



ASX Code: **SEG**

28 October 2011

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

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2011

SEPTEMBER QUARTER HIGHLIGHTS

- **\$3.5 million equity raising completed**
- **Agreement to acquire up to 51% of the Emang Manganese Project**
- **Drilling commenced at the Emang Manganese Project**

\$3.5 million equity raising completed

Segue Resources Limited (ASX: SEG) (**Segue** or the **Company**) completed a pro-rata non-renounceable rights issue (**Rights Issue**) and two-tranche placement (**Placement**) to raise a total of \$3.53 million.

The Rights Issue offered eligible shareholders the opportunity to subscribe for three (3) new fully paid ordinary shares in the Company for every ten (10) shares held on the Record Date at an issue price of \$0.02 per share. Over 240 applications were received for 68,826,003 new shares (representing 78% of all shares offered under the Rights Issue). The Rights Issue shortfall was then placed by the Board of Segue on 22 August 2011. Total proceeds raised under the Rights Issue was \$1.77 million.

In addition to the Rights Issue, the Company completed a Placement consisting of:

- 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) 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) which was completed on 15 August 2011.

The proceeds of the Rights Issue and Placement were used primarily to finance the initial purchase of the Emang Manganese Project and Initial Drilling Programme, as described further in this report.

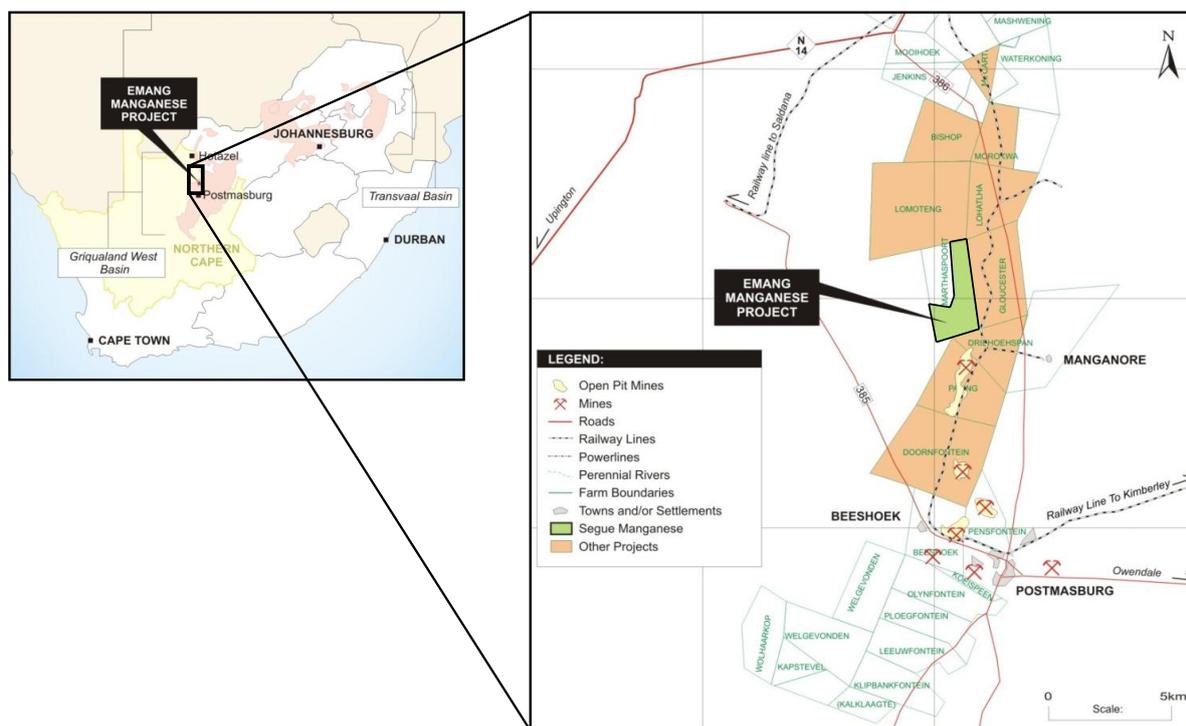
Emang Manganese Project, South Africa (Segue earning up to 51%)

In early July 2011, Segue announced that it had entered into an acquisition agreement with Emang Mmogo Mining Resources (Pty) Ltd to acquire up to a 51% stake in the Emang Manganese Project (**Emang** or the **Project**) situated in the Postmasburg Manganese Field in South Africa (Figure 1).

The Project area covers 1,668 hectares within the western limb of the Postmasburg Manganese Field in the Northern Cape Province. The Northern Cape contains the bulk of South Africa's economic manganese reserves and is one of the largest manganese producing regions in the world. Manganese ore production in the Northern Cape Province is currently 5 million tonnes per annum, representing 17% of global production based on contained manganese units.

Segue will earn an initial 30% interest in the Project by spending ZAR14 million (\$1.75 million) on an Initial Drilling Programme, as well as making payments to the vendors. Segue can then increase its interest in the Project to 51% by spending a minimum of ZAR21 million (\$2.63 million) on completing a Bankable Feasibility Study. More detail on Segue's farm-in requirements can be found in the Company's announcement of 6 July 2011 entitled "Segue Acquires South African Manganese Project".

Figure 1 – Location Map of the Emang Manganese 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 lower grade manganese ore with grade varying between 32% to 46% manganese content".

Segue's Black Economic Empowerment (**BEE**) partner in the Project, Emang Mmogo Mining Resources, is a strong local partner representing the local community and Historically Disadvantaged South Africans. Segue believes that its BEE partner will significantly enhance the project and assist in achieving project timelines and milestones.

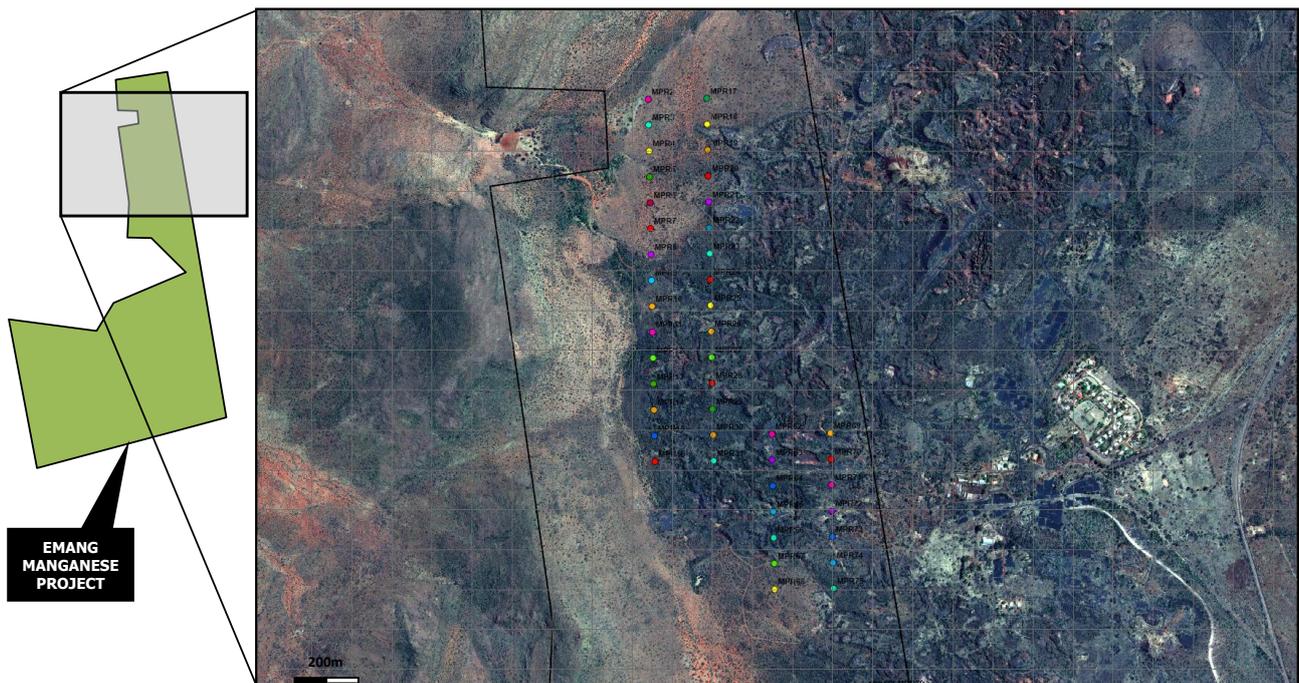
Drilling commenced at the Emang Manganese Project

Segue awarded the exploration and drilling contract for the Initial Drilling Programme at Emang to Tenure Mineral Consultants (Pty) Ltd (**TMC**) of South Africa. TMC is responsible for site establishment, development of infrastructure necessary for exploration drilling, geological modelling, preliminary metallurgical studies and resource statement generation.

TMC has undertaken the necessary site establishment, including creating access roads and drill pads as well as refurbishing an existing warehouse for storage of reverse circulation (**RC**) drill chips and diamond drill core. The drill programme, which commenced in late September 2011, consists of approximately 65 RC holes and 10 diamond drill holes. There is currently one RC drill rig and one diamond drill rig on site, with an additional RC drill rig expected to arrive shortly.

Figure 2 shows the proposed locations for the first 44 RC drill holes on the Emang Project. The aim of this drilling is to define the extent of near-surface and outcropping manganese mineralisation in the northern portion of the Project, over an area of approximately 2,000 metres x 600 metres. The additional drill holes are targeting various areas of outcropping manganese and iron mineralisation in the southern portion of the Project area.

Figure 2 – Proposed Drill Hole Locations at the Emang Manganese Project



Drilling samples are being sent to ALS Minerals in Vancouver for analysis and preliminary metallurgical testwork. Assay results from the first half of the drilling programme are expected to be released in early November 2011, with the full results by late November. A maiden JORC-compliant resource estimate for the Emang Manganese Project is scheduled to be completed by the end of November 2011.

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

No exploration activity was conducted on the Pardoo Iron Ore Project during the quarter. Segue plans on conducting a review of the results of the Davis Tube Recovery tests which were conducted earlier this year. The aim of the review will be to assess the economic potential of the Pardoo Iron Ore Project to produce a magnetite concentrate for sale into the main Asian steelmaking markets.

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

Segue has not received any information from its joint venture partner, Red October Resources Limited (ASX: ROS) (**Red October**) in relation to exploration activity conducted on the Pardoo Nickel and Base Metal Project during the quarter. However, Red October has submitted to Segue a proposed work programme to June 2012, which includes:

- Metallurgical testwork;
- Geology data review;
- Desktop mining study; and
- Metallurgical and ore characterisation drilling.

Subsequent to the end of the quarter, Red October announced that it had not been successful in its attempt to raise capital for the acquisition of the Akjilga Silver Project in Tajikistan and will not be proceeding with the transaction. Red October further advised that the company's Managing Director and an Executive Director had both resigned effective immediately.

Segue is seeking clarification from Red October whether it intends on completing the first phase of the farm-in on the Pardoo Nickel and Base Metal Project, which requires Red October to spend \$2 million on the project by December 2012.

Corporate

The Company's cash balance at 30 September 2011 was \$1.18 million with no debt.

At the end of the quarter, the Company had 443,498,756 shares on issue and 10,400,000 options (exercisable at \$0.08 on or before 30 November 2011) outstanding.

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

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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.