



ABN 40 125 578 743

MEDIA / ASX RELEASE

20 JANUARY 2011

MARKET UPDATE – TASMANIAN COAL PROJECTS

Highlights

- **Positive results received from coal quality analysis conducted on drill core from the Avoca and Langloh Thermal Coal Projects, Tasmania**
 - **Results confirm potential to produce export quality thermal coal with average calorific value of 27.0 Mj/kg (6,448 kcal/kg) for coal from Langloh and 28.9 Mj/kg (6,902 kcal/kg) for Avoca¹**
 - **New Gibbs Creek Tenement (E23/2010), located adjacent to the Avoca Project, granted – increasing the known coal strike length controlled by the Company**
-

Spitfire Resources Limited (ASX: **SPI** – “Spitfire” or “the Company”) is pleased to provide an update on recent activities with its portfolio of thermal coal projects in Tasmania.

Through its subsidiary Black Rock Energy Pty Ltd, the Company has 100% interest in a portfolio of three coal projects in south-west Tasmania including the Langloh Coal Project (which has an existing in-situ JORC inferred coal resource of 10 million tonnes) and the Avoca Coal Project.

All of these projects have excellent access to infrastructure and offer the potential to underpin a niche export thermal coal business. Spitfire believes there is good potential to delineate additional resources at both projects.

Coal Quality Analysis Results

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 Project has a JORC compliant 10 million tonne inferred resource which sits within the determined 7.25 km long by 4.5 km wide prospective zone.

¹ * All values reported on an air dried basis from a float sink testing and clean coal composite analysis programme

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 °C and base acid ratio of 0.33 indicate satisfactory boiler slagging and fouling characteristics.*

The Avoca Project does not contain a JORC 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 °C 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.

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 208km².

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 1*).

ENDS

Released by:
Mr. Nicholas Read
Read Corporate
Telephone: (61-8) 9388 1474

On behalf of:
Mr. John Mackenzie
Chief Executive Officer
Spitfire Resources Limited
Telephone: (61-8) 6382 3700
www.spitfireresources.com

On behalf of:
Mr. James Hamilton
Executive Chairman
Spitfire Resources Limited
Telephone: (61-8)6382 3700
www.spitfireresources.com

Competent Person's Statement

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.

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 deposits at the Tally-Ho and Contact Prospects, in an area which has had little historical exploration.

Spitfire also has advanced thermal coal projects in Tasmania and prospective base metals tenure in the Northern Territory.

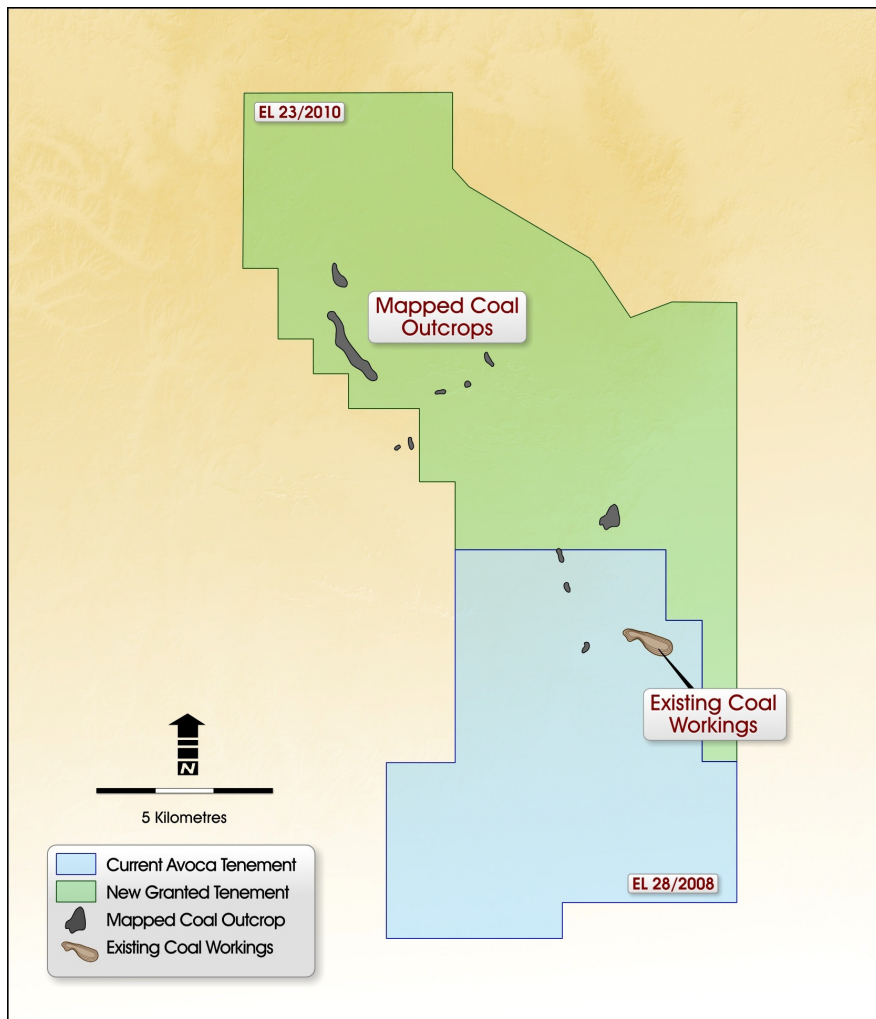


Figure 1 – Location map showing new Gibbs Creek tenement