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SPITFIRE RAISES \$1.74M TO UNDERPIN MANGANESE AND COPPER EXPLORATION IN 2011

FUNDS RAISED TO SUPPORT AGGRESSIVE NEW YEAR DRILLING PUSH

Spitfire Resources Limited (ASX: **SPI** – “Spitfire” or “the Company”) is pleased to announce that it has firm commitments to raise **\$1.74 million** through a share placement to new and existing strategic and sophisticated investors comprising 20,500,000 shares at 8.5 cents per share.

The funds raised will strengthen the Company’s cash position to over **\$5.3 million**, putting it in a strong position to pursue aggressive drilling and exploration programs at its South Woodie Woodie Manganese Project in the East Pilbara region of Western Australia, as well as copper exploration at its exploration licences near the Lindeman’s Bore Project in the Northern Territory.

The placement is being made using the approval granted by shareholders at Spitfire’s recent annual general meeting. All of the shares issued under the placement are fully paid ordinary shares and will rank *pari passu* with existing ordinary shares.

The Company’s existing major shareholder, Prosperity Steel United Singapore Pte Ltd, has agreed to subscribe for \$1 million worth of shares, with the balance of the placement being taken up by professional and sophisticated investors.

As a result of the placement, Prosperity Steel will increase its holding in the Company from 8.4% currently to 15.8%. Prosperity Steel is a trading company which focuses on the import-export trade of ores, steels, pig iron, ferro-alloys, scrap steels, coal and equipment for steel mills. It has strong connections with major steel mills, ferro-alloys mills and trading groups in mainland China.

Prosperity Steel has significant investments in a number of other listed Australian resource companies including Kagara Limited (ASX: KZL) and Mungana Goldmines Limited (ASX: MUX).

The funds raised will underpin recently announced plans for a major new manganese exploration initiative at South Woodie Woodie following the recent discovery of a new zone of near-surface manganese mineralisation at the “Contact” prospect.

As announced on 15 November 2010, Spitfire is planning to undertake around 10,000m of drilling in 2011 to test an Exploration Target¹ of 5-10Mt grading 10-15% Manganese at the Contact Discovery and to in-fill and extend the existing Tally-Ho deposit (JORC Inferred Resource of 2.94Mt @ 7.07% Mn).

¹ The potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Initial exploration activities are also planned at the Company's exploration tenements near the Lindeman's Bore Project in the Northern Territory following the identification of a substantial magnetic anomaly, covering an area of 19.78 square kilometres, which is believed could be a viable host for base metal mineralisation.

Spitfire's Chairman, Mr James Hamilton, said the funds raised would put the Company in a strong position to press ahead with an aggressive resource development program in 2011 following a successful year of exploration and discovery in 2010.

"We are very positive about our prospects for 2011, which will see Spitfire undertake the largest drilling campaign in its history to comprehensively test the new discovery at Contact, extend the existing deposit at Tally-Ho, and test as many as 15 other targets for high-grade manganese in the vicinity of these deposits.

"As a result of the work completed over the past two years, we feel that we have an improved understanding of the geology of this area which flows through to more precise exploration targeting," he added. "The new funds raised will also give us the capacity to undertake initial exploration at some of our copper prospects in the Northern Territory, adding an exciting new dimension to our portfolio."

"I would like to take this opportunity to thank Prosperity Steel for their ongoing support" Mr Hamilton said.

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Competent Person's Statement

The information in this report relating to exploration results and mineral resources is based on information compiled by Mr. N. Cull who is a Member of the Australian Institute of Geoscientists. Mr. Cull is a senior geological consultant 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.'

About Spitfire Resources

Spitfire Resources Limited (ASX Code: SPI) is an emerging Australian resource development company focused on the carbon steel materials sector. Spitfire's flagship asset is the South Woodie Woodie Manganese Project, which is located approximately 50km down-strike to the south from the 1Mtpa Woodie Woodie Manganese Mine in the East Pilbara region of Western Australia.

Spitfire's initial exploration success at South Woodie Woodie has been within the Southern Target Area, where it has defined a near-surface manganese deposit at the Tally-Ho Prospect, in an area which has had little historical exploration.

Spitfire's principal focus will remain the exploration and evaluation of manganese deposits in the East Pilbara, although it has also acquired a portfolio of advanced thermal coal projects in Tasmania and prospective base metals tenure in the Northern Territory which offer the potential for future diversification.