

ASX Release – 27 January 2011

DECEMBER 2010 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

South Woodie Woodie Manganese Project, East Pilbara

- Significant new zone of near-surface manganese discovered at the newly-named “Contact” area, 10km north-west of the Tally-Ho deposit.
- Mineralisation currently defined over an area of 220m by 130m and trending in an easterly direction, with best hits including:
 - **17m @ 16.81% Mn** from 13m (**17m @ 29.17% Mn** after +2mm wet field screening) **incl. 4m @ 21.98% Mn** (**4m @ 41.8% Mn** after +2mm wet field screening)
 - **4m @ 10.23% Mn** from 22m (**4m @ 21.95% Mn** after +2mm wet field screening)
 - **5m @ 19.02% Mn** from 2m depth, **incl. 1m @ 31.3% Mn** at 5m
- Exploration Target¹ of **5-10Mt grading 10-25% Mn** established for the Contact discovery.
- Field wet screening of samples demonstrates potential upgradeability of the mineralisation to +40% Mn.
- The Contact mineralisation is hosted in the prospective Carawine Dolomite, which also hosts the high-grade (+40% Mn) Woodie Woodie deposits, 70km to the north.
- Mineralisation remains open and along strike in several directions, providing outstanding follow-up opportunities for further drilling.
- Several new priority targets identified by successful Gradient Array Induced Polarisation (GAIP) survey completed over a 3km² area centered on the Contact discovery.
- New targets include a large chargeability anomaly to the north-west of Contact hosted in Carawine Dolomite which represents a priority target for drilling in 2011.

2011 Exploration Program

- Heritage clearances underway for a major 10,000m drilling program targeted to commence in early March 2011.
- Program to include extension and in-fill drilling at Contact, drill testing of new targets to the north-west and in-fill and extension drilling of the Tally-Ho deposit (Inferred Resource 2.94Mt @ 7.07% Mn).

Corporate

- \$1.74M raised through a share placement to new and existing strategic and sophisticated investors, strengthening the Company’s cash reserves to **\$5.067M** as at 31 December 2010.

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.



Spitfire Resources Limited

ACN 125 578 743

Corporate Details

ASX Code: SPI

Issued Capital:
135.513M Ordinary Shares

Substantial Shareholders:

Churchill Mining Plc
Prosperity Steel United
Eralloys Holdings AS
SK Resources

Directors:

Executive Chairman:
James Hamilton

Director/Secretary:
Russell Hardwick

Non Executive Director:
Chris Daws

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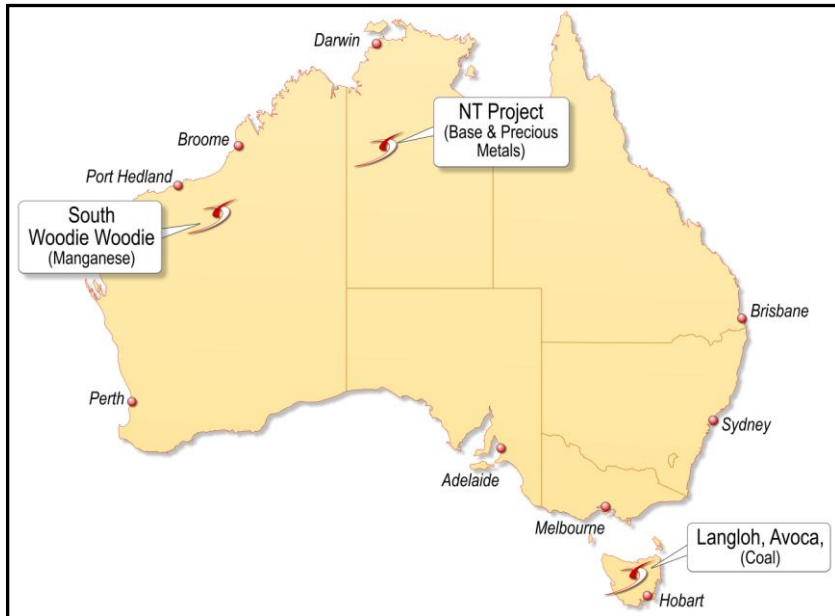


Figure 1 – Spitfire Resources Limited (ASX: SPI) Australian Project Locations

1. South Woodie Woodie Manganese

The South Woodie Woodie Manganese Project comprises four granted Exploration Licences and 13 Exploration Licence Applications covering a total area of 1,804km² in Western Australia’s 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) and in close proximity to several emerging manganese projects which are being actively explored or developed.

1.1 New Manganese Discovery at Contact

During the Quarter, Spitfire completed its Phase II drilling program at the South Woodie Woodie Project targeting 23 priority areas within three tenements:

- EL46/616, which contains the Tally-Ho deposit and recent Bandits discovery;
- EL46/787, where Spitfire drilled for the first time; and
- EL46/615, located in the northern area of the South Woodie Woodie Project, where a target area had been identified to the south of existing mineralisation.

This drilling program was successful in discovering a significant new zone of near-surface manganese mineralisation in tenement EL46/787, in the newly named “Contact” area 10km north-west of the Company’s **Tally-Ho deposit** (Inferred Resource of **2.94Mt @ 7.07% Mn**) and ~70km directly south of the Woodie Woodie Manganese Mine operated by Consolidated Minerals (see Figure 2).

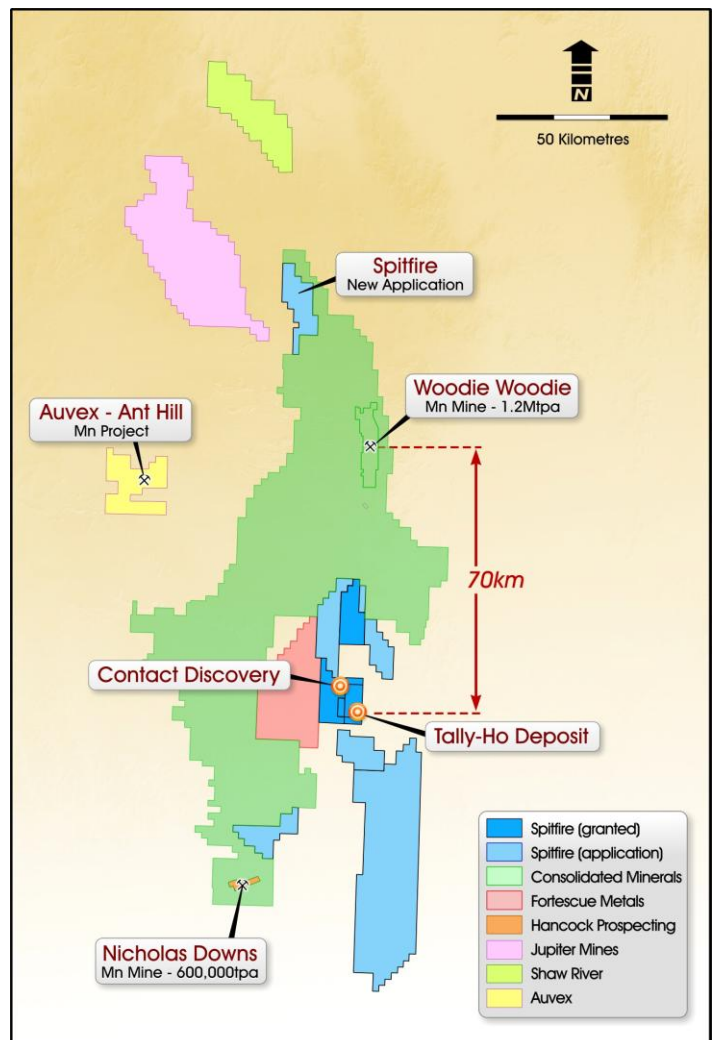


Figure 2 – Regional location map showing SPI Projects

The new mineralised zone has so far been intersected by three Reverse Circulation (RC) drill holes and has been shown to extend over an area approximately 220 metres long and 130 metres wide, with the mineralisation appearing to extend in an easterly direction (see Figure 3 below).

Priority assay results have been received for some of these holes, with significant manganese intersections and hole details and locations summarised in Table 1 below:

Table 1 – Significant drilling intersections, Contact Discovery (RC 1m Composites)

Hole ID	Easting	Northing	From	To	Metres	Mn %	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
WWS120	311433	7536951	22	26	4	10.23	19.73	37.48	8.72	0.05
WWS121	311545	7536846	13	30	17	16.18	18.83	34.12	5.58	0.02
including			13	20	7	18.04	17.07	34.00	5.35	0.03
including			22	29	7	18.49	24.21	21.74	5.71	0.01
including			23	27	4	21.98	24.85	15.90	5.02	0.01
WWS105	311382	7536862	2	7	5	19.02	16.94	28.02	8.07	0.01

These results include some of the most significant widths of manganese mineralisation encountered to date by Spitfire at South Woodie Woodie.

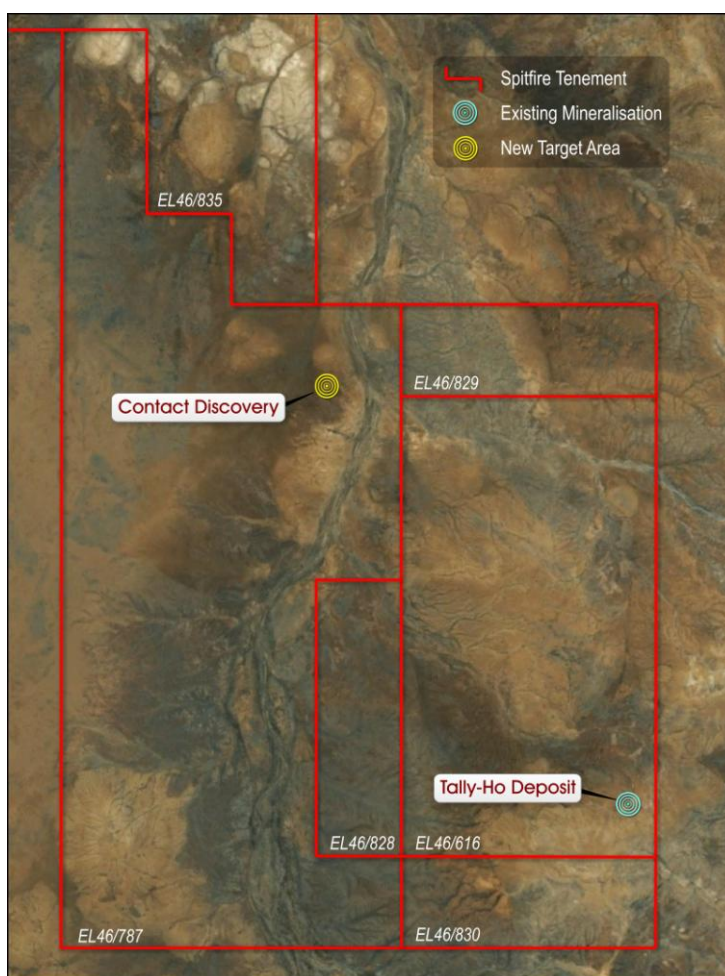


Figure 3 – Location of new Contact discovery relative to Tally-Ho deposit

As part of the Company's process of assessing the RC drill samples from the drilling program, it was noted that the manganiferous drill chips separated from the non-manganiferous chips relatively easily when sieved. Spitfire's geologist took the initiative to submit in-field sieved portions of the 1 metre composite samples for assay. This was conducted by wet sieving (using a +2mm hand sieve) of a representative portion of the composite samples.

The purpose of this technique was not to ascertain upgradeability or yield information, but rather to indicate whether further metallurgical test work should be undertaken. The results of this simple infield testing were overwhelmingly positive, demonstrating that portions of the intersected mineralised zone have direct shipping qualities (+40%Mn). This is summarised in Tables 2 and 3 below:

Table 2 – In-field +2mm wet screened RC Sample (1m Composite)

Hole ID	Easting	Northing	From	To	Metres	Mn%	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%
WWS120	311433	7536951	22	26	4	21.95	18.33	25.80	5.07	0.04
WWS121	311545	7536846	13	30	17	29.17	14.91	23.07	3.11	0.02
including			13	20	7	27.77	15.72	23.68	3.27	0.03
Including			22	29	7	36.69	15.18	11.32	2.59	0.01
including			23	27	4	41.80	13.58	6.38	2.08	0.00
WWS105	311382	7536862	2	7	5	Awaiting assays				

Table 3 – Product upgradeability summary, 1m RC Comp vs. in the field wet +2mm wet screen

Note: all holes were drilled vertically

Hole ID	From	To	Metres	RC Sample		Wet Screen		% Difference	
				Mn%	Fe%	Mn%	Fe%	Mn	Fe
WWS120	22	26	4	10.23	19.73	21.95	18.33	+114.57	-7.10
WWS121	13	30	17	16.19	18.83	29.17	14.91	+80.17	-20.82
including	13	20	7	18.04	17.07	27.77	15.72	+53.94	-7.91
including	22	29	7	18.49	24.21	36.69	15.18	+98.43	-37.30
including	23	27	4	21.98	24.85	41.80	13.58	+90.17	-45.35
WWS105	2	7	5	Awaiting assays					

Based on the overwhelmingly positive results, a number of RC samples have been submitted for metallurgical test work to obtain definitive results on the upgradeability of the material. The Company believes that diamond core should be collected as part of the follow-up drill campaign to definitively estimate yield and upgradeability.

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

Accordingly, Spitfire believes that there is significant potential for the discovery of high-grade material (+40% Mn) within the immediate vicinity of the Contact area. The lack of outcropping manganese, together with the masking effect of the chert breccia, makes this style of mineralisation very difficult to locate.

It must be noted that the mineralisation at “Contact” is open in numerous directions. Depth extensions to this style of mineralisation are also possible. The mineralisation style is not like that of the Tally-Ho Deposit to the south-east.

The manganese-rich layers intersected by the drilling at Contact represent some of the largest intersections drilled to date by Spitfire at South Woodie Woodie and are of particular interest as the lateral extents of the mineralisation remain to be fully tested.

At this stage, indications are that the mineralisation remains open in most directions to the north and south-east. The presence of manganiferous Carawine Dolomite also indicates significant potential for the discovery of bodies of high-grade manganese at depth or within the immediate vicinity of the mineralisation.

1.2 Gradient Array IP Survey – New Targets Defined

Following the Contact discovery, Spitfire commissioned a ground-based Gradient Array Induced Polarisation (GAIP) survey covering the greater discovery area in order to define potential extensions to the mineralisation and follow-up drilling targets.

GAIP was one of the key exploration techniques used by Consolidated Minerals to successfully uncover a number of major greenfields discoveries at the nearby Woodie Woodie manganese mine.

The GAIP survey evaluated a 3km² area centred on the Contact discovery, identifying numerous anomalies potentially associated with near-surface manganese mineralisation (see Figure 4). The Company has received and interpreted the results, which correlate with the known mineralisation identified at Contact, indicating that GAIP has worked well at detecting manganese mineralisation.

The survey has identified several highly prospective new exploration targets in the area surrounding the “Contact” discovery including a large chargeability anomaly to the north-west of Contact as shown on Figure 4, which is of particular interest as the surrounding rocks are Carawine Dolomite, which are the host rocks of the Woodie Woodie mineralisation.

This anomaly will be a priority exploration target alongside the Contact discovery itself and the existing Tally-Ho deposit when Spitfire’s 2011 exploration program commences in March.

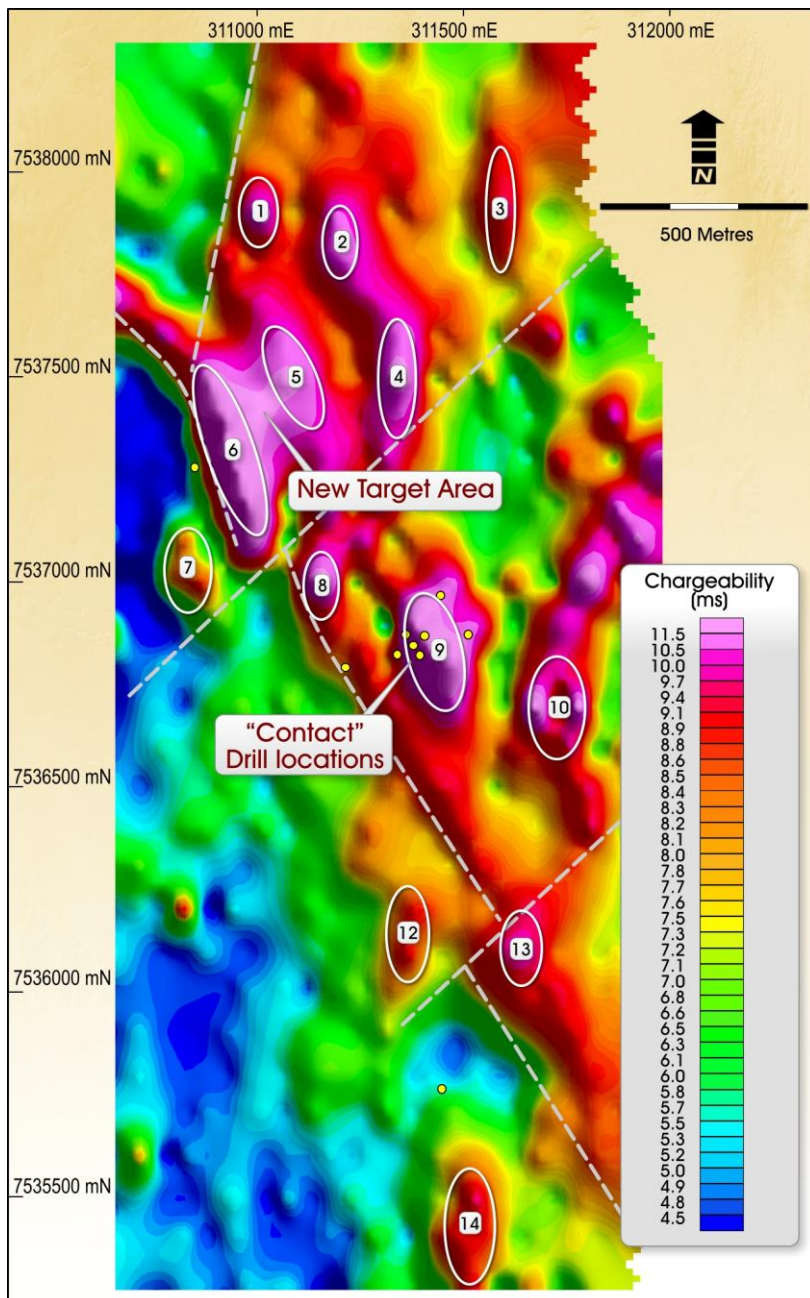


Figure 4 – Gradient Array IP survey results showing chargeability anomalies and new target area to the north-west

1.3 2011 Exploration Program

Following the successful 2010 field season and discovery of the Contact mineralisation and new targets, Spitfire has announced plans for a significantly expanded manganese exploration program for 2011, comprising up to 10,000 metres of Reverse Circulation and 1000m Diamond Core drilling.

The campaign will focus on:

- RC drilling to in-fill and extend the Contact mineralised zone to test the area of the broader Exploration Target¹ (**5-10 million tonnes grading 10% to 25% Mn**) and establish an initial JORC compliant Inferred Mineral Resource;
- Diamond drilling to obtain representative core samples for definitive metallurgical test work. This test work program will be designed to confirm the ability to upgrade the Contact material using relatively simple beneficiation techniques to a final direct shipping grade product (+40% Mn);
- Deeper RC and selective diamond drilling based on the results of the GAIP survey to assess the potential for the Contact area and surrounding zones to host high-grade Woodie Woodie-style (+40% Mn) manganese within the Carawine Dolomite host rock – with particular focus on the large anomaly to the north-east of Contact. The presence of Carawine Dolomite has strengthened the potential for this area to host high-grade manganese deposits;
- RC drilling to in-fill and extend the current JORC resource at the Tally-Ho deposit Inferred Resource of **2.94Mt @ 7.07% Mn**). The Company believes that there is potential to increase both the manganese resource inventory and grade percentage at Tally-Ho; and
- RC drilling to test selected targets within the Company's tenement holding, particularly targets which have been reassessed and upgraded in light of the recent exploration success at Tally-Ho and Contact.

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.

2. Tasmanian Coal

Spitfire Resources Limited currently holds a set of three coal projects located in Tasmania. The first, the Langloh project, is composed of one tenement EL28/2008, which holds a 10 million tonne (inferred JORC resource) thermal coal resource in which the seams are still open at depth.

The Avoca project holds promise with drilling intercepting coal seams up to 3.5m thick over a strike of 3 kilometres on tenement EL27/2008. The addition of EL23/2010 to the North where coal outcrops of similar thicknesses have been identified means this strike could extend further.

Spitfire completed programs of diamond and RAB drilling at Langloh and Avoca in March 2010. Following encouraging results, samples from the drilling were dispatched to SGS in Newcastle for coal quality analysis and subsequent review by the specialist coal consultancy, Marston.

The Langloh Project comprises a granted tenement covering an area of 103 square kilometres in the Derwent Valley region of Tasmania. The project area was extensively drilled and sampled by Capricorn Resources and Petrecon Australia between 1981 and 1982, with a total of 28 holes completed for 1,413 metres of drilling.

The resource is composed of three main seams which have an average width of 3.6m and lie no further than 45 metres below the surface. There is potential for additional coal seams at depth.

A total of 12 coal seam and coal seam composite samples from the Langloh Project were submitted for float-sink testing. The test work results indicate that:

- Export quality thermal coal product can be produced with an average apparent yield 60%;
- The average indicative product quality is 14.3% ash, 0.4% total sulphur with a calorific value of **27.0 Mj/kg (6448 kcal/kg)** – all values reported on air dried basis;
- The average Hardgrove Index of >89 indicates that product coal will mill easily; and
- The ash fusion temperature for initial deformation of 1,246 0C and base acid ratio of 0.33 indicate satisfactory boiler slagging and fouling characteristics.

The Avoca Project does not contain a JORC inferred resource as this was the first time drilling has been undertaken in the project area, however coal has been mined in the area surrounding Avoca almost continually since 1923. The historically worked seams display significant thickness of up to 3.6m in places.

Four coal seam composite samples from the Avoca Project were submitted for float-sink testing, with key results summarized below:

- One sample produced export quality thermal coal with an apparent yield of 85%;
- Indicative product quality is 12.3% ash, 0.51% total sulphur with a calorific value of **28.9 Mj/kg (6,902 kcal/kg)** – all values reported on air dried basis;
- The average Hardgrove Index of 52 indicates that product coal will mill satisfactorily; and
- The ash fusion temperature for initial deformation of +1,570 0C and base acid ratio of 0.54 indicate satisfactory boiler slagging and fouling characteristics.

This sample shows that good coal quality can be located at Avoca; however, due to the limited drilling campaign undertaken last year, more exploration drilling and testing of the area is required to qualify this sample as representative.

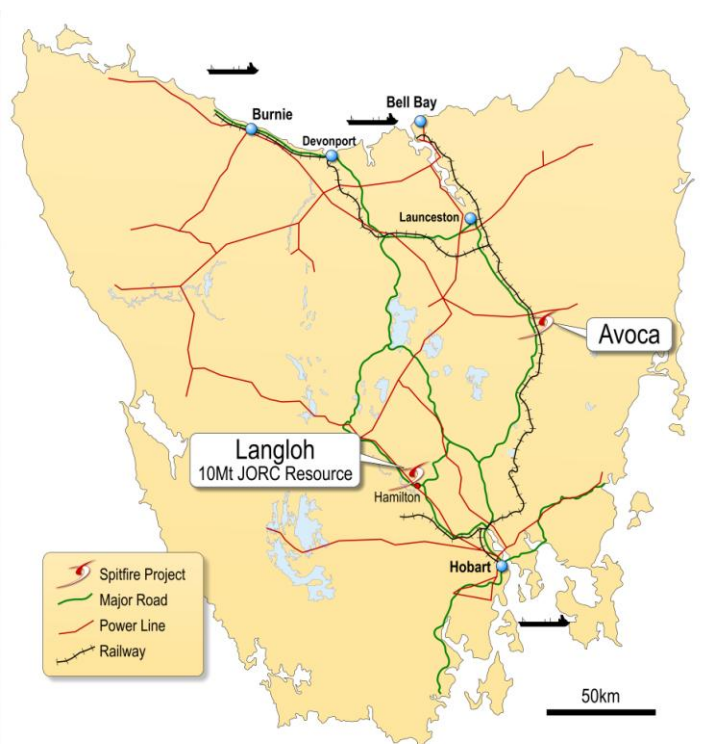


Figure 5 – Spitfires Tasmanian Tenement holding location map



New Tenement Granted

Spitfire is pleased to advise that the Gibbs Creek Tenement (EL23/2010), which adjoins the northern boundary of the existing Avoca tenement (EL27/2008), has been formally granted. This extends the Company's total land-holding at Avoca to 208 km².

Coal outcrops of similar thickness to the Avoca drill results have been previously mapped within this new license area and Spitfire believes there is potential to extend the known coal strike length into this new tenement (see Figure 6 below).

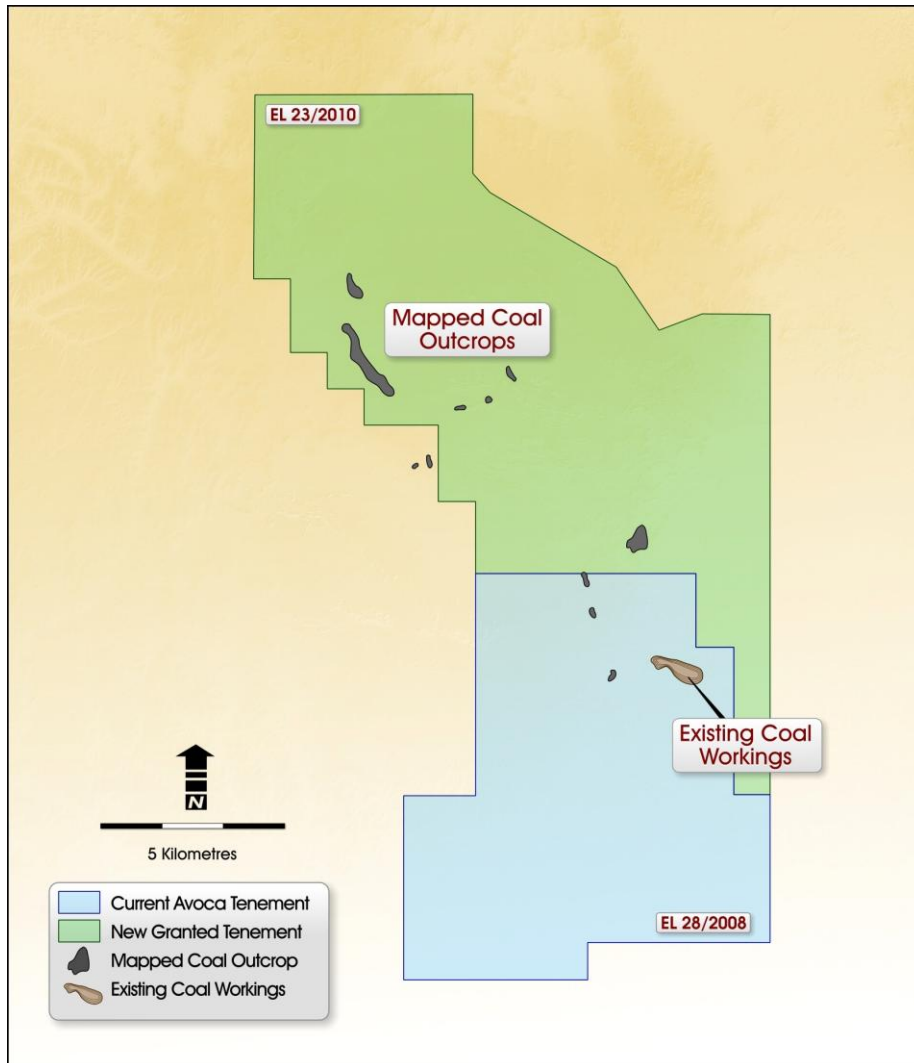


Figure 6 – Spitfires New Gibbs Creek Tenement

3. Northern Territory Exploration Portfolio

Spitfire holds a 70% interest in a group of four Exploration Licences and three Exploration License Applications (ELA's) which have been lodged surrounding the Lindeman's Bore Project, located 380km south west of Katherine in the Northern Territory. The tenements have a total area of 9,680 square kilometres covering prospective magnetic features surrounding the Lindeman's Bore discovery.

Following an extensive literature and geophysical evaluation, Spitfire has focused its attention on a noted copper anomalous area which coincides with a strong magnetic anomaly (see Figure 7 below) and is located in one of the granted exploration licences. The outcome of a short duration fieldtrip conducted in late 2010 was valuable field observations which have assisted with the redefining of existing targets for future work which includes geological mapping and sampling. A proposal for a more extensive field visit has begun, with initial contact made with landholders in the area.

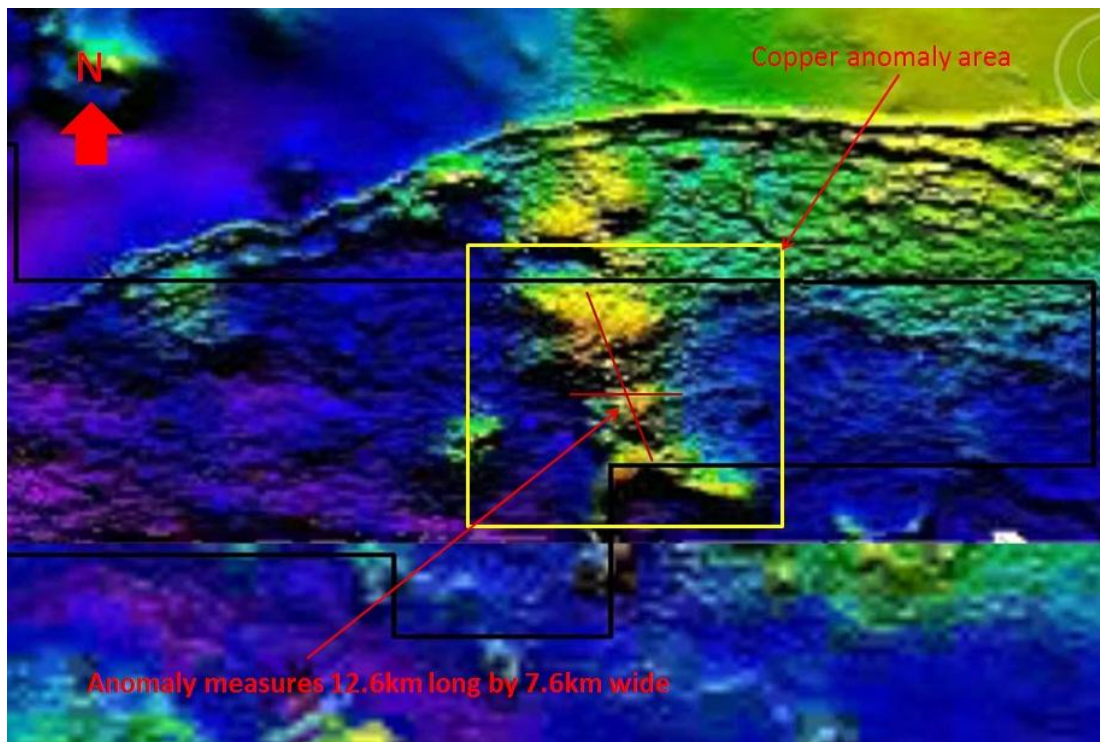


Figure 7 – Identified copper anomaly in area of interest

4. Corporate

During the Quarter, Spitfire completed a share placement to new and existing sophisticated investors comprising 20.5 million shares at 8.5 cents per share, raising a total of \$1.74 million.

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

As a result of the placement, Prosperity Steel has increased its holding in the Company from 8.4% 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 have further strengthened the Company's cash position, which stood at \$5.067 million as at 31 December 2010, putting it in a strong position to pursue aggressive drilling and exploration programs during 2011 including the planned 10,000 metre drilling program at South Woodie Woodie and initial exploration activities at the Lindeman's Bore Project in the Northern Territory.



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Executive Chairman

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Competent Person's Statement – South Woodie Woodie and Northern Territory Projects

The information in this report relating to Exploration Results and Mineral Resources from the South Woodie Woodie Manganese Project and the Northern Territory Project is based on information compiled by Nathan Cull who is a Member of the Australian Institute of Geoscientists. Mr. Cull is a Senior Consulting Geologist 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 relating 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.