



| | PAGE |
|---|-----------|
| DIRECTORS' REPORT | 3 |
| REVIEW OF EXPLORATION ACTIVITIES | 6 |
| DIRECTORS' REPORT | 8 |
| Directors | 8 |
| Principal Activities | 8 |
| Review of Operations and Operating Results | 8 |
| Dividends | 8 |
| Significant Changes in State of Affairs | 8 |
| After Balance Date Events | 8 |
| Future Developments | 8 |
| Environmental Issues | 8 |
| Information on Directors | 8 |
| Meetings of Directors | 9 |
| Options | 9 |
| Directors' Shareholdings | 10 |
| Directors' Emoluments | 10 |
| Executive Officers | 11 |
| CORPORATE GOVERNANCE | 12 |
| SCHEDULE OF MINING TENEMENTS | 15 |
| STATEMENT OF FINANCIAL PERFORMANCE | 16 |
| STATEMENT OF FINANCIAL POSITION | 17 |
| STATEMENT OF CASH FLOWS | 18 |
| NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS | 19 |
| Note 1 - Statement of Significant Accounting Policies | 19 |
| 2 - Revenue from Ordinary Activities | 23 |
| 3 - Expenses from Ordinary Activities | 24 |
| 4 - Income Tax Expense | 25 |
| 5 - Specified Directors' and Specified Executives' Remuneration | 26 |
| 6 - Auditors Remuneration | 28 |
| 7 - Earnings Per Shares | 28 |
| 8 - Cash Assets | 29 |
| 9 - Receivables | 29 |
| 10 - Other Financial Assets | 29 |
| 11 - Controlled Entities | 30 |
| 12 - Property, Plant & Equipment | 30 |
| 13 - Other Assets | 31 |
| 14 - Exploration & Evaluation Costs Carried Forward | 31 |
| 15 - Payables | 32 |
| 16 - Interest Bearing Liabilities | 32 |
| 17 - Provisions | 33 |
| 18 - Contributed Equity | 33 |
| 19 - Retained Profits | 35 |
| 20 - Total Equity | 35 |
| 21 - Capital and Leasing Commitments | 36 |
| 22 - Contingent Liabilities and Contingent Assets | 37 |
| 23 - Segment Reporting | 37 |
| 24 - Related Party Transactions | 37 |
| 25 - Post Balance Date Events | 37 |
| 26 - Cash Flow Information | 38 |
| 27 - Financial Instruments | 39 |
| 28 - Company Details | 40 |
| DIRECTORS' DECLARATION | 41 |
| INDEPENDENT AUDIT REPORT | 42 |
| ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES | 44 |



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Dear Shareholder

It is once again my pleasure to report to my fellow shareholders on the Company's activities for the financial year ended 30 June 2004.

ACTIVITIES IN 2004

As pre-empted at the last Annual General Meeting the company has, this year, focused its activities on the two major areas of interest being the Fifield Platinum project and the Bingara Diamonds project.

The major commodities the Company is exploring for have been selected for the following reasons:

a) **Platinum** – This is a Precious Metal with little production in Australia save and except for the Fifield Platinum Province which has been the only dedicated platinum field in the past.

The major global producers of platinum are South Africa, Russia and North America who, based on recent published data, produced approximately 96% of the total global production.

The biggest growth areas have been Europe and China. In Europe all vehicles are required by legislation to be fitted with catalytic converters which require a large component of platinum. China's consumption is principally in jewellery with growth appearing to continue unabated.

b) **Diamonds** – Australia's diamond production is currently restricted to Western Australia with no production from Eastern Australia despite significant past production from alluvial diamond deposits. Demand for diamonds world wide has always remained strong.

Our activities have covered:

Fifield Platinum – This area which was acquired in 1999 is of interest to us because of historic platinum production from alluvials and its prospectivity for hard rock areas and



Chairman's Report

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as reported previously we are satisfied with the results achieved including some with very good intersections.

Buoyed by these results the Company pegged EL 6144, the Hylea area, in 2003. During the year we completed test work on this area and once again the results have been quite satisfactory. We will continue our work in order to establish a resource.

In the interim, following a review by our consulting geologists, the Board decided to commence test operations of the alluvials to provide the Company with some cash flow. In furtherance of these activities the Company acquired in May of this year a freehold property at Fifield. The property cost \$214,000.

We have also acquired a plant which has been transported to Fifield and has been assembled in readiness for test operations.

The Company has made applications for Mining Claims before we can commence testing operations. I understand that these claims have been granted and we are just waiting on the documentation.

On the basis of exploration conducted by previous explorers and their estimates the inferred platinum alluvial resource 9380 oz of platinum which will provide the Company with a reasonable cash flow commencing towards the end of the 3rd or 4th quarter 2005, assuming the test period produces the forecast results. In addition, the opportunity exists to explore and expand the known alluvial resource during the next period.

Focus Metals Pty Ltd, an experienced precious metals refiner has given in principle agreement to refine and recover 99.99% Platinum from the Company's Concentrate.

BINGARA DIAMONDS

Over the last two or three years considerable exploration work has been carried out on these tenements with some promising results.

Exploration for diamonds has always been a slow and expensive exercise particularly for junior explorers where capital availability is often limited. Despite this, given the very promising results achieved so far, finding five macro diamonds, the Company hopes to increase its activities in this area.

APPOINTMENT OF EXECUTIVE DIRECTOR

The Company was very fortunate to obtain the services of Mr John Kaminsky as an Executive Director, of the Company particularly in light of the Company's plans to refocus and develop our opportunities. John, who is now responsible for operations, is a well known and highly respected businessman with great knowledge of Commodities. John has a B. App. Sci (RMIT, chemistry) and MBA (Melbourne Business School). He brings strong strategic and international skills to the Company as he has more than 20



years experience in international trade, chemicals, plastics, metals, minerals, ores, concentrates and energy products.

John has also spent more than ten years in South Korea during the late 80's and 90's, involved in consulting, trade, representation and technology transfer.

RESULTS OF OPERATIONS

For the year ended 30 June 2004 the company incurred a loss of \$568,133. As at 30 June 2004 the company's cash flow and cash equivalent resources amounted to \$68,848.

FUTURE ACTIVITIES

This current financial year will see the company conduct further exploration work at Fifield and Bingara. A plan for this work is currently being prepared.

THE BOARD AND MANAGEMENT

As always I am indebted to my fellow directors, staff and consultants to the company for their efforts and commitment to the company which enables me and the rest of our team to cope with the challenges facing junior explorers.

I look forward with great anticipation to the year ahead of us.

Norbert Calabro
Chairman
Dated 22 October 2004



Review of Exploration Activities

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The exploration focus during the year has been on the *Fifield Platinum Project*. Further high resolution airborne magnetics and drill testing were completed and a consultant retained to review the existing alluvial platinum resources. The review highlighted the short term potential of this resource to generate cash flow for the company. Following a lengthy application and permitting period the offer of grant of mineral claims for trial alluvial mining has been received.

Trial mining to establish costing parameters for a large scale mining operation is planned in conjunction with further hardrock drill testing

Planned exploration at the Bingara Diamond Project included further sampling to test the high sodium garnet indicator mineral trail identified at the *Tom & Jerry Prospect*.

Fifield Platinum Project

EL5534
EL5565
EL6144
EL6241

The *Fifield Platinum Project* is comprised of four tenements covering known alluvial and hardrock platinum mineralisation at Fifield in central western NSW. The company is conducting exploration for a source of the coarse grained alluvial platinum mined in the Fifield area. Modelling indicates this source will be a discrete high grade zone of platinum mineralisation within the ultramafic intrusives in the area. These bodies carry widespread low grade platinum mineralisation of a very fine grain size.

Due to the recessive topography of these bodies Rimfire has utilised high resolution airborne magnetics to target exploration drilling with positive results. Further drilling is planned during the coming year.

A review of the open file alluvial platinum exploration results was undertaken during the year with an inferred resource of 9380 oz Pt & 3095 oz Au being outlined on Rimfire's licence in the Fifield area. Rimfire purchased a 210 ha freehold property containing the site of a previous mining operation with infrastructure in place and containing an inferred resource of 2,800 oz Pt and 1160 oz Au (included in above figure). Application to conduct trial mining in order to determine platinum and gold recovery, water consumption and mining costs on several mineral claims was submitted. This process included the preparation of submissions to several government departments and the local authority. Offer of grant for the mineral claims have now been made with trial mining scheduled to commence in November 2004.

Exploration drilling at Hylea and Fifield reported widespread anomalous platinum. Drilling at Hylea confirmed the previous drill results within the laterite and indicated minor mineralisation away from the main zone. Drilling at Fifield indicated low grade platinum on the northern margin of the Murga ultramafic body.



Bingara Diamonds

EL6106

EL5880

Diamond exploration has been delayed during the year due to an emphasis on the Fifield Project. Exploration this year has entailed further bulk sampling and analysis of indicator mineral grains. Bulk sampling at Five Mile Creek did not report diamonds in a visual inspection of concentrates. The concentrates have been stored to be forwarded for laboratory analysis.

Further analysis of indicator mineral grains has been conducted using Laser Raman Spectroscopy to evaluate the pressure of formation of Eastern Australian Diamonds and associated indicator minerals. On the basis of this research and further refinement of the Subduction Diamond Model several areas including the Braemar and Minty areas have been confirmed as prospective.

Further bulk sampling and geophysical studies are planned for 2005. This work will focus on the discrete anomalies of high sodium garnets identified in sampling to date. In particular, the high concentration of diamond eclogite garnets at the *Tom & Jerry Prospect*. This prospect has reported more than 30 eclogitic garnets with greater than 0.07 weight percent sodium which is the criteria for diamond eclogites worldwide. Sodium values in garnet as anomalous as 0.14 wt % have been reported from this prospect.



Directors' Report

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Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2004

Directors

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

Norbert Calabro
Graham Billingham
Geoff Stuart
John Kaminsky (appointed 10/05/04)

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 economic entity during the financial year were:

— exploration and development of economic mineral deposits.

Review of Operations

Operating Results

The consolidated loss and extraordinary items of the economic entity amounted to \$-568,133 (2003: \$-1,099,657).

Dividends

No dividends were paid during the year, nor are any recommended at 30 June 2004.

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 area.

After Balance Date Events

The company issued a prospectus during the year for shares due to be lodged with existing shareholders on 2 July 2004. The share issue is fully underwritten. In accordance with listing rule 7.1, shares issued under the plan will not exceed 15% of the company's issued shares. Accordingly, the maximum number of shares offered is 16,767,891. The number of shares issued was 8,123,819 for \$223,405.

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 economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Future Developments

The particular information required by Section 299(1)(e) of the Corporations Act 2001 has been omitted from the report because the directors believe that it would result in unreasonable prejudice to the economic entity.

Environmental Issues

The economic entity aims to ensure that the highest standard of environmental care is achieved. The Board maintains the responsibility to ensure that the economic entity's environment policies are adhered to and to ensure that the economic entity is aware of and is in compliance with all relevant environmental legislation.

There have been no environmental breaches during the 2004 financial year.

Information on Directors

Norbert Calabro (Chairman of Directors)

F.C.A., A.S.C.P.A., F.T.I.A.

Norbert Calabro, aged 64, was appointed chairman of Rimfire Pacific Mining NL and Axis Mining NL in March 1999. He has been a qualified accountant since 1966 and is currently registered as a chartered accountant, company auditor and liquidator. As the principal of Calabro Consulting he leads the Corporate Advisory and Litigation Support division. He brings to the Board extensive experience in a wide range of accountancy and allied disciplines as well as expert advice in corporate matters.



Graham Billinghamurst (Director and Secretary)

Graham Billinghamurst, aged 62, 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.

Geoff Stuart (Director)

Geoffrey Stuart, aged 51, became a director of Rimfire Pacific Mining NL and Axis Mining NL in June 2001.

John Kaminsky (Director)

John Kaminsky, aged 47, became a director of Rimfire Pacific Mining NL and Axis Mining NL in May 2004.

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 |
| Norbert Calabro | 11 | 11 |
| Graham Billinghamurst | 11 | 9 |
| Geoff Stuart | 11 | 10 |
| John Kaminsky | 2 | 2 |

Options

There are 40,560,785 listed options on hand at 30 June 2004. 4,884,391 options are exercisable on or before 30 September 2004 and are exercisable at 20 cents and 35,676,394 options are exercisable on or before 30 September 2006 and are exercisable at 8 cents.

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

Options held beneficially:

Exercisable on or before: 30/09/06

| | |
|-----------------------|---------|
| Norbert Calabro | 230,460 |
| Graham Billinghamurst | Nil |
| Geoff Stuart | 222,000 |
| John Kaminsky | Nil |

Options in which there is a relevant interest:

Exercisable on or before: 30/09/06

| | |
|-----------------------|---------|
| Norbert Calabro | 994,260 |
| Graham Billinghamurst | 824,679 |
| Geoff Stuart | 175,760 |
| John Kaminsky | Nil |



Directors' Report

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As at 30 June 2004 7,000,000 unlisted options were on hand.

The following unlisted options have been granted to directors:

Exercisable on or before: 30/11/05

| | |
|-----------------------|-----------|
| Norbert Calabro | 3,000,000 |
| Graham Billinghamurst | 2,000,000 |
| Geoff Stuart | 2,000,000 |
| | <hr/> |
| | 7,000,000 |

Options exercisable on or before 30 November 2005 are exercisable at 12 cents each.

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:

| | |
|-----------------------|---------|
| Norbert Calabro | 589,095 |
| Graham Billinghamurst | Nil |
| Geoff Stuart | 592,000 |
| John Kaminsky | Nil |

Shares in which there is a relevant interest:

| | |
|-----------------------|-----------|
| Norbert Calabro | 2,751,360 |
| Graham Billinghamurst | 3,382,477 |
| Geoff Stuart | 468,693 |
| John Kaminsky | Nil |

Directors' Emoluments

Method of Determining Fees

The matters of remuneration for directors are dealt with by the Board of directors and are determined according to merit and normal industry levels. Remuneration levels are not directly linked to the performance of the company and the consolidated entity.



Emoluments Received

Details of the nature and amount of each major element of the emoluments of each director of the company and consolidated entity are:

| Name of Director | Directors Fees | Superannuation | Consulting | Value of Options Granted | Total |
|------------------|----------------|----------------|------------|--------------------------|----------------|
| N. Calabro | 30,000 | 2,700 | Nil | 7,342 | 40,042 |
| G. Billingham | 24,000 | 2,160 | Nil | 4,895 | 31,055 |
| G. Stuart | 24,000 | 2,160 | Nil | 4,895 | 31,055 |
| J Kaminsky | 4,000 | 360 | Nil | Nil | 4,360 |
| | <u>80,000</u> | <u>7,200</u> | <u>Nil</u> | <u>17,132</u> | <u>106,512</u> |

All of the assumptions underlying the Black-Scholes method of valuing options have been applied to arrive at a value of options issued to directors during the year.

Executive Officers

There are no executive officers of the company or economic entity

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

Director *Norbert Calabro*

Dated this 30th day of September 2004



Corporate Governance Statement

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CORPORATE GOVERNANCE

Corporate Governance is the process and structure used to direct and manage the business and affairs of a corporation. The objective is to enhance shareholder value, including ensuring the financial viability of the corporation. Corporate Governance processes and structures establish ways to ensure accountability. They also take into account how the direction and management of the business will affect all people involved with the company, including shareholders, employees, suppliers and communities. The directors are responsible for the Corporate Governance practices of the company. This statement sets out the main Corporate Governance practices that were in operation throughout the financial year, except where otherwise stated.

BOARD OF DIRECTORS

The Board of Directors is responsible for the overall Corporate Governance of Rimfire Pacific Mining NL and its controlled entity. This includes:

- Setting the strategic direction of the consolidated entity;
- Setting objectives and goals for management with a view to maximising shareholders wealth and monitoring management performance against this benchmark;
- Adopting an annual budget and monitoring the consolidated entity's financial performance;
- Ensuring adequate internal controls exist and are appropriately monitored for compliance;
- Ensuring an adequate business risk management process is in place to appropriately manage identified business risks;
- Selecting, appointing and reviewing the performance of the senior executive management; and
- Maintaining the highest business standards and ethical behaviour.

COMPOSITION OF THE BOARD

At the date of this statement, the Board comprises four non-executive directors, including the chairman. All directors are initially appointed by the Board to fill casual vacancies and are then subject to election by shareholders at the next general meeting. At least one third of the directors must retire each year and subject to the provisions of the Corporations Act 2001, may resubmit themselves for re-election.

The Articles of Association provide that the number of directors shall be not less than three directors nor more than seven directors. The Board should comprise a majority of non-executive directors.

The directors should bring characteristics to the Board which would provide a mix of qualifications, skills and experience, both commercially and technically.

DIRECTORS' DEALINGS IN COMPANY SHARES

The company policy is to allow directors to deal in company shares only:

- in the forty-five day period subsequent to the release of the company's quarterly, half-yearly and annual results to the stock exchange; and
- in the forty-five day period subsequent to the release of price sensitive information.

DIRECTORS' DEALINGS IN COMPANY OPTIONS

The company policy is to allow directors to deal in company options only:

- in the forty-five day period subsequent to the release of the company's quarterly, half-yearly and annual results to the stock exchange; and
- in the forty-five day period subsequent to the release of price sensitive information.



INDEPENDENT PROFESSIONAL ADVICE

The Board has in place a policy, which allows, after appropriate consultation, each director to seek independent professional advice, at the expense of the company, to assist them to carry out their duties and responsibilities as directors.

ETHICAL STANDARDS

Directors and management are expected to perform their duties for the consolidated entity in a professional manner and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

THE ROLE OF THE SHAREHOLDERS

The Board aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated by:

- the annual and quarterly reports which are distributed to all shareholders;
- the Board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year, any changes in the state of affairs of the consolidated entity and details of future developments in addition to all disclosures required by the Corporations Act 2001, Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board;
- the half yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period;
- half year audited financial statements are prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001. These are lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange; and
- ensuring that major changes to the consolidated entity which may impact on share ownership rights are put to a vote of shareholders.

The Board encourages full participation of shareholders at the annual general meeting to ensure a high level of accountability and identification of the consolidated entity's strategy and goals. Important issues are presented to shareholders as special resolutions.

COMPENSATION ARRANGEMENTS

As approved by shareholders on 28 November 2001 at the Annual General Meeting of the company, the total aggregate remuneration payable to non-executive directors of the Company would be limited to \$150,000 per annum with the Chairman to be paid \$30,000 per annum and each non-executive director \$24,000 per annum.

In addition to the above, where a director provides regular consultancy services to the consolidated entity, appropriate fees will be negotiated by the Board at normal commercial rates.

AUDIT

The Board, in view of the nature and size of the company's business, has decided that it is not necessary to form an audit committee.

RISK MANAGEMENT

Identification and management of business risks is the role of the full Board.



Corporate Governance Statement

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CORPORATE GOVERNANCE STATEMENT

CODE OF ETHICS

The company aims to maintain the highest standard of ethical behaviour in ethical business dealings. In maintaining the ethical standards the company will:

- behave with integrity in all its dealings with customers, shareholders, employees, government, suppliers and the community;
- ensure that its actions comply with applicable laws and regulations and maintain harmonious relations with communities located near the company's operations;
- maintain and implement policies that will enable the company's employees to avoid situations where conflicts of interest could arise;
- not engage in any activity that could be construed to involve an improper inducement and achieve a working environment where:
 - equal opportunity is practiced;
 - harassment and other offensive behaviour is not tolerated;
 - the confidentiality of commercially sensitive information is protected; and
 - employees are encouraged to discuss concerns about ethical behaviour with their supervisor.

RESPONSIBILITIES

The chairman is responsible to the Board for establishing compliance and evaluating the effectiveness of the company's Code of Ethics.

DIRECTORS' AND OFFICERS' INDEMNITY

To the extent permitted by law, the company indemnifies every officer of the company against any liability incurred by that person:

- (a) in his or her capacity as officer of the company; and
- (b) to a person other than the company or a related body corporate of the company, unless the liability arises out of conduct on the part of the officer which involves a lack of good faith.

The company indemnifies every officer of the company against any liability or costs and expenses incurred by the person in his or her capacity as an officer of the company:

- (a) in defending any proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted; or
- (b) in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the Corporations Act 2001.

The company has paid a premium to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conducts involving a wilful breach of duty in relation to the company. The amount of the premium for the period July 2004 to July 2005 was \$15,011 and this was paid in July 2005. This compares with a premium of \$13,795 paid for the previous financial year. The director's insured are:

- N Calabro
- G Billingham
- G Stuart
- J Kaminsky

Schedule of Mining Tenements



| Project. | Units | Reference | Date Granted | Registered Holder | State | Mineral Type |
|-------------------|-------|-----------|--------------|-------------------|-------|--------------|
| Bingara Diamonds. | 148 | EL6106 | 29-Jul-03 | 100% Rimfire | Qld | Diamonds. |
| Bingara Diamonds. | 6 | EL5880 | 31 July 01. | 100% Rimfire | Qld | Diamonds. |
| Fifield. | 40 | EL5534 | 23-Oct-98 | 100% Rimfire | Qld | Platinum. |
| Fifield. | 18 | EL5565 | 24-Mar-99 | 100% Rimfire | Qld | Platinum. |
| Fifield. | 100 | EL6144 | 24-Oct-03 | 100% Rimfire | Qld | Platinum. |
| Currabubula. | 9 | EL5978 | 27 August,02 | 100% Rimfire | Qld | Zeollite. |
| Peel Gold ELA | 37 | ELA2303 | Pending | 100% Rimfire | Qld | Gold |
| Fifield | 21 | EL6241 | 17-May-04 | 100% Rimfire | Qld | Platinum. |

| Project. | Area ha. | Reference | Date Granted | Registered Holder | State | Mineral Type |
|-------------|----------|-----------|--------------|-------------------|-------|-----------------------|
| Many Peaks. | 68 | ML 3640 | 01-Aug-87 | 100% Axis | NSW | Besshi style Cu - Au. |
| Many Peaks. | 4 | ML 3641 | 01-Aug-87 | 100% Axis | NSW | Besshi style Cu - Au. |
| Many Peaks. | 4 | MDL 30. | 01-Mar-92 | 100% Axis | NSW | Besshi style Cu - Au. |
| Many Peaks. | 60 | MDL 31. | 01-Mar-92 | 100% Axis | NSW | Besshi style Cu - Au. |
| Many Peaks. | 19 | MDL 32. | 01-Mar-92 | 100% Axis | NSW | Besshi style Cu - Au. |
| Many Peaks. | 50 | MDL 33. | 01-Mar-92 | 100% Axis | NSW | Besshi style Cu - Au. |



Statement of financial performance

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FOR THE YEAR ENDED 30 JUNE 2004

| | Note | Economic Entity | | Parent Entity | |
|---|------|------------------|--------------------|------------------|--------------------|
| | | 2004 | 2003 | 2004 | 2003 |
| | | \$ | \$ | \$ | \$ |
| Revenues from ordinary activities | 2 | 26,523 | 215,580 | 26,049 | 215,100 |
| Expenses from ordinary activities | 3 | <u>(594,656)</u> | <u>(1,315,238)</u> | <u>(594,182)</u> | <u>(1,314,758)</u> |
| Loss from ordinary activities before income tax expense | 3 | (568,133) | (1,099,658) | (568,133) | (1,099,658) |
| Income tax expense relating to ordinary activities | 4 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Loss from ordinary activities after related income tax expense | | (568,133) | (1,099,658) | (568,133) | (1,099,658) |
| Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity | | <u>(83,909)</u> | <u>(10,200)</u> | <u>(83,909)</u> | <u>(10,200)</u> |
| Total changes in equity other than those resulting from transactions with owners as owners | | <u>(652,042)</u> | <u>(1,109,857)</u> | <u>(652,042)</u> | <u>(1,109,857)</u> |
| Basic earnings per share (cents per share) | 7 | (0.70) | (2.15) | | |
| Diluted earnings per share (cents per share) | 7 | (0.70) | (2.15) | | |

Statement to financial position



AS AT 30 JUNE 2004

| | Note | Economic Entity | | Parent Entity | |
|--|------|------------------|------------------|------------------|------------------|
| | | 2004 | 2003 | 2004 | 2003 |
| | | \$ | \$ | \$ | \$ |
| CURRENT ASSETS | | | | | |
| Cash assets | 8 | 86,089 | 148,404 | 86,089 | 148,404 |
| Receivables | 9 | 84,077 | 47,843 | 83,850 | 47,111 |
| Other financial assets | 10 | - | 10,622 | - | 10,622 |
| Other | 13 | 5,119 | 4,199 | 5,119 | 4,199 |
| TOTAL CURRENT ASSETS | | 175,285 | 211,068 | 175,058 | 210,336 |
| NON-CURRENT ASSETS | | | | | |
| Receivables | 9 | 133,002 | 122,755 | 163,229 | 153,487 |
| Property, plant and equipment | 12 | 244,638 | 41,816 | 244,638 | 41,816 |
| Exploration & evaluation costs carried forward | 14 | 1,657,558 | 1,288,954 | 1,627,558 | 1,258,954 |
| TOTAL NON-CURRENT ASSETS | | 2,035,198 | 1,453,525 | 2,035,425 | 1,454,257 |
| TOTAL ASSETS | | 2,210,483 | 1,664,593 | 2,210,483 | 1,664,593 |
| CURRENT LIABILITIES | | | | | |
| Payables | 15 | 265,144 | 167,424 | 265,144 | 167,424 |
| Interest-bearing liabilities | 16 | 208,318 | - | 208,318 | - |
| Provisions | 17 | 7,181 | 2,428 | 7,181 | 2,428 |
| TOTAL CURRENT LIABILITIES | | 480,643 | 169,852 | 480,643 | 169,852 |
| TOTAL LIABILITIES | | 480,643 | 169,852 | 480,643 | 169,852 |
| NET ASSETS | | 1,729,840 | 1,494,741 | 1,729,840 | 1,494,741 |
| EQUITY | | | | | |
| Contributed equity | 18 | 8,291,639 | 7,488,407 | 8,291,639 | 7,488,407 |
| Retained profits | 19 | (6,561,799) | (5,993,666) | (6,561,799) | (5,993,666) |
| TOTAL EQUITY | | 1,729,840 | 1,494,741 | 1,729,840 | 1,494,741 |



Statement of Cash Flows

rimfire

FOR THE YEAR ENDED 30 JUNE 2004

| | Note | Economic Entity | | Parent Entity | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2004 | 2003 | 2004 | 2003 |
| | | \$ | \$ | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Payments to suppliers and employees | | (554,184) | (654,448) | (545,898) | (644,350) |
| Dividends received | | - | 200 | - | 200 |
| Interest received | | 8,694 | 6,208 | 8,220 | 5,728 |
| Income tax paid | | (24,223) | 80,610 | (24,223) | 80,610 |
| Net cash provided by (used in) operating activities | 26a | <u>(569,713)</u> | <u>(567,430)</u> | <u>(561,901)</u> | <u>(557,812)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from sale of property, plant and equipment | | 3,729 | - | 3,729 | - |
| Proceeds from sale of investments | | 17,829 | 209,172 | 17,829 | 209,172 |
| Proceeds from refund of security deposits | | - | 13,500 | - | 13,500 |
| Purchase of property, plant and equipment | | (113,249) | (2,785) | (113,249) | (2,785) |
| Payment for mining tenement exploration | | (368,604) | (227,088) | (368,604) | (227,088) |
| Purchase of other non-current assets | | (10,247) | - | (10,000) | - |
| Payment on behalf of subsidiary | | - | - | (8,059) | (9,618) |
| Net cash provided by (used in) investing activities | | <u>(470,542)</u> | <u>(7,201)</u> | <u>(478,354)</u> | <u>(16,819)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from issue of shares | | 887,141 | 317,999 | 887,141 | 317,999 |
| Transaction costs associated with share issues | | (83,909) | (10,200) | (83,909) | (10,200) |
| Proceeds from share offer | | 73,390 | - | 73,390 | - |
| Net cash provided by (used in) financing activities | | <u>876,623</u> | <u>307,799</u> | <u>876,623</u> | <u>307,799</u> |
| Net increase in cash held | | (163,633) | (266,832) | (163,633) | (266,832) |
| Cash at 1 July 2003 | | 148,404 | 415,236 | 148,404 | 415,236 |
| Cash at 30 June 2004 | 8 | <u>(15,229)</u> | <u>148,404</u> | <u>(15,229)</u> | <u>148,404</u> |



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 Consensus Views 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 has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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.

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 economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity or left the economic 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 economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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.

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.

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 not been discounted to their present values in determining recoverable amounts.



Notes to the financial statements

rimfire

FOR THE YEAR ENDED 30 JUNE 2004

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated over their useful lives to the economic 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 | 25% |
| 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. Investments

Shares in listed companies held as current assets are valued by directors at those shares' market value at each balance date. The gains or losses, whether realised or unrealised, are included in profit from ordinary activities before income tax.

Non-current investments are brought to account at cost and revalued at the end of each financial year. A net revaluation increment relating to a class of non-current investments is credited to an asset revaluation reserve except that, to the extent that the increment reverses a revaluation decrement previously recognised as an expense in respect of the same class of investments, it is recognised as revenue.

A net revaluation decrement relating to a class of non-current investments is recognised as an expense – except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of that same class of investments, the revaluation decrement is debited directly to the revaluation reserve.

f. Exploration Evaluation and Development Expenditure

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

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

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

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

g Employee Entitlements

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 together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, 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 economic entity to employee superannuation funds and are charged as expenses when incurred.

h Cash

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

— cash on hand and at call deposits with banks or financial institutions.

Notes to the financial statements



FOR THE YEAR ENDED 30 JUNE 2004

i. Receivables

Trade receivables and other receivables are recorded at amounts due less any provision 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 Issued by the Company

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

l. Revenue

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

Dividend revenue is recognised when the right to receive a dividend has been established.

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 statement of financial position 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.

The company has issued a prospectus to facilitate a capital raising of \$461,117. The issue is fully underwritten, consequently the amount required to allow operations to continue into the future will be raised.

o. Interest-bearing Liabilities

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



Notes to the financial statements

rimfire

FOR THE YEAR ENDED 30 JUNE 2004

p Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The economic entity's management are assessing the significance of these changes and preparing for their implementation. The directors will oversee and manage the economic entity's transition to IFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

Impairment of Assets

The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: *Impairment of Assets*, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised, more often than under the existing policy.

Income Tax

Currently, Rimfire Pacific Mining NL adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Notes to the financial statements



FOR THE YEAR ENDED 30 JUNE 2004

Note 2 **Revenue**

| | Note | Economic Entity | | Parent Entity | |
|---|------|----------------------|-----------------------|----------------------|-----------------------|
| | | 2004 \$ | 2003 \$ | 2004 \$ | 2003 \$ |
| Operating activities | | | | | |
| Dividends received | 2a | - | 200 | - | 200 |
| Interest received | 2b | 8,694 | 6,208 | 8,220 | 5,728 |
| | | <u>8,694</u> | <u>6,408</u> | <u>8,220</u> | <u>5,928</u> |
| Non-operating activities | | | | | |
| Proceeds on disposal of non-current investments | | <u>17,829</u> | <u>209,172</u> | <u>17,829</u> | <u>209,172</u> |
| | | <u>17,829</u> | <u>209,172</u> | <u>17,829</u> | <u>209,172</u> |
| Total Revenue | | <u><u>26,523</u></u> | <u><u>215,580</u></u> | <u><u>26,049</u></u> | <u><u>215,100</u></u> |
| a. Dividend revenue from: | | | | | |
| Other corporations | | <u>-</u> | <u>200</u> | <u>-</u> | <u>200</u> |
| Total dividend revenue | | <u>-</u> | <u>200</u> | <u>-</u> | <u>200</u> |
| b. Interest revenue from: | | | | | |
| Other related parties | | <u>8,694</u> | <u>6,208</u> | <u>8,220</u> | <u>5,728</u> |
| Total interest revenue | | <u>8,694</u> | <u>6,208</u> | <u>8,220</u> | <u>5,728</u> |



Notes to the financial statements

rimfire

FOR THE YEAR ENDED 30 JUNE 2004

Note 3 Expenses from Ordinary Activities

| | Note | Economic Entity | | Parent Entity | |
|--|------|-----------------|------------------|----------------|------------------|
| | | 2004 | 2003 | 2004 | 2003 |
| | | \$ | \$ | \$ | \$ |
| Expenses: | | | | | |
| Classification of expenses by function: | | | | | |
| Operating activities: | | | | | |
| Professional costs | | 177,792 | 193,190 | 177,792 | 192,190 |
| Travel costs | | 7,969 | 19,048 | 7,969 | 19,048 |
| Employee costs | | 142,147 | 138,500 | 142,147 | 138,500 |
| Occupancy costs | | 86,054 | 87,560 | 81,654 | 80,232 |
| Marketing costs | | 52,925 | 28,193 | 52,925 | 28,193 |
| Overhead costs | | 107,656 | 100,995 | 111,582 | 108,843 |
| | | <u>574,543</u> | <u>567,486</u> | <u>574,069</u> | <u>567,006</u> |
| Non-operating activities: | | | | | |
| Written down value of listed shares disposed of | | 78,618 | 492,717 | 78,618 | 492,717 |
| Written down value of non-current assets disposed of | | 4,253 | - | 4,253 | - |
| Exploration, evaluation or development costs written off | | 5,237 | 233,172 | 5,237 | 233,172 |
| Write down of non-current other financial assets to recoverable amount | | (67,995) | 21,863 | (67,995) | 21,863 |
| | | <u>594,656</u> | <u>1,315,238</u> | <u>594,182</u> | <u>1,314,758</u> |
| Profit from Ordinary Activities | | | | | |
| Profit from ordinary activities include: | | | | | |
| Bad and doubtful debts | | | | | |
| - entities in wholly owned group | | - | - | 8,317 | 9,138 |
| Rental expense (minimum lease payments) | | 71,049 | 68,034 | 66,997 | 64,190 |
| Depreciation of non-current assets | | 9,445 | 18,250 | 9,445 | 18,250 |

Notes to the financial statements



FOR THE YEAR ENDED 30 JUNE 2004

Note 4 Income Tax Expense

| | Note | Economic Entity | | Parent Entity | |
|---|--|------------------|------------------|------------------|------------------|
| | | 2004 | 2003 | 2004 | 2003 |
| | | \$ | \$ | \$ | \$ |
| a | The prima facie tax on profit from ordinary activities before tax is reconciled to the income tax as follows: | | | | |
| | Prima facie tax payable on profit from ordinary activities before tax income tax at 30% (2003:30%) | | | | |
| | — Economic entity | (170,440) | (329,897) | | |
| | — Parent entity | | | (170,440) | (329,897) |
| | | <u>(170,440)</u> | <u>(329,897)</u> | <u>(170,440)</u> | <u>(329,897)</u> |
| | Add: | | | | |
| | Tax effect of: | | | | |
| | — non-deductible depreciation and amortisation | 180 | - | 180 | - |
| | — other non-allowable items | 1,424 | 1,630 | 1,385 | 1,513 |
| | — Unrealised gains on investments | (20,399) | - | (20,399) | - |
| | — non-deductible loss on sale of fixed assets | 101 | - | 101 | - |
| | | <u>(189,134)</u> | <u>(328,267)</u> | <u>(189,173)</u> | <u>(328,384)</u> |
| | Less: | | | | |
| | Tax effect of: | | | | |
| | — capitalised share placement costs | 5,647 | 612 | 5,647 | 612 |
| | — capital loss on sale of investments | (18,236) | - | (18,236) | - |
| | — current year tax losses and timing differences | (201,723) | (328,879) | (201,762) | (328,996) |
| | Income tax expense attributable to profit from ordinary activities before income tax | - | - | - | - |
| | The future income tax benefit arising from tax losses has not been recognised as an asset because recovery is not virtually certain: | | | | |
| | Tax losses carried forward (gross) | <u>6,865,228</u> | <u>5,879,966</u> | <u>5,913,873</u> | <u>4,936,798</u> |

Potential future income tax benefits 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 future income tax benefit as virtually certain.

Future benefits attributable to timing differences have not been brought to account as the directors do not believe it is appropriate to regard the realisation of such benefits as assured beyond any reasonable doubt. These benefits will only be obtained if:

- 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;
- the company continues to comply with the conditions for deductibility imposed by law; and
- 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 2004.



Notes to the financial statements

rimfire

FOR THE YEAR ENDED 30 JUNE 2004

Note 5 Specified Directors' and Specified Executives' Remuneration

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

Parent Entity Specified Directors

| | |
|------------------------------------|-----------------|
| Norbert Calabro | Chairman |
| Graham Billinghamurst | Secretary |
| Geoff Stuart | Director |
| John Kaminsky (appointed 10/05/04) | General Manager |

Specified Executives

There were no specified executives of the consolidated entity.

b Parent Entity Directors' Remuneration

| 2004 | Primary | | | | Total |
|------------------------------------|----------------------------------|-----------------------------------|------------------|---------------|----------------|
| | Salary, Fees & Commissions \$ | Superannuation Contribution \$ | Cash Bonus \$ | Option \$ | \$ |
| Norbert Calabro | 30,000 | 2,700 | - | 7,342 | 40,042 |
| Graham Billinghamurst | 24,000 | 2,160 | - | 4,895 | 31,055 |
| Geoff Stuart | 24,000 | 2,160 | - | 4,895 | 31,055 |
| John Kaminsky (appointed 10/05/04) | 4,000 | 360 | - | - | 4,360 |
| | <u>82,000</u> | <u>7,380</u> | <u>-</u> | <u>17,132</u> | <u>106,512</u> |

| 2003 | Primary | | | | Total |
|-----------------------|---------------------|--------------------------------------|------------------|---------------|---------------|
| | Salary & Fees \$ | Superannuation on Contribution \$ | Cash Bonus \$ | Options \$ | \$ |
| Norbert Calabro | 30,000 | 2,700 | - | - | 32,700 |
| Graham Billinghamurst | 24,000 | 2,160 | - | - | 26,160 |
| Geoff Stuart | 24,000 | 2,160 | - | - | 26,160 |
| Scott Reid | 2,000 | 180 | - | - | 2,180 |
| | <u>80,000</u> | <u>7,200</u> | <u>-</u> | <u>-</u> | <u>87,200</u> |

Notes to the financial statements



FOR THE YEAR ENDED 30 JUNE 2004

Fair value 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 Black Scholes Option Pricing 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 5 Specified Directors' and Specified Executives' Remuneration (Cont'd)

c Options and Rights Holdings

Number of Options held by Specified Directors & Executives

| | Balance 1.7.03 | Net Change Other* | Balance 30.6.04 | Total Vested 30.6.04 | Total Exercisable 30.6.04 | Total Unexercisable 30.6.04 |
|----------------------------|---------------------------|------------------------------|----------------------------|---------------------------------|--|--|
| Specified Directors | | | | | | |
| N Calabro | 2,500,000 | 1,724,720 | 4,224,720 | 4,224,720 | 4,224,720 | - |
| G Billinghamurst | 2,000,000 | 824,679 | 2,824,679 | 2,824,679 | 2,824,679 | - |
| G Stuart | 2,000,000 | 397,760 | 2,397,760 | 2,397,760 | 2,397,760 | - |
| J Kaminsky | - | - | - | - | - | - |
| Total | 6,500,000 | 2,947,159 | 9,447,159 | 9,447,159 | 9,447,159 | - |

* 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.

Principles used to determine director's remuneration

The matters of remuneration for directors are dealt with by the Board of directors and are determined according to merit and normal industry levels. Remuneration levels are not directly linked to the performance of the company and the consolidated entity.

d Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

| | Balance 1.7.03 | Received as Remunera- tion | Options Exercised | Net Change Other* | Balance 30.6.04 |
|--|---------------------------|---|------------------------------|------------------------------|----------------------------|
| Parent Entity Specified Directors | | | | | |
| N Calabro | 2,125,735 | - | - | 1,214,720 | 3,340,455 |
| G Billinghamurst | 1,417,405 | - | - | 1,965,072 | 3,382,477 |
| G Stuart | 662,933 | - | - | 397,760 | 1,060,693 |
| J Kaminsky | - | - | - | - | - |
| Total | 4,206,073 | - | - | 3,577,552 | 7,783,665 |

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



Notes to the financial statements

rimfire

FOR THE YEAR ENDED 30 JUNE 2004

Note 6 Auditors' Remuneration

| | Economic Entity | | Parent Entity | |
|---|-----------------|---------------|---------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | \$ | \$ | \$ | \$ |
| Remuneration of the auditor of the parent entity for: | | | | |
| — auditing or reviewing the financial report | 12,500 | 14,000 | 12,500 | 14,000 |
| — other services | - | 6,980 | - | 6,980 |
| | <u>12,500</u> | <u>20,980</u> | <u>12,500</u> | <u>20,980</u> |

Note 7 Earnings per Share

| | Economic Entity | |
|--|-----------------|-------------|
| | 2004 | 2003 |
| | \$ | \$ |
| a Reconciliation of Earnings to Net Profit or Loss | | |
| Net profit | (568,133) | (1,099,658) |
| Earnings used in the calculation of basic EPS | (568,133) | (1,099,658) |
| Dividends on converting preference shares | - | - |
| Earnings used in the calculation of dilutive EPS | (568,133) | (1,099,658) |
| b Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | | |
| | 81,078,913 | 51,129,130 |
| Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS | 81,078,913 | 51,129,130 |
| c Classification of securities | | |
| The following securities have not been classed as potential ordinary shares and are not included in the determination of dilutive EPS: | 47,560,785 | 13,384,391 |

Notes to the financial statements



FOR THE YEAR ENDED 30 JUNE 2004

Note 8 Cash Assets

| | Note | Economic Entity | | Parent Entity | |
|--------------|------|-----------------|----------------|---------------|----------------|
| | | 2004 | 2003 | 2004 | 2003 |
| | | \$ | \$ | \$ | \$ |
| Cash at bank | | 86,089 | 148,404 | 86,089 | 148,404 |
| | | <u>86,089</u> | <u>148,404</u> | <u>86,089</u> | <u>148,404</u> |

Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

| | | | | | |
|-----------------|----|-----------------|----------------|-----------------|----------------|
| Cash | | 86,089 | 148,404 | 86,089 | 148,404 |
| Bank overdrafts | 15 | (101,318) | - | (101,318) | - |
| | | <u>(15,229)</u> | <u>148,404</u> | <u>(15,229)</u> | <u>148,404</u> |

Note 9 Receivables

| | Note | Economic Entity | | Parent Entity | |
|--|------|-----------------|----------------|----------------|----------------|
| | | 2004 | 2003 | 2004 | 2003 |
| | | \$ | \$ | \$ | \$ |
| CURRENT | | | | | |
| Security deposits | | 80 | 80 | 80 | 80 |
| Sundry debtors | | 68,742 | 32,591 | 68,515 | 31,859 |
| Bank guarantee | | 15,255 | 15,172 | 15,255 | 15,172 |
| | | <u>84,077</u> | <u>47,843</u> | <u>83,850</u> | <u>47,111</u> |
| NON-CURRENT | | | | | |
| Security deposits | | 133,002 | 122,755 | 120,000 | 110,000 |
| Amounts receivable from: | | | | | |
| — wholly-owned entities | | - | - | 489,729 | 481,670 |
| — provision for doubtful debts wholly-owned subsidiaries | | - | - | (446,500) | (438,183) |
| | | <u>133,002</u> | <u>122,755</u> | <u>163,229</u> | <u>153,487</u> |

Note 10 Other Financial Assets

| | Note | Economic Entity | | Parent Entity | |
|--|------|-----------------|---------------|---------------|---------------|
| | | 2004 | 2003 | 2004 | 2003 |
| | | \$ | \$ | \$ | \$ |
| CURRENT | | | | | |
| Shares in listed corporations, at market value | | - | 10,622 | - | 10,622 |
| | | <u>-</u> | <u>10,622</u> | <u>-</u> | <u>10,622</u> |



Notes to the financial statements

rimfire

FOR THE YEAR ENDED 30 JUNE 2004

Note 11 **Controlled Entities**

| | Country of Incorporation | Percentage Owned (%) | |
|--|--------------------------|----------------------|------|
| | | 2004 | 2003 |
| Parent Entity | | | |
| Rimfire Pacific Mining NL | | | |
| Subsidiaries of Rimfire Pacific Mining NL | | | |
| Axis Mining NL | Australia | 100 | 100 |

Note 12 **Property Plant and Equipment**

| | Economic Entity | | Parent Entity | |
|-------------------------------------|-----------------|----------|---------------|----------|
| | 2004 | 2003 | 2004 | 2003 |
| | \$ | \$ | \$ | \$ |
| LAND AND BUILDINGS | | | | |
| Freehold land at: | | | | |
| — at cost | 216,720 | - | 216,720 | - |
| Total Land and Buildings | 216,720 | - | 216,720 | - |
| PLANT AND EQUIPMENT | | | | |
| Plant and equipment | | | | |
| At cost | 12,379 | 12,325 | 7,878 | 7,824 |
| Accumulated depreciation | (8,197) | (7,972) | (3,696) | (3,471) |
| | 4,183 | 4,353 | 4,183 | 4,353 |
| Leasehold improvements | | | | |
| At cost | 7,998 | 7,998 | 7,998 | 7,998 |
| Accumulated depreciation | (5,702) | (5,242) | (5,702) | (5,242) |
| | 2,296 | 2,756 | 2,296 | 2,756 |
| Office Furniture | | | | |
| At cost | 74,902 | 99,787 | 72,387 | 97,272 |
| Accumulated depreciation | (53,463) | (65,080) | (50,948) | (62,565) |
| | 21,439 | 34,707 | 21,439 | 34,707 |
| Total Plant and Equipment | 27,917 | 41,816 | 27,917 | 41,816 |
| Total Property, Plant and Equipment | 244,638 | 41,816 | 244,638 | 41,816 |

Notes to the financial statements



FOR THE YEAR ENDED 30 JUNE 2004

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

| | Freehold Land \$ | Leasehold Improvement \$ | Plant and Equipment \$ | Office Furniture \$ | Total \$ |
|------------------------------------|------------------------|--------------------------------|------------------------------|---------------------------|-------------|
| Economic Entity: | | | | | |
| Balance at the beginning of year | - | 2,756 | 4,353 | 34,707 | 41,816 |
| Additions | 216,720 | - | 1,264 | 2,265 | 220,249 |
| Disposals | - | - | (631) | (7,351) | (7,982) |
| Depreciation expense | - | (460) | (803) | (8,182) | (9,445) |
| Carrying amount at the end of year | 216,720 | 2,296 | 4,183 | 21,439 | 244,638 |
| Parent Entity: | | | | | |
| Balance at the beginning of year | - | 2,756 | 4,353 | 34,707 | 41,816 |
| Additions | 216,720 | - | 1,264 | 2,265 | 220,249 |
| Disposals | - | - | (631) | (7,351) | (7,982) |
| Depreciation expense | - | (460) | (803) | (8,182) | (9,445) |
| Carrying amount at the end of year | 216,720 | 2,296 | 4,183 | 21,439 | 244,638 |

Note 13 Other Assets

| | Note | Economic Entity | | Parent Entity | |
|----------------|------|-----------------|------------|---------------|------------|
| | | 2004 \$ | 2003 \$ | 2004 \$ | 2003 \$ |
| CURRENT | | | | | |
| Prepayments | | 5,119 | 4,199 | 5,119 | 4,199 |

Note 14 Exploration & Evaluation Costs Carried Forward

NON-CURRENT

Exploration Expenditure

Costs carried forward in respect of areas of interest in:

| | | | | |
|-------------------------------------|-----------|-----------|-----------|-----------|
| – exploration and evaluation phases | 1,657,558 | 1,288,954 | 1,627,558 | 1,258,954 |
| Total Exploration Expenditure | 1,657,558 | 1,288,954 | 1,627,558 | 1,258,954 |

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



Notes to the financial statements

rimfire

FOR THE YEAR ENDED 30 JUNE 2004

Note 15 Payables

| | Notes | Economic Entity | | Parent Entity | |
|---------------------------------------|-------|-----------------|----------------|----------------|----------------|
| | | 2004 | 2003 | 2004 | 2003 |
| | | \$ | \$ | \$ | \$ |
| CURRENT | | | | | |
| Unsecured liabilities | | | | | |
| Trade creditors | | 115,789 | 63,313 | 115,789 | 63,313 |
| Sundry creditors and accrued expenses | | 75,965 | 104,111 | 75,964 | 104,111 |
| Share application account | | 73,390 | - | 73,391 | - |
| | | <u>265,144</u> | <u>167,424</u> | <u>265,144</u> | <u>167,424</u> |

Note 16 Interest Bearing Liabilities

| | Notes | Economic Entity | | Parent Entity | |
|---|--------|-----------------|----------|----------------|----------|
| | | 2004 | 2003 | 2004 | 2003 |
| | | \$ | \$ | \$ | \$ |
| CURRENT | | | | | |
| Unsecured liabilities | | | | | |
| Bank overdrafts | | 101,318 | - | 101,318 | - |
| | | <u>101,318</u> | <u>-</u> | <u>101,318</u> | <u>-</u> |
| Secured liabilities | | | | | |
| Mortgage loans | 15a, b | 107,000 | - | 107,000 | - |
| | | <u>107,000</u> | <u>-</u> | <u>107,000</u> | <u>-</u> |
| | | <u>208,318</u> | <u>-</u> | <u>208,318</u> | <u>-</u> |
| a The carrying amounts of non-current assets pledged as security are: | | | | | |
| First mortgage | | | | | |
| Freehold land and buildings | | 216,720 | - | 216,720 | - |
| Total assets pledged as security | | <u>216,720</u> | <u>-</u> | <u>216,720</u> | <u>-</u> |
| b The loan is repayable within 12 months from the completion date of the contract of sale, being 15 June 2004 and is subject to 10% interest per annum. | | | | | |

Notes to the financial statements



FOR THE YEAR ENDED 30 JUNE 2004

Note 17 Provisions

| | Notes | Economic Entity | | Parent Entity | |
|--|-------|-----------------|-------|---------------|-------|
| | | 2004 | 2003 | 2004 | 2003 |
| | | \$ | \$ | \$ | \$ |
| CURRENT | | | | | |
| Employee benefits | 16a | 7,181 | 2,428 | 7,181 | 2,428 |
| a Aggregate employee benefits liability | | 10,514 | 2,428 | 10,514 | 2,428 |
| | | No. | No. | No. | No. |
| b Number of employees at year-end | | 1 | 1 | 1 | 1 |

Note 18 Contributed Equity

| | Note | Economic Entity | | Parent Entity | |
|--|------|-----------------|-----------|---------------|-----------|
| | | 2004 | 2003 | 2004 | 2003 |
| | | \$ | \$ | \$ | \$ |
| 95,018,051 (2003:59,341,657) fully paid ordinary shares | 17a | 8,242,759 | 7,439,527 | 8,242,759 | 7,439,527 |
| 40,560,785 (2003: 4,884,391) fully paid deferred options | 17b | 48,880 | 48,880 | 48,880 | 48,880 |
| a Ordinary shares | | 8,291,639 | 7,488,407 | 8,291,639 | 7,488,407 |
| At the beginning of the reporting period | | 7,439,527 | 7,131,528 | 7,439,527 | 7,131,528 |
| Shares issued during the year | | | | | |
| — 35,676,394 on 20 November 2003 | | 887,141 | - | 887,141 | - |
| — 1,814,788 on 17 January 2003 | | - | 97,999 | - | 97,999 |
| — 4,000,000 on 11 April 2003 | | - | 100,000 | - | 100,000 |
| — 4,800,000 on 7 May 2003 | | - | 120,000 | - | 120,000 |
| Transaction costs relating to share issues | | (83,909) | (10,200) | (83,909) | (10,200) |
| | | 803,232 | 307,799 | 803,232 | 307,799 |
| At reporting date | | 8,242,759 | 7,439,527 | 8,242,759 | 7,439,527 |



Notes to the financial statements

rimfire

FOR THE YEAR ENDED 30 JUNE 2004

Note 18 Contributed Equity (Cont'd)

| | No. | No. | No. | No. |
|--------------------------------------|------------|------------|------------|------------|
| At the beginning of reporting period | 59,341,657 | 48,726,869 | 59,341,657 | 48,726,869 |
| Shares issued during year | | | | |
| — 20 November 2003 | 35,676,394 | - | 35,676,394 | - |
| — 17 January 2003 | - | 1,814,788 | - | 1,814,788 |
| — 11 April 2003 | - | 4,000,000 | - | 4,000,000 |
| — 7 May 2003 | - | 4,800,000 | - | 4,800,000 |
| At reporting date | 95,018,051 | 59,341,657 | 95,018,051 | 59,341,657 |

On 20 November 2003 the company issued 35,676,394 ordinary shares at 2.5c each to shareholders.

In January 2003 the company issued 1,814,788 ordinary shares at 5.4c each to shareholders, being a share purchase scheme to raise additional working capital.

In April 2003 the company issued 4,000,000 ordinary shares at 2.5c each to shareholders, being a placement to raise additional working capital.

In May 2003 the company issued 4,800,000 ordinary shares at 2.5c each to shareholders, being a placement to raise additional working capital.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

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 Outstanding

| | No. | No. | No. | No. |
|--|-----|-----|-----|-----|
|--|-----|-----|-----|-----|

Listed

Exercisable at 20 cents on or before 30 September 2004

| | | | | |
|-------------------------------|-----------|-----------|-----------|-----------|
| On issue at beginning of year | 4,884,391 | 4,884,391 | 4,884,391 | 4,884,391 |
| Issued during the year | - | - | - | - |
| On issue at end of year | 4,884,391 | 4,884,391 | 4,884,391 | 4,884,391 |

Notes to the financial statements



FOR THE YEAR ENDED 30 JUNE 2004

Note 18 Contributed Equity (Cont'd)

Exercisable at 8 cents on or before 30 September 2006

| | | | | |
|-------------------------------|------------|---|------------|---|
| On issue at beginning of year | - | - | - | - |
| Issued during the year | 35,676,394 | - | 35,676,394 | - |
| On issue at end of year | 35,676,394 | - | 35,676,394 | - |

Unlisted

Exercisable at 12 cents on or before 30 November 2003

| | | | | |
|-------------------------------|-------------|-----------|-------------|-----------|
| On issue at beginning of year | 8,500,000 | 8,500,000 | 8,500,000 | 8,500,000 |
| Expired on 30 November 2003 | (8,500,000) | - | (8,500,000) | - |
| On issue at end of year | - | 8,500,000 | - | 8,500,000 |

Exercisable at 12 cents on or before 30 November 2005

| | | | | |
|-------------------------------|-----------|---|-----------|---|
| On issue at beginning of year | - | - | - | - |
| Issued during the year | 7,000,000 | - | 7,000,000 | - |
| On issue at end of year | 7,000,000 | - | 7,000,000 | - |

d Options

- i On 20 November 2003, options were granted to the purchasers of ordinary shares to accept ordinary shares at an exercise price of 8 cents each. The option is exercisable on or before 30 September 2006.

Option holders do not carry voting rights, do not participate in proceeds from sale of surplus assets in the event of the company winding up and are not entitled to dividends.

Note 19 Retained Profits

| | Economic Entity | | Parent Entity | |
|---|-----------------|-------------|---------------|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| Note | \$ | \$ | \$ | \$ |
| Retained profits at the beginning of the financial year | (5,993,666) | (4,894,008) | (5,993,666) | (4,894,008) |
| Net profit attributable to the members of the parent entity | (568,133) | (1,099,658) | (568,133) | (1,099,658) |
| Retained profits at the end of the financial year | (6,561,799) | (5,993,666) | (6,561,799) | (5,993,666) |

Note 20 Total Equity

| | | | | |
|--|-----------|-------------|-----------|-------------|
| Total equity at beginning of year | 1,494,741 | 2,286,600 | 1,494,741 | 2,286,600 |
| Total changes in equity recognised in the Statement of Financial Performance | (652,042) | (1,109,858) | (652,042) | (1,109,858) |
| Transactions with owners as owners - contributions of equity | 887,141 | 317,999 | 887,141 | 317,999 |
| Total equity at end of year | 1,729,840 | 1,494,741 | 1,729,840 | 1,494,741 |



Notes to the financial statements

rimfire

FOR THE YEAR ENDED 30 JUNE 2004

Note 21 Capital and Leasing Commitments

| | Note | Economic Entity | | Parent Entity | |
|---|------|-----------------|--------------|---------------|--------------|
| | | 2004 | 2003 | 2004 | 2003 |
| | | \$ | \$ | \$ | \$ |
| a Operating Lease Commitments | | | | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | | | | |
| <u>Office Equipment Payable</u> | | | | | |
| — not later than 1 year | | 2,840 | 1,773 | 2,840 | 1,773 |
| — later than 1 year but not later than 5 years | | 10,650 | - | 10,650 | - |
| — later than 5 years | | - | - | - | - |
| | | <u>13,490</u> | <u>1,773</u> | <u>13,490</u> | <u>1,773</u> |

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 | 64,401 | 63,364 | 64,401 | 63,364 |
| — later than 1 year but not later than 5 years | 16,100 | 83,498 | 16,100 | 83,498 |
| — later than 5 years | - | - | - | - |
| | <u>80,501</u> | <u>146,862</u> | <u>80,501</u> | <u>146,862</u> |

The office premises lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the greater of CPI or 4% per annum. An option exists to renew the lease at the end of the three-year term for an additional term of three years. The lease allows for sub-letting of all lease areas.

b Capital Expenditure Commitments

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

| | | | | |
|--|------------------|------------------|------------------|------------------|
| — not later than 1 year | 450,000 | 546,000 | 450,000 | 546,000 |
| — later than 1 year but not later than 5 years | 1,100,000 | 1,100,000 | 1,100,000 | 1,100,000 |
| — later than 5 years | - | - | - | - |
| | <u>1,550,000</u> | <u>1,646,000</u> | <u>1,550,000</u> | <u>1,646,000</u> |

Notes to the financial statements



FOR THE YEAR ENDED 30 JUNE 2004

Note 22 **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 economic entity, the results of those operations or state of affairs of the economic entity in future years.

Note 23 **Segment Reporting**

Business and Geographical Segments

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

Note 24 **Related Party Transactions**

| | Economic Entity | | Parent Entity | |
|--|------------------------|-------------|----------------------|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| | \$ | \$ | \$ | \$ |
| 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 Partners, a partnership associated with N Calabro, provided accounting services to the parent entity. | 47,849 | 55,500 | 47,849 | 55,500 |
| Calabro Consulting Pty Ltd, a company associated with N Calabro, accrued accounting services to the parent entity. | 15,000 | - | 15,000 | - |
| (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 2004, Axis Mining NL has amounts owing to the parent entity totalling \$489,729 (2003: \$481,670) interest free, payable at call. The loan has been provided for to the extent of the deficiency in net assets of Axis Mining NL at 30 June 2004. | - | - | 8,059 | 9,617 |

Note 25 **Post Balance Date Events**

The company issued a prospectus during the year for shares due to be lodged with existing shareholders on 2 July 2004. The share issue is fully underwritten. In accordance with listing rule 7.1, shares issued under the plan will not exceed 15% of the company's issued shares. Accordingly, the maximum number of shares offered is 16,767,891. The number of shares issued was 8,123,819 for \$223,405.

The financial effect of this event has been recognised to the extent that monies have been received prior to 30 June 2004. These have been taken up as a liability.



Notes to the financial statements

rimfire

FOR THE YEAR ENDED 30 JUNE 2004

Note 26 Cash Flow Information

| | Economic Entity | | Parent Entity | |
|--|------------------|------------------|------------------|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | \$ | \$ | \$ | \$ |
| a Reconciliation of Cash Flow from Operations with Profit from ordinary activities after Income Tax | | | | |
| Profit from ordinary activities after income tax | (568,133) | (1,099,658) | (568,133) | (1,099,658) |
| Cash flows excluded from profit from ordinary activities attributable to operating activities | | | | |
| Finance costs on debentures | | | | |
| Non-cash flows in profit from ordinary activities | | | | |
| Depreciation | 9,445 | 18,250 | 9,445 | 18,250 |
| Write-off of capitalised expenditure | - | 233,172 | - | 233,172 |
| Net gain on disposal of property, plant and equipment | 4,253 | - | 4,253 | - |
| Gain on sale of other financial assets | (7,207) | 283,545 | (7,207) | 283,545 |
| Diminution in carrying value of other financial assets | - | 21,863 | - | 21,863 |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries | | | | |
| (Increase)/decrease in sundry debtors | (36,150) | (6,098) | (36,655) | (5,867) |
| Movement in provision for doubtful debts | - | - | 8,317 | - |
| (Increase)/decrease in prepayments | (920) | (658) | (920) | (658) |
| (Increase)/decrease in other receivables | (83) | (1,440) | (83) | (1,191) |
| (Increase)/decrease in trade creditors and accruals | 24,329 | (18,834) | 24,329 | (18,834) |
| Increase/(decrease) in provisions | 4,753 | 2,428 | 4,753 | 2,428 |
| Cash flows from operations | <u>(569,713)</u> | <u>(567,430)</u> | <u>(561,901)</u> | <u>(557,812)</u> |
| b Cash not available for use | | | | |
| Bank and Bond guarantee \$12,788 is restricted for use. | | | | |
| c Non-cash Financing and Investing Activities | | | | |
| During the 2004 financial year, the only non cash financing activity was land acquired by way of a mortgage taken by the parent entity. There were no non-cash investing activities during the year. | | | | |
| d Credit Standby Facilities | | | | |
| The group has no overdraft facility. | | | | |
| e Used / Unused Facilities | | | | |
| Mortgage loan | | | | |
| - Used | 107,000 | - | 107,000 | - |
| - Unused | - | - | - | - |



Directors declaration

Note 27 Financial Instruments

a Interest Rate Risk

The economic 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 | | Floating Interest Rate | | Within Year | | Non-interest Bearing | | Total |
|-----------------------------|---------------------|------|------------------------|-------|--------------------|---------|----------------------|---------|----------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | |
| Financial Assets | | | | | | | | | |
| | Maturing | | Weighted Average | | Effective Interest | | Rate | | |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | |
| | % | % | \$ | \$ | \$ | \$ | \$ | \$ | |
| Cash | 3.00 | 2.58 | - | - | 86,089 | 148,404 | - | - | 148,404 |
| Receivables | 0.33 | 0.34 | 7,215 | 7,132 | 13,002 | 12,755 | 196,862 | 150,711 | 217,079 |
| Investments | - | - | - | - | - | - | - | 10,622 | - |
| Total Financial Assets | | | 7,215 | 7,132 | 99,091 | 161,159 | 196,862 | 161,333 | 303,168 |
| Financial Liabilities | | | | | | | | | |
| Bank loans and overdrafts | 2.9 | - | 101,318 | - | - | - | - | - | 101,318 |
| Trade and sundry creditors | - | - | - | - | - | - | 115,789 | 63,313 | 115,789 |
| Mortgage | 10.00 | - | - | - | 107,000 | - | - | - | 107,000 |
| Total Financial Liabilities | | | - | - | 208,318 | - | 115,789 | 63,313 | 324,108 |
| Net Financial Assets | | | 7,215 | 7,132 | (109,227) | 161,159 | 81,073 | 98,020 | (20,940) |
| | | | | | | | | | 266,311 |



Note to the financial statements

rimfire

FOR THE YEAR ENDED 30 JUNE 2004

Note 27

Financial Instruments (Cont'd)

b

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.

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

Recognised financial instruments

Cash: The carrying amount approximates fair value.

Receivables: The carrying amount approximates fair value.

Term Deposits: The carrying amount approximates fair value.

Listed shares: For financial instruments traded in organised financial markets, fair value is the current market bid price for the asset. The values of the shares held are reviewed by the Board at balance date.

Where it is considered necessary a provision will be made to write down the carrying values of individual investments. At balance date a provision was made for shares held to adjust their value to the recoverable amount. The recoverable amount has been determined by reference to the last traded market price of the listed securities at 30 June 2004. The portfolio of shares will continue to be monitored by the Board in accordance with the company's corporate governance.

Trade Creditors: The carrying amount approximate fair value.

Note 28

Company Details

The registered office of the company is:

Rimfire Pacific Mining NL
Brisbane

The principal places of business are:

Rimfire Pacific Mining NL
379 Queen Street
Brisbane



The directors of the company declare that:

1. The financial statements and notes, as set out on pages **16 to 40** , 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 2004 and of the performance for the year ended on that date of the company and economic 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.

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

Director

NORBERT C CALABRO

Dated this 30th day of September 2004



Independent Audit Report

rimfire

INDEPENDENT AUDIT REPORT TO MEMBERS OF RIMFIRE PACIFIC MINING NL

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, 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 2004. The consolidated entity comprises both the company and the entities 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:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- 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.



INDEPENDENT AUDIT REPORT TO MEMBERS OF RIMFIRE PACIFIC MINING NL

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 Rimfire Pacific Mining NL and the consolidated entity's financial position as at 30 June 2004 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.

A handwritten signature in dark ink, appearing to read 'J.E.F. Frayne', with a long horizontal flourish extending to the right.

J.E.F. Frayne
Partner

Dated in Brisbane this 30th day of September 2004



rimfire

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

1 The shareholder information set out below was applicable as at 24th September 2004.

(a) Distribution of Shareholders by Class

| Category (size of holding) | Ordinary | Listed Options | Unlisted Options |
|----------------------------|--------------------|-------------------|------------------|
| 1 - 1,000 | 39,488 | 19,577 | - |
| 1,001 - 5,000 | 662,224 | 361,020 | - |
| 5,001 - 10,000 | 1,919,776 | 620,632 | - |
| 10,000 - 50,000 | 10,559,606 | 3,722,359 | - |
| 50,001 - 100,000 | 12,964,577 | 3,736,631 | - |
| 100,001 and over | <u>84,578,056</u> | <u>32,100,566</u> | <u>7,000,000</u> |
| | <u>110,723,727</u> | <u>40,560,785</u> | <u>7,000,000</u> |

(b) The number of shareholdings held in less than marketable parcels is 681 as at 24th September 2004.

(c) The number of holders of each class of equity security as at 24th September 2004 was:

| Class of Security | Number |
|----------------------------|--------|
| Ordinary fully paid shares | 1,266 |
| Listed options | 480 |
| Unlisted options | 3 |

(d) There are no substantial shareholders listed in the holding company's register as at 24th September 2004.

(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.



ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

(f) 20 Largest Shareholders - Ordinary Capital as at 24th September 2004.

| | Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|-----|---------------------------------------|---|-----------------------------------|
| 1. | Gimbells Pty Ltd | 3,806,819 | 3.44% |
| 2. | Mr Ma Ting Fong | 3,394,034 | 3.07% |
| 3. | Armgallop Pty Ltd | 3,057,800 | 2.76% |
| 4. | Warcoll Holdings Pty Ltd | 2,741,152 | 2.48% |
| 5. | Assesslaw Pty Ltd | 2,052,021 | 1.85% |
| 6. | Mr Don Leembruggen | 1,900,667 | 1.72% |
| 7. | Mr Darcy Patrick Brian Higgins | 1,696,918 | 1.53% |
| 8. | Austminex NL | 1,600,000 | 1.45% |
| 9. | Mr Ven Sorenson | 1,447,819 | 1.31% |
| 10. | Mrs Emily Purnell | 1,410,000 | 1.27% |
| 11. | Mr Kerry Peter Jelbart | 1,400,000 | 1.26% |
| 12. | Diamantina Pty Ltd | 1,371,736 | 1.24% |
| 13. | Pruchar Holdings Pty Ltd | 1,280,000 | 1.16% |
| 14. | Mr Terry Turner | 1,265,819 | 1.14% |
| 15. | Mr Anthony John Wilson | 1,181,340 | 1.07% |
| 16. | Ralston Corporation Pty Ltd | 1,161,658 | 1.05% |
| 17. | Mrs Elizabeth Helen Sharp | 1,063,679 | 0.96% |
| 18. | Mr Graham & Mrs Denise Billinghamurst | 1,004,963 | 0.91% |
| 19. | Mr Warren & Mrs Jennifer Whitehall | 1,000,000 | 0.90% |
| 20. | Pruchar Holdings Pty Ltd | 880,000 | 0.79% |
| | | <u>33,276,425</u> | <u>31.36%</u> |

20 Largest holders of Listed Options as at 24th September 2004.

| | Name | Number of Listed Options Held | % Held of total Issued Listed Options |
|-----|-----------------------------------|-------------------------------|---------------------------------------|
| 1. | Dimi Pty Ltd | 1,500,000 | 3.20% |
| 2. | M & K Korkidas Pty Ltd | 1,298,000 | 3.20% |
| 3. | Mr Ma Ting Fong | 1,272,763 | 3.14% |
| 4. | Armgallop Pty Ltd | 1,200,000 | 2.96% |
| 5. | M/S Julie Huysman | 1,000,000 | 2.47% |
| 6. | Suvale Nominees Pty Ltd | 1,000,000 | 2.47% |
| 7. | Mr Don Leembruggen | 969,000 | 2.39% |
| 8. | Lawrence Crowe Consulting Pty Ltd | 920,000 | 2.27% |
| 9. | Mr Mark Robert Renshaw | 900,000 | 2.22% |
| 10. | Ms Juanita Hawkins | 879,016 | 2.17% |
| 11. | Goffacan Pty Ltd | 860,000 | 2.12% |
| 12. | Mrs Elizabeth Helen Sharp | 844,000 | 2.08% |
| 13. | Trading Rooms (NSW) Pty Ltd | 774,000 | 1.91% |
| 14. | Glowcave Pty Ltd | 750,000 | 1.85% |
| 15. | Mr Anthony John Vetter | 700,000 | 1.73% |
| 16. | Mr Darcy Patrick Higgins | 610,753 | 1.51% |
| 17. | Mr Peter Purnell | 600,000 | 1.48% |
| 18. | Fortis Clearing Nominees Pty Ltd | 572,000 | 1.41% |
| 19. | Mr David Peter Hugh Latham | 520,000 | 1.28% |
| 20. | Warcoll Holdings Pty Ltd | <u>516,000</u> | <u>1.27%</u> |



rimfire

The name of the company secretary is Graham Billingham.

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

Level 13, 379 Queen Street
Brisbane, Queensland 4000

Telephone: (07) 3211 7177
Facsimile: (07) 3211 7166

The register of securities is held at the following address:

Victoria:
Computershare Investor Services Pty Ltd
Level 12, 565 Bourke Street
Melbourne, Victoria 3000

Telephone: (03) 9611 5711
Facsimile: (03) 9611 5710

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.

Vendor Securities

There are no restricted securities on issue as at 24th September 2004.

Unquoted Securities

20 Largest holders of Unlisted Options as at 24th September 2004.

| | Name | Number of Unlisted Options Held | % Held of total Issued Unlisted Options |
|----|----------------------|--|--|
| 1. | Mr Norbert Calabro | 3,000,000 | 42.86% |
| 2. | Mr Graham Billingham | 2,000,000 | 28.57% |
| 3. | Mr Geoff Stuart | <u>2,000,000</u> | <u>28.57%</u> |
| | | <u>7,000,000</u> | <u>100.00%</u> |

The above options expire as follows:
- 7,000,000 on 30 November 2006

