



ASX Code: SEG

31 October 2012

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

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

SEPTEMBER QUARTER HIGHLIGHTS

- **Emang Manganese Resource increased to 16.5mt @ 25%Mn and 21%Fe**
- **Stage 1 of Emang Manganese farm-in completed and Section 11 application lodged**
- **Stockpile sampling and beneficiation programme commenced**

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

During the quarter, Segue Resources Limited (**Segue** or the **Company**) conducted an independent review of the exploration work undertaken during the Initial Drilling Programme at the Emang Manganese Project, near Postmasburg in South Africa. The review enabled Segue to complete a revised inferred resource estimate for the Project of **16.5 million tonnes at 24.8% Mn and 20.6% Fe¹**.

Following completion of the Initial Drilling Programme in April 2012, Segue commissioned Theo Pegram & Associates to undertake a review of all exploration work completed to date. Theo Pegram & Associates is a South African Geological and Mine Technical Services consultancy and the company's principal, Theo Pegram, is a geologist with over 24 years' experience in the South African mining sector.

The review included an assessment of:

- All 71 drillholes (62 reverse circulation and 9 diamond drillholes), including drillhole logs, collar co-ordinates and downhole surveys;
- Assay data as received from the laboratory;
- Quality assurance/quality control practices relating to a variety of geological aspects (e.g. drillhole collar checks, logging, sampling);
- The geological model (ore body, topographic and structural wireframes);
- The resource estimate; and
- An overall assessment of the work carried out in Phase 1.

1. See announcement on 20 September 2012, "Emang Manganese Project Resource Upgrade".

The key finding of the review was the discovery of an error in the conversion of iron in the assay results, expressed as Fe₂O₃, to an equivalent iron grade in the geological model, expressed as Fe. The error in the conversion factor resulted in the iron grade contained in the original geological database and resource estimate to be lower than if the correct conversion factor was applied.

Based on the findings of the independent review, Segue's exploration contractor compiled a new geological database and conducted a full audit to ensure accuracy of conversion of all minerals and to implement other improvements identified in the review. The geological database was then interrogated by RSV GEM, the geological consultancy division of Read, Swatman & Voigt (Pty) Ltd for data quality and integrity.

RSV GEM compiled a revised JORC-compliant inferred resource estimate as outlined in Table 1. A detailed grade contour map is on the following page (Figure 1).

Table 1 – JORC Inferred Resource for Emang Manganese Project

Inferred Resource	Tonnes (Mt)	Grade		Contained Metal	
		Mn (%)	Fe (%)	Mn (Mt)	Fe (Mt)
New Inferred Resource ^{1,2,3}	16.5	24.8	20.6	4.1	3.4
Initial Inferred Resource ⁴	13.9	24.6	11.5	3.4	1.6
Change	+19%	+1%	+79%	+19%	+111%

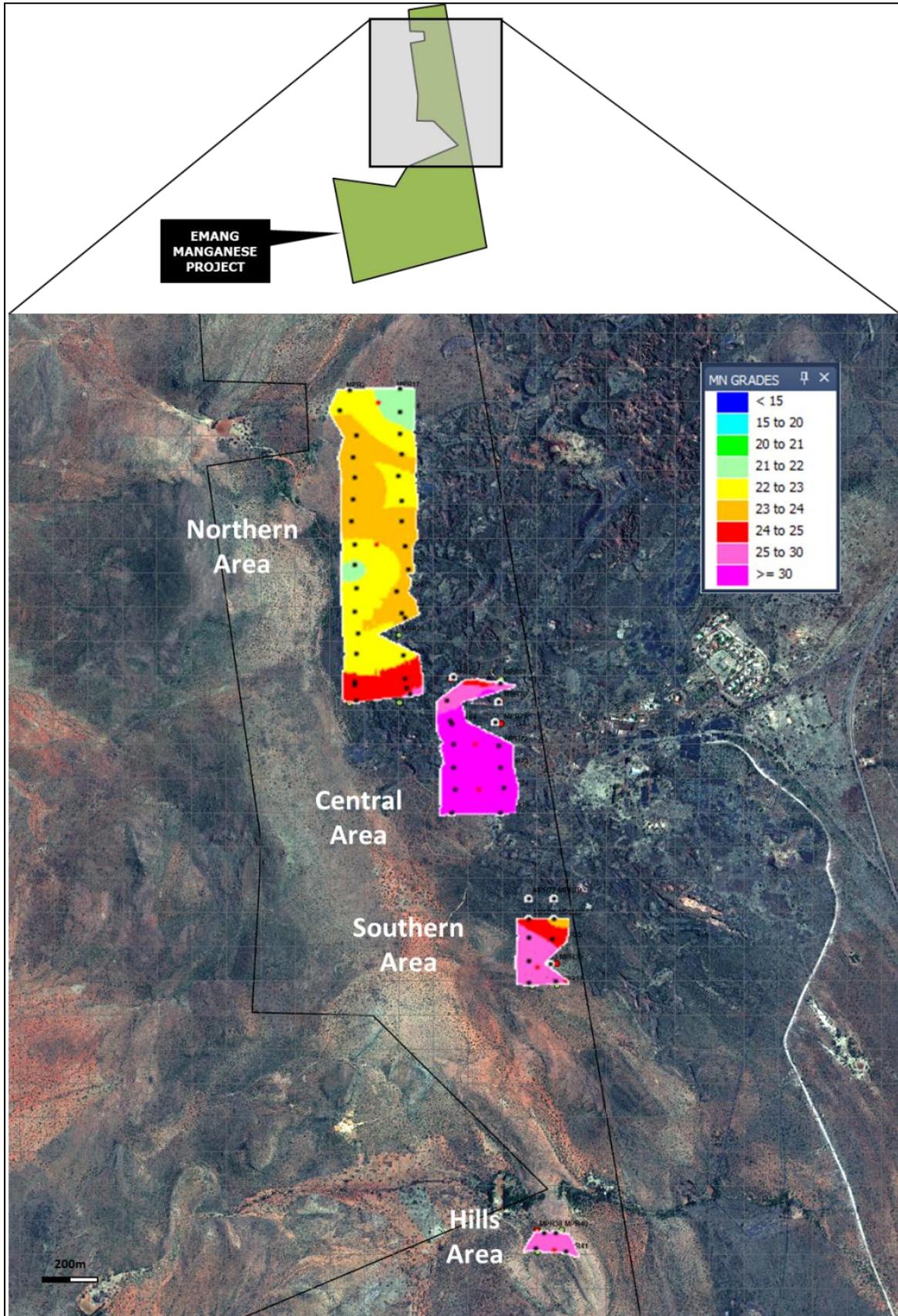
1. No geological losses have been applied to the resource estimate.
2. A specific gravity (SG) of 3.60 has been used.
3. Cut-off grade for the Emang Inferred Resource is 20% Mn.
4. See the Company's announcement on 3 April 2012, "Maiden Resource at Emang Manganese Project".

The new inferred resource will significantly increase Segue's ability to progress the Emang Manganese Project from exploration through to mine planning, development and production. The next stage of exploration and evaluation at the Project will include:

- Completion of a LIDAR survey to generate a detailed digital terrain map, including volumetric assessment of existing stockpiles and dumps;
- A detailed geophysical programme (High Resolution Resistivity) to identify high priority targets for the next phase of drilling;
- Extensional drilling between the resource areas to increase the overall resource size and in-fill drilling of the existing resource to establish a maiden measured and/or indicated resource;
- Commence a scoping study to better define the project parameters, including mining rate, plant size, processing method and infrastructure requirements; and
- Assessing the product quality requirements of various manganese ore customers.

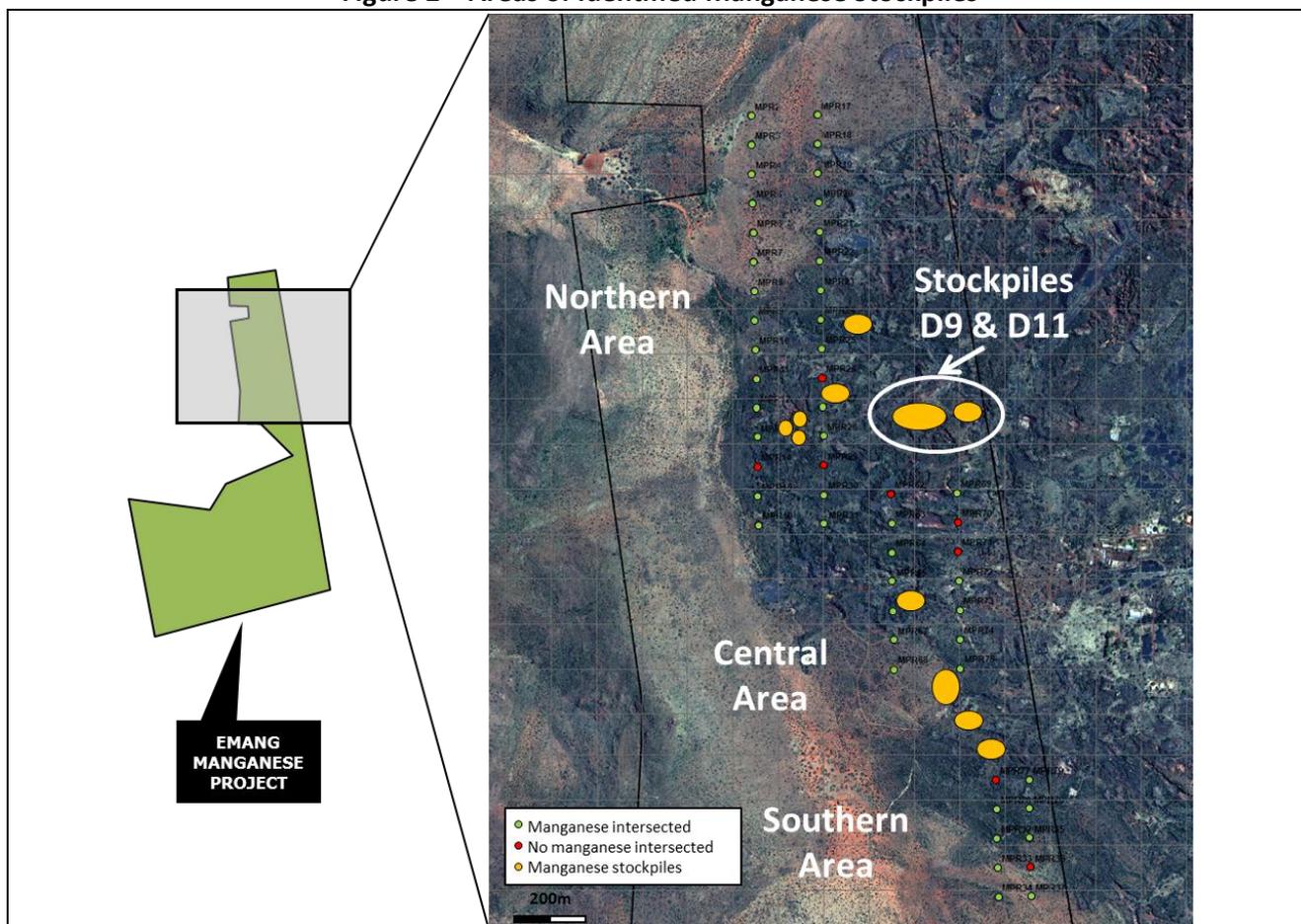
During the quarter, the parties to the Emang Project lodged a Section 11 application with the Department of Mineral Resources in Kimberly, South Africa. Approval of the Section 11 is required to transfer the Prospecting right from Segue's partner, Emang Mmogo Mining Resources (Pty) Ltd, to the joint venture company, Emang One Resources (Pty) Ltd. The Section 11 application is an important procedural requirement to allow Segue to increase its interest in the Emang Project from 30% to 51%. It is anticipated that a determination on the Section 11 will be received by the end of 2012.

Figure 1 – Emang Resource Block Grade Model



The Emang Project contains a large volume of stockpile material from historical manganese production. Segue has commenced a sampling programme to determine the grade of the various stockpiles and the potential saleability of the material. Figure 2 highlights the stockpile areas which have a combined surface area of approximately 30,000m².

Figure 2 – Areas of Identified Manganese Stockpiles



RC Inspection South Africa visited the Emang site during the quarter and collected samples from stockpiles D9 and D11 for analysis. The results from a random grab sample taken from the manganese stockpiles returned very encouraging manganese and iron grades. Subsequent to the end of the quarter, 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. These two stockpiles represent approximately 30% of the total stockpile area.

Gravmax has taken 26 one-tonne samples (13 from each stockpile) using an excavator to dig into the stockpile to a depth of 3.5 metres. The testwork being undertaken by Gravmax is to screen each sample at 80mm, with the -80mm material being put through a trommel screen to separate the material into +27mm, +19mm, +12mm, +9.5mm and +4mm size fractions. Each size fraction will be weighed for a mass balance and then split using a riffle splitter to obtain a representative sample for XRF analysis. Gravmax will also conduct initial beneficiation testwork using a wet jigging plant.

Segue expects to receive the first results from the sampling and assay programme in early November. The remainder of the sampling results and the jigging testwork should be available by mid-November.

Pardoo Project, Western Australia

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

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

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

The Company's cash balance at 30 September 2012 was \$0.4 million. Segue has in place a working capital facility of \$0.5 million which was fully drawn at the end of the quarter. Funds drawn under the working capital facility are to be repaid by 31 December 2012.

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.