



**SEGUE**  
RESOURCES LTD  
ACN 112 609 846

# PROSPECTUS

FOR THE ISSUE OF 2,000,000 SHARES AT 50 CENTS EACH  
TO RAISE \$1,000,000 (WITH PROVISION TO ACCEPT  
OVERSUBSCRIPTIONS OF UP TO A FURTHER 500,000 SHARES AT 50 CENTS  
EACH TO RAISE UP TO AN ADDITIONAL \$250,000) TOGETHER WITH ONE  
FREE ATTACHING OPTION FOR EVERY TWO SHARES SUBSCRIBED FOR WITH  
AN EXERCISE PRICE OF \$1 ON OR BEFORE JUNE 30 2010

Sponsoring Broker  
Montagu Stockbroking Pty Ltd

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your professional adviser. An investment in the Shares and Attaching Options offered by this Prospectus should be considered as speculative.

## IMPORTANT NOTICE

This Prospectus is dated 25 August 2005 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC takes no responsibility for the contents of this Prospectus. No securities will be allotted or issued on the basis of this Prospectus later than the expiry date of this Prospectus being the date which is 13 months after the date of this Prospectus. Securities allotted or issued pursuant to this Prospectus will be allotted or issued on the terms and conditions set out in this Prospectus.

Before deciding to invest in the Company, potential investors should read the entire Prospectus and, in particular, in considering the prospects for the Company, investors should consider the risk factors that could affect the financial performance of the Company. Investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues). The Company is an exploration company and the risks are therefore significant. The Shares and Attaching Options offered by this Prospectus should be considered speculative. Refer to Section 9 for details relating to risk factors. Investors should seek professional advice from an accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company in connection with the Offer.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares, the Attaching Options, or the Offer, or otherwise to permit a public offering of the Shares and Attaching Options, in any jurisdiction outside Australia.

In accordance with Chapter 6D of the Corporations Act this Prospectus is subject to an Exposure Period of seven days from the date of lodgement with the ASIC. This period may be extended by the ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period and all Applications received during the Exposure Period will be treated as if they were simultaneously received on the date on which Applications open.

This Prospectus will be issued in paper form and may be accessed online at the Company's website at [www.segueresources.com](http://www.segueresources.com). The Offer is available to persons receiving an electronic version of this Prospectus in Australia. The Corporations Act prohibits any person from passing onto another person the Application Form unless it is attached to or accompanied by a complete and unaltered version of this Prospectus. During the Offer period, any person may obtain a hard copy of this Prospectus by contacting the Company directly by telephone on +61 8 9322 2711 or by email at [admin@segueresources.com](mailto:admin@segueresources.com).

# Corporate Directory



## DIRECTORS

**Robert Cross**  
Non-Executive Chairman

**Glenn Whiddon**  
Non-Executive Director

**Robert Downey**  
Executive Director

## COMPANY SECRETARY

John Arbuckle

## REGISTERED OFFICE

Unit 9  
36 Ord Street  
WEST PERTH WA 6005  
Ph: (08) 9322 2711  
Fax: (08) 9322 7577  
Email: [admin@segueresources.com](mailto:admin@segueresources.com)  
Website: [www.segueresources.com](http://www.segueresources.com)

## INDEPENDENT SOLICITOR

Peter Walker  
Level 6, NT House  
22 Mitchell Street  
DARWIN NT 0800

## AUDITORS

PKF Chartered Accountants  
Level 7, BGC Centre  
28 The Esplanade  
PERTH WA 6000

## INVESTIGATING ACCOUNTANTS

PKF Corporate Advisory Services (WA) Pty Ltd  
Level 7, BGC Centre  
28 The Esplanade  
PERTH WA 6000

## INDEPENDENT GEOLOGIST

Andrew Drummond & Associates Pty Ltd  
68 Sycamore Drive  
DUNCRAIG WA 6023

## SHARE REGISTRY

Advanced Share Registry Services  
110 Stirling Highway  
NEDLANDS WA 6000  
Ph: 08 9389 8033  
Fax: 08 9389 7871

## SPONSORING BROKER

Montagu Stockbrokers Pty Ltd  
Mezzanine Level  
Australia Place  
15 William Street  
PERTH WA 6000

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# Section I

## INVESTMENT SUMMARY

### I.1 Indicative Timetable

Prospectus lodged with ASIC:	25 August 2005
Opening Date:	5 September 2005
Closing Date:	16 September 2005
Dispatch of Holding Statements:	27 September 2005
Trading of Shares and Attaching Options on ASX expected:	30 September 2005

These dates are indicative only and may vary. The Company reserves the right to vary the Opening Date and Closing Date without prior notice subject to the requirements of the Listing Rules and Corporations Act. Applicants are encouraged to apply as soon as possible after the Offer opens as the Offer may close earlier than the date specified above. The Company also reserves the right not to continue with the Offer at any time before the allotment of Shares and Attaching Options to Applicants.

The above are anticipated dates only. The date the Shares and Attaching Options are expected to be issued and commence trading on the Official List may vary with any change to the Closing Date.

### I.2 The Company's Objectives

The Company's objective is to deliver value to its Shareholders through the exploration and evaluation of the Coronet Hill Project for tungsten and tin mineralisation and other direct and indirect investments in natural resource projects. Details of the Coronet Hill Project are set out in Section 2 and the Independent Geologist's Report in Section 5.

### I.3 Purpose of the Offer

The purpose of the Offer is to raise \$1,000,000 for the Company to:

- Undertake the exploration programme on the Coronet Hill Project as outlined in Section 2.3;
- Identify and evaluate new opportunities both in Australasia and Europe which fit its exploration and development strategy;
- Provide funds for the administration of the Company;
- Meet the expenses of the Offer; and
- Provide working capital for the first two years.

The application of funds raised from the Offer is summarised as follows:

Application of Funds	\$1,000,000 Raising (minimum subscription) \$	\$1,250,000 Raising (with oversubscriptions) \$
Cash at Bank from proceeds of seed and mezzanine capital raisings (as at 20 August 2005) – refer to details in Section 7	1,447,598	1,447,598
Cash available from Offer	1,000,000	1,250,000
<b>Total cash after listing</b>	<b>2,447,598</b>	<b>2,697,598</b>
Exploration Program	1,060,000	1,160,000
Expenses of the Offer	135,000	150,000
Other payments due on listing	50,000	50,000
Administration costs for first 2 years	600,000	600,000
<b>Working Capital</b>	<b>602,598</b>	<b>737,598</b>

Further detail with respect to the application of funds to be raised from the Offer are set out in Section 2.3.

If the Company accepts oversubscriptions, they will be applied first to further expenses of the Offer (estimated at \$15,000), additional exploration expenditure of \$100,000 and the balance to working capital, in particular for the assessment and review of potential acquisitions.

On completion of the Offer, the Directors believe that the Company will have sufficient working capital to carry out its stated objectives.

## 1.4 Capital Structure

After completion of the Offer the pro forma capital structure of the Company will be as follows:

Number	Shares	%
7,836,350	Current issued Shares	72
2,500,000	Shares to be issued pursuant to Offer(a)	23
500,000	Vendor Shares (b)	5
<b>10,836,350</b>	<b>Total Shares on issue</b>	
	<b>Options</b>	
7,496,250	Existing Options (c)	86
1,250,000	Attaching Options to be issued pursuant to Offer (d)	11
145,000	Broker Options(e)	3
<b>8,891,250</b>	<b>Total Options on issue</b>	

### Note:

- (a) Assuming oversubscriptions of 500,000 Shares are accepted. The rights attaching to Shares are described in Section 10.4.
- (b) Details of the Sale Agreement pursuant to which the Vendor Shares are to be issued are set out in Section 10.3(a).
- (c) The terms of the Existing Options are summarised in Section 10.6.
- (d) The rights to the Attaching Options are set out in Section 10.5.
- (e) The terms of the Broker Options are summarised in Section 10.6.

## 1.5 Public Offer

The Offer is open to public investors. The Offer is for a total of 2,500,000 Shares.

Applications must be made on the Application Form enclosed with this Prospectus. Applications under the Offer must be for a minimum of 4,000 Shares and thereafter in multiples of 500 Shares.

Further details of the Offer are set out in Section 3.3.

## 1.6 Risk Factors

Prospective investors in the Company should be aware that subscribing for Shares and Attaching Options involves a number of risks. The key risk factors of which investors should be aware are described in Section 9. Investors are urged to consider these risks carefully before deciding whether to invest in the Company.

## Section 2

### Project Summary



#### 2.1 Company History and Strategy

The Company was incorporated in January 2005 for the purpose of investing in mining and exploration projects in Australasia and Europe.

The Company's objective is to identify under-explored and high potential mineral exploration targets and to profitably exploit those projects. This will be achieved by the utilisation of cost effective, proven exploration techniques and the acquisition of under-explored, high potential targets.

Segue's initial aim is to delineate economic deposits of tungsten or tin through the targeted exploration and commercial assessment of the Coronet Hill Project. In addition, the Company plans to evaluate further acquisition opportunities for advanced projects that may result in securing a profitable mining venture either by acquisition, joint venture or direct or indirect investment.

#### 2.2 Coronet Hill Project

This Project encompasses the old Coronet Hill copper and silver mining field approximately 60km east of Pine Creek. Mineralisation is widespread along the major Coronet Hill fault with minor production from several veins over a strike length in excess of 4km.

Previous exploration of the Project was principally directed towards base and precious metals, and exploration for tungsten and tin was not the principal objective. In addition past exploration has concentrated upon the sulphide-rich and narrow historic lodes. As previous evaluation of the Project has defined the Coronet Hill fault zone and parallel structures to be anomalous for tungsten and tin over its 10km length, there seems to be good evidence that tungsten and tin mineralisation is not only of greater strike extent but also may be in the alteration zones laterally adjacent to the lodes.

The Directors are of the view that the area has not been the subject of a dedicated and comprehensive drilling program given the extent of the mineralised system on the Project as delineated by extensive surface investigations. As a result the Company proposes to undertake a comprehensive exploration program to determine the extent of tungsten and tin mineralisation.

#### 2.3 Work Programme and Budget

Segue proposes to fund the exploration of the Coronet Hill Project based on the programme and budget as outlined in the table below.

This programme and budget is based on the expectation that significant mineralisation will be discovered within the Project. The exploration programme and expenditures are subject to change and are contingent on a variety of circumstances, results and other opportunities which may arise.

Exploration Activity	Year 1 \$	Year 2 \$	Total \$
Data compilation	25,000		25,000
Geological mapping	10,000		10,000
Geochemical surveys	50,000		50,000
RAB drilling	150,000		150,000
RC drilling		450,000	450,000
Diamond drilling		350,000	350,000
Metallurgical testwork		25,000	25,000
<b>Total</b>	<b>235,000</b>	<b>825,000</b>	<b>1,060,000</b>

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## 2.4 Tungsten Exploration

Although the price of tungsten is volatile, prices have risen sharply in recent months. As with other commodities the rise in the tungsten price has been brought about by increased global demand, mostly from China. Demand for tungsten is largely in the form of tungsten carbide, a substance second in hardness only to diamonds, and is used in speciality steel, cutting tools, lighting, electronics, military ordinance, as a hardening agent in alloys, wear resistance parts and chemicals/catalysts.

There is no known substitute for tungsten at present.

China, with an approximately 80% market share, ceased tungsten concentrate exports in 2001 to meet increasing internal demand and to develop value added industries able to compete internationally. At present Chinese demand for tungsten is putting pressure on its exports to western countries. China's historical dominance of the tungsten market in recent decades has meant that exploration for tungsten in Australia and other countries has been severely curtailed.

As a result Segue's strategy is to implement a thorough tungsten exploration program in relation to the Coronet Hill Project to determine if a tungsten resource exists and if so, whether it is economically viable. Given the factors referred to above, if the Project contains economically viable tungsten mineralisation, Segue will be well placed as one of the few Australian companies positioned to meet the needs of end-users for a stable, non Chinese tungsten supplier.

## 2.5 Geology

Within the Project area, there is a dominant NW-SE grain provided by tight folding and parallel fault structures. Most of the Project is underlain by the slaty to phyllitic mudstone, siltstone and greywacke of the Burrell Creek formation. The underlying Mount Bonnie formation of the South Alligator group is exposed in anticlinal cores and in up-thrust faulted blocks.

However, detailed mapping around the old Coronet Hills workings by exploration companies has revealed a more complex picture there. They found that the oldest sediments exposed are carbonaceous and lesser dolomitic mudstones of the Koolpin formation, which are conformably overlain by mudstone, chert and albitic chert of the Gerowie Tuff formation. Overlying these sediments are mudstones and BIF of the Mt Bonnie formation, and then the Burrell Creek formation.

The Mt Davis granite intrudes the sequence and the nearest edge of the granite to the project is about two kilometres south-west of the main Coronet Hill workings. It is interpreted from geophysical evidence that depth to granitic basement under the tenement is quite shallow. This is an important observation as tungsten and tin deposits normally occur close to or within granite bodies.

Topographically the area consists of low hills and undulating country with a well developed dendritic pattern of drainage. Good outcrop is present along the creeks and on the crests of the ridges, while the hill slopes are covered with a thin veneer of near residual skeletal lithosols and colluvial/eluvial gravels. Transported soils are restricted to the main floodplain of the Mary River and to the lower portions of the larger tributary creeks. These conditions provide excellent media for geochemical exploration.

## Project Summary



### 2.6 Mineralisation

Base metal (Cu, As, lesser Pb, Bi and Zn), Sn, W and precious metal (Ag ± Au) mineralisation occurs in the Coronet Hill area. It is structurally controlled and occurs in a number of sulphide bearing veins within lodes over a strike length of over 4 kilometres. The area was originally mined for Ag then later for Cu and Sn. The mineralisation is generally regarded as fault-controlled and fault parallel.

A wide range of metals occur, but the limited high grade production was of copper/silver ore with an average grade of 22% Cu and 550 g/t Ag.

Extensive geochemical sampling has been carried out, but little drilling, with only 18 RC and 5 diamond drill holes being recorded. The best intersection was in a RC hole of 5 metres of 2.96% Cu, 0.6% Pb, 0.7% Zn and 210 g/t Ag. The RC holes were not assayed for tungsten or tin.

The exploration objective is to find high grade tungsten and tin zones within the lodes and adjacent wallrocks. There has been minimal testing given the strike length of mineralisation and low drill density.

Two outer sets of quartz-tourmaline veins, named the eastern and the western lodes, converge north-westerly towards the main Coronet Hill fault and enclose a central set of sulphide-bearing veins. Five of the sulphide-bearing veins overlap each other and are arranged en echelon over the length of the field. The sulphide-bearing veins also converge north-west, and the main lode and Kelly's lode join into a composite quartz-tourmaline, sulphide-bearing vein named the North lode. With few exceptions all the mineral veins dip steeply in a south-westerly direction. Although the quartz-tourmaline veins can attain thicknesses well in excess of a metre, they are commonly less than 30 cm. Much of the North lode is in siltstone. Kelly's lode is on the boundary between siltstone and chert while most of the main lode, Coronet Hill lode and South lode are within chert. These lodes are usually straight and regular, consisting of silicified chert (or siltstone) and vein quartz with local developments of massive scorodite (an iron-As oxide) or gossan.

Past production of Cu ore came entirely from the Coronet Hill Lode: 252t of 22% Cu and 550 g/t Ag from a swell in the lode at No. 2 Adit, and 27.5t of 18% Cu from a swell in the lode at South extended shaft. In outcrop the longest lengths of rich gossan and massive scorodite are found on the Coronet Hill lode. Mineralisation is both primary and secondary. A grade of 5% Cu is indicated by the available data. Scorodite occurs prominently at the surface. Rock chip sampling along the line of the lode by previous explorers has reported tungsten values of up to 2.8% W and tin values up to 1.9% Sn.

Tin has been worked on a small scale at the Ross Mine near the Coronet Hill Copper Mine and at the Mary River Camp Mine. The geological setting of the tin mineralisation is very similar to that of the Cu -Pb-As mineralisation with the tin occurring as Cassiterite (SnO<sub>2</sub>).

Wolframite (Fe, MnWO<sub>4</sub>) has been observed in drillcore from the Coronet Hill lode, and is likely to be one of the main tungsten-bearing minerals present. Scheelite (CaWO<sub>4</sub>) may also occur as it is commonly found in sulphidic vein systems.



## Section 3 Details of the Offer

### 3.1 Description of the Offer

By this Prospectus, the Company invites investors to subscribe for a total of 2,500,000 Shares at an issue price of 50 cents each to raise up to \$1,250,000.

The rights attaching to the Shares are summarised in Section 10.4.

For every two Shares applied for and issued, subscribers will receive one (1) Attaching Option for no further consideration. The Attaching Option can be converted to a Share at a price of \$1.00 at any time prior to 5.00pm on 30 June 2010 and otherwise in accordance with the terms and conditions set out in Section 10.5 of this Prospectus.

The Offer is not underwritten.

### 3.2 Oversubscriptions

The Company reserves the right to accept oversubscriptions in respect of the Offer up to an additional 500,000 Shares (and 250,000 Attaching Options) to raise up to an additional \$250,000.

### 3.3 Applications for Shares

If you wish to participate in the Offer, you should complete the Application Form attached to this Prospectus.

The Offer is for a maximum total of 2,500,000 Shares.

Applicants may apply for a minimum parcel of 4,000 Shares representing a minimum investment of \$2,000. Applicants requiring additional Shares must apply for Shares in multiples of 500 Shares (equivalent to \$250) thereafter.

Applications for less than the minimum application of 4,000 Shares (equivalent to \$2,000) will not be accepted.

If you wish to apply for Shares and Attaching Options in the Offer, you should complete the Application Form attached to this Prospectus.

### 3.4 Lodgement of Application Forms

To apply for Shares and Attaching Options offered pursuant to this Prospectus, the Application Form accompanying this Prospectus must be completed in accordance with the instructions accompanying it and lodged at either of the following addresses, on or before the Closing Date:

**Delivered to:**

**Or by post to:**

Advanced Share Registry Services  
110 Stirling Highway  
NEDLANDS WA 6009

Advanced Share Registry Services  
PO Box 1156  
NEDLANDS WA 6909

Applications must be accompanied by payment in full in Australian currency of 50 cents for each Share applied for. Payment must be by way of cheque or bank draft drawn on and payable by an Australian bank and should be made payable to "Segue Resources- Float Account" and crossed 'Not Negotiable'.

No brokerage or stamp duty is payable by Applicants in respect of their Applications for Shares and Attaching Options under this Prospectus. The amount payable on Application will not vary during the period of the Offer and no further amount is payable on allotment.

A duly completed and lodged Application Form will constitute an offer by the Applicant to subscribe for the number of Shares and Attaching Options applied for pursuant to the Application Form as the case may be.

Application Forms must not be circulated to prospective investors unless accompanied by a copy of this Prospectus.

### 3.5 Minimum Subscription

The minimum subscription is \$1,000,000. In accordance with the Corporations Act, no Shares or Attaching Options will be issued or granted pursuant to this Prospectus until the minimum subscription has been subscribed.

If the minimum subscription is not reached within four months after the date of this Prospectus, the Company will either repay the Application monies to the Applicants or issue a supplementary or replacement prospectus and allow Applicants one month to withdraw their Application and be repaid their Application monies. Interest will not be paid on Application monies refunded.

## Details of the Offer

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### 3.6 Allotment of Shares

Subject to ASX granting approval for Segue to be admitted to the Official List, the allotment of Shares and Attaching Options to Applicants will occur as soon as possible after the Offer is closed, following which statements of shareholdings will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading in Shares and Attaching Options. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

Pending issue of the Shares and Attaching Options, or return of the Application monies, the Application monies will be held in trust for the Applicants.

The Company retains an absolute discretion in allocating Shares and Attaching Options under the Offer and reserves the right to allot to an Applicant a lesser number of Shares and Attaching Options than the number for which the Applicant applies or to reject an Application. The Company may reject any Application or allocate fewer Shares than applied for under the Offer.

If an Application is not accepted, or is accepted in part only, the corresponding proportion of the Application monies will be refunded. Interest will not be paid on Application monies refunded. The acceptance of Applications is at the absolute discretion of the Directors. The Company will not be liable to any person not allocated Shares and Attaching Options.

### 3.7 Condition Precedent to Offer

The issue of Shares and Attaching Options is subject to settlement taking place under the Sale Agreement as summarised in Section 10.3(a). A list of the conditions precedent which must be satisfied to enable settlement to take place under the Sale Agreement are also set out in Section 10.3(a)

### 3.8 ASX Listing

Application will be made by the Company within seven days after the date of this Prospectus for admission of the Shares and Attaching Options offered by this Prospectus to quotation on ASX and for the Company to be admitted to the Official List.

If the Company is not admitted to the Official List and its Shares are not admitted to quotation within three months after the date of this Prospectus, the Company will not allot or issue any Shares or Attaching Options, and will repay all Application monies without interest and within the time prescribed by the Corporations Act.

ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may grant quotation of the Shares and Attaching Options is not to be taken in any way as an indication of the merits of the Company or the Shares and Attaching Options offered pursuant to this Prospectus.

### 3.9 CHESS

The Company will participate in the Clearing House Electronic Subregister System ("CHESS"), operated by ASX Settlement and Transfer Corporation Pty Ltd ("ASTC"), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and ASTC Settlement Rules.

Under this system, the Company does not issue share certificates to Shareholders. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send them a CHESS statement setting out the number of Shares and Attaching Options allotted to them under the Prospectus and giving details of their holder identification number.

If you are registered on an Issuer Sponsored Sub register, the statement will contain the number of Shares and Attaching Options allotted under the Prospectus and the Shareholder's security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. A Shareholder may request a statement at any other time, however a charge may be incurred for additional statements.

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### 3.10 Application Monies held in Trust

All Application monies will be held in trust in a subscription account until allotment. The subscription account will be established and kept by the Company on behalf of the Applicants.

All interest earned on all Application monies (including those which do not result in allotments of Shares and Attaching Options) will be retained by the Company.

### 3.11 Overseas Investors

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares and Attaching Options, or the Offer, or otherwise to permit a public offering of the Shares and Attaching Options, in any jurisdiction outside Australia.

It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the allotment and issue of Shares and Attaching Options pursuant to this Prospectus. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

The Offer pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia.

### 3.12 Restricted Securities

ASX may classify certain Shares, Existing Options and Attaching Options as being subject to the restricted securities provisions of the Listing Rules. Accordingly, a proportion of such Shares and Options as determined in conjunction with ASX will be required to be held in escrow under the terms of the restriction agreements prescribed by the Listing Rules.

In addition to any restrictions required by ASX, the Company plans to enter into voluntary restriction agreements in respect of 7,836,250 Shares. The terms of the voluntary restriction agreements restrict the Shareholders from directly or indirectly disposing of or granting any security over the Shares for a period of 12 months from the date that Segue is admitted to the Official List. However, under the voluntary restriction agreements Shareholders will be entitled to dispose of up to 10% of those Shares not the subject of any restriction imposed by ASX in each month during the first ten months following the admission of the Company on the Official List unless otherwise agreed with the Company.

### 3.13 Sponsoring Broker

Montagu Stockbrokers Pty Ltd has agreed to be the Sponsoring Broker for the Offer on the terms summarised in Section 10.3(b). Montagu Stockbrokers Pty Ltd will receive a sponsoring broker's fee of \$10,000 and a lodgement fee of 6% on the total amount raised by Montagu Stockbrokers Pty Ltd under the Offer as well being granted the Broker Options.

## Details of the Offer

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### 3.14 Privacy Act

The Company collects information about each Applicant from an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), ASX, the ASIC and other regulatory authorities.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

### 3.15 Financial Forecasts

The Directors have considered the matters set out in ASIC Policy Statement 170 and believe that they do not have reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate or projection.

### 3.16 Enquiries in Relation to the Offer

This Prospectus provides information for potential investors in the Company, and should be read in its entirety. If after reading this Prospectus you have any questions about any aspect of an investment in the Company please contact your stockbroker, accountant or independent financial adviser.

## Section 4

### Directors and Management

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#### 4.1 Directors

##### Non-Executive Chairman

###### Robert Cross

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Mr Cross has more than 15 years experience in the international natural resource equity markets. He is Executive Chairman of Northern Orion Resources Inc as well as Chairman of Bankers Petroleum Limited, both listed on the Toronto Stock Exchange.

In 2002, he was Chairman of EAGC Ventures, which purchased a 120,000 ounce per year South African gold mining operation. The company was subsequently sold to Bema Gold, of which he is now a director. He is a former Chairman and CEO of Yorkton Securities Inc. (1996-1998). From 1987-1994 he was a Partner – Investment Banking of Gordon Capital Corporation in Toronto. He has an Engineering Degree from the University of Waterloo (1982), and received his MBA from the Harvard Business School in 1987.

##### Non-Executive Director

###### Glenn Whiddon

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Mr Whiddon has a background in banking and corporate advisory working for the Bank of New York in Sydney, Melbourne, Geneva and Moscow. In Moscow he established a boutique merchant bank in 1994 providing corporate advice and undertaking direct investments. Mr Whiddon is a Director and CEO of Grove Energy Limited, an oil and gas exploration company listed on the Toronto Venture Exchange and the Alternative Investment Market of London Stock Exchange plc and he is also a director of Statesman Resources Limited.

##### Executive Director

###### Robert Downey

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Mr Downey has practiced law since 1998, and has been admitted to practice as a barrister and solicitor of the Supreme Court of Western Australia and the High Court of Australia. His focus has been with resource companies in the area of corporate law, initial public offerings, other equity raisings, mergers and acquisitions, with extensive experience with listed companies on the ASX, TSX and AIM markets. Mr Downey is currently the Company Secretary of Grove Energy Limited and a director of Atlantic Mining plc, an unlisted public company in the United Kingdom.

#### 4.2 Key Personnel

##### Exploration Manager

###### John Fabray

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Mr Fabray is a Darwin based geologist with over 30 years professional experience in mining and exploration, mostly in Northern Australia. He has occupied the position of Senior Geologist with Cogema, Perilya Mines NL and Queensland Mines Pty Ltd. John has also worked as a geologist for a variety of other mining companies as well as the Northern Territory Geological Survey and the South African Geological Survey. For the last six years John has been the principal of J.Fabray & Associates, an independent geological consulting firm.

##### Company Secretary

###### John Arbuckle

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Mr Arbuckle is a CPA with extensive experience in the mining industry in Australia and overseas. His recent positions have included Chief Financial Officer and Company Secretary of Mount Gibson Iron Limited and Chief Financial Officer of Perilya Limited, where he guided the companies through difficult start up phases. Prior to this he held senior financial management roles with Rio Tinto Limited, North Limited and Anaconda Nickel Limited. He has considerable experience in developing financial and risk management strategies for mining companies and the implementation of accounting controls and systems.

## Directors and Management



### 4.3 Corporate Governance

Prior to admission to the Official List, Segue intends to formally adopt comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to ensuring that, once adopted, the policies and procedures will be administered with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company intends to adopt the Ten Essential Corporate Governance Principles and Best Practice Recommendations as published by ASX Corporate Governance Council. The Company will make the relevant information regarding its corporate governance policies and procedures available on its website as soon as possible after adoption by the Company.

#### **The Board of Directors**

The Company's constitution provides that the number of Directors shall not be less than three and not more than ten. There is no requirement for any shareholding qualification.

If the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of Directors required to adequately supervise the Company's activities will be determined within the limitations imposed by the constitution and as circumstances demand.

The membership of the Board, its activities and composition will be subject to periodic review. In this respect the Company intends to commence the search for a suitably qualified Managing Director after admission to the Official List. The criteria for determining the identification and application of suitable candidates for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board, subject to election by Shareholders at the next general meeting. Under the Company's constitution, the tenure of a Director (other than Managing Director, and only one Managing Director where the position is jointly held) is subject to reappointment by Shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director.

#### **Appointments to Other Boards**

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

#### **Independent Professional Advice**

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to a Director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman of the Board and this will not be withheld unreasonably.

#### **Continuous Review of Corporate Governance**

Directors will consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as Directors. Such information must be sufficient to enable the Directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The Directors recognise that mineral exploration is a business with inherent risks and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any formal corporate governance committees will be given further consideration.

# Section 5

## Independent Geologist's Report



**Andrew Drummond & Associates Pty Ltd**  
A.B.N. 54 061 609 407

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Australia  
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19 August 2005

The Directors  
Segue Resources Limited  
Unit 9, 36 Ord Street  
WEST PERTH WA 6005

Dear Sirs,

### Independent Consulting Geologist's Report

Andrew Drummond & Associates Pty Ltd ("Drummond") has been commissioned by Segue Resources Limited ("Segue" or "the Company") to provide an Independent Consulting Geologist's Report relating to Segue's project, for inclusion in a Prospectus to be lodged with the Australian Securities and Investments Commission ("ASIC") on or about 25 August 2005, offering for subscription two million shares at an issue price of 50 cents per share (the "Prospectus"), to raise a total of \$1.0 million (before costs of the issue). The funds raised will be used for the purpose of exploration, evaluation and development of its mineral property in the Northern Territory.

The assessment of the Property included in the Prospectus is based upon technical and cost information provided by Segue and Government reports and reports prepared by previous title holders to the project area. Reference has been made to their sources of information, published and unpublished, where appropriate. A detailed listing of the principal sources of information is included in this Report. We have endeavoured, by making reasonable enquiries, to confirm the authenticity and completeness of the technical data used in the preparation of this Report and to ensure we had access to all available relevant technical and other information.

Drafts of this Report were also provided to yourselves with written requests to identify any material errors or omissions prior to lodgement.

The legal status, including Native Title considerations, associated with the tenure of the Segue Mineral Property is the subject of a separate Solicitor's Report which appears in Section 8 of this Prospectus. These matters have not been independently verified by Drummond. The present status of the tenement the subject of this report has been provided by Segue, and this report has been prepared on the assumption that the tenement is lawfully accessible for evaluation.

Drummond is a mineral industry consulting firm which has been providing services and advice to domestic and international clients since 1993. This Report was prepared by the Managing Director of Drummond, Mr Andrew Drummond. He was awarded a B.Sc (Honours) degree in Geology from the University of Adelaide in 1972. He has had 30 years' experience in the domestic and international mining and exploration industry and has occupied senior management positions including the managing directorships of public-listed companies. Since 1993 he has been a consulting geologist. Experience in the Northern Territory began as a Project Geologist in the Pine Creek Geosyncline in 1978.

The author has the appropriate relevant qualifications, experience and competence to be considered an "Expert" under the definitions provided in the JORC and VALMIN Codes and a "Competent Person" as defined in the JORC Code.

For the purposes of Section 1010 of the Corporations Act, Drummond was involved in the preparation of only the Independent Consulting Geologist's Report for inclusion in the Prospectus and has authorised or caused the issue of only that part of the Prospectus.

Where in this Report Drummond reports the opinions, conclusions or interpretations of previous explorers or researchers on Segue's titles and where Drummond's opinions, conclusions or interpretations are based on those of previous explorers or researchers, Drummond adopts those opinions, conclusions or interpretations as its own and for the purpose of Section 1032 of the Corporations Law consents to the issue of the Prospectus containing them in the form and content in which they appear.

## Independent Geologist's Report

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It is the opinion of Drummond that the property is sufficiently prospective to warrant the further exploration proposed by Segue and discussed in this Report. It should be noted, however, that any proposed exploration programme may be subject to change as new data becomes available, or due to changes in economic factors.

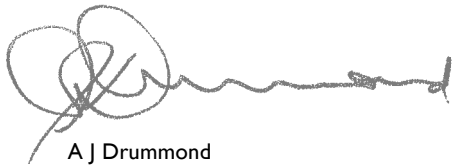
Exploration and evaluation programmes summarised in the Report amount to a total expenditure of \$1,060,000 in the first two years of assessment. At least half the liquid assets held, or funds proposed to be raised by Segue, are understood to be committed to the acquisition, exploration and development of mineral properties, satisfying the requirements of ASX Listing Rule 1.4.2 and 1.4.3. The Company has prepared staged exploration and development programmes, which are consistent with its budget allocation. Little exploration has not been carried out on the property in the last two years, but Drummond considers that it has sufficient technical merit to justify the proposed programmes and associated expenditure, given the recent price increases for tungsten and tin.

This Report has been prepared on information available up to and including August 2005. Drummond has given consent for the inclusion of this Report in the Prospectus in the form and context in which it appears on this understanding, and has not withdrawn that consent before lodgement of the Prospectus with ASIC.

No member, or employee of Drummond, is or is intended to be a Director, officer or other employee of Segue. No member or employee of Drummond has, or has had, any shareholding, or the right (whether legally enforceable or not) to subscribe for securities, or the right (whether legally enforceable or not) to nominate persons to subscribe for securities in Segue. Drummond has no, nor has had previously, any material interest in Segue nor the property mentioned in this Report. Its relationship with Segue is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

Yours faithfully

ANDREW DRUMMOND & ASSOCIATES PTY LTD

A handwritten signature in black ink, appearing to read 'A J Drummond', with a large circular flourish at the beginning.

**A J Drummond**

Managing Director

BSc(Hons), FAusIMM, MGSA, MAIG, MSEG, MAICD



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## THE CORONET HILL PROJECT

### SUMMARY

- Segue Resources Limited ("Segue")'s EL10004 in the Pine Creek Geosyncline of the Northern Territory of Australia contains the historic Coronet Hill and other smaller base metal and tin mines.
- Successive waves of evaluation of the tenement by previous explorers has defined the Coronet Hill Fault Zone, and parallel structures, to be anomalous for tin and tungsten over its 10km length with EL10004.
- However that work was principally directed towards base and precious metals, and exploration for tin and tungsten was only peripheral. Much data – gained at considerable expense and effort – was collected but needs to be collated into an appropriate computerised database so as to define and prioritise targets for the latter.
- That previous exploration concentrates upon evaluation of the sulphide-rich and narrow historic lodes. There seems good evidence that the tin and tungsten mineralisation is not only of greater strike extent but also may be in the alteration zones laterally adjacent to the lodes.
- Considering the extent of the mineralised system and the degree of past surface investigations, the past drilling efforts have been very limited.
- Infill assaying of past drill core – if it can be accessed – has potential cheaply and quickly to assess the potential for broader tin and tungsten mineralisation at the old Coronet Hill mine. Nocturnal prospecting with an ultraviolet lamp may readily define tungsten targets.

# Independent Geologist's Report

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## 1. INTRODUCTION

Andrew Drummond & Associates wrote the Independent Geologist's Report for the Prospectus for Arafura Resources NL ("Arafura") which listed on the ASX in 2003. One of Arafura's Projects therein was Coronet Hill which was viewed at that time by that company principally as a gold and base metal play. The recent strong increases in the prices of tin (Sn) and tungsten (W) have attracted Segue to acquire the Project from Arafura.

ADA was commissioned to write this Independent Geologist's Report based upon:

- its earlier Arafura Report
- the Sn and W price rises
- re-appraisal of all previous exploration efforts from a Sn-W stance.

## 2. DATA SOURCES

The principal data sources are held in the Northern Territory Government's Department of Business, Industry and Resource Development's ("DBIRD") Library in Darwin. Arafura has provided a copy of an investigation into the tin (only) potential which it commissioned in 2004. These sources are listed in the Bibliography.

In view of the lack of recent and directly applicable field investigations, ADA has solely relied on those sources and its general experience in the Pine Creek Geosyncline and did not visit the project area.

## 3. BACKGROUND INFORMATION

### 3.1. LOCATION AND ACCESS

The Coronet Hill area is located about 60 km east of Pine Creek and about 220 km SE of Darwin as indicated on Figure 1.

Access to Coronet Hill from Darwin, the capital of the Northern Territory, is by the sealed Stuart and Kakadu Highways for a combined distance of 250 kilometres and thence by 20 kilometres of unsealed tracks from the Kakadu Highway to the old mining area.

### 3.2. CLIMATE

The area lies in the tropical monsoon rain belt of northern Australia. Annual rainfall is about 1200-1400 millimetres. The bulk of this falls between December and March. Pre-monsoon tropical storms occur in October and November and can restrict activities temporarily. Very little rain falls between the start of May and the end of August. Temperatures range from 20-30°C in summer ("wet season") and 10-30°C in winter ("dry season").

### 3.3. TOPOGRAPHY AND VEGETATION

Topographically the area consists of steep strike ridges, low hills and undulating rubble-strewn rises with a well-developed dendritic pattern of drainage. Good outcrop is present along the creeks and on the crests of the ridges, while the hill slopes are covered with a thin veneer of near residual skeletal lithosols and colluvial/elluvial gravels. The rocks are deeply weathered in places. Transported soils are restricted to the main flood plain of the Little Mary River and to the lower portions of the larger tributary creeks.

Vegetation consists of open eucalypt woodland and tall perennial grasses typical of the open savannah of tropical Northern Australia.



## Independent Geologist's Report

### 4. GEOLOGY

#### 4.1. GEOLOGICAL AND MINERALISATION OVERVIEW OF THE PINE CREEK INLIER

This section aims to provide a broad representation of the geology of the southern part of the Pine Creek Inlier ("PCI") as exposed on the Ranford Hill and adjacent 1:100 000 scale geological map sheets, and the general styles of mineralisation therein. The stratigraphy of this part of the PCI is shown in Figure 2. The following geological history is adapted from public records.

Most sedimentary-volcanic deposition, and all of the tectonism, metamorphism and igneous intrusion, are associated with the development of the PCI during the Palaeoproterozoic. Since then the area has been relatively stable apart from minor tectonism and minor Mesoproterozoic, Palaeozoic, Mesozoic and Cainozoic continental or shallow-marine sedimentary deposition. Geosynclinal sedimentation began during the later part of the Palaeoproterozoic, after 2500 Ma, in an intracratonic basin, under mainly alternating continental and shallow-water marine conditions which gave way to deeper-water at later stages. Namoon Group sediments were deposited.

Proximal sandstone sequences, which rest on Archaean basement, are exposed in areas such as Rum Jungle, but not on the Project Sheets. Interbedded carbonaceous silts, muds and carbonate rocks were then deposited over these sequences at the margins of the basin while in deeper parts, including these sheet areas, a thicker sequence of fine clastic and chemical sediments followed and the Mundogie Sandstone sequence accumulated in the basin from a northern provenance as alluvial fans, which were overlain by and transitional with shallow-water, clastic and minor dolomitic deposits of the Wildman Siltstone.

A transgression followed minor uplift and peneplanation of the Mount Partridge Group, and the South Alligator Group of shallow-water, dolomitic and carbon-rich sediments was deposited. Felsic sub-aerial volcanism outside the Sheets during this stage, about 1880 Ma, formed intercalated ashfall tuffs (the Gerowie Tuff) within the South Alligator Group. Coronet Hill is hosted by South Alligator Group sediments.

Locally, hydrothermal-exhalative precious and base metal massive sulphide deposits (e.g., Mount Bonnie) formed during the waning stages of this volcanism. It coincided with an influx of flysch-type sediment of the Finnis River Group, particularly the Burrell Creek Formation, which was possibly related to deepening of the basin. Later, during this influx, minor felsic to intermediate volcanics were extruded. A source area to the south, composed dominantly of volcanic and minor Early Proterozoic sediments, is indicated.

Sills of Zamu Dolerite were intruded probably near the close of geosynclinal deposition between 1880 and 1870 Ma. The dolerite and the Palaeoproterozoic sediments were then tightly to isoclinally folded, faulted and regionally metamorphosed to low grade between 1870 and 1800 Ma. On the Ranford Hill sheet, block faulting formed a shallow half-graben (Mount Callanan Basin) in the north-east, which was filled by felsic volcanics and sediments of the El Sherana and Edith River Groups at about 1800 Ma. Several granitoid plutons, together comprising the Cullen Batholith, preceded by minor alkaline intrusions, were emplaced during and after the later stages of orogenesis, extensively contact-metamorphosing the dolerite and geosynclinal sediments. These intrusions were later cut by minor aplite, feldspar, syenite and dolerite dykes. Metal-bearing hydrothermal quartz veins and stockworks were emplaced within the contact aureole either during granitoid emplacement or later.

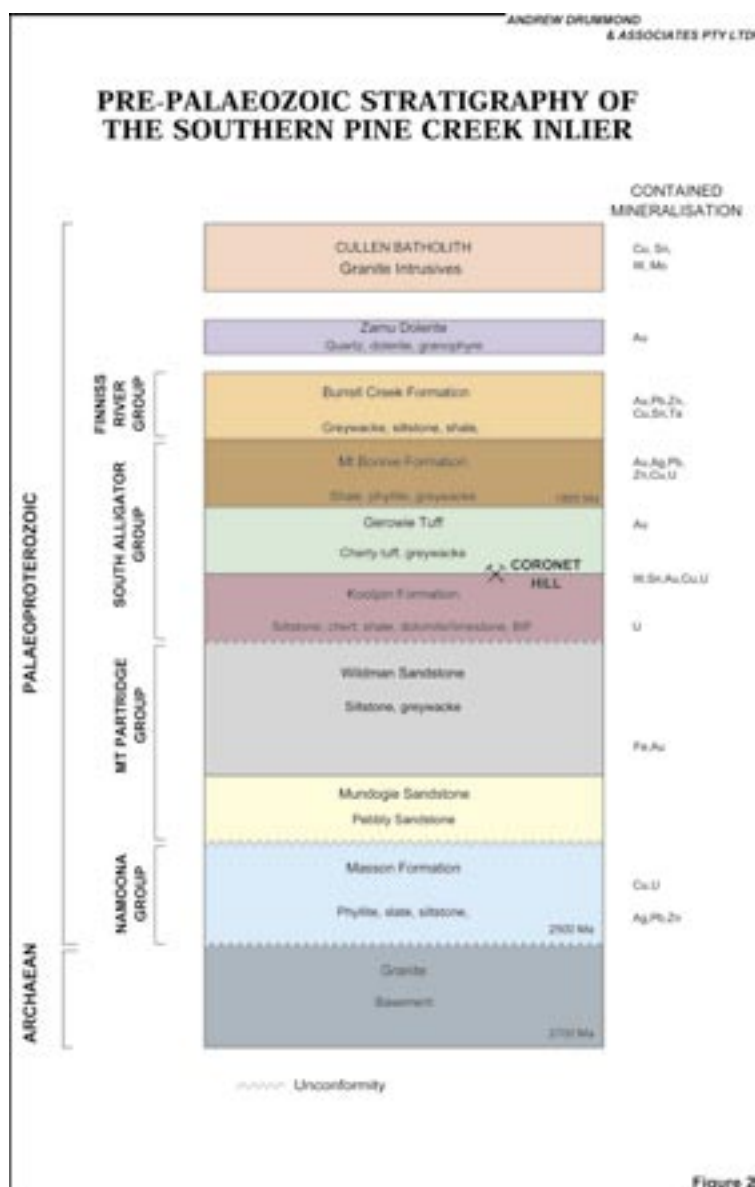
Peneplanation occurred during a very long stable period, broken only in the south-west of the PCI by:

- block faulting and deposition of the relatively flat lying Middle Proterozoic Tolmer Group;
- fault reactivation in the north-east, intrusion of Oenpelli Dolerite at about 1690 Ma and by deposition of the relatively flat-lying Mesoproterozoic sediments and volcanics of the Katherine River Group at about 1650 Ma;
- deposition of the Kombolgie Sandstone of that Group, and Palaeozoic sedimentation of the Daly River Basin;
- deep chemical weathering, which produced the massive ironstones at Frances Creek, and preceded Mesozoic deposition of a thin veneer of epicontinental to terrestrial sediments, the remnants of which form scattered mesas and tablelands;

Since then, the area has remained above sea level and has undergone weathering and erosion that produced laterites as well as sheet washes of sand and minor gravels derived from older strata.

The PGI is significantly mineralised with world-class uranium deposits in the East Alligator area and lesser historic uranium mines in the South Alligator and Rum Jungle districts. Major gold mines have been operated from the mid 1980's, particularly around Pine Creek. Base metals have been mined in the Rum Jungle and Woodcutter's Fields, in the southern PGI and at Coronet Hill.

Alluvial tin and, locally, tantalum deposits have been worked in several areas.



#### 4.2. CORONET HILLS LOCAL GEOLOGY

Within the tenement area, there is a dominant NW-SE grain provided by tight folding and parallel fault structures. Most of the tenement is underlain by the slaty to phyllitic mudstone, siltstone and greywacke of the Burrell Creek Formation. The underlying Mount Bonnie Formation of the South Alligator Group is exposed in anticlinal cores and in up-thrust faulted blocks. The most economically important of the latter is that afforded by the Coronet Hills Fault system (Figure 3).

However, detailed mapping around the Coronet Hills mines by exploration companies has revealed a more complex picture there. It found that the oldest sediments exposed are carbonaceous and lesser dolomitic mudstones of the Koolpin Formation, which are conformably overlain by mudstone, chert and albitic chert of the Gerowie Tuff Formation. Overlying these sediments are mudstones and BIF of the Mt Bonnie Formation, and then the Burrell Creek Formation. (Figure 4)

The Mt Davis Granite intrudes the sequence and the nearest edge of the granite to the tenement is about two kilometres south-west of the main Coronet Hill workings. It has been interpreted from geophysical evidence that depth to granitic basement under the tenement is quite shallow.

As previously mentioned, good outcrop is present along the creeks and on the crests of the ridges, while the hill slopes are covered with a thin veneer of near residual skeletal lithosols and colluvial/eluvial gravels. Transported soils are restricted to the main floodplain of the Mary River and to the lower portions of the larger tributary creeks. These conditions apparently provide excellent media for geochemical exploration.

## Independent Geologist's Report

### 5. MINERALISATION AND THE MINES

Sn, W, base metals (copper, arsenic, lesser lead, bismuth and zinc) and precious metal (gold and silver) (respectively symbolised as Cu, As, Pb, Bi, Zn, Au and Ag) mineralisation occurs in the Coronet Hill area. It is structurally controlled and occurs in a number of sulphide bearing veins within lodes over a strike length exceeding 4 kms. A 10 km section of the Coronet Fault system is strongly anomalous for Sn and most of it occurs in the Segue tenement. The area was originally mined for Ag then later for Cu and Sn. The mineralisation is generally regarded as fault-controlled and fault parallel.

Two outer sets of quartz-tourmaline veins, named the Eastern and the Western Lodes, converge north-westerly towards the main Coronet Hill Fault and enclose a central set of sulphide-bearing veins. Five of the sulphide-bearing veins overlap each other and are arranged en echelon over the length of the field. The sulphide-bearing veins also converge north-west, and the Main Lode and Kelly's Lode join into a composite quartz-tourmaline, sulphide-bearing vein named the North Lode. With few exceptions all the mineral veins dip steeply in a south-westerly direction (Figure 4). Although the quartz-tourmaline veins can attain thicknesses well in excess of a metre, they are commonly less than 30 cm. Much of the North Lode is in siltstone: Kelly's Lode is on the boundary between siltstone and chert: while most of the Main Lode, Coronet Hill Lode and South Lode are within chert. These lodes are usually straight and regular, consisting of silicified chert (or siltstone) and vein quartz with local developments of massive scorodite (an iron-As oxide) or gossan.

The Coronet Hill lode, which has the longest lengths of massive gossan and scorodite in outcrop, provided the majority of the past production of copper ore. The workings consisted of two adits from which about 300m of drives and cross-cuts were driven and at least eight shafts, of which the deepest was about 40m. The copper grade probably averaged about 5% with some enriched zones grading up to 16% Cu and 1225 g/t Ag. Less than 250 tonnes of ore grading about 22% Cu and 550 g/t Ag were extracted in the period 1916 to 1918. The veins were mined between 1888 and 1918. The primary ore contained chalcopyrite, covellite, enargite, cuprite, arsenopyrite, pyrite, pyrrhotite, tetrahedrite, galena, tin, wolfram and scheelite (tungsten minerals) and minor sphalerite.

Lode and alluvial tin was produced from the Mary River Camp. The alluvials have a recorded production of 46 tonnes of tin concentrate between 1910 and 1913. Production between 1910 and 1913 was mainly from alluvial concentrations in the creeks, but some mining was done on cassiterite-bearing quartz veins which were probably the source of the alluvial deposits. Minor amounts of tin were produced from quartz-tourmaline veins at the Ross Mine. The veins were about 0.3m wide and contained cassiterite, arsenopyrite and chalcopyrite and trended NW.

#### 5.1. PAST EXPLORATION OVERVIEW

Early investigations were by government agencies from 1919 to the 1960s. The government initially praised the potential of the Coronet Hills area, advocating it as a site for a smelter to service the mines of the district and recommending a light railway connection to Pine Creek. After WWII it recommended exploration of and development on the lodes. Government mapping and appraisal of the vein systems was carried out subsequently and a drilling programme was promoted but apparently not carried out.

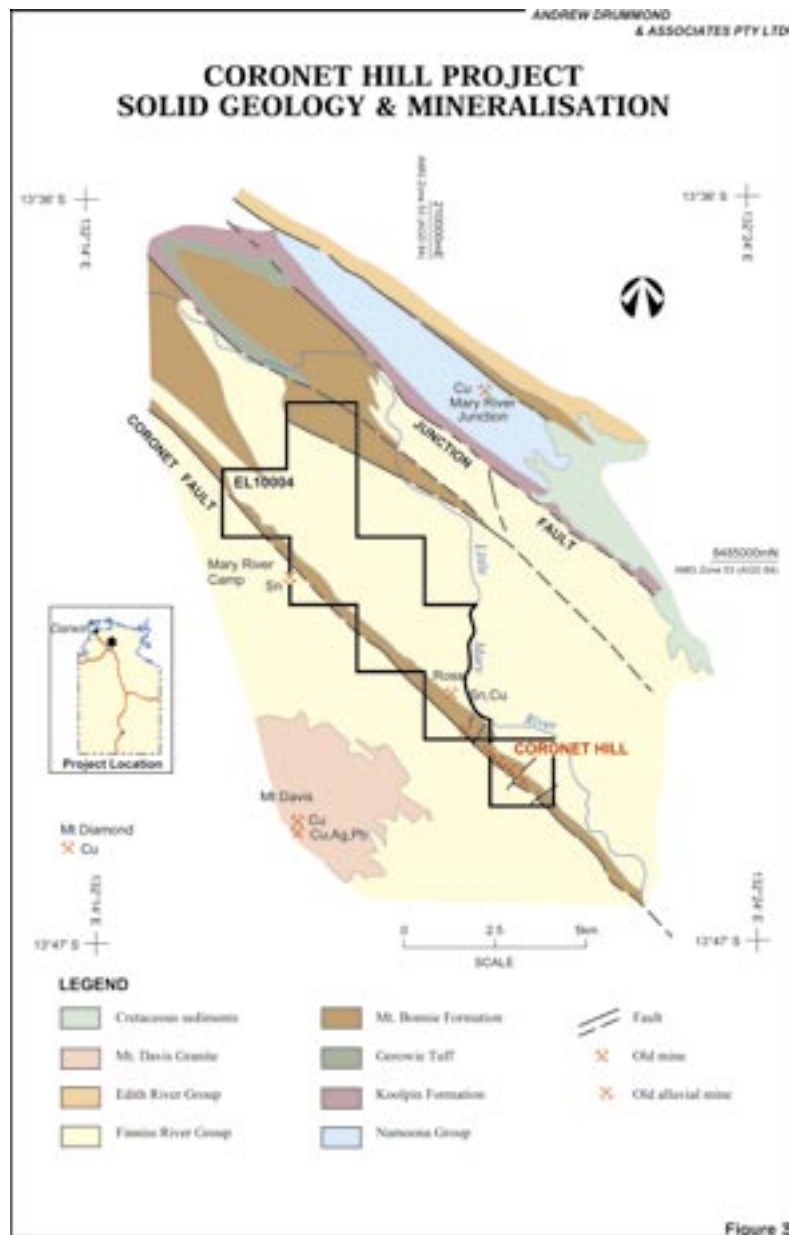
In a 1982 government publication it was stated:

"The workings extend intermittently over a total length of about 2½ miles, and consist of two adits from which about 1000 feet of drives and cross-cuts have been driven, and at least eight shafts, of which the deepest is about 120 feet. Most of the work appears to have been done between 1916 and 1918.

The lodes average 2 to 3 feet thick, with occasional bulges up to 10 feet, but assay values are very erratic. Of a group of 35 samples taken in 1961, 12 gave assays of over 5 percent Cu. 20 contained 8 to 30 oz Ag per ton, and 2 contained over 15 percent Pb. Pyrite and arsenopyrite are always present in the primary ore, and scorodite (iron arsenate) commonly occurs in the oxidised zone. Au is generally low (less than 1 dwt per ton), but up to 0.7 per cent Bi and traces of antimony may be present."

Company investigations began from the mid 1960s and they generally concentrated upon an appraisal of the base metal potential.

- (a) The first explorer was able to secure tenure not only over Coronet Hill, but also other fields in the district and revisited the idea of a central treatment plant. Using known parameters of the Coronet Hill field, including a postulated productive length of 3000', a width of 3', a mineable depth of 3000', an in situ Cu grade of 5%, and allowing for low grade material to be left as pillars, mining dilution etc, it postulated that 3.8 million tons of 4.2% Cu and 12 ozs Ag/ton material might be found, mined and milled. A drilling programme to delineate reserves was proposed, but apparently not carried out.



- (b) The second explored the Coronet Hill area as part of a large regional programme searching for Mt Bonnie stratiform base metal style mineralisation associated with Gerowie Tuff and Mt Bonnie Formation of the South Alligator Group. It concluded that a significant tonnage of ore grade material may be present at Coronet Hill and that the Gerowie Tuff was prospective for stratiform base metal mineralisation: however the target was not considered worthy of exploration at the time.
- (c) Geopeko held a tenement which covered all of the area of Segue's EL 10004 during the late 1980s. Initial target commodities included Sn, Au, U and diamonds. Its early exploration consisted of gridding; detailed geological mapping; rock chip sampling; stream sediment sampling with geochemical analysis of the fine fraction and mineralogical examination of the coarse, heavy mineral fraction; and an airborne magnetometric/radiometric survey.

The Mary River Camp Sn occurrences, which occur about 7 kms NW of the Coronet Hill mine, were gridded and geologically mapped. This indicated a complex system of quartz-tourmaline veins, quartz veins and granite dykes with associated Sn mineralisation. Sn values of up to 3.3% resulted from sampling of shallow prospecting pits.

Rock chip sampling was taken over two traverses 65-75m in length and about 100m apart. The southerly covered the main mineralised zone and the northerly was about 100m north of that zone.

## Independent Geologist's Report

Sample intervals were irregular and, unfortunately, various uncertainties in sample location and numbering render the results less than optimal. Nevertheless, as best can be determined, that traverse averaged about 0.1% Sn which must be regarded as highly encouraging. Actual W assays were not given but were described as "low".

A low density BLEG Au sampling programme located two weak anomalies within the EL10004 area. Bulk sampling for Sn at Mary River Camp was unsuccessful.

It undertook a rock chip sampling programme of gossanous cherts over a strike length of 900 m, with the cherts occurring about 500 m north-east of the Coronet Hill line of lode. Base metal peaked at 1.54% Pb, 1910 ppm Zn and 37.5 ppm Ag; apparently no assaying for Sn or W was carried out. Drilling follow-up was proposed but not undertaken.

Prospecting and gossan or rock chip sampling were carried out on the main Coronet Hill line. Eighteen RC holes for a total of 427 m were drilled into the best prospects. Three holes were drilled at Kelly's Lode, two at South Shaft and two at South Extended Shaft (Figure 4). The eighth tested a small gossan zone about 100 m west of Kelly's adit. Others tested the general lode systems.

The drilling beneath the gossan outcrops intersected massive and disseminated sulphide mineralisation consisting dominantly of arsenopyrite and pyrite. The zones of massive sulphide were thin (1.0 to 1.5 m true thickness). Best values of economic significance were in MRRC - 16 which gave 2.96% Cu, 0.6% Pb, 0.7% Zn, 0.9% As and 6.9 oz/t Ag over a 5 m down-hole interval and 1.5 m true width. Unfortunately the samples were not assayed for Sn or W.

- (d) After the area was relinquished, it was taken up by another company. An initial 55 sample stream BLEG survey assessed it. 84 soil samples and 24 rock chip samples were taken in the northern parts of the tenement and along the north-western extent of the Coronet Fault. No near surface indication of extensive economic mineralisation was found and the tenement was again relinquished.
- (e) During much of the late 80s to mid 90s, the area was held by a varying consortium of whose members had experience in Top End gold and base metal development and production: it included Aztec Mining Co Ltd, Dominion Mining Limited, Territory Goldfields NL, Northern Gold NL and Normandy Metals Ltd. They concentrated on base metals and gold, and on Sn and W to a much lesser extent. Tenements were piece-meal but covered all of EL 10004. Reporting of the data is fragmentary and a profitable task for Segue will be to establish an appropriate GIS database.

The initial investigations mainly covered areas north-west of EL10004. Detailed stream sampling of -40 mesh material was carried out, with a sample density of 170 - 250 metres apart in all streams draining off or alongside the Coronet Hill Fault. Although Drummond considers that BLEG analysis is a preferred technique, the very detailed sampling pattern (73 samples in a three square kilometre block) would have overcome any relative inefficiency of the higher threshold analytical technique used. The north-western extent of the Fault was not found to be anomalous. Lead and Sn stream anomalies were confined to the historically mined areas. Rock chip follow-up of the stream Sn anomalies only returned values up to 159 ppm Sn.

It was followed by a lag sampling programme on a 200 m x 700 m basis, and then by a 500 m x 100 m soil BLEG programme for Au, As and base metals, Sn and W, covering the Coronet Fault and east of it. Although this EL covered only one block of EL10004, it did cover a strike length of two kilometres of the Coronet Fault 8 kms north-west of the main workings and at the extreme north-west part of EL 10004. The repetitive and intensive geochemical campaigns can be regarded as having eliminated any chance of near surface base and precious metal mineralisation in that block. However, strong Sn anomalies resulted and there are occasional moderate W anomalies.

Another tenement covered only the most south-easterly block of EL10004. A first pass rock chip programme found significant Pb, As and Sn anomalism associated with the south-eastern end of the Coronet Hill Fault, and a second parallel zone some 400 m south-westerly of EL10004. Stream BLEG Au values were not anomalous.

A further small tenement covered the most north-westerly part of the Coronet Hill Fault Zone in EL10004. A very detailed stream sediment programme, at a sampling density of  $\pm 16/\text{sq km}$ , was completed. The stream sediment analysis revealed a broadly coincident area of anomalous Pb and Sn that is located over and adjacent to the Coronet Hill Fault zone. Cu, Zn, Ag, As, Bi and Au were at background levels and W anomalism was both weak and uncommon.

A rock chip sampling programme over the gossanous lodes which sourced the Sn, Pb and As stream sediment anomalies returned only low-level W values.

In a further EL, mapping and rock chipping programmes were concentrated on the Coronet Hill Fault zone.



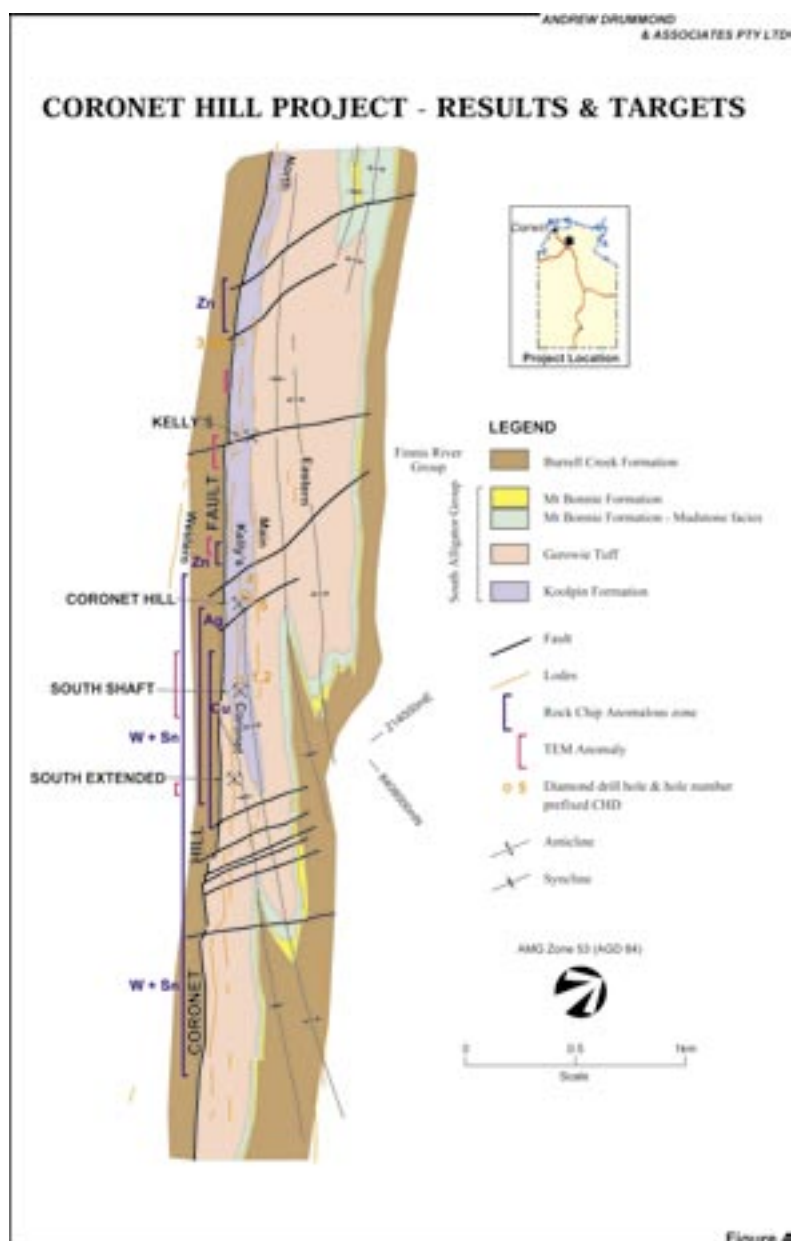


Figure 4

This work revealed the Coronet Hill area is geochemically highly anomalous and defined a coincident Pb and Sn stream geochemical anomaly that required follow-up exploration. A metal zonation was recognised and areas with high base metals but low As were indicated. Anomalous areas were pegged with Mineral Claims in order to carry out further exploration.

In order to maintain tenure over core ground in the face of statutory EL partial relinquishment requirements, the main Coronet Hill mine area was pegged with Mining Claims. Gridding, mapping, detailed stream sediment sampling, gossan rock chip sampling and follow-up diamond drilling was undertaken on them. The mapping was detailed, and supported the close spaced stream sediment sampling (125 samples at 300 - 400 m spacing in all drainages along and off the Coronet Hill Fault). The gossans were systematically rock chipped at intervals of 30 - 40 m.

This rock chipping covered a strike length of about 10 km and was the first programme in which W was consistently assayed. Of the 295 samples, most assays would be described as anomalous, with 36 exceeding 0.1% W and five exceeded 1%.

There is no record of any ultraviolet lamping campaigns and so this programme does not indicate the potential for W mineralisation as scheelite in the altered rocks surrounding the 1-2m thick gossans.

## Independent Geologist's Report

A transient electromagnetic (TEM) survey was carried out at Coronet Hill using 25 traverses of about one kilometre in length, and spaced 100 m apart. Several conductors were revealed, located above a consistent deeper conductor, which was present over the entire length of the survey grid. Of the shallower conductors one is prominent. It was tested by five diamond holes within MLN 20 but they indicated that the conductors were carbonaceous black shale. Hole CHD2 was only assayed between 261m-267m and returned the following:

- average Sn                      174 ppm
- average W                        293 ppm
- peak W                            1350 ppm                      265-266m
- peak Cu                            1.8%                              264-266m

CHD 3/3A were targeted to test Coronet Hill structures in albitic chert beds below a strong Zn, Pb and Cu rock chip anomaly. Thin sulphide veinlets with galena, sphalerite, chalcopyrite and arsenopyrite were intersected however there were no economically significant grades. Fourteen samples, based on the presence of sulphide mineralisation, were assayed with peak Sn value of 135 ppm and W value of 30 ppm.

CHD4 was targeted to test down dip from gossan developed on the surface in a shear link structure between Kelly's Lode and Main Lode. The hole was abandoned at 151 m as it had become too steep. A second hole, CHD 5, was collared close-by and was drilled to test the same target. Narrow sulphide filled veins (predominantly pyrite and arsenopyrite) were intersected throughout the hole, but with no encouraging base metal assays. Again, the presence of base metal mineralisation determined the intervals for assaying which comprised only 13 samples. The peak Sn assay was 100 ppm, but strong W mineralisation is evident as follows:

140.0 – 140.5m	0.48% W
179.7 – 180.8m	750 ppm

It was generally concluded by the consortium that:

- The Coronet Hill mineralisation is polymetallic and there is good potential to locate areas of significant mineralisation with lower penalty metals (i.e. low As and Bi).
- A lateral mineral zonation was revealed (Figure 4).
- The EM conductive anomalies are caused by carbonaceous mudstone, however there are discrete subtle responses that could reflect sulphide mineralisation and still require explanation.
- The mineralisation style is similar to that which was then being mined at Woodcutters, to the east of Rum Jungle (Figure 1) in the Pine Creek Geosyncline. It occurs in dextral (right hand movement) strike slip faults and is best developed in northerly trending shear link structures that cross cut the north west trend.
- The diamond drilling revealed wide alteration zones although the base metal sulphide-filled veins are only thin (<1 m).
- Geological mapping and airborne magnetics indicate the Mt Diamond granite shallowly underlies most of the mapped area.

Northern Gold NL finally undertook a detailed soil sampling programme. Lines were spaced at 400 m; samples were collected every 25 m and composited to 100 m. They were assayed for BLEG Au, As and for base metals and volatile elements including W and Sn.

The lists of assays show clearly anomalous Sn and W assays. Incorporation of them into a Segue GIS database may well indicate targets and these may not be directly associated with the known gossanous zones.

- (f) A final exploration effort by Dominion Mining NL and Minatour Gold NL was over a tenement which covered all but the southern portion of ELI0004. It was initially subject to a lag geochemical sampling programme. A number of weak zones of Au and incoherent base metal anomalies resulted. Follow-up was a low key reconnaissance soil sampling and rock chip sampling programme which did not provide any encouragement.

### 5.3. OVERVIEW OF PAST WORK

The Coronet Hill Fault zone has long been recognised as having base metal and tin potential. However during the modern exploration phase of the 1980s and 1990s, Sn prices were depressed and in consequence there was little effort directed towards it beyond it being ancillary to assessment for Au and base metals. Tungsten has received even less attention.

Successive waves of geological sampling, combined with mapping in this area of good outcrop, have clearly defined the target base metal and silver zones. Although drilling has been limited, the dozen holes to date have not indicated any reason to believe that the thin mineralised lodes seen at surface may thicken to more economically encouraging widths at depth.

Despite good increases in base metal prices over the last few years, ADA maintains its 2003 position that the potential for a major base or precious deposit associated with the strongly sulphidic zones is not strong. It would need major thickening of them at depth and EM surveys have not indicated much evidence for this.

There has been considerable geochemical investigation for Sn and this has resulted in the recognition that the entire Coronet Hill Fault zone in EL 10004 must be considered as strongly anomalous and a clear target. The Sn stream, soil and rock chip anomalies have yet to be followed up. Together with a second anomalous zone 4-500m separated from the main Coronet Hill line of lode, a broader target has been defined. It seems that the rock chip sampling, as was the case for the selective assaying of the drill core, has been concentrated on obvious gossan or strongly sulphidic zones.

Alteration zones in drill core have been logged as much wider than the strongly sulphidic zones but they were not assayed for Sn or W. If the remnant drill core can be recovered by Segue, it would be worthwhile assaying it in its entirety.

Turning to W, even less work has been done. Nonetheless, on evidence from the reports at DBIRD it does seem that the W anomalism is just as extensive along the Coronet Fault zone as is Sn. Furthermore, a Sn-W zonation is evident at Coronet Hill with a preferred target about 2.5 km long (Figure 4) and the limited drill core assaying has recovered grades of genuine economic potential.

To judge from the absence of comment on the matter, it seems highly unlikely that the previous explorers have directed much attention to W. It is recommended that the drill core, if it can be recovered be subject to logging by UV lamp so as to test for the presence of fluorescing W minerals. Similarly, nocturnal traversing of the target Coronet Hill Fault zone should give an early reliable assessment of the extent of the W mineralisation not only in the gossanous strata but also in the surrounding alteration zones and intervening units.

While the base metal zones at the Coronet Hill mine are narrow and often structurally related, there is no evidence to date that this must also be the case for Sn and W.

The Sn and W in the lodes may well be a profitable exploration avenue as there are long identified zones in the mineralised structures at a combined grade of interest. Tonnage would be the key and this would likely require the presence of Sn and scheelite laterally into wall rock. There is no evidence in the reports reviewed to indicate that this could not be the case. Drummond made a personal enquiry of a manager of the above-mentioned consortium and he offered that a key report seems no longer present in DBIRD. In it was described some costeans in which the Sn and W spatial distribution were examined and found to be confined to the gossanous intervals. Moreover, apparently the gossans "mushroom" laterally at surface and are generally considerably thinner at a metre or so of depth in the areas assessed. While this is some cause for concern, ADA is of the opinion that it is outweighed by the extent of the mineralised system and the limited work beyond the recognised lodes.

It is recommended that Segue take advantage of the mass of previous exploration data – which has unfortunately been presented in a very fragmentary way – to build up a GIS database that will allow increased future exploration efficiency and should define the principal targets.

It also needs to be emphasised that this major mineralised structure has had very little drilling to date.

## Independent Geologist's Report



### 5.4 PROPOSED WORK PROGRAMME & BUDGET

Exploration Activity	Year 1 (\$)	Year 2 (\$)	Total (\$)
Data compilation	25,000		25,000
Geological mapping	10,000		10,000
Geochemical surveys	50,000		50,000
RAB drilling	150,000		150,000
RC drilling		450,000	450,000
Diamond drilling		350,000	350,000
Metallurgical testwork		25,000	25,000
Total	\$235,000	\$825,000	\$1,060,000

Segue proposes to fund the exploration of the Coronet Hill tenement based on the programme and budget as outlined in the above table. Segue advises that this programme and budget is based on the expectation that significant mineralisation will be discovered within the tenement. It could be anticipated that they would be subject to change contingent upon on-going results.

Drummond considers the work programme and budgets to be appropriate based on current knowledge.

Andrew Drummond and Associates Pty Ltd

## GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

alluvium	A sediment deposited by water.
alteration	The change in the mineral composition of a rock, commonly due to hydrothermal activity.
amphibolite	A metamorphic rock consisting of amphibole and plagioclase.
anomalous	Deviating from the normal: usually refers to significant or unusual data.
Archaean	The oldest rocks of the Earth's crust - older than about 2,400 million years.
As	Arsenic
assay	Accurate laboratory determination of the concentration of a given element in a sample.
Au	Gold
base metal	A metal inferior in value to precious metals e.g. copper, lead, zinc.
basement	A general term for rocks considered older than and/or below the target rocks.
Bi	Bismuth
BLEG	Bulk leach extractable gold analysis; an analytical method for accurately determining low levels of gold.
Ca	Calcium
Cainozoic	The division of geological time extending from 65 million years ago to the present.
carbonaceous	Containing fossil organic material in the form of coal or graphite.
clastic	Referring to fragments of pre-existing rocks produced by weathering and erosion - if they accumulate and lithify, clastic rocks result.
cordierite	A Mg-Al-silicate metamorphic mineral.
costean	A trench through the surface soil or debris to expose the bedrock or undisturbed weathered rock for mapping and sampling.
Cr	Chromium
Cu	Copper
DBIRD	(Northern Territory) Department of Business Industry & Resource Development.
diamond drilling	a type of drilling with an annular diamond-impregnated bit that returns cylindrical rock samples for evaluation.
diorite	An intrusive rock intermediate in composition between acid and basic.
electromagnetic survey	See EM survey.
EM survey	Electromagnetic survey, a method of measuring the alternating magnetic fields associated with electrical currents artificially or naturally maintained in the subsurface.
faulting or fault	Fractures in rocks on which there has been movement on one of the sides relative to the other and parallel to the fracture.
felsic	A group name for light coloured silicate minerals that are poor in iron and magnesium and for rocks in which these minerals are abundant.
folding	Bending of strata or of any planar structure.
geochemistry	The study of the variation of chemical elements in rocks or soils: adj. geochemical.
geophysics	The study of the earth by quantitative physical methods.
gossan	A ferruginous deposit remaining after the oxidation of the original sulphide minerals in a vein or ore zone.

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intrusive	A body of igneous rock that was intruded while molten in to the Earth's crust.
lag	A residual accumulation of coarse hard rock fragments on the surface after the removal of finer material by wind or water.
laterite	A strongly leached iron and aluminium rich rock, formed at the surface by weathering in tropical conditions.
lithology	Relating to rocks.
Lu	Lutetium
m	Metre
M	Million
magnetic survey	Geophysical survey which records the magnetic intensity of the Earth's field and any local distortions caused by immediately underlying rocks.
meta	A prefix meaning that the rock type has undergone metamorphism.
metallurgy	The science of extracting metals or other wanted products from ore.
ML	Mining Lease, a title that allows mining.
palaeo	A prefix relating to a past, ancient or fossil feature.
Palaeozoic	A time period from 570 to 248 million years ago.
Pb	Lead
peneplation	The action of weathering and erosion to form an ultimately flat, sub-horizontal surface.
ppm	Parts per million (same as grams per tonne, or g/t).
Proterozoic	Geological period approximately 2400-570 Ma ago. The Proterozoic is further subdivided into Palaeo (2400-1800), Meso (1800-1400) and Neo (1400-570).
pyrite	A mineral composed of iron and sulphur, often associated with more valuable minerals.
RC	See reverse circulation drilling.
reverse circulation drilling	Drilling method employing a repeated hammering action on a drill bit which yields sample material which is delivered to the surface inside the rod string by compressed air.
rock-chip	The collection of representative samples of rock fragments within a limited area.
scheelite	Calcium tungstate - one of the two principal tungsten minerals.
sediments	Solid material, both mineral and organic, that is in suspension, is being transported or has been moved from its site of origin by air, water or ice, and has come to rest on the Earth's surface either above or below sea level.
stratigraphy	Composition, sequence and correlation of stratified rocks in the Earth's crust.
stream sediment sampling	A geochemical sampling technique based on the assumption that if traces of an element, such as gold, occur in a stream sediment, they have been derived from the area or catchment that the stream drains.
supergene	Secondary ores or minerals formed by downward enrichment processes due to concentration of the minerals by dissolution and precipitation associated with ground water.

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surface enrichment	Upgrading of the relative quantity of a mineral or ore at the Earth's surface, due to weathering processes.
t	metric tonnes.
tectonism	The major structural processes forming faults and folds in the Earth's crust.
tourmaline	A family of boron-silicate-Na/Al/Mg etc minerals formed in igneous and metamorphic rocks, and often associated with other economic mineralisation.
unconformity	Lack of parallelism between rock strata in sequential contact, caused by a time break in sedimentation.
volcaniclastic	A sedimentary rock whose constituents are derived from breakdown of volcanic primary rocks.
W	Tungsten
weathering	The effects on rock and ore minerals of prolonged exposure to atmospheric elements such as water and oxygen.
wolfram	Iron-manganese tungstate – one of the two principal tungsten minerals.
Zn	Zinc

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# Section 6

## Investigating Accountant's Report

### PKF Corporate Advisory



PKF Corporate Advisory  
Services (WA) Pty Ltd

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Australian Financial Services  
Licence No: 240566

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25 August 2005

The Directors  
Segue Resources Limited  
Unit 9 / 36 Ord Street  
WEST PERTH WA 6005

Dear Sirs

## Investigating Accountant's Report

### I INTRODUCTION

The Directors of Segue Resources Limited ("Segue" or "the Company"), have requested PKF Corporate Advisory Services (WA) Pty Ltd to prepare an Investigating Accountant's Report ("IAR" or the Report") on the following:

- A review of the Australian equivalents to International Financial Reporting standards ("AIFRS") historical financial information of Segue Resources Limited ("Segue" or "the Company") for the period 21 January 2005 to 30 June 2005;
- A review of the AIFRS Pro-forma Balance Sheet of Segue as at 30 June 2005, which assumes completion of the proposed transactions set out in Section 7 part 2 of the Prospectus.

This Report has been prepared at the request of the Directors of Segue for inclusion in a Prospectus to be dated on or around 25th August 2005, relating to the offer of 2,000,000 shares at \$0.50 cents each to raise \$1,000,000 together with 1 free attaching option for every 2 shares subscribed exercisable on or before the 30 June 2010 at an exercise price of \$0.50 cents ("the Capital Raising").

The Company has a right to accept oversubscriptions up to a further 500,000 Shares at an issue price \$0.50 per share to raise up to an additional \$250,000 together with 1 free attaching option for every 2 shares subscribed exercisable on or before the 30 June 2010 at an exercise price of \$0.50 cents

All the terms used in this Report have the same meaning as the terms used and defined in the Prospectus.

### 2 BACKGROUND

Segue was incorporated on the 21 January 2005 for the purpose of investing in mining and exploration projects in Australia, Indonesia and Europe. We understand the company will target tungsten or tin exploration and commercial assessment of the Coronet Hill Project.

In addition, we understand the company plans to evaluate further acquisition opportunities for advanced projects that may result in securing a profitable mining venture.

### 3 FINANCIAL INFORMATION

The AIFRS historical and pro-forma historical financial information described below and disclosed in the Prospectus, is prepared in accordance with the recognition and measurement principles of the Australian equivalents to International Financial Reporting Standards relevant to Segue, effective for the reporting period ending 30 June 2005 as currently interpreted ("AIFRS").

The directors of Segue are responsible for the preparation and presentation of the AIFRS historical and pro-forma historical financial information described in Section 7 of the Prospectus and reported upon in this report.

The AIFRS historical and pro-forma historical financial information is presented in a form that does not include all disclosures required by the AIFRS's applicable to annual financial reports prepared in accordance with the Corporations Act 2001 ("Corporations Act").

## **4 SCOPE OF EXAMINATION**

### **4.1 AIFRS Historical Financial Information**

We have conducted a review of the AIFRS historical financial information of Segue for the period ended 30 June 2005.

The AIFRS historical financial information of Segue for the period ended 30 June 2005 comprises:

- The AIFRS statement of financial position of Segue, as set out in Section 7 of the Prospectus; and
- Notes to the AIFRS financial information as set out in Section 7 of the Prospectus.

We have performed a review of the AIFRS historical financial information of Segue for the period ended 30 June 2005 as set out in Section 7 of the Prospectus, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the AIFRS historical financial information is not presented fairly in accordance with the measurement requirements, but not the disclosure requirements, of applicable AIFRS's and other mandatory professional reporting requirements in Australia.

Our review has been conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". Our review was limited to enquiries of the Directors and personnel of Segue, analytical procedures applied to the financial data, the performance of limited verification procedures, and comparison for consistency in application of AIFRS's and policies.

These review procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit on the AIFRS historical financial information of Segue as set out in Section 7 of the Prospectus and accordingly, we do not express an audit opinion on the AIFRS historical financial information of Segue for the period ended 30 June 2005.

### **4.2 AIFRS Pro forma Balance Sheet**

We have conducted a review of the AIFRS pro-forma balance sheet of Segue as set out in Section 7 of the Prospectus. The Directors of Segue are responsible for the preparation and presentation of the AIFRS pro-forma balance sheet contained within Section 7 of the Prospectus.

The purpose of the AIFRS pro-forma balance sheet is to demonstrate the financial effects on Segue assuming that the following transactions had taken place on 30 June 2005:

- The issue of 5,656,250 fully paid ordinary shares at \$0.16 cents each to seed investors and the issue of 2,180,000 fully paid ordinary shares at \$0.25 cents per share to mezzanine investors. These issues assume that an additional \$120,031 of cash will be received from these investors;
- The issue of 2,000,000 fully paid ordinary shares at \$0.50 cents each pursuant to the Prospectus to raise \$1,000,000 plus 1 free attaching option for every 2 shares subscribed;
- Oversubscriptions of 500,000 shares at \$0.50 cents each pursuant to the Prospectus to raise \$250,000;
- The payment upon ASX listing of \$50,000 and the issue of 500,000 fully paid ordinary shares at \$0.50 cents each to Arafura Resources NL for the acquisition of a mining tenement; and
- The payment of \$150,000 in costs incurred by the company in relation to the capital raising.

We have performed a review of the AIFRS pro-forma balance sheet of Segue as at 30 June 2005 as set out in Section 7 of the Prospectus, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the AIFRS pro-forma balance sheet is not presented fairly in accordance with the measurement requirements, but not the disclosure requirements, of applicable AIFRS's and other mandatory professional reporting requirements in Australia, assuming the transactions set out in Section 7 of the Prospectus had taken place on 30 June 2005.

Our review has been conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". Our review was limited to enquiries of the Directors and personnel of Segue, a review of the assumptions to compile the AIFRS pro-forma balance sheet, analytical procedures applied to the financial data and the performance of limited verification procedures.

These review procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit on the AIFRS pro-forma balance sheet set out in Section 7 of the Prospectus and accordingly, we do not express an audit opinion on the AIFRS pro-forma balance sheet as at 30 June 2005.

## 5 STATEMENTS

### 5.1 AIFRS Historical Financial Information

Based on the scope of our review, which is not an audit, nothing has come to our attention that causes us to believe that the AIFRS historical financial information of Segue for the period ended 30 June 2005 as set out in Section 7 of the Prospectus is not presented fairly in accordance with the measurement requirements, but not the disclosure requirements, of applicable AIFRS's and other mandatory professional reporting requirements in Australia.

### 5.2 AIFRS Pro-forma Balance Sheet

Based on the scope of our review, which is not an audit, nothing has come to our attention that causes us to believe that the AIFRS pro-forma balance sheet, as set out in Section 7 of the Prospectus is not presented fairly in accordance with the measurement requirements, but not the disclosure requirements, of applicable AIFRS's and other mandatory professional reporting requirements in Australia, the financial position of Segue as at 30 June 2005, on the basis and assumption that the transactions set out in Section 7 of the Prospectus had taken place on 30 June 2005.

## 6 SUBSEQUENT EVENTS

To the best of our knowledge and belief, and based on the work we have performed in relation to the scope of work set out in Section 4 of this Report, there have been no material transactions or events, other than those included in our Report, or Section 7 of the Prospectus which would require a comment on or adjustment to, the information referred to in our Report or Section 7 of the Prospectus or that would cause the information included in this Report or Section 7 of the Prospectus to be misleading.

## 7 DECLARATION

PKF Corporate Advisory Services (WA) Pty Ltd is responsible for this Report. This Report is strictly limited to the matters contained herein and is not to be read as extending by implication or otherwise, to any other matter.

PKF Corporate Advisory Services (WA) Pty Ltd does not have any interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to this matter.

Except for fees relating to this Report, which are based on normal commercial terms, PKF Corporate Advisory Services (WA) Pty Ltd does not have any interest in Segue nor in the outcome of the Capital Raising. PKF Chartered Accountants and Business Advisers have been appointed auditor of Segue, for which normal professional fees will be received.

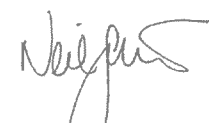
PKF Corporate Advisory Services (WA) Pty Ltd has not made, and will not make, any recommendation through the issue of the Report to potential investors of Segue as to the merits of the investment.

The nature of this Report is such that it should be given by an entity which holds an Australian Financial Services licence under the Financial Services Reform Act 2001. PKF Corporate Advisory Services (WA) Pty Ltd is wholly owned by the partners of PKF Chartered Accountants and holds an appropriate Australian Financial Services Licence.

Consent for the inclusion of this Report in the Prospectus in the form and context in which it appears has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully

PKF Corporate Advisory Services (WA) Pty Ltd



**NEIL G SMITH**  
Director

*Authorised Representative under Proper Authority*

## Section 7

### Financial Information

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#### Overview

This section contains historical financial information, provided on both an actual and pro-forma basis, for Segue.

The actual historical financial information comprises:

- The Australian International Financial Reporting Standards (AIFRS) balance sheet of Segue as at 30 June 2005; and
- The notes to the financial information.

The pro-forma historical information comprises:

- The AIFRS balance sheet of Segue as at 30 June 2005, prepared on the basis that the issue of shares and net proceeds raised under this Offer, and the subsequent utilisation of net proceeds raised had occurred on that date.
- The notes to the financial information.

#### BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Segue Resources Limited was incorporated on 21 January 2005. The actual financial performance Segue will report in its 2005 Annual Report will cover the period from 21 January 2005, being the date of incorporation, to 30 June 2005.

As Segue was incorporated after the adoption date of AIFRS, being 1 January 2005, the Company will be required to adopt AIFRS early. Therefore, Segue's first AIFRS compliant financial report will be for the period 30 June 2005. As a consequence of this, no Australian Generally Accepted Accounting Principles (AGAAP) basis financial information has been presented in the Prospectus.

The pro-forma balance sheet as at 30 June 2005 presents the actual balance sheet as at 30 June 2005, as reviewed by PKF, adjusted for the impact of this Offer as at 30 June 2005.

The financial information is presented in an abbreviated form and does not comply with all the presentation and disclosure requirements of Australian Accounting Standards applicable to annual reports prepared in accordance with the Corporations Act.

Set out below is the actual balance sheet of Segue as at 30 June 2005 and the pro-forma balance sheet as at 30 June 2005.

	Notes	Actual Reviewed AIFRS Basis 30 June 2005 \$	Pro-forma Reviewed AIFRS Basis 30 June 2005 \$
<b>Current Assets</b>			
Cash	3	1,330,501	2,500,532
Receivables	4	3,821	3,821
<b>Total Current Assets</b>		<b>1,334,322</b>	<b>2,504,353</b>
<b>Non-Current Assets</b>			
Exploration & Evaluation	5	-	300,000
<b>Total Non-Current Assets</b>		<b>-</b>	<b>300,000</b>
<b>Total Assets</b>		<b>1,334,322</b>	<b>2,804,353</b>
<b>Current Liabilities</b>			
Payables	6	41,935	41,935
Other	7	1,329,969	-
<b>Total Current Liabilities</b>		<b>1,371,904</b>	<b>41,935</b>
Total Liabilities		1,371,904	41,935
<b>Net Assets</b>		<b>(37,582)</b>	<b>2,762,418</b>
<b>Equity</b>			
Contributed equity	8	100	2,800,100
Accumulated losses	9	(37,682)	(37,682)
<b>Total Equity</b>		<b>(37,582)</b>	<b>2,762,418</b>

## Financial Information



### Notes to the Financial Statements

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The reviewed actual and pro-forma balance sheets have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures that the financial statements and notes of Segue comply with International Financial Reporting Standards (IFRS).

The balance sheets are the first Segue Resources Limited balance sheets to be prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these balance sheets.

As Segue was incorporated after the adoption date of AIFRS, being 1 January 2005, the Company will be required to adopt AIFRS early. Therefore, Segue's first AIFRS compliant financial report will be for the period 30 June 2005. As a consequence of this, no Australian Generally Accepted Accounting Principles (AGAAP) basis financial information has been presented in the Prospectus.

##### (A) Basis of Accounting

The balance sheets have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of the balance sheets in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the balance sheets are disclosed where appropriate.

##### (B) Going Concern

As at 30 June 2005 the Company had a working capital and a net asset deficiency of \$37,582. This position has resulted from Shares to be issued to seed and mezzanine investors not being allotted at 30 June 2005, therefore, the value of Shares raised has been recorded as a liability until the Shares are allotted. Following the completion of the allotment and the capital raising the Directors are of the opinion the Company will have sufficient funds to continue as a going concern.

##### (C) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

##### (D) Revenue Recognition

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

- Interest income is recognised as it accrues.

#### **(E) Income Tax**

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

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

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

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

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

#### **(F) Acquisitions of Assets**

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is the published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

#### **(G) Impairment of Assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

#### **(H) Borrowings**

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

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

## Financial Information



### Notes to the Financial Statements (continued)

#### (I) Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest.

These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Developments costs related to an area of interest are to be written off as incurred.

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

#### (J) Trade Creditors

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

#### (K) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

#### (L) Goods and Service Tax (GST)

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

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

The amount of GST payable to the taxation authority is included as part of the payables in the balance sheet. The amount of GST recoverable from the taxation authority is included as part of the receivables in the balance sheet.

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

## 2. ACTUAL AND PROPOSED TRANSACTIONS TO ARRIVE AT PRO-FORMA BALANCE SHEET

The pro-forma balance sheet has been included for illustrative purposes to reflect the position of Segue Resources Limited on the assumption that the following transactions had occurred as at 30 June 2005:

- (a) Issue of 5,656,250 fully paid ordinary shares at \$0.16 per share to seed investors and issue of 2,180,000 fully paid ordinary shares at \$0.25 per share to mezzanine investors. These issues assume that an additional \$120,031 of cash will be received from these investors prior to listing to enable these shares to be issued.
- (b) The payment, upon ASX Lising, of \$50,000 and the issue of 500,000 fully paid ordinary shares at \$0.50 per share to Arafura Resources NL for the acquisition of EL10004 and all corresponding information.
- (c) The payment of an estimated \$150,000 in costs incurred by the Company in relation to the capital raising.
- (d) The issue pursuant to this Prospectus of 2,500,000 ordinary shares at \$0.50 each, raising \$1,250,000 cash.



	Actual Reviewed AIFRS Basis 30 June 2005 \$	Pro-forma Reviewed AIFRS Basis 30 June 2005 \$
<b>3. CASH</b>		
Cash at bank and on hand	1,330,501	2,500,532

Adjustments arising in the preparation of the pro-forma cash balance are summarised as follows:

Actual balance as at 30 June 2005		1,330,501
Cash raised from seed and mezzanine investors		120,031
Issue of 2,500,000 fully paid shares at \$0.50 per share		1,250,000
Payment for tenement and mining information		(50,000)
Estimated costs of Issue		(150,000)
		2,500,532

The pro-forma cash balance has been prepared on the basis that the minimum subscription of \$1,000,000 is raised plus the over subscription of \$250,000. In the event the over subscription is not received the cash balance would be reduced by a net amount of \$235,000. This is the \$250,000 not received being offset by a reduction of \$15,000 costs for the capital raising.

	Actual Reviewed AIFRS Basis 30 June 2005 \$	Pro-forma Reviewed AIFRS Basis 30 June 2005 \$
<b>4. RECEIVABLES - CURRENT</b>		
GST receivable	3,821	3,821

#### 5. EXPLORATION & EVALUATION – NON-CURRENT

Exploration and evaluation expenditure	-	300,000
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The Company has entered into an agreement giving it rights to obtain ownership of mineral tenements and related data subject to the satisfaction of a number of conditions precedent, which include the successful quotation of the Company's shares on the Australian Stock Exchange.

#### 6. PAYABLES - CURRENT

Trade creditors and accruals	41,935	41,935
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#### 7. OTHER – CURRENT

Loans from seed and mezzanine investors	1,329,969	0
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The monies received from seed and mezzanine investors prior to 30 June 2005 was treated as a short-term loan until the shares were issued to those investors.

## Financial Information

### Notes to the Financial Statements (continued)

	Actual Reviewed AIFRS Basis 30 June 2005 \$	Pro-forma Reviewed AIFRS Basis 30 June 2005 \$
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#### 8. CONTRIBUTED EQUITY

100 / 10,836,350 ordinary shares fully paid	100	2,800,100
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Movements during the period:

Ordinary issued and paid up share capital		
Opening balance as at 30 June 2005	100	100
Issue of 5,656,250 fully paid ordinary shares to seed investors		905,000
Issue of 2,180,000 fully paid ordinary shares to mezzanine investors		545,000
Issue of 2,500,000 fully paid ordinary shares pursuant to the Prospectus		1,250,000
Issue of 500,000 fully paid ordinary shares to acquire tenement and information		250,000
Transaction costs relating to share issue		(150,000)
At reporting date	100	2,800,100

In addition the Company has on issue unlisted options, to subscribe for ordinary shares, the details of which are disclosed elsewhere in this Prospectus. The reconciliation for the issue of these options is as follows:

	Actual Reviewed AIFRS Basis 30 June 2005 Number	Pro-forma Reviewed AIFRS Basis 30 June 2005 Number
Opening balance as at 30 June 2005	-	-
Issue to seed investors with an exercise price of \$0.25 and an expiry date of 30 June 2010		5,656,250
Issue to mezzanine investors with an exercise price of \$0.50 and an expiry date of 30 June 2010.		1,840,000
Issue to participating broker with an exercise price of \$0.50 and an expiry date of 30 June 2008.		145,000
Issue pursuant to the Prospectus with an exercise price of \$1.00 and an expiry date of 30 June 2010.		1,250,000
At reporting date	-	8,891,250

No options under the Prospectus have been issued to directors or employees of the Company, therefore, the requirements of AASB 2 Share Based Payments to expense the value of options granted does not apply.

Actual Reviewed AIFRS Basis 30 June 2005 \$	Pro-forma Reviewed AIFRS Basis 30 June 2005 \$
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## 9. ACCUMULATED LOSSES

Accumulated losses from incorporation date to 30 June 2005	37,682	37,682
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## 10. RELATED PARTIES

### *Directors*

The Directors in office as at the date of this Prospectus are:

Mr Robert Cross

Mr Glenn Whiddon

Mr Robert Downey

### *Directors' Interests in Shares and Options*

The aggregate number of shares of the Company held by Directors and their related entities at 30 June 2005:

	Number of Shares
Ordinary shares:	
Mr Glenn Whiddon (refer below)	100
Mr Robert Downey (refer below)	100

### *Transactions with Directors*

During the period the Company issued 100 shares at \$1.00 each to Westwind Capital Pty Ltd to which Messrs Whiddon and Downey are Directors and Shareholders.

During the period Westwind Capital Pty Ltd charged the Company \$35,714 for the provision of administrative and office services, provided on normal commercial terms and conditions.

### *Director's Remuneration*

All directors will receive \$25,000 per annum including statutory superannuation in their role of directors of the Company.

## Financial Information



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### Notes to the Financial Statements (continued)

#### 11. COMMITMENTS

In order to maintain an interest in the exploration tenements in which the Company is involved, the Company is committed to meet the conditions under which the tenements were granted. The timing and amount of exploration expenditure commitments and obligations of the Company are subject to the minimum expenditure commitments required as per the Mining Act (N.T.), as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest.

#### 12. CONTINGENT ASSETS AND LIABILITIES

There are no material contingent assets or liabilities existing at 30 June 2005 or at the date of completion of these financial statements.

#### 13. SUBSEQUENT EVENTS

Subsequent to balance date, the Company entered into a Credit Facility and Convertible Note Deed with Bonarc Pty Ltd ("Bonarc"). Bonarc has agreed to provide a standby credit facility of up to \$500,000 to the Company.

Segue has the right to drawdown the facility until 31 December 2007 or as otherwise agreed in writing. Bonarc may elect to convert the whole or part of all advances made to the Company into shares at 40 cents per share. If the total facility amount of \$500,000 is advanced and converted into Shares, a total of 1,250,000 Shares will be issued to Bonarc.

Bonarc will be entitled to 400,000 options exercisable at \$0.25 on or before 30 June 2010 upon drawdown of the facility for every \$100,000 advanced.

All advances under the facility shall be repaid by the Company, if not converted into equity, on 31 December 2007.

Since balance date no drawdown has occurred of the facility.

There have been no other events subsequent to balance date which are sufficiently material to warrant disclosure.

**PETER WALKER**  
PROJECT LAWYER  
NOTARY PUBLIC

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Australia

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19 August 2005  
peterwalker@peterwalkerlaw.com

ABN 70 135 896 140

My ref: PWW25034

The Directors  
Segue Resources Limited  
Suite 9, 36 Ord Street  
WEST PERTH

Dear Sirs

## Prospectus – Solicitor's Report

This Report is prepared for inclusion in a Prospectus to be dated on or about 25 August 2005 (*Prospectus*), and issued by Segue Resources Ltd.

The Report relates to

- (i) registered Exploration Licence No 10004 (*EL*) currently registered in the name of Arafura Resources NL (*Arafura*) as set out in the Schedule to this Report; and
- (ii) any claims lodged with the National Native Title Tribunal (*NNTT*) relating to the land the subject of the EL.

The Report does not relate to any material contract other than any specifically mentioned in this report.

## Exploration Licence

I have conducted a search of the EL in the register maintained by Department of Primary Industry, Fisheries and Mines (NT) pursuant to the *Mining Act 1980 (NT) (Department)*;

As a result of these searches, I consider that this Report provides an accurate statement as to the status of the EL as at the date of this Report.

I have assumed the information in the register maintained by the Department is accurate and up to date. The reference in the Schedule to the area of the EL is taken from details shown on the Department's register. No survey was conducted to verify the accuracy of those areas.

## Native Title

From enquiries I have made of the NNTT, I am aware of a native title claim over the land covered by the EL. This is identified in the Schedule.

It is possible that further claims may be made in the future. Where land is subject to native title, the *Native Title Act 1993 (Cth) (NTA)* imposes restrictions upon the grant of mining tenements in relation to that land, including the requirement to negotiate with native title holders. As such, the existence and determination of native title in relation to the land the subject of the EL could inhibit exploration and mining operations, or cause significant delays in relation to future conversion of licences and applications for mining tenements over the subject land, or possibly challenge the validity of the grant of part or all of the rights conferred therein.

I have assumed the information in the registers maintained by the NNTT are accurate and up to date.

## Solicitor's Report

### Native Title Act

In 1992 the decision of the High Court in *Mabo v Queensland* recognised the concept of Aboriginal native title to land where those rights survived the acquisition of sovereignty by non-indigenous people. The NTA was enacted in response to the *Mabo* case to regulate dealings with native title lands, and its substantive provisions commenced on 1 January 1994.

The NTA was substantially amended in 1998 in response to the 1996 High Court decision of *Wik v Queensland*. The *Wik* case recognised that the granting of a pastoral lease did not necessarily extinguish all native title rights, some of which could co-exist with rights held under a pastoral lease.

Accordingly, the NTA (as amended) now provides a legislative scheme which sets out how native title is validly extinguished, allows "past acts" (including mining tenements and ancillary titles granted before 1 January 1994, which might otherwise be invalid due to the native title) and "intermediate period acts" which took place between 1 January 1994 and 23 December 1996 to be validated, authorises valid acts in relation to native title lands occurring after the introduction of the NTA, provides for a negotiation process between government, native title and non-native title parties in relation to certain future uses of native title lands, and provides for compensation to be claimed for the extinguishment or impairment of native title.

In the Northern Territory, however, the NTA procedures continue to apply in conjunction with the *Validation (Native Title) Act* (as amended). This Act is consistent with the standards set by the NTA for future dealings affecting native title.

### Validity of the Exploration Licence

The EL was granted on 19 August 2002 (ie after 23 December 1996) and provided that its grant complied with the future act procedures, would be valid.

With some exceptions not relevant to this Report, the validity of titles and approvals granted on or after 1 January 1994 depends, to the extent that the grant of the relevant mining title affects native title, upon compliance with the "future act" processes of the NTA. Under the NTA, the grant of a mining tenement after 1 January 1994 is generally a "future act" if the grant extinguishes or is wholly or partly inconsistent with native title, and is only permitted where the future act procedures under the NTA, and in particular the right to negotiate process, have been complied with.

There are two separate procedures: Future acts affecting native title are permitted under the NTA if authorised under indigenous land use agreements with native title parties which comply with the NTA, or where compliance with legislative procedures indicates an absence of native title.

Under the NTA procedure, negotiations are initiated to obtain the agreement of relevant native title parties to the carrying out of the proposed future act on the native title land. The right to negotiate procedures consist of a statutory period of negotiation between the relevant Government party, the native title party and the grantee, during which time the parties must negotiate in good faith. Generally the right to negotiate process involves notifying relevant Aboriginal groups of the application for a mining interest, waiting the required time period for objections from any registered native title claimants and, if there are objections from native title claimants, negotiating on the grant of the mining interest. If negotiations fail to resolve any dispute as to the grant of a mining interest the NNTT (as the arbitral body) will make a determination as to whether the grant may proceed (and if so, on what conditions). Subject to Federal Ministerial intervention the agreement of the parties, or the decision of the NNTT, will determine whether the mining interest is granted.

Generally the right to negotiate procedures only apply to native title claimants whose claims have been accepted for registration at the relevant time.

Second, and what is immediately relevant for the subject EL, in relation to certain ELs an expedited procedure may be followed (if it is not successfully objected to) provided the grant is not likely to:

- directly interfere with the native title holders' community or social activities;
- interfere with areas or sites of particular significance; or
- involve major disturbance to land or waters or create rights whose exercise is likely to do so.

If the expedited procedure applies, then the EL may be granted without going through the right to negotiate procedure and this is the process under which this EL was granted.

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## Native Title and Future Applications

For future purposes, it is important to note that where it is proposed to convert all or any part of an exploration licence to a mining lease it will be necessary to go through the right to negotiate process (discussed above) with any native title holders or claimants whose claims are accepted for registration at the relevant time.

The EL is currently subject to one native title claim, and as mentioned, other claims may arise in future. The tenement holder at the time, applying to convert may negotiate and enter into agreement(s) with native title claimants or holders in relation to the grant of mining lease applications in future. Any such agreements may, depending on their terms, affect the costs or economics of any mining project the tenement holder may wish to conduct. In the absence of a negotiated agreement with the native title claimants, there is no guarantee that passing through the native title future act processes will result in mining lease applications ultimately being granted.

The NTA provides for a right of compensation in favour of affected native title parties to the extent that the future acts extinguish or impair the relevant native title parties' rights to the continued enjoyment of their traditional rights over land comprised within the grants. The right to compensation only arises after the native title has been determined by the court to exist. At the date of this Report, it is not possible to assess the level of compensation which will be payable to native title parties in relation to any grant of a mineral lease made under the NTA procedures. The *Mining Act 1980 (NT)* provides that the applicant for, or holder of, a mining tenement is liable for compensation payable to native title holders in connection with the grant of a mining tenement.

## Exploration Licences on Pastoral Leases – Native Title

The EL is on pastoral lease land which admits the continued existence of native title rights and interests to the extent that such native title rights and interests have continued to exist in accordance with Aboriginal traditional law and custom and are not inconsistent with the rights of the holder of the pastoral lease and any other extinguishing event.

## Sacred Sites

Sacred sites are "sites that are sacred to Aboriginals or otherwise of significance according to Aboriginal tradition, and includes any land that, under a law of the Northern Territory, is declared to be sacred to Aboriginals or of significance according to Aboriginal tradition".

The *Northern Territory Aboriginal Sacred Sites Act (NT) (Sacred Sites Act)* protects sacred sites in the Northern Territory. Any explorer or miner is required to work within the sacred site protection regime created by this legislation (Aboriginal Areas Protection Authority) prior to any relevant ground disturbance and generally the relevant land council (in this case the Northern Land Council) will also become involved.

From my previous experience in relation to the occurrence of sacred sites on exploration and mining tenure, there will undoubtedly be sacred sites in respect of the EL and there may be some sites registered on the Register kept under the Sacred Sites Act.

Accordingly, inspecting the Register does nothing more than indicate that some sacred sites have been registered. The only definitive method of investigating the possibility of the existence, location and extent of sites is for there to be a specific sacred site survey undertaken taking into account the proposed activities on the land.

It should be recognised that some custodians of sacred sites will only reveal the existence of a site if they believe that the site may be threatened by the proposed activity and it is therefore essential that the details of any proposed activity which generates the need for the survey encompasses the most likely greatest impact on the land if exploration is successful and a mine eventuates.

## Solicitor's Report



### Northern Territory Exploration Licences – General Comments

Exploration Licences are issued subject to standard terms and conditions under the *Mining Act 1980 (NT)*.

The area of land in respect of which an EL may be granted must be contained in a single licence area and must not exceed 500 blocks. An EL may be granted for a term not exceeding 6 years, however there is provision for the EL to be renewed for 2 further periods of 2 years at the Minister's discretion.

The size of an EL must be reduced at 24 months from its grant and each 12 months after that date so that the number of blocks to be retained in the licensed area for the ensuing 12 months is not more than half the number of blocks contained in the area at the commencement of the initial 24 month period or subsequent 12 month period. The Minister on application can waive this reduction.

An EL is granted subject to certain standard conditions and includes obligations relating to rehabilitation, payment of rent, minimum expenditure, and reporting requirements.

Rent of an EL ranges from \$10/graticule block in the first year to \$160/graticule block in the sixth and subsequent years.

### Other Applicable Legislation

Other Territory and Commonwealth legislation applicable to operations on the EL includes:

- 1.1 The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth)* provides for the preservation of areas and objects which are of particular significance to Aboriginals in accordance with Aboriginal tradition, and may have the potential to halt exploration activities in the event that the Minister makes a declaration for protection and preservation of an area of Aboriginal significance under the Act.
- 1.2 The *Mining Act 1980 (NT)* includes obligations requiring tenements to be rehabilitated.

### Consent and Declarations

Peter Walker has no interest in or financial relationship with Arafura or Segue Resources Ltd. Other than a time-based fee for the preparation of this Report, no pecuniary or other benefit, direct or indirect, has been received by Peter Walker in connection with the making of this Report.

In providing this Report I have relied on (and have not sought to verify) the accuracy of information provided to me by the Department and the NNTT in response to my searches of their records and registers. In reliance upon this information, I believe this Report does not contain anything which is false in a material particular or which is materially misleading in the form and context in which it appears. I have not undertaken any additional searches of other government agencies or of courts or tribunals.

Yours faithfully

Peter Walker



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## SCHEDULE

EXPLORATION LICENCE:	No 10004
LOCATION:	EL is within Mary River pastoral lease (PPL 1134).
STATUS:	Granted
DATE GRANTED:	19/08/2002
EXPIRY DATE:	18/08/2008 (However subject to possible renewal)
AREA:	54 sq km* (18 Blocks)
REGISTERED HOLDER:	Arafura Resources N.L.
ANNUAL EXPENDITURE COMMITMENT:	Not Revealed
OTHER INTERESTS:	The duly stamped Agreement for Sale of this tenement between Arafura Resources N.L. and Segue Resources Ltd dated 13 July 2005 has been lodged for approval and registration pursuant to the provisions of the Mining Act.
MATERIAL CONTRACTS:	Outside the scope of this Report
NATIVE TITLE CLAIMS:	The area of land covered by the EL is the subject of Native Title Claim DC00/18 (Federal Court No.6018/00):
Filed:	5 December 2000
Registered:	4 January 2001.

\* In the Northern Territory, tenement areas are described by reference to graticular sections or blocks, and the area of these vary slightly dependent on the distance from the Equator. A general approach of 1 block = 3km<sup>2</sup> has been adopted for the purposes of this report.

## Section 9

### Risk Factors



#### 9.1 Introduction

Investors should be aware that an investment in the Company involves many risks, which may be higher than the risks associated with an investment in other companies. Intending investors should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to apply for Shares and Attaching Options.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's business of mineral exploration. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the business of the Company.

This Section identifies the areas the Directors regard as the major risks associated with an investment in the Company. The following summary, which is not exhaustive, outlines some of the major risk factors which potential investors need to be aware of.

#### 9.2 Exploration Risk

The Coronet Hill Project is at the exploration stage only. There can be no assurance that exploration of the tenement, or any other tenement in which the Company may acquire an interest in the future, will result in the discovery of an economic mineral deposit. Even if any apparent viable mineral deposit is identified, there is no guarantee that it can be profitably exploited.

Exploration may be hampered by mining, heritage and environmental legislation, industrial disputes, cost overruns, land claims and compensation and other unforeseen contingencies.

The success of the Company depends on the delineation of economically mineable reserves, access to required development capital, securing and maintaining title to its exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on the Coronet Hill Project may be unsuccessful, resulting in a reduction of the value of the project, diminution in the cash reserves of the Company and possible relinquishment of the exploration tenement.

The exploration industry involves significant risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Exploration for, and development of resources is speculative and involves a significant degree of risk.

#### 9.3 Resource Estimates

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when made may change significantly when new information becomes available.

In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect the Company's operations.

#### 9.4 Legal Risks

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and ultimately the financial performance of the Company and its securities.

#### 9.5 Title

Any tenement in which the Company has or will have an interest will be subject to applications for renewal, the success of which cannot be guaranteed. If a tenement is not renewed, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that tenement. For further information on the issue of title, refer to the Solicitor's Report in Section 8.

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## 9.6 Dependence on Key Personnel

The Company has a small management team and the loss of a key individual or the Company's inability to attract suitably qualified personnel in the future could affect the Company's business.

## 9.7 Additional Requirement for Capital

The Company is likely to remain cash flow negative for some time and, although the Directors have confidence in the future revenue earning potential of the Company, there can be no certainty that the Company will achieve or sustain profitability or positive cash flow from its operating activities. The Directors are satisfied that the working capital available to the Company will be sufficient for its present requirements. However, it is likely that the Company will need to raise additional capital in the future to acquire new assets and revenues, taxes, transportation costs, capital expenditures and operating expenses and geological success will all be factors which have an impact on the amount of additional capital required. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as and when needed, it may be required to reduce the scope of its operations or anticipated expansion.

## 9.8 Liquidity of Shares

The share price of publicly traded mineral exploration companies can be highly volatile. The price at which Shares and Attaching Options will be traded and the price at which investors may realise their investments will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect small mineral exploration companies or quoted companies generally. The market perception of small mining exploration companies may change which could impact on the value of investors' holdings and impact on the ability of the Company to raise funds by the issue of further Shares in the Company.

A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available.

## 9.9 Land Access and Native Title

The effect of the Native Title Act is that new tenement applications and existing licences in Australia may be affected by native title claims or procedures. This may preclude or delay granting of exploration and mining leases and considerable expense may be incurred in negotiating and resolving issues.

The possibility that native title may affect the Company's tenements and applications for tenements must be recognised. The Company has not undertaken the legal, historical and anthropological research and investigations at the date of this Prospectus that would be necessary to enable it to form an opinion as to whether any claim for native title could be upheld over any particular parcel of land covered by a tenement.

## 9.10 Reliance on Third Parties

Various aspects of the Company's future performance and profitability are dependent on the outcome of future negotiations with third parties. These include negotiations on land access arrangements and any native title issues referred to elsewhere in this Prospectus.

## 9.11 Environmental and Heritage Risks

Weather conditions over a prolonged period can adversely affect exploration, mining and drilling operations and the timing of earning revenues.

It is possible that there will exist on the Company's tenement areas sacred sites or sites of significance to Aboriginal people subject to the provisions of the Aboriginal Heritage Act or areas subject to claim or upon which a claim has been lodged under the Native Title Act. As a result, land within the mining tenement may be subject to exploration, mining or other restrictions as a result of claims of Aboriginal heritage or native title. Should such a claim be lodged in respect to any land in which the Company has an interest, it may have a material adverse effect on the Company's business and its financial condition and performance.

Mining is an industry that has become subject to increasing environmental responsibility and liability. The potential for liability is an ever present risk. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation.

## Risk Factors

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### 9.12 Commodity Price Risk

The Company is exploring for tungsten bearing minerals and tin. The Company's ability to discover ore containing economic quantities of these minerals will be closely related to the respective price of these commodities. Commodity prices may fluctuate and are affected by factors beyond the control of the Company. These factors include world supply and demand for minerals.

### 9.13 No Valuation

No formal valuation has been completed of the Coronet Hill Project or the Shares. The Company makes no representation as to the value of the exploration assets. It is recommended that intending investors and their advisors should make their own assessment as to the value of the exploration projects.

### 9.14 Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of or significant investments in companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

### 9.15 Other Risks

The future viability and profitability of the Company is also dependent on a number of other factors that affect the performance of businesses in all industries and not just the mining exploration industries, including, but not limited to, the following:

- The strength of the equity and share markets in Australia and throughout the world.
- Currency fluctuations in particular with respect to the AUD/US exchange rate.
- General economic conditions in Australia and its major trading partners and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions.
- Financial failure or default by a participant in any of the joint ventures or other contractual relationships to which the Company is, or may become, a party.
- Insolvency or other managerial failure by any of the contractors used by the Company in its activities.
- Acts of terrorism causing market instability.

### 9.16 Share Investment

Applicants should be aware that there are risks associated with any share investment. The prices at which Shares and Attaching Options trade after listing on ASX may be above or below the issue price for the Shares under this Prospectus. The trading price of the Shares and Attaching Options is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as the results of exploration activity, actual or anticipated variations in the Company's operating result, additions or departures of key personnel, litigation or any press or other media reports issued by the Company or its competitors.

The Shares and Attaching Options allotted under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX.

Certain statements in this Prospectus constitute forward looking statements that are subject to risks and uncertainties which may cause the actual income and expenditure of the Company to be different from expectations both expressed and implied.

### 9.17 Investment Therefore Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares and Attaching Options offered under this Prospectus.

Therefore, the Shares and Attaching Options to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares and Attaching Options.

Potential investors should consider the investment in the Company to be speculative and should consult their professional advisers before deciding whether to apply for Shares and Attaching Options.

## Section 10

### Additional Information

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#### 10.1 Registration, Tax Status and Financial Year

The Company was registered on 21 January 2005. The Directors expect the Company will be taxed in Australia as a public company.

The financial year of the Company ends on 30 June annually.

#### 10.2 Legal Proceedings

The Directors are not aware of any litigation of a material nature pending or threatened which may significantly affect the Company.

#### 10.3 Material Contracts

Set out below is a brief summary of certain contracts which have been entered into by the Company and which have also been identified as material and relevant to potential investors.

##### (a) Sale of Tenement Agreement ("Agreement")

Pursuant to an agreement dated 13 July 2005 between the Company and Arafura Resources NL ("Arafura"), the Company has agreed to purchase exploration licence EL10004 ("Tenement") and all information in the possession or custody of Arafura with respect to the Tenement including but not limited to surveys, maps, mosaics, aerial photographs, electro magnetic tapes, sketches, drawings, memoranda, drill logs, geophysical, geological or drill maps, sampling and assay reports, notes, and other relevant information or data ("Mining Information").

Settlement of the sale of the Tenement is subject to and conditional upon (as conditions precedent):

- (i) the approval and registration of the Agreement pursuant to the provisions of Section 173 of the Mining Act (NT);
- (ii) the Company issuing a disclosure document pursuant to the Corporations Act 2001 (Cth) and successfully completing the Offer; and
- (iii) ASX providing the Company with conditional approval of admission to the Official List of ASX and for quotation of its securities to ASX.

The purchase price for the Tenement and the Mining Information is as follows:

- (i) payment of \$50,000 to Arafura; and
- (ii) the issue to Arafura of 500,000 Shares.

Settlement and transfer, passing of possession or assignment of any interest in the Tenement pursuant to the Agreement is conditional upon and subject to any necessary approval and registration required under the laws of the Northern Territory.

The Company is liable for all rents, rates and other fees required to maintain the Tenement following settlement.

Arafura has given certain warranties in respect of the Tenement and obligations considered standard in an agreement of this kind.

From the settlement date the Company will be entitled to possession of the Tenement.

##### (b) Sponsoring Broker Agreement

The Company has agreed to appoint Montagu Stockbrokers Pty Ltd ("Montagu") as sponsoring broker to the Offer.

The following is a summary of the material terms and conditions of the mandate:

- (i) Montagu's role as sponsoring broker to the Offer will involve assisting the Company in the following areas:
  - (A) the marketing and administration of the Offer;
  - (B) assisting with providing sufficient shareholders for the Company to meet listing requirements; and
  - (C) providing valid applications, on a best endeavour basis.

## Additional Information



- (ii) The fees payable to Montagu will comprise (excluding GST):
  - (A) a \$10,000 sponsoring broker fee;
  - (B) a 6% fee based upon the total funds raised by Montagu;
  - (C) the granting of the Broker Options; and
  - (D) reimbursement of reasonable out of pocket expenses.
- (iii) The Company has agreed to indemnify and keep indemnified, Montagu and its directors, officers, partners, employees and agents ("Indemnified Persons") against all losses, damages, liabilities and claims arising from, or in connection with, the provision of services under the agreement or any act or omission of the Company or its subsidiaries, associates, directors, employees, representatives or agents in connection with the agreement and not arising from negligence or default of any Indemnified Persons.

### (c) Credit Facility and Convertible Note Deed

Pursuant to the terms of a Credit Facility and Convertible Note Deed ("Deed") dated 16 August 2005 between Segue and Bonarc Pty Ltd ("Bonarc"), Bonarc has agreed to provide a standby credit facility of up to \$500,000 ("Facility") to the Company to fund the ongoing exploration and development of the Company's assets and the evaluation, assessment and possible procurement of additional assets.

The Company has the right to drawdown the Facility until 31 December 2007 or as otherwise extended as agreed in writing between the parties.

Bonarc will be entitled to 400,000 options exercisable at 25 cents on or before 30 June 2010 upon drawdown of the Facility for every \$100,000 advanced (up to a maximum of \$500,000). Segue has no obligation to pay interest to Bonarc on the balance of all advances made to Segue nor grant any options unless the Facility is drawn.

The granting of the options will be subject to any shareholder approval required or other requirements under the Listing Rules.

Bonarc is not required to make any advance to Segue unless certain conditions subsequent are met – most notably Segue not being in default under the Deed and any shareholder approvals required under the Listing Rules or the Corporations Act.

Bonarc may elect to convert the whole or part of all advances made to Segue into Shares at 40 cents per Share.

Segue must issue a convertible note to Bonarc in consideration for all advances of the Facility made. Bonarc may convert the outstanding Facility balance to Shares at any time. Accordingly, if the total Facility amount of \$500,000 is advanced and converted into Shares, a total of 1,250,000 Shares will be issued to Bonarc.

All advances under the Facility shall be repaid by Segue, if not converted into equity, on 31 December 2007. Segue may repay all advances at any time prior to this date provided Bonarc has elected not to convert the outstanding Facility balance into Shares.

The Deed contains standard representations and warranties from Segue as well as positive and negative covenants in favour of Bonarc binding for the term of the Agreement. Bonarc may assign its interests under the Deed to a third party at any time during the term of the Deed provided that the assignee agrees to be bound by the obligations set out in the Deed.

### (d) Consulting Agreement – John Fabray & Associates

The consulting agreement is dated 9 August 2005 between the Company and John Fabray & Associates.

John Fabray has been engaged, to commence on 8 August 2005, to provide a variety of geotechnical services associated with the mining and exploration activities to the Company with John Fabray performing a role equivalent to Exploration Manager. The term shall be a period of 2 years from the date of commencement.

John Fabray & Associates agrees to provide the services of John Fabray during the term for a minimum of 40 hours per month.

In consideration for provision of these services Segue agrees to pay a base rate of \$3,200 per month during the first year of the term and a base rate of \$3,350 per month during the second year of the term.

In the event that John Fabray provides services in excess of 40 hours per month then the additional hours worked (to a maximum of 10 hours per day) will be charged at \$70.00 per hour for the first year of the term and \$73.50 per hour for the second year of the term. John Fabray & Associates will also be reimbursed for all costs and expenses reasonably incurred.

The balance of the provisions are considered standard for an agreement of this type.

The Company may terminate the agreement upon the occurrence of certain events which are considered standard in agreements of this nature. In addition the Company may terminate the agreement at any time by giving not less than one (1) month's prior written notice to John Fabray.

John Fabray may terminate the agreement by giving not less than one (1) month's prior written notice to the Company.

**(e) Deeds of Indemnity, Insurance and Access**

The Company has entered into deeds of access, indemnity and insurance with each of the Directors.

The Company has undertaken, subject to the restrictions in the Corporations Act, to indemnify each Director in certain circumstances and to maintain Directors' and Officers' insurance cover (if available) in favour of each Director whilst a Director and for seven years after the Director has ceased to be a Director.

The Company has undertaken with each Director to provide access to any Company records which are either prepared or provided to the Director during the period which he was a Director and for a period of seven years after the Director has ceased to be a Director.

**(f) Consulting Agreements and letters of appointment – Directors**

*Letter of Appointment – Mr Robert Cross*

Pursuant to a letter of appointment dated 12 July 2005 ("Appointment Letter"), Mr Cross accepted appointment to the board as non-executive Chairman. In consideration of the services provided by Mr Cross, the Company will pay him an annual fee of \$25,000. Mr Cross will also be entitled to fees or other amounts as the Board determines where he performs other duties or performs duties outside the scope of the ordinary duties of a director. He will also be entitled to be reimbursed for out of pocket expenses incurred as a result of his directorship or any special duties.

*Consultancy Agreement – Mr Glenn Whiddon*

By an agreement dated 22 June 2005 between Segue and Rimfire Finance Pty Ltd ("Consultant"), Segue engaged the Consultant to provide the services of Mr Glenn Whiddon to act as a non-executive director in accordance with the Corporations Act and the Listing Rules and undertake the tasks and responsibilities required by the Board. The Consultant is not prevented from providing services to any other person, firm or company. Unless terminated earlier, the engagement is for a term of 2 years commencing on 22 June 2005.

Segue will pay the Consultant a fee of \$25,000 per annum. The Consultancy fee will be reviewed as the Board consider to be appropriate. In addition to the consultancy fee Segue will reimburse the Consultant for its reasonable out of pocket expenses. The Consultant's engagement will be terminated in certain circumstances including 90 days notice of termination given by either the Company or the Consultant, unremedied breach of the Agreement by the Company, insolvency of the Consultant and summary notice of termination given by the Company for cause (such as misconduct).

*Consultancy Agreement – Mr Robert Downey*

By an agreement dated 22 June 2005 between Segue and Quantum Vis Pty Ltd ("Consultant"), Segue engaged the Consultant to provide the services of Mr Robert Downey to act as an executive director in accordance with the Corporations Act and the Listing Rules and undertake the tasks and responsibilities required by the Board. The Consultant is not prevented from providing services to any other person, firm or company. Unless terminated earlier, the engagement is for a term of 2 years commencing on 22 June 2005.

Segue will pay the Consultant a fee of \$25,000 per annum. The Consultancy fee will be reviewed as the Board consider to be appropriate. In addition to the consultancy fee Segue will reimburse the Consultant for its reasonable out of pocket expenses. The Consultant's engagement will be terminated in certain circumstances including 90 days notice of termination given by either the Company or the Consultant, unremedied breach of the Agreement by the Company, insolvency of the Consultant and summary notice of termination given by the Company for cause (such as misconduct).

## Additional Information

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### 10.4 Rights Attaching to Shares

The rights attaching to Shares are:

- (a) set out in the constitution of the Company; and
- (b) in certain circumstances, regulated by the Corporations Act, the Listing Rules, the SCH Business Rules and the general law.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

All Shares issued pursuant to this Prospectus will from the time they are issued, rank *pari passu* with all of the Company's existing Shares.

#### *Voting*

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every Share held by him or her; and a proportionate vote for every partly paid Share, registered in such Shareholders' name on the Company's share register.

A poll may be demanded by the chairperson of the meeting, by at least five Shareholders present in person or by proxy, attorney or representative, or by any one or more Shareholders who are together entitled to not less than 5% of the total voting rights of all those Shareholders having the right to vote on the resolution.

#### *Dividends*

Dividends are payable out of the Company's profits and are declared by the Directors

#### *Transfer of Shares*

A Shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors.

The Directors may refuse to register any transfer of Shares, other than a market transfer, where permitted by the Listing Rules or the SCH Business Rules. The Company must not refuse to register or give effect to or delay or in any way interfere with a proper SCH transfer of shares or other securities.

#### *Meetings and Notice*

Each Shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the constitution of the Company, the Corporations Act or the Listing Rules.

#### *Liquidation Rights*

The Company has only issued one class of shares, which all rank equally in the event of liquidation. A liquidator may, with the authority of a special resolution of Shareholders divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders. The liquidator can with the sanction of a special resolution of the Company's Shareholders vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no Shareholder of the Company can be compelled to accept any Shares or other shares in respect of which there is any liability.

#### *Shareholder Liability*

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

#### *Alteration to the Constitution*

The constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.



### ASX Listing Rules

If the Company is admitted to the Official List, then despite anything in the constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the constitution to contain a provision or not to contain a provision, the constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the constitution is or becomes inconsistent with the Listing Rules, the constitution is deemed not to contain that provision to the extent of the inconsistency.

## 10.5 Rights to Attaching Options

- (a) No monies will be payable for the issue of the Options.
- (b) A certificate will be issued for the Options.
- (c) The Options expire at 5pm on 30 June 2010 ("Expiry Date").
- (d) The Option is a right in favour of the option holder to subscribe for one fully paid ordinary share in the capital of the Company ("Share"). The Company shall, in accordance with the ASX Listing Rules, make application to have the Options listed for Official Quotation.
- (e) The option holder may exercise Options any time prior to the Expiry Date.
- (f) Shares allotted to option holders on exercise of Options shall be issued at \$1.00 each ("Exercise Price").
- (g) The Exercise Price of Shares the subject of the Options shall be payable in full on exercise of the Options.
- (h) Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to:
  - (i) exercise all or a specified number of Options; and
  - (ii) pay the subscription monies in full for the exercise of each Option.
- (i) The notice must be accompanied by the option certificate and a cheque made payable to the Company for the subscription monies for the Shares. An exercise of only some Options shall not affect the rights of the option holder to the balance of the Options held by the option holder.
- (j) The Company shall allot the resultant Shares and deliver the holding statement within ten business days of the exercise of the Option.
- (k) Subject to any restrictions on transfer agreed between the Company and the option holder, the Options shall be freely transferable.
- (l) Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing ordinary fully paid Shares of the Company in all respects.
- (m) If the Company is admitted to the Official List of ASX, the Company shall in accordance with the ASX Listing Rules make application to have Shares allotted pursuant to an exercise of options listed for Official Quotation.
- (n) In the event of any re-organisation of the issued capital of the Company (including consolidation, subdivisions, reduction or return), the rights of an option holder will be changed to the extent necessary to comply with the ASX listing rules applying to a re-organisation of capital at the time of the re-organisation (regardless of whether or not the Company is admitted to the Official List of the ASX).
- (o) The Options will not give any right to participate in dividends, bonus issues or entitlement issues until Shares are allotted pursuant to the exercise of the relevant Options. The option holder will be afforded the period of ten business days prior to and inclusive of the record date (to determine entitlements to the issues to exercise the Options). There is no right to change the exercise price of Options nor the number of underlying Shares over which the Options can be exercised, if the Company completes a bonus or entitlements issue.

## Additional Information



### 10.6 Rights Attaching to Existing Options and Broker Options

Set out below are a summary of the principal terms of the various classes of Options granted (or to be granted) by the Company.

**(a) Mezzanine Options.**

- (i) The exercise price of each option is 50 cents ("Exercise Price") and each option entitles the holder to one Share.
- (ii) The Options expire at 5pm on 30 June 2010 ("Expiry Date").
- (iii) The Company shall not apply to have the options listed for Official Quotation.
- (iv) The option holder may exercise Options any time prior to the Expiry Date, in whole or in part, upon payment of the Exercise Price per option.
- (v) The Options shall be freely transferable.
- (vi) The Company will apply to have Shares allotted pursuant to an exercise of options listed for official quotation, in accordance with the Listing Rules.
- (vii) In the event of any re-organisation of the issued capital of the Company (including consolidation, subdivisions, reduction or return), the rights of an option holder will be reorganised in accordance with the Listing Rules.
- (viii) The Options will not give any right to participate in dividends, bonus issues or entitlement issues until Shares are allotted pursuant to the exercise of the options. The option holder will be provided written notice of the terms of the issue to shareholders and afforded that period of time as required by the Listing Rules before the record date to determine entitlements to the issue to exercise their options.

**(b) Rights Attaching to Seed Options**

- (i) The exercise price of each option is 25 cents ("Exercise Price") and each option exercises the holder to one Share.
- (ii) The Options expire at 5pm on 30 June 2010 ("Expiry Date").
- (iii) The Company shall not apply to have the options listed for Official Quotation.
- (iv) The option holder may exercise Options any time prior to the Expiry Date, in whole or in part, upon payment of the Exercise Price per option.
- (v) The Options shall be freely transferable.
- (vi) The Company will apply to have Shares allotted pursuant to an exercise of options listed for official quotation, in accordance with the Listing Rules.
- (vii) In the event of any re-organisation of the issued capital of the Company (including consolidation, subdivisions, reduction or return), the rights of an option holder will be reorganised in accordance with the Listing Rules.
- (viii) The options will not give any right to participate in dividends, bonus issues or entitlement issues until Shares are allotted pursuant to the exercise of the options. The option holder will be afforded provided written notice of the terms of the issue to shareholders and afforded that period of time as required by the Listing Rules before the record date to determine entitlements to the issue to exercise their options.

**(c) Rights Attaching to Broker Options**

The terms of the Broker Options are the same as the Mezzanine Options except that the Broker Options will expire on 30 June 2008.

## 10.7 Directors' Interests

Except as disclosed in this Prospectus, no Director holds, or during the last two years has held, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer;  
or
- (c) the Offer;

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to any Director to induce him to become, or to qualify as, a Director; or otherwise for services rendered by him in connection with the formation or promotion of the Company or the Offer.

### *Shareholding Qualifications*

The Directors are not required to hold any Shares under the constitution of the Company.

### *Directors' Holdings*

The Directors may subscribe for Shares under this Prospectus.

Set out in the table below are details of Directors' relevant interests in the securities of the Company as at the date of this Prospectus:

Director	No. of Shares Held Directly	No. of Shares Held Indirectly	No. of Options Held Directly	No. of Options Held Indirectly
Robert Cross	193,750	Nil	143,750 <sup>1</sup>	Nil
Glenn Whiddon	Nil	193,850 <sup>2</sup>	Nil	143,750 <sup>3</sup>
Robert Downey	Nil	100 <sup>4</sup>	Nil	Nil

1. Of the Options 93,750 are Seed Options and 50,000 are Mezzanine Options.
2. Glenn Whiddon is a director and shareholder of Rimfire Finance Pty Ltd, the holder of 193,750 Shares. A further 100 Shares are held by Westwind Capital Pty Ltd. Glenn Whiddon is a director and shareholder of Westwind Capital Pty Ltd.
3. Of the 143,750 Options, 93,750 are Seed Options and 50,000 are Mezzanine Options. The Options are held by Rimfire Finance Pty Ltd. Glenn Whiddon is a director and shareholder of Rimfire Finance Pty Ltd.
4. Robert Downey is a director and shareholder of Westwind Capital Pty Ltd, the holder of the Shares.

### *Remuneration of Directors*

The constitution of the Company provides that the Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Directors prior to the first annual general meeting and thereafter by the Company in general meeting. The Directors have determined the aggregate maximum sum to be \$100,000. In accordance with the constitution, a resolution will be put to shareholders at the Company's first AGM to set the level of remuneration in future years.

For the current financial year ending 30 June 2006 each of the Directors has entered into an agreement with the Company pursuant to which either the Director or a related body corporate has agreed to provide the services of the director for a fee of \$25,000 per annum. Details of these agreements are set out in Section 10.3.

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Glenn Whiddon and Robert Downey are directors and shareholders of Westwind Capital Pty Ltd. The Company has paid Westwind Capital Pty Ltd \$39,285 (inc GST) from January to July 2005 for company incorporation costs, office expenses, company secretarial services and other administrative services.

## Additional Information

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### 10.8 Interests of Named Persons

Except as disclosed in this Prospectus, no promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus holds, or during the last two years has held, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer;

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to a promoter or any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

PKF Corporate Advisory Services (W.A.) Pty Ltd has prepared the Investigating Accountant's Report included in Section 6. In respect of this work the Company will pay approximately \$5,000. The Company has also agreed to pay \$2,500 to PKF Chartered Accountants for audit services for the financial year ended 30 June 2005.

Andrew Drummond & Associates Pty Ltd has prepared the Independent Geologist's Report included in Section 5. In respect of this work the Company has agreed to pay approximately \$5,000.

Peter Walker has prepared the Solicitor's Report in Section 8. In respect of this work the Company has agreed to pay \$3,000.

Montagu Stockbrokers Pty Ltd has acted as the Sponsoring Broker to the offer. For these services Montagu Stockbrokers Pty Ltd will be paid the fees set out in Section 10.3(b) and granted the Broker Options.

The amounts disclosed above are exclusive of any amount of GST payable by the Company in respect of those amounts.

### 10.9 Consents

Each of the parties referred to in this Section 10.9:

- (a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this Section;
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section; and
- (c) has not authorised or caused the issue of this Prospectus.

PKF Corporate Advisory Services (W.A.) Pty Ltd have given its written consent to the inclusion in this Prospectus of its Investigating Accountant's Report and all statements referring to that report in the form and context in which they are included and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Andrew Drummond & Associates Pty Ltd has given its written consent to the inclusion in this Prospectus of its Independent Geologist's Report and all statements referring to the report in the form and context in which they are included and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Peter Walker has given his written consent to the inclusion in this Prospectus of his Independent Solicitor's Report and all statements referring to the report in the form and context in which they are included and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

- (i) Advanced Share Registry Services as share registry for the Company;
- (ii) PKF Chartered Accountants as auditor to the Company;
- (iii) PKF Corporate Advisory Services (W.A.) Pty Ltd as Investigating Accountant;
- (iv) Andrew Drummond & Associates Pty Ltd as Independent Geologist;
- (v) Peter Walker as Independent Solicitor; and
- (vi) Montagu Stockbrokers Pty Ltd as the Sponsoring Broker of the Offer.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus. There are no statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

## 10.10 Costs of the Offer

The total estimated costs of the Offer, including professional fees incurred, registration fees, brokerage and commission, fees for other advisers, Prospectus design, printing and advertising expenses and other miscellaneous expenses, will be approximately \$135,000 comprising the following:

	\$1,000,000 Raising (Minimum Subscriptions) \$	\$1,250,000 (With Oversubscriptions) \$
Brokerage	60,000	75,000
Sponsoring Broker's Fee	10,000	10,000
Independent Expert's fees	15,000	15,000
ASX and ASIC fees	30,000	30,000
Printing and ancillary costs	15,000	15,000
Other Costs	5,000	5,000
<b>TOTAL</b>	<b>135,000</b>	<b>150,000</b>

Some of the above amounts are inclusive of GST which must be absorbed by the Company.

## 10.11 Electronic Prospectus

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper prospectus lodged with the ASIC and the issue of Shares and Attaching Options in response to an electronic Application Form, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company at email [admin@seguresources.com](mailto:admin@seguresources.com) or telephone (08) 9322 2711 and the Company will send to you free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application monies received will be dealt with in accordance with section 722 of the Corporations Act.

## Section 11 Directors' Responsibility Statement and Consent



The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that no statements made by the Directors in this Prospectus are misleading or deceptive and that in respect of any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that the persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 25 August 2005

A handwritten signature in black ink, appearing to read 'R Downey', with a long horizontal flourish extending to the right.

Robert Downey

Director

## Section 12

### Defined Terms

#### 12.1 Defined Terms

The following definitions apply throughout this document unless the context requires otherwise.

<b>Applicant(s)</b>	Person(s) who submit a valid Application Form pursuant to this Prospectus.
<b>Application(s)</b>	A valid application made to subscribe for a specified number of Shares and Attaching Options pursuant to this Prospectus.
<b>Application Form</b>	An Application Form attached to this Prospectus
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASTC</b>	ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.
<b>ASX</b>	Australian Stock Exchange Limited ACN 008 624 691.
<b>Attaching Option</b>	Options to subscribe for Shares at an exercise price of \$1.00 and an expiry date of June 30 2010 on the terms set out in Section 10.5, to be issued to subscribers, pursuant to the Offer.
<b>Board</b>	The board of Directors.
<b>Broker Options</b>	Options to acquire Shares at an exercise price of 50 cents on or before 30 June 2010 granted to Montagu Stockbrokers Pty Ltd pursuant to the Sponsoring Broker agreement summarised in Section 10.6.
<b>Business Day</b>	A day on which ASX is open for trading in securities.
<b>CHESS</b>	Clearing House Electronic Subregister System.
<b>Closing Date</b>	5.00pm WST on 16 September 2005.
<b>Company</b>	Segue Resources ACN 112 609 846.
<b>Coronet Hill Project</b>	The project the details of which are set out in Section 2.1
<b>Corporations Act</b>	Corporations Act 2001 (Cth).
<b>Directors</b>	The directors of the Company.
<b>Electronic Prospectus</b>	An electronic version of this Prospectus.
<b>Existing Options</b>	Seed Options and Mezzanine Options.
<b>Exposure Period</b>	Means the period of seven days after lodgement of this Prospectus which may be extended by the ASIC by not more than seven days pursuant to section 727(3) of the Corporations Act.
<b>GST</b>	Goods and services tax.
<b>Independent Geologist</b>	Andrew Drummond & Associates Pty Ltd.
<b>Independent Geologist's Report</b>	The Independent Geologist's Report in Section 5.
<b>Investigating Accountant</b>	PKF Corporate Advisory Services (W.A.) Pty Ltd
<b>Investigating Accountant's Report</b>	The Investigating Accountant's Report in Section 6.
<b>Issuer Sponsored</b>	The shares issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.
<b>JORC</b>	JORC means Joint Ore Reserves Committee.
<b>Listing Rules</b>	The official listing rules of ASX.
<b>Mezzanine Options</b>	Options to acquire Shares at an exercise price of 50 cents on or before 30 June 2010 granted to mezzanine investors, the terms of which are summarised in Section 10.6.

## Defined Terms

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<b>Native Title Act</b>	Native Title Act 1993 (Commonwealth).
<b>Offer</b>	The offer of up to 2,500,000 Shares at an issue price of 50 cents together with one Attaching Option for every two Shares subscribed for, pursuant to this Prospectus.
<b>Official List</b>	The official list of ASX.
<b>Opening Date</b>	9.00am WST on 5 September 2005.
<b>Offer</b>	An offer to the public as described in Section 3.3.
<b>Options</b>	Options to acquire Shares including Seed Options, Mezzanine Options, Broker Options and Attaching Options.
<b>Prospectus</b>	This Prospectus.
<b>SCH Business Rules</b>	Means the operating rules of ASTC or any relevant organisation which is an alternative to, or successor to or replacement of, ASIC or any other applicable clearing and settlement facility licensee.
<b>Section</b>	A section of this Prospectus.
<b>Seed Options</b>	Options to acquire Shares at an exercise price of 25 cents on or before 30 June 2010 granted to seed investors, the terms of which are summarised in Section 10.6.
<b>Share(s)</b>	Fully paid ordinary share(s) in the Company.
<b>Shareholder</b>	A holder of Shares.
<b>Segue</b>	Segue Resources Limited ACN 112 609 846
<b>Sponsoring Broker</b>	Montagu Stockbrokers Pty Ltd
<b>Vendor Shares</b>	500,000 shares to be issued to Arafura Resources N.L. pursuant to the terms of the Sale Agreement summarised in Section 10.3(a).
<b>WST</b>	Western Standard Time.



## APPLICATION FORM

Please read all instructions on reverse of this form

**A** Number of Shares applied for (minimum 4,000 and then multiples of 500 Shares.)

at \$0.50 per Share =

**B** Total amount payable cheque(s) to equal this amount

A\$

You may be allocated all of the Shares above or a lesser number

Share Registrars use only

Broker reference – stamp only

Broker code

Adviser Code

**C** Full name details title, given name(s) (no initials) and surname or company name

Name of Applicant 1

Name of Joint Applicant 2 or account name

Name of Joint Applicant 3 or account name

**D** Tax file number(s)  
Or exemption category

Applicant 1/company

Joint Applicant 2/trust

Joint Applicant 3/exemption

**E** Full postal address

Number/street

Suburb/town

State/postcode

**F** Contact Details

Contact name

Contact daytime telephone number

Contact email address

**G** CHESS HIN (if applicable)

**H** Cheque payment details please fill out your cheque details and make your cheque payable to "Segue Resources –Float Account"

Drawer	Cheque number	BSB number	Account number	Total amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

**I** Return of this Application Form with your cheque for the Application monies will constitute your offer to subscribe for Shares. I/We declare that:

- this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the constitution of the Company; and
- I/we have personally received a copy of this Prospectus accompanied by or attached to this Application Form or a copy of this Application Form or a direct derivative of this Application Form, before applying for Shares and Attaching Options.

**No signature is required.**

You should read the Prospectus dated 25 August 2005 carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary prospectus (whether in paper or electronic form).

## Guide to the Segue Resources Limited Application Form

This Application Form relates to the Offer of 2,000,000 Shares in Segue Resources at 50 cents per Share (with provision to accept oversubscriptions of up to a further 500,000 shares) pursuant to the Prospectus dated 25 August 2005. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read all of this document carefully before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and a supplementary prospectus (if applicable), and an Application Form, on request and without charge. Please complete all relevant sections of this Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of this Application Form. Further particulars and the correct forms of registrable titles to use on this Application Form are contained below.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 4,000 Shares and thereafter in multiples of 500 Shares.
- B** Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Shares applied for by the sum of 50 cents.
- C** Write the full name you wish to appear on the statement of shareholdings. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as that are presently registered in the CHES system.
- D** Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN(s) is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application.
- E** Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- G** The Company will apply to ASX to participate in CHES, operated by ASTC, a wholly owned subsidiary of ASX. In CHES, the Company will operate an electronic CHES subregister of securities holdings and an electronic Issuer Sponsored subregister of securities holdings. Together the two subregisters will make up the Company's principal register of securities. The Company will not be issuing share certificates to Applicants in respect of securities allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold securities allotted to you under this Application in uncertified form on the CHES subregister, complete Section G or forward your Application Form to your sponsoring participant for completion of this section prior to lodgement. Otherwise, leave Section G blank and on allotment, you will be sponsored by the Company and an SRN will be allocated to you. For further information refer to the relevant section of the Prospectus.
- H** Please complete cheque details as requested:  
Make your cheque payable to "Segue Resources – Float Account" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian bank. The amount should equal the amount shown in Section B. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
- I** Before completing this Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging this Application Form, the Applicant(s) agrees that this Application is for Shares upon and subject to the terms of this Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements inserted in the Application Form are complete and accurate. It is not necessary to sign this Application Form.

### Correct form of Registrable Title

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of investor	Correct form of Registrable Title	Incorrect form of Registrable Title
<b>Individual</b> Use names in full, no initials	Mr John Alfred Smith	JA Smith
<b>Minor</b> (a person under the age of 18) Use the name of a responsible adult, do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
<b>Company</b> Use company name, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
<b>Trust</b> Use name of trustee(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
<b>Deceased Estate</b> Use name of executor(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
<b>Partnership</b> Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

### Lodgement of Applications

Forward your Application Form with cheque(s) attached to:  
 Advanced Share Registry Services  
 110 Stirling Highway  
 NEDLANDS WA 6009

Advanced Share Registry Services  
 PO Box 1156  
 NEDLANDS WA 6909

**Application Forms must be received no later than 5.00pm WST time on 16 September 2005.**

## APPLICATION FORM

Please read all instructions on reverse of this form

**A** Number of Shares applied for (minimum 4,000 and then multiples of 500 Shares.)

at \$0.50 per Share =

**B** Total amount payable cheque(s) to equal this amount

A\$

You may be allocated all of the Shares above or a lesser number

Share Registrars use only

Broker reference – stamp only

Broker code

Adviser Code

**C** Full name details title, given name(s) (no initials) and surname or company name

Name of Applicant 1

Name of Joint Applicant 2 or account name

Name of Joint Applicant 3 or account name

**D** Tax file number(s)  
Or exemption category

Applicant 1/company

Joint Applicant 2/trust

Joint Applicant 3/exemption

**E** Full postal address

Number/street

Suburb/town

State/postcode

**F** Contact Details

Contact name

Contact daytime telephone number

Contact email address

**G** CHESS HIN (if applicable)

**H** Cheque payment details please fill out your cheque details and make your cheque payable to "Segue Resources –Float Account"

Drawer	Cheque number	BSB number	Account number	Total amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

**I** Return of this Application Form with your cheque for the Application monies will constitute your offer to subscribe for Shares. I/We declare that:

- this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the constitution of the Company; and
- I/we have personally received a copy of this Prospectus accompanied by or attached to this Application Form or a copy of this Application Form or a direct derivative of this Application Form, before applying for Shares and Attaching Options.

**No signature is required.**

You should read the Prospectus dated 25 August 2005 carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary prospectus (whether in paper or electronic form).

## Guide to the Segue Resources Limited Application Form

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- B** Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Shares applied for by the sum of 50 cents.
- C** Write the full name you wish to appear on the statement of shareholdings. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as that are presently registered in the CHES system.
- D** Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN(s) is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application.
- E** Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- G** The Company will apply to ASX to participate in CHES, operated by ASTC, a wholly owned subsidiary of ASX. In CHES, the Company will operate an electronic CHES subregister of securities holdings and an electronic Issuer Sponsored subregister of securities holdings. Together the two subregisters will make up the Company's principal register of securities. The Company will not be issuing share certificates to Applicants in respect of securities allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold securities allotted to you under this Application in uncertified form on the CHES subregister, complete Section G or forward your Application Form to your sponsoring participant for completion of this section prior to lodgement. Otherwise, leave Section G blank and on allotment, you will be sponsored by the Company and an SRN will be allocated to you. For further information refer to the relevant section of the Prospectus.
- H** Please complete cheque details as requested:  
Make your cheque payable to "Segue Resources – Float Account" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian bank. The amount should equal the amount shown in Section B. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
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Type of investor	Correct form of Registrable Title	Incorrect form of Registrable Title
<b>Individual</b> Use names in full, no initials	Mr John Alfred Smith	JA Smith
<b>Minor</b> (a person under the age of 18) Use the name of a responsible adult, do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
<b>Company</b> Use company name, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
<b>Trust</b> Use name of trustee(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
<b>Deceased Estate</b> Use name of executor(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
<b>Partnership</b> Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

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Advanced Share Registry Services 110 Stirling Highway NEDLANDS WA 6009	Advanced Share Registry Services PO Box 1156 NEDLANDS WA 6909
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**Application Forms must be received no later than 5.00pm WST time on 16 September 2005.**

# APPLICATION FORM

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at \$0.50 per Share =

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You may be allocated all of the Shares above or a lesser number

Share Registrars use only

**Broker reference – stamp only**

Broker code

Adviser Code

**C** Full name details title, given name(s) (no initials) and surname or company name

Name of Applicant 1

Name of Joint Applicant 2 or account name

Name of Joint Applicant 3 or account name

**D** Tax file number(s)  
Or exemption category

Applicant 1/company

Joint Applicant 2/trust

Joint Applicant 3/exemption

**E** Full postal address

Number/street

Suburb/town

State/postcode

**F** Contact Details

Contact name

Contact daytime telephone number

Contact email address

**G** CHESS HIN (if applicable)

**H** Cheque payment details please fill out your cheque details and make your cheque payable to "Segue Resources –Float Account"

Drawer

Cheque number

BSB number

Account number

Total amount of cheque

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**I** Return of this Application Form with your cheque for the Application monies will constitute your offer to subscribe for Shares. I/We declare that:

- this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the constitution of the Company; and
- I/we have personally received a copy of this Prospectus accompanied by or attached to this Application Form or a copy of this Application Form or a direct derivative of this Application Form, before applying for Shares and Attaching Options.

**No signature is required.**

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- B** Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Shares applied for by the sum of 50 cents.
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- E** Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- G** The Company will apply to ASX to participate in CHES, operated by ASTC, a wholly owned subsidiary of ASX. In CHES, the Company will operate an electronic CHES subregister of securities holdings and an electronic Issuer Sponsored subregister of securities holdings. Together the two subregisters will make up the Company's principal register of securities. The Company will not be issuing share certificates to Applicants in respect of securities allotted.  
If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold securities allotted to you under this Application in uncertified form on the CHES subregister, complete Section G or forward your Application Form to your sponsoring participant for completion of this section prior to lodgement. Otherwise, leave Section G blank and on allotment, you will be sponsored by the Company and an SRN will be allocated to you. For further information refer to the relevant section of the Prospectus.
- H** Please complete cheque details as requested:  
Make your cheque payable to "Segue Resources – Float Account" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian bank. The amount should equal the amount shown in Section B. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
- I** Before completing this Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging this Application Form, the Applicant(s) agrees that this Application is for Shares upon and subject to the terms of this Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements inserted in the Application Form are complete and accurate. It is not necessary to sign this Application Form.

### Correct form of Registrable Title

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of investor	Correct form of Registrable Title	Incorrect form of Registrable Title
<b>Individual</b> Use names in full, no initials	Mr John Alfred Smith	JA Smith
<b>Minor</b> (a person under the age of 18) Use the name of a responsible adult, do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
<b>Company</b> Use company name, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
<b>Trust</b> Use name of trustee(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
<b>Deceased Estate</b> Use name of executor(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
<b>Partnership</b> Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

### Lodgement of Applications

Forward your Application Form with cheque(s) attached to:

Advanced Share Registry Services 110 Stirling Highway NEDLANDS WA 6009	Advanced Share Registry Services PO Box 1156 NEDLANDS WA 6909
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**Application Forms must be received no later than 5.00pm WST time on 16 September 2005.**



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