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Spitfire Resources Looks For A Quick Fire Start On Its Manganese And Coal Projects In Australia

By Rob Davies

Any company that boasts a share price that is the same now as when it listed in December 2007 has clearly got something going for it. A sad reflection of the market, but a positive comment on the state of play at Spitfire Resources. In the case of Spitfire, it's exposure to two commodities that are very much in demand right now and are enjoying high prices. The market likes the exposure Spitfire offers to manganese and coal, even if it isn't in production yet. Normally these two bulk commodities occur in large deposits which require massive capital expenditure and long lead times to get them into production. What is special about this company is that there is a good chance for it to fast track into production in a small way, by taking advantage of excellent infrastructure in the two areas it is working in: Western Australia and Tasmania.

While mining investors are happy to invest in Western Australia some have had unhappy experiences in Tasmania. Just ask those who've been burned time and again by, amongst other things, government procrastination over the tin and sapphire project owned by Van Dieman Mines. Minews asked James Hamilton, executive chairman of Spitfire, whether he was concerned about the "green risk" in Tasmania, and his reply was that it is "manageable".

Tasmania is not renowned for its coal, but it is there in significant quantities. What really appeals to James is that there are four deepwater ports on the island with no queues. If he can mine the coal he can ship it, something that is not so easy in New South Wales or Queensland. Spitfire paid 10 million shares for Black Rock Energy, giving it four coal leases in the Derwent Valley, one of which, Langloh, has a JORC compliant resource of 10 million tonnes. This deposit, and the other three, were drilled and tested in the early 1970s with the idea of fuelling a domestic power station. In the event gas was used, leaving these deposits unexploited. The next stage for Spitfire is further drilling to take the resource up to 25 million tonnes, at which point a further payment of 10 million shares or A\$2 million in cash will be triggered. Spitfire thinks the potential resource could be as much as 45 million tonnes, and any potential mine could easily use Hobart, Burnie or Bell Bay as an export port.

On the other side of the country, in the north of Western Australia, James thinks the sealed highway from close to the South Woodie Woodie manganese property could be used to truck direct shipping manganese to Port Headland for transportation out into foreign markets. First, though, he has to establish a resource, and unfortunately bad weather and poor drilling conditions forced a premature end to the most recent drilling campaign there. Consequently only 16 RC holes were completed for 2,227 metres, out of a planned 34 holes. Even so, manganese was encountered in 10 of the 16 holes and five of the six targets and the company plans to go back in October. Thicknesses of up to 12 metres were encountered, and preliminary metallurgical work indicates that a simple beneficiation plant could produce material grading 45 per cent manganese with low silica and phosphorus content.

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Manganese prices are about US\$800 a tonne at the moment, and James is keen to capitalise on the boom, as is Eramet. This French nickel miner is acquiring Tinfos, a Norwegian company that took a 14 per cent stake in Spitfire via a placement in March. That topped up Spitfire's treasury to A\$7 million, which is a nice position in today's markets. With that sort of firepower James is hoping for a quick fire start for Spitfire.