



# SPITFIRE RESOURCES LIMITED

ABN: 40 125 578 743

*Financial Report for the  
Year ended 30 June 2009*

**DIRECTORS & OFFICERS**

James T Hamilton (Managing Director/Executive Chairman)

Christopher J Daws (Non Executive Director)

Russell P Hardwick (Non Executive Director)

**COMPANY SECRETARY**

Russell P Hardwick

**REGISTERED OFFICE**

Suite 1, 346 Barker Road

SUBIACO WA 6008

P: +61 8 6382 3700

F: +61 8 6382 3777

E: [admin@spitfireresources.com](mailto:admin@spitfireresources.com)

W: [www.spitfireresources.com](http://www.spitfireresources.com)

**LEGAL ADVISORS**

Steinepreis Paganin

Level 4, Next Building

16 Milligan Street

PERTH WA 6000

P: +61 8 9321 4000

F: +61 8 9321 4333

**AUSTRALIAN SECURITIES EXCHANGE**

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

ASX Code: **SPI**

**EXPLORATION MANAGER**

Nathan A Cull

**AUDITORS**

Bentleys

Level 1, 12 Kings Park Road

WEST PERTH WA 6005

P: +61 8 9226 4500

F: +61 8 9226 4300

**SHARE REGISTRY**

Security Transfers Registrars Pty Ltd

770 Canning Highway

APPLECROSS WA 6153

P: +61 8 9315 2333

F: +61 8 9315 2233

### Chairman's Report



***Spitfire Resources' Directors James Hamilton and Russell Hardwick discuss drill planning at Tally-Ho with Geologist Bob Affleck***

Dear Shareholder,

During what was a year of turmoil and volatility in global markets, I am pleased to say that Spitfire continued to progress our growth strategy with focus and commitment.

At a time when many junior explorers were forced to scale back drilling in response to the Global Financial Crisis (GFC), Spitfire was one of the few companies which remained active – even during the darkest days of the economic crisis.

As a result, we made solid progress during the year in the exploration and evaluation of our primary resource asset, the South Woodie Woodie Manganese Project, which is located 50km from the world-class 1Mtpa Woodie Woodie manganese mine in Western Australia's emerging East Pilbara manganese province.

Following initial scout drilling completed last year, a follow-up drilling campaign resulted in the discovery of a significant near-surface zone of manganese mineralisation at the Tally-Ho Prospect, located in a completely untested area in the southern portion of our tenement area.

This discovery represented an important breakthrough for the Company, significantly enhancing the prospectivity of the greater South Woodie Woodie Project and our understanding of the geological settings in this region.

Further drilling was undertaken at Tally-Ho in May 2009, intersecting near-surface manganese over an initial area of approximately 230 metres by 200 metres. While the mineralisation remains open to the north, west and north-east, this drilling was sufficient to underpin the Company's maiden JORC compliant resource estimate.

Although this initial resource – comprising 205,000 tonnes grading 10.2% Mn – is of low grade, it should be understood that it represents a diluted resource as it has been calculated using composite grades. Metallurgical test work on the composite samples of the manganiferous zones indicates that the individual seams can grade up to 46% manganese. This, in turn, should upgrade upon beneficiation to produce a premium product. Diamond drilling will be used to gain a more accurate understanding of yields and upgradeability.

Based on these encouraging results, we have approved a second round of drilling at Tally-Ho for later in 2009 to test the extent and continuity (thickness consistency) of these seams with a view to defining additional JORC tonnes and securing the first deposit for our resource inventory.

While the discovery of Tally-Ho is important, the Company has not lost sight of its primary objective – which is the discovery of high-grade primary manganese ore bodies. Consequently, Tally-Ho has become a stepping stone for more detailed exploration.

To this end, we have identified a priority area just 1km to the north west of the deposit. We expect to have completed extensive aerial geophysics over this target zone by the end of 2009 and, following additional ground IP surveys and gravity work, we intend to make this area a focus for drilling at the beginning of the 2010 field season.

The manganese price, like many other commodities, was one of the casualties of the GFC, although this was also exacerbated by some aggressive marketing and pricing strategies employed by some of the world's major suppliers. Our analysis of the market suggests that the key high-grade manganese market remains fundamentally supply-constrained with supply effectively dominated by a small group of key producers.

If anything, an increasing number of observers are pointing to the fact that the future price risk may be on the high side as certain Asian economies, including China, continue to grow, re-stock their steel inventories and stimulate their economies. The consolidation of the premium, high-grade, low cost segment of the market which occurred in 2007 leaves the manganese sector particularly exposed to changing market dynamics. Against this backdrop, we remain confident that there is plenty of room for new, independent players such as Spitfire.

Notwithstanding this positive outlook for our core manganese assets, the Spitfire Board acknowledges the inherent risks in exploration and the steel sector. For this reason, we continued during the year to assess and target opportunities to diversify our asset base and grow the Company in other ways.

## CHAIRMAN'S REPORT

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The recent granting of the Elderslie Exploration Licence effectively completes our ground acquisition program covering our portfolio of thermal coal projects in Tasmania. We are continuing to actively target potential joint venture partners to de-risk this asset and progress it further down the value chain. To this end, we have conducted discussions and field visits with a number of parties looking for a dedicated captured source of coal supply. Discussions are continuing.

In July, we were successful in securing a 70% interest in a very large tenement package surrounding the Lindeman's Bore Project in the Northern Territory, currently being explored by the ASX-listed company Proto Resources & Investments Ltd.

While we recognise that there is a long way to go with this exploration program, we have been impressed by the targeting work that has been put into the Project and the potential for this region to emerge, in time, as a significant new mineral province. Our acquisition represents a low-cost, low-risk entry to this province, with our tenement package comprising the lion's share of the prospective stratigraphy surrounding the Lindeman's Bore tenements.

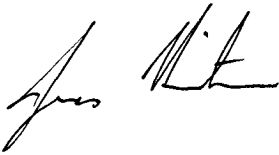
Spitfire took advantage of the re-opening of capital markets during the year to raise a total of approximately \$1.4 million through share placements to existing and new sophisticated investors, strengthening our cash resources to over \$5 million at the time of writing this report.

This gives us the ability to maintain our exploration momentum at South Woodie Woodie, and the flexibility to pursue new project concepts, farm-ins and joint venture opportunities and to accelerate our exploration programs should this be warranted by the broader environment or successes.

In summary, Spitfire has a clear focus and plan for the next 12 months, as well as the funding and the team in place to execute our growth strategy.

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

I look forward to keeping you abreast of our activities as we move into another busy period in 2010.

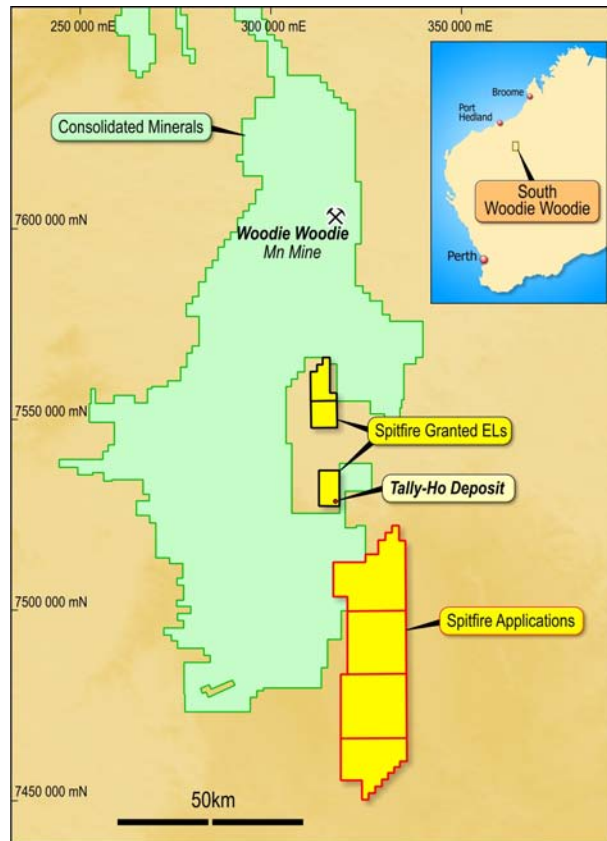


**James Hamilton**  
**Executive Chairman**

### South Woodie Woodie Manganese Project

The South Woodie Woodie Project area comprises three granted Exploration Licences covering an area about 38km long and up to 8km wide in Western Australia's East Pilbara region. The Project area is located approximately 1,200km north of Perth and 230km north-east of Newman within the emerging East Pilbara manganese province.

The tenements lie along strike and to the south of the 1Mtpa Woodie Woodie Manganese Mining Centre (operated by Consolidated Minerals Limited) within an emerging manganese province (see Figure 1).



Spitfire has an 80% interest in these three licences. The residual 20% is owned by AIM-listed Churchill Mining Plc. In February 2008, the Company significantly expanded its ground holding by lodging applications for four strategic tenements covering a total area of approximately 899km<sup>2</sup>, located approximately 13km south east of the northern project area. Upon grant, these tenements will be owned 100% by Spitfire.

#### **2009 Exploration Program**

The 2009 exploration program at South Woodie Woodie consisted of two rounds of Reverse Circulation (RC) drilling, two gravity surveys, detailed geological mapping programs, satellite imagery analysis and a native title block survey.

The initial October 2008 RC drilling program targeted gravity and geological targets. This program confirmed the depth continuity of outcropping manganese at the Tally-Ho deposit and identified highly prospective areas in the north of the tenement holding that require further work.

**Figure 1: The South Woodie Woodie Project is located along strike and to the south of the Woodie Woodie Manganese Mining Centre**

The follow-up drill program in April 2009 comprised 51 RC drill holes for a total of 2,384 metres of drilling. This program was designed to test the continuity of the mineralisation at Tally-Ho, as well as for extensions to the mineralised zone.

The geophysical gravity surveys were designed over areas of geological significance in both the north and south of the tenement holding. They identified numerous manganese targets, some of which were tested by the October 2008 drill program.

Detailed geological mapping has been instrumental in delineating new target areas and has added significantly to the geological model for the South Woodie Woodie Project. This tool has proven its worth in producing a constant stream of quality targets and will continue to be applied. Satellite imagery analysis has also been an integral part of the mapping analysis.

A native title block survey was successfully undertaken over an extensive area surrounding the Tally-Ho Deposit.

#### **Tally-Ho Manganese Discovery**

Spitfire actively progressed its exploration strategy at South Woodie Woodie during the year following the success of initial reconnaissance drilling completed last year.

Despite the difficult economic environment and the ramifications of the Global Financial Crisis for junior resource companies, Spitfire committed to a program of follow-up drilling towards the end of the 2008 field season covering a series of priority targets within both the southern and northern areas of the Company's tenement package.

## REVIEW OF OPERATIONS

Even though most drill holes were directed towards the Northern Target Area, where the Phase 1 drilling program had intersected anomalous manganese grades, this program was immediately successful in discovering a significant zone of near-surface manganese mineralisation in the Southern Target Area, which was named Tally-Ho.

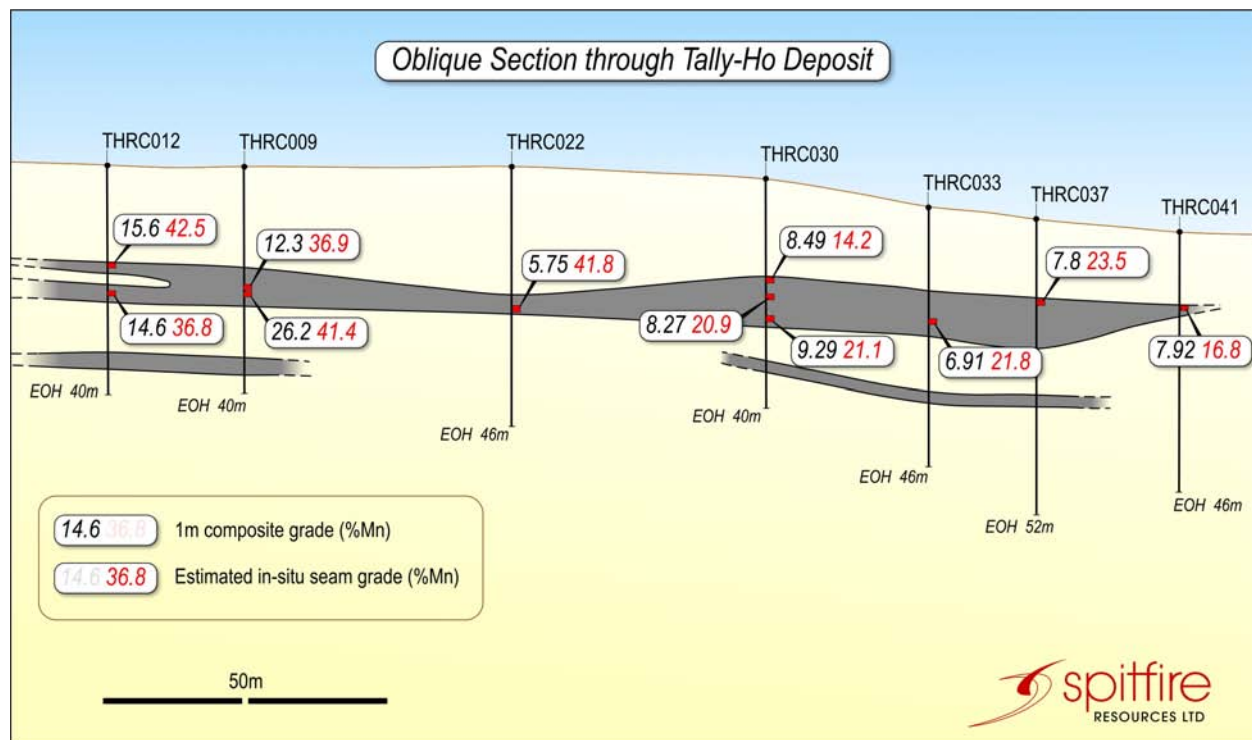
This represented a significant breakthrough for the Company, particularly as the deposit was discovered in an area with no previous exploration. Eleven drill holes (42% of the overall program) returned significant near-surface manganese intercepts at Tally-Ho ranging between 1 and 9 metres in thickness.

Some of the best intercepts in the initial program included:

- 6 metres @ 20.48% Mn from 12m (including 1m @ 36.0% Mn);
- 7 metres @ 21.8% Mn from 9m;
- 4 metres @ 15.8% Mn from 31m; and
- 7 metres @ 15.1% Mn from 14m.

Importantly, all of the intersections occur at or near surface.

The drilling has defined a consistent geological profile, as shown in the cross-section in Figure 2 below (*Figure 2: Tally-Ho Geological Profile – Oblique Section*). The mineralised zone appears to dip at approximately 4° to the north.



**Figure 2: Tally-Ho Geological Profile – Oblique Section**

Spitfire undertook a follow-up drilling program in April 2009 comprising 51 RC drill holes for a total of 2,384 metres of drilling. This program was designed to test the continuity of the mineralisation, as well as for extensions to the mineralised zone.

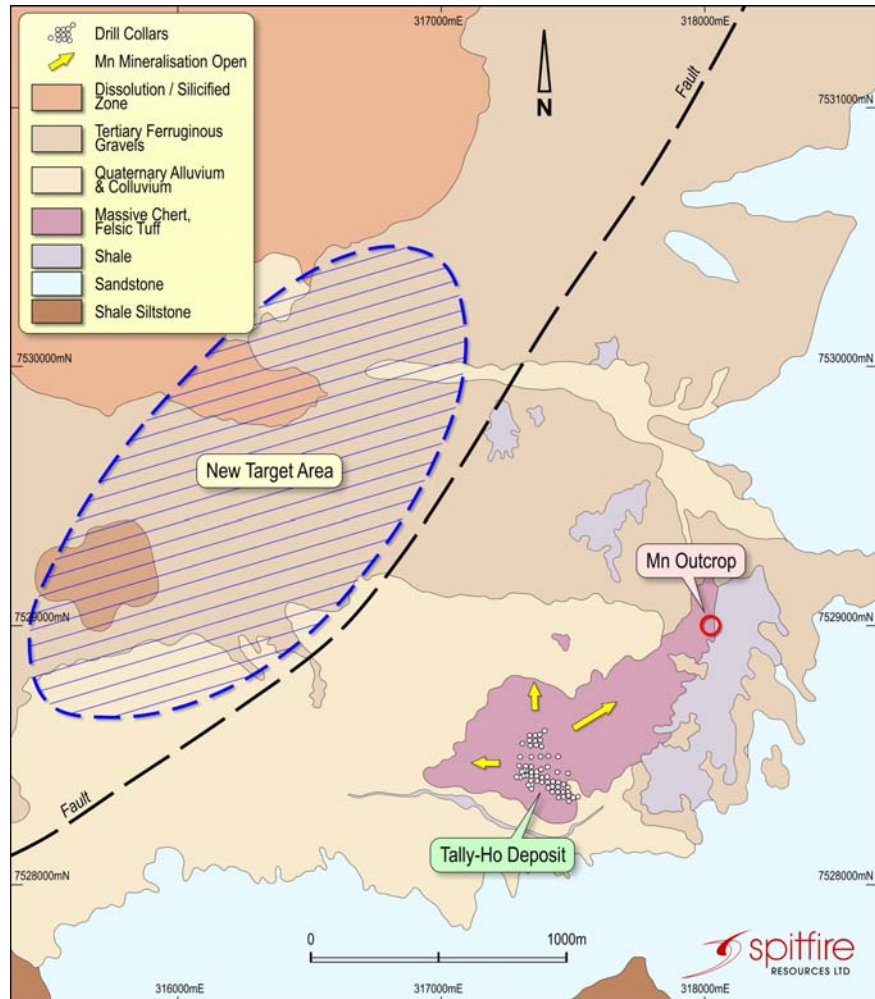
The holes were drilled to an average depth of 50 metres in proximity to the previously reported intersections.

The drilling successfully delineated a coherent, near-surface (outcropping to 35m depth) manganese deposit at Tally-Ho over an area of approximately 230 metres by 200 metres, with 40 (or 78%) of the drill holes intersecting manganese mineralisation with grades ranging up to 27.9% Mn.

## REVIEW OF OPERATIONS

Metallurgical test work has confirmed the potential for the in-situ seams to grade up to 46% Mn.

The drilling location and local geology at Tally-Ho are shown in Figure 3. The mineralisation remains open to the north, west and north east, with a manganese occurrence outcropping approximately 730 metres to the north east, as shown.



**Figure 3: Tally-Ho Drill Holes and Local Geology**

Spitfire's geological team believes that there is excellent potential for the manganese seams to extend over the entire target strike zone of 900 metres and this area will be a priority focus for follow-up.

Interpreted seam widths typically ranged from 4 to 75cm, with an average of about 35cm. Manganese mineralisation at Tally-Ho is defined by a series of mineralised stacked seams varying in number from one to eight, but more commonly three. These are hosted in a series of multiple flat-lying sedimentary units comprising silts, shales, and sandstones.

While the individual seams are narrow, the overall mineralised envelope has potential to form a mineable width from an open cut mining perspective subject to economic parameters and completion of appropriate mining studies.

### **Metallurgical Testwork**

A total of 43 bulk samples were taken from predominantly manganese drill intercepts. These samples were wet sized to +1mm to remove fine material and a representative 1kg was removed for Heavy Liquid Separation (HLS) test work.

The density of the heavy liquid was set at 2.96g/ccm to separate as much manganese material as possible from the host rock.

The 'sink' and 'float' portions were weighed in an effort to estimate the apparent thickness of the seams. The 'sink' portion of the sample then underwent XRF analysis for the manganese suite of minerals. This process, in effect, 'cleaned' the sample to return an estimate for the overall seam grade and apparent thickness.

It is envisaged that beneficiation of the in-situ seams would further upgrade the manganese quality. Diamond Core is necessary to properly quantify the yields and extents of possible upgrades.

## REVIEW OF OPERATIONS

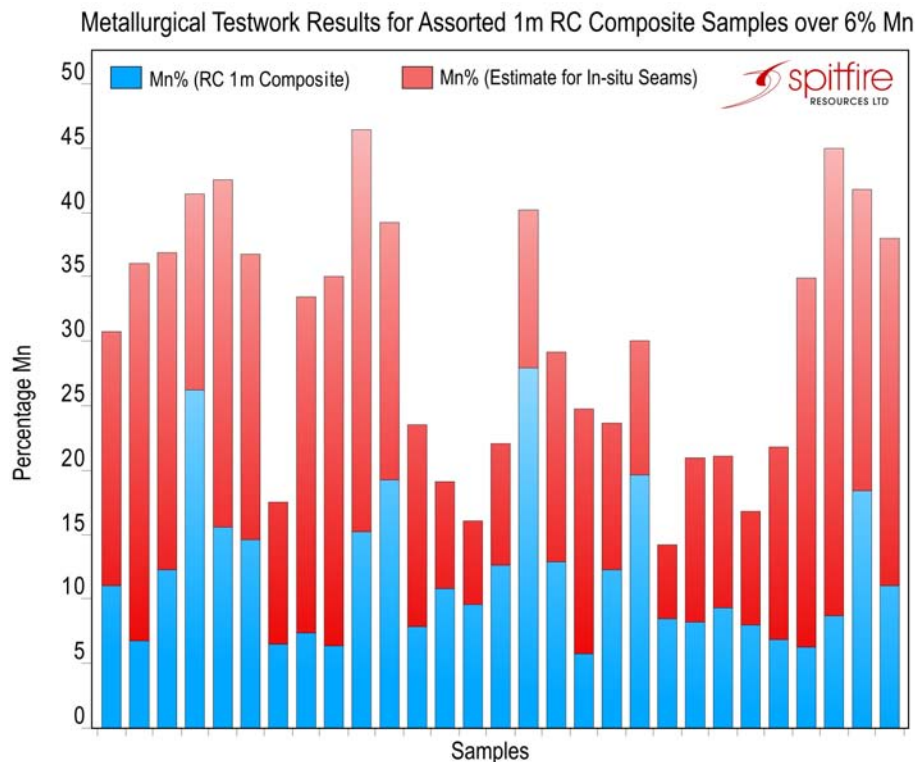
Table 1 below shows the comparison between 1m composite RC samples versus the corresponding metallurgically treated samples.

Sample ID	XRF Results for Original 1m Composite RC Sample			XRF Results for Metallurgically 'Cleaned' Sample		
	Mn %	Fe %	SiO <sub>2</sub> %	Mn %	Fe %	SiO <sub>2</sub> %
60080	11	8.28	57.6	<b>30.7</b>	18.16	13.16
60174	6.71	7.06	61.4	<b>36</b>	8.85	16.36
60256	12.3	5.86	52.8	<b>36.9</b>	7.48	16.16
60257	26.2	5.01	33.2	<b>41.4</b>	4.78	12.12
60302	1.74	4.06	70.3	<b>20.8</b>	10.8	33.2
60360	15.6	8.21	50.7	<b>42.5</b>	7.55	10.24
60365	14.6	7.21	51.3	<b>36.8</b>	7.16	19.12
60407	2.18	7.81	66.3	<b>25.1</b>	15.66	23.75
60499	6.46	13.8	58.9	<b>17.5</b>	37.31	6.7
60551	7.32	10.6	59.7	<b>33.5</b>	12.94	17.99
60558	6.43	8.03	62.5	<b>35.1</b>	10.66	16.07
60595	15.2	5.66	54.3	<b>46.4</b>	3.52	9.01
60609	19.2	7.62	44.1	<b>39.2</b>	11.72	9.52
60644	2.66	2.7	85.4	<b>30.7</b>	9.04	19.2
60691	3.14	1.61	81.1	<b>21.9</b>	2.97	45.84
60802	7.8	4.29	69.3	<b>23.5</b>	9.02	38.9
60858	10.8	11.7	49.5	<b>19.1</b>	18.6	30.4
60859	9.51	14	50	<b>16.1</b>	21.8	29.8
60863	12.6	11.2	46.5	<b>22</b>	16.5	27.2
60914	27.9	6.99	31.6	<b>40.2</b>	8.38	13.3
60920	12.9	6.57	52.8	<b>29.2</b>	10.9	25.4
60923	5.8	6.5	64.1	<b>24.8</b>	14.6	26.9
60964	12.2	5.62	58.1	<b>23.7</b>	8.1	39.5
60967	19.6	5.74	45.8	<b>30</b>	8.53	27.7
61042	1.06	26.5	46.5	<b>1.24</b>	49.9	14.4
61160	1.08	2.76	82.4	<b>34.3</b>	11.7	18.5
61201	8.49	9.82	56	<b>14.2</b>	19.6	34.8
61204	8.27	10.9	54.7	<b>20.9</b>	19.9	23.7
61208	9.29	10.8	54.7	<b>21.1</b>	17	29
61343	2.96	10.3	69.8	<b>7.17</b>	27	40.9
61344	4.21	20.5	56.1	<b>5.81</b>	27.4	42.6
61427	7.92	13.1	48.4	<b>16.8</b>	21.6	26.6
61543	0.48	12.2	67.9	<b>2.42</b>	33.9	34.9
61544	1.42	18.3	56	<b>2.02</b>	36.9	30.4
61590	6.91	7.83	62	<b>21.8</b>	18.5	26
61646	4.82	21.8	47.4	<b>8.27</b>	37.5	19.7
61793	6.2	5.38	67.4	<b>34.9</b>	11.2	17.04
61877	8.74	7.87	61.8	<b>45</b>	7.56	13
61923	1.67	13.9	59.8	<b>2.09</b>	40.2	23.9
61969	18.4	12.3	40.8	<b>41.8</b>	10.4	11
62013	11	5.27	52.2	<b>38</b>	3.45	19.5
62141	2.46	6.63	73.6	<b>20.4</b>	23.34	21.99

**Table 1: Composite RC versus Metallurgically Treated Samples**

## REVIEW OF OPERATIONS

Figure 4 is a graphical representation of the same data. Worthy of note are the composite assays reporting above 6% Mn which contain manganiferous material grading over 30% Mn with relatively low Fe content.



**Figure 4: Metallurgical Results versus 1m RC Composite Assays over 6% Mn**

Importantly, lead, phosphorous, and sulphur all reported very low values. Lead oxide content averaged 0.018%. Phosphorous content averaged 0.08% and sulphur content averaged 0.018%.

### **JORC Resource Estimate**

Sufficient drilling has been completed for Spitfire to undertake an initial JORC compliant resource estimate for the Tally-Ho Deposit.

Although this initial resource – comprising 205,000 tonnes grading 10.2% Mn – is of low grade, it should be understood that it represents a diluted resource as it has been calculated using composite grades.

Metallurgical test work on the composite samples from the manganiferous zones indicates that the individual seams can grade up to 46% manganese. This, in turn, should upgrade upon beneficiation to produce a premium product. Diamond drilling will be used to gain a more accurate understanding of individual seam grades, yields, and upgradeability.

Based on these encouraging results, the Company has approved a second round of drilling at Tally-Ho for later in 2009 to test the extent and continuity of these seams with a view to further upgrading this initial resource estimate.

### **Regional Mapping**

The recently completed phase of exploration has significantly enhanced Spitfire's geological understanding of the prospectivity of the South Woodie Woodie Project.

During the year, the Company commissioned a program of detailed mapping centred over the Tally-Ho deposit and covering an area of approximately 20km<sup>2</sup>.

This mapping program has discovered a manganese seam outcropping 730 metres north east of the known mineralisation. The manganese outcrop is located down-dip and along strike of the Tally-Ho deposit which is open to the north east. The outcrop has been described as a 30 to 40cm thick manganese seam.

## REVIEW OF OPERATIONS

The mapping also identified a zone of interest to the north west of the deposit. The geological interpretation of the mapping includes a large scale interpreted fault separating the Manganese Group sediments (hosting the Tally-Ho Deposit), from dissolution zone silica. Dissolution zone silica is known to be a thin unit overlaying zones of dissolved or altered dolomite.

Dissolution dolomites commonly host Woodie Woodie-style ore bodies. The Company's geological team believes that this zone may have acted as a mineralisation 'feeder' to the Tally-Ho deposit using the adjacent fault as a fluid conduit.

This new target area is considered to be prospective for a high-grade primary manganese deposit and will be an important focus for ongoing exploration.

Mapping of a similar sized area has been undertaken over a number of previous targets in the north of the Company's tenements. Karst topography of Manganese Group sediments within Carawine Dolomite has been identified in a number of areas.

A circular alteration outline has been delineated within the dolomite at the most prospective geological position within the stratigraphy. This feature requires further investigation as it is largely obscured by recent sediments.

Detailed geological mapping programs completed during the year combined with the enhanced geological understanding developed from the Company's two drilling programs has resulted in the delineation of a range of exciting new targets at South Woodie Woodie.

### Tasmanian Coal Projects



*The Tasmanian Coal project comprises a prospective portfolio of coal exploration properties located in the Derwent Valley, north-west of Hobart in Tasmania. In May 2008, Spitfire reached agreement with the shareholders of Black Rock to acquire all of its issued capital. Black Rock's assets comprise of the Langloh Coal Project, which has an existing 10 million tonne in-situ thermal Coal resource, the Avoca Coal Project, the Ouse Coal Project and the Elderslie Project.*

During the year, Spitfire successfully completed Stage One of the Black Rock Energy Pty Ltd acquisition with the issue of shares to the vendors of the Project and the successful granting of the Exploration Licence Applications (ELA's) covering the Ouse, Langloh and Avoca thermal coal projects.

#### Coal Project Portfolio

The Langloh (Hamilton) Coal Project comprises an existing 10 million tonne In Situ Inferred JORC thermal coal resource within EL 28/2008, while the

Avoca Project (EL 27/2008) contains known coal seams which were worked historically and explored by companies including Shell and WMC in the 1970's and 1980's.

The Company subsequently expanded its Tasmanian coal portfolio after acquiring and subsequently exercising an option to acquire the 70km<sup>2</sup> Elderslie ELA, located in southern Tasmania, from the privately-owned company, Allambie Construction & Equipment Company Pty Ltd.

The Elderslie tenements were previously explored by BHP and contain a number of known thermal coal occurrences, offering promising exploration potential. Like the rest of the Company's Tasmanian coal portfolio, it is located in close proximity to existing rail, road and other infrastructure.

## REVIEW OF OPERATIONS

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Following a preliminary geological review of all of the project areas including the new Elderslie ELA, the Company decided to withdraw from the Sandfly Exploration Licence Application, located to the south-west of Hobart. The Elderslie area is regarded as significantly more prospective than Sandfly.



**Bell Bay Port**

Spitfire is continuing to assess the optimum strategy for advancing its Tasmanian coal portfolio and is currently in discussion with a number of potential strategic joint venture partners.

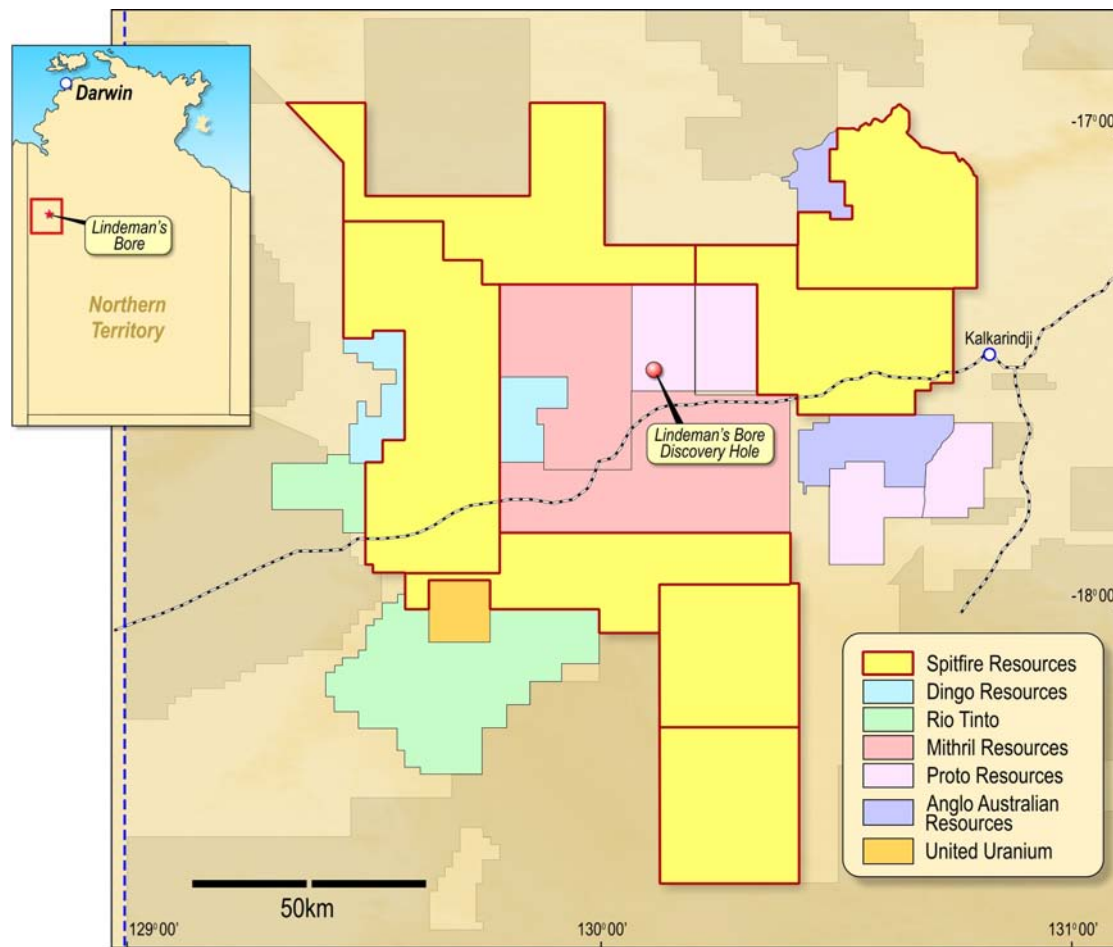
### **Langloh Coal Project**



The Company will make a decision on the scope of its exploration commitment next year subject to other exploration priorities at its South Woodie Woodie manganese project, discussions with strategic partners and the prevailing financial and economic environment.

### **Northern Territory Exploration Portfolio**

Subsequent to the end of the year, Spitfire announced that it had been successful in securing a 70% interest in a group of seven Exploration Licence Applications (ELA's) which have been lodged surrounding the Lindeman's Bore Project, located 380km south west of Katherine in the Northern Territory (see Figure 5).



**Figure 5: Spitfire Resources' Licence Applications surrounding the Lindeman's Bore Project**

The Lindeman's Bore Project is owned and operated by Proto Resources & Investments Ltd (ASX: PRW), which recently reported a new mineral discovery at the LBD-1 target where it has completed a deep drill hole targeting "Norilsk-style" Nickel-Copper-PGE mineralisation.

Proto is continuing its exploration work in the area reporting it will conduct down-hole geophysics at LBD-1 and drill a second hole into the high of an aeromagnetic anomaly approximately one kilometre north west of LBD-1.

This discovery has enhanced the prospectivity of this area and the future potential for a new mineral province. Mithril Resources Limited (ASX: MTH) also recently lodged two ELA's immediately adjacent to the Lindeman's Bore discovery to the south and east, forming its Antrim Project.

Spitfire has secured its 70% interest in ELA's 27398, 27399, 27400, 27401, 27402, 27403 and 27404. The ownership balance is held privately by geologist Mr Alex Hewlett. The tenements have a total area of 9,680 km<sup>2</sup> covering prospective magnetic features surrounding the Lindeman's Bore discovery.

Spitfire has paid \$120,000 and will issue three million fully paid shares to secure its interest in the ground package. Two million of these shares will be subject to a 12 month voluntary escrow restriction. The issue of shares will be subject to necessary regulatory and shareholder approvals.

The Company is pleased to have secured this interest in such a large tenement package providing exposure to a highly prospective emerging minerals region.

### Corporate

During the year, Spitfire successfully raised a total of \$400,000 through a share placement to new and existing sophisticated investors. In addition, during August 2009, the Company raised a further \$1,007,500 via a share placement to new and existing sophisticated investors. The Company remains well funded with cash resources of approximately A\$5.1 million at the end of August 2009.

The funds raised ensure that Spitfire has adequate working and exploration capital to continue to pursue an aggressive exploration and development program at its manganese, coal and other mineral assets.



**JAMES HAMILTON**  
Managing Director

### **Competent Person's Statement – South Woodie Woodie Project**

*The information in this Report relating to Exploration Results and Mineral Resources from the South Woodie Woodie Manganese Project is based on information compiled by Mr. N. Cull who is a Member of the Australian Institute of Geoscientists. Mr. Cull is Exploration Manager for 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'.*

### **Competent Person's Statement – Tasmanian Coal Project**

*The information in this Report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Neil Fraser who is a Member of The Australasian Institute of Mining and Metallurgy. Neil Fraser is employed by Marston International Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Neil Fraser consents to the inclusion in the Report of the matters based on his information in the form and context in which it appears.*

## DIRECTORS' REPORT

The Directors of Spitfire Resources Limited submit herewith the Annual Report of the Company and its controlled entities, for the period from 1 July 2008 to 30 June 2009. 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:

<b>Name, qualifications and independence status</b>	<b>Experience, special responsibilities and other Directorships</b>
James Hamilton MAICD Chairman & Managing Director	Mr Hamilton has 17 years experience in extensively analysing exploration projects, mines and management teams across a variety of mineral commodities, including precious metals, base metals, diamonds, energy minerals and industrial minerals. Mr Hamilton was a Director of AIM-listed Churchill Mining Plc from March 2005 until April 2009.
Russell Hardwick BBus, ACIS CPA, MAICD Non Executive Director	Mr Hardwick is a Certified Practising Accountant with 16 years experience in a variety of private and public companies. Most recently he has served as Company Secretary for an AIM-listed minerals exploration company and an ASX-listed publishing company. Mr Hardwick is a member of the audit committee.
Christopher Daws Associate Diploma in Applied Science (Environmental Technology) MAICD, SA Fin Non Executive Director	Mr Daws has a strong background in finance and economics having spent 10 years involved in Australian equities markets and has worked within some of the largest broking organisations in the world. Mr Daws is an Affiliate Member of the Securities Institute of Australia. 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 a current Director of ASX listed Lumacom Limited (Appointed 9 January 2009). Mr Daws is a member of the audit committee.

### 2. COMPANY SECRETARY

<b>Name and qualifications</b>	<b>Particulars</b>
Russell Hardwick BBus, ACIS CPA, MAICD	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 nine years.

**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 (while they were a Director). During the financial year, seven Board meetings were held.

Directors	Director Meetings		Audit Committee Meetings	
	Number entitled to attend	Attendance	Number entitled to attend	Attendance
James Hamilton	7	7	-	-
Russell Hardwick	7	7	2	2
Christopher Daws	7	6	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 and option arrangements. Options are valued using the Black-Scholes methodology.

The key management personnel receive a superannuation guarantee contribution 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. Non Executive 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. Included in the issue of options are vesting periods determined by the Board.

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 consulting agreement with Goldregis Corporation Pty Ltd to provide the services of Mr James Hamilton 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 the design and implementation of the Company's corporate and strategic plan including the review of other mining exploration projects. 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 an employment agreement with Mr Nathan Cull to fulfil the role of Exploration Manager on a continuing basis with no fixed term. The agreement specifies the duties, obligations and key responsibilities of the role. The agreement requires the provision of four weeks' notice if Mr Cull resigns which may be worked or paid in lieu at the sole discretion of the Company. The Company may terminate the employment agreement by providing one month's written notice or making payment in lieu of notice, based on Mr Cull'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.

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 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.

## DIRECTORS' REPORT

### Long-term incentive

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

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 for the 2009 financial year:

2009	Short Term Benefits		Long Term Benefits			Proportion of remuneration performance related	Value of options as proportion of remuneration
	Salaries or Director Fees	Consulting Fees	Options	Post Employment Superannuation	Total		
	\$	\$	\$	\$	\$	%	%
<b>Executive Directors</b>							
James Hamilton	25,000	260,000	273,976	-	<b>558,976</b>	0%	49.01%
<b>Non Executive Directors</b>							
Russell Hardwick	25,000	94,400	102,741	1,688	<b>223,829</b>	0%	45.90%
Christopher Daws	25,000	-	102,741	1,688	<b>129,429</b>	0%	79.38%
<b>Executives</b>							
Nathan Cull	200,942	-	76,024	18,085	<b>295,051</b>	0%	25.77%

2008	Short Term Benefits		Long Term Benefits			Proportion of remuneration performance related	Value of options as proportion of remuneration
	Salaries or Director Fees	Consulting Fees	Options	Post Employment Superannuation	Total		
	\$	\$	\$	\$	\$	%	%
<b>Executive Directors</b>							
James Hamilton	18,333	174,166	73,772	-	<b>266,271</b>	0%	27.71%
<b>Non Executive Directors</b>							
Paul Mazak	18,333	87,500	27,664	-	<b>133,497</b>	0%	20.72%
Russell Hardwick	18,333	92,312	27,664	-	<b>138,309</b>	0%	20.00%
Christopher Daws	18,333	-	27,664	-	<b>45,997</b>	0%	60.14%
<b>Executives</b>							
Nathan Cull	95,288	-	6,293	8,576	<b>110,157</b>	0%	5.71%

The comparative information for 2008 has been restated to reflect only the portion of the fair value of the share options expense recognised in the 2008 financial year.

## DIRECTORS' REPORT

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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:

Grant Date	Option Life	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend Yield
19 September 2008	5	\$0.0721	\$0.20	\$0.145	60%	6.40%	-
	5	\$0.0640	\$0.25	\$0.145	60%	6.40%	-
21 January 2009	5	\$0.0468	\$0.10	\$0.08	70%	6.20%	-
	5	\$0.0429	\$0.125	\$0.08	70%	6.20%	-
6 March 2009	5	\$0.0313	\$0.10	\$0.06	70%	6.20%	-
	5	\$0.0283	\$0.125	\$0.06	70%	6.20%	-

### 4.4 Share-based compensation

The Company has adopted the Spitfire Employee Share Option Plan which was approved by Shareholders at the April 2008 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, may apply certain vesting conditions upon any options issued under the option plan. During the year, 50% of the options issued under the Spitfire Employee Share Option Plan vest 12 months from the grant date with the balance 24 months from the grant date.

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.

## DIRECTORS' REPORT

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 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 2009	Grant Date	Fair value per option at grant date	Exercise price per option	Expiry Date	Number of options vested during 2009
<b>Executive Directors</b>						
James Hamilton	2,000,000	6 March 2009	\$0.0313	\$0.10	6 March 2014	Nil
	2,000,000	6 March 2009	\$0.0283	\$0.125	6 March 2014	Nil
<b>Non Executive Directors</b>						
Russell Hardwick	750,000	6 March 2009	\$0.0313	\$0.10	6 March 2014	Nil
	750,000	6 March 2009	\$0.0283	\$0.125	6 March 2014	Nil
Christopher Daws	750,000	6 March 2009	\$0.0313	\$0.10	6 March 2014	Nil
	750,000	6 March 2009	\$0.0283	\$0.125	6 March 2014	Nil
<b>Executives</b>						
Nathan Cull	100,000	19 September 2008	\$0.0721	\$0.20	19 September 2013	Nil
	100,000	19 September 2008	\$0.0640	\$0.25	19 September 2013	Nil
	500,000	21 January 2009	\$0.0468	\$0.10	21 January 2014	Nil
	500,000	21 January 2009	\$0.0429	\$0.125	21 January 2014	Nil

No Employee Plan options were forfeited or cancelled during the 2009 financial year.

## DIRECTORS' REPORT

### 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 2009 year	% forfeited in year	Financial years in which grant vests
<b>Executive Directors</b>					
	2,000,000	8 February 2008	50%	Nil	Balance vests in 09/10
James Hamilton	2,000,000	8 February 2008	50%	Nil	Balance vests in 09/10
	2,000,000	6 March 2009	Nil	Nil	50% in 09/10 & 50% in 10/11*
	2,000,000	6 March 2009	Nil	Nil	50% in 09/10 & 50% in 10/11*
<b>Non Executive Directors</b>					
	750,000	8 February 2008	50%	Nil	Balance vests in 09/10
Russell Hardwick	750,000	8 February 2008	50%	Nil	Balance vests in 09/10
	750,000	6 March 2009	Nil	Nil	50% in 09/10 & 50% in 10/11*
	750,000	6 March 2009	Nil	Nil	50% in 09/10 & 50% in 10/11*
Christopher Daws	750,000	8 February 2008	50%	Nil	Balance vests in 09/10
	750,000	8 February 2008	50%	Nil	Balance vests in 09/10
	750,000	6 March 2009	Nil	Nil	50% in 09/10 & 50% in 10/11*
	750,000	6 March 2009	Nil	Nil	50% in 09/10 & 50% in 10/11*
<b>Executives</b>					
	400,000	29 April 2008	50%	Nil	Balance vests in 09/10
Nathan Cull	400,000	29 April 2008	50%	Nil	Balance vests in 09/10
	100,000	19 September 2008	Nil	Nil	50% in 09/10 & 50% in 10/11
	100,000	19 September 2008	Nil	Nil	50% in 09/10 & 50% in 10/11
	500,000	21 January 2009	Nil	Nil	50% in 09/10 & 50% in 10/11
	500,000	21 January 2009	Nil	Nil	50% in 09/10 & 50% in 10/11

\* 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.

## DIRECTORS' REPORT

### 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:

30 June 2009	Granted in year	Value of options exercised	Lapsed in year
	\$	\$	\$
<b>Executive Directors</b>			
James Hamilton	119,200	-	-
<b>Non Executive Directors</b>			
Russell Hardwick	44,700	-	-
Christopher Daws	44,700	-	-
<b>Executives</b>			
Nathan Cull	58,450	-	-
<b>Total</b>	<b>267,050</b>	<b>-</b>	<b>-</b>

30 June 2008	Granted in year	Value of options exercised	Lapsed in year
	\$	\$	\$
<b>Executive Directors</b>			
James Hamilton	376,600	-	-
<b>Non Executive Directors</b>			
Russell Hardwick	141,225	-	-
Christopher Daws	141,225	-	-
Paul Mazak	141,225	-	-
<b>Executives</b>			
Nathan Cull	75,320	-	-
<b>Total</b>	<b>875,595</b>	<b>-</b>	<b>-</b>

### 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 2009	Ordinary shares	Options over ordinary shares
	Number	Number
<b>Executive Directors</b>		
James Hamilton	1,000,000	8,519,967
<b>Non Executive Directors</b>		
Russell Hardwick	225,000	3,461,634
Christopher Daws	700,000	3,690,634

## DIRECTORS' REPORT

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30 June 2008	Ordinary shares	Options over ordinary shares
	Number	Number
<b>Executive Directors</b>		
James Hamilton	550,000	4,519,967
<b>Non Executive Directors</b>		
Russell Hardwick	175,000	1,961,634
Christopher Daws	600,000	2,086,634
Paul Mazak	250,000	1,986,634

### 6. SHARE OPTIONS

#### Unissued shares under options

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

Expiry Date	Exercise Price	Number of options
30 June 2010	\$0.20	24,381,672
8 February 2013	\$0.20	4,500,000
	\$0.25	4,500,000
29 April 2013	\$0.20	500,000
	\$0.25	500,000
19 September 2013	\$0.20	150,000
	\$0.25	150,000
21 January 2014	\$0.10	500,000
	\$0.125	500,000
6 March 2014	\$0.10	3,500,000
	\$0.125	3,500,000

#### Shares issued on exercise of options

During the financial year there were no shares issued on the exercise of options.

**7. CORPORATE GOVERNANCE STATEMENT**

As an integral part of its listing on the Australian Securities Exchange, the Company considered and set up a framework for embracing 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") released in August 2007.

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 the Board, resources available and activities of the Company.

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 participated during the year in the Company's annual performance review which sets out and identifies performance against agreed key performance indicators (KPI's).

**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:

<b>Board of Directors</b>	<b>Date of appointment</b>	<b>Independent</b>
James Hamilton	29 May 2007	No
Russell Hardwick	29 May 2007	No
Christopher Daws	29 May 2007	Yes

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

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.

Independent Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the Company.

## DIRECTORS' REPORT

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 A majority of the Board should be Independent Directors</p>	<p>Only one of the three Directors is considered to be independent</p>	<p>The Company has a Board of three Directors comprising the Managing Director/Executive Chairman and two Non Executive Directors. 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 is the view of the Board that the current composition serves the best interests of the Shareholders.</p>
<p>Recommendation 2.2 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 2.3 The roles of the Chair and Chief Executive Officer should not be exercised by the same individual</p>	<p>Chairman is the CEO</p>	<p>Mr Hamilton acts as the Chief Executive Officer and Chairman of the Company. The Board has considered the Recommendation and expects to appoint an Independent Chairman in the future, subject to the scope and requirements of its exploration projects. The Board recognises the importance of an Independent Chairman which it considers may be desirable over the longer term.</p>
<p>Recommendation 2.4 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 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 is newly listed and consists of only three 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.

The Company has adopted a 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. A copy of the share trading policy is available on the Company website.

### ***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  
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.

## DIRECTORS' REPORT

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### ***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 8.1 The Board should establish a Remuneration Committee	The Board has not formed a separate Remuneration Committee	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.
Recommendation 8.2 Distinguish between structure of Non Executive Directors remuneration from that of Executive Directors and Senior Executives	The Company has issued incentive options to Non Executive Directors	<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](http://www.spitfireresources.com)

## **8. PRINCIPAL ACTIVITIES**

The principal activities of the Group during the course of the 2008/2009 financial year were to explore the South Woodie Woodie Manganese Project, complete the acquisition of Black Rock Energy Pty Ltd and to examine other opportunities in Australia and offshore.

## **9. OPERATING AND FINANCIAL REVIEW**

The Group incurred a loss for the year of \$1,390,457 (2008: \$832,041). The Company remains well funded with cash of \$4.8 million at 30 June 2009. Further information is included in the Review of Operations.

### **Financial Position**

The net assets of the consolidated Group have increased to \$13,494,676 as at 30 June 2009. This increase has largely resulted from the following factors:

- Raising of additional equity funds;
- Capitalising exploration expenditure; and
- Acquisition of the Black Rock Energy Pty Ltd.

The Group's working capital, being current assets less current liabilities, has decreased from \$6,421,244 in 2008 to \$4,701,673 in 2009 as a result of the investment in exploration at the South Woodie Woodie project.

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 Company occurred during the financial year:

- On 21 November 2008 the Company completed the acquisition of Black Rock Energy Pty Ltd which holds a portfolio of prospective Tasmanian coal properties and issued 10,000,000 fully paid ordinary shares as consideration;
- On 8 May 2009, the Company issued 6,666,666 fully paid ordinary shares at 6c per share raising \$400,000; and
- On 29 June 2009, the Company confirmed the discovery of a near-surface manganese deposit at the South Woodie Woodie Project.

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 17 July 2009 the Company secured a 70% interest in a group of seven Exploration License Applications surrounding the Lindeman's Bore Project located 380km south west of Katherine in the Northern Territory. Spitfire has paid \$120,000 and will issue three million fully paid shares to secure its interest in the ground package. Two million of these shares will be subject to a 12 month voluntary escrow restriction.

On 4 August 2009 the Company issued 11,194,444 shares at a price of 9 cents per share raising a total of \$1,007,500.

On 17 August 2009 the Company issued a notice of general meeting of Shareholders to be held on 25 September 2009 seeking Shareholder approval for five resolutions.

## **DIRECTORS' REPORT**

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On 18 August 2009 the Company issued 1,000,000 share options to senior management pursuant to the Company's employee share option plan.

Other than noted above, there has not been any 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.

### **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 2009 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 2009 has been received and can be found on page 30.

### **18. ROUNDING OF AMOUNTS**

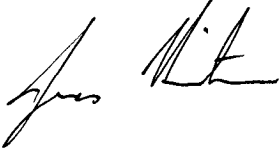
The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

## DIRECTORS' REPORT

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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:

A handwritten signature in black ink, appearing to read 'James Hamilton', written in a cursive style.

**James Hamilton**  
**Managing Director**

Dated at Perth this 24<sup>th</sup> day of September 2009

To The Board of Directors

**Auditor's Independence Declaration under Section 307C of the Corporations 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 2009 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**  
Director

DATED at PERTH this 24 day of September 2009

**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

	Note	Consolidated		Company	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Continuing operations</b>					
Revenue	2	13	-	13	-
<b>Gross profit/(loss)</b>		<b>13</b>	<b>-</b>	<b>13</b>	<b>-</b>
Depreciation expense		(23)	(2)	(22)	(2)
Consulting expenses		(455)	(483)	(448)	(483)
Occupancy costs		(81)	(17)	(81)	(17)
Travel expenses		(64)	(44)	(64)	(44)
Administrative expenses		(1,103)	(566)	(3,552)	(563)
<b>Results from operating activities</b>		<b>(1,726)</b>	<b>(1,112)</b>	<b>(4,167)</b>	<b>(1,109)</b>
Finance income/interest	2	322	280	321	279
<b>Net Finance income</b>		<b>322</b>	<b>280</b>	<b>321</b>	<b>279</b>
<b>Loss before income tax</b>		<b>(1,391)</b>	<b>(832)</b>	<b>(3,833)</b>	<b>(830)</b>
Income tax expense	4	-	-	-	-
<b>Loss from continuing operations</b>		<b>(1,391)</b>	<b>(832)</b>	<b>(3,833)</b>	<b>(830)</b>
<b>Attributable to:</b>					
Equity holders of the Company		(1,391)	(832)	(3,833)	(830)
<b>Loss for the period</b>	3	<b>(1,391)</b>	<b>(832)</b>	<b>(3,833)</b>	<b>(830)</b>
<b>Loss per share</b>					
Basic loss per share	7	(1.79c)	(2.13c)	-	-
Diluted loss per share	7	(1.79c)	(2.13c)	-	-

*The accompanying notes form part of these financial statements.*

**BALANCE SHEET AS AT 30 JUNE 2009**

	Note	Consolidated		Company	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>ASSETS</b>					
Cash and cash equivalents	8	4,773	6,623	4,714	6,597
Trade and other receivables	9	121	149	43	1,003
Other current assets	10	-	12	-	12
<b>Total current assets</b>		<b>4,894</b>	<b>6,784</b>	<b>4,757</b>	<b>7,612</b>
Financial assets available for sale	11	-	-	6,324	5,000
Property, plant and equipment	13	83	93	80	93
Exploration and evaluation assets	14	8,715	5,986	4	-
<b>Total non-current assets</b>		<b>8,798</b>	<b>6,079</b>	<b>6,408</b>	<b>5,093</b>
<b>TOTAL ASSETS</b>		<b>13,692</b>	<b>12,863</b>	<b>11,165</b>	<b>12,705</b>
<b>LIABILITIES</b>					
Trade and other payables	15	173	356	101	199
Financial liabilities	16	3	3	3	3
Provisions	17	16	3	1	-
<b>Total current liabilities</b>		<b>192</b>	<b>362</b>	<b>105</b>	<b>202</b>
Financial liabilities	16	5	8	5	8
<b>Total non-current liabilities</b>		<b>5</b>	<b>8</b>	<b>5</b>	<b>8</b>
<b>TOTAL LIABILITIES</b>		<b>197</b>	<b>370</b>	<b>110</b>	<b>210</b>
<b>NET ASSETS</b>		<b>13,495</b>	<b>12,493</b>	<b>11,055</b>	<b>12,495</b>
<b>EQUITY</b>					
Issued capital	18	14,541	12,846	14,541	12,846
Reserves	19	1,187	489	1,187	489
Accumulated losses		(2,233)	(842)	(4,673)	(840)
<b>Total equity attributable to equity holders of the Company</b>		<b>13,495</b>	<b>12,493</b>	<b>11,055</b>	<b>12,495</b>
<b>TOTAL EQUITY</b>		<b>13,495</b>	<b>12,493</b>	<b>11,055</b>	<b>12,495</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009**

<b>Company</b>	<b>Note</b>	<b>Issued Capital</b>	<b>Option Reserve</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Balance at 1 July 2007</b>		-	-	(10)	<b>(10)</b>
Loss for the period		-	-	(830)	<b>(830)</b>
Total recognised income and expense		-	-	(840)	<b>(840)</b>
Issue of ordinary shares		13,408	-	-	<b>13,408</b>
Issue of share options	19	-	234	-	<b>234</b>
Share based payments	19	-	255	-	<b>255</b>
Share issue expenses		(562)	-	-	<b>(562)</b>
<b>Balance at 30 June 2008</b>		<b>12,846</b>	<b>489</b>	<b>(840)</b>	<b>12,495</b>
<b>Balance at 1 July 2008</b>		12,846	489	(840)	<b>12,495</b>
Loss for the period		-	-	(3,833)	<b>(3,833)</b>
Total recognised income and expense		12,846	489	(4,673)	<b>8,662</b>
Issue of ordinary shares		1,700	-	-	<b>1,700</b>
Share based payments	19	-	698	-	<b>698</b>
Share issue expenses		(5)	-	-	<b>(5)</b>
<b>Balance at 30 June 2009</b>		<b>14,541</b>	<b>1,187</b>	<b>(4,673)</b>	<b>11,055</b>

<b>Consolidated</b>	<b>Note</b>	<b>Issued Capital</b>	<b>Option Reserve</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Balance at 1 July 2007</b>		-	-	(10)	<b>(10)</b>
Loss for the period		-	-	(832)	<b>(832)</b>
Total recognised income and expense		-	-	(842)	<b>(842)</b>
Issue of ordinary shares		13,408	-	-	<b>13,408</b>
Issue of share options	19	-	234	-	<b>234</b>
Share based payments	19	-	255	-	<b>255</b>
Share issue expenses		(562)	-	-	<b>(562)</b>
<b>Balance at 30 June 2008</b>		<b>12,846</b>	<b>489</b>	<b>(842)</b>	<b>12,493</b>
<b>Balance at 1 July 2008</b>		12,846	489	(842)	<b>12,493</b>
Loss for the period		-	-	(1,391)	<b>(1,391)</b>
Total recognised income and expense		12,846	489	(2,233)	<b>11,102</b>
Issue of ordinary shares		1,700	-	-	<b>1,700</b>
Share based payments	19	-	698	-	<b>698</b>
Share issue expenses		(5)	-	-	<b>(5)</b>
<b>Balance at 30 June 2009</b>		<b>14,541</b>	<b>1,187</b>	<b>(2,233)</b>	<b>13,495</b>

*The accompanying notes form part of these financial statements.*

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
<b>Cash flows from operating activities</b>					
Cash paid to suppliers and employees		(972)	(826)	(989)	(786)
Payments for exploration and evaluation		(1,504)	(587)	(4)	-
Other revenue		13	-	13	-
Finance costs		(1)	-	(1)	-
Interest received		348	227	347	227
<b>Net cash used in operating activities</b>	22	<b>(2,116)</b>	<b>(1,186)</b>	<b>(634)</b>	<b>(559)</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(84)	(23)	(80)	(23)
Stamp Duty on tenement acquisition		-	(263)	-	-
Loan to subsidiaries		-	-	(1,537)	(916)
Other (Tenement Bonds)		(42)	-	(24)	-
<b>Net cash (used in)/from investing activities</b>		<b>(126)</b>	<b>(286)</b>	<b>(1,641)</b>	<b>(939)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of share capital		400	8,330	400	8,330
Proceeds from issue of share options		-	234	-	234
Expense of share issue		(5)	(467)	(5)	(467)
Proceeds from borrowings		-	30	-	30
Repayment of borrowings		(3)	(32)	(3)	(32)
<b>Net cash from financing activities</b>		<b>392</b>	<b>8,095</b>	<b>392</b>	<b>8,095</b>
Net increase/(decrease) in cash and cash equivalents		(1,850)	6,623	(1,883)	6,597
Cash and cash equivalents at 1 July 2008		6,623	-	6,597	-
<b>Cash and cash equivalents at 30 June 2009</b>	8	<b>4,773</b>	<b>6,623</b>	<b>4,714</b>	<b>6,597</b>

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 2009 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 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) 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:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
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 comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(h) Tax consolidation**

Spitfire Resources Limited and its 100% owned controlled entities have formed a tax consolidated group. Members of the tax consolidated group intend to enter into a tax sharing arrangement which will allow for the allocation of income tax expense to the wholly owned controlled entities on a pro-rata basis. The proposed arrangement will provide for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The head entity of the tax consolidated group is Spitfire Resources Limited.

**Tax effect accounting by members of the tax consolidated group**

Members of the tax consolidated group intend to enter into a tax funding arrangement. It is intended the tax funding arrangement will provide for the allocation of current taxes to members of the tax consolidated group. Further, it is intended deferred taxes will be allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 Income Taxes.

The allocation of taxes under the proposed tax funding agreement will be recognised as an increase/decrease in the controlled entities intercompany accounts with the tax consolidated group head entity, Spitfire Resources Limited. In this regard, Spitfire Resources Limited has assumed the benefit of tax losses from the member entities of \$3,171,495 (2008: \$5,982,988). The nature of the proposed tax funding agreement will be once set up, that no tax consolidation contributions by or distributions to equity participants will be required.

**(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 balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement 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**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

**(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.

*i. 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, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- **AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3:** Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- Acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
- Contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- A gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- There shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
- Dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- Impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- Where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

- **AASB 8: Operating Segments and AASB 2007-3:** Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- **AASB 101: Presentation of Financial Statements, AASB 2007-8:** Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
- **AASB 2008-1:** Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

**(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 2009.

***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 sheet 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 24<sup>th</sup> September 2009 by the Board of Directors.

**NOTE 2: REVENUE AND OTHER INCOME**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Revenue</b>				
- Rental revenue	13	-	13	-
<b>Other revenue</b>				
- Interest received	322	280	321	279
<b>Total revenue</b>	<b>335</b>	<b>280</b>	<b>334</b>	<b>279</b>

**NOTE 3: LOSS FOR THE YEAR**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>a) Expenses</b>				
Rental expense on operating leases				
- Minimum lease payments	75	17	75	17
<b>b) Significant expenses</b>				
Consulting fees	455	483	448	483
Director fees	75	73	75	73
Legal fees	21	38	21	38
Resources investigation costs	-	77	-	77
Salaries and wages	97	39	97	39
Share options expense	698	255	698	255
Write down of inter-company loan	-	-	2,454	-

**NOTE 4: INCOME TAX EXPENSE**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Major components of income tax expense for the years ended 30 June 2009 and 2008 are:				
Current tax expense	-	-	-	-
Deferred tax expense	-	-	-	-
<b>Total Tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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 2009 and 2008 is as follows:				
Accounting loss before income tax	(1,391)	(832)	(3,833)	(830)
Accounting loss attributable to a prior tax consolidated group	-	140	-	139
<b>Accounting loss before income tax</b>	<b>(1,391)</b>	<b>(692)</b>	<b>(3,833)</b>	<b>(691)</b>
At the statutory income tax rate of 30%	(417)	(207)	(1,150)	(207)
Add:				
Non-deductible expenses	216	75	953	75
Less:				
Temporary differences and tax losses not brought to account	597	166	212	166
Under provision for prior years	19	-	19	-
Capital raising costs	(34)	(34)	(34)	(34)
Uplift in the tax cost base of assets	(381)	-	-	-
<b>Income tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Effective income tax rate of 0%	0%	0%	0%	0%

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Recognised deferred tax assets and liabilities</b>				
Deferred tax assets and liabilities are attributable to the following:				
Exploration expenditure	2,227	1,796	-	-
Prepaid expenditure	(10)	1	(10)	1
Accrued interest	8	16	8	16
Sundry payables	(2)	(7)	(1)	(4)
Provision for employee entitlements	(5)	-	-	-
Tax losses	(3,057)	(1,969)	(3,057)	(1,969)
Business related costs	(3)	(3)	(3)	(3)
Unrecognised deferred tax assets	842	166	3,063	1,959
Tax (assets) liabilities	-	-	-	-
Set off of tax	-	-	-	-
<b>Net tax (assets) liabilities</b>	-	-	-	-
<b>Unrecognised Deferred Tax Assets</b>				
Tax Losses	842	166	3,063	1,959
	<b>842</b>	<b>166</b>	<b>3,063</b>	<b>1,959</b>

**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 2008/2009 financial year are:

Key Management Person	Position
James Tyson Hamilton	Managing Director / Executive Chairman
Russell Paul Hardwick	Non Executive Director / Company Secretary
Christopher John Daws	Non Executive Director
Nathan Andrew Cull	Exploration Manager

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 2009.

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

	2009 \$000	2008 \$000
Short-term employee benefits	631	523
Post-employment benefits	21	9
Share based payments	555	163
	<b>1,207</b>	<b>695</b>

**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 2009	Balance 1 July 2008	Granted as Compensation	Options purchased	Options Exercised	Balance at 30 June 2009
<b>Executive Directors</b>					
James Hamilton	4,519,967	4,000,000	-	-	8,519,967
<b>Non Executive Directors</b>					
Russell Hardwick	1,961,634	1,500,000	-	-	3,461,634
Christopher Daws	2,086,634	1,500,000	104,000	-	3,690,634
<b>Executives</b>					
Nathan Cull	868,333	1,200,000	-	-	2,068,333

30 June 2009	Balance 30 June 2009	Total Vested 30 June 2009	Total Exercisable 30 June 2009	Total Unexercisable 30 June 2009
<b>Executive Directors</b>				
James Hamilton	8,519,967	2,519,967	2,519,967	6,000,000
<b>Non Executive Directors</b>				
Russell Hardwick	3,461,634	1,211,634	1,211,634	2,250,000
Christopher Daws	3,690,634	1,440,634	1,440,634	2,250,000
<b>Executives</b>				
Nathan Cull	2,068,333	468,333	468,333	1,600,000

30 June 2008	Balance 1 July 2007	Granted as Compensation	Options purchased	Options Exercised*	Net Change Other*	Balance at 30 June 2008
<b>Executive Directors</b>						
James Hamilton	-	4,000,000	-	-	519,967	4,519,967
<b>Non Executive Directors</b>						
Paul Mazak	-	1,500,000	-	-	486,634	1,986,634
Russell Hardwick	-	1,500,000	-	-	461,634	1,961,634
Christopher Daws	-	1,500,000	-	-	586,634	2,086,634
<b>Executives</b>						
Nathan Cull	-	800,000	-	-	68,333	868,333

\* During April 2008 the Company issued a prospectus for a non-renounceable entitlements issue of 23,383,338 options on the basis of one option for every three (3) shares held by Shareholders on 16 April 2008 at an issue price of 1 cent per option. This offer was fully underwritten by the Directors of the Company. This resulted in the grant of options to key management personnel as at the issue date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

30 June 2008	Balance 30 June 2008	Total Vested 30 June 2008	Total Exercisable 30 June 2008	Total Unexercisable 30 June 2008
<b>Executive Directors</b>				
James Hamilton	4,519,967	519,967	519,967	4,000,000
<b>Non Executive Directors</b>				
Paul Mazak	1,986,634	486,634	486,634	1,500,000
Russell Hardwick	1,961,634	461,634	461,634	1,500,000
Christopher Daws	2,086,634	586,634	586,634	1,500,000
<b>Executives</b>				
Nathan Cull	868,333	68,333	68,333	800,000

**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 2009	Balance 1 July 2008	Received as Compensation	Options Exercised	Net Change Other	Balance 30 June 2009
<b>Executive Directors</b>					
James Hamilton	350,000	-	-	350,000	700,000
<b>Non Executive Directors</b>					
Russell Hardwick	175,000	-	-	50,000	225,000
Christopher Daws	550,000	-	-	150,000	700,000
<b>Executives</b>					
Nathan Cull	205,000	-	-	60,000	265,000

30 June 2008	Balance 1 July 2007	Received as Compensation	Options Exercised	Net Change Other	Balance 30 June 2008
<b>Executive Directors</b>					
James Hamilton	-	-	-	350,000	350,000
<b>Non Executive Directors</b>					
Paul Mazak	-	-	-	250,000	250,000
Russell Hardwick	-	-	-	175,000	175,000
Christopher Daws	-	-	-	550,000	550,000
<b>Executives</b>					
Nathan Cull	-	-	-	205,000	205,000

**NOTE 6: AUDITORS' REMUNERATION**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Remuneration of the Auditor of the parent entity for:				
- Auditing or reviewing the Financial Report	25	11	25	11
- Prospectus ~ Investigating Accountants Report	-	6	-	6
No other services have been provided by the Auditors.				

**NOTE 7: LOSS PER SHARE**

	Consolidated	
	2009 \$000	2008 \$000
a) Loss used to calculate basic & diluted EPS	(1,391)	(832)
Basic loss per share (cents per share)	(1.79) cents	(2.13) cents
Diluted loss per share (cents per share)	(1.79) cents	(2.13) cents
	<b>Number of shares</b>	<b>Number of shares</b>
b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	77,877,708	39,100,241
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	77,884,069	39,100,241
At 30 June 2009, 35,946,604 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 8: CASH AND CASH EQUIVALENTS**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Cash at bank and in hand	351	343	292	317
Cash management account	357	1,780	357	1,780
Short-term bank deposits	4,065	4,500	4,065	4,500
	<b>4,773</b>	<b>6,623</b>	<b>4,714</b>	<b>6,597</b>

**NOTE 9: TRADE AND OTHER RECEIVABLES**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>CURRENT</b>				
GST receivable	51	89	15	34
Interest receivable	27	53	27	53
Loan receivable from subsidiary	-	-	-	916
Other receivables	43	7	1	-
	<b>121</b>	<b>149</b>	<b>43</b>	<b>1,003</b>
<b>NON-CURRENT</b>				
Loan receivable from subsidiary	-	-	2,454	-
Write down of inter-company loan	-	-	(2,454)	-
	-	-	-	-
Refer to Note 27 for risk management policies in place.				

**NOTE 10: OTHER CURRENT ASSETS**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>CURRENT</b>				
Prepayments	-	12	-	12
	<b>-</b>	<b>12</b>	<b>-</b>	<b>12</b>

**NOTE 11: FINANCIAL ASSETS**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Financial assets available for sale:</b>				
Unlisted investments, at cost				
- Shares in controlled entities	-	-	6,324	5,000
	<b>-</b>	<b>-</b>	<b>6,324</b>	<b>5,000</b>
Refer to Note 27 for risk management policies in place.				

**NOTE 12: CONTROLLED ENTITIES**

**a. Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)*	
		2009	2008
<b>Subsidiaries of Spitfire Resources Ltd:</b>			
Spitfire Australia (SWW) Pty Ltd	Australia	100%	100%
Spitfire Global Pty Ltd **	Australia	100%	100%
Black Rock Energy Pty Ltd	Australia	100%	0%

\* Percentage of voting power is in proportion to ownership.

\*\* On 27 May 2009 Spitfire Indonesia Nickel Pty Ltd changed its name to Spitfire Global Pty Ltd.

**b. Acquisition of Controlled Entities**

	<b>Consolidated Acquiree's carrying amount \$000</b>	<b>Fair Value \$000</b>
<p>On 21 November 2008 the parent entity acquired 100% of Black Rock Energy Pty Ltd, with Spitfire Resources Limited entitled to all profits or loss incurred from 21 November 2008. The purchase consideration was 10,000,000 fully paid ordinary shares with a fair value of \$1,300,000 based on the ASX closing share price on the settlement date of \$0.13 per share.</p>		
<p>The purchase price was allocated as follows:</p>		
Purchase consideration		1,300
Tenement bonds paid to vendor		24
		<b>1,324</b>
<p>Assets and liabilities acquired at acquisition date:</p>		
Receivables	6	6
Exploration and Evaluation assets	33	1,318
	<b>39</b>	<b>1,324</b>
<p>The assets and liabilities arising from the acquisition are recognised at fair values with the difference in carrying value and fair value now allocated to exploration assets (cost).</p>		
<p>Part of the acquisition may involve the issue of a further 10 million ordinary Spitfire shares to the vendor shareholders of Black Rock or a payment of \$2 million in cash (or a mixture of both) at Spitfire's election on the delineation within two years of not less than 25 million tonnes of black bituminous coal either within one of the tenements or across all of the tenements combined. As at the reporting date the Company has not delineated 25 million tonnes of black bituminous coal across any or all of the tenements.</p>		
<p>The loss relating to Black Rock Energy Pty Ltd amounting to \$9,538 is included in the consolidated income statement for the year ended 30 June 2009. Had the results relating to Black Rock Energy Pty Ltd been consolidated from 1 July 2008, the loss would have been \$70,998 resulting in a consolidated loss of \$1, 451,917 for the year ended 30 June 2009.</p>		

**NOTE 13: PROPERTY, PLANT AND EQUIPMENT**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>PLANT AND EQUIPMENT</b>				
At cost	32	23	28	23
Accumulated depreciation	(10)	(2)	(9)	(2)
<b>Total Plant and Equipment</b>	<b>22</b>	<b>21</b>	<b>19</b>	<b>21</b>
<b>LEASEHOLD IMPROVEMENTS</b>				
At cost	75	72	75	72
Accumulated depreciation	(14)	-	(14)	-
<b>Total Leasehold Improvements</b>	<b>61</b>	<b>72</b>	<b>61</b>	<b>72</b>
<b>Total Property, Plant and Equipment</b>	<b>83</b>	<b>93</b>	<b>80</b>	<b>93</b>

**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
<b>Consolidated:</b>			
Balance at 30 June 2007	-	-	-
Additions	23	72	95
Disposals	-	-	-
Depreciation expense	(2)	-	(2)
<b>Balance at 30 June 2008</b>	<b>21</b>	<b>72</b>	<b>93</b>
Additions	9	3	12
Disposals	-	-	-
Depreciation expense	(8)	(14)	(22)
<b>Balance at 30 June 2009</b>	<b>22</b>	<b>61</b>	<b>83</b>
<b>Company:</b>			
Balance at 30 June 2007	-	-	-
Additions	23	72	95
Disposals	-	-	-
Depreciation expense	(2)	-	(2)
<b>Balance at 30 June 2008</b>	<b>21</b>	<b>72</b>	<b>93</b>
Additions	5	3	8
Disposals	-	-	-
Depreciation expense	(7)	(14)	(21)
<b>Balance at 30 June 2009</b>	<b>19</b>	<b>61</b>	<b>80</b>

**NOTE 14: EXPLORATION AND EVALUATION ASSETS**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>NON-CURRENT</b>				
Exploration expenditure capitalised				
- Exploration and evaluation phases	2,430	986	4	-
Mineral exploration properties				
- At cost	6,285	5,000	-	-
	<b>8,715</b>	<b>5,986</b>	<b>4</b>	<b>-</b>
Recoverability of the carrying amount of exploration assets is dependent upon:				
<ul style="list-style-type: none"> <li>- The continuance of the Company's rights to tenure of the areas of interest;</li> <li>- The results of possible future exploration; and</li> <li>- The recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.</li> </ul>				
Capitalised costs amounting to \$1,504,000 (2008: \$587,000) have been included in cash flows from operating activities in the cash flow statement.				

**NOTE 15: TRADE AND OTHER PAYABLES**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>CURRENT</b>				
Trade creditors	110	334	56	172
Sundry payables and accrued expenses	63	22	45	27
	<b>173</b>	<b>356</b>	<b>101</b>	<b>199</b>

**NOTE 16: FINANCIAL LIABILITIES**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>CURRENT</b>				
Lease liability	3	3	3	3
	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>NON-CURRENT</b>				
Lease liability	5	8	5	8
	<b>5</b>	<b>8</b>	<b>5</b>	<b>8</b>

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

**NOTE 17: PROVISIONS**

	Employee Benefits \$000	Total \$000
<b>Consolidated:</b>		
Opening balance at 1 July 2007	-	-
Additional provisions	3	3
<b>Closing balance at 30 June 2008</b>	<b>3</b>	<b>3</b>
Opening balance at 1 July 2008	3	3
Additional provisions	13	13
<b>Balance at 30 June 2009</b>	<b>16</b>	<b>16</b>
<b>Company:</b>		
Opening balance at 1 July 2007	-	-
Additional provisions	-	-
<b>Closing balance at 30 June 2008</b>	<b>-</b>	<b>-</b>
Opening balance at 1 July 2008	-	-
Additional provisions	1	1
<b>Balance at 30 June 2009</b>	<b>1</b>	<b>1</b>

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

**Analysis of Total Provisions**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current (annual leave provision)	16	3	1	-
Non-current	-	-	-	-
	<b>16</b>	<b>3</b>	<b>1</b>	<b>-</b>

**NOTE 18: ISSUED CAPITAL**

	Consolidated		Company	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
86,818,347 (2008: 70,151,681) fully paid ordinary shares	15,108	13,408	15,108	13,408
Share issue expenses	(567)	(562)	(567)	(562)
	<b>14,541</b>	<b>12,846</b>	<b>14,541</b>	<b>12,846</b>
The Company has authorised share capital amounting to 86,818,347 shares with no par value.				
	Consolidated		Company	
	2009	2008	2009	2008
	No.	No.	No.	No.
<b>a. Ordinary shares</b>				
At the beginning of reporting period	70,151,681	5	70,151,681	5
Shares issued during the year				
- 3 October 2007 for the acquisition of tenements	-	25,000,000	-	25,000,000
- 10 October 2007 @ 10c to seed investors	-	4,750,010	-	4,750,010
- 19 October 2007 @ 10c to seed investors	-	1,250,000	-	1,250,000
- 12 December 2007 @ 20c pursuant to the Prospectus	-	30,000,000	-	30,000,000
- 17 March 2008 @ 15.5c for the provision of consultancy services	-	500,000	-	500,000
- 20 March 2008 @ 18.5c pursuant to a placement	-	8,650,000	-	8,650,000
- 10 June 2008 @ 20c upon the conversion of options	-	1,666	-	1,666
- 20 November 2008 for the acquisition of Black Rock Energy	10,000,000	-	10,000,000	-
- 8 May 2009 @ 6c pursuant to a placement	6,666,666	-	6,666,666	-
<b>At reporting date</b>	<b>86,818,347</b>	<b>70,151,681</b>	<b>86,818,347</b>	<b>70,151,681</b>
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>b. Options</b>				
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**

Management controls the capital of the Group in order to provide Shareholders with the opportunity of future returns and ensure that the Group can fund its exploration programs and continue as a going concern. The Company's capital includes ordinary share capital and financial liabilities, supported by financial assets. The Group has only minimal debts being normal equipment leases. There are no externally imposed capital requirements. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

**NOTE 19: RESERVES**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Equity settled employee benefits reserve:</b>				
Balance at Beginning of Period	255	-	255	-
Share Options issued on 12 December 2007	-	86	-	86
Share Options issued on 8 February 2008	521	157	521	157
Share Options issued on 29 April 2008	100	12	100	12
Share Options issued on 19 September 2008	12	-	12	-
Share Options issued on 21 January 2009	15	-	15	-
Share Options issued on 6 March 2009	50	-	50	-
	<b>698</b>	<b>255</b>	<b>698</b>	<b>255</b>
Issue of share options (20c) expiry 30 June 2010	234	234	234	234
	<b>1,187</b>	<b>489</b>	<b>1,187</b>	<b>489</b>

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 20: 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 leases.
- (ii) The entity has provided a \$23,900 bank guarantee to Mineral Resources Tasmania as a security deposit over Tasmanian Exploration Licenses which may be used to remedy damage to private property or to the environment caused by activities if this is not made good by the explorer. The security deposit may also be called upon in full or in part if an exploration program is not carried out.
- (iii) On 20 November 2008 the Company completed the 100% acquisition of Black Rock Energy Pty Ltd. Part of the acquisition may involve the issue of a further 10 million ordinary Spitfire shares to the vendor Shareholders of Black Rock or a payment of \$2 million in cash (or a mixture of both) at Spitfire's election on the delineation within two years of not less than 25 million tonnes of black bituminous coal either within one of the tenements or across all of the tenements combined. As at the reporting date the Company has not delineated 25 million tones of black bituminous coal across any or all of the tenements.

**NOTE 21: SEGMENT REPORTING**

	Australia – Manganese Exploration		Australia – Coal Exploration		Consolidated	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>REVENUE</b>						
Sales revenue	-	-	-	-	-	-
<b>Total segment revenue</b>	-	-	-	-	-	-
Unallocated revenue	1	-	-	-	335	280
<b>Total revenue</b>					<b>335</b>	<b>280</b>
<b>RESULT</b>						
Segment result	(1)	(2)	(10)	-	(11)	(2)
Unallocated expenses net of unallocated revenue	-	-	-	-	(1,715)	(1,110)
Loss before income tax	(1)	(2)	(10)	-	(1,391)	(832)
Income tax expense	-	-	-	-	-	-
<b>Loss after income tax</b>	<b>(1)</b>	<b>(2)</b>	<b>(10)</b>	<b>-</b>	<b>(1,391)</b>	<b>(832)</b>
<b>ASSETS</b>						
Segment assets	7,444	6,075	1,406	-	8,850	6,075
Unallocated assets					4,842	6,788
<b>Total assets</b>					<b>13,692</b>	<b>12,863</b>
<b>LIABILITIES</b>						
Segment liabilities	82	161	5	-	87	161
Unallocated liabilities					110	210
<b>Total liabilities</b>					<b>197</b>	<b>371</b>

Prior reporting periods had only one segment being Australia – Manganese Exploration.

## NOTE 22: CASH FLOW INFORMATION

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>				
Loss after income tax	(1,391)	(832)	(3,833)	(830)
Non-cash flows in loss				
- Depreciation	23	2	22	2
- Share issue in lieu of consulting fees	-	77	-	77
- Share options expensed	698	169	698	169
- Write down of inter-company loan	-	-	2,454	-
- Payments for exploration and evaluation	(1,504)	(587)	(4)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
- (Increase)/decrease in trade and term receivables	88	(150)	54	(86)
- Increase/(decrease) in trade payables and accruals	(43)	135	(26)	109
- (Decrease)/increase in provisions	13	-	1	-
<b>Cashflow from operations</b>	<b>(2,116)</b>	<b>(1,186)</b>	<b>(634)</b>	<b>(559)</b>
<b>Non-Cash Financing and Investing Activities</b>				
<i>Share issue:</i>				
In November 2008 the Company issued 10,000,000 fully paid ordinary shares for the purchase of 100% of Black Rock Energy Pty Ltd.				

**NOTE 23: COMMITMENTS**

**a) Operating Lease Commitments**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Non-cancellable operating lease contracted for but not capitalised in the financial statements:				
Payable				
- Within one year	58	57	58	57
- One year or later and no later than five years	53	109	53	109
- Later than five years	-	-	-	-
	<b>111</b>	<b>166</b>	<b>111</b>	<b>166</b>
The above amounts include a property lease for Suite 1, 346 Barker Road, Subiaco which is a non-cancellable lease with a 36 month term expiring on 31 May 2011, with rent payable monthly in advance.				

**b) Finance Lease Commitments**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Payable				
- Within one year	4	4	4	4
- One year or later and no later than five years	4	8	4	8
- Later than five years	-	-	-	-
<b>Minimum lease payments</b>	<b>8</b>	<b>12</b>	<b>8</b>	<b>12</b>
Less future finance charges	(1)	(2)	(1)	(2)
<b>Present value of minimum lease payments</b>	<b>7</b>	<b>10</b>	<b>7</b>	<b>10</b>
The above amounts includes equipment lease with a 36 month term expiring on 31 May 2011.				

c) Exploration Commitments

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<p>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:</p>				
- Within one year	231	89	-	-
- One year or later and no later than five years	902	151	-	-
- Later than five years	-	-	-	-
	<b>1,133</b>	<b>240</b>	-	-
<p>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.</p>				

NOTE 24: SHARE BASED PAYMENTS

Grant date/employees entitled	Number of Instruments	Vesting Conditions	Contractual life of options
Share Options granted to key management personnel pursuant to the Spitfire Employee Share Option Plan on 19 September 2008	300,000	50% of the options vest 12 months after the date of issue with the remainder vesting 24 months after the date of issue.	5
Share Options granted to key management pursuant to the Spitfire Employee Share Option Plan on 21 January 2009	1,000,000	50% of the options vest 12 months after the date of issue with the remainder vesting 24 months after the date of issue.	5
Share Options granted to Directors on 6 March 2009	7,000,000	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 five consecutive days, or one 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 five consecutive days, or two years after the grant date.	5

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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:

<b>Consolidated</b>	<b>Weighted average exercise price 2009</b>	<b>Number of options 2009</b>	<b>Weighted average exercise price 2008</b>	<b>Number of options 2008</b>
Outstanding at 1 July 2008	-	11,000,000	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Granted during the period	11.66c	8,300,000	22.28c	11,000,000
Outstanding at 30 June 2009	17.71c	19,300,000	22.28c	11,000,000
Exercisable at 30 June 2009	-	5,000,000	-	-
<b>Company</b>				
Outstanding at 1 July 2008	-	11,000,000	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Granted during the period	11.66c	8,300,000	22.28c	11,000,000
Outstanding at 30 June 2009	17.71c	19,300,000	22.28c	11,000,000
Exercisable at 30 June 2009	-	5,000,000	-	-

The weighted average remaining contractual life of options outstanding at year end was 3.94 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 \$698,213 which relates to equity-settled share-based payment transactions (2008: \$255,266).

On 21 November 2009, 10,000,000 fully paid ordinary shares were issued for the acquisition of Black Rock Energy Pty Ltd.

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:

<b>Key Management Personnel</b>	<b>19 September</b>	<b>21 January</b>	<b>6 March</b>	<b>2008</b>
	<b>2008</b>	<b>2009</b>	<b>2009</b>	
<i>Fair value of options and assumptions</i>				
<b>Fair value at grant date</b>	<b>6.40c</b>	<b>4.68c</b>	<b>2.83c</b>	<b>9.42c</b>
Share price	14.50c	8.00c	6.00c	18.00c
Exercise price	22.50c	11.25c	11.25c	22.50c
Expected volatility (weighted average volatility)	60.00%	70.00%	70.00%	60.00%
Option life (expected weighted average life)	5	5	5	5
Risk-free interest rate	6.40%	6.20%	6.20%	6.38%

**NOTE 25: EVENTS AFTER BALANCE SHEET DATE**

On 17 July 2009 the Company secured a 70% interest in a group of seven Exploration License Applications surrounding the Lindeman's Bore Project located 380km south west of Katherine in the Northern Territory. Spitfire has paid \$120,000 and will issue three million fully paid shares to secure its interest in the ground package. Two million of these shares will be subject to a 12 month voluntary escrow restriction.

On 4 August 2009 the Company issued 11,194,444 shares at a price of nine cents per share raising a total of \$1,007,500.

On 17 August 2009 the Company issued a notice of general meeting of Shareholders to be held on 25 September 2009 seeking Shareholder approval for five resolutions.

On 18 August 2009 the Company issued 1,000,000 share options to senior management pursuant to the Company's Employee Share Option Plan.

Other than noted above there has not been any matter or circumstance occurring subsequent to the end of the financial year, that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

**NOTE 26: RELATED PARTY TRANSACTIONS**

	Consolidated		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
<b>Transactions with related parties</b>				
<b>EXPENDITURE</b>				
Consultancy fees paid to Goldregis Corporation Pty Ltd (a company associated with Mr. James Hamilton), a related party of Spitfire Resources Limited.	260	174	260	174
Consultancy fees paid to Direct Invest Group Limited (a company associated with Mr. Paul Mazak), a related party of Spitfire Resources Limited.	-	88	-	88
Consultancy fees paid to Ravenhill Corporate Pty Ltd (a company associated with Mr. Russell Hardwick), a related party of Spitfire Resources Limited.	94	92	94	92
<b>INTERCOMPANY LOANS</b>				
<b>Other Related Parties</b>				
Loans made by the Company to wholly owned subsidiaries.				
(The loan receivable represents an interest free, unsecured loan, repayable on demand but subject to the subsidiary being in a financial position to do so).	-	-	2,454	916
Write down of inter-company loan	-	-	(2,454)	-
<b>REVENUE</b>				
The Company has entered into a sub-lease of its Subiaco office premises to Lumacom Limited. Mr Christopher Daws is a Director of Lumacom. The sub-lease is on normal commercial terms.	13	-	13	-

**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**

The liquidity risk of each Group entity is managed centrally by the Board. The investment budgets and work plans are set locally and agreed by the Board annually in advance, enabling the Group's cash requirements to be anticipated.

**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 \$2,453,678 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:

	2009		2008	
	Carrying value \$	Maximum exposure \$	Carrying value \$	Maximum exposure \$
Cash and cash equivalents	4,773	4,773	6,623	6,623
Trade and other receivables	121	121	149	149
	<b>4,894</b>	<b>4,894</b>	<b>6,772</b>	<b>6,772</b>

**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 Company has a minimal exposure to foreign exchange risk at this point of its development.

**Interest rate risk**

The Company'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:

<b>Consolidated 2009</b>	<b>Floating interest rate \$000</b>	<b>Fixed interest maturing in 1 year or less \$000</b>	<b>Fixed interest maturing over 1 to 5 years \$000</b>	<b>Non- interest bearing \$000</b>	<b>Total \$000</b>
<b>Financial assets</b>					
Cash and cash equivalents	351	4,422	-	-	4,773
Trade and other receivables	-	-	-	121	121
	<b>351</b>	<b>4,422</b>	<b>-</b>	<b>122</b>	<b>4,894</b>
Weighted average interest rate	2.75%	3.65%			
<b>Financial liabilities</b>					
Trade and other payables	-	-	-	173	173
Financial liabilities	-	-	-	8	8
	<b>-</b>	<b>-</b>	<b>-</b>	<b>181</b>	<b>181</b>

Company	Floating interest rate	Fixed interest maturing in 1 year or less	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total
2009	\$000	\$000	\$000	\$000	\$000
<b>Financial assets</b>					
Cash and cash equivalents	292	4,422	-	-	4,714
Trade and other receivables	-	-	-	43	43
Other current assets	-	-	-	-	-
Financial assets	-	-	-	6,324	6,324
	<b>292</b>	<b>4,422</b>	<b>-</b>	<b>6,367</b>	<b>11,081</b>
Weighted average interest rate	2.75%	3.65%			
<b>Financial liabilities</b>					
Trade and other payables	-	-	-	101	101
Financial liabilities	-	-	-	8	8
	<b>-</b>	<b>-</b>	<b>-</b>	<b>109</b>	<b>109</b>

Consolidated	Floating interest rate	Fixed interest maturing in 1 year or less	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total
2008	\$000	\$000	\$000	\$000	\$000
<b>Financial assets</b>					
Cash and cash equivalents	281	6,340	-	2	6,623
Trade and other receivables	-	-	-	149	149
Other current assets	-	-	-	12	12
Financial assets	-	-	-	-	-
	<b>281</b>	<b>6,340</b>	<b>-</b>	<b>163</b>	<b>6,784</b>
Weighted average interest rate	2.75%	7.32%	-	-	-
<b>Financial liabilities</b>					
Trade and other payables	-	-	-	356	356
Financial liabilities	-	-	-	11	11
	<b>-</b>	<b>-</b>	<b>-</b>	<b>367</b>	<b>367</b>

Company 2008	Floating interest rate \$000	Fixed interest maturing in 1 year or less \$000	Fixed interest maturing over 1 to 5 years \$000	Non- interest bearing \$000	Total \$000
<b>Financial assets</b>					
Cash and cash equivalents	257	6,340	-	-	6,597
Trade and other receivables	-	-	-	1,003	1,003
Other current assets	-	-	-	12	12
Financial assets	-	-	-	5,000	5,000
	<b>257</b>	<b>6,340</b>	<b>-</b>	<b>6,015</b>	<b>12,612</b>
Weighted average interest rate	2.75%	7.32%	-	-	-
<b>Financial liabilities</b>					
Trade and other payables	-	-	-	199	199
Financial liabilities	-	-	-	11	11
	<b>-</b>	<b>-</b>	<b>-</b>	<b>210</b>	<b>210</b>

## 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 2009, 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		Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Change in profit				
- Increase in interest rate by 1%	54	39	54	39
- Decrease in interest rate by 1%	(54)	(39)	(54)	(39)
Change in equity				
- Increase in interest rate by 1%	54	39	54	39
- Decrease in interest rate by 1%	(54)	(39)	(54)	(39)

**Net Fair Value**

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

	2009		2008	
	Carrying Amount \$000	Net Fair Value \$000	Carrying Amount \$000	Net Fair Value \$000
<b>Financial assets</b>				
Cash and cash equivalents	4,773	4,773	6,623	6,623
Trade and other receivables	121	121	149	149
Other current assets	-	-	12	12
Financial assets	-	-	-	-
	<b>4,894</b>	<b>4,894</b>	<b>6,784</b>	<b>6,784</b>
<b>Financial liabilities</b>				
Trade and other payables	173	173	356	356
Financial liabilities	8	8	11	11
	<b>181</b>	<b>181</b>	<b>367</b>	<b>367</b>

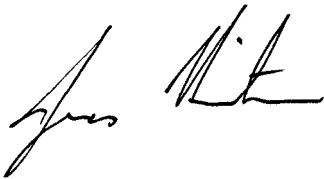
## DIRECTORS' DECLARATION

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The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 31 to 70, are in accordance with the Corporations Act 2001 and:
  - a. Comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. Give a true and fair view of the financial position as at 30 June 2009 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.



**Director**

Dated this 24<sup>th</sup> day of September 2009

## Independent Auditor's Report

### To the Members of Spitfire Resources Limited

We have audited the accompanying financial report of Spitfire Resources Limited (the company) and Spitfire Resources Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of 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.

**Bentleys Audit  
& Corporate (WA) Pty Ltd**  
ABN 33 121 222 802

Level 1  
12 Kings Park Road  
West Perth WA 6005

PO Box 44  
West Perth WA 6872

T +61 8 9226 4500  
F +61 8 9226 4300

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#### 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 (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

#### 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.

#### 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 and Spitfire Resources Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- 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 the report of the directors for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 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 2009, complies with s 300A of the Corporations Act 2001.

**BENTLEYS**  
Chartered Accountants

**CHRIS WATTS**  
Director

DATED at PERTH this 24 day of September 2009

Additional Securities Exchange Information as at 16 September 2009

1. Shareholding

a. <b>Distribution of equity security holders</b> Category (size of holding)	<b>Listed Shares and Options - Number</b>	
	Ordinary Shares	20c (30 June 2010) Share Options
1 - 1,000	6	8
1,001 - 5,000	79	159
5,001 - 10,000	130	81
10,001 - 100,000	284	83
100,001 and over	88	19
	<b>587</b>	<b>350</b>

- b. The number of shareholdings held in less than marketable parcels is 86.
- c. The names of the substantial Shareholders listed in the holding company's register as at 16 September 2009 are:

Shareholder	<b>Number</b>	
	<b>Ordinary</b>	<b>%</b>
Planet Mining Pty Limited	25,000,015	25.51
Eralloys Holdings AS	8,650,000	8.83

d. **Voting Rights**

There are a total of 98,012,791 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**

25,250,015 Ordinary Fully Paid Shares, held by two holders are subject to escrow until 12 December 2009.

1,000,000 30c June 2010 share options held by one holder are subject to escrow until 12 December 2009.

10,000,000 Ordinary Fully Paid Shares held by 15 holders are subject to voluntary escrow until 20 November 2009.

**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

**f. 20 Largest Shareholders – Ordinary Shares**

	<b>Name</b>	<b>Number of Ordinary Fully Paid Shares Held</b>	<b>% Held of Issued Ordinary Capital</b>
1.	Planet Mining Pty Ltd	25,000,015	25.51
2.	Eralloys Holdings AS	8,650,000	8.83
3.	National Nominees Limited	5,204,567	5.31
4.	Hexagon Cap Ltd	4,970,000	5.07
5.	Blackmort Holdings Pty Ltd	4,000,000	4.08
6.	Sea Dragon Trading Ltd	3,401,064	3.47
7.	Merlin Holdings WA Pty Ltd	3,350,000	3.42
8.	Campbell John Smyth <Smyth S/F A/C>	2,000,000	2.04
9.	Hanson Investments Limited	1,936,366	1.98
10.	Citicorp Nominees Pty Ltd	1,789,346	1.83
11.	Panstyn Investments Pty Ltd	1,300,000	1.33
12.	Mega-Min Resources Pty Ltd <Mega-Min A/C>	1,200,000	1.22
13.	Resource Solutions Pty Ltd	1,150,000	1.17
14.	Borden Holdings Pty Ltd <S/F A/C>	1,000,000	1.02
15.	ANZ Nominees Limited	953,401	0.97
16.	James Tyson Hamilton <Hamilton Family A/C>	900,000	0.92
17.	Foreign Dimensions Pty Ltd	900,000	0.92
18.	TJE Super Pty Ltd <TJ Evans S/F A/C>	900,000	0.92
19.	Jacobs Corp Pty Ltd	850,000	0.87
20.	Leet Inv Pty Ltd <S/F A/C>	750,000	0.77
	<b>Total</b>	<b>70,204,759</b>	<b>71.65</b>

g. **20 Largest Holders – Listed 20c share options (expiry 30 June 2010)**

	<b>Name</b>	<b>Number of Unlisted Share Options Held</b>	<b>% Held of Issued Ordinary Capital</b>
1.	Planet Mining Pty Ltd	8,333,338	35.64
2.	Eralloys Holdings AS	2,883,333	12.33
3.	Citicorp Nominees Pty Ltd	2,089,198	8.94
4.	Mega-Min Resources Pty Ltd	1,000,000	4.28
5.	Jacobs Corporation Pty Ltd	820,247	3.51
6.	Moongold Pty Ltd	690,633	2.95
7.	James Tyson Hamilton <Hamilton Family A/C>	519,967	2.22
8.	Carmel Maria Bob	403,301	1.72
9.	Russell Hardwick <Russell Hardwick Family A/C>	403,301	1.72
10.	Mirabaud & Cie Pty Ltd	333,332	1.43
11.	Sea Dragon Trading Limited	299,999	1.28
12.	National Nominees Limited	244,133	1.04
13.	Josephine Marie Gregan	223,333	0.96
14.	Hexagon Capital Limited	223,333	0.96
15.	ANZ Nominees Limited	173,332	0.74
16.	Pendel Pty Ltd	150,000	0.64
17.	Phan Vinh	123,998	0.53
18.	Forbar Custs Limited	122,999	0.53
19.	Wade & Gay Routledge <The Wade Routledge S/F A/C>	108,333	0.46
20.	Canaccord Capital Australia Pty Ltd	100,000	0.43
	<b>Total</b>	<b>19,246,110</b>	<b>82.31</b>

2. **Company Secretary**

The name of the Company Secretary is Russell Paul 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 and 30 June 2010 share options of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

6. Unquoted Securities	Unquoted Securities	Number of holders
<b>Ordinary Shares</b>		
25,250,015 Ordinary shares (25,000,015 held by Planet Mining Pty Ltd)	<b>25,250,015</b>	<b>2</b>
<b>Share Options</b>		
Options exercisable at \$0.20 on or before 30 June 2010 held by BNS Investments Pty Ltd	1,000,000	1
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 (400,000 held by Mr Nathan Cull)	500,000	3
Options exercisable at \$0.25 on or before 9 May 2013 (400,000 held by Mr Nathan Cull)	500,000	3
Options exercisable at \$0.20 on or before 19 September 2013 (100,000 held by Mr Nathan Cull)	150,000	3
Options exercisable at \$0.25 on or before 19 September 2013 (100,000 held by Mr Nathan Cull)	150,000	3
Options exercisable at \$0.10 on or before 21 January 2014 (held by Mr Nathan Cull)	500,000	1
Options exercisable at \$0.125 on or before 21 January 2014 (held by Mr Nathan Cull)	500,000	1
Options exercisable at \$0.10 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 \$0.125 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 \$0.15 on or before 18 August 2014 (held by Mr Nathan Cull or nominee)	1,000,000	1

## 7 Cash usage

Since the date of listing on the ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of the ASX in a manner which is consistent with its business objectives.

**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES****8. Schedule of tenements**

<b>Country</b>	<b>Code</b>	<b>Name</b>	<b>Holder</b>	<b>Beneficial interest (%)</b>
Western Australia	E46/710	Wandanya	Spitfire Australia (SWW) Pty Ltd	80
Western Australia	E46/615	Wandanya	Spitfire Australia (SWW) Pty Ltd	80
Western Australia	E46/616	Wandanya	Spitfire Australia (SWW) Pty Ltd	80
Western Australia	E45/3207 – Application	Woorra Woorra	Spitfire Australia (SWW) Pty Ltd	100
Western Australia	E45/3208 – Application	Woorra Woorra	Spitfire Australia (SWW) Pty Ltd	100
Western Australia	E45/3209 – Application	Woorra Woorra	Spitfire Australia (SWW) Pty Ltd	100
Western Australia	E45/3210 – Application	Woorra Woorra	Spitfire Australia (SWW) Pty Ltd	100
Tasmania	EL27/2008	Avoca	Black Rock Energy Pty Ltd	100
Tasmania	EL28/2008	Hamilton	Black Rock Energy Pty Ltd	100
Tasmania	EL38/2008	Ouse	Black Rock Energy Pty Ltd	100
Tasmania	EL 47/2008	Elderslie	Black Rock Energy Pty Ltd	100
Northern Territory	EL27398 – Application	Limbunya	Spitfire Resources Limited	70
Northern Territory	EL27399 – Application	Limbunya	Spitfire Resources Limited	70
Northern Territory	EL27400 – Application	Inverway	Spitfire Resources Limited	70
Northern Territory	EL27401 – Application	Styles	Spitfire Resources Limited	70
Northern Territory	EL27402 – Application	Styles	Spitfire Resources Limited	70
Northern Territory	EL27403 – Application	Gregory's Depot	Spitfire Resources Limited	70
Northern Territory	EL27404 – Application	Wave Hill	Spitfire Resources Limited	70