ANNUAL REPORT 2006

rimfire

corporate directory

Directors:	John Kaminsky (Chairman) Graham Billinghurst Ramona Enconniere Andrew Knox
Company Secretary:	Graham Billinghurst
Registered Office:	Suite 810, 530 Little Collins Street Melbourne, Victoria 3000
Exploration Office:	Suite 810, 530 Little Collins Street Melbourne, Victoria 3000
Auditors:	PKF Chartered Accountants Level 11, CGU Tower 485 La Trobe Street Melbourne, Victoria 3000
Lawyers for the Company:	McNab Lawyers Level 5, 111 Collins Street Melbourne, Victoria 3000
Share Registry:	Computershare Investor Services Pty Ltd Level 19, 307 Queen Street Brisbane, Queensland 4000
Bankers:	Macquarie Bank Limited 300 Queen Street Brisbane, Queensland 4000
Stock Exchange Listing:	Australian Stock Exchange Home Exchange - Brisbane ASX Code – RIM
Email address:	rimfire@rimfire.com.au
Website address:	http://www.rimfire.com.au

Dear Shareholder,

I take pleasure in providing to you the Annual Report for Rimfire Pacific Mining NL for the financial year ended 30 June 2006. This report provides details of the Company's various activities including the financial performance of the Company for the period.

The Company spent much of its time continuing exploration within its Fifield NSW Platinum project, principally at the "Platina" prospect. Important project knowledge has been gained in the last 12 months, through a continuing program, of geochemical sampling, auger drilling, trenching and percussion (RC) drilling.

The objective of the RC drill program conducted in Feb/March 2006 was to locate open cut, gravity separable coarse grain Platinum in bedrock at the "Platina" prospect. Whilst this objective was not immediately achieved during the RC drill program, the Company is still optimistic with a revised exploration strategy, that the extensive anomalous Platinum present in the Platina prospect vicinity, is of primary magmatic origin, and that the likely area of emplacement of the source of this primary Platinum exists broadly in the corridor investigated during the last 12 months of exploration activity by the Company.

This view is strongly vindicated in the recent establishment of significant "platinum contours" evidenced in the "sub soil clay layers" at Platina prospect during the July/August 2006 auger drilling program.

In the last 12 months the commodity price outlook for Platinum was extremely strong, where prices have been consistently above USD1,100 per ounce during the first half of 2006 and in addition industry observers have presented strong medium term price forecasts for platinum. Accordingly, the Company will continue to pursue its Platinum projects as a priority at Platina, and intends to widen its assessment of the "KARS" and "Avondale" prospects at Fifield, where encouraging results have been previously encountered.

The dedication and energy of the Company's exploration manager, and experienced field geologist, Colin Plumridge, has been outstanding, and his tireless efforts for the Company continue to demonstrate that the Fifield Platinum Project has the potential to be a significant discovery of a primary Platinum resource for the Company.

The Company was also able to make further advances in its exploration at its Bingara Diamond Project. A total data review and initial field assessment program conducted between February and August 2006 has identified features for further investigation, that aim towards a possible subsurface drilling program during the next 12 months. The Company is awaiting further petrology reports and sample reports on the recent field work conducted.

The landmark technical paper, titled 'Eclogitic and ultrahigh-pressure-crustal garnets, and their relationship to Phanerozoic subduction diamonds, Bingara area, New England Fold Belt, Eastern Australia' was published in North America "Economic Geology in Vol. 100:8 ", and was globally distributed commencing in May 2006. This is a significant recognition of the Subduction Diamond formation model at Bingara NSW and also recognises the exploration effort of the Company, which was co-author to this publication, with principal authors, Dr Jane Barron and Dr Larry Barron, who are also consultants to the Company. Although the paper has only been recently released it has received international interest through the important findings it demonstrates, the exploration undertaken, the research work conducted and the exploration tools now established.

Fundamentally the Company has now established the means of screening and prioritising important diamond indicator minerals, thereby providing a unique exploration tool to tune the search for the most prospective areas for diamonds within the Australian New England Fold Belt, and elsewhere in the world, where similar subduction settings are known to exist.

The Company has the intention to focus on its Bingara Diamond project to further enhance its appeal and prospectivity during the next calendar year, which may justify a specific purpose commercial structure to pursue this opportunity.

In addition to the Company's existing projects, strategies enabling the development of new project initiatives within world class geology settings are being reviewed by the Company.

Corporate and Administrative changes during the last 12 months

The head office of the Company was changed to Melbourne in March 2006. This move allows for a lower cost structure and a greater interaction with the financial community supporting the resources industry.

The Company has benefited during the year from the consolidation of the new Rimfire team formed 12 months ago including its two new non executive directors, Mr Andrew Knox and Ms Ramona Enconierre and new Exploration Manager, Mr Colin Plumridge, consulting geologist.

It should be noted that it remains a priority to minimise the cash out goings and the cost structure of the Company. Non Executive Directors have again generously agreed in the last financial year, not to draw on the cash reserves of the Company and have accepted modest non cash incentives for their valuable contributions to the Company.

The Company is conscious that it needs to deliver more value for shareholders, and keeping indirect costs as low as possible is an important ongoing aim.

Results of Company Operations to June 30th 2006

For the year ended 30th June 2006 the company incurred a loss of $546,033 from ordinary activities compared with $499,188 for the prior year, however, it should be noted that $113,072 of the current year loss is attributable to the issuing of non cash benefits in the form of options, for the period, compared with $63,250 in the prior period. These non cash benefits were previously excluded from the ordinary activities of the Company under the previous accounting standards applied for the period to June 30th 2004. As at 30th June 2006 the company's current assets were $472,103 compared with $120,952 for the prior year to June 30th 2005, and the closing cash position for 30th June 2006 was $427,529 compared with $59,216 for the prior period to June 30th 2006.

The Company greatly appreciates the dedication shown during the past year, by a range of people. I would like to extend my sincere gratitude to my fellow Directors, staff, consultants and associates for their positive attitude and hard work during the year.

The next 12 month period holds much promise for the Company as it continues to strive for positive outcomes in its exploration activities. I am looking forward to reporting on the various projects and initiatives the Company will undertake over the ensuing 12 months and growing the Company's performance to the benefit of all shareholders.

The Board of Directors genuinely acknowledges the ongoing support of its shareholders, and where possible has endeavoured to be accessible and timely with queries or suggestions raised by its shareholders within the appropriate guidelines as officers of the Company. Your continued interest in the Company is encouraged by the Board.

Yours sincerely,

John Kaminsky
Chairman
Dated 2nd October 2006

General Overview

The exploration focus for the past year was again on the Fifield Platinum Project and in particular, an extensive work program was conducted by the Company on the "Platina" prospect. The exploration goal at Platina is to determine the primary source of the coarse grain platinum that has been observed and mined historically (during the 1890 to early 1930 period) within the Platina-Gillenbine deep lead systems.

The system geology at Platina-Gillenbine was totally reviewed using a comprehensive program of mapping, trenching, auger drilling, sampling, ground magnetics and reworking of the Company's detailed high resolution airborne magnetic data. The net result of this program led the Company to consider that there is a reasonable technical basis that could lead to a significant discovery of a primary platinum deposit, within this newly interpreted geological system at the Platina prospect.

A percussion RC drill program of 3,112m, in 37 holes, was conducted within the known features at Platina prospect during Feb/March 2006. The core project objective of the RC drill program was "To determine the possibility of an open cut grade of bedrock Pt and Au mineralisation" in the new shear zone-dyke model. RC drilling tested both the mineralised rock below the identified soil workings of Pt, Au and the alluvium covered rock at the top end of the Platina Lead. The spacing of hole centres was generally 50m or greater apart. The RC drill program failed to intersect any commercial grade of Pt or Au, but did locate anomalous Pt and important indicators in Chromite (Cr) and Copper (Cu).

A subsequent auger drilling program was conducted to try and better interpret the near surface sub soil clay, in the vicinity of the RC drill hole locations and the historic soil mining areas at Platina. These clay layers appear to act as preserved emplacement layers and have indicated anomalous Pt zonal patterns of significance that the RC drill program had failed to intersect. The Company intends to trench and bulk sample these anomalous Pt zones, to gain a better geological control into a possible underlying bedrock source for the coarse grain primary Pt. This is an important next phase of exploration at Platina.

An efficient batch sample processing facility is now well established by the company at Fifield for production of concentrates from soil sampling, drill programs and trenching. This facility now makes a valuable contribution to the exploration program.

Exploration at the Bingara Diamond Project involved a detailed assessment of previous exploration data, new aerial photo reviews, target screening and field work which was conducted in the period February to August 2006. The locations of key diamond indicator minerals (DIM's) recovered in earlier stream sediment work by the Company, and bulk sampling that recovered 5 macro diamonds has been the geographic focal point for the current exploration program. An exploration strategy combining these earlier results, with new structural geological interpretation and magnetic features has enabled the Company to locate previously undiscovered Tertiary deep lead material, anomalous magnetic signature (diatreme?) proximal to high grade DIM's and a volcano clastic unit, yet to be fully characterised.

Additional sampling has been undertaken in August 2006 to help further assess these prospective areas for diamond occurrences. This would then lead to sub-surface investigation of the areas with the best diamond potential.

The Company is looking to have a defining exploration outcome for its Diamond properties during the next 12 months.

In addition, the Company has been assessing a range of new project initiatives, with a view to expanding the scope of quality projects available to the Company for exploration in the future.

Fifield Platinum Project – Detailed Overview

The Fifield Platinum Project is comprised of four tenements and two mineral claims covering known alluvial and hardrock platinum mineralisation at Fifield in central western NSW. The company is conducting exploration for the source(s) of the coarse grained alluvial platinum historically mined in the Fifield area and holds the following areas for exploration or development:

Exploration Licences - EL5534 EL5565 EL6144 EL6241

Mineral Claims - MC 305 MC 306

During the last year the extensive field exploration program conducted allowed a significant growth in the Company's knowledge at Fifield and was instrumental in defining high priority target areas in the search for the bedrock source(s) of primary Platinum (Pt) and Gold (Au). These targets included newly identified shear zones at Fifield that fracture and chemically alter basic-ultrabasic dykes. This was the Company's emerging conceptual mineralisation model and formed the basis of the RC Drill program within the shear zones – dykes searching for possible broad expanses of high grade Pt and Au veinlets in the system.

The Company duly conducted a 3,112m percussion RC drill program to test the mineralised rocks below the locations where the soil had been historically mined by others for Pt and Au. The RC drill program did not intersect commercial grade Pt, but the results from the program are still considered important progress in the unlocking of the subtle features that exist at Platina, in the search for the primary source of the coarse grain Pt, still believed to exist within this defined topographic corridor.

Summary of Key Exploration Activities at Fifield for Platinum in the last 12 months included;

- **A system Geology model and mineralising system model was developed** and further refined for the origin of the primary source of coarse grain platinum at Platina - Gillenbine
- **Petrological studies and grain morphology examination** on Pt grains giving confirmation of the likely existence of a proximal primary magmatic Pt source at Platina
- **Auger drill programmes** conducted during the year in two phases, produced Pt grains of note:
    1. in excess of 160 auger holes were drilled to delineate near surface geology prior to an RC drill program
    2. in excess of 250 auger holes were drilled after the RC drill program, to plot the zonal Pt anomalies residing within the sub soil clay layers, and proximal to the RC drill program main corridor
- **A geochemical map showing significant "anomalous platinum in contour lines" was constructed from the auger drill results in the sub soil clays (see figure 1, page 10)**
- **13 trenches completed** in total and mapped prior to January 2006, although the program was shortened due to bad weather.
    1. A further trenching program has been designed to follow the sub soil clay layers to track Pt into the bedrock and this commence in September/October 2006
- **Detailed mapping** has been completed over an area of 2000m x 500m for topography, old workings and geology
- **An RC drill program of 3112m** in 37 holes at the Platina prospect was completed during February/March 2006 period
- **Surface soil line sampling** encountered further anomalous Pt to the west of Platina, previously not identified by other explorers
- **A review of radiometric** surveys at Fifield was conducted
- **A sample processing facility** was established at Fifield

Petrology Report - Primary Magmatic Origin of Platinum at Platina

Detailed petrological work was conducted on mineral grains producing 127 analyses in January 2006. The petrological results were fundamentally consistent with the earlier work conducted by Colin Plumridge who studied the Pt and Au grains from the Platina alluvials, soil workings and debris flow material, where he concluded, on the basis of morphological characteristics, that the grains were of a primary origin, and the source of the Pt and Au grains was proximal to the samples analysed.

The detailed petrological report concluded the PGM's (Platinum Group Minerals) analysed at Fifield, were not created through accretive or secondary accumulations, but that:

> **"…there can be no doubt that the Fifield PGM accumulations are derived from a primary magmatic source close to the known "leads"…this coarse grained host could be a high T hydrothermal "shoot" or coarse grained, "pegmatitic" injection that carries extreme concentrations of PGMs…".**

This is an important conclusion in the Company's opinion.

RC Drill program (3112m)

A detailed exploration program was conducted using a combination of auger drilling, soil sampling, trenching, mapping, additional ground magnetic survey work, geophysical correlation and integration of all the available data to develop highly prospective target areas for an RC drill program to test for the bedrock source of the coarse Pt and Au grains.

Detailed magnetic maps have been generated from the Company's proprietary data, enabling a greater definition of potential subtle structural features. However, magnetic signature is unlikely to be a key exploration pathfinder for the primary source at Platina.

The RC drilling was confined to the main target corridor previously identified by Rimfire, which measured approximately 2600m x 400m. **Rimfire had encountered coarse grain Pt within this corridor, in bedrock, in 5 separate locations, through the Company's trenching and auger drill program in late 2005.**

Rimfire had observed that the Pt occurs as "coarse grains", therefore limiting the effectiveness of conventional assay techniques, so an intermediate "concentrating step" for the samples was developed. This, however, greatly extended the processing time for the RC drill samples.

Key milestones and summary details of the RC Drilling program

- 3,112m of RC drilling were completed in 37 holes with centre spacings generally greater that 50 metres in February/March 2006
- Previously undiscovered near vertical breccia zones were identified and encountered in widths of 5m to 60m. The length of the breccia zones is approximately 800m.
- Significant alteration and re-brecciation was seen within the breccia zones and some breccia zones seeming to emerge at surface that coincide with historic (1920's~30's) Platinum (Pt) soil mining areas, indicating a possible connection.
- 26 tonnes of RC drill samples were isolated from 90 tonnes in total of RC drill samples taken, and were sub sampling and analysed (pan concentrate assays, and conventional assays)
- Anomalous zoning of Pt, Au and indicator elements (Cr and Cu) observed in the RC Drill program

Interpretation of the Percussion (RC) Drill program at Platina-Gillenbine

Whilst the coarse nature of the platinum has always been seen as a positive attribute for any potential ore treatment recovery, it does represent a sampling dilemma at two levels.

1. The likely occurrence of uneven platinum distribution in the bedrock
2. Difficulty in applying conventional assay techniques on samples from a drill program

The Company's original interpretation of the historic 30 to 50m wide soil-clay mining scrapes at Platina indicated a probable wider platinum distribution may have existed. This interpretation was later revised, given that the percussion drilling had now shown that the platinum had a distribution that was not well suited to drill sampling on 50m hole spacings.

The RC drilling result presented two possible conclusions:

1. The platinum is in tiny ultra rich clusters that while widely distributed are not practical to sample via drilling.
2. The platinum is in rich small discrete patches that have been poorly sampled by the drilling pattern.

Subsequent Auger Drill Program at Platina in July and August 2006 – Key Summary

In order to help resolve the issue of the platinum mineralisation distribution, the Company subsequently used an auger drill program to sample the dense sub soil clay that grades vertically into decomposed bedrock at Platina. This clay is commonly between 20cm and 120cm deep and has some minimal historic movement, but much lower movement than the soil that occurs above it. Key summary details of the work were:

- 250 Auger drill holes were completed and have delineated significant platinum (Pt) occurrences in the subsoil dense clays adjacent, in many instances, to the RC drilling program conducted in February and March 2006.

- Significant anomalous Pt was mapped into contours with an estimate of Pt grades. **(Pt grades were estimated by microscope examination of the Pt grains recovered in each sample, but samples were not assayed).**

- These anomalous Pt zones are of substantial size.

- The subsoil clays are considered to grade vertically into the weathered bedrock below and are therefore considered likely to contain the source of the anomalous Pt represented in the subsoil clays.

- The RC drill program conducted in February/March 2006 did not well sample the bedrock source shapes now indicated by the Pt contours in the subsoil clays recently defined by the Auger drill program.

A map of the Pt contours defined by the Auger drill program in the subsoil clays, in relation to the previous RC Drill program, is shown (figure 1 on page 10).

The bedrock platinum distribution that fits the current data is shear controlled narrow zones with a different dyke type intruding the shear or parts of the shear. The percussion drilling shows that the platinum is not evenly distributed in the zone, but is most likely occurring in rich small clusters. These clusters probably reflect wall rock features such as cross fractures or the strong graphite patches that are present.

It is hoped that the nature of the shear and different dyke might provide a geological control.

The model refinement of the platinum mineralisation at Platina, indicated by the current data, could be suited to small scale slot like open cuts in the shallow zone followed by underground mining, if the rich Pt patches make a suitable shape.

Percussion (RC) Drill Hole Geochemistry at Platina-Gillenbine Prospect

Geochemical assays were carried out on the RC drill samples in the hope of finding a pathfinder element leading to the platinum position. The most useful elements appear to be copper (Cu) and chromium (Cr). Also, **traces of gravity concentrated platinum** are expected to be a pathfinder to ore grade platinum. This platinum could be as rare fine grains or as a platinum increase in sulphides. Platinum in the Platina-Gillenbine prospect area contains very little fine platinum. Subsoil Clay layer samples showed virtually all the platinum to be coarse.

Next Phase of Exploration with Trenching at Platina- Gillenbine

The subsoil clay sampling method through auger drilling is proving an effective and efficient way to detail the platinum distribution pattern at Platina. It is believed that this pattern may be followed into the bedrock.

Trenching is an ideal technique at Platina and will be used in an attempt to follow the platinum in the sub soil clay down into the weathered bedrock below. The bedrock source will be studied and, if appropriate, bulk sampled in due course.


Trenching at Platina


RC Drill Program


Binocular review in the field

Fifield Plant Operation - Sample Processing Facility

The plant was in use to allow multiple batch processing of the range of samples generated during the exploration work program, which included samples from soils, auger holes, RC drill holes and sub soil clay. The Company has now built an efficient and cost effective method for large scale batch sample processing.

Bingara Diamonds Project

The Bingara Diamond Project is comprised of two tenements at Bingara in central north western NSW. The company is conducting 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 and EL5880.

Diamond exploration re-commenced during the year at Bingara. The work programs have been designed to revalidate previous field data and examine specific structural features reviewed or newly identified throughout the last six months.

Bingara Diamond Exploration Milestone Summary

- Three field trips were conducted by the Company to Bingara in this reporting period
- A total and detailed review of historic exploration results was conducted
- Field validation of previous and newly observed anomalies was undertaken
- Key anomalies relating to drainage patterns, contours and aerial reviews were investigated. Previous historic sampling areas were re-examined in the vicinity of these key anomalies
- More than 2,000kgs of field sampling was undertaken in July and August, with samples to be processed and examined for key indicator minerals
- A key technical paper on the local derivation hypothesis and formation of diamonds in the Bingara NSW area was presented at three international technical forums in the last six months and published in the international American Journal "Economic Geology", and is well received by peer groups.

Details of the Company's Diamond exploration activities at Bingara NSW

A number of new geological features were recently identified through detailed re-examination and interpretation of ground magnetics, aerial magnetics, contour maps, aerial photo data and more recent field work. These geological features were visited on site at Bingara and further investigated. These features included additional magnetic anomalies, possible vents, creek drainage patterns, reworked volcanics and tertiary deep leads. Reconnaissance sampling was undertaken in the field.

The Company had previously, in the period 2000 to 2002, conducted creek sampling and magnetic studies which produced a number of priority areas for further examination, namely, Nareena, Tom and Jerry, Back Creek (Glenidle and Trevallyn) and Braemar, amongst others.

Each of these anomalies is undergoing further field work designed to provide a more precise "target definition" to enable possible drilling or bulk sampling of these prospects in the attempt to make a direct connection to a potential "bedrock diamond source(s)".

(See figure 2, page 11, for the areas of exploration interest and also showing some historic data on previous sampling sites).

The creek drainage systems are therefore being further tested and soil samples were taken as an ideal way to investigate the prospects and hence allow the exploration to get closer to the bedrock source area for the diamonds.

Exploration was also conducted searching for diatreme rocks that could potentially contain diamonds. This was done with magnetics and geological ground searches.

The presence for diamonds would then be tested via percussion drilling for micro diamonds or bulk rock sampling for macro and micro diamonds, as the next stage of a work program, if appropriate.
In excess of seventy creek and soil samples were taken in the August 2006 field program and these samples will be concentrated to 2kg heavy concentrates. These concentrates will be then be examined under microscope and studied for key indicator garnets and micro diamonds. Selected samples will then undergo further detailed petrological study, if appropriate.

Dr Jane Barron, consultant and adviser to the Company, delivered her presentation relating to the geological model on diamond formation and the evidence supporting this model obtained by examining the historic exploration results of the Company at Bingara NSW at three international conferences held between May and August 2006, including, the GAC-MAC conference in Montreal Canada, the AEMC 2006 conference in Melbourne and the prestigious V.M. Goldschmidt Conference also held in Melbourne.

The presentation materials at the conferences were based upon key summaries derived from the recently released (May 2006) landmark technical paper "**Eclogitic and ultrahigh-pressure-crustal garnets, and their relationship to Phanerozoic subduction diamonds, Bingara area, New England Fold Belt, Eastern Australia"**, principally authored by Dr Jane Barron and co-authored by Dr Larry Barron and Rimfire. This landmark article featured the Company's historic exploration results at Bingara, and was published **in the prestigious US journal, "Economic Geology", Vol. 100:8.** These conference presentations and the journal publication have attracted international recognition and interest.

The Company has an important stake in the exploration effort to uncover 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 tool has now been developed to find this hard rock diamond source(s) that the Company believes to exist at Bingara.

Above Trevallyn Prospect

Rutile exsolution in garnet

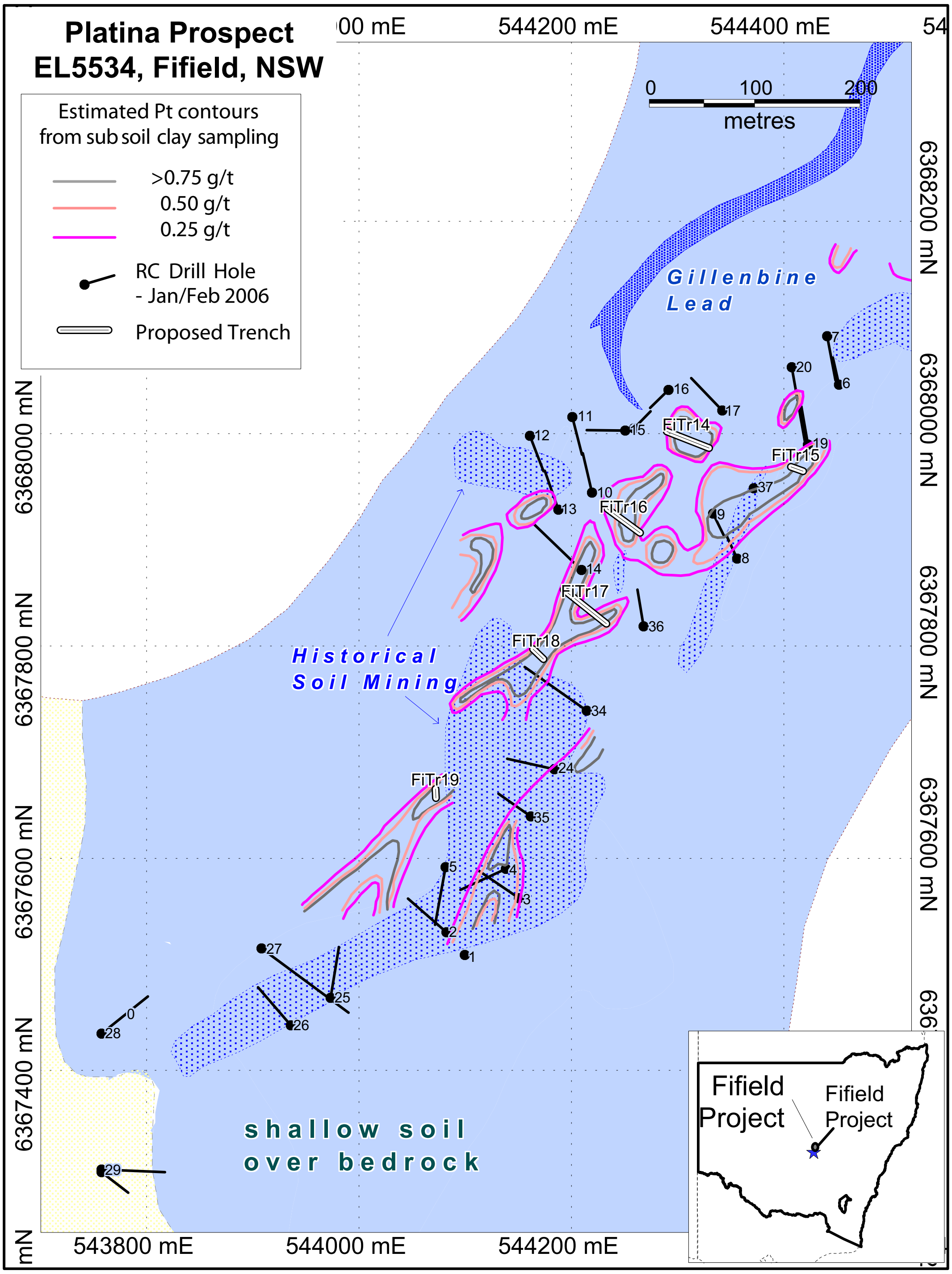
Above Tom & Jerry Prospect

The information in the report to which this statement is attached that relates to Exploration Results, Mineral Resources or Ore Reserves 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 mineralisation 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.

Platinum Contours at Platina and Trenching Plan September 2006

rimfire

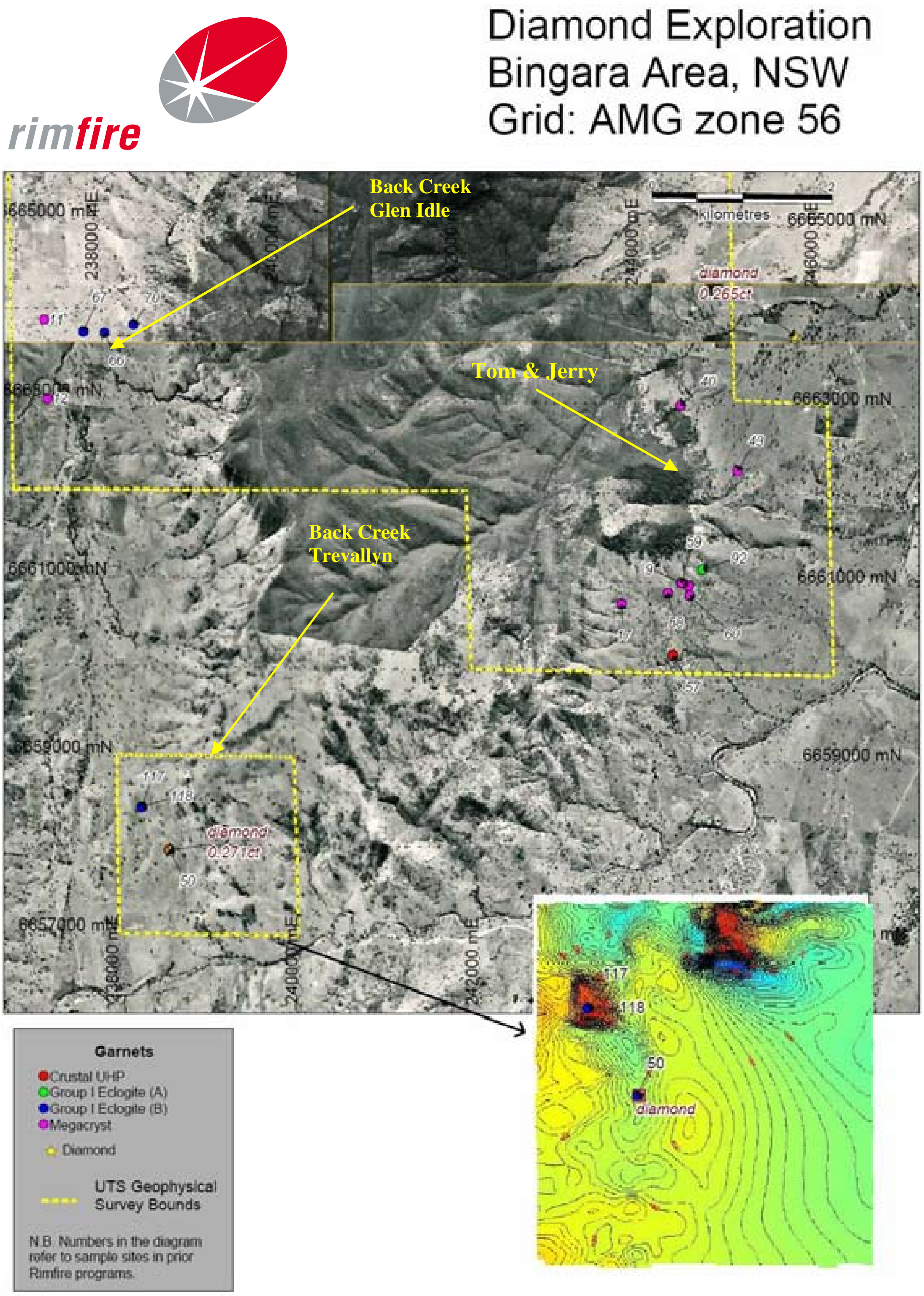
RIMFIRE PACIFIC
MINING NL



(figure 1)

Bingara Diamond Prospects Historic Data and Major Review Areas

The garnets and diamonds indicated in this diagram represent field work conducted by the Company in early 2001~2 and is now under full review in new field programs.



(figure 2)

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2006

Directors

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

Graham Billinghurst
Geoff Stuart (resigned 18/10/05)
John Kaminsky
Ramona Enconniere
Andrew Knox (appointed 08/07/05)

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

The Company continued to maintain a strong commitment to its key project areas, namely, at Fifield NSW for the source of primary magmatic platinum and at Bingara NSW for diamonds. The price of platinum, in particular, has maintained a level above USD1,100/ounce for much of 2006, and the outlook remains positive in the medium term, in the Company's view.

The field exploration work for primary coarse grain platinum at the Platina prospect within Fifield has been the focus of most of the Company's efforts during the year. The project progress through the efforts of Colin Plumridge, consulting geologist and exploration manager, has been substantial during the past year. An understanding of the system geology and the development of the mineralisation model at Platina prospect has been gained through various work programs, including extensive mapping, auger drilling, trenching and RC drill program.

The Company believes that the potential exists to discover a commercial primary platinum source at Platina prospect. The next phase of the exploration program at Platina is for the Company to investigate the "positive platinum contours' recently identified in the most recent auger drill program in the sub soil clay layers.

In addition, the Company is actively reviewing the platinum potential throughout its other prospects at Fifield. This is being done by establishing the current exploration credentials of known platinum bearing prospects such as Kars, Avondale and Hylea. The Company is also undergoing regional geochemistry reviews at Fifield, in the search for new areas of prospective platinum mineralisation.

The Bingara diamond project has been extensively reviewed. Three field visits during 2006 were used to consolidate the previous exploration work conducted by the Company and extend this work through the identification of new prospective anomalies. Drainage patterns, contours, geophysics, aerial photo assessments were all conducted in the period. Samples were taken to establish the priorities of each of these anomalies.

The Company has also undertaken to review new prospective exploration projects, and will continue to screen new projects with potential to add to the Company's existing project portfolio.

The Company has continued to conserve its cash outgoings, and consolidate the low costs of its administrative operations. The head office of the Company was moved to Melbourne in March 2006, gaining substantial costs savings in the process.

Financial Position

The net assets of the consolidated entity have increased by $713,013 from 30 June 2005 to $2,936,236 in 2006. This increase has been largely as a result of share issues raising $1,248,701.

In general the Company has been able to effectively increase its allocated expenditure on exploratory activities, through costs savings in overheads.

Future Developments, Prospects and Business Strategies

The Company has the intention to continue to develop its core projects in Platinum at Fifield and Diamonds at Bingara, while looking to enhance its portfolio of exploration projects with new project initiatives.

In the Board's opinion, the Fifield Platinum project still has the potential to be a significant primary Platinum discovery.

An efficient operating cost structure has now been established within the Company and this will be closely monitored during the next financial year. It should however be noted, that the overall costs of exploration have risen considerably in recent times, due to the general buoyancy in the resources industry, and this is likely to impact on the Company and its ability to implement exploration programs during the coming year.

The Company will continue to strive to attract the highest quality people and partners to help meet its milestones and deliver value to the Company and shareholders

Operating Results

The loss of the consolidated entity amounted to $546,033 (2005: $499,188).

Dividends

No dividends were paid during the year, nor are any recommended at 30 June 2006

Significant Changes in State of Affairs

The company has continued to focus its operations and concentrate its efforts on the Bingara-Copeton diamond opportunity in New South Wales and the platinum opportunity in the Fifield NSW area.

After Balance Date Events

The Chairman exercised 2,000,000 options granted as part of his remuneration entitlement, converted to 2,000,000 fully paid ordinary shares on the 11th July 2006 as part of his remuneration entitlement.

There are no other 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 2006 financial year.

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to the financial report.

Information on Directors –

John Kaminsky (Executive Chairman and Director)

B.App.Sci (RMIT , Chemistry) and MBA (Melbourne Business School)

John Kaminsky, aged 49, 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 Billinghurst (Non-Executive Director and Secretary)

Graham Billinghurst, aged 63, 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)

Mrs Ramona Enconniere, aged 50, 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, aged 44, 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 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.

Geoff Stuart (Non-Executive Director)

Geoffrey Stuart, aged 52, became a Director of Rimfire Pacific Mining NL and Axis Mining NL in June 2001 and has broad commercial experience. Geoff resigned as director of Rimfire Pacific Mining NL and Axis Mining NL in October 2005.

Meetings of Directors

During the financial year, 11 meetings of Directors (including annual general meeting) were held. Attendances by each Director during the year were:

	Directors' Meetings	
	Number eligible to attend	Number attended
Graham Billinghurst	11	10
Geoff Stuart	5	2
Ramona Enconniere	11	11
Andrew Knox	11	10
John Kaminsky	11	11

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	Number under Option
30/11/2003	30/09/2006	$0.08	35,676,394
30/11/2003	30/09/2006	$0.08	7,000,000
09/12/2005	30/09/2006	$0.08	3,500,000
09/12/2005	30/09/2007	$0.12	4,500,000
09/12/2005	15/01/2007	-	2,000,000
			52,676,394

Note that the 35,676,394 options granted on 30/11/2003 are listed, whilst the remaining 17,000,000 are unlisted options.

During the year ended 30 June 2006, the following ordinary shares of Rimfire Pacific Mining NL were issued on the exercise of options granted to the Executive Chairman.

Grant Date	Exercise Price	Number of Shares Issued
06/04/2005	-	2,000,000
06/04/2005	-	2,000,000

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

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

Options held beneficially:

Options granted on 30/11/03 on or before: 30/09/06	Exercisable
Graham Billinghurst	Nil
Geoff Stuart	222,000
John Kaminsky	Nil
Ramona Enconniere	Nil

Options in which there is a relevant interest:

Options granted on 30/11/03 on or before: 30/09/06	Exercisable
Graham Billinghurst	850,443
Geoff Stuart	175,760
John Kaminsky	Nil
Ramona Enconniere	Nil

As at 30 June 2006 19,000,000 unlisted options were on hand.

The following unlisted options have been granted to Directors as part of their performance remuneration:

Options Granted on 30/11/03
Exercisable on or before: 30/09/06

Norbert Calabro	3,000,000
Graham Billinghurst	2,000,000
Geoff Stuart	2,000,000
	7,000,000

Options granted on 09/12/2005.
Exercisable on or before 30/09/06

John Kaminsky	1,000,000
Andrew Knox	1,000,000
Ramona Enconniere	1,000,000
	3,000,000

Options granted on 09/12/2005.
Exercisable on or before 30/09/07

John Kaminsky	1,500,000
Andrew Knox	1,000,000
Ramona Enconniere	1,000,000
	3,500,000

Options granted on 09/12/05.
Exercisable on or before 15/07/06

John Kaminsky	2,000,000
	2,000,000

Options Granted on 09/12/05.
Exercisable on or before 30/11/06

John Kaminsky	2,000,000
	2,000,000

Options exercisable on or before 30 September 2006 are exercisable at 8 cents each.
Options exercisable on or before 30 September 2007 are exercisable at 12 cents each
Options exercisable on or before 15 July 2006 and 15 January 2007 are exercisable at nil cents each
Options exercisable on or before 15 July 2006 were exercised on 11 July 2006 for nil consideration

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:

Graham Billinghurst	Nil
Geoff Stuart	812,232
John Kaminsky	6,100,000
Ramona Enconniere	833,334
Andrew Knox	2,500,000

Shares in which there is a relevant interest:

Graham Billinghurst	7,000,000
Geoff Stuart	602,027
John Kaminsky	4,346,000
Ramona Enconniere	1,666,666

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 recently 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 as follows:

The remuneration policy, setting the terms and conditions for executive directors and other senior executives, was approved by the board. All executives are entitled to receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and options. Most of these benefits to non executive Directors were suspended during the previous year in recognition of the Company's need to re-establish its focus and deliver stronger outcomes for the Company and better value to its shareholders. 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 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 4th 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 November 30th 2006.

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

The Executive Chairman received a superannuation guarantee contribution required by the government, which is currently 9%. No other retirement benefits are received by the company officers currently.

All remuneration paid to Directors and executives is valued at the cost to the company and expensed. Shares given to Directors and executives are valued as the difference between the market price of those shares and the amount paid by the Director or executive. Options are valued using the Black-Scholes or Binomial methodology (as disclosed in remuneration tables) and are now expensed under the new accounting standards.

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 are not linked directly to the performance of the consolidated entity, however, the Board is conscious of its responsibility and the performance of the Company and has acted accordingly. 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 2006

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

Name of Director	Primary: Salary, Fees & Commissions	Primary: Cash Bonus	Post Employment Superannuation Contributions	Equity Compensation Options	Total
A. Knox	Nil	Nil	Nil	633	633
G. Billinghurst	Nil	Nil	Nil	Nil	Nil
G. Stuart	Nil	Nil	Nil	Nil	Nil
R Enconniere	Nil	Nil	Nil	633	633
J Kaminsky	40,000	Nil	3,600	113,544	157,144
	40,000	Nil	3,600	114,810	158,410

All of the assumptions underlying the Binomial method of valuing options have been applied to arrive at a value of options issued to Directors during the year. 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 2006.

Options Issued as Part of Remuneration for the Year Ended 30 June 2006

Options are issued to Directors and executives as part of their remuneration. The options are issued based on the remuneration policies of the Board, which do not necessarily rely on strict performance hurdles, yet do take into consideration a range of performance criteria. The Options are issued to the majority of Directors and executives of Rimfire Pacific Mining NL and its subsidiaries to increase goal congruence between executives, Directors and shareholders.

	Options Granted		Options Exercised		Options Lapsed			
Directors	No.	Value at Grant Date $	No.	Value at exercise date $	Value at time of lapsed $	Total value of options granted, exercised and lapsed	Value of options included in remuneration for the year	% of total remuneration for the year that consists of options
J. Kaminsky	6,500,000	104,877	4,000,000	92,000	-	196,877	113,544	72
A. Knox	2,000,000	633	-	-	-	633	633	100
R. Enconniere	2,000,000	633	-	-	-	633	633	100

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 2005 and expires on 30 November 2006.

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 or Auditors

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.

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

Mr John Kaminsky
Mr Graham Billinghurst
Ms Ramona Enconniere
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 year.

The auditor independence declaration under Section 307C of the Corporations Act 2001 forms part of this Directors Report and is attached on page 21.

Non-Audit Services

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

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

Director ***John Kaminsky***

Dated this 29th day of September 2006

PKF

Chartered Accountants
& Business Advisers

29 September 2006

The Board of Directors
Rimfire Pacific Mining NL
Room 810, 530 Collins Street
MELBOURNE VIC 3000

Dear Sirs

As lead engagement partner for the audit of Rimfire Pacific Mining NL for the year ended 30 June 2006, 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.

Yours faithfully
PKF

Michael Port

M L Port
Partner

Tel: +61 3 9603 1700 | Fax: +61 3 9602 3870 | www.pkf.com.au
Victorian Partnership | ABN 56 527 914 493
Level 11, CGU Tower | 485 La Trobe Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

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" ("The 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 meet the principles of good corporate governance.

The Company practices aim for consistency with those of "The Principles" and for correlation with the recommendations in "The Principles". The Company considers that its adopted practices are appropriate to it in these regards. At the end of this Corporate Governance Statement a table is included detailing the recommendations with which the Company does not strictly comply.

The detail that follows addresses the Company practices in complying with "The Principles".

Principle 1: Laying Solid Foundations for Management & 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:

- defines and sets its business objectives. It subsequently monitors performance and achievements of Company's objectives;
- oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and a review of executive management of the Company;
- monitors and approves financial performance and budgets; and
- reports to shareholders.

Principle 2: Structuring the Board to Add Value

Composition of the Board

The ASX Corporate Governance Council composition of the Board is determined so as to provide the 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 the 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:

- does not hold an executive position;
- is not a substantial shareholder of the Company or an officer or otherwise associated directly or indirectly with a substantial shareholder of the Company;
- 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;
- is not a principal of a professional adviser to the Company or another group member;

- 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;

- has no significant contractual relationship with the Company or any other group member other than as a Director of the Company; and

- 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.

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.

Nomination of Other Board Members

The Board 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 Board does not believe that at this point in the Company's development it is necessary to appoint additional Directors.

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 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 must be notified to the Company secretary who makes disclosure to ASX.

Principle 4: Safe Guarding Integrity in Financial Reporting

An Audit Committee has been established.

The committee consists of the following:

AM Knox (Chairman)
R Enconniere
J Kaminsky

The main responsibilities of the audit committee are to;

- review the annual financial statements with the accountants and the external auditors and make appropriate recommendations to the Board;
- review all regular financial reports to be made to the public prior to their release and make appropriate recommendations to the Board;

- monitor compliance with statutory and Australian Stock Exchange requirements for financial reporting;
- 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 to the Australian Stock 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, analyst, 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 receive a copy of the Company's annual report and both the annual and half yearly reports are posted on the Company's web site.

Quarterly reports are prepared in accordance with ASX listing rules. A copy is posted on the Company's web site.

Regular updates on operations are made via ASX releases.

Information on the Company is posted on the Company's website. 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 website includes a feedback section ("Contact Us") for shareholders that would allow shareholders to receive additional information and to register their email address for direct email 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

Three key risks for the Company are exploration success; commodity prices and markets.

The issue with exploration is one of balancing the potential rewards with the cost of information and the cost of the exploration program. The Company employs a number of strategies to mitigate its risks including farming out prospects which do not meet its risk appetite, and acquiring surveys in order to better define prospects. The Company utilises industry standard software to evaluate prospect economics. Another way in which the Company reduces its exploration risk is by peer review of prospects both internally and by co-venturers.

The Company is not currently subject to commodity price fluctuations. The Company does, however, constantly monitor commodity and currency price fluctuations and would implement appropriate risk management strategies available to manage any potential commodity price risk.

The Board is responsible for approval of 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.

Authorisation of equity raisings, entering into debt facilities and major capital expenditure or commitments requires 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 minimal staff, which does not include an internal audit function. In relation to its responsibilities the Board's consideration includes the following:

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

Principle 8: Encouraging Enhanced Performance

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.

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 retires annually and is free to seek re-election by shareholders.

Principle 9: Remunerate Fairly and Responsibly

A Remuneration and Nomination Committee had been established.

The committee consists of the following:

AM Knox (Chairman)
R Enconniere
J Kaminsky

The Remuneration and Nomination Committee makes recommendations to the full Board on remuneration packages and other terms of employment or consultant services and reviews the composition of the Board having regard to the Company's present and future needs.

Remuneration and other terms of employment are reviewed annually by the committee having regard to performance and relevant comparative information. As well as a base salary, remuneration packages include superannuation, termination entitlements, securities and fringe benefits.

Remuneration packages are set at levels that are intended to attract and retain high caliber staff and align the interest of the executives with those of the Company shareholders.

Remuneration of non-executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

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

Principle 10: Recognising the Legitimate Interests of Stakeholders

The Company recognises its responsibilities extend beyond shareholders to clients, customers, consumers and regulators. The Company is committed to providing the detail, the accuracy in that detail and meeting principles of equity and fairness in all of its dealings.

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

"Recommendation" Reference ("Principle No" Ref followed by Recommendation Re!)	**Departure (from Recommendation)**	**Explanation**
2.1	Not all of the Directors satisfy the test of independence; as some Directors have substantial shareholdings in the Company.	Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that there is a broad mix of skills required and that given their experience each of the Directors are aware of and capable of acting in an independent manner and in the best interests of the shareholders.
2.2	The Chairman is an executive Director and has a substantial associated shareholding in the Company and does not therefore meet the test of independence.	The Board considers that the chairman is capable of acting independently and is sufficiently experienced to fulfil that role.
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.	It is not considered that a code of conduct or reporting guide is yet necessary. The principles are followed.
5.1	No written policy and procedure exists to ensure 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.	The Board is very 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.	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.
8.1	There has been no formal	Given the size of the Company

"Recommendation" Reference ("Principle No" Ref followed by Recommendation Re!)	Departure (from Recommendation)	Explanation
	disclosure of the process for performance evaluation of the Board, committees, individual Directors and key executives.	and the involvement of all Directors a policy has not to date been required. The Directors continually monitor and discuss performance.
10.1	There has been no disclosure of the code of conduct to deal with compliance for legal or other obligations to legitimate stakeholders.	The business practices adopted by the Board recognise this principle but no formal code has been drawn.

Project.	Units	Reference	Date Granted	Expiry Date	Registered Holder	State	Mineral Focus
Fifield	21	EL6241[a]	17-May-04	16-May-06	100% Rimfire	NSW	Platinum.
Fifield	40	EL5534[b]	23-Oct-98	22-Oct-06	100% Rimfire	NSW	Platinum.
Fifield.	18	EL5565	24-Mar-99	23-March-07	100% Rimfire	NSW	Platinum.
Fifield.	50	EL6144	24-Oct-03	23-Oct-07	100% Rimfire	NSW	Platinum.
Fifield	1.9ha	MC305	17-Nov-04	17-Nov-09	100% Rimfire	NSW	Gold/Platinum/ Silver
Fifield	2ha	MC 306	17-Nov-04	17-Nov-09	100% Rimfire	NSW	Gold/Platinum/ Silver
Bingara Diamonds	69	EL6106	29-Jul-03	28-Jul-07	100% Rimfire	NSW	Diamonds.
Bingara Diamonds	6	EL5880	31-July-01.	30-Jul-07	100% Rimfire	NSW	Diamonds.
Peel Gold	37	EL6340[c]	4-Nov-04	4-Nov-06	100% Rimfire	NSW	Gold

Note a : An application for renewal on EL6241 has been sought for a further 2 years.

Note b : An application for renewal on EL5534 has been sought for a further 2 years.

Note c : An application for renewal on EL6340 has been sought for a further 2 years.

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Revenue from continuing activities	3	31,352	41,966	31,352	21,966
Employees benefits expense		(125,096)	(108,528)	(125,096)	(108,528)
Director's securities benefits expense		(113,072)	(63,250)	(113,072)	(63,250)
Professional costs		(128,803)	(117,164)	(127,303)	(117,164)
Occupancy costs		(45,312)	(79,873)	(45,312)	(75,414)
Travel costs		(20,114)	(31,403)	(20,114)	(31,403)
Marketing expense		(1,350)	(170)	(1,350)	(170)
Depreciation and amortisation expense		(7,767)	(9,813)	(7,767)	(9,813)
Insurance		(22,542)	(18,744)	(22,542)	(18,744)
Share registry and listing expenses		(28,792)	(17,033)	(28,792)	(17,033)
Information and technology expense		(9,272)	(3,181)	(9,272)	(3,181)
Impairment write off on exploration costs		(614)	(33,354)	(614)	(3,354)
Loss on disposals of property, plant and equipment		(7,130)	-	(7,130)	-
Other expenses		(50,380)	(46,649)	(38,958)	(72,757)
Finance costs		(17,141)	(11,992)	(17,141)	(11,992)
Loss before income tax	4	(546,033)	(499,188)	(533,111)	(510,837)
Income tax expense	5	-	-	-	-
Loss for the year		(546,033)	(499,188)	(533,111)	(510,837)
Overall Operations					
Basic earnings (loss) per share (cents per share)	8	(0.31)	(0.41)		
Diluted earnings (loss) per share (cents per share)	8	(0.31)	(0.41)		

Balance Sheet
As at 30 June 2006

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CURRENT ASSETS					
Cash and cash equivalents	9	427,549	59,216	427,549	59,216
Receivables	10	40,304	48,456	40,077	47,809
Other current assets	13	4,250	13,280	4,250	13,280
TOTAL CURRENT ASSETS		472,103	120,952	471,876	120,305
NON-CURRENT ASSETS					
Receivables	10	170,000	183,502	170,000	170,500
Property, plant and equipment	12	255,564	267,723	255,564	267,723
Exploration & evaluation costs carried forward	14	2,305,968	1,900,615	2,305,968	1,900,615
TOTAL NON-CURRENT ASSETS		2,731,532	2,351,840	2,731,532	2,338,838
TOTAL ASSETS		3,203,635	2,472,792	3,203,408	2,459,143
CURRENT LIABILITIES					
Payables	15	159,566	142,569	158,066	140,569
Interest-bearing liabilities	16	107,833	107,000	107,833	107,000
TOTAL CURRENT LIABILITIES		267,399	249,569	265,899	247,569
TOTAL LIABILITIES		267,399	249,569	265,899	247,569
NET ASSETS		2,936,236	2,223,223	2,937,509	2,211,574
EQUITY					
Contributed equity	17	10,315,754	9,172,080	10,315,754	9,172,080
Options reserve	17	227,502	112,130	227,502	112,130
Retained profits		(7,607,020)	(7,060,987)	(7,605,747)	(7,072,636)
TOTAL EQUITY		2,936,236	2,223,223	2,937,509	2,211,574

Economic Entity	Year Ended 30 June 2006			
	Share Capital - Ordinary	Accumulated Losses	Options Reserve	Total
	$	$	$	$
Balance at 1 July 2005	9,172,080	(7,060,987)	112,130	2,223,223
Shares issued during the year	1,248,701	-	-	1,248,701
Transaction costs related to shares issued	(105,027)	-	-	(105,027)
Options issued during the year	-	-	115,372	115,372
Loss attributable to the entity for the period	-	(546,033)	-	(546,033)
Balance at 30 June 2006	**10,315,754**	**(7,607,020)**	**227,502**	**2,936,236**

Economic Entity	Year Ended 30 June 2005			
	Share Capital – Ordinary	Accumulated Losses	Options Reserve	Total
	$	$	$	$
Balance at 1 July 2004	8,242,759	(6,561,799)	48,880	1,729,840
Shares issued during the period	989,111	-	-	989,111
Transaction costs related to shares issued	(59,790)	-	-	(59,790)
Options issued during the year	-	-	63,250	63,250
Loss attributable to the entity for the period	-	(499,188)	-	(499,188)
Balance at 30 June 2005	**9,172,080**	**(7,060,987)**	**112,130**	**2,223,223**

Parent Entity	Year Ended 30 June 2006			
	Share Capital – Ordinary	Accumulated Losses	Options Reserve	Total
	$	$	$	$
Balance at 1 July 2005	9,172,080	(7,072,636)	112,130	2,211,574
Shares issued during the period	1,248,701	-	-	1,248,701
Transaction costs related to shares issued	(105,027)	-	-	(105,027)
Options issued during the year	-	-	115,372	115,372
Loss attributable to the entity for the period	-	(533,111)	-	(533,111)
Balance at 30 June 2006	**10,315,754**	**(7,605,747)**	**227,502**	**2,937,509**

Parent Entity	Year Ended 30 June 2005			
	Share Capital – Ordinary	Accumulated Losses	Options Reserve	Total
	$	$	$	$
Balance at 1 July 2004	8,242,759	(6,561,799)	48,880	1,729,840
Shares issued during the period	989,111	-	-	989,111
Transaction costs related to shares issued	(59,790)	-	-	(59,790)
Options issued during the year	-	-	63,250	63,250
Loss attributable to the entity for the period	-	(510,837)	-	(510,837)
Balance at 30 June 2005	**9,172,080**	**(7,072,636)**	**112,130**	**2,211,574**

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		8,819	18,061	8,819	18,061
Payments to suppliers and employees		(417,480)	(327,362)	(414,794)	(318,444)
Interest received		21,435	7,817	21,435	7,817
Interest and finance costs paid		(14,941)	(16,077)	(14,941)	(16,077)
Net cash provided by (used in) operating activities	24a	(402,167)	(317,561)	(399,481)	(308,643)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		805	-	805	-
Proceeds received on behalf of subsidiary		-	-	10,316	22,000
Purchase of property, plant and equipment		(3,042)	(2,899)	(3,042)	(2,899)
Payment for mining tenement exploration		(408,862)	(317,298)	(408,862)	(317,298)
Proceeds from sale of mining tenements		-	22,000	-	-
Purchase of other non-current assets		-	(66,629)	-	(66,629)
Proceeds from refunds of non-current assets		37,925	-	24,923	-
Payment on behalf of subsidiary		-	-	-	(8,918)
Net cash provided by (used in) investing activities		(373,174)	(364,826)	(375,860)	(373,744)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		1,248,701	722,938	1,248,701	722,938
Proceeds from loan – related party		-	63,250	-	63,250
Transaction costs associated with share issues		(105,027)	(29,356)	(105,027)	(29,356)
Net cash provided by (used in) financing activities		1,143,674	756,832	1,143,674	756,832
Net increase in cash held		368,333	74,445	368,333	74,445
Cash at beginning of the year		59,216	(15,229)	59,216	(15,229)
Cash at end of the year	9	427,549	59,216	427,549	59,216

Note 1 **Statement of Accounting Policies**

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group 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 controlled entities, and Rimfire Pacific Mining NL as an individual parent entity. Rimfire Pacific Mining NL is a listed public company, incorporated and domiciled in Australia.

The financial report of Rimfire Pacific Mining NL and controlled entities, and Rimfire Pacific Mining NL as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Rimfire Pacific Mining NL and controlled entities, and Rimfire Pacific Mining NL as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Rimfire Pacific Mining NL to be prepared in accordance with the Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer to Note 2 for further details on changes in accounting policy.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

Reporting Basis and Conventions

The financial report is presented in Australian dollars, has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. **Principles of Consolidation**

A controlled entity is any entity controlled by Rimfire 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 11 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.

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.

b. **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 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 subsidiaries have not formed an income tax consolidated group under the tax consolidation regime.

c. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value 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 including building and capitalised lease assets, but excluding freehold land, is depreciated over their useful lives to the consolidated entity 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	17%
Plant and equipment	7.5%-30%
Office Equipment	21%-50%

d. **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.

e. **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.

f. **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.

g. **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.

h. **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.

i. **Receivables**

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts. Trade receivables are normally settled on 30 day terms.

j. **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.

k. **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's 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.

l. **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).

m. **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.

n. **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 2006, the consolidated entity had sufficient cash reserves to continue its current exploration programmes and other working capital requirements. Should additional funding be required to ensure the settlement of liabilities in the normal course of business the consolidated entity can rely on the following sources of finance:

- the loan facility provided by the Executive Chairman on 10 June 2005, was renewed and accepted by the directors on substantially the same terms on 29 September 2006.

- the prospects of future capital raising initiatives.

o. **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.

p. **Borrowing Costs**

Borrowing costs are expensed as incurred.

q. **Equity Settled Compensation**

The group operates a share-based compensation plan which includes 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.

r. **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 2005 have been adopted by the consolidated entity.

Consideration has been given to new and revised standards and interpretations issued by AASB that are not yet effective and the Directors do not believe that will have any material financial impact on the financial statements of the consolidated entity.

Note 2 **First-time adoption of Australian equivalents to international financial reporting standards**

Consolidated Entity

Reconciliation of Equity at 1 July 2004

In preparing its opening Australian equivalents to international financial reporting standards ("AIFRS") statement of assets and liabilities, there were no adjustments to amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

Reconciliation of Equity at 30 June 2005

	Note	Previous GAAP at 30 June 2005	Effect of Transition to AIFRS	AIFRS at 30 June 2005
Assets		$	$	$
Current Assets				
Cash and cash equivalents		59,216	-	59,216
Trade and other receivables		48,456	-	48,456
Other current assets		13,280	-	13,280
Total current assets		120,952	-	120,952
Non-current Assets				
Trade and other receivables		183,502	-	183,502
Property, plant and equipment		267,723	-	267,723
Exploration and evaluation costs carried forward		1,900,615	-	1,900,615
Total non-current assets		2,351,840	-	2,351,840
Total Assets		2,472,792	-	2,472,792
Liabilities				
Current Liabilities				
Trade and other payables		142,569	-	142,569
Short-term borrowings		107,000	-	107,000
Total current liabilities		249,569	-	249,569
Total Liabilities		249,569	-	249,569
Net Assets		2,223,223	-	2,223,223
Equity				
Issued capital		9,172,080	-	9,172,080
Options reserve	2a	48,880	63,250	112,130
Retained earnings	2a	(6,997,737)	(63,250)	(7,060,987)
Total Equity		2,223,223	-	2,223,223

Parent Entity

Reconciliation of Equity at 1 July 2004

In preparing its opening Australian equivalents to international financial reporting standards ("AIFRS") statement of assets and liabilities, there were no adjustments to amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

Note 2 **First-time adoption of Australian equivalents to international financial reporting standards (Cont'd)**

Parent Entity
Reconciliation of Equity at 30 June 2005

	Note	Previous GAAP at 30 June 2005	Effect of Transition to AIFRS	AIFRS at 30 June 2005
		$	$	$
Assets				
Current Assets				
Cash and cash equivalents		59,216	-	59,216
Trade and other receivables		47,809	-	47,809
Other current assets		13,280	-	13,280
Total current assets		120,305	-	120,305
Non-current Assets				
Trade and other receivables		170,500	-	170,500
Property, plant and equipment		267,723	-	267,723
Exploration and evaluation costs carried forward		1,900,615	-	1,900,615
Total non-current assets		2,338,838	-	2,338,838
Total Assets		2,459,143	-	2,459,143
Liabilities				
Current Liabilities				
Trade and other payables		140,569	-	140,569
Short-term borrowings		107,000	-	107,000
Total current liabilities		247,569	-	247,569
Total Liabilities		247,569	-	247,569
Net Assets		2,211,574	-	2,211,574
Equity				
Issued capital		9,172,080	-	9,172,080
Options reserve	2a	48,880	63,250	112,130
Retained earnings	2a	(7,009,386)	(63,250)	(7,072,636)
Total Equity		2,211,574	-	2,211,574

Note 2 First-time adoption of Australian equivalents to international financial reporting standards (Cont'd)

Consolidated Entity
Reconciliation of Profit or Loss for 30 June 2005

	Note	Previous GAAP at 30 June 2005 $	Effect of Transition to AIFRS $	AIFRS at 30 June 2005 $
Revenue from continuing activities		41,966	-	41,966
		41,966	-	41,966
Employee benefits expense		108,528	-	108,528
Director's securities benefits expense	2a	-	63,250	63,250
Professional expenses		117,164	-	117,164
Occupancy expenses		79,873	-	79,873
Travel expenses		31,403	-	31,403
Marketing expense		170	-	170
Depreciation and amortisation expense		9,813	-	9,813
Insurance		18,744	-	18,744
Share registry and listing expenses		17,033	-	17,033
Information and technology expenses		3,181	-	3,181
Impairment and writeoff on exploration costs		33,354	-	33,354
Other expenses		46,649	-	46,649
Finance costs		11,992	-	11,992
Loss before income tax expense		(435,938)	(63,250)	(499,188)
Income tax expense		-	-	-
Loss for the year		(435,938)	(63,250)	(499,188)

Parent Entity

Reconciliation of Profit or Loss for 30 June 2005

	Note	Previous GAAP at 30 June 2005 $	Effect of Transition to AIFRS $	AIFRS at 30 June 2005 $
Revenue from continuing activities		21,966	-	21,966
Employee benefits expense		108,528	-	108,528
Director's securities benefits expense	2a	-	63,250	63,250
Professional expenses		117,164	-	117,164
Occupancy expenses		75,414	-	75,414
Travel expenses		31,403	-	31,403
Marketing expense		170	-	170
Depreciation and amortisation expense		9,813	-	9,813
Insurance		18,744	-	18,744
Share registry and listing expenses		17,033	-	17,033
Information and technology expenses		3,181	-	3,181
Impairment and writeoff on exploration costs		3,354	-	3,354
Other expenses		72,757	-	72,757
Finance costs		11,992	-	11,992
Loss before income tax expense		(447,587)	(63,250)	(510,837)
Income tax expense		-	-	-
Loss for the year		(447,587)	(63,250)	(510,837)

Note 2 **First-time adoption of Australian equivalents to international financial reporting standards (Cont'd)**

(a) Notes to the reconciliations of equity and profit and loss at 1 July 2004 and 30 June 2005

	30 June 2005 $	1 July 2004 $
Economic and Parent entity		
Expensing of share options issued to Directors	63,250	-

An expense was recognised under Australian equivalents to IFRS relating to the bonus element of options issued to directors of the economic entity amounting to $63,250 for the year ended 30 June 2005.

Note 3 **Revenue**

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Operating activities				
Sales	-	6,317	-	6,317
Sub-lease rental	6,953	6,732	6,953	6,732
Interest received	21,476	6,717	21,476	6,717
Other	2,923	2,200	2,923	2,200
	31,352	21,966	31,352	21,966
Non-operating activities				
Proceeds on disposal of non-current investments (tenements)	-	20,000	-	-
Total Revenue	31,352	41,966	31,352	21,966

Note 4 **Result for the year**

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Expenses				
Bad and doubtful debts				
- entities in wholly owned group	-	-	1,000	27,849
Rental expense (minimum lease payments)	45,128	79,873	45,128	75,414
Depreciation of non-current assets	7,267	9,813	7,267	9,813
Cost of Sales	-	353	-	353
(Profit) / Loss on sale of tenement	-	10,000	-	-
Loss on sale of property, plant and equipment	158	-	158	-
Loss on write off of property, plant and equipment	6,972	-	6,972	-
Superannuation contribution expense	8,506	8,719	8,506	8,719
Borrowing Costs				
- Director's related party	6,441	1,265	6,441	1,265
- Other than related party	10,700	10,727	10,700	10,727
	17,141	11,992	17,141	11,992

Note 5 **Income Tax Expense**

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
a. The prima facie tax on loss before tax is reconciled to the income tax as follows:				
Prima facie tax payable on loss before tax income tax at 30% (2005:30%)				
— Consolidated entity	(163,810)	(130,781)	-	-
— Parent entity	-	-	(159,933)	(134,276)
	(163,810)	(130,781)	(159,933)	(134,276)
Add:				
Tax effect of:				
— other non-allowable items	42,330	838	38,486	838
	(121,480)	(129,943)	(121,447)	(133,438)
Less:				
Tax effect of:				
— capitalised share placement costs	15,536	17,937	15,536	17,937
— current year tax losses and temporary differences	(137,016)	(147,880)	(136,983)	(151,375)
Income tax expense attributable to loss before income tax	-	-	-	-
Deferred tax liability in relation to exploration costs	691,790	570,184	691,790	570,184
Less tax losses recognised	691,790	570,184	691,790	570,184
	-	-	-	-
The deferred tax asset arising from tax losses has not been recognised as an asset because recovery is not probable:				
Tax losses carried forward	1,806,295	1,682,935	1,532,044	1,409,017
Balance of franking account at year end	-	-	-	-

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 entities have not opted to enter the tax consolidation regime as at 30 June 2006.

Note 6 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
Graham Billinghurst	Director and Secretary
Geoff Stuart (resigned 18/10/05)	Non-executive Director
Ramona Enconniere	Non-executive Director
Andrew Knox (appointed 08/07/05)	Non-executive Director

Executives

There were no other executives of the consolidated entity.

b. **Parent Entity Directors' Remuneration**

2006

	Short-term		Post Employment	Share based Payment	Total
	Salary & Fees $	Cash Bonus $	Superannuation Contribution $	Options $	$
Andrew Knox (appointed 08/07/05)	-	-	-	633	633
Graham Billinghurst	-	-	-	-	-
Geoff Stuart	-	-	-	-	-
Ramona Enconniere	-	-	-	633	633
John Kaminsky	40,000	-	3,600	113,544	157,144
	40,000	-	3,600	114,810	158,410

2005

	Short-term		Post Employment	Share based Payment	Total
	Salary & Fees $	Cash Bonus $	Superannuation Contribution $	Options $	$
Norbert Calabro (resigned 30/11/04)	6,250	-	563	-	6,813
Graham Billinghurst	-	-	-	-	-
Geoff Stuart	-	-	-	-	-
John Kaminsky	56,000	-	5,040	63,250	124,290
Ramona Enconniere	-	-	-	-	-
	62,250	-	5,603	63,250	131,103

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.

Note 6 Key Management Personnel Remuneration (Cont'd)

c. Remuneration Options

Options Granted as Remuneration	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date Cents	Exercise Price $	First Exercise Date	Last Exercise Date
Executive Director							
Mr J Kaminsky	1,000,000	1,000,000	9/12/05	0.04	0.08	9/12/05	30/9/06
Ms R Enconniere	1,000,000	1,000,000	9/12/05	0.04	0.08	9/12/05	30/9/06
Mr A Knox	1,000,000	1,000,000	9/12/05	0.04	0.08	9/12/05	30/9/06
Mr J Kaminsky	1,500,000	1,500,000	9/12/05	0.014	0.12	9/12/05	30/9/07
Ms R Enconniere	1,000,000	1,000,000	9/12/05	0.014	0.12	9/12/05	30/9/07
Mr A Knox	1,000,000	1,000,000	9/12/05	0.014	0.12	9/12/05	30/9/07
Mr J Kaminsky	2,000,000	2,000,000	9/12/05	2	-	31/05/06	15/7/06
Mr J Kaminsky	-	2,000,000	9/12/05	2	-	30/11/06	15/1/07

During the year Mr J Kaminsky exercised the following options issued to him as part of his remuneration:

- 2,000,000 options vesting on May 31st 2005 and exercised on July 4th 2005 for nil consideration
- 2,000,000 options vesting on November 30th 2005 and exercised on 9th December 2005 for nil consideration.

No other options were exercised by any Director during the year.

d. Options and Rights Holdings

Number of Options held by Key Management Personnel

2006 Directors	Balance 1.7.05	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30.6.06	Total Vested 30.6.06	Total Exercisable 30.6.06	Total Unexercis-able 30.6.06
R Enconniere	-	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
A Knox (1)	-	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
G Billinghurst	2,850,443	-	-	-	2,850,443	2,850,443	2,850,443	-
G Stuart (2)	2,397,760	-	-	-	2,397,760	2,397,760	2,397,760	-
J Kaminsky	4,000,000	6,500,000	(4,000,000)	-	6,500,000	4,500,000	4,500,000	2,000,000
Total	9,248,203	10,500,000	(4,000,000)	-	15,748,203	13,748,203	13,748,203	2,000,000

(1) Appointed as Director during the year
(2) Resigned as Director during the year

d **Options and Rights Holdings (con'd)**

Number of Options held by Directors & Executives

2005 Directors	Balance 1.7.04	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30.6.05	Total Vested 30.6.05	Total Exercisable 30.6.05	Total Unexercis-able 30.6.05
N Calabro (1)	4,224,720	-	-	(4,224,720)	-	-	-	-
G Billinghurst	2,824,679	-	-	25,764	2,850,443	2,850,443	2,850,443	-
G Stuart	2,397,760	-	-	-	2,397,760	2,397,760	2,397,760	-
J Kaminsky	-	4,000,000	-	-	4,000,000	2,000,000	2,000,000	2,000,000
Total	9,447,159	4,000,000	-	(4,198,956)	9,248,203	7,248,203	7,248,203	2,000,000

* The net change other reflected above includes those options that have been forfeited by holders as well as options issued during the year under review.

(1) Resigned as Director during the year.

e. **Shareholdings**

Number of Shares held by Key Management Personnel

2006 Parent Entity Directors	Balance 1.7.05	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.6.06
G Billinghurst	3,992,597	-	-	3,007,403	7,000,000
G Stuart (1)	1,060,693	-	-	353,566	1,414,259
J Kaminsky	3,346,000	-	4,000,000	3,100,000	10,446,000
A Knox	-	-	-	2,500,000	2,500,000
R Enconniere	-	-	-	2,500,000	2,500,000
Total	8,399,290	-	4,000,000	11,460,969	23,860,259

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

(1) Resigned as Director during the year

e. **Shareholdings**

Number of Shares held by Key Management Personnel

2005 **Parent Entity Directors**	**Balance 1.7.04**	**Received as Remunera-tion**	**Options Exercised**	**Net Change Other***	**Balance 30.6.05**
N Calabro (1)	3,340,455	-	-	(3,340,455)	-
G Billinghurst	3,382,477	-	-	610,120	3,992,597
G Stuart	1,060,693	-	-	-	1,060,693
J Kaminsky	-	1,000,000	-	2,346,000	3,346,000
Total	7,783,625	1,000,000	-	(384,335)	8,399,290

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

(1) Resigned as Director during the year

Remuneration Practices

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the Company 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.

The engagement conditions of the executive Chairman, Mr J Kaminsky, are formalised in a consulting agreement which commenced on 1 December 2005 and expires on 30 November 2006.

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 7 Auditors' Remuneration

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	22,897	18,750	21,397	18,750
— other services	-	-	-	-
	22,897	18,750	21,397	18,750

Note 8 Earnings per Share

		Consolidated Entity	
		2006	2005
		$	$
a.	**Reconciliation of Earnings to Net Profit or Loss**		
	Net loss	(546,033)	(499,188)
	Loss used in the calculation of basic EPS	(546,033)	(499,188)
	Earnings used in the calculation of dilutive EPS	(546,033)	(499,188)
b.	**Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS**	173,406,435	119,630,266
	Potential ordinary shares	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	173,406,435	119,630,266
c.	**Classification of securities**		
	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:	12,000,000	42,676,394
d.	Ordinary shares issued between reporting date and time of completion of the financial report	2,000,000	2,000,000

Note 9 Cash and Cash Equivalents

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Cash at bank		427,549	59,216	427,549	59,216
		427,549	59,216	427,549	59,216

Reconciliation of Cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Cash		427,549	59,216	427,549	59,216
		427,549	59,216	427,549	59,216

Note 10 Receivables

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CURRENT					
Security deposits		80	80	80	80
Sundry debtors		33,262	16,491	33,035	15,844
Bank guarantee		6,962	31,885	6,962	31,885
		40,304	48,456	40,077	47,809
NON-CURRENT					
Security deposits		170,000	183,502	170,000	170,500
Amounts receivable from:					
— wholly-owned entities		-	-	464,034	474,350
— allowance for doubtful debts wholly-owned subsidiaries		-	-	(464,034)	(474,350)
		170,000	183,502	170,000	170,500

Note 11 Controlled Entities

	Country of Incorporation	Percentage Owned (%) 2006	2005
Parent Entity			
Rimfire Pacific Mining NL			
Subsidiaries of Rimfire Pacific Mining NL			
Axis Mining NL	Australia	100	100

Note 12 Property Plant and Equipment

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
LAND AND BUILDINGS				
Freehold land:				
— At cost	216,720	216,720	216,720	216,720
Total Land and Buildings	216,720	216,720	216,720	216,720
PLANT AND EQUIPMENT				
Plant and equipment				
At cost	44,348	42,682	39,847	38,181
Accumulated depreciation	(14,959)	(11,497)	(10,458)	(6,996)
	29,389	31,185	29,389	31,185
Leasehold improvements				
At cost	-	7,998	-	7,998
Accumulated depreciation	-	(6,083)	-	(6,083)
	-	1,915	-	1,915
Office Furniture				
At cost	61,371	77,498	58,856	74,983
Accumulated depreciation	(51,916)	(59,595)	(49,401)	(57,080)
	9,455	17,903	9,455	17,903
Total Plant and Equipment	38,844	51,003	38,844	51,003
Total Property, Plant and Equipment	255,564	267,723	255,564	267,723

Note 12 Property Plant and Equipment (Cont'd)

a. **Movements in Carrying Amounts**

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

2006	Freehold Land $	Leasehold Improvement $	Plant and Equipment $	Office Furniture $	Total $
Consolidated Entity:					
Balance at the beginning of year	216,720	1,915	31,185	17,903	267,723
Additions	-	-	1,665	1,377	3,042
Disposals	-	(1,755)	-	(6,180)	(7,935)
Depreciation expense	-	(160)	(3,461)	(3,645)	(7,266)
Carrying amount at the end of year	216,720	-	29,389	9,455	255,564
Parent Entity:					
Balance at the beginning of year	216,720	1,915	31,185	17,903	267,723
Additions	-	-	1,665	1,377	3,042
Disposals	-	(1,755)	-	(6,180)	(7,935)
Depreciation expense	-	(160)	(3,461)	(3,645)	(7,266)
Carrying amount at the end of year	216,720	-	29,389	9,455	255,564

2005	Freehold Land $	Leasehold Improvement $	Plant and Equipment $	Office Furniture $	Total $
Consolidated Entity:					
Balance at the beginning of year	216,720	2,296	4,183	21,439	244,638
Additions	-	-	30,302	2,596	32,898
Disposals	-	-	-	-	-
Depreciation expense	-	(381)	(3,300)	(6,132)	(9,813)
Carrying amount at the end of year	216,720	1,915	31,185	17,903	267,723
Parent Entity:					
Balance at the beginning of year	216,720	2,296	4,183	21,439	244,638
Additions	-	-	30,302	2,596	32,898
Disposals	-	-	-	-	-
Depreciation expense	-	(381)	(3,300)	(6,132)	(9,813)
Carrying amount at the end of year	216,720	1,915	31,185	17,903	267,723

Note 13 Other Assets

	Notes	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CURRENT					
Prepayments		4,250	13,280	4,250	13,280

Note 14 Exploration & Evaluation Costs Carried Forward

	Notes	Consolidated Entity 2006	Consolidated Entity 2005	Parent Entity 2006	Parent Entity 2005
		$	$	$	$
NON-CURRENT					
Exploration Expenditure					
Costs carried forward in respect of areas of interest in:					
– exploration and evaluation phases		2,305,968	1,900,615	2,305,968	1,900,615
Total Exploration Expenditure		2,305,968	1,900,615	2,305,968	1,900,615

Ultimate recoupment of these costs is dependant on successful development and commercial exploration or alternatively sale of the respective areas of interest.

Note 15 Payables

	Notes	Consolidated Entity 2006	Consolidated Entity 2005	Parent Entity 2006	Parent Entity 2005
		$	$	$	$
CURRENT					
Unsecured liabilities					
Trade creditors		14,710	92,185	14,710	92,185
Sundry creditors and accrued expenses		144,856	50,384	143,356	48,384
		159,566	142,569	158,066	140,569

Note 16 Long Term Borrowings

	Notes	Consolidated Entity 2006	Consolidated Entity 2005	Parent Entity 2006	Parent Entity 2005
		$	$	$	$
CURRENT					
Unsecured liabilities					
Rental Bond Received		833	-	833	-
		833	-	833	-
Secured liabilities					
Mortgage loans		107,000	107,000	107,000	107,000
		107,000	107,000	107,000	107,000
		107,833	107,000	107,833	107,000

a. The carrying amounts of non-current assets pledged as security are:					
First mortgage					
Freehold land and buildings		216,720	216,720	216,720	216,720
Total assets pledged as security		216,720	216,720	216,720	216,720

b. The loan is repayable within twelve months from the contract extension date of the contract of sale, being 15 December 2005 and is subject to 10% interest per annum.

Note 17 Contributed Equity

	Notes	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
194,804,262 (2005:131,353,172) fully paid ordinary shares	17a	10,315,754	9,172,080	10,315,754	9,172,080
40,560,785 (2005: 40,560,785) fully paid deferred options	17b	48,880	48,880	48,880	48,880
Unlisted Options issued during the year	17c	178,622	63,250	178,622	63,250
		10,543,256	9,284,210	10,543,256	9,284,210

a. **Ordinary shares**

At the beginning of the reporting period	9,172,080	8,242,759	9,172,080	8,242,759
Shares issued during the year				
— 10,000,000 on 16 February 2006	350,000	-	350,000	-
— 2,000,000 on 9 December 2005	-	-	-	-
— 5,000,000 on 9 December 2005	92,500	-	92,500	-
— 44,451,090 on 18 August 2005	806,201	-	806,201	-
— 2,000,000 on 4 July 2005	-	-	-	-
— Shares issued in 2005	-	989,111	-	989,111
Transaction costs relating to share issues	(105,027)	(59,790)	(105,027)	(59,790)
	1,143,674	929,321	1,143,674	929,321
At reporting date	10,315,754	9,172,080	10,315,754	9,172,080

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

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

	Note	Consolidated Entity 2006 No.	Consolidated Entity 2005 No.	Parent Entity 2006 No.	Parent Entity 2005 No.
At the beginning of reporting period		131,353,172	95,018,051	131,353,172	95,018,051
Shares issued during year					
— 16 February 2006		10,000,000	-	10,000,000	-
— 9 December 2005		2,000,000	-	2,000,000	-
— 9 December 2005		5,000,000	-	5,000,000	-
— 18 August 2005		44,451,090	-	44,451,090	-
— 4 July 2005		2,000,000	-	2,000,000	-
— Issued in the previous year		-	36,335,121	-	36,335,121
At reporting date		194,804,262	131,353,172	194,804,262	131,353,172

On 16 February 2006 the Company issued 10,000,000 ordinary shares at 3.5c to each shareholder, being a sophisticated share placement scheme to raise additional working capital

On 9 December 2005 the Company issued 2,000,000 ordinary shares at nil per share to the executive chairman through an exercise of 2,000,000 call options issued on 6 April 2005.

On 9 December 2005 the Company issued 5,000,000 ordinary shares at 1.85c to the Directors of the Company and their Associates

On 18 August 2005 the Company issued 44,451,090 ordinary shares at 1.8c each to shareholders, being a share purchase scheme to raise additional working capital

On 4 July 2005 the Company issued 2,000,000 ordinary shares at nil per share to the executive chairman through an exercise of 2,000,000 call options issued on 6 April 2005.

	Notes	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
b. **Deferred Options**					
At beginning of the reporting period		48,880	48,880	48,880	48,880
Options Issued during the year		-	-	-	-
At reporting date		48,880	48,880	48,880	48,880

c. **Options**

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

Note 18 Share Based Payments

The following share-based payment arrangements existed at 30 June 2006:

On 3 December 2003, 7,000,000 share options were granted to the Directors of the Company to take up ordinary shares at an exercise price of 8 cents each. The options are available for exercise from 3 December 2003 and are exercisable by 30 September 2006. The options hold no voting or dividend rights and are not transferable. At reporting date, these options remain outstanding.

On 9 December 2005, 3,000,000 share options were granted to the Directors of the Company and 500,000 options were granted to a contractor, Mr C Plumridge to take up ordinary shares at an exercise price of 8 cents each. The options are available for exercise from 9 December 2005 and are exercisable by 30 September 2006. The options hold no voting or dividend rights and are not transferable. At reporting date, these options remain outstanding.

On 9 December 2005, 3,500,000 share options were granted to the Directors of the Company and 1,000,000 were granted to a contra ctor, Mr C Plumridge to take up ordinary shares at an exercise price of 12 cents each. The options are available for exercise from 9 December 2005 and are exercisable by 30 September 2007. The options hold no voting or dividend rights and are not transferable. At reporting date, these options remain outstanding.

On 9 December 2005, 2,000,000 share options were granted to the Executive Chairman of the Company to take up ordinary shares with no consideration payable on exercise. The options are available for exercise from 31 May 2006 and were exercisable by 15 July 2006. The options hold no voting or dividend rights and are not transferable. At reporting date, these options remain outstanding but were exercised on 11 July 2006.

On 9 December 2005, 2,000,000 share options were granted to the Executive Chairman of the Company to take up ordinary shares wi th no consideration payable on exercise. The options are available for exercise from 30 November 2006 and are exercisable by 15 January 2007. The options hold no voting or dividend rights and are not transferable. At reporting dat e, these options remain outstanding.

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

	Economic Entity				Parent Entity			
	2006		2005		2006		2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		$		$		$		$
Outstanding at the beginning of the year	11,000,000		7,000,000		11,000,000		7,000,000	
Granted	12,000,000	0.08	4,000,000	0.08	12,000,000	0.08	4,000,000	0.08
Forfeited	-	-	-	-	-	-	-	-
Exercised	(4,000,000)	-	-	-	(4,000,000)	-	-	-
Expired	-	-	-	-	-	-	-	-
Outstanding at year-end	19,000,000	0.06	11,000,000	0.03	19,000,000	0.06	11,000,000	0.03
Exercisable at year-end	17,000,000	0.07	9,000,000	0.04	17,000,000	0.07	9,000,000	0.04

Note 18 Share Based Payments (Continued)

There were 4,000,000 options exercised during the year ended 30 June 2006. These options had a weighted average share price of $0.0185 at exercise date.

The options outstanding at 30 June 2006 had a weighted average exercise price of $0.06 and a weighted average remaining contractual life of 6 months. Exercise prices range from nil to $0.12 in respect of options outstanding at 30 June 2006.

The weighted average fair value of the options granted during the year was $0.0094.

This price was calculated using the Binomial Method of option pricing applying the following inputs:

Weighted average exercise price	$0.06
Weighted average life of the option	0.5 years
Underlying share price	$0.026
Expected share price volatility	57%
Risk free interest rate	6.4%

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

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

Included under Directors' securities benefits expense is $113,072 (2005: $63,250), and relates, in full, to equity-settled share-based payment transactions.

Note 19 Capital and Leasing Commitments

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
a. **Operating Lease Commitments**					
Non-cancellable operating leases contracted for but not capitalised in the financial statements					
Office Equipment Payable					
— not later than 1 year		1,428	1,428	1,428	1,428
— later than 1 year but not later than 5 years		2,618	4,046	2,618	4,046
— later than 5 years		-	-	-	-
		4,046	5,474	4,046	5,474
The office equipment lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The payments are not subject to CPI changes.					
Office & Other Premises Payable					
— not later than 1 year		17,473	16,100	17,473	16,100
— later than 1 year but not later than 5 years		11,879	-	11,879	-
		29,352	16,100	29,352	16,100

The office premises lease is a non-cancellable lease with a two-year term, with rent payable monthly in advance, and commenced on 1st March 2006. The lease agreement has a fixed yearly payment value of year (1) $17,300 plus GST and year (2) $17,819 plus GST. An option exists to renew the lease at the end of the two year term for a further two periods of two years each period. The lease allows for sub-letting of all lease areas.

Future minimum lease payment expected to be received for non-cancellable sublease				
— not later than 1 year	-	3,174	-	3,174
	-	3,174	-	3,174

b. **Capital Expenditure Commitments**

The consolidated entity is committed to capital expenditure on its various mining tenements and leases as follows:				
Payable				
— not later than 1 year	450,000	450,000	450,000	450,000
— later than 1 year but not later than 5 years	1,100,000	1,100,000	1,100,000	1,100,000
	1,550,000	1,550,000	1,550,000	1,550,000

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 Segment Reporting

Business and Geographical Segments

The consolidated entity operates predominantly in one business segment, being mineral exploration and prospecting. The consolidated entity operates predominantly in one geographical segment, being Australia.

Note 22 Related Party Transactions

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
(i) Director-related Entities				
Calabro Consulting Pty Ltd, a company associated with N Calabro, a former director, provided accounting services to the parent entity.	-	23,867	-	23,867
Strategic International Ventures Pty Ltd, a company associated with J Kaminsky, provided consultancy services to the parent entity. Strategic International Ventures Pty Ltd was paid a fee of $54,000.	54,000	50,000	54,000	50,000
(ii) Entities in the wholly owned group				
Axis Mining NL				
During the year the parent entity provided funds to Axis Mining NL interest free. At 30 June 2006, Axis Mining NL has amounts owing to the parent entity totalling $464,034 (2005: $474,350) interest free, payable at call. The loan has been fully provided for at 30 June 2006.	-	-	1,000	9,819
During the year the parent entity received funds from Axis Mining NL as a part repayment of the existing outstanding loan. Since the loan has already been provided for the repayment was recognised in the income statement.	-	-	11,316	-
(iii) Other Related Parties				
On 22 July 2005 Mr J Kaminsky provided a loan to the parent entity as part of the loan facility agreed on 10 June 2005. The amount drawn from the facility was $100,000 which was subsequently repaid to Mr J Kaminsky on 17 March 2006. Interest of 10% p.a. was charged on the facility with $6,441 being recognised as interest expense on the $100,000 drawn from the facility. This facility lapsed on 10 June 2006.				
On 29 September 2006 the directors agreed to renew the loan facility provided by the Executive Chairman on 10 June 2005. The loan facility renewed will be on substantially the same terms as the previous facility.				
Included in payables as at 30 June 2006 of $110,152, are amounts owed to Mr J Kaminsky in respect of director's salaries and superannuation. The amounts owed are as follows:				
Director's salary $96,000 Director's superannuation $8,640	104,460	61,040	104,460	61,040
Total **$104,640**				
(iv) Directors				

As part of the 44,451,057 shares issued by the company on 18 August 2005 the directors agreed to underwrite the shares in return for a 5% commission for $40,006 on the amount raised by the rights issue. After sub-underwriting of $7,252 by the directors on a pro-rata basis, the amount paid as commission to each director is as follows:

John Kaminsky	$16,377				
Graham Billinghurst	$4,913				
Geoff Stuart	$1,638				
Ramona Enconniere	$4,913				
Andrew Knox	$4,913				
		32,754	-	32,754	-
Total	**$32,754**				

Note 23 Post Balance Date Events

The Chairman exercised 2,000,000 options, converted to 2,000,000 fully paid ordinary shares at $ nil consideration on the 11th July 2006 as part of his remuneration entitlement.

Note 24 Cash Flow Information

	Consolidated Entity		Parent Entity	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
a. **Reconciliation of Cash Flow from Operations with Loss after Income Tax**				
Loss after income tax	(546,033)	(499,188)	(533,111)	(510,837)
Cash flows excluded from loss attributable to operating activities				
Non-cash flows in loss				
Depreciation and amortisation	7,767	9,813	7,767	9,813
Write-off of capitalised expenditure	614	3,354	614	3,354
Loss / (Gain) gain on disposal of property, plant and equipment	7,130	-	7,130	-
Loss / (Gain) on sale of other financial assets	-	10,000	-	-
Share options expensed	113,072	63,250	113,072	63,250
Recovery of written off subsidiary loan	-	-	(11,316)	-
Expenses paid for by issue of shares in company	-	69,099	-	69,099
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in sundry debtors	-	36,259	-	38,974
Movement in provision for doubtful debts	-	-	1,000	27,850
(Increase)/decrease in prepayments	9,030	(8,161)	9,030	(8,161)
(Increase)/decrease in other receivables	(16,771)	-	(17,191)	-
(Increase)/decrease in trade creditors and accruals	23,024	5,196	23,524	5,196
Increase/(decrease) in provisions	-	(7,181)	-	(7,181)
Cash flows from operations	(402,167)	(317,559)	(399,481)	(308,643)

b. Cash not available for use
Bank and Bond guarantee $6,961 is restricted for use.

c. Non-cash Financing and Investing Activities
There were no non-cash financing and investing activities carried out during the year.

d. Credit Standby Facilities
The group has no overdraft facility.

e. Used / Unused Facilities

Loan Facilities				
- Used	107,000	107,000	107,000	107,000
- Unused	-	300,000	-	300,000

A loan facility was agreed between Rimfire Pacific Mining and Executive Chairman, Mr John Kaminsky on 10 June 2005. As part of the facility Mr Kaminsky would provide to Rimfire Pacific Mining NL a maximum of $300,000 for the purposes of Rimfire Pacific Mining NL working capital requirements. .The term of the facility was the earlier of the completion of capital raising sufficient to provide the loan take out or 12 months from the date of acceptance. As at 30 June 2006 the facility had lapsed but had been renewed on substantially the same terms on 29 September 2006.

Note 25 Financial Instruments

a. **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 and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Fixed Interest Rate Maturing Weighted Average Effective Interest Rate		Floating Interest Rate $		Within Year $		Non-interest Bearing $		Total $	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Financial Assets	%	%								
Cash	2.75	3.23	-	-	427,550	59,216	-	-	427,550	59,216
Receivables	0.22	0.50	6,961	23,845	-	13,002	203,343	195,112	210,304	231,959
Total Financial Assets			6,961	23,845	427,550	72,218	203,343	195,112	637,854	291,175
Financial Liabilities										
Trade and sundry creditors	-	-	-	-	-	-	159,566	92,185	159,566	92,185
Mortgage	10.00	10.00	-	-	107,000	107,000	-	-	107,000	107,000
Total Financial Liabilities			-	-	107,000	107,000	159,566	92,185	266,566	199,185
Net Financial Assets			6,961	23,845	320,550	(34,782)	43,777	102,927	371,288	91,990

Note 25 **Financial Instruments (Cont'd)**

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

Credit Risk
The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.
The consolidated entity 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.

Liquidity Risk
The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

c. **Net Fair Values**
The carrying amounts of financial assets and liabilities approximate the net fair value unless otherwise stated.

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

<u>Recognised financial instruments</u>
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 approximate fair value.

Note 26 **Company Details**

The registered office of the Company is:

Rimfire Pacific Mining NL
"Exchange Tower"
Suite 810, 530 Little Collins Street
Melbourne Victoria 3000

The principal places of business are:

Rimfire Pacific Mining NL
"Exchange Tower"
Suite 810, 530 Little Collins Street
Melbourne Victoria 3000

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 29 to 62 are in accordance with the Corporations Act 2001:
    a. comply with Accounting Standards and the Corporations Regulations 2001; and
    b. give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the Company and consolidated entity.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The Chief Executive Officer and Chief Financial Officer have given the declarations to the Directors required by Section 295A.

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

Director John Kaminsky

Dated this 29th day of September 2006

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDIT REPORT
TO MEMBERS OF RIMFIRE PACIFIC MINING NL

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for both Rimfire Pacific Mining NL (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entity it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

(a) examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and

(b) assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, would be the same terms if it had been given at the time the audit report was made.

Audit Opinion

In our opinion, the financial report of Rimfire Pacific Mining NL is in accordance with:

(a) the Corporations Act 2001, including:

    (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006, and of their performance for the year ended on that date, and

    (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

PKF

PKF
Chartered Accountants

M L Port
Partner

29 September 2006
Melbourne

Tel: +61 3 9603 1700 | Fax: +61 3 9602 3870 | www.pkf.com.au
Victorian Partnership | ABN 56 527 914 493
Level 11, CGU Tower | 485 La Trobe Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

1. The shareholder information set out below was applicable as at 2nd October 2006.

(a) Distribution of Shareholders by Class

Category (size of holding)	Ordinary Shares	Unlisted Options
1 - 1,000	37,967	-
1,001 - 5,000	612,691	-
5,001 – 10,000	1,910,456	-
10,001 – 50,000	15,681,935	-
50,001 – 100,000	21,918,167	
100,001 & over	156,643,046	6,500,000
	196,804,262	6,500,000

(b) The number of share holders with shareholdings in less than marketable parcels is 534 as at 2nd October 2006.

(c) The number of holders of each class of equity security as at 2nd October 2006 was:

Class of Security	Number
Ordinary fully paid shares	1652
Unlisted options	4

(d) There was one substantial shareholder listed in the holding company's register as at 2nd October 2006.

- Mr John Kaminsky had a beneficial interest in 12,446,000 ordinary fully paid shares, representing 6.32% 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 2nd October 2006.**

	Name	**Number of Ordinary Fully Paid Shares Held**	**% Held of Issued Ordinary Capital**
1.	Mr John Kaminsky	8,100,000	4.12%
2.	Ralston Corp. Pty Ltd Ralston Super Fund A/C	5,475,544	2.78%
3.	Warcoll Holdings Pty Ltd	4,800,000	2.44%
4.	Jillina Kaminsky	4,346,000	2.21%
5.	Assesslaw Pty Ltd Gibson Super Fund A/C	4,236,878	2.15%
6.	Mrs Ma Ting Fong	3,394,034	1.72%
7.	Donald Malcolm Leembruggen	3,284,726	1.67%
8.	Alex Suvoltos	3,000,000	1.52%
9.	Mr Laurie John Newman	2,820,102	1.43%
10.	Mr Malcolm Clark Anderson	2,792,000	1.42%
11.	Mr William Theodore Durnell	2,550,000	1.30%
12.	Mr Andrew Knox	2,500,000	1.27%
13.	Ms Clarinda Boldwin Jelbart	2,316,667	1.18%
14.	Mr Kerry Peter Jelbart	1,997,481	1.01%
15.	Mr Guy Alexander Lumsden	1,633,334	0.83%
16.	Mr Graham Billinghurst Mrs Denise Billinghurst Colhurst Superfund A/C 71	1,600,000	0.81%
17.	Mr William Leonard James Parker	1,500,000	0.76%
18.	Diamantina Pty Ltd	1,371,736	0.70%
19.	Chacar Pty Ltd	1,349,463	0.69%
20.	Mr Warren Bruce Higgins	1,217,107	0.62%
		60,285,072	30.63%

2. **The name of the company secretary is Graham Billinghurst.**

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

Suite 810, 530 Little Collins Street
Melbourne, Victoria 3000

Telephone: (03) 9620 5866
Facsimile: (03) 9620 5822
Website: 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 4000

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 Stock Exchange Limited.

6. **Vendor Securities**

There are no restricted securities on issue as at 2nd October 2006.

7. Unquoted Securities

20 Largest holders of Unlisted Options as at 2nd October 2006.

	Name	Number of Unlisted Options Held Exp. 30/09/07	% Held of total Issued Unlisted Options	Number of Unlisted Options Held Exp. 15/01/07	% Held of total Issued Unlisted Options
1.	Mr Andrew Knox	1,000,000	22.22%	Nil	Nil
2.	Ms Ramona Enconniere	1,000,000	22.22%	Nil	Nil
3.	Mr Colin Plumridge	1,000,000	22.22%	Nil	Nil
4.	Mr John Kaminsky	1,500,000	33.33%	2,000,000	100%
		4,500,000	100.00%	2,000,000	100%

This page intentionally left blank

rimfire

ANNUAL REPORT 2006

www.rimfire.com.au