



Report for Quarter Ended 30 June 2007

Highlights

- **Completion of 3646m of drilling at Pardoo Project in Pilbara region of Western Australia**
- **Preliminary metallurgical tests indicate recoveries of up to 90% Ni can be achieved in the Highway mineralisation**
- **Results justify examination of resource size and grade parameters against the viability of a number of treatment options.**
- **Approvals currently being sought for the next round of drilling**
- **The hearing date set for the uranium appeal in October 2007**
- **\$0.8 million cash and listed investments at end of quarter.**

Pardoo Project, Western Australia (Segue 100%)

The Pardoo Nickel Project (EL45/1866 & EL 2146) is located on the Great Northern Highway, approximately 100km east-northeast of Port Hedland in the Pilbara region and was acquired by Segue Resources Limited ("Segue") in November 2006. The Project comprises two adjoining exploration licenses (Highway and Supply Well) covering 174km². The Highway Prospect contains a JORC-code compliant inferred resource of **37Mt at 0.3% Ni & 0.1% Cu**.

During April and May 2007, Segue undertook a reverse circulation drilling program completing 27 drill holes for 3,646 metres. This work had two main objectives:

1. To further evaluate a JORC-code compliant inferred resource at the Highway Prospect (**37Mt at 0.3% Ni & 0.1% Cu**) as determined by CRA Exploration (Rio Tinto Ltd) prior to 1995; and
2. To continue with a staged evaluation of priority electromagnetic (EM) targets in the Pardoo Nickel Project.

Segue's drilling campaign tested previous interpretations, ore zone potential, grade continuity and structure by closing drill spacings to at least 100m sections at Highway.

Assay results have confirmed significant width and grade continuity of nickel sulphide mineralisation at the Highway resource.

Selected results included:

- **4m @ 1.06% Ni**
- **Nickel values up to 1.36% and copper values up to 1.16% in 1m percussion drill samples;**
- **Wide, down-hole zones of continuous mineralisation up to 65m @ 0.43% Ni;**

Preliminary metallurgical test work of diamond core samples by AMMTEC Ltd has indicated potential recoveries up to 90% for nickel, producing low but saleable nickel/copper concentrates, free of contaminants and penalty metals. This is highly encouraging and provides further justification for a more thorough investigation of the various treatment options to enable commercial development of the Pardoo Nickel Project.

Consequently, Segue has commenced an investigation to examine the resource size and grade parameters against the viability of a number of treatment options. Given the encouraging results to date, this study is necessary while drilling continues to locate additional higher grade satellite resources of nickel and copper.

Approvals are currently being sought for the next round of drilling at both the Highway and Supply Well Prospects.

This will include reconnaissance exploration of a significant gravity anomaly, thought to represent a layered mafic/ultramafic intrusion, prospective for nickel/copper sulphides and also platinum group elements (PGE) where no drilling data currently exists.

Recent reconnaissance drilling near Highway has encountered evidence of coarse-grained gabbroic igneous rocks, anomalous in both nickel and copper, suggestive of a mineralized intrusive body. This requires immediate investigation as it represents contributing evidence to the source of mineralization in the Pardoo Nickel Project.

Gravity surveying in Q3 will be used to delineate potential iron resources associated with the northern limb of the Goldsworthy Syncline in the Highway tenement in areas where no drilling data currently exists.

Angela & Pamela Uranium Project, Northern Territory

In February 2007, Segue entered into an agreement with McCleary Investments Pty Ltd to purchase the rights to a 50% interest in the mineral lease applications and mineral claim applications (subject to litigation) in respect of areas RO1292 and RO1103 ("Angela and Pamela") in the Northern Territory.

The Angela and Pamela uranium prospects are located approximately 25km south of Alice Springs in the Northern Territory. The area was explored over a 10 year period by Uranerz Australia Pty Ltd in the 1970's and was proven to contain significant sedimentary-hosted uranium resources at Angela. Between 1973 and 1990 over 1,000 percussion/diamond drillholes were drilled for over 23,569m in addition to over 2,000 air-core and vacuum holes.

Published data (Borshoff & Faris, 1990) states the maximum total resource at Angela and associated satellite bodies to be 12,650t U₃O₈ at an average grade of approximately 0.1% U₃O₈ using a cut off of 0.05% U₃O₈ and a minimum width of 2m. The published resources at Angela are currently amongst the highest known uranium resources in terms of tonnes and grade in Australia.

In February 2007, Justice Riley of the Supreme Court of the Northern Territory ruled that McCleary Investments Pty Ltd was successful in having its right to have the mineral lease application received and processed under the law relating to the land formerly contained in Block RO1103 and which is believed to be the northern extension of the Pamela uranium prospect.

However, McCleary Investments Pty Ltd was not successful in its mineral claim and mineral lease applications relating to the land formerly contained in Block RO1292 containing the Angela and Pamela uranium prospects. In early April 2007, McCleary Investments Pty Ltd lodged its notice of appeal against this decision. After sighting legal advice received by McCleary Investments Pty Ltd, Segue supports McCleary Investments Pty Ltd in lodging the appeal.

The decision is due to be heard by the full bench of the Northern Territory Supreme Court in October 2007.

Coronet Hill Project, Northern Territory (Segue 100%)

The Coronet Hill Tin and Tungsten Project (EL 10004) encompasses the old Coronet Hill copper and silver mining field approximately 60km east of Pine Creek in the Northern Territory, Australia. Mineralisation is widespread along the major Coronet Hill Fault with minor historical production from several veins over a strike length of 4km.

Drilling targets have been identified from an induced polarisation geophysical survey completed in the last field season. Zones of high chargeability, indicative of disseminated sulphide concentrations require immediate investigation. These targets will be drilled as soon as access can be created and drilling contractors sourced in Q3 2007.

Wauchope, Northern Territory, Australia

In April 2006, Segue entered into an agreement with Imperial Granite & Minerals Pty Ltd ("IGM") to conditionally purchase 100% of EL 24850 which is located near Wauchope in the Northern Territory of Australia. The purchase agreement is conditional on IGM first being granted EL 24850 by the NT Department of Primary Industry, Fisheries and Mines.

The Company has been advised by NT Department of Primary Industry, Fisheries and Mines that the Minister has given consent for Segue to enter into negotiations with the Central Land Council in the final stage of consent to grant ELA 24850. A meeting with the Traditional Owners of the area has been confirmed in Q3 2007.

Corporate

In April 2007, Segue conducted a General Meeting of shareholders, at which all resolutions were passed unanimously. The main resolutions of the meeting were in relation to:

- 3 for 1 share split; and
- the issue of shares and options in respect of the drawdown of the Credit Facility and Convertible Note Deed. The credit facility of \$500,000 was fully drawdown and at 30 June 2007 \$400,000 of that amount had been converted into 3 million fully paid ordinary shares.

After the share split and conversion of the convertible notes, Segue currently has 60,307,050 fully paid ordinary shares on issue (including 682,500 shares escrowed until 24 October 2007) and 53,324,430 options on issue (including 1,254,180 options escrowed until 24 October 2007).

At 30 June 2007, Segue had approximately \$0.8 million in cash and listed investments.

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The information in this report relating to exploration results is based on information compiled by Mr M Cowin of Cowin Holdings Pty Ltd, who is a Member of the AIG. Mr Cowin acts as Exploration Manager for Segue Resources Ltd, and consents to the inclusion in this report of the information as 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".

Reference

Borshoff, J. and Faris, I., 1990 Angela and Pamela Uranium Deposits, in Geology of the Mineral Deposits of Australia and Papua New Guinea (Ed. F.E. Hughes) pp1139-1142 (The Australasian Institute of Mining and Metallurgy: Melbourne).