



ASX Code: SEG

29 July 2011

The Manager, Company Announcements Office  
ASX Limited  
Exchange Centre,  
20 Bridge Street, Sydney NSW 2000

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2011

### JUNE QUARTER HIGHLIGHTS

- Spin-out of Red October completed
- KORES Memorandum of Intent not to continue
- Board and Management appointments
- Agreement to acquire up to 51% of the Emang Manganese Project
- \$3.5 million equity raising via Rights Issue and Placement

### Spin-out of Red October Completed

On 15 April 2011 Red October Resources Limited (**ROS**) was listed on the Australian Securities Exchange, which completed the spin-out of Segue's nickel and non-iron ore rights at the Pardoo Project in Western Australia. Segue now owns 15.0 million shares in ROS, which represents approximately 34.0% of the issued capital of ROS.

Under the terms of the farm-in agreement, ROS is earning up to an initial 70% interest in the nickel and non-iron ore rights at the Pardoo Project for expenditure of at least \$10 million over five (5) years.

### KORES Memorandum of Intent not to continue

During the quarter the Company advised shareholders that the non-binding Memorandum of Intent it entered into on 30 November 2010 with a Korean lead consortium in relation to the Company's Pardoo magnetite iron project would discontinue. Going forward the consortium has expressed a desire in cementing a cooperative relationship with the Company for alternative transactions.

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## Appointment of Directors

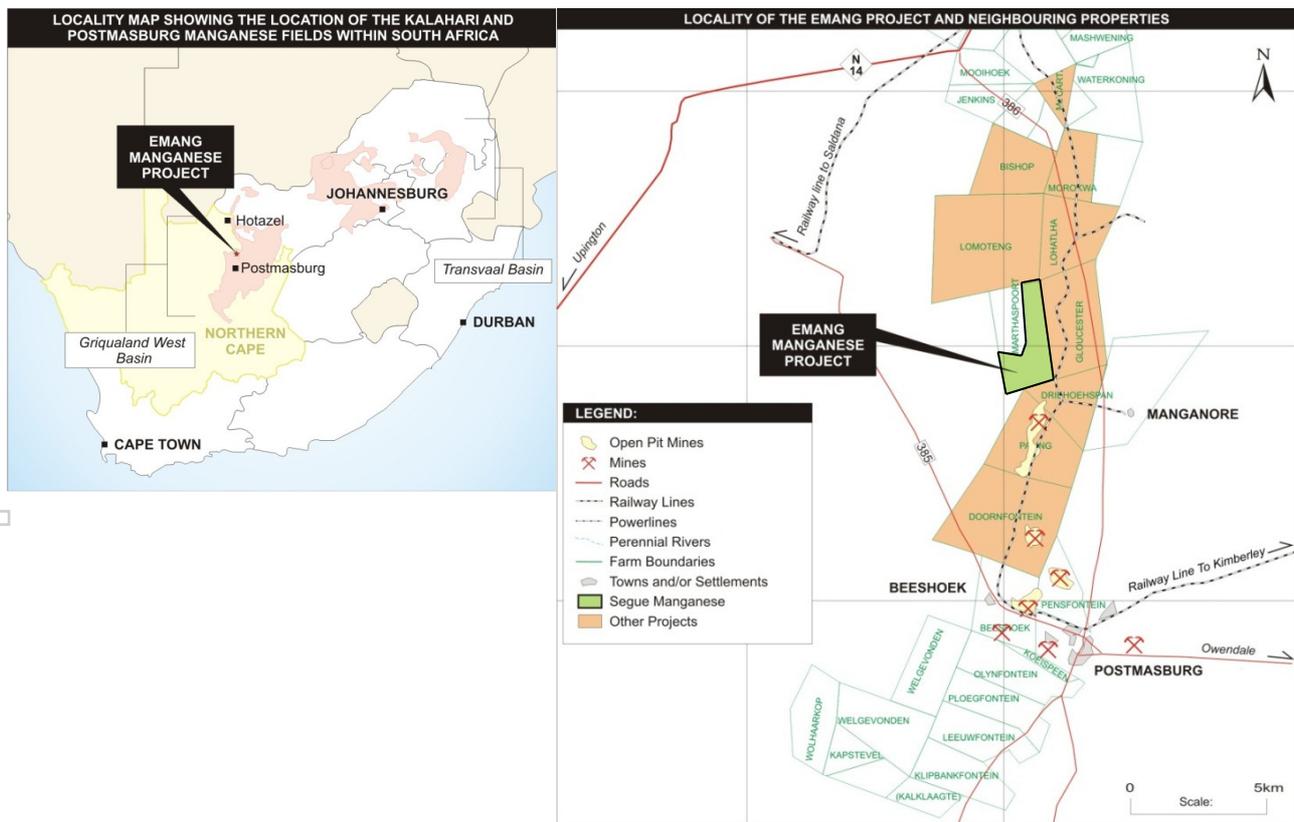
During the quarter the Company announced the appointment of Mr Ian Benning as Executive Director and Mr Nicholas Ong as Non-Executive Director of Segue. The Company also advised that Mr Glenn Whiddon and Mr Paul Fry had resigned as Executive Chairman and Non-Executive Director respectively.

Subsequent to the end of the quarter, Segue announced that Mr Steven Michael had joined the Company as Managing Director. Mr Michael has over 15 years' experience in many aspects of mining finance, project evaluation and equity capital markets. Mr Michael has previously worked with several Australian and international mining companies on acquiring and developing mining projects in Southern Africa, including South Africa, Namibia, Zambia and the Republic of Congo.

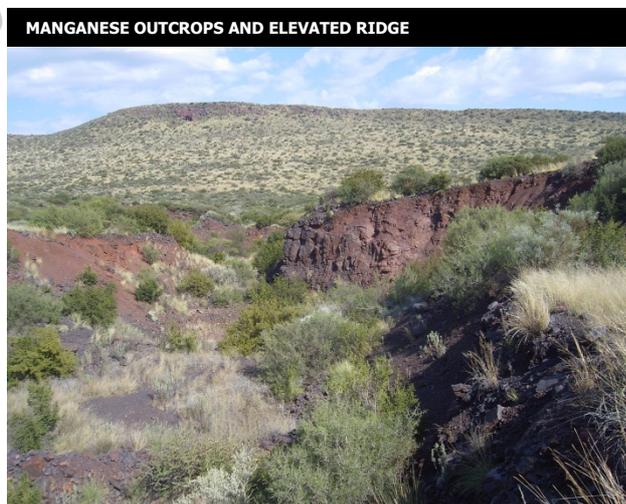
## Agreement to acquire up to 51% of the Emang Manganese Project

Subsequent to the end of the quarter, the Company advised that it had entered into an acquisition agreement with Emang Mmogo Mining Resources (Pty) Ltd to acquire a 51% stake in the Emang Manganese Project (the **Project**) situated in the Postmasburg Manganese Field in South Africa.

The Project area covers 1,668ha within the western limb of the Postmasburg Manganese Field between Sishen and Postmasburg in the Northern Cape Province. The Northern Cape Province contains the bulk of South Africa's economic manganese reserves and is one of the largest manganese producing regions in the world.



The mineralisation is exposed over a significant portion of the project area in an elevated ridge, which is considered the primary resource target. Erosion of the manganese has also resulted in detrital ore being deposited down the slopes of the ridge. In 2010 Geo-Rock International (Pty) Ltd completed a Competent Persons report identifying an Exploration Target of 45-60Mt with a cut-off grade of 28-48%<sup>1</sup> manganese for the Project.



Venmyn Rand (Pty) Ltd, a South African based technical, economic consulting and geological firm, carried out an Independent Due Diligence, Mineral Asset Valuation and Fatal Flaws Report of the Project in June 2011 on behalf of Segue. The report concluded that “the project has potential for significant quantity of manganese ore with grade varying between 32%-46% manganese content”.

The Project is located within an established mining province with essential infrastructure nearby. A siding for the main manganese export rail line is within 2km of the Project. Water is available from the Gamagara pipeline to the east of the property, access roads run through the project area and there is power nearby. It is anticipated that the future power requirements of the Project will be small, given the potential for open pit mining and limited processing required.

### **Summary of Commercial Terms of the Acquisition**

The acquisition of 51% of the Project will occur over two phases. Phase 1 involves Segue acquiring a 30% interest in the Project by paying ZAR7 million (\$0.97 million) to the vendors and spending up to ZAR14 million (\$1.94 million) on an Initial Drilling Programme to define the extent and grade of mineralisation in the Emang Manganese Project area.

Upon completion of the Initial Drilling Programme, Segue will pay a further ZAR7 million (\$0.97 million) to the vendors. A final payment of ZAR7 million (\$0.97 million) will be made to the vendors if a JORC resource of at least 10 million tonnes at a grade of 34% manganese has been defined at the Project in the indicated and/or measured categories.

<sup>1</sup> The potential quantity and grade of the above Exploration Target 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.

In Phase 2 Segue will acquire an additional 21% interest in the Project (taking Segue's total Project interest to 51%) by spending ZAR21 million (\$2.90 million) to complete a Bankable Feasibility Study on the Project.

### **\$3.5 million equity raising via Rights Issue and Placement**

On 6 July 2011 the Company announced an equity raising of up to \$3.53 million via a pro-rata non-renounceable rights issue (**Rights Issue**) and a sophisticated and institutional placement (**Placement**).

The Company intends to raise \$1.77 million via a Rights Issue of three (3) new fully paid ordinary shares in the Company for every ten (10) shares held as at 5:00pm (WST) on 14 July 2011 to eligible shareholders. Shares under the Rights Issue will be offered at \$0.02 per share. The Rights Issue will close at 5:00pm (WST) on 17 August 2011.

The Placement consists of two tranches:

- a) an issue of 38.0 million shares (Tranche 1 Shares) at an issue price of \$0.02 per share (raising a total of \$0.76 million) which was completed on 11 July 2011; and
- b) subject to the approval of Shareholders, an issue of 50.0 million shares (Tranche 2 Shares) at an issue price of \$0.02 per share (raising a total of \$1.00 million).

The funds raised by the Company will be used to explore and develop the potential of the Emang Manganese Project, to explore and develop the Pardoo Iron Project, to repay the Company's short term financing facility of \$0.50 million and to review other opportunities that may provide returns for shareholders.

A Notice of Meeting and Offer Document have been mailed to eligible shareholders together with personalised Entitlement and Acceptance Forms as set out Offer Document. The General Meeting will be held at 10:00am (WST) on 15 August 2011.

### **Corporate**

The Company's cash balance at 30 June 2011 was \$0.36 million with no debt.

At the end of the quarter, the Company had 256,422,120 shares on issue and 10,400,000 options (exercisable at \$0.08 on or before 30 November 2011).

For further information visit [www.segueresources.com](http://www.segueresources.com) or contact:

#### **Segue Resources Limited**

Mr Steven Michael (Managing Director)

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#### **Competent Persons Statement**

The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled by Mr Andy Clay, a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Clay is a full-time employee of Venmyn Rand (Pty) Limited. Mr Clay has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity he is undertaking 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". Mr. Clay consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.