



**Spitfire Resources Limited and its
Controlled Entities**

**Half-Year Financial Report
31 December 2008**

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DIRECTORS' REPORT

Your directors submit their report of Spitfire Resources Limited ("Spitfire" or "the Company") and its controlled entities ("Consolidated Entity" or "Group") for the half-year ended 31 December 2008.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

James T Hamilton (Managing Director)
Christopher J Daws (Non Executive Director)
Russell P Hardwick (Non Executive Director)

REVIEW OF OPERATIONS

HIGHLIGHTS

South Woodie Woodie Manganese (SWW)

- Maiden RC drilling program at SWW intersects manganese
- Beneficiation test-work shows manganese can be upgraded to Direct Shipping grade
- Near-surface manganese intersected by RC drilling at Tally-Ho Prospect (SWW)

Tasmanian Coal

- Acquisition of Black Rock Energy Pty Ltd, owner of the Langloh and Avoca thermal coal Exploration Licences, completed
- Option acquired from Allambie Construction & Equipment Company Pty Ltd over the 70sq.km Elderslie Exploration Licence Application ("ELA")

Manganese

The half year to 31 December 2008 marked an active period for the Company as it moved to aggressively explore its core South Woodie Woodie (SWW) Manganese Project in Western Australia's East Pilbara. In addition, the Company moved to diversify its commodity focus through the acquisition of Black Rock Energy Pty Ltd, which owns a number of thermal coal licences and licence applications in Tasmania.

In August, the Company reported the results from its first round of drilling at South Woodie Woodie. The initial program comprised 16 RC holes for a total of 2,227 metres. Spitfire had planned to drill 34 holes across seven targets, however, abrasive rock types and balling clays constrained penetration rates. This initial drilling program was also hampered by unseasonal rains.

The deepest hole reached 214m and all holes were vertical. Manganiferous material was intersected at five of six target areas drilled and 10 out of 16 holes drilled recorded manganese intercepts ranging between 1 and 12 metres in thickness.

Drill hole WWS041, the final hole in the program, was considered to be significant, returning an intersection of 12 metres of anomalous manganese grades. The Woodie Woodie-style mineralisation intersected in the hole was broadly interspersed with silica.

DIRECTORS' REPORT

Five samples taken from hole WWS041 (from 168 to 173m) were submitted for Heavy Media Separation test work at Amdel Mineral Laboratories. This process works on the same principle as the beneficiation process used to remove dilutants from mined ores.

The results confirmed the geological logs indicating that the manganese ore zones exist as broad, high grade zones of mineralisation which are easily upgradeable to export quality product specifications. It was also noted that the concentrations of deleterious elements (sulphur and phosphorous) were exceptionally low.

Spitfire announced in January 2009 that its second drilling program conducted during November 2008 at SWW had intersected near-surface manganese in the south of its land package – an area now called the Tally-Ho prospect.

This Phase 2 drilling program comprised of 26 RC drill holes for a total of 3,372m covering a series of priority targets in both the southern and northern areas of Spitfire's tenements. In the north, three holes intersected manganese between two and five metres thick and will be the subject of follow-up work in 2009. In the south, 11 holes (42% of the total program) returned significant near-surface manganese ranging between one and nine metres in thickness.

All of the holes at Tally-Ho intersected similar stratigraphy comprising replaced and altered dolomites (the typical host rock for manganese mineralisation in the Woodie Woodie area) beneath a thin siliceous cap. Importantly, all of the intersections occur at or near surface.

The Company considers the Phase 2 drilling at SWW a breakthrough and Tally-Ho and its surrounds is to become an exploration priority moving forward.

Coal

In November, Spitfire announced that the Langloh and Avoca coal Exploration Licences in Tasmania had been granted, clearing the way for the Company to complete the acquisition of Black Rock Energy Pty Ltd, the owner of the licences.

Spitfire purchased the two tenements (and two coal Exploration Licence Applications called Ouse and Sandfly) in a two-stage deal. Stage 1 involved the issue of 10 million ordinary Spitfire shares to the vendor shareholders of Black Rock. Stage 2 of the acquisition will 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 tones of black bituminous coal either within one of the tenements or across all of the tenements combined.

The Langloh (Hamilton) coal project comprises an existing JORC compliant 10 million In Situ Inferred thermal coal resource, while the Avoca Project contains known coal seams which were worked historically and explored by companies including Shell and WMC in the 1970's and 1980's.

In December, Spitfire announced that it had acquired an option over the Elderslie Exploration Licence Application and withdrawn from the Sandfly ELA after reviewing prospectivity of the overall portfolio including the new Elderslie area.

The Company is continuing to assess the optimum strategy for advancing its Tasmanian coal portfolio given the fall in global thermal coal prices, the scope of its exploration commitment at SWW and the current financial and economic environment.

DIRECTORS' REPORT

The information in this Report relating to exploration 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 type of report of the information as presented. He has sufficient experience relevant to the style of mineralisation and to the type of activity described to qualify as a competent person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.'

The 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.

Events Subsequent to Balance Date

On the 22nd January 2009 the Company issued 1,000,000 incentive options to key management pursuant to the Spitfire Employee Share Option Plan approved by shareholders.

The Company has issued a Notice of General Meeting of shareholders to be held on the 6th March 2009. A copy of the notice can be found on the company's website www.spitfireresources.com,

Financial Position

The net operating loss for the period is \$564,343. The net assets of the Entity have increased by \$973,914 to \$13,466,165 as at 31 December 2008 (30 June 2008; \$12,492,251).

Rounding of Amounts

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and directors' report have been rounded off to the nearest \$1,000

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2008.

This report is signed in accordance with a resolution of the Board of Directors.



James T Hamilton
Managing Director
16th February 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 review of the financial report of Spitfire Resources Limited and Controlled Entities for the half year ended 31 December 2008 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 review;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants



CHRIS WATTS
Director

DATED at PERTH this 16th day of February 2009

CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	31 December 2008 \$000	31 December 2007 \$000
Continuing Operations		
Revenue	-	-
Cost of Sales	-	-
Gross profit/(loss)	-	-
Depreciation expense	(12)	-
Consulting expenses	(257)	(186)
Occupancy costs	(39)	-
Travel expenses	(23)	-
Administrative expenses	(444)	(89)
Results from operating activities	(775)	(275)
Finance income/interest	206	33
Net finance income	206	33
Other income	5	-
Loss before income tax	(564)	(242)
Income tax expense	-	-
Loss from continuing operations	(564)	(242)
Attributable to:		
Equity holders of the Company	(564)	(242)
Loss for the period	(564)	(242)
Earnings per share (cents per share)		
- Basic loss for the half-year	(0.78c)	(1.98c)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	31 December 2008	30 June 2008
Note	\$000	\$000
ASSETS		
Current Assets		
Cash and cash equivalents	5,401	6,623
Trade and other receivables	117	149
Other current assets	20	12
Total Current Assets	5,538	6,784
Non-Current Assets		
Property, plant and equipment	92	93
Exploration & Evaluation assets	8,215	5,986
Total Non-Current assets	8,307	6,079
TOTAL ASSETS	13,845	12,863
LIABILITIES		
Current liabilities		
Trade and other payables	364	356
Provisions	6	3
Financial liabilities	3	3
Total Current Liabilities	373	362
Non –Current Liabilities		
Financial liabilities	6	8
TOTAL LIABILITIES	379	370
NET ASSETS	13,466	12,493
EQUITY		
Issued Capital	5 14,146	12,846
Reserves	727	489
Accumulated Losses	(1,407)	(842)
TOTAL EQUITY	13,466	12,493

CONSOLIDATED CASHFLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	31 December 2008 \$000	31 December 2007 \$000
Cash flows from operating activities		
Payments to suppliers and employees	(570)	(264)
Payments for exploration and evaluation	(828)	-
Interest Received	260	5
Net cash flows from/(used in) operating activities	(1,138)	(259)
Cash flows from investing activities		
Purchase of property, plant and equipment	(83)	(1)
Net cash flows from/(used in) investing activities	(83)	(1)
Cash flows from financing activities		
Proceeds from issue of shares	-	6,600
Proceeds from borrowings	-	20
Repayment of borrowings	(1)	-
Expenses of share issue	-	(434)
Net cash flows from/(used in) financing activities	(1)	6,186
Net increase/(decrease) in cash and cash equivalents	(1,222)	5,926
Cash and cash equivalents at beginning of period	6,623	-
Cash and cash equivalents at end of period	5,401	5,926

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31
DECEMBER 2008**

	Issued capital \$000	Option reserve \$000	Accumulated losses \$000	Total equity \$000
At 1 July 2007	-	-	(10)	(10)
Loss for the period	-	-	(241)	(241)
Total income and expense for the period	-	-	(251)	(251)
Shares issued	11,600	-	-	11,600
Transaction costs on share issue	(557)	-	-	(557)
Share-based payment	-	86	-	86
At 31 December 2007	11,043	86	(251)	10,878
	Issued capital \$000	Option reserve \$000	Accumulated losses \$000	Total equity \$000
At 1 July 2008	12,846	489	(843)	12,492
Loss for the period	-	-	(564)	(564)
Total income and expense for the period	12,846	489	(1,407)	11,928
Shares issued	1,300	-	-	1,300
Share-based payment	-	238	-	238
At 31 December 2008	14,146	727	(1,407)	13,466

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Spitfire Resources Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2008 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

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

2. ACQUISITION OF SUBSIDIARY

	Consolidated Group	
	31 December 2008	31 December 2007

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.

The purchase price was allocated as follows:

Purchase consideration	1,300,000	-
Tenement bonds paid to vendor	23,900	-
Assets and liabilities acquired at acquisition date:		
Receivables	6,130	-
Exploration & Evaluation assets	32,476	-
Fair value of assets acquired	1,285,294	-
Total	1,323,900	-

The assets and liabilities arising from the acquisition are recognised at fair values which are equal to their carrying value at acquisition date.

Loss relating to Black Rock Energy Pty Ltd amounting to \$7,488 is included in the consolidated income statement for the half-year ended 31 December 2008. Had the results relating to Black Rock Energy Pty Ltd been consolidated from 1 July 2008, the loss would have been \$68,949 resulting in a consolidated loss of \$625,803 for the half-year ended 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENT INFORMATION

The economic entity operates in the field of mineral exploration in the geographical area of Australia.

Consolidated 2008	Australia – Manganese Exploration \$000	Australia – Coal Exploration \$000	Consolidated Group \$000
Revenue	-	-	-
Total segment revenue	-	-	-
Unallocated revenue	-	-	210
Total revenue			210
Segment Result	(1)	(7)	-
Unallocated expenses net of unallocated revenue	-	-	(766)
Loss before income tax	(1)	(7)	(564)
Income tax expense	-	-	-
Loss after income tax	(1)	(7)	(564)

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

4. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTES TO THE FINANCIAL STATEMENTS

5. ISSUED CAPITAL

	Consolidated Group	
	31 December 2008	31 December 2007
	\$	\$
Ordinary shares (i)	14,146	11,043
	14,146	11,043

(i) Fully paid ordinary shares carry one vote per share and carry the right to dividends.

<i>Movement in ordinary shares on issue</i>	<i>Number</i>	<i>\$</i>
At 31 December 2007	61,000,015	11,042,660
Issued on 17 March 2008 at 15.5c for provision of consultancy services	500,000	77,500
Issued on 20 March 2008 at 18.5c pursuant to a placement	8,650,000	1,730,000
Share issue expenses		(4,900)
Issued on 10 June 2008 at 20c upon the conversion of options	1,666	333
Issued on 20 November 2008 at 13c for the acquisition of Black Rock Energy Pty Ltd	10,000,000	1,300,000
At 31 December 2008	80,151,681	14,145,593

6. EVENTS AFTER THE BALANCE SHEET DATE

On the 22nd January 2009 the Company issued 1,000,000 incentive options to key management pursuant to the Spitfire Employee Share Option Plan approved by shareholders.

The Company has issued a Notice of General Meeting of shareholders to be held on the 6th March 2009. A copy of the notice can be found on the company's website www.spitfireresources.com

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 13:
 - a. Comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - b. Give a true and fair view of the economic entity's financial position at 31 December 2008 and its performance for the half-year ended on that date.

2. 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.



James T Hamilton
Managing Director

16th February 2009

PERTH, WA

Independent Auditor's Review Report

To the Members of Spitfire Resources Limited

We have reviewed the accompanying half-year financial report of Spitfire Resources Limited and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

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Directors Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Spitfire Resources Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Spitfire Resources Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



BENTLEYS
Chartered Accountants



CHRIS WATTS
Director

DATED at PERTH this 16th day of February 2009