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By Our Man in Oz

### **Tally-Ho! Spitfire Resources Intercepts A Rich Seam Of Manganese Down On South Woodie Woodie**

Over 40 years ago field workers from the Geological Survey of Western Australia noted on their hand-drawn maps an outcrop of manganese-rich rock in the region known today as South Woodie Woodie. From that day in the mid 1960s, until a few months ago, the outcrop was “lost”. It wasn’t, of course. Rocks don’t disappear. The problem was that the old maps didn’t agree with the information provided by a more modern tool, a satellite-tuned global positioning system (GPS). People being people, the inevitable tendency was to dismiss the old maps and to believe the latest technology. If the GPS said there was not an outcrop where there ought to have been an outcrop, then it must never have existed at all. Oh dear, what a mistake. The mistake has, however, been made good by a bit of old-fashioned exploration, better known as walking around, over this, some of the world’s most inhospitable terrain.

Last year, without fanfare, the “lost” outcrop was re-discovered by a team of Indonesian-trained geologists working for the small Australian manganese and coal explorer, Spitfire Resources. It was a “eureka” moment, Spitfire executive chairman, James Hamilton, tells Minesite’s Man in Oz over a crisp sauvignon blanc and calabrese pizza at the curiously-named Funtastico restaurant in Perth’s inner suburb of Subiaco. “We were pretty sure that what the Geological Survey had noted had to be somewhere nearby,” he says. “The only solution was to find it the hard way, and this is country where it’s even hard to drive a quad-bike. Walking the ground was the only way, and that’s how we found it, three kilometres from where it was said to be.”

Finding the outcrop was the start of what is turning out to be a decisive time in the brief history of Spitfire. Spitfire started out life with a simple plan: to look for manganese south of Consolidated Minerals’ Woodie Woodie mine. This is the same mine which was the key asset in a savage and high-priced takeover battle during 2007, a battle eventually won by a rich Ukrainian called Gennadiy Bogolyubov. Previously dismissed by its critics simply as an “address pegger”, or as a company that was just simply pursuing the boom-time art of “nearology” (where near-enough is considered good enough to keep speculators happy), Spitfire has now started to deliver the goods - in the form of eye-catching drill assays.

Last week, after intensive analysis over the Christmas and New Year break, Spitfire released assay results from what it dubbed “phase-two” drilling at the Tally Ho prospect in its “Southern Target Area” of South Woodie Woodie. The best intercepts came in at six metres at 20.48% manganese, including one metre at 36%, and seven metres at 21.8%. Manganese aficionados will know that these are not results which will lead immediately to a decision to mine. But they are the stuff from which a significant discovery could start to build, especially given the location along strike from a world-class manganese mine and within a few metres of the surface. The results also, be it noted, come in at a time when manganese, despite a gloomy global outlook for steel, appears to be picking up in price.

More drilling is required, although with temperatures in the Pilbara region likely to be close to the 50 degree Celsius mark over the southern summer months it will have to wait until April at the

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earliest. “We know exactly where we want to resume drilling,” Hamilton says. “The plan is to get back on site and pepper the discovery zone with up to 50 shallow holes. Because we only want to go down about 50 metres we can drill two or three in a day. Some of the earlier results were as close as three metres from the surface.”

At another time Spitfire’s discovery at South Woodie Woodie would have sent a buzz of excitement through the stock market. And perhaps it did, by the standards of today’s shell-shocked conditions. The shares were trading at around A6 cents before the release of the first drill results on 9th January, and did then rise as high as A9 cents, a 50 per cent increase over a few days. But since then the stock has settled back to around A8 cents, a price which capitalises the company at an untaxing A\$4.4 million. What makes that number especially interesting number is that Spitfire has around A\$5.1 million in the bank, and the next drilling program is costed at A\$750,000. In other words, the stock is today valued at just about the amount of cash the company has in the bank, with zero value attached to what looks to be one of the better manganese discoveries around. And manganese is a mineral which continues to stir Ukrainian blood, as has been shown by a fresh outbreak of corporate games, this time involving the share register of OM Holdings.

Until a few months ago OM was a low-brow Singaporean-based company, working the Bootu Creek manganese mine in Australia’s Northern Territory. But in November life changed for OM when Mr Bogolyubov snapped up an 11 per cent stake in an eerily similar manner to the stock acquisitions he made as he was starting out on his acquisition of Consolidated Minerals. This time, however, the result might be different. OM works in Australia and is based in Singapore, but it is legally a Bermudan registered company, and so last Friday 85 per cent of its shareholders voted in favour of a series of moves designed to offer the company “takeover protection” of the anti-Ukrainian variety.

In one sense, events at OM have nothing to do with Spitfire. But, in another sense, they mean everything because they underline the fact that some people love manganese and are prepared to fight hard and pay a high price to get it. Since Mr Bogolyubov’s ConsMins started buying OM shares in mid November, the stock has risen from a low of around A66 cents to a high of A\$1.43, hit on 7th January. That represents a 116 per cent increase - hard to top on any stock exchange in the world. And there’s a chance some of the shine may rub off on Spitfire.

Hamilton says much of the credit for the discovery at Tally Ho should go to his small team of Indonesian geologists – it’s the same group that was responsible for the coal discoveries made in Borneo by Spitfire’s associated company, Churchill Mining. “We were having serious difficulty in recruiting Australian geologists to work in such a remote location,” he says. “The latest graduates would demand a huge salary, other perks, and then walk away when we told them where they would be working. The team from Indonesia, which is paid full Australian rates, loved the opportunity and have delivered the goods.”

The challenge now for Spitfire is to work out how to follow up on the information provided by its phase two drilling program. At this stage the programme appears to have outlined a potentially large structure located beneath a thin cap of silica-rich material. “Drilling has defined a consistent geological profile,” Spitfire says in its 9th January report. The statement adds that the phase two drilling “represents a significant breakthrough for the company”, and that “the presence of drill-intersected manganese mineralisation at the Tally Ho prospect, in a virgin area,

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has established a major new drilling target for the company during 2009.” All that Spitfire needs to say now is: “tally ho”!