



SPITFIRE RESOURCES LIMITED

And its controlled entities
(ABN 40 125 578 743)

**HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2014**

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DIRECTORS' REPORT

Your Directors are pleased to submit their report of Spitfire Resources Limited ("Spitfire" or "the Company") and its controlled entities ("Consolidated Entity" or "Group") for the half year ended 31 December 2014.

DIRECTORS

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

John Mackenzie (Managing Director ceased 19th October 2014)

James Hamilton (Chairman/Managing Director)

Russell Hardwick (Director/Company Secretary)

Ian Huitson (Non-Executive Director)

REVIEW OF OPERATIONS

SOUTH WOODIE WOODIE MANGANESE

The South Woodie Woodie Manganese Project comprises 12 granted Exploration Licences covering a total area of more than 600 square kilometres in Western Australia's East Pilbara Manganese Province.

The tenements lie along strike and to the south of the Woodie Woodie Manganese Mining Centre (operated by Consolidated Minerals Limited) and in close proximity to several emerging manganese projects which are being actively worked on.

During the period Spitfire Resources drilled 38 RC holes at South Woodie Woodie - the drilling being concentrated on the western side of tenement E46/835 (now referenced by the exploration team as "The Western Front"). Until now this area has had no previous exploration. Assays from the Western Front included a number of near surface intersections including:

- Hole no. 021: 6m @ 22.2%Mn from 43m, including 4m @ 26.9%Mn;
- Hole no. 019: 10m @ 21.3% Mn from 43m, including 5m @ 25.0%Mn; &
- Hole no. 010: 14m @ 15.9% Mn from 51m, including 3m @22.0% Mn.

(Full details showing all drill collar locations, plan maps of the area and comments on the program as they relate to the JORC code were announced to the ASX by Spitfire on December 23, 2014).

The Company has been encouraged by the Western Front drilling which continues to show the broadness of low to mid-grade manganese deposition across certain parts of the South Woodie Woodie project. It also has reaffirmed the value of Spitfire's geophysically-based exploration methodology and approach.

Review and analysis of this latest drilling program is continuing. The primary focus of future work will be to find mineralisation grading 40% Mn or higher.

Ultimately, the Company believes the best outcome for shareholders in the current market would be to attract a large, manganese-focused funding partner for South Woodie Woodie. Consequently, Spitfire is continuing to discuss the project with interested parties.

DIRECTORS' REPORT

CORPORATE

During the period Spitfire Resources Limited was actively engaged in seeking new investment opportunities. The current cyclical downturn in the junior resources sector is providing both frustration (in terms of finding growth funding) and opportunity (in terms of shrinking asset prices).

To date, Spitfire has reviewed more than 70 predominately Australian and Asian opportunities in the resources, information technology and e-commerce fields. So far the Company has struggled to find a project that ticks all the commercial boxes in terms of price, deal size and future upside. Nevertheless, the Company is optimistic this position will change soon and remains committed to maintaining its transaction discipline. Recently Company representatives travelled to Africa to discuss and complete a field evaluation of a potential new resource project.

On 19th October 2014, the Managing Director of Spitfire Resources, John Mackenzie, passed away. He has been replaced by Company Founder and Chairman, James Hamilton, who has more than 20 years' experience in the resources sector. Mr Hamilton has started an extensive outreach program to broaden Spitfire's project hunt offshore.

Spitfire's cash position remains healthy and at the end of the period the Company had \$3,150,172 at bank.

Financial Summary

The net operating loss for the period was \$637,587. Key items included in the half year results are :

- Exploration and Evaluation expenditure of \$329,466,
- Corporate overheads associated with statutory and regulatory requirements of being listed on the Australian Securities Exchange.

The net assets of the Group have decreased to \$3,196,017 as at 31 December 2014 (30 June 2014: \$3,820,892). This decrease has largely resulted from exploration expenditure and administrative overheads incurred during the period.

As at 31 December 2014 the group had cash reserves of \$3,150,172. The Directors believe the Group is in a stable financial position to maintain the South Woodie Woodie project and to identify new opportunities.

Events subsequent to reporting date

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

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.

DIRECTORS' REPORT

Auditor's Independence Declaration

The lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the half year ended 31 December 2014.

This report is signed in accordance with a resolution of the Board of Directors.



James Hamilton
Managing Director
12 February 2015

Competent Person's Statement - South Woodie Woodie

The information in this report relating to exploration results and mineral resources is based on information compiled by Mr. Stuart Peterson the Company's Exploration Manager who is a Member of the Australian Institute of Mining and Metallurgy. This information 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.'

To the Board of Directors

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

As lead audit director for the review of the financial statements of Spitfire Resources Limited for the half year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Director

Dated at Perth this 12th day of February 2015

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
For the half year ended 31 December 2014

	Note	31 December 2014 \$000	31 December 2013 \$000
Continuing Operations			
Interest received		62	58
Other income		-	1
Gross profit/(loss)		62	59
Depreciation expense		(7)	(25)
Consulting expenses		(212)	(322)
Occupancy costs		(22)	(21)
Travel expenses		(32)	(4)
Exploration and Evaluation costs expensed		(329)	(144)
Impairment of Exploration & Evaluation capitalised expenditure		-	-
Share based payments	5	(13)	(34)
Administrative expenses		(85)	(160)
Loss before income tax		(638)	(651)
Income tax (expense)/revenue		-	663
Profit/(Loss) from continuing operations		(638)	12
Other comprehensive income		-	-
Total comprehensive income/ (loss) for the period		-	-
Total comprehensive income / (loss) attributable to the members of the Company		(638)	12
Profit/(Loss) per share			
From continuing operations:			
Basic and diluted profit/(loss) per share for the half year		(0.25c)	0.005c

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	31 December 2014 \$000	30 June 2014 \$000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	3,150	2,939
Trade and other receivables	86	1,015
TOTAL CURRENT ASSETS	3,236	3,954
NON-CURRENT ASSETS		
Property, plant and equipment	37	44
TOTAL NON-CURRENT ASSETS	37	44
TOTAL ASSETS	3,273	3,998
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	77	177
Provisions	-	-
TOTAL CURRENT LIABILITIES	77	177
TOTAL LIABILITIES	77	177
NET ASSETS	3,196	3,821
EQUITY		
Issued capital	25,116	25,116
Reserves	578	800
Accumulated losses	(22,498)	(22,095)
TOTAL EQUITY	3,196	3,821

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2014

	Issued Capital \$000	Option Reserve \$000	Accumulated Losses \$000	Total Equity \$000
Balance at 1 July 2013	25,115	950	(22,660)	3,405
Profit for the period	-	-	12	12
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	25,115	950	(22,648)	3,417
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	1			1
Share based payments	-	34	-	34
Expiry of share options	-	(3)	3	-
Balance at 31 December 2013	25,116	981	(22,645)	3,452
Balance at 1 July 2014	25,116	800	(22,095)	3,821
Profit for the period	-	-	(638)	(638)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	25,116	800	(22,733)	3,183
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	-	-	-	-
Share based payments	-	13	-	13
Expiry of share options	-	(235)	235	-
Balance at 31 December 2014	25,116	578	(22,498)	3,196

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2014

	31 December 2014 \$000	31 December 2013 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid to suppliers and employees	(450)	(413)
Payments for exploration and evaluation	(349)	(164)
Other revenue	-	1
Interest received	64	71
Income Tax Benefit	946	788
Net cash used in operating activities	211	283
CASH FLOWS FROM INVESTING ACTIVITIES		
Other (Tenement bond refund)	-	51
Net cash (used in)/from investing activities	-	51
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	-
Expense of share issue	-	-
Net cash from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	211	334
Cash and cash equivalents at the beginning of the period	2,939	3,135
Cash and cash equivalents at the end of the period	3,150	3,469

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2014

NOTE 1: BASIS OF PREPARATION

REPORTING ENTITY

Spitfire Resources Limited (the "Company") is a Company domiciled in Australia. The address of the Company's registered office is 41 York Street, Subiaco, WA 6008. The consolidated financial statements of the Company as at and for the half year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. The Group primarily is involved in the minerals exploration industry.

a) Statement of compliance

These General Purpose Financial Statements for the interim half year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Spitfire Resources Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014 together with any public announcements made by Spitfire Resources Limited and its controlled entities during the half year.

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

b) Reporting Basis and Conventions

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2014, except for the impact of the standards and Interpretations described in 1 (f).

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

c) Financial Instruments

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

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

d) Basis of measurement

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

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2014

e) Going Concern

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

f) New Accounting Standards

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

New and revised Standards and amendments thereof and Interpretations effective for the current half-year include:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting'
- AASB 2013-5 'Amendments to Australian Accounting Standards - Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards' - Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
 - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
 - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
 - Part C: 'Materiality'
- Interpretation 21 'Levies'

The above standards have extensive disclosure requirements; however these do not affect this half year financial report.

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

NOTE 2: SEGMENT REPORTING

Identification of reportable segments

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

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2014

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

Types of exploration by project segment

(i) Australia – Manganese Exploration

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

(ii) Australia – Treasury

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

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Segment assets

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

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

Segment liabilities

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

Unallocated items

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

- Other corporate charges

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2014

Consolidated 31 December 2014	Australia - Manganese Exploration \$000	Australia - Treasury \$000	Consolidated Group \$000
SEGMENT PERFORMANCE			
Finance revenue	-	62	62
Total segment and group revenue	-	62	62
<i>Reconciliation of segment revenue to group revenue</i>			
Other revenue			-
Total group revenue			62
Segment net profit/(loss) from continuing operations before tax	(337)	62	(275)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>			
- Other tax revenue	-		-
Unallocated Items			
- Consulting Fees			(212)
- Depreciation			(7)
- Other			(144)
Net Profit/(loss) before tax from continuing operations	(337)		(638)
SEGMENT ASSETS			
Segment assets	81	3,136	3,217
<i>Reconciliation of segment assets to group assets</i>			
Unallocated items			
- Other			56
Total group assets			3,273
Segment asset increases/(decreases) for the period:			
- Cash	(3)	214	211
- Other	(936)	-	(936)
	(939)	214	725
SEGMENT LIABILITIES			
Segment liabilities	21	-	21
Payables			
<i>Reconciliation of segment liabilities to group liabilities</i>			
Unallocated items			
- Other			56
Total group liabilities			77

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2014

Consolidated 31 December 2013	Australia - Manganese Exploration \$000	Australia - Treasury \$000	Consolidated Group \$000
SEGMENT PERFORMANCE			
Finance revenue	-	58	58
Total segment and group revenue	-	58	58
<i>Reconciliation of segment revenue to group revenue</i>			
Other revenue			1
Total group revenue			59
Segment net profit/(loss) from continuing operations before tax	(144)	58	(86)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>			
- Other tax revenue	663		663
Unallocated Items			
- Consulting Fees			(322)
- Salaries			(43)
- Depreciation			(25)
- Other			(175)
Net Profit/(loss) before tax from continuing operations	519		12
CONSOLIDATED 30 JUNE 2014			
Segment assets	1,018	2,924	3,942
<i>Reconciliation of segment assets to group assets</i>			
Unallocated items			
- Other			56
Total group assets			3,998
Segment asset increases/(decreases) for the period:			
- Cash	12	(205)	(193)
- Other	783	-	783
	795	(205)	(590)
SEGMENT LIABILITIES			
Segment liabilities			
Payables	105	-	105
<i>Reconciliation of segment liabilities to group liabilities</i>			
Unallocated items			
- Other			72
Total group liabilities			177

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2014

NOTE 3: COMMITMENTS

a) Operating Lease Commitments

	Consolidated	
	31 December 2014 \$000	30 June 2014 \$000
Non-cancellable operating lease contracted for but not capitalised in the financial statements:		
Payable		
- Within one year	50	50
- One year or later and no later than five years	20	53
- Later than five years	-	-
	70	103

The above amounts relate to the property lease at 41 York Street, Subiaco expiring 31 May 2016, with rent payable monthly in advance.

b) Exploration Commitments

	Consolidated	
	31 December 2014 \$000	30 June 2014 \$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	422	366
- One year or later and no later than five years	411	692
- Later than five years	-	-
	833	1,058

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

NOTE 4: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2014

NOTE 5: SHARE BASED PAYMENTS

All options granted to key management personnel are exercisable into ordinary shares in Spitfire Resources Limited, which confer a right of one ordinary share for every option held. During the half year 6,850,000 options previously issued to key management personnel expired and 6,500,000 new options were issued following approval at the 2014 Annual General Meeting.

The number and weighted average exercise prices of share options issued to Key Management Personnel are as follows:

Consolidated	Weighted average exercise price	Number of options
Options outstanding as at 30 June 2014	14.28c	18,100,000
Granted	4.5c	6,500,000
Expired	16.1c	(6,850,000)
Options outstanding as at 31 December 2014	9.99c	17,750,000
Options exercisable as at 31 December 2014:		11,250,000
Options exercisable as at 30 June 2014:		15,350,000

The weighted average remaining contractual life of options outstanding at year end was 2.95 years. The range of exercise prices of outstanding options at reporting date is from 4.5c to 17.5c.

Included under employee benefits expense in the income statement is \$12,712 which relates to the vesting expense of share-based payments (30 June 2014: \$47,375).

NOTE 6: EVENTS AFTER THE BALANCE SHEET DATE

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

NOTE 7: FINANCIAL INSTRUMENTS

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

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 17, are in accordance with the Corporations Act 2001 and:
 - a. Comply with Accounting Standards AASB 134: Interim Financial Reporting; and
 - b. Give a true and fair view of the financial position as at 31 December 2014 and of the performance for the half year ended on that date of the Company and consolidated Group.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in blue ink, appearing to read 'James H. Hamilton', is written over the printed name and title.

JAMES HAMILTON
Managing Director

Dated this 12th day of February 2015

Independent Auditor's Review Report

To the Members of Spitfire Resources Limited

We have reviewed the accompanying half-year financial report of Spitfire Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independent Auditor's Review Report

To the Members of Spitfire Resources Limited (Continued)



Independence

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

Conclusion

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

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

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

BENTLEYS
Chartered Accountants

A handwritten signature in blue ink that reads "Mark DeLaurentis".

MARK DELAURENTIS CA
Director

Dated at Perth this 12th day of February 2015