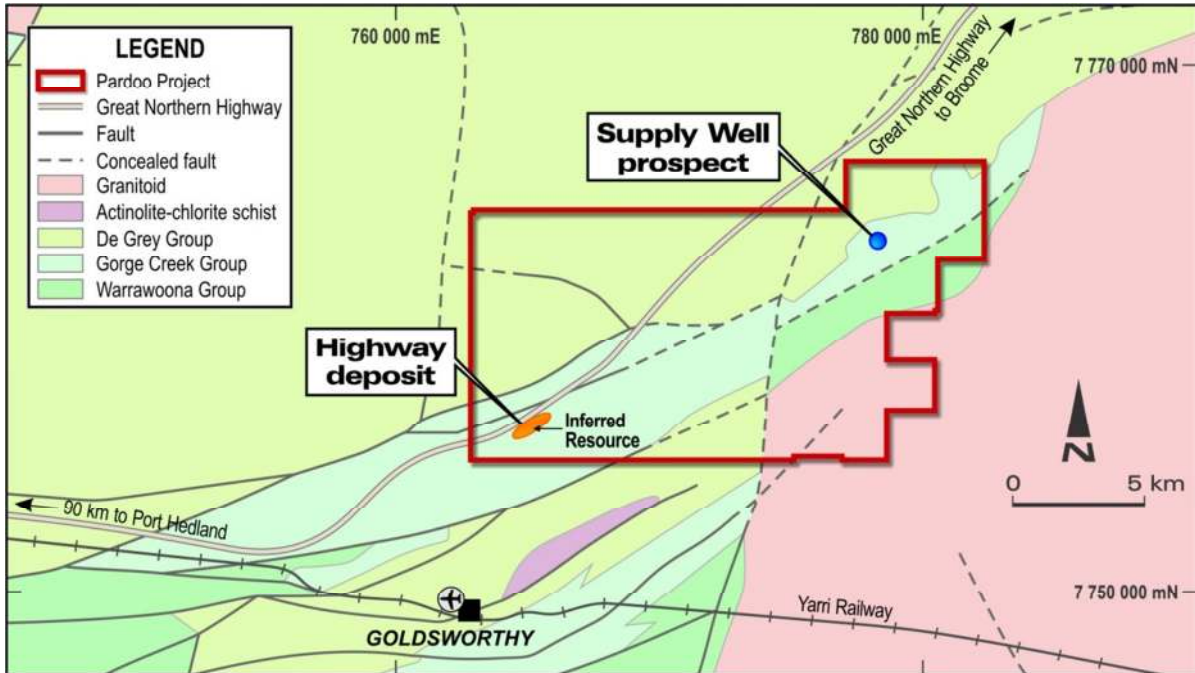
Segue Executive Chairman Glenn Whiddon said ".....the signing of this MOI with KORES and the Korean consortium represents an excellent opportunity to rapidly advance the iron ore exploration program at Pardoo. We look forward to working closely with KORES over the coming months and hopefully then into the future."

Pardoo Nickel Project – Exploration Activity

The Company also explored the nickel-copper potential of the Project via the Mithril JV.

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Figure 2: Geological setting of the Pardoo Project



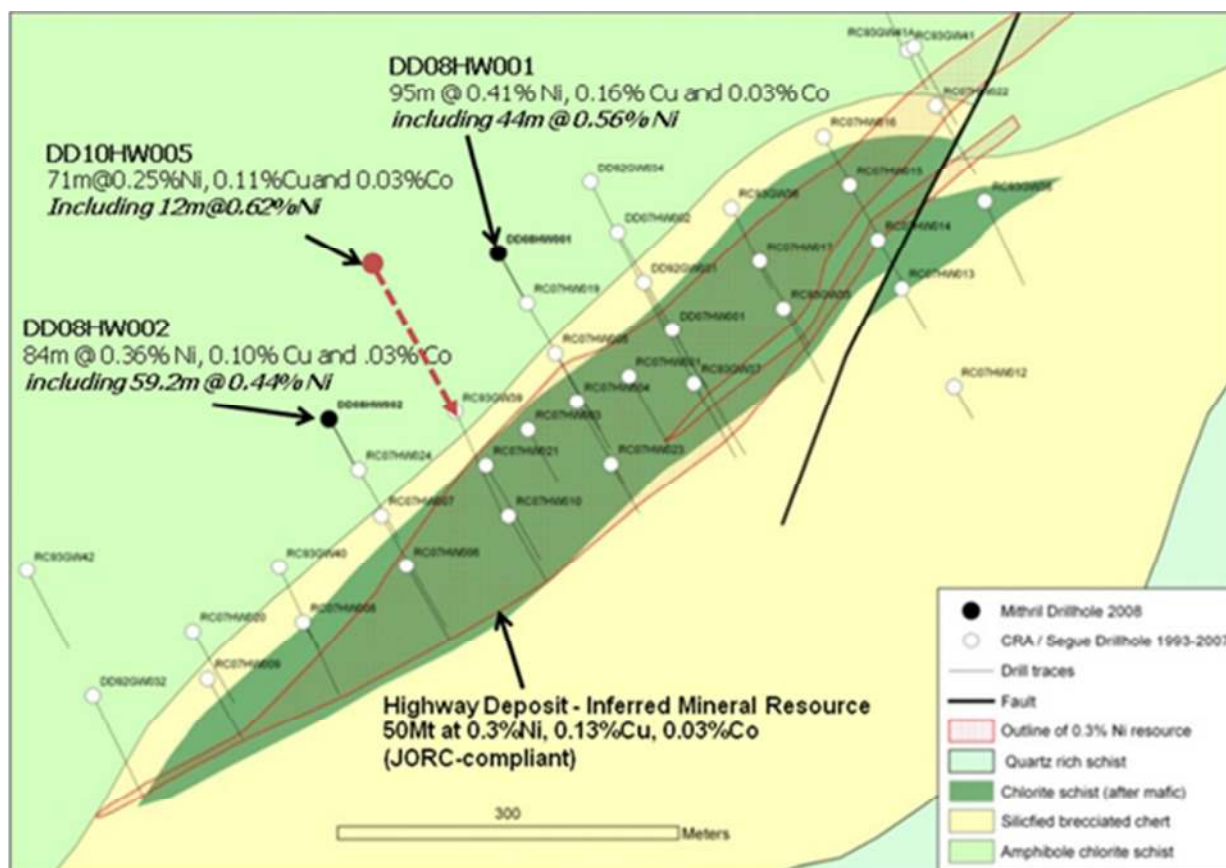
A single diamond drill hole designed to test nickel, copper and cobalt mineralisation beneath the existing Highway Deposit at a depth of approximately 300m vertically was completed by Mithril during the period on the Pardoo Nickel Project. DD10HW005 intersected a 71m wide zone of nickel, copper and cobalt mineralisation from 329m downhole depth that grades 0.25%Ni, 0.11%Cu and 0.02% Co including 12m @ 0.62%Ni, 0.21%Cu and 0.04%Co from 353m (Table 1, Figure 3).

Table 1: Assay Results from DD10HW005

Hole ID	Easting GDAz50	Northing GDAz50	From (m)	To (m)	Interval (m)	Nickel (%)	Copper (%)	Cobalt (%)
DD10HW005	764454	7756231	329m	400m	71m	0.25	0.11	0.02
including			353m	368m	12m	0.62	0.21	0.04

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Figure 3: Drilling at Highway showing the location of the latest drill hole.



Mithril subsequently withdrew from the Mithril JV, on 7 January 2011, to focus on their other 100% owned exploration projects. As a consequence of Mithril's withdrawal from the Mithril JV Segue formed Red October Resources Ltd to, subject to a successful ASX listing, farm-in to the nickel and non-iron ore mineral rights at the Company's Pardoo Project (**Farmin**).

Segue to Spin-Out Pardoo Nickel Rights To Advance Project Exploration

The Farmin between Segue and Red October is conditional upon the successful ASX IPO of Red October and allows Red October to earn, in 3 stages, up to an initial 70% of the nickel and non-iron ore mineral rights at the Pardoo project for expenditure of at least \$10 million over 5 years (the terms of the Farmin are contained in the Company's 10 January 2011 ASX release).

Red October also entered into an agreement with Mr Ross Smith who agreed to be appointed as the Chairman and Managing Director of Red October once Mr Smith had facilitated the raising of at least \$650,000 in seed capital for Red October.

Mr Smith brings over 15 years of successful capital raising and ASX listed company management experience to Red October. A brief outline of Mr Smith's experience and achievements is contained in the Company's 10 January 2011 ASX release.

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This new funding option for the project become possible as a result of Mithril withdrawing from the Mithril JV, as notified to ASX on 7 January 2011.

Mithril did not meet the minimum annual expenditure requirement for 2010 under the Joint Venture due to their priority commitments at other 100% owned projects. Mithril intends to focus on these other projects during 2011 and Mithril has withdrawn from the Joint Venture to allow Segue to advance plans to fund the nickel and non-iron exploration at the Project.

The Pardoo tenements contain magmatic and shear-hosted nickel, copper and platinum group elements (PGEs).

Mithril advised, in an ASX release on 2 August 2010, that it has estimated an Inferred Mineral Resource of 50 million tonnes, grading 0.3% nickel, 0.13% copper and 0.03% cobalt (in accordance with JORC guidelines – details of the Competent Person's Statement relating to the mineral resource are contained in the Mithril ASX Announcement dated 2 August 2010).

On 21 February 2011 the Company advised that Red October had completed a seed capital raising of \$660,000 and that as a consequence Mr Ross Smith had been appointed as Executive Chairman & Managing Director of Red October. On the same day the Company also advised that Mr Ross Nairn had been appointed as Executive Director (Operations) & Dr Saliba Sassine appointed as a Non-Executive Director of Red October.

Red October lodged its IPO Prospectus with ASIC on 4 March 2011. Red October will seek to raise approximately \$3.5 million via the issue of 17,500,000 ordinary shares at 20 cents per share.

Davis Tube Recovery Results

On 14 March 2011 Segue announced it had received Davis Tube Recovery (**DTR**) results from the drilling programs completed in 2008 and 2010 at the Highway and Supply Well areas of Segue's Pardoo Project. The DTR testing was conducted on two diamond drill holes (DD08HW004 and DD10SW001) and one reverse circulation drill hole (RC10HW001). Two of the holes were from Highway and one from Supply Well.

ALS Laboratory Group (ALS) conducted 35 DTR tests on five metre composite samples of magnetic gabbro obtained from two diamond drill holes and one reverse circulation hole.

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The test results were analysed resulting in the following conclusions:

- Concentrate mass recovery from the gabbro was generally low, averaging 14% for the samples as a whole with a range from 1% to 38%. The majority of the recovery results lie between 10% to 20%;
- Concentrate mass recovery is poorer in near surface iron enriched zones where magnetite has been oxidised by the enrichment process;
- Below the enriched zone, mass recovery is positively correlated with the sample head grade; and
- The concentrate grade is influenced by the magmatic origins of the gabbro. The average concentrate grade is 66.0 %Fe, 2.84 %SiO₂, 0.32 % Al₂O₃, 0.0037 %P, 0.58 %MgO, 2.85 %TiO₂, 0.33 %V, 0.34 %S and -2.22 %LOI.

Board Changes

During the half year, Mr Jurgen Hendrich resigned and Simon Fleming withdrew his nomination for re-election to the board prior to the AGM and so resigned as a director of Segue on 30 November 2011. Dr Eric Lilford was appointed as a non-executive Director.

Capital Raising

On 18 August 2010, the Company advised that it has agreed to place 26,496,221 new shares at a price of 1.8 cents per share to sophisticated investors, through a private placement to raise the sum of \$476,932. This placement was part of a total equity raising package of \$1.39M (before costs) which also included a fully underwritten non-renounceable Rights Issue. The Company also completed a fully underwritten non-renounceable Rights Issue to raise approximately \$914,120 before costs ("Rights Issue"). The Rights Issue offered, to eligible shareholders, one (1) new fully paid ordinary share in the Company for every four (4) shares held on the Record Date, at an issue price of 1.8 cents per share.

The placement shares were subsequently issued on 23 August 2010.

On 24 September 2010 the Company advised that the rights issue had closed with valid applications for 17,241,459 shares and a shortfall of 33,542,965 shares. The shortfall was placed via the underwriter with the rights issue and shortfall shares (50,784,424 new SEG shares) being issued on 29 September 2010. The funds raised were used to continue exploration at the Company's Pardoo Magnetite Iron Project whilst enabling the Company to continue to fund the evaluation of new project opportunities and for general working capital.

On 1 November 2010, the Company advised that it issued 2,500,000 shares to Dr Eric Lilford (pursuant to shareholder approval received on 1 October 2010) at 1.8 cents per share. This new share issue raised \$45,000.

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Segue Tenement Schedule (28 January 2011)

Project	Manager	Tenement No.	Interest	Commencement	Expiry
Pardoo (i)	Segue Resources Ltd	E45/2146-I	100%	05/10/2004	04/10/2011
Pardoo (i)	Segue Resources Ltd	E45/1866-I	100%	09/02/2004	08/02/2013
Pardoo (i)	Segue Resources Ltd	E45/3383	100%	20/10/2009	19/10/2014
Pardoo (i)	Segue Resources Ltd	E45/3464	100%	14/04/2010	13/04/2015

The Company has been notified by the Department of Mines & Petroleum (Department) that its application for exemption from expenditure on tenement E45/3383 failed to satisfy the requirements of the Mining Act 1978. The Company has therefore received a notice of intention of forfeiture. E45/3383 is one of four contiguous tenements which make up the Pardoo Project and was added to the combined reporting group C32/2005 Highway/Supply Well on the 18/11/2010. Had the tenement been included in the combined reporting group within the reporting period, the exemption would have been granted on the basis that aggregate project expenditure had been met. The Company has provided submissions to the Department detailing why the tenement should not be forfeited and a determination by the Minister will be provided shortly.

Competent Persons Statement:

The information in this report relating to iron ore exploration and results is based on information compiled by Mr S Fleming who is a Fellow of the AusIMM. Mr Fleming acts as Exploration Manager for Segue Resources Ltd, and consents to the inclusion in this report of the information presented. He has sufficient experience relevant to the style of mineralisation/type of deposit under consideration and to the type of activity described to qualify as a competent person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

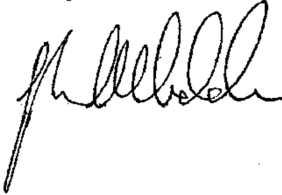
The information in this report relating to exploration results for Nickel is sourced from an ASX disclosure made by Mithril Resources Limited on 30 July 2010.

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AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Deloitte Touche Tohmatsu, which is included on page 11.

Signed in accordance with a resolution of the directors

A handwritten signature in black ink, appearing to read 'G Whiddon', written in a cursive style.

Glenn Whiddon
Chairman

Perth, 16th March 2011

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

16 March 2011

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.

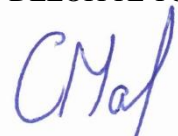
As lead audit partner for the review of the financial statements of Segue Resources Limited and its controlled entities for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Conley Manifis
Partner
Chartered Accountants

SEGUE RESOURCES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	31 December 2010 \$	31 December 2009 \$
Continuing Operations		
Other Income	13,579	5,329
Employee Benefits	(74,653)	(56,748)
Occupancy	(27,178)	(17,188)
Consultants	(66,095)	(14,374)
Corporate administration	(27,344)	(35,033)
Depreciation	(4,160)	(1,555)
Audit	(10,706)	(6,873)
Accountancy and tax	(26,178)	(17,085)
Legal	(1,255)	(20,302)
Impairment of exploration expenditure	-	(312,560)
Travel	(4,900)	(25,073)
Interest	(4)	(53)
Insurance	(7,957)	(8,231)
Loss on disposal of motor vehicle	(5,611)	-
Printing and stationery	(9,863)	(6,004)
Other expenses	(24,569)	(29,918)
Loss from continuing operations before income tax and finance costs	(276,894)	(545,668)
Finance costs	-	-
Loss before income tax	(276,894)	(545,668)
Income tax expense	-	-
Loss from continuing operations after tax	(276,894)	(545,668)
Other Comprehensive Income	-	-
Total Comprehensive Income for the Period	(276,894)	(545,668)
Earnings per share (cents per share)		
- basic; for loss for the half-year	(0.124)	(0.369)
- diluted; for loss for the half-year	(0.124)	(0.369)

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

SEGUE RESOURCES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	31 December 2010 \$	30 June 2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	867,396	168,839
Trade and other receivables		63,553	32,735
Total Current Assets		930,949	201,574
Non-Current Assets			
Exploration and evaluation		6,530,359	6,129,887
Property, plant and equipment		30,668	27,968
Deferred tax asset		-	-
Total Non-Current Assets		6,561,027	6,157,855
TOTAL ASSETS		7,491,976	6,359,429
LIABILITIES			
Current liabilities			
Trade and other payables		156,221	89,009
Total Current Liabilities		156,221	89,009
Non-Current Liabilities			
Deferred income tax liabilities		-	-
Total Non-current Liabilities		-	-
TOTAL LIABILITIES		156,221	89,009
NET ASSETS		7,335,755	6,270,420
EQUITY			
Issued Capital	7	11,882,818	10,540,589
Reserves		518,547	518,547
Accumulated losses		(5,065,610)	(4,788,716)
TOTAL EQUITY		7,335,755	6,270,420

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

SEGUE RESOURCES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	31 December 2010 \$	31 December 2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(293,058)	(275,501)
Interest received	13,519	5,216
Receipts from customers	50	-
Net cash outflow from operating activities	(279,489)	(270,285)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(39,327)	(19,379)
Receipt from disposal of property plant and equipment	28,636	-
Payment/Recoupment of exploration expenditure	(379,366)	(56,838)
Payments for acquisition of mining assets	-	(50,000)
Net cash flows from investing activities	(390,057)	(126,217)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares	1,342,229	880,354
Net proceeds from seed capital of subsidiary, yet to be issued	25,874	-
Net cash flows from financing activities	1,368,103	880,354
Net increase in cash and cash equivalents	698,557	483,852
Cash and cash equivalents at beginning of period	168,839	338,038
NET CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	867,396	821,890

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

SEGUE RESOURCES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
At 1 July 2009	9,435,235	409,671	(3,896,151)	5,948,755
Loss for the period	-	-	(545,668)	(545,668)
Total comprehensive income	9,435,235	409,671	(4,441,819)	5,403,087
Issue of Shares	1,105,354	-	-	1,105,354
Share Based payments	-	-	-	-
At 31 December 2009	<u>10,540,589</u>	<u>409,671</u>	<u>(4,441,819)</u>	<u>6,508,441</u>
At 1 July 2010	10,540,589	518,547	(4,788,716)	6,270,420
Loss for the period	-	-	(276,894)	(276,894)
Total comprehensive income	10,540,589	518,547	(5,065,610)	5,993,526
Issue of Shares	1,436,052	-	-	1,436,052
Cost of Issue of shares	(93,823)	-	-	(93,823)
At 31 December 2010	<u>11,882,818</u>	<u>518,547</u>	<u>(5,065,610)</u>	<u>7,335,755</u>

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

SEGUE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 1: CORPORATE INFORMATION

The financial report of Segue Resources Limited (“the Company”) and its controlled entities for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 16th March 2011. Segue Resources Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in note 3.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Segue Resources Limited as at 30 June 2010.

It is also recommended that the half-year financial report be considered together with any public announcements made by Segue Resources Limited and its controlled entities during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of Preparation

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirement of the Corporations Act 2001, and Australian Accounting Standard AASB 134 “Interim Financial Reporting”. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”. The half-year financial report has been prepared on a historical cost basis, except where stated.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Going Concern

The consolidated entity has incurred a net loss after taxes of \$276,894 (2009: \$545,668) and experienced net cash outflows from operations of \$279,489 (2009: \$270,285) and net cash outflows from investing activities of \$390,057 (2009: \$126,217) for the half-year ended 31 December 2010.

SEGUE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd)

(b) Going Concern (contd)

The ability of the consolidated entity to continue as a going concern is principally dependent upon the following;

- the Company raising additional capital by no later than November 2011 to fund the consolidated entity's ongoing exploration activities and working capital requirements; or
- a successful farm out or sale of some of the consolidated entity's tenements.

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

The directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of successful raising of capital to date, the Directors are confident of the Company's ability to raise additional funds as and when they are required. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the consolidated entity be unable to raise the funding referred to above, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and, therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those 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 may be necessary should the consolidated entity be unable to continue as a going concern.

SEGUE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd)

(c) New Standards and Interpretations

Changes in Accounting Policies and Disclosures

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period.

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the consolidated entity are:

- AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process;
- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions AASB 2.
- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project:
- Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.

(d) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half year ending 31 December 2010. Management are in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

SEGUE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 3: SEGMENT INFORMATION

Management has determined that the consolidated entity has two reportable segments, the first being mineral exploration in the Northern Territory and the second being mineral exploration in Western Australia. As the consolidated entity is focused on mineral exploration, the Board monitors the consolidated entity 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 consolidated entity and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

Consolidated	Western Australia	Northern Territory	Total
	\$	\$	\$
31 December 2010			
Segment revenue	-	-	-
Unallocated items:			50
Interest revenue			<u>13,529</u>
Total revenue and other income			<u>13,579</u>
Segment result	(5,612)	-	(5,612)
Unallocated items:			
Unallocated revenue and other income			13,579
Corporate and other costs			<u>(284,861)</u>
Loss after tax as per the statement of comprehensive income			<u>(276,894)</u>
Segment assets			
Exploration and Evaluation	6,482,560	47,799	6,530,359
Property Plant & Equipment	1,240	29,429	30,668
Unallocated items:			
Cash			867,396
Other corporate assets			<u>63,554</u>
Total assets			<u>7,491,977</u>

SEGUE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 3: SEGMENT INFORMATION (cont)

Consolidated	Western Australia	Northern Territory	Total
31 December 2009			
Segment revenue	-	-	-
Unallocated items:			
Interest revenue			<u>5,329</u>
Total revenue and other income			<u>5,329</u>
Segment result	-	(312,560)	(312,560)
Unallocated items:			
Unallocated revenue and other income			5,329
Corporate and other costs			<u>(238,437)</u>
Loss after tax as per the statement of comprehensive income			<u>(545,668)</u>
Segment assets	6,107,565	19,642	6,127,207
Unallocated items:			
Cash			821,890
Other corporate assets			<u>1,885,792</u>
Total assets			<u>8,834,889</u>

NOTE 4: CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of financial position as at 31 December 2010, cash and cash equivalents are comprised of the following:

	December 2010	June 2010
	\$	\$
Cash at bank and in hand	848,390	150,023
Short term deposits	19,006	18,816
Total	<u>867,396</u>	<u>168,839</u>

SEGUE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 5: COMMITMENTS AND CONTINGENCIES

The Company has been notified by the Department of Mines & Petroleum (Department) that its application for exemption from expenditure on tenement E45/3383 failed to satisfy the requirements of the Mining Act 1978. The Company has therefore received a notice of intention of forfeiture. E45/3383 is one of four contiguous tenements which make up the Pardoo Project and was added to the combined reporting group C32/2005 Highway/Supply Well on the 18/11/2010. Had the tenement been included in the combined reporting group within the reporting period, the exemption would have been granted on the basis that aggregate project expenditure had been met. The Company has provided submissions to the Department detailing why the tenement should not be forfeited and a determination by the Minister will be provided shortly.

Since the last annual reporting date, there has been no material changes to any commitments and contingencies.

NOTE 6: EVENTS AFTER THE BALANCE SHEET DATE

On 7 January 2011 Mithril withdrew from the Mithril JV to focus on their other 100% owned exploration projects. As a consequence of Mithril's withdrawal from the Mithril JV Segue formed a subsidiary called Red October that, subject to a successful ASX listing, will farm-in to the nickel and non-iron ore mineral rights at the Company's Pardoo Project.

On 21 February 2011 the Company advised that Red October had completed a seed capital raising of \$660,000 by way of issuing 6,600,000 Non-redeemable Converting Preference Shares. The Company also advised that Mr Ross Smith, Mr Ross Nairn and Dr Saliba Sassine had been appointed to the board of Red October.

Subsequent to the balance date Red October issued 10,000,000 performance shares to Mr Ross Smith and 2,000,000 options exercisable at 20 cents on or before 1 January 2013 to Mr Bevan Tarratt.

Red October lodged its IPO Prospectus with ASIC on 4 March 2011. Red October will seek to raise approximately \$3.5 million via the issue of 17,500,000 ordinary shares at 20 cents per share. The Company will offer minimum parcels of 10,000 shares to the shareholders of Segue on a priority basis up to a maximum of 2,000,000 shares who are registered shareholders of the Company as at 21 March 2011.

No other matter or circumstance has arisen since 31 December 2010 that has significantly affected, or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

SEGUE RESOURCES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

NOTE 7: CONTRIBUTED EQUITY

	December 2010	June 2010
	\$	\$
(a) Share capital		
Ordinary shares fully paid	11,882,818	10,540,589
	Company	
	Number	\$
(b) Movements in ordinary shares on issue		
At 1 July 2010	176,641,476	10,540,589
Issued on 20/08/2010 – Placement	26,496,221	476,932
Issued on 24/09/2010 – Placement	50,784,424	914,120
Issued on 31/10/2010 – Placement	2,500,000	45,000
Placement costs	-	(93,823)
	256,422,121	11,882,818
At reporting date 31/12/2010		

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 31 December 2010

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

SEGUE RESOURCES LIMITED

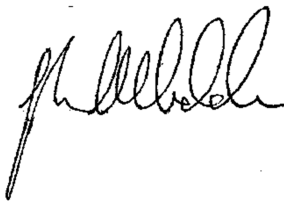
DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Segue Resources Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - i. give a true and fair view of the financial position as at the 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and
 - ii. comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable as described in note 2(b) of the financial statements.

On behalf of the Board



Glenn Whiddon
Chairman

Perth, 16th March 2011

Independent Auditor's Review Report to the Members of Segue Resources Limited

We have reviewed the accompanying half-year financial report of Segue Resources Limited, which comprises the condensed statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 23.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Segue Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Segue Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 2 in the financial report which indicates that the consolidated entity has incurred net losses of \$276,894 and experienced net cash outflows from operations of \$279,489 and net cash outflows from investing activities of \$390,057 for the half-year ended 31 December 2010. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the ordinary course of business, and at amounts that differ from those stated in the financial report.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

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Partner

Chartered Accountants

Perth, 16 March 2011