

# SPITFIRE RESOURCES LIMITED

ACN 125 578 743

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## ENTITLEMENTS ISSUE PROSPECTUS

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For a non-renounceable entitlements issue of 23,383,338 Options on the basis of one Option for every three (3) Shares held by Shareholders registered at 5.00pm (WST) on 16 April 2008 at an issue price of 1 cent per Option to raise approximately \$233,833 (**Offer**).

This offer is fully underwritten by Paul Mazak, James Hamilton, Russell Hardwick, and Christopher Daws, who are directors of the Company. The details of the underwriting agreements are set out in Section 5.5 of this Prospectus.

### **Important Notice**

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Options being offered under this Prospectus or any other matter, you should consult your stockbroker, accountant or other professional adviser.

The Options offered by this Prospectus should be considered speculative.

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**TIMETABLE AND IMPORTANT DATES**

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<b>Event</b>	<b>Date</b>
Lodgement of Prospectus with the ASIC	1 April 2008
Notice to Shareholders	2 April 2008
Shares quoted on an "ex" basis	10 April 2008
Record Date for determining Shareholder entitlements	16 April 2008
Opening Date and dispatch of Prospectus to Shareholders	18 April 2008
Closing Date of Offer	16 May 2008
Options quoted on a deferred settlement basis	19 May 2008
Notify ASX of under subscription	20 May 2008
Underwriters to subscribe and pay for Shortfall	22 May 2008
Company to issue Shortfall to Underwriters	26 May 2008
Allotment and dispatch of holding statements	26 May 2008

Note: These dates are determined based upon the current expectations of the Directors and may, subject to the Listing Rules, be changed without notice. The Directors may extend the Closing Date by giving at least 6 Business Days' notice to ASX prior to the Closing Date.

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## IMPORTANT INFORMATION

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Investors should read this document in its entirety and, if in doubt, should consult their professional advisers before deciding whether to apply for Options offered under this Prospectus.

This Prospectus is dated 1 April 2008 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The Expiry Date of the Prospectus is the date that is 13 months after the date of this Prospectus (**Expiry Date**). No Options will be allotted or issued on the basis of this Prospectus after the Expiry Date.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

No person is authorised to give any information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus.

Please read this document carefully before you make a decision to accept the Offer. An investment in the Company has specific risks which you should consider before making a decision to invest.

Certain terms and abbreviations used in this Prospectus have defined meanings which are set out in the Glossary.

This Prospectus is a transaction specific Prospectus for an offer of Options to acquire continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with Section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

### **Electronic Prospectus**

This Prospectus may be issued as an electronic Prospectus. The offer of Options pursuant to this Prospectus is available to persons receiving an electronic version of this Prospectus within Australia. The Corporations Act prohibits any person from passing an Acceptance Form to another person unless it is attached to or accompanies the complete and unaltered version of this Prospectus. The Prospectus may be viewed online at: [www.spitfireresources.com](http://www.spitfireresources.com).

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## CORPORATE DIRECTORY

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### Directors

Paul Mazak  
James Hamilton  
Russell Hardwick  
Christopher Daws

### Company Secretary

Russell Hardwick

Telephone: (08) 9381 3733

### Registered Office

1<sup>st</sup> Floor, Suite 8  
232 Churchill Avenue  
SUBIACO WA 6008

Telephone: (08) 9381 3733

Facsimile: (08) 9382 4527

### Solicitors to the Company

Steinepreis Paganin  
Level 4, Next Building  
16 Milligan Street  
PERTH WA 6000

Telephone: (08) 9321 4000

Facsimile: (08) 9321 4333

### Share Registry\*

Security Transfer Registrars Pty Ltd  
Suite 1, Alexandra House  
770 Canning Highway  
APPLECROSS WA 6153

Telephone: (08) 9315 2333

Facsimile: (08) 9315 2233

### Auditors

Bentleys  
Level 1  
12 Kings Park Road  
WEST PERTH WA 6005

Telephone: (08) 9226 4500

Facsimile: (08) 9226 4300

\* These entities have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus. Their names are included for information purposes only.

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## CHAIRMAN'S LETTER

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Dear Shareholder,

We are pleased to offer you the opportunity to participate in the offer of one (1) Option exercisable at 20 cents on or before 30 June 2010 for every three (3) Shares held by you as at 16 April 2008 at an issue price of 1 cent per Option.

The Offer will raise approximately \$233,833 before expenses. Funds raised will be applied to exploration and working capital.

Spitfire is in a strong position to pursue its core strategy and objectives, which are:

- To explore its 80%-owned South Woodie Woodie manganese project in the East Pilbara region of Western Australia; and
- To review other project opportunities in Australia and other parts of the world.

Since listing on the ASX in December 2007 the company has:-

- secured the services of an experienced Exploration Manager who is a specialist in manganese, in particular Woodie Woodie-styled manganese deposits;
- more than doubled the size of its exploration tenure in the East Pilbara region by pegging 899 square kilometres of ground applications to the south of the South Woodie Woodie Project;
- attracted Tinfos AS to the Company's share register, bringing a range of strategic benefits including additional funding options should exploration at South Woodie Woodie be successful; and
- further strengthened its cash position in a particularly difficult environment in global equity markets, enabling the Company to accelerate its exploration programs.

All this has been achieved at a time when manganese prices remain at historical highs, reflecting strong demand and tight supply for high-grade, premium quality manganese.

At the time of writing Spitfire was continuing its build-up for its maiden drilling and associated ground mapping campaigns at South Woodie Woodie. These programs are scheduled to start at the end of the northern wet season.

On behalf of the Board I thank you for your continued interest in Spitfire.

Yours sincerely,

**Mr Paul G Mazak**  
**Chairman**

## SECTION 1

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### 1. DETAILS OF THE OFFER

#### 1.1 The Offer

The Company is offering an entitlement issue of Options pursuant to this Prospectus. The purpose of the Offer and the use of the funds raised pursuant to the Offer are set out in Section 2.1 of this Prospectus.

The Offer consists of a non-renounceable entitlements offer of 23,383,338 Options on the basis of one (1) Option for every three (3) Shares held by Shareholders registered at 5.00pm on 16 April 2008 at an issue price of 1 cent per Option to raise \$233,833 before expenses of the Offer.

The terms of the Options are set out in Section 3 of this Prospectus.

#### 1.2 How to Apply

Shareholders' acceptance of the Offer must be made on the Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
  - (i) complete the Acceptance Form, filling in the details in the spaces provided; and
  - (ii) attach your cheque for the amount indicated on the Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement:
  - (i) fill in the number of Options you wish to accept in the space provided on the Acceptance Form; and
  - (ii) attach your cheque for the appropriate application monies (at 1 cent per Option); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Spitfire Resources Limited – Offer Account" and crossed "Not Negotiable".

Your completed Acceptance Form and cheque must reach the Share Registry by no later than 5.00pm WST on the Closing Date.

The Offer is non-renounceable. Accordingly, a holder of Shares may not sell or transfer all or part of their Entitlement.

#### 1.3 Minimum Subscription

There is no minimum subscription in respect of the Offer.

#### **1.4 Allotment of Options**

Options offered pursuant to this Prospectus will be allotted as soon as practicable after the Closing Date.

Pending the allotment and issue of the Options all application monies will be held by the Company in trust for the applicants in a separate bank account as required by the Corporations Act. The Company will, however, be entitled to retain all interest that accrues on the bank account and each applicant waives the right to claim interest.

#### **1.5 Shortfall**

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall and will revert to the Underwriters. The Underwriters reserve the right to place the Shortfall at their discretion.

#### **1.6 Risk Factors**

Prospective applicants should be aware that subscribing for Options the subject of this Prospectus involves a number of risks. These risks are set out in Section 4 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 4, and other general risks applicable to all investments in securities not specifically referred to, may in the future affect the value of the Options. Accordingly, an investment in the Company should be considered speculative.

#### **1.7 ASX Listing**

The Company will apply to ASX within seven (7) days after the date of this Prospectus for official quotation of the Options offered under this Prospectus. If ASX does not grant permission for official quotation of the Options within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, all applications will be dealt with in accordance with the Corporations Act.

#### **1.8 Electronic Prospectus**

This Prospectus will be issued in paper form and as an electronic prospectus. The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. The Corporations Act prohibits any person from passing onto another person an Acceptance Form unless it is attached to or accompanied by a complete and unaltered version of this Prospectus. Whilst the Offer is open, any person may obtain a hard copy of this Prospectus by contacting the Company using the contact details set out in the Corporate Directory.

#### **1.9 Taxation Implications**

The Directors do not consider that it is appropriate to give potential applicants advice regarding the taxation consequences of applying for Options under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to potential

applicants. Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Offer.

#### **1.10 Privacy Act**

If you complete an application for Options, you will be providing personal information to the Company (directly or by the Company's Share Registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and Option holder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Options, the Company may not be able to accept or process your application.

#### **1.11 Overseas Shareholders**

It is the responsibility of foreign Shareholders to obtain all necessary approvals for the allotment and issue to them of Options pursuant to this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would be unlawful to make such an offer.

#### **1.12 Enquiries**

Any questions concerning the Offer should be directed to the Company Secretary, Russell Hardwick, on (08) 9381 3733.

## SECTION 2

### 2. PURPOSE AND EFFECT OF THE OFFER

#### 2.1 Purpose of the Offer and Use of Funds Raised

The purpose of the Offer is to raise approximately \$233,833 (before expenses of the Offer). Proceeds raised from the Offer will be used to fund the Company's exploration activities and general working capital.

The indicative application of funds raised under the Offer will be as follows:

Item	Amount
Exploration and working capital	\$223,333
Expenses of the Offer	\$10,500
<b>Total</b>	<b>\$233,833</b>

#### 2.2 Effect of the Offer

The principal effect of the Offer (assuming full subscription) and no existing options on issue are exercised prior to the Record Date will be to:

- (a) increase cash reserves by approximately \$223,333 after deducting estimated cash expenses of the Offer; and
- (b) increase the number of options on issue from 1,000,000 as at the date of this Prospectus to 24,383,338 options. The number of Shares on issue will not change.

#### 2.3 Statement of Financial Position

Set out below is:

- (a) an interim reviewed consolidated balance sheet of the Company as at 31 December 2007; and
- (b) an unaudited pro-forma consolidated balance sheet of the Company as at 31 December 2007 incorporating and assuming:
  - (i) the Offer of 23,383,338 Options at 1 cent each to raise approximately \$233,833; and
  - (ii) the payment of cash costs of the Offer of \$10,500 (which are payable from the proceeds of the Offer);
  - (iii) the issue of 8,650,000 ordinary shares to Tinfos AS at an issue price of 20 cents per share as announced to the ASX on 17 March 2008.

**Pro-forma statement of financial position as at 31 December 2007:**

	<b>31 December 2007 Interim Reviewed</b>	<b>31 December 2007 Pro Forma</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$5,926,101	\$7,879,434
Receivables	\$35,254	\$35,254
Other current assets	\$28,175	\$28,175
<b>Non Current Assets</b>		
Plant & Equipment	\$1,050	\$1,050
Exploration Expenditure	\$5,000,000	\$5,000,000
<b>Total Assets</b>	<b>\$10,990,580</b>	<b>\$12,943,913</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payables	\$80,718	\$80,718
Short term borrowings	\$31,747	\$31,747
<b>Total Liabilities</b>	<b>\$112,465</b>	<b>\$112,465</b>
<b>Net Assets</b>	<b>\$10,878,115</b>	<b>\$12,831,448</b>
<b>Equity</b>		
<b>Issued Share Capital</b>		
Issued Share Capital	\$11,042,660	\$12,995,993
Reserves	\$86,700	\$86,700
Accumulated Losses	(\$251,245)	(\$251,245)
<b>Total Equity</b>	<b>\$10,878,115</b>	<b>\$12,831,448</b>

**2.4 Pro Forma Capital Structure of the Company**

Upon completion of the Offer, the capital structure of the Company will be:

**Shares**

Shares on issue as at the date of this Prospectus	70,150,015 <sup>1</sup>
<b>Total Shares</b>	<b>70,150,015</b>

**Options**

Options on issue as at the date of this Prospectus	1,000,000
Director options on issue as at the date of this Prospectus	Nil
Director options subject to shareholder approval <sup>2</sup>	8,500,000
Options offered pursuant to this Prospectus	23,383,338
<b>Total Options<sup>3</sup></b>	<b>32,883,338</b>

<sup>1</sup> The total amount of Shares on issue includes the 8,650,000 Shares that were issued in a Placement to Tinfos AS during March 2008.

<sup>2</sup> The Company is seeking shareholder approval for the issue of 8,500,000 options to directors at a General Meeting to be held on 29 April 2008.

The Notice of Meeting and its Explanatory Memorandum for the General Meeting to be held on 29 April 2008 were lodged at ASX on 25 March 2008.

<sup>3</sup> Total Options assuming shareholder approval for issue of options to directors is obtained.

## SECTION 3

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### 3. TERMS OF SECURITIES

#### 3.1 Terms of Options

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Option holder the right to subscribe for one Share. To obtain the right given by each Option, the Option holder must exercise the Options in accordance with the terms and conditions of the Options.
  - (b) The Options will expire at 5:00 pm (WST) on 30 June 2010 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
  - (c) The amount payable upon exercise of each Option will be \$0.20 (**Exercise Price**).
  - (d) The Options held by each Option holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
  - (e) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
    - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
    - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
  - (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
  - (h) The Company will apply for quotation of the Options on ASX.
  - (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
  - (j) The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
  - (k) If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
  - (l) There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of

capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

### **3.2 Rights and Liabilities Attaching to Shares Issued Upon Conversion of Options**

The following is a summary of the more significant rights and liabilities attaching to Shares issued upon conversion of the Options. Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

#### **(a) General Meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

#### **(b) Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

#### **(c) Dividend Rights**

Subject to the rights of persons (if any) entitled to shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to

dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) **Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) **Transfer of Shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) **Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

## SECTION 4

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### **4. RISK FACTORS**

#### **4.1 General**

The Options offered under this Prospectus are considered speculative, and involve investors being exposed to risk. The Directors recommend potential applicants examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Options offered pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors.

The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Company's quoted securities.

This list is not exhaustive and potential applicants should examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Options.

#### **4.2 Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

#### **4.3 Market Conditions**

The market price of quoted securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

#### **4.4 Exploration Success**

The South Woodie Woodie Project is at the exploration stage only. There can be no assurance that exploration of the tenements; or any other tenement in which the Company may acquire an interest in the future, will result in the discovery of an economic mineral deposit. Even if any apparent viable mineral deposit is identified, there is no guarantee that it can be profitably exploited.

Exploration may be hampered by mining, heritage and environmental legislation, industrial disputes, cost overruns, land claims and compensation and other unforeseen contingencies.

The mineral tenements of the Company are at various stages of application and grant. There can be no assurance that the tenement applications that are currently in the pending status will be granted. There can be no assurance that when a tenement is granted, that it will be granted in its entirety. Some of the tenement area applied for may be excluded.

Where the tenements cover freehold land, the Company will be required to negotiate with landholders in order to gain access. There exists a number of conditions whereby freehold landowners are entitled to withhold permission to access their land for the purpose of exploration. While the Company will endeavour to secure access to these areas, there can be no guarantee that these endeavours will be successful.

The success of the Company depends on the delineation of economically mineable reserves, access to required development capital, securing and maintaining title to its exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on the South Woodie Woodie Project may be unsuccessful, resulting in a reduction of the value of the project, diminution in the cash reserves of the Company and possible relinquishment of the exploration tenement.

The exploration industry involves significant risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Exploration for, and development of resources is speculative and involves a significant degree of risk.

#### **4.5 Operating Risks**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

#### **4.6 Resource Estimates**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally

calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

#### **4.7 Commodity Price Volatility and Exchange Rate Risk**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

#### **4.8 Environmental and Title Risks**

The operations and proposed activities of the Company are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

The Company's interests in tenements are governed by State legislation. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to, or its interest in, tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

Various tenements in which the Company has an interest in are subject to native title rights of indigenous Australians. The ability of the Company to gain access to its tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected by these native title rights.

#### **4.9 Additional Requirements for Capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

#### **4.10 Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

#### **4.11 Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Options offered under this Prospectus.

Potential investors should consider that an investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Options offered pursuant to this Prospectus.

## SECTION 5

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### 5. ADDITIONAL INFORMATION

#### 5.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” for the purpose of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities. The Shares which will be issued on conversion of the Options issued pursuant to this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 3 months prior to the issue of this Prospectus.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific disclosure requirements of ASX as applicable from time to time since the date the Company listed on ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, the offices of the ASIC; and
- (b) it will provide a copy of any continuous disclosure given by the Company since the date the Company listed on ASX.

As at the date of this Prospectus, the Company has not lodged any annual financial report with ASIC.

The Company has lodged the following announcements with ASX since lodgement of the initial public offer prospectus with the ASIC on 22 October 2007:

<b>Date</b>	<b>Announcement</b>
25/03/2008	Notice of General Meeting/Proxy Form
17/03/2008	Section 708A Notice
17/03/2008	Appendix 3B
17/03/2008	Placement
17/03/2008	Appendix 3B
11/03/2008	Half Yearly Accounts
29/02/2008	Non Executive Chairman
28/02/2008	Spitfire Increases East Pilbara Land Holding
31/01/2008	Change of Director's Interest Notice
30/01/2008	Letter to shareholders
25/01/2008	Change of Director's Interest Notice
24/01/2008	Quarterly Cashflow Report
24/01/2008	Quarterly Activities Report
21/01/2008	Media Release
14/01/2008	Change of Director's Interest Notice
18/12/2007	Becoming a substantial holder
12/12/2007	Initial Directors Interest Notice x 4
12/12/2007	Becoming a substantial holder
12/12/2007	Media Release
10/12/2007	Constitution
10/12/2007	Appendix 1A
10/12/2007	Confirmation of Completion of TSA
10/12/2007	Terms and Conditions of Options
10/12/2007	Pre-Quotation Disclosure
10/12/2007	Details of Securities subject to Escrow
10/12/2007	Top 20 shareholders
10/12/2007	Security holder details – Other
10/12/2007	ASX Circular: Commencement of Official Quotation
10/12/2007	Admission to Official List
29/10/2007	Disclosure Document

## **5.2 Market price of Shares on ASX**

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

- (a) highest – 27 cents on 12 December 2007; and
- (b) lowest – 12.5 cents on 22 January 2008.

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was 18.5 cents per Share on 31 March 2008.

## **5.3 Consents**

Steinepreis Paganin has given, and has not withdrawn, its written consent to be named in this Prospectus as the solicitor to the Company.

Steinepreis Paganin has not authorised or caused the issue of this Prospectus and does not accept any liability to any persons in respect of any false or misleading statement in, or omission from, any part of this Prospectus.

Bentley's has given, and has not withdrawn, its written consent to be named in this Prospectus as auditor to the Company.

Bentley's has not authorised or caused the issue of this Prospectus and does not accept any liability to any persons in respect of any false or misleading statement in, or omission from, any part of this Prospectus.

#### **5.4 Directors' Interests and Remuneration of Directors**

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within two years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the promotion or formation of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of securities pursuant to this Prospectus; or
- (c) the offer of Options pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company or the offer of Options pursuant to this Prospectus.

The Directors' interests in securities in the Company at the date of this Prospectus are:

<b>Director</b>	<b>Shares</b>	<b>Options Currently Held<sup>1</sup></b>	<b>Option Entitlement under Offer</b>
Paul Mazak	250,000	1,500,000	83,334
James Hamilton	350,000	4,000,000	116,667
Russell Hardwick	175,000	1,500,000	58,334
Christopher Daws	550,000	1,500,000	183,334

<sup>1</sup> Subject to shareholder approval at the General Meeting to be held on 29 April 2008.

Pursuant to a tenement sale agreement, Planet Mining Pty Ltd was allotted 25 million ordinary shares in Spitfire Resources Limited. Planet is a 100% controlled subsidiary of Churchill Mining Plc which is listed on AIM. Mr Mazak and Mr Hamilton are Directors of Churchill Mining Plc and their combined interests are less than 5% of the issued capital of Churchill Mining Plc.

Mr Hardwick is a shareholder in Churchill Mining Plc. His interest is less than 5% of the issued capital of Churchill Mining Plc.

The Directors propose to take up all of their Option entitlements pursuant to the Offer.

The Constitution provides that the Directors may be paid for their services as Directors a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting (currently set at \$250,000), to

be divided among the Directors and in default of agreement then in equal shares.

Directors are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

No non-executive Director shall be paid as part or whole of his remuneration a commission on or a percentage of profits or operating revenue.

If any of the Directors are called upon to perform extra services or make any special exertions on behalf of the Company or its business, the Directors may remunerate this Director in accordance with such services or exertions, and this remuneration may be either in addition to or in substitution for the remuneration provided in the form of directors' fees.

The table below sets out the remuneration provided to the Directors and their associated entities during the last financial year prior to the date of this Prospectus and their current expected annual remuneration for the year ending June 2008 at the date of this Prospectus, inclusive of directors' fees and consultancy fees.

<b>Director</b>	<b>Year Ended 30 June 2007</b>	<b>Current Financial Year</b>
Paul Mazak	Nil	\$105,833
James Hamilton	Nil	\$192,499
Russell Hardwick	Nil	\$110,465
Christopher Daws	Nil	\$18,333

## **5.5 Underwriting Agreements**

By letters of agreement dated 31 March 2008, Paul Mazak, James Hamilton, Russell Hardwick and Christopher Daws (who are Directors of the Company) agreed to fully underwrite the Offer.

Each director has underwritten the Offer to \$58,459.

The issue price of any Options offered pursuant to the Shortfall offer shall be 1 cent, being the price at which the Entitlement has been offered to Shareholders pursuant to this Prospectus.

The Underwriters reserve their right to place the Shortfall at their discretion.

The terms of the underwriting are standard commercial terms and the Directors will not receive any fees under the agreements.

## **5.6 Interests of Experts and Advisers**

Other than as set out below or elsewhere in this Prospectus, no expert or adviser nor any firm in which such an expert or adviser is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the promotion or formation of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of securities pursuant to this Prospectus; or

(c) the offer of Options pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or shares or otherwise) to any expert or adviser or to any firm in which any such expert or adviser is a partner, either to induce him to become, or to qualify him as, an expert or adviser or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company or the offer of Options pursuant to this Prospectus.

Steinepreis Paganin have acted as solicitor to the Company in relation to the Offer and assisted in conducting due diligence enquiries in respect of the Prospectus. The Company estimates it will pay them \$5,000 in respect of this work. In the past 24 months Steinepreis Paganin has been paid approximately \$20,000 for legal services provided to the Company in relation to the Company's Initial Public Offer.

## **5.7 Litigation**

The Company is not engaged in any legal or arbitration proceedings, nor so far as the Directors are aware, are there any legal or arbitration proceedings active, pending or threatened by or against the Company which may have or have had a significant effect on the financial position of the Company.

## **5.8 Expenses of the Offer**

The estimated expenses of the Offer (excluding GST) are as follows:

<b>Item</b>	<b>Amount</b>
ASIC fees	\$2,010
Printing, mailing and other expenses	\$3,490
Legal fees	\$5,000
<b>Total</b>	<b>\$10,500</b>

**6. DIRECTORS' AUTHORISATION**

**6.1 Directors' Authorisation and Consent**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



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**Russell P Hardwick**  
**For and on behalf of**  
**Spitfire Resources Limited**

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## GLOSSARY

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**Acceptance Form** means the entitlement and acceptance form for the Offer accompanying this Prospectus.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means, as the context requires, ASX Limited (ACN 008 624 691) or the Australian Securities Exchange.

**Board** means the board of Directors unless the context indicates otherwise.

**Business Day** means a day on which trading takes place on the stock market of ASX.

**Closing Date** means the closing date for the Offer, being 16 May 2008 unless extended by the Company.

**Company** means Spitfire Resources Limited (ACN 125 578 743).

**Constitution** means the Company's constitution as at the date of this Prospectus.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the directors of the Company at the date of this Prospectus.

**Dollar** or "\$" means Australian dollars.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Offer.

**Listing Rules** or **ASX Listing Rules** means the Listing Rules of ASX.

**Offer** means the non-renounceable entitlements offer of one (1) Option for every three (3) Shares held by the Shareholders on the Record Date at an issue price of 1 cent per Option. Further details are set out in Section 1.1 of this Prospectus.

**Option** means an option to acquire a Share on the terms set out in Section 3.1 of this Prospectus.

**Prospectus** means this prospectus.

**Record Date** means the record date for determining Shareholders' entitlement to participate in the Offer, being 16 April 2008.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Registry** means Security Transfer Registrars Pty Ltd.

**Shareholder** means a shareholder of the Company.

**Shortfall** means the number of Options comprising the difference between the Options the subject of the Offer and the number of Options for which valid applications have been received and accepted by the Company.

**Underwriters** means Paul Mazak, James Hamilton, Russell Hardwick and Christopher Daws.

**WST** means Western Standard Time.