



SEGUE
RESOURCES LTD

ABN 49 112 609 846

**Half-Year Financial Report
31 December 2007**

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

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West Perth WA 6005
Telephone: (08) 9322 2711
Facsimile: (08) 9322 7577
Email: admin@segueresources.com
Web: www.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 Securities Exchange Ltd (ASX)
Home Exchange: Perth, Western Australia

ASX Code: **SEG**
SEGO

SEGUE RESOURCES LIMITED – HALF YEAR REPORT

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SEGUE RESOURCES LIMITED – HALF YEAR REPORT

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2007.

DIRECTORS

The names of the Segue Resources Limited's ("Segue" or "Company") directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Robert Cross
Glenn Whiddon
Robert Downey
John Arbuckle

REVIEW AND RESULTS OF OPERATIONS

Pardoo Nickel Project

In July 2007, assay results from drilling conducted in April and May 2007 confirmed significant width and grade continuity of nickel sulphide mineralisation at the Highway resource. Preliminary metallurgical test work of diamond core samples by AMMTEC Ltd indicated potential recoveries of up to 90% for nickel, producing low by saleable nickel/copper concentrates, free of contaminants and penalty metals.

Segue commissioned Snowden Mining Industry Consultants ("Snowden") to conduct a review of the available drill hole data and determine a JORC compliant resource. Snowden's report concluded that the Pardoo Nickel Project has an Inferred Mineral Resource of 44.7 million tonnes, grading 0.3% nickel and 0.1% copper using a 0.1% nickel cutoff in respect of the Highway resource.

The total October 2007 Inferred Mineral Resource contains 134,000 tonnes of nickel and 44,700 tonnes of copper, representing a 21% increase in nickel tonnes from similar previous historical estimates, after combining 23 additional RC and diamond core holes drilled at the Highway Resource.

In December 2007, Segue entered into a farm-in and joint venture agreement with Mithril Resources Ltd ("Mithril"). Initially Mithril will have the right to earn a 51% interest in the Pardoo Nickel Project by expending \$5,500,000 over 4 years. Mithril may increase its ownership to 65% by expending a further \$10,000,000 or by completing a bankable feasibility study, whichever occurs first.

Mithril will co-ordinate and implement the exploration program on the Pardoo Nickel Project and thereafter act as the manager of the joint venture and will also be responsible for the payment of all rents and keeping the tenements in good order.

Angela & Pamela Uranium Project

In September 2007, Segue was advised by McCleary Investments Pty Ltd, that based on advice from its solicitors, it had decided not to continue its appeal against the Supreme Court of the Northern Territory's decision in regards to the mineral claim and mineral lease application for Block RO1292 (Angela).

Coronet Hill Project

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

SEGUE RESOURCES LIMITED – HALF YEAR REPORT

Corporate

In February 2008, Segue announced that it had placed 10,000,000 ordinary fully paid shares, issued at \$0.05 each, to raise \$500,000. The purpose of the issue was to fund existing exploration projects, repay the convertible note and provide working capital for the Company.

The Group incurred a loss for the half year of \$377,520 (2006: \$426,443).

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor's, PKF Chartered Accountants, which is included on page 5.

Signed in accordance with a resolution of the directors

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

Robert Downey
Director

Perth, 13 March 2008

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Segue Resources Limited for the half year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia this 13th day of March 2008.

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SEGUE RESOURCES LIMITED – HALF YEAR REPORT

CONDENSED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Notes	Consolidated	
		31 December 2007	31 December 2006
		\$	\$
Continuing Operations			
Other Income	4	180,768	38,716
Other expenses	4	(558,288)	(465,159)
Loss from continuing operations before income tax and finance costs		(377,520)	(426,443)
Finance costs		-	-
Loss before income tax		(377,520)	(426,443)
Income tax expense	5	-	-
Loss from continuing operations after tax		(377,520)	(426,443)
Earnings per share (cents per share)			
- basic; for loss for the half-year		(0.626)	(3.776)
- diluted; for loss for the half-year		(0.626)	(3.776)

SEGUE RESOURCES LIMITED – HALF YEAR REPORT

CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	Consolidated	
		31 December 2007 \$	30 June 2007 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	102,509	583,384
Financial assets		-	184,375
Trade and other receivables		115,696	122,686
Total Current Assets		<u>218,205</u>	<u>890,445</u>
Non-Current Assets			
Exploration and evaluation		6,051,586	5,802,368
Property, plant and equipment		24,129	27,802
Deferred tax asset		650,042	575,277
Total Non-Current assets		<u>6,725,757</u>	<u>6,405,447</u>
TOTAL ASSETS		<u><u>6,943,962</u></u>	<u><u>7,295,892</u></u>
LIABILITIES			
Current liabilities			
Trade and other payables		273,845	323,020
Total Current Liabilities		<u>273,845</u>	<u>323,020</u>
Non-Current Liabilities			
Deferred income tax liabilities		650,042	575,277
Total Non-Current Liabilities		<u>650,042</u>	<u>575,277</u>
TOTAL LIABILITIES		<u>923,887</u>	<u>898,297</u>
NET ASSETS		<u><u>6,020,075</u></u>	<u><u>6,397,595</u></u>
EQUITY			
Contributed equity	8	8,797,285	8,797,285
Reserves		269,680	269,680
Accumulated losses		(3,046,890)	(2,669,370)
TOTAL EQUITY		<u><u>6,020,075</u></u>	<u><u>6,397,595</u></u>

SEGUE RESOURCES LIMITED – HALF YEAR REPORT

CONDENSED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Notes	Consolidated	
		31 December 2007 \$	31 December 2006 \$
Cash flows from operating activities			
Payments to suppliers and employees		(396,851)	(257,795)
Interest received		5,872	38,716
Net cash flows from/(used in) operating activities		<u>(390,979)</u>	<u>(219,079)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(698)	(3,187)
Payment for exploration expenditure		(249,217)	(679,032)
Proceeds from sale of equity investments		160,019	(339,399)
Net cash flows from/(used in) investing activities		<u>(89,896)</u>	<u>(1,021,618)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Payments for capital raisings		-	-
Net cash flows from/(used in) financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		(480,875)	(1,240,697)
Cash and cash equivalents at beginning of period		583,384	2,095,913
Cash and cash equivalents at end of period	6	<u>102,509</u>	<u>855,216</u>

SEGUE RESOURCES LIMITED – HALF YEAR REPORT

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	<i>Attributable to equity holders of the entity</i>			<i>Total equity</i>
	Contributed Equity \$	Reserves \$	Accumulated Losses \$	\$
At 1 July 2006	2,671,285	190,080	(436,690)	2,424,675
Loss for the period	-	-	(426,443)	(426,443)
Issue of shares	3,900,000	-	-	3,900,000
At 31 December 2006	<u>6,571,285</u>	<u>190,080</u>	<u>(863,133)</u>	<u>5,898,232</u>
At 1 July 2007	8,797,285	269,680	(2,669,370)	6,397,595
Loss for the period	-	-	(377,520)	(377,520)
At 31 December 2007	<u>8,797,285</u>	<u>269,680</u>	<u>(3,046,890)</u>	<u>6,020,075</u>

SEGUE RESOURCES LIMITED – HALF YEAR REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

1. CORPORATE INFORMATION

The financial report of Segue Resources Limited (“the Company”) for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 13 March 2008. Segue Resources Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Segue Resources Limited as at 30 June 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by Segue Resources Limited and its controlled entities during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of Preparation

The half-year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirement of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements. The half-year financial report has been prepared on a historical cost basis, except where stated.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Going concern

The Financial Report has been prepared on the basis of a going concern. The Company’s ability to continue as a going concern is contingent upon raising additional capital to fund exploration commitments, other principal activities and for use as working capital. If additional capital is not raised, the going concern basis may not be appropriate with the result that the Company may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the Financial Report.

No allowance for such circumstances has been made in the Financial Report.

(c) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2007, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2006. The Company has complied with the following accounting standards:

- AASB 101 (revised October 2006) Presentation of the financial statements
- AASB 7 Financial Instruments: Disclosures
- AASB 2005-10 Amendments of Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023, and 1038)

SEGUE RESOURCES LIMITED – HALF YEAR REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

- AASB 2007-1 Amendments of Australian Accounting Standards arising from the Interpretation 11 (AASB 2)
- AASB 2007-4 Amendments of Australian Accounting Standards arising from ED 151 and Other Amendments
- AASB 2007-7 Amendments of Australian Accounting Standards (AASB 1, AASB2, AASB 4, AASB5, AASB107, & AASB 128)
- Interpretation 10 Interim Financial Reporting Impairment
- Interpretation 11 AASB 2- Group and Treasury Share Transactions

(d) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

SEGUE RESOURCES LIMITED – HALF YEAR REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

3. SEGMENT INFORMATION

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

<i>Consolidated</i>	
<i>31 December</i>	<i>31 December</i>
<i>2007</i>	<i>2006</i>
<i>\$</i>	<i>\$</i>

4. REVENUE, INCOME AND EXPENSES

(a) Revenue, Income and Expenses from Continuing Operations

<i>Other income</i>		
Proceeds from sale of investments	160,019	-
Finance income	5,872	38,716
Other	14,877	-
Total other income	<u>180,768</u>	<u>38,716</u>

Included in Other expenses:

Depreciation	4,371	2,572
Fair value movement on investments held	-	210,050
Write-off loan to Mining House Inc	27,849	-

Credited as Expense:

Net loss on disposal of investments	24,356	-
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5. INCOME TAX

The major components of income tax expense for the half-year ended 31 December 2006 are:

Consolidated Income Statement

<i>Current Income tax</i>		
Current income tax charge	-	-
Adjustments in respect of current income tax of previous years	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Income tax expense reported in the consolidated income statement	<u>-</u>	<u>-</u>

<i>Consolidated</i>	
<i>31 December</i>	<i>30 June</i>
<i>2007</i>	<i>2007</i>
<i>\$</i>	<i>\$</i>

6. CASH AND CASH EQUIVALENTS

For the purposes of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	85,367	567,136
Short term deposits	17,142	16,248
	<u>102,509</u>	<u>583,384</u>

SEGUE RESOURCES LIMITED – HALF YEAR REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

7. COMMITMENTS AND CONTINGENCIES

Since the last annual reporting date, there have been no material changes to any contingent liabilities or contingent assets.

<i>Consolidated</i>	
<i>31 December</i>	<i>30 June</i>
<i>2007</i>	<i>2007</i>
<i>\$</i>	<i>\$</i>

8. CONTRIBUTED EQUITY

Ordinary shares (i)	<u>8,797,285</u>	<u>8,797,285</u>
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(i) Ordinary shares

Full paid ordinary shares carry one vote per share and carry the right to dividends.

<i>Movement in ordinary shares on issue</i>	<i>Number</i>	<i>\$</i>
At 1 January 2006	16,512,350	6,571,285
Issued during period	5,790,000	2,226,000
Share split on 21 April 2007	<u>38,004,700</u>	<u>-</u>
At 30 June 2007	60,307,050	8,797,285
At 31 December 2007	<u>60,307,050</u>	<u>8,797,285</u>

9. EVENTS AFTER THE BALANCE SHEET DATE

On 29 February 2008 Segue Resources Limited announced that it had placed 10,000,000 ordinary fully paid shares, issued at \$0.05 each, to raise \$500,000. The purpose of the issue was to fund existing exploration projects, repay the convertible note and provide working capital for the Company.

SEGUE RESOURCES LIMITED – HALF YEAR REPORT

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Segue Resources Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - i. give a true and fair view of the financial position as at the 31 December 2007 and the performance for the half-year ended on that date of the consolidated entity; and
 - ii. comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the 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.

On behalf of the Board

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

Robert Downey
Director

Perth, 13 March 2008



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SEGUE RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Segue Resources Limited ("Segue"), which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2007 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Segue, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Segue is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia this 13th day of February 2008.