segue

RESOURCES LTD

ABN 49 112 609 846

Half-Year Financial Report
31 December 2012

CORPORATE INFORMATION

Directors

Ian Benning	Non-Executive Chairman
Steven Michael	Managing Director
Nicholas Ong	Non-Executive Director
Robert van Zyl	Non-Executive Director

Company Secretary

Matthew Foy

Registered Office

Level 8, 225 St Georges Terrace
Perth WA 6000

Telephone:	(08) 9486 4699
Facsimile:	(08) 9486 4799
Email:	info@segueresources.com

Auditors

Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St Georges Terrace
Perth WA 6000

Bankers

National Australia Bank
Level 1, 1238 Hay Street
West Perth WA 6005

Share Registry

Advanced Share Registry Service
150 Stirling Highway
Nedlands WA 6009

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Ltd (**ASX**)

ASX Code: SEG

CONTENTS

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2012 (**Period**).

DIRECTORS AND MANAGEMENT

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

Ian Benning	Non-Executive Chairman
Steven Michael	Managing Director
Nicholas Ong	Non-Executive Director
Robert van Zyl	Non-Executive Director

REVIEW AND RESULTS OF OPERATIONS

The principal activity of the company and its subsidiaries during the Period was mineral exploration. The net operating loss for the half-year ended 31 December 2012 was $3,522,080 (31 December 2011: $1,857,199). Included in the operating loss for the Period is a write down in the carrying value of the Company's Pardoo Project of $1,714,233 (31 December 2011: nil) and a write down in the carrying value of the Company's investment in the Emang Manganese Project of $1,186,233 (31 December 2011: nil).

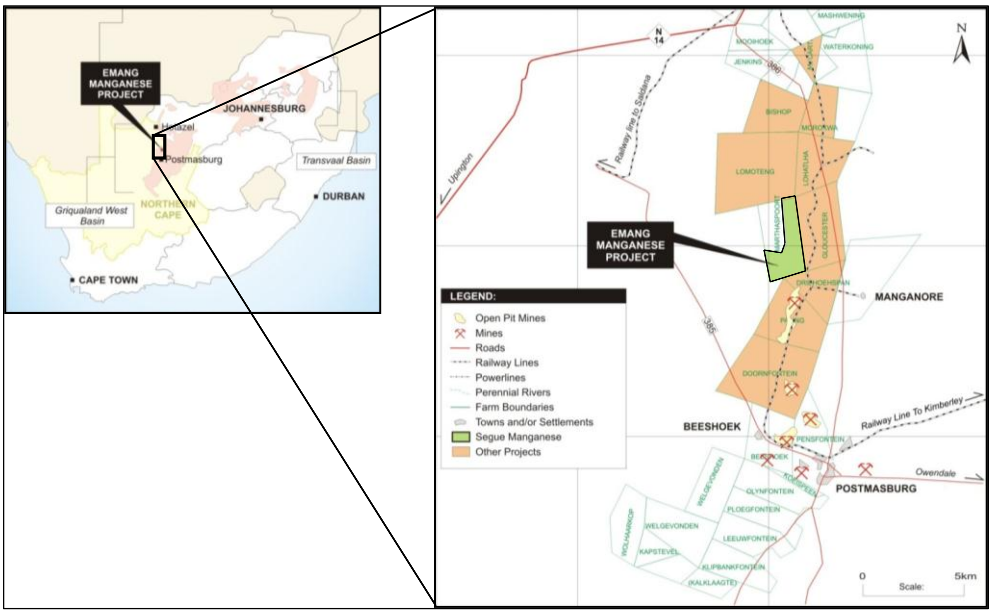
OVERVIEW & HIGLIGHTS

During the half-year ended 31 December 2012, the Company continued its development activities at the Emang Manganese Project (**Emang Project**) in the Postmasburg Manganese Field in South Africa.

Emang Manganese Project

In July 2011, Segue entered into a farm-in agreement to acquire up to a 51% interest in the Emang Manganese Project in South Africa. The Emang Project covers 1,668 hectares within the western limb of the Postmasburg Manganese Field between Sishen and Postmasburg in the Northern Cape Province of South Africa. The Northern Cape Province contains the bulk of South Africa's economic manganese resources and is one of the largest manganese producing regions in the world.

Figure 1 – Emang Manganese Project Location Map



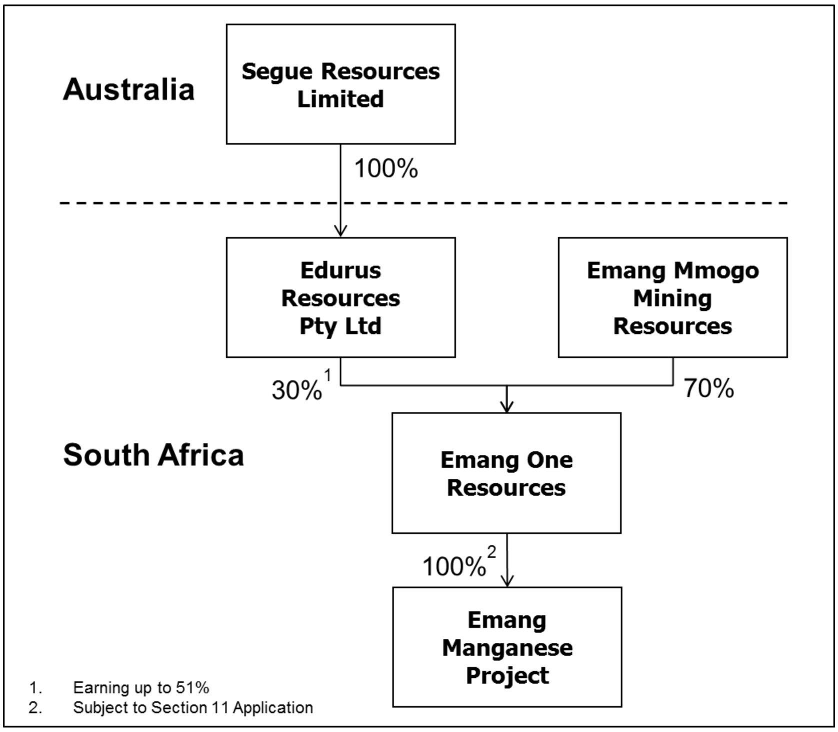
DIRECTORS' REPORT

Segue earned a 30% interest in the Emang Project by spending ZAR14 million ($1.9 million[1]) on an Initial Drilling Programme and paying a total of ZAR14 million ($1.9 million[1]) in two tranches to the vendors. Segue can increase its interest in the joint venture company, Emang One Resources (Pty) Ltd (**Emang One**) to 51% by contributing the first ZAR21 million ($2.2 million[2]) towards completing a Bankable Feasibility Study on the Emang Project.

A payment of ZAR7 million (A$0.7 million[2]) will be made to the vendors if a JORC-compliant measured and indicated resource of at least 10 million tonnes at a grade of 34% Mn is defined at the Emang Project.

A Bonus Payment of A$0.75 per tonne of ore will be payable to the vendors upon commencement of commercial production, and is limited to the first 25 million tonnes of JORC resources in the indicated and/or measured categories. The Bonus Payment will be paid in three equal instalments 12, 24 and 36 months after the commencement of commercial production.

Figure 2 – Joint Venture Structure for the Emang Project



Initial Drilling Programme

Segue commenced drilling at the Emang Project in October 2011 and completed a total of 62 reverse circulation (**RC**) and 9 diamond drill holes for a total of 2,750 metres. The drilling focussed on areas of outcropping manganese mineralisation covering around 20% of the total Prospecting Right area.

The drilling results exceeded the Company's expectations, with around 80% of all drill holes intersecting manganese and most intersections starting less than 15 metres from surface. In addition, a large number of drill holes intersected multiple zones of manganese, with a maximum thickness of 27 metres.

[1] Based on actual exchange rates at the time of payment.

[2] Based on an exchange rate of A$1=ZAR9.5, as at 14 May 2013.

DIRECTORS' REPORT

Initial Drilling Programme (Cont)

Table 1 – Report on Drilling at Emang Manganese Project

	RC Holes	Diamond Holes	All Holes
Holes completed	62	9	71
Holes intersecting manganese ore	48	8	56
% holes intersecting manganese ore	77%	89%	79%
Total metres drilled	2,244m	506m	2,750m
Ave. manganese intersection per hole	5.9m	5.7m	5.9m
Maximum manganese intersection	16.5m	26.7m	26.7m

The Initial Drilling Programme identified four areas of manganese mineralisation, three in the northern portion of the Prospecting Right comprising the Northern, Central and Southern Areas, and one in the Hills Area which lies approximately 500 metres further south. The Northern, Central and Southern Areas have a combined strike length of 2.7 kilometres and lie adjacent to historical manganese mine workings.

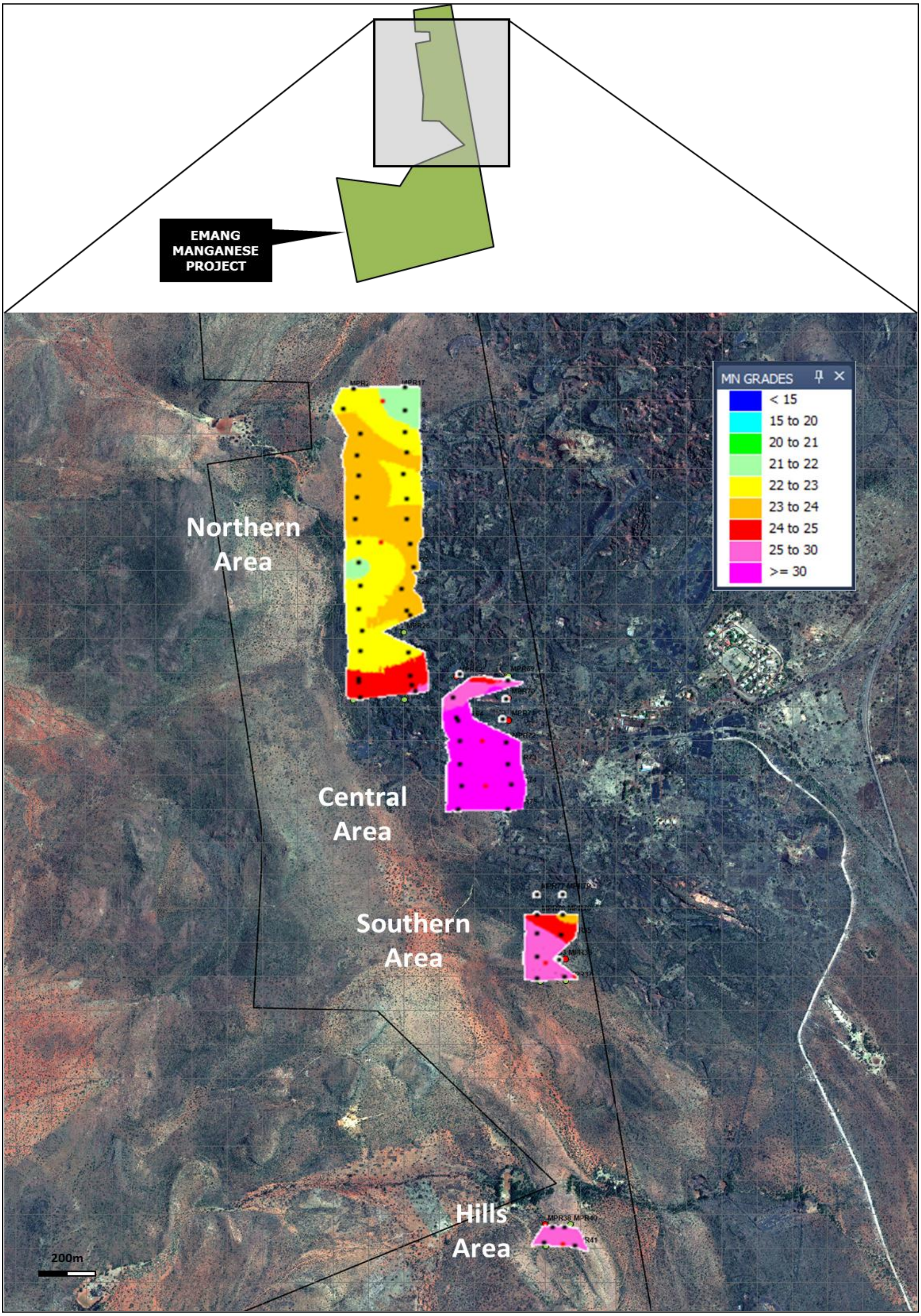
In April 2012 the Company announced a maiden inferred resource at the Emang Project, which was subsequently upgraded in September 2012 following a review of the initial resource estimate. The majority of the resource at the Emang Manganese Project lies within 30 metres of surface and is likely to be amenable to shallow open pit mining with a low waste to ore ratio.

Table 2 – Emang Mineral Resource

	Mt	Mn%	Fe%	SiO_2%	Al_2O_3%	P_2O_5%
Inferred Resource	16.5	24.8	20.6	16.4	11.7	0.08

1. Cut-off grade for the Emang Global Resource is 20% Mn.
2. No geological losses have been applied to the resource estimate.
3. For full details on the Emang Resource Estimate refer to the Company's ASX announcement on 20 September 2012.

Figure 3 – Emang Resource Block Grade Model



DIRECTORS' REPORT

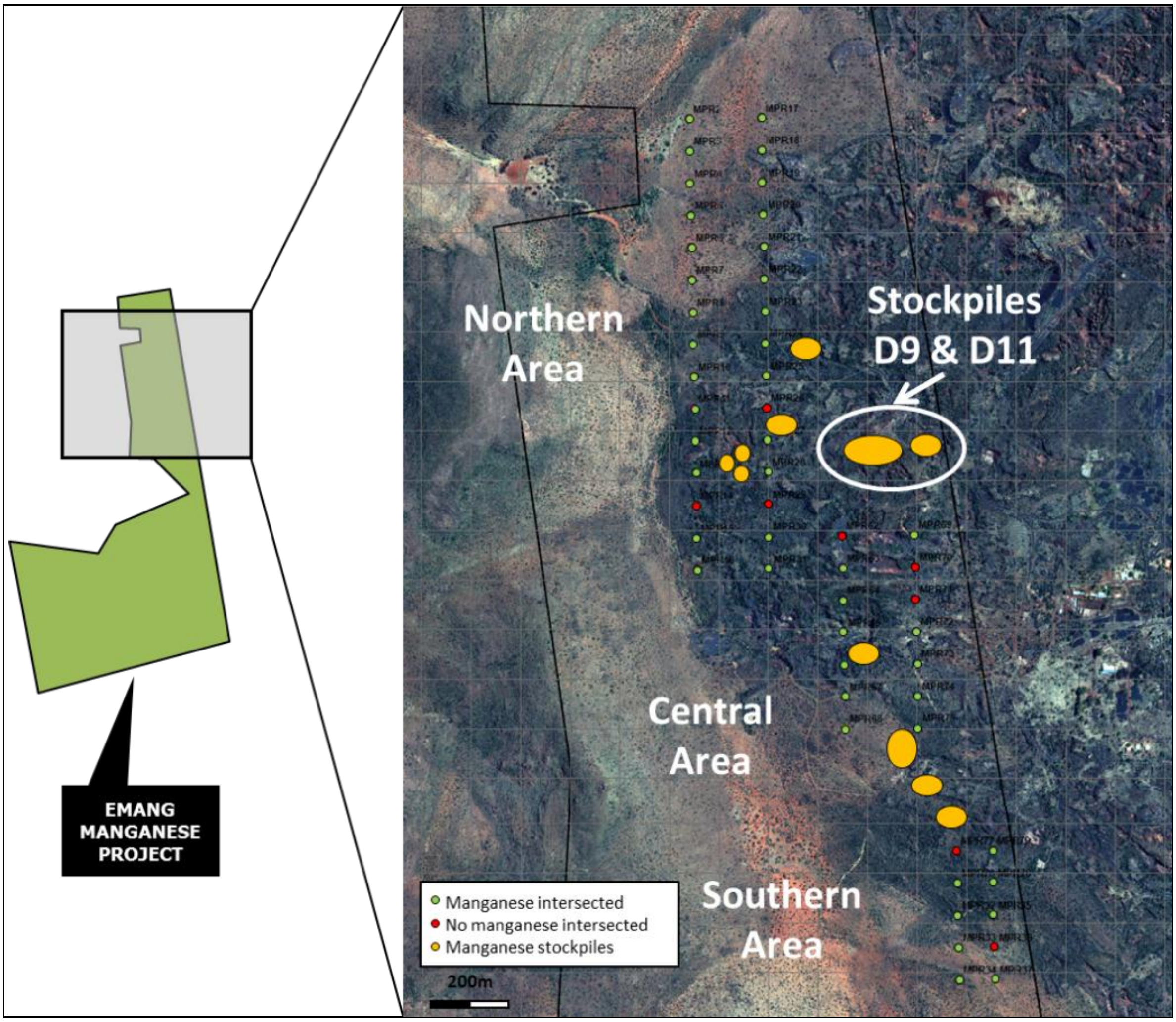
Stockpile Sampling Programme

The Emang project area has a large volume of stockpiles from historic manganese mining on the property up until the mid-1980's. The stockpiles cover approximately 26,000m^2 in 13 discrete locations.

Segue commissioned Gravmax (Pty) Ltd, a company specialising in minerals processing and metal recovery, to conduct a detailed sampling programme of stockpiles D9 and D11, which have a surface area of 12,000m^2 (approx. 45% of total stockpiles).

Gravmax used an excavator to dig 26 holes approximately 1.5m in diameter and 3.5m deep. Each bulk sample (approx. 3 tonnes) was then reduced to a 0.5 – 1.0 tonne representative sample which was taken to Gravmax's processing facility at Brits, north-west of Pretoria. The 26 samples have been passed through a trommel screen and split into the following size fractions: -4mm, +4mm, +9.5mm, +12mm, +19mm, +27mm and +80mm. The seven size fractions were then crushed and pulverised for XRF analysis.

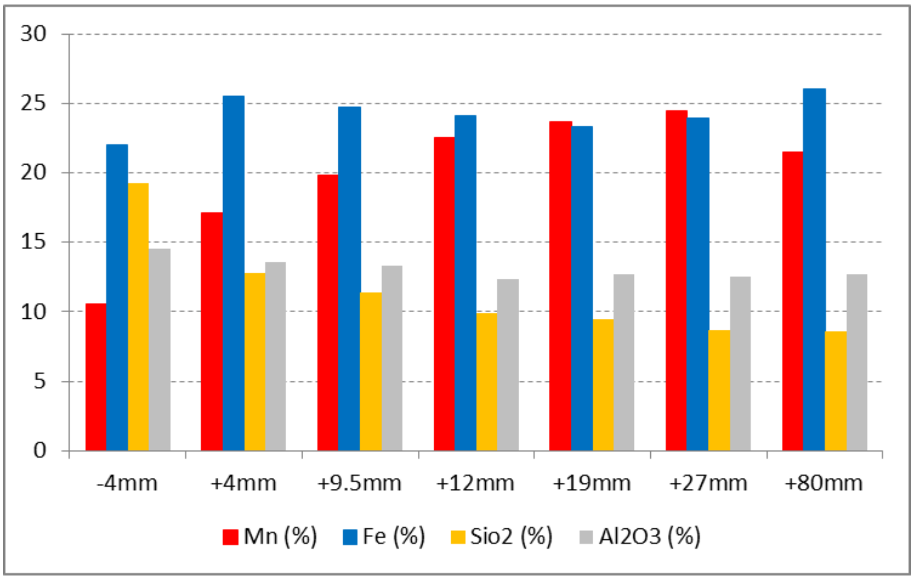
Figure 4 – Stockpile Locations



As part of the testing procedures, 16 samples were sent to an external laboratory (UIS Analytical Services) for chemical assay and eight duplicate samples were sent to ALS Laboratories in Johannesburg as a referee laboratory. All external assay results (UIS and ALS) have been received and are consistent with the XRF analysis.

The following chart shows the combined stockpile grades at the various size fractions. The average manganese grade increases with particle size and therefore one of the primary processing steps will be to remove the smaller size particles (<9.5mm) to provide a higher grade ore feed to the jigging plant. Also, the +80mm fraction will be screened, sorted and crushed prior to jigging to provide a saleable lump product.

Figure 5 – Stockpile Manganese & Iron Grades



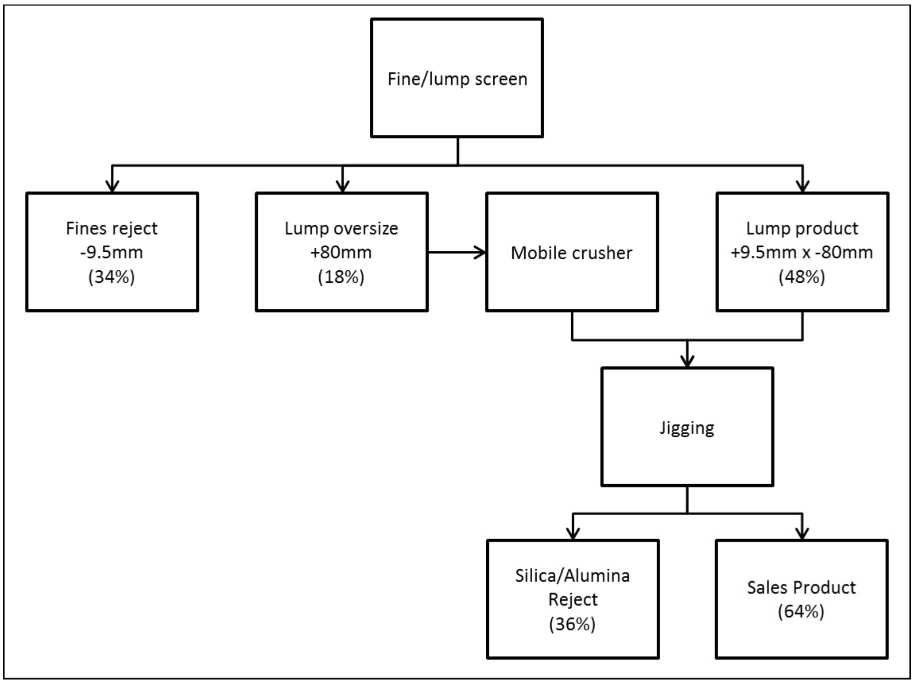
Stockpile Batch Jigging Testwork

Gravmax has completed eight batch jigging tests to determine what upgrading is possible to manganese and iron through a wet jig. All of the jigging tests were sent to UIS Analytical Services for chemical assay analysis. An initial cut-off density of 3.8 was used to determine the average increase in manganese and iron grades as well as decrease in silica in alumina grades. A second cut-off density of 4.1 was used to ascertain whether the manganese grade could be further increased.

The jigging tests indicate that the level of manganese may be upgraded by approximately 20% with a mass yield of approximately 50% and a recovery of 60-75%. While larger scale tests are required to confirm the results of the batch jigging tests, it appears that a product grade of 28% Mn may be achieved with an input grade of 23-24% Mn (using a +9.5mm lump size) and processing through a wet jigging plant.

The following process flowsheet outlines the processing method for producing a +28% Mn product.

Figure 6 – Process Flowsheet



DIRECTORS' REPORT

Transport and Logistics

Segue has entered into preliminary discussions with various infrastructure and transport providers in the Northern Cape Province, to establish alternative scenarios for transporting manganese from the Emang Project to ports around South Africa. The options include traditional rail and road transport from Postmasburg to Port Elizabeth (South Africa's largest manganese export terminal) as well as the use of containers to transport manganese to other ports in South Africa before being exported. Segue is considering the total cost of transport (from mine to port and port to customer) and available volume of each alternative scenario.

Following discussions with Transnet Freight Rail, Transnet National Ports Authority and several private sector logistics operators, Segue has determined that the three most viable transport options are:

- Railing product in bulk from the Emang Manganese Project to Port Elizabeth down the existing bulk rail line;
- Containerising the product on site for railing to Bloemfontein and then onto Port Elizabeth or Coega; and
- Railing product to Durban or Richards Bay Dry Bulk Terminal for export in bulk carriers.

Figure 7 – Transport Options for the Emang Project

Pardoo Project, Western Australia (Segue 100%)

Segue has a 100% interest in the Pardoo Project, which consists of four contiguous exploration licenses (E45/1866, E45/2146, E45/3383 and E45/3464) covering 174 square kilometers located on the Great Northern Highway, approximately 120 kilometres east-northeast of Port Hedland in the Pilbara region of Western Australia. The Pardoo Project is prospective for iron ore, nickel and copper.

Figure 8 – Location of Pardoo Tenements

Segue's Pardoo Iron Ore Project is located approximately 120 kilometres east of Port Hedland and 15 kilometres from the coast. The project is close to key infrastructure including an "open" railway, gas and electric power. Abundant good quality ground water is also available from the Canning Basin immediately to the north of the project. In addition, the Project is located less than 10 kilometres north of the BHP-Goldsworthy Iron Ore Mine which produced 157 million tonnes of "direct shipping ore" over the period 1966 to 1982.

During the Period, an application for the extension of term of exploration licence E45/1866 was granted for a period of one year.

The Company is also exploring the nickel-copper potential of the Pardoo Project area via a farm-in and joint venture agreement with White Eagle Resources Limited (**White Eagle**).

Pardoo Nickel and Base Metal Project, Western Australia (Segue 100%, subject to farm-in)

The Pardoo Nickel Project is highly prospective for nickel sulphide mineralisation. Snowden Mining Industry Consultants Ltd (**Snowden**) prepared an updated resource estimate for the Highway deposit during early 2010. The total Mineral Resource at Highway is 50 million tonnes grading 0.30% nickel, 0.13% copper and 0.03% cobalt, reported above a 0.1% nickel cut-off grade. Snowden has classified the resource in its entirety as an Inferred Resource.

Table 3 – Pardoo Nickel Project Inferred Resource

	Mt	Ni%	Cu%	Co%	S%
Weathered	5.5	0.25	0.18	0.03	0.10
Fresh	44.5	0.31	0.12	0.03	2.96
Total Inferred Resource	**50.0**	**0.03**	**0.13**	**0.03**	**2.65**

1. Cut-off grade for the Pardoo Nickel Resource is 0.1% Ni.

DIRECTORS' REPORT

The Pardoo Nickel Joint Venture with White Eagle covers the nickel and non-iron ore rights over the Pardoo Project area. Segue is working with White Eagle in assessing possible options to progress exploration work on the Pardoo Project under the existing Joint Venture agreement. Segue continues to monitor and review the carrying value of the Pardoo Tenements and its investment in White Eagle.

Pardoo Iron Ore Project, Western Australia (Segue 100%)

No exploration work was carried out on the Pardoo Iron Ore Project during the Period.

Segue Tenement Schedule (8 March 2013)

Tenement	Holder	Interest	Granted	Expiry
E45/2146	Segue (Pardoo) Limited	100%	5/10/2004	4/10/2013
E45/1866	Segue (Pardoo) Limited	100%	9/2/2004	8/2/2014
E45/3383	Segue (Pardoo) Limited	100%	20/10/2009	19/10/2014
E45/3464	Segue (Pardoo) Limited	100%	14/4/2010	13/4/2015

Corporate

Subsequent to the reporting period Segue advised it had secured an additional $250,000 working capital facility from parties associated with the providers of the existing $500,000 facility. The Company further advised that the repayment date of the existing $750,000 working capital facilities had been extended to 30 June 2013.

On 18 February 2013 the Company issued the facility provider 25 million Segue options with an exercise price of $0.01 and a term of five years. All other commercial terms are consistent with the existing financing facility.

Competent Persons Statement

The information in this report that relates to Mineral Resources at the Emang Manganese Project is based on information reviewed by Mr Vimal Bansi who is a full time employee of RSV GEM. Mr Bansi is a senior geostatistician and resource geologist with over 20 years' African project evaluation including extensive involvement with mineral projects throughout South Africa. He is a member of the South African Council for Natural Scientific Professions, and qualifies as an 'Expert', 'Competent Person' and 'Qualified Person' as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Bansi consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report relating to Mineral Resources at the Pardoo Nickel Project is based on information compiled by Mr John Graindorge who is a full time employee of Snowden Mining Industry Consultants. Mr Graindorge is a Member of the Australian Institute of Mining and Metallurgy and consents to the inclusion in this report of the information presented. He has sufficient experience relevant to the style of mineralisation and type of deposit 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".

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Deloitte Touche Tomatsu, which is included on page 13.

Signed in accordance with a resolution of the directors

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Steven Michael

Managing Director

Perth, 18 March 2013

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Segue Resources Limited
Level 8
225 St Georges Tce
Perth, WA 6000

18 March 2013

Dear Board Members

Segue Resources Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Segue Resources Limited.

As lead audit partner for the audit of the financial statements of Segue Resources Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith

Neil Smith
Partner
Chartered Accountant

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	31 Dec 2012 $	31 Dec 2011 $
Continuing operations			
Finance income		4,615	7,780
Employee benefits expenses		(281,677)	(198,074)
Consultancy fees		(39,427)	(395,110)
Occupancy expenses		(52,518)	(23,517)
Share based payments		-	(937,880)
Finance costs		(12,500)	(4,550)
Depreciation expenses		(1,276)	(1,976)
Impairment expenses		(2,900,456)	(941)
Administration and other expenses		(238,841)	(302,933)
Loss before income tax		(3,522,080)	(1,857,199)
Income tax expense		-	-
Loss from continuing operations for the period		(3,522,080)	(1,857,199)
Other comprehensive income / (loss)			
Exchange loss on translation of foreign operations		(135,853)	-
Total other comprehensive loss		(135,853)	-
Total comprehensive loss for the period		(3,657,933)	(1,857,199)
Loss per share		Cents	Cents
- Basic loss		(0.64)	(0.47)
- Diluted loss		(0.64)	(0.47)

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 2012

	Note	31 Dec 2012 $	30 Jun 2012 $
ASSETS			
Current assets			
Cash and cash equivalents		174,618	233,354
Trade and other receivables		106,380	177,042
Prepayments		53,350	43,977
Assets held for sale		-	33,333
Total current assets		**334,348**	**487,706**
Non-Current Assets			
Exploration and evaluation costs	**3**	4,500,000	7,427,180
Property, plant and equipment		24,733	26,008
Total non-current assets		**4,524,733**	**7,453,188**
TOTAL ASSETS		**4,859,081**	**7,940,894**
LIABILITIES			
Current liabilities			
Trade and other payables		405,469	329,349
Interest bearing liabilities	**4**	500,000	-
Total current liabilities		**905,469**	**329,349**
TOTAL LIABILITIES		**905,469**	**329,349**
NET ASSETS		**3,953,612**	**7,611,545**
EQUITY			
Contributed Equity	**5**	18,500,731	18,500,731
Reserves		228,283	364,136
Accumulated losses		(14,775,402)	(11,253,322)
TOTAL EQUITY		**3,953,612**	**7,611,545**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED	Contributed equity	Share based payment reserve	Foreign currency translation reserve	Investment reserve	Accumulated losses	Total equity
	$	$	$	$	$	$
At 1 July 2011	11,882,818	518,547	-	(150)	(5,400,666)	7,000,549
Loss for the half year	-	-	-	-	(1,857,199)	(1,857,199)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(1,857,199)	(1,857,199)
Issue of shares	4,633,783	-	-	-	-	4,633,783
Cost of share issue	(99,309)	-	-	-	-	(99,309)
Share based payments	-	195,880	-	-	-	195,880
Transaction with equity holders	4,534,474	195,880	-	-	-	4,730,354
At 31 December 2011	**16,417,292**	**714,427**	**-**	**(150)**	**(7,257,865)**	**9,873,704**
At 1 July 2012	18,500,731	714,427	(350,141)	(150)	(11,253,322)	7,611,545
Loss for the half year	-	-	-	-	(3,522,080)	(3,522,080)
Other comprehensive income	-	-	(135,853)	-	-	(135,853)
Total comprehensive income	-	-	(135,853)	-	(3,522,080)	(3,657,933)
Issue of shares	-	-	-	-	-	-
Transaction with equity holders	-	-	-	-	-	-
At 31 December 2012	**18,500,731**	**714,427**	**(485,994)**	**(150)**	**(14,775,402)**	**3,953,612**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	31 Dec 2012 $	31 Dec 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(475,054)	(664,830)
Interest received		4,615	3,260
Interest paid		(12,500)	-
Net cash outflow from operating activities		(482,939)	(661,570)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for exploration expenditure		(109,130)	(2,619,445)
Payment for acquisition of mining assets		-	(398,706)
Proceeds from sale of investments		33,333	-
Net cash outflow from investing activities		(75,797)	(3,018,151)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		-	3,427,224
Proceeds from related party loans		500,000	-
Net cash inflow from financing activities		500,000	3,427,224
Net decrease in cash and cash equivalents		(58,736)	(252,497)
Balance at the beginning of the period		233,354	356,016
Balance at the end of the period		174,618	103,519

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

1. CORPORATE INFORMATION

The financial report of Segue Resources Limited ("the Company") and its controlled entities for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 15 March 2013. Segue Resources Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

The principal activities of the Group are to explore for mineral resources in Australia and South Africa.

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 2012.

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 2012 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of Preparation

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirement of the Corporations Act 2001, and Australian Accounting Standard AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". 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 going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity has incurred net losses after tax of $3,522,080 (31 December 2011: $1,857,199) and experienced net cash outflows from operating and investing activities of $558,736 (31 December 2011: $3,679,721) for the half-year ended 31 December 2012. As at 31 December 2012 the Consolidated Entity had cash assets of $174,618 and net current liabilities of $571,121 (30 June 2012: net current assets of $158,357).

During the half-year to 31 December 2012 and for the period to the date of this report, the directors have taken steps to ensure the Consolidated Entity continues as a going concern. These steps include:

- Managing advanced discussions with third parties to seek a cash injection through the sale of the Emang manganese assets;
- Actively pursuing parties interested in either subscribing for additional equity in the Company, or securing a farm in arrangement into its exploration assets;
- Securing a finance facility of $250,000 from 6446 Investments Pty Ltd subsequent to half-year end. At the date of this report, the facility has been fully drawn.

- Securing an extension of its finance facilities of $500,000 from Hemisphere Partners, and $250,000 from 6466 Investments Pty Ltd, to 30 June 2013 and is due for repayment on 30 June 2013; and
- Ongoing management of the level of exploration and corporate expenditure in line with funds available to the Consolidated Entity.

The ability of the Consolidated Entity to continue as a going concern is dependent upon:

i. the receipt of proceeds from the sale of Emang manganese assets or alternatively an equity injection of at least $1.6 million by 31 April 2013; and
ii. White Eagle Limited continuing to fund the Pardoo exploration expenditure through its farm-in arrangement.

The directors have reviewed the cash flow forecasts and believe the matters set out above are likely to be achieved and therefore are satisfied that the going concern basis of preparation is appropriate.

Should the Consolidated Entity be unable to achieve successful outcomes in relation to the matters referred to above, there is a material uncertainty whether the Consolidated Entity will be able to continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(c) Adoption of new and revised Accounting Standards

During the current period, the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these Standards and Interpretations has had on the interim financial statements of the Group.

New and revised standards and amendments thereof and interpretations effective for the current half-year that are relevant to the Group include:

- Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'

The adoption of new and revised Standards and Interpretations has not affected the amounts reported for the current or prior year. However the application of AASB 2011-9 has resulted in a change to the Group's presentation of, or disclosure in, its half year financial statements.

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the representation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3. EXPLORATION AND EVALUATION COSTS

	31 Dec 2012 $	30 Jun 2012 $
Balance at the beginning of the period	7,427,180	6,687,382
Exploration expenditure incurred	109,130	4,173,465
Impairment of exploration assets	(2,900,457)	(3,120,754)
Effect of foreign currency translation	(135,853)	(312,913)
Balance at the end of the period	**4,500,000**	**7,427,180**

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation.

4. INTEREST BEARING LIABILITIES

	31 Dec 2012 $	30 Jun 2012 $
Loan from Hemisphere Investment Partners	500,000	-
	500,000	**-**

The loan has been provided by Hemisphere Investment Partners to meet the working capital requirements of the Group. The key terms of the loan are:

- Repayment date: 31 March 2013 or earlier, if the Group is able to raise funds from external sources;
- Interest rate: Charged at 9.25% per annum

5. CONTRIBUTED EQUITY

Issued Capital	**31 Dec 2012**	**30 Jun 2012**
(a) Share capital		
536,348,756 (30 June 2012 : 536,348,756) fully paid ordinary shares	18,500,731	18,500,731

	CONSOLIDATED Nos.	$
(b) Movements in share capital		
Balance at 1 July 2011	256,422,120	11,882,818
Tranche 1 paid 8 July 2011	38,000,000	760,000
Rights Issue 22 July 2011	68,826,003	1,376,520
Facilitation Fee 24 July 2011	7,500,000	267,750
Employee Share Issue 6 September 2011	3,250,000	97,500
Share Placement 15 September 2011	54,500,633	1,090,013
Rights Issue Shortfall 16 September 2011	15,000,000	300,000
Employee Share Issue 9 November 2011	18,550,000	742,000
Placement 28 February 2012	69,300,000	2,079,000
Employee Share Issue 31 May 2012	5,000,000	100,000
Placement costs	-	(194,870)
Balance at 30 June 2012	**536,348,756**	**18,500,731**
Movement during half year ended 31 December 2012	-	-
Balance at 31 December 2012	**536,348,756**	**18,500,731**

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

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

(c) Options outstanding at 31 December 2012

	Nos.	Exercise price ($)	Exercise date
Issued on 08 November 2011	11,800,000	0.0510	08/11/2014

6. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically focused on the Geographical Location of the exploration program.

The Group's reportable segments under AASB 8 are therefore as follows:

- Mineral Exploration – Western Australia
- Mineral Exploration – Northern Territory
- Mineral Exploration – South Africa

SEGMENT RESULTS	**Western Australia**	**Northern Territory**	**South Africa**	**Total**
Half year ended 31 December 2012	**$**	**$**	**$**	**$**
Segment revenue	-	-	-	-
Unallocated revenue				
Finance income	-	-	-	4,615
Segment expenses	(1,714,223)	-	(1,186,223)	(2,900,456)
Segment results	(1,714,223)	-	(1,186,223)	**(2,895,841)**
Unallocated expenses				
Share based payments	-	-	-	-
Other expenses	-	-	-	(626,239)
Loss for the half year	(1,714,223)	-	(1,186,223)	(3,522,080)
Half year ended 31 December 2011	**$**	**$**	**$**	**$**
Segment revenue	-	-	-	-
Unallocated revenue				
Finance income	-	-	-	7,780
Segment expenses	-	(941)	-	(941)
Segment results	**-**	**941**	**-**	**6,840**
Unallocated expenses				
Share based payments	-	-	-	(937,880)
Other expenses	-	-	-	(926,159)
Loss for the half year	-	941	-	(1,857,199)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

6. SEGMENT INFORMATION (CONT)

SEGMENT ASSETS AND LIABILITIES	Western Australia $	Northern Territory $	South Africa $	Total $
At 31 December 2012				
Exploration and evaluation assets	1,500,000	-	3,000,000	4,500,000
Unallocated items	-	-	-	359,081
Total assets	**1,500,000**	**-**	**3,000,000**	**4,859,081**
Segment liabilities	-	-	-	-
Unallocated items	-	-	-	905,469
Total liabilities	**-**	**-**	**-**	**905,469**
At 30 June 2012				
Exploration and evaluation assets	3,407,290	-	4,019,890	7,427,180
Unallocated items	-	-	-	513,714
Total assets	**3,407,290**	**-**	**4,019,890**	**7,940,894**
Segment liabilities	-	-	-	-
Unallocated items	-	-	-	329,349
Total liabilities	**-**	**-**	**-**	**329,349**

7. COMMITMENTS AND CONTINGENCIES

Since the last annual reporting date, there has been no material change to any commitments and contingencies.

8. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the reporting period Segue advised that the repayment date of the existing $500,000 working capital facility had been extended to 30 June 2013. The Company further advised it had secured an additional $250,000 working capital facility from parties associated with the providers of the existing $500,000 facility. The new facility of $250,000 is repayable on 30 June 2013 and has an interest rate of 9.25% per annum. On 18 February 2013 the Company issued the facility provider 25 million Segue options with an exercise price of $0.01 and a term of five years. All other commercial terms are consistent with the existing financing facility.

DIRECTORS' DECLARATION

In accordance with a resolution of the Board of Directors, I state that:

In the opinion of the Directors:

1. The consolidated financial statements and accompanying notes are in accordance with the Corporations Act 2001, including:
    a. giving a true and fair view of the Consolidated Entity's financial position at 31 December 2012 and of their performance for the half- year ended on that date: and
    b. complying with Accounting Standards and Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Board

____

Steven Michael

Managing Director

Perth, 18 March 2013

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Independent Auditor's Review Report to the Members of Segue Resources Limited

We have reviewed the accompanying half-year financial report of Segue Resources Limited, which comprises the condensed statement of financial position as at 31 December 2012, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising Segue Resources Limited and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 14 to 24.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 half-year 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 2012 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 Limited, 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Segue Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 Limited 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 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our conclusion, we draw attention to Note 2 in the financial report which indicates that the Consolidated Entity incurred a net loss of $3,522,080 and had net cash outflows from operating and investing activities of $558,736 during the half year ended 31 December 2012. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Consolidated Entity's ability to continue as a going concern and therefore the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants
Perth, 18 March 2013