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Report for Quarter Ended 31 March 2007

Highlights

- **Encouraging nickel sulphide width and grade continuity confirmed from drilling at Pardoo Project in Pilbara region of Western Australia**
- **Segue acquires a 50% interest in rights to pursue mineral lease and mineral claim applications for Angela and Pamela uranium prospects in Northern Territory and a 50% interest in mineral leases if granted**
- **Drilling at Pardoo Nickel Project recommences after delays caused by cyclone activity**
- **$1.1 million cash and listed investments at end of quarter.**

Pardoo Project, Western Australia (Segue 100%)

The Pardoo Nickel Project (EL45/1866 & EL 2146) which is 100km east of Port Hedland in Western Australia was acquired by Segue Resources Limited ("Segue") in November 2006.

In January 2007, Segue commenced a drilling program at Segue to test the high priority drill targets identified by previous electromagnetic (EM) surveys and those produced by the VTEM survey. Segue intends to complete a minimum of 10,000m of RC and diamond drilling during the 2007 field season.

Assay results from the initial RC and diamond drilling confirmed significant width and grade continuity of nickel sulphide mineralisation at the Highway resource, supporting the historical drilling results of CRA in the 1980's. Initial drill testing of the Highway resource was achieved by positioning two diamond drill holes equi-distant between three historical CRA Exploration holes.

An additional drillhole was completed by Segue to test the section with the highest conductive response determined from a 200m spaced moving-loop electromagnetic survey. This hole returned an encouraging result of 82m @ 0.42%Ni, including 4m @ 0.9% Ni.

It has been concluded from this work that Ni mineralisation is shear controlled and displays encouraging grade continuity and width.

Selected results from the drilling included:

- 4m @ 1.0% Ni & 0.2% Cu
- 30m @ 0.6% Ni and 0.1% Cu
- 87m @ 0.4% Ni and 0.1% Cu (including 6m @ 0.7%Ni)

Previous drilling at Highway by CRA Exploration (now Rio Tinto) defined a mineralised body 800m long by 50-75m wide with a JORC compliant inferred resource of 37Mt @ 0.3% Ni and 0.1% Cu using a 0.1% cut-off grade. This included a higher grade core of 5Mt grading 0.5% Ni and 0.13% Cu to 200m vertical depth, interpreted from 100m and 200m spaced sections.

This resource of 37Mt represents an inferred total of 114,770 tonnes of contained Ni metal. At current Ni prices of approximately US$50,000/tonne the in-ground value of this resource is significant and supports an aggressive drilling program to further increase confidence in the resource.

In late 2006 Segue conducted a VTEM (Versatile Time-Domain Electromagnetic) geophysical survey over the entire Pardoo Nickel Project identifying a large number of conductor targets. In February 2007, ground EM surveying was completed over 9 priority conductors to acquire more detailed information. This work is currently being interpreted ahead of future drill testing.

The drilling program was delayed in March 2007 by cyclone activity in the Pilbara region, however, drilling has now recommenced which will comprise 15 holes for 3,000m. The immediate focus at the Pardoo Nickel Project is infill and extension drilling of high priority EM targets to further increase confidence in grade and tonnage of nickel sulphide mineralisation in the Highway resource.

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 U_3O_8 at an average grade of approximately 0.1% U_3O_8 using a cut off of 0.05% U_3O_8 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 August 2007.

As part of the original agreement above, McCleary Investments Pty Ltd and Mr Norm McCleary (the company's controller) have agreed to act as agents for Segue for the next 2 years to procure and introduce Australian based mining projects to the Company. Segue will have the first right of refusal in relation to any projects introduced by Mr McCleary or McCleary Investments Pty Ltd. This is a significant opportunity for Segue to develop a pipeline of mineral exploration projects going forward as Mr McCleary has provided a number of key exploration assets for publicly listed companies.

As part of the deal, McCleary Investments Pty Ltd also provided EL(A)25639, EL(A)25442 and EL(A)25446 which are prospective for nickel and gold in the Musgrave and Tanami area of the Northern Territory.

The consideration for the purchase of the above assets was:

- Cash of $220,000;
- 2.3 million shares in Segue upon execution of the agreement; and
- 7.5 million shares in Segue and 7.5 million options with an exercise price of $2 on or before 31 August 2009, which are conditional upon McCleary Investments Pty Ltd being granted the tenements by the Northern Territory government and Segue gaining shareholder approval for their issue.

McCleary Investments Pty Ltd has agreed to voluntarily escrow the 2.3 million shares for 12 months from the date of issue.

Coronet Hill Project, Northern Territory (Segue 100%)

The wet season in the Northern Territory during this quarter has prevented any field work being conducted at Coronet Hill. Planning has continued in relation to the IP (induced polarisation) data which has delineated zones of high chargeability due to disseminated sulphide concentrations creating direct targets for drilling. These targets will be drilled as soon as access can be achieved following the end of the northern wet season in Q2 2007.

In accordance with the farmout agreement with AIM listed North River Resources plc ("NRR"), Segue received A$250,000 (£100,000) in January 2007. To earn a 20% interest in the Coronet Hill Project, NRR must expend a further £400,000 within the next two years. NRR can earn a 51% interest in the Coronet Hill Project (EL 10004) through expending up to the Australian dollar equivalent of £2,000,000.

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 production from several veins over a strike length of 4km.

Wauchope, Northern Territory, Australia

On 3 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 IGM that the application for EL 24850 is still being processed by the NT Department of Primary Industry, Fisheries and Mines.

Corporate

In March 2007, Segue convened a General Meeting of shareholders, the main purpose of which was to seek approval for:

- 3 for 1 share split. The share split will benefit all shareholders by increasing liquidity and affordability to retail investors of the Company's shares;
- a capital raising by the issue of up to 40 million shares to raise funds for exploration at the Pardoo Nickel Project and to fund future exploration prospects; and
- for the issue of shares and options in respect of the drawdown of the Credit Facility and Convertible Note Deed. In late March 2007, Segue fully drewdown $500,000 under the facility.

All resolutions at the General Meeting, conducted on 12 April 2007, were passed unanimously. Consequently, after the share split, Segue currently has 57,007,050 fully paid ordinary shares on issue (including 682,500 shares escrowed until 24 October 2007) and 46,724,430 options on issue (including 1,254,180 options escrowed until 24 October 2007).

At 31 March 2007, Segue had approximately $1.1 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).