



ABN 49 112 609 846

**Half-Year Financial Report
31 December 2015**

CORPORATE INFORMATION

Directors

Steven Michael	Managing Director
Frazer Tabcart	Non-Executive Director
Nicholas Ong	Non-Executive Director

Company Secretary

Matthew Foy

Registered Office

Unit 16, 40 St Quentin Avenue

Claremont WA 6010

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Facsimile: (08) 9486 4799

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Auditors

Pitcher Partners Corporate & Audit (WA) Pty Ltd

1/914 Hay Street

Perth WA 6000

Bankers

ANZ Banking Group Limited

32 St Quentin Avenue

Claremont WA 6010

Share Registry

Advanced Share Registry Service

150 Stirling Highway

Nedlands WA 6009

Stock Exchange Listing

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

ASX Code: SEG

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DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2015 (**Period**).

DIRECTORS AND MANAGEMENT

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

- Steven Michael Managing Director
- Nicholas Ong Non-Executive Director
- Frazer Tabcart Non-Executive Director

REVIEW AND RESULTS OF OPERATIONS

The principal activity of the Company and its subsidiaries during the Period was mineral exploration. The net operating loss for the half-year ended 31 December 2015 was \$670,743 (31 December 2014 loss: \$659,714).

OVERVIEW & HIGHLIGHTS

During the half-year ended 31 December 2015, the Company announced it had entered into a joint venture agreement with international resources company MMG Limited (**MMG**), over eight tenements at the Company's Plumridge Nickel Project in the Fraser Range Province, Western Australia.

Segue also announced it had entered into the Pardoo Joint Venture (**Pardoo JV**) with Port Exploration Pty Ltd (**Port**) in August 2015, covering the Company's Pardoo Nickel Project (**Pardoo Project**) in the Pilbara region of Western Australia. On 17 December 2015, Caeneus Minerals Ltd (ASX: CAD) (**Caeneus**) completed the acquisition of Port and has assumed all rights and obligations under the Pardoo JV.

In addition, Segue entered into a joint venture agreement with its geological consultants, Omni GeoX (**Omni**) over the Company's Deralinya Project in the south portion of the Fraser Range Province in Western Australia.

Plumridge Project - Fraser Range Province, Western Australia

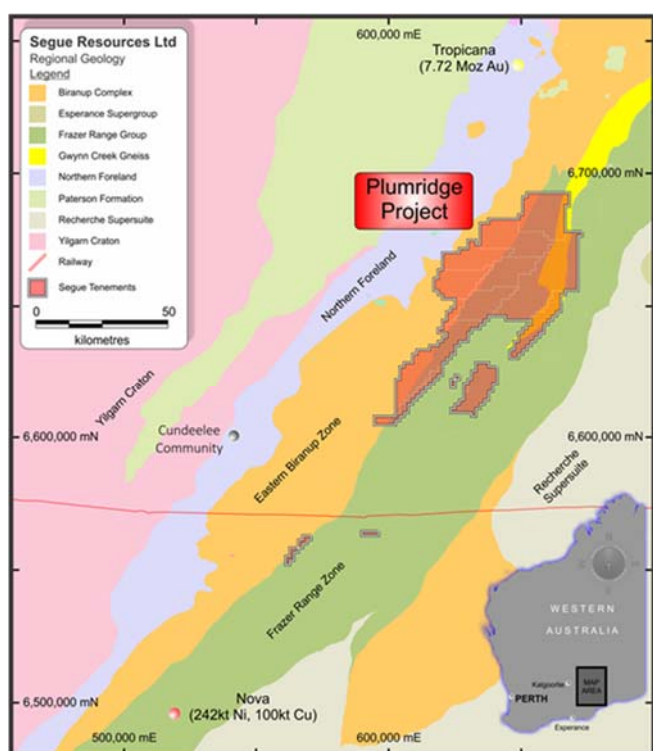


Figure 1: Plumridge Nickel Project location map

Segue has continued to explore, expand and consolidate its exploration tenement package at the Plumridge Project in the Fraser Range Province, with Segue controlling over 3,000 square kilometres of contiguous exploration licences.

The Plumridge Project is highly prospective for massive nickel-copper sulphide deposits, similar to the Nova-Bollinger deposit which was discovered in July 2012 and contains resources of over 325,000 tonnes of contained nickel and 134,000 tonnes of contained copper (May 2014 resource estimate).

Segue's Plumridge Project tenements cover a large extent of the northern Fraser Range and the gravity high corridor, which represents the area of greatest nickel prospectivity. The Company has retained highly experienced nickel geologists and geophysicists to effectively and efficiently explore Segue's area of primary focus.

The Plumridge Project is also prospective for gold mineralisation along the western third of the tenement area.

DIRECTORS' REPORT

Drilling by previous tenement owners has identified a 12 kilometre, semi-continuous gold anomaly with several gold prospects identified (Corvette, Camaro, Mustang and Stingray).

In August 2015, Segue completed a seven reverse circulation (RC) drilling programme at the Plumridge Project for a total of 985 metres across four target areas. The drilling was primarily aimed at testing a number of gravity anomalies to provide information to allow more detailed modelling of this key data set. In addition single drill holes were targeted to test a previously identified Moving Loop EM (MLEM) conductor (E28) and a distinct magnetic target (E17).

Drill hole PRC003 at the E1 Target intersected mafic rocks within a sequence of quartz-biotite-garnet gneiss (**Figure 2**). Detailed evaluation through litho-geochemical analysis and petrographic examination have confirmed that these rocks are high-MgO mafic rocks that are possibly part of a larger mafic complex as indicated from gravity survey data.



Figure 2: RC chip trays from PRC003 showing mafic rock samples

Table 1 – Summary of RC drill hole information

Prospect	Tenement	Hole ID	MGA East	MGA North	Dip	Azimuth	RL	Max Depth
E1	E39/1709	PRC003	653473	6691803	-60°	90°	282m	120m
E1	E39/1709	PRC004	654550	6691796	-60°	90°	295m	120m
E15	E39/1084	PRC005	653922	6679101	-60°	90°	276m	138m
E15	E39/1084	PRC006	654985	6679099	-60°	90°	270m	174m
E15	E39/1084	PRC007	652949	6679099	-60°	90°	277m	120m
E28	E28/2266	PRC008	648962	6640513	-80°	240°	210m	234m
E17	E39/1084	PRC009	638398	6669803	-80°	86°	286m	79m

Plumridge Nickel Joint Venture (Segue 100%, MMG earning up to 70%)

In September 2015, Segue entered into the Plumridge Nickel Joint Venture (**Plumridge JV**) with international resources company, MMG (HKEx: 1208, ASX: MMG). Under the Plumridge JV, MMG can earn an initial 51% interest in eight exploration licences through the expenditure of \$6.5m by 31 December 2019, including \$1.5m to be spent before 31 December 2016 (**Stage 1**). Once MMG has met the Stage 1 requirements, MMG can elect to increase its interest by 19% (to 70%) through the additional expenditure of \$7.5 million within two years (**Stage 2**). MMG must maintain all tenements in good standing during both Stage 1 and Stage 2.

The Joint Venture agreement contains standard provisions, including contributions in proportion to equity holdings, dilution and pre-emptive rights. If either Segue or MMG's joint venture interest dilutes to less than 10% then that party's interest will convert to a 1.5% NSR royalty.

DIRECTORS' REPORT

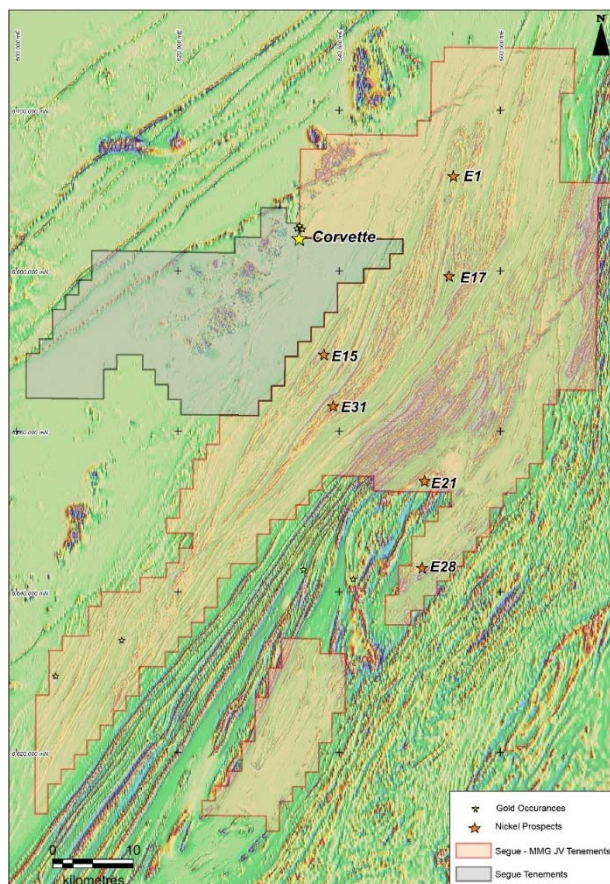


Figure 3: Plumridge Nickel Joint Venture tenements over regional magnetics

During the December quarter, MMG completed a high resolution in-fill gravity survey over four tenements within the Plumridge Nickel JV. The gravity survey consisted of over 6,000 stations on a 400m x 200m grid, to increase the gravity data coverage from 1,600m x 100m (completed by Segue in 2015). The newly acquired gravity data provides a significant increase in detail (**Figure 4**).

The detailed gravity data will be processed, modelled (including 2D and 3D inversion modelling) and interpreted by MMG to assist in identifying prospective intrusions amongst the stratigraphic mafic units.

MMG will undertake Phase 2 of the high resolution ground gravity survey in 1H 2016. Upon completion of the Phase 2 survey, over 90% of the Plumridge Nickel JV tenement package will be covered with high-resolution gravity data. Combined with the high resolution magnetic dataset obtained by Segue in 2013, MMG will be in the best possible position to identify potential Ni-Cu sulphide bearing mafic-ultramafic intrusions. Once identified, intrusions/anomalies will be ranked by integrating and assessing the structural and lithological setting as well as completing 2D/3D models over each target.

The highest ranked anomalies will be selected for ground EM (moving-loop) to test for any conductive response associated with the anomalies, i.e. direct detection of potential massive Ni-Cu sulphides.

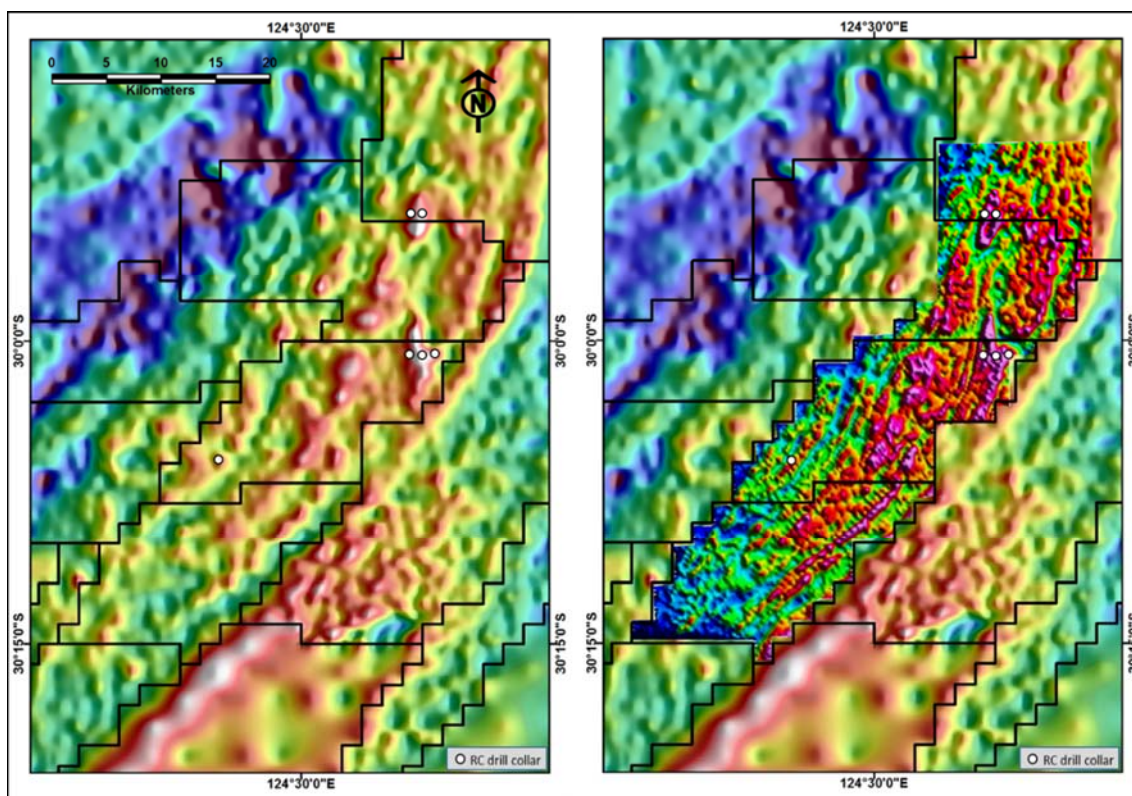


Figure 4: Bouguer 1VD gravity image (Segue 1,600m x 100m on left, MMG 400m x 200m on right)

DIRECTORS' REPORT

Pardoo Project – Pilbara Region, Western Australia

The Pardoo Project is located in the Northern Pilbara, 100 kilometres east of the regional centre of Port Hedland (**Figure 5**). The project is prospective for magmatic nickel-copper sulphides. A current inferred resource of 44.7mt @ 0.3% Ni & 0.13% Cu exists at the sedimentary hosted Highway Deposit. The exploration model is that the source of the nickel and copper mineralisation at Highway was derived from what is interpreted to be a large scale mafic-ultramafic intrusive complex to the north of the major fault zone (Pardoo Fault).

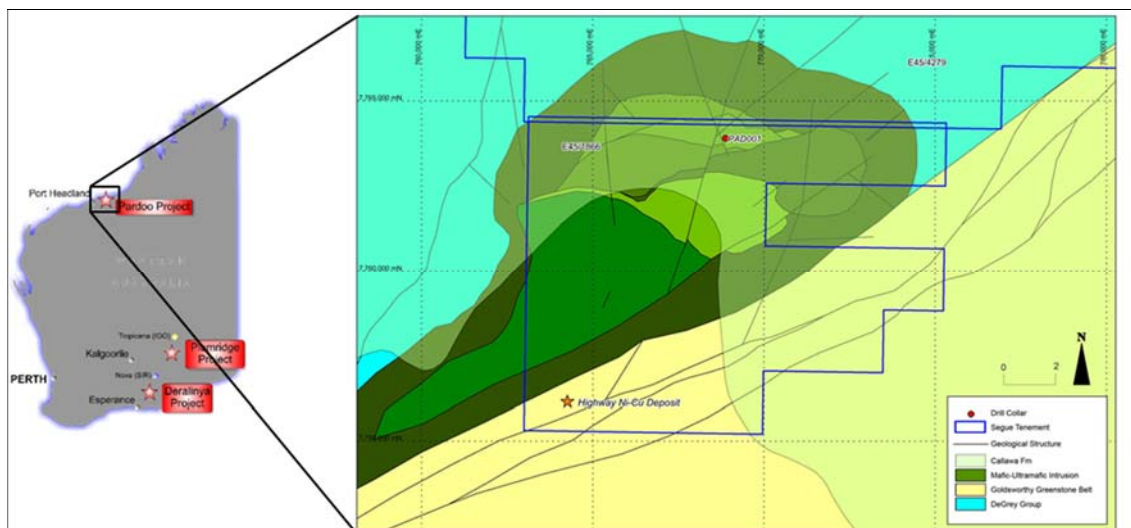


Figure 5 – Pardoo location map and interpreted geology

On 4 August 2015 Segue advised that it had signed a Farmin and Joint Venture Agreement (**Agreement**) with Port Exploration Pty Ltd (**Port**) over the Company's Pardoo Project in the Pilbara Region of Western Australia.

Key points to the Agreement:

- In March 2015 Segue received a non-refundable fee of \$50,000 within 60 days of signing the initial Term Sheet;
- Port can acquire a 51% interest in the Pardoo Project by spending \$250,000 on exploration within 12 months of signing the Agreement (**Stage 1 Interest**);
- Port can acquire an additional 29% interest in the Pardoo Project (increasing its interest to 80%) by spending a further \$250,000 on exploration by no later than 12 months after earning the Stage 1 Interest (**Stage 2 Interest**);

Upon Port earning the Stage 2 Interest, Segue has the right for a period of 18 months to sell its 20% Joint Venture interest to Port for shares in Port (or any listed head company of Port), subject to necessary shareholder, ASX and other regulatory approvals.

In December 2015, Caeneus Minerals Ltd (ASX: CAD) (**Caeneus**) completed the acquisition of Port and has assumed all rights and obligations under the Pardoo JV. Caeneus has announced preliminary results of a low level aeromagnetic survey over the southwest portion of the Pardoo Project. The survey was flown with 50m line spacing and collected magnetic, radiometric and elevation data. The survey results provide detailed information that will be used by Caeneus for structural and lithological interpretation as well as direct targeting. The radiometric data will be useful for interpreting rock units where cover is thin or absent.

Initial target selection by Caeneus and Southern Geoscience Consultants is based on identifying the potential base of the large layered mafic-ultramafic intrusion where it is in contact with the regional Pardoo Fault. The base of this contact is where magmatic nickel and copper sulphides are interpreted to have accumulated, including the Highway Ni-Cu deposit.

DIRECTORS' REPORT

The survey has identified several complex linear magnetic anomalies adjacent to the Pardoo Fault at the interpreted base of the large mafic-ultramafic intrusion (**Figure 6**). These aeromagnetic targets are deemed high priority.

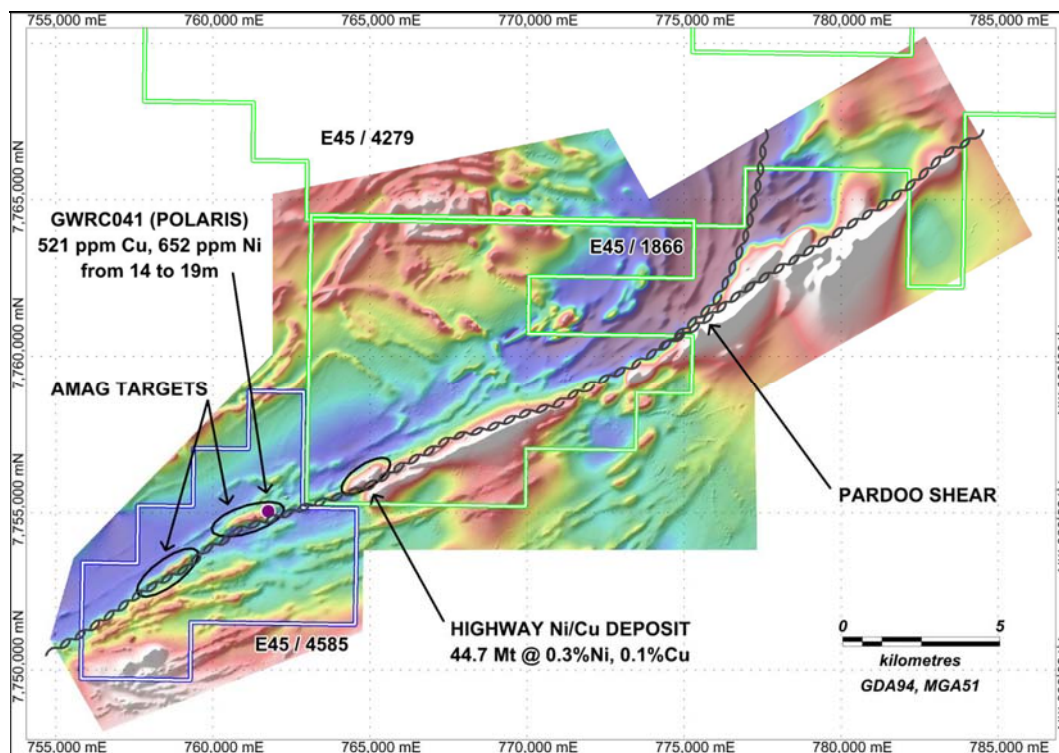


Figure 6: Aeromagnetic image highlighting the Pardoo Fault/Shear along with the two high priority targets

Detailed assessment of this large intrusion to delineate high priority Ni-Cu-Pge exploration targets, especially near the base of the intrusion adjacent to the Pardoo Fault, will form the core focus of exploration activities in the short to medium term. These activities are likely to include detailed ground based gravity and moving loop EM surveys followed up by RC and diamond drilling programs.

Deralinya Project – Fraser Range Province, Western Australia

During the Period, the Company announced that it had entered into a joint venture agreement (**Joint Venture**) with its geological consultants, Omni Geox (**Omni**), over the Company's Deralinya Project in the southern portion of the Fraser Range Province in Western Australia.

Under the terms of the Joint Venture, Omni can earn a 30% interest in the Deralinya Project through the expenditure of \$130,000 on exploration activities. Following completion of the earn-in, Segue and Omni will contribute to the Joint Venture in proportion to their interest, which will initially be 70%/30%, respectively. Omni completed its farm-in obligations during 3Q 2015.

Exploration Targeting

A litho-tectonic assessment of the Deralinya Project has confirmed the project area as having potential to host Ni-Cu±PGE mineralisation and has also resulted in the identification of six target areas (**Figures 7 & 8**). Targets were identified using the following criteria:

- Magnetic 'bulls-eye' or magnetic low cross cutting stratigraphy;
- Association with a gravity high that cross cuts stratigraphy; and
- Proximal to regional NE and NW orientated fundamental structures.

DIRECTORS' REPORT

As part of its farm-in expenditure, Omni has completed a soil sampling program across the T1 and T4 target areas to test for geochemical anomalism that could be associated with potential mineralisation. The programme consisted of 308 samples collected on a 500m x 250m grid with regional traverses continuing on 250m sample spacing.

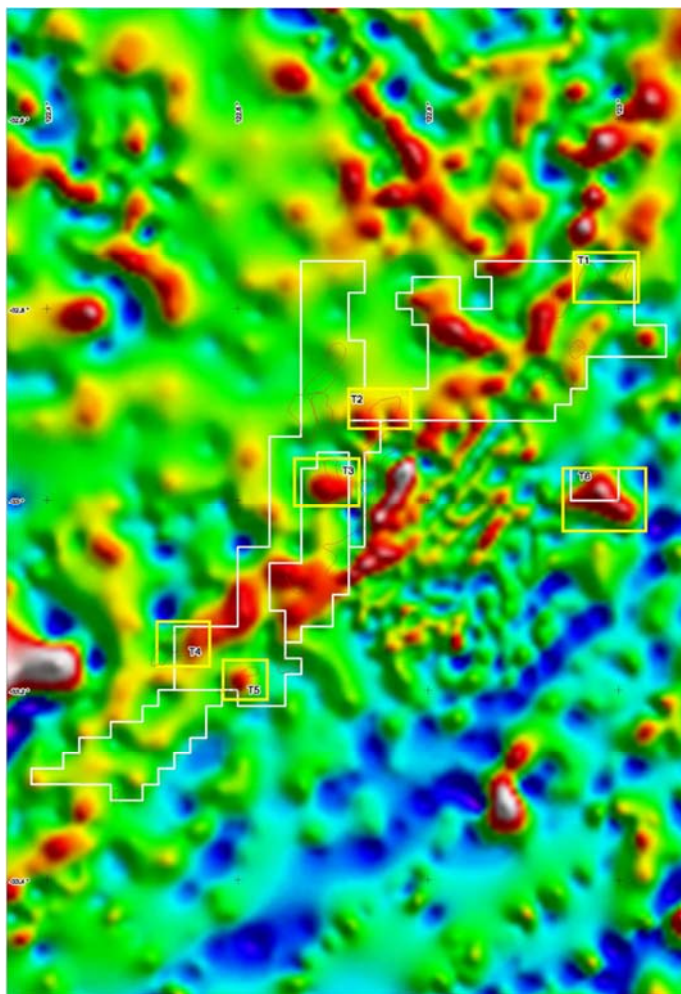


Figure 7 – 1VD gravity image with target areas

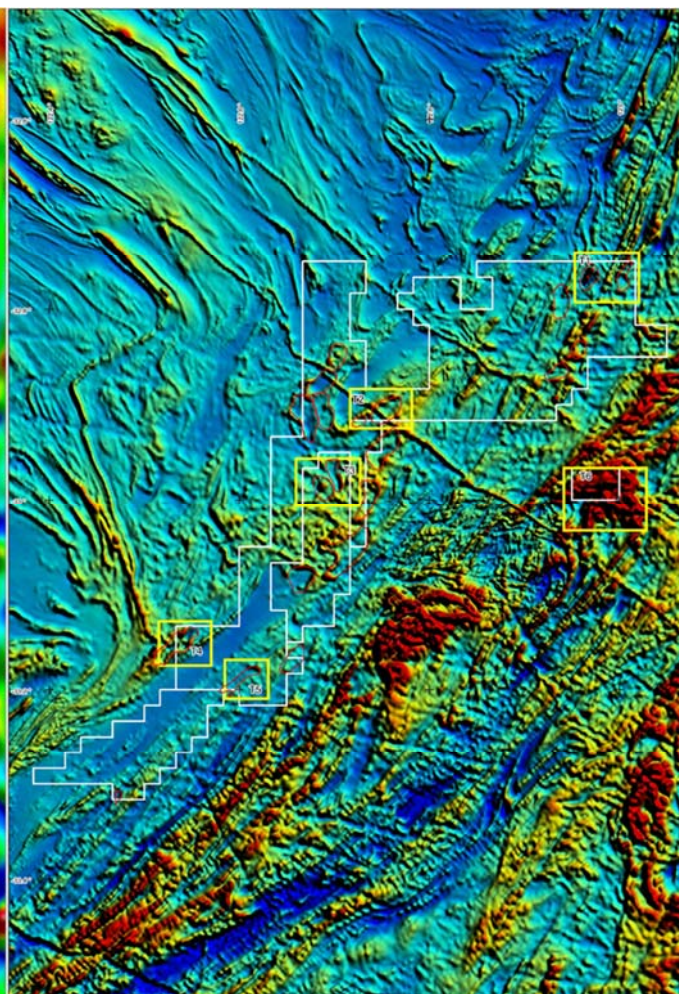


Figure 8 – GSWA magnetics depicting magnetic anomalies

Salt Creek Nickel Project – Fraser Range Province, Western Australia

The Salt Creek Nickel Project (**Salt Creek Project**) comprises three exploration licences totalling 460km² immediately west of the Plumridge Nickel Project in the Fraser Range Province of Western Australia. The Salt Creek Project contains a belt of intermediate-mafic intrusions that are considered prospective for nickel, copper and PGE's, similar to those found at the Nova Bollinger and Nebo Babel nickel-copper deposits. The intrusions do not outcrop and are concealed below recent sedimentary sequences, however they are clearly visible within processed magnetic imagery.

Through existing detailed magnetic surveys and the project scale gravity survey completed by Segue in 2015, two exploration targets were highlighted within the Salt Creek Project. The targets are broad residual gravity anomalies that occur over thickenings of the observed magnetic features. During the quarter, Segue completed a maiden aircore drilling programme across both target areas, with 20 holes completed for 842m on two traverses (**Figure 9**).

DIRECTORS' REPORT

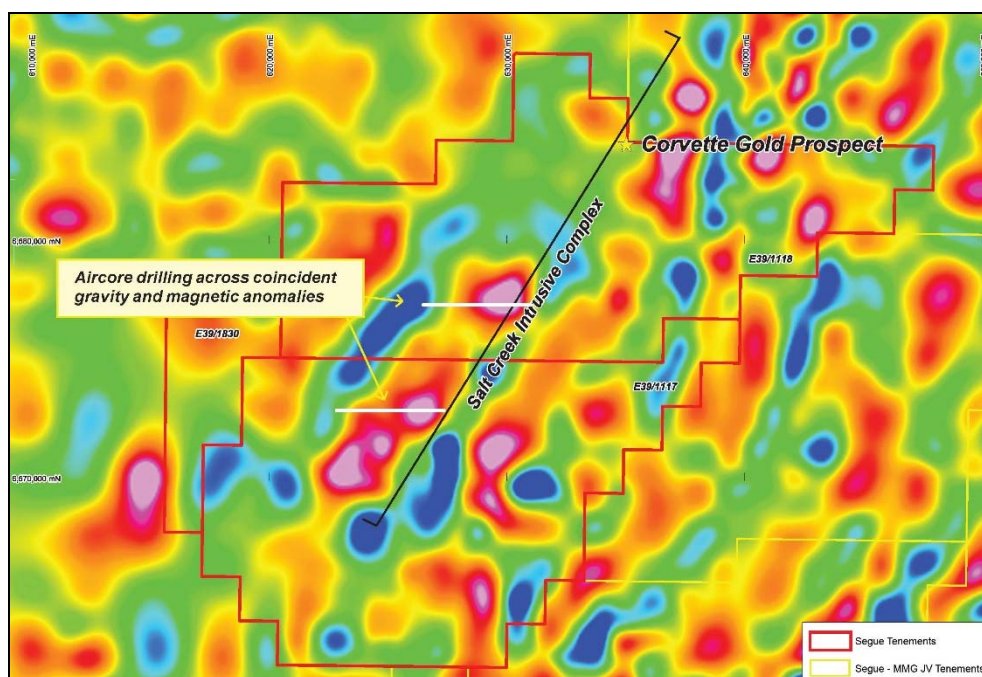


Figure 9: Aircore drilling programme over gravity contours

The drilling intersected three zones of mafic intrusive rocks that appear to be largely coincident with the targeted gravity highs. The intrusions range from fresh dolerite and gabbro that have undergone variable amounts of metasomatic alteration, to totally altered high metamorphic grade amphibolite (after mafic intrusion). This variation suggests that the Salt Creek Complex in this location has been emplaced in multiple phases over an extended period of time.

Traces of sulphides have been identified in both hand specimen and in petrographic analysis. These sulphides, including chalcopyrite, are interpreted as being of an igneous (magmatic) origin indicating that critical sulphur saturation has been reached as the magma crystallised (**Figure 10**), and thus confirming the potential of these rocks to form magmatic sulphide deposits.

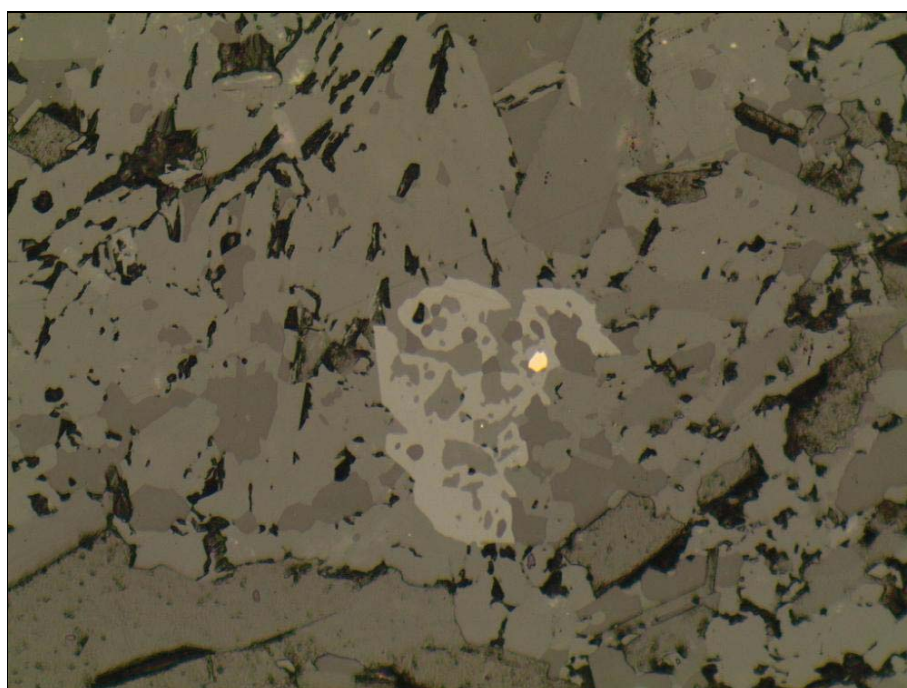


Figure 10: Reflected light image from PAC052 showing small chalcopyrite grain within a poikilitic titanate grain (light grey). Darker grey are silicates (mostly hornblende, plagioclase). Width = 0.5 mm.

DIRECTORS' REPORT

The results of this work provide the basis for ongoing programs of exploration. They demonstrate that the gravity anomalies provide a robust targeting tool in preference to the magnetic data and that aircore is an effective method to delineate the size and extent of the intrusions beneath the transported cover, whilst collecting critical litho-geochemical data.

Segue has also been awarded an Exploration Incentive Scheme grant from the WA Department of Mines and Petroleum for the co-funding (up to 50%) of five diamond drill holes at the Salt Creek Project during 2016. The grant will enable Segue to collect diamond core from a number of locations within the Salt Creek Complex to determine the evolution and potential fertility of the mafic and ultramafic intrusions.

Competent Persons Statement

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Mr Peter Langworthy who is a Member of The Australian Institute of Geoscientists. Mr Langworthy has more than five years' experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves". Mr Langworthy consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Corporate and Financial

Share Purchase Plan

During the Period Segue offered eligible shareholders the opportunity to participate in a Share Purchase Plan (**SPP**) to acquire up to \$15,000 worth of fully paid ordinary shares plus a 1 for 2 attaching option without incurring brokerage or any other transaction costs. The SPP was priced at 0.3¢ per share and included a 1 for 2 attaching option exercisable at 1.0¢ per share on or before 31 July 2017.

The SPP closed on 14 August 2015 with applications for 309,476,018 shares totalling \$928,428.

Employee Share Plan

During the Period on 29 July 2015, shareholders approved, amongst other things, the grant of interest free, non-recourse loans to the Directors to acquire a total of 67.5 million shares under the Employee Share Plan (**Incentive Shares**). The Incentive Shares were issued at a price equal to a 1% discount to the 5-day VWAP of the Company's shares immediately prior to the issue of the Incentive Shares. The Incentive Shares were issued on 3 August 2015 at an issue price of 0.36¢ per Incentive Share.

The Incentive Shares remain restricted until the satisfaction of key milestones as disclosed in the Notice of General Meeting dated 29 June 2015.

Placement

During December 2015, Segue completed a placement of 26,570,049 shares at 0.207¢ per share to raise net proceeds of \$55,000 to Acuity Capital Pty Ltd pursuant to the Controlled Placement Agreement announced on 19 August 2015.

Share Capital

As at 31 December 2015 the Company had 2,666,570,242 ordinary shares on issue.

The Company also had the following outstanding options:

Number	Exercise Price	Expiry Date
76,500,000	\$0.018	31/01/2016*
238,071,398	\$0.01	31/07/2017
15,000,000	\$0.01	18/02/2018
25,000,000	\$0.0036	3/08/2018

* These options expired unexercised on 31 January 2016.

DIRECTORS' REPORT

Events after the Balance Sheet Date

Subsequent to the reporting period on 31 January 2016, 76,500,000 options with an exercise price of \$0.018 expired.

Apart from the matters set out above, there have been no events subsequent to balance date of a nature that would require disclosure.

Significant Change in the State of Affairs

There were no events of a material nature that have affected significantly the results or state of affairs of the Company.

DIRECTORS' REPORT

Appendix A – Schedule of Tenements as at 31 December 2015

Tenement ID	Status	Interest at 30 June 2015	Interest acquired or disposed	Interest at 31 December 2015
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Plumridge Project

E28/1475	Granted	100%	0%	100%
E28/2266	Granted	100%	0%	100%
E28/2267	Granted	100%	0%	100%
E28/2317	Granted	100%	0%	100%
E28/2385	Granted	100%	(100%)	0%
E28/2387	Granted	100%	(100%)	0%
E28/2388	Granted	100%	(100%)	0%
E28/2390	Granted	100%	(100%)	0%
E28/2391	Granted	100%	(100%)	0%
E28/2392	Granted	100%	(100%)	0%
E28/2393	Pending	100%	(100%)	0%
E39/1084	Granted	100%	0%	100%
E39/1709	Granted	100%	0%	100%
E39/1710	Granted	100%	0%	100%
E39/1731	Granted	100%	0%	100%

Salt Creek Project

E39/1117	Granted	100%	0%	100%
E39/1118	Granted	100%	0%	100%
E39/1830	Granted	100%	0%	100%

Deralinya Project

E63/1521	Granted	100%	0%	100%
E63/1522	Granted	100%	0%	100%
E63/1524	Granted	100%	0%	100%
E63/1736	Granted	0%	100%	100%

Pardoo Project

E45/1866	Granted	100%	0%	100%
E45/4279	Granted	100%	0%	100%

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307c of the *Corporation Act 2001*, we have obtained an independence declaration from our auditors, Pitcher Partners Corporate & Audit (WA) Pty Ltd, which is included on page 14

Signed in accordance with a resolution of the Directors.



Steven Michael

Managing Director

Perth, 11 March 2016

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Segue Resources Limited and its controlled entities.

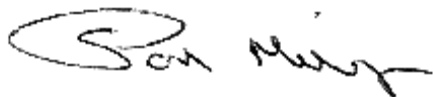
In relation to the independent review for the half-year ended 31 December 2015, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.

This declaration is in respect of Segue Resources Limited and the entities it controlled during the period.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD



Paul Mulligan
Executive Director
Perth, 11 March 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	31 Dec 2015	31 Dec 2014
	\$	\$
Continuing operations		
Finance income	5,590	7,434
Other income	1,000	62,235
Profit on sale of shares	-	67,500
<i>Expenses</i>		
Employee benefits expenses	(233,235)	(439,348)
Share based payments expense	(198,691)	-
Occupancy expenses	(23,538)	(16,128)
Exploration expenditure	(20,748)	(38,323)
Finance costs	-	(4)
Depreciation expenses	(8,130)	(8,869)
Impairment expenses	11,453	-
Administration and other expenses	(204,444)	(294,211)
Loss before income tax	(670,743)	(659,714)
Income tax expense	-	-
Loss from continuing operations for the period	(670,743)	(659,714)
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to profit or loss		
Exchange loss on translation of foreign operations	(162)	-
Total other comprehensive loss	(162)	-
Total comprehensive loss for the period	(670,905)	(659,714)
Loss per share	Cents	Cents
- Basic loss	(0.028)	(0.034)
- Diluted loss	(0.026)	(0.034)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	31 Dec 2015 \$	30 Jun 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents		523,574	502,080
Trade and other receivables		26,258	28,469
Prepayments		12,663	6,487
Total current assets		562,495	537,036
Non-Current Assets			
Exploration and evaluation costs	3	6,114,485	5,774,691
Property, plant and equipment		2,850	10,980
Total non-current assets		6,117,335	5,785,671
TOTAL ASSETS		6,679,830	6,322,707
LIABILITIES			
Current liabilities			
Trade and other payables		63,878	204,415
Total current liabilities		63,878	204,415
TOTAL LIABILITIES		63,878	204,415
NET ASSETS		6,615,952	6,118,292
EQUITY			
Contributed Equity	4	27,354,528	26,384,654
Reserves		852,281	653,752
Accumulated losses		(21,590,857)	(20,920,114)
TOTAL EQUITY		6,615,952	6,118,292

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

CONSOLIDATED	Contributed equity	Share based payment reserve	Foreign currency translation reserve	Investment reserve	Option reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
At 1 July 2014	23,209,714	920,772	(476,970)	(150)	-	(18,481,621)	5,171,745
Comprehensive Income:							
Loss for the half year	-	-	-	-	-	(659,714)	(659,714)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(659,714)	(659,714)
Transactions with owners in their capacity as owners:							
Issue of shares	2,353,207	-	-	-	-	-	2,353,207
Share Buy-backs	(2,500)	-	-	-	-	-	(2,500)
Share based payments	-	93,372	-	-	-	-	93,372
Transaction with equity holders	2,350,707	93,372	-	-	-	-	2,444,079
At 31 December 2014	25,560,421	1,014,144	(476,970)	(150)	-	(19,141,336)	6,956,109
At 1 July 2015	26,384,654	1,130,872	(476,970)	(150)	-	(20,920,114)	6,118,292
Comprehensive Income:							
Loss for the half year	-	-	-	-	-	(670,743)	(670,743)
Other comprehensive income	-	-	(162)	-	-	-	(162)
Total comprehensive income	-	-	(162)	-	-	(670,743)	(670,905)
Transactions with owners in their capacity as owners:							
Issue of securities	969,874	-	-	-	91,257	-	1,061,131
Share based payments	-	107,434	-	-	-	-	107,434
Transaction with equity holders	969,874	107,434	-	-	91,257	-	1,168,565
At 31 December 2015	27,354,528	1,238,306	(477,132)	(150)	91,257	(21,457,529)	6,615,952

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	31 Dec 2015	31 Dec 2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(489,211)	(563,406)
Interest received	5,590	7,434
Other income	1,000	62,236
Interest paid	-	(4)
Other payments	(23,539)	(16,128)
Net cash outflow from operating activities	<u>(506,160)</u>	<u>(509,868)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of shares	-	67,500
Payment for exploration costs	(442,220)	(1,879,048)
Payment for property, plant & equipment	-	(36,147)
Net cash outflow from investing activities	<u>(442,220)</u>	<u>(1,847,695)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for shares bought back	-	(2,500)
Proceeds from issue of shares	969,874	2,353,207
Net cash inflow from financing activities	<u>969,874</u>	<u>2,350,707</u>
Net increase / (decrease) in cash and cash equivalents	21,494	(6,856)
Balance at the beginning of the period	502,080	738,685
Balance at the end of the period	<u><u>523,574</u></u>	<u><u>731,829</u></u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1. CORPORATE INFORMATION

The financial report of Segue Resources Limited (the "Company") and its controlled entities (the "Group") for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 11 March 2016. Segue Resources Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

The principal activities of the Group are to explore for mineral resources in Australia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'. The consolidated financial statements of the Company for the half-year ended 31 December 2015 include the Company and its controlled entities, together referred to as the "Consolidated Entity" or "Group".

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Segue Resources Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the Consolidated Entity and are consistent with those applied in the previous financial year and those of the corresponding interim reporting period.

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The half-year report does not include full disclosures of the type normally included in an annual financial report. For the purposes of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

The Group has adopted all of the new and revised Standards and Interpretations issues by the Australian Accounting Standard Board ("AASB") that are relevant to their operations and effective for the current reporting period. The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

The AASB has issued new Standards, Amendments and Interpretations to existing standards which have been published but are not yet effective, and have not yet been adopted early by the Group. The new Standards, Amendments and Interpretations that may be relevant to the Group's financial statements are provided below.

Standard / Interpretation	Effective for annual reporting periods beginning on or after
AASB 9 <i>Financial Instruments</i> and AASB2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	1 January 2018
AASB 15 <i>Revenue from Contracts with Customers</i>	1 January 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern

The interim condensed consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the half-year ended 31 December 2015 of \$670,743 (31 December 2014: \$659,714), and a net cash outflow from operating and investing activities of \$948,380 (31 December 2014: \$2,357,563). Net assets of the Group as at 31 December 2015 were \$6,615,952 (30 June 2015: \$6,118,292).

The Group's ability to continue as a going concern and pay its debts as and when they fall due is dependent upon the Group raising additional capital via any means available to it inclusive of, but not limited to, placements, option conversions, rights issues, or joint venture arrangement in a timely manner in order to fund the ongoing exploration and operation activities.

The Directors have reviewed the business outlook and cash flow forecasts after taking into account the above matters and are of the opinion that the use of the going concern basis of accounting is appropriate as the Directors believe the Group will achieve the matters set out above and be able to pay its debts as and when they fall due.

The interim condensed consolidated financial statements are normally prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. Hence it is assumed that the Group has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the interim condensed consolidated financial statements may have to be prepared on a different basis and, if so, the basis used will be disclosed.

3. EXPLORATION AND EVALUATION COSTS

	31 Dec 2015	30 Jun 2015
	\$	\$
Balance at the beginning of the period/year	5,774,691	4,806,558
Exploration expenditure incurred	339,794	2,210,662
Impairment of exploration assets	-	(1,422,529)
Balance at the end of the period/year	<u>6,114,485</u>	<u>5,774,691</u>

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

4. CONTRIBUTED EQUITY

Issued Capital	31 Dec 2015	30 June 2015	31 Dec	30 Jun
	Nos.	Nos.	2015	2015
			\$	\$
(a) Share capital				
Fully Paid Ordinary Shares	2,666,570,242	2,250,524,175	27,354,528	26,384,654

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

4. CONTRIBUTED EQUITY (continued)

	CONSOLIDATED	
	Nos.	\$
(b) Movements in share capital		
Balance at 1 July 2015	2,250,524,175	26,384,654
Employee Share Purchase Plan issued 3 August 2015	80,000,000	-
Shares issued 20 August 2015	309,476,018	928,428
Shares issued 24 December 2015	26,570,049	55,000
Costs of issue	-	(13,554)
Balance at 31 December 2015	2,666,570,242	27,354,528

	CONSOLIDATED	
	Nos.	\$
(c) Movements in share capital		
Balance at 1 July 2014	1,743,612,749	23,209,714
Shares issued 24 July 2014	250,000,000	2,000,000
Shares issued 19 September 2014	9,500,000	118,750
Shares issued 14 October 2014 (exercise of options)	5,000,000	50,000
Shares issued 23 October 2014 (exercise of options)	5,000,000	50,000
Shares issued 24 October 2014 (exercise of options)	16,148,648	200,000
Cancellation of shares	(25,000,000)	(2,500)
Costs of issue	-	(65,543)
Balance at 31 December 2014	2,004,261,397	25,560,421

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 outstanding at 31 December 2015

The following options over ordinary shares of the Company existed at reporting date:

	Expiry date	Nos.	Exercise price
			\$
Balance at 31 December 2015			
Options	31/01/2016	76,500,000	0.018
Options	31/07/2017	238,071,398	0.01
Options	18/02/2018	15,000,000	0.01
Options	03/08/2018	25,000,000	0.0036
		354,571,398	

These options are unlisted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

5. SEGMENT INFORMATION

AASB 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically focused on the geographical location of the exploration program.

The company has one operating segment that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

The Company operates in one operating and geographic segment being mineral exploration, and evaluation in Western Australia for the half-year periods ended 31 December 2014 and 31 December 2015.

6. COMMITMENTS & CONTINGENCIES

(i) Tenement Expenditure Commitments

	2015 \$	2014 \$
Up to 1 year	2,238,000	2,188,000
Between 1 and 5 years	-	-
Later than 5 years	-	-
	<u>2,238,000</u>	<u>2,188,000</u>

The expenditure commitment for the Group for later than two 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.

(ii) Rental Lease Commitments

On 1 September 2014, Segue entered into a two year lease agreement for premise at Unit 16, 40 St Quentins Avenue, Claremont. The annual cost of the lease agreement is \$33,902.

7. FAIR VALUES OF FINANCIAL INSTRUMENTS

Recurring fair value measurements

The Consolidated Entity does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value

Due to their short term nature, the carrying amount of current receivables, current trade and other payables and current interest-bearing liabilities is assumed to approximate their fair value.

8. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the reporting period on 31 January 2016, 76,500,000 options with an exercise price of \$0.018 expired.

Apart from the matters set out above, there have been no events subsequent to balance date of a nature that would require disclosure.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

9. RELATED PARTY DISCLOSURES

The parent entity and the ultimate parent entity of the Group is Segue Resources Limited, a company listed on the Australian Securities Exchange.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

1. The financial statements and notes set out on pages 15 – 23 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the financial position of the Consolidated Entity at 31 December 2015 and of their performance for the half year ended on that date.
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
3. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295a of the *Corporations Act 2001*.

On behalf of the Board



Steven Michael

Managing Director

Perth, 11 March 2016

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
SEGUE RESOURCES LIMITED**

We have reviewed the accompanying half-year financial report of Segue Resources Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-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 period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Segue Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
SEGUE RESOURCES LIMITED**

Conclusion

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

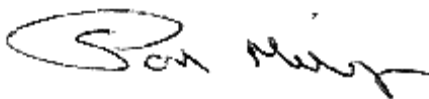
- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the financial report, which indicates that the Segue Resources Limited incurred a net loss of \$670,905 during the half-year ended 31 December 2015 and, as of that date, Segue Resources Limited net cash outflow from operating and investing activities was \$506,160. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Segue Resources Limited's ability to continue as a going concern and therefore, the Segue Resources Limited may be unable to realise its assets and discharge its liabilities in the normal course of business.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD



Paul Mulligan
Executive Director
Perth, 11 March 2016