



**ABN 49 112 609 846**

**Half-Year Financial Report  
31 December 2011**

## **Corporate Directory**

### **Directors**

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

### **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  
226 Main Street  
Osborne Park WA 6017

### **Share Registry**

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

### **Stock Exchange Listing**

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

**ASX Code: SEG**

# SEGUE RESOURCES LIMITED

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# SEGUE RESOURCES LIMITED

## DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2011.

### DIRECTORS

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

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

### REVIEW AND RESULTS OF OPERATIONS

The principal activities of the company and its subsidiaries during the period were mineral exploration. The net operating loss for the half-year ended 31 December 2011 was \$1,857,199 (31 December 2010: \$276,894).

#### Overview & Highlights

During the half-year ended 31 December 2011 (**Period**), the Company entered into an acquisition agreement with Emang Mmogo Mining Resources (Pty) Ltd to acquire a 51% stake in the Emang Manganese Project (the **Project**) situated in the Postmasburg Manganese Field in South Africa.

#### **Emang Manganese Project**

The Project area covers 1,668 hectares within the western limb of the Postmasburg Manganese Field between Sishen and Postmasburg in the Northern Cape Province. The Northern Cape Province contains the bulk of South Africa's economic manganese reserves and is one of the largest manganese producing regions in the world.

Segue is earning an initial 30 per cent interest in the Project by spending ZAR14 million (\$1.70 million<sup>1</sup>) on an Initial Drilling Programme, as well as making payments to the vendors. Segue can then increase its interest in the Project to 51 per cent by spending a minimum of ZAR21 million (\$2.54 million) on completing a Bankable Feasibility Study.

#### **Key Acquisition Terms**

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 (\$0.85 million) to the vendors and spending up to ZAR14 million (\$1.70 million) on an Initial Drilling Programme to define the extent and grade of mineralisation in the Emang Manganese Project area.

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<sup>1</sup> All references to Australian dollars in the Directors Report are based on an exchange rate of 1A\$=8.2559ZAR as at 31 December 2011.

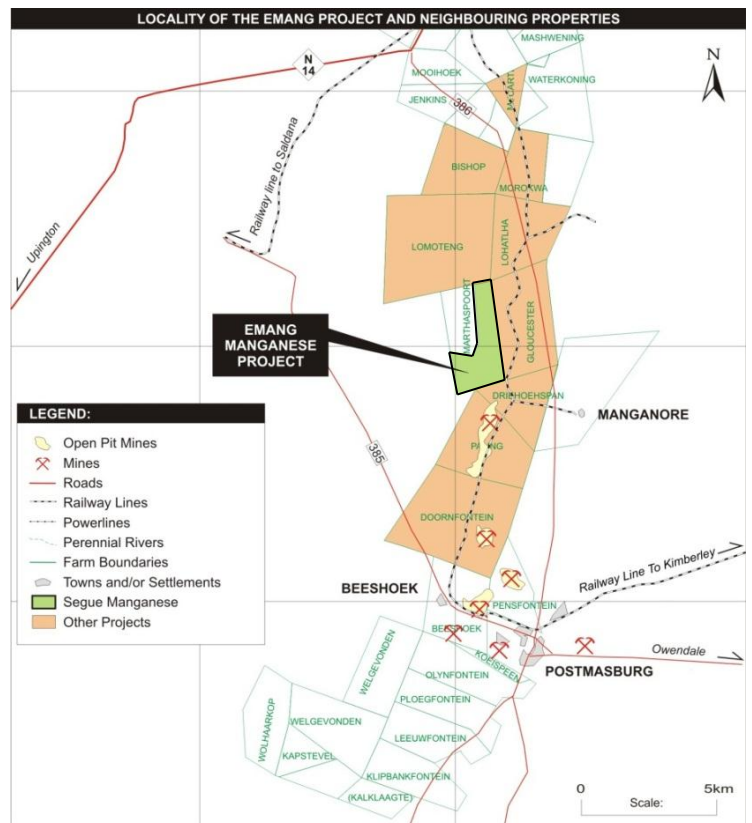
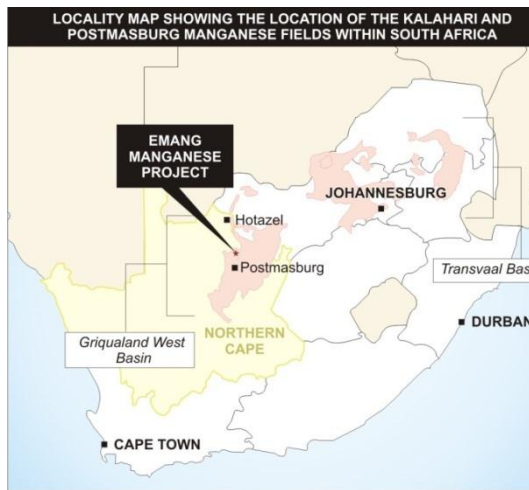
## SEGUE RESOURCES LIMITED

Upon completion of the Initial Drilling Programme, Segue will pay a further ZAR7 million (\$0.85 million) to the vendors. A final payment of ZAR7 million (\$0.85 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 (\$2.54 million) to complete a Bankable Feasibility Study on the Project.

A royalty of \$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.



Venmyn Rand (Pty) Ltd, a South African based technical, economic consulting and geological firm, carried out an Independent Due Diligence, Mineral Asset Valuation and Fatal Flaws Report of the Project in June 2011 on behalf of Segue. The report concluded that “the project has potential for significant quantity of manganese ore with grade varying between 32%-46% manganese content”.

The Project is located within an established mining province with essential infrastructure nearby. A siding for the main manganese export rail line is within 2km of the Project. Water is available from the Gamagara pipeline to the east of the property, access roads run through the project area and there is power nearby. It is anticipated that the future power requirements of the Project will be small, given the potential for open pit mining and limited processing required.

## SEGUE RESOURCES LIMITED

During the Period the Company commenced drilling at the Emang Manganese Project and completed a total of 62 reverse circulation (RC) and nine (9) diamond drill holes at the Emang Manganese Project in South Africa, as part of the Initial Drilling Programme. The drilling focussed on areas of outcropping manganese mineralisation covering around 20% of the total Prospecting Right area.

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

**Table 1 – Report on Drilling at Emang Manganese Project**

	RC Holes	Diamond Holes	All Holes
Holes completed:	62	9	75
Holes intersecting manganese ore <sup>1,2</sup> :	48	8	60
% holes intersecting manganese ore:	77%	89%	79%
Total metres drilled:	2,244m	506m	2,750m
Average manganese intersection per hole <sup>1</sup> :	5.9m	5.7m	5.9m
Maximum manganese intersection <sup>1</sup> :	16.5m	26.7m	26.7m

1. Manganese intersections based on visual logging by site geologists.

2. Manganese mineralisation logged as containing iron or aluminium has been omitted from these statistics.

The Initial Drilling Programme identified four (4) areas of manganese mineralisation, three (3) in the northern portion of the Prospecting Right comprising the Northern, Central and Southern Areas, and one (1) in the Hills Area which lies approximately 500m further south. The Northern, Central and Southern Areas have a combined strike length of 2.7 kilometres and lie adjacent to historical manganese mine workings on both the Emang and neighbouring properties.

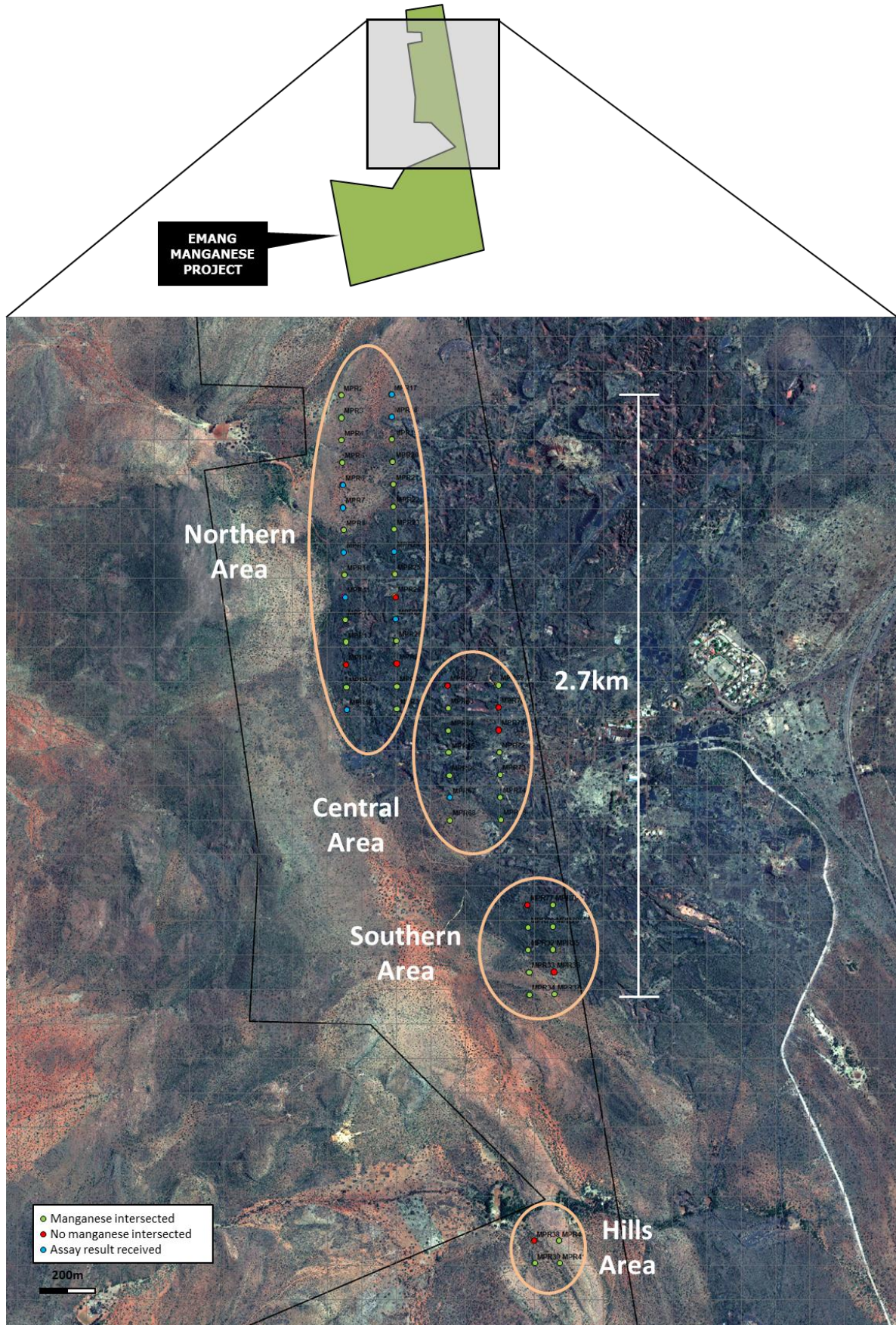
A total of 1,417 samples from the RC and diamond drill holes were sent for assaying at ALS Minerals' laboratory in Vancouver, Canada. Standard quality assurance procedures have been applied by TMC, including sending randomly ordered samples, standards, blanks and duplicates.

Assay results have been received from all 62 reverse circulation (RC) drill holes, with a full listing of available results in Appendix A. Some of the better intersections include:

- Northern Area – **11.0m @ 22.3% Mn** from 25.0m, including **2.0m @ 30.3% Mn** from 25.0m (MPR08)
- Central Area – **6.0m @ 23.4% Mn** from 24.0m, including **3.0m @ 32.0% Mn** from 27.0m (MPR68)
- Southern Area – **16.0m @ 25.9% Mn** from 32.0m, including **5.0m @ 34.1% Mn** from 43.0m (MPR34)
- Hills Area – **13.0m @ 26.3% Mn** from 48.0m, including **2.0m @ 39.3% Mn** from 49.5m (MPR41)

# SEGUE RESOURCES LIMITED

Figure 2 – Drill Collar Locations



In addition to the RC drill holes, a total of nine diamond drill holes were completed to provide additional and more accurate assay information, also to be used in preliminary

## SEGUE RESOURCES LIMITED

mining studies and metallurgical testwork. Some of the better assay results from the diamond holes are:

- Central Area – **5.7m @ 26.1% Mn** from 17.4m, including **2.4m @ 34.3% Mn** from 18.7m (MPD12)
- Southern Area – **0.6m @ 29.8% Mn** from 54.9m and **6.1m @ 33.1% Mn** from 56.6m (MPD04)
- Hills Area – **3.1m @ 34.3% Mn** from 87.0m and **1.4m @ 30.2% Mn** from 101.6m (MPD05)

As part of the Initial Drilling Programme at the Emang Manganese Project, Segue has been conducting preliminary metallurgical testwork and assessing infrastructure alternatives.

Metallurgical testwork is being conducted on a one (1) tonne composite sample of RC drill chips. Various techniques for separating manganese from gangue material (primarily silica) and iron are being considered, including the use of jigs, dense medium separation and magnetic separation.

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

Following completion of the Initial Drilling Programme and release of the maiden JORC-compliant resource in 1Q 2012, Segue will have met its expenditure requirements for the first stage of farm-in to the Emang Manganese Project. In order for Segue to earn a 30% interest in the Project, the Company must pay to Emang Mmogo Resources ZAR7 million (\$0.85 million) plus an additional ZAR7 million (\$0.85 million) once the Project's measure and indicated resource exceeds 10 million tonnes at a grade of at least 34% manganese. Segue can earn an additional 21% interest in the Project (taking its total interest to 51%) by spending ZAR21 million (\$2.54 million) on completing a Bankable Feasibility Study on the Project.

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

During the Period, Segue applied for and was granted a renewal of prospecting right E45/2146 until October 2012. No exploration activity was conducted on the Pardoo Iron Ore Project during the quarter.

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

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



## SEGUE RESOURCES LIMITED

### Board Changes

During the Period, the Company appointed Mr Steven Michael as Managing Director of Segue. Subsequent to the end of the Period, Mr Robert van Zyl was appointed as executive director, Dr Eric Lilford resigned as non-executive Director and Mr Ian Benning moved from Executive Director to the position of Non-Executive Chairman.

### Corporate

On 11 July 2011 the Company announced it had successfully raised \$760,000 (before fees) through the issue of 38,000,000 shares at \$0.02 per share to sophisticated and institutional investors. This placement was part of a total equity raising package of \$3,526,532 (before costs) which also included a non-renounceable Rights Issue and two tranche placement. The Company completed the non-renounceable Rights Issue to raise approximately \$1,766,532 before costs. The Rights Issue offered, to eligible shareholders, three new fully paid ordinary share in the Company for every ten shares held on the Record Date, at an issue price of \$0.02 per share.

On 14 September 2011 the Company completed the second tranche placement having raised \$1,000,000 (before fees) through the issue of 50,000,000 shares at \$0.02 to sophisticated and institutional investors.

Subsequent to the Period, on 6 March 2012 the Company advised it had completed a placement of 69,300,000 ordinary shares at \$0.03 per share to raise \$2.079 million before costs.

### Appendix A – Assay Results

Hole No	Area	Co-ordinates		Manganese Intersection			Grade (Mn%)
		Easting	Northing	From (m)	To (m)	Width (m)	
MPR2	Northern	698780	6893500	31.0	37.5	6.5	25.5
			incl.	31.0	32.0	1.0	44.8
			incl.	34.0	35.5	1.5	31.7
MPR4	Northern	698780	6893300	10.0	12.0	2.0	29.4
			and	13.0	17.0	4.0	29.7
			incl.	15.0	17.0	2.0	38.2
MPR5	Northern	698780	6893200	21.0	24.0	3.0	28.9
MPR6	Northern	698780	6893100	14.0	23.0	9.0	22.7
			incl.	15.0	18.0	3.0	32.6
MPR7	Northern	698780	6893000	18.0	23.0	5.0	31.8
			and	25.0	26.0	1.0	28.6
MPR8	Northern	698780	6892900	25.0	36.0	11.0	22.3
			incl.	25.0	27.0	2.0	30.3
			incl.	29.0	30.0	1.0	32.5
MPR9	Northern	698780	6892800	0.0	6.0	6.0	25.5
			incl.	0.0	4.0	4.0	27.5
			and	8.0	9.0	1.0	35.3
			and	11.0	13.0	2.0	16.6
			and	17.0	19.0	2.0	16.5
MPR11	Northern	698780	6892600	0.0	6.0	6.0	28.5
			and	8.0	12.0	4.0	16.3

## SEGUE RESOURCES LIMITED

### Appendix A – Assay Results (cont'd)

Hole No	Area	Co-ordinates		Manganese Intersection			Grade (Mn%)
		Easting	Northing	From (m)	To (m)	Width (m)	
MPR16	Northern	698780	6892100	7	10	3	25.6
			and	12	13	1	31.9
MPR17	Northern	698980	6893500	26	27	1	22.2
			and	30	32	2	32.2
MPR18	Northern	698980	6893400	15	20	5	22.2
			incl.	18	20	2	32.6
			and	23	26	3	23.3
MPR20	Northern	698980	6893200	8	16	8	21.9
			and	20	22	2	17.6
MPR21	Northern	698980	6893100	20	28	8	23.9
			incl.	20	22	2	36.2
			incl.	23	25	2	27.9
MPR24	Northern	698980	6892800	0	2	2	24
			and	4	8	4	16.2
			incl.	6	8	2	20.3
MPR27	Northern	698980	6892500	0	12	12	25.7
			incl.	0	6	6	28.6
			incl.	10	12	2	31.1
MPR34	Southern	699480	6890800	32	48	16	25.9
			incl.	32.5	34.5	2	46.4
			incl.	43	48	5	34.1
MPR35	Southern	699580	6891000	30	34	4	27.1
			incl.	30	31	1	42.4
			incl.	32	33	1	32.8
			and	35	37	2	22.9
MPR37	Southern	699580	6890800	63	77	14	21.9
			incl.	66	68	2	31
			incl.	70	73	3	27
MPR40	Hills Area	699580	6889700	54	66	12	22.8
			incl.	58	61	3	31.1
			incl.	62	62.5	0.5	32.2
			incl.	65	66	1	33.5
MPR41	Hills Area	699580	6889600	43	45.5	2.5	27.5
			and	48	61	13	26.3
			incl.	49.5	51.5	2	39.3
MPR63	Central	699180	6892100	24	25	1	35.4
			and	27	30	3	32
MPR67	Central	699180	6891700	21	28	7	34.1
			incl.	23	28	5	40.5
MPR68	Central	699180	6891600	20	22	2	30.6
			and	24	30	6	23.4
			incl.	27	30	3	32
			and	32	34	2	27.1
			incl.	32	33	1	38

## SEGUE RESOURCES LIMITED

### Segue Tenement Schedule (8 March 2012)

Project	Manager	Tenement No.	Interest	Commencement	Expiry
Pardoo	Segue Resources Ltd	E45/2146-I	100%	5/10/2004	4/10/2012
Pardoo	Segue Resources Ltd	E45/1866-I	100%	9/02/2004	8/02/2013
Pardoo	Segue Resources Ltd	E45/3383	100%	20/10/2009	19/10/2014
Pardoo	Segue Resources Ltd	E45/3464	100%	14/04/2010	13/04/2015

#### Competent Persons Statement

The information in this report that relates to Exploration Results and Exploration Targets is based on information reviewed by Mrs Adelle Mossop, BSc (Hons) Geology, Pr NatSci. Mrs Mossop is a full time employee of Sound Mining Solution and is appointed as consulting geologist to Tenure Minerals Consultants project team. Mrs Mossop has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity she is undertaking 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". Mrs Mossop consents to the inclusion in this announcement of the matters based on her information in the form and context in which it appears.

#### AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Deloitte Touche Tohmatsu, which is included on page 9.

Signed in accordance with a resolution of the directors



**Ian Benning**

**Chairman**

Perth, 15th March 2012

The Directors  
Segue Resources Limited  
Level 8, 225 St Georges Tce  
PERTH WA 6000

15 March 2012

Dear Board Members

### **Segue Resources Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Segue Resources Limited.

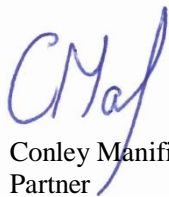
As lead audit partner for the review of the financial statements of Segue Resources Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Conley Manifis  
Partner  
Chartered Accountants

**SEGUE RESOURCES LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF**  
**COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	31 December 2011 \$	31 December 2010 \$
Continuing Operations		
Other Income	7,780	13,579
Employee Benefits	(198,074)	(74,653)
Occupancy	(23,517)	(27,178)
Consultants	(395,110)	(66,095)
Corporate administration	(64,868)	(27,344)
Depreciation	(1,976)	(4,160)
Audit	(14,000)	(10,706)
Accountancy and tax	(18,860)	(26,178)
Legal	(21,066)	(1,255)
Travel	(18,663)	(4,900)
Interest	(4,550)	(4)
Insurance	(9,280)	(7,957)
Loss on disposal of motor vehicle	-	(5,611)
Printing and stationery	(4,139)	(9,863)
Share based payments	(937,880)	-
Other expenses	(152,996)	(24,569)
Loss from continuing operations before income tax and finance costs	(1,857,199)	(276,894)
Finance costs	-	-
Loss before income tax	(1,857,199)	(276,894)
Income tax expense	-	-
Loss from continuing operations after tax	(1,857,199)	(276,894)
Other Comprehensive Income	-	-
Total Comprehensive Income for the Period	(1,857,199)	(276,894)
Earnings per share (cents per share)		
- basic; for loss for the half-year	(0.471)	(0.124)
- diluted; for loss for the half-year	(0.471)	(0.124)

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

**SEGUE RESOURCES LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL**  
**POSITION**  
**AS AT 31 DECEMBER 2011**

	Note	31 December 2011 \$	30 June 2011 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	103,519	356,016
Trade and other receivables		271,862	38,676
<b>Total Current Assets</b>		<b>375,381</b>	<b>394,692</b>
<b>Non-Current Assets</b>			
Exploration and evaluation		9,737,671	6,687,382
Property, plant and equipment		27,923	29,899
<b>Total Non-Current Assets</b>		<b>9,765,594</b>	<b>6,717,281</b>
<b>TOTAL ASSETS</b>		<b>10,140,975</b>	<b>7,111,973</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		267,271	111,424
<b>Total Current Liabilities</b>		<b>267,271</b>	<b>111,424</b>
<b>TOTAL LIABILITIES</b>		<b>267,271</b>	<b>111,424</b>
<b>NET ASSETS</b>		<b>9,873,704</b>	<b>7,000,549</b>
<b>EQUITY</b>			
Issued Capital	7	16,417,292	11,882,818
Reserves		714,277	518,397
Accumulated losses		(7,257,865)	(5,400,666)
<b>TOTAL EQUITY</b>		<b>9,873,704</b>	<b>7,000,549</b>

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

**SEGUE RESOURCES LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	<b>31 December 2011 \$</b>	<b>31 December 2010 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(664,830)	(293,058)
Interest received	3,260	13,519
Receipts from customers	-	50
<b>Net cash outflow from operating activities</b>	<b>(661,570)</b>	<b>(279,489)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(39,327)
Receipt from disposal of property plant and equipment	-	28,636
Payment for exploration expenditure	(2,619,445)	(379,366)
Payments for acquisition of mining assets	(398,706)	-
<b>Net cash flows from investing activities</b>	<b>(3,018,151)</b>	<b>(390,057)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from issue of shares	3,427,224	1,342,229
Net proceeds from seed capital of subsidiary, yet to be issued	-	25,874
<b>Net cash flows from financing activities</b>	<b>3,427,224</b>	<b>1,368,103</b>
Net increase in cash and cash equivalents	(252,497)	698,557
Cash and cash equivalents at beginning of period	356,016	168,839
<b>NET CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR</b>	<b>103,519</b>	<b>867,396</b>

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

**SEGUE RESOURCES LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN**  
**EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Issued Capital \$	Share Based Payments Reserve \$	Asset revalua- tion Reserve	Accumulated Losses \$	Total Equity \$
<b>At 1 July 2010</b>	10,540,589	518,547	-	(4,788,716)	6,270,420
Loss for the period	-	-	-	(276,894)	(276,894)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(276,894)	(276,894)
Issue of Shares	1,436,052	-	-	-	1,436,052
Cost of Issue of shares	(93,823)	-	-	-	(93,823)
<b>At 31 December 2010</b>	<b>11,882,818</b>	<b>518,547</b>	<b>-</b>	<b>(5,065,610)</b>	<b>7,335,755</b>
<b>At 1 July 2011</b>	11,882,818	518,547	(150)	(5,400,666)	7,000,549
Loss for the period	-	-	-	(1,857,199)	(1,857,199)
Total comprehensive income	-	-	-	(1,857,199)	(1,857,199)
Performance options issued	-	195,880	-	-	195,880
Issue of Shares	4,633,783	-	-	-	4,633,783
Cost of Issue of shares	(99,309)	-	-	-	(99,309)
<b>At 31 December 2011</b>	<b>16,417,292</b>	<b>714,427</b>	<b>(150)</b>	<b>(7,257,865)</b>	<b>9,873,704</b>

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



**SEGUE RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 1: CORPORATE INFORMATION**

The financial report of Segue Resources Limited (“the Company”) and its controlled entities for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 15 March 2012. Segue Resources Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The half-year financial report should be read in conjunction with the Annual Financial Report of Segue Resources Limited as at 30 June 2011.

It is also recommended that the half-year financial report be considered together with any public announcements made by Segue Resources Limited and its controlled entities during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

**(a) Basis of Preparation**

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

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

**(b) Going Concern**

The consolidated entity has incurred a net loss after taxes of \$1,857,199 (2010: \$276,894) and experienced net cash outflows from operations of \$661,570 (2010: \$279,489) and net cash outflows from investing activities of \$3,018,151 (2010: \$390,057) for the half-year ended 31 December 2011.

**SEGUE RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd)**

**(b) Going Concern (cont)**

The directors are satisfied that the going concern basis of preparation is appropriate based on the following reasons:

- (a) On 23 February 2012 the Company announced it had raised \$2,079,000 through the issue of 69,300,000 ordinary shares at \$0.03 per share ("Placement"). Completion of the Placement ensures the Company is able to meet its expenditure commitments on Phase 1 of the Emang Manganese Project acquisition;
- (b) Hemisphere Corporate Services Pty Ltd and Hemisphere Investment Partners Pty Ltd have provided the Company with confirmation that it will continue to provide financial support to the company and not call on its outstanding balances unless the company has the capacity to repay the amount.
- (c) The Company is managing its costs in line with its available cash funds.

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) Adoption of new and revised Accounting Standards**

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period, being the half year ended 31 December 2011.

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

- AASB 124: Related Party Disclosures;
- AASB 2010-4: Further Amendments to Australian Accounting Standards arising from Annual Improvements Project;
- AASB 2010-5: Amendments to Australian Accounting Standards;
- AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets.

The adoption of these standards has not had an impact on the Company.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Consolidated Entity for the half year ending 31 December 2011. Management are in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

**SEGUE RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 3: SEGMENT INFORMATION**

AASB 8 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 Group's reportable segments under AASB 8 are therefore as follows:

- Mineral Exploration – Western Australia
- Mineral Exploration – Northern Territory
- Mineral Exploration – South Africa

<b>Consolidated</b>	<b>Western Australia</b>	<b>Northern Territory</b>	<b>South Africa</b>	<b>Total</b>
	\$	\$		\$
31 December 2011				
<b>Segment revenue</b>	-	-	-	-
Interest revenue				7,780
Total revenue and other income				<u>7,780</u>
 Segment result				
Unallocated items:				
Unallocated revenue and other income				7,780
Corporate and other costs				<u>(1,864,979)</u>
Loss after tax as per the statement of comprehensive income				<u>(1,857,199)</u>
 <b>Segment assets</b>				
Exploration and Evaluation	6,502,067	1,524,181	1,711,424	9,737,672
Unallocated items:				
Cash				103,519
Other corporate assets				<u>299,784</u>
Total assets				<u>10,140,975</u>

**SEGUE RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 3: SEGMENT INFORMATION (cont)**

<b>Consolidated</b>	<b>Western Australia</b>	<b>Northern Territory</b>	<b>Total</b>
	\$	\$	\$
31 December 2010			
<b>Segment revenue</b>			-
Unallocated items:			
Interest revenue			13,529
Other Income			50
Total revenue and other income			<u>13,579</u>
Segment result	(5,612)	-	(5,612)
Unallocated items:			
Unallocated revenue and other income			13,579
Corporate and other costs			<u>(284,861)</u>
Loss after tax as per the statement of comprehensive income			<u>(276,894)</u>
30 June 2011			
<b>Segment assets</b>			
Exploration and Evaluation	6,547,734	139,648	6,687,382
Unallocated items:			
Cash			356,016
Other corporate assets			<u>68,575</u>
Total assets			<u>7,111,973</u>

**NOTE 4: CASH AND CASH EQUIVALENTS**

For the purposes of the consolidated statement of financial position as at 31 December 2011, cash and cash equivalents are comprised of the following:

	December 2011	June 2011
	\$	\$
Cash at bank and in hand	84,324	336,821
Short term deposits	19,195	19,195
Total	<u>103,519</u>	<u>356,016</u>

**NOTE 5: COMMITMENTS AND CONTINGENCIES**

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

**SEGUE RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 6: EVENTS AFTER THE BALANCE SHEET DATE**

Subsequent to the Period on 19 January 2012 Segue announced additional assay results at the Emang Manganese Project. A list of significant assay results from RC drill holes is contained in Table 1 in the Directors Report. Assay results were received for all 66 reverse circulation (RC) drill holes. In addition, a total of nine diamond drill holes were completed to provide additional and more accurate assay information, also to be used in preliminary mining studies and metallurgical testwork.

**NOTE 7: CONTRIBUTED EQUITY**

	<b>December 2011 \$</b>	<b>June 2011 \$</b>
<b>(a) Share capital</b>		
Ordinary shares fully paid	16,417,292	11,882,818
	<b>Company</b>	
	<b>Number</b>	<b>\$</b>
<b>(b) Movements in ordinary shares on issue</b>		
At 1 July 2011	256,422,120	11,882,818
08 July 2011 Tranche 1	38,000,000	760,000
22 July 2011 Rights Issue	68,826,003	1,376,520
24 July 2011 Facilitation Fee	7,500,000	267,750
06 September 2011 Employee share Issue	3,250,000	97,500
15 September 2011 Share Placement	54,500,633	1,090,013
16 September 2011 Rights Issue shortfall	15,000,000	300,000
9 November 2011 Employee share issue	18,550,000	742,000
Placement costs	-	(99,309)
	<hr/>	<hr/>
At reporting date 31/12/2011	462,048,756	16,417,292

**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.

**SEGUE RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 7: CONTRIBUTED EQUITY (cont)**

**(c) Options**

The following options lapsed during the period

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

The following options were issued during the period

	Number	Exercise price \$	Exercise date
Mr Steven Michael	11,800,000	0.051	08/11/2014

## SEGUE RESOURCES LIMITED

### DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - i. give a true and fair view of the financial position as at the 31 December 2011 and the performance for the half-year ended on that date of the consolidated entity; and
  - ii. comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable as described in note 2(b) of the financial statements.

On behalf of the Board



Ian Benning  
Chairman

Perth, 15th March 2012

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

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Segue Resources Limited, which comprises the condensed statement of financial position as at 31 December 2011, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 20.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Segue Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the



directors of Segue Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Conley Manifis  
Partner  
Chartered Accountants  
Perth, 15 March 2012