

ANNUAL REPORT 2016



CORPORATE DIRECTORY AND CONTENTS

DIRECTORS & OFFICERS

Russell Hardwick Director
 Ian Huitson Non-Executive Director
 Dominic Traynor Non-Executive Director

AUSTRALIAN SECURITIES EXCHANGE

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

COMPANY SECRETARY

Russell Hardwick

EXPLORATION CONSULTANT

Stuart Peterson BSc MAusIMM

REGISTERED OFFICE

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AUDITORS

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 216 St Georges Terrace
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LEGAL ADVISORS

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 Level 4, Next Building
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SHARE REGISTRY

Computershare
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DIRECTORS' REPORT

REVIEW OF OPERATIONS

During the year the Company maintained its interest in the South Woodie Woodie manganese project and acquired the White Lion Limestone project in Zambia ("White Lion"). Following approval by shareholders for the acquisition of White Lion, the Company then commenced detailed work on seeking a dual-listing on London's Alternative Investment Market (AIM). Due to difficult market conditions and a lack of investor support for the White Lion project, the decision was made to suspend the proposed AIM listing in May 2016. The Company subsequently concluded the agreements with its full-time executives and UK based consultants that were put in place to support the proposed AIM dual listing and construction materials focus. This restructure resulted in costs of \$86,000 in this financial year and approximately \$170,000 in the 2016/17 financial year.

In June 2016, the Company completed a A\$1.2 million placement to sophisticated and professional investors to subscribe for 60,000,000 fully paid ordinary shares ("Shares") at an issue price of \$0.02 per share. The funds from the placement will primarily be used for potential investments, acquisitions in the minerals sector, maintaining the company's existing exploration projects (White Lion Limestone/South Woodie Woodie Manganese) and for general working capital. The Company was pleased with the strong support from strategic investors for the capital raising and the company is now focused on identifying new opportunities within the minerals sector.

SOUTH WOODIE WOODIE MANGANESE PROJECT

The South Woodie Woodie Manganese Project comprises three granted Exploration Licences in Western Australia's East Pilbara Manganese Province. The tenements lie along strike and to the south of the Woodie Woodie Manganese Mining Centre (operated by Consolidated Minerals Limited). Spitfire has decided to suspend further active fieldwork at South Woodie Woodie due to the current lack of investment community interest in greenfields mineral exploration. This position has been reinforced by the continued weakness in the price of manganese.

During the year the Company reduced its ground position and also converted into a retention license to reduce project holding costs and secure the existing JORC Resources.

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.

Manganese 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

DIRECTORS' REPORT

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 with no additional work being performed since their release have not been updated to the 2012 JORC requirements. If further work is performed on these deposits which changes the current resource standing, they will then 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.

WHITE LION LIMESTONE PROJECT ACQUISITION

The White Lion limestone project is located approximately 100km North West from the Zambian capital Lusaka. It sits on a granted Large Scale Mining Licence (14948-HQ-LML) and covers a total area of 245 square kilometres.

Initial mapping and airborne surveys of the White Lion project indicate that the large, flat lying limestone deposition covers an area of approximately 60 square kilometres. Following completion of the large surface sampling program in October 2015, Spitfire conducted preliminary planning work for a potential drill program. With the suspension of the proposed AIM listing, lack of investor support and associated funding to support the project, the Company is reviewing its slated work plans for the White Lion Project and investigating other ways to best extract value.

DIRECTORS' REPORT

SUMMARY OF GOVERNANCE AND INTERNAL CONTROLS - JORC RESOURCES

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.

Competent Person's Statement

SOUTH WOODIE WOODIE PROJECT

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.'

WHITE LION LIMESTONE PROJECT

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. 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 Results, Mineral Resources and Ore Reserves.'

DIRECTORS' REPORT

The Directors of Spitfire Materials Limited submit herewith the Annual Report of the Company and its controlled entities ("Group"), for the period from 1 July 2015 to 30 June 2016. 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
Russell Hardwick BBus, ACIS, CPA, MAICD Director/Secretary	Experience Mr Hardwick has extensive experience in commercial management, corporate secretarial, capital raising and junior exploration companies 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. 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 1,858,663 ordinary shares in Spitfire Materials Limited and options to acquire a further 3,350,000 ordinary shares.
Ian Huitson BEng, FAusIMM, CP(Min), MAICD Director	Experience Mr. Huitson, a qualified Mining Engineer has 30 years' experience in operational and technical roles in the manganese, chromite, gold, silver, lithium 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 209,934 ordinary shares in Spitfire Materials Limited and options to acquire a further 1,750,000 ordinary shares.

DIRECTORS' REPORT

Dominic Traynor

Director
(Appointed as a
Director on the 23
March 2016)

Experience

Dominic graduated from Durham University in 1997 with a degree in Law and, after completing the LPC at the College of Law in York, joined Ronaldsons as a trainee in 1998 qualifying in 2000. He is a corporate lawyer specializing in listings and takeovers, M&A and corporate finance. Dominic has acted on more than 20 AIM-admissions as well as numerous reverse takeovers, other acquisitions, joint ventures and secondary fundraisings with a particular focus on the mining and oil and gas sectors.

Special responsibilities

None

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

Nil

Interest in shares and options

Nil

James Hamilton

MAICD
Executive Chairman
(Resigned as a
Director on 16 May
2016)

Experience

Mr Hamilton is an international business developer with more than 21 years' experience in the resources sector specialising in the analysis of exploration projects, mines and management teams across a large spectrum of mineral commodities. Mr Hamilton is a Member of the Australian Institute of Company Directors. Mr Hamilton resigned as a Director on 16 May 2016.

Special responsibilities

None

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

Nil

Interest in shares and options (at date of resignation - 16 May 2016)

2,951,135 ordinary shares in Spitfire Materials Limited and options to acquire a further 6,450,000 ordinary shares.

DIRECTORS' REPORT

2. COMPANY SECRETARY

Name and qualifications	Particulars
Russell Hardwick BBus, ACIS CPA, MAICD	The Company Secretary is Mr Russell Hardwick. 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 and AIM listed for over 10 years. Mr Hardwick has acted as the company secretary since 29th May 2007.

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, eight board meetings were held.

Director	Director Meetings		Audit Committee Meetings	
	Number entitled to attend	Attendance	Number entitled to attend	Attendance
James Hamilton	7	7	-	-
Russell Hardwick	8	8	2	2
Ian Huitson	8	8	2	2
Dominic Traynor	2	2	-	-

4. REMUNERATION REPORT

This report details the background, policy and amount of remuneration for each key management person of Spitfire Materials 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% (2015: 9.5%) 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 on a post-consolidation basis reduced from \$0.10 at 30 June 2015 to \$0.042 at 30 June 2016. 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:

DIRECTORS' REPORT

Pre-consolidation	2012	2013	2014	2015
Net Profit/(Loss)	(\$4,368,232)	(\$13,592,240)	\$369,022	(\$1,095,101)
Share price at year end	\$0.079	\$0.012	\$0.01	\$0.01
Post - consolidation (10:1)	2016			
Net Profit/(Loss)	(\$4,292,959)			
Share price at year end	\$0.042			

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.

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 entered into a consulting agreement with Goldregis Corporation Pty Ltd to provide the services of Mr James Hamilton to the Company which commenced on 19 November 2014 on a continuing basis with no fixed term. The agreement specified the duties and obligations for the consultancy services. Goldregis Corporation Pty Ltd provided a three month termination notice for the consulting agreement effective from the 13th May 2016.

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 December 2015 on a continuing basis with no fixed term. 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 commercial termination clauses.

Any 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.

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.

DIRECTORS' REPORT

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. The following table sets out the remuneration for the Directors and key management expensed during the 2016 financial year:

2016	Short Term Benefits					Total	Value of options as proportion of remuneration
	Salaries or Director Fees	Consulting Fees	Performance Bonuses	Options	Post-Employment Super		
	\$	\$	\$	\$	\$	\$	%
Directors							
James Hamilton*	-	252,500	30,000	36,342	-	318,842	11.40%
Russell Hardwick **	25,000	100,576	-	19,288	2,375	147,239	13.10%
Ian Huitson	25,000	-	-	10,761	2,375	38,136	28.22%
Dominic Traynor	2,708	-	-	-	-	2,708	-
Executives							
Maximillian Vermorken***	-	261,031	-	24,701	-	285,732	8.64%
Stuart Peterson	-	111,645	-	-	-	111,645	0%

* Mr Hamilton resigned as a Director of Spitfire Materials Limited on 13 May 2016

** Mr Hardwick also acts as the Company Secretary / Chief Financial Officer

*** Mr Vermorken consulting services was concluded on 18 May 2016 with the provision of a three month notice period in accordance with his contract.

DIRECTORS' REPORT

2015	Short Term Benefits					Total	Value of options as proportion of remuneration
	Salaries	Consulting Fees	Performance Bonuses	Options	Post-Employment Super		
	or Director Fees						
	\$						
	\$	\$	\$	\$	\$	\$	%
<i>Directors</i>							
James Hamilton	7,552	186,558	-	9,351	-	203,461	4.6%
John Mackenzie*	-	72,493	-	2,860	-	75,353	3.8%
Russell Hardwick **	25,000	84,927	-	7,188	2,375	119,490	6.02%
Ian Huitson	25,000	9,197	-	5,152	2,375	41,724	12.35%
<i>Executives</i>							
Stuart Peterson	-	103,331	-	-	-	103,331	0%

* Mr Mackenzie ceased being a director of Spitfire Materials Limited on 19th October 2014

** Mr Hardwick also acts as the Company Secretary/Chief Financial Officer

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 15,500,000 options (2015: 6,500,000) granted to key management personnel and 2,500,000 granted to consultants during the year.

Grant Date	Option Life	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend Yield
30 March 2016	5	\$0.0196	\$0.16	\$0.06	65%	1.88%	-

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

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 2016 year	% lapsed in year	Financial years in which grant vests
James Hamilton (Chairman – resigned 13 th May 2016)	150,000	22 November 2012	Nil	Nil	Vested
	300,000	28 November 2014	50%	Nil	50% in 2015/2016 50% in 2016/2017
	6,000,000	30 March 2016	Nil	Nil	100% in 2016/2017
Russell Hardwick (Director/Secretary)	150,000	22 November 2012	Nil	Nil	Vested
	200,000	28 November 2014	50%	Nil	50% in 2015/2016 50% in 2016/2017
	3,000,000	30 March 2016	Nil	Nil	100% in 2016/2017
Ian Huitson (Non-Executive Director)	100,000	22 November 2012	Nil	Nil	Vested
	150,000	28 November 2014	50%	Nil	50% in 2015/2016 50% in 2016/2017
	1,500,000	30 March 2016	Nil	Nil	100% in 2016/2017
Executives					
Maximillian Vermorken (Head of Corporate Development)	5,000,000	30 March 2016	Nil	Nil	100% in 2016/2017
Stuart Peterson (Exploration Consultant)	100,000	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 2016	Granted in year	Value of options exercised	Lapsed/Expired in year
	\$	\$	\$
<i>Directors</i>			
James Hamilton	117,600	-	-
Russell Hardwick	58,800	-	-
Ian Huitson	29,400	-	-
<i>Executives</i>			
Maximillian Vermorken	98,000	-	-
Stuart Peterson	-	-	57,000
Total	303,800	-	57,000

30 June 2015	Granted in year	Value of options exercised	Lapsed in year
	\$	\$	\$
<i>Directors</i>			
John Mackenzie	-	-	14,400
James Hamilton	14,700	-	108,600
Russell Hardwick	9,800	-	72,400
Ian Huitson	7,350	-	-
<i>Executives</i>			
Stuart Peterson	-	-	18,400
Total	31,850	-	213,800

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 2016	Balance 1 July 2015 (post consolidation)**	Granted as Compensation	Other changes during the year	Options Exercised	Balance 30 June 2016
<i>Directors</i>					
James Hamilton*	472,222	6,000,000	(22,222)	-	*6,450,000
Russell Hardwick	355,972	3,000,000	(5,972)	-	3,350,000
Ian Huitson	254,761	1,500,000	(4,761)	-	1,750,000
<i>Executives</i>					
Maximillian Vermorken	-	5,000,000	-	-	5,000,000
Stuart Peterson	200,000	-	(100,000)	-	100,000

30 June 2016	Balance 30 June 2016	Total Vested 30 June 2016	Total Exercisable 30 June 2016	Total Unexercisable 30 June 2016
<i>Directors</i>				
James Hamilton *	6,450,000	300,000	300,000	*6,150,000
Russell Hardwick	3,350,000	250,000	250,000	3,100,000
Ian Huitson	1,750,000	175,000	175,000	1,575,000
<i>Executives</i>				
Maximillian Vermorken ***	5,000,000	-	-	5,000,000
Stuart Peterson	100,000	100,000	100,000	-

* Mr Hamilton resigned on 13th May 2016 and his option holding is shown as at date of resignation.

** On 30th March 2016, shareholders approved a consolidation of every ten (10) Options into one (1) Option.

*** Mr Vermorken consulting services was concluded on 18 May 2016 with the provision of a three month notice period.

DIRECTORS' REPORT

30 June 2015	Balance 1 July 2014 (pre consolidation)	Granted as Compensation	Other changes during the year	Options Exercised	Balance 30 June 2015
<i>Directors</i>					
James Hamilton	4,722,222	3,000,000	(3,000,000)	-	4,722,222
John Mackenzie	5,600,000	-	(750,000)	-	4,850,000
Russell Hardwick	3,559,724	2,000,000	(2,000,000)	-	3,559,724
Ian Huitson	1,047,619	1,500,000	-	-	2,547,619
<i>Executives</i>					
Stuart Peterson	2,400,000	-	(400,000)	-	2,000,000

30 June 2015	Balance 30 June 2015	Total Vested 30 June 2015	Total Exercisable 30 June 2015	Total Unexercisable 30 June 2015
<i>Directors</i>				
James Hamilton	4,722,222	1,722,222	1,722,222	3,000,000
John Mackenzie	4,850,000	4,850,000	4,850,000	-
Russell Hardwick	3,559,724	1,559,724	1,559,724	2,000,000
Ian Huitson	2,547,619	1,047,619	1,047,619	1,500,000
<i>Executives</i>				
Stuart Peterson	2,000,000	2,000,000	2,000,000	-

Number of Shares held by Key Management Personnel:

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

30 June 2016	Balance 1 July 2015 (post consolidation)**	Received as Compensation	Options Exercised	Net Change Other	Balance 30 June 2016
<i>Directors</i>					
James Hamilton *	2,811,135	-	-	140,000	* 2,951,135
Russell Hardwick	828,663	-	-	30,000	858,663
Ian Huitson	149,934	-	-	60,000	209,934

* Mr Hamilton resigned on 13th May 2016 and his shareholding is shown as at date of resignation.

** On 30th March 2016, shareholders approved a consolidation of every ten (10) Shares into one (1) Share.

DIRECTORS' REPORT

30 June 2015	Balance 1 July 2014	Received as Compensation	Options Exercised	Net Change Other	Balance 30 June 2015
<i>Directors</i>					
James Hamilton	21,166,681	-	-	6,944,668	28,111,349
John Mackenzie	1,600,000	-	-	-	1,600,000
Russell Hardwick	8,286,626	-	-	-	8,286,626
Ian Huitson	446,857	-	-	1,052,480	1,499,337

4.8 Key management personnel loans

As at 30 June 2016 there were no loans payable from any Directors (2015: nil).

4.9 Related party transactions

		Consolidated	
		2016 \$000	2015 \$000

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

EXPENDITURE

Consultancy fees paid to Goldregis Corporation Pty Ltd (a company associated with Mr. James Hamilton), a related party of Spitfire Materials Limited. The amount of \$24,291 was owing to Goldregis Corporation Pty Ltd as at 30 June 2016 (2015: \$22,000)	282	187
Consultancy fees paid to Ravenhill Corporate Pty Ltd (a company associated with Mr. Russell Hardwick), a related party of Spitfire Materials Limited. The amount of \$20,496 was owing to Ravenhill Corporate Pty Ltd as at 30 June 2016 (2015: \$7,785)	100	84
Consultancy fees paid to Manhattan Holdings Pty Ltd (a company associated with Mr. John Mackenzie), previously a related party of Spitfire Materials Limited.	-	72
Consultancy fees paid to Peterson Geological Consulting (an entity associated with Mr Stuart Peterson), a related party of Spitfire Materials Limited. There was no amount owing to Peterson Geological as at 30 June 2016 (2015: \$8,066)	112	103
Consultancy fees paid to Skyeye Consulting (an entity associated with Mr Maximillian Vermorken), a related party of Spitfire Materials Limited. The amount of \$51,608 was owing to Skyeye Consulting as at 30 June 2016 (2015: nil)	261	-

DIRECTORS' REPORT

	Consolidated	
	2016 \$000	2015 \$000
During the year the following amounts were paid to companies associated with White Lion Group Limited (major shareholder of Spitfire Materials Limited),		
- Luiiri Gold Mines Ltd for administration and site services	263	-
- Luiiri Gold Mines Ltd for tenement expenses and exploration reimbursements	67	-
- FD Shared Office Services Pty Ltd for Desktop studies and consulting services	37	-

OTHER RECEIVABLES

Other receivables as at 30 June 2016 (2015: nil).	-	-
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OTHER PAYABLES

Russell Hardwick – Directors Fees	6	6
Ian Huitson – Directors Fees	6	6
Goldregis Corporation Pty Ltd	24	22
Ravenhill Corporate Pty Ltd	20	8
Peterson Geological Consulting	-	8

End of Remuneration 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
15 August 2017	15 August 2012	\$1.20	100,000
22 November 2017	22 November 2012	\$1.10	475,000
28 November 2019	28 November 2014	\$0.45	650,000
30 March 2021	30 March 2016	\$0.16	18,000,000
			19,225,000

DIRECTORS' REPORT

6. CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement is set out on the Company's website at <http://www.spitfirematerials.com.au/>

7. PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the 2015/2016 financial year were to maintain its interest in the South Woodie Woodie manganese project and complete the acquisition of the White Lion Limestone project in Zambia. The Company then sought to seek a dual-listing on London's Alternative Investment Market (AIM). Due to difficult market conditions and a lack of investor support for the White Lion project, the decision was made to suspend the proposed AIM listing in May 2016. The Company's recent focus has been to identify new opportunities within the minerals sector.

8. FINANCIAL REVIEW

The Group incurred a loss for the year of \$4,292,959 (2015 Loss: \$1,095,101). Significant expenditure items during the period include:

- Exploration and Evaluation expenditure of \$173,940 (2015: \$425,571);
- Impairment of Exploration & Evaluation assets at cost of \$2,167,183 (2015: Nil)
- Impairment of Exploration & Evaluation expenditure of \$260,296 (2015: Nil)
- Corporate consultancy costs of \$805,155 (2015: \$442,573)
- Expenses associated with the proposed dual-listing on AIM \$325,479 (2015: Nil)

The group began the year with \$2,735,262 in cash and ended the year with \$2,052,701 in cash.

Financial Position

The net assets of the Group have decreased to \$1,943,000 as at 30 June 2016. This decrease has largely resulted from impairment of exploration assets/ expenditure and administrative overheads and working capital.

The Directors believe the Group is in a stable financial position to continue to review its exploration projects and to identify new opportunities within 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.

DIRECTORS' REPORT

10. EVENTS SUBSEQUENT TO REPORTING DATE

On 19th August 2016, the company reached an agreement with the vendors of the White Lion Project to cancel the performance shares that were issued to the vendors as part of the consideration for the acquisition. (Refer: ASX Announcement 19 August 2016). The formal cancellation of the performance shares is subject to shareholder approval at the next annual general meeting.

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 \$6,860.

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 2016 the group's auditors Bentley's provided miscellaneous services to the value of \$600. Other than detailed above the auditors 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.

DIRECTORS' REPORT

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 2016 has been received and can be found on page 21.

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.

A handwritten signature in black ink, appearing to read 'Russell Hardwick'.

Russell Hardwick
Director

Dated at Perth this 14th day of September 2016



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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 Materials Limited for the financial year ended 30 June 2016, 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

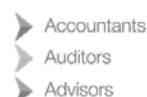


MARK DELAURENTIS CA
Director

Dated at Perth this 14th day of September 2016



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Note	Consolidated 2016 \$000	2015 \$000
Continuing Operations			
Interest received	2	45	105
Other income	2	-	7
Gross profit/(loss)		45	112
Depreciation expense		(20)	(25)
Consulting expenses		(805)	(443)
Occupancy costs		(52)	(42)
Travel expenses		(119)	(75)
Exploration and evaluation costs expensed		(174)	(426)
Impairment of Exploration & Evaluation assets at cost		(2,167)	-
Impairment of Exploration & Evaluation costs previously capitalised		(260)	-
Share Based Payment		(103)	(25)
Administrative expenses		(638)	(215)
Loss before income tax	3	(4,293)	(1,139)
Income tax (expense)/revenue	4	-	44
Profit/(Loss) from continuing operations		(4,293)	(1,095)
Other comprehensive income		15	-
Total comprehensive income/(loss) for the period		15	-
Total comprehensive income/(loss) attributable to the members of the Company		(4,278)	(1,095)
Profit / Loss per share			
From continuing operations:			
Basic and diluted loss per share	7	(9.58c)	(4.29c)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	Consolidated	
		2016 \$000	2015 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	2,053	2,735
Trade and other receivables	9	63	94
TOTAL CURRENT ASSETS		2,116	2,829
NON-CURRENT ASSETS			
Property, plant and equipment	11	7	19
TOTAL NON-CURRENT ASSETS		7	19
TOTAL ASSETS		2,123	2,848
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	180	97
TOTAL CURRENT LIABILITIES		180	97
TOTAL LIABILITIES		180	97
NET ASSETS		1,943	2,751
EQUITY			
Issued capital	14	28,483	25,116
Reserves	15	445	567
Accumulated losses		(26,985)	(22,932)
TOTAL EQUITY		1,943	2,751

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

Consolidated	Note	Issued Capital \$000	Option Reserve \$000	Foreign Exchange Reserve \$000	Accumulated Losses \$000	Total Equity \$000
Balance at 1 July 2014		25,116	800	0	(22,095)	3,821
Loss for the year		-	-	-	(1,095)	(1,095)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	(1,095)	(1,095)
Transactions with owners, recorded directly in equity						
Share based payments	15	-	25	-	-	25
Expiry of share options	15	-	(258)	-	258	-
Balance at 30 June 2015		25,116	567	-	(22,932)	2,751
Balance at 1 July 2015		25,116	567	-	(22,932)	2,751
Loss for the year		-	-	-	(4,293)	(4,293)
Other comprehensive income		-	-	15	-	15
Total comprehensive income for the year		-	-	15	(4,293)	(4,278)
Transactions with owners, recorded directly in equity						
Issue of ordinary shares		3,367	-	-	-	3,367
Share based payments	15	-	103	-	-	103
Expiry of share options	15	-	(240)	-	240	-
Balance at 30 June 2016		28,483	430	15	(26,985)	1,943

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

	Note	Consolidated	
		2016 \$000	2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash paid to suppliers and employees		(1,535)	(808)
Payments for exploration and evaluation		(439)	(457)
Income tax benefit- Research and Development		43	946
Other revenue		-	7
Interest received		56	108
Net cash used in operating activities	19a	(1,875)	(204)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(7)	-
Net cash (used in)/from investing activities		(7)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,200	-
Net cash flows from financing activities		1,200	-
Net increase/(decrease) in cash and cash equivalents		(682)	(204)
Cash and cash equivalents at the beginning of the period		2,735	2,939
Cash and cash equivalents at the end of the period	8	2,053	2,735

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Spitfire Materials Limited formerly known as Spitfire Resources Limited (the "Company") is a Company domiciled in Australia. The address of the Company's registered office is Suite 1, 346 Barker Road, Subiaco, WA 6008. The consolidated financial statements of the Company as at and for the year ended 30 June 2016 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

date that control commences until the date that control ceases. In the Company's financial statements, investments in subsidiaries are carried at cost.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

(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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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.

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).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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.

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 Materials 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

(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 including the South Woodie Woodie Manganese Segment with these activities forming the Australian manganese exploration segment. The other segment includes the administration, fund raising and investment activities of the Group which forms the Treasury and unallocated segments.

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

(l) Exploration and evaluation expenditure

The Group impairs 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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.

(o) Foreign currency translation

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss.

The functional currency of the foreign operating subsidiary, White Lion Enterprises Limited, was Zambian Kwacha (ZMW).

As at the balance date the assets and liabilities of subsidiaries are translated into Australian dollars at the rate of exchange ruling at the balance date and income and expenses items are translated at the average exchange rate for the period.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

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

New, revised or amending Accounting Standards and Interpretations adopted

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group during the financial year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2016. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the group.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

(r) 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 in this current year.

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)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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.

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 2016

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated	
	2016 \$000	2015 \$000
Other income		
- Interest revenue from financial institutions	44	94
- Interest revenue from other institutions	1	11
- Fuel tax rebate	-	7
Total revenue	45	112

NOTE 3: PROFIT/LOSS FOR THE YEAR

	Consolidated	
	2016 \$000	2015 \$000
a) Expenses		
Rental expense on operating leases		
- Minimum lease payments	38	42
b) Significant expenses		
Consulting fees	805	443
Directors fees	53	58
Superannuation	5	5
Share options expense	103	25
Exploration & Evaluation costs expensed	174	426
Impairment of Exploration & Evaluation assets at cost	2,167	-
Impairment of Exploration & Evaluation costs previously capitalised	260	-
Proposed AIM Listing costs (suspended)	325	-
Travel & Accommodation	119	75

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 4: INCOME TAX EXPENSE

	Consolidated	
	2016	2015
	\$000	\$000

Major components of income tax expense for the years ended 30 June 2016 and 2015 are:

INCOME STATEMENT

Current Income

Current income tax charge	-	-
Research & Development refundable tax offset	-	44

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	-	44
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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 2016 and 2015 is as follows:

Accounting loss before income tax	(4,293)	(1,139)
At the statutory income tax rate of 30% (2015: 30%)	(1,288)	(342)
Add:		
Non-deductible expenses	760	8
Temporary differences and tax losses not brought to account	528	422
Less:		
Non – assessable income R&D refundable tax offset	-	(44)
Income tax (expense)/benefit	-	44
Effective income tax rate of 0%	0%	0%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	Consolidated	
	2016 \$000	2015 \$000
Recognised deferred tax assets and liabilities		
Deferred tax assets and liabilities are attributable to the following:		
Accrued interest	1	4
Sundry payables	(24)	(7)
Capital raising costs	(48)	(48)
Net deferred tax (assets) liabilities	(71)	(51)
Tax losses recognised to the extent of deferred tax liability	71	51
Net tax (assets) liabilities	-	-
Unrecognised Deferred Tax Assets		
Tax losses	7,127	6,599
Tax losses recognised to the extent of deferred tax liability	71	51
	7,198	6,650

NOTE 5: KEY MANAGEMENT PERSONNEL

Names and positions held of consolidated and company key management personnel in office at any time during the 2015/2016 financial year are:

Key Management Personnel	Position
James Hamilton	Executive Chairman (resigned 13 May 2016)
Russell Hardwick	Director / Company Secretary
Ian Huitson	Non-Executive Director
Dominic Traynor	Non-Executive Director (appointed 23 March 2016)
Maximillian Vermorken	Head of Corporate Development (appointed 1 October 2015) Mr Vermorken consulting services was concluded on 18 May 2016 with the provision of a three month notice period.
Stuart Peterson	Exploration 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 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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

	2016 \$000	2015 \$000
Short-term employee benefits or consulting fees	808	514
Post-employment benefits	5	4
Share based payments	91	25
	904	543

Refer to the remuneration report for other related party transactions for Key Management Personnel. There are no other related party transactions other than to Key Management Personnel identified above.

NOTE 6: AUDITORS' REMUNERATION

	Consolidated	
	2016 \$000	2015 \$000
Remuneration of the Auditor of the parent entity for:		
- Auditing or reviewing the Financial Report	21	21
- Other services provided by the Auditors	1	-
	22	21

NOTE 7: PROFIT/ (LOSS) PER SHARE

	Consolidated	
	2016 \$000	2015 \$000
a) Earnings/(loss) used to calculate basic and diluted EPS from continuing and discontinued operations	(4,293)	(1,095)
Basic earnings/(loss) per share (cents per share) *	(9.58c)	(4.29c)
b) Earnings/(loss) used to calculate basic and diluted EPS from continuing operations	(4,293)	(1,095)
Basic earnings/(loss) per share (cents per share)	(9.58c)	(4.29c)
	Number of shares (Post consolidation basis)	
c) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	44,826,331*	25,511,347

At 30 June 2016, 5,761,986 (2015: 62,268,606) share options are non-dilutive based on the average market prices of the Company's shares.

*On 30th March 2016, shareholders approved a consolidation of every ten (10) Shares into one (1) Share and every ten (10) Options into one (1) Option.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated	
	2016 \$000	2015 \$000
Cash at bank and in hand	1,303	96
Cash management account	484	175
Short-term bank deposits	266	2,464
	2,053	2,735

The effective interest rate on short term bank deposits was 2.83% (2015: 2.87%); these deposits have an average maturity of 151 days (2015: 97 days).

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016 \$000	2015 \$000
CURRENT		
GST receivable	19	22
Interest receivable	2	13
Research & Development refundable tax offset	-	44
Other receivables	42	15
	63	94

Refer to Note 23 for risk management policies in place.

NOTE 10: CONTROLLED ENTITIES

a. Controlled Entities Consolidated

		Percentage Owned (%)*	
		2016	2015
Subsidiaries of Spitfire Materials Ltd:			
Spitfire Australia (SWW) Pty Ltd	Australia	100%	100%
Spitfire Global Pty Ltd	Australia	100%	100%
Bellpiper Pty Ltd	Australia	100%	100%
White Lion Group Investments Ltd	Mauritius	100%	-
White Lion Group Holdings Ltd	Mauritius	100%	-
White Lion Enterprises Ltd	Zambia	100%	-

* Percentage of voting power is in proportion to ownership.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2016 \$000	2015 \$000
PLANT AND EQUIPMENT		
At cost	224	224
Additions	7	-
Disposals	(11)	-
Accumulated depreciation	(213)	(205)
Total Plant and Equipment	7	19
LEASEHOLD IMPROVEMENTS		
At cost	77	77
Accumulated depreciation	(77)	(77)
Total Leasehold Improvements	-	-
	7	19

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 2014	43	1	44
Depreciation expense	(24)	(1)	(25)
Balance at 30 June 2015	19	-	19
Additions	8	-	8
Depreciation expense	(20)	-	(20)
Balance at 30 June 2016	7	-	7

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 12: EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	2016 \$000	2015 \$000
ASSETS		
Non-Current		
Exploration & Evaluation		
- At cost	2,167	-
- Exploration & Evaluation Expenditure	257	
- Impairment of Exploration & Evaluation asset	(2,424)	-
	<u>-</u>	<u>-</u>

During the year ending 30 June 2016 the Group has elected to impair the full carrying value of the White Lion Project based on the assessment of the project and a review of the stated work plans. Exploration and Evaluation expenditure amounting to \$439,288 (2015: \$457,075) have been included in cash flows from operating activities in the cash flow statement.

NOTE 13: TRADE AND OTHER PAYABLES

	Consolidated	
	2016 \$000	2015 \$000
CURRENT		
Trade creditors		
Related party creditors	55	50
Other	76	29
Sundry payables and accrued expenses	49	18
	<u>180</u>	<u>97</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 14: ISSUED CAPITAL

	Consolidated	
	2016	2015
	\$000	\$000
a. Ordinary Shares		
* 107,183,292 (2015: 255,113,474) fully paid ordinary shares	29,464	26,097
Share issue expenses	(1,215)	(1,215)
Share options expired	234	234
	28,483	25,116

b. Performance Shares

* 10 performance shares	-	-
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	Consolidated	
	2016 (Post-consolidation)	2015
	Number	Number
a. Ordinary shares		
At the beginning of reporting period*	25,511,347	255,113,474
Shares issued during the year		
- 18 August 2015 @ 0.01c (White Lion Acquisition)	21,671,945	-
- 27 June 2016 @ 0.02c (Placement)	60,000,000	-
At reporting date	107,183,292	255,113,474

*On 30 March 2016, shareholders approved a consolidation of every ten (10) shares into one (1) share and every ten (10) options into one (1) option.

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. Performance Shares

At the beginning of the reporting period*	-	-
Issued during the year		
- 18 August 2015 (White Lion Acquisition)	10	-
At reporting date	10	-

The Performance Shares may convert into Shares upon the Board of the Company:

- Receiving confirmation of a delineation of not less than 80,000,000 JORC inferred tonnes of Limestone product on the tenement; and
- Receiving a scoping study that demonstrates the potential for a large scale, long life, economic Limestone orebody to be developed and mined and the Board resolving to proceed with the development and commercialization of the project, **(Milestone)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

On 19 August 2016, the Company reached an agreement with the vendors of the White Lion Project to cancel the performance shares. The formal cancellation of the performance shares is subject to shareholder approval at the next annual general meeting.

c. Options

On 1 October 2015, 2,000,000 share options exercisable into ordinary shares at 0.125c per share expired.

On 1 October 2015, 2,000,000 share options exercisable into ordinary shares at 0.175c per share expired.

On 26 October 2015, 1,000,000 share options exercisable into ordinary shares at 0.15c per share expired.

For information relating to the Spitfire Materials 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 21 Share-based Payments.

d. 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 2016 and 30 June 2015 are as follows:

	Consolidated	
	2016 \$000	2015 \$000
Cash and cash equivalents	2,053	2,735
Trade and other receivables	64	94
Trade and other payables	(180)	(97)
Working capital position	1,937	2,732

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 15: RESERVES

	Consolidated	
	2016 \$000	2015 \$000
Equity settled employee benefits reserve:		
Balance at Beginning of Period	567	800
Share Options issued 22 November 2012		10
Share Options expired 18 November 2014		(14)
Share Options expired 27 November 2014		(218)
Share Options issued 28 November 2014	15	15
Share Options expired 15 December 2014		(3)
Share Options expired 22 June 2015		(23)
Share Options expired 1 October 2015	(183)	-
Share Options expired 26 October 2015	(57)	-
Share Options issued 30 March 2016	88	-
	430	567
Foreign Exchange Reserve		
Balance at Beginning of Period	-	-
Foreign exchange differences on translation	15	-
	445	567

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 16: CONTINGENCIES

The Company had on issue 10 Performance Shares that may convert to ordinary shares upon certain milestones being achieved (Refer Note 14b.) On 19th August 2016, the company reached an agreement with the vendors of the White Lion Project to cancel the performance shares. The formal cancellation of the performance shares is subject to shareholder approval at the next annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 17: PARENT ENTITY DISCLOSURES

The following details information related to the parent entity, Spitfire Materials Limited, at 30 June 2016. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2016	2015
	\$000	\$000
(a) Financial Position		
Assets		
Current assets	2,080	2,811
Non-current assets	-	2
Total assets	2,080	2,813
Liabilities		
Current liabilities	179	89
Total liabilities	179	89
Equity		
Issued capital	28,483	25,116
Reserves:		
Equity settled employee benefits reserve	430	567
Accumulated losses	(27,012)	(22,959)
Total equity	1,901	2,724
(b) Financial Performance		
Profit/(loss) for the year	(4,293)	(1,067)
Other comprehensive income	-	-
Total comprehensive income	(4,293)	(1,067)
(c) Commitments of the Parent Entity		
Operating lease		
Within one year	15	49
One year or later and no later than five years	-	-
Total	15	49

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 18: 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) *Zambia – Limestone Exploration*

The limestone exploration segment is the project based in Zambia. Segment assets, including any capitalised exploration expenditure are reported on in this segment.

(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.

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 2016

Consolidated 30 June 2016	Australia - Manganese Exploration \$000	Zambia - Limestone Exploration \$000	Australia - Treasury \$000	Consolidated Group \$000
SEGMENT PERFORMANCE				
Finance revenue	-	-	45	45
Total segment and group revenue				45
<i>Reconciliation of segment revenue to group revenue</i>				
Other revenue				-
Total group revenue				45
Segment net profit/(loss) from continuing operations before tax	(113)	(2,525)	45	(2,593)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>				
- Other tax revenue	-	-	-	-
Unallocated Items				
- Consulting Fees				(805)
- Depreciation				(20)
- Other				(875)
Net Profit/(loss) before tax from continuing operations				(4,293)
SEGMENT ASSETS				
Segment assets	6	39	2,034	2,079
<i>Reconciliation of segment assets to group assets</i>				
Unallocated items				
- Other				44
Total group assets				2,123
Segment asset increases/(decreases) for the period:				
- Cash	(10)	14	(686)	(682)
- Other	(112)	25	-	(87)
- Unallocated	-	-	-	44
				(725)
SEGMENT LIABILITIES				
Segment liabilities				
Payables	1	1	-	2
<i>Reconciliation of segment liabilities to group liabilities</i>				
Unallocated items				
- Other	-	-	178	178
Total group liabilities				180

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

Consolidated 30 June 2015	Australia - Manganese Exploration \$000	Australia - Treasury \$000	Consolidated Group \$000
SEGMENT PERFORMANCE			
Finance revenue	-	105	105
Total segment and group revenue	-	105	105
<i>Reconciliation of segment revenue to group revenue</i>			
Other revenue			7
Total group revenue			112
Segment net profit/(loss) from continuing operations before tax	(420)	105	(315)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>			
- Other tax revenue	44	-	44
Unallocated Items			
- Consulting Fees			(443)
- Salaries			-
- Depreciation			(25)
- Other			(356)
Net Profit/(loss) before tax from continuing operations			(1,095)
SEGMENT ASSETS			
Segment assets	82	2,720	2,802
<i>Reconciliation of segment assets to group assets</i>			
Unallocated items			
- Other			46
Total group assets			2,848
Segment asset increases/(decreases) for the period:			
- Cash	(2)	(202)	(204)
- Other	(946)	-	(946)
	(948)	(202)	(1,150)
SEGMENT LIABILITIES			
Segment liabilities	8	-	8
<i>Reconciliation of segment liabilities to group liabilities</i>			
Unallocated items			
- Other			89
Total group liabilities			97

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 19: CASH FLOW INFORMATION

	Consolidated	
	2016 \$000	2015 \$000
(a) Reconciliation of Cash Flow from Operations with Profit/Loss after Income Tax		
Profit/(Loss) after income tax from continuing operations	(4,278)	(1,095)
Non-cash flows in profit/(loss)		
- Depreciation	20	25
- Share options expensed	103	25
- Impairment of exploration & evaluation asset at cost	2,167	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
- (Increase)/decrease in trade and term receivables	32	921
- Increase/(decrease) in trade payables and accruals	81	(80)
Cashflow from operations	(1,875)	(204)

NOTE 20: COMMITMENTS

a) Operating Lease Commitments

	Consolidated	
	2016 \$000	2015 \$000
Non-cancellable operating lease contracted for but not capitalised in the financial statements:		
Payable		
- Within one year	15	49
- One year or later and no later than five years	-	-
	15	49

The above amounts relate to a property lease at Suite 1, 346 Barker Road, Subiaco which is expiring on 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

b) Exploration Commitments

	Consolidated	
	2016 \$000	2015 \$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	144	305
- One year or later and no later than five years	258	305
- Later than five years	-	-
	402	610

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

NOTE 21: SHARE BASED PAYMENTS

All options granted to key management personnel are exercisable into ordinary shares in Spitfire Materials 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 2014	14.28c	18,100,000
Expired	16.20c	(7,350,000)
Issued	4.50c	6,500,000
Options outstanding as at 30 June 2015 (pre consolidation)	9.77c	17,250,000
Options outstanding as at 30 June 2015 (post consolidation)	97.7c	1,725,000
Expired	\$1.50c	(500,000)
Issued	16c	18,000,000
Options outstanding as at 30 June 2016	19.84c	19,225,000
Options exercisable as at 30 June 2016:		900,000
Options exercisable as at 30 June 2015:		10,750,000

The weighted average remaining contractual life of options outstanding at year end was 1,680 days (4.6 years). The range of exercise prices of outstanding options granted as compensation at reporting date is from 16c to \$1.20c.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Included under employee benefits expense in the income statement is \$103,443 (2015: \$24,552). which relates to vesting of share options issued in November 2014 and March 2016.

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.

NOTE 22: EVENTS AFTER BALANCE SHEET DATE

On 19th August 2016, the company reached an agreement with the vendors of the White Lion Project to cancel the performance shares that were issued to the vendors as part of the consideration for the acquisition. (Refer: ASX Announcement 19 August 2016). The formal cancellation of the performance shares is subject to shareholder approval at the next annual general meeting.

Other than the 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 23: FINANCIAL RISK MANAGEMENT

Significant accounting policies

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

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:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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 \$487,953 (2015: \$413,038) 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:

	2016		2015	
	Carrying value \$	Maximum exposure \$	Carrying value \$	Maximum exposure \$
Cash and cash equivalents				
- AA Rated	2,053	2,053	2,735	2,735
Trade and other receivables	63	63	94	94
	2,116	2,116	2,829	2,829

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 overseas subsidiaries in Zambia and Mauritius. The Zambian subsidiary expenses are predominantly denominated in Zambian Kwacha (KMW). In addition the parent company has incurred some expenditure in US dollars and British Pounds. Foreign exchange risk is inherent in the Group's activities and is accepted as such. No formal arrangements have been put in place in order to hedge the Group and Company's activities to the exposure of currency risk or interest risk. It is the Groups policy to ensure that individual group entities enter into local transactions in their functional currency wherever possible. The Group considers that this policy minimises any unnecessary foreign exchange exposure.

In order to monitor the continuing effectiveness of this policy, the Board, through its approval of both corporate and capital expenditure budgets and review of the currency profile of cash balances and management accounts, considers the effectiveness of the policy on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

The following table discloses the exchange rates of the currencies utilised by the Group:

	Zambian Kwacha (ZMW)	US Dollars (USD)	British Pounds (GBP)
Foreign currency units to AUD \$1			
Average for 2015/2016	7.5429	0.7286	0.4917
At 30 June 2016	7.6308	0.7425	0.5526

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 2016	\$000	\$000	\$000	\$000	\$000
Financial assets					
Cash and cash equivalents	1,787	266	-	-	2,053
Trade and other receivables	-	-	-	63	63
	1,787	266	-	63	2,116
Weighted average interest rate					
	0%	0.59%			
Financial liabilities					
Trade and other payables	-	-	-	180	180
	-	-	-	180	180

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

	Floating interest rate	Fixed interest maturing in 1 year or less	Fixed interest maturing over 1 to 5 years	Non- interest bearing	Total
Consolidated 2015	\$000	\$000	\$000	\$000	\$000
Financial assets					
Cash and cash equivalents	271	2,464	-	-	2,735
Trade and other receivables	-	-	-	94	94
	271	2,464	-	94	2,829
Weighted average interest rate	0%	2.68%			
Financial liabilities					
Trade and other payables	-	-	-	97	97
	-	-	-	97	97

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 2016, 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 \$74,140 or decrease by \$43,815 (2015: increase by \$38,934 or decrease by \$38,934). This is due mainly to the Group's exposure to variable interest rates on cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

Net Fair Value

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

	2016		2015	
	Carrying Amount \$000	Net Fair Value \$000	Carrying Amount \$000	Net Fair Value \$000
Financial assets				
Cash and cash equivalents	2,053	2,053	2,735	2,735
Trade and other receivables	63	63	94	94
	2,116	2,116	2,829	2,829
Financial liabilities				
Trade and other payables	180	180	97	97
	180	180	97	97

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 26 to 60, 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 2016 and of the performance for the year ended on that date of the Company and consolidated Group.
2. The Director/Company Secretary has 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.



RUSSELL HARDWICK

Director

Dated this 14th day of September 2016

Independent Auditor's Report

To the Members of Spitfire Materials Limited

We have audited the accompanying financial report of Spitfire Materials Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 30 June 2016, 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 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 internal 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. 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 of the financial report that gives a true and fair view 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 Materials Limited (*Continued*)



Independence

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

Opinion

In our opinion:

- a. The financial report of Spitfire Materials 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 2016 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 2016. 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 Materials Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Director

Dated at Perth this 14th day of September 2016

ADDITIONAL INFORMATION FOR PUBLICLY LISTED COMPANIES

ADDITIONAL SHAREHOLDER INFORMATION AS AT 12 SEPTEMBER 2016

1. SHAREHOLDING INFORMATION

a. Distribution of equity security holders

Category (size of holding)	Listed shares - Number Ordinary Shares
1 - 1,000	184
1,001 - 5,000	249
5,001 - 10,000	102
10,001 - 100,000	197
100,001 and over	84
	816

b. The number of shareholdings held in less than a marketable parcel is 269. There is no current on-market buy-back

c. The names of the substantial shareholders listed in the holding company's register as at 12 September 2016 are:

Shareholder	Number Ordinary Shares	%
Starchaser Nominees Pty Ltd <AH & AMB Super Fund A/c>	8,000,000	7.46
Mr John Campbell Smyth <Smyth Super Fund A/c>	7,000,000	6.53
Mr John Alexander Young & Mrs Cheryl Kaye Young <Forever Young Family A/c>	6,750,000	6.30
JP Morgan Nominees Australia Limited	6,323,765	5.90

d. Voting Rights

There are a total of 107,183,292 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 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. Starchaser Nominees Pty Ltd <AH & AMB Super Fund A/c>	8,000,000	7.46
2. John Campbell Smyth <Smyth Super Fund A/c>	7,000,000	6.53
3. John Alexander Young & Cheryl Kaye Young <Forever Young Family A/c>	6,750,000	6.30
4. JP Morgan Nomimees Australia Limited	6,323,765	5.90
5. Petlin Nominees Pty Ltd <Petlin Super Fund A/c>	5,000,000	4.66
6. John Alexander Young & Cheryl Kaye Young < The Forever Young S/F A/c>	5,000,000	4.66
7. Clariden Capital Limited	4,000,000	3.73
8. Kim Patricia Cullen	3,171,827	2.96
9. Brinsden Holdings Pty Ltd <Brinsden Investment A/c>	3,000,000	2.80
10. Teas Nominees Pty Ltd <The Smith Super Fund A/c>	3,000,000	2.80
11. Cheryl Kaye Young	3,000,000	2.80
12. James Tyson Hamilton <Hamilton Family A/c>	2,951,135	2.75
13. BNP Paribas Noms Pty Ltd <DRP>	2,947,600	2.75
14. Ann Maree Johnson	2,459,757	2.29
15. Font SF Pty Ltd <Fontanalice Pty Ltd A/c>	2,250,000	2.10
16. Ambergate Pty Ltd	1,500,000	1.40
17. Julie Avotins	1,385,161	1.29
18. Don Keating Price Vicki Ann Price <Price Superannuation A/c>	1,305,643	1.22
19. Anne Marie Boys	1,250,000	1.17
20. Palace Trading Investments Ltd	1,212,211	1.13
TOTAL	71,507,099	66.71

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:

Suite 1, 346 Barker Road

SUBIACO WA 6008

Telephone +61 8 6382 3700

4. REGISTER OF SECURITIES

Computershare

Level 11, 172 St Georges Terrace

PERTH WA 6000

P: + 61 8 9323 2018

ADDITIONAL INFORMATION FOR PUBLICLY LISTED COMPANIES

5. SECURITIES EXCHANGE LISTING

Quotation has been granted for all the ordinary shares on all Member Exchanges of the Australian Securities Exchange Limited.

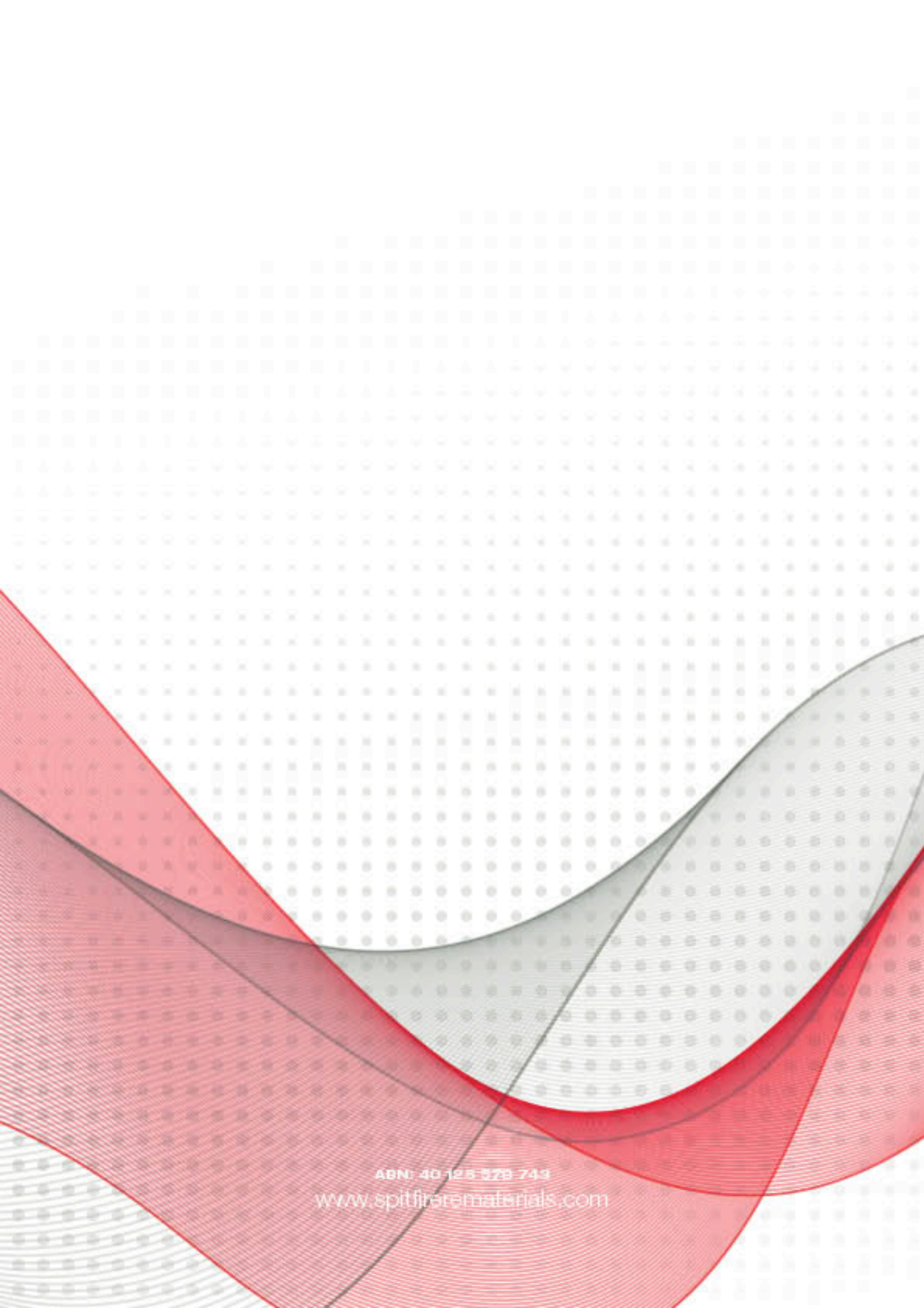
6. UNQUOTED SECURITIES

Share Options - Expiry Date	Exercise Price	Unquoted Securities	Number of Holders
15 August 2017	\$1.20	100,000	1
22 November 2017	\$1.10	475,000	4
28 November 2019	\$0.45	650,000	3
30 March 2021	\$0.16	18,000,000	5

7. SCHEDULE OF TENEMENTS

Spitfire Materials Limited - Tenement Holding

State	Tenement Code	Beneficial Interest (%)
SOUTH WOODIE WOODIE MANGANESE PROJECT		
Western Australia	E46/616	80
Western Australia	E46/787	100
Western Australia	E46/835	100
Western Australia	R46/0002 Application	80
WHITE LION LIMESTONE PROJECT		
Zambia	14948-HQ-LML	100



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