



SPITFIRE MATERIALS LIMITED

(And its controlled entities)

(ABN 40 125 578 743)

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2017

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DIRECTORS' REPORT



Your Directors are pleased to submit their report of Spitfire Materials Limited ("Spitfire" or "the Company") and its controlled entities ("Consolidated Entity" or "Group") for the half year ended 31 December 2017.

DIRECTORS

The names of the company's directors in office during the half year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Neil Biddle (Director)

John Young (Managing Director)

Peter Buttigieg (Non-Executive Chairman) Appointed on 4th January 2018

Roger Mitchell (Non-Executive Director) Appointed on 4th January 2018

Alan Boys (Non-Executive Director) Appointed on 1st August 2017, Resigned on 4th January 2018

Russell Hardwick (Director/Company Secretary) Resigned as a Director on 29th September 2017

REVIEW OF OPERATIONS

The December 2017 half-year was an active and highly successful period for Spitfire Materials Limited, with the key development being the merger with fellow ASX-listed gold company Aphrodite Gold Limited ("Aphrodite").

The completion of the merger between Aphrodite and Spitfire has resulted in the creation of a substantial new Australian gold development company with an extensive JORC Mineral Resource inventory at the Aphrodite Gold Project near Kalgoorlie in Western Australia, and an exciting pipeline of exploration and development growth projects.

In addition to this significant corporate transaction, the Company embarked on intensive exploration programs at both the Mulwarrie and Alice River Gold Projects, respectively located in Western Australia and North Queensland, and also reviewed other mineral opportunities to add to its portfolio.

The net operating loss for the period was \$36,016,452 which included non-cash share-based payments of \$33,103,868 (Refer Financial Summary). Spitfire also recently completed a \$5.33 million capital raising to underpin its gold exploration and development strategy for 2018. The proceeds of this raising will be used to underpin a major new 5,000m resource in-fill and extensional drill program at the Aphrodite Project which commenced subsequent to the end of the reporting period in January 2018.

MERGER WITH APHRODITE GOLD

On 20 December 2017, the merger with Aphrodite Gold Limited (ASX: AQQ) was approved by the Federal Court of Australia and was subsequently implemented on 4 January 2018. As a result, Aphrodite is now a wholly-owned subsidiary of Spitfire.

In accordance with the Scheme of Arrangement, Spitfire issued 221,085,527 fully-paid new ordinary shares ("Shares") as consideration for the transfer of Aphrodite shares to Spitfire under the Scheme. Spitfire has also granted 13,812,635 unlisted options, each exercisable at \$0.1158 on or before 19 August 2019, in consideration for the cancellation of all existing Aphrodite options on issue. As proposed in the Scheme Booklet, Aphrodite Directors Peter Buttigieg and Roger Mitchell have joined the Spitfire board.

DIRECTORS' REPORT

During the reporting period, Spitfire continued its technical and economic assessment of the Aphrodite Gold Project including detailed peer reviews of key technical components of the 2017 Preliminary Feasibility Study (PFS) undertaken by Aphrodite Gold (ASX: AQQ, Pre-Feasibility Study Results, 27 June 2017).

The Mining, Metallurgy and Environmental sections of the PFS were selected for review based on estimates of project risk and opportunity in each area, and the potential to influence the project's outcomes. These sections were reviewed by independent consultants and their findings have identified a number of opportunities to improve the project's economic and technical outcomes.

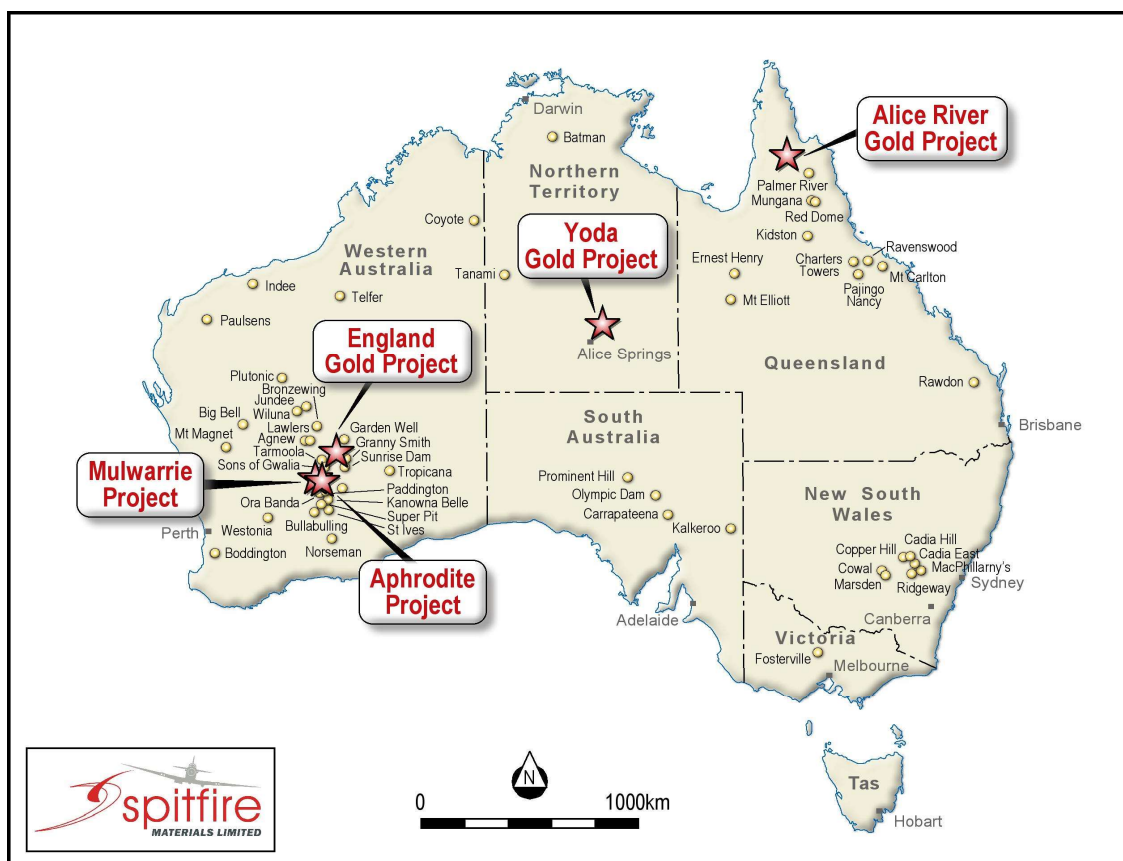


Figure 1: Expanded Australian gold portfolio following the merger of Spitfire and Aphrodite Gold

Spitfire engaged Model Earth structural geology and 3D consultants to complete a study of the structural and geological controls on the gold mineralisation in the Aphrodite gold deposit. The Work Program is to review existing historical geology and structural information and then re-log three strategic cross-sections (of 5-6 core holes) with an emphasis on determining the structural controls of the high-grade ore zones to assist with the location of the deep drilling to be carried out in 2018.

This new level of understanding of the orebody will assist with the construction of a new 3D geological based model of the Aphrodite deposit.

Corescan were also been engaged to complete some preliminary hyperspectral scanning of drill core from the Aphrodite Gold deposit using high-resolution reflectance spectroscopy (0.5mm), visual imagery (0.05mm) and 3D laser profiling to map mineralogy and geochemistry. This will assist to determine a way forward with ore sorting technology, which may be used to optimise any future ore processing route.

DIRECTORS' REPORT



Further detailed technical studies have been designed to test the findings identified during the peer review process. These studies will be progressed during 2018, the results of which will define the scope for further Definitive Feasibility Studies (DFS) for the project.

Subsequent to the reporting period, the Company reviewed and confirmed the Statement of the 1.3Moz 2012 JORC Mineral Resource that was completed as part of Aphrodite Gold's Pre-Feasibility Study in 2017 by independent resource consultants McDonald Speijers (MS) (announced to the market on 27 June 2017 by Aphrodite). Spitfire confirms that there has been no material change to the Mineral Resource estimate since that date and will form the basis of the Company's 2018 exploration program and potential future Definitive Feasibility Studies.

Table 1: McDonald Speijers Aphrodite Project Resource Estimation

Domain	Indicated			Inferred			Indicated + Inferred		
	Tonnes	Gold		Tonnes	Gold		Tonnes	Gold	
	(Mt)	(g/t)	(koz)	(Mt)	(g/t)	(koz)	(Mt)	(g/t)	(koz)
OP (0.5g/t cut-off)	6.2	2.1	411	4.0	1.5	187	10.2	1.8	598
UG (3.0g/t cut-off)	1.6	6.6	330	1.4	7.5	332	2.9	7.0	663
Total Resource	7.8	3.0	741	5.3	3.0	520	13.1	3.0	1,261

The Mineral Resource estimate was classified in accordance with the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves (JORC Code 2012) – see ASX Release, 25 January 2018 for full details.

MULWARRIE GOLD PROJECT, WA

The Mulwarrie Gold Project is located 150km north-west of Kalgoorlie in the Ularring District of the North Coolgardie Mineral Field. The project encompasses two contiguous tenements, M30/119 (67.98 Ha) and M30/145 (111.69 Ha), which lie 10km north-west of the Davyhurst Mining centre.

During the reporting period, the first stage of a highly successful drilling program was completed at the Mulwarrie Gold Project Joint Venture, which is strategically located near the Aphrodite Gold Project which has been acquired through the merger with Aphrodite Gold (see above). This program delivered further impressive intercepts of high-grade primary gold mineralisation which was followed up by a second phase of drilling.

During December 2017, the follow-up drill program at Mulwarrie was successful in identifying and validating the previous Reverse Circulation drilling to the south and east of the Central Pit, with a total of 27 drill holes completed for 3,517m.

The program followed up some of the intersections in what is now known as the East Lode and the Southern Zone, with encouraging results. Exploration Reverse Circulation drilling was also undertaken in several other areas to the east and north of the Mulwarrie Central Area. The results build on and complement the high-grade primary gold intercepts reported in previous drilling campaigns, highlighting the strategic importance of Mulwarrie to Spitfire's growth and consolidation strategy in the Eastern Goldfields region of WA.

Mulwarrie East

The August 2017 drilling identified a mineralized structure which is now known as the East Lode. The successful program identified semi-continuous mineralization from Mulwarrie Central to approximately 9680mN (see Figure 2). During December, three holes were completed to follow-up on the significant results from previous drill-holes 17MWRC041, 45 and 47 (see ASX Release dated 27th September 2017).

DIRECTORS' REPORT

RC drilling targeted the **northern end of the East lode** adjacent the Central pit. The continuity and extent of these individual veins is uncertain; however, they lie above the Central pit lodes and will add valuable information when modelled with the known mineralisation. Significant RC drill intercepts >1g/t are listed below (see ASX Release dated 30th January 2018):

- 17MWRC110 2m @ 1.95 g/t Au from 74m,
1m @ 1.21 g/t Au from 116
- 17MWRC111 3m @ 3.21 g/t Au from 63m
1m @ 1.40 g/t Au from 81m
- 17MWRC112 1m @ 2.71 g/t Au from 40m
1m @ 12.63 g/t Au from 73m
1m @ 1.24 g/t Au from 77m

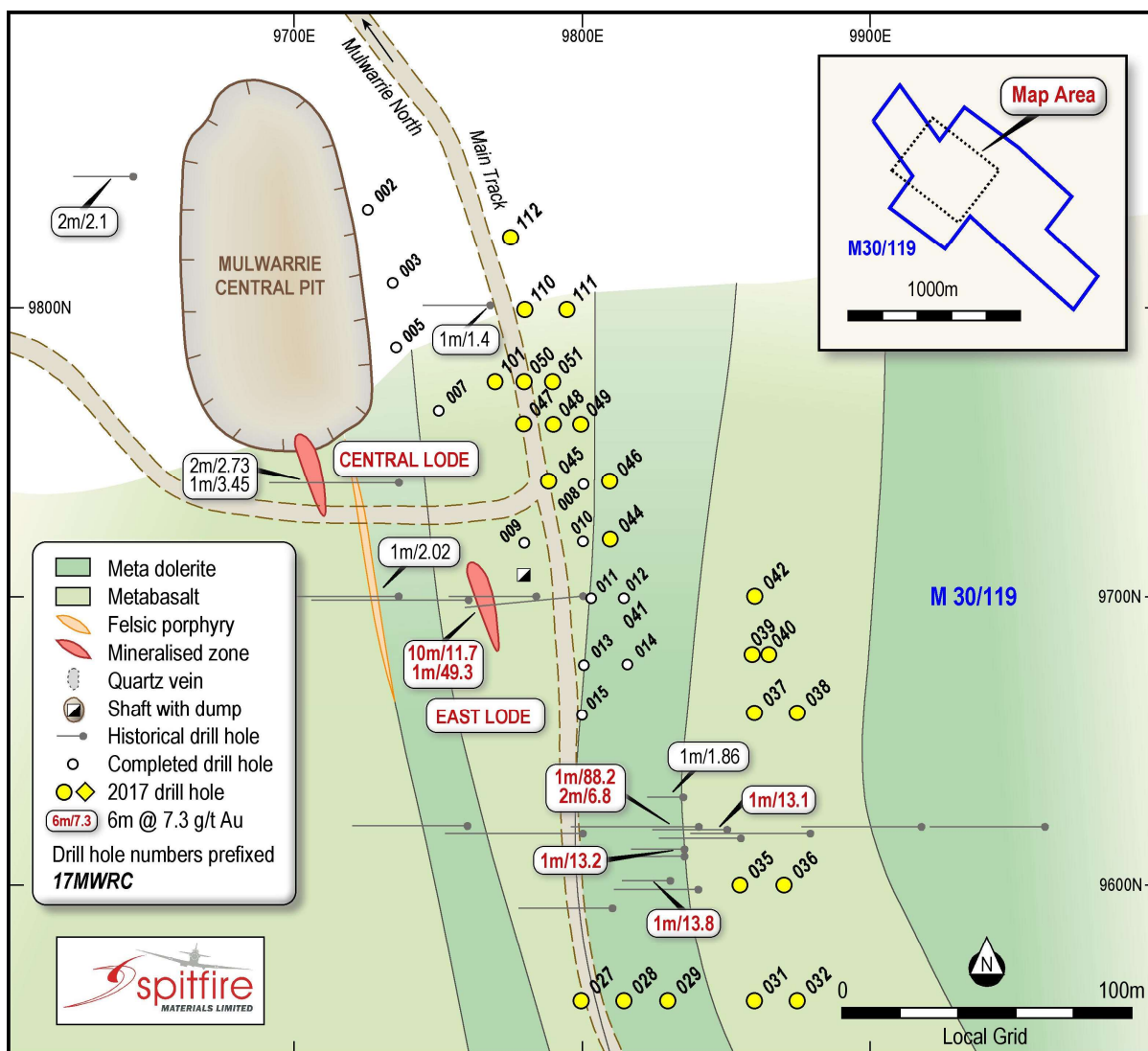


Figure 2: Mulwarrie Central and East Lode RC drill plan

DIRECTORS' REPORT



Mulwarrie South

At Mulwarrie South, six holes were drilled north of 17MWRC097. The Southern lode (hangingwall or upper mineralisation) in 17MWRC097 (see ASX Release, 27th September 2017), was intersected at 101m down-hole and returned **9m @ 3.12 g/t Au** including **2m @ 9.29 g/t Au**.

The footwall zone was also intersected, returning assay results of **12m @ 14.66 g/t Au** including **4m @ 36.97 g/t Au**.

Four holes (17MWRC104, 17MWRC105, 17MWRC108 and 17MWRC109) were drilled to follow up this significant intersection, mainly to the south (down-plunge) behind earlier drill-hole 17MWRC099 and 100.

Narrow but high-grade mineralisation was intersected in 17MWRC105 and 108 on Sections 9300mN and 9280mN respectively. The mineralisation is of a similar tenor with 17MWRC105 returning 2m @ 46.04 g/t Au from 123m and 17MWRC108 returning 4m @ 15.63 g/t Au from 142m and 8m @ 14.94 g/t Au from 176m. Hole 17MWRC109 returned low grades within the shear and appears to have drilled under the high-grade shoot.

Drill-holes 17MWRC102 and 103 were completed at the southern end with a number of narrow intersections >1 g/t Au under historical workings. Significant RC drilling intercepts >1g/t are reported below. Note: the intersection widths are down-hole and, as such, are not true widths (full results provided in ASX Release dated 30th January 2018):

- 17MWRC103 **2m @ 6.52 g/t Au** from 105m; including
 1m @ 11.95 g/t Au from 105m
- 17MWRC105 **4m @ 5.91 g/t Au** from 78m; including
 1m @ 19.65 g/t Au from 78m, and
 2m @ 11.36 g/t Au from 86m, including
 1m @ 21.28 g/t Au from 86m, and
 2m @ 46.04 g/t Au from 122m, and
 2m @ 1.14g/t Au from 136m
- 17MWRC108 2m @ 1.82 g/t Au from 100m, and
 1m @ 2.21 g/t Au from 134m, and
 4m @ 15.63 g/t Au from 142m, including
 1m @ 53.6 g/t Au from 143m, and
 1m @ 1.56 g/t Au from 159m, and
 3m @ 2.74 g/t Au from 164m, and
 8m @ 14.94 g/t Au from 176m, including
 5m @ 22.27 g/t Au from 177m

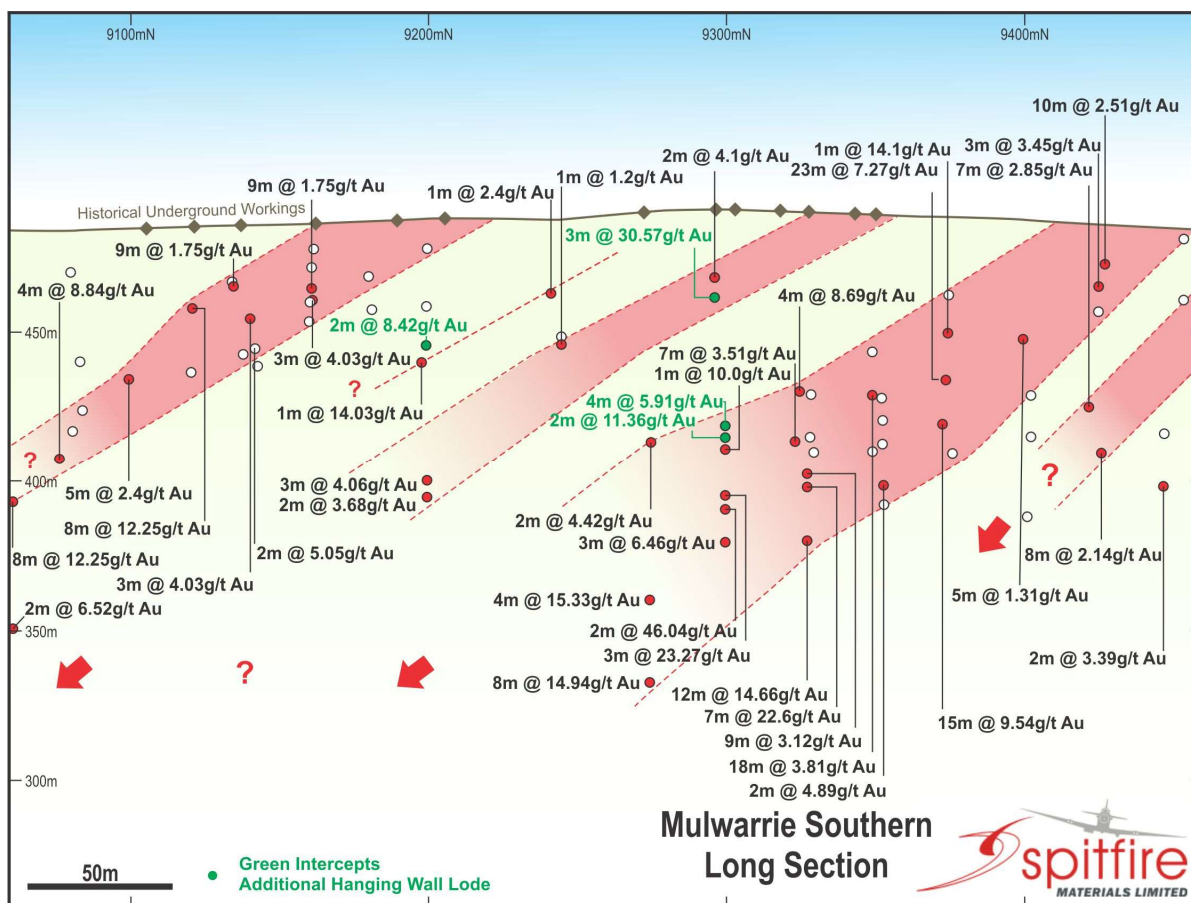


Figure 3: Mulwarrie South Long section

Mulwarrie Exploration

The Mulwarrie East and East Porphyry workings are located approximately 200m south-east of Mulwarrie Central pit (originally called the Golden Agate group). First-pass wide spaced RC drilling has been completed on a number of drill fences, with several narrow, high-grade veins intersected (for full results of this work, see ASX Release dated 30th January 2018).

Reconnaissance RC drilling was also completed at the Mulwarrie North workings. The shallow east-dipping structure that controls the narrow high-grade mineralisation has now been intersected over a strike length of 220m.

ALICE RIVER GOLD PROJECT, NE QUEENSLAND

The Alice River Gold Project is located 270km west of Cooktown, or 470km north-west of Cairns, in NE Queensland, at the southern end of the Savannah Province. The project encompasses eight Exploration Permits (EPM's) and eight granted Mining Leases (ML's).

During October 2017, Spitfire commenced its maiden drilling program at the Alice River Gold Project which comprised **14 holes for 2,397m** and was successful in validating the historical RC and diamond drilling results reported the 1980s and 1990s by previous companies.

The new drilling results have demonstrated that the gold system **extends further than previously thought and is open along strike and at depth**. The drilling at One Mile targeted the down-plunge (northern) extension of shallower mineralisation at Alice Queen. Full results were provided in the ASX Release dated 28 November 2017.

DIRECTORS' REPORT

The initial drilling, which was focused within the previously announced Exploration Target at the **Alice Queen** and **One Mile** prospect areas, has confirmed the presence of significant high-grade primary gold mineralisation both below and along strike from historical gold mining areas.

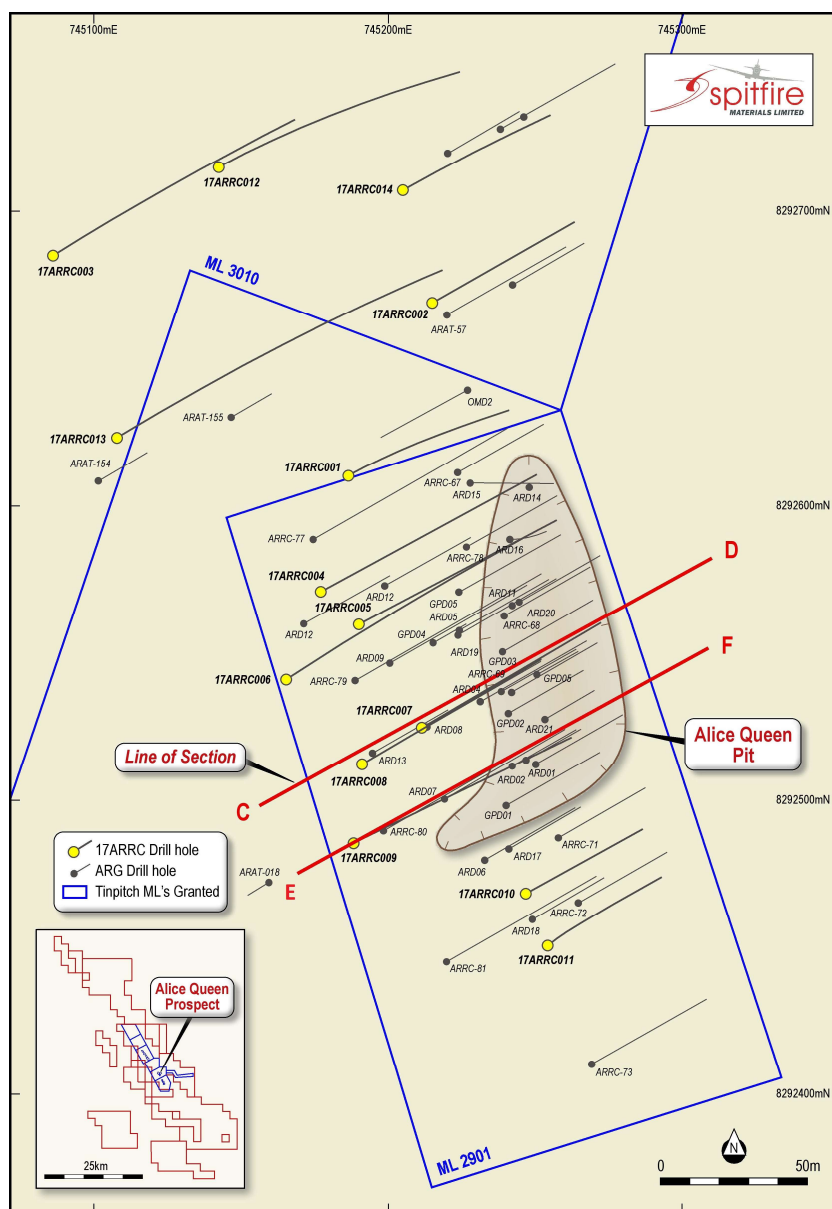


Figure 4: Alice River Drill Plan

Alice Queen – One Mile Mining Centre

The historical Alice Queen Mine and One Mile prospect areas are located on granted Mining Leases ML2901 and ML3010 respectively.

As part of the planned program, holes 17AARC001 to 17AARC014 were drilled to test the mineralization below the Alice Queen pit and to follow the mineralized zone to the NNW, down-plunge of the Alice Queen Pit, towards One Mile.

Reverse Circulation holes 17ARRC001 to 17ARRC003, and holes 17ARRC012 to 17AARC014 were completed over the **One Mile Prospect**, targeting extensions of the higher-level vein system at the Alice Queen pit both along-strike and down-plunge.

DIRECTORS' REPORT



Drilling was successful in defining broad alteration zones with low-to-moderate grade gold mineralisation over significant widths below 100m. The results from 17ARRC002 are very encouraging, with this hole identifying the likely extension of the main quartz vein/lode in the Alice Queen pit further south.

Reverse Circulation holes 17ARRC004 to 17AARC011 were designed to drill critical sections of the of Alice Queen open pit area at depth, below the known mineralisation. Drill holes 17ARRC004 to 17AARC006 were located at the northern end of the pit and intersected broad widths (>35m) of elevated gold in excess of 0.10g/t Au.

Drill-holes 17ARRC007 and 17AARC008 were drilled below the middle area of Alice Queen open pit, and the intersection widths correlate well with historical drilling in the 1980s to 1990s, displaying good continuity between holes. Significant RC drilling intercepts >0.5g/t are listed in detail in ASX release dated 28 November 2017.

Hole 17ARRC007 returned a significant result of **14m @ 5.47g/t Au including 5m @ 12.85g/t Au, and 1m @ 33.0g/t Au**. 17AARC009 was drilled 50m south of section E-F and returned a significant result of **17m @ 3.26g/t Au, including 5m @ 8.45g/t Au**.

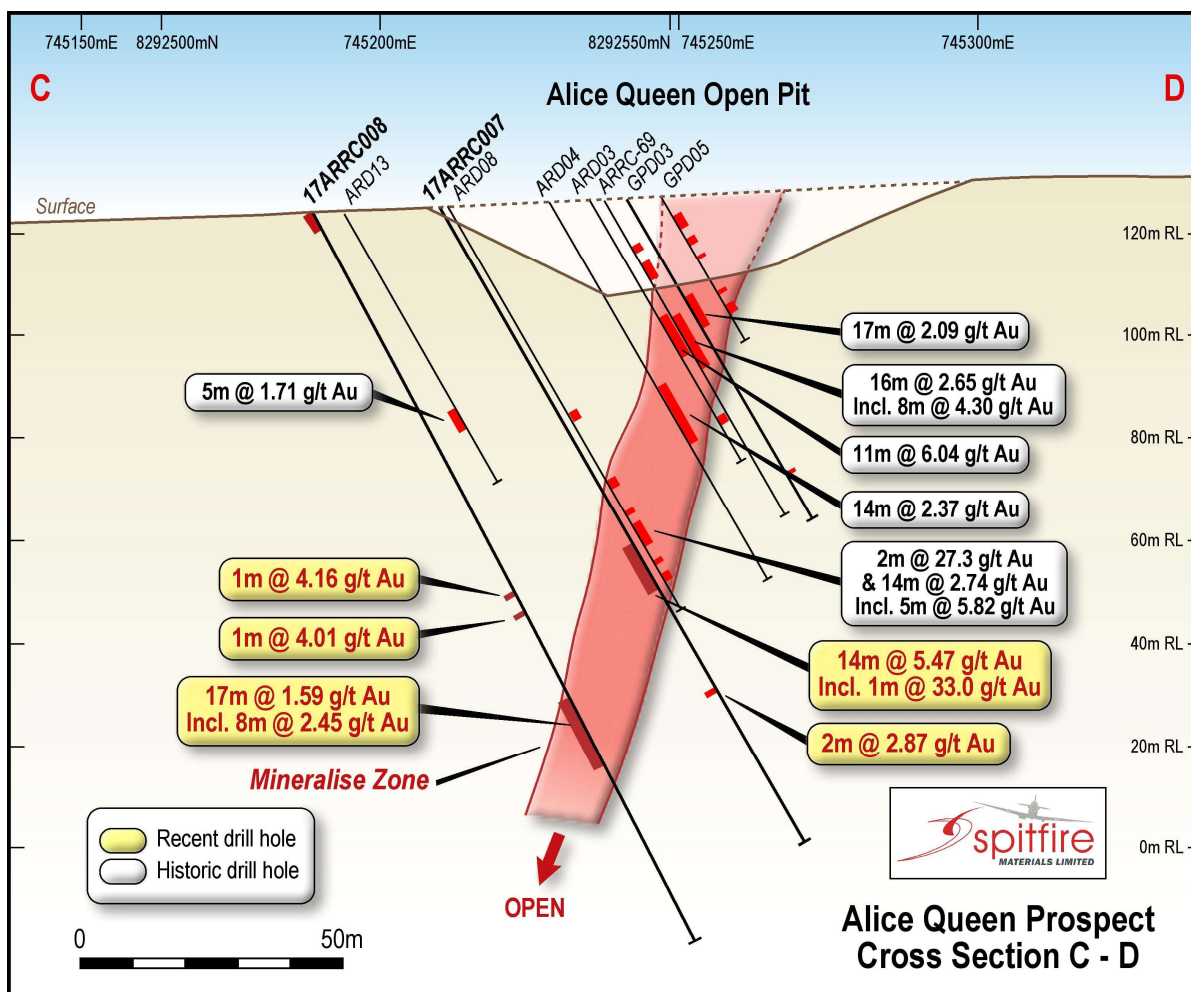


Figure 5: Drill Section C-D

DIRECTORS' REPORT



White Lion Prospect

The White Lion Prospect lies some 15km along strike to the south-east of Alice Queen area, on EPM 26266. Several rock chip samples were taken by Spitfire at this prospect over a quartz-vein breccia zone located just north of the White Lion magnetic anomaly. Eight rock chip samples were taken by Spitfire from surface outcrops, with results returning assays of up to 1.7g/t Au.

These results have verified the anomalous rock chip results reported from historical exploration work carried out in the 1980s, which returned assays of up to 2.56g/t Au. The target at White Lion could be more clearly defined by employing ground electrical geophysical surveys such as Induced Polarisation, which has been recommended by the Company's consultants.

No agreement was reached with the Olkola Corporation with regard to access for high-impact exploration on the granted Exploration Licences at the Alice River Gold Project. Further negotiations and meetings will be required during 2018, including an option to proceed under the NTPC legal process and utilise the Land Court to facilitate an appropriate outcome.

FINANCIAL SUMMARY

The net operating loss for the period was \$36,016,452 which included non-cash share based payments of \$33,103,868 which includes the expensing of exploration and evaluation expenditures (including acquisition costs) in accordance with the company's accounting policy. Key expenditure items in the half year results are:

- Exploration and Evaluation expenditure of \$1,969,627 (2016: \$59,800);
- Acquisition premium/goodwill expensed of \$18,981,899;
- Exploration and Evaluation assets expensed of \$12,500,000;
- Share based payments of \$1,621,969;
- Aphrodite Merger Costs \$346,014 and
- Consulting fees \$193,724 (2016: \$153,827)

The net assets of the Group have decreased to (\$1,577,719) as at 31 December 2017 (30 June 2017: \$5,462,475) due primarily to the Company's policy of expensing Exploration and Evaluation Expenditure as incurred.

EVENTS SUBSEQUENT TO REPORTING DATE

On 29th January 2018, Spitfire completed a heavily oversubscribed placement to new and existing sophisticated and professional investors comprising 53.3 million shares at an issue price of \$0.10 per share to raise a total of \$5.33 million before costs.

On 8th February 2018, the Company issued 400,000 share options, 2,150,000 Class C Performance Rights and 2,150,000 Class D Performance Rights to staff/employees in accordance with the Spitfire Performance Rights and Options Plan.

There has not been any other matter or circumstance occurring subsequent to the end of the half 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



ROUNDING OF AMOUNTS

The Company is an entity to which ASIC Corporations Instrument 2016/191 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 is set out on page 13 for the half year ended 31 December 2017. This report is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to be "John Young", written over a light blue horizontal line.

JOHN YOUNG
MANAGING DIRECTOR
7th March 2018

Competent Person's Statement

The information in this announcement relating to Exploration Targets, Exploration Results and Mineral Resources is based on information compiled by the Company's proposed Managing Director, Mr John Young, a competent person, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Young 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Young has disclosed to the Company that he is a substantial shareholder in the Company. Mr Young consents to the inclusion in this announcement of the matters based on his information in the form and content in which it appears.

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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 review of the financial statements of Spitfire Materials Limited for the period ended 31 December 2017, 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



DOUG BELL CA
Director

Dated at Perth this 7th day of March 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2017

	Note	31 December 2017 \$000	31 December 2016 \$000
Continuing Operations			
Interest received		26	17
Other Income		1	1
Gross profit/(loss)		27	18
Depreciation expense		(26)	(1)
Consulting expenses		(194)	(154)
Occupancy costs		(38)	(53)
Travel expenses		(35)	-
Exploration and Evaluation expenditure		(1,970)	(60)
Acquisition premium/goodwill expensed	6	(18,982)	-
Exploration and Evaluation assets expensed	6	(12,500)	-
Share based payments	7	(1,622)	(181)
Merger costs		(346)	-
Administrative expenses		(330)	(124)
Loss before income tax		(36,016)	(555)
Income tax (expense)/revenue		-	-
Profit/(Loss) from continuing operations		(36,016)	(555)
Other comprehensive income/(expense)		10	(23)
Total comprehensive income/ (loss) for the period		10	(23)
Total comprehensive income / (loss) attributable to the members of the Company		(36,006)	(578)
Profit/(Loss) per share			
From continuing operations:			
Basic and diluted profit/(loss) per share for the half year		(13.898c)	(0.513c)

FINANCIAL STATEMENTS



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	31 December 2017 \$000	30 June 2017 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,729	5,557
Trade and other receivables		520	115
TOTAL CURRENT ASSETS		2,249	5,672
NON-CURRENT ASSETS			
Property, plant and equipment		237	170
TOTAL NON-CURRENT ASSETS		237	170
TOTAL ASSETS		2,486	5,842
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		926	375
Provisions	6	637	4
Borrowings	5	500	-
TOTAL CURRENT LIABILITIES		2,063	379
NON-CURRENT LIABILITIES			
Borrowings	5	2,000	-
TOTAL NON-CURRENT LIABILITIES		2,000	-
TOTAL LIABILITIES		4,063	379
NET ASSETS/(LIABILITIES)		(1,577)	5,463
EQUITY			
Issued capital	4	67,302	40,772
Reserves		3,082	755
Accumulated losses		(71,961)	(36,064)
TOTAL EQUITY		(1,577)	5,463

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2017

	Issued Capital \$000	Share Options & Rights Reserve \$000	Foreign Exchange Reserve \$000	Accumulated Losses \$000	Total Equity \$000
Balance at 1 July 2016	28,483	430	15	(26,985)	1,943
Loss for the period	-	-	-	(555)	(555)
Other comprehensive income	-	-	(23)	-	(23)
Total comprehensive income for the period	-	-	(23)	(555)	(578)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	352	-	-	-	352
Share based payments	-	181	-	-	181
Balance at 31 December 2016	28,835	611	(8)	(27,540)	1,898
Balance at 1 July 2017	40,772	765	(10)	(36,064)	5,463
Loss for the period	-	-	-	(36,016)	(36,016)
Other comprehensive income	-	-	10	-	10
Total comprehensive income for the period	-	-	10	(36,016)	(36,006)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	26,530	-	-	-	26,530
Share based payments	-	2,436	-	-	2,436
Expiry of share options	-	(119)	-	119	-
Balance at 31 December 2017	67,302	3,082	-	(71,961)	(1,577)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2017

	31 December 2017 \$000	31 December 2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid to suppliers and employees	(654)	(450)
Payments for exploration and evaluation	(1,800)	(38)
Other revenue	-	-
Interest received	25	14
Income Tax Benefit	-	-
Other (Merger costs)	(204)	-
Net cash used in operating activities	(2,633)	(474)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(54)	(6)
Payments for Investments (Aphrodite Gold Ltd)	(1,192)	-
Other - Net Cash inflow from acquisition of subsidiary	51	-
Net cash used in investing activities	(1,195)	(6)
Net cash from financing activities	-	-
Net (decrease) in cash and cash equivalents	(3,828)	(480)
Cash and cash equivalents at the beginning of the period	5,557	2,053
Cash and cash equivalents at the end of the period	1,729	1,573

FINANCIAL STATEMENTS



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2017

NOTE 1. BASIS OF PREPARATION

REPORTING ENTITY

Spitfire Materials Limited (the "Company") is a Company domiciled in Australia. The address of the Company's registered office is 130 Stirling Highway, North Fremantle WA 6159. The consolidated financial statements of the Company as at and for the half year ended 31 December 2017 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.

a) Statement of compliance

These General Purpose Financial Statements for the interim half year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Spitfire Materials Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017 together with any public announcements made by Spitfire Materials Limited and its controlled entities during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

b) Reporting Basis and Conventions

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2017, except for the impact of the standards and Interpretations described in 1 (f).

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

c) Financial Instruments

The Group's financial instruments consist of trade and other receivables, trade and other payables and borrowings. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

Any trading financial assets held by the Group are level-1 financial instruments and valued using the quoted bid prices from the Australian Securities Exchange as at the reporting date.

d) Basis of measurement

The interim financial statements have been prepared on an accruals basis and are 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.

e) Going Concern

The half year financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company incurred a loss for the half-year of \$36.016m (2016: \$0.555m) included in the loss were non-cash share based payments of \$33.104m.

As at 31 December 2017 the Company had a working capital surplus of \$0.186m (30 June 2017: \$5.293m) and had minimum exploration commitments of \$0.445m. As disclosed in note 8, on 29 January 2018 the Company completed a \$5.33m Share Placement.

The company has prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

f) New Accounting Standards

New or revised standards and interpretations that are first effective in the current reporting period

The Company has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that is relevant to the Company include:

- AASB 2014-1: Amendments to Australian Accounting Standards (Part D);
- AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations;
- AASB 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation;
- AASB 2014-6: Amendments to Australian Accounting Standards – Agriculture: Bearer Plants;
- AASB 2014-9: Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements;
- AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle;
- AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101;
- AASB 2015-5: Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception; and
- AASB 2015-9: Amendments to Australian Accounting Standards – Scope and Application Paragraphs.

The adoptions of the above standards have not had a material impact on this half year financial report.

NOTE 2. 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 – Gold Exploration

The Australian gold exploration segment includes the Alice River, Aphrodite, Mulwarrie, England and Yoda gold projects.

(ii) Australia – Manganese Exploration

The manganese exploration segment is the maintenance of the Manganese project at South Woodie in the East Pilbara.

(iii) 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.

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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

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Consolidated 31 December 2017	Australia – Gold Exploration \$000	Australia – Manganese Exploration \$000	Australia – Treasury \$000	Consolidated Group \$000
SEGMENT PERFORMANCE				
Finance revenue	-	-	26	26
Total segment and group revenue				26
<i>Reconciliation of segment revenue to group revenue</i>				
Other revenue				1
Total group revenue				27
Segment net profit/(loss) from continuing operations before tax	(33,397)	(76)	26	(33,447)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>				
- Other tax revenue	-	-	-	-
Unallocated Items				
- Consulting Fees				(194)
- Depreciation				(26)
- Other				(2,349)
Net Profit/(loss) before tax from continuing operations				(36,016)
SEGMENT ASSETS				
Segment assets	991	7	1,397	2,395
<i>Reconciliation of segment assets to group assets</i>				
Unallocated items				
- Other				91
Total group assets				2,486
Segment asset increases/(decreases) for period:				
- Cash	271	(1)	(4,097)	(3,827)
- Other	428	6	37	471
	699	5	(4,060)	(3,356)
SEGMENT LIABILITIES				
Segment liabilities				
Payables	3,119	-	-	3,119
<i>Reconciliation of segment liabilities to group liabilities</i>				
Unallocated items				
- Other	-	-	944	944
Total group liabilities				4,063

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Consolidated 31 December 2016	Australia – Gold Exploration \$000	Australia – Manganese Exploration \$000	Zambia – Limestone Exploration \$000	Australia – Treasury \$000	Consolidated Group \$000
SEGMENT PERFORMANCE					
Finance revenue	-	-	-	17	17
Total segment and group revenue					17
<i>Reconciliation of segment revenue to group revenue</i>					
Other revenue					1
Total group revenue					18
Segment net profit/(loss) from continuing operations before tax	(16)	(13)	(32)	17	(44)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>					
- Other tax revenue	-	-	-	-	-
Unallocated Items					
- Consulting Fees					(154)
- Depreciation					-
- Other					(357)
Net Profit/(loss) before tax from continuing operations					(555)

Consolidated 30 June 2017	Australia – Gold Exploration \$000	Australia – Manganese Exploration \$000	Zambia – Limestone Exploration \$000	Australia – Treasury \$000	Consolidated Group \$000
SEGMENT ASSETS					
Segment assets	296	2	-	5,493	5,791
<i>Reconciliation of segment assets to group assets</i>					
Unallocated items					
- Other					51
Total group assets					5,842
Segment asset increases/(decreases) for period:					
- Cash	96	(3)	-	3,425	3,518
- Other	200	(1)	-	40	239
- From discontinued operation					(38)
	296	(4)	-	3,465	3,719
SEGMENT LIABILITIES					
Segment liabilities					
Payables	237	6	-	-	243
Provisions	-	-	-	-	4
<i>Reconciliation of segment liabilities to group liabilities</i>					
Unallocated items					
- Other				117	117
Total group liabilities					364
Liabilities relating to Zambia Limestone Segment (now discontinued)					15
Consolidated Total Liabilities					379

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NOTE 3. COMMITMENTS

a) Operating Lease Commitments

	Consolidated	
	31 December 2017	30 June 2017
	\$000	\$000
Non-cancellable operating lease contracted for but not capitalised in the financial statements:		
Payable		
- Within one year	42	58
- One year or later and no later than five years	2	15
	44	73

The above amounts relate to the property lease at 130 Stirling Highway, North Fremantle, which is expiring on 15th September 2018 and a contract with HP Financial Services for printer hire charges expiring on 31 December 2019.

b) Exploration Commitments

	Consolidated	
	31 December 2017	30 June 2017
	\$000	\$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 to maintain rights of tenure:		
- Within one year	445	86
- One year or later and no later than five years	1,434	220
	1,879	306

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

In 2012 Aphrodite Gold Limited received \$2,500,000 by way of an interest free royalty advance from Franco-Nevada. The advance required no repayment for the first 5 years with the first royalty year commencing on 1 November 2017 and if production commences a royalty of 2.5% is payable. The terms of the Royalty agreement include an annual minimum royalty of \$250,000 per annum from 1 November 2017.

NOTE 4. ISSUED CAPITAL

	Consolidated	
	31 December 2017	30 June 2017
	\$000	\$000
a. Ordinary shares		
246,683,293 (2016: 107,183,292) fully paid ordinary shares	40,772	28,483
- 27 October 2016 @ \$0.074c (England Project Acquisition)	-	148
- 9 December 2016 @ \$0.068c (Yoda Project Acquisition)	-	204
- 29 June 2017 @ \$0.125c (Admiral Gold Acquisition)	-	7,437
- Funds received pending allotment (3 July 2017)	-	4,500
- Aphrodite Gold Merger consideration (including merger premiums/intangibles) @ \$0.12c	26,530	-
	67,302	40,772

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	Consolidated	
	31 December 2017 No.	30 June 2017 No.
a. Ordinary shares		
At the beginning of reporting period	171,683,293	107,183,292
Shares issued during the year		
- 27 October 2016 @ 0.074c (England Project Acquisition)	-	2,000,000
- 9 December 2016 @ 0.068c (Yoda Project Acquisition)	-	3,000,000
- 29 June 2017 @ 0.125c (Admiral Gold Acquisition)	-	59,500,001
- 3 July 2017 @ \$0.06c (Placement)	75,000,000	-
- Aphrodite Gold Merger consideration (including merger premiums/intangibles) @ \$0.12c	221,085,527	-
	467,768,820	171,683,293
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. Share Options		
At the beginning of reporting period	20,225,000	19,225,000
Issued during the year		
- 1 June 2017 (\$0.16c expiring 31 May 2020)	-	1,000,000
- 23 August 2017 (\$0.16c expiring 31 May 2020)	2,000,000	-
- Aphrodite Gold Merger consideration options \$0.1158 expiring 19 August 2019) – Issued 4 January 2018	13,821,635	-
Expired during the year		
- 15 August 2012 (\$1.20 expiring 15 August 2017)	(100,000)	-
- 22 November 2012 (\$1.10 expiring 22 November 2017)	(475,000)	-
	35,471,635	20,225,000
c. Performance Rights		
At the beginning of reporting period	20,000,000	-
Issued during the year		
- 29 June 2017 (Class A performance rights)	-	10,000,000
- 29 June 2017 (Class B performance rights)	-	10,000,000
	20,000,000	20,000,000

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NOTE 5. BORROWINGS

	Consolidated	
	31 December 2017 \$000	31 December 2016 \$000
CURRENT		
Fair value of interest-free royalty advance	500	-
NON-CURRENT		
Fair value of interest-free royalty advance	2,000	-
	2,500	-

In 2012 Aphrodite Gold Limited received \$2,500,000 by way of an interest free royalty advance from Franco-Nevada. The advance required no repayment for the first 5 years with the first royalty year commencing on 1 November 2017 and if production commences a royalty of 2.5% is payable. The terms of the Royalty agreement include an annual minimum royalty of \$250,000 per annum from 1 November 2017.

NOTE 6. BUSINESS COMBINATIONS

a. Aphrodite Gold Limited

On 20 December 2017, Spitfire Materials Limited acquired 100% of the ordinary share capital and voting rights in Aphrodite Gold Limited by way of a Scheme of Arrangement.

b. Acquisition consideration

As consideration for the balance of the issued capital of Aphrodite Gold Limited, Spitfire issued 221,085,527 shares in Spitfire Materials Limited valued at \$26,530,263 (including merger acquisition premium/goodwill) and issued 13,812,635 share options exercisable at 11.58c per share expiring on 19 August 2019.

c. Acquisition premium/goodwill

As at 31 December 2017, the accounting for the acquisition of Aphrodite Gold Limited has been provisionally determined as a Business Combination. The identifiable net assets of the acquiree are remeasured to their fair value on the date of acquisition (i.e. the date that control passes). Acquisition premium is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets acquired. As it is the Groups accounting policy to expense exploration expenditure including acquisition costs as incurred, any excess of consideration over the fair value of the net assets of the acquiree has been immediately expensed (acquisition premium). Details of the transaction are as follows:

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	Fair Value \$000
Fair value of:	
- Share consideration to acquire the balance of Aphrodite Gold Limited - share capital	26,530
- Options issued to replace existing Aphrodite Gold Limited options on issue	814
	<hr/> 27,344
- Cash consideration for initial interest (10.38%) held in Aphrodite Gold Limited	1,192
- Provision for Stamp Duty on Acquisition	637
	<hr/> 29,173
Fair value of assets and liabilities held at acquisition date by Aphrodite Gold:	
- Cash	51
- Trade & Other receivables	298
- Other assets	4
- Property, plant & equipment	39
- Exploration and Evaluation assets*	12,500
- Trade and other payables	(201)
- Borrowings	(2,500)
Fair value of identifiable assets and liabilities assumed	<hr/> 10,191
Acquisition premium/goodwill expensed to statement of Profit or Loss	<hr/> 18,982
Fair value of identifiable assets and liabilities assumed	10,191
* Adjustment to the Fair value of Exploration assets in accordance with Spitfires Exploration and Evaluation policy to expense exploration and evaluation acquisition costs as incurred	(12,500)
Fair value of identifiable assets and liabilities assumed	<hr/> (2,309)
* Fair value of the Aphrodite Exploration and Evaluation Assets project was derived from an Independent valuation prepared by Dunbar Resources Management as part of the Scheme Booklet for the merger with Aphrodite Gold Limited - (October 2017).	

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NOTE 7. SHARE BASED PAYMENTS

Shares

On 4th January 2018, in accordance with the Scheme of arrangement, Spitfire issued 221,085,527 fully-paid new ordinary shares as consideration for the transfer of Aphrodite shares to Spitfire under the Scheme. Spitfire also granted 13,812,635 unlisted options, each exercisable at \$0.1158 on or before 19 August 2019.

Options

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

On 23 August 2017 the Company issued 2,000,000 share options to an unrelated party for promotional and investor relations services. The fair value of the options has been valued using the Black Scholes methodology taking into account the terms and conditions upon which the unlisted share options were granted as detailed below:

Unlisted Share Options							
Exercise Price	Share price at date of issue	Grant date	Expected Volatility	Expiry Date	Risk Free Interest rate	Value per option	Number of options
\$0.16	\$0.10	23 August 2017	97.69%	31 May 2020	1.66%	\$0.0496	2,000,000

During the half year, 100,000 options expired on the 15th August 2017 and 475,000 options expired on the 22nd November 2017.

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

Consolidated	Weighted average exercise price	Number of options
Options outstanding as at 30 June 2017	19.65c	20,225,000
Granted	16c	2,000,000
Expired	\$1.12c	(575,000)

Options outstanding as at 31 December 2017	16.87c	21,650,000
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Options exercisable as at 31 December 2017:	21,650,000
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Options exercisable as at 30 June 2017:	20,225,000
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The weighted average remaining contractual life of options outstanding at year end was 3.09 years. The range of exercise prices of outstanding options at reporting date is from 45c to 16c.

During the half-year, 10,000,000 Class A & 10,000,000 Class B Performance Rights vested in accordance with the terms of their issue. The amount of \$1,522,769 was included in the Share based payments expense for the period.

NOTE 8. EVENTS AFTER THE BALANCE SHEET DATE

On 29th January 2018, the Company completed a \$5.33m Share Placement by the issue of 53,300,000 fully paid ordinary shares at an issue price of \$0.10c per share.

On 8th February 2018, the Company issued 400,000 share options, 2,150,000 Class C Performance Rights and 2,150,000 Class D Performance Rights to staff/employees in accordance with the Spitfire Performance Rights and Options Plan.

There has not been any other matter or circumstance occurring subsequent to the end of the half 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.

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NOTE 9. CONTINGENCIES

The Board of Aphrodite Gold Limited ("Aphrodite") ceased the employment of Mr Wayne Ryder and Mr Leon Reisgys in July 2013 who subsequently commenced proceedings in the Supreme Court of Western Australia seeking additional payments following the cessation of their employment. Following a Supreme Court hearing in November 2016, the Court found that Aphrodite was entitled to terminate Mr Ryder's employment and that Mr Reisgys is entitled to a termination payment of five months' base salary but not to the additional overtime that he claimed (Refer: Aphrodite ASX Release 21 December 2017). The court also ordered that the net amount of \$126,949 due to Mr Reisgys be stayed until the questions of costs is resolved between the parties. Subsequent to the year-end Mr Ryder filed a notice of appeal which will be vigorously defended. The final outcome of these proceedings including orders as to recovery of costs remains uncertain and accordingly no amounts have been included in these financial statements.

DIRECTORS' DECLARATION



The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 14 to 28, are in accordance with the Corporations Act 2001 and:
 - Comply with Accounting Standards AASB 134: Interim Financial Reporting; and
 - Give a true and fair view of the financial position as at 31 December 2017 and of the performance for the half year ended on that date of the Company and consolidated Group.
2. 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.

A handwritten signature in black ink, appearing to be "John Young", written over a faint horizontal line.

JOHN YOUNG

Director

Dated this 7th day of March 2018

Independent Auditor's Review Report

To the Members of Spitfire Materials Limited

We have reviewed the accompanying financial report of Spitfire Materials Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the period.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Auditor's Review Report

To the Members of Spitfire Materials Limited (Continued)



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Spitfire Materials Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

A handwritten signature in blue ink that reads "Bentleys".

BENTLEYS
Chartered Accountants

A handwritten signature in blue ink that appears to read "Doug Bell".

DOUG BELL CA
Director

Dated at Perth this 7th day of March 2018