Annual Report

Exploration Licence 27/2008

200909 – 201010

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1. 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 Eastern and southern parts of the Tenement.

The Geological Coal consulting group given the task of properly assessing the project was again granted to Neil Fraser of Marston International Pty Ltd.

Large volumes of data were supplied by Black Rock Energy Pty Ltd. This data has been reviewed and an initial drill program testing the coal distribution quality has been planned and completed by Marston Pty Ltd.

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2. 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 Parmeener 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. (Figure 1)

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, 2009 to June 30, 2010.

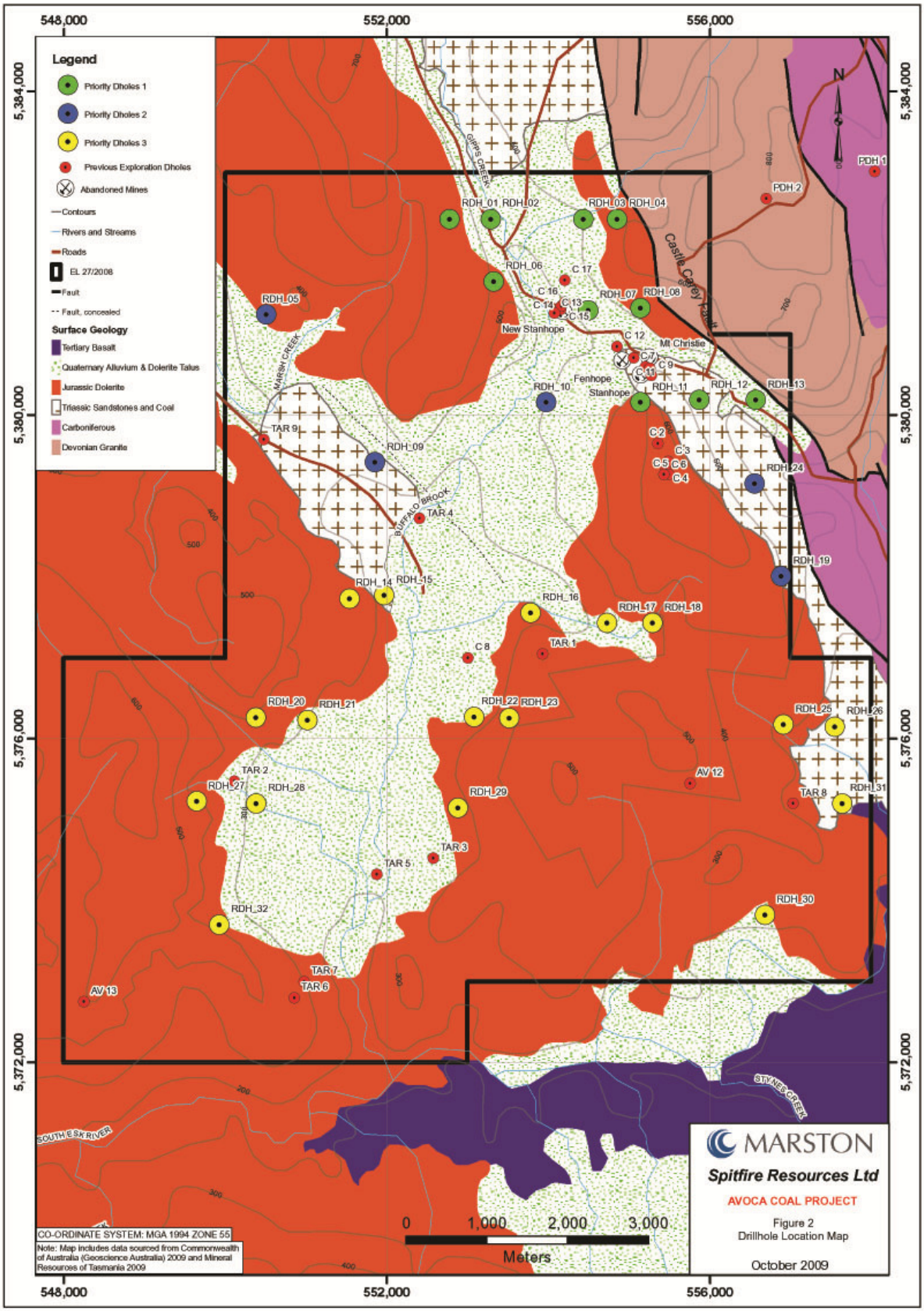

Figure 1. Geology of the Avoca Area with surface geology with historical and proposed drill hole locations.

3. 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.

4. Exploration Completed During the Report Period

Within this reporting period a Field trip by Spitfire Representatives was conducted to mark out the drill locations in accordance with the environmental recommendations set out by the MRT.

A drilling programme was put into action to target the Coal within the licence area. Marston International PTY LTD was contracted to run the programme on behalf of Spitfire Resources Ltd.

This Programme included:

Site visit by Spitfire representatives to finalise the drill collar locations

Work Programme Application (WPA) was submitted to MRT on the 23rd March 2010 and granted on the 28th April 2010.

Marston International commenced supervision of the Drilling programme for the Avoca Tenement.

KMR Drilling provided the drilling operations for the project and completed (Figure 3)

18 holes of RAB Drilling	Totalling	1023.70m
2 Holes of HQ3 Diamond Core Drilling	Totalling	89.00m
	Totalling	1113.15m

Samples were collected and submitted to SGS in Newcastle for analysis.

Down hole Surveying was completed at Avoca on all drill collars where possible.

All drill sites were rehabilitated and a visual site inspection was conducted on all drill sites by the Marston Representatives to ensure minimal ground disturbance and that all environmental standards had been followed.

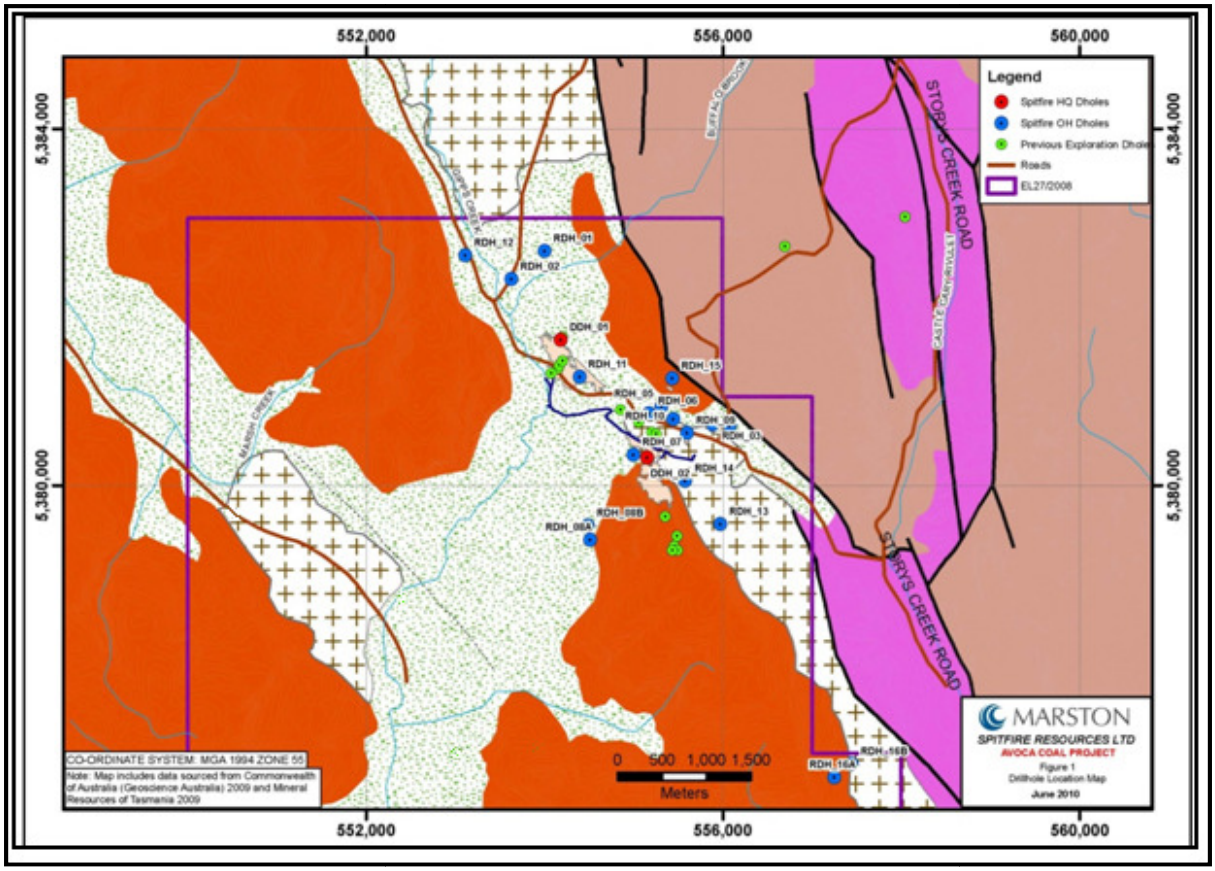

Figure 1. Avoca 2010 Drill Programme Collar hole locations.

5. Drilling Results:

Only partial results were available at the time of this report. A full report by Marston International will be available before the end of 2010 and this will be included into the next scheduled report.

Based on the outcropping coal seams that can be seen clearly in the cliff walls and the evidence of previous open pit mining of the coal in the area it was expected that the results would show a series of thinly bedded Coal seams would be intersected during the drill programme. This was the case in most of the holes drilled.

The results were encouraging, with multiple coal seams, in some instances up to 3.5 metres thick, intersected over a strike length of up to 5-7km. The extensive nature of the coal seams indicates the possibility that the Avoca Project may host significant tonnages of coal. Coal has been mined in the areas surrounding Avoca almost continually since 1923.

Significant Coal Intersections at Avoca

Hole_ID	Coal Seam Thickness (m)	Depth From (m)
SF_DDH_002**	2.43	54.32
SF_DDH_001**	1.8	3.37
	2.58	18.46
SF_DDH_010*	2.5	20
	3	49
	3.5	67
SF_DDH_011*	2	20
	2.75	80.25
SF_DDH_005*	3	22
	2	53
SF_DDH_006*	3	8
	3	27.5
SF_DDH_003*	2	11
SF_DDH_004*	3.5	6.5
	1.5	24
	2	38.5

Note:

* Denotes open hole drilling method

** Denotes HQ3 Diamond drilling method

Table 1. Avoca 2010 Drill Programme Significant Coal Intersections.

Samples from the drilling have been dispatched to SGS in Newcastle for a 3-month program of coal quality analysis which will be crucial to determining the next steps for advancing this project. These coal quality results and those of the drilling program are to be reviewed by specialist coal consultancy Marston.

The Company intends to fully evaluate the development potential of the Tasmanian coal assets as soon as a full suite of data is available on coal quality and resource potential.

6. 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.

During this quarter the drilling programme, collection of samples for assay and the down-hole surveys have been completed.

Spitfire Resources are currently awaiting assay results to assist the planning of addition geological studies and drill programmes on E27/2008.

Detailed mapping of the area should also be considered to further define the extent of the coal boundaries before executing a follow up drill programme.

A Pending application for the ground directly to the north of Avoca has been submitted as it is highly suspected that the coal found in the current Avoca tenement extends into this new application.

7. Future Work Programme

Once the results have been analysed a further drilling programme will be planned and implemented to target the extent of the Coal boundaries and to obtain additional core samples to further test the Coal quality for the Avoca Licence area.

Expenditure for the next year at Avoca is as detailed.

Type	Contractor	Cost
Consultation fees	Marston	$ 41,000
Drilling Costs	KMR	$ 66,500
Administration	Blackrock/MRT	$ 8,000
Clearance and Environmental	Marston	$ 7,000
Mapping and evaluation	SPI/Blackrock	$2,500
Total expenditure	2010/2011	$125,000

8. Environment

All environmental advice and clearance was obtained from MRT before work commenced and every care was taken to place the drill pads away from any environmental sensitive areas.

All drill pads and collars were rehabbed to local environmental standards.

SAMPLE NUMBER	DEPTH FROM (m)	DEPTH TO (m)	THICKNESS (m)	SAMPLE DESCRIPTION	BATCH	NUMBER OF SAMPLE BAGS	COMMENTS	FLOAT - SINK TESTING
			TOTAL OF INDIVIDIAL SAMPLE BAGS FOR LANGLOH =			26 BAGS		
AV_DDH001_001	3.35	3.45	0.1	ROOF	1 OF 1	1	AVOCA, ID04	
AV_DDH001_002	3.45	3.72	0.27	COAL	1 OF 1	1	AVOCA, ID04	
AV_DDH001_003	3.72	4.32	0.6	PARTING (CS)	1 OF 1	1	AVOCA, ID04	
AV_DDH001_004	4.32	4.62	0.3	COAL	1 OF 1	1	AVOCA, ID04	
AV_DDH001_005	4.62	5.17	0.55	COAL	1 OF 1	1	AVOCA, ID04	
AV_DDH001_006	5.17	5.27	0.1	FLOOR (CS)	1 OF 1	1	AVOCA, ID04	
AV_DDH001_007	18.30	18.46	0.16	ROOF (SS)	1 OF 1	1	AVOCA, ID04	
AV_DDH001_008	18.46	19.30	0.84	COAL	1 OF 1	1	AVOCA, ID04	
AV_DDH001_009	19.30	19.38	0.08	PARTING (CS)	1 OF 1	1	AVOCA, ID04	AV_001_COMP1
AV_DDH001_010	19.38	20.00	0.62	COAL	1 OF 1	1	AVOCA, ID04, (KL 20-20.18)	
AV_DDH001_011	20.18	21.04	0.86	COAL	1 OF 1	1	AVOCA, ID04	
AV_DDH001_012	21.04	21.22	0.18	FLOOR (XM)	1 OF 1	1	AVOCA, ID04	
AV_DDH001_013	22.20	22.30	0.1	ROOF (ROOF)	1 OF 1	1	AVOCA, ID04	
AV_DDH001_014	22.30	22.65	0.35	COAL	1 OF 1	1	AVOCA, ID04	AV_001_COMP2
AV_DDH001_015	22.65	22.77	0.12	COAL	1 OF 1	1	AVOCA, ID04	
AV_DDH001_016	22.77	22.87	0.1	FLOOR (MS)	1 OF 1	1	AVOCA, ID04	
AV_DDH002_017	26.79	26.89	0.1	ROOF (CS)	1 OF 1	1	AVOCA, ID04	
AV_DDH002_018	26.89	27.08	0.19	COAL	1 OF 1	1	AVOCA, ID04	
AV_DDH002_019	27.08	27.45	0.37	COAL	1 OF 1	1	AVOCA, ID04 (KL 27.45-27.50)	
AV_DDH002_020	27.50	27.85	0.35	COAL	1 OF 1	1	AVOCA, ID04	
AV_DDH002_021	27.85	27.95	0.1	FLOOR (CS)	1 OF 1	1	AVOCA, ID04	
AV_DDH002_022	33.63	33.73	0.1	ROOF (SL)	1 OF 1	1	AVOCA, ID04	
AV_DDH002_023	33.73	33.95	0.22	COAL	1 OF 1	1	AVOCA, ID04	AV_002_COMP1
AV_DDH002_024	33.95	34.65	0.7	COAL	1 OF 1	1	AVOCA, ID04	
AV_DDH002_025	34.65	34.82	0.17	FLOOR (XM)	1 OF 1	1	AVOCA, ID04	
AV_DDH002_026	54.12	54.22	0.1	ROOF (SS)	1 OF 1	1	AVOCA, ID04	
AV_DDH002_027	54.22	54.61	0.39	COAL	1 OF 1	1	AVOCA, ID04	
AV_DDH002_028	54.61	54.88	0.27	COAL	1 OF 1	1	AVOCA, ID04	
AV_DDH002_029	54.88	55.04	0.16	PARTING (MS)	1 OF 1	1	AVOCA, ID04	
AV_DDH002_030	55.04	55.23	0.19	PARTING (CS)	1 OF 1	1	AVOCA, ID04	AV-002_COMP2
AV_DDH002_031	55.23	56.21	0.98	COAL	1 OF 1	1	AVOCA, ID04	
AV_DDH002_032	56.21	56.60	0.39	PARTING (XS)	1 OF 1	1	AVOCA, ID04	
AV_DDH002_033	56.60	56.75	0.15	COAL	1 OF 1	1	AVOCA, ID04	
			TOTAL OF INDIVIDIAL SAMPLE BAGS FOR LANGLOH =			33 BAGS		

Total Samples 4

Float-Sink Testing at densities 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 1.8, 1.9, 2.0, 2.2. Report mass % and ash % for each fraction.