Segue Resources Ltd

ABN 49 112 609 846

Annual Financial Report
30 June 2011

CORPORATE DIRECTORY

Directors

Steven Michael	Managing Director (appointed 6 July 2011)
Ian Benning	Executive Director (appointed 14 June 2011)
Nicholas Ong	Non-executive Director (appointed 14 June 2011)
Dr Eric Lilford	Non-executive Director (appointed 24 August 2010)
Glenn Whiddon	Executive Chairman (resigned 14 June 2011)
Paul Fry	Non-executive Director (resigned 14 June 2011)
Simon Fleming	Executive Director (resigned 30 November 2010)
Jürgen Hendrich	Non-executive Director (resigned 13 July 2010)

Company Secretary

Matthew Foy (appointed 13 July 2011)
Neville Bassett (resigned 13 July 2011)

Registered Office

Level 8, 225 St Georges Terrace
Perth WA 6000
Telephone: (08) 9486 4699
Facsimile: (08) 9486 4799
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
110 Stirling Highway
Nedlands WA 6000

Stock Exchange Listing

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

ASX Code: SEG

CONTENTS

MANAGING DIRECTOR'S LETTER

Dear Shareholder,

On behalf of your Directors, I am pleased to present you with the Company's 2011 Annual Report and Financial Statements.

During the past 12 months, Segue Resources has undertaken a comprehensive review of its Pardoo Project which is located in the Pilbara region of north-west Western Australia. The Pardoo Project is thought to be highly prospective for iron ore and base metals, specifically nickel and copper.

The Company continued its work on understanding the potential saleability of the magnetite iron ore at Pardoo. A series of drill holes were completed and a large number of Davis Tube Recovery tests were undertaken to determine the quality of magnetite concentrate which may be produced. The results of the Davis Tube Recovery tests were highly encouraging, with an average concentrate grade of 66.0% Fe being produced, with low levels of silica, alumina and phosphorous. The Company plans on continuing exploration and metallurgical testwork on the Pardoo Project in the coming year.

In addition to the iron ore mineralisation at the Pardoo Project, there exists considerable potential to discover economic nickel and copper mineralisation. Segue had previously entered into a joint venture with Mithril Resources to explore for non-iron ore mineralisation at Pardoo. Mithril determined a JORC-compliant inferred resource of 50.0Mt @ 0.3% Ni & 0.13% Cu (0.1% Ni cut-off) before withdrawing from the joint venture in early 2011, to focus on its 100%-owned projects.

Segue has entered into a new joint venture with Red October Resources Ltd to farm into the non-iron ore rights at the Pardoo Project. Red October can earn up to a 70% interest in the project (in 3 stages) by spending at least $10 million over five years. Red October is currently in the first stage of the earn-in, which requires a minimum of $2 million to be spent on exploration within three years to earn a 30% interest in the project.

Subsequent to the end of the financial year, Segue announced that it had entered into an agreement to acquire up to a 51% interest in the Emang Manganese Project in the Postmasburg Manganese Field, which is one of the largest historic manganese producing areas in South Africa. Segue is currently earning a 30% interest in the project by completing an Initial Drilling Programme aimed at defining a JORC-compliant resource. Drilling is expected to be completed by late November, with a maiden resource to be compiled shortly after.

During the year, the Board of Segue Resources has gone through a considerable change, largely in part to the company's primary focus moving towards the Emang Manganese Project. I would personally like to thank Glenn Whiddon, who was a founding director of the Company in 2005 and was most recently Executive Chairman, for his contribution and efforts over the past six years.

I would like to thank all the shareholders who have supported Segue over the past year and more recently with the Company's funding for the Emang Manganese Project.

Steven Michael
Managing Director

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2011.

DIRECTORS

The names of Segue Resources Limited's (**Segue** or the **Company**) directors in 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.

Mr Steven Michael	Managing Director (appointed 6 July 2011)
Mr Ian Benning	Executive Director (appointed 14 June 2011)
Mr Nicholas Ong	Non-executive Director (appointed 14 June 2011)
Dr Eric Lilford	Non-executive Director (appointed 24 August 2010)
Mr Glenn Whiddon	Executive Chairman (resigned 14 June 2011)
Mr Paul Fry	Non-executive Director (resigned 14 June 2011)
Mr Simon Fleming	Executive Director (resigned 30 November 2010)
Mr Jürgen Hendrich	Non-executive Director (resigned 13 July 2010)

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 Bachelor of Commerce Degree and is a Member of the Institute of Chartered Accountants in Australia.

Other current directorships

Nil.

Former directorships in last 3 years

Nil.

Ian Benning – Executive Director (appointed 14 June 2011)

Mr Benning is based in Johannesburg and has 14 years experience in mine production and 16 years experience in Investment Banking, including mining finance, project development strategic management and investment advisory roles, and in private equity. Mr Benning was previously Head of Mining & Metals at ABSA Capital and more recently an Investment Advisor with African Global Capital

Mr Benning holds a B.Sc. Eng (Mining), NHD (Metalliferous Mining), MBA, and is a registered Professional Engineer

Other current directorships

Non-executive director of Noventa Limited

Former directorships in last 3 years

Nil.

Eric Lilford – Non Executive Director

Dr Lilford is currently Managing Director of ASX-listed ZYL Limited, which is developing the Kangwane coal project in South Africa. 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.

Other current directorships

Managing Director of ZYL Limited.

Former directorships in last 3 years

Non-Executive Director of Nikanor plc.

Nicholas Ong – Non-Executive Director (appointed 14 June 2011)

Mr Ong was a Principal Adviser at the ASX in Perth and brings seven (7) 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 on to the official list of the ASX.

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

Other current directorships

Non-Executive Director of Excelsior Gold Limited and AAQ Holdings Limited.

Former directorships in last 3 years

Nil.

Glenn Whiddon – Executive Chairman (resigned 14 June 2011)

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

Other current directorships

Chairman of Statesman Resources Limited and Non Executive Chairman of Rialto Energy Ltd.

Former directorships in last 3 years

UMC Energy plc (resigned December 2008), Stream Oil and Gas Limited (resigned February 2009), Ferrum Crescent Limited (resigned March 2010), North River Resources plc (resigned 23 November 2009) and Non-Executive Director of Excelsior Gold Limited (resigned 24 May 2011).

Paul Fry – Non-Executive Director (resigned 14 June 2011)

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

Other current directorships

Chairman of Kairiki Energy Limited.

Former directorships in last 3 years

Nil.

Simon Fleming – Executive Director (appointed 13 July 2010, resigned 30 November 2010)

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

Other current directorships

Nil.

Former directorships in last 3 years

Executive Director of Stonehenge Metals Limited (resigned 24 June 2011).

Jürgen Hendrich – Non-Executive Director Non-executive Director (resigned 13 July 2010)

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

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

Other current directorships

Managing Director of MEO Australia Limited.

Former directorships in last 3 years

Nil.

Matthew Foy – Company Secretary (appointed 13 July 2011)

Mr Foy was a Senior Adviser at the ASX and has four (4) 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.

Neville John Bassett – Company Secretary (resigned 13 July 2011)

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

AUDITOR

Mr Conley Manifis is the signing partner for Segue Resources Limited. Mr Manifis is a partner of Deloitte Touche Tohmatsu who 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.

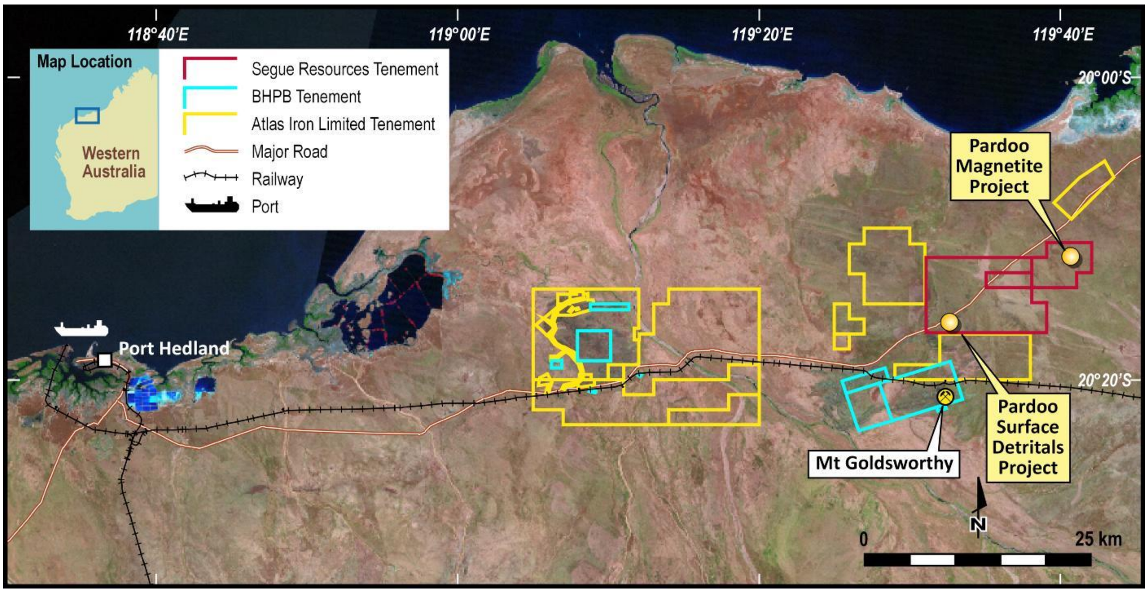
There were no significant changes in the nature of the Company's principal activities during the year.

OVERVIEW

During the year ended 30 June 2011, the Company focused its exploration activities at its Pardoo Iron Ore Project, located in the Pilbara region of Western Australia, approximately 100km east of Port Hedland.

The Pardoo Iron Ore Project offers the Company an opportunity to leverage off the buoyant iron ore market being highly prospective for buried magnetite, iron rich surface detrital gravels, and channel iron deposits.

Figure 1 – Pardoo Iron Ore Project Tenement Location



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

The Company is also exploring the nickel-copper potential of the Project area via a farm-in and joint venture agreement with Red October Resources Limited (**Red October**). The farm-in rights for all nickel and non-iron ore mineralisation at Pardoo were previously held by Mithril Resources Ltd (**Mithril**), however in January 2011, Mithril withdrew from the joint venture due to their priority commitments at other 100%-owned projects. Following the withdrawal of Mithril from the joint venture, Segue Pardoo entered into the farm-in agreement with Red October.

The Pardoo Nickel Project hosts the Highway Deposit which contains an Inferred Mineral Resource of 50.0 million tonnes, grading 0.30% nickel, 0.13% copper and 0.03% cobalt (classified according to the 2004 JORC Code). Red October is evaluating processing and development options aimed at unlocking the potential of the resource at the Highway Deposit.

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

Over the past year the Company has undertaken further exploration at the Pardoo Project to evaluate the iron ore potential of the project area. Diamond and reverse circulation (**RC**) drilling was carried out at the Highway and Supply Well project areas, followed by conducting thirty-five Davis Tube Recovery (**DTR**) tests on five metre composite samples of magnetic gabbro obtained from these holes.

Subsequent to year end, the Company has entered into an agreement to acquire up to a 51% interest in the Emang Manganese Project in South Africa. A detailed exploration programme has commenced at the Project, with a maiden JORC-compliant resource expected to be released by the end of 2011. Refer to the section "Events Subsequent to Balance Date" for more information on the Emang Manganese Project.

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

During the year, the Company continued exploration on the iron ore potential of the Highway and Supply Well project areas, including drilling three new holes (two diamond holes and one RC hole). Segue also conducted 35 DTR tests on five metre composite samples of magnetic gabbro obtained from these holes.

The results of this drilling programme and metallurgical testwork have helped the Company improve its understanding the geology of the region and the prospectivity of the Pardoo Project to host economic magnetite, detrital and channel iron deposits. The Company now has a detailed interpretation of the geological sequences for the Pardoo Project with several magnetic anomalies identified at both the Highway and Supply Well tenement location.

Diamond drilling completed in 1990 by CRA produced an assay result of **257m @ 30% Fe**. This result has been followed by a recent diamond drill hole intercept (DD08-HW004) of **120m @ 28.7% Fe**. During the year, Segue and Mithril drilled three holes into the Highway and Supply Well deposits to further test the potential for economic magenetite mineralisation and to conduct additional DTR testwork. The results of the drill holes are summarised below.

Table 1 – Drill Hole Intersections at Pardoo

Hole ID	Drilled by	From (m)	To (m)	Intersection (m)	Grade (Fe)
DD08-HW004	Mithril	30.3	150.3	120.0	28.7%
RC10-HW001	Segue Pardoo	33.0	54.0	21.0	33.7%
DD10-SW001	Segue Pardoo	105.0 162.0 215.0	108.0 165.0 237.0	3.0 3.0 22.0	61.2% 65.3% 37.9%

In March 2011, Segue received DTR results from the drilling programmes completed in 2008 and 2010 at the Highway and Supply Well areas. The DTR testing was conducted on the three drill holes detailed above (DD08-HW004, RC-10-HW001 and DD10-SW001).

The material submitted for DTR testing was pulverised such that the particle size was less than 38 micron (nominally 80% passing 25 microns). The concentrate grade (XRF analysis) and mass recovery obtained from the DTR testing are set out in Table 2 on the following page.

The test results were analysed and resulted in the following conclusions:

- Concentrate mass recovery from the gabbro is 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% SiO_2, 0.32% Al_2O_3, 0.0037% P, 0.58% MgO, 2.85% TiO_2, 0.33% V, 0.34% S and -2.22% LOI.

The DTR test work has confirmed the potential for producing a marketable concentrate with minimal contaminants at a grind of 80% passing 25 microns.

These results justify further exploration work to determine whether a potentially economic magnetite iron ore resource exists in the project area. Therefore Segue plans to commence a new program, of at least three drill holes, to further test the magnetite mineralised zone and provide fresh samples for additional metallurgical testing.

Table 2 – Pardoo Davis Tube Recovery Results

Sample Number	Concentrate Grades (%)							Mass Recovery (%)
	Fe	SiO_2	Al_2O_3	P	TiO_2	S	LOI	
DTR01	65.05	1.43	0.24	<0.001	3.87	0.002	-0.55	2.70
DTR02	66.66	1.78	0.17	<0.001	2.09	<0.001	-0.81	11.30
DTR03	66.66	1.85	0.21	<0.001	1.87	0.002	-0.80	7.05
DTR04	66.84	1.88	0.19	<0.001	1.64	<0.001	-0.64	12.24
DTR05	66.26	1.76	0.17	<0.001	2.68	0.007	-1.34	10.57
DTR06	67.69	1.74	0.25	<0.001	1.97	0.003	-2.60	17.76
DTR07	67.95	2.24	0.31	<0.001	1.17	0.001	-2.82	21.68
DTR08	66.93	3.20	0.36	<0.001	1.22	<0.001	-2.79	24.98
DTR09	65.66	4.02	0.43	<0.001	1.65	0.007	-2.74	15.02
DTR10	66.78	3.35	0.37	<0.001	1.34	0.009	-2.85	19.95
DTR11	67.47	2.82	0.30	<0.001	1.20	0.005	-2.89	19.94
DTR12	65.12	2.42	0.27	<0.001	2.66	0.684	-2.70	12.10
DTR13	63.27	2.87	0.30	<0.001	2.87	1.250	-2.37	11.71
DTR14	63.07	3.73	0.32	<0.001	2.84	0.936	-2.37	12.28
DTR15	64.40	3.43	0.28	<0.001	2.82	0.482	-2.65	11.37
DTR16	65.70	3.41	0.34	<0.001	1.57	0.323	-2.67	13.63
DTR17	64.78	2.75	0.40	<0.001	3.50	0.291	-2.76	9.57
DTR18	63.57	3.65	0.35	<0.001	2.95	0.663	-2.48	11.29
DTR19	63.60	4.49	0.45	<0.001	2.06	0.554	-2.53	11.56
DTR20	65.75	2.40	0.25	<0.001	1.94	0.710	-2.70	12.91
DTR21	64.43	3.39	0.35	<0.001	1.94	0.797	-2.43	14.16
DTR22	65.27	2.26	0.20	<0.001	1.58	1.245	-2.37	14.98
DTR23	65.80	2.87	0.26	<0.001	1.44	0.731	-2.56	19.49
DTR24	66.41	2.07	0.21	<0.001	2.20	0.479	-2.68	18.61
DTR25	67.18	4.04	0.69	<0.001	0.22	0.476	-3.03	3.67
DTR26	69.10	2.55	0.40	0.001	0.15	0.232	-2.91	14.11
DTR27	68.06	3.53	0.36	0.009	0.12	0.352	-2.89	28.87
DTR28	66.42	4.15	0.39	0.033	0.11	0.878	-2.66	29.46
DTR29	66.99	5.20	0.56	0.045	0.08	0.012	-2.92	38.09
DTR30	64.81	6.71	0.72	0.023	0.08	0.361	-2.66	25.12
DTR31	Inadequate sample							
DTR32	66.45	0.92	0.14	<0.001	3.55	<0.001	-1.33	9.84
DTR33	65.48	0.94	0.14	<0.001	4.09	<0.001	-0.79	4.95
DTR34	66.58	1.22	0.17	<0.001	2.77	<0.001	-1.21	8.17
DTR35	67.80	1.32	0.19	<0.001	1.37	<0.001	-1.10	13.15

Pardoo Nickel Project – Western Australia (Red October earning up to 70%)

The Project tenements contain magmatic and shear-hosted nickel, copper and platinum group elements with an updated mineral resource in accordance with the JORC Guidelines defined at the Highway deposit as advised by Mithril Resources. Mithril withdrew from the Pardoo farm-in and joint venture in January 2011, to focus on its other 100%-owned projects.

Segue is funding new exploration of the nickel and non-iron ore potential at the Pardoo Project through a farm-in agreement with Red October. Under the farm-in agreement, Red October may earn, in three stages up to an initial 70% interest in the nickel and non-iron ore rights at the Pardoo Project as follows:

- a 30% interest can be earned by spending a minimum amount of $2.0 million within three years from the commencement date, including a minimum spend of $1.5 million within two years of the commencement date;
- once a 30% interest is earned, then a further 20% interest (to a total of 50%) can be earned by spending a minimum total amount of $5.0 million within four years from the commencement date; and
- once a 50% interest is earned, then a further 20% interest (to a total of 70%) can be earned by spending a minimum total amount of $10.0 million within five years from the commencement date.

The Pardoo Nickel Project is highly prospective for nickel sulphide mineralisation. Snowden Mining Consultants Ltd (**Snowden**) updated the existing resource model at the Highway deposit during early 2010. The new estimated total Mineral Resource at Highway is 50.0 million tonnes, grading 0.30% nickel, 0.13% copper and 0.03% C (at a 0.1% Ni cut off grade). Snowden has classified the resource as an Inferred Resource based on the guidelines of the 2004 JORC Code.

Table 3 – Pardoo Nickel Project Resource Statement

JORC Classification	Cut-off (% Ni)	Sulphide Material	Tonnes (Mt)	Ni (%)	Cu (%)	Co (%)	S (%)
Inferred	0.1	Weathered	5.5	0.25	0.18	0.03	0.10
		Fresh	44.5	0.31	0.12	0.03	2.96
		Total	**50.0**	**0.30**	**0.13**	**0.03**	**2.65**
Inferred	0.3	Weathered	1.4	0.38	0.22	0.04	0.11
		Fresh	21.7	0.41	0.12	0.03	3.37
		Total	**23.0**	**0.41**	**0.13**	**0.03**	**3.18**

Geographically, the project is well positioned, being 15km from the coast and approximately 100km east of Port Hedland along the Great Northern Highway in close proximity to power, road and port facilities.

The principal exploration target is nickel/copper sulphide mineralisation associated with the regional east-north-easterly trending De Grey Structural Zone (also known as the Pardoo Fault) of which the Project contains 25km of effective strike.

During 2010 drilling was completed to test the depth extent of the Highway Resource. The drilling intersected wide zones of nickel, copper and cobalt mineralisation beneath the deposit. These results confirm its continuity and depth potential and significant intersections include 95m of 0.41% nickel, 0.16% copper and 0.03% cobalt in DD08-HW001 and 59.2m of 0.44% nickel, 0.1% copper and 0.03% cobalt in DD08-HW002.

The Company believes there is potential for higher grade mineralisation beneath the current Highway resource. To evaluate the depth potential downhole electromagnetic surveys were completed in three drill holes (DD08HW001, DD08HW002 and DD07HW002). The downhole electromagnetic surveys can detect anomalous conductivity that may reflect higher grade mineralisation beneath the existing drilling. The results are encouraging with off-hole conductors being identified. These will be tested in the coming year.

The information in this report relating to exploration results is based on information compiled by Mr S Fleming who is a member of the AusIMM. Mr Fleming was Exploration Manager for Segue Resources Ltd during the reporting year, 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".

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 2011 was $611,950 (2010: ($892,565)) the net loss included the following items:

- Impaired exploration and evaluation expenditure of $28,156 (2010: $312,560); and
- Director's fees of $101,722 (2010: $90,000).

Summary of Financial Position

At 30 June 2011 the Group's cash reserves were $356,016 (2010: $168,839). The increase in cash was due to net cash used in operating activities of $590,575, net cash used in investing activities of $564,477 and other proceeds from financing activities during the year consisting of the issue of 79,780,645 shares to investors for proceeds of $1,342,229. Net assets of the Group as at 30 June 2011 were $7,000,549 (2010 $6,270,420).

Significant Changes in the State of Affairs

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

Significant Events After Balance Date[1]

On 6 July 2011 the Company announced it had entered into an acquisition agreement with Emang Mmogo Mining Resources (Pty) Ltd to acquire a 51% stake in the Emang Manganese Project situated in the Postmasburg Manganese Field in South Africa. The acquisition of 51% of the Project will occur over two phases. Phase 1 involves Segue acquiring a 30% interest in the Project by paying ZAR7 million (A$0.89 million) to the vendors and spending up to ZAR14 million (A$1.79 million) on an Initial Drilling Programme to define the extent and grade of mineralisation in the Emang Manganese Project area.

Upon completion of the Initial Drilling Programme, Segue will pay a further ZAR7 million (A$0.89 million) to the vendors. A final payment of ZAR7 million (A$0.89 million) will be made to the vendors if a JORC resource of at least 10 million tonnes at a grade of 34% manganese has been defined at the Project in the indicated and/or measured categories. Completion of the acquisition of the 30% interest is subject to usual pre-conditions including government approval for the renewal, registration and transfer of the title to the Project.

In Phase 2 Segue will acquire an additional 21% interest in the Project (taking Segue's total Project interest to 51%) by spending ZAR21 million (A$2.68 million) to complete a Bankable Feasibility Study on the Project. A royalty of A$0.75 per tonne of ore will be payable to the vendors in certain circumstances upon commencement of commercial production, and is limited to the first 25 million tonnes of JORC resources in the indicated and/or measured categories.

On 8 July the Company announced an equity raising of up to approximately $3,526,532 via a pro-rata non-renounceable rights issue (**Rights Issue**) and a sophisticated and institutional placement. The Company utilised its 15% capacity in accordance with listing rule 7.1 to raise $760,000 (before fees) through the issue of 38,000,000 shares at $0.02 per share to sophisticated and institutional investors (**Tranche 1 Placement**).

The Company sought to raise $1,766,532 via a Rights Issue of three (3) new fully paid ordinary shares in the Company for every ten (10) shares held as at 5:00pm (WST) on 14 July 2011 to eligible shareholders. The Rights

[1] References to dollar amounts are based on an exchange rate as at 30 September 2011 of 7.8221ZAR for 1AUD

Issue closed on 17 August 2011 and the Company had received valid applications for the issue of 68,826,003 new shares raising $1,376,520.

The Company advised on 14 September 2011 it had issued the Rights Issue shortfall shares and had successfully raised a further $1,000,000 through the issue of 50,000,000 shares at $0.02 to sophisticated and institutional investors (**Tranche 2 Placement**). The Tranche 2 Placement was made pursuant to shareholder approval obtained at a general meeting of shareholders on 15 August 2011.

The funds raised from the the non-renounceable Rights Issue, the Tranche 1 and Tranche 2 Placements will be applied to make the first payment to Emang Mmogo Mining (Pty) Limited of ZAR7 million (A$0.89 million) in relation to Segue's proposed acquisition of a 51% interest in the Emang Manganese Project in South Africa and to fund the Initial Drilling Programme at the Emang Manganese Project.

Environmental Regulation

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

Likely Developments

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

(b) The Company will commence exploration and evaluation of the Emang Manganese Project; and

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

Dividends

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

Proceedings on Behalf of the Company

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

Remuneration Report (Audited)

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

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

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

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

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

Non-Executive Directors

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

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

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

Share Based Remuneration

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

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

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

Number of options	Grant date	Date vested and exercisable	Expiry date	Class of shares	Exercise price	Value per option at grant date
4,500,000	28/11/2008	30/11/2008	30/11/2011	Ordinary	$0.08	$0.0237
4,500,000	28/11/2008	30/11/2009	30/11/2011	Ordinary	$0.08	$0.0242

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

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

Name	No. of options granted during the year		No. of options vested during the year	
	2011	2010	2011	2010
Directors of Segue Resources Limited				
G Whiddon	-	-	-	1,500,000
P Fry	-	-	-	1,500,000
J Hendrich	-	-	-	1,500,000
S Fleming	-	-	-	-
E Lilford	-	-	-	-

There were no options granted during the 2011 financial year however the model inputs for options vested during the year ended 30 June 2010 included:

	Tranche A	Tranche B
Number of Options	4,500,000	4,500,000
Grant date	28/11/2008	28/11/2008
Dividend yield (%)	-	-
Expected volatility (%)	99.06	95.35
Risk-free interest rate (%)	4.70	4.78
Vesting date	30/11/2008	30/11/2009
Expected life of option (years)	3	3
Option exercise price ($)	0.08	0.08
Share price at grant date ($)	0.05	0.05
Valuation of Option ($)	0.0237	0.0242

Remuneration

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

2011	Short-term Benefits			Post employment benefits	Share-based Payment			
Name	Salary & Fees $	Cash Bonus $	Non-Monetary Benefit $	Super-annuation $	Options $	Total $	% Performance Related	% of Total Consisting of Options
Directors								
G Whiddon	31,399	-	-	2,601	-	34,000	-	-
P Fry	26,376	-	-	2,374	-	28,750	-	-
J Hendrich	-	-	-	-	-	-	-	-
S Michael	-	-	-	-	-	-	-	-
S Fleming	11,452	-	-	-	-	11,452	-	-
E Lilford	23,528	-	-	2,117	-	25,645	-	-
I Benning	1,250	-	-	-	-	1,250	-	-
N Ong	625	-	-	-	-	625	-	-
	94,630	**-**	**-**	**7,092**	**-**	**101,722**	**-**	**-**
Other Executives								
M Foy	-	-	-	-	-	-	-	-

- Mr Whiddon's services as a director were provided personally for which the consolidated entity was charged $34,000. Mr Whiddon resigned as a director on 14 June 2011.
- Mr Fry's services as a director were provided personally for which the consolidated entity was charged $28,750. Mr Fry resigned as a director on 14 June 2011.
- Mr Fleming's services as a director were provided personally for which the consolidated entity was charged $11,452. Mr Fleming was appointed as a director on 13 July 2010 and resigned on 30 November 2010.
- Mr Lilford's services as a director were provided personally for which the consolidated entity was charged $25,645. Mr Lilford was appointed as a director on 24 August 2010.
- Mr Benning's services as a director were provided by Hemisphere Corporate Services Pty Ltd for which the consolidated entity was charged $1,250. Mr Benning was appointed as a director on 14 June 2011.
- Mr Ong's services as a director were provided by Hemisphere Corporate Services Pty Ltd for which the consolidated entity was charged $625. Mr Ong was appointed as a director on 14 June 2011.
- Mr Michael was appointed as a director on 6 July 2011.
- Mr Hendrich resigned as a director on 13 July 2010.

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

- Mr Whiddon's services as a director were provided by Lagral SCP for which the consolidated entity was charged $30,000.
- Mr Fry's services as a director were provided personally for which the consolidated entity was charged $30,000.
- Mr Hendrich's services as a director were provided by BTN Ventures Pty Ltd for which the consolidated entity was charged $30,000.
- Mr Bassett's services as company secretary were provided by Mandevilla Pty Ltd for which the consolidated entity was charged $16,000.

End of Remuneration Report

Directors' Interests in the Shares and Options of the Company

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

Name	Ordinary Shares		Options	
	Direct	Indirect	Direct	Indirect
G Whiddon	-	-	-	-
P Fry	-	-	-	-
J Hendrich	-	-	-	-
S Fleming	-	-	-	-
E Lilford	3,750,000	-	-	-
S Michael	-	1,250,000	-	-
I Benning	1,250,000	-	-	-
N Ong	-	1,250,000	-	-

Shares Under Options

As at the date of this report there were no Options to take up ordinary shares in the Company held by any Director.

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:

2011 Directors	Directors' meetings held	Directors' meetings attended	Audit Committee meetings held	Audit Committee meetings attended
G Whiddon	3	3	-	-
P Fry	3	3	-	-
J Hendrich	-	-	-	-
S Fleming	1	1	-	-
E Lilford	3	3	-	-
S Michael	-	-	-	-
I Benning	-	-	-	-
N Ong	-	-	-	-

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.

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 2011:

	30 June 2011 $	30 June 2010 $	30 June 2009 $	30 June 2008 $	30 June 2007 $
Revenue	25,080	14,267	8,298	150,690	1,228,919
Net loss before tax	611,950	892,565	703,153	523,628	2,232,680
Net loss after tax	611,950	892,565	703,153	523,628	2,232,680

	30 June 2011 cps	30 June 2010 cps	30 June 2009 cps	30 June 2008 cps	30 June 2007 cps
Share price at start of year	1.7	2.2	5.0	17.5	25.0
Share price at end of year	3.1	1.7	2.2	5.0	17.5
Basic loss per share	0.255	0.579	0.99	0.82	4.98
Diluted loss per share	0.255	0.579	0.99	0.82	4.98

Non-Audit Services

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

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

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, Deloitte Touche Tomatsu, which is included on page 30.

Signed in accordance with a resolution of the directors

Eric Lilford
Chairman
Perth, 30 September 2011

segue RESOURCES LTD

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Segue Resources Limited are 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 2011 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.	1(a)	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	1(h), 2(b), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	1(a), 1(h), 2(b), Remuneration Report	Yes
Principle 2	**Structure the board to add value**		
2.1	A majority of the board should be independent directors.	1(b), 1(e)	Yes
2.2	The chair should be an independent director.	1(c), 1(e)	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	1(b), 1(c)	Yes
2.4	The Board should establish a nomination committee.	1(d)	No
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	1(h)	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	1(b), 1(c), 1(d), 1(e), 1(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:	2(a)	Yes
	the practices necessary to maintain confidence in the company's integrity;	2(a)	Yes
	the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and	2(a)	Yes
	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	2(a)	Yes

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
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.	2(b)	No
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.	2(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.	2(b)	No
3.5	Provide the information indicated in the Guide to reporting on principle 3.	2(a)	Yes
Principle 4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	3(a)	Yes
4.2	The audit committee should be structured so that it:		
	consists only of non-executive directors;	3(a)	No
	consists of a majority of independent directors;	3(a)	No
	is chaired by an independent chair, who is not chair of the Board; and	3(a)	No
	has at least three members.	3(a)	
4.3	The audit committee should have a formal charter	3(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.	4(a), 4(b)	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	4(a), 4(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.	4(a), 4(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	4(a), 4(b)	Yes
Principle 7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	5(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.	5(a), 5(b), 5(d)	Yes

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
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.	5(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	5(a), 5(b), 5(c), 5(d)	Yes
Principle 8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee.	3(b)	No
8.2	The remuneration committee should be structured so that it:		
	Consists of a majority of independent directors;	3(b)	No
	Is chaired by an independent chair; and	3(b)	No
	Has at least three members	3(b)	No
8.3	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	3(b), Remuneration Report	Yes
8.4	Provide the information indicated in the Guide to reporting on principle 8.	3(b)	Yes

THE BOARD OF DIRECTORS

1(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.

1(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 is 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 Eric Lilford.

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.

1(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.

1(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.

1(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 judgement.

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

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

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

The Board currently comprises of 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 considered to be independent:

Name	**Position**
Eric Lilford	Non-Executive Director (appointed 24 August 2010)
Nicholas Ong	Non-Executive Director (appointed 14 June 2011)

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

Name	**Position**
Ian Benning	Executive Director (appointed 14 June 2011)
Nicholas Ong	Non-executive Director (appointed 14 June 2011)
Eric Lilford	Non-executive Director (appointed 24 August 2010)
Glenn Whiddon	Executive Chairman (resigned 14 June 2011)
Paul Fry	Non-executive Director (resigned 14 June 2011)
Simon Fleming	Executive Director (resigned 30 November 2010)
Jürgen Hendrich	Non-executive Director (resigned 13 July 2010)

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.

1(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.

1(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.

1(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

2(a) Code of Conduct

The Company's Corporate Governance Plan includes a Corporate Code of Conduct which provides a framework of prinicples for conducting business and dealing with customers, stakeholders and colleages 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.

2(b) Diversity Policy

During the next reporting period, the Company will establish and implement a diversity policy which will include, but not be limited to, gender, age, ethnicity and cultural background of the Board and Key Management Personnel. The Company will set measurable objectives to measure the achievement of the diversity policy and introduce procedures to ensure its proper implementation. The Annual Report for the 2011/2012 financial year will include details of policy, the measurable objectives for achieving gender diversity and disclose the proportion of women in the whole organsiation . An internal review will be conducted annually to assess the effectiveness of the policy and its implementation procedures.

BOARD COMMITTEES

3(a) Audit Committee

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

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Company and the independence of the auditor.
The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

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

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

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

There is no indemnity provided by the company to the auditor in respect of any potential liability to third parties.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

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

3(b) Remuneration Committee

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

The Board has not established a separate Remuneration Committee due to the size and scale of its operations. This does not comply with Recommendation 8.1 however the Board as a whole takes responsibility for such issues. The Group outlines the structure of remuneration of non-executive Directors and executives of the Group in the Remuneration report within 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, 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 best market practice, duties and accountability. Independent external advice is sought when required. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholders interests, the Directors are encouraged to hold shares in the Company.

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

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity. In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

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

ETHICAL AND RESPONSIBLE DECISION MAKING

4(a) Code of Ethics and Conduct

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

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

All Directors, officers and employees are expected to:

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

TIMELY AND BALANCED DISCLOSURE

5(a) Shareholder communication

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's "ASX Disclosure Policy" encourages effective communication with its shareholders by requiring that Company announcements:

- be factual and subject to internal vetting and authorisation before issue;
- be made in a timely manner;
- not omit material information;
- be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions;
- be in compliance with ASX Listing Rules continuous disclosure requirements; and
- be placed on the Company's website promptly following release.

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

5(b) Continuous disclosure policy

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

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

RECOGNISING AND MANAGING RISK

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

6(a) Board oversight of the risk management system

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

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

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

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

- at least quarterly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

6(b) Risk management roles and responsibilities

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

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

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

Mr Glenn Whiddon held the position of Chief Executive Officer and Chief Financial Officer during the year. Mr Whiddon has provided to the Board written certification that in all material respects:

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

6(d) Internal review and risk evaluation

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

AUDITORS' INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 (0) 8 9365 7000
Fax: +61 (8) 9365 7001
www.deloitte.com.au

The Board of Directors
Segue Resources Limited
Level 8, 225 St Georges Terrace
PERTH WA 6000

30th September 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 audit of the financial statements of Segue Resources Limited for the financial year ended 30 June 2011, 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

CMaf

Conley Manifis
Partner
Chartered Accountant

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	CONSOLIDATED 2011 $	2010 $
Continuing Operations		-	-
Other Income	**2**	25,080	14,267
Employee benefits	**2**	(147,626)	(231,772)
Occupancy		(48,027)	(48,016)
Consultants		(162,820)	(68,409)
Corporate administration		(44,195)	(42,653)
Depreciation	**2**	(6,799)	(3,835)
Audit		(31,030)	(23,837)
Accounting and tax		(54,685)	(48,468)
Legal		(1,367)	(21,378)
Impairment of exploration expenditure		(28,156)	(312,560)
Travel		(19,412)	(38,725)
Interest		(20)	-
Loss on disposal of asset	**8**	(5,611)	-
Other expenses		(87,282)	(67,179)
Loss before income tax		(611,950)	(892,565)
Income tax expense	**3**	-	-
Loss from continuing operations after tax		(611,950)	(892,565)
Other Comprehensive Income		-	-
Change in the value of available-for-sale financial assets		(150)	-
Income tax expense		-	-
		(150)	-
Total Comprehensive Income for the year		612,100	(892,565)
Earnings per share (cents per share)			
- basic; loss for the Year	**14**	(0.255)	(0.579)
- diluted; loss for the Year	**14**	(0.255)	(0.579)

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 2011

	Notes	CONSOLIDATED 2011 $	CONSOLIDATED 2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	**4**	356,016	168,839
Trade and other receivables	**5**	38,676	32,735
Total Current Assets		**394,692**	**201,574**
Non-Current Assets			
Exploration and evaluation	**7**	6,687,382	6,129,887
Property, plant and equipment	**8**	29,899	27,968
Available-for-sale financial assets	**9**	-	-
Total Non-Current Assets		**6,717,281**	**6,157,855**
TOTAL ASSETS		**7,111,973**	**6,359,429**
LIABILITIES			
Current liabilities			
Trade and other payables	**10**	111,424	89,009
Total Current Liabilities		**111,424**	**89,009**
TOTAL LIABILITIES		**111,424**	**89,009**
NET ASSETS		**7,000,549**	**6,270,420**
EQUITY			
Issued Capital	**11**	11,882,818	10,540,589
Reserves	**12**	518,397	518,547
Accumulated losses	**13**	(5,400,666)	(4,788,716)
TOTAL EQUITY		**7,000,549**	**6,270,420**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	CONSOLIDATED 2011 $	CONSOLIDATED 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(605,567)	(582,227)
Interest received		25,009	14,153
Other payments (GST)		(2,509)	(9,776)
Net cash outflow from operating activities	**24**	**(583,067)**	**(577,850)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(42,976)	(27,793)
Sales of property, plant and equipment		28,636	-
Payments for exploration expenditure		(557,645)	(98,910)
Net cash flows from investing activities		**(571,985)**	**(126,703)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		1,342,229	835,354
Receipt/(repayment) of funding from related parties		-	(300,000)
Net cash flows from financing activities		**1,342,229**	**535,354**
Net increase/(decrease) in cash and cash equivalents		187,177	(169,199)
Cash and cash equivalents at beginning of year	4	168,839	338,038
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**356,016**	**168,839**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

CONSOLIDATED	Issued Capital $	Option Reserve $	Revaluation Reserve $	Accumulated Losses $	Total Equity $
At 1 July 2009	9,435,235	409,671	-	(3,896,151)	5,948,755
Operating loss for the year	-	-	-	(892,565)	(892,565)
Other comprehensive Income	-	-	-	-	-
Total comprehensive income	-	-	-	(892,565)	(892,565)
			-		
Issue of Shares	1,105,354	-	-	-	1,105,354
Share Based payments	-	108,876	-	-	108,876
At 30 June 2010	**10,540,589**	**518,547**	-	**(4,788,716)**	**6,270,420**
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
At 30 June 2011	**11,882,818**	**518,547**	**(150)**	**(5,400,666)**	**7,000,549**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. Corporate Information

Segue Resources Limited (the "Company") is a company limited by shares incorporated whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial report of the Company for the year ended 30 June 2011 comprises the Company and its subsidiary (together referred to as the "consolidated entity").

The financial report was authorised for issue by the directors on 30 September 2011.

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

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

(A) Statement of Accounting Policies

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

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

Compliance with IFRS

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

Basis of Preparation

Historical cost convention

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

(B) Going Concern

The consolidated entity has incurred net losses after taxes for the year ended 30 June 2011 of $611,950 (30 June 2010 $892,565) and has a working capital surplus of $283,268 (30 June 2010 surplus $112,565).

Subsequent to year end, the company:

On 8 July 2011 the Company announced an equity raising of up to approximately $3,526,532 via a pro-rata non-renounceable rights issue (**Rights Issue**) and a sophisticated and institutional placement. The Company utilised its 15% capacity in accordance with listing rule 7.1 to raise $760,000 (before fees) through the issue of 38,000,000 shares at $0.02 per share to sophisticated and institutional investors (**Tranche 1 Placement**).

The Company sought to raise $1,766,532 via a Rights Issue of three (3) new fully paid ordinary shares in the Company for every ten (10) shares held as at 5:00pm (WST) on 14 July 2011 to eligible shareholders with a registered address in Australia or New Zealand and other jurisdictions in which the Company decided to make offers. The Rights Issue closed on 17 August 2011 and the Company had received valid applications for the issue of 68,826,003 new shares raising $1,376,520.

The Company advised on 14 September 2011 it had issued the Rights Issue shortfall shares and had successfully raised a further $1,000,000 through the issue of 50,000,000 shares at $0.02 to sophisticated and institutional investors (**Tranche 2 Placement**). The Tranche 2 Placement was made pursuant to shareholder approval obtained at a general meeting of shareholders on 15 August 2011 shortfall to the Rights Issue were allotted together with the Tranche 2 Placement.

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

(C) Segment Reporting

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

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

(D) Functional and Presentation of Currency

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

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

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

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

(E) Use of Estimates and Judgements

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

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

Significant accounting judgements

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

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 1(N). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income. The Group has elected not to recognise the tax losses incurred as a tax asset.

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:

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.

Commitments - Exploration

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

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

(F) Basis of Consolidation

Subsidiaries

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

Transactions eliminated on consolidation

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

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

Interests in joint venture operations

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

(G) Revenue Recognition

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

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

(H) Income Tax

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income 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 statement of comprehensive income.

(K) Investments and Other Financial Assets

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

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

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

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

(L) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased Assets

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

Subsequent Costs

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

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line 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 statement of comprehensive income in the period the item is derecognised.

(M) Business combinations

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

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

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.
The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2009) are recognised at their fair value at the acquisition date, except 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.

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 statement of comprehensive income.

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

(i) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

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

(O) Impairment of Assets

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

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

(P) Borrowings

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

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

(Q) Trade and Other Payables

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

(R) Contributed Equity

Ordinary shares are classified as equity.

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

(S) Goods and Service Tax (GST)

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

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

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

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

(T) Employee Benefits

Share-based payment transactions

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

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

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

(U) Earnings Per Share

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

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

(V) Comparatives

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

(W) New standards and Interpretations Not Yet Adopted

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (**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:

Standard or Interpretation	Nature of Change
Amendments to AASB 7 'Financial Instruments: Disclosure' (adopted in advance of effective date of 1 January 2011)	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'	Disclosures in these financial statements have been modified to reflect the clarification in AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' that the disclosure requirements in Standards other than AASB 5 do not generally apply to noncurrent assets classified as held for sale and discontinued operations.
Amendments to AASB 101 'Presentation of Financial Statements' (adopted in advance of effective date of 1 January 2011)	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
Amendments to AASB 107 'Statement of Cash Flows'	The amendments (part of AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.
AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* specify amendments resulting from the IASB's annual improvement project to various Australian accounting standards and interpretations. As permitted, the group has early adopted most of the amendments in AASB 2009-5. However, the amendments to AASB 117 *Leases* have not been early adopted. Adoption of these amendments will potentially result in the reclassification of several leases over land as finance leases. The amendments, which apply retrospectively to unexpired leases from 1 July 2010, remove the guidance from AASB 117 which effectively prohibited the classification of leases over land as finance leases. It is not practical to provide a reasonable estimate of the impact of this amendment until a detailed review of existing leases has been completed.
AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions AASB 2.	The application of AASB 2009-8 makes amendments to AASB 2 'Share-based Payment' to clarify the scope of AASB 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

Standard or Interpretation	Nature of Change
AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues	The application of AASB 2009-10 makes amendments to AASB 132 'Financial Instruments: Presentation' to address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments.
AASB 2010-3: Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The application of AASB 2010-3 makes amendments to AASB 3(2008) 'Business Combinations' to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, the application of AASB 2010-3 makes amendments to AASB 3(2008) to give more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with AASB 2 'Share-based Payment' at the acquisition date ('market-based measure').
AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	Except for the amendments to AASB 7 and AASB 101 described earlier this section, the application of AASB 2010-4 has not had any material effect on amounts reported in the financial statements.
Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.	This Interpretation provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular, the equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss. To date, the Group has not entered into transactions of this nature.

(X) Standards and Interpretations on issue not yet adopted

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied be consolidated entity
AASB 124 Related Party Disclosures (2009) and AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-9 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2013	30 June 2014

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied be consolidated entity
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from Annual Improvements Project	1 January 2011	30 June 2012
AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	30 June 2012
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	1 January 2012	30 June 2013
AASB 10 'Consolidated Financial Statements' , AASB 11 'Joint Arrangements' , AASB 12 'Disclosure of Interests in Other Entities' , AASB 127 'Separate Financial Statements'(2011) , AASB 128 'Investments in Associates and Joint Ventures' (2011) , and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'. AASB 13 'Fair Value Measurements', AASB 119 'Employee Benefits' (2011) and AASB 2011-9 'Amendments to Presentation of Items of Other Comprehensive Income'.	1 January 2013	30 June 2014

2. Revenue and Expenses

	2011 $	2010 $
Other income		
Other income	50	114
Interest income – non related entities	25,030	14,153
	25,080	**14,267**
Expenses		
Depreciation		
- Plant and equipment	6,799	3,835
	6,799	**3,835**
Impairment of exploration assets	28,156	312,560
Employee benefit expense	45,904	32,896
Directors fees	101,722	90,000
Expense of share based payments	-	108,876
Total employee benefits expense	**147,626**	**231,772**

	2011 $	2010 $
3. Income Tax Expense		
(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	**(611,950)**	**(892,265)**
Tax at the Australian tax rate of 30% (2010: 30%)	(183,585)	(267,769)
Tax effect of amounts which are not deductible(taxable)in calculating taxable income		
- Expenditure not allowable for income tax purposes	31,481	117,641
- Temporary differences & tax losses not brought to account as a deferred tax asset	152,104	150,128
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	2,006,215	1,838,966
	2,006,215	**1,838,966**
Deferred income tax assets		
- Tax losses	2,006,215	1,838,966
	2,006,215	**1,838,966**
Net deferred tax asset/(liability)	**-**	**-**
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
- Tax losses	763,241	763,241
- Capital raising costs	7,481	17,912
- Other	21,225	4,050
Potential unrecognised tax benefit @ 30%	**791,947**	**785,203**

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.

	2011 $	2010 $
4. Cash and cash equivalents		
Cash at bank and on hand	336,821	150,023
Deposits at call	19,195	18,816
	356,016	**168,839**

The weighted average interest rate for the year was 4.9% (2010: 5.58%)

	2011 $	2010 $
5. Trade and other receivables		
Current		
Other debtors	139	2,766
GST receivable	15,650	13,370
Environmental bond for EL 10004	5,000	5,000
Prepayments	17,887	11,599
	38,676	**32,735**

6. Controlled entities

The consolidated entity has the following investments in subsidiaries

	Class	Country of Incorporation	Investment 2011 %	Investment 2010 %
Parent Entity				
Segue Resources Limited	Ordinary	Australia	N/A	N/A
Controlled Entity				
Segue (Pardoo) Limited	Ordinary	Australia	100%	100%

	2011 $	2010 $
7. Exploration Expenditure		
Opening balance at 1 July	6,129,887	6,321,317
Exploration expenditure during the year	585,651	121,130
Exploration asset impairment	(28,156)	(312,560)
Closing balance at 30 June	**6,687,382**	**6,129,887**

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

For the 2011 year an amount of $28,156 was impaired when the Group elected not to pursue further a Canadian exploration project. The impaired amount relates to legal and geological costs previously capitalised.

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

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

	2011 $	2010 $
8. Property, plant and equipment		
Office equipment		
- At cost	38,169	34,011
- Accumulated depreciation	(30,066)	(26,599)
Total office equipment	**8,103**	**7,412**
Office improvements		
- At cost	20,845	20,845
- Accumulated depreciation	(811)	(289)
Total office improvements	**20,034**	**20,556**
Geological Equipment		
- At cost	2,677	-
- Accumulated depreciation	(915)	-
Total geological equipment	**1,762**	**-**
Total property, plant and equipment	**29,899**	**27,968**

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	Motor Vehicle	Office Improvement	Geological Equipment	Total
Consolidated:					
Balance at the beginning of the year	7,412	-	20,556	-	27,968
Acquisitions	4,157	36,143		2,677	42,977
Disposal	-	(28,636)	-		(28,636)
Loss on disposal	-	(5,611)	-		(5,611)
Depreciation expense	(3,466)	(1,896)	(522)	(915)	(6,799)
Carrying amount at the end of the year	8,103	-	20,034	1,762	29,899

		2011 $	2010 $
9.	**Available-for-sale financial assets**		
	Listed shares*	-	-
		-	**-**

At 30 June 2011 the Consolidated Group held a 34% interest in Red October Resources Ltd.

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 write down the value of the original investment from $150 to $0 in the year ended 30 June 2011.

		2011 $	2010 $
10.	**Trade and other payables**		
	Trade creditors and accruals	111,424	89,009
		111,424	**89,009**

11. Issued Capital

(a)	**Share capital**		
	256,422,121 (2010: 176,614,476) Ordinary shares fully paid	11,882,818	10,540,589

		Number	$
(b)	**Movements in ordinary shares on issue**		
	At 1 July 2010	176,641,476	10,540,589
	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	**256,422,121**	**11,882,818**
	At 1 July 2009	81,106,106	9,435,235
	Issued on 25/08/2009 – Rights issue	15,332,796	153,328
	Issued on 27/08/2009 – Rights issue shortfall	11,702,573	117,026
	Issued on 01/09/2009 – Working capital loan and interest	20,416,667	245,000
	Issued on 01/09/2009 – Iron ore rights acquisition	1,000,000	25,000
	Issued on 24/09/2009 – Placement	23,416,667	281,000
	Issued on 20/11/2009 – Placement	22,083,333	265,000
	Issued on 01/12/2009 – Placement	1,583,334	19,000
	At reporting date 30/06/2010	**176,641,476**	**10,540,589**

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 2011

Number	Ex price ($)	Ex date
10,400,000	0.08	30/11/2011

	2011 $	2010 $
12. Reserves		
Option Reserve		
Option reserve – balance 1 July	518,547	409,671
Options issued to directors/management	-	108,876
Option reserve – balance 30 June	**518,547**	**518,547**

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

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

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

13. Accumulated Losses

Balance at the beginning of the financial year	4,788,716	3,896,151
Net loss attributable to members	611,950	892,565
Balance at the end of the financial year	**5,400,666**	**4,788,716**

14. Earnings Per Share

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	611,950	892,565

	2011 Number	2010 Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per shares	239,911,797	154,087,679

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.

	2011 $	2010 $
15. Auditor's Remuneration		
An audit or review of the financial report of the Consolidated Entity		
- PKF	-	10,337
- Deloitte Touche Tohmatsu	31,030	13,500
Taxation advice		
- PKF	-	9,000
Total remuneration	**31,030**	**32,837**

16. Contingent Assets and Liabilities

The Group has a contingent liability of $15,000 (2010: $15,000) to The Minister of State Development of Western Australia. This liability represents a contingent liability for future rehabilitation of exploration leases.

There are no other material contingent assets or liabilities as at 30 June 2011.

17. Subsequent Events

On 6 July 2011 the Company announced had entered into an acquisition agreement with Emang Mmogo Mining Resources (Pty) Ltd to acquire a 51% stake in the Emang Manganese Project situated in the Postmasburg Manganese Field in South Africa. The acquisition of 51% of the Project will occur over two phases. Phase 1 involves Segue acquiring a 30% interest in the Project by paying ZAR7 million (A$0.89 million) to the vendors and spending up to ZAR14 million (A$1.79 million) on an Initial Drilling Programme to define the extent and grade of mineralisation in the Emang Manganese Project area.

Upon completion of the Initial Drilling Programme, Segue will pay a further ZAR7 million (A$0.89 million) to the vendors. A final payment of ZAR7 million (A$0.89 million) will be made to the vendors if a JORC resource of at least 10 million tonnes at a grade of 34% manganese has been defined at the Project in the indicated and/or measured categories. Completion of the acquisition of the 30% interest is subject to usual pre-conditions including government approval for the renewal, registration and transfer of the title to the Project.

In Phase 2 Segue will acquire an additional 21% interest in the Project (taking Segue's total Project interest to 51%) by spending ZAR21 million (A$2.68 million) to complete a Bankable Feasibility Study on the Project. A royalty of A$0.75 per tonne of ore will be payable to the vendors in certain circumstances upon commencement of commercial production, and is limited to the first 25 million tonnes of JORC resources in the indicated and/or measured categories.

On 8 July the Company announced an equity raising of up to approximately $3,526,532 via a pro-rata non-renounceable rights issue (Rights Issue) and a sophisticated and institutional placement. The Company utilised its 15% capacity in accordance with listing rule 7.1 to raise $760,000 (before fees) through the issue of 38,000,000 shares at $0.02 per share to sophisticated and institutional investors (Tranche 1 Placement).

The Company sought to raise $1,766,532 via a Rights Issue of three (3) new fully paid ordinary shares in the Company for every ten (10) shares held as at 5:00pm (WST) on 14 July 2011 to eligible shareholders with a registered address in Australia or New Zealand and other jurisdictions in which the Company decided to make offers. The Rights Issue closed on 17 August 2011 and the Company had received valid applications for the issue of 68,826,003 new shares raising $1,376,520.

The Company advised on 14 September 2011 it had issued the Rights Issue shortfall shares and had successfully raised a further $1,000,000 through the issue of 50,000,000 shares at $0.02 to sophisticated and institutional investors (Tranche 2 Placement). The Tranche 2 Placement was made pursuant to shareholder approval obtained at a general meeting of shareholders on 15 August 2011 shortfall to the Rights Issue were allotted together with the Tranche 2 Placement The funds raised from the the non-renounceable Rights Issue, Tranche 1 and Tranche 2 Placements will be applied to make the first payment to Emang Mmogo Mining (Pty) Limited of ZAR7 million (A$0.89 million) in relation to Segue's proposed acquisition of a 51% interest in the Emang Manganese Project in South Africa and to fund the Initial Drilling Programme at the Emang Manganese Project.

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.

	2011 $	2010 $
Payable:		
Not later than one year	267,000	171,251
Later than one year but not later than 2 years	117,000	137,001
Later than 2 years but not later than 5 years	-	338,485
Total	**384,000**	**646,737**

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 2011 owns 100% of the issued ordinary shares of Segue (Pardoo) Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 6.

(c) Key management personnel

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

(d) Loans to/from related parties

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

20. Segment Reporting

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

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 $**	**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
Impairment of Investment			(150)
Capitalised exploration expenditure written off			(28,156)
Corporate and other costs			(608,874)
Loss after tax as per the statement of comprehensive income			**(612,100)**

Consolidated	Western Australia $	Northern Territory $	Total $
30 June 2010			
Segment revenue	-	-	-
Unallocated items:			
Interest revenue			14,153
Other income			114
Total revenue and other income			**14,267**
Segment result	-	(312,560)	(312,560)
Unallocated items:			
Unallocated revenue and other income			14,267
Corporate and other costs			(594,272)
Loss after tax as per the statement of comprehensive income			**(892,565)**
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**
Segment assets 30 June 2010	6,110,245	19,642	6,129,887
Unallocated items:			
Cash and cash equivalents			168,839
Other corporate assets			60,703
Total assets			**6,359,429**
Segment liabilities 30 June 2011	-	-	-
Unallocated items:			
Trade creditors and accruals			111,424
Total liabilities			**111,424**
Segment liabilities 30 June 2010	-	-	-
Unallocated items:			
Trade creditors and accruals			89,009
Total liabilities			**89,009**

21. Financial Risk Management

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:

	2011 $	2010 $
Trade receivables	38,676	32,735
Cash and cash equivalents	356,016	168,839
	394,692	**201,574**

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

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

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

	2011 $	2010 $
Trade receivables	38,676	32,735
Cash and cash equivalents	356,016	168,839
	394,692	**201,574**

(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 2011 reporting date were trade payables incurred in the normal course of the business.

Maturities of financial assets

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

Group	**Less than 6 months $**	**6-12 months $**	**1-2 years $**	**2-5 years $**	**Over 5 years $**	**Total contractual cash flows**	**Carrying amount assets**
As at 30 June 2011							
Non-interest bearing	33,676	-	-	5,000	-	38,676	38,676
	33,676	**-**	**-**	**5,000**	**-**	**38,676**	**38,676**
As at 30 June 2011							
Non-interest bearing	13,370	14,365	-	5,000	-	32,735	32,735
	13,370	**14,365**	**-**	**5,000**	**-**	**32,735**	**32,735**

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 2011							
Non-interest bearing	33,676	-	-	5,000	-	38,676	38,676
	33,676	**-**	**-**	**5,000**	**-**	**38,676**	**38,676**
As at 30 June 2011							
Non-interest bearing	13,370	14,365	-	5,000	-	32,735	32,735
	13,370	**14,365**	**-**	**5,000**	**-**	**32,735**	**32,735**

(c) Market Risk

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

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:

	Note	Weighted average interest rate	1 year or less	2-5 years	Total
30 June 2011 Consolidated					
Financial assets					
Cash and cash equivalents	**4**	4.9%	356,016	-	356,016
30 June 2010 Consolidated					
Financial assets					
Cash and cash equivalents	**4**	5.58%	168,839	-	168,839

		Profit or Loss		Equity	
	Carrying value at year end	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2011 Consolidated					
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)**
30 June 2010 Consolidated					
Cash and cash equivalents	168,839	1,688	(1,688)	1,688	(1,688)
Trade and other receivables	32,735	-	-	-	-
Cash flow sensitivity (net)		**1,688**	**(1,688)**	**1,688**	**(1,688)**

(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:

	2011 $		2010 $	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	38,676	38,676	32,735	32,735
Cash and cash equivalents	356,016	356,016	168,839	168,839
Trade and other payables	(111,424)	(111,424)	(89,009)	(89,009)
	283,268	**283,268**	**112,565**	**112,565**

(e) Other Price Risk

The Group has no significant concentrations of price risk.

(f) Capital Management

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

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

22. Key Management Personnel Disclosures

(a) Details of Directors and Key Management Personnel

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

Directors
Eric Lilford (appointed 24 August 2010)
Steven Michael (appointed 6 July 2011)
Ian Benning (appointed 14 June 2011)
Nicholas Ong (appointed 14 June 2011)
Glenn Whiddon (resigned 14 June 2011)
Paul Fry (resigned 14 June 2011)
Jürgen Hendrich (resigned 13 July 2010)
Simon Fleming (appointed 13 July 2010, resigned 30 November 2010)

(b) Key management personnel compensation

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

	2011 $	2010 $
Short-term employee benefits	101,722	90,000
Post employment benefits	-	-
Equity compensation benefits	-	108,879
	101,722	**198,879**

(c) Equity Instrument Disclosures Relating to Key Management Personnel

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.

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:

2011	Balance 1 July 2010	Granted as remuner-ation	Options exercised	Net change other	Balance 30 June 2011	Options vested but not exercise-able	Options vested and exercise-able
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.

2010	Balance 1 July 2009	Granted as remuner-ation	Options exercised	Net change other	Balance 30 June 2010	Options vested but not exercise-able	Options vested and exercise-able
G Whiddon	4,187,250	-	-	(1,187,250)	3,000,000	-	3,000,000
P Fry	3,000,000	-	-	-	3,000,000	-	3,000,000
J Hendrich	3,000,000	-	-	-	3,000,000	-	3,000,000
	10,187,250	**-**	**-**	**(1,187,250)**	**9,000,000**	**-**	**9,000,000**

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:

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	-			2,500,000	2,500,000
S Fleming	-	-	-	-	-
I Benning	-	-	-	-	-
N Ong	-	-	-	-	-
S Michael				-	-
	26,952,905	**-**	**-**	**(19,452,915)**	**7,500,000**

* 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.

2010	Balance 1 July 2010	Granted as remuneration	Options exercised	Net change other	Balance 30 June 2011
G Whiddon	2,811,990	-	-	22,265,914	25,077,904
P Fry	1,142,500	-	-	1,422,501	2,565,001
J Hendrich	-	-	-	541,677	541,667
S Fleming	-	-	-	-	-
E Lilford	-	-	-	-	-
	3,954,490	**-**	**-**	**24,230,282**	**28,184,572**

(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 Manangement Personnel

During the period the Company entered into a service agreement with Hemisphere Corporate Services Pty Ltd to pay general office expenses, company secretarial, general administration services and rental of office space for approximately $51,326 (2010: $20,660) per quarter. Glenn Whiddon is a director of Hemisphere Corporate Services Pty Ltd and Segue Resources Ltd.

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

	Balance 1 July 2010	Granted as remuneration	Options exercised	Net change other	Balance 30 June 2011
G Whiddon	2,811,990	-	-	22,265,914	25,077,904
P Fry	1,142,500	-	-	1,422,501	2,565,001
J Hendrich	-	-	-	541,677	541,667
S Fleming	-	-	-	-	-
E Lilford	-	-	-	-	-
	3,954,490	**-**	**-**	**24,230,282**	**28,184,572**

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.

There were no share-based payments made during the financial year.

During the year ended 30 June 2011 nil options were exercised over ordinary shares. Balance from 2010 is nil.

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

Expiry Date	2011 No.	2010 No.
Outstanding at the beginning of the year	10,400,000	11,581,250
Granted during the year	-	-
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	(1,181,250)
Outstanding at the end of the year	10,400,000	10,400,000
Exercisable at the end of the year	**10,400,000**	**10,400,000**

The weighted average contractual life for the share options outstanding as at 30 June 2011 is 0.42 years (2010: 1.42 years).

24. Reconciliation of Cash Flows from Operating Activities

	2011 $	2010 $
Cash flows from operating activities		
Loss for the year	(611,950)	(892,565)
Non-cash flows in loss:		
- Depreciation	6,799	3,835
- Share based remuneration	-	108,876
- Impairment	28,156	312,560
- Other non cash flows	-	(161)
Changes in assets and liabilities		
- Increase/(decrease) in trade creditors and accrual	(11,683)	(114,391)
- Decrease/(increase) in trade receivables	-	3,996
Net cash from operating activities	**(586,067)**	**(577,850)**
Non-cash investing and financing activities		
Acquisition of exploration assets via share issue	**-**	**25,000**

There were no non-cash investing and financing activities in the 2011 financial year.

	2011 $	2010 $
Cash balances not available for use		
Credit cards	(18)	(50)

25. Parent Information

	2011 $	2010 $
ASSETS		
Current Assets	370,355	176,119
Non-Current Assets	4,806,547	4,234,854
TOTAL ASSETS	**5,176,901**	**4,410,973**
LIABILITIES		
Current liabilities	111,424	89,009
Total Non-current Liabilities	-	-
TOTAL LIABILITIES	**111,424**	**89,009**
EQUITY		
Issued Capital	11,882,818	10,540,589
Reserves	518,547	518,547
Accumulated losses	(7,335,888)	(6,737,172)
TOTAL EQUITY	**5,065,477**	**4,321,964**
Profit/loss for the year	(598,565)	(888,804)
Other comprehensive income/(loss) for the year	(150)	-
Total comprehensive income/loss for the year	**(598,715)**	**(888,804)**

Parent entity capital commitments

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

Contingencies

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

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

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

(i) giving a true and fair view of the Consolidated Entity's financial position at 30 June 2011 and of their performance for the year ended on that date: and

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

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

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.

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

On behalf of the Board

Eric Lilford
Chairman

Perth, 30 September 2011

INDEPENDENT AUDITOR'S REVIEW REPORT

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 (0) 8 9365 7000
Fax: +61 (8) 9365 7001
www.deloitte.com.au

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 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 31 to 65.

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 is free from material misstatement, whether due to fraud or error. In Note 1a, 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.

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 2011 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 16 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Conley Manifis
Partner
Chartered Accountants
Perth, 30 September 2011

ADDITIONAL INFORMATION

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

Information as at 21 September 2011

(a) Shares on Issue

Total number of issued fully paid ordinary shares was 443,498,756.

(b) Distribution of Holders

Name	Number of Share Holders	Percentage of Issued Capital
1 - 1,000	33	0.00%
1,001 - 5,000	29	0.02%
5,001 - 10,000	12	0.02%
10,001 - 100,000	257	2.07%
> 100,000	304	97.89%
Total	**635**	**100.00%**

(c) Unmarketable Pacels

The number of holders of less than a marketable parcel of fully paid shares is 150.

(d) 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 < Nigel Tarratt Super Fund A/C>	38,900,566	8.77%
MIMO Strategies Pty Ltd <MIMO A/C>	27,750,944	6.26%
Breamline Investments Limited	24,750,000	5.58%

(e) Restricted Securities

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

(f) On-market Buy-Back

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

(g) Company Secretary

The name of the Company Secretary is Matthew Foy

(h) Top 20 Shareholders

#	Name	Number of Shares Held	Percentage Held
1.	Nigel Tarratt Pty Ltd < Nigel Tarratt Super Fund A/C>	38,900,566	8.77%
2.	HSBC Custody Nominees (Australia) Limited	30,000,000	6.76%
3.	NEFCO Nominees Pty Ltd	28,928,073	6.52%
4.	MIMO Strategies Pty Ltd <MIMO A/C>	27,750,944	6.26%
5.	Breamline Investments Limited	24,750,000	5.58%
6.	Kingslane Pty Ltd <Cranston Superannuation A/C>	17,550,000	3.96%
7.	Kobia Holdings Pt Ltd <The Kobia A/C>	15,400,001	3.47%
8.	Mr Mark John Bahen & Mrs Margaret Patricia Bahen <Superannuation Account>	8,486,112	1.91%
9.	JP Morgan Nominees Australia Limited	7,977,619	1.8%
10.	Blu Bone Pty Ltd <The Share Trading A/C>	7,145,089	1.61%
11.	Blu Bone Pty Ltd	6,500,000	1.47%
12.	Fiske Nominees Ltd <PARAM0001 A/C>	5,053,966	1.14%
13.	Tarratt Family Trust	5,000,000	1.13%
14.	143 Pty Ltd <JF Pearce Family A/C>	4,750,000	1.07%
15.	Vogue Overseas SA	4,406,250	0.99%
16.	Mattinc Ventures Pty Limited	4,084,714	0.92%
17.	Mr Jeremy Bond	4,054,719	0.91%
18.	Dr Eric Vernon Lilford	3,750,000	0.85%
19.	Mr Daniel Paul Wise <Ark Investments A/C>	3,705,000	0.84%
20.	Bank Sal Oppenheim JR & CIE (SWITZ) AG	3,468,750	0.78%
	Total Top 20 holders	**251,661,803**	**56.74%**
	Total Remaining Holders Balance	**191,836,953**	**43.26%**
	Shares on issue	**443,498,756**	**100.00%**

(i) 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.

(j) Registered Address

The address of the principal registered office in Level 8, 225 St Georges Terrace, Perth WA 6000. Telephone (08) 9486 4699.

(k) Registers

The register of securities are held at the following address:
Advance Share Registry
150 Stirling Highway
Nedlands WA 6009

(l) Unquoted Securities

As at 21 September 2011 the following options over un-issued shares were on issue:

(i) 10,400,000 options exercisable at 8 cents on or before 30 November 2011

(m) Tenement Schedule

Project	Manager	Tenement No.	Interest
Pardoo	Segue Resources	EL45/1866	100%
Pardoo	Segue Resources	EL45/1866	100%
Pardoo	Segue Resources	EL45/2146	100%
Pardoo	Segue Resources	PL45/2572	100%

Note: Red October has the right to earn in three stages up to an initial 70% in the Nickel & Non-Iron Ore rights over the above tenements through the following:

i) 30% interest can be earned by spending a minimum amount of $2.0m within 3 years from the Commencement Date including a minimum spend of $1.5m, or such other amount greater than $1.5m as required to satisfy the ASX listing rules, within 2 years of the Commencement Date;

ii) once a 30% interest is earned then a further 20% (to a total of 50%) interest can be earned by spending a minimum total amount of $5.0m within 4 years from the Commencement Date; and

iii) once a 50% interest is earned then a further 20% interest (to a total of 70%) can be earned by spending a minimum total amount of $10m within 5 years from the Commencement Date.

(n) Unquoted Equity Security Holders with Greater than 20% of an Individual Class

As at 22 September 2011 the following class of unquoted securities had holders with greater than 20% of the class on issue.

Options exercisable at 8 cents on or before 30 November 2011

Name	Number of Shares Held	Percentage Held
Mr Glenn Ross Whiddon	3,000,000	28.846%
Blue Mount estate Pty Ltd <Rhyon Alpha A/C>	3,000,000	28.846%
Mount Royal Pty Ltd <The Fry Family A/C>	3,000,000	28.846%

Level 8, 225 St Georges Terrace
Perth WA 6000
Telephone: (08) 9486 4699
Facsimile: (08) 9486 4799
Email: info@segueresources.com