



Activities Report

For the Period Ending 31 December 2010

- Segue Signs MOI with KORES Lead Korean Consortium
- Pardoo Magnetite Assay Results
- Segue to Spin-Out Pardoo Nickel Rights To Advance Project Exploration

Segue Signs MOI with KORES Lead Korean Consortium

On 30 November 2010, Segue Resources Limited (**Segue** or the **Company**) advised that it had entered into a non-binding Memorandum of Intent (**MOI**) with a Korean consortium lead by Korea Resources Corporation (**KORES**). This MOI allows the Korean consortium to review the Company's Pardoo magnetite iron project (**Pardoo Magnetite Project**) located near Port Hedland in Western Australia so that the merits of an exploration joint venture (**JV**) can be assessed.

Segue Executive Chairman Glenn Whiddon said ".....the signing of this MOI with KORES and the Korean consortium represents an excellent opportunity to rapidly advance the iron ore exploration program at Pardoo. We look forward to working closely with KORES over the coming months and hopefully then into the future."

Pardoo Magnetite Project (SEG 100%) – Exploration Activity & Assay Results

On 26 October 2010, Segue advised that it had halted the Pardoo drilling campaign because mineralisation at the Supply Well magnetite deposit was intersected at greater depth than expected. Initial drilling at the shallower Highway deposit was suspended until recently located historical drill core, from Mithril drill hole DD08 – HW004, has been subjected to DTR testing.

After the Quarter, on 12 January 2011, the Company advised that it had received XRF derived assay results from existing Mithril Resources Ltd (**Mithril**) 2008 diamond drill-hole DD08-HW004 and from the recently completed drilling program at the Pardoo Magnetite Project.

The results have significantly extended the Company's structural and lithological knowledge of the iron and magnetite mineralisation ahead of a planned field visit by KORES to review the Pardoo Magnetite Project and assess the merits of an exploration JV with Segue.

The Pardoo Magnetite Project is divided into two areas referred to as '**Highway**' and '**Supply Well**' (See Figure 1). The assay results were obtained from half core samples cut from the NQ diameter diamond core and from reverse circulation (RC) chip samples. Down-hole sample length was typically one metre for both holes.



Highway hole DD08-HW004 (Mithril 2008) & recent Segue hole RC10-HW001 (2010).

Segue's assay results from diamond drill hole DD08-HW004 at Highway reported an intersection of 120m @ 28.7% Fe from 30.3 metres depth and ending in mineralisation. In addition, Segue RC drill-hole RC10-HW001 showed an intercept of 21m @ 33.7% Fe from 33 metres depth. Drill-hole RC10-HW001 also ended in mineralisation and was abandoned due to drilling difficulties. The mineralisation in both drill-holes was made up of coarse grained magnetite in a gabbroic host. Both intersections reported low levels of deleterious elements.

Supply Well hole DD10-SW001 (2010).

Segue diamond drilling at the Supply Well prospect during late 2010 intersected two different styles of mineralisation. Two short intersections were reported in massive, hematite rich material closely associated with banded iron formations (BIF) and a larger intersection is reported from a section of coarse grained magnetite mineralisation, hosted by a sheared mafic unit (probably sheared gabbro). Notable intercepts included;

- **3m @ 61.2% Fe from 105m** **Massive hematite mineralisation**
- **3m @ 65.3% Fe from 162m** **Massive hematite mineralisation**
- **22m @ 37.9% Fe from 215m** **Coarse grained magnetite in mafic unit**

The full assay results from all three drill holes are detailed in the Company's 12 January 2011 ASX release. The recent drilling program, together with these assay results, has significantly extended the Company's structural and lithological knowledge of the iron mineralisation at Highway & Supply Well.

Figure 1: Segue Pardoo Project: Location Map



The Company intends to complete Davis Tube Recovery (DTR) testing on an extensive suite of samples of the magnetite rich material from the drilling. Segue will review its ongoing exploration plan for the Pardoo Magnetite Project once the results of DTR testing on the historical and fresh magnetite drilling samples, which are expected during early 2011, have been analysed.



Segue to Spin-Out Pardoo Nickel Rights To Advance Project Exploration

After the Quarter, on 10 January 2011, Segue advised that it has formed a subsidiary, Red October Resources Ltd (**Red October**), that will farm-in to the nickel and non-iron ore mineral rights at the Company's Pardoo project (**Farmin**) in the Pilbara region of Western Australia.

The Farmin is conditional upon the successful ASX IPO of Red October and allows Red October to earn, in 3 stages, up to an initial 70% of the nickel and non-iron ore mineral rights at the Pardoo project for expenditure of at least \$10 million over 5 years (the terms of the Farmin are contained in the Company's 10 January 2011 ASX release).

Red October has also entered into an agreement with Mr Ross Smith who will be appointed as the CEO and Managing Director of Red October subject to Mr Smith facilitating the raising of \$650,000 in seed capital for Red October.

Mr Smith will bring over 15 years of successful capital raising and ASX listed company management experience to Red October. A brief outline of Mr Smith's experience and achievements is contained in the Company's 10 January 2011 ASX release.

This new funding strategy for the project has become possible as a result of Mithril Resources Limited (ASX code: **MTH, Mithril**) withdrawing from the nickel and non-iron ore mineral rights at Segue's Pardoo project (**Joint Venture**) as notified to ASX on 7 January 2011.

Mithril did not meet the minimum annual expenditure requirement for 2010 under the Joint Venture due to their priority commitments at other 100% owned projects. Mithril intends to focus on these other projects during 2011 and Mithril has withdrawn from the Joint Venture to allow Segue to advance plans to fund the nickel and non-iron exploration at the Project.

The Pardoo tenements contain magmatic and shear-hosted nickel, copper and platinum group elements (PGEs).

Mithril advised, in an ASX release on 2 August 2010, that it has estimated an Inferred Mineral Resource of 50 million tonnes, grading 0.3% nickel, 0.13% copper and 0.03% cobalt (in accordance with JORC guidelines – details of the Competent Person's Statement relating to the mineral resource are contained in the Mithril ASX Announcement dated 2 August 2010).

The timing and final details of the intended spin-out will be advised in due course.



Corporate Activity & Strategy

The Company is conducting metallurgical testing on samples from historical core and the recent drilling program at Pardoo. This work forms part on the exploration program at the Pardoo Magnetite Project and will allow the Company to better understand what the next steps are with this project. Segue is also actively reviewing additional projects to expand and diversify its portfolio.

As at 31 December 2010, the Company’s cash position was \$827,000.

Board Change

During the Quarter, Mr Simon Fleming withdrew his nomination for re-election to the board prior to the AGM and so resigned as a director of Segue on 30 November 2011.

Capital Raising

During the quarter, on 1 November 2010, the Company advised that it issued 2,500,000 shares to Dr Eric Lilford (pursuant to shareholder approval received on 1 October 2010) at 1.8 cents per share. This new share issue raised \$45,000.

Segue Tenement Schedule (28 January 2011)

Project	Manager	Tenement No.	Interest	Commencement	Expiry
Pardoo (i)	Segue Resources Ltd	E45/2146-I	100%	5/10/2044	4/10/2011
Pardoo (i)	Segue Resources Ltd	E45/1866-I	100%	9/02/2004	8/02/2011
Pardoo (i)	Segue Resources Ltd	E45/3383	100%	20/10/2009	19/10/2014
Pardoo (i)	Segue Resources Ltd	E45/3464	100%	14/04/2010	13/04/2015

Contact: **Glenn Whiddon**
Executive Chairman
Segue Resources Limited
(+61) 08 9481 2277

David Brook
Professional Public Relations
(+61) 08 9388 0944
mob 0415 096 804

For more information on the Company visit www.segueresources.com

Competent Persons Statement:

The information in this report relating to iron ore exploration and results is based on information compiled by Mr S Fleming who is a Fellow of the AusIMM. Mr Fleming 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”.

The information in this report relating to exploration results for Nickel is sourced from an ASX disclosure made by Mithril Resources Limited on 30 July 2010.