

*rimfire*



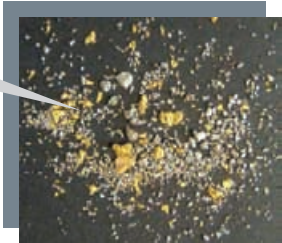
ANNUAL REPORT



*Historic Platinum mining Ffield NSW*



2008



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(The front cover shows the historic methods of Platinum miners that worked the soil profiles in the period 1910~1930’s at Fifield. The “iron bucket” was pulled behind a horse and steered by a single operator. The soil collected was transferred to a concrete “puddler, used to separate the Platinum and Gold from the soil and clays. The clays were very difficult to process and the work environment was extremely challenging. Rimfire is pursuing “coarse grain Platinum”, with some associated Gold, in the soil, subsoil clay and bedrock positions at Fifield. This material is “primary in origin”, not alluvial.)

Dear Shareholder,

It is my pleasure to be able to provide to you the Annual Report for Rimfire Pacific Mining NL for the financial year ended 30 June 2008. Within this report the Company's exploration activities and financial performance are presented for the period.

The Company has placed most of its effort in the period on exploration within its project areas at Fifield NSW. The exploration progress for the determination of a potential commercial Platinum resource(s) has been steady with excellent work being undertaken in the period under the meticulous and experienced direction of Mr Colin Plumridge, Exploration Manager.

The physical size of the area that encompasses the "Ebenezer" and "Platina-Gillenbine" Platinum in soil anomalies, at more than 6km<sup>2</sup>, means the commercial target being sought is a prize worth pursuing, and would be considered world class in potential if realised. The Company maintains the view that the coarse grain Platinum present within these residual soils, adjacent to the historically mined deep leads, is of primary origin, and that the area of emplacement of the source(s) of this primary Platinum within the bedrock has now been discovered by Rimfire. In addition, the Platinum discovered at Platina-Gillenbine and Ebenezer is still believed to be a subset of a broader mineralised corridor at Fifield.

The interesting development in the exploration during the period is the emergence of strong "metal zoning" as a feature of the different mineralised styles now determined to be present at Fifield. This includes Gold at "Sorpresa", "Goldengreen" and now "Eclipse", as well as base metal at the eastern rift margin incorporating the Eclipse areas. Whilst it is at an early stage, these new observations appear to be representative of genuine mineralised systems that have not been recognised previously by other explorers of the modern era. These systems are adjacent to, or co-exist with the Platinum mineralisation.

It is again a credit to the excellent forensic exploration conducted by Colin Plumridge, that the geological interpretation of the Fifield area has been positively and permanently altered due to the recognition of the "rift valley" setting and associated mineralisation potential. As a consequence the Company has now *established seven project areas* of importance in the immediate district.

*It should, however, remain clear in shareholders minds that the major mineralisation focus for exploration by the Company at Fifield is still coarse grain Platinum.*

The vision for the Platinum projects at Fifield is to develop resource areas within the bedrock that have "open cut mining characteristics", for the primary coarse grain Platinum. Given the scale of the Platinum mineralisation at Fifield, its near surface occurrence, gravity separable nature and metallurgy, such a mining operation, if established, would likely have extremely low capital costs.

The net result of the exploration programs has been to continue to enhance the prospectivity of the Fifield area, and produce major milestones in the last 12 months. The Pit One area on the Company freehold will undergo more focussed attention, in the belief that it may provide important direction on the recognised shear zones, hosting Platinum at Fifield.

All of this has been established by using continuous daily cost effective work programs, based around the Company's sample processing facility at Fifield. The Company in many instances has developed its own unique equipment adaptation to suit the exploration conditions that exist at Fifield, namely 1~2 metre of soil cover over the underlying bedrock. This innovative approach, using auger drills, geochemistry, gravity separation plant, trenching combined with detailed mapping has allowed the Company to have sustainably affordable exploration "that makes considerable progress".

As we go to print, the international financial and commodity markets have entered a major correction and this has also impacted on the Platinum price. In the 2007~8 reporting period, Platinum prices traded to a high of USD\$2,200 per ounce, but a correction in October 2008 has taken this to the USD\$1,000 per ounce level. This fall was somewhat offset in Australian Dollar terms, due to the major correction of the currency. The Platinum price is still well above its price of USD\$400 per ounce in the 1990's and the Company will continue to pursue its Platinum projects as a high priority at Fifield.

In the previous period the Company had a major advance in its exploration at its Bingara Diamond Project, with the discovery of two "pipes" in the district at Tom and Jerry South, named "Horton Valley No.1 Pipe" and at Back Creek Glen Idle, named "Horton Valley No.2 Pipe". Only modest work was conducted in the current period towards the diamond areas, but this is not a reflection on the exploration milestones that have been achieved at Bingara to date. The pursuit of the Platinum project areas has been set as the near term priority by the Company.

The exploration focus at Bingara will be to try to establish more pipes, with a particular emphasis on the Trevallyn area in the short term. It is in this area that significant garnet chemistry has already been established, important deep sources mantle rocks have been located and a diamond was recovered (2002) in the surface drainage.

The Company remains of the view that a cluster of “volcanic pipes is likely to be present in the Bingara area”. Discovery of these pipes through an ongoing proven exploration methodology of surface geochemistry and the subsequent source identification of these key diamond indicator minerals remains a core competency of the Company. The new exploration licences have undergone assessment with a number of locations being sampled. A decision as to when to bulk sample the two discovered pipes and any additional pipe discoveries will be determined at a later date, depending on priorities at that time.

### **Community Liaison**

The Company has been pleased to maintain a high standard of community interaction during the period, particularly within the Fifield area. Whilst the Company exploration activity has been continuous, the access the Company enjoys to many of its work sites relies on the good will of local landowners and community members. Conducting itself in a responsible manner with respect to the environmental impact of its exploration and the concerns and interest of the community in general, are key goals for the Company.

A number of education visits to the Fifield exploration sites were held by the Company during the period. The Company provided its insight into the history and a perspective of Platinum mining operations that have existed in the past, contrasting this with the Company's present day goals and perspective. The community has greatly appreciated this interaction, as has the Company.

### **Company Financial Performance to June 30<sup>th</sup> 2008**

The Company achieved a creditable financial performance in its operations for the period. For the year ended 30<sup>th</sup> June 2008 the company incurred a loss of \$454,416 from ordinary activities compared with \$473,688 for the prior year. The Company has maintained a very cost effective structure. For the period to 30<sup>th</sup> June 2008 the Company's current assets were \$2,465,842 compared with \$1,181,777 for the prior year. The closing cash position for 30<sup>th</sup> June 2008 was \$2,424,785 compared with \$1,145,962 for the prior period to June 30<sup>th</sup> 2007.

The Company announced a fully underwritten rights issue (one for four) on 15<sup>th</sup> November 2007 and this was closed on 14<sup>th</sup> December 2007 with very strong support from its shareholders. The Rights Issue raised approximately \$2.54 million before the costs of the issue.

The Non Executive Directors of the Company have again generously agreed in the last financial year, not to draw on the cash reserves of the Company and have accepted modest non cash incentives for their valuable contributions to the Company. This is greatly appreciated particularly in the context of the responsibilities and duties that are required of Directors these days.

The Company has made important advances in the period and this is due to the performance, dedication and contribution from an increasing range of people working with the Company. In this regard, I would like to sincerely express my appreciation for the efforts of my fellow Directors, Exploration Manager, staff, associates and consultants for the hard work, creative ideas, positive attitude and support in the period.

The next period will be extremely challenging due to the changed global circumstances. The Company will continue its exploration activities within these constraints, endeavouring to add value to its project areas and realise its broader vision of successfully delivering a positive project outcome at Fifield. I am looking forward to reporting on the various projects and initiatives the Company will undertake during the next period.

The Board of Directors would like to express our gratitude to all shareholders for their ongoing support and interest shown in the Company, as this is greatly appreciated. I encourage shareholders to continue their interest in the Company in the next period.

Yours sincerely,



John Kaminsky  
Chairman

Dated 6th October 2008

## EXPLORATION OVERVIEW

The major direction for the past year was to continue exploration within the Fifield Platinum Project areas, building upon work in the previous periods. The main exploration goal at Fifield remains to focus on the primary bedrock source(s) of the coarse grain platinum (Pt) that has been observed and mined historically (during the 1890 to early 1930 period) within the Platina-Gillenbine deep lead and soil mining systems.

The Company believes there is reasonable evidence that suggests a resource, while not established to date, could be determined within its exploration areas, in due course. A potential mineralised corridor of 8km length is believed to exist and will continue to be explored in the next period, but the prime area of interest for Pt will remain in the Platina-Gillenbine area, where there is emerging evidence of a geological control for the Pt mineralisation in shear zones and breccias.

The geology and mineralizing systems at Fifield continued to offer new and diverse project opportunities in Gold (Au) and base metal. The Company now has more than seven project areas of significance at Fifield.

The exploration program was extremely active in the period with continuous daily work schedules involving any number of techniques, including RC Drilling, auger drilling, trenching, large scale soil sampling, sample processing, ground based geophysics, geochemistry and detailed geological mapping.

The subsoil clay layer exploration targeting coarse grain Pt was again expanded in the period. The better areas were the subject of further trenching and sampling of these anomalous Pt zones, to gain a better geological understanding into the underlying bedrock source for the coarse grain primary Pt, particularly near the “Pit One” area. This is an important phase of the exploration that will be ongoing near Pit One as part of the Platina-Gillenbine/Ebenezer area.



The Company’s processing and exploration capacity was further improved at Fifield with the addition of extra plant and a skid mounted auger drill, all custom built and designed. The plant continued to produce concentrates from soil sampling, drill programs and trenching. This facility assists both the Platinum and Diamond projects and made a valuable contribution to the exploration program in the period and is a major distinguishing feature of the Company and its exploration approach. This facility allows great adaptability to the individual project needs.

Exploration at the Bingara Diamond Project areas was more subdued for the period. The focus was on confirming details of the “Horton Valley No.2 Pipe”, exploring the Trevallyn prospect and commencing further extensive stream and soil sampling both at Trevallyn and the new exploration licences.

The two discoveries made in the prior period, namely “Horton Valley No.1 Pipe” and “Horton Valley No.2 Pipe”, await sampling for their diamond contained potential. Both pipes represent geological structures with important diamond indicator mineral chemistry. The Company has significantly advanced its geological model and believes other pipe discoveries are still likely in the region and a suitable exploration formula is now established at Bingara.

## FIFIELD PLATINUM PROJECT AREA EXPLORATION

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

Exploration Licences - EL5534 EL5565 EL6144 EL6241

Mineral Claims - MC 305 MC 306

Exploration Licence Application - ELA3495 ELA3498

The Company’s objective remains to continue with its exploration work programs and processing of samples *with a view to establishing the concept of the potential for a minable open cut mineralised corridor* of the coarse grain Pt occurring within the bedrock at Fifield. A large corridor of mineralisation rather than a single lode is more likely to exist in the Company’s opinion. The 8km (SW to NE) corridor of potential Pt mineralisation is being explored with soil geochemistry, auger drilling, trenching and bulk testing.

*The Company believes a very large primary Pt bearing province exists at Fifield* and this is being demonstrated in the current regional exploration work around the Platina-Gillenbine area, including the Ebenezer prospect. It appears that the discovered Ebenezer anomaly has not been previously identified by other explorers at Fifield. In general, the Company has extended its regional soil program due to the success being shown at Ebenezer and has identified additional prospective areas for coarse grain Pt surrounding Platina-Gillenbine.

The Company completed an EM Geophysical survey at “Ebenezer”, “Goldengreen” and “Eclipse”. These results were then examined in the light of the Company’s other geophysical surveys in the period (Ground Magnetics, Radiometrics and Gravity that were completed at Platina-Gillenbine and Ebenezer) and the wider auger drill and soil sampling programs being conducted at Fifield.

The Company completed numerous soil sampling grids, auger drill traverses, trenching and an RC drill program in the period. The completed drill program consisted of 913m of reverse circulation (RC) drilling and 101m of Aircore drilling, within the Fifield area to test gold (Au), platinum (Pt) and copper (Cu) geochemical targets, for a **total of 1,014m of drilling**.

This has provided important knowledge of four of the defined prospect areas at Fifield, including two Gold areas (“Goldengreen South” and “Sorpresa”), Copper anomalism at part of “Eclipse” and coarse grain Platinum at “Platina-Gillenbine”, by “reconnaissance testing” of various discrete geochemical and structural targets at these four quite differently mineralised prospects.



*Reconnaissance RC Drilling commenced at “Eclipse” Area*

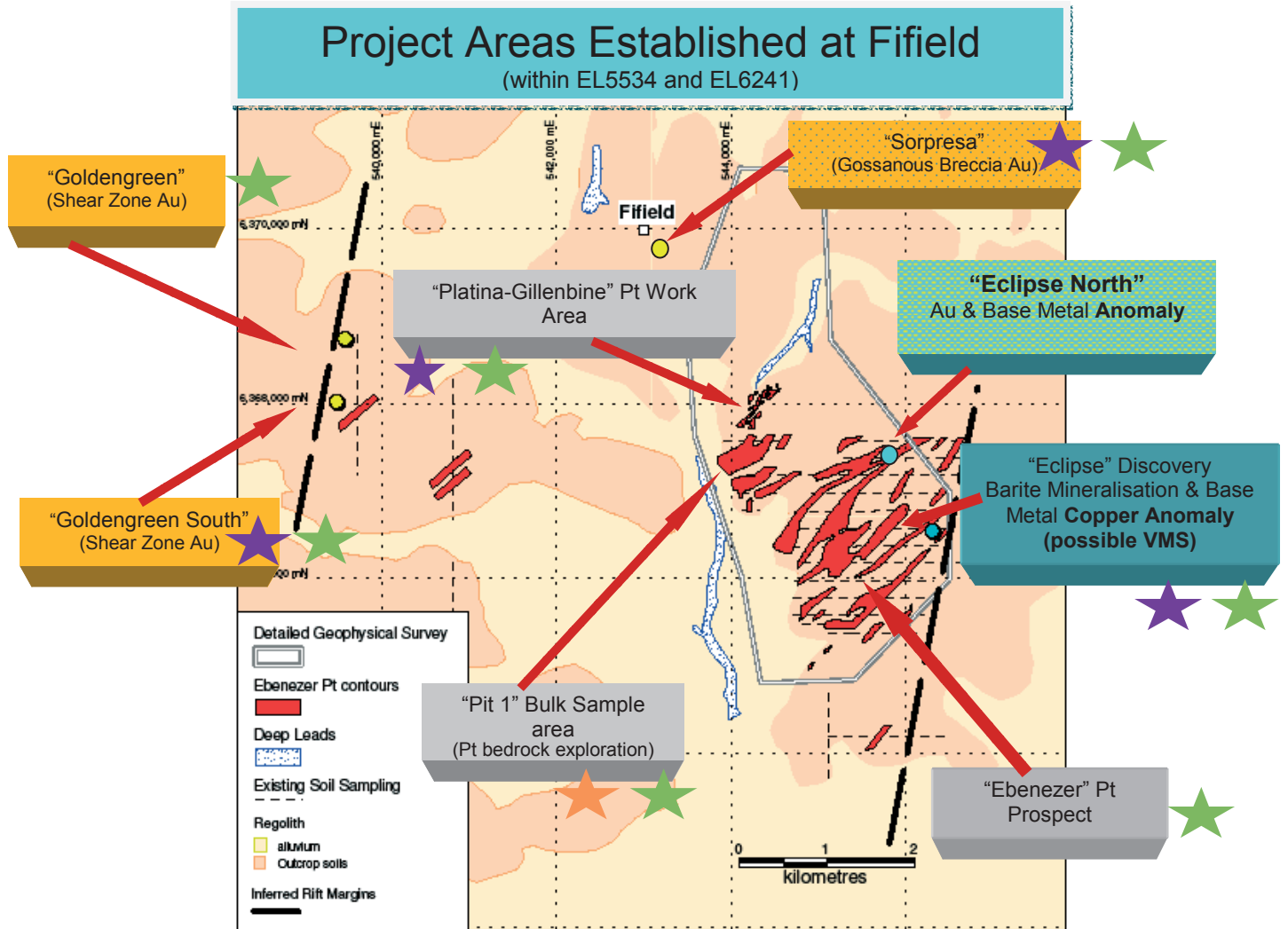
Approval was received from the regulatory authority enabling the Company to commence “trial bulk sampling” operations at “Pit One” on the Company’s freehold within the Ebenezer and Platina-Gillenbine Pt anomaly. A number of trenches were placed to assist positioning the larger samples planned and additional auger drilling was undertaken in the period.

A rock chip sampling program was conducted at a new area called “Eclipse North”, in search of further base metal anomalism along strike from “Eclipse”.

The Company completed the detailed prospecting work needed to accurately site a bulk sample test of bedrock Pt on the Company’s own freehold, where operating conditions are considered to be more flexible. The Company wants to ensure that the proposed bulk site is located on representative Pt bearing shear zones and as such the Company is still determining the best place for detailed bulk testing.

The use of extensive soil sampling and subsoil auger drilling within the various work areas to assist with geological interpretation and geochemical assays where appropriate is a feature of the Company’s exploration technique in the area.

The Company processing plant at Fifield was further improved. The construction and commissioning of an additional auger drill was completed in the period. A full time crew is employed to operate the facility.



RC drill program

Trenching programs

Auger drilling and soil sampling programs completed in most locations

## Project and Mineralisation Background – Fifield NSW

To date, systematic exploration by Rimfire within the immediate Fifield region has continued to develop a wide variety of mineralisation prospects with strong surface expression, which have a highly relevant geological context with favourable development criteria.

There is a significant variation in mineralisation styles at Fifield, which includes Au, Pt and Cu/Base Metal prospects and these occur across a zone of less than 10km. This observation also provides further support to the interpretation of the region as being a complex volcanic rift setting, with evidence for multiple, polymetallic mineralisation events associated with sub-volcanic intrusives, shearing and brecciation at various scales.

The regional geology at Fifield is providing good indications of metal zoning. At the western rift margin, Au occurs with some Pt, in the rift centre, Pt occurs with some Au, and on the eastern rift contact, base metals are present. The area is very dynamic geologically and represents an excellent exploration setting for commercial mineralisation discovery. The Fifield projects each have significant potential in the Company's view, and continue to reflect the under-explored nature of the Fifield area.

The geology of Platina-Gillenbine and Ebenezer areas is complex and probably unique. The best simplified interpretation of the geology suggests that a Pt, Au bearing intrusive body has moved into the base of an *active marine Silurian-Lower*

**Devonian rift.** It is suggested that the intrusive has then provided unusual basic dykes, sills and volcanics into the unstable rift geology.

**The major mineralisation focus for exploration by the Company at Fifield is coarse grain Platinum.**



A key feature of the exploration landscape at Fifield NSW is the minimal outcrop available for examination. However, in many instances the depth to bedrock is less than two metres, so a combination of soil geochemistry, auger drilling and trenching to bedrock is an ideal way to prospect for the evidence of significant mineralisation in most instances.

Historic Pt soil mining at Fifield (circa. 1900~1930) has disturbed the most exposed areas of the land surface, thus requiring a customized soil sampling technique in many instances. The large scale of the Pt mineralisation at Fifield has meant that the Company has needed considerable near surface sample processing to define representative areas of bedrock Pt.

### **THE “EBENEZER” PT IN SOIL ANOMALY**

“Ebenezer” is located 500m SE of the Platina-Gillenbine work area. An initial major soil sampling program last period was conducted using 15kg sample sizes at 100m spacing centres. The results have demonstrated significant coarse grain Pt is present, with associated gold (Au) in some areas.

It is important to note that the Pt results in the Ebenezer soil program are derived from residual or semi residual soils, not alluvium. It is therefore postulated at this early stage that the Company may have encountered the complex “roof zone” of a major Pt bearing intrusive body within the “Ebenezer prospect”.

It appears that the main Pt mineralising structural control is fault or shear zone based. The Ebenezer Pt in soil map shows 6 semi parallel Pt corridors that in total cover an area of approximately 4 sq km. The large size of the Pt anomaly shows that a very strong Pt mineralising event has occurred at Ebenezer. It is the Company’s belief that the results at Ebenezer are reflective of underlying bedrock source(s) for Pt within a shear zone system.

Two priority areas were identified and revealed consistent coarse grain Pt recovered in tighter 50m x 50m spacings, with Pt grade in excess of 1.0 g/t in the soils and up to 1.6g/t (internal assessment).

Ground based geophysical surveys were completed for the area south of Fifield Township.

### **Platina-Gillenbine Area – “Eastern Shear Zone” Platinum Anomaly in Residual Soil**

**The new coarse platinum in soil anomaly** recently identified south east of the immediate Platina-Gillenbine work area was mapped into coherent Pt contours and has been named the **“Eastern Shear Zone” Pt anomaly**. It is **continuous over a strike length of 1,000m**. The Pt contours within the residual soil are parallel in orientation with the subsoil Pt anomaly at Platina-Gillenbine, now named the “Central Shear Zone” (which was defined in 2006).

A new detailed topographic and drainage survey was completed. This will assist exploration, providing useful insight into soil migrations and likely source origins for coarse grain Pt.

More than 140 soil samples at 20kgs each, were used to define the Pt mineralisation in areas predominantly free from past Pt surface mining. The subsoil clay layer was extensively sampled with 100 new auger holes to further define the mineralisation.

The Eastern Shear Zone extends into the Company owned freehold land area, where it becomes complex in orientation and structure. It appears to also have influence within the “Pit 1” sampling area, and this is still being evaluated for the significance of the Pt position in the bedrock.

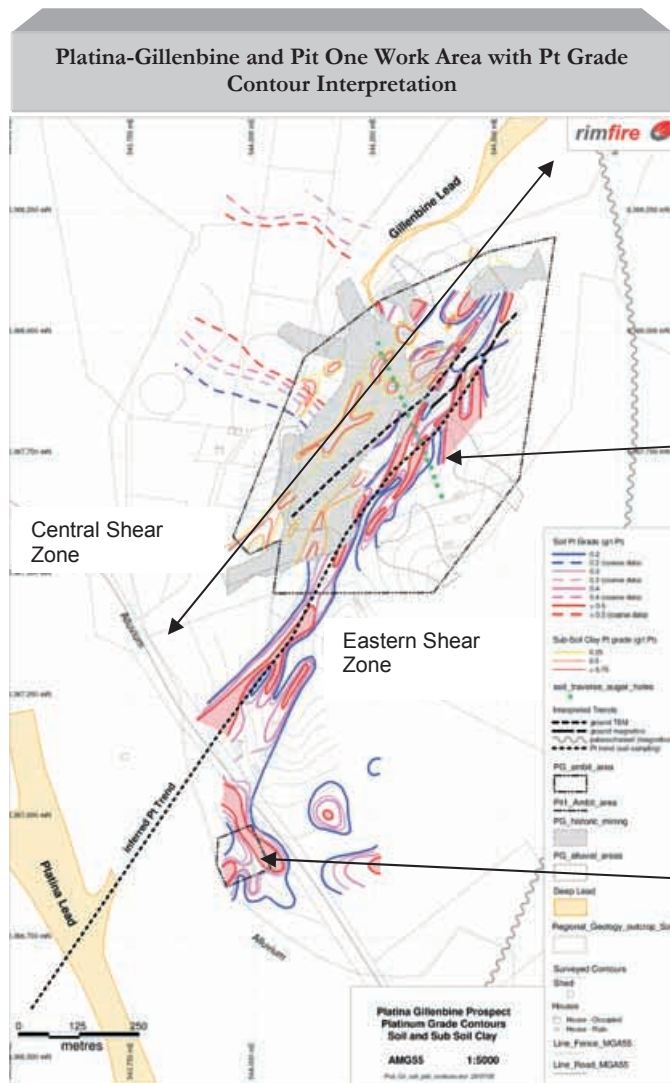


Work also continued on “Pit 1” for sampling for Pt in shear zones. Trenching has continued to identify the complex nature of the geology and coarse grain Pt has been recovered from the bedrock position in a number of places. Mapping and interpretation are ongoing, but “Pit 1” and its immediate surrounds is still considered an important area, linking the shear zone system, at Platina-Gillenbine to the gradation of the near surface bedrock position to the alluvium covered valley containing the Platina Deep Lead system.



The Company is refining a strategy for establishing an application for a “bulk sampling assessment area” at Platina-Gillenbine, that would allow determination of Pt grade and distribution within the three key layers at this area, namely the soil profile, sub soil clay and the weathered bedrock, including the important shear zones and brecciated areas that are now known to exist.

The Company also completed 14 soil layer test pits to establish the Pt grade variations with depth. These pits have provided a better understanding of Pt movements between bedrock and soil at Platina-Gillenbine.



Two Anger Drill used at Platina-Gillenbine & extensive soil sampling



Trench exposure on Pit 1, sampled for Pt

## PLATINA-GILLENBINE AREA - COARSE GRAIN PLATINUM IN BEDROCK AIRCORE TEST

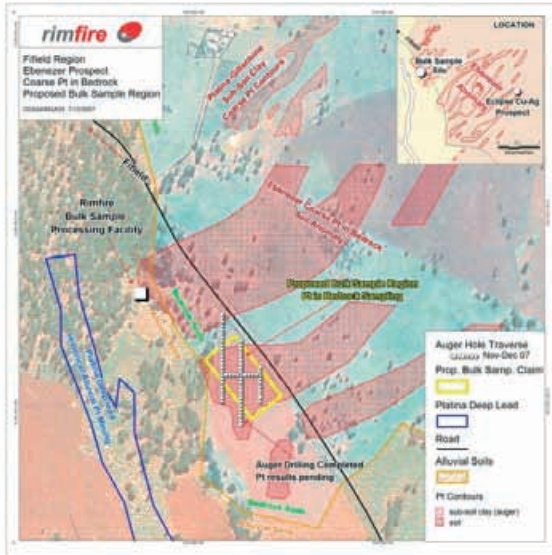
A drill program of 153m was undertaken at Platina-Gillenbine and an important consequence of the air core drilling program at Platina-Gillenbine, was the intersection of “the fresh equivalent of the clay weathered breccia that hosts the unevenly distributed coarse Pt”. *This is the first time these rocks have been seen in the fresh state.* The air core drilling was able to “core in the fresh rock”, so excellent core specimens are now available for petrological study. This information should be helpful in the determination of “genesis and geological association” for the coarse grain Pt.

The intersections of the fresh equivalent of the clay weathered breccia at depth gives evidence that “the breccia is close to vertical” in its geometry. This is in contrast to the low dip angles common in the country rock. The inference from this observation is that the breccia formed in “pipe-like bodies” within the steep dipping linear shear zones.

In addition, a detailed topographic survey was conducted enabling the detailed study of the soil movements, drainage divides and subtle catchments that appear to have accumulated Pt in the surface soils.

Sampling of the subsoil clays and bedrock is ongoing using the new skid mounted auger drill. Additional sites for potential bulk sampling of coarse grain Pt are being planned.

### **BULK SAMPLING AREA AT EBENEZER – “PIT ONE”**



*Ebenezer Pt in Soil Anomalous Areas were mapped. A high priority area was selected within the Company's freehold land*

The Company completed the first section of *detailed “subsoil” auger drill hole traverses* across areas of the previously mapped Pt results from its “in fill” soil line sampling program at the “Ebenezer” anomaly at Fifield NSW.

The auger drilling focussed on the higher priority Pt areas within the anomaly on the Company’s own freehold land for subsequent trenching and bulk sampling. The permit at Pit one for the bulk sampling was received in the period.

The next stage of exploration using bulk sampling will assist the Company to better determine Pt location, its orientation, geological control and Pt concentration below the residual soil layer, therefore enabling an exploration focus to be established targeting the highly prospective Pt areas within Ebenezer as a whole.

The “Pit 1” Bulk Sampling area is being subjected to detailed prospecting prior to the final location being established for the pit. The dimensions of the Pit are small, so it must be placed exactly on the mineralisation if a meaningful result is to be obtained. To date, soil sampling consisted of 50 samples at 20kgs each, 150 subsoil clay auger holes with bedrock geology in

the base of the hole and numerous trenches.

Trenching of the Pt bearing ground near Pit One reveals complex geology and that this area does not line up entirely with the main Pt bearing shears that pass through the Platina-Gillenbine area. However evidence is mounting that structural control of Pt may be present and hence it may still be representative of these important shears.

The Company is now seeking adjustment permits for bulk sampling areas that are on clearly defined large Pt anomalies.

### **ECLIPSE AREA – COPPER ANOMALY WITHIN A VMS STYLE PROSPECT**

The Company made a green field discovery of *barite-gossan mineralisation* adjacent to its “Ebenezer” Platinum (Pt) in soil anomaly at Fifield NSW. This appears to be a totally new discovery, with no previous exploration evident in the area.

The Company assayed surface rock chips from a selection of the barite-gossan float rocks samples it collected and received very encouraging results, *indicating strongly anomalous copper values. Two thirds of the assayed rock chips, from 30 samples had anomalous Cu values at 0.05% or higher assays up to 2800 ppm Cu were received, with an average across all samples of 760 ppm Cu.*

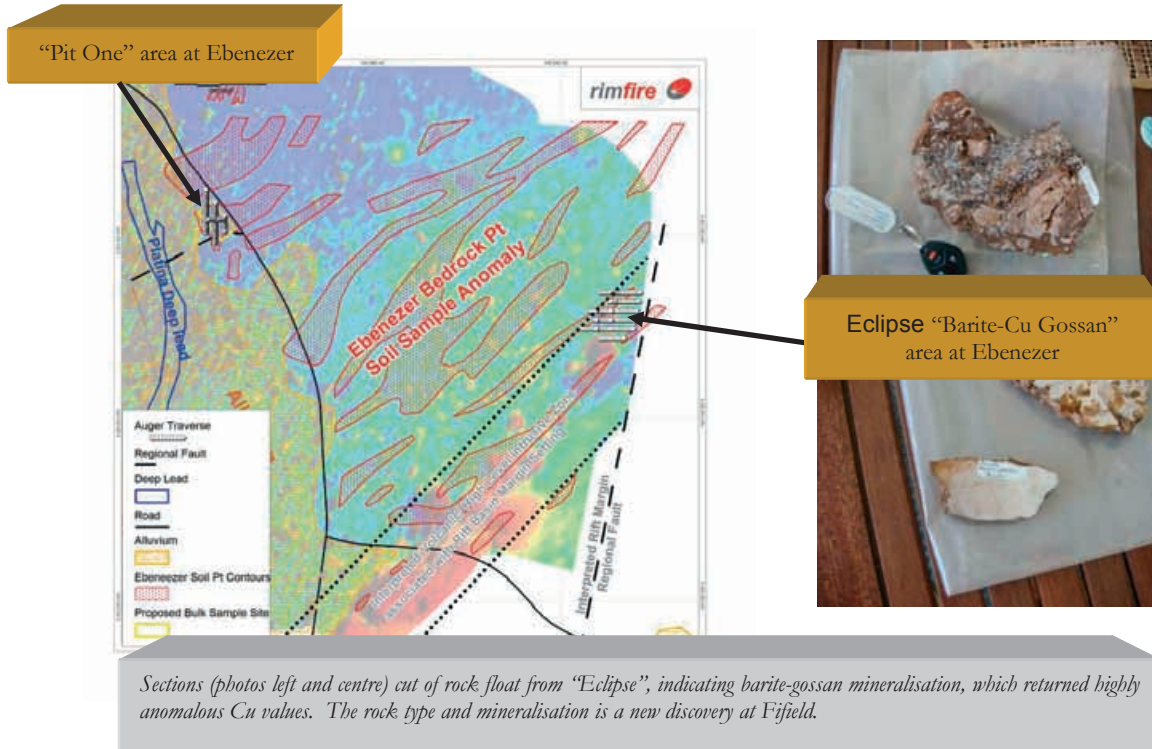
Multi element assay analysis has also indicated important additional anomalous metals were present. A third of the rock chip samples, when assayed for Silver (Ag), ranged 0.7g/t to 2.0g/t. The Company’s field estimate is that the gossan float rock present may have constituted *up to 90% sulphide, in some cases, prior to weathering. The samples are of highly leached surface rock as no prospect pits exist to bring less leached material to the surface.*

The Company had previously interpreted the geological setting within this section of the Fifield Pt area, as representing a “sea floor rift setting”. The Company interpreted that these results could represent the presence of a Volcanic Massive Sulphide (VMS) type deposit as the source of the surface mineralisation at Eclipse.

Major ground based geophysical surveys were completed at Eclipse in the period including magnetics, radiometrics, gravity and EM.

## “Eclipse” Base Metal Prospect - Drill Program Conducted

The “Eclipse” barite-gossan mineralised area at Fifield was partially tested with 135 auger drill holes, in 6 traverses. Each traverse encountered gossanous rocks and excellent variable volcanic geology. The preliminary geochemical assay results continued to confirm base metal anomalism, with elevated copper and possible “foot wall” mineralisation indications. An RC drill program was subsequently used to examine the geology at depth.



The detailed ground magnetics at “Eclipse” appear to show an important magnetic corridor. Preliminary interpretation suggests the magnetic signature is consistent with the potential for VMS mineralisation, when viewed in association with rock sampling to date and the localised interpreted geology.

The Eclipse VMS prospect has evolved into a copper (Cu) anomaly of greater than 1000m length and appears to be unconstrained at this stage of exploration.

Intensive shallow **auger drilling** has defined a cohesive zone of gossan (weathered sulphide mineralization) and quartz veining coincident with the copper geochemical anomaly. **RC drilling (510m)** was designed to test the continuation of Cu at depth, below the leached surface profile which has been sampled to date.

Three east-west drill traverses over the Eclipse copper anomaly (previously defined from shallow auger drilling) defined a discrete zone of strong quartz-sericite-pyrite mineralisation with a north-south strike length >100m hosted in acid to intermediate volcanics. The mineralisation style encountered is consistent with the deep fracture zone below a Volcanic Hosted Massive Sulphide system.

At depth the mineralisation reflects the north-south surface gossan defined through auger drilling. Whilst the width and depth of the mineralised zone is still poorly constrained, the best intersections (holes Fi38, Fi39, Fi40) were typically 10~20m in width from ~30m depth. The rocks above the identifiable alteration zone were typically strongly oxidised, and may have overprinted associated mineralisation.

The assay results for the RC drill program appear to be consistent with the auger drill programs conducted previously. Elevated copper results were seen in RC holes Fi38, Fi40 and Fi45 with the best results achieved as follows:

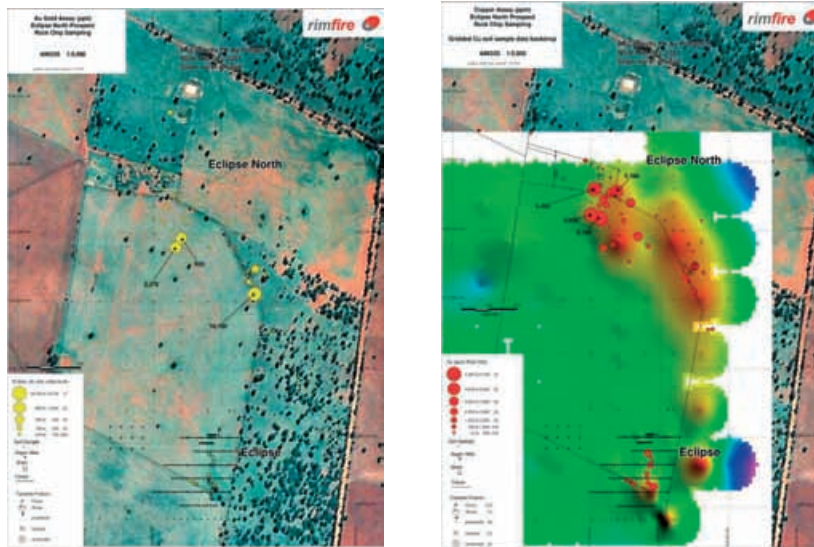
- Fi38 1m at 2030 ppm Cu from 36m to 37m
- Fi40 1m at 1540 ppm Cu from 14m to 15m
- Fi45 1m at 1430 ppm Cu from 25m to 26m

While the recent RC drill program did not hit the level of Cu mineralisation that was indicated from surface gossan float, the Company views exploration to date as a confirmation of the mineralised base metal potential associated with the east rift margin at Fifield. Future work programs will continue to track the mineralisation using auger drilling and further RC drilling at an appropriate stage.

### Eclipse North Area – Au and Base Metal Prospect

“*Eclipse North*”, a new prospect located approximately 1km north of Eclipse, along strike on the interpreted rift margin, was sampled for surface mineralised float. The soil assays for this area show elevated Lead (Pb), hence it is possible that this area is closer to the top of a VMS mineralising system.

### “Eclipse North” Reconnaissance Surface Sampling, Au and Cu



Extensive rock float examination, rock chipping (75 samples analysed) and surface mapping of subcrop/outcrop at Eclipse North (approx. 1km north of Eclipse along the eastern rift margin at Fifield), has revealed the potential for a significant Au bearing zone. Assays of an initial set of specimen rocks have shown an elevation in Au and base metal, **including one high grade rock sample yielding 18g/t** (FIR312).

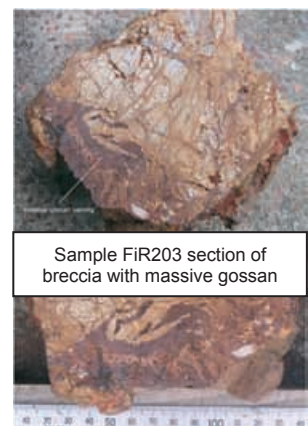
The high Au area at “Eclipse North” contains numerous pieces of breccia with sulphide gossan disseminated and also in veins. The high Au assay rock sample is interpreted as pyrite gossan float and contained fine visible gold. **The strike length of gossan & brecciation extends over approximately 500m and is open to the north (under soil).**

The area further north again has several groups of historic workings with similar breccias, silicification and brecciated quartz veining, all with varying amounts of gossan.

This Au mineralisation is not a VMS style as at Eclipse South. It is hydrothermal-mesothermal style Au and base metals, associated with shearing and brecciation along a structural zone, possibly associated with a small blind high level diorite intrusive.

The mineralisation area looks similar to Sorpresa but the breccia zone could be wider, at 20~30m, however this is yet to be determined. Both the breccia and vein quartz contain sulphides disseminated in fine veinlets and in more massive veins up to several centimetre thick. Whilst exploration is still preliminary, the results are encouraging. An additional set of samples and further mapping interpretation is currently being undertaken with results to follow.

Surface geochemistry has advanced the prospect so that the next stage of exploration to be undertaken will involve intensive auger drilling into the defined cohesive zone of gossan (weathered sulphide mineralization) and quartz veining coincident with the Au geochemical anomaly.



Sample FIR203 section of breccia with massive gossan

## GOLD CONTAINED IN SHEAR ZONES – “GOLDENGREEN”

Goldengreen area hosted a small high grade goldmine and was worked intermittently from 1935 to 1957. The old workings yielded approximately 2 oz/t Au in commercial operations.

This Au is likely to have strong connections to the Pt seen at Fifield. The Pt may occur in a similar shear configuration, and it is entirely possible that the gold load could give way to Pt mineralisation at depth, when the sediment host changed to the mafic dyke.

Petrological study and geological mapping by the Company indicates that the “Au in this system is not orogenic” (i.e. not occurring in simple veins). Further exploration by the Company in the period demonstrates *that the Au appears to be structurally controlled and is located in “shear zones”*. This Au is predominantly well dispersed “fine Au” and represents a newly recognised feature in the mineralisation at Fifield.

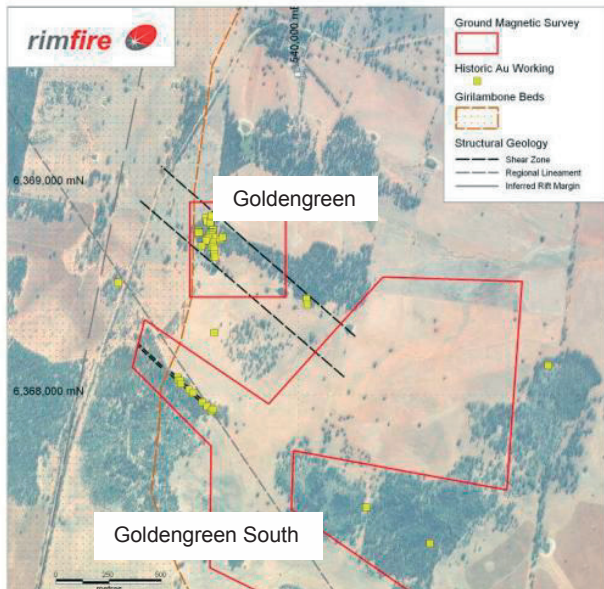
The Company assayed sub surface rock at the entrance to one of the historic gold workings to gain some indications on the type of Au mineralisation. The samples assayed by independent laboratory gave encouraging results, *with assays up to 4.1g/t*. This indicates the ultra fine disseminated nature of the Au, with most Au below visible detection.

The exploration target is disseminated Au in sheared sediments associated with mafic dykes or sills. The shear zone disseminated Au model has been ideal for open cut mining in the Yilgarn of WA. Close examination of the workings and style of mineralisation by Rimfire has revealed that the Au occurs in “chloritic shears” and “fine breccia channels” in sediments.

A gridded soil sampling program, magnetics and auger traverses were conducted to help locate further Au zones. The area is complex and requires trenching to reveal details of the structural orientation. It is known to some extent that the orientation of the Au shears strike in different directions, even at right angles. Accordingly, this area *has a chance to realise an open cut “cyanide heap leach” mining*, should zones produce sufficient Au grade over the target area of 300m.

## GOLD IN SHEAR ZONES – “GOLDENGREEN SOUTH” AREA

### “Goldengreen South” reconnaissance RC Drill program



The Goldengreen South area has been explored in 2008 using soil geochemistry, shallow bedrock geochemistry via auger drilling, geological mapping and ground magnetics. The mineralization is partly exposed and has been mined on a very small scale about 70 years ago. A shear zone has now been identified measuring about 20m to 40m wide and in excess of 500m long.

The Au grade of the shear zone was unknown, but was also expected to be uneven in distribution. The RC drilling has now established that the mineralization does have sufficient potential to warrant a later more extensive drill program where the auriferous shear zone cuts other country rock types (e.g. ultramafics to the south).

The drilling consisted of five RC drill holes each to a depth of 37m, plus one RC drill hole that was taken to a 52m depth. The total of all the drilling completed was 237m, so not exhaustive in nature.

The assays showed that the drilled area contained broad disseminations of gold, but at less than economic grade. The best intersection was in hole Fi55, which had an interval of 10m (from 6m to 16m) at 0.43 g/t Au including 1m at 2.88 g/t. The indicated true width was 9m. The Company considers the results as broadly positive as to the

prospective nature for Au mineralisation at the “wider Goldengreen area”.

The RC program showed the auger holes into bedrock had given a reliable result. Hence it is now possible to explore this area via auger drill bedrock traverses. The aim would be to locate suitable size areas of disseminated ore grade gold.

One line of auger drilling immediately east of Goldengreen (not Goldengreen South) gave disseminated gold results over 100 ppb in sediments with little or no shearing or quartz. The RC drilling at Goldengreen South has given these auger results increased credibility that the gold values are reliable.

Recent NSW Department of Primary Industries Publications (Minfo issue 86 and Quarterly notes Number 127) have drawn attention to rift margin mineralization west of Cobar plus Carlin style gold potential in the Cobar Basin. ***The disseminated gold in sediments in the Goldengreen area is along the rift margin and has strong similarities to the Cobar Basin.***

Rimfire is well placed to explore for disseminated gold in sediments as it has excellent processing facilities for testing coarse gold in soil and auger drilling rigs designed for rapid short hole bedrock geochemistry.

### **SORPRESA – “NEW BRECCIA HOSTED GOLD PROSPECT”**

The Company during ongoing regional exploration selected a gossan-breccia rock sample FiR 73 (4kgs) from an old prospecting shaft, in an area north of Platina-Gillenbine. ***A grade of 8.8g/t Au was determined under Fire Assay method.***

Subsequent auger drilling close to the shaft revealed gossanous breccia over an 8m width surrounded by additional scattered smaller occurrences of gossanous breccia.

The surrounds to this prospect are largely concealed by shallow soil and alluvium making the mineralisation unsuited to “old time” surface prospecting methods. However, the use of the auger drill in determining bedrock geochemistry is proving an effective technique to assist in better understanding of this important mineralisation.

Occasional float of gossanous breccia laying on the masking soil provides a mineralization target area of 250m x 50m.

The Company proceeded with three reconnaissance RC drill holes on one section for a total of 114m drilling. Each of the holes returned important mineralisation, with the assay results from Fi47 particularly encouraging. Summary results are as follows with the complete results plotted graphically below:

- ***Fi47 13m intersection (from 2m to 15m) at 1.59g/t Au, 8.7g/t Ag, 0.53% Pb, including an interval of 6m (from 4m to 10m) at 2.47g/t Au, 14.7g/t Ag, 0.95% Pb.***
  - ***Fi47 high values included 1m interval (from 6 to 7m) at 4.5g/t Au, and the same interval yielded 21.5g/t Ag. A 1m interval (from 8 to 9m) gave a value of 1.62% Pb.***
  - ***Elevated values of Zinc were noted throughout Fi47 mainly in the range 300 to 800ppm***

The gold, silver, lead and zinc mineralisation is difficult to characterize or assign to a particular geological model as yet. It is noted, however, that gold and lead also occur in old workings 700m to the NE, and that these are adjacent to important historic mined platinum soil surface workings. Rimfire intends to examine the bedrock geochemistry between Sorpresa and these other workings.

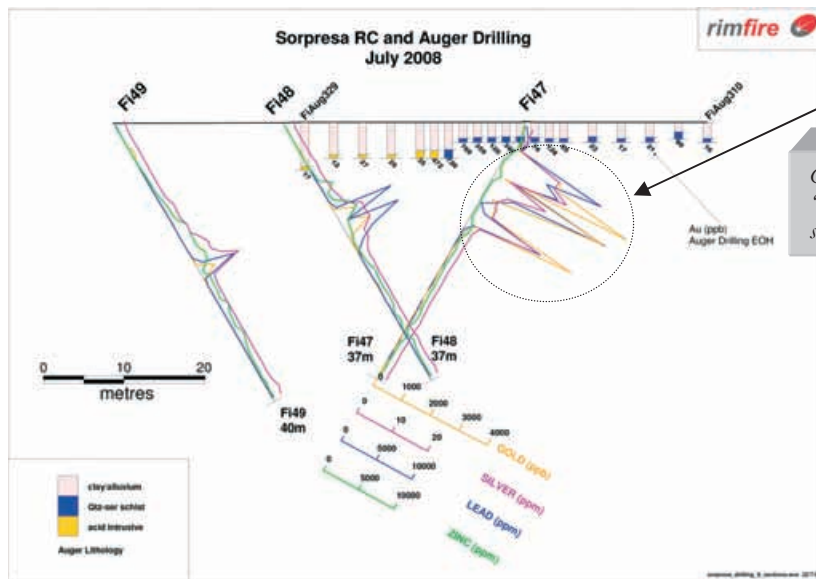
The mineralisation consists of a complex zone of breccia with variable gossan content in association with acid volcanics and/or intrusives, plus sediments and quartz sericite schist.

### **Sorpresa Prospect “Extractable Au” Analysis**

The Company performed multi-element assays to determine any unique character of the mineralisation, and cyanide leach over a 6 to 24 hour period to determine the “extractable nature of the Au mineralisation”. The results indicate the mineralisation has readily extractable Au (>90% in 6 hours), and has minimal contaminant elements, ***therefore representing a suitable commercial target mineralisation.***

The next phase of the exploration program will now focus on determining the strike and extent of the mineralised zone. This will be done using soil geochemistry and auger drilling.

## Sorpresa Prospect RC Drill Hole Section with a focus on Fi47



Multi-element assays and cyanide leaching assays were completed on part of this section of Fi47 and confirm the prospective nature of the mineralisation as a worthy commercial target.

Cross section of gossan breccia rock type recovered at "Sorpresa" prior to the RC drill program (FiR 73 shaft rubble) found at surface.



## BINGARA DIAMONDS PROJECT EXPLORATION AREAS

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

Exploration Licences - EL6106 EL5880 EL6892 EL6893 EL6894

### Overview of the Company's Diamond exploration activities at Bingara NSW

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

The Company continued to receive positive results from its exploration program during the period within its Diamond Project area at Bingara NSW. The petrology report on rock chips and heavy minerals recovered from auger samples taken from *Horton Valley No.2 Pipe* at the Bingara Diamond Project area *confirmed earlier field observations made that a new discovery was made.*

The results to date represent significant further milestones in the Company's exploration within the Horton Valley for diamond. The Company discovered two "Pipes" during 2007, where key indicator mineral has now been observed in fresh rock, below surface, and structurally controlled to "explosive vents". The Company is seeking to make further pipe discoveries in the district.

The Trevallyn prospect was investigated through additional surface samples, mapping and limited auger drilling. An unusual rock type was discovered "a likely xenocryst breccia" up slope from the stream sediment diamond recovered by the Company in earlier exploration programs at Trevallyn.

Further surface sampling and auger drilling at the various locations in the district will continue to be undertaken, as this is proving an excellent technique to test the best surface sample results, quickly and efficiently. Access to difficult topography is made possible, cutting lead times in exploration, through the use of the auger drills.

An appropriate bulk sampling program would be subsequently planned, subject to permitting, to investigate for contained diamond in the pipes. However, the Company would like to achieve discovery of additional pipes prior to bulk testing, to make efficient use of mobile plant and skilled personnel.

### Trevallyn Work Area



*Trevallyn auger drill location BCT-Aug6, 50m upslope (22° ~ 30° incline) from historic stream sediment Trevallyn diamond (0.265K). "Xenocryst breccia rock" recovered in coarse scree above sub outcrop. The soil is rich in chrome diopside, ilmenite and trace garnet.*

### HIGHLIGHTS FOR THE BINGARA NSW DIAMOND AREA IN THE PERIOD

- ◆ *Positive petrology results were received on Horton Valley No.2 Pipe* auger drill samples confirmed earlier field observations.
  - The geology does appear to be more complex but all 200 garnet grains that were "micro probed" from the pipe were "mantle derived"
- ◆ *Trevallyn Prospect* has been further assessed with soil sampling and auger drilling.
  - Unusual rock types "likely xenocryst breccia" have been recovered, possibly indicative of a diatrema.
- ◆ *New exploration licences at Bingara were granted*
  - These areas track regional geology identified as potentially similar to the geology of localities of Horton Valley No.1 Pipe and No.2 Pipe.
  - Regional sampling programs were planned and commenced in these new areas
- ◆ Additional petrology was performed on some of the Company's earlier samples
- ◆ A small local sample washing plant has been established at Bingara to assist sample processing

### Horton Valley No.2 Pipe – Back Creek Glenidle

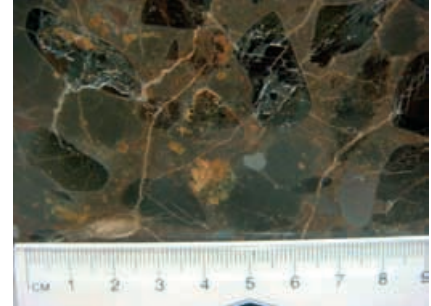
The *Horton Valley No.2 Pipe* is a more complex structure, based on the key indicator garnet chemistry from the two auger holes in the structure. It is likely that there is distinct zoning within the pipe as reflected in the specific chemistry of each auger hole. Further auger drilling is planned within the pipe to increase the geological mapping, similar to the process undertaken on *Horton Valley No.1 Pipe, the discovery made in the previous period.*

### Trevallyn Back Creek Area Prospect

The Company completed further field programs at its "*Trevallyn Prospect*" located within its Diamond Project areas at Bingara NSW. This prospect is situated approximately 6km west of the *Horton Valley No.1 Pipe* discovered by the Company in April 2007.



The xenocryst breccia indicates MARID (short for “mica, amphibole, rutile, ilmenite, diopside”) suite mineral inclusions and is mantle derived as confirmed through petrological examination. The MARID mineral assemblage was first recognised within a kimberlite from Africa. Although there is no direct association with diamond formation within MARID suite mineral, the Company believes the “garnet source” is likely to be proximal to this mantle xenocryst breccia. It is particularly encouraging that Trevallyn is demonstrating interesting geology, in the first ever subsurface drilling of this prospect.



*The xenocryst breccia rock has a hard matrix. Crystals are 1 to 3cm in length, and up to 10cm. Small amounts of similar rock were found in Horton Valley No.1 Pipe.*

In addition, the Company has **designed and built a skid mounted auger drill**, to cope with drilling the 30° incline slopes that predominate the area which hosts the likely garnet source(s) being sought by the Company.

Such a discovery would then demonstrate that a key “diamond indicator mineral” source is located in a vent geology, within a drainage, above the recovery site of the “Trevallyn stream sediment diamond” found a number of years earlier. This would be a major achievement.

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

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2008

**Directors**

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

Graham Billingham  
John Kaminsky  
Ramona Enconiere  
Andrew Knox

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

**Principal Activities**

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

**Review of Operations**

The Company has placed its major exploration commitment in the period towards the projects at Fifield NSW for the source of primary coarse grain Platinum (Pt) and associated Gold (Au) with possible base metal potential also now recognised. Exploration at Bingara NSW for the primary source of diamonds, was modest in the period, due to the focus at Fifield by the Company.

The decision to pursue the Pt projects was influenced by the strong commodity outlook for Pt, and the judgement that the characteristics of the coarse grain Pt, in terms of metallurgy, simple gravity recovery and soft host rock make an excellent commercial target, with favourable mining potential, should sufficient grade and tonnage be determined at Platina-Gillenbine.

The Platina-Gillenbine Pt prospect progressed substantially with the establishment of significant Pt contours in the newly established "Eastern Shear Zone" soil anomaly discovered late in the period. This compliments an area known as the "Central Shear Zone" which had previously delineated Pt contours in the subsoil clay layers there. The important discovery of coarse Pt in a 4 sq km soil anomaly at the "Ebenezer Prospect", just to the south of Platina-Gillenbine in the previous period, demonstrates the exceptional nature of the Pt mineralisation anomaly in these focussed areas at Fifield.

The Company is endeavouring to determine the grade, distribution and extent of the Platina-Gillenbine mineralisation and considers that this anomaly lies broadly within an identified "8 km long corridor of Pt mineralisation" at Fifield.

Ongoing exploration programs have included the extensive use of soil sampling with intense grids, trenching programs, auger drilling and aircore drilling at Platina-Gillenbine.

As previously indicated the Company believes the work already completed demonstrates that the Company has now made the "discovery of coarse grain primary Pt in bedrock at Fifield". The top priority now is to focus on the establishment of the extent of the mineralisation, which is ongoing and involves "non traditional assessment" (simple bedrock drill delineation is not an appropriate technique in the Company's opinion), requiring larger scale sampling and gravity recovery of the coarse grain Pt.

During the period, the Company has seen the mineralised potential at Fifield continue to grow, with evidence emerging of significant Au zoning to the west and base metal potential also identified along the eastern rift margin at Fifield. Encouragement has been seen through exploration programs using soil sampling, auger drilling and RC drilling in the period.

Metal zoning remains an important feature of the regional geology at Fifield. This is further demonstrated in the recent RC drill results. The under explored Fifield area represents an excellent exploration setting for commercial mineralisation discovery in the Company's view.

The Company processing plant at Fifield was further improved. The construction and commissioning of an additional auger drill was completed in the period.

To date, systematic exploration by Rimfire within the immediate Fifield region has continued to develop a wide variety of mineralisation prospects with strong surface expression, which have a highly relevant geological context with favourable

development criteria.

There is a significant variation in mineralisation styles at Fifield, which includes Au, Pt and Cu prospects and these occur across a zone of less than 10km. This observation also provides further support to the interpretation of the region as being a complex volcanic rift setting, with evidence for multiple, polymetallic mineralisation events associated with sub-volcanic intrusives, shearing and brecciation at various scales.

The major mineralisation focus for exploration by the Company at Fifield is still coarse grain Platinum.

In addition, the Company has reviewed the Pt potential throughout its other prospects at Fifield. This is being done by establishing the current exploration credentials of known Pt bearing prospects such as Kars, where good progress has been made in coarse Pt identified in the soil line sampling. In due course more work is planned for Avondale, Tresylva and Hylea. The Company continues with regional geochemistry reviews at Fifield, in the search for new areas of prospective Pt mineralisation, such work having already led to the discovery of the "Ebenezer Prospect".

The development of the mineralisation model at Fifield is ongoing and has many dimensions to it, but it is clear there is a significant primary Pt province at Fifield, and Rimfire Pacific Mining is leading the exploration effort and understanding of this region.

The price of Pt exceeded USD2,200/ounce, in March and May 2008, but had corrected substantially to USD1,400/ounce by mid August 2008. In the Company's view, the outlook still remains positive in the medium term for Pt.

The Bingara diamond project had made the largest advances in recent times during the last period, where the Company had made discoveries of two confirmed "pipes", namely, the **Horton Valley No.1 Pipe** at Tom and Jerry Mountain and a second "pipe", **Horton Valley No.2 Pipe** at Back Creek, Glen Idle.

The Horton Valley No.1 Pipe, has "eclogite 1 garnet chemistry" and contains xenoliths that have travelled from depths greater than 100km. The pipe is considered highly prospective for diamond and represents the first such structure discovered in the district.

**This is a major discovery for the Company and highly significant in the search for the source(s) of Diamond in the Bingara Region.** The Company has developed a methodology for exploration that includes a distinguishing key diamond indicator mineral (DIM), namely high sodium (type 1) eclogitic garnet. The recent exploration success and regional geological review has enabled the Company to develop a geological model, and set priorities on other highly prospective targets within the Bingara region.

During the period, the Company conducted modest activities at Bingara restricted to additional soil sampling, and petrological examination. The soil sampling programs have been successful in helping to isolate key diamond indicator mineral sources in the search for additional "pipe structures" within its Diamond Project area at Bingara NSW.

Field programs during the period were focussed on large-scale stream sediment and soil sampling based on the extensive review work undertaken in the prior period. Auger drilling enabled probing of key anomalies identified and petrological studies confirmed the field observations. The Company will continue with this successful exploration formula, for new "pipe discoveries". Samples were taken to establish the priorities of each of these anomalies and samples were pre-processed at the Company's plant at Fifield for heavy mineral recovery.

The Company has also undertaken to review new prospective exploration projects and will continue to screen new projects with potential to add to the Company's existing project portfolio. The Company further developed its purpose built plant at Fifield on its freehold land. Substantial volumes of much larger sample sizes for both the Bingara and Fifield samples can now be processed more effectively.

The significant milestones and the positive direction of the Company's exploration can be directly attributed to the brilliant field work and efforts of Colin Plumridge, consulting geologist and exploration manager. To this extent and on behalf of the Board of Directors and shareholders, the Company offers its sincere appreciation to Mr Plumridge for his committed professionalism in the period.

Similarly, the Board extends its gratitude to all contractors and employees who have made valuable contributions to the Company during the period.

## Financial Position

The net assets of the consolidated entity have increased from \$4,021,822 at 30 June 2007 to \$6,063,353 at 30 June 2008. The Company raised \$2,541,219 in November 2007 from a renounceable 1 for 4 rights issue (amount is stated at gross, before costs of the respective issues). The Company maintained a cash and cash equivalents balance of \$2,424,785 as at 30 June 2008 which was a considerable improvement on previous years, and leaves the Company well positioned for the next period.

In general the Company has been able to contain overhead costs during the period and apply its extra funding to increase its exploration effort. Industry costs have again increased during the period and shortages of key contractor skills is an important constraint for certain work programs.

## Future Developments, Prospects and Business Strategies

The immediate priority for the Company is to continue to develop its core project in Pt at Fifield, particularly focusing on Platina-Gillenbine. The Company was awarded additional exploration licences adjoining its current exploration areas. Evaluation of additional exploration projects has been undertaken in the last period, with the possible establishment of new project initiatives, but the Company has generally viewed most projects on offer as lacking the quality and potential of its existing areas. In many instances the pricing of these third party project areas was not justified either.

In the Board's opinion, the Fifield Pt project still has the potential to develop into a resource which can be mined at some point in the future. The focus is to try and confirm a suitable resource which can be mined within the next period. The occurrence of Pt during the past period of exploration at Fifield continues to be observed on a large scale. The topography, coarse nature of the Pt, the ability to process the Pt and probable low costs of any future operations are all favourable attributes should a resource definition be forthcoming. Primary coarse grain Pt is now confirmed within the bedrock at Fifield, and this represents a major milestone for the Company.

The Bingara Diamond area has made major advances in the previous period, with the discovery of "pipes" at the southern slope of Tom and Jerry Mountain, south peak, called the "Horton Valley No.1 Pipe" and the discovery of a second "pipe", named the "Horton Valley No.2 Pipe" at Back Creek. The Company believes that it has a geological model of substance and an exploration methodology with a track record for significant discovery in the Bingara district. The ongoing determination of more pipes of suitable chemistry, at Trevallyn and elsewhere at Bingara is the next stage of exploration for the Company. The new exploration licences awarded at Bingara will undergo a routine stream sediment and soil sampling program to tune the preferred areas for subsurface determination.

The low cost operating structure has been maintained within the period by the Company and this will continue to be closely monitored during the next financial year, in a climate of rising costs in the industry.

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

## Operating Results

The loss of the consolidated entity amounted to \$454,416 (2007: \$473,688).

## Dividends

No dividends were paid during the year, nor are any recommended at 30 June 2008.

## Significant Changes in State of Affairs

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

## After Balance Date Events

The Chairman exercised 750,000 options granted as part of his incentive and remuneration entitlement, which were converted to 750,000 fully paid ordinary shares on the 11 July 2008. The exercise price for the conversion was nil cents per share.

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

## Environmental Issues

The consolidated entity aims to ensure that the highest standard of environmental care is achieved. The Board maintains the responsibility to ensure that the consolidated entity's environment policies are adhered to and to ensure that the consolidated entity is aware of and is in compliance with all relevant environmental legislation. There have been no environmental breaches during the 2008 financial year.

## Information on Directors –

### John Kaminsky (Executive Chairman and Director)

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

John Kaminsky, aged 51, was appointed Director of Rimfire Pacific Mining NL and Axis Mining NL in April 2004. He brings strong strategic and international skills to the company and has more than 20 years experience in international trade, including chemicals, plastics, metals, minerals, ores, concentrates and energy products. He assumed the role of Executive Chairman in December 2004.

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

Graham Billinghamurst, aged 65, became a Director of Rimfire Pacific Mining NL and Axis Mining NL in May 1999 and comes to the Board with an extensive background in investment banking and corporate development in the Australasian region. As an investment banker and finance director, he brings to the Board extensive corporate, financial and commercial expertise.

### Ramona Enconniere (Non-Executive Director)

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

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

### Andrew Knox (Non-Executive Director)

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

Andrew Knox, aged 46, was appointed Director in July 2005 and has been a Director of several Australian Public Companies which have been involved in the resource industry. He has substantial experience in the acquisition and assessment of business opportunities in the resource sector, comprising potential takeover targets, production/non-production reserves, infrastructure and general market opportunities and the related fund raising required. Andrew's depth of industry experience, public company involvement and financial market understanding make an extremely valuable contribution to the Board.

## Meetings of Directors

During the financial year, 8 meetings of Directors (including annual general meeting and special meetings) were held. Attendances by each Director during the year were:

	Directors' Meetings	
	Number eligible to attend	Number attended
John Kaminsky	8	8
Graham Billinghamurst	8	7
Ramona Enconniere	8	7
Andrew Knox	8	8

**Options**

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

Grant Date	Date of Expiry	Exercise Price	Number under Option
20/12/2006	30/09/2008	\$0.12	6,000,000
14/12/2007	30/09/2010	\$0.12	7,500,000
14/12/2007	15/01/2009	-	750,000
			14,250,000

Note that 4,500,000 unlisted options granted on 9/12/2005, disclosed in the prior year report, expired on 30/09/2007.

During the year ended 30 June 2008, the following ordinary shares of Rimfire Pacific Mining NL were issued on the exercise of options granted to the Executive Chairman.

Issue Date of Shares	Exercise Price	Number of Shares Issued
10/07/2007	-	1,500,000
14/12/2007	-	1,500,000

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

As at 30 June 2008 15,000,000 unlisted options were on hand.

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

Options granted on 20/12/06 Exercisable on or before 30/09/08 (OP 12) @ 12 cents each

John Kaminsky	1,000,000
Graham Billingham*	2,000,000
Ramona Enconniere	1,000,000
Andrew Knox**	1,000,000
	5,000,000

\*Issued to Colhurst Superannuation Fund

\*\* Issued to Silva Holdings Pty Ltd

Options granted on 14/12/07 Exercisable on or before 30/09/10 (OP 1) @ 12 cents each

John Kaminsky	2,000,000
Graham Billingham*	1,500,000
Ramona Enconniere	1,500,000
Andrew Knox**	1,500,000
	6,500,000

\*Issued to Colhurst Superannuation Fund

\*\* Issued to Silva Holdings Pty Ltd

Options granted on 14/12/07. Exercised on 11/07/08 (OP2a) @ Nil cents each

John Kaminsky	750,000
	750,000

Options granted on 14/12/07 Exercisable on or before 15/01/09 (OP2b) @ Nil cents each

John Kaminsky	750,000
	750,000

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

Since the end of the financial year John Kaminsky exercised Options 2a on 11/07/08

## Directors' Shareholdings

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

### Shares held beneficially:

John Kaminsky	15,016,666
Graham Billingham	Nil
Ramona Enconniere	2,710,000
Andrew Knox	2,666,666

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

John Kaminsky	4,512,666
Graham Billingham	9,879,166
Ramona Enconniere	2,083,333
Andrew Knox	1,500,000

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

## ***Remuneration Policy***

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

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

The remuneration policy, setting the terms and conditions for executive directors and other senior executives, was approved by the Board. All executives are entitled to receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and options. Benefits to non executive Directors consisted exclusively of non cash benefits in the period. The Board reviews executive and non executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

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

Key objectives were set by the Board for the Executive Chairman of the Company, and were outlined in the General meeting of Shareholders held on 4 April 2005. The Board refers to these historic guidelines and modifies the content according to the specific needs of the Company and its strategies going forward. The Executive Chairman has a one year appointment to 30 November 2008.

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

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

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

It should be noted that the non executive directors of the Company have received no cash payments for service as directors of the Company since the 30 June 2004 period (i.e. the last 4 periods). This particular policy will need to be re-examined in the context of the need to sufficiently incentivise non-executive directors for the time, effort and responsibilities required of them.



## Details of Remuneration for the Year Ended 30 June 2008

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

Name of Director	Primary Salary, Fees & Commissions	Cash Bonus	Post Employment Superannuation Contributions	Equity Compensation Shares & Options	Total \$
A. Knox	Nil	Nil	Nil	36,692	36,692
G. Billinghamurst	Nil	Nil	Nil	36,692	36,692
R Enconniere	Nil	Nil	Nil	36,692	36,692
J Kaminsky	134,000	Nil	Nil	80,615	214,615
	<u>134,000</u>	<u>Nil</u>	<u>Nil</u>	<u>190,691</u>	<u>324,691</u>

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

## Performance Income as a Proportion of Total Remuneration

No performance based bonuses were paid during the year ended 30 June 2008.

## Options Issued as Part of Remuneration for the Year Ended 30 June 2008

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

Directors	Options Granted No.	Options Granted Value at Grant Date \$	Options Exercised No.	Options Exercised Value at exercise date \$	Options Lapsed Value at time of lapse \$	Total value of options granted, exercised and lapsed	Value of shares and options included in remuneration for the year	% of total remuneration for the year that consists of options
J. Kaminsky	3,500,000	80,615	3,000,000	84,000	-	164,615	80,615	38
A. Knox	1,500,000	4,192	-	-	-	4,192	36,692	100
R. Enconniere	1,500,000	4,192	-	-	-	4,192	36,692	100
G. Billinghamurst	1,500,000	4,192	-	-	-	4,192	36,692	100

Of the options issued as part of remuneration during the year 91% vested whilst no options issued during the year were forfeited. As at 30 June 2008 a value of \$36,750 of options remained unvested. The minimum value of options yet to vest will be nil whilst the maximum value of options yet to vest will be \$36,750.

## Employment Contracts of Directors

The engagement conditions of the Executive Chairman, Mr J Kaminsky, are formalised in a consulting agreement which commenced on 1 December 2007 and expires on 30 November 2008.

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

## Executives

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

## Indemnifying Officers

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

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

Mr John Kaminsky  
Mr Graham Billingham  
Ms Ramona Enconniere  
Mr Andrew Knox

## Proceedings on Behalf of the Company

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

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

## Auditor's Independence Declaration

The auditor independence declaration required under Section 307C of the Corporations Act 2001 forms part of this Directors' Report and is attached on page 26.

## Non-Audit Services

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

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



Director

John Kaminsky

Dated this 19<sup>th</sup> day of September 2008



Chartered Accountants  
& Business Advisers

## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF RIMFIRE PACIFIC MINING NL

As lead auditor for the audit of Rimfire Pacific Mining NL for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

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

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

*PKF*

*Michael Port*

**PKF**  
Chartered Accountants

**M L Port**  
Partner

19 September 2008  
Melbourne

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## Introduction

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

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

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

The following detail addresses the Company practices in complying with the principles.

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

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

After appropriate consultation with executive management, the Board:

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

### **Principle 2: Structuring the Board to Add Value**

#### *Composition of the Board*

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

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

1. does not hold an executive position;
2. is not a substantial shareholder of the Company or an officer or otherwise associated directly or indirectly with a substantial shareholder of the Company;
3. has not within the last 3 years been employed in an executive capacity by the Company or another group member or been a Director after ceasing to hold such employment;

4. is not a principal of a professional adviser to the Company or another group member;
5. is not a significant supplier or customer of the Company or another group member, or an officer of, or otherwise associated directly or indirectly with a significant supplier or customer;
6. has no significant contractual relationship with the Company or any other group member other than as a Director of the Company; and,
7. is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the Directors ability to act in the best interests of the Company.

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

#### *Nomination of Other Board Members*

At least once a year, the Board reviews its composition to determine if additional core strengths are required to be added to the Board in light of the nature of the Company businesses and its objectives. The Board does not believe that at this point in the Company's development it is necessary to appoint additional directors.

#### *Independent Advice*

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

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

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

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

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

## Principle 4: Safe Guarding Integrity in Financial Reporting

An Audit Committee has been established.

The committee consists of the following:

A Knox (Chairman)  
R Enconniere  
J Kaminsky

The main responsibilities of the Audit Committee are to;

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

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

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

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

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

## Principle 5: Making Timely and Balanced Disclosure

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

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

## Principle 6: Respecting the Rights of Shareholders

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

All shareholders who nominate to do so receive a copy of the Company's annual report and both the annual and half yearly reports are posted on the Company's web site.

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

Regular updates on operations are made via ASX releases.

Information on the Company is posted on the Company's website. When analysts are briefed on aspects of the Company's operation, the material used in the presentation is released to the ASX and posted on the Company's website.

The Company has maintained its website during the past year. The website includes the option for shareholders to contact the Company for clarification and receive direct updates of Company matters.

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

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

A key element of the policies and procedures is risk management. The policies cover the Company's day-to-day internal operations.

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

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

The Company would be subject to commodity and currency price fluctuation through the sale of commodities denominated in \$US. The Company monitors commodity and currency movements and methods available to manage any such movements in price risk. However, the Company has no current commercial production at this time.

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

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

Authorisation of equity raisings, entering into debt facilities and major capital expenditure or commitments require Board approval. All routine operating expenditures are the responsibility of management in accordance with programmes and budgets approved by the Board.

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

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

## **Principle 8: Encouraging Enhanced Performance**

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

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

## Principle 9: Remunerate Fairly and Responsibly

A Remuneration and Nomination Committee has been established.

The committee consists of the following:

A Knox (Chairman)  
R Enconniere  
J Kaminsky

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

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

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

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

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

## Principle 10: Recognising the Legitimate Interests of Stakeholders

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

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

Recommendation (Principle and reference)	Reference Number	Departure (from Recommendation)	Explanation
2.2		The Chairman is an Executive Director and has a substantial associated shareholding in the Company and does therefore not meet the test of independence.	The Board considers that the chairman is capable of acting independently and is sufficiently experienced to fulfil that role.
3.1		No formal code of conduct has been established as to practices necessary to maintain confidence in the Company integrity or as to reporting and investigating unethical practices.	It is not considered that a code of conduct or reporting guide is yet necessary. The principles are followed.
4.3		The structure of the Audit Committee comprises 3 Directors, both Executive and Non Executive Directors, but has a majority of Non-Executive Directors.	Given the size of the Company, it is appropriate in the Board's opinion to include the Executive Chairman within the Audit Committee. A Non-Executive Director is the Chairperson of the Audit Committee.



Recommendation (Principle and reference)	Reference and Number	Departure (from Recommendation)	Explanation
4.4		The Audit Committee does not have a formal charter.	Given the size of the Company, the entire Board works intimately with the Executive management and Audit Committee and feels adequate procedures are in place that a formal charter is not necessary at this time.
5.1		Limited written policy and procedure exists to ensure that compliance with ASX Listing Rules disclosure requirements are met at senior management level.	There is only one senior Executive of the Company and the Board does not consider that a written policy is at this time required. It will be reviewed as the activities of the Company increase.
6.1		The Company has no formally designed or disclosed communication strategy with shareholders, beyond ensuring continuous disclosure is met. The ASX announcement platform is the main basis for communication with shareholders.	The Board is conscious of the need to continually keep shareholders and markets advised. The procedures adopted within the Company, although not written, are weighted towards informing shareholders and markets.
7.2		The Company receives a statement of compliance concerning the integrity of the financial statements from the Executive Chairman, but the Company has no Chief Financial Officer given the size of the Company.	The Company complies with the spirit of the guidelines in this regard, but given the small size of the Company, it is not envisaged an internal financial officer would be appointed in the immediate future. The Company and Board work with the Company's external auditors and accountants to ensure a suitable compliance statement is authorised.
7.1 and 7.2		There has been no written implementation of policy on risk oversight and management or for senior management to make statements to the Board concerning those matters.	Given the nature and size of the Company, its business interests and the involvement of all Directors who all have business management skills, it is not considered necessary to establish this practice at this time.
8.1		There has been no formal disclosure of the process for performance evaluation of the Board, committees, individual Directors and key Executives.	Given the size of the Company and the involvement of all four Directors a policy has not to date been required. The Directors continually monitor and discuss performance.
10.1		There has been no disclosure of the code of conduct to deal with compliance for legal or other obligations to legitimate stakeholders.	The business practices adopted by the Board recognise this principle but no formal code has been established.

Project Area	Units	Reference	Date Granted	Expiry Date	Registered Holder	State	Mineral Focus
Fifield	15	EL6241	17-May-04	16-May-10	100% Rimfire	NSW	Platinum/ Gold/Base Metal.
Fifield	40	EL5534 <sup>a</sup>	23-Oct-98	22-Oct-08	100% Rimfire	NSW	Platinum/ Gold/Base Metal.
Fifield.	9	EL5565	24-Mar-99	23-Mar-09	100% Rimfire	NSW	Platinum.
Fifield.	70	EL7058	1-Feb-08	31-Jan-10	100% Rimfire	NSW	Platinum/ Gold/Base Metal.
Fifield.	25	EL6144	24-Oct-03	23-Oct-09	100% Rimfire	NSW	Platinum/ Gold/Base Metal.
Fifield.	4	ELA3495	Application Pending		100% Rimfire	NSW	Gold/Base metal
Fifield.	13	ELA3498	Application Pending		100% Rimfire	NSW	Gold/Base Metal.
Fifield	1.9ha	MC305	17-Nov-04	17-Nov-09	100% Rimfire	NSW	Gold/Platinum/Silver
Fifield	2ha	MC 306	17-Nov-04	17-Nov-09	100% Rimfire	NSW	Gold/Platinum/Silver
Bingara Diamonds	69	EL6106	29-Jul-03	28-Jul-09	100% Rimfire	NSW	Diamonds.
Bingara Diamonds	6	EL5880	31-July-01.	30-Jul-09	100% Rimfire	NSW	Diamonds.
Bingara Diamonds	6	EL6892	4-Oct-07	3-Oct-09	100% Rimfire	NSW	Diamonds
Bingara Diamonds	9	EL6893	4-Oct-07	3-Oct-09	100% Rimfire	NSW	Diamonds
Bingara Diamonds	37	EL6894	4-Oct-07	3-Oct-09	100% Rimfire	NSW	Diamonds

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

# Income Statement

for the year ended 30 June 2008

	Note	Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue from continuing operations	2	135,928	19,517	135,928	19,517
Employees benefits expense		(101,866)	(67,413)	(101,866)	(67,413)
Directors' securities non-cash benefits expense		(190,691)	(166,813)	(190,691)	(166,813)
Professional costs		(111,555)	(101,911)	(111,555)	(101,911)
Occupancy costs		(20,331)	(16,676)	(20,331)	(16,676)
Travel costs		(18,831)	(12,254)	(18,831)	(12,254)
Marketing expense		(6,708)	(2,613)	(6,708)	(2,613)
Depreciation and amortisation expense		(11,870)	(6,542)	(11,870)	(6,542)
Insurance		(14,518)	(19,108)	(14,518)	(19,108)
Share registry and listing expenses		(49,177)	(38,773)	(49,177)	(38,773)
Information and technology expense		(7,229)	(3,363)	(7,229)	(3,363)
Impairment write off on exploration costs		(15,059)	(2,905)	(15,059)	(2,905)
Loss on disposals of property, plant and equipment		(3,038)	-	(3,038)	-
Other expenses		(30,874)	(45,774)	(30,874)	(45,774)
Finance costs		(8,597)	(9,060)	(8,597)	(9,060)
Loss before income tax	3	(454,416)	(473,688)	(454,416)	(473,688)
Income tax expense	4	-	-	-	-
Loss for the year		(454,416)	(473,688)	(454,416)	(473,688)
Overall Operations					
Basic earnings (loss) per share (cents per share)	7	(0.17)	(0.23)		
Diluted earnings (loss) per share (cents per share)	7	(0.17)	(0.23)		

# Balance Sheet

## as at 30 June 2008



	Note	Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	8	2,424,785	1,145,962	2,424,785	1,145,962
Receivables	9	32,724	27,773	32,497	27,546
Other current assets	12	8,333	8,042	8,333	8,042
<b>TOTAL CURRENT ASSETS</b>		<b>2,465,842</b>	<b>1,181,777</b>	<b>2,465,615</b>	<b>1,181,550</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	9	172,969	170,000	172,969	170,000
Property, plant and equipment	11	283,737	274,591	283,737	274,591
Exploration & evaluation costs carried forward	13	3,409,608	2,680,611	3,409,608	2,680,611
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,866,314</b>	<b>3,125,202</b>	<b>3,866,314</b>	<b>3,125,202</b>
<b>TOTAL ASSETS</b>		<b>6,332,156</b>	<b>4,306,979</b>	<b>6,331,929</b>	<b>4,306,752</b>
<b>CURRENT LIABILITIES</b>					
Payables	14	160,970	177,324	159,470	175,824
Interest-bearing liabilities	15	107,833	107,833	107,833	107,833
<b>TOTAL CURRENT LIABILITIES</b>		<b>268,803</b>	<b>285,157</b>	<b>267,303</b>	<b>283,657</b>
<b>TOTAL LIABILITIES</b>		<b>268,803</b>	<b>285,157</b>	<b>267,303</b>	<b>283,657</b>
<b>NET ASSETS</b>		<b>6,063,353</b>	<b>4,021,822</b>	<b>6,064,626</b>	<b>4,023,095</b>
<b>EQUITY</b>					
Contributed equity	16	14,598,477	12,102,530	14,598,477	12,102,530
Accumulated losses		(8,535,124)	(8,080,708)	(8,533,851)	(8,079,435)
<b>TOTAL EQUITY</b>		<b>6,063,353</b>	<b>4,021,822</b>	<b>6,064,626</b>	<b>4,023,095</b>

# Statement of Changes in Equity

## for the year ended 30 June 2008

### Consolidated Entity

	Year Ended 30 June 2008			Total
	Share Capital - Ordinary	Accumulated Losses	Options Reserve	
	\$	\$	\$	\$
<b>Balance at 1 July 2007</b>	12,102,530	(8,080,708)	-	4,021,822
Shares issued during the year	2,638,719	-	-	2,638,719
Transaction costs related to shares issued	(238,758)	-	-	(238,758)
Options issued during the year	95,986	-	-	95,986
Transfer from options reserve on exercise	-	-	-	-
Transfer from option reserve to share capital	-	-	-	-
Loss attributable to the entity for the period	-	(454,416)	-	(454,416)
<b>Balance at 30 June 2008</b>	<b>14,598,477</b>	<b>(8,535,124)</b>	<b>-</b>	<b>6,063,353</b>

### Consolidated Entity

	Year Ended 30 June 2007			Total
	Share Capital - Ordinary	Accumulated Losses	Options Reserve	
	\$	\$	\$	\$
<b>Balance at 1 July 2006</b>	10,315,754	(7,607,020)	227,502	2,936,236
Shares issued during the year	1,546,400	-	-	1,546,400
Transaction costs related to shares issued	(84,746)	-	-	(84,746)
Options issued during the year	-	-	97,620	97,620
Transfer from options reserve on exercise	104,000	-	(104,000)	-
Transfer from option reserve to share capital	221,122	-	(221,122)	-
Loss attributable to the entity for the period	-	(473,688)	-	(473,688)
<b>Balance at 30 June 2007</b>	<b>12,102,530</b>	<b>(8,080,708)</b>	<b>-</b>	<b>4,021,822</b>

### Parent Entity

	Year Ended 30 June 2008			Total
	Share Capital - Ordinary	Accumulated Losses	Options Reserve	
	\$	\$	\$	\$
<b>Balance at 1 July 2007</b>	12,102,530	(8,079,435)	-	4,023,095
Shares issued during the period	2,638,719	-	-	2,638,719
Transaction costs related to shares issued	(238,758)	-	-	(238,758)
Options issued during the year	95,986	-	-	95,986
Transfer from options reserve on exercise	-	-	-	-
Transfer from option reserve to share capital	-	-	-	-
Loss attributable to the entity for the period	-	(454,416)	-	(454,416)
<b>Balance at 30 June 2008</b>	<b>14,598,477</b>	<b>(8,533,851)</b>	<b>-</b>	<b>6,064,626</b>

### Parent Entity

	Year Ended 30 June 2007			Total
	Share Capital - Ordinary	Accumulated Losses	Options Reserve	
	\$	\$	\$	\$
<b>Balance at 1 July 2006</b>	10,315,754	(7,605,747)	227,502	2,937,509
Shares issued during the period	1,546,400	-	-	1,546,400
Transaction costs related to shares issued	(84,746)	-	-	(84,746)
Options issued during the year	-	-	97,620	97,620
Transfer from options reserve on exercise	104,000	-	(104,000)	-
Transfer from option reserve to share capital	221,122	-	(221,122)	-
Loss attributable to the entity for the period	-	(473,688)	-	(473,688)
<b>Balance at 30 June 2007</b>	<b>12,102,530</b>	<b>(8,079,435)</b>	<b>-</b>	<b>4,023,095</b>

# Cash Flow Statement

## for the year ended 30 June 2008



	Note	Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		-	106	-	106
Payments to suppliers and employees		(443,201)	(297,424)	(443,201)	(297,424)
Interest received		135,928	19,078	135,928	19,078
Interest and finance costs paid		(8,597)	(9,060)	(8,597)	(9,060)
Net cash (used in) operating activities	23a	(315,870)	(287,300)	(315,870)	(287,300)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of other non-current assets		(2,969)	-	(2,969)	-
Purchase of property, plant and equipment		(24,896)	(27,243)	(24,896)	(27,243)
Payment for mining tenement exploration		(707,154)	(356,585)	(707,154)	(356,585)
Proceeds from refunds of sundry assets		-	6,962	-	6,962
Net cash (used in) investing activities		(735,019)	(376,866)	(735,019)	(376,866)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		2,541,219	1,475,000	2,541,219	1,475,000
Transaction costs associated with share issues		(211,507)	(92,421)	(211,507)	(92,421)
Net cash provided by financing activities		2,329,712	1,382,579	2,329,712	1,382,579
Net increase in cash held		1,278,823	718,413	1,278,823	718,413
Cash at beginning of the year		1,145,962	427,549	1,145,962	427,549
Cash at end of the year	8	2,424,785	1,145,962	2,424,785	1,145,962

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

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

The financial report covers the economic entity of Rimfire Pacific Mining NL and 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 principal activities of the consolidated entity during the financial year were the exploration and development of economic mineral deposits.

The financial report of Rimfire Pacific Mining NL and controlled entities, and Rimfire Pacific Mining NL as an individual parent entity, comply with all Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report complies with International Financial Reporting Standards.

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

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

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

#### **Accounting Policies**

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

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

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

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

The calculation of the fair value of options for purposes of share based payments in respect of options issued to directors has been based on the binomial method of option pricing. This method requires the estimation of the expected share price volatility in Rimfire Pacific Mining NL which has been disclosed at Note 17 of the financial statements.

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

A controlled entity is any entity controlled by Rimfire Pacific Mining NL. Control exists where Rimfire Pacific Mining NL has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Rimfire Pacific Mining NL to achieve the objectives of Rimfire Pacific Mining NL. A list of controlled entities is contained in Note 10 to the financial statements.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. Investments in subsidiaries are accounted for at cost in the individual financial reports of Rimfire Pacific Mining NL.

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

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

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

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

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

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

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

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

d. **Property, Plant and Equipment**

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

**Property**

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

**Plant and equipment**

Plant and equipment are measured on the cost basis.

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

**Depreciation**

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

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

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

e. **Leases**

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

f. **Exploration Evaluation and Development Expenditure**

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

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

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

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



g. **Impairment of Assets**

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

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

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

h. **Employee Benefits**

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

i. **Cash and cash equivalents**

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

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

j. **Receivables**

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

k. **Payables**

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

l. **Financial Instruments**

Recognition

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

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial liabilities

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

Fair value

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

Impairment

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

m. **Revenue**

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

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

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

o. **Going Concern**

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. As at 30 June 2008, the consolidated entity had sufficient cash reserves to continue its current exploration programmes and other working capital requirements. Should additional funding be required the consolidated entity may attempt future equity capital raising initiatives, however, it should be noted that while this source of funding has been used regularly in the past, any future capital raising would be dependent on financial market conditions at the time that any additional equity funds are being sought.

p. **Interest-bearing Liabilities**

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

q. **Borrowing Costs**

Borrowing costs are expensed as incurred.

r. **Equity Settled Compensation**

The group operates a share-based compensation and incentive plan which includes a share option arrangement applicable to the remuneration policy for directors. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted using the Binomial method.

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

All new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Rimfire Pacific Mining NL and its subsidiary's operations and effective for annual reporting periods beginning on 1 July 2007 have been adopted by the consolidated entity.

Consideration has been given to new and revised standards and interpretations issued by the AASB that are not yet effective including:

- AASB 101 (revised September 2007) "Presentation of Financial Statements" and AASB 2007-8 "Amendments to Australian Accounting Standards arising from AASB 101" and AASB 2007-10 "Further amendments to Australian Accounting Standards arising from AASB 101". These amendments will be effective for annual reporting periods beginning on, or after, 1 January 2009 and will require various amendments to be made, in future financial reports, to references such as the change from "income statement" to "statement of comprehensive income" and from "balance sheet" to "statement of financial position".
- AASB 2008-1 "Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations" which is effective for annual reporting periods on or after 1 January 2009. The amendments require the consolidated entity to take into account both vesting and non-vesting conditions when estimating the fair value of an equity instrument granted. Additionally, the amendment to the standard redefines the cancellation of a grant of equity instruments to include where a non-vesting condition is not met during the vesting period.

The Directors note that the impact of the initial application of the above standards are not yet known or is not reasonably estimable.

The group has adopted AASB 7 "Financial Instruments" including disclosures and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on the profit and loss or the financial position of the consolidated entity.

**Note 2**      **Revenue**

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Operating activities</b>				
Interest received	135,928	19,136	135,928	19,136
Other	-	381	-	381
	<u>135,928</u>	<u>19,517</u>	<u>135,928</u>	<u>19,517</u>
Total Revenue	<u>135,928</u>	<u>19,517</u>	<u>135,928</u>	<u>19,517</u>

**Note 3**      **Result for the year**

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Expenses</b>				
Bad and doubtful debts				
- third parties	559	-	559	-
Rental expense	19,331	16,991	19,331	16,991
Superannuation contribution expense	12,594	5,392	12,594	5,392

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

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
a. The prima facie tax on loss before tax is reconciled to the income tax as follows:				
Prima facie tax on loss before tax at 30% (2007:30%)	(136,325)	(142,106)	(136,325)	(142,106)
Add:				
Tax effect of:				
— non-allowable items	62,563	50,834	62,563	50,834
— current year tax losses not recognised	108,096	111,892	108,096	111,892
	<u>34,334</u>	<u>20,620</u>	<u>34,334</u>	<u>20,620</u>
Less:				
Tax effect of:				
— capitalised share placement costs	34,334	20,620	34,334	20,620
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income tax expense attributable to loss before income tax	-	-	-	-
Deferred tax liability in relation to exploration costs	1,022,882	804,183	1,022,882	804,183
Less tax losses recognised	<u>1,022,882</u>	<u>804,183</u>	<u>1,022,882</u>	<u>804,183</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The deferred tax asset arising from tax losses has not been recognised as an asset because recovery is not probable:				
Tax losses carried forward	2,042,475	1,934,379	1,760,914	1,652,818
Balance of franking account at year end	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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

Rimfire Pacific Mining NL and its wholly owned entities have not opted to enter the tax consolidation regime as at 30 June 2008.

## Note 5 Key Management Personnel Remuneration

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

### Parent Entity Directors

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

### Executives

There were no other executives of the consolidated entity.

### b. Parent Entity Directors' Remuneration

	Short-term		Post Employment Superannuation Contribution	Share based Payment Shares & Options	Total
	Salary & Fees \$	Cash Bonus \$			
<b>2008</b>					
Andrew Knox	-	-	-	36,692	36,692
Graham Billinghamurst	-	-	-	36,692	36,692
Ramona Enconniere	-	-	-	36,692	36,692
John Kaminsky	134,000	-	-	80,615	214,615
	<u>134,000</u>	<u>-</u>	<u>-</u>	<u>190,691</u>	<u>324,691</u>
<b>2007</b>					
Andrew Knox	-	-	-	26,007	26,007
Graham Billinghamurst	-	-	-	28,214	28,214
Ramona Enconniere	-	-	-	26,007	26,007
John Kaminsky	115,000	-	-	88,791	203,791
	<u>115,000</u>	<u>-</u>	<u>-</u>	<u>169,019</u>	<u>284,019</u>

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

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

#### c. Remuneration Options

Options Granted as Remuneration Granted in Period 1/07/07 to 30/06/08	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date Cents	Exercise Price \$	First Exercise Date	Last Exercise Date
<b>Executive Director</b>							
Mr J Kaminsky	2,000,000	2,000,000	14/12/07	0.27947	0.12	14/12/07	30/09/10
Ms R Enconniere	1,500,000	1,500,000	14/12/07	0.27947	0.12	14/12/07	30/09/10
Mr A Knox	1,500,000	1,500,000	14/12/07	0.27947	0.12	14/12/07	30/09/10
Mr G Billinghurst	1,500,000	1,500,000	14/12/07	0.27947	0.12	14/12/07	30/09/10
Mr J Kaminsky	750,000	750,000	14/12/07	4.9	-	31/05/08	15/07/08
Mr J Kaminsky	-	750,000	14/12/07	4.9	-	30/11/08	15/01/09

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

- 1,500,000 options vesting on 31 May 2007 and exercised on 10 July 2007 for nil consideration
- 1,500,000 options vesting on 30 November 2007 and exercised on 14 December 2007 for nil consideration.

No other options were exercised by any Director during the period to 30 June 2008.

#### d. Options Holdings

#### Number of Options held by Key Management Personnel

Number of Options held by Directors & Executives

	Balance 01/07/07	Granted as Remuneration	Options Exercised	Net Change Other *	Balance 30/06/08	Total Vested 30/06/08	Total Exercisable 30/06/08	Total Unexercis- able 30/06/08
<b>2008</b>								
<b>Directors</b>								
R Enconniere	2,000,000	1,500,000	-	(1,000,000)	2,500,000	2,500,000	2,500,000	-
A Knox	2,000,000	1,500,000	-	(1,000,000)	2,500,000	2,500,000	2,500,000	-
G Billinghurst	2,000,000	1,500,000	-	-	3,500,000	3,500,000	3,500,000	-
J Kaminsky	5,500,000	3,500,000	(3,000,000)	(1,500,000)	4,500,000	3,750,000	3,750,000	750,000
<b>Total</b>	11,500,000	8,000,000	(3,000,000)	(3,500,000)	13,000,000	12,250,000	12,250,000	750,000

\* options expired in the period on 30/09/2007

d. **Options Holdings (Cont'd)**

Number of Options held by Directors & Executives

	Balance 1/7/06	Granted as Remuneration	Options Exercised	Net Change Other*	Balance 30/6/07	Total Vested 30/6/07	Total Exercisable 30/6/07	Total Unexercis- able 30/6/07
<b>2007</b>								
<b>Directors</b>								
R Enconniere	2,000,000	1,000,000	-	(1,000,000)	2,000,000	2,000,000	2,000,000	-
A Knox (1)	2,000,000	1,000,000	-	(1,000,000)	2,000,000	2,000,000	2,000,000	-
G Billinghamurst	2,850,443	2,000,000	-	(2,850,443)	2,000,000	2,000,000	2,000,000	-
J Kaminsky	6,500,000	4,000,000	(4,000,000)	(1,000,000)	5,500,000	4,000,000	4,000,000	1,500,000
<b>Total</b>	<b>13,350,443</b>	<b>8,000,000</b>	<b>(4,000,000)</b>	<b>(5,850,443)</b>	<b>11,500,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>1,500,000</b>

\* includes options which expired on 30/09/2007

e. **Shareholdings**

Number of Shares held by Key Management Personnel

	Balance 1/7/07	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/6/08
<b>2008</b>					
<b>Parent Entity Directors</b>					
G Billinghamurst	7,383,332	650,000	-	1,845,834	9,879,166
J Kaminsky	14,779,332	-	3,000,000	1,000,000	18,779,332
A Knox	3,516,666	650,000	-	-	4,166,666
R Enconniere	3,516,666	650,000	-	626,667	4,793,333
<b>Total</b>	<b>29,195,996</b>	<b>1,950,000</b>	<b>3,000,000</b>	<b>3,472,501</b>	<b>37,618,497</b>

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

e. **Shareholdings (Cont'd)**

Number of Shares held by Key Management Personnel

	Balance 1/7/06	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/6/07
<b>2007</b>					
<b>Parent Entity Directors</b>					
G Billingham	7,000,000	850,000	-	(466,668)	7,383,332
J Kaminsky	10,446,000	-	4,000,000	333,332	14,779,332
A Knox	2,500,000	850,000	-	166,666	3,516,666
R Enconniere	2,500,000	850,000	-	166,666	3,516,666
<b>Total</b>	<b>22,446,000</b>	<b>2,550,000</b>	<b>4,000,000</b>	<b>199,996</b>	<b>29,195,996</b>

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

**Remuneration Practices**

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

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, the complexity of the tasks undertaken, the market rate for such skills and work requirements and overall performance of the company.

The engagement conditions of the Executive Chairman, Mr J Kaminsky, are formalised in a consulting agreement which commenced on 1 December 2007 and expires on 30 November 2008.

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



**Note 6 Auditor's Remuneration**

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	24,000	22,400	24,000	22,400
— other services	-	-	-	-
	<u>24,000</u>	<u>22,400</u>	<u>24,000</u>	<u>22,400</u>

**Note 7 Earnings per Share**

	Consolidated Entity	
	2008	2007
	\$	\$
<b>a. Reconciliation of Earnings to Net Profit or Loss</b>		
Loss used in the calculation of basic EPS	(454,416)	(473,688)
Loss used in the calculation of dilutive EPS	(454,416)	(473,688)
<b>b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS</b>		
Potential ordinary shares	275,162,083	205,762,824
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	275,162,083	205,762,824
<b>c. Classification of securities</b>		
Current share options are anti-dilutive and securities have not been classed as potential ordinary shares and are not included in the determination of dilutive EPS:	15,000,000	13,500,000
<b>d. Ordinary shares issued between reporting date and time of completion of the financial report</b>	750,000	1,500,000

**Note 8**      **Cash and Cash Equivalents**

	Note	Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
Cash at bank		\$ 2,424,785	\$ 1,145,962	\$ 2,424,785	\$ 1,145,962
		<u>2,424,785</u>	<u>1,145,962</u>	<u>2,424,785</u>	<u>1,145,962</u>
Reconciliation of Cash					
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:					
Cash		2,424,785	1,145,962	2,424,785	1,145,962
		<u>2,424,785</u>	<u>1,145,962</u>	<u>2,424,785</u>	<u>1,145,962</u>

**Note 9**      **Receivables**

	Note	Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
<b>CURRENT</b>					
Security deposits		80	80	80	80
Sundry debtors		32,644	27,693	32,417	27,466
		<u>32,724</u>	<u>27,773</u>	<u>32,497</u>	<u>27,546</u>
<b>NON-CURRENT</b>					
Security deposits		172,969	170,000	172,969	170,000
Amounts receivable from:					
— wholly-owned entities		-	-	464,034	464,034
— allowance for doubtful debts wholly-owned subsidiaries		-	-	(464,034)	(464,034)
		<u>172,969</u>	<u>170,000</u>	<u>172,969</u>	<u>170,000</u>

**Note 10**      **Controlled Entities**

	Country of Incorporation	Percentage Owned (%)	
		2008	2007
<b>Parent Entity</b>			
Rimfire Pacific Mining NL			
<b>Subsidiaries of Rimfire Pacific Mining NL</b>			
Axis Mining NL	Australia	100	100

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

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>LAND AND BUILDINGS</b>				
Freehold land:				
— At cost	216,720	216,720	216,720	216,720
Total Land and Buildings	<u>216,720</u>	<u>216,720</u>	<u>216,720</u>	<u>216,720</u>
<b>PLANT AND EQUIPMENT</b>				
Plant and equipment				
At cost	72,273	57,343	67,772	52,842
Accumulated depreciation	(23,537)	(18,928)	(19,036)	(14,427)
	<u>48,736</u>	<u>38,415</u>	<u>48,736</u>	<u>38,415</u>
Motor Vehicle				
At cost	9,536	5,000	9,536	5,000
Accumulated depreciation	(1,694)	(208)	(1,694)	(208)
	<u>7,842</u>	<u>4,792</u>	<u>7,842</u>	<u>4,792</u>
Office Furniture				
At cost	42,488	68,945	39,973	66,430
Accumulated depreciation	(32,459)	(54,281)	(29,944)	(51,766)
	<u>10,029</u>	<u>14,664</u>	<u>10,029</u>	<u>14,664</u>
Leasehold Improvements				
At cost	420	-	420	-
Accumulated depreciation	(10)	-	(10)	-
	<u>410</u>	<u>-</u>	<u>410</u>	<u>-</u>
Total Plant and Equipment	<u>67,017</u>	<u>57,871</u>	<u>67,017</u>	<u>57,871</u>
Total Property, Plant and Equipment	<u>283,737</u>	<u>274,591</u>	<u>283,737</u>	<u>274,591</u>

# Notes to the Financial Statements

## for the year ended 30 June 2008



### Note 11      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

2008	Freehold Land \$	Motor Vehicles \$	Plant and Equipment \$	Office Furniture \$	Leasehold Improvements	Total \$
Consolidated Entity:						
Balance at the beginning of year	216,720	4,792	38,415	14,664	-	274,591
Additions	-	4,536	17,099	2,000	420	24,055
Disposals	-	-	(882)	(2,157)	-	(3,039)
Depreciation expense	-	(1,486)	(5,896)	(4,478)	(10)	(11,870)
Carrying amount at the end of year	216,720	7,842	48,736	10,029	410	283,737
Parent Entity:						
Balance at the beginning of year	216,720	4,792	38,415	14,664	-	274,591
Additions	-	4,536	17,099	2,000	420	24,055
Disposals	-	-	(882)	(2,157)	-	(3,039)
Depreciation expense	-	(1,486)	(5,896)	(4,478)	(10)	(11,870)
Carrying amount at the end of year	216,720	7,842	48,736	10,029	410	283,737
2007	Freehold Land \$	Motor Vehicles \$	Plant and Equipment \$	Office Furniture \$	Leasehold Improvements	Total \$
Consolidated Entity:						
Balance at the beginning of year	216,720	-	29,389	9,455	-	255,564
Additions	-	5,000	12,995	7,574	-	25,569
Disposals	-	-	-	-	-	-
Depreciation expense	-	(208)	(3,969)	(2,365)	-	(6,542)
Carrying amount at the end of year	216,720	4,792	38,415	14,664	-	274,591
Parent Entity:						
Balance at the beginning of year	216,720	-	29,389	9,455	-	255,564
Additions	-	5,000	12,995	7,574	-	25,569
Disposals	-	-	-	-	-	-
Depreciation expense	-	(208)	(3,969)	(2,365)	-	(6,542)
Carrying amount at the end of year	216,720	4,792	38,415	14,664	-	274,591

### Note 12      Other Assets

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>CURRENT</b>				
Prepayments	8,333	8,042	8,333	8,042

**Note 13** Exploration & Evaluation Costs Carried Forward

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NON-CURRENT</b>				
Exploration Expenditure				
Costs carried forward in respect of areas of interest in:				
– exploration and evaluation phases	3,409,608	2,680,611	3,409,608	2,680,611
Total Exploration Expenditure	<u>3,409,608</u>	<u>2,680,611</u>	<u>3,409,608</u>	<u>2,680,611</u>

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

**Note 14** Payables

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>CURRENT</b>				
Unsecured liabilities				
Trade creditors	101,314	14,385	101,314	14,385
Sundry creditors and accrued expenses	59,656	162,939	58,156	161,439
	<u>160,970</u>	<u>177,324</u>	<u>159,470</u>	<u>175,824</u>

**Note 15** Interest Bearing Liabilities

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>CURRENT</b>				
Unsecured liabilities				
Rental Bond Received	833	833	833	833
	<u>833</u>	<u>833</u>	<u>833</u>	<u>833</u>
Secured liabilities				
Mortgage loans	107,000	107,000	107,000	107,000
	<u>107,000</u>	<u>107,000</u>	<u>107,000</u>	<u>107,000</u>
	<u>107,833</u>	<u>107,833</u>	<u>107,833</u>	<u>107,833</u>

a. The carrying amounts of non-current assets pledged as security are:

First mortgage

Freehold land and buildings

Total assets pledged as security

216,720	216,720	216,720	216,720
<u>216,720</u>	<u>216,720</u>	<u>216,720</u>	<u>216,720</u>

b. The loan is repayable within twelve months from the contract extension date of the contract of sale, being 15 December 2007 and is subject to 10% interest per annum.

**Note 16**      **Contributed Equity**

	Notes	Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
305,976,107 (2007: 240,520,886) fully paid ordinary shares	16a	14,598,477	12,102,530	14,598,477	12,102,530
		<u>14,598,477</u>	<u>12,102,530</u>	<u>14,598,477</u>	<u>12,102,530</u>
<b>a. Ordinary shares</b>					
At the beginning of the reporting period		12,102,530	10,315,754	12,102,530	10,315,754
Shares issued during the year					
— 60,505,221 on 24 December 2007 (i)		2,541,219	-	2,541,219	-
— 1,500,000 on 14 December 2007 (ii)		-	-	-	-
— 1,950,000 on 14 December 2007 (iii)		97,500	-	97,500	-
— 1,500,000 on 10 July 2007 (iv)		-	-	-	-
— Options Issued During the Year		95,986	-	95,986	-
— Transfer from Share Option Reserve		-	221,122	-	221,122
— Shares issued in the previous year		-	1,650,400	-	1,650,400
Transaction costs relating to share issues		(238,758)	(84,746)	(238,758)	(84,746)
		<u>2,495,947</u>	<u>1,786,776</u>	<u>2,495,947</u>	<u>1,786,776</u>
At reporting date		<u>14,598,477</u>	<u>12,102,530</u>	<u>14,598,477</u>	<u>12,102,530</u>

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

(i) One for four Rights Issue

(ii) & (iv) Issued to Executive Chairman due to the exercise of options

(iii) Issued to Non Executive Directors as remuneration, approved at AGM measured based upon market value of share price

	Note	Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
		No.	No.	No.	No.
At the beginning of reporting period		240,520,886	194,804,262	240,520,886	194,804,262
Shares issued during year					
— 24 December 2007		60,505,221	-	60,505,221	-
— 14 December 2007		1,500,000	-	1,500,000	-
— 14 December 2007		1,950,000	-	1,950,000	-
— 10 July 2007		1,500,000	-	1,500,000	-
— Issued in the previous year		-	45,716,624	-	45,716,624
At reporting date		<u>305,976,107</u>	<u>240,520,886</u>	<u>305,976,107</u>	<u>240,520,886</u>

On 24 December 2007 the Company issued 60,505,221 ordinary shares at 4.2 cents per share in a one for four rights issue.

On 14 December 2007 the Company issued 1,500,000 ordinary shares at nil cents per share to the Executive Chairman through an exercise of 1,500,000 call options issued on 20 December 2006.

On 14 December 2007 the Company issued 1,950,000 at nil cents per share to the Directors as part of their remuneration and longer term incentive.

On 10 July 2007 the Company issued 1,500,000 ordinary shares at nil cents per share to the Executive Chairman through an exercise of 1,500,000 call options issued on 20 December 2006.

**Note 16**                      **Contributed Equity (Cont'd)**

	Notes	Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>b. Deferred Options</b>					
At beginning of the reporting period		-	48,880	-	48,880
Transferred to share capital		-	(48,880)	-	(48,880)
At reporting date		-	-	-	-

**c. Options**

For information relating to share options issued to key management personnel during the financial year, refer to Note 17 Share-based Payments.

**d. Capital Management**

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

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

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

**Note 17 Share Based Payments**

The following share-based payment arrangements existed at 30 June 2008:

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

On 14 December 2007, 750,000 share options were granted to the Executive Chairman of the Company to take up ordinary shares with no consideration payable on exercise. The options were available for exercise from 31 May 2008 to 15 July 2008. These options were exercised on 11 July 2008. (Reference OP2a).

On 14 December 2007, 750,000 share options were granted to the Executive Chairman of the Company to take up ordinary shares with no consideration payable on exercise. The options are available for exercise from 30 November 2008 to 15 January 2009. At reporting date, these options remained outstanding. (Reference OP2b).

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

	Consolidated Entity				Parent Entity			
	2008		2007		2008		2007	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	13,500,000	0.10	19,000,000		13,500,000	0.10	19,000,000	
Granted	9,000,000	0.10	9,000,000	0.08	9,000,000	0.10	9,000,000	0.08
Forfeited	-	-	-	-	-	-	-	-
Exercised	(3,000,000)	-	(4,000,000)	-	(3,000,000)	-	(4,000,000)	-
Expired	(4,500,000)	0.12	(10,500,000)	-	(4,500,000)	0.12	(10,500,000)	-
Outstanding at year-end	15,000,000	0.11	13,500,000	0.10	15,000,000	0.11	13,500,000	0.10
Exercisable at year-end	14,250,000	0.11	12,000,000	0.11	14,250,000	0.11	12,000,000	0.11



### Note 17 Share Based Payments (Cont'd)

There were 3,000,000 options exercised during the year ended 30 June 2008. These options had a weighted average share price of \$0.05 at exercise date.

The options outstanding at 30 June 2008 had a weighted average exercise price of \$0.11 and a weighted average remaining contractual life of 7 months. Exercise prices range from nil to \$0.12 in respect of options outstanding at 30 June 2008.

The weighted average fair value of the options granted during the year was \$0.021.

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

Weighted average exercise price	\$0.03
Weighted average life of the option	0.8 years
Underlying share price	\$0.049
Expected share price volatility	37%
Risk free interest rate	7.5%

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

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

Included under Directors' securities benefits expense is \$190,691 (2007: \$166,813), and relates, in full, to equity-settled share-based payment transactions.

### Note 18 Capital and Leasing Commitments

	Note	Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
a. <b>Operating Lease Commitments</b>					
Non-cancellable operating leases contracted for but not capitalised in the financial statements					
<u>Office</u>					
<u>Equipment</u>					
Payable					
— not later than 1 year		-	2,618	-	2,618
		-	2,618	-	2,618
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.					
<u>Office &amp; Other Premises</u>					
Payable					
— not later than 1 year		21,553	11,879	21,553	11,879
— later than 1 year but not later than 5 years		16,164	-	16,164	-
		37,717	11,879	37,717	11,879

The office premises lease is a non-cancellable lease with a two-year term, with rent payable monthly in advance, and commenced on 1<sup>st</sup> April 2008. The lease agreement has a fixed yearly payment value of year (1) \$19,593 plus GST and year (2) \$20,573 plus GST. An option exists to renew the lease at the end of the two year term for a further two periods of two years each period. The lease allows for sub-letting of all lease areas.

**b. Capital Expenditure Commitments**

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

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
Payable	\$	\$	\$	\$
— not later than 1 year	548,000	354,000	548,000	354,000
— later than 1 year but not later than 5 years	1,500,000	1,100,000	1,500,000	1,100,000
	2,048,000	1,454,000	2,048,000	1,454,000

**Note 19 Contingent Liabilities and Contingent Assets**

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

**Note 20 Segment Reporting**

**Business and Geographical Segments**

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

**Note 21 Related Party Transactions**

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
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				
Strategic International Ventures Pty Ltd, a company associated with J Kaminsky, was paid \$27,225 in respect of administrative services provided by Mr Kaminsky's wife for the parent entity during the year.	27,225	-	27,225	-
(ii) Entities in the wholly owned group				
Axis Mining NL				
At 30 June 2008, Axis Mining NL has amounts owing to the parent entity totalling \$464,034 (2007: \$464,034) interest free, payable at call. The loan has been fully provided for.	-	-	-	-

**Note 22 Post Balance Date Events**

The Chairman exercised 750,000 options, converted to 750,000 fully paid ordinary shares at \$ nil consideration on the 11 July 2008 as part of his long term incentive and remuneration entitlement.

### Note 23 Cash Flow Information

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
a. <b>Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>				
Loss after income tax	(454,416)	(473,688)	(454,416)	(473,688)
Non-cash flows in loss				
Depreciation and amortisation	11,870	6,542	11,870	6,542
Write-off of capitalised expenditure	15,058	2,905	15,058	2,905
Loss / (Gain) on disposal of property, plant and equipment	3,038	-	3,038	-
Share options expensed	190,691	166,813	190,691	166,813
Allowance for doubtful debts	559	-	559	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in prepayments	(292)	(3,792)	(292)	(3,792)
(Increase)/decrease in other receivables	(5,167)	20,970	(5,167)	20,970
(Increase)/decrease in trade creditors and accruals	(77,211)	(7,050)	(77,211)	(7,050)
Cash flows from operations	<u>(315,870)</u>	<u>(287,300)</u>	<u>(315,870)</u>	<u>(287,300)</u>
b. <u>Cash not available for use</u>				
There was no cash as at the end of the year which was unavailable for use.				
c. <u>Non-cash Financing and Investing Activities</u>				
There were no non-cash financing and investing activities carried out during the year.				
d. <u>Credit Standby Facilities</u>				
The group has no overdraft facility.				
e. <u>Used / Unused Facilities</u>				
Loan Facilities				
- Used	107,000	107,000	107,000	107,000
- Unused	-	-	-	-

**Note 24 Financial Risk Management**

**a. Financial Risk Management Policies**

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

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

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

**i. Treasury Risk Management**

A finance committee consisting of the executive director and non-executive directors of the group meet on a regular basis to analyse financial risk exposure and to evaluate management strategies in the context of the most recent economic conditions and forecasts.

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

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

**ii. Financial Risk Exposure and Management**

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

*Interest Rate Risk*

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

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

*Liquidity Risk*

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

*Credit Risk*

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

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

*Business Cycle Risks*

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

*Exploration and Project Risks*

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2008**

**Note 24 Financial Risk Management (Cont'd)**

**b. Interest Rate Risk**

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

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non-interest Bearing		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets										
Cash	7.28	5.27	123,935	-	2,300,636	1,145,962	214	-	2,424,785	1,145,962
Receivables	4.0	-	150,000	-	-	-	55,693	197,773	205,693	197,773
Total Financial Assets			273,935	-	2,300,636	1,145,962	55,907	197,773	2,630,478	1,343,735
Financial Liabilities										
Trade and sundry creditors			-	-	-	-	160,970	177,324	160,970	177,324
Rental Bond			-	-	-	-	833	833	833	833
Mortgage	10.0	10.0	-	-	107,000	107,000	-	-	107,000	107,000
Total Financial Liabilities			-	-	107,000	107,000	161,803	178,157	268,803	285,157
Net Financial Assets			273,935	-	2,193,636	1,038,962	(105,896)	19,616	2,361,675	1,058,578

**Note 24 Financial Risk Management (Cont'd)**

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 liabilities:

Recognised financial instruments

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

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

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

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

**Secured Borrowings:** The carrying amount approximates fair value

d. **Sensitivity Analysis**

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

*Interest Rate Sensitivity Analysis*

At 30 June 2008, the effect on profit after tax and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Change in profit after tax				
- Increase in interest rate by 2%	37,090	5,267	37,090	5,267
- Decrease in interest rate by 2%	(37,090)	(5,267)	(37,090)	(5,267)
Change in equity				
- Increase in interest rate by 2%	37,090	5,267	37,090	5,267
- Increase in interest rate by 2%	(37,090)	(5,267)	(37,090)	(5,267)

The above changes are based on the effect of an interest rate change in relation to secured borrowings held for \$107,000 presently carrying an interest rate of 10% per annum and funds held on deposit.

**Note 25**

**Company Details**

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

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

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 34 to 61 are in accordance with the Corporations Act 2001 and:
  - 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 2008 and of the performance for the year ended on that date of the Company and consolidated entity.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The Chief Executive Officer and Chief Financial Officer have given the declarations to the Directors required by Section 295A.

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



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Director

John Kaminsky

Dated this 19th day of September 2008



Chartered Accountants  
& Business Advisers

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

We have audited the accompanying financial report of Rimfire Pacific Mining NL ("the company") and the consolidated entity for the year ended 30 June 2008. The financial report comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity for both the company and the entities it controlled at the year's end or from time to time during the financial year.

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

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

### *Auditor's Responsibility*

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

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

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

### **Independence**

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

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Chartered Accountants  
& Business Advisers

## Auditor's Opinion

In our opinion:

- (a) the financial report of Rimfire Pacific Mining NL is in accordance with the Corporations Act 2001, including
  - (i) giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

PKF

PKF  
Chartered Accountants

M L Port  
Partner

19 September 2008  
Melbourne

1. The shareholder information set out below was applicable as at 12 September 2008.

(a) **Distribution of Shareholders by Class**

Category (size of holding)	Ordinary Shares	Unlisted Options
1 - 1,000	49,103	-
1,001 - 5,000	549,812	-
5,001 – 10,000	1,650,392	-
10,001 – 100,000	35,495,876	-
100,001 & over	268,980,924	14,250,000
	<u>306,726,107</u>	<u>14,250,000</u>

(b) The number of holders with shareholdings in less than marketable parcels was 755 as at 12 September 2008.

(c) The number of holders of each class of equity security as at 21st September 2007 was:

Class of Security	Number
Ordinary fully paid shares	1751
Unlisted options	5

(d) There was one substantial shareholder listed in the holding company's register as at 12 September 2008.

- Mr John Kaminsky had a beneficial interest in 19,529,332 ordinary fully paid shares, representing 6.37% of the outstanding shares in the Company

(e) **Voting Rights**

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

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

On a poll every Member has:

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

(f) 20 Largest Shareholders - Ordinary Capital as at 12 September 2008.

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Mr John Kaminsky	15,016,666	4.90%
2. Mr Kerry Peter Jelbart	7,732,481	2.52%
3. Ralston Corp. Pty Ltd Ralston Super Fund A/C	6,592,210	2.15%
4. Esperance Investments Pty Ltd	6,339,300	2.07%
5. Bond Street Custodians Pty Ltd	6,250,000	2.04%
6. Warcoll Holdings Pty Ltd	6,208,333	2.02%
7. Alex Suvoltos	5,000,000	1.63%
8. Jillina Kaminsky	4,512,666	1.47%
9. Assesslaw Pty Ltd	4,336,878	1.41%
10. Mr Graham Billingham & Mrs Denise Billingham (Colhurst Superfund A/C)	3,670,833	1.20%
11. Mrs Ma Ting Fong	3,394,034	1.11%
12. Mr Malcolm Clark Anderson	3,318,100	1.08%
13. Mr William Theodore Durnell	3,000,000	0.98%
14. Mr Laurie John Newman	2,932,852	0.96%
15. Est. Ms Clarinda Boldwin Jelbart	2,895,834	0.94%
16. Ramona Enconniere	2,710,000	0.88%
17. Mr Andrew Knox	2,666,666	0.87%
18. Donald Malcolm Leembruggen	2,664,627	0.87%
19. Toltec Holdings	2,532,000	0.83%
20. Cooee Investments Pty Ltd	2,525,000	0.82%
	<u>94,298,480</u>	<u>30.74%</u>

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

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

Suite 411, 530 Little Collins Street  
Melbourne, Victoria 3000

Telephone: (03) 9620 5866

Facsimile: (03) 9620 5822

Website: [www.rimfire.com.au](http://www.rimfire.com.au)

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

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

Telephone: 1 300 552 270

Facsimile: (07) 3237 2152

5. Stock Exchange Listing

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

6. Vendor Securities

There are no restricted securities on issue as at 12 September 2008.

7. Unquoted Securities

20 Largest holders of Unlisted Options as at 12 September 2008.

Name	Number of Unlisted Options Held Exp. 30/09/08 Exercise @ \$0.12	% Held of total Issued Unlisted Options	Number of Unlisted Options Held Exp. 15/01/09 Exercise @ Nil	% Held of total Issued Unlisted Options	Number of Unlisted Options Held Exp. 30/09/10 Exercise @ \$0.12	% Held of total Issued Unlisted Options
1. Mr Graham Billingham	2,000,000	33.32%	Nil	Nil	1,500,000	20.00%
2. Mr Andrew Knox	1,000,000	16.67%	Nil	Nil	1,500,000	20.00%
3. Ms Ramona Enconniere	1,000,000	16.67%	Nil	Nil	1,500,000	20.00%
4. Mr Colin Plumridge	1,000,000	16.67%	Nil	Nil	1,000,000	13.33%
5. Mr John Kaminsky	<u>1,000,000</u>	<u>16.67%</u>	<u>750,000</u>	<u>100.00%</u>	<u>2,000,000</u>	<u>26.67%</u>
	<u>6,000,000</u>	<u>100.00%</u>	<u>750,000</u>	<u>100.00%</u>	<u>750,000</u>	<u>100.00%</u>

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



[www.rimfire.com.au](http://www.rimfire.com.au)