



ANNUAL REPORT
2011



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DIRECTORS & OFFICERS

James Hamilton (Executive Chairman)
John Mackenzie (Managing Director)
Christopher Daws (Non Executive Director)
Russell Hardwick (Non Executive Director)

COMPANY SECRETARY

Russell Hardwick

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AUSTRALIAN SECURITIES EXCHANGE

The Company's shares are listed on the
Australian Securities Exchange.

ASX Code: SPI

EXPLORATION MANAGER

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Dear Shareholder,

I am pleased to present your Company's annual accounts for the 2011 financial year and to take this opportunity to update you on what has in many respects been a watershed year for Spitfire Resources Ltd ("Spitfire" or the "Company").

Despite enduring yet another 12 months of turmoil and volatility in global equity markets, Spitfire has entered the new fiscal year in great shape and in perhaps the best position in its history to crystallise value for shareholders.

In summary, the Company remains well funded; it is currently progressing the exploration and evaluation of two substantial near-surface manganese discoveries called Contact and Contact North, located on its 100 percent-owned tenements in Western Australia; and it continues to systematically move towards its goal of becoming a mining company.

With this end-game firmly in mind, it is worth briefly reflecting on the fact that the seeds which have germinated this year weren't sown overnight.

At IPO in December 2007, the Company's management team formed a view that the East Pilbara region of Western Australia was significantly under-explored, creating opportunities for potential new entrants to the global manganese business.

The Company also believed – despite the naysayers – that the orebodies which underpin the world-class 1.2 million tonne per annum Woodie Woodie manganese mine (located some 70 kilometres to the north of Spitfire's ground) did not occur in isolation.

Consequently, Spitfire began a focused ground acquisition strategy in a very tightly held mineral belt. The result is that Spitfire today has more than 2,000 square kilometres of prospective tenements in its East Pilbara portfolio and is surrounded by three operating manganese mines (see *Location Map in the Operations Report on page 5*).

At the same time, the Company moved to increase its knowledge base and geological understanding of this emerging East Pilbara manganese province. Spitfire engaged experienced geological advisors who had both a specific understanding of the Woodie Woodie mine (and its orebodies), together with an appreciation of the greater strategic formation of manganese in the region.

It has been this input – coupled with knowledge gained from hard-won rock-kicking by our own geological team – that has enabled Spitfire to formulate a credible and effective targeting system.

I am pleased to say that the benefits of this often-unheralded preliminary work is now bearing fruit.

The Company's recent drilling results speak for themselves. Spitfire has already discovered three near-surface manganese deposits at the South Woodie Woodie Project – Contact, Contact North and Tally-Ho.

JORC tonnages and grade numbers will soon be wrapped around the newest of these finds – Contact and Contact North – but for true explorers like Spitfire the best may still lie ahead.



Recent examination and interpretation of diamond drill core from the Contact and Contact North discoveries has indicated that vast parts of our South Woodie Woodie Project area could be manganese-bearing and should be tested.

We are naturally keen to maintain our exploration pressure and intend to systematically test these areas in the months and years ahead.

In keeping with our ultimate goal of becoming an operating mining company, Spitfire recently engaged former Auvex Resources Chief Operating Officer and former Woodie Woodie mine manager, Ian Huitson, to conduct a high-level internal scoping review of the Company's assets.

This study will help senior management to understand the indicative costs and timeframes necessary to commence mining. The study will also provide a better understanding of potential future mining scenarios and processing options – all with a view to providing Spitfire with a detailed road map to the future as it continues to increase its resource inventory.

Given Spitfire's exploration success in the East Pilbara, the Company decided to divest its Tasmanian coal assets during the year to Singapore-based Advaita Power Resources Pty Ltd for \$1.5 million in cash.

The Company also sought, after undertaking a site visit and extensive interpretive desktop studies, to rationalise its extremely large tenement holding in the Northern Territory, which is prospective for copper and other base metals. The Company now has 7 tenements covering 6,635 square kilometres in this region.

During the year, the Company recruited experienced corporate executive John Mackenzie as Managing Director. Mr Mackenzie has been instrumental in driving Spitfire forward with new vigour and specifically increasing the Company's profile with brokers and institutional investors.

Spitfire has also continued to maintain its association with and membership of the highly respected International Manganese Institute (IMI). To this end, a Company representative travelled to this year's annual IMI industry gathering in Korea to present to interested parties and update existing international shareholders.

In summary, the past 12 months have been most productive in Spitfire's short history; and, while it has at times been challenging to communicate Spitfire's successes over the regular and loud growls of a bear market, the Company's focus remains unshaken.

Management believes that, when the fear subsides, investors will recognise just how much value it has and will continue to be created.

I would like to conclude by thanking my fellow Directors', as well as all our staff and consultants for their efforts during the year, and finally our shareholders for their continued support and patience.

JAMES HAMILTON
Executive Chairman

The 2011 financial year was one of significant progress for Spitfire with the discovery of the Contact and Contact North manganese deposits, the successful divestment of our coal assets and the identification of a number of high quality targets at the Dogfight Copper Prospect.

At the company's flagship South Woodie Woodie Manganese Project in the Eastern Pilbara region of Western Australia our geology team conducted a diligent program of ground mapping, geophysical testing and targeted exploration drilling that was rewarded with the discovery of the Contact and Contact North deposits. Both deposits show potential to become mining operations and consequently transform the company from an explorer to a producer. This is an exciting prospect for Spitfire and we are increasingly confident that we will continue to discover more manganese deposits as we further explore our large land holding and excellent geological setting that lies just 70 kilometres to the south of the world class 1.2 million tonne per annum Woodie Woodie manganese mine.

The demand outlook for manganese ore looks solid as long term growth forecasts for the key demand driving economies of South-East Asia and the sub-continent remains strong. We expect growth in these economies to moderate from recent levels however urbanisation in China and India in particular is forecast to be a long term demographic trend underpinning steel consumption in these economies and consequently demand for raw material inputs such as manganese ore which has no substitute in the steel making process. Spitfire's objective is to become a near-term, low-cost producer of high grade manganese ore for supply to customers in these growth regions. We have established relationships with a number of potential off-take partners and continue to progress dialogue as we progress our projects towards commercial operations.

In early 2011 we undertook our first field trip to the Dogfight prospect in the Northern Territory which identified a number of potential base metals targets. We are excited about the prospects for Dogfight and look forward to progressing things further with ground mapping, rock chip sampling and geophysical surveys to identify targets for potential exploration drilling in 2012.

During the year we took the decision to divest the company's Tasmanian coal assets. Continuing global demand for coal and production delays in Queensland due to flooding generated strong interest from potential buyers and we were able to negotiate a sale with Advaita Power Resources Pty Ltd on what we consider were excellent terms for Spitfire. The sale added \$1.5 million to our cash position and allowed us to further expand our exploration program at South Woodie Woodie.

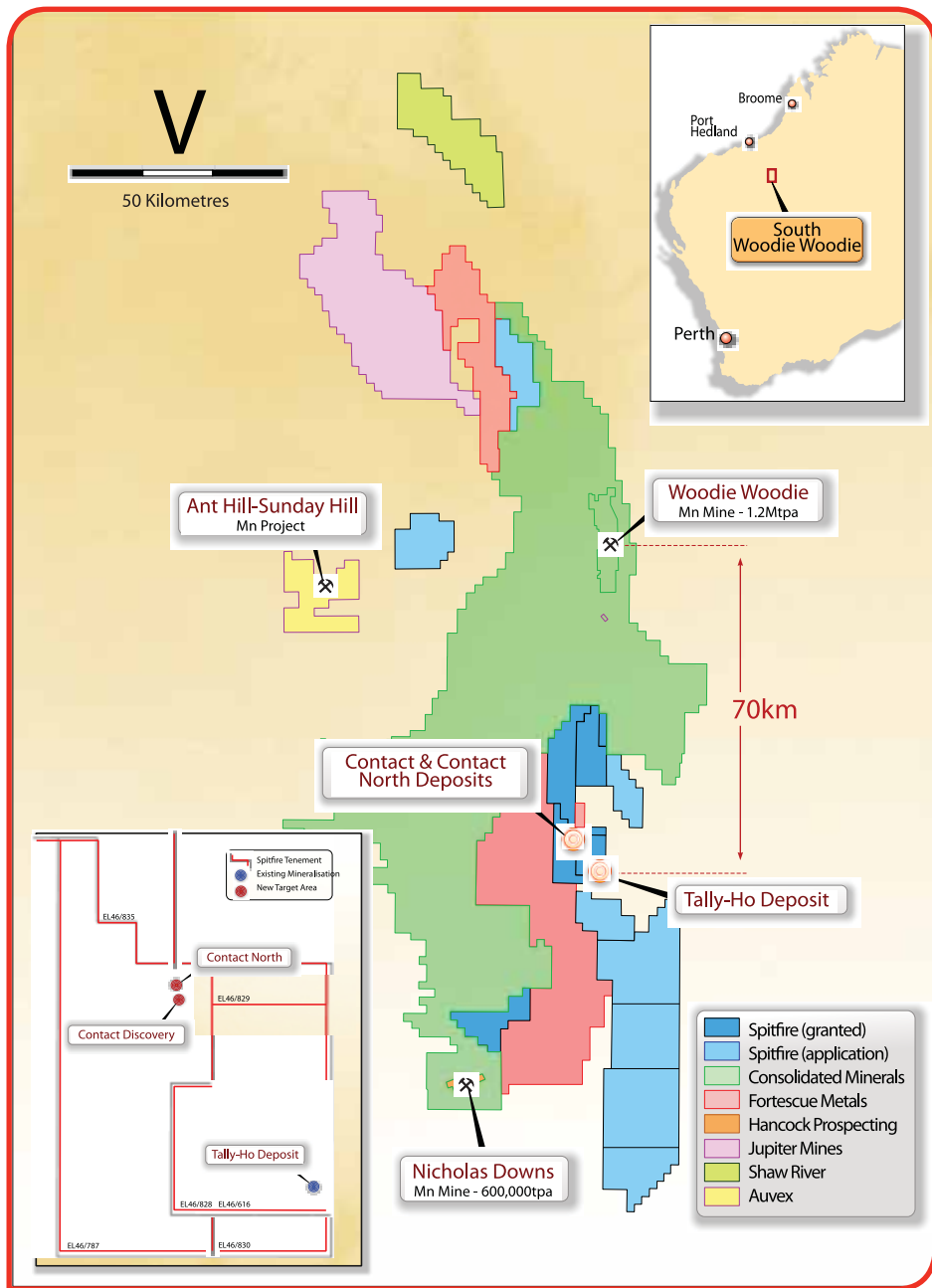
We have a first class team at Spitfire across all areas of our business. Our geology team has outstanding credentials in manganese exploration and production and our Board of Directors is highly experienced in the management of mining companies in Australia and overseas. With a team of this quality I am confident that Spitfire will continue to rapidly progress towards being a manganese producer in the near term and deliver outstanding returns for shareholders in the process.



Lithological logging at South Woodie Woodie.



Drilling at South Woodie Woodie.



SOUTH WOODIE WOODIE MANGANESE PROJECT

Project Overview

The South Woodie Woodie Manganese Project comprises 9 granted Exploration Licences and 8 Exploration Licence Applications covering a total area of 2149km² in Western Australia's emerging East Pilbara Manganese Province.

The tenements lie along strike and to the south of the 1.2Mtpa Woodie Woodie manganese mining centre and in close proximity to the Nicholas Downs mine, the Ant Hill project and the Sunday Hill project. The project is located in an excellent geological setting and progressed significantly over the course of the year towards becoming a project of some significance and what we believe will be the next Australian manganese mine.





October 2010 campaign and the Contact discovery

During October 2010, Spitfire completed a drilling program at the South Woodie Woodie Project targeting priority areas across the newly granted tenement E46/787. This tenement was targeted due to the discovery of Carawine Dolomite outcropping within the licence area. This rock type is well known to host high grade manganese deposits as found at the Woodie Woodie Manganese Mine operated by Consolidated Minerals, 70km directly to the north.

Drill holes from within the mineralised area revealed the presence of Pinjian Chert Breccia, altered Carawine Dolomite and varying degrees of manganese replacement of Dolomite. These are all the ingredients necessary for high-grade Woodie Woodie-style manganese mineralisation.

The program was successful in discovering a significant new zone of near-surface manganese mineralisation. The new mineralised zone named "Contact" has been shown to extend over an area approximately 466 metres long and 230 metres wide.

It was noted that the manganiferous drill chips separated from the non-manganiferous chips relatively easily when sieved, which led our Exploration Manager Stuart Peterson to submit in-field sieved samples for assay. This was conducted by the wet sieving (using a +2mm hand sieve) of a representative portion of the composite samples. These results returned assays of up to 41.80% Mn over a 4 metre composite (See table 1).

Hole ID	From	To	Metres	RC Sample		Wet Screen		% Difference	
				Mn%	Fe%	Mn%	Fe%	Mn	Fe
WWS120	22	26	4	10.23	19.73	21.95	18.33	+114.57	-7.10
WWS121	13	30	17	16.19	18.83	29.17	14.91	+80.57	-20.82
including	13	20	7	18.04	17.07	27.77	15.72	+53.94	-7.91
including	22	29	7	18.49	24.21	36.69	15.18	+98.43	-37.30
including	23	27	4	21.98	24.85	41.80	13.58	+90.17	-45.35

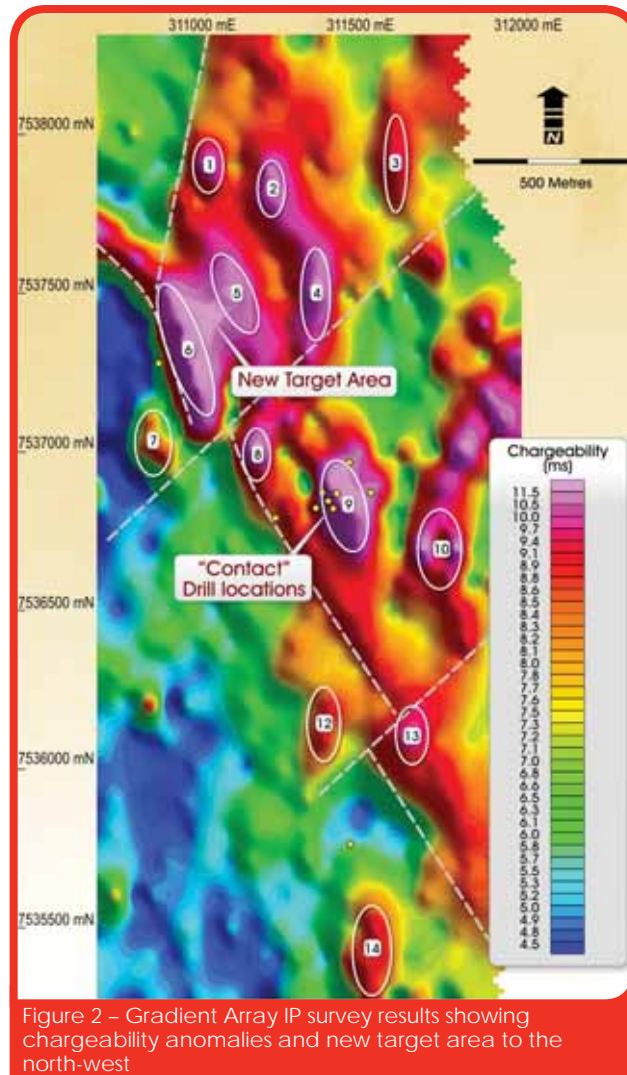
Table 1 – Product upgradeability summary, 1m RC Comp vs. in the field wet +2mm wet screen.
Note: all holes were drilled vertically.

Gradient Array Induced Polarisation (GAIP)

Following the Contact discovery, Spitfire commissioned a ground-based Gradient Array Induced Polarisation (GAIP) survey covering the greater discovery area in order to define potential extensions to the mineralisation and follow-up drilling targets. GAIP was one of the key exploration techniques used by Consolidated Minerals to successfully uncover a number of major greenfield discoveries at the nearby Woodie Woodie manganese mine.

The GAIP survey evaluated a 3km² area centred on the Contact discovery, identifying numerous anomalies potentially associated with near-surface manganese mineralisation (see Figure 2). The results correlated with the known mineralisation identified at Contact, indicating that the GAIP had worked well at detecting manganese mineralisation.

The survey identified several highly prospective new exploration targets in the area surrounding the "Contact" discovery including a large chargeability anomaly to the north-west of Contact as shown on Figure 2.



April 2011 campaign and the Contact North discovery

Following the successful 2010 field season and discovery of the Contact mineralisation, Spitfire embarked on a significantly expanded exploration program for 2011. This campaign focused on:

- RC drilling to extend and then in-fill the Contact mineralised zone to establish an initial JORC compliant resource for Contact.
- Diamond drilling to obtain representative core samples for definitive metallurgical test work. This test work program will be designed to confirm the ability to upgrade the Contact material using relatively simple beneficiation techniques to a final direct shipping grade product (+40% Mn).
- Further RC drilling based on the results of the GAIP survey to assess the potential for the Contact area and surrounding zones to host high-grade Woodie Woodie-style (+40% Mn) manganese within the Carawine Dolomite host rock.
- RC drilling to test selected targets within the Company's tenement holding, particularly targets which have been reassessed and upgraded in light of the recent exploration success at Contact.
- Construction of a permanent base of operations at South Woodie Woodie.

During this drill programme the dimensions of the Contact deposit were established and the 50m x 50m infill drill programme completed. The diamond drill programme was conducted and 8 PQ diamond holes were drilled across the deposit.

Further RC exploration drilling was carried out during this campaign to target the strong areas of resistivity shown on the GAIP survey. The results from these holes showed a strong indication for a larger higher grade area of Mn mineralisation directly north of the Contact deposit which we named Contact North.

Contact North discovery

Drilling in the Contact North area returned by far the best results for manganese grade and thickness in the company's history. Further RC drilling step off holes showed strong results extending over an area greater than 500m in length and width. Best assays from the Contact North holes were as follows.

20m @ 23.06% Mn from 51m (CON039), including:

- 16m @ 24.26% Mn from 53m;
- 5m @ **29.50%** Mn from 57m;
- 2m @ **34.23%** Mn from 57m &
- 1m @ **37.27%** Mn at 58m

11m @ 26.54% Mn from 38m (CON064), including:

- 4m @ **29.25%** Mn from 38m &
- 2m @ **34.80%** Mn from 40m

11m @ 20.21% Mn from 55m (CON067), including:

- 6m @ 24.8% Mn from 58m;
- 1m @ **33.33%** Mn at 60m &
- 1m @ **32.00%** Mn at 62m

7m @ 21.06% Mn from 36m (CON068), including:

- 4m @ **29.48%** Mn from 36m;
- 2m @ **30.45%** Mn from 38m &
- 1m @ **32.65%** Mn at 36m

7m @ 20.76% Mn from 49m (CON066), including:

- 5m @ 23.93% Mn from 49m &
- 1m @ **30.88%** Mn at 49m

Based on these very promising results from Contact North, Spitfire has started planning the next round of drilling to find the boundaries and then infill drill this deposit to obtain a JORC resource.

As with the Contact deposit specific field samples were washed through the same +2mm wet sieving technique and assayed to ascertain if the Contact North ore could also be easily upgraded with highly encouraging results of up to 47.83%Mn (See table 2).

Hole ID (Contact North)	Composite No	Composite		Metres	Raw RC Sample		Washed Analysis		%Difference		%Yield
		From	To		Mn%	Fe%	Mn%	Fe%	Mn	Fe	Mn
CON039(CN)	1	59	60	2	33.17	13.9	47.83	9.01	+30.06	-35.17	N/A

Table 2 – Product upgradeability summary, 2m RC Comp vs. in the field wet +2mm wet screen.
Note: Hole was drilled vertically.

During the April 2011 Drill programme Spitfire successfully completed:

- Infill drilling of the Contact deposit
- Discovery of the new deposit "Contact North"
- PQ diamond drilling of both Contact and Contact North deposits
- Camp acquisition and installation at South Woodie Woodie
- Commencement of a Supervised Metallurgical test programme
- Setup of the pending Resource Evaluation programme

New tenement acquisitions

Spitfire Resources is always looking for new prospective ground to acquire in the East Pilbara and this year we have picked up 3 new 100% owned tenements.

The first was tenement E46/935 which covers a large 143.7 square kilometre area that lies just 40kms due west from the Woodie Woodie Mine and covers a large magnetic anomaly. This tenement is prospective for Manganese and other Base metals.

The second ground acquisition was two prospecting licences that have been pegged adjacent to the BHP Nickel West operation just south of Marble Bar. These tenements were in open ground and are prospective for base metals.

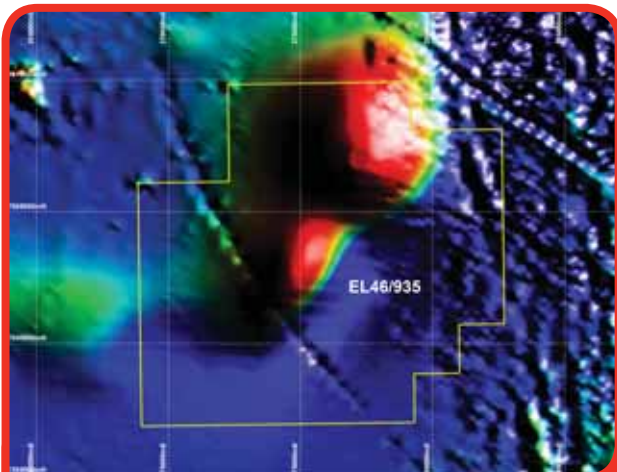


Figure 3 – Tenement EL46/935 location map



Figure 4 – Location map of Spitfire's prospecting licences

Subsequent events

In August 2011 the Company reported the discovery of a high grade zone of manganese mineralisation at Contact North with in-ground grades of up to 46.68%. This was a tremendously exciting development for Spitfire as it further confirmed the potential for South Woodie Woodie to host a Woodie Woodie style direct shipping ore (DSO) deposits. The highlights from Contact North included:

19m @ 30.44% Mn from 90m (CON138), including:

- 12m @ **35.31%** Mn from 91m;
- 8m @ **40.33%** Mn from 91m;
- 3m @ **43.58%** Mn from 91m &
- 1m @ **46.68%** Mn at 92m

13m @ 25.46% Mn from 48m (CON139), including:

- 8m @ **30.51%** Mn from 58m &
- 3m @ **40.93%** Mn from 57m

9m @ 23.04% Mn from 14m (CON154), including:

- 5m @ **29.33%** Mn from 14m;
- 2m @ **37.49%** Mn from 14m &
- 1m @ **43.01%** Mn at 15m

20m @ 23.06% Mn from 51m (CON039), including:

- 16m @ 24.26% Mn from 53m;
- 5m @ **29.50%** Mn from 57m;
- 2m @ **34.23%** Mn from 57m &
- 1m @ **37.27%** Mn at 58m

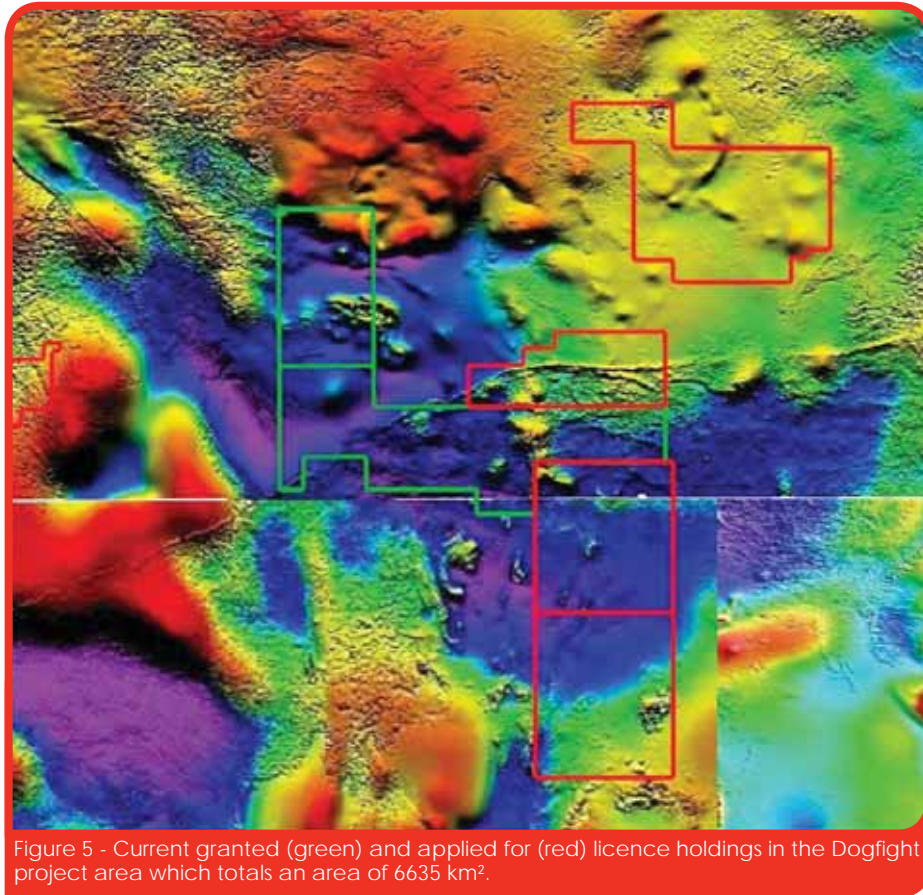
DOGFIGHT COPPER PROSPECT

Project Overview

Spitfire holds a 70% interest in a group of 5 exploration tenements and 100% interest in 2 exploration tenements, 380km south-west of Katherine in the Northern Territory. Spitfire's tenements span a total area of 6,635km² covering prospective magnetic and structural features.

The region has been determined to be prospectively for base metals to occur mainly through their accumulation within sulphur sinks such as shales fed by fluids transported along the regional and local faulting.

SPITFIRE RESOURCE'S DOGFIGHT TENEMENTS



Field trip

In early August 2011, Spitfire conducted a week long helicopter reconnaissance field program to follow-up targets produced through both desktop studies and on-going correspondence with an external copper consultant. The outcomes of this program were:

- Redefined and focused targeting of base metal mineralisation to particular lithological units
- A better understanding of the potential source of the metal bearing fluids
- A number of rock chip samples being taken for XRF and fire assay analysis
- Re-evaluation of land-holdings and the acquisition of additional prospective ground

Future program

As a result of the reconnaissance, Spitfire is now aimed to continue working towards a drilling campaign by flying aerial aero magnetics over specified corridors in the granted licences E27/399 and E27/400 (see fig.6). The aeromagnetics will provide a strong visual indication of any structures and base metal sulphide bodies present and will be used to help define the diamond drill targets for the next reporting year, combined with the rock chip analysis.

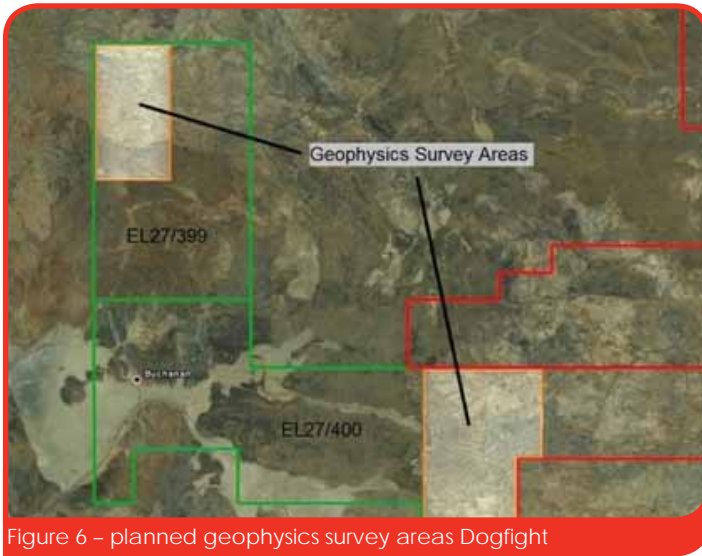


Figure 6 – planned geophysics survey areas Dogfight



Figure 7 – E28/939 application area with intrusive volcanic target

New tenement acquisitions

Due to the field observations made during the reconnaissance and follow-up desktop studies an additional licence, E28/939 has been applied for by Spitfire in the project area. Situated on the border of Western Australia, it presents an alternate form of base metal mineralisation than the other licences currently in the project through target intrusive volcanic bodies (see fig.7). As before, Spitfire will continue to evaluate and expand its prospective land holdings in the project area whenever possible.

JOHN MACKENZIE
Managing Director

Competent Person's Statement – South Woodie Woodie and Dogfight Project

The information in this report relating to Exploration Results and Mineral Resources from the South Woodie Woodie Manganese Project and Northern Territory Project is based on information compiled by Nathan Cull who is a Member of the Australian Institute of Geoscientists. Mr Cull is the Senior Consulting Geologist to Spitfire Resources Ltd, and consents to the inclusion in this report of the information as presented. He has sufficient experience relevant to the style of mineralisation and 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 Directors of Spitfire Resources Limited submit herewith the Annual Report of the Company and its controlled entities ("Group"), for the period from 1 July 2010 to 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

1. DIRECTORS

The Directors in office of the Company at any time during or since the end of the financial year, unless otherwise stated, are:

Name, qualifications and independence status	Experience, special responsibilities and other Directorships in listed entities
<p>James Hamilton MAICD Executive Chairman</p>	<p>Experience Mr Hamilton is a business developer with 19 years experience in the resources sector specialising in the analysis of exploration projects, mines and management teams across a large spectrum of mineral commodities. In the past six years he has founded three public resource companies both in Australia and United Kingdom. During his time he has held senior roles in operations management, marketing, treasury, project development and corporate compliance. Mr Hamilton is a member of the Australian Institute of Company Directors.</p> <p>Special responsibilities None</p> <p>Other Directorships Former director of AIM-listed Churchill Mining Plc from March 2005 until April 2009.</p>
<p>John Mackenzie BPE, Grad CertBus(ProfAcct), MBA, MAICD Managing Director</p>	<p>Experience Mr Mackenzie is a business development professional with over 20 years experience in investment and financial services. He has extensive capital raising, corporate development and transaction experience within the resource sector and has worked previously within the Big Four accounting environment and with a major US investment bank. Mr Mackenzie has a Masters Degree in Business Administration and is a member of the Australian Institute of Company Directors.</p> <p>Special responsibilities None</p> <p>Other Directorships Nil</p>
<p>Russell Hardwick BBus, ACIS CPA, MAICD Director/Secretary</p>	<p>Experience Mr Hardwick is a Certified Practising Accountant with 18 years experience in a variety of private and public companies and is a member of the Australian Institute of Company Directors. Most recently he has served as Company Secretary for an AIM-listed minerals exploration company and an ASX-listed publishing company.</p> <p>Special responsibilities Mr Hardwick is the chairman of the audit committee.</p> <p>Other Directorships Director of Plus - listed Imperial Minerals Plc</p>

Name, qualifications and independence status	Experience, special responsibilities and other Directorships in listed entities
<p>Christopher Daws Associate Diploma in Applied Science (Environmental Technology) MAICD, SA Fin Non Executive Director</p>	<p>Experience Mr Daws has a strong background in executive management, finance and economics. Mr Daws is a Senior Associate of the Financial Services Institute of Australasia. Mr Daws held the role of CEO for four years for ASX-listed Niagara Mining Limited (renamed Poseidon Nickel Limited) including acting as a Director from November 2006 to July 2007. Mr Daws is currently the CEO of ASX-listed Kalgoorlie Mining Company Limited.</p> <p>Special responsibilities Mr Daws is a member of the audit committee.</p> <p>Other Directorships Mr Daws is a Director of ASX listed Kalgoorlie Mining Company.</p>

2. COMPANY SECRETARY

Name and qualifications	Particulars
<p>Russell Hardwick BBus, ACIS CPA, MAICD</p>	<p>The Company Secretary is Mr Russell Hardwick. Mr Hardwick is a Certified Practising Accountant and an Associate Member of the Institute of Chartered Secretaries. Mr Hardwick has also held the role of Company Secretary with other ASX listed companies for 11 years.</p>

3. DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the financial year and the number attended by each Director. During the financial year, eight board meetings were held.

Directors	Director Meetings		Audit Committee Meetings	
	Number entitled to attend	Attendance	Number entitled to attend	Attendance
James Hamilton	8	8	-	-
John Mackenzie	4	4	-	-
Russell Hardwick	8	8	2	2
Christopher Daws	8	8	2	2

In addition, various matters were dealt with by circular resolution signed by all of the Directors.

4. REMUNERATION REPORT

This report details the nature and amount of remuneration for each key management person of Spitfire Resources Limited, and for the executives receiving the highest remuneration.

4.1 Remuneration Policy

Key management personnel and Executive Directors have authority and responsibility for Planning, Directing and controlling the activities of the Company and the Group. Compensation levels for key management personnel and Secretary of the Company and Group are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. The Board obtains independent advice as required on the appropriateness of compensation packages of both the Company and the Group given trends of comparative companies and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- The capability and experience of the key management personnel;
- The key management personnel's ability to control the performance; and
- The Group's exploration success.

The performance of key management personnel is measured against criteria agreed annually with each Executive. The Board may exercise its discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share option plan. Options are valued using the Black-Scholes methodology. The key management personnel receive superannuation guarantee contributions required by the government, which is currently 9%, and do not receive any other retirement benefits.

The Board policy is to remunerate Non Executive Directors at market rates for time, commitment and responsibilities. Directors also provide consultancy services to the Company and are remunerated at market rates. The Board determines payments to the Non Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

4.2 Company performance, shareholder wealth and Director and Executive remuneration

The remuneration policy has been tailored to increase goal congruence between Shareholders, Directors and Executives. As part of each of the key management personnel's remuneration package, there is a performance-based component consisting of the issue of options to encourage the alignment of management and Shareholders' interests. The Board determines appropriate option pricing that includes a premium over the prevailing share price to provide rewards over a period of time. During the year the Company's share price increased from \$0.09 at 30 June 2010 to \$0.165 at 30 June 2011.

A summary of the operating losses and share prices at year end for the last 4 years since listing is as follows:

	2008	2009	2010	2011
Net Loss	(\$832,041)	(\$1,390,457)	(\$1,780,833)	(\$1,754,230)
Share price at year end	\$0.225	\$0.125	\$0.09	\$0.165

This policy has been deemed by the Board to be the most appropriate performance-based compensation method for a company in the minerals exploration industry.

4.3 Key Management Personnel

The remuneration structure for key management personnel and Executive Directors is based on a number of factors including, length of service, particular experience of the individual concerned and the requirements and overall performance of the Company.

The Company has entered into a new consulting agreement with Goldregis Corporation Pty Ltd to provide the services of Mr James Hamilton to the Company which commenced on 1 January 2011 on a continuing basis with no fixed term. The agreement specifies the duties and obligations for the consultancy services, including the seamless transition towards new management along with the provision of assistance to new management to create the 2011 business plan and to manage the performance of new management to ensure effective implementation of the business plan. The agreement contains normal termination clauses including the Company or the consultant providing six months' notice. On termination of the agreement by the Company for any reason except a serious breach of any of the provisions of the Agreement committed by the consultant, the consultant shall be entitled to 12 months standard consulting fees.

The Company has entered into a consulting agreement with Ravenhill Corporate Pty Ltd to provide the services of Mr Russell Hardwick to the Company. The agreement commenced on 1 February 2009 on a continuing basis with no fixed term. The agreement specifies the duties and obligations for the consultancy services including all aspects of provision of compliance with the ASX, ASIC and also the provision of general management consulting services. The agreement contains normal termination clauses including the Company or the consultant providing six months' notice. On termination of the agreement by the Company for any reason except a serious breach of any of the provisions of this Agreement committed by the consultant, the consultant shall be entitled to 12 months standard consulting fees.

The Company has entered into a consulting agreement with Manhattan Holdings Pty Ltd to provide the services of Mr John Mackenzie to the Company. The agreement commenced on 1 February 2011 on a continuing basis with no fixed term. The agreement specifies the duties and obligations for the consultancy services including managing the business of the Company including strategic and tactical plans and managing operational functions and developing new opportunities and expanding the Company's current activities and market share. The agreement contains normal termination clauses including the provision of three months notice by the Consultant. On termination of the agreement by the Company for any reason except a serious breach of any of the provisions of the Agreement the Company can give either give three months notice and at the end of the three month period make a payment of three months standard consulting fees or give notice immediately and make a payment of six months standard consulting fees.

The employment agreements and contracts of service between the Company and other key management and staff are on a continuing basis. The Company may terminate an employment contract by providing one month's written notice or making payment in lieu of notice, based on the individual's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Company can terminate employment at any time.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Board through a process that considers individual performance and overall performance of the Group. In addition, the Board refers to external consultants or publications as required to provide analysis and advice to ensure the Directors' and Senior Executives' compensation is competitive in the market place.

Long-term incentive

Options are issued under the Spitfire Employee Share Option Plan (ESOP) to employees. It provides for key management personnel to receive options over ordinary shares for no consideration. Any options issued to Directors require the approval of shareholders.

The Board determines the proportion of fixed and variable compensation for each key Director and management personnel. The following table sets out the remuneration for the Directors and key management expensed during the 2011 financial year:

2011	Short Term Benefits					Total	Value of options as proportion of remuneration
	Salaries or Director Fees	Consulting Fees	Performance Bonuses	Options	Post Employment Superannuation		
	\$	\$	\$	\$	\$	\$	%
Executive Directors							
James Hamilton*	26,202	160,000	-	69,794	-	255,996	27.26%
John Mackenzie**	71,012	117,828	-	182,800	6,391	378,031	48.35%
Non Executive Directors							
Russell Hardwick	26,202	90,000	-	40,600	2,358	159,160	25.50%
Christopher Daws	26,202	-	-	24,112	2,358	52,672	45.77%
Executives							
Nat Cull***	42,307	-	-	7,261	3,807	53,375	13.60%
Stuart Peterson	144,480	-	10,000	75,098	13,903	243,481	30.84%

* Mr James Hamilton resigned as Managing Director on 31 December 2010 and remains Executive Chairman.

** Mr John Mackenzie commenced as Chief Executive Officer on 11 October 2010 and was appointed Managing Director on 3 February 2011.

*** Mr Nathan Cull resigned as an employee on 23 August 2010. He now fulfils the role of Senior Consulting Geologist.

2010	Short Term Benefits				Total	Value of options as proportion of remuneration
	Salaries or Director Fees	Consulting Fees	Options	Post Employment Superannuation		
	\$	\$	\$	\$	\$	%
Executive Directors						
James Hamilton	25,000	260,000	175,699	-	460,699	38.14%
Non Executive Directors						
Russell Hardwick	25,000	90,425	79,881	2,250	197,556	40.43%
Christopher Daws	25,000	-	63,883	2,812	91,695	69.67%
Executives						
Nathan Cull	210,654	-	78,017	18,959	307,630	25.36%

Performance hurdles are not attached to remuneration options, however the Board may determine appropriate option pricing and vesting periods to provide rewards over a period of time.

The following factors and assumptions were used in determining the fair value on the grant date of options granted to key management personnel and employees under the Spitfire Employee Share Option Plan during the financial year:

Grant Date	Option Life	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend Yield
1 October 2010	5	\$0.0485	\$0.125	\$0.083	78%	4.87%	-
1 October 2010	5	\$0.0429	\$0.175	\$0.083	78%	4.87%	-
26 October 2010	5	\$0.0570	\$0.150	\$0.098	78%	4.87%	-
13 December 2010	5	\$0.0561	\$0.170	\$0.100	78%	4.87%	-

4.4 Share-based compensation

The Company has adopted the Spitfire Employee Share Option Plan which was approved by Shareholders at the November 2010 Annual General Meeting.

The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of participants. The Board has sole responsibility in determining the number of options and terms and conditions of options granted to any participant under the option plan. The options issued under the option plan will be granted for nil consideration.

The expiry date of the options will be determined by the Board and will also lapse within 30 days of the participant ceasing to be an employee of the Company or a controlled entity (subject to certain exceptions). The Board, at its discretion, applies option pricing that includes an appropriate premium to the prevailing share price and may apply certain vesting conditions for options issued under the option plan.

The options are not quoted on the ASX, however application will be made for an ASX quotation of any shares issued upon the exercise of the options.

The aim of the Spitfire Employee Share Option Plan is to provide long term incentives to Executives to create and enhance Shareholder wealth and to provide a mechanism to assist the Company in its endeavours to retain key Executives and employees.

Details of share options in the Company provided as remuneration to each Director of the Company and each of the key management personnel of the Group during the financial year are set out in the following table. When exercisable, each option is convertible into one ordinary share of Spitfire Resources Limited.

	Number of options granted during 2011	Grant Date	Fair value per option at grant date	Exercise price per option	Expiry Date	Number of options vested during 2011
Executive Directors						
John Mackenzie	2,000,000	1 October 2010	\$0.0485	\$0.125	1 October 2015	2,000,000
John Mackenzie	2,000,000	1 October 2010	\$0.0429	\$0.175	1 October 2015	2,000,000
James Hamilton	-	-	-	-	-	3,500,000
Non Executive Directors						
Russell Hardwick	-	-	-	-	-	1,750,000
Christopher Daws	-	-	-	-	-	1,250,000
Executives						
Stuart Peterson	1,000,000	26 October 2010	\$0.0570	\$0.150	26 October 2015	1,000,000

During the year 3,400,000 employee share options lapsed under the Employee Share Option Plan.

4.5 Analysis of options granted as compensation

Details of vesting profiles of the options granted as remuneration to each key management person of the Group are detailed in the following table:

	Number of options granted	Grant Date	% vested in 2011 year	% lapsed in year	Financial years in which grant vests
Executive Directors					
	2,000,000	8 February 2008	Nil	Nil	Vested
James Hamilton	2,000,000	8 February 2008	Nil	Nil	Vested
	2,000,000	6 March 2009	50%	Nil	Vested
	2,000,000	6 March 2009	50%	Nil	Vested
	3,000,000	27 November 2009	50%	Nil	Balance vests in 11/12*
	4,000,000	1 October 2010	100%	Nil	Vested
Non Executive Directors					
	750,000	8 February 2008	Nil	Nil	Vested
Russell Hardwick	750,000	8 February 2008	Nil	Nil	Vested
	750,000	6 March 2009	50%	Nil	Vested
	750,000	6 March 2009	50%	Nil	Vested
	2,000,000	27 November 2009	50%	Nil	Balance vests in 11/12*
	750,000	8 February 2008	Nil	Nil	Vested
Christopher Daws	750,000	8 February 2008	Nil	Nil	Vested
	750,000	6 March 2009	50%	Nil	Vested
	750,000	6 March 2009	50%	Nil	Vested
	1,000,000	27 November 2009	50%	Nil	Balance vests in 11/12*
	Executives				
	400,000	29 April 2008	Nil	100%	Lapsed
Nathan Cull	400,000	29 April 2008	Nil	100%	Lapsed
	100,000	19 September 2008	Nil	100%	Lapsed
	100,000	19 September 2008	Nil	100%	Lapsed
	500,000	21 January 2009	Nil	100%	Lapsed
	500,000	21 January 2009	Nil	100%	Lapsed
	1,000,000	18 August 2009	Nil	100%	Lapsed
	400,000	22 June 2010	Nil	100%	Lapsed
	400,000	22 June 2010	100%	Nil	Vested
Stuart Peterson	1,000,000	26 October 2010	100%	Nil	Vested

* 50% of the options vest, and only become exercisable, on the earlier of the weighted average share price for Spitfire ordinary shares being greater than \$0.30 for 5 consecutive days, or 1 year after the grant date. The balance of the options vest, and only become exercisable, on the earlier of the weighted average share price for Spitfire ordinary shares being greater than \$0.30 for 5 consecutive days, or 2 year after the grant date.

4.6 Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person is detailed as follows. These amounts are the total fair value of the options calculated at the grant date and amounts are allocated to remuneration over the vesting periods if applicable:

30 June 2011	Granted in year \$	Value of options exercised \$	Lapsed in year \$
Executive Directors			
John Mackenzie	182,800	-	-
Executives			
Nathan Cull	-	-	169,473
Stuart Peterson	57,000	-	-
Total	239,800	-	169,473

30 June 2010	Granted in year \$	Value of options exercised \$	Lapsed in year \$
Executive Directors			
James Hamilton	108,600	-	-
Non Executive Directors			
Russell Hardwick	72,400	-	-
Christopher Daws	36,200	-	-
Executives			
Nathan Cull	64,900	-	-
Total	282,100	-	-

5. DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and rights or options over such instruments issued by the Companies within the Group, as notified by the Directors to the ASX in accordance with s205G(1) of the Corporations Act 2001, at the date of this Report is as follows:

30 June 2011	Ordinary shares Number	Options over ordinary shares Number
Executive Directors		
James Hamilton	1,500,000	10,500,000
John Mackenzie	680,000	4,000,000
Non Executive Directors		
Russell Hardwick	537,471	5,000,000
Christopher Daws	-	4,000,000

30 June 2010	Ordinary shares Number	Options over ordinary shares Number
Executive Directors		
James Hamilton	1,000,000	11,000,000
Non Executive Directors		
Russell Hardwick	325,000	5,000,000
Christopher Daws	700,000	4,000,000

6. SHARE OPTIONS

Unissued shares under options

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry Date	Grant Date	Exercise Price	Number of options
8 February 2013	8 February 2008	\$0.20	4,500,000
		\$0.25	4,500,000
29 April 2013	29 April 2008	\$0.20	50,000
		\$0.25	50,000
19 September 2013	19 September 2008	\$0.20	25,000
		\$0.25	25,000
6 March 2014	6 March 2009	\$0.10	3,000,000
		\$0.125	3,500,000
27 November 2014	27 November 2009	\$0.168	6,000,000
15 December 2014	15 December 2009	\$0.15	100,000
22 June 2015	22 June 2010	\$0.175	500,000
1 October 2015	1 October 2010	\$0.125	2,000,000
		\$0.175	2,000,000
26 October 2015	26 October 2010	\$0.15	1,000,000
13 December 2015	13 December 2010	\$0.17	100,000
			27,350,000

7. CORPORATE GOVERNANCE STATEMENT

The Company continues to embrace the ASX Principles of Good Corporate Governance and Best Practice Recommendations. The Company has further reviewed the second edition of the Corporate Governance Principles and Recommendations ("Recommendations") with 2010 Amendments.

Commensurate with the spirit of the Recommendations, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and Board, resources available and activities of the Company. The Corporate Governance information is available on the Company's website at www.spitfireresources.com.au

This statement outlines the main Corporate Governance practices that were in place throughout the financial year.

Principle 1 – Lay solid foundations for management and oversight

The Board has adopted a charter which sets out the role and function of the board. The Board has considered and identified the functions reserved to the Board and those functions that are delegated to Senior Executives. A copy of this is available on the Company website. In carrying out its responsibilities and exercising its powers, the Board at all times recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the Shareholders, as well as its employees, customers, and the community.

The Senior Executives and staff participated during the year in the Company's annual performance review which sets out and identifies performance against agreed key performance indicators.

Principle 2 – Structure the Board to add value

Board Composition

The skills, experience and expertise relevant to the position of each Director who is in office at the date of this Report are detailed in the Directors' Report.

The names of the Directors and date of appointments are:

Board of Directors	Date of appointment	Independent
James Hamilton	29 May 2007	No
Russell Hardwick	29 May 2007	No
Christopher Daws	29 May 2007	Yes
John Mackenzie	14 February 2011	No

The Company has a Board of four Directors comprising the Managing Director, Executive Chairman, Non Executive Director and a Director/Secretary. The name of the independent Director of the Company is Christopher Daws.

The Board seeks a mix of skills suitable for a junior resources company including resources experience, reporting and compliance and access to capital markets.

The Board considers that only Mr Christopher Daws is independent after reviewing the ASX Corporate Governance Council's definition of independence and considering materiality.

When determining whether a Non Executive Director is independent, the Director must not fail any of the following materiality thresholds:

- Less than 10% of Company shares are held by the Director and any entity or individual directly or indirectly associated with the Director;
- No material sales are made to or purchases made from any entity or individual directly or indirectly associated with the Director; and
- None of the Director's income or the income of an individual or entity directly or indirectly associated with the Director is derived from a contract with any member of the economic entity other than income derived as a Director of the entity.

Each Director has the right of access to all relevant Company Information and to the Company's Executives and, subject to prior consultation with the Chairman, may seek independent professional advice in the furtherance of their duties as Directors at the Company's expense.

The Company conducts its operations as a listed entity in accordance with the Principle 2, other than in relation to the matters specified below:

Recommendation	Notification of Departure	Explanation of Departure
<p>Recommendation 2.1</p> <p>A majority of the Board should be Independent Directors</p>	<p>Only one of the four Directors is considered to be independent</p>	<p>The Company has a Board of four Directors comprising the Managing Director, Executive Chairman, Non Executive Director and a Director/Secretary. The Board considers that only Mr Christopher Daws is independent after reviewing the ASX Corporate Governance Council's definition of independence and considering materiality. The Board recognises the importance of a majority of Independent Directors which may be desirable over the longer term, but after considering the needs of the Company at this time and the Board policies which have been put in place, it remains of the view of the Board that the current composition best serves the interests of Shareholders.</p>
<p>Recommendation 2.2</p> <p>The Chairperson should be an Independent Director</p>	<p>Chairman is an Executive Director</p>	<p>Mr Hamilton acts as the Executive Chairman of the Company. The Board has considered the recommendations and prefers to maintain Mr Hamilton as the Chairman because he has been actively involved in the formation and promotion of the Company. The Board recognises the importance of an Independent Chairman which may be desirable over the longer term. The Board expects to appoint an Independent Chairman in the future, subject to the scope and requirements of its exploration projects. The Board believes that Mr Hamilton's appointment as Chairman currently serves the best interests of the Shareholders, taking into account the size and requirements of the Company.</p>
<p>Recommendation 2.4</p> <p>The Board should establish a Nomination Committee</p>	<p>The Board has decided not to form a Nomination Committee</p>	<p>The Board does not believe that any efficiencies or other benefits would be gained by establishing a separate Nomination Committee. In any event, the Board has adopted a Nomination Committee Charter which is equally suited to use by the full Board or a subcommittee.</p>
<p>Recommendation 2.5</p> <p>Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors</p>	<p>The Board has not conducted a formal Performance Evaluation</p>	<p>The Board recognises the importance of a formal Performance Evaluation but as the Company consists of only four Directors, it believes that a formal Performance Evaluation is not required at this point in time. As the Company grows and develops, it will continue to consider the efficiencies and merits of a formal Performance Evaluation of the Board, its committees and individual Directors.</p>

Principle 3 – Promote ethical and responsible decision making

The Company has adopted a code of conduct for Directors and Executives with the overriding principle that Directors and Executives must act honestly, in good faith and in the best interest of Spitfire Resources Limited ('the Company') as a whole. A copy of the code of conduct is available on the Company website.

In addition the Company has adopted a share trading policy regarding Directors and employees trading in its securities of the Company. The overriding principle in dealing with any securities is contained in the insider trading provisions of the Corporations Act and provides that a person cannot buy or sell shares when they are in possession of information which isn't generally available, which could reasonably be expected to have a material effect on the share price of a company if that information was generally available. In addition there are certain closed periods where trading in the Company's securities is not permitted. A copy of the share trading policy is available on the Company website.

The Company is in the process of reviewing and adopting a Diversity Policy and will review the requirements of the Corporate Governance Principles and Recommendations in its 2012 annual report.

Principle 4 – Safeguard integrity in Financial Reporting

The Board has established an Audit Committee and adopted a formal charter. The purposes of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the external reporting of financial information, the internal control and operational risk management framework, the independence and effectiveness of audit and compliance with laws and regulations. A copy of the charter is available on the Company website.

The members of the Audit Committee are:

- Russell Hardwick (CPA) - Chairman
- Christopher Daws (Independent Director)

During the year, the Audit Committee met twice. The Board reviews the performance of the External Auditor on an annual basis. The Company currently requires the partner managing the audit for the External Auditor be changed within a period of five years from engagement.

Principle 5 – Make timely and balanced disclosure

The Company is committed to complying with the continuous disclosure obligations of the Corporations Act and the listing rules of Australian Securities Exchange Limited (ASX). The Company has adopted a written policy on disclosure of information, a copy of which can be found on the Company website.

The Company Secretary has been appointed as the person responsible for communications with the Australian Securities Exchange. In addition, the Company Secretary has responsibility for overseeing and coordinating disclosure of information and communicating with the Managing Director in relation to continuous disclosure matters.

Principle 6 – Respect the rights of Shareholders

Spitfire Resources Limited recognises the right of Shareholders to be informed of matters, which affect their investments in the Company. The Board aims to ensure that the Shareholders are informed of all major developments affecting the Company. The Company has adopted a written policy on Shareholder communication, a copy of which can be found on the Company website. The Company maintains a database of Shareholders who receive automatic email updates of significant developments in the Company's affairs.

The Board encourages participation of Shareholders at the Annual General Meeting and provides a presentation on the Company which is also lodged with the Australian Securities Exchange Limited (ASX).

The Company's Auditor, Bentleys, will be in attendance at the Annual General Meeting and is available to answer questions from Shareholders about the conduct of the annual audit.

Principle 7 – Recognise and manage risk

The Company is a junior resource entity at exploration stage with no current production operations. The Board is responsible for risk oversight and management. Day to day responsibility is delegated to the Managing Director. The Managing Director is responsible for identification of risk, monitoring risk, communication of risk events to the Board and responding to risk events with Board authority. Management has established and implemented a safety management program and has also arranged for an independent review of the program. The Company Secretary and Financial Controller will manage the Company's internal controls and the Audit Committee will oversee risk management and internal compliance.

The Managing Director and Company Secretary have declared in writing to the Board, that the financial reporting, risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively.

Principle 8 – Remunerate Fairly and Responsibly

Details in relation to the Company's remuneration policy is disclosed in the Directors' Report. The Company conducts its operations in accordance with the Principle 8, other than in relation to the matters specified below:

Recommendation	Notification of Departure	Explanation of Departure
<p>Recommendation 8.1</p> <p>The Board should establish a Remuneration Committee</p>	<p>The Board has not formed a separate Remuneration Committee</p>	<p>Due to the size and development phase of the Company, the Board has no formal Remuneration Committee. All matters pertaining to remuneration are dealt with by the full Board, taking independent advice if required.</p>
<p>Recommendation 8.3</p> <p>Distinguish between structure of Non Executive Directors remuneration from that of Executive Directors and Senior Executives</p>	<p>The Company has issued incentive options to Non Executive Directors</p>	<p>The Board acknowledges the grant of Director Options to Russell Hardwick and Christopher Daws is contrary to the Recommendations. However, the Board considers the grant of Director Options is reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves.</p> <p>The Board considers that in view of the financial, legal and other responsibilities assumed by Directors of public companies, the payment of monetary Directors' fees alone is often not an adequate reward and does not provide an adequate incentive to keep Board members and Directors of the requisite level of experience and qualifications.</p> <p>The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options.</p>

Further information about the Company's corporate governance practices are set out on the Company's website at www.spitfireresources.com.au

8. PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the 2010/2011 financial year were to explore the South Woodie Woodie Manganese Project, and to examine other opportunities in Australia and offshore.

9. OPERATING AND FINANCIAL REVIEW

The Group incurred a loss for the year of \$1,754,230 (2010: \$1,780,833). The Company remains well funded with cash of \$4.8 million at 30 June 2011. Further information is included in the Review of Operations.

Financial Position

The net assets of the Group have increased to \$15,508,953 as at 30 June 2011. This increase has largely resulted from the following factors:

- Raising of additional equity funds; and
- Capitalising exploration expenditure.

The Group's working capital, being current assets less current liabilities, has increased slightly from \$4,743,334 in 2010 to \$4,840,389 in 2011.

The Directors believe the Group is in a strong and stable financial position to continue to explore its projects and to identify new opportunities.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the Group occurred during the financial year:

- Appointment of John Mackenzie as Managing Director in February 2011.
- Successful drilling program at the Contact discovery.
- On 8 December 2010, the Company issued 20,500,000 fully paid ordinary shares at 8.5c per share raising \$1,742,500.
- Divestment of Tasmanian Thermal Coal projects via the sale of the 100% subsidiary Black Rock Rock Energy Pty Ltd for a net proceeds of \$1,400,000.

Further information is included in the Review of Operations.

10. DIVIDENDS

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend as at the date of printing this Report.

11. EVENTS SUBSEQUENT TO REPORTING DATE

On 12 July 2011, the Company issued 500,000 fully paid ordinary shares at 10 cents per Share pursuant to the exercise of share options.

On 5 July 2011, 350,000 share options expired under the Spitfire incentive Option Plan.

On 8 September 2011, the Company raised \$2.64M through a share placement comprising of 20.32 million shares at 13c per share to new and existing strategic and sophisticated investors to underpin ongoing aggressive exploration programs at its flagship South Woodie Woodie Manganese Project in Western Australia.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year, that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

12. LIKELY DEVELOPMENTS

Likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this Report as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

13. ENVIRONMENTAL ISSUES

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

The Directors of the Group are not aware of any breach of environmental legislation for the year under review.

14. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every Officer, Auditor or Agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, Auditor or Agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. The Company has paid a Directors and Officers Liability premium of \$14,653.

15. NON-AUDIT SERVICES

The Group may decide to employ the Auditor on assignments additional to their statutory audit duties where the Auditor's expertise and experience with the Company and/or Group are important. Should the Group engage the Auditor for non-audit related services, the provision of the non-audit services is compatible with the general standard of independence for the Auditors imposed by the Corporations Act 2001.

During the financial year ended 30 June 2011 the Auditors did not provide the Group with any non-audit related services.

16. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

17. AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the year ended 30 June 2011 has been received and can be found on page 30.

18. ROUNDING OF AMOUNTS

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of Directors made pursuant to s298 (2) of the Corporations Act 2001.

This Report is made with a resolution of the Directors



JOHN MACKENZIE
Managing Director

Dated at Perth this 27th day of September 2011



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(WA) Pty Ltd**

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To The Board of Directors

**Auditor's Independence Declaration under Section 307C of the
Corporation Act 2001**

This declaration is made in connection with our audit of the financial report of Spitfire Resources Limited and Controlled Entities for the year ended 30 June 2011 and in accordance with the provisions of the *Corporations Act 2001*.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- no contraventions of the Code of *Professional Conduct* of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 27th day of September 2011



A member of Bentleys, an association of independent accounting firms in Australia. The member firms of the Bentleys association are affiliated only and not in partnership. Liability limited by a scheme approved under Professional Standards Legislation.





FINANCIAL STATEMENTS

	Note	Consolidated	
		2011 \$000	2010 \$000
Continuing operations			
Revenue	2	15	18
Interest received	2	245	206
Gross profit/(loss)		260	224
Depreciation expense		(27)	(18)
Consulting expenses		(478)	(446)
Occupancy costs		(84)	(77)
Travel expenses		(65)	(90)
Exploration & Evaluation costs expensed		(33)	(414)
Administrative expenses		(993)	(902)
Loss before income tax		(1,420)	(1,723)
Income tax (expense)/revenue	4	238	-
Loss from continuing operations		(1,182)	(1,723)
Discontinued operations			
Loss from discontinued operations after tax	6	(572)	(58)
Loss for the year		(1,754)	(1,781)
Other comprehensive income		-	-
Total comprehensive income (loss) for the period		-	-
Total comprehensive income attributable to the members of the company		(1,754)	(1,781)
Loss per share			
From continuing and discontinued operations:			
Basic loss per share	8	(1.38c)	(1.73c)
From continuing operations:			
Basic loss per share	8	(0.93c)	(1.67c)
From discontinued operations:			
Basic loss per share	8	(0.45c)	(0.06c)

The accompanying notes form part of these financial statements.

	Note	Consolidated	
		2011 \$000	2010 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	4,888	4,998
Trade and other receivables	10	465	188
Total Current Assets		5,353	5,186
NON-CURRENT ASSETS			
Property, plant and equipment	12	111	65
Exploration and evaluation assets	13	10,557	10,348
Total Non-Current Assets		10,668	10,413
TOTAL ASSETS		16,021	15,599
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	499	418
Financial liabilities	15	-	5
Provisions	16	13	20
Total Current Liabilities		512	443
TOTAL LIABILITIES		512	443
NET ASSETS		15,509	15,156
EQUITY			
Issued capital	17	19,465	17,777
Reserves	18	1,643	1,393
Accumulated losses		(5,599)	(4,014)
TOTAL EQUITY		15,509	15,156

The accompanying notes form part of these financial statements.

Consolidated	Note	Issued Capital \$000	Option Reserve \$000	Accumulated Losses \$000	Total Equity \$000
Balance at 1 July 2009		14,541	1,187	(2,233)	13,495
Loss for the year		-	-	(1,781)	(1,781)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	(1,781)	(1,781)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares		3,097	-	-	3,097
Share based payments	18	-	440	-	440
Expiry of share options	18	234	(234)	-	-
Share issue expenses		(95)	-	-	(95)
Balance at 30 June 2010		17,777	1,393	(4,014)	15,156
Balance at 1 July 2010		17,777	1,393	(4,014)	15,156
Loss for the year		-	-	(1,754)	(1,754)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	(1,754)	(1,754)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares		1,742	-	-	1,742
Share based payments	18	-	419	-	419
Expiry of share options	18	-	(169)	169	-
Share issue expenses		(54)	-	-	(54)
Balance at 30 June 2011		19,465	1,643	(5,599)	15,509

The accompanying notes form part of these financial statements.

		Consolidated	
	Note	2011 \$000	2010 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash paid to suppliers and employees		(1,260)	(1,145)
Payments for exploration and evaluation		(2,223)	(1,440)
Other revenue		15	18
Interest received		250	212
Net cash used in operating activities	22a	(3,218)	(2,355)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(75)	-
Proceeds from the sale of investment in subsidiary	22c	1,500	-
Other (Prospects/Tenement Bonds)		-	(124)
Payment for subsidiary, net of cash acquired	22b	-	(25)
Net cash (used in)/from investing activities		1,425	(149)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		1,742	2,827
Expense of share issue		(54)	(95)
Repayment of borrowings		(5)	(3)
Net cash from financing activities		1,683	2,729
Net increase/(decrease) in cash and cash equivalents		(110)	225
Cash and cash equivalents at beginning of period		4,998	4,773
Cash and cash equivalents at end of period	9	4,888	4,998

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Spitfire Resources Limited (the "Company") is a Company domiciled in Australia. The address of the Company's registered office is Suite 1, 346 Barker Rd, Subiaco, WA 6008. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. The Group primarily is involved in the minerals exploration industry.

Basis Of Preparation

a) Statement of compliance

The Financial Report is a General Purpose Financial Report, which has been prepared in accordance with Australian Accounting Standards Board (AASB) (including Australian Accounting interpretations and other authoritative pronouncements) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated Financial Report of the Group and the Financial Report of the Company comply with International Financial Reporting Standards (IFRS's) and interpretations adopted by the International Accounting Standards Board (IASB).

b) Basis of measurement

The Financial Report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a) Principles of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In the Company's financial statements, investments in subsidiaries are carried at cost.

(ii) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity.

At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holders are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold Improvements	20%
Plant and Equipment	33%

c) Impairment**(i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

d) Employee benefits

(i) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

When the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

e) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

f) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expense comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

g) Income tax

Income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and used tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right to set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of respective asset and liability will occur in future periods in which significant amount of deferred tax assets or liabilities are expected to be recovered or settled.

h) Tax consolidation

Spitfire Resources Limited and its 100% owned controlled entities have formed a tax consolidated group.

i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

j) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

k) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(i) Change in accounting policy

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Board considers the business from both a functional and geographic perspective and has identified five reportable segments.

Development of the South Woodie Woodie Manganese Project is the main focus of the Group, with these activities forming the Australian manganese exploration segment. The Group is also undertaking exploration activities for coal in Tasmania and also holds exploration tenements in the Northern Territory. The administration, fund raising and investment activities of the Group form the Treasury and unallocated segments.

All assets, liabilities, revenues and expenses are monitored by the Board of Directors.

l) Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

m) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Investment property revenue is recognised on a straight line basis over the period of lease term so as to reflect a constant periodic rate of return on the net investment.

All revenue is stated net of the amount of goods and services tax (GST).

n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments.

o) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below:

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

(i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

p) New Accounting Standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- **AASB 9: Financial Instruments (December 2010)** (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

- **AASB 1053:** Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purposed financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific “RDR” disclosures.

- **AASB 2009-12:** Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

- **AASB 2010-4:** Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB’s annual improvements projects. Key changes include:

- clarifying the application of AASB 108 prior to an entity’s first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entities exposure to risks arising from financial instruments.
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

- **AASB 2010-5:** Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 134, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS’s by the IASB.

However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- **AASB 2010-6:** Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011). This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

- **AASB 2010-7:** Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013). This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

- **AASB 2010-8:** Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

q) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the Financial Report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Provision for Impairment of Receivables

The Company has written down the value of its intercompany loans to nil as at the reporting date the recovery of intercompany loans is not virtually certain. Other than the intercompany loans, no provision for impairment of receivables has been made at 30 June 2011.

Exploration and Evaluation Costs

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or relating to, the area of interest are continuing.

Share-based Payment Transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using the Black-Scholes option pricing model.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the Directors understanding thereof. At the current stage of the Company's development and its current environmental impact, the Directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of Directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the Directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the Directors' best estimate, pending an assessment by the Australian Taxation Office.

The financial report was authorised for issue on 27th September 2011 by the Board of Directors.

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated	
	2011 \$000	2010 \$000
Revenue		
Office sub-lease rental	15	18
Other income		
Interest revenue	245	206
TOTAL REVENUE	260	224

NOTE 3: LOSS FOR THE YEAR

	Consolidated	
	2011 \$000	2010 \$000
a) Expenses		
Rental expense on operating leases		
- Minimum lease payments	84	66
b) Significant expenses		
Consulting fees	478	446
Director fees	79	75
Salaries and wages	171	105
Superannuation	21	15
Share options expense	419	440
Exploration & Evaluation costs expensed	33	-
Exploration & Evaluation costs impaired	677	472

NOTE 4: INCOME TAX EXPENSE

	Consolidated	
	2011 \$000	2010 \$000

Major components of income tax expense for the years ended 30 June 2011 and 2010 are:

INCOME STATEMENT

Current Income

Current income tax charge	-	-
Adjustments in respect of previous current income tax	-	-
Research & Development refundable tax offset	238	-

Deferred income tax

Relating to origination and reversal of temporary differences	-	-
Benefit from previously unrecognized tax loss used to reduce deferred tax expense	-	-

INCOME TAX (EXPENSE) BENEFIT REPORTED IN INCOME STATEMENT	238	-
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STATEMENT OF CHANGES IN EQUITY

A reconciliation of income tax expense (benefit) applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2011 and 2010 is as follows:

Accounting loss before income tax	(1,754)	(1,781)
At the statutory income tax rate of 30% (2010: 30%)	(526)	(534)
Add:		
Non-deductible expenses	378	129
Temporary differences and tax losses not brought to account	219	405
Less:		
Non-assessable income	(71)	-
Research & Development refundable tax offset	238	-
INCOME TAX (EXPENSE)/BENEFIT	238	-
Effective Income Tax Rate Of 0%	0%	0%

	2011 \$000	Consolidated 2010 \$000
Recognised deferred tax assets and liabilities		
Deferred tax assets and liabilities are attributable to the following:		
Exploration expenditure	3,152	3,099
Prepaid expenditure	-	-
Accrued interest	5	6
Sundry payables	(3)	(3)
Capital losses	(103)	(102)
Provision for employee entitlements	(4)	(6)
Capital raising costs	(53)	(95)
Tax losses	(4,262)	(4,306)
Business related costs	(16)	(2)
Unrecognised deferred tax assets	1,284	1,409
Tax (assets) liabilities	-	-
Set off of tax	-	-
Net tax (assets) liabilities	-	-

Unrecognised Deferred Tax Assets

Tax Losses	1,284	1,409
	1,284	1,409

NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL

Names and positions held of consolidated and company key management personnel in office at any time during the 2010/2011 financial year are:

Key Management Person	Position
James Hamilton	Managing Director / Executive Chairman
Russell Hardwick	Non Executive Director / Company Secretary
John Mackenzie	Managing Director
Christopher Daws	Non Executive Director
Nathan Cull	Exploration Manager (Resigned 23 August 2010)
Stuart Peterson	Exploration Manager (Appointed 2 August 2010)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2011.

The totals of remuneration paid to Key Management Personnel of the Company and the Group during the year are as follows:

	2011 \$000	2010 \$000
Short-term employee benefits	714	636
Post-employment benefits	29	24
Share based payments	400	397
	1,143	1,057

Number of Options held by Key Management Personnel:

The number of options over ordinary shares held by each Key Management Personnel of the Group during the financial year is as follows:

30 June 2011	Balance 1 July 2010	Granted as Compensation	Other changes during the year	Options Exercised	Balance 30 June 2011
Executive Directors					
James Hamilton	11,000,000	-	-	-	11,000,000
John Mackenzie	-	4,000,000	-	-	4,000,000
Non Executive Directors					
Russell Hardwick	5,000,000	-	-	-	5,000,000
Christopher Daws	4,000,000	-	-	-	4,000,000
Executives					
Nathan Cull	3,400,000	-	(3,400,000)	-	-
Stuart Peterson	400,000	1,000,000	-	-	1,400,000

30 June 2011	Balance 30 June 2011	Total Vested 30 June 2011	Total Exercisable 30 June 2011	Total Unexercisable 30 June 2011
Executive Directors				
James Hamilton	11,000,000	9,500,000	9,500,000	1,500,000
John Mackenzie	4,000,000	4,000,000	4,000,000	-
Non Executive Directors				
Russell Hardwick	5,000,000	4,000,000	4,000,000	1,000,000
Christopher Daws	4,000,000	3,500,000	3,500,000	500,000
Executives				
Stuart Peterson	1,400,000	1,400,000	1,400,000	-

30 June 2010	Balance 1 July 2009	Granted as Compensation	Other changes during the year	Options Exercised	Balance 30 June 2010
Executive Directors					
James Hamilton	8,519,967	3,000,000	(519,967)	-	11,000,000
Non Executive Directors					
Russell Hardwick	3,461,634	2,000,000	(461,634)	-	5,000,000
Christopher Daws	3,690,634	1,000,000	(690,634)	-	4,000,000
Executives					
Nathan Cull	2,068,333	1,400,000	(68,333)	-	3,400,000

30 June 2010	Balance 30 June 2010	Total Vested 30 June 2010	Total Exercisable 30 June 2010	Total Unexercisable 30 June 2010
Executive Directors				
James Hamilton	11,000,000	6,000,000	6,000,000	5,000,000
Non Executive Directors				
Russell Hardwick	5,000,000	2,250,000	2,250,000	2,750,000
Christopher Daws	4,000,000	2,250,000	2,250,000	1,750,000
Executives				
Nathan Cull	3,400,000	1,400,000	1,400,000	2,000,000

Number of Shares held by Key Management Personnel:

The number of ordinary shares in Spitfire Resources Limited held by each Key Management Personnel of the Group during the financial year is as follows:

30 June 2011	Balance 1 July 2010	Received as Compensation	Options Exercised	Net Change Other	Balance 30 June 2011
Executive Directors					
James Hamilton	1,000,000	-	-	-	1,000,000
John Mackenzie	-	-	-	665,000	665,000
Non Executive Directors					
Russell Hardwick	325,000	-	-	212,471	537,471
Christopher Daws	700,000	-	-	(700,000)	-
Executives					
Nathan Cull	265,000	-	-	-	265,000*
Stuart Peterson	-	-	-	-	-

* Nathan Cull resigned as an employee on the 23 August 2010. His shareholding at time of resignation was 265,000 shares

30 June 2010	Balance 1 July 2009	Received as Compensation	Options Exercised	Net Change Other	Balance 30 June 2010
Executive Directors					
James Hamilton	700,000	-	-	300,000	1,000,000
Non Executive Directors					
Russell Hardwick	225,000	-	-	100,000	325,000
Christopher Daws	700,000	-	-	-	700,000
Executives					
Nathan Cull	265,000	-	-	-	265,000

NOTE 6: DISCONTINUED OPERATIONS

On 16 June 2011, the Group announced the disposal of Black Rock Energy Pty Ltd which holds the Tasmanian Thermal Coal Project, thereby discontinuing its operations in the Australian Coal exploration segment.

Comparative financial information relating to the discontinued operation to the date of disposal is set out below.

	Consolidated	
	2011 \$000	2010 \$000
Result of discontinued operations		
Revenue	-	2
Exploration and evaluation expenditure impaired	(677)	(58)
Other expenses	(10)	(2)
Loss before income tax	(687)	(58)
Income tax expense	-	-
TOTAL LOSS AFTER TAX ATTRIBUTABLE TO THE DISCONTINUED OPERATION	(687)	(58)
Profit on sale before income tax	115	-
Income tax expense	-	-
Profit (loss) on sale after income tax	115	-
TOTAL LOSS AFTER TAX ATTRIBUTABLE TO THE DISCOUNTED OPERATION	(572)	(58)
Cash flows from (used in) discontinued operations		
Net cash used in operating activities	(100)	(510)
Net cash flow from investing activities	-	-
Net cash flow from financing activities	-	-
NET CASH DECREASE IN CASH USED BY THE DISCONTINUED OPERATION	(100)	(510)

NOTE 7: AUDITORS' REMUNERATION

	Consolidated	
	2011 \$000	2010 \$000
Remuneration of the Auditor of the parent entity for:		
Auditing or reviewing the Financial Report	27	26
No other services have been provided by the Auditors.		

NOTE 8: LOSS PER SHARE

		Consolidated	
		2011 \$000	2010 \$000
a)	Loss used to calculate basic & diluted EPS from continuing and discontinued operations Basic loss per share (cents per share)	(1,754) (1.38c)	(1,781) (1.73c)
b)	Loss used to calculate basic & diluted EPS from continuing operations Basic loss per share (cents per share)	(1,182) (0.93c)	(1,723) (1.67c)
c)	Loss used calculate basic & diluted EPS from discontinued operations Basic loss per share (cents per share)	(572) (0.45c)	(58) (0.06c)
		Number of shares	Number of shares
d)	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	126,808,252	102,944,367

At 30 June 2011, 23,312,055 (2010: 18,829,863) share options are non dilutive based on the average market prices of the Company's shares.

As the Group made a loss for the period, diluted earnings per share is the same as basic earnings per share.

NOTE 9: CASH AND CASH EQUIVALENTS

		Consolidated	
		2011 \$000	2010 \$000
	Cash at bank and in hand	84	121
	Cash management account	2,273	1,127
	Short-term bank deposits	2,531	3,750
		4,888	4,998

The effective interest rate on short term bank deposits was 5.42% (2010: 5.45%); these deposits have an average maturity of 210 days

NOTE 10: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2011 \$000	2010 \$000
CURRENT		
GST receivable	130	105
Interest receivable	17	22
Research & Development refundable tax offset	238	-
Environmental Bonds refundable	38	17
Other receivables	42	44
	465	188

Refer to Note 27 for risk management policies in place.

NOTE 11: CONTROLLED ENTITIES

a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2011	2010
Subsidiaries of Spitfire Resources Ltd:			
Spitfire Australia (SWW) Pty Ltd	Australia	100%	100%
Spitfire Global Pty Ltd	Australia	100%	100%
Black Rock Energy Pty Ltd	Australia	0%	100%
Bellpiper Pty Ltd	Australia	100%	100%

*Percentage of voting power is in proportion to ownership.

b) Disposal of Controlled Entities

On 16 June 2011, Spitfire disposed of its 100% interest in Black Rock Energy Pty Ltd. A capital gain of \$114,707 after income tax was attributable to members of the parent entity from the disposal. In addition during the year the disposed entity contributed an operating loss of \$572,000 to the group results.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2011 \$000	2010 \$000
PLANT AND EQUIPMENT		
At cost	106	33
Accumulated depreciation	(35)	(17)
Total Plant and Equipment	71	16
LEASEHOLD IMPROVEMENTS		
At cost	75	75
Accumulated depreciation	(35)	(26)
Total Leasehold Improvements	40	49
TOTAL PROPERTY, PLANT AND EQUIPMENT	111	65

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment \$000	Leasehold Improvements \$000	Total \$000
Balance at 30 June 2009	22	61	83
Additions	-	-	-
Disposals	-	-	-
Depreciation expense	(6)	(12)	(18)
Balance at 30 June 2010	16	49	65
Additions	75	-	75
Disposals	(2)	-	(2)
Depreciation expense	(18)	(9)	(27)
Balance at 30 June 2011	71	40	111

NOTE 13: EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	2011 \$000	2010 \$000
NON-CURRENT		
Exploration expenditure capitalised		
• Exploration and evaluation phases	6,173	4,506
Mineral exploration properties		
• At cost	5,061	6,314
Exploration costs previously capitalised, now written off	(677)	(472)
	10,557	10,348

Recoverability of the carrying amount of exploration assets is dependent upon:

- The continuance of the Company's rights to tenure of the areas of interest
- The results of possible exploration; and
- The recoupment of costs through successful development and exploration of the areas of interest, or alternatively, by their sale.

Impairment

Exploration and evaluation expenditure written off and expensed during the year relates to :

- Expenditure relating to the Northern Territory project based on the level of current and planned activity to assess the existence or otherwise of economically recoverable reserves.
- Expenditure relating to the Tasmanian coal projects that were disposed of during the year.

Capitalised costs amounting to \$2,222,849 (2010: \$1,440,385) have been included in cash flows from operating activities in the cash flow statement.

NOTE 14: TRADE AND OTHER PAYABLES

	Consolidated	
	2011 \$000	2010 \$000
CURRENT		
Trade creditors		
• Related party creditors	49	32
• Other	268	313
Sundry payables and accrued expenses	182	73
	499	418

NOTE 15: FINANCIAL LIABILITIES

	Consolidated	
	2011 \$000	2010 \$000
CURRENT		
Lease liability	-	5
	-	5

Refer to Note 23b for future commitments of all lease liabilities.

NOTE 16: PROVISIONS

	Consolidated	
	2011 \$000	2010 \$000
Opening balance at beginning of period	20	16
Amount used	(17)	-
Additional provisions	10	4
Balance at end of period	13	20

A provision has been recognised for employee benefits relating to annual leave for employees.

Analysis of Total Provisions

	Consolidated	
	2011 \$000	2010 \$000
Current (annual leave provision)	13	20
	13	20

NOTE 17: ISSUED CAPITAL

	Consolidated	
	2011 \$000	2010 \$000
135,513,731 (2010: 115,013,731) fully paid ordinary shares	19,948	18,205
Share issue expenses	(717)	(662)
Share options expired	234	234
	19,465	17,777

The Company has fully paid shares with no par value.

	Consolidated	
	2011	2010
a) Ordinary shares		
At the beginning of reporting period	115,013,731	86,818,347
Shares issued during the year		
- 1 July 2009 @ 9c pursuant to a placement	-	11,194,444
- 25 September 2009 for the acquisition of tenements	-	3,000,000
- 21 April 2010 @ 13c pursuant to a placement	-	14,000,000
- 9 June 2010 @ 20c upon the conversion of options	-	940
- 2 December 2010 @ 8.5c pursuant to a placement	20,500,000	-
At reporting date	135,513,731	115,013,731

At the Shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each Shareholder has one vote on a show of hands.

b) Options

- (i) For information relating to the Spitfire Resources Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to Note 24 Share-based Payments.
- (ii) For information relating to share options issued to key management personnel during the financial year, refer to Note 24 Share-based Payments.

c) Capital Management

Due to the nature of the Group's activities, being exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2011 and 30 June 2010 are as follows:

	Consolidated	
	2011 \$000	2010 \$000
Cash and cash equivalents	4,888	4,998
Trade and other receivables	465	188
Trade and other payables	(499)	(418)
Financial liabilities	-	(5)
Provisions	(13)	(20)
Working capital position	4,841	4,743

NOTE 18: RESERVES

	Consolidated	
	2011 \$000	2010 \$000
Equity settled employee benefits reserve:		
Balance at Beginning of Period	1,393	1,187
Share Options issued on 8 February 2008	-	123
Share Options issued on 29 April 2008	-	29
Share Options issued on 19 September 2008	1	7
Share Options issued on 21 January 2009	3	24
Share Options issued on 6 March 2009	36	123
Share Options issued on 18 August 2009	3	33
Share Options issued on 27 November 2009	99	96
Share Options issued on 15 December 2009	2	4
Share Options issued on 22 June 2010	30	1
Share Options expired on 30 June 2010	-	(234)
Share Options issued on 1 October 2010	183	-
Share Options issued on 26 October 2010	62	-
Share Options expired on 22 September 2010	(169)	-
	1,643	1,393

Movements in reserves are set out in the Statement of Changes in Equity.

Equity settled employee benefits reserve

The equity settled employee benefits reserve arises on the grant of share options to Employees, Consultants and Directors. Amounts are transferred out of the reserve into issued capital when the options are exercised.

NOTE 19: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

- (i) The parent entity has provided a \$15,000 bank guarantee to third parties in relation to the performance and obligations in respect to the property lease rental. The guarantees are for the terms of the lease.
- (ii) The entity has provided a \$17,000 performance bond /bank guarantee to the Department of Mines & Petroleum (W.A) as a security deposit over E46/616 Exploration License which may be used to remedy damage to the environment caused by exploration activities if this is not made good by the entity.
- (iii) The entity has provided a \$20,000 performance bond/bank guarantee to the Department of Mines & Petroleum (W.A) as a security deposit over E46/787 Exploration License which may be used to remedy damage to the environment caused by exploration activities if this is not made good by the entity.

NOTE 20: PARENT ENTITY DISCLOSURES

The following details information related to the parent entity, Spitfire Resources Limited, at 30 June 2011. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2011 \$000	2010 \$000
(a) Financial Position		
Assets		
Current assets	5,188	5,019
Non-current assets	5,052	6,387
TOTAL ASSETS	10,240	11,406
Liabilities		
Current liabilities	239	93
Non-current liabilities	-	-
TOTAL LIABILITIES	239	93
Equity		
Issued capital	19,465	17,777
Reserves:		
Equity settled employee benefits reserve	1,643	1,393
Accumulated losses	(11,107)	(7,857)
TOTAL EQUITY	10,001	11,313
(b) Financial Performance		
Loss for the year	(3,419)	(3,185)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	(3,419)	(3,185)
(c) Commitments of the Parent Entity		
Operating lease		
Within one year	62	55
One year or later and no later than five years	57	-
TOTAL	119	55
Finance lease		
Within one year	-	5
Minimum lease payments	-	5
Present value of minimum lease payment	-	5
(d) Contingent Liabilities of the Parent Entity		

The parent entity has provided a \$15,000 bank guarantee to third parties in relation to the performance and obligations in respect to the property lease rental. The guarantees are for the terms of the lease.

NOTE 21: SEGMENT REPORTING

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of exploration commodity since the diversification of the Group's operations inherently have notably different commodity risk profiles. Operating segments are therefore determined on the same basis.

Types of exploration by project segment

(i) Australia – Manganese Exploration

The manganese exploration segment is exploring for Manganese ore at South Woodie Woodie in the East Pilbara. Segment assets, including capitalised exploration expenditure are reported on in this segment.

(ii) Australia – Coal Exploration

The coal exploration segment includes the Tasmanian coal project which was sold during the year. Segment results and assets including capitalised expenditure are shown up to the date of disposal.

(iii) Australia – NT tenements

The NT tenements segment includes at 70% interest in a group of seven Exploration Licence Applications surrounding the Lindeman's Bore Project in the Northern Territory.

In addition the Company has included a Treasury segment that includes the surplus cash of which the majority is invested in Bank term deposits.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Rental income; and
- Other corporate charges

Consolidated 30 June 2011	Australia – Manganese Exploration \$000	Australia – Coal Exploration \$000	Australia – Copper (NT) Exploration \$000	Australia – Treasury \$000	Consolidated Group \$000
SEGMENT PERFORMANCE					
Finance revenue	1	-	-	244	245
Total segment and group revenue	1	-	-	244	245
Reconciliation of segment revenue to group revenue					
Other revenue					130
Total group revenue					375
Segment net profit/(loss) from continuing operations before tax	(32)	(687)	(33)	244	(508)
Reconciliation of segment result to group net profit/(loss) before tax					
Unallocated Items					
Consulting Fees					(478)
Salaries					(171)
Depreciation					(27)
Other					(808)
Other tax revenue					238
Net Profit/(loss) before tax from continuing operations					(1,754)
SEGMENT ASSETS					
Segment assets	10,833	-	-	4,869	15,702
Reconciliation of segment assets to group assets					
Unallocated items					
Other					319
Total group assets					16,021
Segment asset increases for the period:					
Capitalised expenditure	2,028	(566)	-	-	1,462
Cash	8	(15)	-	(103)	(110)
Other	101	(1,370)	-	-	(1,269)
	2,137	(1,951)	-	(103)	83
SEGMENT LIABILITIES					
Segment liabilities	273	-	-	-	273
Reconciliation of segment liabilities to group liabilities					
Unallocated items					
Other					239
Total group liabilities					512

Consolidated 30 June 2010	Australia – Manganese Exploration \$000	Australia – Coal Exploration \$000	Australia – Copper (NT) Exploration \$000	Australia – Treasury \$000	Consolidated Group \$000
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SEGMENT PERFORMANCE

Finance revenue	-	2	-	206	208
Total segment and group revenue	-	2	-	206	208
Reconciliation of segment revenue to group revenue					
Other revenue					18
Total group revenue					226
Segment net profit/(loss) before tax	(4)	(58)	(426)	206	(282)
Reconciliation of segment result to group net profit/(loss) before tax					
Unallocated Items					
Consulting Fees					(446)
Salaries					(105)
Depreciation					(18)
Other					(930)
Net Profit/(loss) before tax from continuing operations					(1,781)

SEGMENT ASSETS

Segment assets	8,696	1,951	-	4,972	15,619
Reconciliation of segment assets to group assets					
Unallocated items					
Other					(20)
Total group assets					15,599
Segment asset increases for the period:					
Capitalised expenditure	1,104	505	-	-	1,609
Cash	(32)	(1)	-	258	225
Other	139	41	-	-	180
	1,211	545	-	258	2,014

SEGMENT LIABILITIES

Segment liabilities	195	155	-	-	350
Reconciliation of segment liabilities to group liabilities					
Unallocated items					
Other					93
Total group liabilities					443

NOTE 22: CASH FLOW INFORMATION

	Consolidated	
	2011 \$000	2010 \$000
a) Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(1,182)	(1,723)
Non-cash flows in loss		
- Depreciation	27	18
- Share options expensed	419	440
- Write off of capitalized exploration expenditure	-	414
- Payments for exploration and evaluation	(2,223)	(1,440)
- Net loss on disposal of property, plant & equipment	2	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
- (Increase)/decrease in trade and term receivables	(286)	(67)
- Increase/(decrease) in trade payables and accruals	32	(1)
- (Decrease)/increase in provisions	(7)	4
Cashflow from operations	(3,218)	(2,355)
b) Acquisition of Entities		
During the 2010 year 100% ownership interest in Bellpiper Pty Ltd was acquired. Details of this transaction are:		
Purchase consideration	-	25
Consisting of:		
Cash consideration	-	25
Total consideration	-	25
Assets and liabilities held at acquisition date:		
Receivables	-	1
Exploration and Evaluation assets at fair value	-	24
	-	25
c) Disposal of Entities		
During the 2011 year the 100% controlled entity Black Rock Energy Pty Ltd was sold. Aggregate details of this transaction are:		
Disposal price	1,500	-
Cash consideration	1,500	-
Investment in controlled entity	(1,324)	-
Commission payable (Paid in July 2011)	(100)	-
Net gain on disposal	76	-
Net cash received	1,500	-

NOTE 23: COMMITMENTS

a) Operating Lease Commitments

	Consolidated	
	2011 \$000	2010 \$000
Non-cancellable operating lease contracted for but not capitalised in the financial statements:		
Payable		
- Within one year	62	55
- One year or later and no later than five years	57	-
- Later than five years	-	-
	119	55

The above amounts relate to the property lease for Suite 1, 346 Barker Road, Subiaco which is a non-cancellable lease with a 24 month term expiring on 31 May 2013, with rent payable monthly in advance.

b) Finance Lease Commitments

	Consolidated	
	2011 \$000	2010 \$000
Payable		
- Within one year	-	5
Minimum lease payments	-	5
Present value of minimum lease payments	-	5

The above amounts included an equipment lease with a 36 month term which expired on 31 May 2011.

c) Exploration Commitments

	Consolidated	
	2011 \$000	2010 \$000
In order to maintain current rights of tenure to exploration tenements, the Company has the following discretionary exploration expenditure up until the expiry of leases. These obligations are not provided for in the financial statements and are payable:		
- Within one year	425	1,321
- One year or later and no later than five years	1,068	533
- Later than five years	-	-
	1,493	1,854

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

NOTE 24: SHARE BASED PAYMENTS

Grant date/employees entitled	Number of Instruments	Vesting Conditions	Contractual life of options
Share Options granted to key management pursuant to the Spitfire Employee Share Option Plan on 1 October 2010	4,000,000	Nil	5
Share Options granted to key management pursuant to the Spitfire Employee Share Option Plan on 1 October 2010	1,000,000	Nil	5
Share Options granted to key management personnel pursuant to the Spitfire Employee Share Option Plan on 13 December 2010	100,000	Nil	5

All options granted to key management personnel are ordinary shares in Spitfire Resources Limited, which confer a right of one ordinary share for every option held.

The number and weighted average exercise prices of share options are as follows:

Consolidated	Weighted average exercise price	Number of options
Options outstanding as at 30 June 2009	17.71c	19,300,000
Granted	16.62c	8,200,000
Forfeited	-	-
Exercised	-	-
Expired	20.00c	1,000,000
Options outstanding as at 30 June 2010	17.28c	26,500,000
Granted	15.04c	5,100,000
Forfeited	16.40c	(3,400,000)
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2011	16.99c	28,200,000
Options exercisable as at 30 June 2011:		25,200,000
Options exercisable as at 30 June 2010:		14,150,000

The weighted average remaining contractual life of options outstanding at year end was 2.81 years. The range of exercise prices of outstanding options at reporting date is from 10c to 25c.

Included under employee benefits expense in the income statement is \$418,966 which relates to equity-settled share-based payment transactions (2010: \$439,742).

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes option pricing model, with the following inputs:

2011

Grant date	01/10/2010	01/10/2010	26/10/2010	13/12/2010
Granted to	Key Management Personnel	Key Management Personnel	Key Management Personnel	Key Management Personnel
Fair value of options and assumptions				
Fair value at grant date	4.85c	4.29c	5.7c	5.61c
Share price	8.30c	8.30c	9.80c	10.00c
Exercise price	12.50c	17.50c	15.00c	17.00c
Expected volatility (weighted average volatility)	78%	78%	78%	78%
Option life (expected weighted average life)	5	5	5	5
Risk-free interest rate	4.87%	4.87%	4.87%	4.87%

2010

Grant date	18/08/2009	27/11/2009	15/12/2009	22/06/2010
Granted to	Key Management Personnel	Directors	Key Management Personnel	Key Management Personnel
Fair value of options and assumptions				
Fair value at grant date	4.65c	3.62c	3.27c	4.60c
Share price	10.00c	8.90c	8.00c	10.50c
Exercise price	15.00c	16.80c	15.00c	17.50c
Expected volatility (weighted average volatility)	60%	60%	60%	60%
Option life (expected weighted average life)	5	5	5	5
Risk-free interest rate	5.50%	5.50%	5.50%	5.50%

NOTE 25: EVENTS AFTER BALANCE SHEET DATE

On 12 July 2011, the Company issued 500,000 fully paid ordinary shares at 10 cents per Share pursuant to the exercise of share options.

On 5 July 2011, 350,000 share options expired under the Spitfire incentive Option Plan.

On 8 September 2011, the Company raised \$2.64M through a share placement comprising of 20.32 million shares at 13c per share to new and existing strategic and sophisticated investors to underpin ongoing aggressive exploration programs at its flagship South Woodie Woodie Manganese Project in Western Australia.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year, that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 26: RELATED PARTY TRANSACTIONS

	Consolidated	
	2011 \$000	2010 \$000
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transactions with related parties		
EXPENDITURE		
Consultancy fees paid to Goldregis Corporation Pty Ltd (a company associated with Mr. James Hamilton), a related party of Spitfire Resources Limited. The amount of \$12,452 was owing to Goldregis Corporation Pty Ltd as at 30 June 2011 (2010: \$21,667)	160	260
Consultancy fees paid to Ravenhill Corporate Pty Ltd (a company associated with Mr. Russell Hardwick), a related party of Spitfire Resources Limited. The amount of \$7,500 was owing to Ravenhill Corporate Pty Ltd as at 30 June 2011 (2010: \$7,500)	90	90
Consultancy fees paid to Manhattan Holdings Pty Ltd (a company associated with Mr. John Mackenzie), a related party of Spitfire Resources Limited. The amount of \$24,167 was owing to Manhattan Holdings Pty Ltd as at 30 June 2011 (2010: Nil)	118	-
Commencement fee paid to Manhattan Holdings Pty Ltd (a company associated with Mr. John Mackenzie), a related party of Spitfire Resources Limited	13	-
REVENUE		
The Company has entered into a sub-lease of its Subiaco office premises to Kalgoorlie Mining Company Ltd (formerly US Nickel Limited). Mr Christopher Daws is a Director of Kalgoorlie Mining Company. The sub-lease is on normal commercial terms. The amount of \$5,645 was owing from Kalgoorlie Mining Company Limited as at 30 June 2011 (2010 : Nil)	15	18

NOTE 27: FINANCIAL RISK MANAGEMENT

Significant accounting policies

Details of the significant accounting policies in respect of financial instruments are disclosed in Note 1 of the financial statements.

Financial risk management

The Board seeks to minimise its exposure to financial risk by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis. No formal policies have been put in place in order to hedge the Group and Company's activities to the exposure to currency risk or interest risk, however as the Group enters commercial production this may be considered. No derivatives or hedges were entered into during the period.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Group is exposed through its operations to the following financial risks:

- Liquidity risk;
- Credit risk;
- Foreign exchange risk; and
- Interest rate risk.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group’s competitiveness and flexibility. Further details regarding these policies are set out below:

Liquidity risk

Prudent liquidity risk management requires the Group to maintain sufficient cash to meet exploration and other commitments and is managed centrally by the Board. The board monitors rolling cash forecasts to manage liquidity risks and to ensure adequate cash reserves are maintained. The exploration programs and budgets are set and agreed by the Board in advance, enabling the Group’s cash requirements to be anticipated and managed. The main financial liabilities of the Group at balance date are trade and other payables.

Credit risk

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group has made investments and advances of \$1,799,939 into subsidiary companies, recovery of which is dependent on future income generation of those subsidiaries.

The Group’s maximum exposure to credit risk by class of individual financial instrument is shown in the table below:

	2011		2010	
	Carrying value	Maximum exposure	Carrying value	Maximum exposure
	\$	\$	\$	\$
Cash and cash equivalents				
AA Rated	4,888	4,888	4,998	4,998
Trade and other receivables	465	465	188	188
	5,353	5,353	5,186	5,186

Price Risk

Price risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities. The Group is currently involved in the exploration for manganese and coal and should economic resources be delineated then the group will be exposed to the particular commodity price risk. There are no hedges in place at balance date.

Foreign Exchange Risk

The Group has a minimal exposure to foreign exchange risk at this point of its development.

Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

Consolidated	Floating interest rate	Fixed interest maturing in 1 year or less	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total
2011	\$000	\$000	\$000	\$000	\$000
FINANCIAL ASSETS					
Cash and cash equivalents	84	4,804	-	-	4,888
Trade and other receivables	-	-	-	465	465
	84	4,804	-	465	5,353
Weighted average interest rate	1.60%	5.10%			
FINANCIAL LIABILITIES					
Trade and other payables	-	-	-	499	499
	-	-	-	499	499

Consolidated	Floating interest rate	Fixed interest maturing in 1 year or less	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total
2010	\$000	\$000	\$000	\$000	\$000
FINANCIAL ASSETS					
Cash and cash equivalents	121	4,877	-	-	4,998
Trade and other receivables	-	-	-	188	188
	121	4,877	-	188	5,186
Weighted average interest rate	1.25%	5.23%			
FINANCIAL LIABILITIES					
Trade and other payables	-	-	-	418	418
Financial liabilities	-	-	-	5	5
	-	-	-	423	423

Sensitivity Analysis

Interest Rate Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. The sensitivity analysis demonstrates the effect on the current financial year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	Consolidated	
	2011 \$000	2010 \$000
Profit		
- Increase in interest rate by 1%	(1,707)	(1,743)
- Decrease in interest rate by 1%	(1,800)	(1,819)
Equity		
- Increase in interest rate by 1%	15,555	15,194
- Decrease in interest rate by 1%	15,463	15,118

Net Fair Value

The carrying value and net fair value of financial assets and liabilities at balance date are:

	2011		2010	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$000	\$000	\$000	\$000
FINANCIAL ASSETS				
Cash and cash equivalents	4,888	4,888	4,998	4,998
Trade and other receivables	465	465	188	188
Other current assets	-	-	-	-
Financial assets	-	-	-	-
	5,353	5,353	5,186	5,186
FINANCIAL LIABILITIES				
Trade and other payables	499	499	418	418
Financial liabilities	-	-	5	5
	499	499	423	423

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 32 to 72, are in accordance with the Corporations Act 2001 and:
 - a) Comply with Accounting Standards; and
 - b) Are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in note 1 to the financial statements; and
 - c) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Company and consolidated Group.

2. The Chief Executive Officer and Chief Financial Officer have each declared that:
 - a) The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b) The financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) The financial statements and notes for the financial year give a true and fair view.

3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



JOHN MACKENZIE
Managing Director

Dated this 27th day of September 2011

INDEPENDENT AUDITOR'S REPORT

To the Members of Spitfire Resources Limited



Bentleys Audit & Corporate (WA) Pty Ltd

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We have audited the accompanying financial report of Spitfire Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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INDEPENDENT AUDITOR'S REPORT

To the Members of Spitfire Resources Limited (Continued)



Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a. The financial report of Spitfire Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- b. The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report of the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Spitfire Resources Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 27th day of September 2011

ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 20 SEPTEMBER 2011

1. Shareholding

a. Distribution of equity security holders

Category (size of holding)	Listed Shares - Number Ordinary Shares
1 - 1,000	8
1,001 - 5,000	103
5,001 - 10,000	160
10,001 - 100,000	450
100,001 and over	150
	871

b. The number of shareholdings held in less than marketable parcels is 49
There is no current on-market buy-back.

c. The names of the substantial Shareholders listed in the holding company's register as at 20 September 2011 are:

Shareholder	Number	
	Ordinary	%
UOB Kay Hian Private Limited	29,222,195	18.69
Planet Mining Pty Limited	25,000,015	15.99
JP Morgan Nominees Australia	10,470,414	6.70
Eralloys Holdings AS	8,650,000	5.53
HSBC Custody Nominees	8,219,452	5.26

d. Voting Rights

There are a total of 156,333,731 fully paid ordinary shares on issue. At Shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. Restricted securities or securities subject to voluntary escrow
Nil

f. 20 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. UOB Kay Hian Private Ltd	29,222,195	18.69
2. Planet Mining Pty Ltd	25,000,015	15.99
3. JP Morgan Nominee Aust Ltd	10,470,214	6.70
4. Eralloys Holdings AS	8,650,000	5.53
5. HSBC Custody Nominees Aust Ltd	8,219,452	5.26
6. Groote Resources Limited	3,900,000	2.49
7. Citicorp Nominees PL	3,082,656	1.97
8. Groote Resources Limited	2,780,000	1.78
9. Campbell John Smyth <Smyth S/F A/C>	2,300,000	1.47
10. Hansen Investment Ltd	1,785,000	1.14
11. James Tyson Hamilton <Hamilton Family A/C>	1,500,000	0.96
12. Holdrey Pty Ltd <Don Mathieson Family A/C>	1,482,775	0.95
13. RYU Fam Pty Ltd <RYU Family A/C>	1,200,000	0.77
14. James Howard Smalley	1,000,000	0.64
15. Northern Manganese Ltd	900,000	0.58
16. Graham Forward < G J H Family No 2 A/C >	800,000	0.51
17. Donald Edgar Hoar	800,000	0.51
18. NW Super Nom Pty Ltd	700,000	0.45
19. Paul Anthony & J M Rice <Hill 50 Super A/C >	686,022	0.44
20. Paul Edward Searle	682,871	0.44
TOTAL	105,161,200	67.27

2. Company Secretary

The name of the Company Secretary is Russell Hardwick.

3. Principal Registered Office

The address of the principal registered office in Australia is:

Suite 1
346 Barker Rd
Subiaco WA 6008
Telephone +61 8 6382 3700

4. Registers of securities

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone +61 8 9315 2333

5. Securities Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

6. Unquoted Securities

Share Options	Unquoted Securities	Number of holders
Options exercisable at \$0.20 on or before 8 February 2013 (2,000,000 held by Mr James Hamilton)	4,500,000	5
Options exercisable at \$0.25 on or before 8 February 2013 (2,000,000 held by Mr James Hamilton)	4,500,000	5
Options exercisable at \$0.20 on or before 9 May 2013	50,000	1
Options exercisable at \$0.25 on or before 9 May 2013	50,000	1
Options exercisable at \$0.20 on or before 19 September 2013	25,000	1
Options exercisable at \$0.25 on or before 19 September 2013	25,000	1
Options exercisable at \$0.10 on or before 6 March 2014 (1,500,000 held by Mr James Hamilton, 750,000 held by Mr Christopher Daws, 750,000 held by Mr Russell Hardwick)	3,000,000	3
Options exercisable at \$0.125 on or before 6 March 2014 (2,000,000 held by Mr James Hamilton, 750,000 held by Mr Christopher Daws, 750,000 held by Mr Russell Hardwick)	3,500,000	3
Options exercisable at \$0.168 on or before 27 November 2014 (3,000,000 held by Mr James Hamilton, 2,000,000 held by Mr Russell Hardwick)	6,000,000	3
Options exercisable at \$0.15 on or before 15 December 2014	100,000	1
Options exercisable at \$0.175 on or before 22 June 2015	500,000	2
Options exercisable at \$0.125 on or before 1 October 2015	2,000,000	1
Options exercisable at \$0.175 on or before 1 October 2015	2,000,000	1
Options exercisable at \$0.15 on or before 26 October 2015	1,000,000	1
Options exercisable at \$0.17 on or before 13 December 2015	100,000	1

7. Schedule of tenements

State	Tenement Code	Beneficial Interest (%)
SOUTH WOODIE WOODIE MANGANESE PROJECT		
Western Australia	E46/710	80
Western Australia	E46/615	80
Western Australia	E46/616	80
Western Australia	E46/787	100
Western Australia	E46/875	100
Western Australia	E46/828	100
Western Australia	E46/829	100
Western Australia	E46/830	100
Western Australia	E46/834	100
Western Australia	E46/835	100
Western Australia	E46/902 – Application	100
Western Australia	E46/893 – Application	100
Western Australia	E46/935 – Application	100
Western Australia	E45/3207 – Application	100
Western Australia	E45/3208 – Application	100
Western Australia	E45/3209 – Application	100
Western Australia	E45/3210 – Application	100
Western Australia	E45/3730 – Application	100
Western Australia	P45/2790 - Application	100
Western Australia	P45/2791 - Application	100
NORTHERN TERRITORY PROJECT		
Northern Territory	EL27/399	70
Northern Territory	EL27/400	70
Northern Territory	EL27401 – Application	70
Northern Territory	EL27402 – Application	70
Northern Territory	EL27403 – Application	70
Northern Territory	EL28/619 – Application	100
Northern Territory	EL28/939 – Application	100





Building a diversified Australian metals company



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