



**Annual Report
For the Period Ended 30 June 2008**



Corporate Directory

Directors & Management

Mladen Ninkov

Chairman

Roger Goodwin

Director

Malcolm Randall

Director

Rupert Crowe

Director

Thyl Kint

Chief Executive Officer

Catharine Lymbery

Company Secretary

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Nominated Advisor & Broker for AIM

Collins Stewart Limited

9th Floor, 88 Wood Street, London, EC2V 7QR, United Kingdom

Auditors

Webb Audit & Assurance

PO Box 185, Toorak, VIC 3142, Australia

Solicitors

Hunt & Humphrey

Level 2, Hyatt Centre, 20 Terrace Road, East Perth, WA 6004, Australia

Addleshaw Goddard LLP

150 Aldersgate Street, London, EC1A 4EJ, United Kingdom

Conveyors Dill & Pearman

Clarendon House, Church Street, PO Box HM666, Hamilton HMCX, Bermuda

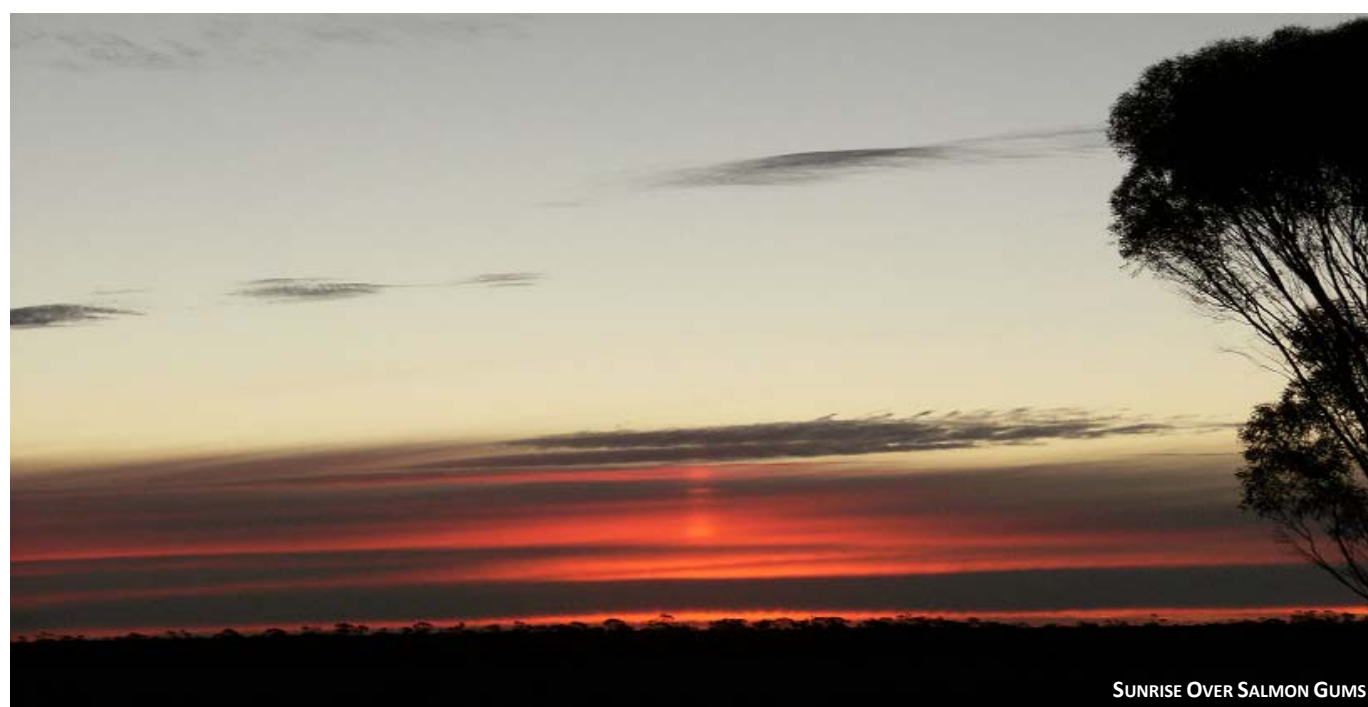
Registrars & Transfer Agents

Capita Registrars (Jersey) Limited,

12 Castle Street, St Helier, Jersey, JE2 3RT, United Kingdom

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Company Overview & 07/08 Highlights

Capital & Corporate Structure

- ⇒ Admitted to AIM on 17 July 2007 raising £10 million.
- ⇒ Operates through its wholly owned Australian subsidiary, Spitfire Oil Pty Ltd.
- ⇒ 42,550,668 ordinary shares and 3,850,000 options on issue.
- ⇒ As at 30 June 2008, £6.8 million in cash reserves and no debt.

Key Assets & Technology

- ⇒ As of 30 June 2008, the Company controlled 6 exploration tenements totalling 519 km² near Salmon Gums, near Esperance, in the south east of Western Australia.
- ⇒ The tenements contain a large lignite (brown coal) deposit with an Inferred Resource, calculated according to the JORC Code, of 500 million tonnes of lignite.
- ⇒ The lignite has a high Kerogen (hydrocarbon) content convertible into oil using low temperature pyrolysis at a yield of 0.43 bbl / tonne. Extractable commercial oil reserves are estimated to exceed 200 million barrels.

July 2007 – June 2008 Highlights

- ⇒ The Company drilled 187 exploration holes totalling 6,618 metres and applied for two mining leases totalling 9,854 hectares.
- ⇒ It began a 2 year, A\$4.4 million contract with Curtin University to prove its **L2V**TM low temperature pyrolysis technology. A new laboratory and a prototype reactor were constructed, specialist research personnel were recruited and technical work started.
- ⇒ The Environmental approval process was initiated and the project was assessed at the Environmental Review and Management Plan level.
- ⇒ A new Chief Executive was recruited with world class experience in the construction of large oil & gas processing plants and in environmentally sensitive projects based in Western Australia. All management functions were transferred to Perth.

Objectives for 2008/2009

- ⇒ Complete exploration drilling program to calculate Indicated Resource under the JORC Code and apply for additional mining leases as applicable.
- ⇒ Complete **L2V**TM Pyrolysis tests at Curtin University and complete conceptual mine and process engineering studies to deliver a definitive feasibility study and a design basis for a phase 1 commercial plant.
- ⇒ Progress the environmental approval process.

Chairman's Letter

I am very pleased to present to you the 2007/2008 Annual Report and Accounts for Spitfire Oil Limited ("Spitfire" or the "Company"). For an entity only admitted to trading on the Alternative Investment Market of the London Stock Exchange in July 2007, its progress towards proof of concept and commercialisation has been impressive.

Although the events of the past month have been particularly devastating for the world financial system which, to some extent has been or will be passed through to the world economy, the gratifying aspect for the Company of these calamitous events has been the continuing high price for crude oil and distillates. This, coupled with the ever decreasing size of the world's recoverable oil reserves, gives real hope that the Company will reap significant financial rewards should the Salmon Gums project come into commercial operation.

It has been heartening to see the progress that has been made to move the Company ever closer to commercialisation. Resource delineation, exploration and environmental approvals have all made sizeable moves forwards. The focus this year shifts to the laboratory to ensure oil yields are extractable and by products of the Pyrolysis process do not cause any negative impacts to either the extraction process or the environment. We remain ever hopeful of that those results will be extremely positive.

Needless to say, the Company also has not been blinded to other means to grow shareholder value. In that respect, the Company has evaluated a number of other oil and gas projects. At this stage, most of these projects do not meet the risk profile or the financial returns required by the Company.

Obviously, the Company's continued progress has not occurred, and will not continue to occur, without a group of dedicated and talented

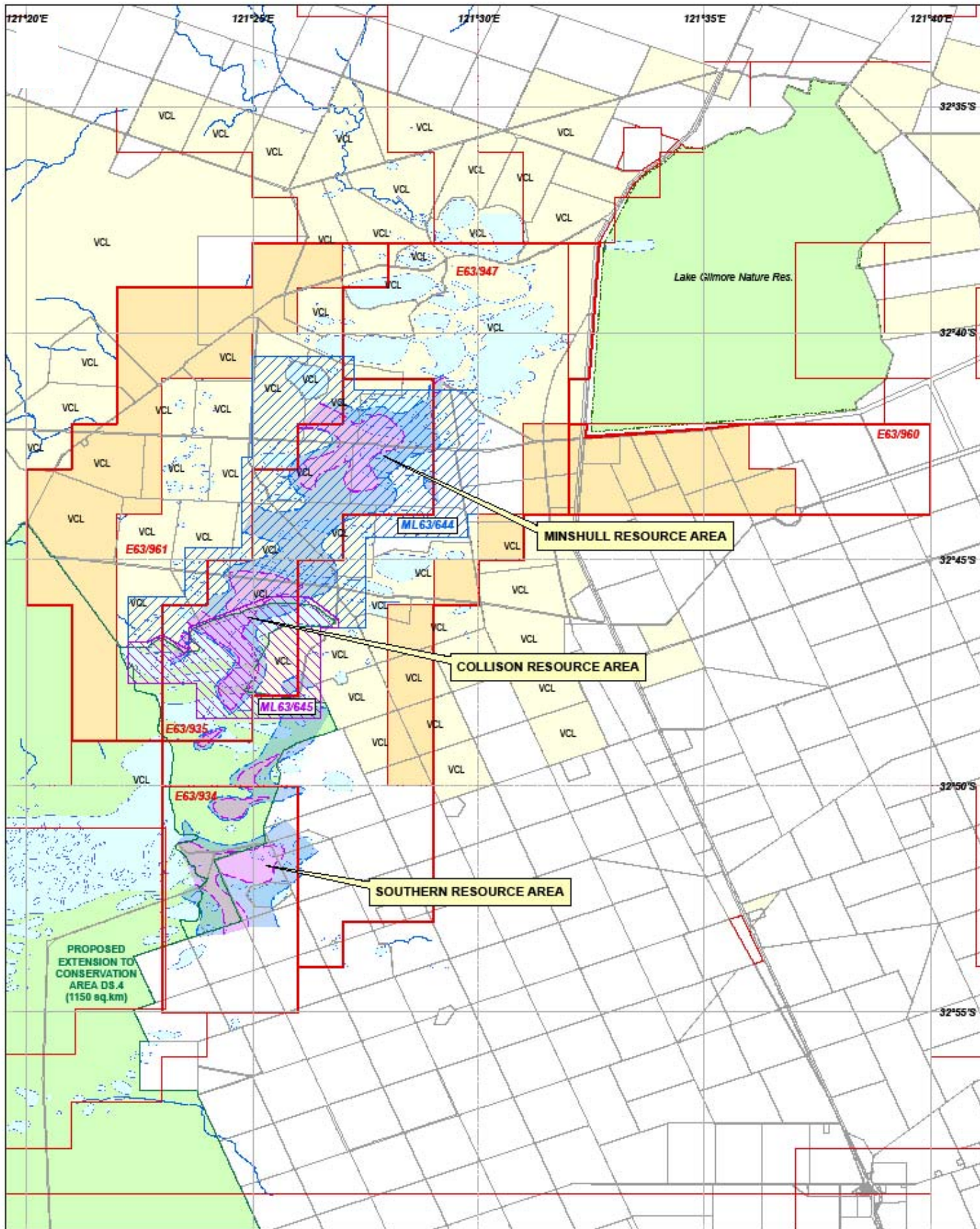
individuals willing to work long hours to prove the Company can do what many say cannot be economically achieved. These include: the Chief Executive, Thyl Kint; our Chief Technical Officer, Barry Tindall; the directors, Roger Goodwin, Rupert Crowe and Mal Randall; and all the other Curtin University staff, CSA Global staff and other contractors who have assisted the Company in its drive forward.

In the famous American phrase, "Many talk the talk, but few walk the walk." The group of people involved with this Company have made a lifetime of achieving results that the many in the financial markets said could never be done. We look forward to achieving that result yet again for you, the shareholders and owners of the Company.

Mladen Ninkov

Chairman

30th September 2008



LEGEND

-  ML63/644
-  ML63/645
-  Spitfire Oil Pty Ltd Concession areas
-  Relinquishment area
-  National Reserves
-  Vacant Crown Land



Projection: GCS GDA 1994

 **Spitfire Oil Pty Ltd**

**SALMON GUMS LIGNITE PROJECT
MINING LEASE AREA**

July 2008

Review of Spitfire Oil 07/08 Operations

Introduction

Much has been accomplished in the first year of operations since Spitfire Oil Limited (“Spitfire Oil” or the “Company”) was admitted to trading on the Alternative Investment Market of the London Stock Exchange in July 2007. Most of the Company’s activities have centred on advancing the delineation of the resource base at Salmon Gums and progressing the required environmental approvals. These items require the longest time for completion in the project’s development timeline. In addition, the Company has begun preliminary laboratory work in preparation for the main technology development program during 2007/2008. Also, a number of significant management changes and additions have been made in order to improve the quality and structure of the staff required for the tasks that lie ahead.

License Status

The table below shows the status of the Company’s current mining tenements.

The map on Page 4 shows the principal tenement areas held by the Company which remain after statutory partial relinquishments based on exploration results.

Areas shown on the map as under licence have either been renewed or a waiver was applied for to enable further exploration to be carried out prior to a decision to relinquish could be made.

In addition, mandatory relinquishment of 50% of the area under current exploration tenements was due in April, July and October 2008. The Company had the data available to determine the extent of the future core mining area, and as such, two Mining Leases totalling 9,854 hectares were applied for to the WA Department of Industry and Resources over current areas held in Exploration Licences by the Company. These areas will remain under application whilst various statutory approval processes are completed, however, the areas have been reserved for Spitfire’s exclusive use during that approval period.

Reference Number	Type	Name of Area	Grant	Original Area (ha)	Area of reduction (ha)	Area after reduction (ha)	Expiry	Blocks
E63/934*	Exploration Tenement	Southern Area	7/07/2005	4,323	nil	4,323	6/07/2010	15
E63/935*	Exploration Tenement	Central-North Area	7/07/2005	6,061	nil	6,061	6/07/2010	21
E63/947**	Exploration Tenement	Eastern Area	7/07/2005	16,939	2,309	14,630	6/07/2010	60
E63/959	Exploration Tenement	Far Eastern Area	1/03/2005	7,198	3,450	3,748	28/02/2010	13
E63/960	Exploration Tenement	North-Eastern Area	7/07/2005	4,461	2,440	2,021	6/07/2010	7
E63/961***	Exploration Tenement	West-North Area	6/10/2005	12,416	6,351	6,065	5/10/2010	43
TOTAL				51,399		36,849		159
MLA63/644	Mining Lease					7,407		
MLA63/645	Mining Lease					2,448		
TOTAL						9,855		

* Exemption from 50% reduction pending

** Exemption from 50% reduction and partial surrender pending

*** Due for 50% compulsory reduction or application for exemption therefrom prior to 5/10/08

Resource Delineation and Exploration Drilling Program

Field delineation and exploration drilling activities have been underway continuously since last November with a total of 187 holes drilled totalling 6,618 metres by the end of the financial period.

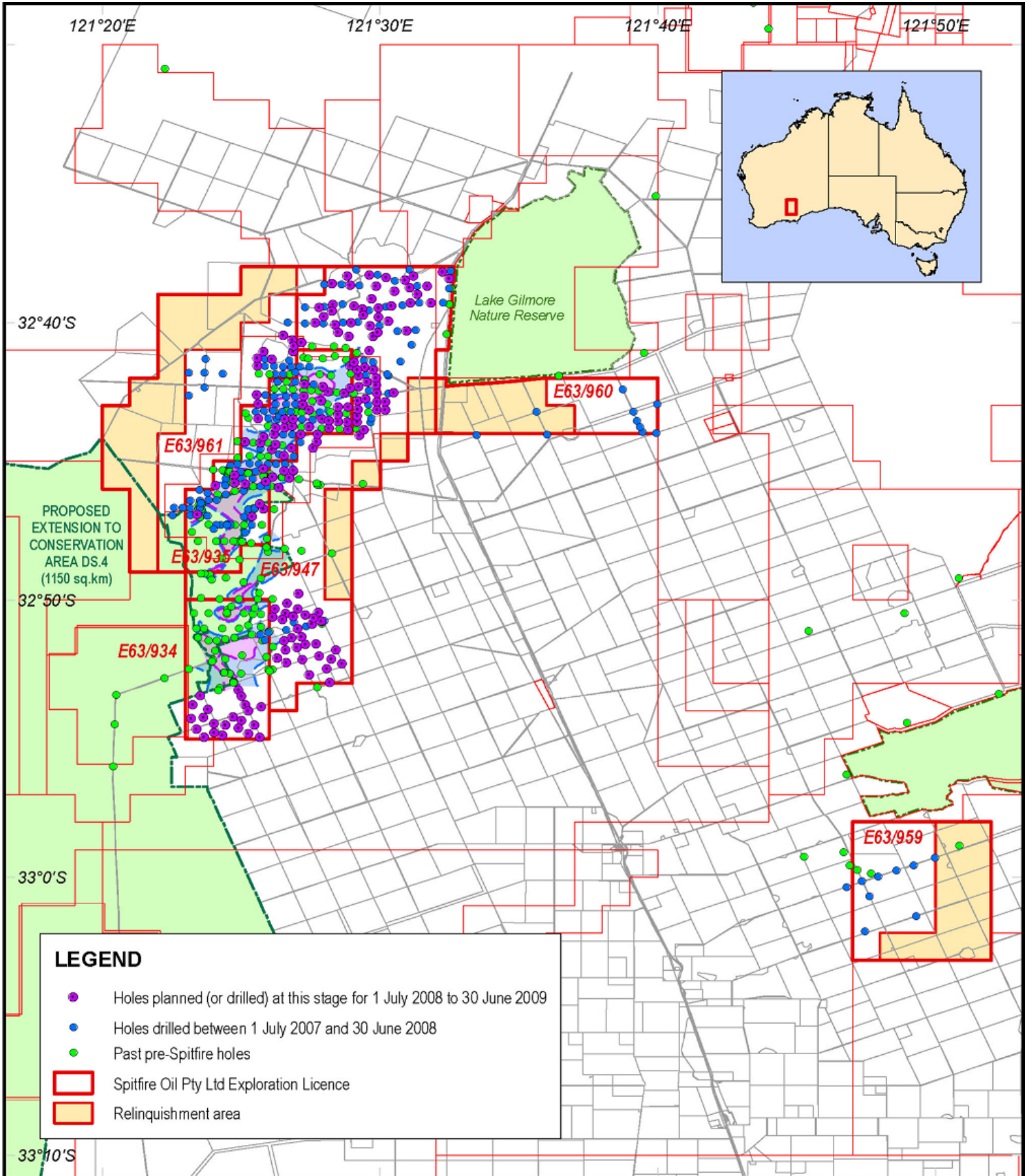
The resource delineation program consisted of infill drilling the previously defined Inferred Resource, drilled previously at approximately 1 kilometre spacing, to a 500 metre spacing with geophysical logging of the holes combined with wide diameter PQ core drilling. The exploration drilling program consisted of additional air-core drilling in the area surrounding the previously defined resource. In total, 71 RC air-core holes, 86 mud rotary holes and 28 PQ core holes were drilled on both programs by the end of the financial period.

However, due to the huge demand for all resources connected goods and services in Western Australia over the past year, the drilling program was continually frustrated by drill rig and equipment shortages which caused delays in the drilling program. It is a credit to the entire field staff involved that so much was able to be accomplished.

Whilst additional drilling was completed post the financial period end in July and early August, further drilling is planned to complete both the delineation and the exploration programs. The drilling program will be completed in the coming months as rig availability seems to have improved. Various rigs have been secured for the coming months and drilling activities have re-started. The upcoming program includes drilling with a specialised rig on several salt lakes below which thick lignite is already known or is thought to occur. Apart from one hole, lake drilling had to be deferred due to heavy rainfall. This, together with a number of other unavoidable delays, has resulted in the finalisation of the Indicated Resource being delayed six months until the first quarter of 2009.

DRILLING ACTIVITIES ON SALT LAKE





LEGEND

- Holes planned (or drilled) at this stage for 1 July 2008 to 30 June 2009
- Holes drilled between 1 July 2007 and 30 June 2008
- Past pre-Spifire holes
- Spitfire Oil Pty Ltd Exploration Licence
- Relinquishment area



0 2 4 8 12 16 20km



GCS GDA 1994



Spitfire Oil Pty Ltd

SALMON GUMS LIGNITE PROJECT

DRILLHOLE LOCATION PLAN

August 2008

All drilling data and analyses have been progressively entered into a database whilst being assessed. The resource database has then been entered into Vulcan software for manipulation to generate the new lignite resource estimate. This will be calculated and verified by independent resource consultants who will be responsible for managing the JORC resource estimate.

A bulk sample of lignite totalling 1.3 tonnes was collected by drilling 12 PQ cores (for a total of 378 metres) whilst some surplus material from other cores was also collected. The bulk samples were conveyed to Curtin University and Tsing Hua University for use in various laboratory test work. More substantial bulk samples will be required in the subsequent year.

Overall, with over 200 holes drilled, of which more than 30 were core holes, the program has successfully confirmed the extent of the Inferred Resource in the areas defined for the first mining stage of the project. The drilling program has also located some significant extensions of the thicker zones of the mineralisation. A number of these results will need to be verified during the remainder of the drilling program.

With respect to pure exploration, 70 air-core holes were drilled in three areas over 110 square kilometres and seven new intersections of lignite between 10 and 20 metre thick were discovered which will require follow-up drilling in the upcoming drilling program. 6 of these holes were in the northern extension of the main resource, an undrilled area prior to this program, which suggests additional resources will be defined in that region by further drilling.

The map on page 7 shows both previously drilled and planned holes for 2008/2009.

Other Field Programs

Whilst the main focus of the drilling in the field program has been on exploration and resource delineation, a number of important other activities have also taken place either in order to assess the potential for extensions to the resource base or to support environmental and future mine planning activities. Some of these activities will also be valuable in providing guidance as to which areas to retain and which areas to relinquish when complying with licensing requirements

- A helicopter electromagnetic (“EM”) survey was flown over all tenements. The object of the survey was to delineate the valleys in the basement which could contain lignite. A total of 691 line kilometres were flown. The survey was very successful in locating where the sediments were of sufficient thickness to have lignite potential. The map on Page 9 shows the results of the survey.
- Hydrological studies have been conducted under the supervision of independent consultants. 35 piezometer tubes were installed into completed lignite exploration holes and the first 2 of 6 proposed test dewatering holes and associated monitoring bores were completed by 30 June 2008. The balance of these bores was completed by July 2008 and in August the boreholes were used to test hydrogeological aspects of the overburden, the lignite and the basal clastic sediments.
- Fugro Spatial Solutions were commissioned to conduct an airborne LIDAR survey to provide 0.25 metre contours and up-to-date photogrammetry over 105 square kilometres of the license area. This data is required for accurate mine planning and surface water studies.

L2V Process Technology

Prior to its admission to AIM, Spitfire Oil had entered into a A\$4.4 million research contract with Curtin University of Technology's Centre for Fuels and Energy ("CFE") to pursue the optimisation of the L2V lignite-to-liquids process. As part of this agreement, an individual agreement was also held with Professor Dong-Ke Zhang at the CFE to conduct the program. Unfortunately progress on the test work program has not kept to the planned schedule, principally due to Professor Zhang moving to another tertiary institution. Consequently, a decision was taken by the Company to mutually terminate the individual agreement with Professor Zhang whilst maintaining its contract with Curtin University. Spitfire has taken the additional measure of bolstering its technical expertise and taking control of managing the program with the employment of a new Scientific Officer, Mr Barry Tindall. He is a coal-to-liquids specialist with over 10 years previous experience with Sasol of South Africa including the design and commissioning of coal to liquids technology.

By the end of June 2008 the following key activities had been completed:

- Curtin University of Technology's new laboratory, specifically designed for Spitfire oil's program, was completed.
- Spitfire Oil's prototype rotary kiln laboratory reactor was constructed and delivered for commissioning at Curtin University.
- Detailed lignite chemical characterisation work had been undertaken.
- Pyrolysis chemical behaviour tests were run.
- Small-scale materials handling and lignite drying tests were performed.
- Larger scale handling and drying tests were contracted to Tsing Hua University in Beijing.

- Curtin University of Technology recruited both an additional coal research specialist from Tsing Hua University and a new laboratory manager to start work at the CFE in September 2008

With the new, additional resources being brought to bear, significant progress is expected to be made during 2008/2009 including key technology, feasibility & optimisation deliverables expected by mid 2009.

MR. THYL KINT, NEW SPITFIRE OIL CEO, WITH L2V TEST REACTOR



Environment

Referrals were submitted to the relevant Commonwealth and State environmental agencies in December 2007 to determine the appropriate level of environmental impact assessment for the project. The Company was informed that the project would be assessed via the Environmental Review and Management Plan (“ERMP”) with an eight week period for public comment. The assessment process will involve the Commonwealth as the project was deemed to have potential impacts on matters of national environmental significance. The level of assessment was subject to appeal by two non government agencies. Both appeals were rejected by the Minister for the Environment in May 2008. Preparation of a Scoping Document commenced in April 2008 and is scheduled for submission to the West Australian Environmental Protection Authority (“EPA”) in the first quarter of 2008/09.

Project briefings have been undertaken with a wide range of interested regulatory agencies including Perth based and regional officers. A site visit with key officers for the environmental assessment process was undertaken in June 2008.

Baseline flora, fauna, salt lake ecology, waste rock characterisation and groundwater studies commenced in late 2007. The baseline studies are ongoing and will focus on larger areas during 2008. Studies to be undertaken will include more detailed flora, fauna and salt lake ecology surveys, collection of climatic data, cultural heritage surveys, soils, landform and surface hydrology. Modelling of noise and air quality impacts will be undertaken as the project design progresses.

A FOGGY MORNING ON SPITFIRE OIL’S SALMON GUMS TENEMENTS



Community

Spitfire Oil's community consultations began in December 2007 to coincide with the Company's lodgement of the EPA referral documents. The communities from the nearby port of Esperance and local town of Salmon Gums were canvassed to identify organisations, groups and individuals who may have an interest in the Company's project and to uncover issues of concern to the community.

A public meeting was held in the Salmon Gums town hall in February 2008 and attracted approximately half of all the local residents and landholders who were very supportive of the Company's plans for the region.

The Company is in regular contact with key landholders at Salmon Gums who are directly affected by the Company's activity in the area. The Salmon Gums ratepayers association is very supportive of the project having been the only interest group identified in the town.

Regular meetings have been held with the Shire of Esperance, the local government authority, local members of parliament, business, the local Chamber of Commerce, the Goldfields Esperance Development Commission and Esperance based groups with an interest in environmental and developmental issues. Business and local government have been supportive of the project whilst the Esperance interest groups have not expressed any particular issues of concern.

Spitfire Oil will continue its community consultations with all groups throughout the next twelve months.

Government

The Company's application for a A\$4.5 million Australian Federal Government Commercial Ready grant was well advanced when the grant program was cancelled in the new Federal government's 2008 budget. The program was replaced by a Clean Coal Fund which includes an allocation for coal-to-liquids projects.

The Company has embarked upon a lobbying program to seek WA State Government support for its approach to the Federal Government for research assistance from the Clean Coal Fund. The Company's government lobbying and consultation program has included several meetings with senior representatives of the Department of Industry and Resources ("DOIR"), the Department of Environment and Conservation ("DEC"), the EPA, the Goldfields Esperance Development Commission and local members of parliament. The Company took a delegation of eight departmental representatives of DOIR and DEC on a site visit to Salmon Gums in June 2008.

The Company has had contact with members of the previous Western Australian government including the ex-Premier, the Hon Alan Carpenter, the ex-Minister for Energy and Resources, the Hon Fran Logan and discussions with the Western Australian Government's lobbyist in Canberra. A letter has been sent to the Federal Minister for Resources and Energy, the Hon Martin Ferguson.

These and other contacts will continue to be pursued during the 2008/09 financial year.

Management

During the year the Company moved its offices and management from Melbourne to Perth as it was felt that this would be more efficient, more cost-effective, enable better control of the Company's activities and that it would focus the total commitment of the Company to developing this significant project in Western Australia for the people of Western Australia. As the then Chief Executive, Mr Andrew Woskett, was unable to move to Perth for personal reasons, a negotiated termination of his contract was amicably concluded and a search was made for a Perth-based replacement. The Company was extremely fortunate to find Mr Thyl Kint, a former project director for BHP Billiton with recent experience of large, complex oil & gas processing plants and environmentally sensitive projects in Western Australia. Mr Kint has a track record of successfully developing very large projects. He began work for the Company in May 2007, whilst handover and transfer of all activities from Melbourne to Perth were completed by the end of the financial period.

Since the appointment of Mr Kint, the Company has also been fortunate to engage the services of Mr Barry Tindall as its Chief Coal-to-liquids Process Specialist. He began working for the Company in September 2008 with the research and development team at the CFE and is bringing welcome industrial and engineering bias to the research effort.

With these important changes, the Company is in a much stronger position to undertake the tasks ahead and realise the objectives of achieving viable oil production from the Salmon Gums lignite deposits.

Other Business Opportunities

Although the Company's primary objective remains the commercialisation of its L2V lignite-to-liquids technology over the large resource at the Salmon Gums project, it continues to remain attuned to other possible synergistic business opportunities. A number of opportunities have been considered and rejected but the Company continues to evaluate other related opportunities including farm-ins or acquisition of additional lignite resources both domestically and internationally and other energy related opportunities.

MR. PETER DENMAN, CHIEF GEOLOGIST, TESTING LIGNITE CORE



Directors & Management

Directors

Mladen Ninkov – Aged 47, Non-executive Chairman

Mladen holds a Masters of Law Degree from Trinity Hall, Cambridge and Bachelor of Laws (with Honours) and Bachelor of Jurisprudence Degree from the University of Western Australia. He is the principal of Keynes Capital. He has a mining, legal, fund management and investment banking background and is admitted as a barrister and solicitor of the Supreme Court of Western Australia. He was the Chairman and Managing Director of the Dragon Capital Funds management group, a director and Head of International Corporate Finance at ANZ Grindlays Bank Plc in London, and a Vice President of Prudential-Bache Securities Inc. in New York. He also worked at Skadden Arps Slate Meagher & Flom in New York and Freehill Hollingdale & Page in Australia. He has been chairman and director of a number of both public and private mining companies. He is the Chairman of Griffin Mining, the AIM traded company, which has successfully brought the Caijiaying zinc mine in China into production. At the 2006 AIM Awards, Griffin Mining received the award for the best performing share on AIM over 5 years for the years 2001 to 2006.

Malcolm Randall – Aged 62, Non-executive Director

Malcolm joined the Group in November 2005. Malcolm has had extensive experience in corporate, management and marketing in the resource sector including over 20 years with Rio Tinto. His career has included senior technical and commercial management roles in Hamersley Iron Pty Ltd and commercial advisor to the Hope Downs Iron Ore project. Malcolm is chairman of ASX listed companies Iron Ore Holdings Limited and Olympia Resources Limited and is a director of ASX listed companies United Minerals Corporation NL, Thundelarra Exploration Limited and Royal Resources Limited.

Rupert Crowe – Aged 59, Non-executive Director

Rupert joined the Group in November 2005. Rupert has 30 years experience as a geologist and has been closely involved with exploration of the Deposit over the past nine years. After six years with the Geological Survey of Western Australia he became Exploration Manager for Aquitaine Mining (Ireland) Ltd. In 1984 he founded Crowe, Schaffalitzky and Associates Ltd in Ireland. From 1988 to 1996 he was a director at Invernia West Plc in Ireland and from 1990 he was the managing director of Leader Resources NL in Australia, From 1997 until December 2006 he was the managing director of CSA Australia Pty Ltd. From 1998 to 2006 he was in charge of development of the Caijiaying Zinc/Gold mine for Griffin Mining Ltd, which was the first new mine in China which was owned by a foreign company.

Roger Goodwin – Aged 53, Non-executive Director

Roger is a fellow of the Institute of Chartered Accountants in England and Wales who has held senior positions with a number of companies in the natural resource sector in both mining and oil and gas. He has a strong professional background formerly being a manager at KPMG with extensive experience with public companies and corporate finance especially in emerging markets. Roger was named as one of the UK's top 100 finance directors by Finance Week magazine. Roger is also the Finance Director of Griffin Mining, the AIM traded company, which has successfully brought the Caijiaying zinc mine in China into production.

Senior Management

Thyl Kint – Aged 50, Chief Executive Officer

Thyl is an energy industry professional with over 25 years worldwide oil and gas experience including, most recently, the position of Project Director for the very large Stybarrow and Pyrenees oil and gas projects in Australia operated by BHP Billiton Petroleum. Mr Kint is a US national, educated and trained as an engineer in Belgium with a Master's degree in engineering and business from the University of California at Berkeley. Mr Kint has previously been employed by Shell, BP, BHP and Kerr McGee whilst working in Europe, North America, Asia & Australia.

Directors' Report

The directors submit their report together with the audited accounts of Spitfire Oil Limited (the "Parent Entity") and its subsidiary, Spitfire Oil Pty Ltd, (collectively referred to as "the Group").

DIRECTORS

The following persons were directors of the Parent Entity during the whole of the financial period and up to the date of this report unless stated otherwise:

Mr Mladen Ninkov	Non-Executive Chairman	Appointed 7 June 2007
Mr Rupert Crowe	Non-Executive Director	Appointed 7 June 2007
Mr Roger Goodwin	Non-Executive Director	Appointed 9 May 2007
Mr Malcolm Randall	Non-Executive Director	Appointed 7 June 2007
Mr Andrew Woskett	Chief Executive Officer / Executive Director	Appointed 7 June 2007, Resigned 31 May 2008

PRINCIPAL ACTIVITIES

The Parent Entity was incorporated on 2 May 2007 and on 11 July 2007 acquired the entire issued capital of Spitfire Oil Pty Ltd (formerly Hurricane Fuels Limited) by way of a share swap. On 18 July 2007 the Parent Entity's shares were admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange. At the same time the Parent Entity placed 16,666,667 new Ordinary Shares at 60p per share to raise £10,000,000 (A\$23,298,000).

The Group's principal activity is the pursuance of the production of fuel oil and distillate from the Salmon Gums Lignite deposits in Western Australia. A review of the Group's operation and an indication of likely future developments are set out in the Review of Operations Report shown on pages 4 to 13.

REVIEW AND RESULT OF OPERATIONS

The consolidated loss after providing for income tax amounted to \$2,828,901.

DIVIDENDS

The directors did not pay any dividends during the financial period. The directors do not recommend the payment of a dividend in respect of the 2007/2008 financial period.

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the economic entity, the result of those operations or the state of affairs of the economic entity in subsequent financial years.

ENVIRONMENTAL ISSUES

The Group holds 100% interests in six exploration licenses in Western Australia. The various authorities granting such licenses require the licence holder to comply with directions given to it under the terms of the grant of licence. There have been no significant breaches of the Group's licence conditions.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of the Parent Entity, and for the other key management personnel.

The directors of the Parent Entity during the period were:

Mr Mladen Ninkov	Appointed 7 June 2007
Mr Rupert Crowe	Appointed 7 June 2007
Mr Roger Goodwin	Appointed 9 May 2007
Mr Malcolm Randall	Appointed 7 June 2007
Mr Andrew Woskett	Appointed 7 June 2007, Resigned 31 May 2008

The other Key Management Personnel of the Parent Entity during the period were:

Mr Thyl Kint	(Appointed 1 June 2008)
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REMUNERATION POLICY

Remuneration of all executive and non-executive directors, officers and employees of the Group is determined by the board of directors.

The Parent Entity is committed to remunerating senior executives in a manner that is market-competitive and consistent with "Best Practice" including the interests of shareholders. Remuneration packages are based on fixed and variable components, determined by the executives' position, experience and performance, and may be satisfied via cash or equity.

Non-executive directors are remunerated at a level that is consistent with market and industry standards. No retirement benefits are payable other than statutory superannuation, if applicable.

REMUNERATION POLICY VS. CONSOLIDATED GROUP FINANCIAL PERFORMANCE

The Group's remuneration policy has been based on industry practice rather than Group performance and takes into account the risk and liabilities assumed by the directors and executives as a result of their involvement in the speculative activities undertaken by the Group. Directors and executives are fairly compensated for the extensive work they undertake.

The Group envisages its performance in terms of earnings will remain negative whilst the Group continues in the exploration and development phase. Shareholder wealth reflects this speculative and volatile market sector.

PERFORMANCE BASED REMUNERATION

No performance based bonuses were issued during the reporting period.

DETAILS OF REMUNERATION FOR PERIOD ENDED 30 JUNE 2008

The remuneration for each director and each of the other key management personnel of the Group during the period was as follows:

	Short-Term Employee Benefits			Post-Employment Benefits		Total
	Cash salary and fees	Allowance s	Non-monetary benefits	Superannuation Contributions	Share Based Payments	
	\$	\$	\$	\$	\$	
Directors						
Mr Mladen Ninkov	*	-	-	-	186,665	186,665
Mr Rupert Crowe	**	68,367	-	-	93,334	161,701
Mr Roger Goodwin		64,443	-	-	93,334	157,777
Mr Malcolm Randall		61,962	-	6,405	93,334	161,701
Mr Andrew Woskett	***	-	-	-	42,000	42,000
		194,772	-	6,405	508,667	709,844
Key Management Personnel						
Mr Thyl Kint		64,100	30,666	-	84,000	178,766
		64,100	30,666	-	84,000	178,766
		258,872	30,666	-	592,667	888,610

* Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of £96,000, for the provision of advisory and support services to the Parent Entity and its subsidiaries during the period. Mladen Ninkov is a director and employee of Keynes Investments Pty Limited.

** CSA Global is the registered trading name of CSA Australia Pty Ltd. CSA Global provides geological surveying and consulting services to the Subsidiary. Rupert Crowe is a director and shareholder of CSA Australia Pty Ltd. During the current period CSA Global received \$964,000 in relation to geological work performed for the Subsidiary.

*** Andrew Woskett throughout the period was employed and remunerated by Eagle Creek Pty Ltd. Eagle Creek Pty Ltd is a consulting entity that provided services to the Group. A total of \$648,350, including a \$150,000 termination payment for termination of the employment contract between Eagle Creek Pty Ltd and the Group, was paid to Eagle Creek in the financial period. Eagle Creek also received 150,000 options equivalent \$42,000.

PERFORMANCE INCOME AS A PROPORTION OF TOTAL REMUNERATION

All executives are eligible to receive incentives whether through employment contracts or by the recommendation of the board. Their performance payments are based on values, set number of shares or options or as a portion of base salary. There is no fixed proportion between incentive and non-incentive remuneration.

INDEMNIFYING OFFICERS OR AUDITOR

During the financial period the Parent Entity entered into an insurance policy to indemnify directors and officers against certain liabilities incurred as a director or officer, including costs and expenses associated in successfully defending legal proceedings. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Parent Entity has not otherwise, during or since the financial period, indemnified or agreed to indemnify an officer or auditor of the Parent Entity or any related body corporate against a liability incurred as such an officer or auditor.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required for the period ended 30 June 2008 has been received and can be found on page 21 of this annual report.

CORPORATE GOVERNANCE

Although incorporated in Bermuda and therefore not obliged to comply with the code of best practice established by the Combined Code issued by the Committee on Corporate Governance, the Parent Entity has reviewed and broadly supports this code. The Parent Entity does not comply where compliance would not be commercially justified allowing for the practical limitations relating to the Parent Entity's size.

The board of directors includes a number of non-executive directors who are independent and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The board meets regularly, at least once a quarter, and is responsible for the overall strategy of the Group, its performance, management and major financial matters. One-third of all directors are subject to re-election annually at the annual general meeting of the Company's shareholders.

Various safeguards and checks have been instigated as part of the Group's system of financial control. These include:

- preparation of regular financial reports and management accounts
- preparation and review of capital and operational budgets
- preparation of regular operational reports
- prior approval of capital and other significant expenditure
- regular review and assessment of foreign exchange risk and requirements

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Bermudan company law and generally accepted best practice requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these accounts, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on a going concern basis as deemed appropriate on the presumption the Group will continue in business.

In so far as the directors are aware:

- there is no relevant information of which the Group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Bermuda Companies Act 1981 as amended. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report is made in accordance with a resolution of directors for and on behalf of the board.

Mr Roger Goodwin
Non-Executive Director
Spitfire Oil Limited

Dated: 30th Day of September 2008.

Auditor's Independence Declaration



30 September 2008

The Board of Directors
Spitfire Oil Ltd
Clarendon House
2 Church Street
Hamilton HM11
BERMUDA

Dear Board Members

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF SPITFIRE OIL LTD

I am pleased to provide the following declaration of independence to the directors of Spitfire Oil Ltd.

As lead audit partner for the audit of the financial report of Spitfire Oil Ltd for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the independence requirements in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

A handwritten signature in black ink, appearing to read "Jeffrey Luckins". The signature is written in a cursive, flowing style.

Jeffrey Luckins
Director
Webb Audit Pty Ltd

Dated in Melbourne, Australia on this 30th day of September 2008

Webb Audit Pty Ltd
ABN 59 116 151 136

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Financial Statements

Contents:

1. Income Statements
2. Balance Sheets
3. Statements of Changes in Equity
4. Cash Flow Statements
5. Notes to Financial Statements
6. Director's Declaration
7. Independent Auditor's Report

Income Statements

For The Period 2 May 2007 to 30 June 2008

	Note	Consolidated Group 2008 \$	Parent Entity 2008 \$
Other Revenue	2	1,251,885	949,590
Corporate expenses	3	(1,410,557)	(1,035,345)
Impairment of goodwill	3	(534,439)	-
Technology and development	3	(1,883,681)	-
Other expenses	3	(234,326)	(2,743,146)
Promotion and investor relations	3	(17,783)	-
Loss before income tax		(2,828,901)	(2,828,901)
Income tax expense		-	-
Loss for the period		(2,828,901)	(2,828,901)
Basic loss per share (cents per share)	7b	(7.06)	
Diluted loss per share (cents per share)	7b	(7.06)	

The accompanying notes form part of these financial statements.

Balance Sheets

As at 30 June 2008

	Note	Consolidated Group 2008 \$	Parent Entity 2008 \$
ASSETS			
<i>CURRENT ASSETS</i>			
Cash and cash equivalents	8	14,100,639	14,037,046
Trade and other receivables	9	194,553	-
Other current assets	12	36,270	36,270
TOTAL CURRENT ASSETS		14,331,462	14,073,316
<i>NON-CURRENT ASSETS</i>			
Trade and other receivables	9	-	2,556,540
Other assets	12	-	1,465
Property, plant and equipment	13	41,220	-
Intangible assets	10	3,416,172	-
TOTAL NON-CURRENT ASSETS		3,457,392	2,558,005
TOTAL ASSETS		17,788,854	16,631,321
LIABILITIES			
<i>CURRENT LIABILITIES</i>			
Trade and other payables	14	1,172,319	14,786
TOTAL CURRENT LIABILITIES		1,172,319	14,786
TOTAL LIABILITIES		1,172,319	14,786
NET ASSETS		16,616,535	16,616,535
EQUITY			
Issued capital	16	20,854,412	20,854,412
Reserves	18	(1,408,976)	(1,408,976)
Accumulated loss	17	(2,828,901)	(2,828,901)
TOTAL EQUITY		16,616,535	16,616,535

The accompanying notes form part of these financial statements.

Statements of Changes in Equity

For The Period 2 May 2007 to 30 June 2008

Consolidated Group

		Issued Capital	Foreign Currency Translation	Accumulated Losses	Share Based Remuneration	Total
	Note	\$	\$	\$	\$	\$
Balance at 2 May 2007		-	-	-	-	-
Shares issued	16	23,300,973	-	-	-	23,300,973
Share issuance costs	16	(2,446,561)	-	-	-	(2,446,561)
Share based remuneration	18	-	-	-	592,667	592,667
Translation of Foreign currency	18	-	(2,001,643)	-	-	(2,001,643)
Net (Loss) for the period	17	-	-	(2,828,901)	-	(2,828,901)
Balance at 30 June 2008		20,854,412	(2,001,643)	(2,828,901)	592,667	16,616,535

Parent Entity

		Issued Capital	Foreign Currency Translation	Accumulated Losses	Share Based Remuneration	Total
	Note	\$	\$	\$	\$	\$
Balance at 2 May 2007		-	-	-	-	-
Shares issued	16	23,300,973	-	-	-	23,300,973
Share issuance costs	16	(2,446,561)	-	-	-	(2,446,561)
Share based remuneration	18	-	-	-	592,667	592,667
Translation of Foreign currency	18	-	(2,001,643)	-	-	(2,001,643)
Net (Loss) for the period	17	-	-	(2,828,901)	-	(2,828,901)
Balance at 30 June 2008		20,854,412	(2,001,643)	(2,828,901)	592,667	16,616,535

Cash Flow Statements

For The Period 2 May 2007 to 30 June 2008

	Note	Consolidated Group 2008 \$	Parent Entity 2008 \$
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
Payments to suppliers and employees		(2,818,468)	(570,515)
Interest received		965,664	949,590
R&D tax concession received		277,788	-
CASH FLOWS USED IN OPERATING ACTIVITIES	20	(1,575,016)	379,075
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Advances to subsidiary		-	(5,193,333)
Payment for purchases of plant and equipment		(45,262)	-
Payment for purchases of equity investments		-	(1,465)
Exploration Expenditure		(3,131,852)	-
CASH FLOWS USED IN INVESTING ACTIVITIES		(3,177,114)	(5,194,798)
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Proceeds from issues of securities		20,854,412	20,854,412
CASH FLOW FROM FINANCING ACTIVITIES		20,854,412	20,854,412
NET INCREASE IN CASH AND CASH EQUIVALENTS		16,102,282	16,038,689
Cash and cash equivalents at the beginning of the year		-	-
Effects of exchange rate changes on cash and cash equivalents		(2,001,643)	(2,001,643)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	14,100,639	14,037,046

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Spitfire Oil Limited and its controlled entity (collectively referred to as the "Group") and the separate financial statements and notes of Spitfire Oil Limited as the individual parent entity ("Parent Entity") for the period 2 May 2007 to 30 June 2008. This financial report has been authorised for issue in accordance with a resolution of the Directors on 30th day of September 2008.

Spitfire Oil Limited is a limited liability company that was incorporated on 2 May 2007 in Bermuda, its ordinary shares were admitted to trading on the Alternative Investment Market (AIM) of the London Stock Exchange on 18 July 2008.

Basis of Preparation

This financial report for the period 2 May 2007 to 30 June 2008 has been prepared in accordance with the requirements of International Accounting Standard IAS1: Presentation of Financial Statements as adopted in Australia.

The accounting policies adopted are consistent with the Admission Document Financial Reports at the time of the Group's admission to the AIM. No comparatives have been presented in this financial report as the Parent Entity, was established on 2 May 2007.

All amounts stated in this financial report are represented in Australian Dollars (AUD) unless otherwise stated.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity controlled by the Parent Entity. Control exists where the parent entity has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Parent Entity to achieve the objectives of the Group.

A list of controlled entities is contained in Note 11 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the Group during the period, their operating results have been included from the date control was obtained or until the date control ceased.

(b) Income Tax

The charge for current income tax expenses is based on the profit or loss for the year adjusted for any non-assessable or non-deductible items. It is calculated using tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Intangible Asset – Exploration Costs

Expenditure on licences, concessions and exploration incurred on areas of interest, are carried as intangible assets until such time as it is determined that there are commercially exploitable reserves within each area of interest and the necessary finance in place, at which time such costs are transferred to property, plant and equipment to be amortised over the expected productive life of the asset. The Group's intangible assets are subject to periodic review by Directors for impairment. Exploration, appraisal and development costs incurred in respect of each area of interest determined as unsuccessful are written off to the profit and loss account.

(d) Property, Plant and Equipment

Property, plant and equipment are shown at cost less depreciation and provisions for the impairment of value.

Depreciation

All costs capitalised within an area of interest, are amortised over the current estimated economic reserve of the area of interest on a unit of production basis.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Computer Equipment	33%
Furniture and Fittings	5% - 7%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

In assessing the recoverable amounts the expected net cash flows are discounted to show net present values in determining recoverable amounts.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(e) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing to zero the recorded amounts of the non-monetary assets acquired, a discount balance remains it is recognised as revenue in the income statement.

(f) Research

Research and development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Deferred research and development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production has commenced.

(g) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of IAS39: Financial Instruments: Recognition and Measurement. Derivatives are also classified as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Investments

Investments held for trading are recorded at fair value and classified as current assets. All other investments are recorded at fair value and either classified as current or non-current assets. The gains or losses, whether realised or unrealised, are included in profit from ordinary activities before income tax.

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 stated at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for quoted investments at reporting dates. Valuation techniques are applied to determine the fair value for unlisted securities; including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

An impairment test is carried out at each balance sheet date to assess whether the net book value of the capitalised costs in each area of interest, together with the costs of development of undeveloped reserves, is covered by the discounted future net revenues from reserves within that area of interest. Any deficiency arising is provided for to the extent that, in the opinion of the directors, it is considered to represent a permanent diminution in value of the related asset, and where arising, is dealt with in the income statement as additional depreciation.

Impairment assessments are based upon a range of estimates and assumptions:

<u>Estimate / assumption</u>	<u>Basis</u>
Future production	Proven and probable reserves and resource estimates together with processing capacity
Commodity prices	Forward market and longer term price estimates
Exchange rates	Current market exchange rates
Discount rates	Cost of capital risk

(h) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial

statements are presented in Australian dollars which is the Group's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

(j) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Superannuation

The amount charged to the statement of financial performance in respect of superannuation represents the contributions paid or payable by the consolidated group to the employees' superannuation funds.

Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Equity-based compensation benefits

The Group operates a number of share-based compensation plans. The compensation element of the employee services rendered in exchange for the grant of shares and/or options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and or options at their issue date.

(k) Cash and cash equivalents

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand within 3 months and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(l) Revenue recognition

Interest Income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Interest income is recognised as it accrues.

(m) Trade and other receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition. Collectibles of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Share capital

Ordinary share capital is recognised as the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Share-based payments

Equity-settled payments are measured at fair value at the date of grant. Fair value is measured by use of an option pricing model or other appropriate option pricing model as required. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability and exercise restrictions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

(q) Comparative Figures

No comparative figures are shown for prior year operations as the Group is currently in its first period of operations which commenced on 17 July 2007.

(r) Earnings per Share

Basic earnings per share is determined by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the financial period. Where a net loss is

made for the period, basic earnings per share and dilutive earnings per share are the same, because, the inclusion of options in the earnings per share calculation does not result in future dilution.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). 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 are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability on the balance sheet.

Cash Flows are included in the statements of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(t) Economic Dependency

Spitfire Oil Pty Ltd ("Subsidiary") is economically dependent on the Parent Entity. The dependency is for the supply of capital to the subsidiary to conduct its exploration activities and fund working capital on behalf of the Group. The Parent Entity has provided the subsidiary with a letter of continuing financial support stating it will continue to trade on normal terms and support the principal activities of the Australian operations where necessary. The continued financial support of the Group is a fundamental element of the capacity of the Group to meet its debts as and when they fall due and therefore a significant decision of the directors in preparing the financial report on a going concern basis.

Critical accounting estimates and judgments

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 consolidated group.

Key estimates — 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.

NOTE 2 - REVENUE

	Consolidated Group 2008 \$	Parent Entity 2008 \$
REVENUE		
Other Revenue		
Non-Operating Revenue		
— Interest Revenue	965,236	949,590
— R&D Tax Concession Refund	286,649	-
TOTAL REVENUE	1,251,885	949,590

NOTE 3 - LOSS FOR THE PERIOD

	Consolidated Group 2008 \$	Parent Entity 2008 \$
EXPENSES		
— Technology and development	1,883,681	-
— Promotion and investor relations	17,783	-
— Impairment of goodwill	534,439	-
Corporate expenses		
— Director and employee fees	501,334	302,349
— Share based payments	592,667	592,667
— Professional fees	215,978	102,075
— Audit services	39,187	10,000
— Travel	57,348	28,254
— Depreciation	4,043	-
	3,846,460	1,035,345
Other expenses		
— Other expenses from ordinary activities	219,444	106,353
— Impairment of inter-company loan	-	2,636,793
— Share registry, printing & postage	14,882	-
	234,326	2,743,146
TOTAL EXPENSES	4,080,786	3,778,491

NOTE 4 – INCOME TAX

	Consolidated Group	Parent Entity
	2008	2008
	\$	\$
(a) The components of tax expense comprise:		
Current tax	(657,165)	-
Deferred tax	(3,600)	-
	<u>(660,765)</u>	<u>-</u>
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on loss from ordinary activities before income tax at 30%		
— Group	(848,670)	-
— Less Parent Entity loss	848,670	-
— Less goodwill on acquisition	632,932	-
	<u>(632,932)</u>	<u>-</u>
<u>Add:</u>		
Tax effect of:		
— Entertainment	2,349	-
	<u>2,349</u>	<u>-</u>
<u>Less:</u>		
Tax effect of:		
— Section 40-880 deductions	(26,582)	-
— Audit accruals	(3,600)	-
	<u>(30,182)</u>	<u>-</u>
Benefit of tax losses not brought to account	660,765	-
Income tax attributable to entity	<u>-</u>	<u>-</u>

The benefits of the tax losses and timing differences will only be realised if:

- (a) the Group derives future assessable income of a nature and amount sufficient to enable the benefit of the taxation deductions to be realised;
- (b) the Group continues to comply with the conditions of deductibility imposed by law; and
- (c) there are no changes in taxation legislation adversely affecting the consolidated group in realising the benefit from the deductions for the losses.

At 30 June 2008 no deferred tax assets have been recognised, refer to note 1(a).

No tax figures are shown for the Parent Entity as the Parent Entity is incorporated in Bermuda where there is no tax payable on income.

NOTE 5 – KEY MANAGEMENT PERSONNEL

(a) Directors and Key Management Personnel Compensation

The compensation of each Director and members of key management personnel of the Group for the current period is set out below:

	Consolidated Group 2008 \$	Parent Entity 2008 \$
Short-term employee benefits	289,538	194,772
Post-employment benefits	6,405	6,405
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	592,667	466,667
	888,610	667,844

(b) Shareholdings

The number of shares in the Parent Entity held during the financial period by each director of the Parent Entity and other key management personnel of the Group, including their personally related parties, are set out below.

2008 Directors of Spitfire Oil Limited	Balance at the start of the period	Options Exercised	Net Change Other*	Balance at the end of the period
Mladen Ninkov	-	-	-	-
Roger Goodwin	1	-	-	1
Rupert Crowe	-	-	250,000	250,000
Malcolm Randall	-	-	550,000	550,000
Andrew Woskett	-	-	262,500	262,500
	1	-	1,062,500	1,062,501
Key Management Personnel				
Mr Thyl Kint	-	-	-	-
	1	-	1,062,500	1,062,501

* Net change other refers to movements caused by equity divisions and consolidations performed during the financial period.

(c) Options

The number of options over ordinary shares in the Parent Entity held during the financial period by each director of the Parent Entity and other key management personnel of the Group, including their personally related parties, are set out below. There were no options granted as compensation during the period.

2008 Directors of Spitfire Oil Limited	Balance at the start of the period	Options Granted *	Options Exercised	Forfeited	Balance at the end of the period
Mladen Ninkov *	-	1,000,000	-	-	1,000,000
Roger Goodwin *	-	500,000	-	-	500,000
Rupert *	-	500,000	-	-	500,000
Malcolm Randall *	-	500,000	-	-	500,000
Andrew Woskett **	-	1,000,000	-	(850,000)	150,000
	-	3,500,000	-	(850,000)	2,650,000
Key Management Personnel					
Mr Thyl Kint ***	-	1,200,000	-	-	1,200,000
	-	1,200,000	-	-	1,200,000
	-	4,700,000	-	(850,000)	3,850,000

* The director options vest in three equal tranches, the first being upon admission of Spitfire shares to trading on AIM, the second on the anniversary thereof, and the third on the second anniversary thereof.

** The options granted to Andrew Woskett vested on termination.

*** The key management personnel options vest upon achievement of various key milestones.

NOTE 6 – AUDITORS’ REMUNERATION

	Consolidated Group 2008 \$	Parent Entity 2008 \$
Remuneration of the auditor of the parent entity for:		
— auditing or reviewing the financial report	39,187	10,000
— taxation services	18,617	2,137
	57,804	12,137

NOTE 7 – LOSS PER SHARE

	Consolidated Group
	2008
	\$
(a) Loss attributable to the ordinary equity holders of the Group	<u>(2,828,901)</u>
	Cents
(b) Basic loss per share (cents per share)	(7.06)
Diluted loss per share (cents per share)	(7.06)
	No.
(c) Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS and dilutive EPS	<u>40,050,309</u>
(d) Options that are considered to be potential ordinary shares are excluded from the weighted average number of ordinary shares used in the calculation of basic profit per share. Where dilutive, potential ordinary shares are included in the calculation of diluted profit per share.	

All the options on issue do not have the effect to dilute the loss per share. Therefore they have been excluded from the calculation of diluted loss per share.

NOTE 8 – CASH AND CASH EQUIVALENTS

	Consolidated Group	Parent Entity
	2008	2008
	\$	\$
Cash at bank and in hand	<u>14,100,639</u>	<u>14,037,046</u>
	14,100,639	14,037,046

NOTE 9 – TRADE AND OTHER RECEIVABLES

	Consolidated Group	Parent Entity
	2008	2008
	\$	\$
CURRENT		
Trade receivables	194,553	-
NON-CURRENT		
Amounts due from subsidiary	-	5,193,333
Impairment of receivable	-	(2,638,343)
	<u>194,553</u>	<u>2,554,990</u>
	<u>194,553</u>	<u>2,554,990</u>

NOTE 10 – INTANGIBLE ASSETS

	Consolidated Group	Parent Entity
	2008	2008
	\$	\$
NON CURRENT		
— Mining and exploration expenditure:		
- Salmon Gums Lignite Project – Esperance (Western Australia)	3,416,172	-
	<u>3,416,172</u>	<u>-</u>

The ultimate recoupment of the carrying value of the mineral tenements is dependent upon the discovery and exploitation of commercially viable mineral deposits, the generation of sufficient future income there from or sale for at least carrying value.

NOTE 11 – CONTROLLED ENTITIES

(a) Controlled Entities

<u>Parent Entity</u>	<u>Country of Incorporation</u>	<u>Percentage Owned 2008 (%)*</u>
Spitfire Oil Limited	Bermuda	-
Subsidiary of Spitfire Oil Limited		
Spitfire Oil Pty Ltd	Australia	100%

* Percentage of voting power is in proportion to ownership

(b) Acquisition of Controlled Entities

On 11 July 2007 the Parent Entity acquired 100% of the Subsidiary (Formally known as Hurricane Fuels Limited), with the Parent Entity entitled to all profits/(losses) earned from 11 July 2007.

NOTE 12 – OTHER ASSETS

	Consolidated Group	Parent Entity
	2008	2008
	\$	\$
CURRENT		
Prepayments	36,270	36,270
	36,270	36,270
NON-CURRENT		
Investment in subsidiary company		
— Spitfire Oil Pty Limited	-	1,465
	-	1,465
	36,270	37,735

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	Parent Entity
	2008	2008
	\$	\$
PLANT AND EQUIPMENT		
<i>Computer Equipment</i>		
At cost	21,404	-
Accumulated depreciation	(4,099)	-
	<u>17,305</u>	<u>-</u>
<i>Furniture and Fittings</i>		
At cost	24,439	-
Accumulated depreciation	(524)	-
	<u>23,915</u>	<u>-</u>
Total Property, Plant and Equipment	<u>41,220</u>	<u>-</u>

Movements in Carrying Amounts

	Computer	Furniture and	Total
	Equipment	Fittings	\$
	\$	\$	\$
Consolidated Group:			
On acquisition of subsidiary	3,000	-	3,000
Additions	20,819	24,439	45,258
Disposals	(2,415)	-	(2,415)
Depreciation expense	(4,099)	(524)	(4,623)
Balance at the end of period	<u>17,305</u>	<u>23,915</u>	<u>41,220</u>

NOTE 14 – TRADE AND OTHER PAYABLES

	Consolidated Group	Parent Entity
	2008	2008
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	460,783	-
Sundry payables and accrued expenses	711,536	14,786
	<u>1,172,319</u>	<u>14,786</u>

NOTE 15 – SHARE-BASED PAYMENTS

On 19 July 2007, 3,500,000 share options were granted to the directors of the Parent Entity under the Spitfire Oil Share Scheme. Each option is exercisable at a price of £0.60 on or before 19 July 2010. The options hold no voting or dividend rights and are not transferable. At the reporting date, 850,000 of these options have been forfeited.

On 15 May 2008, 1,200,000 share options were granted to Thyl Kint under the Spitfire Oil Share Scheme. Each option is exercisable at a price of £0.60 on or before 19 July 2010. The options hold no voting or dividend rights and are not transferable.

On 31 May 2008, upon Andrew Woskett's resignation from his position of CEO and Executive Director of Spitfire Oil Limited, 850,000 share options of the 1,000,000 which were originally granted to Mr Woskett, lapsed as milestone agreements will not be achieved as he was no longer employed by the Group. The options hold no voting or dividend rights and are not transferable.

	Consolidated Group 2008		Parent Entity 2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	No.	\$	No.	\$
Total Outstanding at the beginning of the period	-	-	-	-
Granted **	4,700,000	1.25	4,700,000	1.25
Forfeited	(850,000)	1.25	(850,000)	1.25
Total Outstanding at the end of the period	3,850,000	1.25	3,850,000	1.25
Vested and exercisable at period-end	2,116,668	1.25	2,116,668	1.25

The weighted average fair value of the options granted during the period was \$0.28.

This price was calculated by using a Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$1.4854
Weighted average life of the option	2 years
Underlying share price	\$1.4854
Expected share price volatility	20%
Risk free interest rate	7.50%

** The options granted vest in three equal tranches, the first being upon admission of Spitfire shares to trading on AIM, the second on the anniversary thereof, and the third on the second anniversary thereof.

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under corporate expense in the income statement is \$592,667 equity-settled share-based payment transactions.

NOTE 16 – SHARE CAPITAL

Authorised Capital	Consolidated Group 2008		Parent Entity 2008	
	Number	USD\$	Number	USD\$
Ordinary shares of USD\$0.0001 *	100,000,000	10,000	100,000,000	10,000
		10,000		10,000

* The Parent Entity has authorised share capital amounting to 100,000,000 ordinary shares at USD\$0.0001 per share.

Called Up Allotted and Fully Paid	Note	Consolidated Group 2008		Parent Entity 2008	
		Number	AUD\$	Number	AUD\$
Ordinary shares					
Shares issued during period	(i)	42,550,668	4,817	42,550,668	4,817
At reporting date		42,550,668	4,817	42,550,668	4,817

Ordinary shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held. 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.

Share Premium Account	Note	Consolidated Group 2008		Parent Entity 2008	
			AUD\$		AUD\$
On ordinary shares issued during the period	(i)		23,300,973		23,300,973
Share issue costs			(2,446,561)		(2,446,561)
At reporting date			20,854,412		20,854,412

(i)	2008	Details	Number	Issue Price	\$
	02/05/2007	Inception Share	1	\$ 0.0001	0
	11/07/2007	Shares were issued to acquire Hurricane Fuels Shareholders	12,942,000	\$ 0.0002	1,465
	12/07/2007	Shares were issued to Genex Shareholders	12,942,000	\$ 0.0002	1,465
	18/07/2007	Admission Placement	16,666,667	\$ 1.3978	23,298,043
			42,550,668		23,300,973

NOTE 17 – ACCUMULATED LOSSES

	Consolidated Group 2008	Parent Entity 2008
	\$	\$
Accumulated Losses at the beginning of the financial period	-	-
Net Loss Attributed to members of the consolidation entity	2,828,901	2,828,901
	2,828,901	2,828,901

NOTE 18 – RESERVES

Reserves	Note	Consolidated Group	Parent Entity
		2008	2008
		\$	\$
Opening Balance		-	-
Movements in foreign currency translation	(a)	(2,001,643)	(2,001,643)
Movements in Options	(b)	592,667	592,667
Closing Balance		(1,408,976)	(1,408,976)

(a) Foreign Currency Translation Reserve

The reserves balance arises from conversion of funds from Great British Pounds to Australian Dollars.

	Consolidated Group	Parent Entity
	2008	2008
	\$	\$
Opening Balance	-	-
Movements	(2,001,643)	(2,001,643)
Closing Balance	(2,001,643)	(2,001,643)

(b) Options

	Note	Consolidated Group		Parent Entity	
		Number	2008	Number	2008
			\$		\$
At the beginning of reporting period		-	-	-	-
Options issued during period	(i)	3,850,000	592,667	3,850,000	592,667
At reporting date		3,850,000	592,667	3,850,000	592,667

(i)	2008	Details	Number	Issue Price	\$
	18/07/2007	Issue of options to Non-Executive Directors	2,500,000	\$ 1.4854	466,667
	18/07/2007	Issue of options to Andrew Woskett (Executive Director)	1,000,000	\$ 1.4854	42,000
	15/05/2008	Issue of Options to Thyl Kint	1,200,000	\$ 1.4854	84,000
	31/05/2008	Options forfeited upon resignation of Mr Andrew Woskett	(850,000)	\$ 1.4854	-
			3,850,000		592,667

NOTE 19 – SEGMENT REPORTING

The Group operates predominantly in one market and geographical sector, being the exploration and mining for valuable resources that produce energy in Australia.

NOTE 20 – CASH FLOW INFORMATION

	Consolidated Group	Parent Entity
	2008	2008
Reconciliation of Cash Flow from Operations with Loss after Income Tax	\$	\$
Loss for the year	(2,828,901)	(2,828,901)
Add back depreciation expense	4,043	-
Add back exploration expenses acquired	(284,320)	-
Add back equity issued for nil consideration	592,667	592,667
(Increases)/Decreases in provision for impairment of loan	-	2,636,793
Add back foreign exchange reserve movement	-	-
(Increases)/Decreases in Accounts Receivable	(194,553)	-
(Increases)/Decreases in Other Current Assets	(36,270)	(36,270)
Increases/(Decreases) in Accounts Payable	1,172,318	14,786
Cash flow from operations	(1,575,016)	379,075

NOTE 21 – EVENTS AFTER BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the economic entity, the result of those operations or the state of affairs of the economic entity in subsequent financial years.

NOTE 22 – RELATED PARTY TRANSACTIONS

Keynes Capital (Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust.) received a fee of £400,000 as commission of four per cent of the total subscription monies received, £10,000,000, on the placement of 16,666,667 shares. Mladen Ninkov is a director and employee of Keynes Investments Pty Limited.

Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of £96,000, for the provision of advisory and support services to Spitfire Oil Limited and its subsidiaries during the period.

CSA Global is the registered trading name of CSA Australia Pty Ltd. CSA Global provides geological surveying and consulting services to the Subsidiary. Rupert Crowe is a director and shareholder of CSA Australia Pty Ltd.

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

NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

(a) Financial Instruments

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables and trade and other payables.

	Consolidated Group 2008	Parent Entity 2008
	\$	\$
Cash and cash equivalents	14,100,639	14,037,046
Trade and other receivables	194,553	-
Other financial assets	-	3,015
Trade and other payables	1,172,319	14,786

The Group does not have any derivative instruments at 30 June 2008.

(b) Risk Management Policy

The Board is responsible for overseeing the establishment and implementation of the risk management system, and reviews and assesses the effectiveness of the Group's implementation of that system on a regular basis.

(c) Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and other financial assets are represented at their fair values determined in accordance with the accounting policies disclosed in note 1.

Interest revenue on cash and cash equivalents and foreign exchange movements on trade and other receivables and trade and other payables are disclosed in notes 2 and 3.

(d) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Group's constitution. The capital structure of the Group consists of equity attributed to equity holders of the Group, comprising issued capital, reserves and accumulated losses disclosed in notes 15 and 16. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Group's Management the Board monitors the need to raise additional equity from the equity markets.

(e) Financial Risk Management

The main risks the Group is exposed to through its operations are interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Interest Rate Risk

The Group is exposed to interest rate risks via the cash and cash equivalents that it holds. Interest rate risk is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates. To reduce risk exposure, the consolidated group ensures that cash and cash equivalents are placed in high credit quality financial institutions. The objective of managing interest rate risk is to minimise the Group's exposure to fluctuations in interest rate that might impact its interest revenue and cash flow.

The Group's exposure to interest rate risk and the weighted average interest rates on the Group's financial assets and financial liabilities is as follows:

		Consolidated Group					Total
2008	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Within Year	Fixed Interest Rate 1 to 5 years	Fixed Interest Rate Over 5 years	Non-Interest Bearing	
		\$	\$	\$	\$	\$	\$
Financial Assets:							
Cash and cash equivalents	5.12%	14,100,639	-	-	-	-	14,100,639
Trade and other receivables	-	-	-	-	-	194,553	194,553
Total Financial Assets		14,100,639	-	-	-	194,553	14,295,192
Financial Liabilities:							
Trade and other payables	-	-	-	-	-	1,172,319	1,172,319
Total Financial Liabilities		-	-	-	-	1,172,319	1,172,319

Notes to the Financial Statements
continued

2008	Parent Entity						Total \$
	Weighted Average Effective Interest Rate	Floating Interest Rate \$	Fixed Interest Rate Within Year \$	Fixed Interest Rate 1 to 5 years \$	Fixed Interest Rate Over 5 years \$	Non-Interest Bearing \$	
Financial Assets:							
Cash and cash equivalents	5.12%	14,037,046	-	-	-	-	14,037,046
Trade and other receivables	-	-	-	-	-	1,465	1,465
Total Financial Assets		14,037,046	-	-	-	1,465	14,038,511
Financial Liabilities:							
Trade and other payables	-	-	-	-	-	14,786	14,786
Total Financial Liabilities		-	-	-	-	14,786	14,786

The Group has conducted a sensitivity analysis of the Group's exposure to interest rate risk. The analysis shows that if the consolidated group's interest rate was to fluctuate as disclosed below and all other variables had remained constant, then the interest rate sensitivity impact on the Group's loss after tax and equity would be as follows:

	Consolidated Group (Higher) / Lower 2008	Parent Entity (Higher) / Lower 2008
+1% (100 basis points)	\$141,006	\$140,370
-1% (100 basis points)	(\$141,006)	(\$140,370)

Foreign Currency Risk

The Group is exposed to foreign currency risk via the conversion of Great British Pounds to Australian dollars. Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group does not have a policy to hedge against these risks.

Foreign currency risk is measured by regular review of cash forecasts, monitoring the dollar amount and currencies that payment are anticipated to be paid in. The Group also considers the market fluctuations in relevant currencies to determine the level of exposure. If the level of exposure is considered by management to be too high, then management has authority to take steps to reduce the risk. Steps to reduce risk may include the acquisition of foreign currency ahead of the anticipated due date or may include negotiations with suppliers to make payment in GBP. Should management

Notes to the Financial Statements

continued

determine that the Group should consider taking out a hedge to reduce the foreign currency risk, they would need to seek Board approval.

The majority of the Group's funds were raised via the AIM admission in the UK in Great British Pounds whilst the Group's activities are carried out in Australia. This exposes the Group to transactional currency movements, where the Group is required to transfer funds from the UK Great British Pounds to Australian Dollars to pay for operations. The foreign exchange movements are reported in the income statement. The foreign exchange movements in converting the parent entity's balance sheet to Australian Dollars is recorded in the reserves balance.

The Group has conducted a sensitivity analysis of the Group's exposure to foreign currency risk. The analysis shows that if the Group's exposure to foreign currency risk was to fluctuate as disclosed below and all other variables had remained constant, then the foreign currency sensitivity impact on the Group's loss after tax and equity would be as follows:

	Consolidated Group (Higher) / Lower 2008	Parent Entity (Higher) / Lower 2008
AUD/GBP + 10%	\$24,766	\$17,864
AUD/GBP - 10%	\$16,234	\$11,710

This does not include the reserves amount that arises from conversion of the Parent Entity's funds from functional currency GBP to the presentational currency AUD.

The following financial liabilities are subject to foreign currency risk:

	Consolidated Group (Higher) / Lower 2008	Parent Entity (Higher) / Lower 2008
Trade and other payables	\$20,500	\$14,787

Credit Risk

The Group is exposed to credit risk via its cash and cash equivalents and trade and other receivables. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. To reduce risk exposure for the Group's cash and cash equivalents, it places them with high credit quality financial institutions.

All trade and other receivables disclosed below have not been impaired.

2008 - Consolidated Group	0-30 days	30-60 days	60-90 days	90+ day
Trade and other receivables	\$ 194,553	\$ -	\$ -	\$ -

Notes to the Financial Statements

continued

2008 - Parent Entity	0-30 days	30-60 days	60-90 days	90+ day
Trade and other receivables	\$ -	\$ -	\$ -	\$ -

Historically the Group has had minimal trade and other receivables, with the majority of its funding being provided via shareholder investment. Traditionally the Group's trade and other receivables relate to GST refunds and Research and Development Tax Concession amounts due to the Group from the Australian Tax Office. At 30 June 2008 this accounted for \$192,063 of the trade and other receivables.

Liquidity Risk

The Group is exposed to liquidity risk via its trade and other payables. Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet the commitments associated with its financial instruments. Responsibility for liquidity risk rests with the Board who manage liquidity risk by monitoring undiscounted cash flow forecasts and actual cash flows provided to them by the Group's Management at Board meetings to ensure that the Group continues to be able to meet its debts as and when they fall due. Contracts are not entered into unless the Board believes that there is sufficient cash flow to fund the additional activity. The Board considers when reviewing its undiscounted cash flows forecasts whether the consolidated group needs to raise additional funding from the equity markets.

The Group has analysed its trade and other payables below:

2008 - Consolidated Group	0-30 days	30-60 days	60-90 days	90+ day
Trade and other payables	(\$ 1,172,319)	\$ -	\$ -	\$ -

2008 - Parent Entity	0-30 days	30-60 days	60-90 days	90+ day
Trade and other payables	(\$ 14,786)	\$ -	\$ -	\$ -

The Parent Entity carries a loan to the value of \$ 5,196,348 to the subsidiary Spitfire Oil Pty Ltd. The Parent Entity has declared that it will continue to finance the operations of the subsidiary Spitfire Oil Pty Ltd, and will not call upon the loan during the coming financial year.

NOTE 24 – CONSOLIDATED GROUP DETAILS

The registered office of the Group is:

Spitfire Oil Limited
Clarendon House
2 Church Street
Hamilton
Bermuda HM11

The principal place of business of the Group is:

Spitfire Oil Pty Ltd
Level 21, AMP Building
140 St Georges Terrace
Perth, Western Australia
Australia 6000

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 23 to 53:
 - (a) comply with International Accounting Standard IAS1: Preparation of Financial Statements; and
 - (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the period ended on that date of the Company;
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.

Rupert Crowe
Non-Executive Director
Spitfire Oil Limited

Dated: 30th day of September 2008.

Roger Goodwin
Non-Executive Director
Spitfire Oil Limited

Dated: 30th day of September 2008.

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPITFIRE OIL LTD AND CONTROLLED ENTITY

Report on the Financial Statements

We have audited the accompanying financial statements of Spitfire Oil Ltd (the "Company") and Spitfire Oil Ltd and Controlled Entities (collectively the "Consolidated Group"), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement for the period 2 May 2007 (incorporation) to 30 June 2008, a summary of significant accounting policies and other explanatory notes 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statement, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Webb Audit Pty Ltd
ABN 59 116 151 136

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SPITFIRE OIL LTD AND CONTROLLED ENTITY**
(Continued)

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 30 June 2008, and its financial performance and its cash flows for the period 2 May 2007 (incorporation) to 30 June 2008 in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to read "Jeffrey Luckins". The signature is written in a cursive style with a large initial "J".

Jeffrey Luckins
Director
Webb Audit Pty Ltd

Dated in Melbourne, Australia on this 30th day of September 2008

Shareholder Information

As at 30th September 2007:

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Shares

42,550,668 fully paid ordinary shares on issue.

Options

3,850,000 options over fully paid shares exercisable at 60 pence. (See Notes to the Financial Statements – Note 5c).

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about their shareholding should contact the Share Registry:

Capita Registrars (Jersey) Limited
12 Castle Street,
St Helier, Jersey
United Kingdom JE2 3RT

CHANGE OF ADDRESS, CHANGE OF NAME, CONSOLIDATION OF SHAREHOLDING

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

REMOVAL FROM THE ANNUAL REPORT MAILING LIST

Shareholders who wish to receive the Annual Report should advise the Share Registry in writing. These shareholders will continue to receive all other shareholder information.

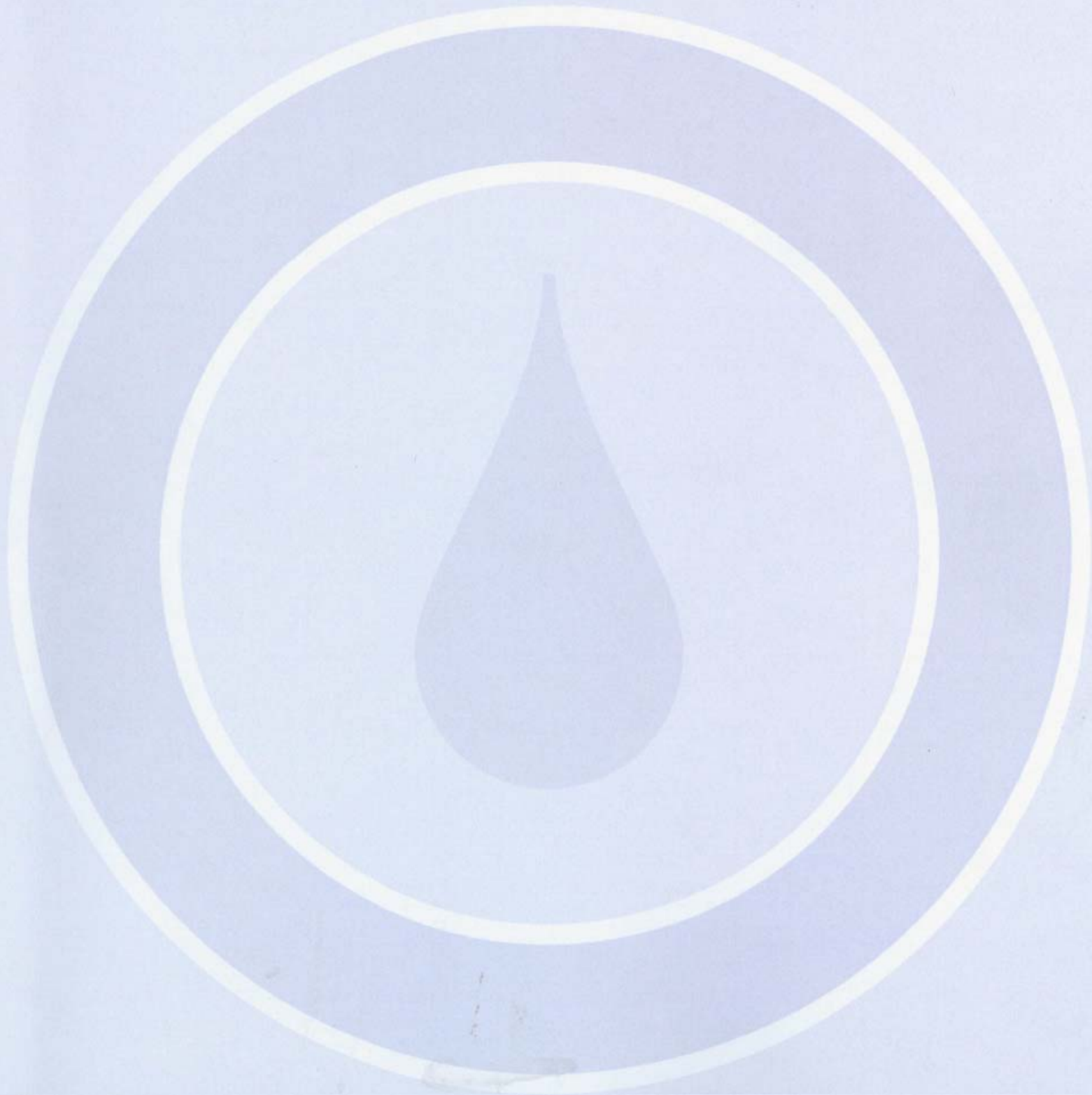
TAX FILE NUMBERS

It is important that Australian resident shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

MINING TENEMENT LISTING

Area of Interest	Tenements	Holder	Company's Interest
Western Australia Esperance	E63/934	Spitfire Oil Pty Ltd	100%
	E63/935	Spitfire Oil Pty Ltd	100%
	E63/947	Spitfire Oil Pty Ltd	100%
	E63/959	Spitfire Oil Pty Ltd	100%
	E63/960	Spitfire Oil Pty Ltd	100%
	E63/961	Spitfire Oil Pty Ltd	100%
	MLA63/644	Spitfire Oil Pty Ltd	100%
	MLA63/645	Spitfire Oil Pty Ltd	100%

E = Exploration License M = Mining License



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