



**SEGUE**  
RESOURCES LTD

**ABN 49 112 609 846**

# **ANNUAL REPORT**

For the year ended 30 June 2007

# Corporate Directory

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## Directors

|               |                        |
|---------------|------------------------|
| Robert Cross  | Non-Executive Chairman |
| Glenn Whiddon | Non-Executive          |
| Robert Downey | Non-Executive          |
| John Arbuckle | Executive              |

## Company Secretary

John Arbuckle

## Registered Office

Suite 9, 36 Ord Street  
West Perth WA 6005  
Telephone: (08) 9322 2711  
Facsimile: (08) 9322 7577  
Email: admin@segueresources.com

## Auditors

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

## Bankers

National Australia Bank  
226 Main Street  
Osborne Park WA 6017

## Share Registry

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

## Stock Exchange Listing

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

ASX Code: **SEG**  
**SEGO**

## Chairman's Letter

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Dear Shareholder,

On behalf of your Directors, I am pleased to present you with the Company's 2007 Annual Report and Financial Statements.

The last 12 months have been important for Segue with the Company being very active in identifying and acquiring new opportunities. In particular, Segue was very pleased to acquire the Pardoo Nickel Project after gaining shareholder approval for the transaction in November 2006.

Since acquisition, Segue has been actively exploring the tenements and has conducted a helicopter VTEM survey and a diamond and RC drilling campaign. The Company has received encouraging results from its drilling to date with assay results confirming significant width and grade continuity of nickel sulphide mineralisation at the Highway resource.

This JORC code compliant resource of 37Mt represents an inferred total of 114,770 tonnes of contained Ni metal. At current Ni prices the in-ground value of this resource is significant and supports Segue's decision to acquire the Project. Work is now being conducted to examine various treatment options to potentially develop the resource.

Segue also made a significant investment in the uranium industry by entering into an agreement with McCleary Investments Pty Ltd to purchase the rights to a 50% interest in the mineral lease applications and mineral claim applications in respect of the Angela and Pamela uranium prospects in the Northern Territory. Although McCleary Investments Pty Ltd was unsuccessful with its claim in respect of the Angela prospect mineral lease claim, Segue believes that McCleary Investments Pty Ltd has a strong legal argument in regards to the appeal which is due to be heard by the Full Bench of the Northern Territory Supreme Court in October 2007.

As the published resources at Angela (12,650t U<sub>3</sub>O<sub>8</sub>) are currently amongst the highest known uranium resources in terms of tonnes and grade in Australia, your directors believed that the potential return from this project was worth the risk of investment.

Work has continued at Coronet Hill during the year and plans are in place to conduct a drilling campaign in late 2007. Costs in respect of this project have been offset by the farmin agreement with North River Resources Pty Ltd.

From a corporate perspective, the Company conducted a 3:1 share split to provide more liquidity and affordability in the shares to retail investors.

I would like to express my appreciation to my fellow Directors for their efforts over the last 12 months and to thank all the shareholders who have supported the Company during this period.

**Robert Cross**  
Chairman

## Review of Operations

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### Pardoo Nickel Project

In August 2006, the Company announced that it had entered into a conditional share sale agreement to acquire 100% of the issued share capital of Westralian Nickel Limited (renamed Segue Pardoo Limited after acquisition) which owned the Pardoo Nickel Project.

The Pardoo Nickel Project comprises two exploration licences in the Pilbara region of Western Australia. This project is located approximately 100km east of Port Hedland and covers 174km<sup>2</sup>. The tenements contain a JORC code compliant inferred resource of nickel and copper (37Mt @ 0.31% Ni and 0.12% Cu using a 0.1% Ni cut-off that remains open at depth) with significant upside not only for nickel and copper, but also other base metals, zinc, iron ore and platinum group elements.

This resource of 37Mt represents an inferred total of 114,770 tonnes of contained Ni metal. At current Ni prices the in-ground value of this resource is significant and supports Segue's decision to acquire the Project.

The acquisition was completed in November 2006 upon obtaining shareholder approval at the Company's first Annual General Meeting. Consideration for the acquisition was:

- 6,000,000 ordinary fully paid shares;
- 6,000,000 options with an exercise price of \$2 and an expiry date of 31 August 2009; and
- the payment of \$300,000 to the creditors of Westralian.

After acquisition, Segue immediately conducted a helicopter-based (VTEM) electromagnetic survey over the entire tenure. The objective of this survey was to locate further conductors for drill testing that may potentially host massive and disseminated sulphide mineralisation. The data from the VTEM identified a number of high priority drill targets.

The VTEM survey also identified a significant and extensive conductor interpreted to be a palaeochannel which the Company believes may contain accumulations of secondary iron. Additionally, aeromagnetic data clearly shows the presence of primary banded iron formations in the tenements, which form part of the Goldsworthy syncline. Due to the significance of these facts and proximity of this project to the former Goldsworthy iron ore mine and other iron ore explorers, the Company applied for and was granted authority by the Department of Industry and Resources to explore for iron ore within the tenements.

In January 2007, Segue commenced a drilling program at the Pardoo Nickel Project to test the Highway resource and high priority drill targets identified by previous electromagnetic (EM) surveys and those produced by the VTEM survey.

Assay results from the RC and diamond drilling at the Highway resource confirmed significant width and grade continuity of nickel sulphide mineralisation at the Highway resource, supporting the historical drilling results of CRA in the 1980's.

## Review of Operations

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Selected results from the drilling included:

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

During April and May 2007, Segue undertook a reverse circulation drilling program completing 27 drill holes for 3,646 metres and two core holes for 551.4 metres. Segue's drilling campaign tested previous interpretations, ore zone potential, grade continuity and structure by closing drill spacings to at least 100m sections at Highway.

Selected results from this drilling included:

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

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

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

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

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

### **Angela & Pamela Uranium Project, Northern Territory**

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

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

## Review of Operations

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Published data (Borshoff & Faris, 1990) states the maximum total resource at Angela and associated satellite bodies to be 12,650t U<sub>3</sub>O<sub>8</sub> at an average grade of approximately 0.1% U<sub>3</sub>O<sub>8</sub> using a cut off of 0.05% U<sub>3</sub>O<sub>8</sub> and a minimum width of 2m. The published resources at Angela are currently amongst the highest known uranium resources in terms of tonnes and grade in Australia.

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

However, McCleary Investments Pty Ltd was not successful in its mineral claim and mineral lease applications relating to the land formerly contained in Reservation RO1292 containing the Angela and Pamela uranium prospects. In early April 2007, McCleary Investments Pty Ltd lodged its notice of appeal against this decision.

After sighting legal advice received by McCleary Investments Pty Ltd, Segue supports McCleary Investments Pty Ltd in lodging the appeal. The decision is due to be heard by the full bench of the Northern Territory Supreme Court in October 2007.

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

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

The consideration for the purchase of the above assets was:

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

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

## Review of Operations

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### **Coronet Hill Project, Northern Territory, Australia**

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

In July 2006, a soil sampling program was conducted within the southern-most block of EL 10004 over the main Coronet Hill structure. Samples were submitted to Ultratrace laboratories in Perth for analysis via fusion bead/ XRF for tin, tungsten, copper and lead.

Analysis of results have reinforced known anomalism associated with the Coronet Fault and parallel structures. The highest individual results returned in soils were 0.06% Sn, 0.015% WO<sub>4</sub>, 1.25% Pb and 0.69% Cu.

In September 2006 a gradient-array induced polarisation (IP) survey was undertaken over a 4km zone of the Coronet Fault in the southern part of the tenement. The IP survey was primarily designed to delineate zones of high chargeability due to disseminated sulphide concentrations, creating direct drilling targets. Targets generated are to be drilled at the earliest possible time.

### **Wauchope, Northern Territory, Australia**

In April 2006, Segue entered into an agreement with Imperial Granite & Minerals Pty Ltd ("IGM") to conditionally purchase 100% of EL 24850 which is located near Wauchope in the Northern Territory of Australia.

The Company has been advised by IGM that the application for EL 24850 is still being processed by the NT Department of Primary Industry, Fisheries and Mines. The Company has been advised by NT Department of Primary Industry, Fisheries and Mines that the Minister has given consent for Segue to enter into negotiations with the Central Land Council in the final stage of consent to grant ELA 24850. A meeting with the Traditional Owners of the area has been postponed until 2008.

### **Corporate**

In September 2006, at a general meeting of shareholders, the farmout of 51% of the Coronet Hill Project (EL 10004) to North River Resources Pty Ltd ("NRR") was unanimously approved. In December 2006, North River Resources plc ("NRR") listed on the Alternative Investment Market of the London Stock Exchange. NRR can earn a 51% interest in the Coronet Hill Project (EL 10004) through expending up to the Australian dollar equivalent of £2,000,000.

In January 2007, in accordance with the farmout agreement, NRR contributed A\$250,000 (£100,000). To earn a 20% interest in EL 10004, NRR must expend a further £400,000 within the next two years.

## Review of Operations

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

- 3 for 1 share split. The share split benefits all shareholders by increasing liquidity and affordability to retail investors of the Company's shares; and
- the issue of shares and options in respect of the drawdown of the Credit Facility and Convertible Note Deed. In late March 2007, Segue fully drewdown \$500,000 under the facility.

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

The operating loss of the Company after providing for income tax of nil (2006: nil) was \$2,232,680 (2006: \$399,008). The current year loss includes \$79,600 in share based remuneration paid to directors as a result of options that were granted at the annual general meeting on 12 April 2007 and \$2,115,595 in respect of costs associated with the Angela and Pamela uranium prospects. These costs were partially offset by a profit on the sale of listed shares of \$328,490.



## Directors' Report

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The Directors present their report on Segue Resources Limited for the year ended 30 June 2007 and the auditor's report thereon.

### Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

#### **Robert Cross, B.E. MBA - Non-Executive Chairman**

Mr Cross has more than 15 years experience in the international natural resource equity markets. He has an Engineering Degree from the University of Waterloo (1982) and received his MBA from Harvard Business School in 1987.

Mr Cross is currently Chairman of Northern Orion Resources Inc, which owns 12.5% of the Alumbra mine in Argentina, which is one of the world's largest copper/gold mining operations, and Founder and Chairman of Bankers Petroleum Ltd. 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 Corporation of which he is now a director. He is a former Chairman and CEO of Yorkton Securities Inc (1996-1998) and from 1987-1994 he was a Partner - Investment Banking of Gordon Capital Corporation in Toronto.

Mr Cross is Chairman of the Board of Segue and is a member of the audit, remuneration and nomination committees.

#### *Other current directorships*

Northern Orion Resources Inc (since 2001); Bankers Petroleum Limited (since 2004); and Bema Gold Limited (since 2003); and. All four companies are listed on the Toronto Stock Exchange.

#### *Former directorships in last 3 years*

Gyzer Capital Inc (resigned 2004); Nikos Exploration Ltd (resigned 2004); and UrAsia Energy Ltd (resigned 2007). All companies are listed on the Toronto Stock Exchange.

#### **Glenn Whiddon, B.Ec - Non-Executive Director**

Mr Whiddon has a background in banking and corporate advisory, working for the Bank of New York in Sydney, Melbourne, Geneva and Moscow. In 1994 he established a boutique merchant bank in Moscow, providing corporate advice and undertaking direct investments.

Mr Whiddon is Chairman of Segue's audit committee and is a member of the remuneration and nomination committees.

## Directors' Report

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### *Other current directorships*

Non-Executive Director of Statesman Resources Limited (since 2004, TSXV listed company); Non-Executive Director of Oklo Uranium Limited (since 2007) and Rialto Energy Limited (since 2005) (both ASX listed companies); and Non-Executive Director of UMC Energy plc (since 2007, AIM listed company) .

### *Former directorships in last 3 years*

Grove Energy Limited (resigned 2007), Omegacorp Limited (resigned 2007).

### **Robert Downey, B.Ed LL.B(Hons) - Non-Executive Director**

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 a member of Segue's audit, remuneration and nomination committees.

### *Other current directorships*

Carpathian Resources Ltd, (since 2007) and North River Resources plc (since 2006, AIM listed company).

### *Former directorships in last 3 years*

None

### **John Arbuckle, B.Bus CPA - Executive Director**

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 both 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.

Mr Arbuckle is a member of the remuneration and nomination committees.

### *Other current directorships*

Prosperity Minerals Limited (since 2006).

### *Former directorships in last 3 years*

None

## Directors' Report

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### Company Secretary

Mr Arbuckle, who is shown above, is the Company Secretary and is also the Company Secretary of Rialto Energy Limited and Carpathian Resources Limited.

### Auditor

Mr Neil Smith is the signing partner for Segue Resources Limited. Mr Smith is a partner of PKF Chartered Accountants who continue in office in accordance with section 327 of the Corporations Act 2001.

### Principal Activities

The principal activities of the Company during the year were mineral exploration, identification of potential mining assets for acquisition and development, and raising capital to fund those opportunities.

There were no significant changes in the nature of the Company's principal activities during the year.

### Review and Results of Operations

A Review of Operations for the financial year and up to the date of this report is included in this document and should be read as part of the Directors' Report

### Significant Changes in the State of Affairs

There were no changes in the state of affairs of the Company other than those referred to elsewhere in this report of the financial statements or notes thereto.

### Significant Events After Balance Date

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

### Environmental Regulation

The Company is subject to and compliant with all aspects of environmental regulation of its exploration activities. The Directors are not aware of any environmental law that is not being complied with.

### Likely Developments

Information on the likely developments in the operation of the Company and the expected results of those operations have not been included in this Report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

## Directors' Report

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### Dividends

No dividend has been paid since the end of the financial period and no dividend is recommended for the current year.

### Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

### Remuneration Report (Audited)

Remuneration of directors and executives is referred to as compensation throughout this report. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company including directors of the Company and other executives. They include the five most highly remunerated section 300A directors and executives for the Company.

Compensation levels for directors and key management personnel of the Company are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The Board is responsible for compensation policies and practices. The Board, where appropriate, seeks independent advice on remuneration policies and practices, including compensation packages and terms of employment.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company.

#### *Non-Executive Directors*

Total remuneration for all Non-Executive Directors, is not to exceed \$250,000 per annum as approved by shareholders. This does not include Consulting Fees.

Non-executive directors, including the Chairman, receive a fixed fee for their services of \$25,000 per annum including statutory superannuation.

There is no direct link between remuneration paid to any non-executive directors and corporate performance. There are no termination or retirement benefits for non-executive directors (other than statutory superannuation).

## Directors' Report

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### *Fixed Compensation*

Fixed compensation consists of base compensation. The executive director receives the same compensation as non-executive directors, ie. \$25,000 per annum including statutory superannuation.

### *Share Based Remuneration*

The grant of Options to directors is designed to encourage Directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances of limited cash resources the Directors consider that the issue of Options are a cost effective and efficient reward and incentive for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation to the Directors.

### *Service Agreements*

Service agreements exist with Messrs Whiddon, Downey and Arbuckle for the provision of the services as directors and for extra duties outside the scope of their roles as directors.

#### *Consultancy Agreement – Mr Glenn Whiddon*

By an agreement dated 22 June 2005 between Segue and Rimfire Finance Pty Ltd (assigned to Lagral Capital SCP in September 2006), Segue has engaged Lagral Capital SCP to provide the services of Mr Glenn Whiddon to act as a non-executive director. Unless terminated earlier, the engagement is for a term of 2 years commencing on 22 June 2005. Segue will pay Lagral Capital SCP a fee of \$25,000 per annum for non-executive fees and \$75,000 per annum for services related to actively locating new projects for the Company. In addition to the consultancy fees, Segue will reimburse Lagral Capital SCP for its reasonable out of pocket expenses.

#### *Consultancy Agreement – Mr Robert Downey*

By an agreement dated 22 June 2005 between Segue and Quantum Vis Pty Ltd ("Quantum Vis"), Segue engaged Quantum Vis to provide the services of Mr Robert Downey to act as a non-executive director. Unless terminated earlier, the engagement is for a term of 2 years commencing on 22 June 2005. Segue will pay Quantum Vis a fee of \$25,000 per annum. In addition to the consultancy fees, Segue will reimburse Quantum Vis for its reasonable out of pocket expenses.

#### *Consultancy Agreement – Mr John Arbuckle*

By an agreement dated 28 July 2005 between Segue and Maybach Consulting Pty Ltd ("Maybach"), Segue engaged Maybach to provide company secretarial services. Maybach is to be paid \$200 per hour for the provision of these services. This agreement was amended on 3 April 2006 to include the provision of director services by John Arbuckle for a fee of \$25,000 per annum.

## Directors' Report

### Meetings of Directors

The following directors' meetings (including meetings of committees of directors) were held during the year and the number of meetings attended by each of the directors during the year were:

| Directors     | Directors' meetings held | Directors' meetings attended | Audit Committee meetings held | Audit Committee meetings attended |
|---------------|--------------------------|------------------------------|-------------------------------|-----------------------------------|
| Robert Cross  | 15                       | 15                           | 2                             | 2                                 |
| Glenn Whiddon | 15                       | 15                           | 2                             | 2                                 |
| Robert Downey | 15                       | 15                           | 2                             | 2                                 |
| John Arbuckle | 15                       | 15                           | -                             | -                                 |

### Remuneration

Details of the remuneration of the directors of Segue are set out in the following table. Currently, the Company does not employ any staff and directors are responsible for the management of the Company. There were no directors' fees paid in 2005.

| 2007<br>Name     | Short-term Benefits |            |                      | Post-employment benefits | Share-based Payment | Total   |
|------------------|---------------------|------------|----------------------|--------------------------|---------------------|---------|
|                  | Salary and Fees     | Cash Bonus | Non-Monetary Benefit | Super-annuation          | Options             |         |
|                  | \$                  | \$         | \$                   | \$                       | \$                  | \$      |
| <i>Directors</i> |                     |            |                      |                          |                     |         |
| R Cross          | 25,000              | -          | -                    | -                        | -                   | 25,000  |
| G Whiddon (a)    | 76,000              | -          | -                    | -                        | -                   | 76,000  |
| R Downey (b)     | 55,600              | -          | -                    | -                        | -                   | 55,600  |
| J Arbuckle (c)   | 118,400             | -          | -                    | -                        | -                   | 118,400 |
| Totals           | 275,000             | -          | -                    | -                        | -                   | 275,000 |

- (a) Mr Whiddon's services as a director were provided by Lagral Capital SCP for which the consolidated entity was charged \$25,000. Lagral Capital SCP was also paid consulting fees of \$51,000 for services provided outside of his duties as a director.
- (b) Mr Downey's services as a director were provided by Quantum Vis Pty Ltd for which the consolidated entity was charged \$25,000. Quantum Vis Pty Ltd was also paid consulting fees of \$30,600 for services rendered by Mr Downey outside of his duties as a director.
- (c) Mr Arbuckle's services as a director were provided by Maybach Consulting Pty Ltd for which the consolidated entity was charged \$25,000. Maybach Consulting Pty Ltd was also paid \$93,400 for company secretarial services provided by Mr Arbuckle.

## Directors' Report

| 2006<br><br>Name | Short-term Benefits   |                  |                            | Post-employment benefits | Share-based Payment | Total   |
|------------------|-----------------------|------------------|----------------------------|--------------------------|---------------------|---------|
|                  | Salary and Fees<br>\$ | Cash Bonus<br>\$ | Non-Monetary Benefit<br>\$ | Super-annuation<br>\$    | Options<br>\$       |         |
| <i>Directors</i> |                       |                  |                            |                          |                     |         |
| R Cross          | 25,000                | -                | -                          | -                        | 52,800              | 77,800  |
| G Whiddon (a)    | 63,250                | -                | -                          | -                        | 52,800              | 116,050 |
| R Downey (b)     | 35,550                | -                | -                          | -                        | 42,240              | 77,790  |
| J Arbuckle (c)   | 56,100                | -                | -                          | -                        | 42,240              | 98,340  |
| Totals           | 179,900               | -                | -                          | -                        | 190,080             | 369,980 |

- (a) During the early part of the year, Mr Whiddon's services as a director were provided by Rimfire Finance Pty Ltd. The total amount of directors' fees paid to Rimfire Finance Pty Ltd was \$6,000. The remainder of the directors' fees (\$19,000) were paid directly to Mr Whiddon. Mr Whiddon was also paid consulting fees of \$38,250 for services provided outside of his duties as a director.
- (b) Mr Downey services as a director were provided by Quantum Vis Pty Ltd for which the Company was charged \$25,000. Quantum Vis Pty Ltd was also paid consulting fees of \$10,550 for services rendered by Mr Downey outside of his duties as a director.
- (c) Mr Arbuckle was appointed as a director on 3 April 2006. His services as a director were provided by Maybach Consulting Pty Ltd for which the Company paid \$6,250. Maybach Consulting Pty Ltd was also paid \$49,850 for company secretarial services provided by Mr Arbuckle.

### *Directors' Interests in the Shares and Options of the Company*

As at the date of this report, the relevant interest of each director in the shares and options of Segue Resources Limited were:

| Name       | Ordinary Shares |          | Options   |          |
|------------|-----------------|----------|-----------|----------|
|            | Direct          | Indirect | Direct    | Indirect |
| R Cross    | 581,250         | -        | 1,181,250 | -        |
| G Whiddon  | 9,300           | 581,550  | 750,000   | 431,250  |
| R Downey   | -               | 300      | 600,000   | -        |
| J Arbuckle | 60,000          | 300      | 630,000   | -        |

## Directors' Report

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### Options over Unissued Capital

During or since the end of the financial year the consolidated entity has not granted any options to the directors.

As at the date of this report the following options were on issue:

| Number     | Exercise Price | Expiry Date    |
|------------|----------------|----------------|
| 16,968,750 | \$0.08         | 30 June 2010   |
| 5,400,000  | \$0.17         | 30 June 2010   |
| 391,680    | \$0.17         | 30 June 2008   |
| 3,264,000  | \$0.33         | 30 June 2010   |
| 3,300,000  | \$0.20         | 30 June 2010   |
| 18,000,000 | \$0.67         | 31 August 2009 |
| 6,000,000  | \$0.13         | 30 June 2010   |

During or since the end of the financial year no options were exercised.

### Officers' Indemnities and Insurance

During the year the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors' and Officers' Liability Insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company or a related body corporate.

The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the premium paid is subject to a confidentiality clause under the insurance policy.

The Company has entered into an agreement with the Directors and certain officers to indemnify these individuals against any claims and related expenses which arise as a result of work completed in their respective capabilities.

The Company nor any of its related bodies corporate have provided any insurance for any auditor of the Company or a related body corporate.

### Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important.

Details of the amount paid or payable to the auditor (PKF) for the audit and non-audit services provided during the year are set out in note 14.



## Directors' Report

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The Board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement APES110, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

### Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page14.

Signed in accordance with a resolution of the Directors



**Robert Downey**  
Director

Perth, 28 September 2007

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead engagement partner for the audit of Segue Resources Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



**PKF**  
Chartered Accountants



**Neil Smith**  
Partner

Dated at Perth, Western Australia this 28<sup>th</sup> day of September 2007

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Tel: 61 8 9278 2222 | Fax: 61 8 9278 7700 | [www.pkf.com.au](http://www.pkf.com.au)  
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Level 7, BGC Centre | 28 The Esplanade | Perth | Western Australia 6000 | Australia  
PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

## Corporate Governance Statement

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The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures 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 has adopted the Ten Essential Corporate Governance Principles and Best Practice Recommendations ("Recommendations") as published by the ASX Corporate Governance Council.

Further information about the Company's corporate governance practices is set out on the Company's website at [www.segueresources.com](http://www.segueresources.com). In accordance with the recommendations of the ASX, information published on the Company's website includes charters (for the board and its sub-committees), codes of conduct and other policies and procedures relating to the board and its responsibilities.

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

The Board's key roles are to:

- (a) increase shareholder value within an appropriate framework which safeguards the right and interests of the Company's shareholders; and
- (b) ensure the Company is properly managed.

The Board is collectively responsible for promoting the success of the Company by:

- (a) supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed;
- (b) ensuring the Company is properly managed;
- (c) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestments;
- (d) approving the annual budget;
- (e) monitoring the financial performance of the Company;
- (f) approving and monitoring financial and other reporting;
- (g) providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- (h) appointing the external auditor (where applicable, based on the recommendations of the Audit Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointments made by the Board must be ratified by shareholders at the next Annual General Meeting of the Company;
- (i) liaising with the Company's external auditors and Audit Committee; and
- (j) monitoring and ensuring compliance with all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

## Corporate Governance Statement

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To assist in the execution of its responsibilities, the Board has established an Audit Committee and an Audit Committee Charter. The Audit Committee Charter is available on the Company's website. The members of the Audit Committee during the year were:

- Glenn Whiddon (Chair and non-executive director)
- Robert Cross (non-executive director)
- Robert Downey (non-executive director)

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

The Board annually review the effectiveness of the Board, its committees, individual directors, and senior executives. All directors have an opportunity to contribute to the review process. The performance criteria take into account each director's contribution to setting the direction, strategy and financial objectives of the Company, and monitoring compliance with regulatory requirements and ethical standards.

### *Delegated Authority*

The Executive Director is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy of the Board. In carrying out his responsibilities the Executive Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with Chairman, may seek independent professional advice from a suitably qualified advisor at the Company's expense. The director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the Board.

The Executive Director has declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively, and that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

### *Code of Conduct*

The Company's Code of Conduct is available on the Company's website. This Code of Conduct sets out the principles and standards which the Board, management and employees of the Company are encouraged to strive towards when dealing with each other, shareholders and the broad community.

## Corporate Governance Statement

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### *Share Trading Policy*

The Board has adopted a policy and procedure on dealing in the Company's securities by directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information. It also provides that the written acknowledgement of the Chairman should be obtained prior to trading.

The board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations:

### **Principle 2 Recommendation 2.4**

There is no separate nomination committee. The full Board considers those matters and issues arising that would usually fall to a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee. Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual 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.

### **Principle 9 Recommendation 9.2**

There is no separate remuneration committee. Due to the small size and structure of the Board, a separate remuneration committee is not considered to add any efficiency to the process of determining the levels of remuneration for the directors and key executives. The Board considers that it is more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. When considering matters of remuneration, the Board functions in accordance with the Remuneration Committee Charter which was adopted on 23 June 2006.

In addition, all matters of remuneration will continue to be determined in accordance with Corporations Act 2001 requirements, especially in respect of related party transactions. That is, no directors participate in any deliberations regarding his or her own remuneration or related issues.

## Income Statement

For the year ended 30 June 2007

|  |       | Consolidated       |                  | Company            |                  |
|--|-------|--------------------|------------------|--------------------|------------------|
|  | Notes | 2007               | 2006             | 2007               | 2006             |
|  |       | \$                 | \$               | \$                 | \$               |
| <b>Continuing Operations</b>                                   |       |                    |                  |                    |                  |
| Other income   | 2     | 1,228,919          | 93,066           | 1,221,285          | 93,066           |
| Other expenses   | 2     | (3,461,599)        | (492,074)        | (5,101,112)        | (492,074)        |
| <b>Loss before income tax</b>                                  |       | <b>(2,232,680)</b> | <b>(399,008)</b> | <b>(3,879,827)</b> | <b>(399,008)</b> |
| Income tax expense   | 3     | -                  | -                | -                  | -                |
| <b>Loss attributable to members of Segue Resources Limited</b> |       | <b>(2,232,680)</b> | <b>(399,008)</b> | <b>(3,879,827)</b> | <b>(399,008)</b> |
|  |       | Cents per share    | Cents per share  |                    |                  |
| <b>Earnings per share</b>                                      |       |                    |                  |                    |                  |
| - basic loss per share   | 13    | (4.98)             | (4.71)           |                    |                  |
| - diluted loss per share                                       | 13    | (4.98)             | (4.71)           |                    |                  |

## Balance Sheet

As at 30 June 2007

|                                      | Notes | Consolidated     |                  | Company          |                  |
|--------------------------------------|-------|------------------|------------------|------------------|------------------|
|                                      |       | 2007             | 2006             | 2007             | 2006             |
|                                      |       | \$               | \$               | \$               | \$               |
| <b>ASSETS</b>                        |       |                  |                  |                  |                  |
| <b>Current Assets</b>                |       |                  |                  |                  |                  |
| Cash and cash equivalents            | 4     | 583,384          | 2,095,913        | 564,498          | 2,095,913        |
| Trade and other receivables          | 5     | 122,686          | 51,156           | 46,678           | 51,156           |
| Financial assets                     | 6     | 184,375          | -                | 184,375          | -                |
| <b>Total Current Assets</b>          |       | <b>890,445</b>   | <b>2,147,069</b> | <b>795,550</b>   | <b>2,147,069</b> |
| <b>Non-Current Assets</b>            |       |                  |                  |                  |                  |
| Trade and other receivables          | 5     | -                | -                | -                | -                |
| Financial assets                     | 6     | -                | -                | 3,900,000        | -                |
| Exploration and evaluation           | 7     | 5,802,368        | 362,280          | 281,974          | 362,280          |
| Property, plant and equipment        | 8     | 27,802           | 19,906           | 22,283           | 19,906           |
| Deferred tax asset                   | 3     | 575,277          | -                | 84,592           | -                |
| <b>Total Non-Current Assets</b>      |       | <b>6,405,447</b> | <b>382,186</b>   | <b>4,288,849</b> | <b>382,186</b>   |
| <b>TOTAL ASSETS</b>                  |       | <b>7,295,892</b> | <b>2,529,255</b> | <b>5,084,399</b> | <b>2,529,255</b> |
| <b>LIABILITIES</b>                   |       |                  |                  |                  |                  |
| <b>Current Liabilities</b>           |       |                  |                  |                  |                  |
| Trade and other payables             | 9     | 323,020          | 104,580          | 249,359          | 104,580          |
| <b>Total Current Liabilities</b>     |       | <b>323,020</b>   | <b>104,580</b>   | <b>249,359</b>   | <b>104,580</b>   |
| <b>Non-Current Liabilities</b>       |       |                  |                  |                  |                  |
| Deferred tax liabilities             | 3     | 575,277          | -                | 84,592           | -                |
| <b>Total Non-Current Liabilities</b> |       | <b>575,277</b>   | <b>-</b>         | <b>84,592</b>    | <b>-</b>         |
| <b>TOTAL LIABILITIES</b>             |       | <b>898,297</b>   | <b>104,580</b>   | <b>333,951</b>   | <b>104,580</b>   |
| <b>NET ASSETS</b>                    |       | <b>6,397,595</b> | <b>2,424,675</b> | <b>4,750,448</b> | <b>2,424,675</b> |
| <b>EQUITY</b>                        |       |                  |                  |                  |                  |
| Issued capital                       | 10    | 8,797,285        | 2,671,285        | 8,797,285        | 2,671,285        |
| Reserves                             | 11    | 269,680          | 190,080          | 269,680          | 190,080          |
| Accumulated losses                   | 12    | (2,669,370)      | (436,690)        | (4,316,517)      | (436,690)        |
| <b>TOTAL EQUITY</b>                  |       | <b>6,397,595</b> | <b>2,424,675</b> | <b>4,750,448</b> | <b>2,424,675</b> |

## Statement of Changes in Equity

For the year ended 30 June 2007

### Consolidated Entity

|                                      | Attributable to equity holders<br>of the entity |                |                       | Total equity     |
|--------------------------------------|---|----------------|-----------------------|------------------|
|                                      | Issued capital                                  | Reserves       | Accumulated<br>Losses |                  |
|                                      | \$  | \$             | \$                    | \$               |
| <b>Balance at 1 July 2005</b>        | 100   |                | (37,682)              | (37,582)         |
| Issue of shares                      | 2,788,000                                       |                |                       | 2,788,000        |
| Transactions costs of issuing shares | (116,815)                                       |                |                       | (116,815)        |
| Issue of options to directors        |   | 190,080        |                       | 190,080          |
| Loss for the year                    |   |                | (399,008)             | (399,008)        |
| <b>Balance at 30 June 2006</b>       | <b>2,671,285</b>                                | <b>190,080</b> | <b>(436,690)</b>      | <b>2,424,675</b> |
| Issue of shares                      | 5,706,000                                       |                |                       | 5,706,000        |
| Conversion of options                | 20,000  |                |                       | 20,000           |
| Conversion of convertible notes      | 400,000   |                |                       | 400,000          |
| Issue of options to management       |   | 79,600         |                       | 79,600           |
| Loss for the year                    |   |                | (2,232,680)           | (2,232,680)      |
| <b>Balance at 30 June 2007</b>       | <b>8,797,285</b>                                | <b>269,680</b> | <b>(2,669,370)</b>    | <b>6,397,595</b> |

### Company

|                                      |                  |                |                    |                  |
|--------------------------------------|------------------|----------------|--------------------|------------------|
| <b>Balance at 1 July 2005</b>        | 100              |                | (37,682)           | (37,582)         |
| Issue of shares                      | 2,788,000        |                |                    | 2,788,000        |
| Transactions costs of issuing shares | (116,815)        |                |                    | (116,815)        |
| Issue of options to directors        |                  | 190,080        |                    | 190,080          |
| Loss for the year                    |                  |                | (399,008)          | (399,008)        |
| <b>Balance at 30 June 2006</b>       | <b>2,671,285</b> | <b>190,080</b> | <b>(436,690)</b>   | <b>2,424,675</b> |
| Issue of shares                      | 5,706,000        |                |                    | 5,706,000        |
| Conversion of options                | 20,000           |                |                    | 20,000           |
| Conversion of convertible notes      | 400,000          |                |                    | 400,000          |
| Issue of options to management       |                  | 79,600         |                    | 79,600           |
| Loss for the year                    |                  |                | (3,879,827)        | (3,879,827)      |
| <b>Balance at 30 June 2007</b>       | <b>8,797,285</b> | <b>269,680</b> | <b>(4,316,517)</b> | <b>4,750,448</b> |



## Cash Flow Statement

For the year ended 30 June 2007

|   | Notes | Consolidated       |                  | Company            |                  |
|---|-------|--------------------|------------------|--------------------|------------------|
|   |       | 2007               | 2006             | 2007               | 2006             |
|   |       | \$                 | \$               | \$                 | \$               |
| <b>Cash flows from operating activities</b>               |       |                    |                  |                    |                  |
| Receipts from customers                                   |       | 7,092              | -                | -                  | -                |
| Payments to suppliers and employees                       |       | (845,683)          | (250,388)        | (813,755)          | (250,388)        |
| Interest income   |       | 56,832             | 93,066           | 56,290             | 93,066           |
| <b>Net cash flows from/(used in) operating activities</b> | 23    | <b>(781,759)</b>   | <b>(157,322)</b> | <b>(757,465)</b>   | <b>(157,322)</b> |
| <b>Cash flows from investing activities</b>               |       |                    |                  |                    |                  |
| Payment for equity investments                            |       | (702,130)          | -                | (702,130)          | -                |
| Proceeds from sale of equity investments                  |       | 1,005,620          | -                | 1,005,620          | -                |
| Purchase of property, plant and equipment                 |       | (10,448)           | (20,869)         | (6,223)            | (20,869)         |
| Proceeds from North River Resources plc                   |       | 250,800            |                  | 250,800            |                  |
| Payment for exploration expenditure                       |       | (1,794,612)        | (112,281)        | (170,493)          | (112,281)        |
| Payment for environmental bonds                           |       | -                  | (5,000)          | -                  | (5,000)          |
| Loan to Mining House Inc                                  |       | -                  | (30,332)         | -                  | (30,332)         |
| <b>Net cash flows from/(used in) investing activities</b> |       | <b>(1,250,770)</b> | <b>(168,482)</b> | <b>377,574</b>     | <b>(168,482)</b> |
| <b>Cash flows from financing activities</b>               |       |                    |                  |                    |                  |
| Proceeds from convertible notes                           |       | 500,000            | -                | 500,000            | -                |
| Proceeds from issue of shares                             |       | 20,000             | 1,208,031        | 20,000             | 1,208,031        |
| Payment of funds to controlled entity                     |       | -                  | -                | (1,671,524)        | -                |
| Payments for capital raising                              |       | -                  | (116,815)        | -                  | (116,815)        |
| <b>Net cash flows from/(used in) financing activities</b> |       | <b>520,000</b>     | <b>1,091,216</b> | <b>(1,151,524)</b> | <b>1,091,216</b> |
| Net increase in cash and cash equivalents                 |       | (1,512,529)        | 765,412          | (1,531,415)        | 765,412          |
| Cash and cash equivalents at beginning of period          |       | 2,095,913          | 1,330,501        | 2,095,913          | 1,330,501        |
| <b>Cash and cash equivalents at end of period</b>         | 4     | <b>583,384</b>     | <b>2,095,913</b> | <b>564,498</b>     | <b>2,095,913</b> |

# Notes to the Financial Statements

For the year ended 30 June 2007

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## 1. Corporate Information

Segue Resources Limited (the "Company") is a company limited by shares incorporated whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial report of the Company for the year ended 30 June 2007 comprises the Company and its subsidiary (together referred to as the "consolidated entity").

The financial report was authorised for issue by the directors on 28 September 2007.

The nature of the operation and principal activities of the Company are described in the attached Directors' Report.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and by all entities in the consolidated entity.

### (A) Statement of Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs), which include Australian equivalents to International Financial Reporting Standards ("IFRS") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB), Urgent Issues Group and the Corporations Act 2001.

### (B) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis.

### (C) Functional and Presentation of Currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the consolidated entity.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at balance sheet date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Translation differences arising on non-monetary items, such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

## Notes to the Financial Statements

For the year ended 30 June 2007

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### (D) Use of Estimates and Judgements

The preparation of financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 3 Income Taxes and Note 1(T) Employee Benefits.

### (E) Basis of Consolidation

#### *Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

#### *Transactions eliminated on consolidation*

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### *Interests in joint venture operations*

The Consolidated Entity's interest in joint venture operations is accounted for by recognising the Consolidated Entity's share of assets and liabilities from the joint venture, as well as expenses incurred by the Consolidated Entity and the Consolidated Entity's share of net income earned from the joint venture, in the consolidated financial statements.

### (F) Changes to Australian Accounting Standards

Australian Accounting Standards that have recently been amended but are not yet required to be mandatorily adopted have not been applied for the reporting period ended 30 June 2007. The application of these revised accounting standards would not have a material effect on the company's current accounting policies adopted.

## Notes to the Financial Statements

For the year ended 30 June 2007

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### (G) 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.

### (H) 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 financial statements, 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.

### (I) 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.

### (J) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition.

## Notes to the Financial Statements

For the year ended 30 June 2007

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### (J) Trade and Other Receivables (continued)

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

### (K) Investments and Other Financial Assets

The consolidated entity determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each reporting date.

Fair value is the measurement basis, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or to an equity reserve.

Fair value is determined based on current bid prices for all quoted investments. If there is not an active market for a financial asset fair value is measured using established valuation techniques.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists the cumulative loss is removed from equity and recognised in the income statement.

### (L) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

#### *Leased Assets*

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

#### *Subsequent Costs*

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidate entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

## Notes to the Financial Statements

For the year ended 30 June 2007

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### (L) Property, Plant and Equipment (continued)

#### *Depreciation*

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful live in the current and comparative periods are as follows:

|                     |                    |
|---------------------|--------------------|
| Plant and equipment | over 2 to 10 years |
|---------------------|--------------------|

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

#### *Derecognition*

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

### (M) 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 measure 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.

### (N) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure, including the costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the income statement.

## Notes to the Financial Statements

For the year ended 30 June 2007

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### (N) Exploration and Evaluation Expenditure (continued)

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (I)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

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.

### (O) 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).

### (P) 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.

### (Q) Trade and Other Payables

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.

# Notes to the Financial Statements

For the year ended 30 June 2007

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## (R) 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.

## (S) 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 recoverable from the taxation authority is included as part of the receivables in the Balance Sheet. The amount of GST payable to the taxation authority is included as part of the payables 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.

## (T) Employee Benefits

*Share-based payment transactions*

The Company provides benefits to employees (including directors) of the Company in the form of share options. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a black scholes valuation model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on the date on which the relevant employees become fully entitled to the award ("vesting date"). The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

## (U) Earnings Per Share

Basic Earnings Per Share – is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.



## **Notes to the Financial Statements**

For the year ended 30 June 2007

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### **(U) Earnings Per Share (continued)**

Diluted Earnings Per Share – adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **(V) Comparatives**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### **(W) Financial Instruments**

Financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder. The liability component is a non derivative financial instrument that is initially recognised at fair value. Subsequent to initial recognition the liability component is measured at amortised cost using the effective interest rate method, unless it is designated at fair value through profit and loss. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit and loss. Derivatives are recognised initially at fair value, and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes in fair value recorded in profit and loss.

## Notes to the Financial Statements

For the year ended 30 June 2007

|  | Consolidated     |                | Company          |                |
|--|------------------|----------------|------------------|----------------|
|  | 2007             | 2006           | 2007             | 2006           |
|  | \$               | \$             | \$               | \$             |
| <b>2. Revenue and Expenses</b>                                     |                  |                |                  |                |
| <b>Other income</b>  |                  |                |                  |                |
| Proceeds from sale of investments                                  | 1,005,620        | -              | 1,005,620        | -              |
| Revaluation of investments   | 159,375          | -              | 159,375          | -              |
| Rental income  | 7,092            | -              | -                | -              |
| Finance income - Banks   | 56,832           | 93,066         | 56,290           | 93,066         |
|  | <u>1,228,919</u> | <u>93,066</u>  | <u>1,221,285</u> | <u>93,066</u>  |
| <b>Expenses</b>  |                  |                |                  |                |
| Depreciation   |                  |                |                  |                |
| - Plant and equipment  | 4,992            | 826            | 2,562            | 826            |
| - Leasehold improvements   | 1,284            | 137            | 1,284            | 137            |
|  | <u>6,276</u>     | <u>963</u>     | <u>3,846</u>     | <u>963</u>     |
| Total depreciation   |                  |                |                  |                |
| Net foreign exchange losses  | 2,483            | 597            | 2,483            | 597            |
|  | <u>-</u>         | <u>-</u>       | <u>1,671,524</u> | <u>-</u>       |
| Writedown of intercompany loan                                     |                  |                |                  |                |
| Employee benefit and director compensation expense                 | 275,000          | 81,250         | 275,000          | 81,250         |
| Expense of share based payments                                    | 79,600           | 190,080        | 79,600           | 190,080        |
|  | <u>354,600</u>   | <u>271,330</u> | <u>354,600</u>   | <u>271,330</u> |
| Acquisition costs relating to Angela & Pamela uranium applications | 2,115,595        | -              | 2,115,595        | -              |
|  | <u>328,490</u>   | <u>-</u>       | <u>328,490</u>   | <u>-</u>       |
| <b>Credited as income:</b>   |                  |                |                  |                |
| Net gain on disposal of investments                                | 328,490          | -              | 328,490          | -              |

## Notes to the Financial Statements

For the year ended 30 June 2007

|   | Consolidated |           | Company     |           |
|---|--------------|-----------|-------------|-----------|
|   | 2007         | 2006      | 2007        | 2006      |
|   | \$           | \$        | \$          | \$        |
| <b>3. Income Tax Expense</b>  |              |           |             |           |
| Major components of income tax expense for the years ended 30 June 2007 and 2006 are:   |              |           |             |           |
| <b>Income Statement</b>   |              |           |             |           |
| <i>Current income tax</i>   |              |           |             |           |
| - Current income tax charge   |              | -         | -           | -         |
| - Adjustments in respect of current income tax of previous years  | -            | -         | -           | -         |
| Deferred income tax   |              |           |             |           |
| - Relating to origination and reversal of temporary differences   | -            | -         | -           | -         |
| Income tax expense reported in income statement   | -            | -         | -           | -         |
| A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2006 and 2005 is as follows: |              |           |             |           |
| Accounting loss from continuing operations before income tax  | (2,232,680)  | (399,008) | (3,879,827) | (399,088) |
| At the statutory income tax rate of 30% (2006: 30%)   | (669,804)    | (119,702) | (1,163,948) | (119,702) |
| - Expenditure not allowable for income tax purposes   | (23,188)     | 57,203    | (23,188)    | 57,203    |
| - Tax losses not brought to account as a deferred tax asset   | 692,272      | 62,499    | 1,187,136   | 62,499    |
| Income tax reported in income statement   | -            | -         | -           | -         |

## Notes to the Financial Statements

For the year ended 30 June 2007

### 3. Income Tax Expense (continued)

|   | Consolidated     |                | Company          |                |
|---|------------------|----------------|------------------|----------------|
|   | 2007             | 2006           | 2007             | 2006           |
|   | \$               | \$             | \$               | \$             |
| <b>Deferred income tax</b>  |                  |                |                  | -              |
| Recognised on the Balance Sheet   |                  |                |                  |                |
| Deferred income tax at 30 June relates to the following:                        |                  |                |                  |                |
| <i>Deferred income tax liabilities</i>  |                  |                |                  |                |
| - Capitalised expenditure deductible for tax purposes                           | 575,227          | 108,684        | 84,592           | 108,684        |
|   | <u>575,227</u>   | <u>108,684</u> | <u>84,592</u>    | <u>108,684</u> |
| <i>Deferred income tax assets</i>   |                  |                |                  |                |
| - Tax losses  | 575,277          | 108,684        | 84,592           | 108,684        |
|   | <u>575,277</u>   | <u>108,684</u> | <u>84,592</u>    | <u>108,684</u> |
| <i>Net deferred tax asset/(liability)</i>                                       | -                | -              | -                | -              |
| <b>Unrecognised deferred tax assets</b>   |                  |                |                  |                |
| Deferred tax assets have not been recognised in respect of the following items: |                  |                |                  |                |
| - Tax losses  | 1,324,993        | 246,017        | 441,540          | 246,017        |
| - Writedown of intercompany loan  | -                | -              | 1,671,524        | -              |
| - Capital raising costs   | 202,787          | -              | 73,443           | -              |
| - Other   | 10,000           | -              | 10,000           | -              |
|   | <u>1,537,780</u> | <u>246,017</u> | <u>2,196,507</u> | <u>246,017</u> |
| Total   | 1,537,780        | 246,017        | 2,196,507        | 246,017        |
| Potential tax benefit at 30%  | <u>461,334</u>   | <u>73,805</u>  | <u>658,952</u>   | <u>73,805</u>  |

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise benefits.

#### Tax Consolidation

For the purposes of income taxation, the Company and its 100% controlled Australian entity have not elected to form a tax consolidated group. There will be no consequences to the deferred tax assets, deferred tax liability unutilised tax losses by not joining the consolidated tax regime.

## Notes to the Financial Statements

For the year ended 30 June 2007

|  | Consolidated   |                  | Company          |                  |
|--|----------------|------------------|------------------|------------------|
|  | 2007           | 2006             | 2007             | 2006             |
|  | \$             | \$               | \$               | \$               |
| <b>4. Cash and cash equivalents</b>  |                |                  |                  |                  |
| Cash at bank and on hand   | 567,136        | 1,084,297        | 564,498          | 1,084,297        |
| Deposits at call   | 16,248         | 1,011,616        | -                | 1,011,616        |
|  | <u>583,384</u> | <u>2,095,913</u> | <u>564,498</u>   | <u>2,095,913</u> |
| The weighted average interest rate for the year was 5.80%  |                |                  |                  |                  |
| <b>5. Trade and other receivables</b>  |                |                  |                  |                  |
| <b>Current</b>   |                |                  |                  |                  |
| GST receivable   | 83,626         | 15,284           | 13,829           | 15,284           |
| Environmental bond for EL 10004  | 5,000          | 5,000            | 5,000            | 5,000            |
| Loan – Mining House Inc (i)  | 27,849         | 30,332           | 27,849           | 30,332           |
| Other  | 6,211          | -                | -                | -                |
|  | <u>122,686</u> | <u>51,156</u>    | <u>46,678</u>    | <u>51,156</u>    |
| <b>Non-Current</b>   |                |                  |                  |                  |
| Amount receivable from controlled entity   | -              | -                | 1,671,524        | -                |
| Writedown of intercompany loan   | -              | -                | (1,671,524)      | -                |
|  | <u>-</u>       | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| (i) Loan of C\$25,000 provided to Mining House Inc to acquire first right of refusal to Fila Maestra coal project in Venezuela |                |                  |                  |                  |
| <b>6. Financial Assets</b>   |                |                  |                  |                  |
| <b>Current</b>   |                |                  |                  |                  |
| Shares in listed corporations – at fair value  | 184,375        | -                | 184,375          | -                |
|  | <u>184,375</u> | <u>-</u>         | <u>184,375</u>   | <u>-</u>         |
| <b>Non-Current</b>   |                |                  |                  |                  |
| Shares in controlled entities – at fair value  | -              | -                | 3,900,000        | -                |
|  | <u>-</u>       | <u>-</u>         | <u>3,900,000</u> | <u>-</u>         |

## Notes to the Financial Statements

For the year ended 30 June 2007

### 6. Financial Assets (continued)

In the financial statements of the Company, investments in subsidiaries are accounted for at cost and included with other financial assets.

The consolidated entity has the following investments in subsidiaries:

|                          | Class | Country of Incorporation | Investment At Cost |            |
|--------------------------|-------|--------------------------|--------------------|------------|
|                          |       |                          | 2007<br>\$         | 2006<br>\$ |
| <b>Parent Entity</b>     |       |                          |                    |            |
| Segue Resources Limited  | Ord   | Australia                | -                  | -          |
| <b>Controlled Entity</b> |       |                          |                    |            |
| Segue (Pardoo) Limited   | Ord   | Australia                | 3,900,000          | -          |

|   | Consolidated |            | Company    |            |
|---|--------------|------------|------------|------------|
|   | 2007<br>\$   | 2006<br>\$ | 2007<br>\$ | 2006<br>\$ |
| <b>7. Exploration and evaluation</b>    |              |            |            |            |
| Opening balance at 1 July               | 362,280      | -          | 362,280    | -          |
| Exploration assets acquired (note 24)   | 4,443,338    | -          | -          | -          |
| Exploration expenditure during the year | 996,750      | 362,280    | (80,306)   | 362,280    |
| Closing balance at 30 June              | 5,802,368    | 362,280    | 281,974    | 362,280    |

### 8. Property, plant and equipment

|                                     |         |        |         |        |
|-------------------------------------|---------|--------|---------|--------|
| Office equipment                    |         |        |         |        |
| - At cost                           | 25,665  | 8,029  | 14,251  | 8,029  |
| - Accumulated depreciation          | (9,282) | (826)  | (3,387) | (826)  |
| Total office equipment              | 16,383  | 7,203  | 10,864  | 7,203  |
| Leasehold improvements              |         |        |         |        |
| - At cost                           | 12,840  | 12,840 | 12,840  | 12,840 |
| - Accumulated depreciation          | (1,421) | (137)  | (1,421) | (137)  |
| Total leasehold improvements        | 11,419  | 12,703 | 11,419  | 12,703 |
| Total property, plant and equipment | 27,802  | 19,906 | 22,283  | 19,906 |

## Notes to the Financial Statements

For the year ended 30 June 2007

### 8. Property, plant and equipment (continued)

#### Movement in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

|  | Office<br>Equipment | Leasehold<br>Improve | Total   |
|--|---------------------|----------------------|---------|
| <b>Consolidated:</b>                   |                     |                      |         |
| Balance at the beginning of the year   | 7,203               | 12,703               | 19,906  |
| Acquisitions                           | 17,636              | -                    | 17,636  |
| Depreciation expense                   | (8,456)             | (1,284)              | (9,740) |
|  | <hr/>               |                      |         |
| Carrying amount at the end of the year | 16,383              | 11,419               | 27,802  |
| <b>Company:</b>                        |                     |                      |         |
| Balance at the beginning of the year   | 7,203               | 12,703               | 19,906  |
| Acquisitions                           | 6,222               | -                    | 6,222   |
| Depreciation expense                   | (2,561)             | (1,284)              | (3,845) |
|  | <hr/>               |                      |         |
| Carrying amount at the end of the year | 10,864              | 11,419               | 22,283  |

| Consolidated |      | Company |      |
|--------------|------|---------|------|
| 2007         | 2006 | 2007    | 2006 |
| \$           | \$   | \$      | \$   |

### 9. Trade and other payables

|                              |         |         |         |         |
|------------------------------|---------|---------|---------|---------|
| Trade creditors and accruals | 223,020 | 104,580 | 149,359 | 104,580 |
| Other (i)                    | 100,000 | -       | 100,000 | -       |
|                              | <hr/>   |         |         |         |
|                              | 323,020 | 104,580 | 249,359 | 104,580 |

- (i) Convertible note payable to Professional Trading Services SA. The convertible note is due to be repaid by 31 December 2007 or convertible into 750,000 ordinary shares at \$0.1333 per share. There is nil interest payable on the convertible note

## Notes to the Financial Statements

For the year ended 30 June 2007

|  | Consolidated |           | Company    |           |
|--|--------------|-----------|------------|-----------|
|  | 2007         | 2006      | 2007       | 2006      |
|  | \$           | \$        | \$         | \$        |
| <b>10. Issued Capital</b>                    |              |           |            |           |
| <b>Share capital</b>                         |              |           |            |           |
| Ordinary shares fully paid                   | 8,797,285    | 2,671,285 | 8,797,285  | 2,671,285 |
|  | Consolidated |           | Company    |           |
|  | Number       | \$        | Number     | \$        |
| <b>Movements in ordinary shares on issue</b> |              |           |            |           |
| At 1 July 2006                               | 10,512,350   | 2,671,285 | 10,512,350 | 2,671,285 |
| Issued on 7 December 2006                    | 6,000,000    | 3,900,000 | 6,000,000  | 3,900,000 |
| Issued on 12 February 2007                   | 2,450,000    | 1,764,000 | 2,450,000  | 1,764,000 |
| Issued on 12 February 2007 (i)               | 40,000       | 20,000    | 40,000     | 20,000    |
| Share split on 21 April 2007 (ii)            | 38,004,700   | -         | 38,004,700 | -         |
| Issued on 22 May 2007                        | 300,000      | 42,000    | 300,000    | 42,000    |
| Issued on 22 May 2007 (iii)                  | 2,062,500    | 275,000   | 2,062,500  | 275,000   |
| Issued on 30 May 2007 (iii)                  | 937,500      | 125,000   | 937,500    | 125,000   |
| At reporting date                            | 60,307,050   | 8,797,285 | 60,307,050 | 8,797,285 |

(i) Share options converted

(ii) 3:1 share split as approved by shareholders at the general meeting conducted on 12 April 2007

(iii) Convertible notes converted

### Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

|  | Consolidated |         | Company |         |
|--|--------------|---------|---------|---------|
|  | 2007         | 2006    | 2007    | 2006    |
|  | \$           | \$      | \$      | \$      |
| <b>11. Reserves</b>                    |              |         |         |         |
| Option reserve – balance 1 July 2006   | 190,080      | -       | 190,080 | -       |
| Options issued to directors/management | 79,600       | 190,080 | 79,600  | 190,080 |
| Option reserve – balance 30 June 2007  | 269,680      | 190,080 | 269,680 | 190,080 |

The purpose of the reserve is to record share based payment transactions.



## Notes to the Financial Statements

For the year ended 30 June 2007

|  | Consolidated |         | Company   |         |
|--|--------------|---------|-----------|---------|
|  | 2007         | 2006    | 2007      | 2006    |
|  | \$           | \$      | \$        | \$      |
| <b>12. Accumulated Losses</b>                  |              |         |           |         |
| Balance at the beginning of the financial year | 436,690      | 37,682  | 436,690   | 37,682  |
| Net loss attributable to members               | 2,232,680    | 399,008 | 3,879,827 | 399,008 |
| Balance at the end of the financial year       | 2,669,370    | 436,690 | 4,316,517 | 436,690 |

|  | Consolidated |           |
|--|--------------|-----------|
|  | 2007         | 2006      |
|  | \$           | \$        |
| <b>13. Earnings Per Share</b>  |              |           |
| The following reflects the income and share data used in the calculations of basic and diluted earnings per share: |              |           |
| Losses used in calculating basic and diluted earnings per share  | 2,232,680    | 399,008   |
| Weighted average number of ordinary shares used in calculating basic and diluted earnings per shares               | 44,820,557   | 8,466,427 |

|   | Consolidated |        | Company |        |
|---|--------------|--------|---------|--------|
|   | 2007         | 2006   | 2007    | 2006   |
|   | \$           | \$     | \$      | \$     |
| <b>14. Auditor's Remuneration</b>                                     |              |        |         |        |
| Amounts received or due and received by PKF for:                      |              |        |         |        |
| An audit or review of the financial report of the Consolidated Entity | 21,043       | 15,388 | 21,043  | 15,388 |
| Completion of Investigating Accountants Report for the IPO prospectus | -            | 4,743  | -       | 4,743  |
| Taxation advice   | 6,000        | -      | 6,000   | -      |
| Total remuneration  | 27,043       | 20,131 | 27,043  | 20,131 |

### 15. Contingent Assets and Liabilities

There are no material contingent assets or liabilities as at 30 June 2007

## Notes to the Financial Statements

For the year ended 30 June 2007

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### 16. Subsequent Events

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

### 17. Commitments

The consolidated entity has certain minimum obligations in pursuance of the terms and conditions of tenement licences in the forthcoming year. Whilst these obligations are capable of being varied from time to time, in order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2007/08 amounts of approximately \$63,000. These obligations are expected to be fulfilled in the normal course of operations.

### 18. Segment Reporting

The consolidated entity operates in one business and geographical segment being mineral exploration and prospecting for minerals in Australia.

### 19. Financial Risk Management Objectives and Policies

The consolidated entity's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to fund the Company's operations.

The consolidated entity has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the consolidated entity's financial instruments are interest rate risk, liquidity risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

The consolidated entity also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the year is discussed in note 20.

#### *Interest Rate Risk*

The consolidated entity's exposure to market risk for changes in interest rates relates primarily to the consolidated entity's cash and short-term deposits. The consolidated entity manages this risk by monitoring market interest rates.

#### *Credit Risk*

The consolidated entity trades only with recognised, creditworthy third parties.

It is the consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the consolidated entity's exposure to bad debts is nil.

# Notes to the Financial Statements

For the year ended 30 June 2007

## 20. Financial Instruments

### Interest Rate Exposure

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

| 2007                           | Floating<br>Interest rate<br>\$ | Non Interest<br>Bearing<br>\$ | Total<br>\$ |
|--------------------------------|---------------------------------|-------------------------------|-------------|
| <b>Financial Assets</b>        |                                 |                               |             |
| Cash and cash equivalents      | 583,384                         | -                             | 583,384     |
| Receivables                    | -                               | 122,686                       | 122,686     |
| Financial assets               | -                               | 184,375                       | 184,375     |
|                                | <hr/>                           | <hr/>                         | <hr/>       |
|                                | 583,384                         | 307,061                       | 890,445     |
| Weighted average interest rate | 5.80%                           |                               |             |
| <b>Financial Liabilities</b>   |                                 |                               |             |
| Trade and other payables       | -                               | 323,020                       | 323,020     |
|                                | <hr/>                           | <hr/>                         | <hr/>       |
|                                | -                               | 323,020                       | 323,020     |
|                                | <hr/>                           | <hr/>                         | <hr/>       |
| <b>2006</b>                    |                                 |                               |             |
|                                | Floating<br>Interest rate<br>\$ | Non Interest<br>Bearing<br>\$ | Total<br>\$ |
| <b>Financial Assets</b>        |                                 |                               |             |
| Cash and cash equivalents      | 2,095,913                       | -                             | 2,095,913   |
| Receivables                    | -                               | 51,156                        | 51,156      |
|                                | <hr/>                           | <hr/>                         | <hr/>       |
|                                | 2,095,913                       | 51,156                        | 2,147,069   |
| Weighted average interest rate | 5.6%                            |                               |             |
| <b>Financial Liabilities</b>   |                                 |                               |             |
| Trade and other payables       | -                               | 104,580                       | 104,580     |
|                                | <hr/>                           | <hr/>                         | <hr/>       |
|                                | -                               | 104,580                       | 104,580     |
|                                | <hr/>                           | <hr/>                         | <hr/>       |

## 21. Key Management Personnel Disclosures

- (a) The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period

### Directors

Robert Cross  
Glenn Whiddon  
Robert Downey  
John Arbuckle

## Notes to the Financial Statements

For the year ended 30 June 2007

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### 21. Key Management Personnel Disclosures (continued)

#### (b) Key management personnel compensation

The key management personnel compensation included in employee benefit and director compensation expenses are as follows:

|                              | Consolidated   |                | 2007           | Company<br>2006 |
|------------------------------|----------------|----------------|----------------|-----------------|
|                              | 2007           | 2006           |                |                 |
|                              | \$             | \$             | \$             | \$              |
| Short-term employee benefits | 275,000        | 179,900        | 275,000        | 179,900         |
| Post employment benefits     | -              | -              | -              | -               |
| Equity compensation benefits | -              | 190,080        | -              | 190,080         |
|                              | <u>275,000</u> | <u>369,980</u> | <u>275,000</u> | <u>369,980</u>  |

#### (c) Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors' Report.

Apart from details disclosed in this note, no director has entered into a material contract with the consolidated entity since the end of the previous financial year and there was no material contracts involving directors interests existing at year end.

#### (d) Other key management personnel transactions with the Company

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions on an arms-length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

## Notes to the Financial Statements

For the year ended 30 June 2007

### 21. Key Management Personnel Disclosures (continued)

|                          | Consolidated |            | 2007<br>\$ | Company<br>2006<br>\$ |
|--------------------------|--------------|------------|------------|-----------------------|
|                          | 2007<br>\$   | 2006<br>\$ |            |                       |
| Robert Cross (i)         | 25,000       | -          | 25,000     | -                     |
| Glenn Whiddon (ii), (v)  | 152,009      | 58,583     | 152,009    | 58,583                |
| Robert Downey (iii), (v) | 131,609      | 65,133     | 131,609    | 65,133                |
| John Arbuckle (iv), (v)  | 194,409      | 85,683     | 194,409    | 85,683                |

- (i) Mr Cross' services as a director were provided by Paloduro Investments Inc for which the consolidated entity was charged \$25,000.
- (ii) Mr Whiddon's services as a director were provided by Lagral Capital SCP for which the consolidated entity was charged \$25,000. Lagral Capital SCP was also paid consulting fees of \$51,000 for services provided outside of his duties as a director.
- (iii) Mr Downey's services as a director were provided by Quantum Vis Pty Ltd for which the consolidated entity was charged \$25,000. Quantum Vis Pty Ltd was also paid consulting fees of \$30,600 for services rendered by Mr Downey outside of his duties as a director.
- (iv) Mr Arbuckle's services as a director were provided by Maybach Consulting Pty Ltd for which the consolidated entity was charged \$25,000. Maybach Consulting Pty Ltd was also paid \$93,400 for company secretarial services provided by Mr Arbuckle.
- (v) During the financial period Westwind Capital Pty Ltd to which Messrs Whiddon, Downey and Arbuckle are directors and shareholders charged the consolidated entity \$76,009 for the provision of administrative and office services, provided on normal commercial terms and conditions.

#### (e) Options and Rights Holdings

|                  | Balance<br>1 July 2006 | Granted as<br>Remuneration | Options<br>Exercised | Net<br>Change<br>Other | Balance<br>30 June 2007 |
|------------------|------------------------|----------------------------|----------------------|------------------------|-------------------------|
| <b>Directors</b> |                        |                            |                      |                        |                         |
| R Cross          | 393,750                | -                          | -                    | 787,500                | 1,181,250               |
| G Whiddon        | 393,750                | -                          | -                    | 787,500                | 1,181,250               |
| R Downey         | 200,000                | -                          | -                    | 400,000                | 600,000                 |
| J Arbuckle       | 210,000                | -                          | -                    | 420,000                | 660,000                 |
|                  | <u>1,197,500</u>       | <u>-</u>                   | <u>-</u>             | <u>2,395,000</u>       | <u>3,622,500</u>        |

Options disclosed under "Net Change Others" refer to options that were allocated under the 3:1 share split.

## Notes to the Financial Statements

For the year ended 30 June 2007

### 21. Key Management Personnel Disclosures (continued)

#### (f) Shareholdings

|                  | Balance<br>1 July 2006 | Granted as<br>Remuneration | Options<br>Exercised | Net<br>Change<br>Other | Balance<br>30 June 2007 |
|------------------|------------------------|----------------------------|----------------------|------------------------|-------------------------|
| <b>Directors</b> |                        |                            |                      |                        |                         |
| R Cross          | 193,750                | -                          | -                    | 387,500                | 581,250                 |
| G Whiddon        | 193,850                | -                          | -                    | 397,000                | 581,550                 |
| R Downey         | 100                    | -                          | -                    | 200                    | 300                     |
| J Arbuckle       | 20,100                 | -                          | -                    | 40,200                 | 60,300                  |
|                  | <hr/>                  |                            |                      |                        |                         |
|                  | 407,800                | -                          | -                    | 815,600                | 1,223,400               |

Shares disclosed under "Net Change Others" refer to options that were allocated under the 3:1 share split and on market acquisitions or disposals.

|  | Consolidated |      | Company     |      |
|--|--------------|------|-------------|------|
|  | 2007         | 2006 | 2007        | 2006 |
|  | \$           | \$   | \$          | \$   |
| <b>(g) Loans to 100% controlled entities</b> |              |      |             |      |
| Receivables (Note 5)                         |              |      |             |      |
| - Segue (Pardoo) Limited                     | -            | -    | 1,671,524   | -    |
| - Writedown of intercompany loan             | -            | -    | (1,671,524) | -    |
|  | <hr/>        |      |             |      |
|  | -            | -    | -           | -    |

Loans outstanding between the Company and its controlled entity have no fixed date of repayment and are non-interest bearing.

### 22. Share Based Payment

Share based payments are provided to directors, consultants and other advisors.

The issue to each individual director, consultant or advisor is controlled by the Board and the ASX Listing Rules. Terms and conditions of the payments, including the grant date, vesting date, exercise price and expiry date are determined by the Board, subject to shareholder approval where required.

On 12 April 2007, 200,000 (2006: 900,000) options with a fair value of \$0.40 (2006: \$0.21) each were granted over ordinary shares with an exercise price of \$0.60 (2006: \$0.60) each, vesting immediately and exercisable until 30 June 2010 (2006: 30 June 2010).

These options are not listed and may not be traded.

The fair value of the options are estimated at the date of grant using the binomial model. The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2007.

## Notes to the Financial Statements

For the year ended 30 June 2007

22.

### Share Based Payment (Continued)

|                                 | 2007 | 2006 |
|---------------------------------|------|------|
| Dividend yield (%)              | -    | -    |
| Expected volatility (%)         | 60   | 40   |
| Risk-free interest rate (%)     | 5.9  | 5.5  |
| Expected life of option (years) | 3.2  | 4.0  |
| Option exercise price (\$)      | 0.60 | 0.60 |
| Share price at grant date (\$)  | 0.75 | 0.75 |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.

During the year ended 30 June 2007, nil options were exercised over ordinary shares.

Movement in number of share options held by directors, consultants and advisors:

|  | 2007<br>No.      | 2006<br>No.    |
|--|------------------|----------------|
| Outstanding at the beginning of the year | 900,000          | -              |
| Granted during the year                  | 200,000          | 900,000        |
| Forfeited during the year                | -                | -              |
| Exercised during the year                | -                | -              |
| Expired during the year                  | -                | -              |
| Adjustment due to share split            | 2,200,000        | -              |
| Outstanding at the end of the year       | <u>3,300,000</u> | <u>900,000</u> |
| Exercisable at the end of the year       | 3,300,000        | 900,000        |

- (i) On 22 May 2007, the Company effected a 3:1 share split which resulted in the proportional adjustment to the number of options on issue. That is the balance of the options increased to 3,300,000 and the exercise price was reduced to \$0.20. The expiry date was unchanged.

The weighted average contractual life for the share options outstanding as at 30 June 2007 is 3 years (2006: 4 years).

Share options issued and outstanding at the end of the year have the following exercise prices:

| Expiry Date  | Exercise price | 2007<br>No.      | 2006<br>No.    |
|--------------|----------------|------------------|----------------|
| 30 June 2010 | 0.20           | <u>3,300,000</u> | <u>900,000</u> |

## Notes to the Financial Statements

For the year ended 30 June 2007

### 22. Share Based Payment (Continued)

Expenses reflected in the Income Statement are as follows

|  | 2007          | 2006           |
|--|---------------|----------------|
|  | \$            | \$             |
| Share options granted in 2006 - equity settled |               | 190,080        |
| Share options granted in 2007 - equity settled | 79,600        |                |
|  | <u>79,600</u> | <u>190,080</u> |

### 23. Reconciliation of Cash Flows from Operating Activities

|  | Consolidated     |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2007             | 2006             | 2007             | 2006             |
|  | \$               | \$               | \$               | \$               |
| <b>Cash flows from operating activities</b>            |                  |                  |                  |                  |
| Loss for the year                                      | (2,232,680)      | (399,008)        | (3,879,827)      | (399,008)        |
| Non-cash flows in profit:                              |                  |                  |                  |                  |
| - Depreciation   | 6,276            | 963              | 3,846            | 963              |
| - Share based remuneration                             | 79,600           | 190,080          | 79,600           | 190,080          |
| - Exploration and evaluation - Angela and Pamela costs | 1,806,000        | -                | 1,806,000        | -                |
| - Profit on sale of equity investments                 | (328,490)        | -                | (328,490)        | -                |
| - Revaluation of equity investments to fair value      | (159,375)        | -                | (159,375)        | -                |
| - Unrealised foreign exchange loss                     | 2,484            | -                | 2,484            | -                |
| - Writedown of intercompany loan                       | -                | -                | 1,671,524        | -                |
| Changes in assets and liabilities                      |                  |                  |                  |                  |
| - Decrease/(increase) in trade receivables             | (74,013)         | (12,002)         | 1,995            | (12,002)         |
| - Increase/(decrease) in trade creditors and accrual   | 118,439          | 62,645           | 44,778           | 62,645           |
| Net cash from operating activities                     | <u>(781,759)</u> | <u>(157,322)</u> | <u>(757,465)</u> | <u>(157,322)</u> |

### Non-cash Financing and Investing Activities

In 2005/06 the consolidated entity issued 500,000 shares at 50 cents per share to Arafura Resources NL as part consideration of the acquisition of exploration licence EL 10004.



## Notes to the Financial Statements

For the year ended 30 June 2007

### 24. Business Combinations

#### Acquisition of Westralian Nickel Limited

On 31 August 2006, Segue Resources Limited acquired 100% of the voting shares of Westralia Nickel Limited, an unlisted public company based in Australia specialising in mineral exploration.

The total cost of the combination was \$4,200,000 and comprised an issue of equity instruments and costs directly attributable to the combination. The Group issued 6,000,000 ordinary shares with a fair value of \$0.65 each, based on the quoted price of the shares of Segue Resources at the date of exchange. The Group also issued 6,000,000 options exercisable at \$2 on or before 31 August 2009, and paid creditors up to the value of \$300,000.

The fair value of the identifiable assets and liabilities of Westralian Nickel Limited as at the date of acquisition are:

|  | <b>Consolidated</b>  |                       |
|--|----------------------|-----------------------|
|  | <b>Recognised on</b> | <b>Carrying value</b> |
|  | <b>acquisition</b>   |                       |
|  | <b>\$</b>            | <b>\$</b>             |
| Property Plant & Equipment                     | 3,724                | 3,724                 |
| Exploration and Evaluation                     | 258,343              | 258,343               |
| Cash and cash equivalents                      | 16,093               | 16,093                |
|  | <u>278,160</u>       | <u>278,160</u>        |
| Trade payables                                 | 263,155              | 263,155               |
|  | <u>263,155</u>       | <u>263,155</u>        |
| Fair value of identifiable net assets          | 15,005               | 15,005                |
| Tenement acquisition costs                     | 4,184,995            |                       |
|  | <u>4,200,000</u>     |                       |
| Cost of the combination:                       |                      |                       |
| Shares and options issued, at fair value       | 3,900,000            |                       |
| Settlement to creditors                        | 300,000              |                       |
| Total cost of the combination                  | <u>4,200,000</u>     |                       |
| The cash outflow on acquisition is as follows: |                      |                       |
| Net cash acquired with the subsidiary          | 16,093               |                       |
| Cash paid                                      | -                    |                       |
| Net cash outflow                               | <u>16,093</u>        |                       |

From the date of acquisition, Westralian Nickel Limited has contributed \$24,377 to the accumulated losses of the Group.

The Directors have reviewed the excess value of the tenement acquisition costs over the acquisition price and determined that the full amount be carried forward. This is based on the review conducted at the time by an independent geologist, who advised that aeromagnetic, airborne radiometric and ground electromagnetic surveys conducted by Westralian Nickel Limited had indicated the presence of significant nickel/copper and base metals targets and potential for platinum group elements, uranium mineralisation and iron ore deposits. Therefore, the leases have the potential to contain a world class deposit and the purchase price paid was considered reasonable.

## Directors' Declaration

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In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) This declaration has been made after receiving the declarations required to be made to the directors in accordance with Sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2007 and is made in accordance with a resolution of the Directors.



**Robert Downey**  
**Director**

Perth, Western Australia  
28 September 2007

## INDEPENDENT AUDIT REPORT

### TO THE MEMBERS OF SEGUE RESOURCES LIMITED

#### **Report on the Financial Report and AASB 124 remuneration disclosures contained in the directors report**

We have audited the accompanying financial report of Segue Resources Limited and its controlled entity, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about remuneration of directors and executives ('remuneration disclosures') required by accounting standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 12 to 15 of the directors' report and not in the financial report.

*Directors' Responsibility for the Financial Report and AASB 124 remuneration disclosures contained in the directors report.*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' of the company are also responsible for the remuneration disclosures contained in the directors' report.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the

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assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

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

#### *Auditor's Opinion*

In our opinion the financial report of Segue Resources Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

#### **Report on Other Legal and Regulatory Requirements**

*Auditors opinion on the AASB 124 remuneration disclosures contained in the directors' report.*

In our opinion the remuneration disclosures that are contained in pages 12 to 15 of the directors' report comply with Accounting Standard AASB 124.



**PKF**  
Chartered Accountants



**Neil Smith**  
Partner

Dated in Perth, Western Australia, dated this 28<sup>th</sup> day of September 2007

## Shareholders Information

As at 17 September 2007

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1. The total number of issued fully paid ordinary shares was 60,307,050

2. The distribution of holdings was:

|                    | <b>Shares</b>     | <b>Options</b>   |
|--------------------|-------------------|------------------|
| 1 - 1,000          | 1,039             | -                |
| 1,001 - 5,000      | 103,386           | 6,627            |
| 5,001 - 10,000     | 204,225           | 1,018,000        |
| 10,001 - 100,000   | 6,844,815         | 1,423,160        |
| 100,001 - and over | 53,153,585        | 816,213          |
| Total              | <u>60,307,050</u> | <u>3,264,000</u> |
| Voting rights      | Full              | None             |

3. The number of holders of less than a marketable parcel of fully paid shares is 3.

4. Substantial shareholders (ie. shareholders who hold 5% or more of the issued capital):

|   | <b>Number of<br/>Shares</b> | <b>Percentage<br/>Held</b> |
|---|-----------------------------|----------------------------|
| Mr Norm McCleary (the Green Possum Fund)    | 6,900,000                   | 11.44                      |
| Sunbeam Securities Pty Ltd <Sunbeam SF A/C> | 4,813,750                   | 7.98                       |
| Vogue Overseas SA                           | 4,406,250                   | 7.31                       |
| New Resource Holdings Pty Ltd               | 3,845,120                   | 6.38                       |
| Bank Sal Oppenheim Jr & CIE (Switz) AG      | 3,468,750                   | 5.75                       |
| Professional Trading Services SA            | 3,262,500                   | 5.41                       |

## Shareholders Information

As at 17 September 2007

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### 5. Top 20 Shareholders

|   | <b>Number of<br/>Shares</b> | <b>Percentage<br/>Held</b> |
|---|-----------------------------|----------------------------|
| Mr Norm McCleary <the Green Possum Fund>    | 6,900,000                   | 11.44                      |
| Sunbeam Securities Pty Ltd <Sunbeam SF A/C> | 4,813,750                   | 7.98                       |
| Vogue Overseas SA                           | 4,406,250                   | 7.31                       |
| New Resource Holdings Pty Ltd               | 3,845,120                   | 6.38                       |
| Bank Sal Oppenheim Jr & CIE (Switz) AG      | 3,468,750                   | 5.75                       |
| Professional Trading Services SA            | 3,262,500                   | 5.41                       |
| HSBC Custody Nominees (Australia) Ltd       | 1,808,597                   | 2.99                       |
| Aton Select Fund Limited                    | 1,350,000                   | 2.24                       |
| Asset Protection Fund Limited               | 1,200,000                   | 1.99                       |
| Blackmort Nominees Pty Ltd                  | 1,169,748                   | 1.94                       |
| Midas Investments International Ltd         | 984,714                     | 1.63                       |
| Woodrose Limited                            | 926,250                     | 1.54                       |
| Professional Trading Services SA            | 918,428                     | 1.52                       |
| Bank Sal Oppenheim Jr & Cie (Schweis) AG    | 862,500                     | 1.43                       |
| Baltic Capital Limited                      | 862,500                     | 1.43                       |
| Sibinvestment Limited                       | 843,750                     | 1.39                       |
| Wisevest Pty Ltd                            | 700,000                     | 1.16                       |
| Petroleum Ventures Pty Ltd                  | 603,000                     | 1.00                       |
| Mr Robert Cross                             | 581,250                     | 0.96                       |
| Sunvale Nominees Pty Ltd                    | 560,000                     | 0.93                       |
|   | <hr/>                       |                            |
|   | 40,067,107                  | 66.42                      |
|   | <hr/>                       |                            |

## Shareholders Information

As at 17 September 2007

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### 6. Top 20 Optionholders

|   | <b>Number of<br/>Shares</b> | <b>Percentage<br/>Held</b> |
|---|-----------------------------|----------------------------|
| Ord Superannuation Pty Ltd                | 387,000                     | 11.86                      |
| L Zaninovich Pty Ltd                      | 210,000                     | 6.43                       |
| Mrs Maria Ann Munyard                     | 115,713                     | 3.54                       |
| Mr Scott Duncan & Mrs Shelley Duncan      | 103,500                     | 3.17                       |
| Mr Adam Stuart Davey                      | 78,000                      | 2.39                       |
| P&F George Pty Ltd                        | 75,000                      | 2.30                       |
| Truwest Pty Ltd                           | 66,000                      | 2.02                       |
| Mr Stefan Hicks                           | 66,000                      | 2.02                       |
| Mr Rowan Jasper                           | 60,400                      | 1.85                       |
| Mr Nicholas Koreneff & Mrs Linda Koreneff | 60,000                      | 1.84                       |
| Westedge Investments Pty Ltd              | 60,000                      | 1.84                       |
| Dalkeith Resources Pty Ltd                | 60,000                      | 1.84                       |
| Troca Enterprises Pty Ltd                 | 48,000                      | 1.47                       |
| Ms Jeanette Terpens                       | 46,160                      | 1.41                       |
| Walthamstow Pty Ltd                       | 40,500                      | 1.24                       |
| Mr Weili Yang                             | 36,000                      | 1.10                       |
| Dr Henry Kristall                         | 36,000                      | 1.10                       |
| Ms Rebekah O'Loughlin                     | 33,500                      | 1.03                       |
| Mrs Judith Smith                          | 33,000                      | 1.01                       |
| Mr Julian Coyne                           | 30,000                      | 0.92                       |
|   | <hr/>                       |                            |
|   | 1,644,773                   | 50.38                      |
|   | <hr/>                       |                            |