



ANNUAL REPORT 2014

CORPORATE DIRECTORY AND CONTENTS

DIRECTORS & OFFICERS

| | |
|------------------|------------------------|
| James Hamilton | Executive Chairman |
| John Mackenzie | Managing Director |
| Russell Hardwick | Non-Executive Director |
| Ian Huitson | Non-Executive Director |

AUSTRALIAN SECURITIES EXCHANGE

The Company has shares and options listed on the Australian Securities Exchange.
 ASX Code: **SPI, SPIOA**

COMPANY SECRETARY

Russell Hardwick

EXPLORATION CONSULTANT

Stuart Peterson BSc MAusIMM

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CHAIRMAN'S REPORT

Dear Shareholder,

I am pleased to present the 2014 Annual Report for Spitfire Resources ("Spitfire" or "the Company").

In recent years, I have written in my annual address at some length about the challenging conditions which have confronted junior resource companies – particularly explorers, which have struggled to attract the risk capital required to support generative, early-stage exploration projects.

While there has been some evidence in recent months of what market commentators optimistically refer to as "green shoots", with limited investor interest returning to selected commodity areas such as nickel, graphite and zinc, resource company share prices generally remain depressed and asset values across the sector are at historic lows.

While this in itself presents a potential opportunity for companies with relatively strong balance sheets, such as Spitfire, the reality is that quality mineral assets and acquisition opportunities remain few and far between.

The decline in exploration spending means there have been relatively few discoveries in recent years (with the notable exception of some standout, Tier-1 greenfields finds such as Sirius Resources' Nova-Bollinger nickel deposit or Sandfire Resources' DeGrussa copper-gold deposit).

And, after extensively reviewing many opportunities in the resource space ourselves over the past two years, we can provide a first-hand account of the fact that many of the assets that are available can be classed as "recycled" or tired assets which have definitely seen their best days.

Overlaying all of this is the stubbornly high operating cost structure in Australia, which has virtually priced us out of the market in terms of global competitiveness. This makes the option of buying an existing operation or near-production asset equally fraught with danger.

So where does a junior company like Spitfire turn to create value for our shareholders?

Having outlined the broader market and industry challenges, let me present some of the positives and opportunities in front of us.

First and foremost, I am pleased to say that Spitfire has remained extremely disciplined throughout these difficult times in terms of managing our cash resources, corporate overheads and balance sheet.

The spending cuts and staff salary freeze I outlined last year has remained in place throughout the past financial year. We have prudently managed our cash resources while at the same time securing additional funds from Research & Development claims lodged with the Australian Taxation Office (ATO), resulting in a strong cash position of circa \$3.6 million at the time of writing.

Secondly, after taking into account market conditions and the low prevailing manganese price, we resolved to suspend exploration expenditure at our South Woodie Woodie Manganese Project during the year and appointed PCF Capital to engage with potential parties with a view to securing a joint venture or outright sale of the project. This process is continuing.

CHAIRMAN'S REPORT

Finally, we embarked on a process of actively seeking new strategic investments both within and outside the resource sector. We remain open-minded to investments outside the sector, and are currently evaluating opportunities in information technology and e-commerce. In parallel with this strategy, we continue to seek opportunities within the resources space, although we will be extremely selective in this regard, taking into account the market positioning and long-term outlook for the commodities we assess. Given Spitfire's financial strength, we will remain extremely disciplined in this acquisition strategy and we will only transact on terms that deliver long-term value for our shareholders

In conclusion, I am pleased to say that Spitfire enters the new financial year in a strong position. We have a strong balance sheet with \$3.6 million in cash and no debt, a tight capital structure and a focused and well-connected management team.

I would also like to take this opportunity to thank my fellow Directors and in particular our Managing Director, John Mackenzie, for his tireless efforts during what has been another tough year. I also thank our shareholders for their support and patience.

Yours faithfully,

A handwritten signature in dark ink, appearing to read "James Hamilton".

James Hamilton
Executive Chairman

DIRECTORS' REPORT

MANAGING DIRECTORS' REVIEW OF OPERATIONS

SOUTH WOODIE WOODIE MANGANESE PROJECT

The South Woodie Woodie Manganese Project comprises 12 granted Exploration Licences covering a total area of more than 600 square kilometres in Western Australia's East Pilbara Manganese Province (see figure 1). The tenements lie along strike and to the south of the Woodie Woodie Manganese Mining Centre (operated by Consolidated Minerals Limited) and in close proximity to several emerging manganese projects which are being actively explored.

Spitfire did not undertake any active field work or exploration at the South Woodie Woodie Manganese Project during the year in order to preserve capital during what was a particularly difficult year for mineral exploration companies. Investment community interest in mineral exploration was particularly low during the year with very little value being assigned to exploration expenditure, so from an operational perspective it was determined it would be more prudent to conserve capital rather than deplete the company's cash position with exploration efforts that even if successful would be unlikely to deliver much in terms of shareholder value whilst the sector remained out of favour.

During the year Spitfire completed a desktop study on the results from the Dipole Dipole Induced Polarisation Surveys ("DDIP"), Gradient Array Induced Polarisation Surveys and exploration drilling programs conducted to date. The Company is highly encouraged by the consistency of the geophysically-based exploration methodology which has found manganese mineralisation in previously unknown areas. Larger scale geophysical surveying and exploration drilling programs are ideally required to grow the company's resource inventory in the most efficient manner and the company continues to evaluate opportunities on how this can be best achieved in the current capital market.

The desktop study also allowed the Company to rationalise its land holdings to a tenement package containing only areas with high exploration potential for manganese. This process dramatically reduced the company's land holding costs in line with a company-wide strategy of cost reduction. Spitfire's land holding now comprises 603.67km² of highly prospective ground for manganese mineralisation and includes 12 Exploration Leases (three in joint venture, with Spitfire holding 80%).

Spitfire completed a preliminary scoping study in November 2013, evaluating the economics of a mining, processing and export operation based on the mineral resources at the Contact and Contact North deposits at South Woodie Woodie. The review of the operational and financial model of a potential mine at the Project demonstrates that an operation could be economically viable under certain assumptions, with the Project showing a strong cashflow and NPV based on high level, preliminary production scenarios. To date, Spitfire has explored only ~25% of its ground holding in the East Pilbara manganese province, providing outstanding scope for identification of additional mineralisation through targeted exploration.

DIRECTORS' REPORT

RESOURCE STATEMENT

The following sets out a summary of the Resources at the South Woodie Woodie manganese project in the East Pilbara region of Western Australia.

Contact and Contact North deposits situated on the E46/787

| JORC Inferred Resource | Mt | Mn% | Al ₂ O ₃ % | Fe % | SiO ₂ % | P % | LOI (1000) |
|----------------------------------|------|------|----------------------------------|------|--------------------|-------|------------|
| Contact | 2.8 | 13.6 | 5.1 | 15.7 | 42.9 | 0.054 | 8.4 |
| Contact North | 8.5 | 15.4 | 3.0 | 15.0 | 42.4 | 0.057 | 8.6 |
| Contact & Contact North Combined | 11.3 | 15.0 | 3.5 | 15.2 | 42.5 | 0.057 | 8.5 |

Contact & Contact North combined deposit summary @ 10.1% Mn Cut off

Tally-Ho deposit situated on the E46/616

| JORC Inferred Resource | Mt | Mn% | Al ₂ O ₃ % | Fe % | SiO ₂ % | P % | LOI (1000) |
|------------------------|-----|-----|----------------------------------|------|--------------------|-------|------------|
| Tally-Ho | 2.9 | 7.1 | 6.7 | 9.1 | 62.9 | 0.043 | 7.95 |

The Project hosts combined JORC (2004) Inferred Mineral Resources of **14.2Mt @ 13.3% Mn from within three defined deposits.

| JORC Inferred Resource | Mt | Mn% | Al ₂ O ₃ % | Fe % | SiO ₂ % | P % | LOI (1000) |
|------------------------|-------------|-------------|----------------------------------|-------------|--------------------|--------------|-------------|
| Contact | 2.8 | 13.6 | 5.1 | 15.7 | 42.9 | 0.054 | 8.4 |
| Contact North | 8.5 | 15.4 | 3.0 | 15.0 | 42.4 | 0.057 | 8.6 |
| Tally-Ho | 2.8 | 13.6 | 5.1 | 15.7 | 42.9 | 0.054 | 7.95 |
| Total | 14.2 | 13.3 | 4.2 | 13.9 | 46.7 | 0.053 | 8.45 |

Weighted average summary of combined mineral resource estimates for deposits at South Woodie Woodie

The Inferred resources for the Tally-Ho and the Contact/Contact North deposits have not changed since their initial release in 2009 and 2011 respectively. They were reported under the 2004 JORC code and due to no additional work being performed since their release they have not been updated to the 2012 JORC requirements. If further work is performed on these deposits that changes the current resource standing then they will be updated to the 2012 JORC reporting standards. . Beneficiation test work undertaken to date indicates that manganese from the two main deposits, Contact and Contact North, is able to be upgraded to a saleable manganese product of ~40% Mn.

SUMMARY OF GOVERNANCE AND INTERNAL CONTROLS

The resources detailed in this report are subject to strict quality controls as part of Spitfire's internal governance. The Contact/Contact North deposit resource model was created by Widenbar and Associates and the Tally-Ho resource model was created by Optiro Ltd. Both of the deposits have been independently validated during the resource building stage to meet the required industry QAQC standards prior to release.

DIRECTORS' REPORT

NEW PROJECT SEARCH

Given the relative strength of Spitfire's balance sheet the company actively sought out new investment and project opportunities during a period of reduced valuations and market capitalisations.

The Company formally engaged BDO Corporate Finance to undertake an asset search and the directors of Spitfire dedicated much of their time to networking and business development activities aimed at identifying suitable opportunities for the company.

A large number of projects were reviewed by the company but nothing suitable was identified that ticked all the boxes required to proceed. Many of the projects presented had merit on a technical basis but came with prohibitive valuations or deal terms. Conversely, those with attractive valuations and terms had no technical merit.

Despite Spitfire's healthy cash position the severe reduction in the Company's share price brought about by the market-wide exit by investors from small resources companies also limited our ability to transact reasonably for shareholders using scrip.

CORPORATE

Following large reductions in overheads through staff redundancies, salary reductions, reduced tenement holdings and other administration costs saw Spitfire record a pre-tax operating loss of \$1,241,000 for the financial year. During the year Spitfire received a research and development tax rebate from the Australian Taxation Office totalling \$788,396 for the 2012 financial year. In addition a claim was filed for a research and development tax rebate for the 2013 financial year of \$949,289 which was subsequently received post the year-end which resulted in an after tax profit of \$369,022 for the financial year.

Finally I would like to thank my fellow directors and Spitfire's staff for their hard work and efforts during another challenging year for mineral exploration companies.



John Mackenzie
Managing Director

Competent Person's Statement

***The information in this report relating to exploration results and mineral resources is based on information compiled by Mr. Stuart Peterson the Company's Consulting Exploration Manager who is a Member of the Australian Institute of Mining and Metallurgy. This information in relation to mineral resources was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Mr Peterson has sufficient experience relevant to the style of mineralisation 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.'*

DIRECTORS' REPORT

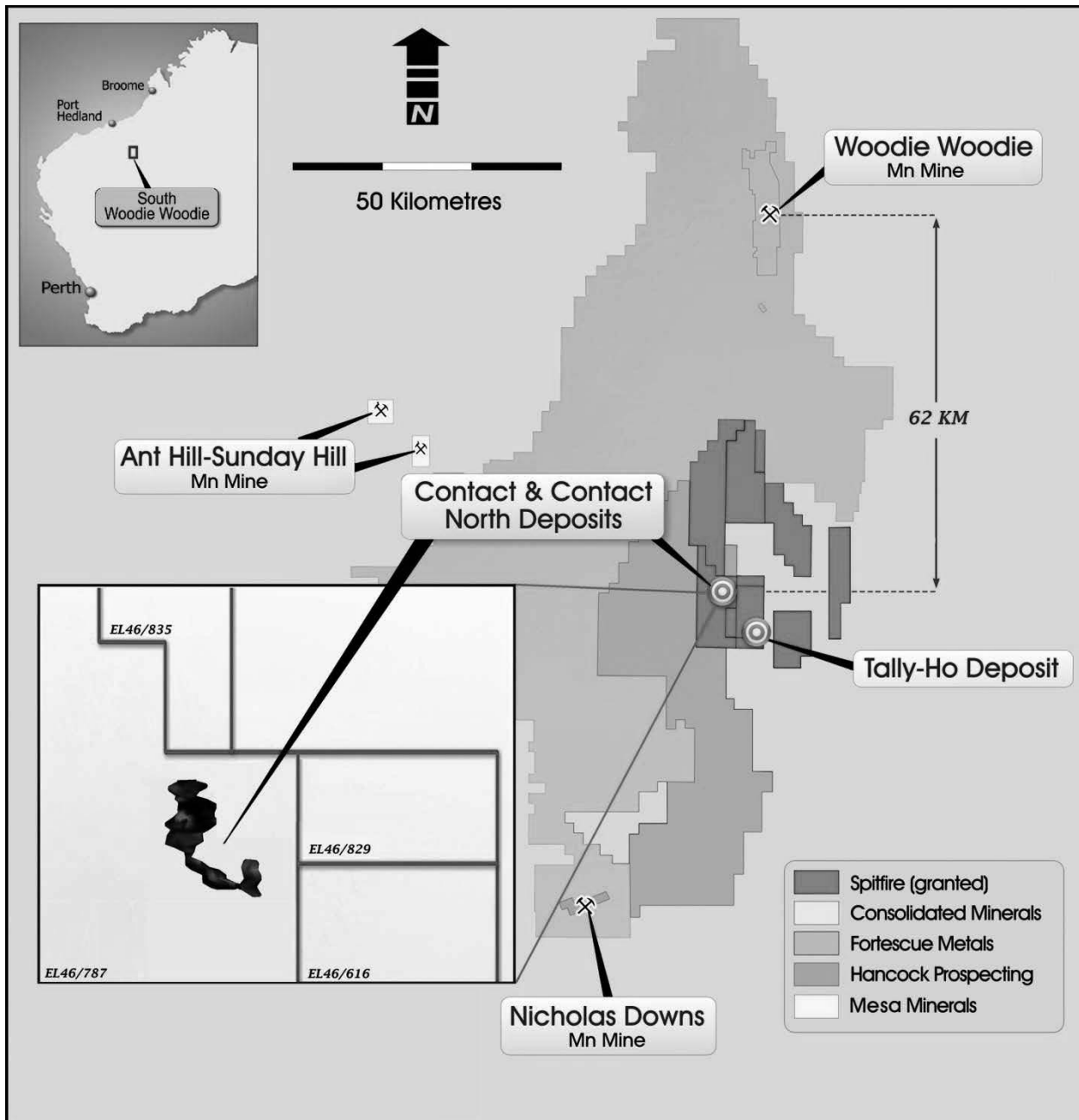


Figure 1, Spitfire Resources location and tenement holding map

DIRECTORS' REPORT

The Directors of Spitfire Resources Limited submit herewith the Annual Report of the Company and its controlled entities ("Group"), for the period from 1 July 2013 to 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

1. DIRECTORS

The Directors in office of the Company at any time during or since the end of the financial year, unless otherwise stated, are:

| Name, qualifications and independence status | Experience, special responsibilities and other Directorships in listed entities |
|---|--|
| James Hamilton MAICD Executive Chairman | <p>Experience</p> <p>Mr Hamilton is a business developer with more than 20 years' experience in the resources sector specialising in the analysis of exploration projects, mines and management teams across a large spectrum of mineral commodities. He has founded three public resource companies both in Australia and the United Kingdom. During this time he has held senior roles in operations management, marketing, treasury, project development and corporate compliance. Mr Hamilton is a Member of the Australian Institute of Company Directors.</p> <p>Special responsibilities</p> <p>None</p> <p>Directorships held in other listed entities during the three years prior to the current year</p> <p>Nil</p> <p>Interest in shares and options</p> <p>21,166,681 ordinary shares in Spitfire Resources Limited and options to acquire a further 4,722,222 ordinary shares.</p> |
| John Mackenzie BPE, Grad CertBus (ProfAcct), MBA, MAICD Managing Director | <p>Experience</p> <p>Mr Mackenzie has over 20 years' experience in investment and financial services. He has extensive capital raising, transaction and business experience within the resources, investment and financial services sectors and has worked previously within the Big Four accounting environment and with a major US investment bank. Mr Mackenzie has a Masters Degree in Business Administration and is a member of the Australian Institute of Company Directors.</p> <p>Special responsibilities</p> <p>None</p> <p>Directorships held in other listed entities during the three years prior to the current year</p> <p>Nil</p> <p>Interest in shares and options</p> <p>1,600,000 ordinary shares in Spitfire Resources Limited and options to acquire a further 5,600,000 ordinary shares.</p> |

DIRECTORS' REPORT

Russell Hardwick

BBus, ACIS, CPA,
MAICD
Director/Secretary

Experience

Mr Hardwick is a Certified Practicing Accountant with 20 years' experience in a variety of private and public companies. Mr Hardwick is a member of the Australian Institute of Company Directors and is a Chartered Secretary. Mr Hardwick has extensive experience in corporate secretarial, capital raising and commercial management. He has held the positions of Director or Company Secretary for both AIM-listed and ASX listed companies as well as Senior Executive positions within private companies.

Special responsibilities

Mr Hardwick is the chairman of the audit committee.

Directorships held in other listed entities during the three years prior to the current year

Director of UK ISDX listed Imperial Minerals Plc

Interest in shares and options

8,286,626 ordinary shares in Spitfire Resources Limited and options to acquire a further 3,559,724 ordinary shares.

Ian Huitson

BEng, FAusIMM,
CP(Min), MAICD
Non-Executive Director

Experience

Mr. Huitson, a qualified Mining Engineer has 28 years' experience in operational and technical roles in the manganese, chromite, gold, silver and nickel mining industries in Australia. Ian has extensive manganese experience in Australia through roles as the Chief Operating Officer at Auvex Resources Ltd (2009-2011), Group Mining Engineer at Consolidated Minerals Ltd (2005-2007) and Resident Manager at Consolidated Minerals Ltd's Woodie Woodie mine site (1999-2005).

Special responsibilities

Mr Huitson is a member of the audit committee.

Directorships held in other listed entities during the three years prior to the current year

Nil

Interest in shares and options

446,857 ordinary shares in Spitfire Resources Limited and options to acquire a further 1,047,619 ordinary shares.

DIRECTORS' REPORT

2. COMPANY SECRETARY

| Name and qualifications | Particulars |
|--|--|
| Russell Hardwick BBus, ACIS CPA, MAICD | <p>The Company Secretary is Mr Russell Hardwick.</p> <p>Mr Hardwick is a Certified Practicing Accountant and an Associate Member of the Institute of Chartered Secretaries. Mr Hardwick has also held the role of Company Secretary with other ASX listed companies for 13 years. Mr Hardwick has acted as the company secretary since 29th May 2007.</p> |

3. DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the financial year and the number attended by each Director. During the financial year, six board meetings were held.

| Director | Director Meetings | | Audit Committee Meetings | |
|------------------|---------------------------|------------|---------------------------|------------|
| | Number entitled to attend | Attendance | Number entitled to attend | Attendance |
| James Hamilton | 6 | 6 | - | - |
| John Mackenzie | 6 | 6 | - | - |
| Russell Hardwick | 6 | 6 | 2 | 2 |
| Ian Huitson | 6 | 5 | 2 | 2 |

4. REMUNERATION REPORT

This report details the background, policy and amount of remuneration for each key management person of Spitfire Resources Limited.

4.1 Remuneration Policy

Key management personnel and Executive Directors have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Compensation levels for key management personnel and Secretary of the Company and Group are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. The Board obtains independent advice as required on the appropriateness of compensation packages of both the Company and the Group given trends of comparative companies and the objectives of the Company's compensation strategy.

DIRECTORS' REPORT

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- The capability and experience of the key management personnel;
- Size of the Group;
- The key management personnel's ability to control the performance; and
- The Group's exploration success and identification of new investments

The performance of key management personnel is measured against criteria agreed annually with each Executive. The Board may exercise its discretion in relation to approving incentives, bonuses and options in line with individual performance, exploration results and the performance of the Group. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share option plan. Options are valued using the Black-Scholes methodology. The key management personnel receive superannuation guarantee contributions required by the government, which is currently 9.50% (2013: 9.25%) and do not receive any other retirement benefits.

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. Directors also provide consultancy services to the Company and are remunerated at market rates. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

4.2 Company performance, shareholder wealth and Director and Executive remuneration

The remuneration policy has been tailored to increase goal congruence between Shareholders, Directors and Executives. As part of each of the key management personnel's remuneration package, there is a performance-based component consisting of the issue of options to encourage the alignment of management and Shareholders' interests. The Board determines appropriate option pricing that includes a premium over the prevailing share price to provide potential rewards over a period of time. Conditions in the junior resources sector remain challenging and the Company's share price decreased from \$0.012 at 30 June 2013 to \$0.01 at 30 June 2014. The result being that the incentive share options issued to Directors and Executives are currently significantly below the prevailing share price. A summary of the operating losses and share prices at year end for the last five years are as follows:

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------------------------|---------------|---------------|---------------|----------------|---------|
| Net Profit/(Loss) | (\$1,780,833) | (\$1,754,230) | (\$4,368,232) | (\$13,592,240) | 369,022 |
| Share price at year end | \$0.09 | \$0.165 | \$0.079 | \$0.012 | \$0.01 |

This policy has been deemed by the Board to be the most appropriate performance-based compensation method for a company in the minerals exploration industry.

DIRECTORS' REPORT

4.3 Key Management Personnel

The remuneration structure for key management personnel and Executive Directors is based on a number of factors including length of service, particular experience of the individual concerned and the requirements and overall performance of the Company.

The Company has entered into a consulting agreement with Manhattan Holdings Pty Ltd to provide the services of Mr John Mackenzie as Managing Director to the Company. The consultancy agreement with Manhattan Holdings Pty Ltd commenced on 1 May 2013 on a continuing basis with no fixed term. The agreement was amended on the 6 September 2013 to reduce the base remuneration. The agreement specifies the duties and obligations for the consultancy services including managing the business of the Company including strategic and tactical plans and managing operational functions and developing new opportunities and expanding the Company's current activities and market share. The agreement contains normal termination clauses including the provision of three months' notice by the Consultant. On termination of the agreement by the Company, for any reason except a serious breach of any of the provisions of the Agreement, the Company can give either three months' notice and at the end of the three month period make a payment of three months standard consulting fees, or give notice immediately and make a payment of six months standard consulting fees.

The Company has entered into a consulting agreement with Goldregis Corporation Pty Ltd to provide the services of Mr James Hamilton to the Company which commenced on 1 January 2011 on a continuing basis with no fixed term. The agreement specifies the duties and obligations for the consultancy services, including supporting the management team and assisting with capital raising and investor relations. The agreement contains normal termination clauses including the Company or the consultant providing six months' notice. On termination of the agreement by the Company, for any reason except a serious breach of any of the provisions of the Agreement committed by the consultant, the consultant shall be entitled to 12 months standard consulting fees.

The Company has entered into a consulting agreement with Ravenhill Corporate Pty Ltd to provide the services of Mr Russell Hardwick to the Company. The agreement commenced on 1 February 2009 on a continuing basis with no fixed term. The agreement was amended on the 6 September 2013 to reduce the base remuneration. The agreement specifies the duties and obligations for the consultancy services including all aspects of provision of compliance with the ASX, ASIC and also the provision of general management consulting services. The agreement contains normal termination clauses including the Company or the consultant providing six months' notice. On termination of the agreement by the Company, for any reason except a serious breach of any of the provisions of this Agreement committed by the consultant, the consultant shall be entitled to 12 months standard consulting fees.

The employment agreements and contracts of service between the Company and any other key management and staff are on a continuing basis. The Company may terminate an employment contract by providing one month's written notice or making payment in lieu of notice, based on the individual's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Company can terminate employment at any time.

DIRECTORS' REPORT

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Board through a process that considers individual performance against agreed key performance indicators and the overall performance and exploration success of the Group. In addition, the Board refers to external consultants or publications as required to provide analysis and advice to ensure the Directors' and Senior Executives' compensation is competitive in the market place.

Long-term incentive

Options are issued under the Spitfire Employee Share Option Plan (ESOP) to employees. It provides for key management personnel to receive options over ordinary shares for no consideration. Any options issued to Directors require the approval of shareholders.

The Board determines the proportion of fixed and variable compensation for each key Director and management personnel. In September 2013 the Base Directors fees were reduced from \$35,000 to \$25,000 per annum. The following table sets out the remuneration for the Directors and key management expensed during the 2014 financial year:

| 2014 | Short Term Benefits | | | Options | Post-Employment Super | Total | Value of options as proportion of remuneration |
|--------------------------------|---------------------------|-----------------|---------------------|---------|-----------------------|---------|--|
| | Salaries or Director Fees | Consulting Fees | Performance Bonuses | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Executive Directors | | | | | | | |
| James Hamilton | 27,500 | 61,800 | - | 12,920 | - | 102,220 | 12.64% |
| John Mackenzie | - | 252,409 | - | 12,920 | - | 265,329 | 4.87% |
| Non-Executive Directors | | | | | | | |
| Russell Hardwick * | 27,500 | 86,872 | - | 12,920 | 2,559 | 129,851 | 9.95% |
| Ian Huitson | 27,500 | - | - | 8,614 | 2,559 | 38,673 | 22.27% |
| Executives | | | | | | | |
| Stuart Peterson ** | 80,105 | 56,831 | - | - | 7,410 | 144,346 | 0% |

* Mr Hardwick also acts as the Company Secretary

** Mr Peterson ceased full-time employment in November 2013 and subsequently continues to provide consultancy services to the group.

DIRECTORS' REPORT

| 2013 | Short Term Benefits | | | | | Total | Value of options as proportion of remuneration |
|--------------------------------|---------------------------|-----------------|---------------------|---------|-----------------------|----------------|--|
| | Salaries or Director Fees | Consulting Fees | Performance Bonuses | Options | Post-Employment Super | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | % |
| <i>Executive Directors</i> | | | | | | | |
| James Hamilton | 35,000 | 61,800 | - | 13,019 | - | 109,819 | 11.85% |
| John Mackenzie | - | 290,000 | - | 13,019 | - | 303,019 | 4.30% |
| <i>Non-Executive Directors</i> | | | | | | | |
| Russell Hardwick* | 35,000 | 92,705 | - | 13,019 | 3,150 | 143,874 | 9.05% |
| Ian Huitson | 35,000 | - | - | 8,679 | 3,150 | 46,829 | 18.53% |
| <i>Executives</i> | | | | | | | |
| Stuart Peterson | 187,592 | - | - | 28,600 | 16,883 | 233,075 | 12.27% |

* Mr Hardwick acts as the Company Secretary

There are no specific performance hurdles attached to remuneration options, however the board determines a premium for the exercise price over the prevailing share price as appropriate. This ensures any future value for the remuneration options reflect an increase in value for all shareholders and provide rewards over a period of time. This has been determined as the most appropriate remuneration structure considering the size of the Company and its position in the junior resources industry.

The following factors and assumptions were used in determining the fair value on the grant date of options previously granted to key management personnel and employees that vested during the year under the Spitfire Employee Share Option Plan. There were no options granted during the year ended 30 June 2014

| Grant Date | Option Life | Fair value per option | Exercise price | Price of shares on grant date | Expected volatility | Risk free interest rate | Dividend Yield |
|------------------|-------------|-----------------------|----------------|-------------------------------|---------------------|-------------------------|----------------|
| 15 August 2012 | 5 | \$0.0286 | \$0.120 | \$0.063 | 70% | 2.7% | - |
| 22 November 2012 | 5 | \$0.0192 | \$0.110 | \$0.047 | 70% | 2.7% | - |

4.4 Share-based compensation

The Company has adopted the Spitfire Employee Share Option Plan which was approved by Shareholders at the November 2013 Annual General Meeting.

The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of participants. The Board has sole responsibility in determining the number of options and terms and conditions of options granted to any participant under the option plan. Any options issued under the option plan will be granted for nil consideration.

DIRECTORS' REPORT

The expiry date of the employee options will be determined by the Board and will also lapse within 30 days of the participant ceasing to be an employee of the Company or a controlled entity (subject to certain exceptions). The options are not quoted on the ASX, however application will be made for an ASX quotation of any shares issued upon the exercise of the options.

The aim of the Spitfire Employee Share Option Plan is to provide long term incentives to Executives to create and enhance Shareholder wealth and to provide a mechanism to assist the Company in its endeavours to retain key Executives and employees. During the year there were no options issued to Key Management Personal.

4.5 Analysis of options granted as compensation

Details of vesting profiles of the options previously granted as remuneration to each key management person of the Group are detailed in the following table:

| | Number of options granted | Grant Date | % vested in 2014 year | % lapsed in year | Financial years in which grant vests |
|--------------------------------|---------------------------|------------------|-----------------------|------------------|--------------------------------------|
| <i>Executive Directors</i> | | | | | |
| James Hamilton | 2,000,000 | 6 March 2009 | Nil | 100% | Expired 6 Mar 2014 |
| | 2,000,000 | 6 March 2009 | Nil | 100% | Expired 6 Mar 2014 |
| | 3,000,000 | 27 November 2009 | Nil | Nil | Vested |
| | 1,500,000 | 22 November 2012 | 50% | Nil | 50% in 2013/2014 50% in 2014/2015 |
| John Mackenzie | 4,000,000 | 1 October 2010 | Nil | Nil | Vested |
| | 1,500,000 | 22 November 2012 | 50% | Nil | 50% in 2013/2014 50% in 2014/2015 |
| <i>Non-Executive Directors</i> | | | | | |
| Russell Hardwick | 750,000 | 6 March 2009 | Nil | 100% | Expired 6 Mar 2014 |
| | 750,000 | 6 March 2009 | Nil | 100% | Expired 6 Mar 2014 |
| | 2,000,000 | 27 November 2009 | Nil | Nil | Vested |
| | 1,500,000 | 22 November 2012 | 50% | Nil | 50% in 2013/2014 50% in 2014/2015 |
| Ian Huitson | 1,000,000 | 22 November 2012 | 50% | Nil | 50% in 2013/2014 50% in 2014/2015 |
| <i>Executives/Consultants</i> | | | | | |
| Stuart Peterson | 400,000 | 22 June 2010 | Nil | Nil | Vested |
| | 1,000,000 | 26 October 2010 | Nil | Nil | Vested |
| | 1,000,000 | 15 August 2012 | Nil | Nil | Vested |

DIRECTORS' REPORT

4.6 Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person is detailed as follows. These amounts are the total fair value of the options calculated at the grant date and amounts are allocated to remuneration over the vesting periods if applicable:

| 30 June 2014 | Granted in year | Value of options exercised | Lapsed in year |
|--------------------------------|-----------------|----------------------------|----------------|
| | \$ | \$ | \$ |
| <i>Executive Directors</i> | | | |
| John Mackenzie | - | - | - |
| James Hamilton | - | - | 119,200 |
| <i>Non-Executive Directors</i> | | | |
| Russell Hardwick | - | - | 44,700 |
| Ian Huitson | - | - | - |
| Total | - | - | 163,900 |

| 30 June 2013 | Granted in year | Value of options exercised | Lapsed in year |
|--------------------------------|-----------------|----------------------------|----------------|
| | \$ | \$ | \$ |
| <i>Executive Directors</i> | | | |
| John Mackenzie | 28,800 | - | - |
| James Hamilton | 28,800 | - | 376,600 |
| <i>Non-Executive Directors</i> | | | |
| Russell Hardwick | 28,800 | - | 141,225 |
| Ian Huitson | 19,200 | - | - |
| <i>Executives</i> | | | |
| Stuart Peterson | 28,600 | - | - |
| Total | 134,200 | - | 517,825 |

DIRECTORS' REPORT

4.7 Key management personnel equity holdings

Refer to Note 5: Key Management Personnel for further information

Number of Options held by Key Management Personnel:

The number of options over ordinary shares held by each Key Management Personnel of the Group during the financial year is as follows:

| 30 June 2014 | Balance 1 July 2013 | Granted as Compensation | Other changes during the year | Options Exercised | Balance 30 June 2014 |
|--------------------------------|------------------------|----------------------------|--|----------------------|-------------------------|
| <i>Executive Directors</i> | | | | | |
| James Hamilton | 8,444,444 | - | (3,722,222) | - | 4,722,222 |
| John Mackenzie | 8,200,000 | - | (2,600,000) | - | 5,600,000 |
| <i>Non-Executive Directors</i> | | | | | |
| Russell Hardwick | 5,119,448 | - | (1,559,724) | - | 3,559,724 |
| Ian Huitson | 1,095,238 | - | (47,619) | - | 1,047,619 |
| <i>Executives</i> | | | | | |
| Stuart Peterson | 2,400,000 | - | - | - | 2,400,000 |

| 30 June 2014 | Balance 30 June 2014 | Total Vested 30 June 2014 | Total Exercisable 30 June 2014 | Total Unexercisable 30 June 2014 |
|--------------------------------|-------------------------|---------------------------------|--------------------------------------|--|
| <i>Executive Directors</i> | | | | |
| James Hamilton | 4,722,222 | 3,972,222 | 3,972,222 | 750,000 |
| John Mackenzie | 5,600,000 | 4,850,000 | 4,850,000 | 750,000 |
| <i>Non-Executive Directors</i> | | | | |
| Russell Hardwick | 3,559,724 | 2,809,724 | 2,809,724 | 750,000 |
| Ian Huitson | 1,047,619 | 647,619 | 647,619 | 500,000 |
| <i>Executives</i> | | | | |
| Stuart Peterson | 2,400,000 | 2,400,000 | 2,400,000 | - |

DIRECTORS' REPORT

Number of Options held by Key Management Personnel (continued):

| 30 June 2013 | Balance 1 July 2012 | Granted as Compensation | Other changes during the year | Options Exercised | Balance 30 June 2013 |
|--------------------------------|------------------------|----------------------------|--|----------------------|-------------------------|
| <i>Executive Directors</i> | | | | | |
| James Hamilton | 10,500,000 | 1,500,000 | (3,555,556) | - | 8,444,444 |
| John Mackenzie | 4,000,000 | 1,500,000 | 2,700,000 | - | 8,200,000 |
| <i>Non-Executive Directors</i> | | | | | |
| Russell Hardwick | 5,000,000 | 1,500,000 | (1,380,552) | - | 5,119,448 |
| Ian Huitson | - | 1,000,000 | 95,238 | - | 1,095,238 |
| <i>Executives</i> | | | | | |
| Stuart Peterson | 1,400,000 | 1,000,000 | - | - | 2,400,000 |

| 30 June 2013 | Balance 30 June 2013 | Total Vested 30 June 2013 | Total Exercisable 30 June 2013 | Total Unexercisable 30 June 2013 |
|--------------------------------|-------------------------|---------------------------------|--------------------------------------|--|
| <i>Executive Directors</i> | | | | |
| James Hamilton | 8,444,444 | 6,944,444 | 6,944,444 | 1,500,000 |
| John Mackenzie | 8,200,000 | 6,700,000 | 6,700,000 | 1,500,000 |
| <i>Non-Executive Directors</i> | | | | |
| Russell Hardwick | 5,119,448 | 3,619,448 | 3,619,448 | 1,500,000 |
| Ian Huitson | 1,095,238 | 95,238 | 95,238 | 1,000,000 |
| <i>Executives</i> | | | | |
| Stuart Peterson | 2,400,000 | 2,400,000 | 2,400,000 | - |

DIRECTORS' REPORT

Number of Shares held by Key Management Personnel:

The number of ordinary shares in Spitfire Resources Limited held by each Key Management Personnel of the Group during the financial year is as follows:

| 30 June 2014 | Balance 1 July 2013 | Received as Compensation | Options Exercised | Net Change Other | Balance 30 June 2014 |
|--------------------------------|------------------------|-----------------------------|----------------------|---------------------|-------------------------|
| <i>Executive Directors</i> | | | | | |
| James Hamilton | 2,666,666 | - | - | 18,500,015 | 21,166,681 |
| John Mackenzie | 1,000,000 | - | - | 600,000 | 1,600,000 |
| <i>Non-Executive Directors</i> | | | | | |
| Russell Hardwick | 786,626 | - | - | 7,500,000 | 8,286,626 |
| Ian Huitson | 446,857 | - | - | - | 446,857 |
| <i>Executives</i> | | | | | |
| Stuart Peterson | - | - | - | - | - |

| 30 June 2013 | Balance 1 July 2012 | Received as Compensation | Options Exercised | Net Change Other | Balance 30 June 2013 |
|--------------------------------|------------------------|-----------------------------|----------------------|---------------------|-------------------------|
| <i>Executive Directors</i> | | | | | |
| James Hamilton | 1,500,000 | - | - | 1,166,666 | 2,666,666 |
| John Mackenzie | 700,000 | - | - | 300,000 | 1,000,000 |
| <i>Non-Executive Directors</i> | | | | | |
| Russell Hardwick | 537,471 | - | - | 249,155 | 786,626 |
| Ian Huitson | 304,000 | - | - | 142,857 | 446,857 |
| <i>Executives</i> | | | | | |
| Stuart Peterson | - | - | - | - | - |

4.8 Key management personnel loans

As at 30 June 2014 there was a loan payable from Director John Mackenzie for the amount of \$506 (2013: \$2,835). The loan amount was repaid on the 3rd July 2014.

End of Remuneration Report

DIRECTORS' REPORT

5. SHARE OPTIONS

Unissued shares under options

At the date of this report, unissued ordinary shares of the Company under option are:

| Expiry Date | Grant Date | Exercise Price | Number of options |
|------------------|------------------|----------------|-------------------|
| 27 November 2014 | 27 November 2009 | \$0.168 | 6,000,000 |
| 15 December 2014 | 15 December 2009 | \$0.15 | 100,000 |
| 22 June 2015 | 22 June 2010 | \$0.175 | 500,000 |
| 1 October 2015 | 1 October 2010 | \$0.125 | 2,000,000 |
| | | \$0.175 | 2,000,000 |
| 26 October 2015 | 26 October 2010 | \$0.15 | 1,000,000 |
| 31 March 2016 | 14 April 2013 | \$0.12 | 45,018,606 |
| 15 August 2017 | 15 August 2012 | \$0.12 | 1,000,000 |
| 22 November 2017 | 22 November 2012 | \$0.11 | 5,500,000 |
| | | | 63,118,606 |

DIRECTORS' REPORT

6. CORPORATE GOVERNANCE STATEMENT

The Company continues to embrace the ASX Principles of Good Corporate Governance and Best Practice Recommendations. The Company has further reviewed the second edition of the Corporate Governance Principles and Recommendations ("Recommendations") with 2010 Amendments.

On 27 March 2014, the third edition of Corporate Governance Principles and Recommendations was released. The new edition takes effect for an entity's first full financial year commencing on or after 1 July 2014. The Company will be required to report on its compliance with the third edition in its annual report for the financial year ending 30th June 2015.

Commensurate with the spirit of the Recommendations, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and Board, resources available and activities of the Company. The Corporate Governance information is available on the Company's website at www.spitfireresources.com.au

This statement outlines the main Corporate Governance practices that were in place throughout the financial year.

Principle 1 – Lay solid foundations for management and oversight

The Board has adopted a charter which sets out the role and function of the board. The Board has considered and identified the functions reserved to the Board and those functions that are delegated to Senior Executives. A copy of this is available on the Company website. In carrying out its responsibilities and exercising its powers, the Board at all times recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the Shareholders, as well as its employees, customers, and the community.

The Senior Executives and staff participated during the year in the Company's informal annual performance review which sets out and identifies performance against agreed key performance indicators and the general progress of the Company.

Principle 2 – Structure the Board to add value

Board Composition

The skills, experience and expertise relevant to the position of each Director who is in office at the date of this Report are detailed in the Directors' Report.

The names of the Directors and date of appointments are:

| Board of Directors | Date of appointment | Independent |
|--------------------|---------------------|-------------|
| James Hamilton | 29 May 2007 | No |
| Russell Hardwick | 29 May 2007 | No |
| John Mackenzie | 14 February 2011 | No |
| Ian Huitson | 9 February 2012 | Yes |

DIRECTORS' REPORT

The Company has a Board of four Directors comprising the Managing Director, Executive Chairman, Non-Executive Director and a Director/Secretary. The name of the independent Director of the Company is Ian Huitson. The Board seeks a mix of skills suitable for a junior resources company including resources experience, reporting and compliance, and experience with and access to capital markets. The Company recognises that the mining and exploration industry can often be male dominated in many of the operational sectors and the pool of women with appropriate skills may be limited in some instances, however the board notes and supports the increase of women involved in the mining sector and junior exploration sector. Where possible, the Company will seek to identify suitable candidates for board positions from a diverse pool that is not limited by gender, age, ethnicity or cultural background.

The Board considers that only Mr Ian Huitson is independent after reviewing the ASX Corporate Governance Council's definition of independence and considering materiality.

When determining whether a Non-Executive Director is independent, the Director must not fail any of the following materiality thresholds:

- Less than 10% of Company shares are held by the Director and any entity or individual directly or indirectly associated with the Director;
- No material sales are made to or purchases made from any entity or individual directly or indirectly associated with the Director; and
- None of the Director's income or the income of an individual or entity directly or indirectly associated with the Director is derived from a contract with any member of the economic entity other than income derived as a Director of the entity.

Each Director has the right of access to all relevant Company Information and to the Company's Executives and, subject to prior consultation with the Chairman, may seek independent professional advice in the furtherance of their duties as Directors at the Company's expense.

The Company conducts its operations as a listed entity in accordance with Principle 2, other than in relation to the matters specified below:

| Recommendation | Notification of Departure | Explanation of Departure |
|---|--|--|
| Recommendation 2.1 | | |
| A majority of the Board should be Independent Directors | Only one of the four Directors is considered to be independent | The Company has a Board of four Directors comprising the Managing Director, Executive Chairman, Non-Executive Director and a Director/Secretary. The Board considers that only Mr Ian Huitson is independent after reviewing the ASX Corporate Governance Council's definition of independence and considering materiality. The Board recognises the importance of a majority of Independent Directors which may be desirable over the longer term, but after considering the needs of the Company at this time and the Board policies which have been put in place, it remains of the view of the Board that the current composition best serves the interests of Shareholders. |

DIRECTORS' REPORT

| Recommendation | Notification of Departure | Explanation of Departure |
|---|---|---|
| Recommendation 2.2 The Chairperson should be an Independent Director | Chairman is an Executive Director | Mr Hamilton acts as the Executive Chairman of the Company. The Board has considered the recommendations and prefers to maintain Mr Hamilton as the Chairman because he has been actively involved in the formation and promotion of the Company. The Board recognises the importance of an Independent Chairman which may be desirable over the longer term. The Board expects to appoint an Independent Chairman in the future, subject to the scope and requirements of its exploration projects or any alternative investments that it makes. The Board believes that Mr Hamilton's appointment as Chairman currently serves the best interests of the Shareholders, taking into account the size and requirements of the Company. |
| Recommendation 2.4 The Board should establish a Nomination Committee | The Board has decided not to form a Nomination Committee | The Board continues to believe that no efficiencies or other benefits would be gained by establishing a separate Nomination Committee. In any event, the Board has adopted a Nomination Committee Charter which is equally suited to use by the full Board or a subcommittee. |
| Recommendation 2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors | The Board has not conducted a formal Performance Evaluation | The Board recognises the importance of a formal Performance Evaluation but as the Company consists of only four Directors, it believes that a formal Performance Evaluation is not required at this point in time. The Chairman is responsible for evaluating the Board and informal discussions are undertaken during the course of the year. A Performance evaluation is conducted with the Managing Director each year. As the Company grows and develops, it will continue to consider the efficiencies and merits of a more formal Performance Evaluation of the Board, its committees and individual Directors. |

DIRECTORS' REPORT

Principle 3 – Promote ethical and responsible decision making

The Company has adopted a code of conduct for Directors and Executives with the overriding principle that Directors and Executives must act honestly, in good faith and in the best interest of Spitfire Resources Limited ('the Company') as a whole. A copy of the code of conduct is available on the Company website.

In addition, the Company has adopted a share trading policy regarding Directors and employees trading in its securities of the Company. The overriding principle in dealing with any securities is contained in the insider trading provisions of the Corporations Act and provides that a person cannot buy or sell shares when they are in possession of information which isn't generally available, which could reasonably be expected to have a material effect on the share price of a company if that information was generally available. In addition there are certain closed periods where trading in the Company's securities is not permitted. A copy of the share trading policy is available on the Company website.

Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. Spitfire is a forward thinking and dynamic organisation that holds its people in the highest esteem and considers them to be its greatest asset. The Group is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. Accordingly the Group has established a diversity policy, which is available on the Company's website.

This diversity policy outlines requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board has developed the following objectives regarding gender diversity and aims to achieve and maintain these objectives over the next five years as/if any director and senior executive positions become vacant and appropriately qualified candidates become available:

| | Diversity Objectives | | Progress at 30 June 2014 | |
|-------------------------------------|----------------------|----|--------------------------|----|
| | No | % | No | % |
| Women appointed to the Board | - | - | - | - |
| Women to senior management roles | 1 | 25 | 1 | 25 |
| Women across the whole organisation | 2 | 25 | 1 | 20 |

Principle 4 – Safeguard integrity in Financial Reporting

The Board has established an Audit Committee and adopted a formal charter. The purposes of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the external reporting of financial information, the internal control and operational risk management framework, the independence and effectiveness of audit and compliance with laws and regulations. A copy of the charter is available on the Company website.

The members of the Audit Committee are:

Russell Hardwick (CPA) - Chairman
Ian Huitson - Independent Director

DIRECTORS' REPORT

During the year, the Audit Committee met twice. The Board reviews the performance of the External Auditor on an annual basis. The Company currently requires the partner managing the audit for the External Auditor be changed within a period of five years from engagement.

Principle 5 – Make timely and balanced disclosure

The Company is committed to complying with the continuous disclosure obligations of the Corporations Act and the listing rules of Australian Securities Exchange Limited (ASX). The Company has adopted a written policy on disclosure of information, a copy of which can be found on the Company website.

The Company Secretary has been appointed as the person responsible for communications with the Australian Securities Exchange. In addition, the Company Secretary has responsibility for overseeing and coordinating disclosure of information and communicating with the Managing Director in relation to continuous disclosure matters.

The company adopted an enhanced securities trading policy that includes specific requirements during closed periods.

Principle 6 – Respect the rights of Shareholders

Spitfire Resources Limited recognises the right of Shareholders to be informed of matters, which affect their investments in the Company. The Board aims to ensure that the Shareholders are informed of all major developments affecting the Company. The Company has adopted a written policy on Shareholder communication, a copy of which can be found on the Company website. The Company maintains a database of Shareholders who receive automatic email updates of significant developments in the Company's affairs.

The Board encourages participation of Shareholders at the Annual General Meeting and provides a presentation on the Company which is also lodged with the Australian Securities Exchange Limited (ASX).

The Company's Auditor, Bentleys, is normally in attendance at the Annual General Meeting and is available to answer questions from Shareholders about the conduct of the annual audit.

Principle 7 – Recognise and manage risk

The Company is a junior resource entity at exploration stage with no current production operations. The Board is responsible for risk oversight and management. Day to day responsibility is delegated to the Managing Director. The Managing Director is responsible for identification of risk, monitoring risk, and has communicated to the board the effectiveness of the Company's management of material business risks. Management has previously established and implemented a safety management program and has also arranged for an independent review of the program. The Company Secretary and Financial Controller will manage the Company's internal controls and the Audit Committee will oversee risk management and internal compliance.

DIRECTORS' REPORT

The Managing Director and Company Secretary have declared in writing to the Board, that the financial reporting, risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively.

Principle 8 – Remunerate fairly and responsibly

Details in relation to the Company's remuneration policy are disclosed in the Directors' Report. The Company conducts its operations in accordance with the Principle 8, other than in relation to the matters specified below:

| Recommendation | Notification of Departure | Explanation of Departure |
|---|---|--|
| Recommendation 8.1 The Board should establish a Remuneration Committee | The Board has not formed a separate Remuneration Committee | Due to the size and development phase of the Company, the Board has no formal Remuneration Committee. All matters pertaining to remuneration are dealt with by the full Board, taking independent advice if required. |
| Recommendation 8.3 Distinguish between structure of Non-Executive Directors remuneration from that of Executive Directors and Senior Executives | The Company has issued incentive options to Non-Executive Directors | <p>The Board acknowledges the grant of Share Options to Directors is contrary to the Recommendations. However, the Board considers the grant of Director Options is reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves. The Board also notes that it is common in the junior exploration industry to award options to Directors.</p> <p>The Board considers that in view of the financial, legal and other responsibilities assumed by Directors of public companies, the payment of monetary Directors' fees alone is often not an adequate reward and does not provide an adequate incentive to keep Board members and Directors of the requisite level of experience and qualifications.</p> <p>The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options.</p> |

Further information about the Company's corporate governance practices are set out on the Company's website at www.spitfireresources.com

DIRECTORS' REPORT

7. PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the 2013/2014 financial year were to maintain the South Woodie Woodie Manganese Project, and to examine other opportunities in Australia and offshore both within and outside the resources sector.

8. OPERATING AND FINANCIAL REVIEW

The Group incurred a profit for the year of \$369,022 (2013 Loss: \$13,592,240). The result for the year reflected:-

- Research and Development Tax Incentives of \$1,609,686 for the 2012 and 2013 financial years;
- Exploration and Evaluation expenditure of \$297,913; and
- Corporate overheads associated with statutory and regulatory requirements of being listed on the Australian Securities Exchange.

Financial Position

The net assets of the Group have increased to \$3,820,892 as at 30 June 2014. This increase has largely resulted from the Company reducing cash outflows where possible and the filing of the research and Development Tax Incentives claims of \$1,609,686 for the 2012 and 2013 financial years.

The Directors believe the Group is in a stable financial position to continue to review its exploration projects and to identify new opportunities both inside and outside the resources sector.

Significant Changes in State of Affairs

Other than detailed elsewhere in this report, there were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

Further information on the financial performance of the Company is included in the Review of Operations.

9. DIVIDENDS

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend as at the date of printing this Report.

10. EVENTS SUBSEQUENT TO REPORTING DATE

There has not been any other matter or circumstance occurring subsequent to the end of the financial year, that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' REPORT

11. LIKELY DEVELOPMENTS

Likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this Report as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

12. ENVIRONMENTAL ISSUES

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

The Directors of the Group are not aware of any breach of environmental legislation for the year under review.

13. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every Officer, Auditor or Agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, Auditor or Agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. The Company has paid a Directors and Officers Liability premium of \$14,060.

14. NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important. Should the Group engage the auditor for non-audit related services; the provision of the non-audit services is compatible with the general standard of independence for the auditors imposed by the Corporations Act 2001.

During the financial year ended 30 June 2014 the group's auditors Bentley's did not provide the Group with any non-audit related services.

15. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

16. AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the year ended 30 June 2014 has been received and can be found on page 32.

DIRECTORS' REPORT

17. ROUNDING OF AMOUNTS

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of Directors made pursuant to s298 (2) of the Corporations Act 2001.

This Report is made with a resolution of the Directors.



John Mackenzie
Managing Director

Dated at Perth this 4th day of September 2014

**Bentleys Audit & Corporate
(WA) Pty Ltd**

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To The Board of Directors

**Auditor's Independence Declaration under Section 307C of the
Corporations Act 2001**

As lead audit director for the audit of the financial statements of Spitfire Resources Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Director

Dated at Perth this 4th day of September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2014

| | Note | Consolidated | |
|---|------|----------------|-----------------|
| | | 2014 \$000 | 2013 \$000 |
| Continuing Operations | | | |
| Interest received | 2 | 119 | 93 |
| Other income | 2 | 12 | 11 |
| Gross profit/(loss) | | 131 | 104 |
| Depreciation expense | | (65) | (84) |
| Consulting expenses | | (626) | (522) |
| Occupancy costs | | (36) | (81) |
| Travel expenses | | (23) | (24) |
| Exploration and evaluation costs expensed | | (298) | - |
| Impairment of exploration and evaluation capitalised expenditure | | - | (12,576) |
| Share Based Payment | | (46) | - |
| Administrative expenses | | (278) | (534) |
| Loss before income tax | 3 | (1,241) | (13,717) |
| Income tax (expense)/revenue | 4 | 1,610 | 125 |
| Profit from continuing operations | | 369 | (13,592) |
| Other comprehensive income | | - | - |
| Total comprehensive income (loss) for the period | | - | - |
| Total comprehensive income (loss) attributable to the members of the Company | | 369 | (13,592) |
| Profit / Loss per share | | | |
| From continuing operations: | | | |
| Basic and diluted loss per share | 7 | 0.14c | (7.50c) |

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

| | Note | Consolidated | |
|----------------------------------|------|--------------|--------------|
| | | 2014 | 2013 |
| | | \$000 | \$000 |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 2,939 | 3,135 |
| Trade and other receivables | 9 | 1,015 | 300 |
| TOTAL CURRENT ASSETS | | 3,954 | 3,435 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 44 | 109 |
| TOTAL NON-CURRENT ASSETS | | 44 | 109 |
| TOTAL ASSETS | | 3,998 | 3,544 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 177 | 134 |
| Provisions | 14 | - | 5 |
| TOTAL CURRENT LIABILITIES | | 177 | 139 |
| TOTAL LIABILITIES | | 177 | 139 |
| NET ASSETS | | 3,821 | 3,405 |
| EQUITY | | | |
| Issued capital | 15 | 25,116 | 25,115 |
| Reserves | 16 | 800 | 950 |
| Accumulated losses | | (22,095) | (22,660) |
| TOTAL EQUITY | | 3,821 | 3,405 |

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

| Consolidated | Note | Issued Capital \$000 | Option Reserve \$000 | Accumulated Losses \$000 | Total Equity \$000 |
|---|-------------|-------------------------------------|-------------------------------------|---|-------------------------------|
| Balance at 1 July 2012 | | 22,051 | 1,629 | (9,930) | 13,750 |
| Loss for the year | | - | - | (13,592) | (13,592) |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | - | - | (13,592) | (13,592) |
| Transactions with owners, recorded directly in equity | | | | | |
| Issue of ordinary shares | | 3,457 | - | - | 3,457 |
| Share based payments | 16 | - | 183 | - | 183 |
| Expiry of share options | 16 | - | (862) | 862 | - |
| Share issue expenses | | (393) | - | - | (393) |
| Balance at 30 June 2013 | | 25,115 | 950 | (22,660) | 3,405 |
| Balance at 1 July 2013 | | 25,115 | 950 | (22,660) | 3,405 |
| Profit or the year | | - | - | 369 | 369 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | - | - | 369 | 369 |
| Transactions with owners, recorded directly in equity | | | | | |
| Issue of ordinary shares | | 1 | - | - | 1 |
| Share based payments | 16 | - | 46 | - | 46 |
| Expiry of share options | 16 | - | (196) | 196 | - |
| Balance at 30 June 2014 | | 25,116 | 800 | (22,095) | 3,821 |

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2014

| | | Consolidated | |
|---|-------------|---------------------|----------------|
| | Note | 2014 | 2013 |
| | | \$000 | \$000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash paid to suppliers and employees | | (896) | (1,173) |
| Payments for exploration and evaluation | | (274) | (2,440) |
| Income tax benefit- Research and Development | | 788 | 320 |
| Other revenue | | 13 | 12 |
| Interest received | | 123 | 104 |
| Net cash used in operating activities | 20a | (246) | (3,177) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | | - | (8) |
| Other (tenement bond refund) | | 50 | - |
| Net cash (used in)/from investing activities | | 50 | (8) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of share capital | | - | 3,457 |
| Expense of share issue | | - | (286) |
| Net cash from financing activities | | - | 3,171 |
| Net increase/(decrease) in cash and cash equivalents | | (196) | (14) |
| Cash and cash equivalents at the beginning of the period | | 3,135 | 3,149 |
| Cash and cash equivalents at the end of the period | 8 | 2,939 | 3,135 |

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Spitfire Resources Limited (the “Company”) is a Company domiciled in Australia. The address of the Company’s registered office is 41 York Street, Subiaco, WA 6008. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates and jointly controlled entities. The Group primarily is involved in the minerals exploration industry.

BASIS OF PREPARATION

a) Statement of compliance

The Financial Report is a General Purpose Financial Report, which has been prepared in accordance with Australian Accounting Standards Board (AASB) (including Australian Accounting interpretations and other authoritative pronouncements) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated Financial Report of the Group and the Financial Report of the Company comply with International Financial Reporting Standards (IFRS’) and interpretations adopted by the International Accounting Standards Board (IASB).

b) Basis of measurement

The Financial Report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company’s functional currency and the functional currency of the Group. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Principles of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In the Company’s financial statements, investments in subsidiaries are carried at cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

(ii) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holders are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The depreciation rates used for each class of depreciable assets are:

| <i>Class of Fixed Asset</i> | <i>Depreciation Rate</i> |
|-----------------------------|--------------------------|
| Leasehold Improvements | 20% |
| Plant and Equipment | 33% |

(c) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Employee benefits

(i) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

When the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

(e) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(f) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expense comprises interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(g) Income tax

Income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and used tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

Current tax assets and liabilities are offset where a legally enforceable right to set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of respective asset and liability will occur in future periods in which significant amount of deferred tax assets or liabilities are expected to be recovered or settled.

(h) Tax consolidation

Spitfire Resources Limited and its 100% owned controlled entities have formed a tax consolidated group.

(i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(j) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(k) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

The Board considers the business from both a functional and geographic perspective and has identified two reportable segments.

Development of the South Woodie Woodie Manganese Project has been the main focus of the Group, with these activities forming the Australian manganese exploration segment. The administration, fund raising and investment activities of the Group form the Treasury and unallocated segments.

All assets, liabilities, revenues and expenses are monitored by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

(l) Exploration and evaluation expenditure

During the 2012 financial year the Group changed its accounting policy in relation to the capitalisation of Exploration and Evaluation expenditure. The Group elected to impair the value of accumulated expenditure in respect of each identifiable area of interest if, after the completion of two financial years in which the expenditure is incurred, a decision to mine has not been made. Any remaining and ongoing costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(m) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Investment property revenue is recognised on a straight line basis over the period of lease term so as to reflect a constant periodic rate of return on the net investment.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

(o) Financial instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below:

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

(p) New and revised AASB's affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has applied a number of new and revised AASB's issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective from an accounting period on or after 1 January 2013.

The Group has applied AASB 13 'Fair Value Measurement' for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

In addition, standards on consolidation, joint arrangements, associates and disclosures were adopted. The impact of the application of these standards is not material.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The Group does not anticipate that there will be a material effect on the financial statements from the adoption of these standards.

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|--|---|
| AASB 9 'Financial Instruments', and the relevant amending standards | 1 January 2017 | 30 June 2018 |
| AASB 1031 'Materiality' (2013) | 1 January 2014 | 30 June 2015 |
| AASB 2012-3 "Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities" | 1 January 2014 | 30 June 2015 |
| AASB 2013-3 "Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets" | 1 January 2014 | 30 June 2015 |
| AASB 2013-5 "Amendments to Australian Accounting Standards – Investment Entities" | 1 January 2014 | 30 June 2015 |
| AASB 2013-9 "Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments" | 1 January 2014 | 30 June 2015 |

(q) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the Financial Report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Provision for Impairment of Receivables

The Company has written down the value of its intercompany loans to nil, as at the reporting date the recovery of intercompany loans is not virtually certain. Other than the intercompany loans, no provision for impairment of receivables has been made at 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

Exploration and Evaluation Costs

The value of accumulated expenditure in respect of each identifiable area of interest is impaired if, after the completion of two financial years in which the expenditure is incurred, a decision to mine has not been made. Any remaining and ongoing costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Share-based Payment Transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using the Black-Scholes option pricing model.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the Directors understanding thereof. At the current stage of the Company's development and its current environmental impact, the Directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, and are based on the best estimates of Directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the Directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the Directors' best estimate, pending any assessment by the Australian Taxation Office.

Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date. As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such Instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

NOTE 2: REVENUE AND OTHER INCOME

| | Consolidated | |
|--|---------------|---------------|
| | 2014 \$000 | 2013 \$000 |
| Other income | | |
| - Interest revenue from financial institutions | 106 | 90 |
| - Interest revenue from other institutions | 13 | 3 |
| - Government Funding (Paid Parental Leave) | 11 | 11 |
| - Insurance claim | 1 | - |
| Total revenue | 131 | 104 |

NOTE 3: PROFIT/LOSS FOR THE YEAR

| | Consolidated | |
|---|---------------|---------------|
| | 2014 \$000 | 2013 \$000 |
| a) Expenses | | |
| Rental expense on operating leases | | |
| - Minimum lease payments | 36 | 81 |
| b) Significant expenses | | |
| Consulting fees | 626 | 522 |
| Directors fees | 83 | 105 |
| Salaries and wages | 58 | 108 |
| Superannuation | 11 | 15 |
| Share options expense | 46 | 76 |
| Exploration & Evaluation costs expensed | 298 | - |
| Exploration & Evaluation costs impaired | - | 12,576 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 4: INCOME TAX EXPENSE

| | Consolidated | |
|--|--------------|-------|
| | 2014 | 2013 |
| | \$000 | \$000 |

Major components of income tax expense for the years ended 30 June 2014 and 2013 are:

INCOME STATEMENT

Current Income

| | | |
|--|-------|-----|
| Current income tax charge | - | - |
| Research & Development refundable tax offset | 1,610 | 125 |

Deferred income tax

| | | |
|---|---|---|
| Relating to origination and reversal of temporary differences | - | - |
| Benefit from previously unrecognised tax loss used to reduce deferred tax expense | - | - |

| | | |
|--|--------------|------------|
| Income Tax (expense)/benefit reported in income statement | 1,610 | 125 |
|--|--------------|------------|

A reconciliation of income tax expense (benefit) applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2014 and 2013 is as follows:

| | | |
|---|----------------|-----------------|
| Accounting loss before income tax | (1,241) | (13,717) |
| At the statutory income tax rate of 30% (2013: 30%) | (372) | (4,115) |
| Add: | | |
| Non-deductible expenses | 15 | 127 |
| Temporary differences and tax losses not brought to account | 3,577 | 4,238 |
| Less: | | |
| Non – assessable income R&D refundable tax offset | (1,610) | (125) |
| Income tax (expense)/benefit | 1,610 | 125 |
| Effective income tax rate of 0% | 0% | 0% |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

| | Consolidated | |
|--|---------------|---------------|
| | 2014 \$000 | 2013 \$000 |
| Recognised deferred tax assets and liabilities | | |
| Deferred tax assets and liabilities are attributable to the following: | | |
| Accrued interest | 5 | 6 |
| Sundry payables | (4) | (12) |
| Provision for employee entitlements | - | (2) |
| Capital raising costs | (48) | (38) |
| Net deferred tax (assets) liabilities | (47) | (46) |
| Tax losses recognised to the extent of deferred tax liability | 47 | 46 |
| Net tax (assets) liabilities | - | - |
| Unrecognised Deferred Tax Assets | | |
| Tax losses | 6,215 | 6,500 |
| Tax losses recognised to the extent of deferred tax liability | 47 | 46 |
| | 6,262 | 6,546 |

NOTE 5: KEY MANAGEMENT PERSONNEL

Names and positions held of consolidated and company key management personnel in office at any time during the 2013/2014 financial year are:

| Key Management Personnel | Position |
|--------------------------|--|
| James Hamilton | Executive Chairman |
| Russell Hardwick | Non-Executive Director / Company Secretary |
| John Mackenzie | Managing Director |
| Ian Huitson | Non-Executive Director |
| Stuart Peterson | Exploration Manager / Consultant |

Refer to the Remuneration Report contained in the Directors' Report for details of the shares, options held and remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014.

The totals of remuneration paid to Key Management Personnel of the Company and the Group during the year are as follows:

| | 2014 \$000 | 2013 \$000 |
|---|---------------|---------------|
| Short-term employee benefits or consulting fees | 620 | 737 |
| Post-employment benefits | 13 | 23 |
| Share based payments | 47 | 76 |
| | 680 | 836 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

NOTE 6: AUDITORS' REMUNERATION

| | Consolidated | |
|---|---------------|---------------|
| | 2014 \$000 | 2013 \$000 |
| Remuneration of the Auditor of the parent entity for: | | |
| - Auditing or reviewing the Financial Report | 20 | 30 |

No other services have been provided by the Auditors.

NOTE 7: PROFIT/ (LOSS) PER SHARE

| | Consolidated | |
|--|-------------------------|-------------------------|
| | 2014 \$000 | 2013 \$000 |
| a) Earnings/(loss) used to calculate basic and diluted EPS from continuing and discontinued operations | 369 | (13,592) |
| Basic earnings/(loss) per share (cents per share) | 0.14c | (7.50c) |
| b) Earnings/(loss) used to calculate basic and diluted EPS from continuing operations | 369 | (13,592) |
| Basic earnings/(loss) per share (cents per share) | 0.14c | (7.50c) |
| | Number of shares | Number of shares |
| c) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | 255,112,696 | 181,329,192 |

At 30 June 2014, 63,118,606 (2013: 108,427,909) share options are non-dilutive based on the average market prices of the Company's shares.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 8: CASH AND CASH EQUIVALENTS

| | Consolidated | |
|--------------------------|---------------|---------------|
| | 2014 \$000 | 2013 \$000 |
| Cash at bank and in hand | 82 | 134 |
| Cash management account | 195 | 771 |
| Short-term bank deposits | 2,662 | 2,230 |
| | 2,939 | 3,135 |

The effective interest rate on short term bank deposits was 3.5% (2013: 4.12%); these deposits have an average maturity of 97 days (2013: 180 days).

NOTE 9: TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|--|---------------|---------------|
| | 2014 \$000 | 2013 \$000 |
| CURRENT | | |
| GST receivable | 25 | 78 |
| Interest receivable | 17 | 21 |
| Research & Development refundable tax offset | 946 | 125 |
| Environmental Bonds refundable | - | 51 |
| Other receivables | 27 | 25 |
| | 1,015 | 300 |

Refer to Note 25 for risk management policies in place.

NOTE 10: CONTROLLED ENTITIES

a. Controlled Entities Consolidated

| | | Percentage Owned (%)* | |
|--|-----------|-----------------------|------|
| | | 2014 | 2013 |
| Subsidiaries of Spitfire Resources Ltd: | | | |
| Spitfire Australia (SWW) Pty Ltd | Australia | 100% | 100% |
| Spitfire Global Pty Ltd | Australia | 100% | 100% |
| Bellpiper Pty Ltd | Australia | 100% | 100% |

* Percentage of voting power is in proportion to ownership.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | |
|-------------------------------------|-----------------------|-----------------------|
| | 2014 \$000 | 2013 \$000 |
| PLANT AND EQUIPMENT | | |
| At cost | 224 | 224 |
| Accumulated depreciation | (181) | (117) |
| Total Plant and Equipment | 43 | 107 |
| LEASEHOLD IMPROVEMENTS | | |
| At cost | 77 | 77 |
| Accumulated depreciation | (76) | (75) |
| Total Leasehold Improvements | 1 | 2 |
| | 44 | 109 |

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Plant and Equipment \$000 | Leasehold Improvements \$000 | Total \$000 |
|--------------------------------|--|---|------------------------|
| Balance at 30 June 2012 | 152 | 33 | 185 |
| Additions | 7 | 1 | 8 |
| Disposals | - | - | - |
| Depreciation expense | (52) | (32) | (84) |
| Balance at 30 June 2013 | 107 | 2 | 109 |
| Depreciation expense | (64) | (1) | (65) |
| Balance at 30 June 2014 | 43 | 1 | 44 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 12: EXPLORATION AND EVALUATION ASSETS

During the year ending 30 June 2013 the Group has elected to impair the full carrying value of the South Woodie Woodie project based on the assessment of current market conditions and that the project is likely to require large scale exploration programs to grow the resource inventory to progress to feasibility study.

Exploration and Evaluation expenditure amounting to \$273,608 (2013: \$2,440,171) have been included in cash flows from operating activities in the cash flow statement.

NOTE 13: TRADE AND OTHER PAYABLES

| | Consolidated | |
|--------------------------------------|---------------|---------------|
| | 2014 \$000 | 2013 \$000 |
| CURRENT | | |
| Trade creditors | | |
| Related party creditors | 42 | 50 |
| Other | 15 | 24 |
| Sundry payables and accrued expenses | 120 | 60 |
| | 177 | 134 |

NOTE 14: PROVISIONS

| | Consolidated | |
|--|---------------|---------------|
| | 2014 \$000 | 2013 \$000 |
| Opening balance at beginning of period | 5 | 10 |
| Amount used | (5) | (15) |
| Additional provisions | - | 10 |
| Balance at end of period | - | 5 |

A provision for employee benefits relating to annual leave has not been recognized at balance day as there are currently no employees accumulating leave.

Analysis of Total Provisions

| | Consolidated | |
|----------------------------------|---------------|---------------|
| | 2014 \$000 | 2013 \$000 |
| Current (annual leave provision) | - | 5 |
| | - | 5 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

NOTE 15: ISSUED CAPITAL

| | Consolidated | |
|--|---------------|---------------|
| | 2014 \$000 | 2013 \$000 |
| 255,113,474 (2013: 255,111,641) fully paid ordinary shares | 26,097 | 26,096 |
| Share issue expenses | (1,215) | (1,215) |
| Share options expired | 234 | 234 |
| | 25,116 | 25,115 |

The Company has fully paid shares with no par value.

| | Consolidated | |
|---|--------------------|--------------------|
| | 2014 No. | 2013 No. |
| a. Ordinary shares | | |
| At the beginning of reporting period | 255,111,641 | 156,333,731 |
| Shares issued during the year | | |
| - 26 February 2013 @ 3.5c pursuant to a placement | - | 35,000,000 |
| - 16 April 2013 @ 3.5c pursuant to a rights issue | - | 63,777,910 |
| - 2 December 2013 @ 7c upon the conversion of options | 1,833 | |
| At reporting date | 255,113,474 | 255,111,641 |

At the Shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each Shareholder has one vote on a show of hands.

b. Options

On the 30th November 2013, 38,757,470 Share options exercisable into ordinary shares at 7c per share expired.

For information relating to the Spitfire Resources Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end refer to Note 22 Share-based Payments.

c. Capital Management

Due to the nature of the Group's activities, being exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2014 and 30 June 2013 are as follows:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

| | Consolidated | |
|---------------------------------|---------------------|--------------|
| | 2014 | 2013 |
| | \$000 | \$000 |
| Cash and cash equivalents | 2,939 | 3,135 |
| Trade and other receivables | 1,015 | 300 |
| Trade and other payables | (177) | (134) |
| Provisions | - | (5) |
| Working capital position | 3,777 | 3,296 |

NOTE 16: RESERVES

| | Consolidated | |
|--|---------------------|--------------|
| | 2014 | 2013 |
| | \$000 | \$000 |
| Equity settled employee benefits reserve: | | |
| Balance at Beginning of Period | 950 | 1,629 |
| Share Options issued 15 August 2012 | - | 29 |
| Share Options expired on 25 December 2012 | - | (6) |
| Share Options issued 22 November 2012 | 46 | 48 |
| Share Options expired 8 February 2013 | - | (848) |
| Share Options issued 16 April 2013 | - | 107 |
| Share Options expired 9 May 2013 | - | (9) |
| Share Option expired 19 September 2013 | (3) | - |
| Share Options expired 06 March 2014 | (193) | - |
| | 800 | 950 |

Movements in reserves are set out in the Statement of Changes in Equity.

Equity settled employee benefits reserve

The equity settled employee benefits reserve arises on the grant and vesting of share options to Employees, Consultants and Directors. Amounts are transferred out of the reserve into issued capital when the options are exercised.

NOTE 17: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities/ assets at 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 18: PARENT ENTITY DISCLOSURES

The following details information related to the parent entity, Spitfire Resources Limited, at 30 June 2014. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

| | 2014 \$000 | 2013 \$000 |
|--|---------------|----------------|
| (a) Financial Position | | |
| Assets | | |
| Current assets | 3,927 | 3,321 |
| Non-current assets | 6 | 11 |
| Total assets | 3,933 | 3,332 |
| Liabilities | | |
| Current liabilities | 167 | 110 |
| Non-current liabilities | - | - |
| Total liabilities | 167 | 110 |
| Equity | | |
| Issued capital | 25,116 | 25,115 |
| Reserves: | | |
| Equity settled employee benefits reserve | 800 | 950 |
| Accumulated losses | (22,150) | (22,843) |
| Total equity | 3,766 | 3,222 |
| (b) Financial Performance | | |
| Profit/(loss) for the year | 497 | (8,409) |
| Other comprehensive income | - | - |
| Total comprehensive income | 497 | (8,409) |
| (c) Commitments of the Parent Entity | | |
| Operating lease | | |
| Within one year | 50 | 50 |
| One year or later and no later than five years | 53 | 95 |
| Total | 103 | 145 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 19: SEGMENT REPORTING

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of its individual exploration commodity and the remaining treasury function. Operating segments are therefore determined on the same basis.

Types of exploration by project segment

(i) *Australia – Manganese Exploration*

The manganese exploration segment is the maintenance of the Manganese project at South Woodie in the East Pilbara. Segment assets, including any capitalised exploration expenditure are reported on in this segment.

(ii) *Australia – Treasury*

In addition the Company has included a Treasury segment that includes the surplus cash of which the majority is invested in Bank term deposits.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, as the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Other corporate charges

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

| Consolidated 30 June 2014 | Australia - Manganese Exploration \$000 | Australia - Treasury \$000 | Consolidated Group \$000 |
|---|--|----------------------------------|--------------------------------|
| SEGMENT PERFORMANCE | | | |
| Finance revenue | - | 119 | 119 |
| Total segment and group revenue | - | 119 | 119 |
| <i>Reconciliation of segment revenue to group revenue</i> | | | |
| Other revenue | | | 12 |
| Total group revenue | | | 131 |
| Segment net profit/(loss) from continuing operations before tax | (359) | 119 | (240) |
| <i>Reconciliation of segment result to group net profit/(loss) before tax</i> | | | |
| - Other tax revenue | 1,610 | - | 1,610 |
| Unallocated Items | | | |
| - Consulting Fees | | | (626) |
| - Salaries | | | (58) |
| - Depreciation | | | (65) |
| - Other | | | (252) |
| Net Profit/(loss) before tax from continuing operations | 1,251 | | 369 |
| SEGMENT ASSETS | | | |
| Segment assets | 1,018 | 2,924 | 3,942 |
| <i>Reconciliation of segment assets to group assets</i> | | | |
| Unallocated items | | | |
| - Other | | | 56 |
| Total group assets | | | 3,998 |
| Segment asset increases/(decreases) for the period: | | | |
| - Cash | 12 | (205) | (193) |
| - Other | 783 | - | 783 |
| | 795 | (205) | (590) |
| SEGMENT LIABILITIES | | | |
| Segment liabilities | 105 | - | 105 |
| <i>Reconciliation of segment liabilities to group liabilities</i> | | | |
| Unallocated items | | | |
| - Other | | | 72 |
| Total group liabilities | | | 177 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

| Consolidated 30 June 2013 | Australia - Manganese Exploration \$000 | Australia - Copper (NT) Exploration \$000 | Australia - Treasury \$000 | Consolidated Group \$000 |
|---|--|--|----------------------------------|--------------------------------|
| SEGMENT PERFORMANCE | | | | |
| Finance revenue | 1 | - | 92 | 93 |
| Total segment and group revenue | 1 | - | 92 | 93 |
| <i>Reconciliation of segment revenue to group revenue</i> | | | | |
| Other revenue | | | | 11 |
| Total group revenue | | | | 104 |
| Segment net profit/(loss) from continuing operations before tax | (12,567) | (10) | 92 | (12,485) |
| <i>Reconciliation of segment result to group net profit/(loss) before tax</i> | | | | |
| Unallocated Items | | | | |
| - Consulting Fees | | | | (522) |
| - Salaries | | | | (108) |
| - Depreciation | | | | (84) |
| - Other | | | | (518) |
| - Other tax revenue | | | | 125 |
| Net Profit/(loss) before tax from continuing operations | | | | (13,592) |
| SEGMENT ASSETS | | | | |
| Segment assets | 223 | - | 3,129 | 3,352 |
| <i>Reconciliation of segment assets to group assets</i> | | | | |
| Unallocated items | | | | |
| - Other | | | | 192 |
| Total group assets | | | | 3,544 |
| Segment asset increases/(decreases) for the period: | | | | |
| - Capitalised expenditure | (10,331) | - | - | (10,331) |
| - Cash | (18) | - | 3 | (15) |
| - Other | 58 | - | - | 58 |
| | (10,291) | - | 3 | (10,288) |
| SEGMENT LIABILITIES | | | | |
| Segment liabilities | 29 | - | - | 29 |
| <i>Reconciliation of segment liabilities to group liabilities</i> | | | | |
| Unallocated items | | | | |
| - Other | | | | 110 |
| Total group liabilities | | | | 139 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 20: CASH FLOW INFORMATION

| | Consolidated | |
|--|---------------|----------------|
| | 2014 \$000 | 2013 \$000 |
| (a) Reconciliation of Cash Flow from Operations with Profit/Loss after Income Tax | | |
| Profit/(Loss) after income tax from continuing operations | 369 | (13,592) |
| Non-cash flows in profit/(loss) | | |
| - Depreciation | 65 | 84 |
| - Share options expensed | 47 | 76 |
| - Impairment of exploration & evaluation capitalised expenditure | 77 | 12,576 |
| - Payments for exploration and evaluation | (274) | (2,440) |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries | | |
| - (Increase)/decrease in trade and term receivables | (569) | 185 |
| - Increase/(decrease) in trade payables and accruals | 44 | (61) |
| - (Decrease)/ increase in provisions | (5) | (5) |
| Cashflow from operations | (246) | (3,177) |

NOTE 21: COMMITMENTS

a) Operating Lease Commitments

| | Consolidated | |
|---|---------------|---------------|
| | 2014 \$000 | 2013 \$000 |
| Non-cancellable operating lease contracted for but not capitalised in the financial statements: | | |
| Payable | | |
| - Within one year | 50 | 50 |
| - One year or later and no later than five years | 53 | 95 |
| - Later than five years | - | - |
| | 103 | 145 |

The above amounts relate to a property lease at 41 York Street, Subiaco which is a 36 month lease term expiring on 31 May 2016, with rent payable monthly in advance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

b) Exploration Commitments

| | Consolidated | |
|--|---------------|---------------|
| | 2014 \$000 | 2013 \$000 |
| In order to maintain current rights of tenure to exploration tenements, the Company has the following discretionary exploration expenditure up until the expiry of leases. These obligations are not provided for in the financial statements and are payable: | | |
| - Within one year | 366 | 819 |
| - One year or later and no later than five years | 692 | 1,862 |
| - Later than five years | - | - |
| | 1,058 | 2,681 |

The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

NOTE 22: SHARE BASED PAYMENTS

All options granted to key management personnel are exercisable into ordinary shares in Spitfire Resources Limited, which confer a right of one ordinary share for every option held.

The number and weighted average exercise prices of share options granted as compensation are as follows:

| Consolidated | Weighted average exercise price | Number of options |
|---|------------------------------------|-------------------|
| Options outstanding as at 30 June 2012 | 17.09c | 27,350,000 |
| Granted | 11.15c | 6,500,000 |
| Forfeited | 17.00c | (100,000) |
| Expired | 23.00c | (9,100,000) |
| Options outstanding as at 30 June 2013 | 13.53c | 24,650,000 |
| Expired | 11.40c | (6,550,000) |
| Options outstanding as at 30 June 2014 | 14.28c | 18,100,000 |
| Options exercisable as at 30 June 2014: | | 15,350,000 |
| Options exercisable as at 30 June 2013: | | 19,150,000 |

The weighted average remaining contractual life of options outstanding at year end was 629 days (1.72 years). The range of exercise prices of outstanding options granted as compensation at reporting date is from 11c to 17.5c.

Included under employee benefits expense in the income statement is \$47,375 (2013: \$76,337), which relates to vesting of share options issued in November 2012.

The fair value of services received in return for previously granted share options is based on the fair value of share options granted, measured using the Black-Scholes option pricing model.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 23: EVENTS AFTER BALANCE SHEET DATE

Other than noted above, there has not been any other matter or circumstance occurring subsequent to the end of the financial year, that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 24: RELATED PARTY TRANSACTIONS

| | Consolidated | |
|--|--------------|-------|
| | 2014 | 2013 |
| | \$000 | \$000 |

Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

Transactions with related parties

EXPENDITURE

| | | |
|---|----|----|
| Consultancy fees paid to Goldregis Corporation Pty Ltd (a company associated with Mr. James Hamilton), a related party of Spitfire Resources Limited. The amount of \$11,400 was owing to Goldregis Corporation Pty Ltd as at 30 June 2014 (2013: \$13,900) | 62 | 62 |
|---|----|----|

| | | |
|---|----|----|
| Consultancy fees paid to Ravenhill Corporate Pty Ltd (a company associated with Mr. Russell Hardwick), a related party of Spitfire Resources Limited. The amount of \$7,077 was owing to Ravenhill Corporate Pty Ltd as at 30 June 2014 (2013: \$7,725) | 87 | 93 |
|---|----|----|

| | | |
|---|-----|-----|
| Consultancy fees paid to Manhattan Holdings Pty Ltd (a company associated with Mr. John Mackenzie), a related party of Spitfire Resources Limited. The amount of \$20,000 was owing to Manhattan Holdings Pty Ltd as at 30 June 2014 (2013: \$24,167) | 252 | 290 |
|---|-----|-----|

| | | |
|--|----|---|
| Consultancy fees paid to Peterson Geological Consulting (an entity associated with Mr Stuart Peterson), a related party of Spitfire Resources Limited. The amount of \$8,066 was owing to Peterson Geological as at 30 June 2014 (2013: nil) | 57 | - |
|--|----|---|

OTHER RECEIVABLES

| | | |
|--|---|---|
| Included in other receivables is an amount due from Mr John Mackenzie for \$506 (2013: \$2,835). | 1 | 3 |
|--|---|---|

NOTE 25: FINANCIAL RISK MANAGMENT

Significant accounting policies

Details of the significant accounting policies in respect of financial instruments are disclosed in Note 1 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

Financial risk management

The Board seeks to minimise its exposure to financial risk by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis. No formal policies have been put in place in order to hedge the Group and Company's activities to the exposure to currency risk or interest risk, however if the Group enters commercial production this may be considered. No derivatives or hedges were entered into during the period.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Group is exposed through its operations to the following financial risks:

- Liquidity risk;
- Credit risk;
- Foreign exchange risk; and
- Interest rate risk.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Liquidity risk

Prudent liquidity risk management requires the Group to maintain sufficient cash to meet exploration and other commitments and is managed centrally by the Board. The board monitors rolling cash forecasts to manage liquidity risks and to ensure adequate cash reserves are maintained. Any exploration programs and budgets are set and agreed by the Board in advance, enabling the Group's cash requirements to be anticipated and managed. The main financial liabilities of the Group at balance date are trade and other payables.

Credit risk

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group has made investments and advances of \$231,583 (2013: \$2,439,950) into subsidiary companies, recovery of which is dependent on future income generation of those subsidiaries.

The Group's maximum exposure to credit risk by class of individual financial instrument is shown in the table below:

| | 2014 | | 2013 | |
|-----------------------------|----------------------|------------------------|----------------------|------------------------|
| | Carrying value \$ | Maximum exposure \$ | Carrying value \$ | Maximum exposure \$ |
| Cash and cash equivalents | | | | |
| - AA Rated | 2,939 | 2,939 | 3,135 | 3,135 |
| Trade and other receivables | 1,015 | 1,015 | 300 | 300 |
| | 3,954 | 3,954 | 3,435 | 3,435 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

Price risk

Price conscious risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities. The Group is currently involved in the exploration for manganese and should sufficient economic resources be delineated then the Group will be exposed to the particular commodity price risk. There are no hedges in place at balance date.

Foreign exchange risk

The Group has no exposure to foreign exchange risk at this point of its development.

Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

| | Floating interest rate | Fixed interest maturing in 1 year or less | Fixed interest maturing over 1 to 5 years | Non- interest bearing | Total |
|-----------------------------------|---------------------------|---|---|-----------------------------|--------------|
| Consolidated 2014 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Financial assets | | | | | |
| Cash and cash equivalents | 277 | 2,662 | - | - | 2,939 |
| Trade and other receivables | - | - | - | 1,015 | 1,015 |
| | 277 | 2,662 | - | 1,015 | 3,954 |
| Weighted average interest rate | 0% | 3.33% | | | |
| Financial liabilities | | | | | |
| Trade and other payables | - | - | - | 178 | 178 |
| | - | - | - | 178 | 178 |

| | Floating interest rate | Fixed interest maturing in 1 year or less | Fixed interest maturing over 1 to 5 years | Non- interest bearing | Total |
|-----------------------------------|---------------------------|---|---|-----------------------------|--------------|
| Consolidated 2013 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Financial assets | | | | | |
| Cash and cash equivalents | 134 | 3,001 | - | - | 3,135 |
| Trade and other receivables | - | - | - | 300 | 300 |
| | 134 | 3,001 | - | 300 | 3,435 |
| Weighted average interest rate | 0% | 3.57% | | | |
| Financial liabilities | | | | | |
| Trade and other payables | - | - | - | 134 | 134 |
| | - | - | - | 134 | 134 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

Sensitivity Analysis

Interest rate risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. The sensitivity analysis demonstrates the effect on the current financial year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

A sensitive analysis has been determined based on the exposure to changes in interest rates on available cash during the financial year. A 100 basis point increase or decrease has been used as management's assessment of the risk of possible changes in interest rates.

At 30 June 2014, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's net profit would increase by \$35,676 or decrease by \$35,676 (2013: increase by \$19,101 or decrease by \$19,101). This is due mainly to the Group's exposure to variable interest rates on cash and cash equivalents.

Net Fair Value

The carrying value and net fair value of financial assets and liabilities at balance date are:

| | 2014 | | 2013 | |
|------------------------------|-----------------|----------------|-----------------|----------------|
| | Carrying Amount | Net Fair Value | Carrying Amount | Net Fair Value |
| | \$000 | \$000 | \$000 | \$000 |
| Financial assets | | | | |
| Cash and cash equivalents | 2,939 | 2,939 | 3,135 | 3,135 |
| Trade and other receivables | 1,015 | 1,015 | 300 | 300 |
| | 3,954 | 3,954 | 3,435 | 3,435 |
| Financial liabilities | | | | |
| Trade and other payables | 178 | 178 | 134 | 134 |
| | 178 | 178 | 134 | 134 |

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 33 to 68, are in accordance with the Corporations Act 2001 and:
 - a. Comply with Accounting Standards;
 - b. Are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in note 1 to the financial statements; and
 - c. Give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Company and consolidated Group.
2. The Managing Director and Chief Financial Officer have each declared that:
 - a. The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. The financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. The financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



JOHN MACKENZIE

Managing Director

Dated this 4th day of September 2014

Independent Auditor's Report

To the Members of Spitfire Resources Limited

We have audited the accompanying financial report of Spitfire Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

To the Members of Spitfire Resources Limited (*Continued*)



Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Opinion

In our opinion:

- a. The financial report of Spitfire Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- b. The financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Spitfire Resources Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Director

Dated at Perth this 4th day of September 2014

ADDITIONAL INFORMATION FOR PUBLICLY LISTED COMPANIES

ADDITIONAL SHAREHOLDER INFORMATION AS AT 1 SEPTEMBER 2014

1. SHAREHOLDING INFORMATION

a. Distribution of equity security holders

| Category (size of holding) | Listed shares - Number Ordinary Shares |
|----------------------------|--|
| 1 - 1,000 | 21 |
| 1,001 - 5,000 | 65 |
| 5,001 - 10,000 | 112 |
| 10,001 - 100,000 | 450 |
| 100,001 and over | 257 |
| | 905 |

| Category (size of holding) | 12c Share Options (Expiring 31 March 2016) |
|----------------------------|--|
| 1 - 1,000 | 39 |
| 1,001 - 5,000 | 102 |
| 5,001 - 10,000 | 31 |
| 10,001 - 100,000 | 68 |
| 100,001 and over | 50 |
| | 290 |

b. The number of shareholdings held in less than a marketable parcel is 417.

There is no current on-market buy-back

c. The names of the substantial shareholders listed in the holding company's register as at 1 September 2014 are:

| Shareholder | Number Ordinary Shares | % |
|--------------------------|------------------------|-------|
| UOB Kay Hian Private Ltd | 29,222,195 | 11.45 |
| James Tyson Hamilton | 21,166,681 | 8.30 |
| Russell Neil Creagh | 13,404,832 | 5.25 |

d. Voting Rights

There are a total of 255,113,474 fully paid ordinary shares on issue. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Share options (Quoted and Unquoted) do not have voting rights.

e. Restricted securities or securities subject to voluntary escrow

Nil

ADDITIONAL INFORMATION FOR PUBLICLY LISTED COMPANIES

f. 20 Largest Shareholders – Ordinary Shares

| Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|---|---|--------------------------------------|
| 1. UOB Kay Hian Private Ltd | 29,222,195 | 11.45 |
| 2. James Tyson Hamilton | 21,166,681 | 8.30 |
| 3. Russell Neil Creagh | 13,404,832 | 5.25 |
| 4. Citicorp Nominees PL | 12,065,000 | 4.73 |
| 5. Eralloys Holdings AS | 8,650,000 | 3.39 |
| 6. HSBC Custody Nominees Aust Ltd | 8,289,452 | 3.25 |
| 7. Mary-Louise Hardwick | 7,636,666 | 2.99 |
| 8. Julie Avotins | 6,823,130 | 2.67 |
| 9. RYU FAM PL | 6,000,000 | 2.35 |
| 10. Barden Ian Lawton | 4,587,000 | 1.80 |
| 11. Leet Inv PL < Super Fund A/c > | 4,434,728 | 1.74 |
| 12. Leet Invs PL | 4,100,000 | 1.61 |
| 13. Groote Resources Ltd | 3,765,531 | 1.48 |
| 14. BWS PL | 3,761,000 | 1.47 |
| 15. JP Morgan Nom Aust Ltd | 3,276,764 | 1.28 |
| 16. Groote Resources Ltd | 2,780,000 | 1.09 |
| 17. Blatch Andrew J + C L | 2,640,971 | 1.04 |
| 18. Smyth John Campbell < Smyth S/F A/c > | 2,500,000 | 0.98 |
| 19. Pitt Kenneth Christian | 2,204,356 | 0.86 |
| 20. Ong Abel Alexander C S | 1,960,000 | 0.77 |
| TOTAL | 149,268,306 | 58.50 |

ADDITIONAL INFORMATION FOR PUBLICLY LISTED COMPANIES

g. 20 Largest Holders – Share Options (12c expiring 31 March 2016)

| Name | Number of Share Options Held | % Held of Class of Share Options |
|-------------------------------|------------------------------|----------------------------------|
| 1. Intersuisse Nom PL | 7,180,952 | 15.95 |
| 2. BWS PL | 3,987,000 | 8.86 |
| 3. DannyThai Quang | 3,821,866 | 8.49 |
| 4. DJ Carmichael PL | 2,500,000 | 5.55 |
| 5. Creagh Russell Neil | 2,123,174 | 4.72 |
| 6. Goffacan PL | 2,000,000 | 4.44 |
| 7. Adam L + S M Conigliaro | 2,000,000 | 4.44 |
| 8. Genesta Holdings PL | 2,000,000 | 4.44 |
| 9. Nicant PL | 1,428,717 | 3.17 |
| 10. Barden Ian Lawton + LC | 1,195,667 | 2.66 |
| 11. Alnus PL | 1,008,700 | 2.24 |
| 12. Andrew J + C L Blatch | 1,000,000 | 2.22 |
| 13. Lim Weng Chew + HA Ngoc N | 990,000 | 2.20 |
| 14. Damere PL | 854,047 | 1.90 |
| 15. Oak Stream PL | 744,565 | 1.65 |
| 16. Lawrence Crowe Cons PL | 555,204 | 1.23 |
| 17. Mark Paul Halley | 514,137 | 1.14 |
| 18. Aust Trade Access PL | 512,428 | 1.14 |
| 19. Lim Weng Chew + HA Ngoc N | 510,000 | 1.13 |
| 20. Chia Jen PL | 500,000 | 1.11 |
| TOTAL | 35,426,457 | 78.68 |

2. COMPANY SECRETARY

The name of the Company Secretary is Russell Hardwick.

3. PRINCIPAL REGISTERED OFFICE

The address of the principal registered office in Australia is:

41 York Street
SUBIACO WA 6008
Telephone +61 8 6382 3700

4. REGISTER OF SECURITIES

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone +61 8 9315 2333

5. SECURITIES EXCHANGE LISTING

Quotation has been granted for all the ordinary shares, and 12c March 2016 share options of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

ADDITIONAL INFORMATION FOR PUBLICLY LISTED COMPANIES

6. UNQUOTED SECURITIES

| Share Options – Expiry Date | Exercise Price | Unquoted Securities | Number of Holders |
|-----------------------------|----------------|---------------------|-------------------|
| 27 November 2014 | \$0.168 | 6,000,000 | 3 |
| 15 December 2014 | \$0.15 | 100,000 | 1 |
| 22 June 2015 | \$0.175 | 500,000 | 2 |
| 1 October 2015 | \$0.125 | 2,000,000 | 1 |
| 1 October 2015 | \$0.175 | 2,000,000 | 1 |
| 26 October 2015 | \$0.15 | 1,000,000 | 1 |
| 15 August 2017 | \$0.12 | 1,000,000 | 1 |
| 22 November 2017 | \$0.11 | 5,500,000 | 4 |

7. SCHEDULE OF TENEMENTS

Spitfire Resources Tenement Holding

| State | Tenement Code | Beneficial Interest (%) |
|---------------------------------------|---------------|-------------------------|
| SOUTH WOODIE WOODIE MANGANESE PROJECT | | |
| Western Australia | E46/710 | 80 |
| Western Australia | E46/615 | 80 |
| Western Australia | E46/616 | 80 |
| Western Australia | E46/787 | 100 |
| Western Australia | E46/828 | 100 |
| Western Australia | E46/829 | 100 |
| Western Australia | E46/830 | 100 |
| Western Australia | E46/834 | 100 |
| Western Australia | E46/835 | 100 |
| Western Australia | E46/968 | 100 |
| Western Australia | E46/893 | 100 |
| Western Australia | E46/976 | 100 |

ABN: 40 125 578 743

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