



SEGUE
RESOURCES LTD

ABN 49 112 609 846

**Half-Year Financial Report
31 December 2006**

Corporate Directory

Directors

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

Company Secretary

John Arbuckle

Registered Office

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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 2006.

DIRECTORS

The names of the Company's 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

In July 2006, Segue Resources Limited ("Segue") agreed with North River Resources plc ("NRR") to farm into Segue's Coronet Hill Project in the Northern Territory. NRR can earn 51% in the project by incurring expenditure of up to the AUD equivalent of £2,000,000. NRR must spend the AUD equivalent of £500,000 in the first 2 years to earn 20%.

In August 2006, Segue entered into an agreement to acquire 100% of the issued share capital of Westralian Nickel Limited which holds the highly prospective Pardoo Project comprising two tenements in the Pilbara region of Western Australia. The acquisition was approved by shareholders at Segue's AGM in late November 2006. Under the terms of the agreement Segue issued 6 million shares; 6 million options exercisable at \$2 on or before 31 August 2009; and paid creditors of \$300,000. Since gaining control, Segue has changed the name of Westralian Nickel Ltd to Segue (Pardoo) Ltd.

Segue immediately commenced exploration at the Pardoo Project and conducted a helicopter VTEM survey which identified a number of high priority drill targets. Segue also obtained approval to explore for iron ore on the tenements.

The Group incurred a loss for the half year of \$426,443, compared to a net loss of \$78,865 for December 2005.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor's, PKF Chartered Accountants, which is included on page 4.

Signed in accordance with a resolution of the directors



Robert Downey
Director

Perth, 16 March 2007

AUDITOR'S INDEPENDENCE DECLARATION**TO THE DIRECTORS OF SEGUE RESOURCES LTD**

As lead engagement partner for the review of Segue Resources Ltd for the half year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) 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 16th day of March 2007

SEGUE RESOURCES LIMITED – HALF YEAR REPORT

CONDENSED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Notes	Consolidated 31 December 2006 \$	31 December 2005 \$
Continuing Operations			
Other Income	4	38,716	38,470
Other expenses	4	(465,159)	(117,335)
Loss from continuing operations before income tax and finance costs		(426,443)	(78,865)
Finance costs		-	-
Loss before income tax		(426,443)	(78,865)
Income tax expense	5	-	-
Loss from continuing operations after tax		(426,443)	(78,865)
Earnings per share (cents per share)			
- basic; for loss for the half-year		(3.776)	(1.215)
- diluted; for loss for the half-year		(3.776)	(1.215)

SEGUE RESOURCES LIMITED – HALF YEAR REPORT

CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	Consolidated	
		31 December 2006 \$	30 June 2006 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	855,216	2,095,913
Financial assets		129,349	-
Trade and other receivables		71,522	51,156
Total Current Assets		1,056,087	2,147,069
Non-Current Assets			
Exploration and evaluation		4,937,589	362,280
Property, plant and equipment		24,246	19,906
Deferred tax asset		1,255,498	-
Total Non-Current assets		6,217,333	382,186
TOTAL ASSETS		7,273,420	2,529,255
LIABILITIES			
Current liabilities			
Trade and other payables		119,690	104,580
Total Current Liabilities		119,690	104,580
Non-Current Liabilities			
Deferred income tax liabilities		1,255,498	-
Total Non-Current Liabilities		1,255,498	-
TOTAL LIABILITIES		1,375,188	104,580
NET ASSETS		5,898,232	2,424,675
EQUITY			
Contributed equity	8	6,571,286	2,671,285
Reserves		190,080	190,080
Accumulated losses		(863,134)	(436,690)
TOTAL EQUITY		5,898,232	2,424,675

SEGUE RESOURCES LIMITED – HALF YEAR REPORT

CONDENSED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Notes	Consolidated	
		31 December 2006 \$	31 December 2005 \$
Cash flows from operating activities			
Payments to suppliers and employees		(257,795)	(141,719)
Interest received		38,716	38,470
Net cash flows from/(used in) operating activities		<u>(219,079)</u>	<u>(103,249)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,187)	(2,788)
Payment for exploration expenditure		(679,032)	(61,162)
Payment for equity investments		(339,399)	-
Net cash flows from/(used in) investing activities		<u>(1,021,618)</u>	<u>(63,950)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	2,538,000
Payments for capital raisings		-	(116,815)
Repayment of borrowings		-	(1,329,969)
Net cash flows from/(used in) financing activities		<u>-</u>	<u>1,091,216</u>
Net increase/(decrease) in cash and cash equivalents		(1,240,697)	924,017
Cash and cash equivalents at beginning of period		2,095,913	1,330,501
Cash and cash equivalents at end of period	6	<u>855,216</u>	<u>2,254,518</u>

SEGUE RESOURCES LIMITED – HALF YEAR REPORT

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	<i>Attributable to equity holders of the entity</i>			<i>Total equity</i>
	Contributed Equity \$	Reserves \$	Accumulated Losses \$	\$
At 1 July 2005	100	-	(37,682)	(37,582)
Loss for the period	-	-	(78,865)	(78,865)
Issue of shares	2,788,000	-	-	2,788,000
Transaction costs of issuing shares	(116,815)	-	-	(116,815)
At 31 December 2005	2,671,285	-	(116,547)	2,554,738
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	6,571,285	190,080	(863,133)	5,898,232

**SEGUE RESOURCES LIMITED – HALF YEAR REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

1. CORPORATE INFORMATION

The financial report of Segue Resources Limited (“the Company”) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 16 March 2007. Segue Resources Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Stock 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 2006.

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 2006 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) 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 2006, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2005. The directors have reviewed the amended policies and confirmed no impact on the Company.

(c) 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.

SEGUE RESOURCES LIMITED – HALF YEAR REPORT
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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.

(d) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Segue Resources Limited and its controlled subsidiaries ("the Group").

The acquisition of Segue (Pardoo) Limited (formerly Westralian Nickel Limited) on 31 August 2006 has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair values of the assets acquired and the liabilities or contingent liabilities assumed at the date of acquisition. Accordingly, the half-year consolidated financial statements include the results of Segue (Pardoo) Limited for the four month period from acquisition on 31 August 2006.

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>2006</i>	<i>2005</i>
<i>\$</i>	<i>\$</i>

4. REVENUE, INCOME AND EXPENSES

(a) Revenue, Income and Expenses from Continuing Operations

<i>Other income</i>		
Finance income	38,716	38,470
Total other income	<u>38,716</u>	<u>38,470</u>
<i>Included in Other expenses:</i>		
Depreciation	2,572	96
Fair value movement on investments held	210,050	-

SEGUE RESOURCES LIMITED – HALF YEAR REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

<i>Consolidated</i>	
<i>31 December</i>	<i>31 December</i>
<i>2006</i>	<i>2005</i>
<i>\$</i>	<i>\$</i>

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	-
<hr/>	
Income tax expense reported in the consolidated income statement	<hr/> <hr/> -

<i>Consolidated</i>	
<i>31 December</i>	<i>30 June</i>
<i>2006</i>	<i>2006</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	838,968	2,095,913
Short term deposits	16,248	-
	<hr/> 855,216	<hr/> 2,095,913

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>2006</i>	<i>2006</i>
<i>\$</i>	<i>\$</i>

8. CONTRIBUTED EQUITY

Ordinary shares (i)	<hr/> 6,571,285	<hr/> 2,671,285
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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	10,512,350	2,671,285
Issued during period	-	-
Transaction costs on share issue	-	-
At 30 June 2006	<hr/> 10,512,350	<hr/> 2,671,285
Issued on 7 December 2006 for non-cash on acquisition of Westralian Nickel Ltd	6,000,000	3,900,000
At 31 December 2006	<hr/> 16,512,350	<hr/> 6,571,285

SEGUE RESOURCES LIMITED – HALF YEAR REPORT
NOTES TO THE FINANCIAL STATEMENTS
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9. EVENTS AFTER THE BALANCE SHEET DATE

On 6 February 2007 Segue Resources Limited entered into an agreement to purchase the rights to a 50% interest in the mineral lease applications and mineral claim applications (currently subject to litigation) in respect of areas RO1292 and RO1103 (“Angela and Pamela”) in the Northern Territory.

Segue agreed with McCleary Investments Pty Ltd to purchase:

- its 50% legal and beneficial interest in the Mineral Lease applications in respect of areas RO1292 and RO1103 and mineral claim applications over the area formerly known as RO1292 designated Ghan1 to Chan7 inclusive (“the Tenements”) in the Northern Territory;
- Exploration Licence Application EL(A) 25639 in the Tanami area of the Northern Territory,
- Exploration Licence Application EL(A) 25442 in the Musgrave area of the Northern Territory; and
- Exploration Licence Application EL(A) 25446 in the Musgrave area of the Northern Territory.

The consideration for the purchase of these assets is:

- Cash of \$220,000;
- 2.3 million shares in Segue to be issued within 7 business days of the agreement being executed (“First Tranche Shares”);
- 7.5 million shares in Segue and 7.5 million options with an exercise price of \$2 on or before 31 August 2009, which are conditional upon McCleary Investments being granted the Tenements by the Northern Territory government and Segue gaining shareholder approval for their issue.

On 26 February 2007, the Northern Territory Supreme Court ruled that McCleary Investments Pty Ltd was successful in having its right to have the mineral lease application received and processed for Block RO1103, however, McCleary Investments Pty Ltd was not successful in its mineral claim and mineral lease applications relating to Block 1292. McCleary Investments is still considering whether it will appeal the decision in relation to Block 1292.

There is a possibility that if McCleary Investments does not appeal the decision in regards to Block 1292 or loses an appeal that part of the asset consideration detailed above may be impaired at 30 June 2007.

On 5 March 2007, Segue advised that it intended to conduct a General Meeting of shareholders on 12 April 2007 to seek approval for:

- a 3 for 1 share split;
- the issue of up to 40 million shares to raise \$10 million;
- the issue of shares and options in respect of the drawdown of the Credit Facility and Convertible Note Deed; and to
- ratify recent share issues.

Otherwise, no matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the consolidated entity in the future financial years.

SEGUE RESOURCES LIMITED – HALF YEAR REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

10. BUSINESS COMBINATION

Acquisition of Westralian Nickel Limited

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

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

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

	<i>CONSOLIDATED</i>	
	<i>Recognised on acquisition</i>	<i>Carrying value</i>
	\$	\$
Property Plant & Equipment	3,724	3,724
Exploration and Evaluation	258,343	258,343
Cash and cash equivalents	16,094	16,094
	<u>278,161</u>	<u>278,161</u>
Trade payables	263,155	263,155
	<u>263,155</u>	<u>263,155</u>
Fair value of identifiable net assets	15,005	15,005
Tenement acquisition costs	4,184,995	
	<u>4,200,000</u>	
Cost of the combination:		
Shares and options issued, at fair value	3,900,000	
Settlement to creditors	300,000	
Total cost of the combination	<u>4,200,000</u>	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	16,094	
Cash paid	-	
Net cash outflow	<u>16,094</u>	

From the date of acquisition, Westralian Nickel Limited has contributed \$15,062 to the accumulated losses of the Group.

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

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 2006 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



Robert Downey
Director

Perth, 16 March 2007



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 Limited, which comprises the condensed balance sheet as at 31 December 2006, 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 entity comprising the company and the entities it controlled at 31 December 2006 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 and its controlled entities 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 designing, implementing 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 and its controlled entities' financial position as at 31 December 2006 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 and its controlled entities, 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*.



Chartered Accountants
& Business Advisers

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 2006 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 16th day of March 2007