

March 8<sup>th</sup>, 2016

## **Shareholder Update**

Dear fellow Spitfire shareholder,

You will have recently received a Notice of Extraordinary General Meeting (N.O.M) in the mail. This N.O.M is a significant document because it sets out a number of important resolutions to be put to the meeting - resolutions that if passed, will have a material impact on the name, constitution and future capital make-up of your Company. I therefore encourage you to read all of the material provided carefully and seek professional advice if unsure about any part of the content.

As you consider the business of the Meeting, I would like to take this opportunity to revisit Spitfire's recent history and overarching strategic thinking. It is these thematic overlays which hopefully will help you understand why the Board has/is making major changes and how shortly we hope to have effectively "re-booted" Spitfire ready for the balance of 2016 and the years ahead.

### **Market Conditions Have Forced Change**

Spitfire Resources Limited floated in 2007 as a manganese explorer. Backed by a mix of Australian retail market and industry support it has explored its South Woodie Woodie manganese project in the East Pilbara region of Western Australia and defined resources at Tally-Ho and Contact/Contact North. When Spitfire first started working in the field in 2008 the manganese price was **more than \$US10.00** per dry metric tonne unit. Today it has slumped to circa US\$1.80/dmtu. Much of the fall can be attributed to the slowdown in China (the world's biggest consumer of manganese ore). But even more troubling has been the severe tightening of investment risk capital in the junior natural resources space. These changed market conditions made Spitfire's future uncertain. Your Board recognised this and in 2015 Spitfire outlined a change of direction which was supported by shareholders.

### **Pan-African Construction Materials – A New Opportunity**

After researching the market Spitfire recognised that the Pan-African construction materials sector is one of the most exciting growth markets in the world. A combination of population growth, an emerging middle class and a desperate need for almost every type of infrastructure development imaginable means the region needs new sources of cement, concrete, fabricated building blocks, asphalt and aggregates. This sea change happening in Africa has already been recognised by the cement majors who are now racing to build new or expand existing cement plants throughout the region.

Taking guidance from its newly-recruited Business Development Manager, Max Vermorken, (who is Ex-HolcimLafarge) Spitfire has built a bold new business model predicated around the establishment of a downstream ACM (Aggregates and Construction Materials) business which sits under the high-entry, large balance sheet, cement sector yet is complementary to future ambitions of these big groups.

### **An AIM Model**

Spitfire sees its business model as London's Alternative Investment Market-listed construction materials company Breedon Aggregates Plc. Breedon has been one of AIM's great success stories and has grown in market capitalisation from around GBP20 million at IPO in 2010 to GBP760 million this year. Breedon started as an aggregates, asphalt and ready-mix business before growing into a vertically integrated construction house with cement production. In acknowledging Breedon and by recognising AIM as the natural investment platform for Spitfire's frontier markets ambitions, your Company has moved to dual list on AIM in the second quarter of 2016. Spitfire has appointed the required service providers to help it towards a successful listing and, as outlined in the N.O.M, plans to marry this process with a fundraising so that it can execute on its ACM strategy.

### **Project Pipeline & Digman Group**

In 2015 Spitfire purchased its first African construction materials project called White Lion in Zambia. White Lion contains a very large body of limestone which could have the potential to supply a large cement works and/or lime plant. Spitfire plans to drill the project in the second and third quarters of 2016 and has an exploration target of between 70 and 90 million tonnes with a grade of 45% to 47% CaO.\* Spitfire is also looking at a raft of near-term cash generative assets in Zambia, Tanzania, Mozambique and the UAE. In every case the Company is assessing the robustness and scalability of each opportunity. Core to this project pipeline is the Company's relationship with the Digman Group, a South African based bulk earthworks and infrastructure group. Digman's CEO, Gerald Chapman, also controls Spitfire's major shareholder and is supportive of Spitfire's buy and build Pan African strategy. By using Digman's regional experience Spitfire will lever into chosen Frontier markets and ultimately (via properly tendered, arms-length contracts) bring first-world mining and earthmoving experience to a sector which has historically been poorly resourced and organised.

\* Exploration Disclaimer: The exploration target is based on the results from the previous large scale geological sampling program, of which 198 limestone rock chip samples were taken at a nominal 500m x 500m spacing over an area that covered 24 square kilometres. The exploration target is then formulated by calculating the volume of a one square kilometre of continuous limestone exposure that falls within the pre-mentioned sampled area and conceptualises a limestone depth of 50m, multiplied by a 2.7sg (specific gravity) of the material. Because the potential quantity and grade of this Exploration Target is conceptual in nature, Spitfire notes in accordance with Clause 17 of the JORC Code 2012 that there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

## Bringing Listed and Private Equity Monies Closer

Tough markets require innovative thinking so as to ensure full sweep investment appeal. Hence, as part of its business plan, Spitfire intends to marry funding from both public capital markets (ASX and AIM) and from private equity (funds, family money and off-takers). It intends to do this by breaking out (where applicable) each of its individual business arms into Special Purpose Vehicles so as to ensure sector savvy investor attraction. By doing this, Spitfire anticipates it will have the flexibility to accommodate those comfortable in the listed space as well as those who only want entry at the asset level.

## In conclusion

Thank you for taking time to read this letter. Hopefully it has given you further insights into the reasons why we are excited about the days ahead and why each of the Directors will be voting their shareholdings in favour of the change of direction on March 30 at the General Meeting. Put simply, your Company has purpose and is gaining momentum as it says goodbye to resources and turns its energies to becoming a new player in the construction materials sector.

Thank you for your interest in Spitfire and your ongoing support of our company.

Yours faithfully,



James Hamilton

Chairman

Spitfire Resources Ltd

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## Competent Person's Statement

The information in this document that relates 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. Mr Peterson has sufficient experience relevant to the styles of mineralisation mentioned and to the type of activities described to qualify as a competent person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Targets, Exploration Results, Mineral Resources and Ore Reserves.' Mr Peterson consents to the inclusion in this document of material based on his information in the form and context in which it appears.

The Company notes that JORC Table 1 has not been included in this announcement as the Table 1 from the previous announcement titled "Sampling Program Completed at White Lion Project" published on 27<sup>th</sup> October, 2015 is still valid and the sampling and assaying techniques have not changed materially.