SEGUE RESOURCES LTD

ABN 49 112 609 846

ANNUAL REPORT

For the year ended 30 June 2006

Corporate Directory

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

Dear Shareholder,

On behalf of your Directors, I am pleased to present you with the Company's 2006 Annual Report and Financial Statements.

The last 12 months have been very important for Segue with the Company being admitted to the official list of the ASX on 26 October 2005. We were extremely pleased to see that the offer closed oversubscribed and that the Company has not traded under its listing price, which indicates the market's support for Segue.

Due to an extended wet season in the Northern Territory, the Company has only conducted a limited exploration programme at the Coronet Hill project. However, this has enabled us to use the time effectively to ensure that all necessary government and native title approvals are in place.

Currently, the Company is completing a geophysical survey at Coronet Hill to better understand the nature of the mineralisation in the project and to generate targets for drill testing.

From a corporate perspective, the Company has been very economic with the management of its finances. In September 2006, the shareholders approved the Company entering into a farmin agreement with North River Resources Pty Ltd ("NRR"). This arrangement will allow NRR to earn up to a 51% interest in the Coronet Hill project through the expenditure of up to the Australian dollar equivalent of £2,000,000.

Whilst this agreement is conditional upon NRR's parent entity being listed on the Alternative Investment Market of London's Stock Exchange plc, the farmin will allow Segue to de-risk its exposure to Coronet Hill and use its cash resources to source other potential projects.

In this regard, the Directors were pleased to announce in August 2006, that they had entered into a conditional agreement to acquire 100% of the issued capital of Westralian Nickel Limited ("Westralian"). Westralian owns 2 tenements in the Pilbara region of Western Australia, which have the potential to host significant resources of nickel, copper and platinum group elements.

The Directors seek your support at the forthcoming Annual General Meeting to approve the acquisition of the Westralian shares, as we believe the Westralian tenements may contain world class resources.

I would like to express my appreciation to my fellow Directors for their tireless efforts in listing Segue and to thank all the shareholders who have supported the Company over the last 12 months.

Robert Cross
Chairman

Directors' Report

The Directors present their report on Segue Resources Limited for the year ended 30 June 2006 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 Alumbrera 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

Chairman of Northern Orion Resources Inc (director since 2001); Chairman and Non-Executive Director of Bankers Petroleum Limited (director since 2004); Non-Executive Director of Berna Gold Limited (director since 2003); and Non-Executive Director of UrAsia Energy Ltd (director since 2005). All four companies are listed on the Toronto Stock Exchange.

Former directorships in last 3 years

Non- Executive Director of Gyzer Capital Inc (resigned 2004) and Nikos Exploration Ltd (resigned 2004). Both 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 currently CEO of Grove Energy Limited, an oil and gas exploration company listed on the Toronto Venture Exchange ("TSXV") and the Alternative Investment Market of London Stock Exchange plc ("AIM").
Mr Whiddon is Chairman of Segue's audit committee and is a member of the remuneration and nomination committees.

Other current directorships

Executive Director of Grove Energy Limited (director since 1996); Non-Executive Director of Statesman Resources Limited (a TSXV listed company) (directors since 2004); and Non-Executive Director of Omegacorp Limited (director since 2006) and Rialto Energy Limited (director since 2005) (both ASX listed companies).

Former directorships in last 3 years

None

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 currently the Company Secretary of Grove Energy Limited and a director of Atlantic Mining plc, an unlisted public company in the United Kingdom.

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

Other current directorships

None

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 was appointed as a director of Segue on 3 April 2006 and is a member of the remuneration and nomination committees.

Other current directorships

Non-Executive Director of Prosperity Minerals Limited (director since 2006).

Former directorships in last 3 years

None

Company Secretary

Mr Arbuckle, who is shown above, is the Company Secretary and is also the Company Secretary of Rialto Energy Limited. Mr Arbuckle was appointed to the position of Company Secretary on 18 July 2005.

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

In July 2005, the Company entered into an agreement with Arafura Resources NL to purchase exploration licence EL10004 ("Tenement") and all information in the possession or custody of Arafura with respect of the Tenement. The purchase price for the Tenement and mining information was $50,000 and the issue to Arafura of 500,000 shares.

On 26 October 2005, the Company was admitted to the official list of the ASX after its initial public offering ("IPO") closed oversubscribed. The Company raised $1,088,000 by the issue of 2,176,000 shares. The funds raised will be used primarily to undertake the exploration programme at EL10004, meet the expenses of the initial public offering and to provide working capital for the first two years of operation.

In March 2006, the Exploration Operations Management Plan was submitted and accepted by the NT Department of Primary Industry, Fisheries and Mines, and the Aboriginal Areas Protection Certificate was approved for road building, drill pad construction and exploration drilling.

During the financial year, the Company was restricted in its ability to conduct field exploration activities at EL 10004 until June due an extended wet season in the Northern Territory. Consequently, the Company concentrated its efforts on compiling and analysing existing data. In June, work was concentrated on repairing the road to the tenement which enabled a soil sampling program to be conducted in July.

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

The operating loss of the Company after providing for income tax of nil (2005: nil) was $399,007 (2005: $37,682). The current year loss includes $190,080 in share based remuneration paid to directors as a result of options that were granted at the annual general meeting on 22 June 2006.

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

North River Resources Farm-In

On 26 July 2006, Segue announced that it had entered into a farmin agreement with North River Resources Pty Ltd ("NRR") pursuant to which NRR will have the right to earn up to a 51% interest in EL 10004 through the expenditure of up to the AUD equivalent of £2,000,000.

The proposed farmin is conditional upon North River Resources plc (the proposed parent company of NRR) raising £650,000 and having its securities admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). The shareholders of Segue approved the proposed transaction at a General Meeting of the Company conducted on 8 September 2006.

Under the farmin agreement, NRR may earn up to a 51% interest in EL 10004 in two tranches:

- Initially NRR must spend a minimum of the AUD equivalent of £500,000 within the first 2 years to earn a 20% interest. Of this amount NRR must expend a minimum of the AUD equivalent of £100,000 within 30 days of the completion under the farmin agreement on the current work program. At any time after payment of the £100,000, NRR may withdraw from the farmin agreement.

- NRR may increase its ownership of EL 10004 from 20% to 51% through the expenditure of a further AUD equivalent £1,500,000 within 4 years of the completion under the farmin agreement.

Segue will act as the manager of the joint venture until such time as NRR earns a 51% interest.

Conditional Purchase of Westralian Nickel Limited

On 31 August 2006, Segue announced that it had entered into a conditional share sale agreement ("Agreement") to acquire 100% of the issued share capital of Westralian Nickel Limited ("Westralian").

On completion of the transaction (ie acquisition of 100% of the issued share capital of Westralian), Segue will issue to the shareholders of Westralian:

1. 6,000,000 ordinary fully paid shares in the capital of Segue at a deemed issue price of $0.70 each ("Consideration Shares"); and
2. 6,000,000 options to acquire fully paid ordinary shares in the capital of Segue on the basis of one option for each Consideration Share with an exercise price of $2.00 and an expiry date of 31 August 2009.

As part of the consideration, Segue will also pay $300,000 to the creditors of Westralian.

The transaction contemplated by the Agreement is subject to the following conditions being satisfied or waived:

(a) Completion of due diligence by Segue;

(b) There being no legal claims or outstanding creditors of Westralian;

(c) That all creditors of Westralian have been paid in full and that all management, employment and consultancy agreements have been validly terminated; and

(d) The shareholders of Segue passing all resolutions as are required under the ASX Listing Rules and the Corporations Act to give effect to the transaction contemplated by the Agreement

Settlement of the transaction will occur in 2 stages. Upon satisfaction of conditions (a), (b) and (c) above, Segue will assume control of the board and the assets and liabilities of Westralian in consideration for all share certificates, instruments of transfer and executed copies of this Agreement being held in escrow by Segue's solicitors. The final settlement, and the issue of the Consideration Shares and options will occur upon the satisfaction of the condition (d) above. If Segue is unable to obtain approval for the transaction from its shareholders, control of Westralian will revert to the original shareholders and directors.

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.

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

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).

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 ("Rimfire"), Segue engaged Rimfire 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 Rimfire 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 Rimfire 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.

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	7	7	2	2
Glenn Whiddon	7	7	2	2
Robert Downey	7	7	2	2
John Arbuckle	3	3	-	-

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.

2006	**Short-term Benefits**			**Post-employment benefits**	**Share-based Payment**	
Name	**Salary and Fees $**	**Cash Bonus $**	**Non-Monetary Benefit $**	**Super-annuation $**	**Options $**	**Total $**
Directors						
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.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	**Expiry Date**	**Fair value per option**	**Exercise Price**	**Estimated Volatility**	**Risk Free Interest Rate**
22 June 2006	30 June 2010	$0.2112	$0.60	40%	5.50%

All options refer to options over ordinary shares of Segue Resources Limited which are exercisable on a one for one basis.

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:

	Ordinary Shares		Options	
Name	**Direct**	**Indirect**	**Direct**	**Indirect**
R Cross	193,750	-	393,750	-
G Whiddon	-	193,850	250,000	143,750
R Downey	-	100	200,000	-
J Arbuckle	20,000	100	210,000	-

Options over Unissued Capital

During or since the end of the financial year the Company granted options to the following directors:

Director	Number Issued	Numb er Vested	Exercise Price	Expiry Date	Fair Value per Option at Grant Date
R Cross	250,000	-	$0.60	30 June 2010	$0.2112
G Whiddon	250,000	-	$0.60	30 June 2010	$0.2112
R Downey	200,000	-	$0.60	30 June 2010	$0.2112
J Arbuckle	200,000	-	$0.60	30 June 2010	$0.2112

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

Number	Exercise Price	Expiry Date
5,656,250	$0.25	30 June 2010
1,840,000	$0.50	30 June 2010
130,560	$0.50	30 June 2008
1,088,000	$1.00	30 June 2010
900,000	$0.60	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 are important.

Details of the amounts paid or payable to PKF for audit and non-audit services provided during the year are set out in the notes to the financial report.

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, 29 September 2006

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF SEGUE RESOURCES LIMITED

As lead engagement partner for the audit of Segue Resources Limited for the year ended 30 June 2006, 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

PKF
Chartered Accountants

Neil Smith
Partner

Dated at Perth this 29th day of September 2006.

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Corporate Governance Statement

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. 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.

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 qualifies advisor a 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.

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 2006

	Notes	2006 $	2005 $
Continuing Operations			
Other income	2	93,066	1,056
Other expenses	3	(492,073)	(38,738)
Loss before income tax		(399,008)	(37,682)
Income tax expense	4	-	-
Loss attributable to members of Segue Resources Limited	13	(399,008)	(37,682)
		Cents per share	**Cents per share**
Earnings per share (cents per share)			
- basic loss per share (cents per share)	14	(4.71)	(37,682)
- diluted loss per share (cents per share)	14	(4.71)	(37,682)

Balance Sheet
As at 30 June 2006

	Notes	2006 $	2005 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	2,095,913	1,330,501
Trade and other receivables	6	51,156	3,821
Total Current Assets		**2,147,069**	**1,334,322**
Non-Current Assets			
Exploration and evaluation	7	362,280	-
Property, plant and equipment	8	19,906	-
Total Non-Current Assets		**382,186**	**-**
TOTAL ASSETS		**2,529,255**	**1,334,322**
LIABILITIES			
Current Liabilities			
Trade and other payables	9	104,580	41,935
Other	10	-	1,329,969
Total Current Liabilities		**104,580**	**1,371,904**
TOTAL LIABILITIES		**104,580**	**1,371,904**
NET ASSETS		**2,424,675**	**(37,582)**
EQUITY			
Issued capital	11	2,671,285	100
Reserves	12	190,080	-
Accumulated losses	13	(436,690)	(37,682)
TOTAL EQUITY		**2,424,675**	**(37,582)**

Statement of Changes in Equity
For the year ended 30 June 2006

	Attributable to equity holders of the entity			Total equity
	Issued capital $	Reserves $	Accumulated Losses $	$
At 21 January 2005	-	-	-	-
Issue of shares	100			100
Loss for the period			(37,682)	(37,682)
At 30 June 2005	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)
At 30 June 2006	**2,671,285**	**190,080**	**(436,690)**	**(2,424,675)**

Cash Flow Statement

For the year ended 30 June 2006

	Notes	2006 $	2005 $
Cash flows from operating activities			
Payments to suppliers and employees		(250,388)	(524)
Interest income		93,066	1,056
Net cash flows from/(used in) operating activities	23	**(157,322)**	**532**
Cash flows from investing activities			
Purchase of property, plant and equipment		(20,869)	-
Payment for exploration expenditure		(112,281)	-
Payment for environmental bonds		(5,000)	-
Loan to Mining House Inc.		(30,332)	-
Net cash flows from/(used in) investing activities		**(168,482)**	**-**
Cash flows from financing activities			
Proceeds from borrowings		-	1,329,969
Proceeds from issue of shares		1,208,031	-
Payments for capital raising		(116,814)	-
Net Cash flows from/(used in) financing activities		**1,091,216**	**1,329,969**
Net increase in cash and cash equivalents		765,412	1,330,501
Cash and cash equivalents at beginning of period		1,330,501	-
Cash and cash equivalents at end of period	5	**2,095,913**	**1,330,501**

1. Corporate Information

The financial report of Segue Resources Limited for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 29 September 2006.

Segue Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

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

2. Statement of Accounting Policies

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

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

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

As Segue Resources was incorporated on 21 January 2005, the 2005 financial statements were the first financial statements to be prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing the comparatives for these financial reports.

(A) Basis of Accounting

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

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

(B) 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.

(C) 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 asses 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.

(D) 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.

(E) 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.

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.

(F) 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 probably 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.

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.

(G) 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.

(H) 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.

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.

(I) 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).

(J) 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.

(K) 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.

(L) 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.

(M) 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.

(N) 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.

(O) 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.

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.

(P) Comparatives

The company was incorporated on 21 January 2005 and therefore the prior period comparative information is for the period 21 January 2005 to 30 June 2005.

	2006 $	2005 $
3. Revenue and Expenses		
Other income		
Finance income - Banks	93,066	1,056
Expenses		
Depreciation		
Plant and equipment	826	-
Leasehold improvements	137	-
Total depreciation	963	-
Net foreign exchange losses	597	-
Employee benefit and director compensation expense	81,250	-
Expense of share-based payments	190,080	-
	271,330	-

		2006 $	2005 $
4.	**Income Tax**		
	Major components of income tax expense for the years Ended 30 June 2006 and 2005 are:		
	Income Statement		
	Current income tax		
	- 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	(399,008)	(37,682)
	At the statutory income tax rate of 30% (2005: 30%)	(119,702)	(11,305)
	- Expenditure not allowable for income tax purposes	57,203	-
	- Tax losses not brought to account as a deferred tax asset	62,499	11,305
	Income tax expense reported in income statement	-	-

4. Income Tax (cont.)

	Balance Sheet 2006 $	Balance Sheet 2005 $	Income Statement 2006 $	Income Statement 2005 $
Deferred income tax				-
Deferred income tax at 30 June relates to the following:				
Deferred income tax liabilities				
- Capitalised expenditure deductible for tax purposes	108,684	-	108,684	-
	108,684	-		
Deferred income tax assets				
- Tax losses	108,684	-	(108,684)	-
	108,684	-		
Net deferred tax asset/(liability)	-	-		
- Deferred income tax expense/(benefit)			-	-

	2006 $	2005 $
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
- Tax losses	246,017	37,682
Potential tax benefit at 30%	73,805	11,305

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.

		2006 $	2005 $
5.	**Cash and cash equivalents**		
	Cash at bank and on hand	1,084,297	1,330,501
	Deposits at call	1,011,616	-
		2,095,913	**1,330,501**

The weighted average interest rate for the year was 5.6%.

		2006 $	2005 $
6.	**Trade and other receivables**		
	GST receivable	15,824	3,821
	Environmental bond for EL 10004	5,000	-
	Loan – Mining House Inc (i)	30,332	-
		51,156	**3,821**

(i) Loan of C$25,000 provided to Mining House Inc to acquire first right of refusal to Fila Maestra coal project in Venezuela.

		2006 $	2005 $
7.	**Exploration and evaluation**		
	Expenditure incurred during the year	**362,280**	**-**
8.	**Property, plant and equipment**		
	Office equipment – at cost	8,029	-
	Less: Accumulated depreciation	(826)	-
		7,203	-

	2006 $	2005 $
8. Property, plant and equipment (cont.)		
Leasehold improvements – at cost	12,840	-
Less: Accumulated depreciation	(137)	-
	12,703	-
Total property, plant and equipment	**19,906**	**-**

	Office Equipment $	Leasehold Improve $	Total $
Reconciliations			
Cost			
Balance at 1 July 2005	-	-	-
Additions	8,029	12,840	20,869
Balance at 30 June 2006	8,029	12,840	20,869
Accumulated depreciation			
Balance at 1 July 2005	-	-	-
Depreciation expense	826	137	963
Balance at 30 June 2006	826	137	963
Net book value at 30 June 2006	**7,203**	**12,703**	**19,906**

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

		2006 $	2005 $
9.	**Trade and other payables**		
	Trade creditors and accruals	**104,580**	**41,935**
10.	**Other**		
	Loans from seed and mezzanine investors	**-**	**1,329,969**

11. Issued Capital

a) Share capital

	2006 $	2005 $
Ordinary shares fully paid	2,671,285	100

b) Movements in ordinary shares on issue

	Number	$
At 1 July 2005	100	100
Issued on 24 August 2005	7,836,250	1,450,000
Issued on 26 October 2005 as per IPO	2,176,000	1,088,000
Issued on 26 October 2005 for purchase of tenement from Arafura Resources NL	500,000	250,000
Costs incurred in capital raising	-	(116,815)
	10,512,350	**2,671,285**

c) 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 up on shares held.

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

12. Reserves

	2006 $	2005 $
Option reserve	190,080	-

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

	2006 $	2005 $
13. Accumulated Losses		
Balance at the beginning of the financial year	37,682	-
Net loss attributable to members	399,008	37,682
Balance at the end of the financial year	436,390	37,682

14. Earnings Per Share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2006 $	2005 $
Losses used in calculating basic and diluted earnings per share	399,008	37,682

	2006 Number	2005 Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	8,466,427	100

	2006 $	2005 $
15. Auditor's Remuneration		
Amounts received or due and received by PKF for:		
An audit or review of the financial report of the Company.	15,388	2,500
Completion of Investigating Accountants Report for the IPO prospectus.	4,743	-
Total remuneration	20,131	2,500

16. Contingent Assets and Liabilities

There are no material contingent assets or liabilities as at 30 June 2006.

17. Subsequent Events

North River Resources Farm-In

On 26 July 2006, Segue announced that it had entered into a farmin agreement with North River Resources Pty Ltd ("NRR") pursuant to which NRR will have the right to earn up to a 51% interest in EL 10004 through the expenditure of up to the AUD equivalent of £2,000,000.

The proposed farmin is conditional upon North River Resources plc (the proposed parent company of NRR) raising £650,000 and having its securities admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). The shareholders of Segue approved the proposed transaction at a General Meeting of the Company conducted on 8 September 2006.

Under the farmin agreement, NRR may earn up to a 51% interest in EL 10004 in two tranches:

- Initially NRR must spend a minimum of the AUD equivalent of £500,000 within the first 2 years to earn a 20% interest. Of this amount NRR must expend a minimum of the AUD equivalent of £100,000 within 30 days of the completion under the farmin agreement on the current work program. At any time after payment of the £100,000, NRR may withdraw from the farmin agreement.

- NRR may increase its ownership of EL 10004 from 20% to 51% through the expenditure of a further AUD equivalent £1,500,000 within 4 years of the completion under the farmin agreement.

Segue will act as the manager of the joint venture until such time as NRR earns a 51% interest.

Conditional Purchase of Westralian Nickel Limited

On 31 August 2006, Segue announced that it had entered into a conditional share sale agreement ("Agreement") to acquire 100% of the issued share capital of Westralian Nickel Limited ("Westralian").

On completion of the transaction (ie acquisition of 100% of the issued share capital of Westralian), Segue will issue to the shareholders of Westralian:

17. Subsequent Events (cont.)

- 6,000,000 ordinary fully paid shares in the capital of Segue at a deemed issue price of $0.70 each ("Consideration Shares"); and
- 6,000,000 options to acquire fully paid ordinary shares in the capital of Segue on the basis of one option for each Consideration Share with an exercise price of $2.00 and an expiry date of 31 August 2009.

As part of the consideration, Segue will also pay $300,000 to the creditors of Westralian.

The transaction contemplated by the Agreement is subject to the following conditions being satisfied or waived:

(a) Completion of due diligence by Segue;

(b) There being no legal claims or outstanding creditors of Westralian;

(c) That all creditors of Westralian have been paid in full and that all management, employment and consultancy agreements have been validly terminated; and

(d) The shareholders of Segue passing all resolutions as are required under the ASX Listing Rules and the Corporations Act to give effect to the transaction contemplated by the Agreement

Settlement of the transaction will occur in 2 stages. Upon satisfaction of conditions (a), (b) and (c) above, Segue will assume control of the board and the assets and liabilities of Westralian in consideration for all share certificates, instruments of transfer and executed copies of this Agreement being held in escrow by Segue's solicitors. The final settlement, and the issue of the Consideration Shares and options will occur upon the satisfaction of the condition (d) above. If Segue is unable to obtain approval for the transaction from its shareholders, control of Westralian will revert to the original shareholders and directors.

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

18. Commitments

The Company 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 2006/07 amounts of approximately $30,000. These obligations are expected to be fulfilled in the normal course of operations.

19. Segment Reporting

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

20. Financial Risk Management Objectives and Policies

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

The main risks arising from the Company'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 Company 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 21.

Interest Rate Risk

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

Credit Risk

The Company trades only with recognised, creditworthy third parties.

It is the Company 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 based with the result that the Company's exposure to bad debts is nil.

21. Financial Instruments

Interest Rate Exposure

The Company'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:

21. Financial Instruments (cont.)

2006

	Floating Interest Rate $	Non-Interest Bearing $	Total 2005 $
Financial Assets			
Cash and cash equivalents	2,095,913	-	2,095,913
Receivables	-	51,156	51,156
	2,095,913	51,156	2,147,069
Weighted average interest rate	5.6%		
Financial Liabilities			
Trade and other payables	-	104,580	104,580
	-	104,580	104,580

2005

	Floating Interest Rate $	Non-Interest Bearing $	Total 2005 $
Financial Assets			
Cash and cash equivalents	1,330,501	-	1,330,501
	1,330,501	-	1,330,501
Weighted average interest rate	0.95%		
Financial Liabilities			
Trade and other payables	-	41,935	41,935
Borrowings	-	1,329,969	1,329,969
	-	1,371,904	1,371,904

22. 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 (appointed 3 April 2006)

(b) Key management personnel compensation

	2006 $	2005 $
Short-term employee benefits	179,900	-
Post-employment benefits	-	-
Share-based payments	190,080	-
	369,980	-

(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 Company since the end of the previous financial year and there was not 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.

22. Key Management Personnel Disclosures (cont.)

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

	2006 $	2005 $
Key management persons		
Glenn Whiddon (i), (iv), (v)	58,583	35,714
Robert Downey (ii), (v)	65,133	35,714
John Arbuckle (iii), (v)	85,683	35,714

(i) 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.

(ii) 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.

(iii) 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.

(iv) During the financial period Grove Energy Limited to which Mr Whiddon is a director and shareholder charged the Company $23,000 for the provision of administrative and office services, provided on normal commercial terms and conditions.

(v) During the financial period Westwind Capital Pty Ltd to which Messrs Whiddon, Downey and Arbuckle are directors and shareholders charged the Company $29,583 (2005: $35,714) for the provision of administrative and office services, provided on normal commercial terms and conditions.

22. Key Management Personnel Disclosures (cont.)

(e) Options and Rights Holdings

	Balance 1 July 2005	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2006
Directors					
R Cross	-	250,000	-	143,750	393,750
G Whiddon	-	250,000	-	143,750	393,750
R Downey	-	200,000	-	-	200,000
J Arbuckle	-	200,000	-	10,000	210,000
	-	900,000	-	297,500	1,197,500

Options granted as remuneration were not issued to directors until after 30 June 2006.

Options disclosed under "Net Change Other" to Messrs Cross and Whiddon were escrowed by the ASX until 24 August 2007.

Net change other refers to options that have been purchased or sold during the financial year.

(f) Shareholdings

	Balance 1 July 2005	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2006
Directors					
R Cross	-	-	-	193,750	193,750
G Whiddon	100	-	-	193,750	193,850
R Downey	100	-	-	-	100
J Arbuckle	-	-	-	20,100	20,100
	200	-	-	407,600	407,800

Net change other refers to options that have been purchased or sold during the financial year.

23. Reconciliation of Cash Flows from Operating Activities

(a) Cash flows from operating activities

	2006 $	2005 $
Loss for the year	(399,008)	(37,682)
Non-cash flows in profit:-		
- Depreciation	963	-
- Share based remuneration	190,080	-
Changes in assets and liabilities:-		
- Decrease/(increase) in trade receivables	(12,002)	(3,821)
- Increase/(decrease) in trade creditors & accruals	62,645	40,971
Net cash from operating activities	(157,322)	(532)

(b) Non-cash Financing and Investing Activities

Segue issued 500,000 shares at 50 cents per share to Arafura Resources NL as part consideration of the acquisition of exploration licence EL 10004.

Directors' Declaration

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 2006 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 it 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 2006 and is made in accordance with a resolution of the Directors.

Robert Downey
Director

Perth, Western Australia
29 September 2006

Chartered Accountants
& Business Advisers

INDEPENDENT AUDIT REPORT
TO MEMBERS OF SEGUE RESOURCES LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, notes to the financial statements, and the directors' declaration for Segue Resources Limited for the year ended 30 June 2006.

The directors of the company are responsible for preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards nd other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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Chartered Accountants
& Business Advisers

Audit opinion

In our opinion, the financial report of Segue Resources Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of Segue Resources Limited's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

PKF

PKF
Chartered Accountants

Neil Smith
Partner

Dated at Perth this 29th day of September 2006.

Shareholders Information

As at 20 September 2006

1. The total number of issued fully paid ordinary shares was 10,512,350

2. The distribution of holdings was:

			Shares	Options
1	-	1,000	2,817	-
1,001	-	5,000	802,985	610,500
5,001	-	10,000	218,300	92,929
10,001	-	100,000	2,165,124	384,571
100,001	-	and over	7,323,124	-
Total			10,512,350	1,088,000
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):

	Number of Shares	Percentage Held
Vogue Overseas SA	1,468,750	13.97
Bank Sal Oppenheim Jr & CIE (Switz) AG	1,156,250	11.00

5. Top 20 Shareholders

	Number of Shares	Percentage Held
Vogue Overseas SA	1,468,750	13.97
Bank Sal Oppenheim Jr & CIE (Switz) AG	1,156,250	11.00
Arafura Resources NL	500,000	4.76
Professional Trading Services SA	500,000	4.76
Aton Select Fund Limited	450,000	4.28
Blackmort Nominees Pty Ltd	410,000	3.90
Asset Protection Fund Limited	400,000	3.80
Woodrose Limited	358,750	3.41
Bank Sal Oppenheim Jr & Cie (Schweis) AG	287,500	2.74
Baltic Capital Limited	287,500	2.74
Sibinvestment Limited	281,250	2.68
Petroleum Ventures Pty Ltd	269,500	2.56
Rimfire Finance Pty Ltd	193,750	1.84
Mr Robert Cross	193,750	1.84
Toltec Holdings Pty Ltd	177,999	1.69

Ord Superannuation Pty Ltd	160,000	1.52
Mrs Valerie Jean Buono	114,245	1.09
Mr Lawrence and Mrs Valerie Buono	113,880	1.08
Mr Anthony Harvey	100,000	0.95
Astonville Limited	100,000	0.95
	7,523,124	71.56

6. Top 20 Optionholders

	Number of Shares	**Percentage Held**
Ord Superannuation Pty Ltd	95,500	8.78
Mrs Maria Ann Munyard	38,571	3.54
Mrs Jennifer Bandy	38,000	3.49
Mr Ying Wang	27,000	2.48
Mr Adam Stuart Davey	26,000	2.39
Mr Gary Forrester	24,000	2.21
Mr Nicholas & Mrs Linda Koreneff	20,000	1.84
West Edge Investments Pty Ltd	20,000	1.84
Troca Enterprises Pty Ltd	16,000	1.47
Sydney City Airconditioning Services Pty Ltd	16,000	1.47
Amwell Pty Ltd	14,000	1.29
Mr Paul Davey	14,000	1.29
Walthamstow Pty Ltd	13,500	1.24
Mr David Wellington	11,000	1.01
Mrs Judith Heather Smith	11,000	1.01
Tyche Investments Pty Ltd	10,000	0.92
Mr Julian Michael Coyne	10,000	0.92
Mrs Teresa Larcher	10,000	0.92
Mr John Phillip Arbuckle	10,000	0.92
Mr Michael & Mrs Prudence Hughes	10,000	0.92
	434,571	39.95