

**SEGUE**  
RESOURCES LTD

**ABN 49 112 609 846**

**Half-Year Financial Report  
31 December 2009**

## **Corporate Directory**

### **Directors**

Glenn Whiddon	Executive Chairman
Paul Fry	Non-executive Director
Jurgen Hendrich	Non-executive Director

### **Company Secretary**

Neville Bassett

### **Registered Office**

Ground Floor  
1306 Hay Street  
West Perth WA 6005  
Telephone: (08) 9486 4699  
Facsimile: (08) 9486 4799  
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 Securities Exchange Ltd (ASX)  
Home Exchange: Perth, Western Australia

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

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## **DIRECTORS' REPORT**

Your directors submit their report for the half-year ended 31 December 2009.

### **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.

Glenn Whiddon  
Paul Fry  
Jurgen Hendrich

### **REVIEW AND RESULTS OF OPERATIONS**

The principal activities of the company and its subsidiaries during the period were mineral exploration. The net loss for the half-year ended 31 December 2009 was \$545,668 (31 December 2008 \$400,534). The net loss included the following items:

- Impaired exploration and evaluation expenditure of \$312,560; and
- Director's fees of \$45,000.

#### **Overview**

During the half-year ended 31 December 2009, the Company focused its exploration activities at its Pardoo Iron Ore Project, located in the Pilbara region of Western Australia, approximately 100km east of Port Hedland.

The Pardoo Iron Ore Project allows the Company to leverage off the buoyant iron ore market with a project that is close to infrastructure being less than 15km from the coast and a rail spur that is less than 10km south of the Project. In addition, the Project is located less than 10km north of the BHP-Goldsworthy Iron Ore Mine which produced 157Mt of DSO over the period 1966 to 1982.

Via a joint venture agreement with Mithril Resources Limited ("Mithril"), the Company is also exploring the nickel-copper potential of the Project. Potential exists on the Pardoo tenements to expand the size and grade of the existing nickel-copper mineralisation. The Project hosts the Highway Deposit, an Inferred Mineral Resource of 44.7 million tonnes, grading 0.3% nickel and 0.1% copper (classified according to the 2004 JORC Code - details on the resource are provided in the Segue ASX Announcement dated 19 October 2007). Mithril continues to evaluate potential processing and development options for the Highway Deposit aimed at unlocking the potential of this resource.

In addition to the nickel-copper and iron ore potential at the Project, both Mithril and the Company believe that there is potential for the Project to host a number of other prospective commodities including gold, cobalt, tin and tungsten.

Under the terms of the joint venture, Mithril is earning up to a 65% interest in the Pardoo Project for all minerals other than iron ore through the expenditure of A\$5 million over 5 years and by spending a further A\$10 million on exploration or by completing a feasibility study.

Over the past 6 months, the Company has been undertaking further exploration at the Pardoo Project, designed to evaluate the iron ore prospectivity of the project area. A comprehensive desktop evaluation was undertaken, followed up by a field trip including rock chip assays, geological mapping and sampling. The Company has also been working closely with Mithril to evaluate extraction methods to unlock the value of the nickel and copper potential at the Pardoo Project, specifically the Highway Deposit where the existing JORC compliant resource exists.

Subsequent to year end, the Company has reviewed a number of project opportunities and continues to evaluate opportunities for investment or acquisition to enhance shareholder value.

The Company's intent is to position itself as a diversified explorer of iron ore, tungsten, tin, nickel, copper, cobalt and gold with projects located in Western Australia (Pardoo Project).

#### **Pardoo Iron Ore Project - Western Australia (Segue 100%)**

During the half-year, the Company entered into a separate agreement to acquire the remaining 50% of the iron ore rights at the Pardoo Project to result in 100% of the iron ore rights being held by the Company. This will enable Segue to manage more effectively the exploration of the iron ore potential at Pardoo.

Pursuant to its focus on the iron ore prospectivity at Pardoo, the Company developed an exploration program based around a composite desktop analysis and a field exploration program. The results of such programs have assisted the Company in understanding the geology of the region and the prospectivity of the Pardoo Project to host both magnetite and detrital iron. The Company now has a detailed interpretation of the geological sequences for the Pardoo Project with several magnetic anomalies identified at both the Highway and Supply Well tenement location.

A review of previous drill hole results during the 6 month period at Supply Well identifies significant drill intercepts of **257m** of magnetite averaging **30% Fe**, including **54m** averaging in excess of **40% Fe** (DD90SW009; 1990).

A review of other historical drill results during the 6 month period also includes:

Hole	From (m)	To (m)	Interval (m)	Fe %
DD89SW004	78	225	147	<b>28.64%</b>
<b>Including</b>	<b>78</b>	<b>99</b>	<b>21</b>	<b>38.70%</b>
DD90SW009	93	351	258	<b>32.14%</b>
<b>Including</b>	<b>96</b>	<b>123</b>	<b>27</b>	<b>43.12%</b>
RC91SW016	133	156	23	<b>29.70%</b>

During the period, the Company also undertook a preliminary investigation to identify the potential for detrital iron formations and the identification of other surface targets. The detrital iron scree at the Pardoo Iron Ore Project may also represent an economic target with potential to generate near term cash flow.

The field exploration program has identified a number of targets that warrant systematic follow up exploration, which will be designed to test the depth of the mineralisation and the mineralisation along strike.

A review of the 18 samples taken during the half-year period identified 7 targets that tested in excess of 45% Fe with a total of 11 samples testing in excess of 40% Fe. The highest sample collected tested in excess of 60% Fe.

These results are considered encouraging in a region that is well endowed with iron ore occurrences. Follow-up exploration work is expected to determine whether the Pardoo Iron Ore Project has the scale and geological characteristics to become a mid-tier development project.



**Figure 1: Pardoo Iron Ore Project Tenement Location**

Following completion of the composite desktop analysis, reconnaissance field exploration program and field sampling program, a magnetite iron ore exploration target of **900Mt – 1,100Mt<sup>1</sup>** at an expected grade of between **30% Fe and 40% Fe** has been estimated at the Pardoo Iron Ore Project by independent geologists and consultants.

These results justify further exploration work to determine whether a potentially economic magnetite iron ore resource exists in the project area.

<sup>1</sup> The potential quantity and grade of the Pardoo Iron Ore Project is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

A review of all current and historical exploration information covering the Company's tenements is focused on the delineation of further exploration targets with a particular emphasis on the magnetite and detrital iron potential at the Pardoo Iron project.

### **Pardoo Nickel Project – Western Australia (Mithril earning 65%)**

There is considerable potential on the Pardoo tenements to expand the size and grade of the existing nickel-copper mineralisation. Pardoo hosts the Highway Deposit, an Inferred Mineral Resource of 44.7 million tonnes, grading 0.3% nickel and 0.1% copper (classified according to the 2004 JORC Code - details on the resource are provided in the Segue ASX Announcement dated 19 October 2007). Mithril continues to evaluate potential processing and development options for the Highway Deposit aimed at unlocking the potential of this resource.

During the period, Mithril engaged CESL Limited ("CESL"), a subsidiary of Teck Resources Limited, to complete a bench-scale assessment of hydrometallurgical processing on samples from the Highway deposit. The work involved nine leach tests on a bulk nickel-copper concentrate sample provided to CESL by Mithril. The purpose of these tests was to demonstrate the amenability of the concentrate to the CESL Process, hydrometallurgical technology that can be applied to a wide variety of copper and nickel sulphide concentrates.

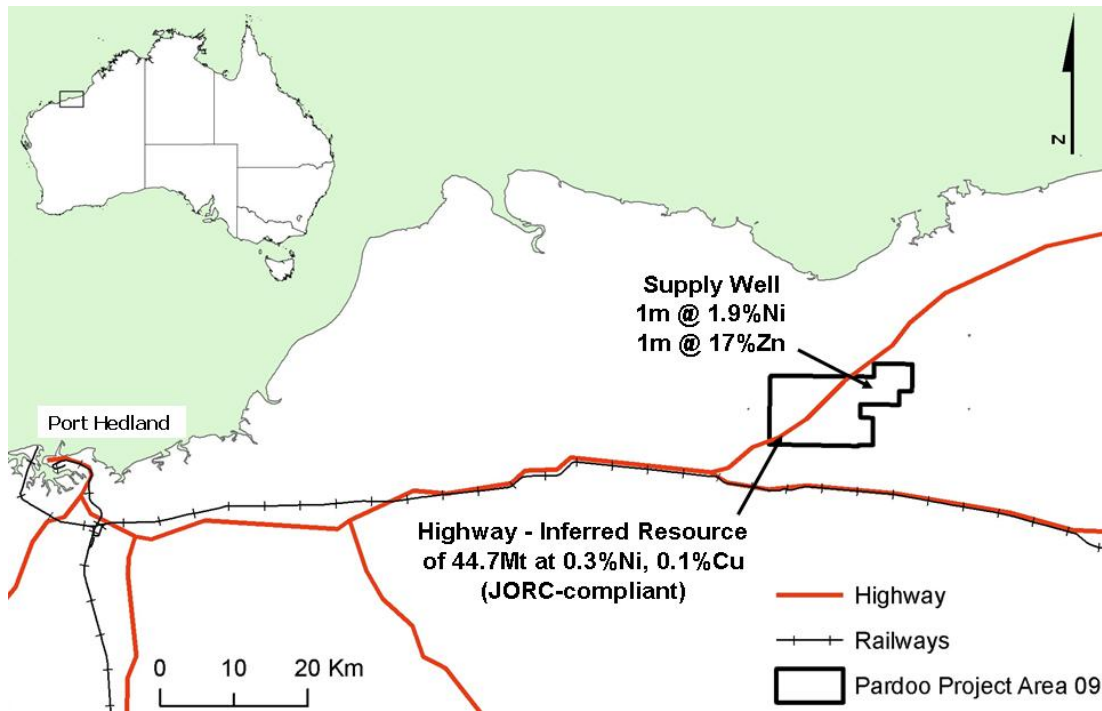
Previous metallurgical test work has demonstrated that high nickel, copper and cobalt recoveries can be achieved to produce a relatively low grade concentrate from the Highway deposit using conventional floatation techniques. The CESL Process is being reviewed to determine the feasibility of processing such a concentrate on site, extracting the payable metals including nickel, copper and cobalt and eliminating the costs of shipping the concentrate to a smelter.

The nickel concentrate showed excellent nickel extraction throughout all series of tests, with optimal results achieved with a two-stage leaching process.

For the tests performed on a combined rougher concentrate grading 3.6% nickel, 1.1% copper and 0.25% cobalt, optimal nickel, copper and cobalt extractions were 97.6%, 97.9% and 99.7%, respectively. For the test performed on a higher grade concentrate sample (5.7% nickel, 2.0% copper and 0.38% cobalt) optimal nickel, copper and cobalt extractions were 99.4%, 98.7% and 98.4% cobalt. Moderate levels of sulphur oxidation were experienced throughout the initial pressure oxidation test program.

These early results demonstrate that the CESL Process can extract maximum metal values from a Highway concentrate. The next phase of work will involve the development of a preliminary overall processing flowsheet and the determination of operating and capital costs at a conceptual level. Some additional bench testing may be undertaken to support the study.

The resource model for the Highway Deposit is currently under review and Mithril expects to update this model during 2010. The new model will incorporate new drilling, recalculated density values which are 10-15% higher than the previous model and the cobalt values established through the re-assaying of sample pulps from previous drilling.



**Figure 2: Pardoo Nickel Project Tenement Location**

**Coronet Hill Project – Northern Territory**

During the half-year period the Coronet Hill Project was relinquished with the joint venture / farm-in agreement with North River Resources PLC terminated.

**Wauchope - Northern Territory (Segue 100%)**

On 3 April 2006, Segue entered into an agreement with Imperial Granite & Minerals Pty Ltd to conditionally purchase 100% of EL 24950, located near Wauchope in the Northern Territory. In 2007, Segue acquired ELA 25639 which is adjacent to Newmont's historical Groundrush Mine in the Tanami from Mc Cleary Investments Pty Ltd. Both exploration licence applications are on aboriginal freehold land in the Northern Territory.

During the half-year, further negotiations and discussions have taken place with the traditional owners taking the Company a step further in the granting process.

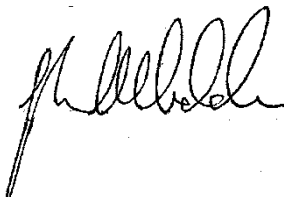
The information in this report relating to exploration results is based on information compiled by Mr J King who is a member of the AIG. Mr King acts as Exploration Manager for Segue Resources Ltd, and consents to the inclusion in this report of the information presented. He has sufficient experience relevant to the style of mineralisation/type of deposit under consideration and to the type of activity described to qualify as a competent person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.



## **AUDITOR'S INDEPENDENCE DECLARATION**

We have obtained an independence declaration from our auditor's, PKF Chartered Accountants, which is included on page 10.

Signed in accordance with a resolution of the directors

A handwritten signature in black ink, appearing to read 'G Whiddon', written in a cursive style.

**Glenn Whiddon**  
**Chairman**


Perth, 15th March 2010

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of Segue Resources Ltd for the half year ended 31 December 2009, 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.

This declaration is in respect of Segue Resources Ltd and the entities it controlled during the half year.



**PKF**  
Chartered Accountants



**Conley Manifis**  
Partner

Dated at Perth, Western Australia this 15<sup>th</sup> day of March 2010.

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Notes	31 December 2009 \$	31 December 2008 \$
Continuing Operations			
Other Income		5,329	4,877
Other expenses		(550,997)	(405,411)
Loss from continuing operations before income tax and finance costs		(545,668)	(400,534)
Finance costs		-	-
Loss before income tax		(545,668)	(400,534)
Income tax expense		-	-
Loss from continuing operations after tax		(545,668)	(400,534)
Other Comprehensive Income		-	-
Total Comprehensive Income for the Period		(545,668)	(400,534)
Earnings per share (cents per share)			
- basic; for loss for the half-year		(0.369)	(0.568)
- diluted; for loss for the half-year		(0.369)	(0.568)

*The above consolidated statement of comprehensive income should be read in  
conjunction with the accompanying notes*

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2009**

	Note	31 December 2009 \$	30 June 2009 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	821,890	338,038
Trade and other receivables		26,320	34,315
<b>Total Current Assets</b>		<b>848,210</b>	<b>372,353</b>
<b>Non-Current Assets</b>			
Exploration and evaluation		6,127,207	6,321,317
Property, plant and equipment		21,310	3,485
Deferred tax asset		1,838,162	1,896,395
<b>Total Non-Current Assets</b>		<b>7,986,679</b>	<b>8,221,197</b>
<b>TOTAL ASSETS</b>		<b>8,834,889</b>	<b>8,593,550</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		188,286	203,400
Financial liabilities	8	300,000	545,000
<b>Total Current Liabilities</b>		<b>488,286</b>	<b>748,400</b>
<b>Non-Current Liabilities</b>			
Deferred income tax liabilities		1,838,162	1,896,395
<b>Total Non-current Liabilities</b>		<b>1,838,162</b>	<b>1,896,395</b>
<b>TOTAL LIABILITIES</b>		<b>2,326,448</b>	<b>2,644,795</b>
<b>NET ASSETS</b>		<b>6,508,441</b>	<b>5,948,755</b>
<b>EQUITY</b>			
Issued Capital	7	10,540,589	9,435,235
Reserves		409,671	409,671
Accumulated losses		(4,441,819)	(3,896,151)
<b>TOTAL EQUITY</b>		<b>6,508,441</b>	<b>5,948,755</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	<b>December 2009 \$</b>	<b>December 2008 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(275,501)	(269,189)
Interest received	5,216	4,877
Receipts from customers	-	200
<b>Net cash outflow from operating activities</b>	<b>(270,285)</b>	<b>(264,112)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(19,379)	-
Payment/Recoupment of exploration expenditure	(56,838)	7,754
Payments for acquisition of mining assets	(50,000)	(236,905)
Receipt of funding from related parties	-	295,809
<b>Net cash flows from investing activities</b>	<b>(126,217)</b>	<b>66,658</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from issue of shares	880,354	-
<b>Net cash flows from financing activities</b>	<b>880,354</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents	483,852	(197,454)
Cash and cash equivalents at beginning of period	338,038	385,489
<b>NET CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR</b>	<b>821,890</b>	<b>188,035</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
<b>At 1 July 2008</b>	9,297,285	269,680	(3,192,998)	6,373,967
Loss for the period	-	-	(400,534)	(400,534)
Total comprehensive income	-	-	(400,534)	(400,534)
Issue of Shares	11,000	-	-	11,000
Share Based payments	-	139,991	-	139,991
<b>At 31 December 2008</b>	<b>9,308,285</b>	<b>409,671</b>	<b>(3,593,532)</b>	<b>6,124,424</b>
<b>At 1 July 2009</b>	9,435,235	409,671	(3,896,151)	5,948,755
Loss for the period	-	-	(545,668)	(545,668)
Total comprehensive income	-	-	(545,668)	(545,668)
Issue of Shares	1,105,354	-	-	1,105,354
<b>At 31 December 2009</b>	<b>10,540,589</b>	<b>409,671</b>	<b>(4,441,819)</b>	<b>6,508,441</b>

*This above consolidated statement of changes in equity should be read in conjunction  
with the accompanying notes*

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

### **NOTE 1: CORPORATE INFORMATION**

The financial report of Segue Resources Limited (“the Company”) for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 15<sup>th</sup> March 2010. 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.

### **NOTE 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 2009.

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 2009 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 consolidated entity incurred a net loss of \$545,668 (2008: \$400,534) for the half year ended 31 December 2009, has working capital funds of \$359,924 as at 31 December 2009 and experienced negative net deficiency of cash flows from operating activities for the 2009 half year of \$270,285.

The ability of the consolidated entity to continue as a going concern is principally dependent upon the following:

- a successful farm out or sale of some of the consolidated entity’s tenements;
- raising additional capital to fund the consolidated entity’s ongoing exploration activities and working capital requirements; and
- continued financial support from a director related entity, if other funding is not obtained.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

#### **(b) Going concern (cont)**

Although the Directors believe that they will be successful in the above measures, if they are not, the consolidated entity may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and the amount stated in the financial report.

#### **(c) Changes in accounting policy**

In the half-year ended 31 December 2009, the consolidated entity has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for annual reporting periods beginning on or after 1 July 2009. It has been determined by the consolidated entity that there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and, therefore no change is necessary to the consolidated entity's accounting policies.

The company has also adopted the revised AASB 101 'Presentation of Financial Statements' which separates owner and non-owner changes in equity. As a consequence the statement of comprehensive income has been presented by the consolidated entity and related disclosures have been made in the half year financial report.

#### **Accounting Standards and Interpretations issued but not yet effective**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half year ending 31 December 2009. Management are in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

#### **Segment Reporting**

The group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Managing Director and other members of the Board of Directors.

#### **Presentation of Financial Statements (Revised)**

The revised Standard introduces the requirement to produce a statement of comprehensive income that presents all items of recognised income and expense. Other revisions include impacts on the presentation of items in the statement of changes in equity and a number of terminology changes, including revised titles for the financial statements.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**NOTE 3: SEGMENT INFORMATION**

Management has determined that the Group has two reportable segments, the first being mineral exploration in the Northern Territory and the second being mineral exploration in Western Australia. As the Group is focused on mineral exploration, the Board monitors the Group based on actual versus budgeted exploration expenditure incurred by area of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

<b>Consolidated</b>	<b>Western Australia \$</b>	<b>Northern Territory \$</b>	<b>Total \$</b>
31 December 2009			
Segment revenue	-	-	-
Unallocated items:			
Interest revenue			<u>5,329</u>
Total revenue and other income			<u>5,329</u>
Segment result	-	(312,560)	(312,560)
Unallocated items:			
Unallocated revenue and other income			5,329
Corporate and other costs			<u>(238,437)</u>
Loss after tax as per the statement of comprehensive income			<u>(545,668)</u>
<b>Segment assets</b>	6,107,565	19,642	6,127,207
Unallocated items:			
Cash			821,890
Other corporate assets			<u>1,885,792</u>
Total assets			<u>8,834,889</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**NOTE 3: SEGMENT INFORMATION (cont)**

<b>Consolidated</b>	<b>Western Australia</b>	<b>Northern Territory</b>	<b>Total</b>
31 December 2008			
Segment revenue	-	-	-
Unallocated items:			
Interest revenue			4,877
Total revenue and other income			<u>4,877</u>
Segment result	-	-	-
Unallocated items:			
Unallocated revenue and other income			4,877
Corporate and other costs			<u>(405,411)</u>
Loss after tax as per the statement of comprehensive income			<u>(400,534)</u>
<b>Segment assets</b>	6,014,756	309,256	6,324,012
Unallocated items:			
Cash			188,035
Other corporate assets			<u>1,933,871</u>
Total assets			<u>8,445,918</u>

**NOTE 4: REVENUE, INCOME AND EXPENSES**

**Revenue, Income and Expenses from Continuing Operations**

	<i>Consolidated</i>	
	<i>December 2009</i>	<i>December 2008</i>
<i>Other income</i>	<u>\$</u>	<u>\$</u>
Interest	5,329	4,877
Total other income	<u>5,329</u>	<u>4,877</u>
Included in Other expenses:		
Depreciation	1,555	4,536
Interest expense	53	47,662
Share based remuneration	-	139,991
Directors fees	45,000	45,000
Impairment charge (Coronet Hill)	312,560	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**NOTE 5: CASH AND CASH EQUIVALENTS**

For the purposes of the consolidated statement of financial position as at 31 December 2009, cash and cash equivalents are comprised of the following:

	Consolidated	
	December 2009	June 2009
	\$	\$
Cash at bank and in hand	803,259	319,595
Short term deposits	18,631	18,443
<b>Total</b>	<b>821,890</b>	<b>338,038</b>

**NOTE 6: COMMITMENTS AND CONTINGENCIES**

At the date of this report, the Group has tenement expenditure commitments of \$68,000 during the 2009/2010 financial year.

During the period the Company entered into a service agreement to provide general office expenses, company secretarial, general administration services and rental of office space for approximately \$20,660 per quarter.

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

**NOTE 7: ISSUED CAPITAL**

Ordinary shares (i) \$10,540,589

*(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 2009	70,307,050	9,297,285
Issued during period	10,799,056	137,940
At 30 June 2009	81,106,106	9,435,225

Issued during period	95,535,369	1,105,364
At 31 December 2009	176,641,475	10,540,589

**NOTE 8: FINANCIAL LIABILITIES**

During the year ended 30 June 2009 an amount of \$300,000 was advanced to the Group by a director related entity. The amount payable bears no interest and was subsequently repaid on 27 January 2010.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**NOTE 9: EVENTS AFTER THE BALANCE SHEET DATE**

On 27 January 2010, the loan outstanding of \$300,000 to a Director related entity was repaid as full and final repayment.

At the time of writing this report, there are no other subsequent events of a material nature that require disclosure in this report.

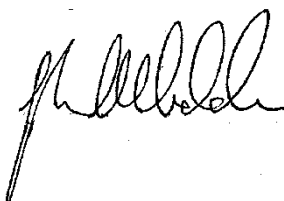
## DIRECTORS' DECLARATION

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 2009 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 consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Glenn Whiddon  
Chairman

Perth, 15th March 2010



Chartered Accountants  
& Business Advisers

## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SEGUE RESOURCES LTD**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Segue Resources Ltd, which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, 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 2009 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 consolidated entity's financial position as at 31 December 2009 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 Resources Ltd, 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.

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*Independence*

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


*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 Resources Ltd 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 2009 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



**Conley Manifis**  
Partner

Dated at Perth, Western Australia this 15<sup>th</sup> day of March 2010.