



ANNUAL REPORT – AVOCA EL 27/2008

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Annual Report
Exploration Licence 27/2008
200807 – 200906
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Abstract

The exploration licence 27/2008 at Avoca is viewed as prospective for coal. The historical mines of Merrywood, Stanhope, New Stanhope, Mt Christie, Old Workings (Excelsior) and Fenhope are within the tenement boundaries. The objective, at this stage, is to add value to the tenement by conducting further drilling. This will have the aim of 1) identifying coal measures in the vicinity of previous mine workings 2) testing for extensions of the lithic sandstone facies and coal measures to the south and west of the previous mine workings and 3) testing for coal measures in the Triassic sequence in the southern half of the EL.

The initial step of assigning a competent coal group the task of properly assessing the project has been completed. Neil Fraser of Marston International Pty Ltd has accepted this role.

Large volumes of data were supplied by Black Rock Energy Pty Ltd. This data has been reviewed and an initial drill program has been proposed.

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1. Introduction

Spitfires' objective at Avoca is to gather more detail on the extent of the coal seams by conducting open hole drilling. Historical drilling around the Avoca region has defined a known area of coal seams and has provided some basic data on coal quality. There is not enough information at this stage to move towards a resource calculation.

Coal is present in the Avoca area in an outlier of Triassic sediments of the Upper Permian Group. The coal seams occur in a fluvial lithic sandstone facies near the top of the sequence. Several small underground and open cut mines have operated in the area previously and have exploited a coal seam up to 3.5m thick. Previous production is estimated to be 400,000 tonnes. Seam thickness is reported to change rapidly and local faulting is present. A thick Jurassic age dolerite sill has intruded the sediments and is present over much of EL27/2008. The sill dips at about 5° to the west and is several hundreds of metres thick in places. It is located above the coal seams and from the limited amount of coal quality data available, it does not appear to have devolatilized the coal. Subsequent erosion has removed the dolerite in places exposing the underlying Triassic sediments and also appears to have eroded some of the coal bearing sequence in some areas.

Previous exploration drilling has been conducted by Mineral Resources Tasmania (MRT) around the previous mine workings (C series holes), by WMC in 1976 (TAR series holes) and by Shell Australia in 1977 (AV series holes). The location of these holes is shown in Figure 1. Holes TAR1, TAR2, TAR3, and TAR8 located thin coal seams preserved near the margins or immediately below the Jurassic sill. The coal bearing sequence appears to have been eroded along the course of Buffalo Brook. Buffalo Brook flows from the centre of the EL towards the south.

This report refers to the tenement number EL27/2008 which is in the district of Avoca, roughly 6km NNW of the Avoca township. The current tenement holder is Black Rock Energy Pty Ltd which is a subsidiary of Spitfire Resources Limited. Spitfire Resources Limited acquired the Avoca tenement as part of a transaction whereby it purchased all the issued capital of Black Rock Energy Pty Ltd. Full details of this transaction were announced to the Australian Securities Exchange.

The reporting period for this licence report is July 1, 2008 to June 30, 2009.

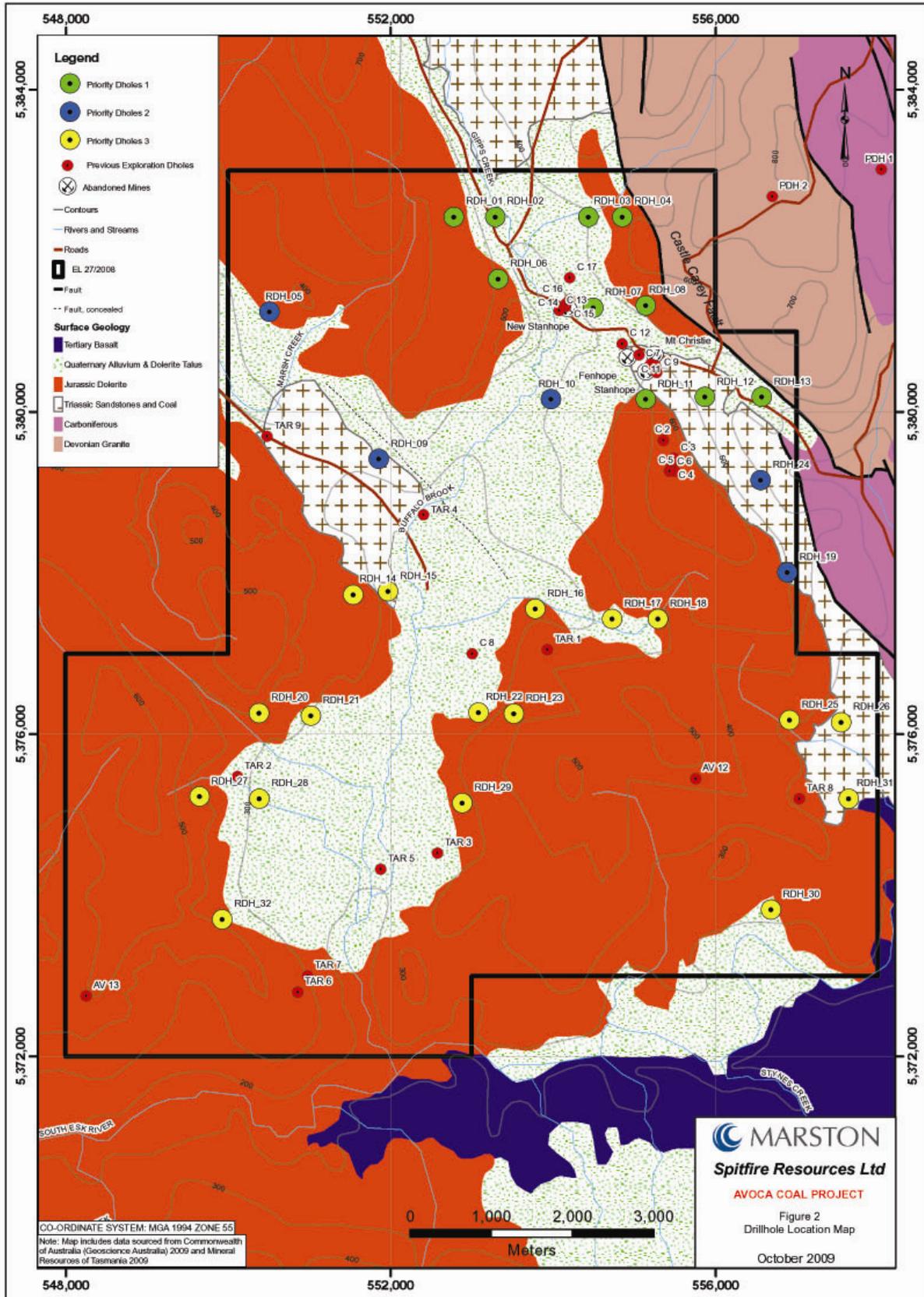


Figure 1. Geology of the Avoca Area with historical drill hole locations and surface geology.

2. Review of Previous Work

A full scale data review was undertaken by Spitfire Resources personnel and Neil Fraser of Marston International Pty Ltd. This was to gain an understanding of the geology and to ascertain what the next logical step in the exploration process should be.

3. Exploration Completed During the Report Period

No on-ground exploration was undertaken during the report period.

A drilling proposal for the Avoca area has been requested from Marston.

4. Conclusions

Spitfires' strategy of becoming a player in the Australian coal mining industry requires a significant resource tonnage to be defined within its Tasmanian tenements. The Avoca area has the potential to significantly boost Spitfire's overall resource tonnage, as presently there are no defined or reportable resources within this historically mined area.

A drilling program will be designed to test all facets of the Avoca tenement for coal seams in 2010.

Detailed mapping of the area should also be considered.

5. Environment

There were no surface-disturbing operations, surveys or rehabilitation activities during the period.