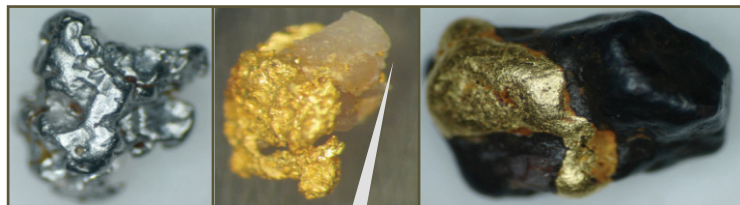


**rimfire**



# ANNUAL REPORT



*Platina Lead, Fifiel NSW*

2010

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Dear Shareholder,



Thank you for your support during the past year.

The Company has continued to place major emphasis at Fifield NSW on undertaking its bulk sampling program in the **Pit One area** and has advanced the assessment of the **Platina Valley** Platinum (Pt) and Gold (Au) bedrock and alluvial systems on the Company freehold.

The infrastructure improvements coupled with detailed exploration conducted by the Company at Fifield means the area has now been upgraded and positively redefined in geological terms. This has led to the Company establishing more than eight project areas and prospects of importance involving Platinum, Gold and Base Metal.

The potential for a commercial outcome in Platinum mineralisation within the Company's key tenements EL5534 and EL6241 at Fifield is being actively sought and the basis for a positive outcome is well framed in the context of key criteria now established, namely:

- **The regional geological context is favourable**, with Fifield residing in a highly mineralised corridor
- **The scale of the combined Pt anomalies at Platina-Gillenbine and Ebenezer (6km<sup>2</sup>) is highly significant.**
- **Coarse Pt is being recovered from the bedrock system. A geological control has been established, providing an overall proof of concept for a potentially large "Tier One" commercial prize.**

Whilst pursuing the tier one bedrock potential for Pt is the major goal, important smaller **"Tier Two" Pt targets have emerged**, including the extensive near surface gravels, the Deep Lead and the tributary systems on the Company freehold (210 hectares). In particular, the Historic Platina Lead will be a Company focus to establish this target's full commercial credentials, within the next 12 months. A major grade and tonnage assessment will occur on this structure starting in the last quarter 2010.

**The Platina Lead has the potential to provide a quick pathway to a near term cashflow for the Company, in a relatively short period of time, and is the reason to pursue this style of Tier Two target.**

If a resource(s) is established, the metallurgical pathway for recovery of the coarse Pt grains in both the bedrock and gravel systems appears to be a relatively simple gravity process, hence production costs for any possible commercial mining activity are likely to be at the lower end.

Platinum remains a desirable commodity to pursue, and is still priced at attractive levels, with a mix of industrial, financial and consumer demand. Pricing recovered from USD\$800/oz in 2008 to the current levels of approx. USD\$1,600/oz (Kitco).

The Company's view based on this information is that the commercial Pt and Au target(s) being sought at Fifield are prizes worth pursuing.

**The overall vision for the Platinum projects at Fifield is to develop Tier One resource areas within the bedrock that have "open cut mining characteristics", for the primary coarse grain Platinum. However, Tier Two Pt and Au targets will be exploited, if encountered and feasible, in the process.**

During the next phase of exploration, the major priorities within the Company's tenements will involve:

- **Continued pursuit of a potential commercial outcome for Tier One Pt and Au targets** at the "Platina-Gillenbine" and "Ebenezer" project areas, working on the Company freehold and adjacent locations within the Company's key tenements, EL5534 and EL6241.
- **The delineation and testing of Tier Two Pt targets** within the Platina Lead, gravel systems and includes potential undiscovered Deep Leads on the Company freehold and elsewhere.
- **Advancing the understanding and definition of gold mineralisation systems** at "Ladera", "Sorpresa", "Eclipse North", "Fifield Hard Rock" areas and the "Golden Green" area. There is recognition that the fine Au potential could be larger than previously thought.

The Pt project areas are a priority for the Company, hence minimal work was conducted recently towards the diamond areas at Bingara NSW. The exploration at Bingara, when recommenced, will strive to locate more pipes, thus building upon the Horton Valley No.1 and No.2 pipes, containing key indicator mineral chemistry, discovered in 2007.

The global economic conditions whilst improved, still remain volatile. The Directors have been mindful of this in developing suitable strategies for the Company going forward. Accordingly, the Company completed a pro rata Rights Issue in June 2010. This was well supported by existing shareholders, raising \$1.62 million prior to costs, thus providing the ongoing funding for the next stages of exploration.

The AGM was held successfully on 28<sup>th</sup> November 2009 in Melbourne, with a good attendance, where a detailed presentation on the Company and its exploration progress and priorities was provided. This can be accessed on the Company website, [www.rimfire.com.au](http://www.rimfire.com.au).

The year has seen important advances being made by the Company. The strong dedication and contribution made to the Company's performance by a range of people is duly recognised. To this extent I would like to sincerely thank everyone for their efforts, including my fellow Directors, exploration team, staff, associates and consultants for their diligent attitude and assistance during the year.

The Company will continue to pursue its exploration activities in a responsible manner, remaining flexible as necessary, recognizing the need to add value to its project areas and realise its broader vision of successfully delivering a positive project outcome within the Fifield district. The aim of quantifying a potential cash flow from its exploration areas within Tier Two type Platinum targets is a priority for the Company in the coming year.

I look forward to providing information on important progress made by the Company during the following year.

Yours sincerely,



John Kaminsky  
Chairman

Dated 10th September 2010

## EXPLORATION OVERVIEW

Exploration was focused within the Fifield Platinum Project areas in the period, building upon work in the previous years. The geology and mineralizing systems at Fifield continue to offer new and diverse project opportunities in Platinum (Pt), Gold (Au) and base metal.

The primary direction undertaken within the period was to advance the Platina-Gillenbine Pt project areas, with a major emphasis involving the areas known as **Pit One and the Platina Valley**. To this extent, geochemistry, auger drilling, bulk sampling and trenching programs were extensively undertaken to help delineate high priority target areas within the bedrock and gravel layers.

The Pit One area has encouraged the Company to investigate the commercial potential on its freehold of the alluvial system, comprising the multilevel gravel system, un-mined portions of the historic Platina Deep Lead and the likelihood of Pt bearing tributaries feeding into the Platina Valley.

In the period, the Company achieved a modest cash flow from a refining trial of a portion of the Pt and Au concentrate recovered to date. The Company still believes that there is reasonable evidence to suggest that the establishment of a possible resource(s), while not yet confirmed to date within its many Pt and Au exploration work areas, has the potential to be determined at some stage. The geological model adopted by the company shows emerging evidence of a geological control for the Pt mineralisation in shear zones and breccias.

### Exploration Highlights for the Period

- ◆ Further positive progress was made in the Platinum and Gold assessment at Fifield NSW
  - ◆ A geological control was established within the bedrock system at “Pit One”
  - ◆ Bedrock targets are identified for testing at “Platina-Gillenbine”
  - ◆ An extensive Pt and Au gravel system is being delineated and tested on the Company freehold
  - ◆ Investigation and assessment of “Lead” mining potential is underway
    - ◆ The “unmined section” and “historic workings review” on the **Platina Lead** and “new undiscovered Lead possibilities” are being examined
  - ◆ Further development of the emerging “fine Au” component of the mineralised system occurred
  - ◆ The large “Ebenezer” prospect Pt anomaly (4km<sup>2</sup>), is to be further tested
- ◆ Exploration activities are continuous and are centred on the Company Freehold at Fifield
  - ◆ More detailed examination of metallurgical processes is underway using the Company facilities
- ◆ Additional project potential in other Pt areas and base metal at Fifield, and Diamond at Bingara are still worthwhile to pursue

### Project and Mineralisation Background – Fifield NSW

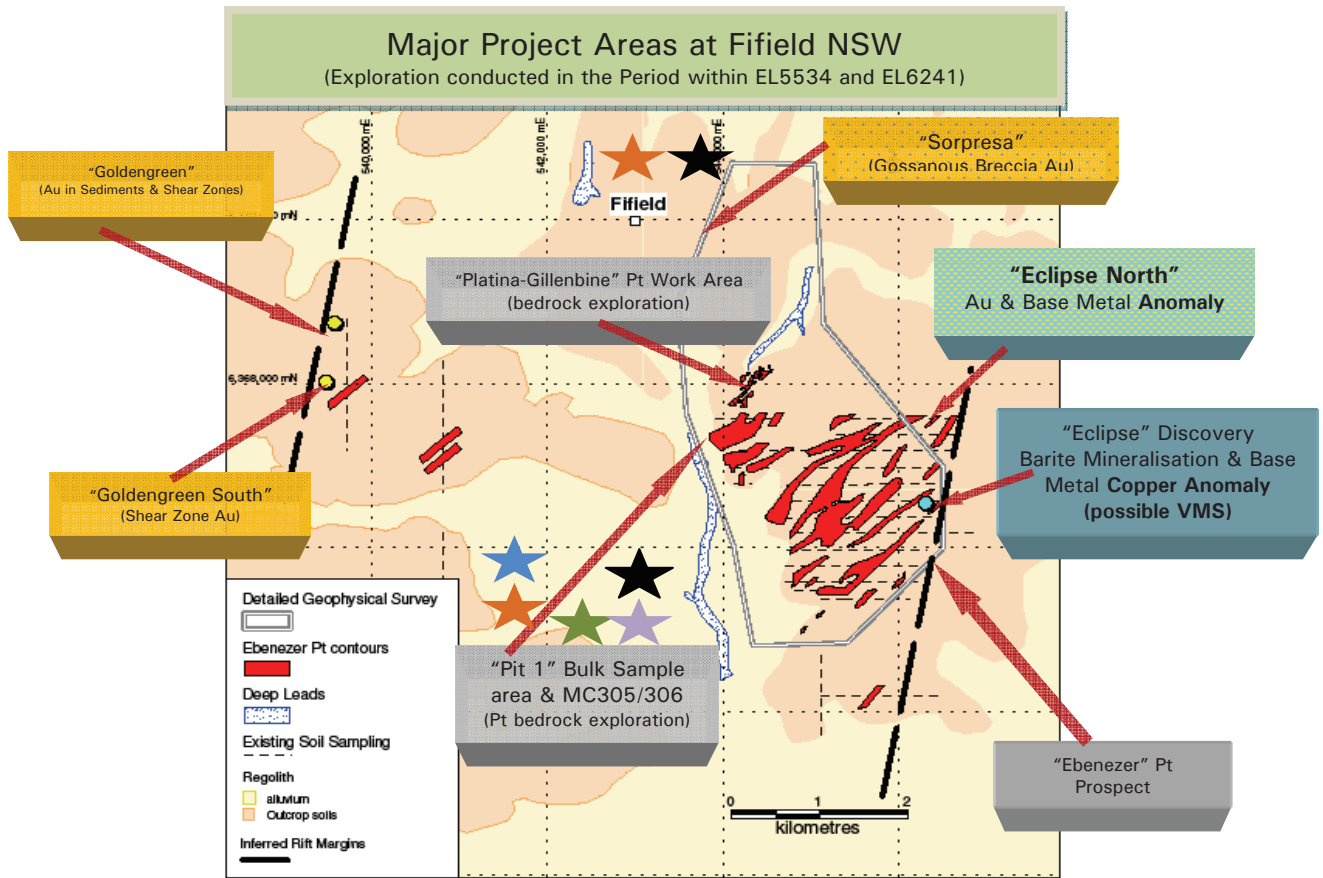
Rimfire has developed a wide variety of mineralisation prospects within the immediate Fifield region, including Au, Pt and Cu/Base Metal prospects, occurring over a compact zone of less than 10km. The region is interpreted as being a complex volcanic rift setting, with evidence for multiple, polymetallic mineralisation events associated with sub-volcanic intrusives, shearing and brecciation at various scales. Metal zoning remains an important feature of the regional geology at Fifield, which is considered to be a relatively under explored area and represents an excellent exploration setting for commercial mineralisation discovery in the Company’s opinion.

Historic Pt mining at Fifield yielded in excess of a reported 20,000 oz of Pt from the leads, surficial gravels and surface soil mining (circa. 1890~1930). The major lead was the Platina Lead, worked at a depth from 12m to 25m over a length of 2.8km with a reported grade of approx. 15g/t gravity recovered Pt equivalent. A further 500m of the Platina Lead, unmined, has now been demonstrated to be present (2009) to the north, but has not yet been tested by the Company. This section represents an important component of the Pt bearing alluvial system, both with respect to its commercial potential and the exploration knowledge base the lead provides, in relation to the source area(s) for Pt entering the alluvial system along the full extent of the Platina Lead.

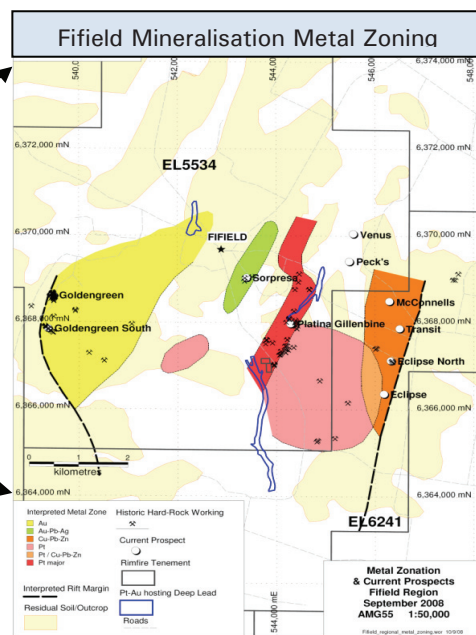
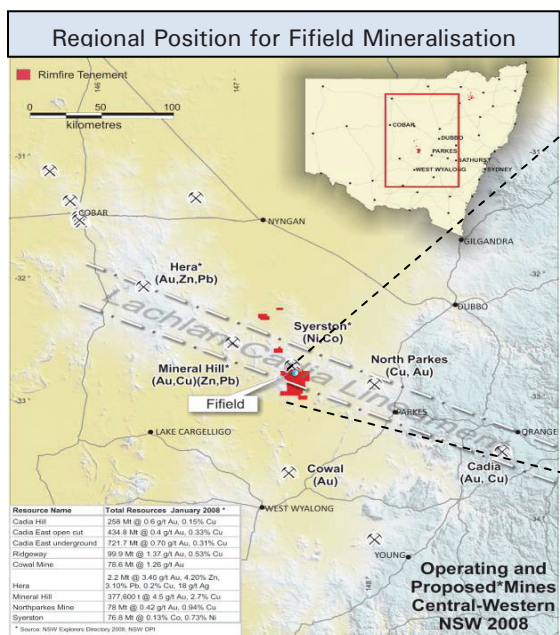
The Company’s processing and exploration capacity was further developed. This in-house plant facility is a major distinguishing feature of the Company and its exploration approach allowing greater flexibility to the individual project needs, particularly for bulk sample processing.

There is recognition that the Company must carefully balance the needs of exploration within a more difficult global economic climate and is therefore endeavouring to focus its efforts on the most promising project initiatives now established at Fifield.

**Work Performed on Project Areas at Fifield NSW and Metal Zoning Interpretations**



- Bulk sampling
- Auger drilling
- Trenching
- Mapping
- Geochemistry



In the context of the Lachlan – Cadia Lineament, the Fifield area has prominent mineralisation that is underexplored

## FIFIELD PLATINUM PROJECT AREA EXPLORATION

The Fifield Platinum Project is comprised of seven tenements and two mineral claims covering known alluvial and hard rock platinum mineralisation at Fifield in central western NSW. The Company is conducting exploration on the source(s) of the coarse grained platinum historically mined in the Fifield area and the newly recognised gold and base metal potential now seen. The following areas for exploration or development are held:

Exploration Licences - EL5534 EL5565 EL6144 EL6241 EL7058 EL7233 EL7234  
 Mineral Claims - MC 305 MC 306

The key overall objective of the Company continues to be “the establishment of potential open cut minable resource(s) within the 6km<sup>2</sup> zone of currently identified Pt and Au mineralisation noted within the Platina-Gillenbine and Ebenezer project areas”, which includes both Tier Two alluvial targets and the greater Tier One targets in the bedrock system.

The work focus continues to be directed towards understanding the bedrock and gravel systems as they interact with the commercially mined Platina Lead, within the Platina Valley, particularly on the Company freehold.

### Summary

- A major phase of sampling, testing, assessment and mapping of Platina Valley was concluded
- Establishment of the Platina Lead as a valid commercial Pt “tier 2” target to be pursued
- The Platina Lead “intersects” important Pt and Au bedrock geology that could be “tier 1” targets
- An RC drilling program outline and a Bulk Sampling strategy are being established for Pt and Au with a program delivery during the next period to examine:
  - The Platina Lead definition, the Lead’s associated gravel and adjacent bedrock
  - Geological and geophysical targets include important bedrock locations, other possible Leads and gravels
- Bulk sample tests on various surface gravels have been conducted with encouraging results
- Pit One Area, Northern Gravels, Historic Shaft dumps and tails
- Recognition of a new regional mineralised trend - the “Platina – Tresylva” Corridor of Faults
- Significant “Fine Au occurrence” observed with important primary geology to be examined

Subsurface quantitative testing of the various identified target areas within the bedrock and gravel systems has been planned, with a preliminary sampling program, including RC drilling, being designed. In addition, bulk sampling method(s) will assess the alluvial system, comprising the multilevel gravel system, the un-mined and mined portions of the historic Platina Lead.

The shallow nature of the target Platina Lead (15~20m below surface), coupled with the attractive Platinum price, makes this a worthwhile “Tier 2” exploration target principally on the Company 210 hectare freehold. This is particularly the case, when the important underlying bedrock geology is taken into consideration which should provide further knowledge on the “Tier 1” primary source(s) of the Pt and Au contained within the Lead. **Conceptual targets are shown for the areas in Table 1.**

The possibility of the existence of additional previously undiscovered Leads will also be investigated.



Platina Lead Shaft Clay Dump Test Area

### Work Programs Conducted During the Year - Highlights

The work programs undertaken within the year have been essential pre-requisites leading to the next phases of exploration. A summary of features of the exploration in this period is shown as follows:

✦ **A major sampling program including trenching and RC Drilling, has been drafted at Fifield for commencement in 2010**

- The Platina Lead and possible adjacent undiscovered leads of Jurassic age will be probed for location definition as a core objective
- This will target important Pt/Au bearing geology within the Platina Valley, Pit One, the Platina Lead and includes shears, breccias, alteration systems and geophysical features as possible sources of Pt/Au in bedrock



✦ **Target areas within the Platina Lead are being determined to establish the viability for “open cut” mining**

- Detailed plans are being developed for suitable sampling of the gravel and bedrock using a combination of bulk sampling and drilling
- These sites include both historically mined and un-mined sections for Pt and Au

✦ **Detailed Examination of the Historic Platina Lead, including Shaft Material for Pt, Au and Geology was successfully undertaken**

- Pt, Au and Chromite were recovered on each shaft dump, much of the mineralisation appears “untraveled”, hence interpreted to be from a locally derived bedrock source
- The inference from grain morphology and limited interpreted geology is that a portion of the Deep Lead may have directly harvested Pt and Au bearing hard rock source(s) on the east margin.
- Bedrock Au mineralisation is confirmed through rock ship assay on material from shaft cuttings
- The area is directly along strike from the Ebenezer Pt in soil anomaly
- “Fine Au”, not seen previously is located in a precise location along the Platina Lead. This could be indicative of a hydrothermal proximal source



✦ **Geophysical Review focused on Gravity and Magnetics at Ebenezer and Platina for Pt and Au was done**

- New targets for possible fine Au identified in Gravity highs
- Possible “undiscovered Deep Leads” are to be tested

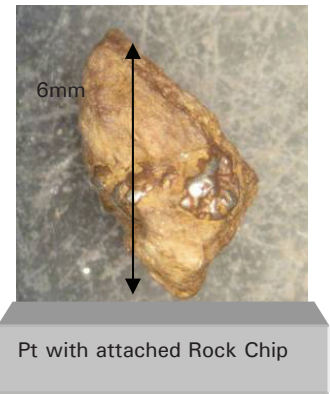


➔ A major Auger Traverse Plan (>140 holes) on the Company Freehold was undertaken to delineate gravels, expose bedrock and define alluvial channels.

- An intersection of the “lost unmined Northern extent of the Platina Lead” 500m beyond known historic workings was drilled, in hole 601.

➔ **Ongoing assessment of the Pt/Au bearing gravel areas prospective for mining has confirmed potential target areas as follows:**

- Surficial gravel with significant Pt/Au content warranting further testing for grade approx. **700,000 to 800,000 tonnes. A conceptual target has been established for this area.**
- Probable additional surface gravel system over an area of 1.4 million sqm, or a potential **3~4 million tonnes equivalent is possible**, although insufficient work has been to date, having been based mainly on magnetic interpretation and limited auger drilling.



Pt with attached Rock Chip

➔ **Sorpresa Gold and Base Metal Prospect Target soil geochemistry grid is being conducted**

- After reviewing the geochemistry and geophysical data, the target size of the Sorpresa mineralisation is considered to have potential to be a substantially larger target.
- Follow up sampling on newly identified Au targets is underway, with bedrock assessment.

➔ **Detailed mapping of the Fifield Lead (1.2km long with 1,500 old workings) including a geochemistry soil grid of the Fifield “Hard Rock Gold” area was also completed.**

➔ **Metallurgical trials and process examination for the different types of raw material feed were further undertaken and is ongoing.**

➔ **Additional mineralogy and petrological assessment was conducted on a range of materials including rock, mineral and metal grain samples, from the Platina Lead.**

- X-Ray Tomography was used to gain insight into the composite Pt/Au grain internal structure Synchrotron use is planned.

➔ **Within the Pit One area a total of 7 Blocks have been mined to bedrock (blocks A to G), where the Pt bearing gravel layer has been substantially removed, and processed through the gravity plant.**

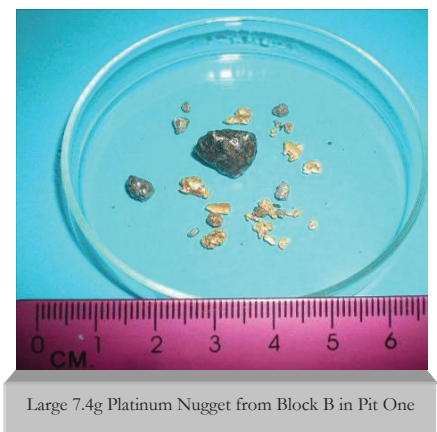
- Excavation and sampling was done within the underlying bedrock system, in locations Tile 1, Tile 2 and Block E at Pit One on the Company Freehold.

➔ **To date approx. 1,500g (50oz) of Pt/Au mixed high value concentrate has been recovered from surficial gravel/contact bedrock processed out of Pit One Area and Platina Lead tailings.**

➔ **Revenue of approx. \$12,000 was received for refining 394g of high value concentrate (HVC) of Pt & Au.**

- The Company retains an additional recovered inventory of HVC Pt/Au of approx. 1,100g.

➔ **The largest Pt Nugget to date recovered by the Company is 7.4g from Block B in Pit One.**



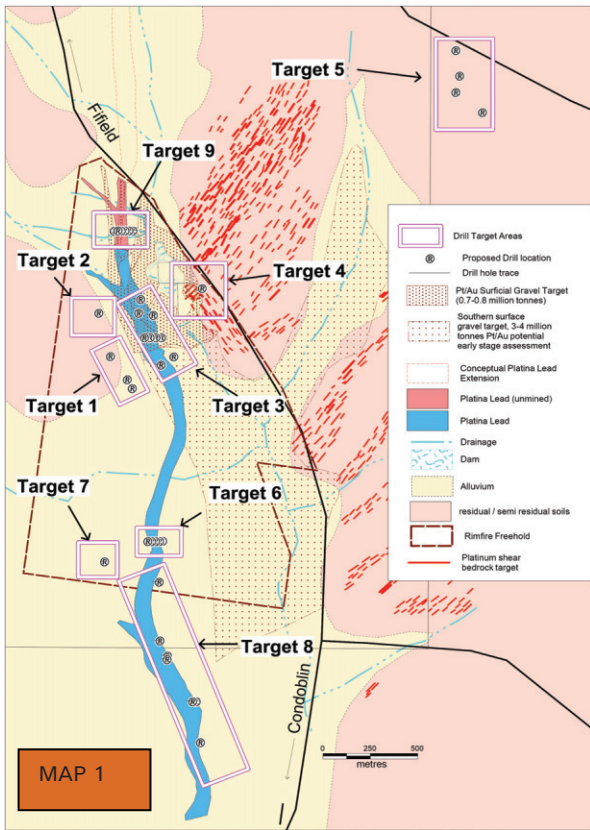
Large 7.4g Platinum Nugget from Block B in Pit One

➔ **The work site, gravity plant and concentrate circuit performance were upgraded further.**

The Company provided the following video of the “tile one” work site within “pit one” located on its freehold:

- [Bedrock Platinum Exploration Tile One - Rimfire Pacific Mining NL, Fifield NSW](#)
- [Update on Pit One Platinum Bulk Sampling Area Fifield NSW - Sept 2009](#)
- [Auger Drilling Program for Platinum, Deep Lead, Gravels, Tributaries at Fifield NSW – Sept 2009](#)

**Assessment of Platina Lead and Bedrock Targets in its Vicinity**



A trenching and drill program will help to define the Platina Lead Channel, with respect to its gravel position and critical bedrock areas. This is reflected in targets 3, 6, 8 and 9. Trenching is being examined as a more comprehensive option to drilling in these locations, to determine Pt and Au grade.

It is also considered worthwhile to examine geological features that have been encountered through the last 6 months of exploration, and to resolve their importance as to their influence on the “bedrock component of Pt and Au mineralisation” interaction with the Platina Lead, which appear to be tying directly into previously identified important geological and mineralised features in the surrounding area at Ebenezer, Platina-Gillenbine and Pit One.

Targets include “undiscovered leads”, gravity and magnetic anomalies in important locations, bedrock geology for Pt and Fine Au.

**Platina Lead Determination for “Open Cut Mining”**

The Company needs to establish the Pt and Au grade of gravel that remains within the mined areas from the 1890’s era and the Northern extension of the Platina Lead, which was not mined.

The entire structure represents a worthwhile “Tier 2” commercial target, whilst advancing the bedrock source knowledge for Pt and Au.

**The Historically Mined Section of the Platina Lead**

The geographic position of the historically underground mined (1890’s) Platina Lead is well established by the presence of the original shafts. Residual gravel remains in the mined section of the Lead which is of considerable volume. Although the exact grade is yet to be resolved, it is postulated that bulk sampling is warranted to determine grade, with a view to proceeding to full open cut mining, based on the trial outcomes. Historic recovered grades in the Platina Lead were of the order 15g/t Pt equivalent.

Grade delineation approaches within the Platina Lead are being reviewed, including deep narrow “trenches” across the entire width of the gravel and large scale pits.

Additionally, there are important Pt and Au bedrock targets in the floor and adjacent to the Platina Lead that could be examined in this process, providing key information on the operating geological system.

The encouraging circumstance for the historically mined sections of the Platina Lead, is that the *undisturbed shaft dumps* still contain Pt and Au, as evidenced in Rimfire’s extensive sampling and mapping program during the period.

A conceptual target has been generated as shown in Table 1.



**Table 1 - "Conceptual Targets" Developed as At March 2010 Fifield NSW (\*)**

Conceptual Target Area	Grade Range Assumption (HVC Mixed Pt/Au unless stated otherwise)		Range of Mineralised Tonnage (t) or Area (sqm)		Total Target Ounces Potential Range		Assumed Depth and thickness	Basis for Overall Assumption
	High	Low	High	Low	High	Low		
<b>Modern Near Surface Gravel on Freehold Area 1</b>	0.4g/sqm	0.3g/sqm	1.1 million sqm	0.9 million sqm	13,600	11,100	1~2m below surface	Bulk Sampling at Pit One and Gravel Auger program.
<b>Platina Lead Extension (500m) "on freehold only"</b>	15g/t "recovered" historic reported average grade in 1890's "worked section"  No grade estimate is established yet in the "unworked section"		78,000 tonne	45,000 tonne	37,000	21,000	1.25m to 1.75m mineralised zone in a width of 40~50m at a depth of 10~15m	Historic records, modern work programs, trenching, auger
<b>Platina Lead (2.8km)</b>	15g/t "recovered" historic reported average grade in 1890's "worked section"  Estimate Residual, on "non-selective mining" <b>between 2g/t and 4g/t</b>		441,000 tonne	225,000 tonne	57,000	14,500	1.25m to 1.75m mineralised zone in a width of 40~50m at a depth of 12~25m	Historic records, modern work programs, trenching, auger, shaft dumps
<b>Platina-Gillenbine Bedrock</b>	0.5g/t Pt	0.3g/t Pt	30 Million tonne	20 Million tonne	450,000	200,000	From surface to 40m or 60m, along strike of 1.3km, width of 200m	Historic surface mining and Company work programs to 2m depth

(\*) **Qualification** - "The potential quantities and grades in the referred table are conceptual in nature, that there has been insufficient exploration to define a Mineral Resource, and that it is uncertain if further exploration will result in the determination of a Mineral Resource."

sqm = square metre ; m = metre ; g = gram ; t = tonne

### The Un-mined North Extension of the Platina Lead Identified on the Company Freehold



Possible traverse location across unmined north extent

The Platina Lead was mined historically over a distance of about 2.8km and the start of the workings was not located at the head waters of the creek. *The company estimates that another 1~2km of un-mined lead remains upstream from the last commercial workings.*

Rimfire auger hole 610 defines part of this Lead extension, approx. 500m upstream on the Company freehold. The un-mined portion of the Platina Lead is an important exploration target (map 1). There is no reason to believe this section of the Platina Lead is devoid of Pt and Au.

### The Northern Head Water Section of the Platina Lead

The Lead was historically lost in this area, and no estimates or targets are currently quantifiable. However, given the presence of historic Pt soil mining to the East, and the Sorpresa Au mineralisation to the North, further exploration effort is warranted to determine this section of the Lead, which should also provide important information on the Pt and Au bedrock source(s). An initial auger drilling program will help locate valley definitions here.

### Background – Platina Lead Mapping and Interpretation – Observations for Bedrock Pt and Au

The southern portion of the Platina Lead was mapped by the Company and sampled along its full extent. The geology shows shear zones, intrusives and breccia style mineralisation. In part, a major mineralised fault bisects the Lead and this represents an important target.

The knowledge gained in the field programs on the Platina Lead has made a valuable contribution to establishing the interaction of the alluvial system with the bedrock system for Pt and Au.



Platina Lead "White Rock Area" – Target Area 6

Significant untravalled Pt and Au grains have been seen in the historic Platina Lead shaft dumps, where the Pt and Au grains are mostly interpreted as locally derived. Also, abundant black non magnetic minerals, including Chromite are present.

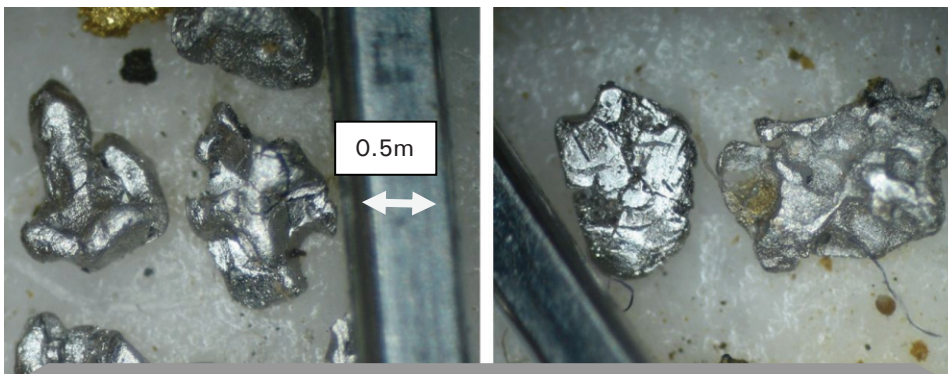
The inference is that a portion of the Lead may have directly harvested a Pt and Au bearing hard rock source(s) on the east margin. The newly defined Tresylva-Platina Corridor of Faults appears to align with the "important offset geology in the Platina Lead", which in turn intersects an area directly along strike from the Ebenezer Pt in soil anomaly. Highly weathered igneous bedrock textures were recovered in certain locations also.

Target location 3, map 1, is adjacent to significant "partly broken ground rock mass with multidirectional faulting" as demonstrated in trenching and Pit One interpreted geology. This location vicinity represents a "starting point" for the commercial workings in the Historic Platina Lead and as a consequence is an important bedrock sampling site.

"Fine Au", not seen previously is located in a precise location along the Platina Lead. This could be indicative of a hydrothermal proximal source. Sampling of the bedrock chips from shaft dumps indicates hardrock Au mineralisation is present as shown in fire assay.

"Bulk sampling", via trenching and pitting as necessary, is designed to test the Platina Lead to quantify the bedrock mineralised potential and the Platina Lead gravels still resident.

### Platina Lead – Gravel Tailings Area on Company Freehold



Pt Grains from the Platina Lead Shaft Dumps. Close to 50% of grains examined (total grains checked were 505 Pt & 91 Au), appear untravalled and likely to be close to their source area.

A major historic processing area for the historic Platina Lead gravels occurred on the Company freehold. It was decided to assess these tailings and gravel heaps located on the surface (estimated at about 8,000t) in this area in order to gain technical and commercial knowledge of the historic circumstances of the Platina Lead mining, with respect to key geological information on the Pt and Au in the gravel and bedrock system was observed as follows:

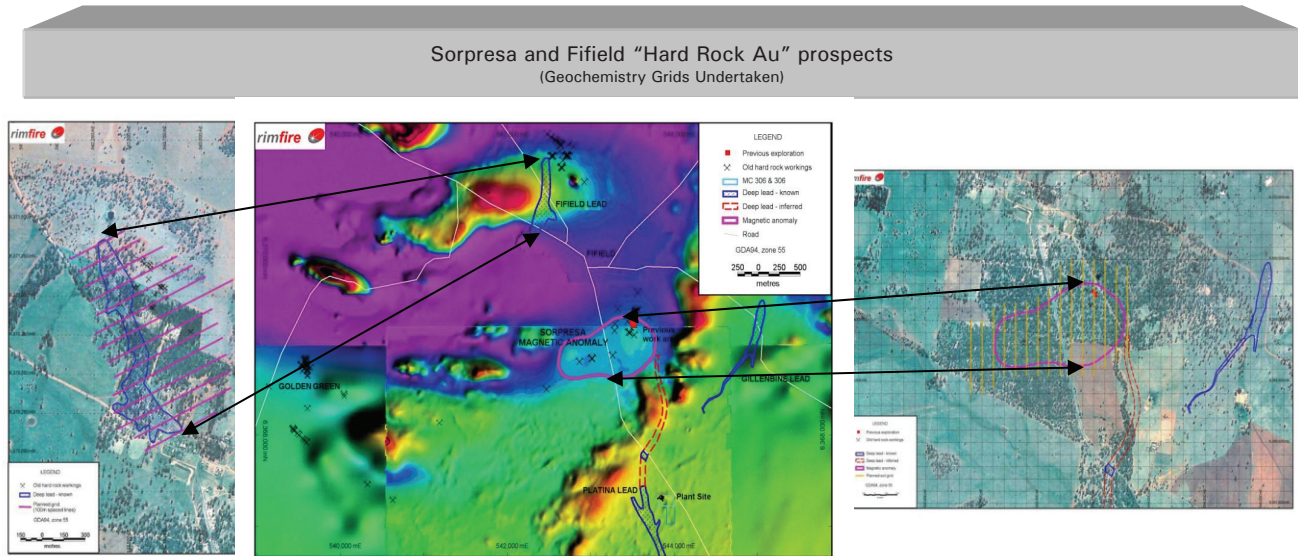
- Significant “Fine Au” ragged and untraveled, typically 10um to 50um has been recovered.
- The source of this “Fine Au” is a new mineralisation target, previously not seen on the company freehold.
- A “precise entry point to the Platina Lead for Fine Au exists”, so this will be drilled and assayed.
- The residual gravel appears to have potential uses for road base and decorative applications.

## Fine Gold – New Prospects at Fifield

Fine Au has already been located at “Sorpresa” and “Goldengreen” and “Platina Valley” prospects in the Fifield project areas. The most recent confirmed location of untraveled fine Au is in the Cretaceous iron cemented gravel at the new “Ladera” prospect and in the Southern half of the Platina Lead.

A critical re-examination of Rimfire’s past sample work has highlighted that fine Au is not explainable as a trace component in the coarse Pt-coarse Au mineralisation. **A new important style of fine Au mineralisation at Fifield is strongly implied, especially in the Southern end of the Platina Lead where assays on rock chips have confirmed Au mineralisation within bedrock.**

The “gravity ridge” that connects both fine Au anomalous catchments is being geologically mapped and geochemically sampled within a large area (3km x 500m) predominantly within the Ebenezer area.



The “Sorpresa” Au and Base Metal prospect had undertaken an extensive geochemistry grid. Preliminary assay data shows the possibility of extended Au anomalism. Further targeted geochemistry is planned.

## The Platina-Tresylva Corridor of Faults

*This corridor has now been recognized by the Company as a new geological feature and continues to grow in importance as one of the major controls on mineralisation in the Fifield Region.*

It appears that the Platina Deep Lead has incised its valley shape by also cutting directly into the platinum bearing bedrock, in sections, as evidenced by the extensive content of “ragged, untraveled, coarse Pt, Au and Chromite” contained within the Platina Lead.



Southern End of Historic Platina Lead Workings (2.8km length) – Looking North. Shaft dumps shown at surface

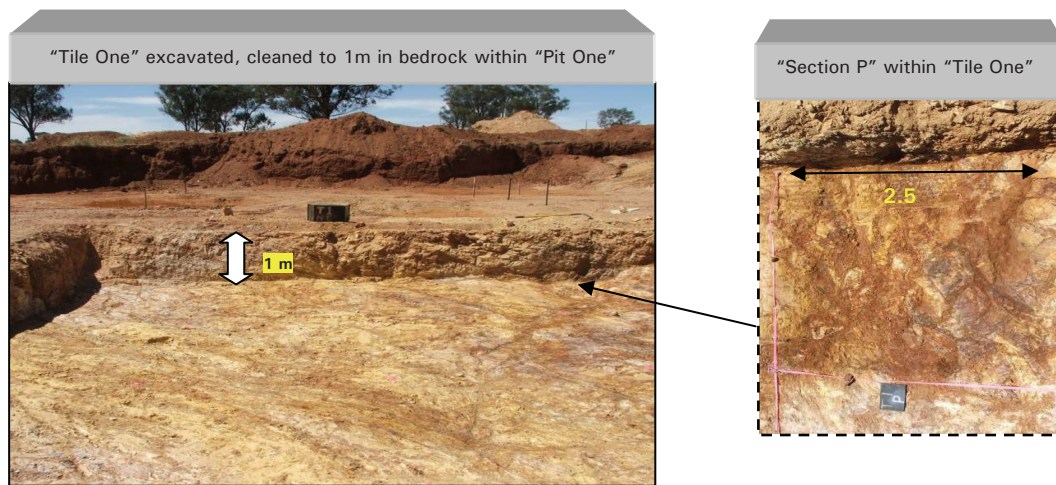
The physical path of the Platina Lead, as shown in plan view, appears to have selected “weaker faulted underlying ground”, and these localized faults also align with the Platina-Tresylva Corridor of faults. Fresh Pt seems to have been harvested from the floor of the Platina Lead in these faults and short side tributaries.

The Platina-Tresylva Corridor of Faults has an orientation parallel to the Gilmore Suture and to the Cobar-Elura Trend, lending further credibility to the newly identified corridor.

#### Details on the bedrock sampling program – background within “Tile One” at Pit One

The Pt anomaly chosen for the bedrock test on the Company freehold was found during routine exploration and lies beneath an alluvial gravel system. It needs to be recognized that potentially better bedrock Pt anomalies were also found on adjacent non Company owned property. The Company started “Pit One” area program on its freehold as a compromise between costs, logistics and quality of Pt anomaly.

The gravel once removed, left approximately 2,500m<sup>2</sup> of exposed bedrock. The testing of this bedrock began with a selection of a 10m x 10m “tile”, now known as “Tile One”. The “Tile One” area was mined one metre below the gravel layer, into the bedrock, in an extremely careful manner. “Tile Two” has followed subsequently.



The exploration concept is to locate Pt bearing shear zones and follow these along strike, trying to locate sufficient Pt ore grade in these shears, via bulk sampling. The Company will continue to track the geology as it is uncovered in the current program, testing for Pt, Au and Chromite.

Seven mined blocks were exposed to bedrock including the latest “block G” in the period. The Pt bearing gravel layer was removed and processed through the Company gravity plant. The upper weathered bedrock floor is still being tested for its geology, structure and Pt occurrence, however, periodic flooding has created difficulties in completing this work.

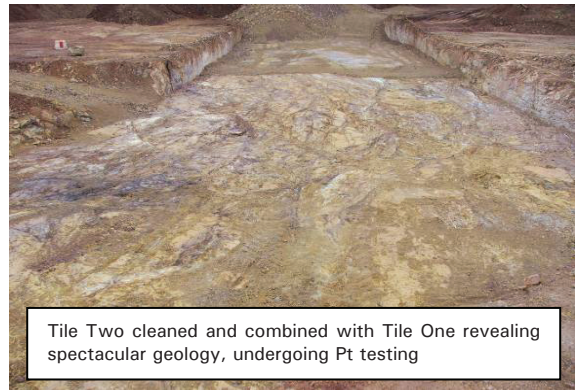
#### Summary Highlights of the Bedrock Examination Program in Pit One

##### ✦ Pt and Au grains were recovered in situ from a cleaned bedrock floor section (“Tile One and “Tile Two”)

- Coarse and fine grains of Pt and Au have been recovered from multiple sample sites.
- Pt crystals were also obtained with Chromite.
- All minerals appear to be locally derived with no travel history.
- This is the first time that a substantial “plan view area has been exposed on bedrock” at Fifield.



Tile Two excavation and sampling in Pit One

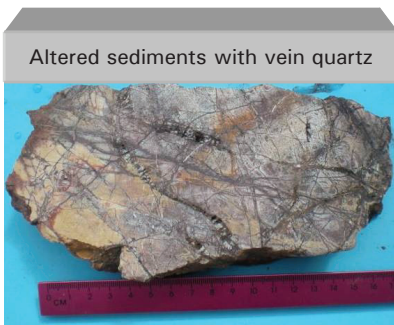


Tile Two cleaned and combined with Tile One revealing spectacular geology, undergoing Pt testing

➤ **The revealed bedrock contains extremely complex geology that looks distinctly altered and mineralised**

- Highly dynamic structures including complex fault lines containing gossan.
- Brecciated gossan veinlets and a multiplicity of shear zones.
- **Complex rock alteration areas which include fine oxidised sulphide-carbonate veinlets.**
- Distinct areas of open stockwork of gossan veinlets in massive country rock.

To date, the geology in Pit One has been shown to contain Pt, Au and Chromite, but not yet at a commercial grade. However, the Company will pursue further tests, mindful that this Pit One area is only a small section of a very substantial Pt anomaly and fault system. The Pt grade could increase dramatically within a small and subtle change in the geology. The lessons being learnt are also important, in terms of metallurgy and orientation of mineralisation.



Altered sediments with vein quartz



Gossanous breccia in sediments

Further bulk sampling sites within the bedrock on the Company freehold, will take careful consideration of the “nature of Pt and Au found within the Platina Lead and the adjacent bedrock positions seen as potential sources”.

The bedrock geology of Pit One is now seen as a component of the regional Platina-Tresylva Corridor of Faults.

**Key Exploration Planned at Fifield NSW for the next year for Pt and Au**

*The Company outlines the major exploration activities at Fifield during 2010 and 2011 that it intends to undertake as follows:*

➤ **In the 4<sup>th</sup> Quarter, commence a trenching program across the historically mined and unmined portion of the Platina Lead. This will help decide the suitability of this technique for large sections of the Platina Lead grade definition for Pt and Au.**

- Determine the commercially recoverable grade(s) in large sectional tests.
- Test the adjacent bedrock geology for the source of Primary Pt and Au, including RC drilling.

➤ **Conclude the bulk sampling and trial mining within the Pit One Area of both gravel and bedrock systems**

➤ **Complete the delineation of the Pt bearing gravel and tributary areas prospective for mining on the Company freehold and commence bulk sample this system.**



Delineating areas with Auger Drilling

- **Apply for additional Bulk sampling locations not on the Company Freehold (4 sites) for determination of Pt grades in bedrock.**
  - These areas are at **Platina-Gillenbine and Ebenezer**, and would be undertaken with the knowledge gained from Pit One and Platina Valley trenching.
  - The new sites in most instances have considerable Pt grade determination in previous trenching and auger drilling in the near surface positions (2006~9) a conceptual target is shown in table 1.
- **Advance the newly identified “fine Au” potential with soil geochemistry grids and RC drilling as appropriate, at Sorpresa, Ladera, Fifield Au and Platina.**
- **Advance Pt and Au concentrate process improvements using additional metallurgical expertise.**

### **BINGARA DIAMONDS PROJECT EXPLORATION AREAS – BINGARA NSW**

The Bingara Diamond Project is comprised of four tenements at Bingara in central north western NSW. The company has conducted exploration for the hard rock source(s) of the alluvial diamonds historically mined in the Bingara-Copeton district and holds the following areas for exploration:

Exploration Licences - EL6106 EL5880 EL6893 EL6894

The Company has an exploration target to discover the hard rock source(s) of 500,000 carats of diamonds historically mined during the past 100 years in the Bingara-Copeton area, north-eastern NSW. A key exploration methodology has now been developed to find this hard rock diamond source(s) that the Company believes to exist at Bingara and elsewhere in NSW.

The results to date represent significant advances in the Company’s exploration within the Horton Valley for diamond. The Company discovered two “Pipes” during 2007, where key garnet indicator mineral has now been observed in fresh rock, below surface, and structurally controlled to these “Pipes”. The Company will strive to make further pipe discoveries in the district.

An appropriate bulk sampling program would be subsequently planned, subject to permitting, to investigate for contained diamond in these pipes at a later stage.

The Company completed an additional evaluation of the soil sampling program conducted previously at the Trevallyn Prospect at Bingara. This work involved surface and near surface sampling in the soils above the drainage of previously recovered indicator minerals and the 0.271 carat Trevallyn diamond (circa. 2002).

Similar soil sampling programs previously were successful in helping to isolate key diamond indicator mineral sources leading to the discovery of “Horton Valley No.1” and “Horton Valley No.2” “pipe structures” within the Diamond Project area at Bingara NSW.

The results from Trevallyn are somewhat inconclusive, but this does not diminish the milestones already achieved at Bingara.

*The information in the report to which this statement is attached that relates to Exploration Results is compiled by Mr Colin Plumridge, who is a Member of The Australian Institute of Mining and Metallurgy, with over 30 years experience in the mineral exploration and mining industry. Mr Plumridge is employed by Plumridge & Associates Pty. Ltd. Mr Plumridge has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the “Australian Code for Reporting of Mineral Resources and Ore reserves”. Mr Plumridge consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*



Your Directors present their report on the company and its controlled entity for the financial year ended 30 June 2010.

## Directors

The names of Directors in office at any time during or since the end of the financial year are:

Graham Billingham  
John Kaminsky  
Ramona Enconniere  
Andrew Knox

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## Principal Activities

The principal activities of the consolidated entity during the financial year were the exploration and development of economic mineral deposits.

## Review of Operations

In the period, the key exploration commitment continued to be placed on the projects at Fifield NSW, seeking to better define the source of primary coarse grain platinum (Pt) and associated gold (Au). Exploration activity at Bingara NSW for the primary source of diamond was minimal given the Company's major focus at Fifield.

In the Company's opinion, the style of Pt mineralisation represents an attractive commercial target, given it is coarse grained, is gravity recoverable and occurs over an extensive area (greater than 6km<sup>2</sup> at Ebenezer alone).

Exploration programs undertaken by the Company comprised an extensive range of techniques, all well suited to the mineralisation style, including geochemistry, soil sampling, trenching, auger drilling and large scale bulk sampling as demonstrated at Pit One within the Company Freehold and Platina–Gillenbine area.

The Company recovered Pt and Au in excess of 40 ounces of high value concentrate (HVC) from its bulk sampling programs, where more than 3,000t of gravel was selected and processed. Important observations on the alluvial Pt and Au system were made, as well as the interaction of this system with the bedrock mineralisation.

Pt, Au and base metal mineralisation are all present at Fifield and this metal zoning remains an important feature of the regional geology. It is still the Company's view that the Fifield area is under-explored and thus represents an excellent exploration setting for commercial mineralisation discovery.

The Company's processing knowledge for recovery of Pt and Au improved substantially by using its enhanced plant facilities at Fifield. Considerable time and effort has been expended on improved metallurgy on a wider range of sample feeds, including gravels and hard rock materials. The Company continues to invest in work health and safety requirements on the site.

The price of Pt traded in the range of USD1,100 to USD1,700/ounce during the period, finishing at the USD1,500/ounce level. In the Company's view, the outlook still remains broadly positive in the medium term for Pt, with better global outlook than 12 months ago.

Exploration on the Bingara diamond project was restricted to limited review of soil samples and additional mineralogy on the Trevallyn area. The Company would like to continue with the successful exploration formula now established, looking for new "pipe discoveries" to add to earlier discoveries made by the Company, including the **Horton Valley No.1 Pipe** at Tom and Jerry Mountain and a second "pipe", the **Horton Valley No.2 Pipe** at Back Creek, Glen Idle.

The Company's exploration has been conducted under the guidance of Colin Plumridge as the consulting geologist, in conjunction with the field/operations team at Fifield. The Board of Directors continues to offer its support and show its gratitude to all the people contributing to the advancement of the projects in the period, including all contractors, employees and partners.

### Financial Position

The net assets of the consolidated entity have increased from \$5,856,932 at 30 June 2009 to \$6,901,720. The Company continued to ensure that overhead costs during the financial year were carefully monitored.

### Future Developments, Prospects and Business Strategies

The higher level goal for the Company is to continue to develop its core Pt projects at Fifield, particularly focusing on the Platina-Gillenbine area and the Company freehold location. The Platina Lead structure represents a potentially attractive “tier 2” commercial Pt target, as does the “Pt contained in the surficial gravels” with important insight able to be provided with respect to the mineralised “tier 1” Pt bedrock system, during the assessment of the Platina Lead.

Although recognising no resource is yet established, the Platina - Gillenbine Pt project area still has the potential to develop into a minable resource at some point in the future, in the Board’s opinion.

At the Bingara diamond area, the Company believes that it has a geological model of substance and an exploration methodology with a track record to locate “pipes” as demonstrated by the discovery of “Horton Valley No.1 Pipe” and the “Horton Valley No.2 Pipe”. Priorities have dictated a lesser exploration program at Bingara, but the Company stands by its results to date as representing important milestones.

The Company was successful in raising further capital in the period, and sincerely appreciates the strong support of existing shareholders in the 2 for 5 rights issue, and also welcomes new shareholders to participate in the Company’s path to commercial discoveries as we move forward.

### Operating Results

The loss of the consolidated entity amounted to \$383,554 (2009: \$289,895).

### Dividends

No dividends were paid during the financial year, nor are any recommended at 30 June 2010.

### No Significant Changes in State of Affairs

The Company has continued to focus its operations and concentrate its efforts on its Pt exploration at the Fifield, NSW area, and the Bingara-Copeton diamond exploration in New South Wales.

### After Balance Date Events

There are no matters or circumstances which have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### Environmental Issues

The consolidated entity aims to ensure that the highest standard of environmental care is achieved. The Board maintains the responsibility to ensure that the consolidated entity’s environment policies are adhered to and to ensure that the consolidated entity is aware of and is in compliance with all relevant environmental legislation. There have been no environmental breaches during the 2010 financial year.

## Information on Directors –

### John Kaminsky (Executive Chairman and Director)

Bachelor of Applied Science (Chemistry) (RMIT) and MBA (Melbourne Business School)

John Kaminsky was appointed Director of Rimfire Pacific Mining NL and Axis Mining NL in April 2004. He brings strong strategic and international skills to the company and has more than 20 years experience in international trade, including chemicals, plastics, metals, minerals, ores, concentrates and energy products. He assumed the role of Executive Chairman in December 2004.

### Graham Billinghamurst (Non-Executive Director and Secretary)

Graham Billinghamurst became a Director of Rimfire Pacific Mining NL and Axis Mining NL in May 1999 and comes to the Board with an extensive background in investment banking and corporate development in the Australasian region. As an investment banker and finance director, he brings to the Board extensive corporate, financial and commercial expertise.

### Ramona Enconniere (Non-Executive Director)

Bachelor of Commerce (University of Melbourne) and MBA (Melbourne Business School)

Ramona Enconniere became a Director in May 2005 and has professional affiliations with the Australian Society of CPA and the Australian Institute of Banking and Finance. Ramona makes an excellent contribution to the Board through her experience gained in corporate banking and the funding of mergers and acquisitions, loan syndications, project financing, debt raising via capital markets/securitisation with Citibank, Bank of America, OCBC (Overseas-Chinese Bank Corporation) and National Australia Bank.

### Andrew Knox (Non-Executive Director)

Bachelor of Commerce (University of Western Australia) CA, CPA, FAICD

Andrew Knox was appointed Director in July 2005 and has been a Director of several Australian Public Companies which have been involved in the resource industry. He is currently the CFO of the ASX listed entity Cue Energy Limited and has substantial experience in the acquisition and assessment of business opportunities in the resource sector, comprising potential takeover targets, production/non-production reserves, infrastructure and general market opportunities and the related fund raising required. Andrew's depth of industry experience, public company involvement and financial market understanding make an extremely valuable contribution to the Board.

## Meetings of Directors

During the financial year, meetings of Directors were held as detailed below. Attendances by each Director during the year were:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
John Kaminsky	4	4	3	3	2	1
Graham Billinghamurst	4	4	-	-	0	1*
Ramona Enconniere	4	4	3	2	2	2
Andrew Knox	4	4	3	3	2	2

\* Graham Billinghamurst attended one meeting in place of John Kaminsky.

## Options

At the date of this report, the unissued ordinary shares of Rimfire Pacific Mining NL under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Category of Option	Number under Option
14/12/2007	30/09/2010	\$0.12	Unlisted	7,500,000
29/06/2010	31/08/2011	\$0.04	Listed (RIMO)	124,790,443
			Total	<u>132,290,443</u>

No further options have been issued since the end of the financial year.

## Directors' Shareholdings

The Directors disclose their interest in shares, as at the date of this report:

### Shares held beneficially:

John Kaminsky	18,266,666
Graham Billingham	Nil
Ramona Enconniere	1,668,333
Andrew Knox	4,166,666

### Shares in which there is a relevant interest:

John Kaminsky	5,112,666
Graham Billingham	14,100,000
Ramona Enconniere	4,625,000
Andrew Knox	1,500,000

Shares held beneficially are those held directly. Shares in which there is a relevant interest are those held indirectly by the directors but where they have the power to control the voting or disposal of the security.

This report details the nature and amount of remuneration for each Director of Rimfire Pacific Mining NL, and for the executives receiving the highest remuneration.

## *Remuneration Policy*

The remuneration policy of Rimfire Pacific Mining NL has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance areas affecting the consolidated entity's financial results. The Board of Rimfire Pacific Mining NL believes the remuneration policy to be appropriate and effective, but has established a Remuneration Review Committee to allow the Company to maintain its ability to attract and retain the best executives and Directors to run and manage the consolidated entity, as well as create goal congruence between Directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the consolidated entity is detailed below:

The remuneration policy, setting the terms and conditions for executive directors and other senior executives, was approved by the Board. The executives are entitled to receive a mix as determined by the committee, of base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and options, subject to any necessary shareholder or regulatory approvals. Benefits to non executive Directors consisted exclusively of cash benefits in the period. A non-executive Director Pool of \$120,000 was established in 2009 and represents the maximum aggregate payments to non executive Directors in their capacity as Directors that can be paid in any one year.

The Board reviews executive and non executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

As a junior exploration company the key performance criteria for the Directors and executives relate to their ability to bring ideas, business skills, experience, appropriate networks, capital raising initiatives, promotional strategies, expenditure plans and pursue exploration programs through selection of appropriate technical specialists whilst exercising prudent judgement that can create significant shareholder value. This must all be conducted within modest financial resources, so efficiency and effectiveness are key performance measures by which the Directors need to be assessed.

Key objectives were set by the Board for the Executive Chairman of the Company, and were outlined in the General meeting of Shareholders held on 4 April 2005. The Board refers to these historic guidelines and modifies the content according to the specific needs of the Company and its strategies going forward. The Executive Chairman has a one year appointment to 30 November 2010.

Directors and Executives of the Company are also entitled to participate in share and option arrangements, subject to shareholder approval.

All remuneration paid to Directors and executives is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive Directors is not linked directly to the performance of the consolidated entity, however, the Board is conscious of its responsibilities and is mindful of the performance of the Company, so has acted accordingly, in formulating remuneration and incentive levels. To align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the company.

## Details of Remuneration for the Year Ended 30 June 2010

The remuneration for each Director of the consolidated entity receiving the highest remuneration during the year was as follows:

Name of Director	Primary		Post	Equity	Total
	Salary, Fees & Commissions	Cash Bonus	Employment Superannuation Contributions	Compensation Shares & Options	
	\$	\$	\$	\$	\$
<u>Non-Executive Directors</u>					
A. Knox	14,000	Nil	Nil	Nil	14,000
G. Billinghamurst	14,000	Nil	Nil	Nil	14,000
R Enconniere	14,000	Nil	Nil	Nil	14,000
<u>Executive Director</u>					
J Kaminsky	149,480	Nil	42,520	Nil	192,000
	<u>191,480</u>	<u>Nil</u>	<u>42,520</u>	<u>Nil</u>	<u>234,000</u>

Name of Director	Primary		Post	Equity	Total
	Salary, Fees & Commissions	Cash Bonus	Employment Superannuation Contributions	Compensation Shares & Options	
	\$	\$	\$	\$	\$
<u>Non-Executive Directors</u>					
A. Knox	Nil	Nil	Nil	22,500 (i)	22,500
G. Billinghamurst	Nil	Nil	Nil	22,500 (i)	22,500
R Enconniere	Nil	Nil	Nil	22,500 (i)	22,500
<u>Executive Director</u>					
J Kaminsky	126,055	Nil	45,945	15,974 (ii)	187,974
	<u>126,055</u>	<u>Nil</u>	<u>45,945</u>	<u>83,474</u>	<u>255,474</u>

(i) Shares issued during the year

(ii) Amortisation expense of options issued in prior years

All of the assumptions underlying the Binomial method of valuing options have been applied to arrive at a value of options issued to Directors. Fair values of options granted as part of remuneration are estimates only. The estimates are based on the degree of probability of future performance hurdles being met, combined with the use of the Binomial Model. This model takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the timing to maturity of the option.

### Performance Income as a Proportion of Total Remuneration

No performance based bonuses were paid during the year ended 30 June 2010 (2009: nil).

### Options Issued as Part of Remuneration for the Year Ended 30 June 2010

No options were issued as part of remuneration during the year (2009: nil).

### Employment Contracts of Directors

The engagement conditions of the Executive Chairman, Mr J Kaminsky, are formalised in a consulting agreement which commenced on 1 December 2008 and continued to 30 November 2009. The agreement was extended on identical terms until 30 November 2010.

The consulting agreement stipulates a one month resignation period. The Company may terminate the agreement without cause by providing 3 months written notice. Upon termination of the agreement, the individual is entitled to payment of accrued and outstanding remuneration entitlements to which the individual is or would have become entitled to during the full contract period of employment.

### Executives

There were no executives other than the Executive Chairman at balance date.

## Indemnifying Officers

In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

The company has not otherwise during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or any related body corporate against a liability incurred as such an officer or auditor.

Directors covered by the Directors & Officers Liability Insurance Policy at the time of this report are:

Mr John Kaminsky  
Ms Ramona Enconniere

Mr Graham Billinghamurst  
Mr Andrew Knox

## Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

## Auditor's Independence Declaration

The auditor independence declaration required under Section 307C of the Corporations Act 2001 forms part of this Directors' Report and is included on page 23.

## Non-Audit Services

There were no non-audit services provided by PKF Chartered Accountants during the financial year.

Signed in accordance with a resolution of the Board of Directors.



Director John Kaminsky

Dated this 1<sup>st</sup> day of September 2010



Chartered Accountants  
& Business Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Rimfire Pacific Mining NL for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Rimfire Pacific Mining NL and the entity it controlled during the year.

**J A Mooney**  
**Partner**  
**PKF**

1 September 2010  
Melbourne

Tel: 61 3 9603 1700 | Fax: 61 3 9602 3870 | [www.pkf.com.au](http://www.pkf.com.au)  
PKF | ABN 83 236 985 726  
Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia  
GPO Box 5099 | Melbourne | Victoria 3001

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## Introduction

The Directors of Rimfire Pacific Mining NL recognise the need for high standards of corporate governance and are focused on fulfilling their responsibilities individually and as a Board to all of the Company stakeholders. The Board supports the guidelines on the “Principles of Good Corporate Governance and Best Practice Recommendations” (“Principles”) established by the ASX Corporate Governance Council.

Given the size and structure of the Company, the nature of its business, the stage of its development and the cost of strict and detailed compliance with all of the recommendations the Company has adopted some modified systems, procedures and practices which it considers allow it to reasonably meet the principles of good corporate governance.

The Company practices aim for consistency with those of the guidelines and its recommendations. The Company considers that it has adopted practices that are appropriate to the Company’s circumstance in this regard. At the end of this Corporate Governance Statement a table is included detailing the recommendations with which the Company does not strictly comply, including reasons for departure from any stated Principles.

The following sections outline the Company practices in complying with the Principles.

## Principle 1: Laying Solid Foundations for Management and Oversight

The role of the Board is to lead and oversee the management and direction of the Company.

After appropriate consultation with executive management, the Board:

1. Defines and sets its business objectives. It subsequently monitors performance and achievements of the Company’s objectives and that of senior management;
2. Oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and a review of executive management, remuneration practices and insurance needs of the Company;
3. Monitors and approves financial performance and budgets; and
4. Reports to shareholders.

As part of the execution of their duties, Directors are involved in various subcommittees related to focused aspects of the Company. The Directors are able and encouraged to seek external professional advice as may be required, depending on circumstance.

In addition, Directors have a duty to disclose and appropriately report matters that affect their independence and conform to the Company’s trading policy governing dealings in the Company’s securities, including any related financial instruments.

During the period, a review of executive performance was undertaken by the Remuneration Committee in accordance with the Company’s stated review process and benchmarking.

Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a Director of the Company. One third of the Directors retire annually and are free to seek re-election by shareholders.

## Principle 2: Structuring the Board to Add Value

### *Composition of the Board*

The ASX Corporate Governance Council recommends that composition of the Board be determined so as to provide a Company with a broad base of industry, business, technical, administrative and corporate skill and experience considered necessary to represent shareholders and fulfill the business objectives of a Company.

The recommendations of best practice are that a majority of the Directors and in particular the chairperson should be independent. An independent Director is one who:

1. Does not hold an executive position;
2. Is not a substantial shareholder of the Company or an officer or otherwise associated directly or indirectly with a substantial shareholder of the Company;
3. Has not within the last 3 years been employed in an executive capacity by the Company or another group member or been a Director after ceasing to hold such employment;
4. Is not a principal of a professional adviser to the Company or another group member;
5. Is not a significant supplier or customer of the Company or another group member, or an officer of, or otherwise associated directly or indirectly with a significant supplier or customer;
6. Has no significant contractual relationship with the Company or any other group member other than as a Director of the Company; and
7. Is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the Directors ability to act in the best interests of the Company.

It is considered that a majority of independent Directors is the optimal composition to add value to the Company. This is due to the size and nature of the Company's business and risk profile of the Company. Corporate Governance practices are in place to support competent and objective operation of the Board and to provide investor assurance in relation to Board decision making.

As a junior exploration company, the key performance criteria for the Directors and executives relate to their ability to bring ideas, general business skills, experience, appropriate networks, risk assessment skills, capital raising initiatives, promotional strategies, expenditure plans and pursue exploration programs through appropriately selected technical specialists whilst exercising prudent judgment that can create significant shareholder value. This must all be conducted within modest financial resources, so efficiency and effectiveness are key performance measures by which the Directors are assessed.

The Board regularly discusses and reviews its performance. The chairperson also discusses with each Director their requirements, performances and aspects of involvement in the Company. The Non-Executive Directors discuss and evaluate the role fulfilled by management individually and together. This is reviewed against the discussed and agreed objectives of the Company and the effectiveness in carrying out those objectives.

### *Nomination of Other Board Members*

Due to the small size of the Company, no Nomination Committee exists currently, this function is adopted by the Board of Directors, which at least annually, reviews its composition to determine if additional core strengths are required to be added to the Board in light of the nature of the Company businesses and its objectives. The selection process takes into consideration the skills and experience of proposed Directors with an attempt to gain sufficient diversity amongst Directors to add value to the Company.

### *Independent Advice*

Each of the Directors is entitled to seek independent advice at Company expense to assist them to carry out their responsibilities.

## Principle 3: Promotion of Ethical and Responsible Decision-Making

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. The Company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director or the interests of any other party in so far as it affects the activities of the Company and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

Directors are required to make disclosure of any share trading. The Company policy in relation to share trading is that officers, employees and contractors are prohibited to trade whilst in possession of unpublished price sensitive information concerning the Company. That is information which a reasonable person would expect to have a material affect on the price or value of the Company shares. An officer must discuss the proposal to acquire or sell shares with the Chairman prior to doing so to ensure that there is no price sensitive information of which that officer might not be aware. The undertaking of any trading in shares by Directors must be notified to the Company and Chairman who makes disclosure to ASX within the required reporting time-table guidelines.

The Company does not have a formal diversity policy, given the size of the Company at this point in time. However, the Company applies the common sense principle that the person of the right experience, skills and aptitude for a particular vocational need will be chosen for a vacancy within the Company. This has resulted in diversity in the work place as “a natural outcome”, rather than a formulated approach.

### Board Composition by Gender

<u>Executive Directors</u>		<u>Non-Executive Directors</u>	
<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
1	Nil	2	1

## Principle 4: Safe Guarding Integrity in Financial Reporting

An Audit Committee operates within the Company.

The committee consists of the following:

A Knox (Chairman)	Non Executive Director
R Enconniere	Non Executive Director
J Kaminsky	Executive Director

The main responsibilities of the Audit Committee are to:

1. Review the annual financial statements with the Executive Chairman and the external auditors and make appropriate recommendations to the Board;
2. Review all regular financial reports to be made to the public prior to their release and make appropriate recommendations to the Board;
3. Monitor compliance with statutory and Australian requirements for financial reporting; and,
4. Review reports from management and external auditors on any significant proposed regulatory, accounting or reporting issues, to assess the potential impact on the Company’s financial reporting process.

The Executive Chairman is required to state in writing that the Company's Financial Reports present a true and fair view in all material respects of the Company's financial condition and operational results in accordance with relevant accounting standards.

The committee is also charged with the responsibilities of recommending to the Board the appointment, removal and remuneration of the external auditors and reviewing the terms of their engagement and the scope and quality of the audit.

An analysis of fees paid to the external auditors, including a breakdown of fees of non audit services, is provided in the notes to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board.

Each Board member has access to the external auditors and the auditor has access to each Board member.

## **Principle 5: Making Timely and Balanced Disclosure**

The Executive Chairman has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirement in the ASX Listing Rules and overseeing and co-coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All material information concerning the Company, including its financial situation, performance, ownership and governance are posted on the Company web site to ensure all investors have equal and timely access.

## **Principle 6: Respecting the Rights of Shareholders**

The Board recognises its responsibility to ensure that its shareholders are informed of all major developments affecting the Company.

All shareholders who nominate to do so receive a copy of the Company's annual report. The annual, half yearly and quarterly reports are prepared in accordance of the ASX Listing Rules and are posted on the Company's web site.

Regular updates on operations are made via ASX releases, including access to any audiocast or video materials. It is regrettable that the ASX is not forward thinking in its restriction on practical aspects of the Company being able to always provide hyperlinks to these materials.

Information on the Company is posted on the Company's website. This amongst other information includes all text in relation to any notices on meetings to be held by the Company. When analysts are briefed on aspects of the Company's operation, the material used in the presentation is released to the ASX and posted on the Company's website.

The Company has maintained its website during the past year, inclusive of the last 3 years of all ASX release materials, which also incorporates financial information in this time. The website includes the option for shareholders to contact the Company for clarification and receive direct updates of Company matters.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

## **Principle 7: Recognising and Managing Risk**

A key element of the Board's role is the assessment of risk and the subsequent management of risk. Key risk areas for the Company include, amongst other things, exploration success risk, financial markets and economic cycle risk, commodity risk and key personnel risk. These are reviewed on a continuous basis and then specifically reviewed again at each Board meeting.

The issue with respect to risk in exploration is one of balancing the potential rewards with the cost of conducting adequate exploration programs. The Company employs a number of strategies to mitigate its risks including considering the farming out of exploration prospects, acquiring more information in order to better define targets within exploration prospects and maximising the use of lower cost exploration techniques. The Company utilises industry standard drafting techniques and software to map, log and assess its prospects for ongoing exploration suitability. Peer review of prospects, by both internal and third party consultants, is used when considered necessary, to consider exploration assumptions at various times.

The Company would be subject to commodity and currency price fluctuation through the sale of commodities denominated in \$US. The Company monitors certain commodity and currency movements and possible methods available to manage any such movements in price risk. However, the Company has no consistent current commercial production at this time, except potential by product from bulk sampling programs, so the Board does not consider price risk to be a significant factor at this time. Interest rate risk is assessed according to reporting guidelines.

The Board is responsible for approval of the acquisition and disposal of exploration and development interests. The Board is also responsible for overseeing identification and development of strategies to mitigate price risk, including hedging and also asset protection and potential liabilities via insurance.

The Company has in place internal control processes, and undertakes such modifications as are necessary to ensure reasonable levels of control are maintained.

Monitoring the performance of the Company's financial status and matching this adequately to the current business and economic cycles are key areas for Board risk assessment. Authorisation of equity raisings, entering into debt facilities and major capital expenditure or commitments require Board approval. All routine operating expenditures are the responsibility of management in accordance with programmes and budgets approved by the Board.

The Company currently has personnel of less than 10, which does not include an internal audit function. In relation to its responsibilities the Board's consideration includes the following:

1. Review of internal controls and recommendations of enhancements
2. Monitoring of compliance with the Corporations Act 2001, Australian Securities Exchange, Australian Taxation Office and Australian Securities Investments Commission requirements
3. Improving the quality of the management and accounting information
4. Follow-up and rectification by management of deficiencies or breakdown in controls or procedures.

The Executive Chairman provides a declaration under Section 295A, on behalf of the Company and its subsidiaries, that the financial position of the Company for the year of concern is a true and fair view, complying with the necessary Accounting Standards and Corporations Act regulations.

## Principle 8: Remunerate Fairly and Responsibly

A Remuneration Committee operates within the Company.

The committee consists of the following:

- A Knox (Chairman)
- R Enconniere
- J Kaminsky (and alternate G Billingham)

The Remuneration Committee makes recommendations to the Board on remuneration packages and other terms of employment. Reviews are conducted annually, or earlier if required, by the committee having regard to performance and relevant comparative information. As well as a base salary, remuneration packages may include superannuation, termination entitlements, fringe benefits and securities.

Remuneration packages are set at levels that are intended to attract and retain high calibre staff and align the interest of the executives with those of the Company shareholders. Remuneration of Non-Executive Directors is treated separately and determined by the Board within the maximum amount approved by the shareholders from time to time. Currently, the annual pool established for maximum payments to Non Executive Directors, in their capacity as Directors is \$120,000 in aggregate.

There are no retirement benefits afforded to Non Executive Directors beyond statutory superannuation entitlements that may have accrued.

Further information on Directors' and Executives' remuneration is set out in the Directors' Report and Remuneration Report.

**Table of Departures and Explanations (from the recommendations of the ASX Corporate Governance Council)**

Recommendation Reference (Principle Number reference)	Departure from Recommendation	Explanation for Departure
2.2 & 2.3	The Chairman is an Executive Director and has a substantial associated shareholding in the Company and therefore does not meet the test of independence.	The Board considers that the Chairman is capable of acting independently and is sufficiently experienced to fulfil that role.
2.4	No separate Nomination Committee currently exists.	As a small Company, it is considered more practical for the Board as a whole to take on the responsibility for new Director nomination ideas.
2.5 and 2.6	There has been no formal disclosure of the process for performance evaluation of the Board, committees, individual Directors and key Executives.  There is no separate section on the Company website currently devoted to Corporate Governance.	Given the size of the Company and the involvement of all four Directors a policy has not been required to date. The Directors continually monitor and discuss performance.
3.1	No formal code of conduct has been established as to practices necessary to maintain confidence in the Company integrity or as to reporting and investigating unethical practices. Similarly, there has been no disclosure of the code of conduct to deal with compliance for legal or other obligations to legitimate stakeholders.	It is not considered that a code of conduct or reporting guide is yet necessary. The principles are followed. The business practices adopted by the Board recognise that proper compliance with legal and other obligations is mandatory for all Directors and the Company as a whole.
3.2 and 3.3	No formal policy exists for work place personnel diversity, which includes gender diversity.	It is not considered that a formal diversity policy is required, given the small size of the Company and its work force. The principles are followed to the extent that the appropriate skill, experience, aptitude and competence are the key criteria for personnel selection. The practices adopted by the Board recognise that proper compliance with legal and other obligations is mandatory for the Company as a whole.
4.2	The structure of the Audit Committee comprises 3 Directors, both Executive and Non Executive Directors, but has a majority of Non-Executive Directors.	Given the size of the Company, it is appropriate in the Board's opinion to include the Executive Chairman within the Audit Committee. A Non-Executive Director is the Chairperson of the Audit Committee.
4.3	The Audit Committee does not have a formal charter.	Given the size of the Company, the entire Board works intimately with the Executive management and Audit Committee. The Board feels that adequate procedures are in place that a formal audit charter is not necessary at this time.

Recommendation Reference (Principle Number reference)	Departure from Recommendation	Explanation for Departure
5.1	Limited written policy and procedure exists to ensure that compliance with ASX Listing Rules disclosure requirements are met at senior management level.	There is only one senior Executive of the Company and the Board does not consider that a written policy is at this time required. It will be reviewed as the activities of the Company increase.
6.1	The Company has no formally designed or disclosed communication strategy with shareholders, beyond ensuring continuous disclosure is met. The ASX announcement platform is the main basis for communication with shareholders.	The Board is conscious of the need to continually keep shareholders and markets advised. The procedures adopted within the Company, although not written, are weighted towards informing shareholders and markets.
7.1 and 7.2	There has been no written implementation of policy on risk oversight and management or for senior management to make statements to the Board concerning those matters. However, risk assessment discussion is an integral part of management and the Board's activities on a regular basis.	Given the nature and size of the Company, its business interests and the involvement of all Directors who all have business management skills, it is not considered necessary to establish this practice at this time. Each member of the Board is in regular contact with senior exploration management, to assist the understanding of this key business risk.
7.3	The Company receives a statement of compliance under Section 295A concerning the integrity of the financial statements from the Executive Chairman, but the Company has no Chief Financial Officer given the size of the Company.	The Company complies with the spirit of the guidelines in this regard, but given the small size of the Company, it is not envisaged an internal financial officer would be appointed in the immediate future. The Company and Board work with the Company's external auditors and accountants to ensure a suitable compliance statement is authorised.

Project Area	Units	Reference	Date Granted	Expiry Date	Registered Holder	State	Mineral Focus
Fifield	15	EL6241 <sup>a</sup>	17-May-04	16-May-10	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	40	EL5534	23-Oct-98	22-Oct-10	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	4	EL5565	24-Mar-99	23-Mar-11	100% Rimfire	NSW	Platinum
Fifield	70	EL7058 <sup>b</sup>	1-Feb-08	31-Jan-10	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	12	EL6144	24-Oct-03	23-Oct-11	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	4	EL7233	31-Oct-08	30-Oct-10	100% Rimfire	NSW	Gold/Base Metal
Fifield	13	EL7234	31-Oct-08	30-Oct-10	100% Rimfire	NSW	Gold/Base Metal.
Fifield	1.9ha	MC305 <sup>c</sup>	17-Nov-04	17-Nov-09	100% Rimfire	NSW	Gold/Platinum/ Silver
Fifield	2ha	MC 306 <sup>d</sup>	17-Nov-04	17-Nov-09	100% Rimfire	NSW	Gold/Platinum/ Silver
Bingara Diamonds	69	EL6106	29-Jul-03	28-Jul-11	100% Rimfire	NSW	Diamonds
Bingara Diamonds	2	EL5880	31-July-01.	30-Jul-11	100% Rimfire	NSW	Diamonds
Bingara Diamonds	4	EL6893	4-Oct-07	3-Oct-11	100% Rimfire	NSW	Diamonds
Bingara Diamonds	18	EL6894	4-Oct-07	3-Oct-11	100% Rimfire	NSW	Diamonds
Broken Hill	74	EL5958 <sup>f</sup>	24-Jun-02	23-Jun-11	100% Rimfire	NSW	Base Metals

Notes:

a, b, c, d - Renewal applications have been lodged

f – Rimfire retains a 10% free carried interest. Perilya is the operator, holding a 90% interest.



# Statement of Comprehensive Income

## for the year ended 30 June 2010

	Note	Consolidated Entity	
		2010	2009
		\$	\$
Revenue from continuing operations	2	50,273	122,654
Employees benefits expense		(155,692)	(45,979)
Directors' securities non-cash benefits expense		-	(83,474)
Non-executive Directors' fees		(42,000)	-
Professional costs		(71,921)	(114,895)
Occupancy costs		(26,312)	(28,183)
Travel costs		(17,155)	(14,959)
Marketing expense		(7,332)	(9,664)
Depreciation and amortisation expense		(23,893)	(15,953)
Insurance		(12,494)	(14,761)
Share registry and listing expenses		(37,486)	(32,215)
Information and technology expense		(9,422)	(4,615)
Impairment write off on exploration costs		(5,102)	(8,397)
Other expenses		(24,981)	(35,183)
Finance costs		(37)	(4,271)
Loss from continuing operations before income tax	3	(383,554)	(289,895)
Income tax expense	4	-	-
Loss from continuing operations after income tax		(383,554)	(289,895)
Other comprehensive income		-	-
Total comprehensive loss for the year		(383,554)	(289,895)
Loss attributable to members		(383,554)	(289,895)
Basic earnings/(loss) per share (cents per share)	7	(0.12)	(0.09)
Diluted earnings/(loss) per share (cents per share)	7	(0.12)	(0.09)

The accompanying notes form part of these financial statements

# Statement of Financial Position

## for the year ended 30 June 2010



	Note	Consolidated Entity	
		2010	2009
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	1,654,313	1,351,869
Receivables	9	25,515	45,479
Other current assets	12	16,137	5,000
<b>TOTAL CURRENT ASSETS</b>		<u>1,695,965</u>	<u>1,402,348</u>
<b>NON-CURRENT ASSETS</b>			
Receivables	9	150,000	162,969
Property, plant and equipment	11	380,805	309,541
Exploration & evaluation costs carried forward	13	4,834,473	4,112,839
<b>TOTAL NON-CURRENT ASSETS</b>		<u>5,365,278</u>	<u>4,585,349</u>
<b>TOTAL ASSETS</b>		<u>7,061,243</u>	<u>5,987,697</u>
<b>CURRENT LIABILITIES</b>			
Payables	14	156,899	128,060
Interest-bearing liabilities	15	-	833
Provisions	16	2,624	1,872
<b>TOTAL CURRENT LIABILITIES</b>		<u>159,523</u>	<u>130,765</u>
<b>TOTAL LIABILITIES</b>		<u>159,523</u>	<u>130,765</u>
<b>NET ASSETS</b>		<u>6,901,720</u>	<u>5,856,932</u>
<b>EQUITY</b>			
Contributed equity	17	16,110,293	14,681,951
Accumulated losses		<u>(9,208,573)</u>	<u>(8,825,019)</u>
<b>TOTAL EQUITY</b>		<u>6,901,720</u>	<u>5,856,932</u>

The accompanying notes form part of these financial statements

# Statement of Changes in Equity

for the year ended 30 June 2010

Consolidated Entity

Year Ended 30 June 2010

	Share Capital - Ordinary	Accumulated Losses	Total
	\$	\$	\$
<b>Balance at 1 July 2009</b>	14,681,951	(8,825,019)	5,856,932
Shares issued during the year	1,622,276	-	1,622,276
Transaction costs related to shares issued	(193,934)	-	(193,934)
Total comprehensive loss for the year	-	(383,554)	(383,554)
<b>Balance at 30 June 2010</b>	<b>16,110,293</b>	<b>(9,208,573)</b>	<b>6,901,720</b>

Consolidated Entity

Year Ended 30 June 2009

	Share Capital - Ordinary	Accumulated Losses	Total
	\$	\$	\$
<b>Balance at 1 July 2008</b>	14,598,477	(8,535,124)	6,063,353
Shares issued during the year	67,500	-	67,500
Share options expense	15,974	-	15,974
Total comprehensive loss for the year	-	(289,895)	(289,895)
<b>Balance at 30 June 2009</b>	<b>14,681,951</b>	<b>(8,825,019)</b>	<b>5,856,932</b>

The accompanying notes form part of these financial statements

# Statement of Cash Flows

## for the year ended 30 June 2010



	Note	Consolidated Entity	
		2010	2009
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(387,109)	(311,928)
Interest received		64,076	97,381
Interest and finance costs paid		(37)	(4,271)
Net cash used in operating activities	24a	<u>(323,070)</u>	<u>(218,818)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(95,157)	(41,757)
Payment for mining tenement exploration		(726,736)	(696,014)
Proceeds from refunds of sundry assets		-	10,000
Net cash used in investing activities		<u>(821,893)</u>	<u>(727,771)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		-	(107,000)
Proceeds from issue of shares		1,613,146	-
Transaction costs associated with share issues		(165,739)	(19,327)
Net cash provided by/(used in) financing activities		<u>1,447,407</u>	<u>(126,327)</u>
Net increase/(decrease) in cash held		302,444	(1,072,916)
Cash at beginning of the year		<u>1,351,869</u>	<u>2,424,785</u>
Cash at end of the year	8	<u><u>1,654,313</u></u>	<u><u>1,351,869</u></u>

The accompanying notes form part of these financial statements

### **Note 1 Statement of Accounting Policies**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Rimfire Pacific Mining NL and its controlled entity. Rimfire Pacific Mining NL is a listed public company, incorporated and domiciled in Australia.

During the year ended 30 June 2010, the Federal Government introduced amendments to the Corporations Act 2001, removing the requirement for consolidated groups to include full parent entity financial statements when preparing consolidated financial statements. Royal Assent for these amendments was received on 28 June 2010. The Rimfire Group has adopted these amendments for the consolidated financial statements for the year ended 30 June 2010.

The principal activities of the consolidated entity during the financial year were the exploration and development of economic mineral deposits.

The financial report of Rimfire Pacific Mining NL and its controlled entity, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report was authorised for issue by Directors on the date of signing the directors' declaration.

The financial report is presented in Australian dollars, has been prepared on an accruals basis and is based on historical costs.

#### **Accounting Policies**

##### **a. Significant Judgements and Key Assumptions**

Judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements concern the future successful exploration and development of mining tenements including the saleability of mined resources.

The following key assumption has been made concerning the future and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

It is assumed that the mining tenements currently being explored by the consolidated entity will be successfully developed with minerals being produced and commercially sold on the market at some future point, as yet unspecified. The production of saleable minerals is assumed to be at least sufficient to recover the costs of exploration and development. Should this assumption prove incorrect then material adjustments may have to be made for impairment losses in respect of capitalised exploration costs.

The calculation of the fair value of options for purposes of share based payments in respect of options issued to directors in previous financial years has been based on the binomial method of option pricing. This method requires the estimation of the expected share price volatility in Rimfire Pacific Mining NL which has been disclosed at Note 18 of the financial statements.

##### **b. Principles of Consolidation**

A controlled entity is any entity controlled by Rimfire Pacific Mining NL. Control exists where Rimfire Pacific Mining NL 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 Rimfire Pacific Mining NL to achieve the objectives of Rimfire Pacific Mining NL. A list of controlled entities is contained in Note 10 to the financial statements.

All inter-company balances and transactions between entities in the consolidated entity, 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. Investments in subsidiaries are accounted for at cost in the individual financial reports of Rimfire Pacific Mining NL.

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

##### **c. Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the 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 from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on the 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 taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Rimfire Pacific Mining NL and its wholly-owned Australian subsidiary have not formed an income tax consolidated group under the tax consolidation regime.

**d. Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

**Property**

Freehold land and buildings are measured on the cost basis, being the amounts which have been paid for the asset.

**Plant and equipment**

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

**Depreciation**

The depreciable amount of property, plant and equipment, but excluding freehold land, is depreciated using a reducing balance method commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	15%
Plant and equipment	7.5%-30%
Office furniture	10%-40%
Motor Vehicles	19%

**e. Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**f. Exploration Evaluation and Development Expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

g. **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 cash-generating unit to which the asset belongs.

h. **Employee Benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year including entitlements arising from wages and salaries and annual leave, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred.

i. **Cash and cash equivalents**

For the purpose of the cash flow statement, cash includes:

— cash on hand and at call deposits with banks or financial institutions net of bank overdrafts.

j. **Receivables**

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

k. **Payables**

Trade payables and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. Payments are normally settled on 30 day terms.

l. **Financial Instruments**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction 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 requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised 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.

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.

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 financial 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.

Fair value

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

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment loss has arisen. Impairment losses are recognised in the income statement.

**m. Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

**n. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

**o. Going Concern**

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. As at 30 June 2010, the consolidated entity has sufficient cash reserves to continue its current exploration programmes and other working capital requirements for a period beyond 12 months from the date of this report. Should additional funding be required the consolidated entity may attempt future equity capital raising initiatives, however, it should be noted that while this source of funding has been used regularly in the past, any future capital raising would be dependent on financial market conditions at the time that any additional equity funds are being sought.

**p. Interest-bearing Liabilities**

Mortgage loans are recognised in the financial statements on the basis of the nominal amounts outstanding at balance date plus accrued interest.

**q. Borrowing Costs**

Borrowing costs are expensed as incurred.

**r. Equity Settled Compensation**

The group previously operated a share-based compensation and incentive plan which included a share option arrangement applicable to the remuneration policy for directors. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and 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 options granted using the Binomial method.

**s. New and Revised Accounting Standards and Interpretations**

All new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Rimfire Pacific Mining NL and its subsidiary's operations and effective for annual reporting periods beginning on 1 July 2009 have been adopted by the consolidated entity.

Consideration has been given to the following standards, amendments to standards and interpretations, identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report:

**Accounting Standards**

AASB No.	Title	Details of New Standard / Amendment / Interpretation	Issue Date	Operative Date (Annual reporting periods <b>beginning</b> on or after)
9	Financial Instruments	This standard includes the requirements for the classification and measurement of financial assets resulting from Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement.	Dec 2009	1 Jan 2013
2009 – 5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes.	May 2009	1 Jan 2010



AASB No.	Title	Details of New Standard / Amendment / Interpretation	Issue Date	Operative Date (Annual reporting periods <u>beginning</u> on or after)
2009 – 8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	The amendments resolve diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 – Group and Treasury Share Transactions will be withdrawn from the application date.	Jul 2009	1 Jan 2010
2009 – 10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments.	Oct 2009	1 Feb 2010
2009 – 12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.  The Standard also amends AASB 8 to require entities to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.	Dec 2009	1 Jan 2011
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	June 2010	1 Jul 2013
2010 – 3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	The subjects of the principal amendments to the Standards are set out below: AASB 3 Business Combinations <ul style="list-style-type: none"> <li>• Measurement of non-controlling interests</li> <li>• Un-replaced and voluntarily replaced share-based payment awards</li> <li>• Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 (2008)</li> </ul>	June 2010	1 Jul 2010

# Notes to the Financial Statements

## for the year ended 30 June 2010



AASB No.	Title	Details of New Standard / Amendment / Interpretation	Issue Date	Operative Date (Annual reporting periods <u>beginning</u> on or after)
2010 – 4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 1 First-time Adoption of Australian Accounting Standards</p> <ul style="list-style-type: none"> <li>• Accounting policy changes in the year of adoption</li> <li>• Revaluation basis as deemed cost</li> <li>• Use of deemed cost for operations subject to rate regulation</li> </ul> <p>AASB 7 Financial Instruments: Disclosures</p> <ul style="list-style-type: none"> <li>• Clarification of disclosures</li> </ul> <p>AASB 101 Presentation of Financial Statements</p> <ul style="list-style-type: none"> <li>• Clarification of statement of changes in equity</li> </ul> <p>AASB 134 Interim Financial Reporting</p> <ul style="list-style-type: none"> <li>• Significant events and transactions</li> </ul> <p>Interpretation 13 Customer Loyalty Programmes</p> <ul style="list-style-type: none"> <li>• Fair value of award credits</li> </ul>	June 2010	1 Jul 2011

### Interpretations

Int No.	Title	Details of New Standard / Amendment / Interpretation	Issue Date	Operative Date (Annual reporting periods <u>beginning</u> on or after)
19	Extinguishing Financial Liabilities with Equity Instruments	<p>This interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The interpretation deals with situations where either partial or full settlement of the liability has occurred.</p>	Dec 2009	1 Jul 2010

The consolidated entity does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the consolidated entity's financial statements.

**Note 2 Revenue**

	Consolidated Entity	
	2010	2009
	\$	\$
<b>Operating activities</b>		
Interest received	38,833	122,654
Sale of minerals	10,574	-
Other	866	-
	<u>50,273</u>	<u>122,654</u>
Total Revenue	<u>50,273</u>	<u>122,654</u>

**Note 3 Results for the Financial Year**

Consolidated Entity	
2010	2009
\$	\$

The results for the financial year have been arrived at after charging the following:

**Expenses**

Rental expense	25,389	27,541
Superannuation contribution expense	4,227	3,980

**Note 4**      **Income Tax Expense**

	Consolidated Entity	
	2010	2009
	\$	\$
a. The prima facie tax on loss before tax is reconciled to the income tax as follows:		
Prima facie tax on loss before tax at 30% (2009: 30%)	(115,066)	(86,969)
Add:		
Tax effect of:		
— non-allowable items	300	27,561
— net of current year tax losses not recognised and deductible items (exploration expenditure and others)	152,114	88,707
	<u>37,348</u>	<u>29,299</u>
Less:		
Tax effect of:		
— capitalised share placement costs	37,348	29,299
	<u>-</u>	<u>-</u>
Income tax expense attributable to loss before income tax	-	-
Deferred tax liability in relation to exploration costs	1,450,342	1,233,852
Less tax losses available	<u>1,450,342</u>	<u>1,233,852</u>
	<u>-</u>	<u>-</u>
The deferred tax asset arising from tax losses has not been recognised as an asset because recovery is not probable:		
Tax losses carried forward	3,429,107	3,089,368
Balance of franking account at year end	<u>-</u>	<u>-</u>

Potential deferred tax assets attributable to tax losses carried forward have not been brought to account because Directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable.

Future benefits attributable to temporary differences have not been brought to account as the Directors do not believe it is appropriate to regard the realisation of such benefits as probable. These benefits will only be obtained if:

- (a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
- (b) the Company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss.

Rimfire Pacific Mining NL and its wholly owned entity have not opted to enter the tax consolidation regime as at 30 June 2010.

### Note 5 Key Management Personnel Remuneration

- a. Names and positions held of Parent Entity Directors and Executives in office at any time during the financial year are:

#### Parent Entity Directors

John Kaminsky	Executive Chairman and Director
Graham Billingham	Non-Executive Director and Secretary
Ramona Enconniere	Non-Executive Director
Andrew Knox	Non-Executive Director

#### Executives

There were no other executives of the consolidated entity.

#### b. Parent Entity Directors' Remuneration

##### 2010

	Short-term	Cash	Post	Share based	Total
	Salary & Fees	Bonus	Employment	Payment	
	\$	\$	Superannuation	Shares &	\$
			Contribution	Options	
			\$	\$	
Andrew Knox	14,000	-	-	-	14,000
Graham Billingham	14,000	-	-	-	14,000
Ramona Enconniere	14,000	-	-	-	14,000
John Kaminsky	149,480	-	42,520	-	192,000
	191,480	-	42,520	-	234,000

##### 2009

	Short-term	Cash	Post	Share based	Total
	Salary & Fees	Bonus	Employment	Payment	
	\$	\$	Superannuation	Shares &	\$
			Contribution	Options	
			\$	\$	
Andrew Knox	-	-	-	22,500	22,500
Graham Billingham	-	-	-	22,500	22,500
Ramona Enconniere	-	-	-	22,500	22,500
John Kaminsky	126,055	-	45,945	15,974	187,974
	126,055	-	45,945	83,474	255,474

Fair values of options granted as part of remuneration are estimates only. The estimates are based on the degree of probability of any future performance hurdles being met, combined with the use of the Binomial Model. This model takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the timing to maturity of the option.

#### c. Remuneration Options

No options were granted to the directors during the current year.

During the 2009 year Mr J Kaminsky exercised the following options issued to him as part of his remuneration and long term incentive program:

- 750,000 options vesting on 31 May 2008 and exercised on 11 July 2008 for nil consideration.
- 750,000 options vesting on 30 November 2008 and exercised on 10 December 2008 for nil consideration.

No options were exercised by any Director during the year to 30 June 2010.

Refer note 17a on options amortisation expense incurred during the 2009 year.

d. **Options Holdings**

Number of Options held by Directors & Executives

	Balance 01/07/09	Granted as Remuneration	Options Exercised	Net Change Other *	Balance 30/06/10	Total Vested 30/06/10	Total Exercisable 30/06/10	Total Un- exercisable 30/06/10
<b>2010</b>								
<b>Directors</b>								
R Enconniere	1,500,000	-	-	-	1,500,000	1,500,000	1,500,000	-
A Knox	1,500,000	-	-	-	1,500,000	1,500,000	1,500,000	-
G Billinghamurst	1,500,000	-	-	2,720,834	4,220,834	4,220,834	4,220,834	-
J Kaminsky	2,000,000	-	-	3,100,000	5,100,000	5,100,000	5,100,000	-
<b>Total</b>	<b>6,500,000</b>	<b>-</b>	<b>-</b>	<b>5,820,834</b>	<b>12,320,834</b>	<b>12,320,834</b>	<b>12,320,834</b>	<b>-</b>

\* options attached to shares acquired under the 2 for 5 renounceable rights issue.

Number of Options held by Directors & Executives

	Balance 01/07/08	Granted as Remuneration	Options Exercised	Net Change Other *	Balance 30/06/09	Total Vested 30/06/09	Total Exercisable 30/06/09	Total Un- exercisable 30/06/09
<b>2009</b>								
<b>Directors</b>								
R Enconniere	2,500,000	-	-	(1,000,000)	1,500,000	1,500,000	1,500,000	-
A Knox	2,500,000	-	-	(1,000,000)	1,500,000	1,500,000	1,500,000	-
G Billinghamurst	3,500,000	-	-	(2,000,000)	1,500,000	1,500,000	1,500,000	-
J Kaminsky	4,500,000	-	(1,500,000)	(1,000,000)	2,000,000	2,000,000	2,000,000	-
<b>Total</b>	<b>13,000,000</b>	<b>-</b>	<b>(1,500,000)</b>	<b>(5,000,000)</b>	<b>6,500,000</b>	<b>6,500,000</b>	<b>6,500,000</b>	<b>-</b>

\* options expired in the period on 30/09/2009

### Note 5 Key Management Personnel Remuneration (Cont'd)

#### e. Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1/7/09	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/6/10
<b>2010</b>					
<b>Parent Entity Directors</b>					
G Billinghamurst	11,379,166	-	-	2,720,834	14,100,000
J Kaminsky	20,279,332	-	-	3,100,000	23,379,332
A Knox	5,666,666	-	-	-	5,666,666
R Enconniere	6,293,333	-	-	-	6,293,333
<b>Total</b>	<b>43,618,497</b>	<b>-</b>	<b>-</b>	<b>5,820,834</b>	<b>49,439,331</b>

\* Net Change Other refers to shares taken up under the rights issue.

Number of Shares held by Key Management Personnel

	Balance 1/7/08	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/6/09
<b>2009</b>					
<b>Parent Entity Directors</b>					
G Billinghamurst	9,879,166	1,500,000	-	-	11,379,166
J Kaminsky	18,779,332	-	1,500,000	-	20,279,332
A Knox	4,166,666	1,500,000	-	-	5,666,666
R Enconniere	4,793,333	1,500,000	-	-	6,293,333
<b>Total</b>	<b>37,618,497</b>	<b>4,500,000</b>	<b>1,500,000</b>	<b>-</b>	<b>43,618,497</b>

\* Net change other refers to shares purchased or sold during the financial year.

#### Remuneration Practices

The Company's policy for determining the nature and amount of emoluments of Board members and senior executives is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, the complexity of the tasks undertaken, the market rate for such skills and work requirements and overall performance of the company. A Remuneration Committee exists within the Company to make assessments, review benchmarks and set any appropriate goals.

The engagement conditions of the Executive Chairman, Mr J Kaminsky, are formalised in an agreement which took effect 1 December 2009 and expires on 30 November 2010.

The consulting agreement stipulates a one month resignation period. The Company may terminate the agreement without cause by providing 3 months written notice. Upon termination of the agreement, the individual is entitled to payment of accrued and outstanding remuneration entitlements to which the individual is or would have become entitled to during the full contract period of employment.

**Note 6 Auditor's Remuneration**

	Consolidated Entity	
	2010	2009
	\$	\$
Remuneration of the auditor for:		
— auditing or reviewing the financial reports	26,000	23,700
— other services	-	-
	26,000	23,700

**Note 7 Earnings per Share**

	Consolidated Entity	
	2010	2009
	\$	\$
a. <b>Reconciliation of Earnings to Net Profit or Loss</b>		
Loss used in the calculation of basic EPS	(383,554)	(289,895)
Loss used in the calculation of dilutive EPS	(383,554)	(289,895)
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	312,659,890	309,606,602
Potential ordinary shares	-	-
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	312,659,890	309,606,602
c. <b>Classification of securities</b>		
Current share options are anti-dilutive and securities have not been classed as potential ordinary shares and are not included in the determination of dilutive EPS:	132,290,443	7,500,000
d. Ordinary shares issued between reporting date and time of completion of the financial report	-	-

**Note 8 Cash and Cash Equivalents**

	Note	Consolidated Entity	
		2010	2009
		\$	\$
Cash at bank		1,654,313	1,351,869
		1,654,313	1,351,869
Reconciliation of Cash			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash		1,654,313	1,351,869
		1,654,313	1,351,869



**Note 9**      **Receivables**

	Consolidated Entity	
	2010	2009
	\$	\$
<b>CURRENT</b>		
Security deposits	80	80
Interest receivable	30	25,273
Sundry debtors	25,405	20,126
	<u>25,515</u>	<u>45,479</u>
<b>NON-CURRENT</b>		
Security deposits	150,000	162,969
	<u>150,000</u>	<u>162,969</u>

**Note 10**      **Controlled Entity**

	Country of Incorporation	Percentage Owned (%)	
		2010	2009
<b>Parent Entity</b>			
Rimfire Pacific Mining NL			
<b>Subsidiary of Rimfire Pacific Mining NL</b>			
Axis Mining NL	Australia	100	100

**Note 11**      **Property, Plant and Equipment**

	Consolidated Entity	
	2010	2009
	\$	\$
<b>LAND</b>		
Freehold land:		
At cost	216,720	216,720
Total Land	<u>216,720</u>	<u>216,720</u>
<b>PLANT AND EQUIPMENT</b>		
Plant and equipment		
At cost	173,105	109,034
Accumulated depreciation	(46,980)	(33,871)
	<u>126,125</u>	<u>75,163</u>
Motor Vehicle		
At cost	33,247	9,536
Accumulated depreciation	(5,492)	(3,164)
	<u>27,755</u>	<u>6,372</u>
Office Furniture		
At cost	46,757	46,398
Accumulated depreciation	(36,848)	(35,460)
	<u>9,909</u>	<u>10,938</u>
Leasehold Improvements		
At cost	420	420
Accumulated depreciation	(124)	(72)
	<u>296</u>	<u>348</u>
Total Plant and Equipment	<u>164,085</u>	<u>92,821</u>
Total Property, Plant and Equipment	<u>380,805</u>	<u>309,541</u>

**Note 11 Property, Plant and Equipment (Cont'd)**

**a. Movements in Carrying Amounts**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

<b>2010</b>	<b>Freehold Land</b>	<b>Motor Vehicles</b>	<b>Plant and Equipment</b>	<b>Office Furniture</b>	<b>Leasehold Improvements</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
Consolidated Entity:						
Balance at the beginning of year	216,720	6,372	75,163	10,938	348	309,541
Additions	-	23,681	68,572	2,874	-	95,157
Disposals	-	-	-	-	-	-
Depreciation expense	-	(2,328)	(17,610)	(3,903)	(52)	(23,893)
Carrying amount at the end of year	<u>216,720</u>	<u>27,755</u>	<u>126,125</u>	<u>9,909</u>	<u>296</u>	<u>380,805</u>

<b>2009</b>	<b>Freehold Land</b>	<b>Motor Vehicles</b>	<b>Plant and Equipment</b>	<b>Office Furniture</b>	<b>Leasehold Improvements</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
Consolidated Entity:						
Balance at the beginning of year	216,720	7,842	48,736	10,029	410	283,737
Additions	-	-	37,325	4,432	-	41,757
Disposals	-	-	-	-	-	-
Depreciation expense	-	(1,470)	(10,898)	(3,523)	(62)	(15,953)
Carrying amount at the end of year	<u>216,720</u>	<u>6,372</u>	<u>75,163</u>	<u>10,938</u>	<u>348</u>	<u>309,541</u>

**Note 12 Other Assets**

**Consolidated Entity**

**2010      2009**  
\$            \$

**CURRENT**

Prepayments	<u>16,137</u>	<u>5,000</u>
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**Note 13 Exploration & Evaluation Costs Carried Forward**

**Consolidated Entity**

**2010      2009**  
\$            \$

**NON-CURRENT**

Exploration Expenditure

Costs carried forward in respect of areas of interest in:

- exploration and evaluation phases	<u>4,834,473</u>	<u>4,112,839</u>
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Opening balance	4,112,839	3,409,608
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Additional expenditure	726,736	711,628
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Impairment write off	(5,102)	(8,397)
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Closing balance	<u>4,834,473</u>	<u>4,112,839</u>
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Ultimate recoupment of these costs is dependant on successful development and commercial exploration or alternatively sale of the respective areas of interest.

**Note 14**      **Payables**

	Consolidated Entity	
	2010	2009
	\$	\$
<b>CURRENT</b>		
Unsecured liabilities		
Trade creditors	95,636	75,594
Sundry creditors and accrued expenses	61,263	52,466
	<u>156,899</u>	<u>128,060</u>

**Note 15**      **Interest Bearing Liabilities**

	Consolidated Entity	
	2010	2009
	\$	\$
<b>CURRENT</b>		
Unsecured liabilities		
Rental Bond Received	-	833
	<u>-</u>	<u>833</u>

**Note 16**      **Provisions**

	Consolidated Entity	
	2010	2009
	\$	\$
<b>CURRENT</b>		
Employee Benefits	2,624	1,872
	<u>2,624</u>	<u>1,872</u>

**Note 17**      **Contributed Equity**

		Consolidated Entity	
	Notes	2010	2009
		\$	\$
436,766,550 (2009: 311,976,107) fully paid ordinary shares	17a	16,110,293	14,681,951
		<u>16,110,293</u>	<u>14,681,951</u>
<b>a. Ordinary shares</b>			
At the beginning of the reporting year		14,681,951	14,598,477
Shares issued during the year			
— 124,790,443 on 29 June 2010 at 1.3 cents per share (i)		1,622,276	-
— Shares issued in the previous year		-	83,474
Transaction costs relating to share issues		(193,934)	-
		<u>1,428,342</u>	<u>83,474</u>
At reporting date		<u>16,110,293</u>	<u>14,681,951</u>

The Company does not have limited authorised capital and issued shares have no par value.

(i) Issued pursuant to a 2 for 5 renounceable rights issue.

**Note 17**                      **Contributed Equity (Cont'd)**

	Consolidated Entity	
	2010 No.	2009 No.
At the beginning of reporting year	311,976,107	305,976,107
Shares issued during year		
— 29 June 2010	124,790,443	-
— Issued in the previous year	-	6,000,000
At reporting date	436,766,550	311,976,107

On 29 June 2010 the Company issued 124,790,443 ordinary shares at 1.3 cents per share from a 2 for 5 renounceable rights issue.

**b. Options**

On 29 June 2010 in accordance with the terms of the renounceable share rights issue, 124,790,443 listed options were issued with an exercise price of 4 cents and an expiry date of 31 August 2011.

For information relating to share options issued to key management personnel, refer to Note 18 Share-based Payments.

**c. Capital Management**

Management controls the capital of the consolidated entity in order to ensure that the Company remains a going concern as a primary objective and is able to deliver suitable exploration, as the circumstances allow. This is done, to the best of management's ability in the prevailing business and economic circumstances. The consolidated entity's debt and capital includes ordinary share capital, listed options and financial liabilities.

The Board may in the future adjust the capital structure to take advantage of favourable costs of capital and issue further shares in the market. The Board has no current plans to adjust the capital structure. There are no plans to distribute dividends in the next financial year.

The consolidated entity is not subject to any externally imposed capital requirements.

**Note 17**                      **Contributed Equity (Cont'd)**

	Note	Consolidated Entity		Parent Entity	
		2009 No.	2008 No.	2009 No.	2008 No.
At the beginning of reporting period		305,976,107	240,520,886	305,976,107	240,520,886
Shares issued during year					
— 11 July 2008		750,000	-	750,000	
— 10 December 2008		4,500,000	-	4,500,000	
— 10 December 2008		750,000	-	750,000	
— Issued in the previous year		-	65,455,221	-	65,455,221
At reporting date		<u>311,976,107</u>	<u>305,976,107</u>	<u>311,976,107</u>	<u>305,976,107</u>

On 11 July 2008 the Company issued 750,000 ordinary shares at nil cents per share to the Executive Chairman through an exercise of 750,000 call options issued on 14 December 2007.

On 10 December 2008 the Company issued 4,500,000 at nil cents per share to the Directors as part of their remuneration and longer term incentive.

On 10 December 2008 the Company issued 750,000 ordinary shares at nil cents per share to the Executive Chairman through an exercise of 750,000 call options issued on 14 December 2007.

**b. Options**

For information relating to share options issued to key management personnel during the financial year, refer to Note 18 Share-based Payments.

**c. Capital Management**

Management controls the capital of the consolidated entity in order to ensure that the Company remains a going concern as a primary objective and is able to deliver suitable exploration, as the circumstances allow. This is done, to the best of management's ability in the prevailing business and economic circumstances. The consolidated entity's debt and capital includes ordinary share capital, listed options and financial liabilities.

The Board may in the future adjust the capital structure to take advantage of favourable costs of capital and issue further shares in the market. The Board has no current plans to adjust the capital structure. There are no plans to distribute dividends in the next financial year.

The consolidated entity is not subject to any externally imposed capital requirements.

**Note 18**      **Share Based Payments**

The following share-based payment arrangements existed at 30 June 2010:

On 14 December 2007, 6,500,000 share options were granted to the Directors of the Company and 1,000,000 were granted to the Exploration Manager, Mr C Plumridge to take up ordinary shares at an exercise price of 12 cents each. The options were available for exercise from 14 December 2007 to 30 September 2010. (Reference OP01)

All options granted to Directors and the Exploration Manager are for ordinary shares in Rimfire Pacific Mining NL, which confer a right of one ordinary share for every option held.

	Consolidated Entity			
	2010		2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		\$		\$
Outstanding at the beginning of the year	7,500,000	0.12	15,000,000	0.11
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	(1,500,000)	-
Expired	-	-	(6,000,000)	0.12
Outstanding at year-end	7,500,000	0.12	7,500,000	0.12
Exercisable at year-end	7,500,000	0.12	7,500,000	0.12

There were no options exercised during the year ended 30 June 2010.

The options outstanding at 30 June 2010 had a weighted average exercise price of \$0.12 and a weighted average remaining contractual life of 3 months.

No share based payment options were granted during the year ended 30 June 2010.

Included under Directors' securities benefits expense is \$nil (2009: \$83,474), and relates, in full, to equity-settled share-based payment transactions.

All of the assumptions underlying the Binomial method of valuing options have been applied to arrive at a value of options issued to Directors. Fair values of options granted as part of remuneration are estimates only. The estimates are based on the degree of probability of future performance hurdles being met, combined with the use of the Binomial Model. This model takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the timing to maturity of the option.

### Note 19 Capital and Leasing Commitments

		Consolidated Entity	
		2010	2009
		\$	\$
	Note		
a. <b>Operating Lease Commitments</b>			
<u>Office &amp; Other Premises</u>			
Payable			
— not later than 1 year		20,830	16,164
— later than 1 year but not later than 5 years		16,201	-
		<u>37,031</u>	<u>16,164</u>

The office premises lease is a non-cancellable lease with a two-year term, with rent payable monthly in advance, and commenced on 1<sup>st</sup> April 2010. The lease agreement has a fixed yearly payment value of year (1) \$20,573 plus GST and year (2) \$21,602 plus GST. An option exists to renew the lease at the end of the two year term for a further period of two years. The lease allows for sub-letting of all lease areas.

### b. **Capital Expenditure Commitments**

The consolidated entity is committed to capital expenditure on its various mining tenements and leases as follows:

		Consolidated Entity	
		2010	2009
		\$	\$
Payable			
— not later than 1 year		595,000	500,000
— later than 1 year but not later than 5 years		945,000	1,000,000
		<u>1,540,000</u>	<u>1,500,000</u>

### Note 20 Contingent Liabilities and Contingent Assets

The Directors are not aware of any matters or circumstances which have arisen during or since the financial year which may significantly affect the operations of the consolidated entity, the results of those operations or state of affairs of the consolidated entity in future years.

### Note 21 Operating Segments

#### Business and Geographical Segments

The group has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the board of directors. At regular intervals the board is provided management information at a group level for the group's cash position, the carrying values of exploration permits and a group cash forecast for the next twelve months of operation. On this basis, no segment information is included in these financial statements.

**Note 22**      **Related Party Details**

	Consolidated Entity	
	2010	2009
	\$	\$
<p>Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.</p>		
<p>Transactions with related parties:</p>		
<p>(i) Director-related Entities</p>		
Strategic International Ventures Pty Ltd, a company associated with Mr J Kaminsky, was paid in respect of administrative services provided for the parent entity during the year.	19,148	16,358
<p>Parent Entity Information:</p>		
Current assets	1,695,738	1,402,121
Total assets	7,061,016	5,987,470
Current liabilities	158,023	129,265
Total liabilities	158,023	129,265
Issued capital	16,110,293	14,681,951
Accumulated losses	(9,207,300)	(8,823,746)
Total equity	6,902,993	5,858,205
Loss of the parent entity	(383,554)	(289,895)
Comprehensive loss of the parent entity	(383,554)	(289,895)

**Note 23**      **Post Balance Date Events**

There are no matters or circumstances which have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.



**Note 24**      **Cash Flow Information**

	Consolidated Entity	
	2010	2009
	\$	\$
a. <b>Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>		
Loss after income tax	(383,554)	(289,895)
Non-cash flows in loss		
Depreciation and amortisation	23,893	15,953
Write-off of capitalised expenditure	5,102	8,397
Share based payments expensed	-	83,474
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in prepayments	(11,137)	3,333
(Increase)/decrease in other receivables	42,063	(20,446)
Increase/(decrease) in trade creditors and accruals	(189)	(21,506)
Increase/(decrease) in provisions	752	1,872
Cash flows used in operations	(323,070)	(218,818)
b. <u>Cash not available for use</u>		
There was no cash as at the end of the year which was unavailable for use.		
c. <u>Non-cash Financing and Investing Activities</u>		
There were no non-cash financing and investing activities carried out during the year.		
d. <u>Credit Standby Facilities</u>		
The group has no overdraft facility.		

**Note 25 Financial Risk Management**

**a. Financial Risk Management Policies**

The group's financial instruments consist mainly of deposits with banks, deposits with other non-financial institutions, payables, loans to subsidiaries.

The main purpose of non-derivative financial instruments is to raise and maintain finance for the group's operations.

The group is not involved in the use of derivative financial instruments for either hedging or speculative trading purposes. Such instruments include forward exchange and currency option contracts and interest rate swap agreements.

**i. Treasury Risk Management**

The Board of directors regularly reviews the financial and economic cycle risks that may affect the Company. In addition, an audit committee consisting of the executive director and non-executive directors of the group meet to analyse financial risk exposure and to evaluate management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the consolidated group in meeting its financial goals, whilst minimising the potential adverse effects on financial performance.

The audit committee operates under policies approved by the Board of directors. Risk management policies are approved and reviewed by the Board on a regular basis. These primarily include the management of the group's future cash flow requirements.

**ii. Financial Risk Exposure and Management**

The main risks the group is exposed to through its financial instruments are credit risk, interest rate risk and liquidity risk.

*Interest Rate Risk*

Interest rate risk refers to the risk that adverse changes in the market rate of interest applicable to either debts owed by the group or interest bearing investments held by the group will materially impact on the group's financial performance or position.

The group's interest rate risk exposure in relation to debt is managed by fixing the rate of exchange with respect to secured borrowings. Risk associated with funds held in deposit with financial institutions is managed by maintaining short term or non-fixed maturity dates with respect to these deposits.

*Liquidity Risk*

Refers to the risk that the group will have insufficient funds available to meet debts as and when they fall due. The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained and that opportunities for equity financing are regularly monitored.

*Credit Risk*

At balance date the maximum exposure to credit risk, (excluding the value of any collateral or other security), recognised as a financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

The group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

*Business Cycle Risks*

The Company monitors key market indicators representative of the current business cycle to ensure that business cycle risks are taken into consideration in planning decisions. In particular, the general economic climate is reviewed and considered in the specific context of the resource and exploration industry outlook. Regular discussion within the Board takes account of the potential impact of these circumstances and the Company's ability to maintain its exploration programs at a suitable level and the cycle risk impact on any Company financing decisions.

*Exploration and Project Risks*

The nature of the core business is high risk exploration activities. There is always the possibility, despite best endeavours and extensive work programs that an economic realisation of the exploration work undertaken may not occur. The Board receives regular input from various technical professionals in regards to its work programs and weighs the relative performance of the exploration activities undertaken by the Company with the stated direction of attempting to add significant commercial value to its portfolio of projects. In addition, a risk exists that suitably qualified personnel cannot be retained or secured to continue work on the various exploration programs.

## Note 25 Financial Risk Management (Cont'd)

### b. Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates on classes of financial assets and financial liabilities, is as follows:

	Floating Interest Rate		Fixed Interest Rate		Non-interest Bearing		Total	
	\$		\$		\$		\$	
	2010	2009	2010	2009	2010	2009	2010	2009
Financial Assets								
Cash	1,554,113	40,481	100,000	1,311,325	200	63	1,654,313	1,351,869
Receivables	150,000	150,000	-	-	25,515	58,448	175,515	208,448
Total Financial Assets	1,704,113	190,481	100,000	1,311,325	25,715	58,511	1,829,828	1,560,317
Financial Liabilities								
Trade and sundry creditors	-	-	-	-	156,899	125,932	156,899	125,932
Rental Bond	-	-	-	-	-	833	-	833
Total Financial Liabilities	-	-	-	-	156,899	126,765	156,899	126,765
Net Financial Assets	1,704,113	190,481	100,000	1,311,325	(131,184)	(68,254)	1,672,929	1,433,552

**Note 25**      **Financial Risk Management (Cont'd)**

c.      **Net Fair Values**

The carrying amounts of financial assets and liabilities approximate their net fair value unless otherwise stated.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised financial instruments

**Cash:** The carrying amount approximates fair value.

**Receivables:** The carrying amount approximates fair value.

**Term Deposits:** The carrying amount approximates fair value.

**Trade Creditors:** The carrying amount approximates fair value.

d.      **Sensitivity Analysis**

The group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

*Interest Rate Sensitivity Analysis*

At 30 June 2010, the effect on profit after tax and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	<b>Consolidated Entity</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
Change in profit after tax		
-      Increase in interest rate by 2%	34,082	39,174
-      Decrease in interest rate by 2%	(34,082)	(39,174)
Change in equity		
-      Increase in interest rate by 2%	34,082	39,174
-      Decrease in interest rate by 2%	(34,082)	(39,174)

The above changes are based on the effect of an interest rate change in relation to funds held in deposit with financial institutions.

**Note 26**

**Company Details**

The registered office of the Company is: Rimfire Pacific Mining NL  
"Exchange Tower"  
Suite 411, 530 Little Collins Street  
Melbourne Victoria 3000

The principal place of business is: Rimfire Pacific Mining NL  
"Exchange Tower"  
Suite 411, 530 Little Collins Street  
Melbourne Victoria 3000

The Directors of the Company declare that:

1. the financial statements, notes and the Remuneration Report in the Directors' Report set out on pages 20 and 21, are in accordance with the Corporations Act 2001, including:
  - a. giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the financial report also complies with International Financial reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in note 1; and
3. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Executive Chairman has given the declarations in his capacity as chief representative of executive management of the company to the Directors required by Section 295A of the Corporations Act 2001.

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



Director                                John Kaminsky

Dated this                                1<sup>st</sup> day of September 2010



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIMFIRE PACIFIC MINING NL

### Report on the Financial Report

We have audited the accompanying financial report of Rimfire Pacific Mining NL, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising Rimfire Pacific Mining NL and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

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

#### *Auditor's Opinion*

In our opinion:

- (a) the financial report of Rimfire Pacific Mining NL is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Tel: 61 3 9603 1700 | Fax: 61 3 9602 3870 | [www.pkf.com.au](http://www.pkf.com.au)  
PKF | ABN 83 236 985 726  
Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia  
GPO Box 5099 | Melbourne | Victoria 3001

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## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 6 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion the Remuneration Report of Rimfire Pacific Mining NL for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.



PKF

1 September 2010  
Melbourne

**J A Mooney**  
Partner

1. The shareholder information set out below was applicable as at 10 September 2010

(a) Distribution of Shareholders by Class

Category (size of holding)	Ordinary Shares	Listed Call Options	Unlisted Options
1 - 1,000	45,721	3,794	-
1,001 - 5,000	538,210	117,731	-
5,001 - 10,000	1,490,492	289,195	-
10,001 - 100,000	32,585,054	7,495,668	-
100,001 & over	402,107,073	116,884,055	7,500,000
Total	<u>436,766,550</u>	<u>124,790,443</u>	<u>7,500,000</u>

(b) The number of holders with shareholdings in less than marketable parcels was 1012 as at 10 September 2010.

(c) The number of holders of each class of equity security as at 10 September 2010 was:

Class of Security	Number
Ordinary fully paid shares	1727
Listed call options	389
Unlisted options	5

(d) There was one substantial shareholder listed in the holding company's register as at 10 September 2010.

Mr John Kaminsky had a beneficial interest in 23,379,332 ordinary fully paid shares, representing 5.35% of the outstanding shares in the Company.

(e) Voting Rights

Every Member is entitled to be present at a meeting and may vote.

On a show of hands, every Member has one vote.

On a poll every Member has:

- one vote for each fully paid share; and
- voting rights pro rata to the amount paid up on each partly paid share held by the Member.



(f) 20 Largest Shareholders - Ordinary Capital as at 10 September 2010.

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Mr John Kaminsky	18,266,666	4.18%
2.	UBS Wealth Management Australia Nominees Pty Ltd	15,058,533	3.45%
3.	Warcoll Holdings Pty Ltd	12,000,000	2.75%
4.	Ralston Corporation Pty Ltd	11,511,094	2.64%
5.	Mr Kerry Peter Jelbart	9,929,015	2.27%
6.	Esperance Investments Pty Ltd	8,339,300	1.91%
7.	Mr Alexander Suvoltos	7,000,000	1.60%
8.	Bond Street Custodians Limited	6,250,000	1.43%
9.	Cooee Investments Pty Ltd	6,032,083	1.38%
10.	Mr Paul Lay + Miss Filomena Lay	6,000,000	1.37%
11.	Mr William Theodore Durnell	5,500,000	1.26%
12.	Jillina Kaminsky	5,112,666	1.17%
13.	Assesslaw Pty Ltd	4,336,878	0.99%
14.	Mr Andrew Knox	4,166,666	0.95%
15.	Donald Malcolm Leembruggen	3,995,381	0.91%
16.	Mr Guy Alexander Lumsden	3,750,106	0.86%
17.	Mr Laurie John Newman	3,702,852	0.85%
18.	Dr Gary Robert Lillicrap, Mr Damian Gary Lillicrap, Mrs Imelda Anne Lillicrap	3,650,000	0.84%
19.	Mr Tin Sheung Lau	3,573,833	0.82%
20.	Mrs Ma Ting Fong	3,394,034	0.78%
		<u>141,569,107</u>	<u>32.41%</u>

(g) 20 Largest Listed Call Option Holders as at 10 September 2010.

	Name	Number of Issued Listed Call Options Held	% Held of Issued Listed Call Options
1.	Mr Paul Lay & Miss Filomena Lay	9,403,854	7.54%
2.	Mr Kerry Peter Jelbart	6,112,576	4.91%
3.	Mr Matthew David Burford	5,450,000	4.37%
4.	Ralston Corporation Pty Ltd	5,228,884	4.24%
5.	Mr Alan David Dimmock	3,000,000	2.40%
6.	Tilstar Investments Pty Ltd	3,000,000	2.40%
7.	Jacobs Corporation Pty Ltd	2,964,200	2.38%
8.	Celtic Capital Pty Ltd	2,953,244	2.37%
9.	Mr Robert Peter Vanderlaan	2,912,050	2.33%
10.	Fernland Holdings Pty Ltd	2,736,200	2.19%
11.	Flue Holdings Pty Ltd	2,736,200	2.19%
12.	Mr Daniel Paul Wise	2,736,200	2.19%
13.	Mr John Kaminsky	2,500,000	2.00%
14.	Cooee Investments Pty Ltd	2,400,000	1.92%
15.	Goldshore Investments Pty Ltd	2,280,100	1.83%
16.	Mr Brian Lee & Mrs Audrey Lee	2,280,100	1.83%
17.	Moneda Investments Pty Ltd	2,280,100	1.83%
18.	Spring Street Holdings Pty Ltd	2,280,100	1.83%
19.	Warcoll Holdings Pty Ltd	2,120,834	1.70%
20.	Mr Alexander Suvoltos	2,000,000	1.60%
		<u>67,444,642</u>	<u>54.05%</u>

2. The name of the company secretary is Mr Graham Billingham.

3. The address and telephone number of the registered office and principal administrative office is:

Suite 411, 530 Little Collins Street  
Melbourne, Victoria 3000

Telephone: (03) 9620 5866  
Facsimile: (03) 9620 5822  
Website: [www.rimfire.com.au](http://www.rimfire.com.au)

4. The register of securities is held at the following address:

Computershare Registry Services  
Level 19,  
307 Queen Street  
Brisbane QLD 4001

Telephone: 1 300 552 270  
Facsimile: (07) 3237 2152

5. Stock Exchange Listing

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

6. Vendor Securities

There are no restricted securities on issue as at 10 September 2010.

7. Unquoted Securities

20 Largest Holders of Unlisted Options as at 10 September 2010.

Name	Number of Unlisted Options Held Exp. 30/09/10 Exercise @ \$0.12	% Held of total Issued Unlisted Options
1. Mr Graham Billingham	1,500,000	20.00%
2. Mr Andrew Knox	1,500,000	20.00%
3. Ms Ramona Enconniere	1,500,000	20.00%
4. Mr Colin Plumridge	1,000,000	13.33%
5. Mr John Kaminsky	<u>2,000,000</u>	<u>26.67%</u>
	<u>7,500,000</u>	<u>100.00%</u>

<b>Directors:</b>	John Kaminsky (Chairman) Graham Billinghamurst Ramona Enconniere Andrew Knox
<b>Company Secretary:</b>	Graham Billinghamurst
<b>Registered Office:</b>	Suite 411, 530 Little Collins Street Melbourne, Victoria 3000
<b>Exploration Office:</b>	Suite 411, 530 Little Collins Street Melbourne, Victoria 3000
<b>Auditors:</b>	PKF Chartered Accountants Level 14, 140 William Street Melbourne, Victoria 3000
<b>Lawyers for the Company:</b>	McNab Lawyers Level 5, 111 Collins Street Melbourne, Victoria 3000
<b>Share Registry:</b>	Computershare Investor Services Pty Ltd Level 19, 307 Queen Street Brisbane, Queensland 4001
<b>Bankers:</b>	Macquarie Bank Limited 300 Queen Street Brisbane, Queensland 4000
<b>Stock Exchange Listing:</b>	Australian Stock Exchange Home Exchange - Brisbane ASX Code – RIM
<b>Email address:</b>	<a href="mailto:rimfire@rimfire.com.au">rimfire@rimfire.com.au</a>
<b>Website address:</b>	<a href="http://www.rimfire.com.au">http://www.rimfire.com.au</a>



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