



Directors Report & Financial Statements

30 June 2010

DIRECTORS' REPORT

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

Directors

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

Graham Billinghamurst
John Kaminsky
Ramona Enconniere
Andrew Knox

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

Principal Activities

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

Review of Operations

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

In the Company's opinion, the style of Pt mineralisation represents an attractive commercial target, given it is coarse grained, is gravity recoverable and occurs over an extensive area (greater than 6km² at Ebenezer alone).

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

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

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

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

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

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

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

Financial Position

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

Future Developments, Prospects and Business Strategies

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

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

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

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

Operating Results

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

Dividends

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

No Significant Changes in State of Affairs

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

After Balance Date Events

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

Environmental Issues

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

Information on Directors –

John Kaminsky (Executive Chairman and Director)

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

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

Graham Billinghamurst (Non-Executive Director and Secretary)

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

Ramona Enconniere (Non-Executive Director)

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

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

Andrew Knox (Non-Executive Director)

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

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

Meetings of Directors

During the financial year, meetings of Directors were held as detailed below.

Attendances by each Director during the year were:

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

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

Options

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

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

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

Directors' Shareholdings

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

Shares held beneficially:

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

Shares in which there is a relevant interest:

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

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

REMUNERATION REPORT (AUDITED)

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

Remuneration Policy

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

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

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

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

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

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

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

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

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

Details of Remuneration for the Year Ended 30 June 2010

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

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

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

(i) Shares issued during the year

(ii) Amortisation expense of options issued in prior years

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

Performance Income as a Proportion of Total Remuneration

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

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

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

Employment Contracts of Directors

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

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

Executives

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

END OF REMUNERATION REPORT

Indemnifying Officers

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

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

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

Mr John Kaminsky
Ms Ramona Enconniere

Mr Graham Billingham
Mr Andrew Knox

Proceedings on Behalf of the Company

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

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

Auditor's Independence Declaration

The auditor independence declaration required under Section 307C of the Corporations Act 2001 forms part of this Directors' Report and is included on page 8.

Non-Audit Services

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

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



Director

John Kaminsky

Dated this 1st day of September 2010

AUDITOR'S INDEPENDENCE DECLARATION



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

A handwritten signature in black ink, appearing to read 'J A Mooney'.

J A Mooney
Partner
PKF

1 September 2010
Melbourne

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Corporate Governance Statement

Introduction

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

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

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

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

Principle 1: Laying Solid Foundations for Management and Oversight

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

After appropriate consultation with executive management, the Board:

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

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

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

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

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

Principle 2: Structuring the Board to Add Value

Composition of the Board

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

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

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

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

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

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

Nomination of Other Board Members

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

Independent Advice

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

Principle 3: Promotion of Ethical and Responsible Decision-Making

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

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

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

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

Board Composition by Gender

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

Principle 4: Safe Guarding Integrity in Financial Reporting

An Audit Committee operates within the Company.

The committee consists of the following:

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

The main responsibilities of the Audit Committee are to:

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

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

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

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

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

Principle 5: Making Timely and Balanced Disclosure

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

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

Principle 6: Respecting the Rights of Shareholders

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

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

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

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

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

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

Principle 7: Recognising and Managing Risk

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

The issue with respect to risk in exploration is one of balancing the potential rewards with the cost of conducting adequate exploration programs. The Company employs a number of strategies to mitigate its risks including considering the farming out of exploration prospects, acquiring more information in order to better define targets within exploration prospects and maximising the use of lower cost exploration techniques. The Company utilises industry standard drafting techniques and

software to map, log and assess its prospects for ongoing exploration suitability. Peer review of prospects, by both internal and third party consultants, is used when considered necessary, to consider exploration assumptions at various times.

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

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

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

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

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

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

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

Principle 8: Remunerate Fairly and Responsibly

A Remuneration Committee operates within the Company.

The committee consists of the following:

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

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

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

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

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

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

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

**Recommendation
Reference
(Principle
Number
reference)**

Departure from Recommendation

Explanation for Departure

5.1	<p>Limited written policy and procedure exists to ensure that compliance with ASX Listing Rules disclosure requirements are met at senior management level.</p>	<p>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.</p>
6.1	<p>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.</p>	<p>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.</p>
7.1 and 7.2	<p>There has been no written implementation of policy on risk oversight and management or for senior management to make statements to the Board concerning those matters. However, risk assessment discussion is an integral part of management and the Board's activities on a regular basis.</p>	<p>Given the nature and size of the Company, its business interests and the involvement of all Directors who all have business management skills, it is not considered necessary to establish this practice at this time. Each member of the Board is in regular contact with senior exploration management, to assist the understanding of this key business risk.</p>
7.3	<p>The Company receives a statement of compliance under Section 295A concerning the integrity of the financial statements from the Executive Chairman, but the Company has no Chief Financial Officer given the size of the Company.</p>	<p>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.</p>

Schedule of Mining Tenements

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

Notes:

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

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

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010**

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

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010**

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

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010**

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

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

The accompanying notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010**

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

The accompanying notes form part of these financial statements

Note 1 Statement of Accounting Policies

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

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

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

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

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

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

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

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

Accounting Policies

a. Significant Judgements and Key Assumptions

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

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

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

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

b. Principles of Consolidation

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

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

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

c. Income Tax

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

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

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

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

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

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

d. **Property, Plant and Equipment**

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

Property

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

Depreciation

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

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

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

e. **Leases**

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

f. **Exploration Evaluation and Development Expenditure**

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

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

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

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

g. **Impairment of Assets**

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

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

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

h. **Employee Benefits**

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

i. **Cash and cash equivalents**

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

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

j. **Receivables**

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

k. **Payables**

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

l. **Financial Instruments**

Recognition

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

Financial assets at fair value through profit and loss

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

Loans and Receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial liabilities

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

Fair value

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

Impairment

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

m. **Revenue**

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

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

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

o. **Going Concern**

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

p. **Interest-bearing Liabilities**

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

q. **Borrowing Costs**

Borrowing costs are expensed as incurred.

r. **Equity Settled Compensation**

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

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

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

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

Accounting Standards

AASB No.	Title	Details of New Standard / Amendment / Interpretation	Issue Date	Operative Date (Annual reporting periods <u>beginning</u> on or after)
9	Financial Instruments	This standard includes the requirements for the classification and measurement of financial assets resulting from Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement.	Dec 2009	1 Jan 2013

AASB No.	Title	Details of New Standard / Amendment / Interpretation	Issue Date	Operative Date (Annual reporting periods <u>beginning</u> on or after)
2009 – 5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes.	May 2009	1 Jan 2010
2009 – 8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	The amendments resolve diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 – Group and Treasury Share Transactions will be withdrawn from the application date.	Jul 2009	1 Jan 2010
2009 – 10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments.	Oct 2009	1 Feb 2010
2009 – 12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.	Dec 2009	1 Jan 2011
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	June 2010	1 Jul 2013
2010 – 3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	The subjects of the principal amendments to the Standards are set out below: AASB 3 Business Combinations <ul style="list-style-type: none"> • Measurement of non-controlling interests • Un-replaced and voluntarily replaced share-based payment awards • Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 (2008) 	June 2010	1 Jul 2010

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

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

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

Note 2 **Revenue**

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

Note 3 **Results for the Financial Year**

Consolidated Entity

2010 **2009**
\$ **\$**

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

Expenses

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

Note 4 Income Tax Expense

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

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

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

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

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

Note 5 Key Management Personnel Remuneration

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

Parent Entity Directors

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

Executives

There were no other executives of the consolidated entity.

b. Parent Entity Directors' Remuneration

2010

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

2009

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

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

c. Remuneration Options

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

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

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

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

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

d. **Options Holdings**

Number of Options held by Directors & Executives

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

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

Number of Options held by Directors & Executives

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

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

Note 5 Key Management Personnel Remuneration (Cont'd)

e. Shareholdings

Number of Shares held by Key Management Personnel

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

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

Number of Shares held by Key Management Personnel

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

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

Remuneration Practices

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

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

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

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

Note 6 Auditor's Remuneration

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

Note 7 Earnings per Share

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

Note 8 Cash and Cash Equivalents

	Consolidated Entity	
	2010	2009
	\$	\$
Cash at bank	1,654,313	1,351,869
	<u>1,654,313</u>	<u>1,351,869</u>

Reconciliation of Cash

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

Cash	1,654,313	1,351,869
	<u>1,654,313</u>	<u>1,351,869</u>

Note 9 Receivables

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

Note 10 Controlled Entity

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

Note 11 Property, Plant and Equipment

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

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

a. **Movements in Carrying Amounts**

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

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

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

Note 12 **Other Assets**

	Consolidated Entity	
	2010	2009
	\$	\$
CURRENT		
Prepayments	<u>16,137</u>	<u>5,000</u>

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

	Consolidated Entity	
	2010	2009
	\$	\$
NON-CURRENT		
Exploration Expenditure		
Costs carried forward in respect of areas of interest in:		
– exploration and evaluation phases	<u>4,834,473</u>	<u>4,112,839</u>
Opening balance	4,112,839	3,409,608
Additional expenditure	726,736	711,628
Impairment write off	(5,102)	(8,397)
Closing balance	<u>4,834,473</u>	<u>4,112,839</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	
	2010	2009
	\$	\$
CURRENT		
Unsecured liabilities		
Trade creditors	95,636	75,594
Sundry creditors and accrued expenses	61,263	52,466
	<u>156,899</u>	<u>128,060</u>

Note 15 Interest Bearing Liabilities

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

Note 16 Provisions

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

Note 17 Contributed Equity

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

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

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

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

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

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

b. **Options**

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

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

c. **Capital Management**

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

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

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

Note 18 Share Based Payments

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

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

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

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

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

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

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

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

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

Note 19 Capital and Leasing Commitments

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

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

b. **Capital Expenditure Commitments**

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

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

Note 20 Contingent Liabilities and Contingent Assets

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

Note 21 Operating Segments

Business and Geographical Segments

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

Note 22 **Related Party Details**

	2010	2009
	\$	\$
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 Mr J Kaminsky, was paid in respect of administrative services provided for the parent entity during the year.	19,148	16,358
Parent Entity Information:		
Current assets	1,695,738	1,402,121
Total assets	7,061,016	5,987,470
Current liabilities	158,023	129,265
Total liabilities	158,023	129,265
Issued capital	16,110,293	14,681,951
Accumulated losses	(9,207,300)	(8,823,746)
Total equity	6,902,993	5,858,205
Loss of the parent entity	(383,554)	(289,895)
Comprehensive loss of the parent entity	(383,554)	(289,895)

Note 23 **Post Balance Date Events**

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

Note 24 Cash Flow Information

	Consolidated Entity	
	2010	2009
	\$	\$
a. Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(383,554)	(289,895)
Non-cash flows in loss		
Depreciation and amortisation	23,893	15,953
Write-off of capitalised expenditure	5,102	8,397
Share based payments expensed	-	83,474
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in prepayments	(11,137)	3,333
(Increase)/decrease in other receivables	42,063	(20,446)
Increase/(decrease) in trade creditors and accruals	(189)	(21,506)
Increase/(decrease) in provisions	752	1,872
Cash flows used in operations	<u>(323,070)</u>	<u>(218,818)</u>

- b. Cash not available for use
There was no cash as at the end of the year which was unavailable for use.
- c. Non-cash Financing and Investing Activities
There were no non-cash financing and investing activities carried out during the year.
- d. Credit Standby Facilities
The group has no overdraft facility.

Note 25 **Financial Risk Management**

a. Financial Risk Management Policies

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

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

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

i. Treasury Risk Management

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

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

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

ii. Financial Risk Exposure and Management

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

Interest Rate Risk

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

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

Liquidity Risk

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

Credit Risk

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

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

Business Cycle Risks

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

Exploration and Project Risks

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

Note 25 Financial Risk Management (Cont'd)

b. **Interest Rate Risk**

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

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

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

c. **Net Fair Values**

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

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

Recognised financial instruments

Cash: The carrying amount approximates fair value.

Receivables: The carrying amount approximates fair value.

Term Deposits: The carrying amount approximates fair value.

Trade Creditors: The carrying amount approximates fair value.

d. **Sensitivity Analysis**

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

Interest Rate Sensitivity Analysis

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

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

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

Note 26

Company Details

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

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

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



Chartered Accountants
& Business Advisers

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion:

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

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Chartered Accountants
& Business Advisers

Report on the Remuneration Report

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

Auditor's Opinion

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

A handwritten signature in black ink, appearing to be the initials 'PKF'.

PKF

1 September 2010
Melbourne

A handwritten signature in black ink, appearing to be 'J A Mooney'.

J A Mooney
Partner