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Market Announcements Platform
ASX Limited
Exchange Centre,
20 Bridge Street, Sydney NSW 2000

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2012

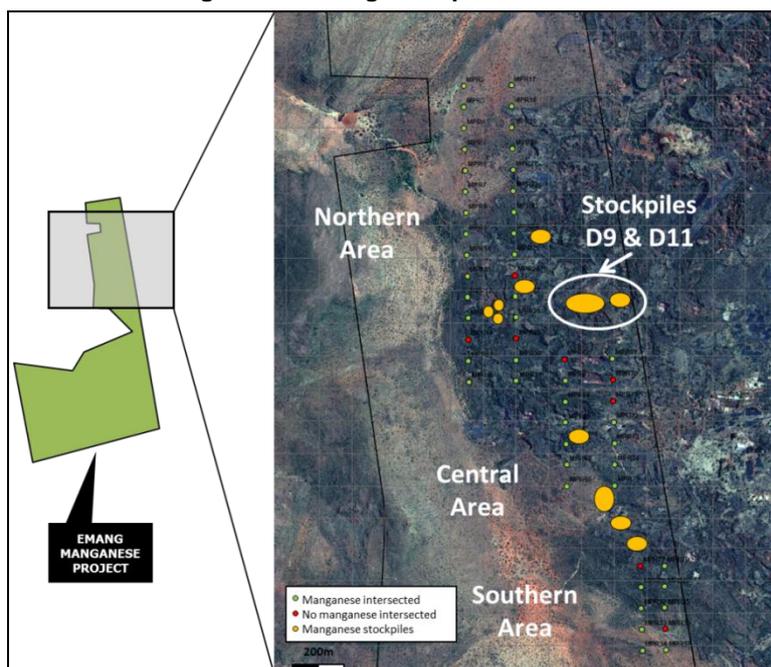
DECEMBER QUARTER HIGHLIGHTS

- Stockpile sampling achieved consistent grades of 23% Mn and 25% Fe
- Batch jigging testwork demonstrates a sales grade of +28% Mn is achievable
- Financing facility extended and additional facility agreed

Emang Manganese Project, South Africa (Segue earning up to 51%)

During the quarter, Segue Resources Limited (**Segue** or the **Company**) announced the results of a stockpile sampling and testwork programme at the Emang Manganese Project (**Emang**) in South Africa. 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 26,000m² in 13 discrete locations.

Figure 1 – Emang Stockpile 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 12,000m² (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.

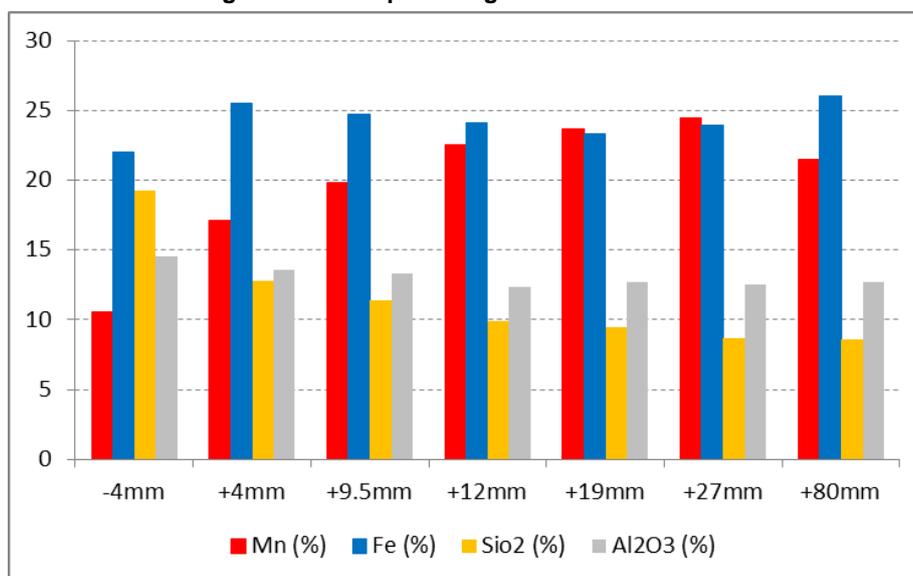
As part of the testing procedures, 16 samples were sent to an external laboratory (UIS Analytical Services) for chemical assay and eight duplicate samples were sent to ALS Laboratories in Johannesburg as a referee laboratory. All external assay results (UIS and ALS) have been received and are consistent with the XRF analysis. Table 1 lists the average grades of stockpiles D9 and D11 at the various size fractions. Appendix A contains detailed plots of the 26 samples at each size fraction.

Table 1 – Stockpile Size Fractions and Grade

Size Fraction	Mass	Mn	Fe	SiO ₂	Al ₂ O ₃
-4mm	24%	10.7%	22.0%	19.3%	14.5%
+4mm	11%	17.1%	25.5%	12.8%	13.6%
+9.5mm	6%	19.8%	24.7%	11.4%	13.3%
+12mm	7%	22.5%	24.1%	9.9%	12.4%
+19mm	9%	23.7%	23.3%	9.5%	12.7%
+27mm	23%	24.5%	23.9%	8.7%	12.5%
+80mm	20%	21.5%	26.0%	8.6%	12.7%
Lump (+9.5mm)	65%	22.8	24.6%	9.2%	12.7%
Fines (-9.5mm)	35%	12.6	23.1%	17.3%	14.2%

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 2 – Stockpile Manganese & Iron Grades



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.

Table 2 – Batch Jigging Results

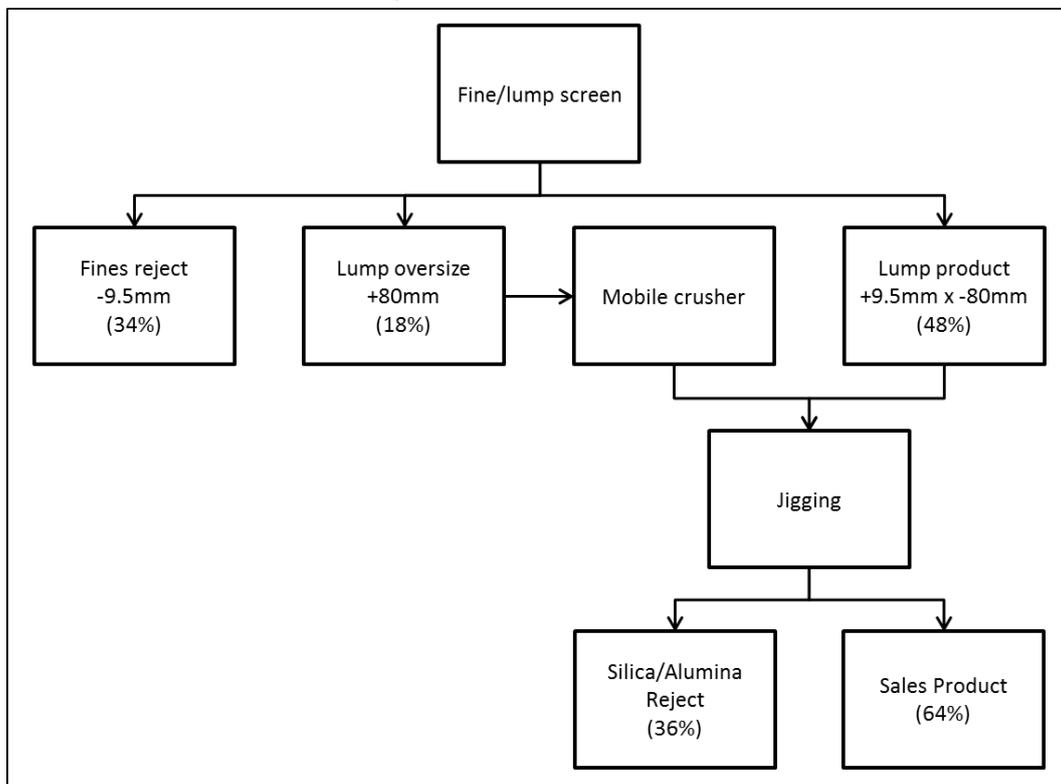
Density (SG)	Mass Yield	Mn Increase	Mn Recovery	Fe Increase	Fe Recovery	SiO ₂ Decrease	Al ₂ O ₃ Decrease
3.8	67%	+17%	75%	+19%	76%	-32%	-30%
4.1	42%	+20%	59%	+27%	63%	-38%	-39%

The jigging tests indicate that the level of manganese may be upgraded by up to 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 higher density cut-off (SG of 4.1) increased manganese grade by 3%, however a larger increase in iron grade (+8%) was achieved. This confirms that the iron mineralisation sits at a higher density than the manganese mineralisation. There is potential to further increase the manganese grade by removing a high density layer in the jigging plant (SG of 4.5), which is expected to remove a portion of the iron with little impact on manganese.

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

Figure 3 – Process Flowsheet



Stockpile Development and Funding

Segue has continued discussions with manganese customers and commodity trading groups in relation to providing substantial funding and development options including logistical solutions to Segue. One of the key requirements for several offtakers was the ability to provide a consistent product with a minimum grade of 28% Mn. The stockpile sampling and jigging results have indicated this grade may be achieved and additional process refinements may increase the product grade further. Pilot tests will be required to confirm the potential to upgrade the manganese ore on a commercial scale.

It is likely that any funding transaction will involve the development of the stockpiles at the Emang Project during 2013. Gravmax is currently preparing a capital and operating cost estimate for reclaiming and processing the stockpiles at a rate of 45,000 tonnes per month to produce 15,000 tonnes per month of saleable manganese ore at a minimum grade of 28% Mn.

Segue will continue to update shareholders on the status of discussions with the various parties.

Pardoo Project, Western Australia

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

During the last quarter, Segue's joint venture partner in the Pardoo Nickel and Base Metal Project, White Eagle Resources Limited (**White Eagle**) (formerly Red October Resources Limited) announced that it had received a conditional letter of reinstatement from the Australian Securities Exchange. As part of the reinstatement process, White Eagle will seek to raise capital to provide the funding necessary to further its exploration activities in the Pardoo Project. The revised agreement listing date is 31 March 2013.

Segue owns 26.25 million shares in White Eagle.

No exploration activity was conducted on the Pardoo Nickel and Base Metal Project during the quarter.

Pardoo Iron Ore Project (Segue 100%)

No exploration activity was conducted on the Pardoo Iron Ore Project during the quarter.

Corporate and Financial

Subsequent to the end of the quarter, the Company announced that the repayment date of the existing \$500,000 working capital facility has been extended to 31 March 2013. Segue has also secured an additional \$250,000 facility, which has a term of three months and interest at 9.25% per annum. The new facility is currently undrawn.

At the end of the quarter, the Company had 536,348,756 shares on issue and 11,800,000 options (exercisable at \$0.051 on or before 8 November 2014) outstanding.

For further information visit www.segueresources.com or contact:

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About Segue Resources Limited

Segue Resources Limited aims to become a profitable and reliable medium-sized manganese producer supplying more than 500,000 tonnes per annum by 2015 from the Emang Manganese Project near Postmasburg in the Northern Cape Region of South Africa. The Emang Manganese Project has a JORC-compliant inferred resource of 16.5 million tonnes grading 25% Mn and 21% Fe, with the majority of the mineralisation within 30 metres of surface.

Competent Persons Statement

The information in this report that relates to Mineral Resources 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 presentation of the matters based on his information in the form and context in which it appears.

Appendix A – Assay Grades by Size Fraction

