rimfire

Directors' Report & Financial Statements

30 June 2012

DIRECTORS' REPORT

Your Directors present their report on the company and its controlled entity for the financial year ended 30 June 2012.

Directors

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

Graham Billinghurst
John Kaminsky
Ramona Enconniere
Thomas Burrowes

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, with the greenfields gold (Au) discovery at Sorpresa the key focus and highlight in the period. The Company had an outstanding period, with delineation drilling in three areas at Sorpresa producing some of the best gold intersections yet seen at Fifield.

With a high grade in **Fi 160 of 14m @ 21.9g/t Au, including 2m @ 87.5g/t Au**, it confirms the optimistic view the Company took of the meaning of the original Trench 31 results in 2010, namely, that this system has a capacity to produce very high grade. **Fi 160 is in the top 10 exploration gold intersections achieved within Australia by any Company in the last 12 month period.**

The Company believes that it has not yet seen the best grades that the wider Sorpresa area has the capacity to deliver. The more work done the better the Au mineralizing potential continues to look at Fifield. The drilling conducted in the June Quarter is part of the regular drilling now occurring at Fifield.

The weather conditions were difficult in parts of the period, but the Company still managed creditable progress using a variety of exploration and assessment techniques.

The establishment of the size of the **Greater Sorpresa Area, at 8 km^2** , is more than double the previous estimated size announced at the 2011 AGM. The results continue to demonstrate the untapped potential exists at Sorpresa and the wider surrounds, within the newly defined area.

The delineation drilling work at Sorpresa in the 0 to 60m zone will move towards defining gold resources in this zone. In parallel, discovery work has focused on the bigger gold mineralizing picture at Fifield.

The geological mapping and discovery reconnaissance field work undertaken examines the interpreted **Rift Basin geology**, including the **black silica gold receptive horizon. The Greater Sorpresa Area has multi-million ounce gold potential in the Company's opinion.**

The Company expects to report a steady flow of news over the coming Quarters as the work programs gain momentum.

To this extent platinum (Pt) exploration has taken a back seat to the rapidly developing gold potential now seen at Fifield. Pt, Au and base metal mineralisation are all present at Fifield and this metal zoning remains an important feature of the regional geology.

The price of Au traded in the range of USD1,600 to USD1,900/ounce during the period, finishing at USD1,750/ounce level. In the Company's view, the commodity outlook still remains particularly strong for gold, with a continuing uncertain global financial environment likely over the next 12 months.

The Company's work programs were well delivered under the expert guidance of Colin Plumridge as the Head of Exploration, in conjunction with the Chairman and the field/operations team at Fifield. The Board of Directors offers its support and sincere gratitude to all the people contributing to the advancement of the projects in the period, including contractors, employees, partners and advisors.

Financial Position

The net assets of the consolidated entity have increased from $8,592,837 at 30 June 2011 to $9,237,696 at 30th June 2012. The Company continued to ensure that overhead costs during the financial year were carefully monitored.

The Company was successful in raising further capital in the period with a placement in August 2012 and an SPP in September 2012. The Board sincerely acknowledges new and existing shareholders who participated in these events.

Future Developments, Prospects and Business Strategies

The Company is excited by the emergence of the gold potential within the Fifield district and will continue to pursue gold mineralisation on the back of the greenfields "Sorpresa Prospect" discovery confirmed in October 2010. An area greater than 20km^2 is now identified at Fifield which is being intensively prospected for gold, the immediate wider area of Sorpresa is estimated to be 8km^2 and open.

The Company has learnt that the area within Sorpresa at Trench 31 represents a well-organized gold lens, detectible only because it was partly eroded to surface, thus enabling geochemistry exploration to discover its position. Many more gold lenses are anticipated to be sitting within the gold receptive horizon, including gold mineralisation that is poorly exposed, awaiting discovery in the ensuing periods. The objective of the Company is to cover the many prospective areas as fast and as effectively as possible, thus leading to quality target establishment for further deeper drilling, where appropriate.

The wider project area at Sorpresa represents a large gold exploration target that requires drilling from the near surface to hundreds of metres in depth. To date, the Company has undertaken drilling within the 40~60m depth range, where results provide significant encouragement to justify a far greater drilling density and also depth extension.

The Rift Basin concept provides a broader context for the known area of gold mineralisation at Sorpresa, which is at the periphery of the Rift basin system. The Company must therefore undertake both delineation drilling at Sorpresa, as well as explore for the much larger scale mineralisation, and its multi-million ounce potential likely to exist as part of the Rift Basin centre. At the Greater Sorpresa area a strong IP anomaly appears located at the centre of the syncline basin. This gives rise to the possibility of a huge mineralising system being present, and focused on the basin centre.

The work on the Sorpresa area has provided additional insight into the interconnection between the geological systems for gold and platinum at Fifield.

The Platina Lead structure still 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.

No resource is yet established at the Platina - Gillenbine Pt project area, but this still has the potential to develop into a minable resource at some point in the future, in the Board's opinion.

Operating Results

The loss of the consolidated entity amounted to $421,497 (2011: $525,275).

Dividends

No dividends were paid during the financial year, nor are any recommended at 30 June 2012.

No Significant Changes in State of Affairs

The Sorpresa Gold discovery at Fifield has significantly changed the Company's outlook going forward and has created a greater focus on the gold mineralisation potential. The Platinum exploration remains important, whilst the Diamond exploration at Bingara has received less attention due to the changed Company circumstances with the intense focus at Fifield.

After Balance Date Events

The Company achieved an increase in its capital base after the balance date through a Placement and an SPP event, which raised on a combined basis, new capital before costs of $2,540,500 through the issue of 84,683,333 new fully paid ordinary shares at 3.0 cents per share. No other matters or circumstances which have arisen since the end of the financial year 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 2012 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 Billinghurst (Non-Executive Director and Secretary)

Graham Billinghurst 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. Ms Enconniere 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.

Thomas Burrowes (Non-Executive Director)

Bachelor of Ec (Hons), MBA (Melbourne Business School)

Thomas Burrowes was appointed Director in December 2010. Tom has accrued extensive operational and management experience at Board level within junior Australian resource companies over the past 23 years. After an initial career in funds management he has held executive directorship positions in 7 resource companies. Mr Burrowes makes a valuable contribution with his depth of resource industry experience, public company involvement, exploration knowledge, financial market understanding, new project awareness and a wide range of industry contacts.

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	2	2	2	2
Graham Billinghurst	4	4	-	-	2	2
Ramona Enconniere	4	4	2	2	2	2
Thomas Burrowes	4	4	2	2	2	2

Shares held beneficially:

John Kaminsky	20,166,666
Graham Billinghurst	-
Ramona Enconniere	1,668,333
Thomas Burrowes	500,000

Shares in which there is a relevant interest:

John Kaminsky	5,112,666
Graham Billinghurst	15,700,000
Ramona Enconniere	5,925,000
Thomas Burrowes	-

Options

No options were issued during the current financial year.

On 31 August 2011, 4,596,480 listed options issued in accordance with the terms of a renounceable share rights issue, were exercised at a price of 4.0 cents. On 12 September 2011, 22,233,613 listed options, issued in accordance with the terms of a renounceable share rights issue, were exercised at a price of 4.0 cents.

The remaining listed options expired during the period on 31 August 2011.

There were no options on issue at the end of the financial year.

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 longer 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, and 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 capability, effectiveness, work tasks, responsibilities, length of service and experience), superannuation, fringe benefits and securities, subject to any necessary shareholder or regulatory approvals.

Benefits to senior executives and the 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 capacities as Directors, that can be paid in any one year, not requiring additional shareholder approval. The actual non-executive Director pool utilised in the 12 month period was $74,160 in total.

The Board reviews executive and non-executive packages by reference to the consolidated entity's performance, executive and non-executive Director performance and comparable information from industry sectors including other listed companies in the resources sector.

With respect to executive appraisal, key aspects of performance criteria include the maintenance of an adequate level of operating capital, maximising the economic cycle and managing expenditure to efficient levels, particularly in difficult global conditions. Developing and retaining exploration personnel expertise, therefore enabling the best possible examination and enhancement of the Company's exploration portfolio is considered important, and this is done whilst operating to high standards of governance, including work place safety.

Managing investor relations and Company communication with all stakeholders, including shareholders, analysts, capital providers, landholders and government departments is considered a key benchmark. Ensuring an environmentally sensitive approach to exploration programs is maintained is a measured outcome, thus minimising any potential liabilities to the Company.

All of these factors are considered to impact directly on the performance of the Company and are therefore an important component in the remuneration assessment. These factors are more easily assessed within the review process, than more volatile measures, such as day to day exploration results, commodity price fluctuation and global market sentiment. Overall technical advancement in the exploration potential of the project areas is considered in the remuneration assessment process.

Macro measures as a backdrop to performance review are also relevant, but are not a sole determining factor. Such measures would include key growth indicators of share price, volume of trade, number and stability of shareholders and market capitalisation of the Company.

The Company believes the performance review process adopted using these measures ensures a strong alignment between Board and executive performance and that of the underlying performance of the Company for a Company of this type.

As a junior exploration company other 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 executives and Directors need to be assessed. The capacity for multi-skilling is a key criterion.

Key objectives are set by the Board for the Executive Chairman of the Company, and the Board refers to these guidelines and modifies the content according to the specific needs of the Company and its strategies going forward. The Executive Chairman was reviewed and his remuneration was increased from his previous base, set 4 years ago.

Subject to the performance of the Company and a review of the performance and incentives offered to Directors and executives of the Company, an entitlement to participate in share and option arrangements, subject to shareholder approval may also apply. This is designed to align the performance of the Company with the performance of the Board and Executives. Recent Legislative changes, however, make this almost an unworkable route to implement and the Company is seeking further advice.

All remuneration paid to executives and Directors are 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. Non-executive Directors have also been reviewed with a proposed increase from $24,000 to $30,000 for the next period.

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 may be sought if required. The maximum aggregate amount of fees that can be paid to non-executive Directors is not linked directly to the consolidated entity performance, 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 2012

The remuneration for each Director of the consolidated entity and other Key Management Personnel during the year was as follows:

2012	**Primary**		**Post Employment**	**Equity Compensation**	**Total**
Name of Director	**Salary, Fees & Commissions**	**Cash Bonus**	**Superannuation Contributions**	**Shares & Options**	
	$	$	$	$	**$**
Non-Executive Directors					
G. Billinghurst	24,000	Nil	Nil	Nil	24,000
R Enconniere	24,000	Nil	Nil	Nil	24,000
T Burrowes	24,000	Nil	2,160	Nil	26,160
Executive Director					
J Kaminsky	226,000	Nil	50,000	Nil	276,000
	298,000	Nil	52,160	Nil	350,160

2011	**Primary**		**Post Employment**	**Equity Compensation**	**Total**
Name of Director	**Salary, Fees & Commissions**	**Cash Bonus**	**Superannuation Contributions**	**Shares & Options**	
	$	$	$	$	**$**
Non-Executive Directors					
A. Knox*	16,214	Nil	Nil	Nil	16,214
G. Billinghurst	22,214	Nil	Nil	Nil	22,214
R Enconniere	22,214	Nil	Nil	Nil	22,214
T Burrowes**	11,357	Nil	1,022	Nil	12,379
Executive Director					
J Kaminsky	176,147	Nil	15,853	Nil	192,000
	248,146	Nil	16,875	Nil	265,021

* Andrew Knox resigned on 31 March 2011
** Thomas Burrowes appointed on 16 December 2010

Performance Income as a Proportion of Total Remuneration

No performance based bonuses were paid during the year ended 30 June 2012 (2011: nil).

Employment Contracts of Directors

The engagement conditions of the Executive Chairman, Mr J Kaminsky, were formalised in a consulting agreement which took effect on 1 January 2012.

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.

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

Mr John Kaminsky	Mr Graham Billinghurst
Ms Ramona Enconniere	Mr Thomas Burrowes

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 9.

Non-Audit Services

There were no non-audit services provided by BDO East Coast Partnership (previously trading as PKF) during the financial year.

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

Director John Kaminsky

Dated this 26th day of September 2012

AUDITOR'S INDEPENDENCE DECLARATION

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF RIMFIRE PACIFIC MINING NL

As lead auditor of Rimfire Pacific Mining NL for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect Rimfire Pacific Mining NL and the entities it controlled during the period.

David Garvey

Partner

BDO East Coast Partnership

Melbourne, 26 September 2012

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.

The Board has delegated all day to day management of the Company to the executive management, subject to any specific expertise requested by management of the Board, on a case by case basis.

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, staff and insiders are required to make disclosure of any share trading. A formal Trading Policy was released to the ASX at the end of 2010. The cornerstone of the Company policy in relation to share trading is that officers, employees and contractors are prohibited from trading whilst in possession of unpublished price sensitive information concerning the Company. That is information which a reasonable person would expect to have a material effect on the price or value of the Company securities. 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 securities by Directors must be notified to the Company and Chairman who makes disclosure to ASX within the required reporting time-table guidelines.

An extract of the Trading Policy is provided as follows:

A Representative in possession of price sensitive information which is not generally available to the market must not deal in the Company's securities at any time, either directly, or indirectly.

In addition, each Representative is permitted to trade in the Company's securities throughout the year **except** during designated closed periods. The closed periods are between the end of the March, June, September and December quarters and the release of the Company's next quarterly report to the ASX, so long as the Company is required by the Listing Rules to lodge quarterly reports.

Certain trading activity is not subject to the policy such as transfers to super funds where the transferor maintains the beneficial ownership of the securities. **The full list of acceptable trading activity is listed in the full policy document as released in December 2010 to the ASX.** There are exceptional circumstances where trading can occur outside the policy in cases of specific hardship. These details are outlined in detail in the full policy document.

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			
Executive Directors		Non-Executive Directors	
Male	Female	Male	Female
1	Nil	2	1

Senior Executive Composition by Gender	
Male	Female
1	Nil

Principle 4: Safe Guarding Integrity in Financial Reporting

An Audit Committee operates within the Company.

The committee consists of the following:

T Burrowes (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;
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 and ownership 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.

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 and subsequent commercialisation 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 board receives annually, the assurance from the Executive Chairman by signed declaration.

Principle 8: Remunerate Fairly and Responsibly

A Remuneration Committee operates within the Company.

The committee consists of the following:
- T Burrowes (Chairman)
- R Enconniere
- J Kaminsky (and alternate G Billinghurst)

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, bonus 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 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.

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

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-12	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	40	EL5534	23-Oct-98	22-Oct-12	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	4	EL5565	24-Mar-99	23-Mar-13	100% Rimfire	NSW	Platinum
Fifield	35	EL7058 [b]	1-Feb-08	01-Feb-12	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	6	EL6144 [c]	24-Oct-03	23-Oct-11	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	4	EL7233	31-Oct-08	31-Oct-12	100% Rimfire	NSW	Gold/Base Metal
Fifield	6	EL7234	31-Oct-10	31-Oct-12	100% Rimfire	NSW	Gold/Base Metal
Fifield	1.9ha	MC305 [d]	18-Nov-04	17-Nov-09	100% Rimfire	NSW	Gold/Platinum/ Silver
Fifield	2ha	MC 306 [e]	18-Nov-04	17-Nov-09	100% Rimfire	NSW	Gold/Platinum/ Silver
Fifield	7	EL7959	16-Aug-12	16-Aug-14	100% Rimfire	NSW	Gold/Base Metal
Bingara Diamonds	34	EL6106	29-Jul-03	28-Jul-13	100% Rimfire	NSW	Diamonds
Bingara Diamonds	2	EL5880	31-July-01	30-Jul-13	100% Rimfire	NSW	Diamonds
Bingara Diamonds	8	EL6894 [f]	4-Oct-07	4-Oct-11	100% Rimfire	NSW	Diamonds
Broken Hill	74	EL5958 [g]	24-Jun-02	23-Jun-13	100% Rimfire	NSW	Base Metals

Notes:

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

g – 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 2012

	Note	Consolidated Entity 2012	2011
		$	$
Revenue from continuing operations	2	129,099	76,436
Expenses:			
Employee benefits expense		(214,322)	(164,442)
Non-executive directors' fees		(74,160)	(73,021)
Share based payments – exploration personnel		-	(112,500)
Professional costs		(60,975)	(53,321)
Occupancy costs		(30,258)	(34,338)
Travel costs		(16,344)	(17,646)
Marketing expense		(9,395)	(7,203)
Depreciation		(32,260)	(31,767)
Insurance		(21,335)	(18,753)
Share registry and listing expenses		(45,423)	(51,544)
Information and technology expense		(5,922)	(8,030)
Impairment write off on exploration costs		(7,378)	-
Other expenses		(32,824)	(29,146)
Loss from continuing operations before income tax		(421,497)	(525,275)
Income tax expense	4	-	-
Loss from continuing operations after income tax		(421,497)	(525,275)
Other comprehensive income		-	-
Total comprehensive loss for the year		(421,497)	(525,275)
Basic earnings (loss) per share (cents per share)	7	(0.08)	(0.12)
Diluted earnings (loss) per share (cents per share)	7	(0.08)	(0.12)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	Consolidated Entity 2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	8	1,401,441	199,716
Trade and other receivables	9	52,186	77,581
Other financial assets	12	-	2,000,000
Other current assets	13	11,933	5,583
TOTAL CURRENT ASSETS		1,465,560	2,282,880
NON-CURRENT ASSETS			
Trade and other receivables	9	150,000	150,000
Property, plant and equipment	11	547,214	393,096
Exploration & evaluation costs carried forward	14	7,279,388	5,867,922
TOTAL NON-CURRENT ASSETS		7,976,602	6,411,018
TOTAL ASSETS		9,442,162	8,693,898
CURRENT LIABILITIES			
Trade and other payables	15	197,341	97,186
Provisions	16	7,125	3,875
TOTAL CURRENT LIABILITIES		204,466	101,061
TOTAL LIABILITIES		204,466	101,061
NET ASSETS		9,237,696	8,592,837
EQUITY			
Contributed equity	17	19,393,041	18,326,685
Accumulated losses		(10,155,345)	(9,733,848)
TOTAL EQUITY		9,237,696	8,592,837

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Entity

	Share Capital - Ordinary $	Accumulated Losses $	Total $
Balance at 1 July 2011	**18,326,685**	**(9,733,848)**	**8,592,837**
Shares issued during the year	1,073,203	-	1,073,203
Transaction costs related to share issues	(6,847)	-	(6,847)
Total comprehensive loss for the period	-	(421,497)	(421,497)
Balance at 30 June 2012	**19,393,041**	**(10,155,345)**	**9,237,696**
Balance at 1 July 2010	16,110,293	(9,208,573)	6,901,720
Shares issued during the year	2,332,500	-	2,332,500
Transaction costs related to shares issued	(116,108)	-	(116,108)
Total comprehensive loss for the period	-	(525,275)	(525,275)
Balance at 30 June 2011	**18,326,685**	**(9,733,848)**	**8,592,837**

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Entity 2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(548,369)	(512,461)
Interest received		137,290	58,233
Net GST refunded		146,245	89,871
Net cash used in operating activities	24a	(264,834)	(364,357)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(194,359)	(44,058)
Payment for exploration and evaluation costs		(1,405,438)	(1,117,900)
Proceeds/(payments) for term deposits		2,000,000	(2,000,000)
Net cash provided by/(used in) investing activities		400,203	(3,161,958)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,073,203	2,229,130
Transaction costs associated with share issues		(6,847)	(157,412)
Net cash provided by financing activities		1,066,356	2,071,718
Net (decrease)/increase in cash held		1,201,725	(1,454,597)
Cash at beginning of the year		199,716	1,654,313
Cash at end of the year	8	1,401,441	199,716

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.

Rimfire Pacific Mining NL is a profit orientated entity for the purpose of the financial report.

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.

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.

b. **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. Following capital raisings subsequent to balance date of $2,540,500 (refer to note 23), the consolidated entity had 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.

c. **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.

d. **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 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.

e. **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:

Leasehold improvements	15%
Plant and equipment	7.5%-30%
Office furniture	10%-40%
Motor Vehicles	19%

f. **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.

g. **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.

h. **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.

i. **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.

j. **Cash and cash equivalents**

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits with banks or financial institutions net of bank overdrafts.

k. **Receivables**

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

l. **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.

m. **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.

n. **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).

o. **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.

p. **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.

q. **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 2011 have been adopted by the consolidated entity.

The following standards, amendments to standards and interpretations, are identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing this financial report. The consolidated entity has not yet determined the eventual effect of the following standards, amendments to standards and interpretations, however at this stage it is not thought to be material.

Accounting standards

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods <u>beginning</u> on or after)
9	Financial Instruments	Dec 2010	1 Jan 2015
10	Consolidation	Aug 2011	1 Jan 2013
11	Joint Arrangements	Aug 2011	1 Jan 2013
12	Disclosure of Interests in Other Entities	Aug 2011	1 Jan 2013
13	Fair Value Measurement	Sep 2011	1 Jan 2013
1053	Application of Tiers of Australian Accounting Standards	June 2010	1 Jul 2013

q. **New and Revised Accounting Standards and Interpretations (Cont'd)**

AASB No.	**Title**	**Issue Date**	**Operative Date (Annual reporting periods beginning on or after)**
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	June 2010	1 Jul 2013
2010 – 4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project being principally terminology and editorial changes	June 2010	1 Jan 2011
2010 – 5	Amendments to Australian Accounting Standards being principally editorial changes	Oct 2010	1 Jan 2011
2010 – 7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	Dec 2010	1 Jan 2013
2010 – 8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	Dec 2010	1 Jan 2012
2010 – 10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	Dec 2010	1 Jan 2013
2011 – 2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]	May 2011	1 July 2013
2011 - 4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	Jul 2011	1 Jul 2013
2011 – 9	Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	June 2011	1 Jul 2012
2011-10	Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011–8 and Interpretation 14]	Sept 2011	1 Jan 2013

Note 2 Revenue

	Consolidated Entity	
	2012	**2011**
	$	**$**
Operating activities		
Interest	129,099	76,436
Total Revenue	129,099	76,436

Note 3 Result for the Financial Year

	Consolidated Entity	
	2012	**2011**
	$	**$**
The result for the financial year has been arrived at after charging the following:		
Expenses		
Rental expense	21,872	26,922
Superannuation contribution expense	10,264	8,188
Superannuation contributions capitalised	53,719	37,396

Note 4 Income Tax Expense

	Consolidated Entity 2012 $	2011 $
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% (2011: 30%)	(126,449)	(157,583)
Add:		
Tax effect of:		
- non-allowable items	-	33,816
- net current year tax losses not recognised, temporary differences and deductible exploration expenditure.	159,788	161,780
	33,339	38,013
Less:		
Tax effect of:		
— capitalised share placement costs	(33,339)	(38,013)
Income tax expense attributable to loss before income tax	-	-
The deferred tax asset arising from tax losses has not been recognised as an asset because recovery is not probable:		
Tax losses carried forward	4,493,763	3,909,773
Temporary differences	(2,130,928)	(1,677,251)
Deferred tax asset not recognised	2,362,835	2,232,522
Balance of franking account at year end	-	-

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

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

(a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realized;

(b) the company continue to comply with the conditions for deductibility imposed by law, and

(c) no changes in tax legislation adversely affect the company in realizing the benefit from the deductibility 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 2012.

Note 5 Key Management Personnel Remuneration

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

Directors

John Kaminsky	Executive Chairman and Director
Graham Billinghurst	Non-Executive Director and Secretary
Ramona Enconniere	Non-Executive Director
Thomas Burrowes	Non-Executive Director

Executives

There were no other executives of the consolidated entity.

b. **Directors' Remuneration**

2012	Short-term		Post Employment	Share based Payment	Total
	Salary & Fees	Cash Bonus	Superannuation Contribution	Shares & Options	
	$	$	$	$	$
Graham Billinghurst	24,000	-	-	-	24,000
Ramona Enconniere	24,000	-	-	-	24,000
John Kaminsky	226,000	-	50,000	-	276,000
Thomas Burrows	24,000	-	2,160	-	26,160
	298,000	-	52,160	-	350,160

2011	Short-term		Post Employment	Share based Payment	Total
	Salary & Fees	Cash Bonus	Superannuation Contribution	Shares & Options	
	$	$	$	$	$
Andrew Knox	16,214	-	-	-	16,214
Graham Billinghurst	22,214	-	-	-	22,214
Ramona Enconniere	22,214	-	-	-	22,214
John Kaminsky	176,147	-	15,853	-	192,000
Thomas Burrowes	11,357	-	1,022	-	12,379
	248,146	-	16,875	-	265,021

c. **Remuneration Options**

No options were granted to the directors during the current year (2011: nil).

d. **Options Holdings**

Number of Options held by Directors & Executives

2012 Directors	Balance 01/07/11	Granted as Remuneration	Options Expired	Net Change Other*	Balance 30/06/12	Total Vested 30/06/12	Total Exercisable 30/06/12	Total Unexercisable 30/06/12
R Enconniere	-	-	-	-	-	-	-	-
T Burrowes	-	-	-	-	-	-	-	-
G Billinghurst	2,720,834	-	(1,120,834)	(1,600,000)	-	-	-	-
J Kaminsky	3,100,000	-	(2,500,000)	(600,000)	-	-	-	-
Total	5,820,834	-	(3,620,834)	(2,200,000)	-	-	-	-

* Net Change Other refers to options exercised.

Number of Options held by Directors & Executives

2011 Directors	Balance 01/07/10	Granted as Remuneration	Options Expired	Net Change Other *	Balance 30/06/11	Total Vested 30/06/11	Total Exercisable 30/06/11	Total Unexercisable 30/06/11
R Enconniere	1,500,000	-	(1,500,000)	-	-	-	-	-
A Knox	1,500,000	-	(1,500,000)	-	-	-	-	-
G Billinghurst	4,220,834	-	(1,500,000)	-	2,720,834	2,720,834	2,720,834	-
T Burrowes	-	-	-	-	-	-	-	-
J Kaminsky	5,100,000	-	(2,000,000)	-	3,100,000	3,100,000	3,100,000	-
Total	12,320,834	-	(6,500,000)		5,820,834	5,820,834	5,820,834	-

Options OP01 expired 30 September 2010.

Note 5 Key Management Personnel Remuneration (Cont'd)

e. **Shareholdings**

Number of Shares held by Key Management Personnel

2012 Parent Entity Directors	Balance 01/07/11	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/6/12
G Billinghurst	14,100,000	-	1,600,000	-	15,700,000
J Kaminsky	24,679,332	-	600,000	-	25,279,332
T Burrowes	500,000	-	-	-	500,000
R Enconniere	7,593,333	-	-	-	7,593,333
Total	46,872,665	-	2,200,000	-	49,072,665

Number of Shares held by Key Management Personnel

2011 Parent Entity Directors	Balance 01/07/10	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/6/11
G Billinghurst	14,100,000	-	-	-	14,100,000
J Kaminsky	23,379,332	-	-	1,300,000	24,679,332
A Knox	5,666,666	-	-	(5,666,666)**	-
R Enconniere	6,293,333	-	-	1,300,000	7,593,333
T Burrowes	-	-	-	500,000	500,000
Total	49,439,331	-	-	(2,566,666)	46,872,665

* Net change other refers to shares purchased during the financial year.
** Represents shares held by A Knox at the date he ceased to be a Director.

Note 6 Auditor's Remuneration

	Consolidated Entity	
	2012	2011
	$	$
Remuneration of the auditor for:		
- auditing or reviewing the financial reports	37,925	26,100
	37,925	26,100

Note 7 Earnings per Share

		Consolidated Entity	
		2012	2011
		$	$
a.	**Reconciliation of Earnings to Loss**		
	Loss used in the calculation of basic EPS	(421,497)	(525,275)
	Loss used in the calculation of dilutive EPS	(421,497)	(525,275)
b.	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	520,572,684	447,759,701
	Potential ordinary shares	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	520,572,684	447,759,701
c.	**Classification of securities**		
	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:	-	124,790,443
d.	Ordinary shares issued between reporting date and time of completion of the financial report	84,683,333	-
	Basic earnings (loss) per share (cents per share)	(0.08)	(0.12)
	Diluted earnings (loss) per share (cents per share)	(0.08)	(0.12)

Note 8 Cash and Cash Equivalents

		Consolidated Entity	
		2012	2011
	Note	$	$
Cash at bank and on hand		41,441	77,283
Short term deposits		1,360,000	122,433
		1,401,441	199,716

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 at bank	41,441	77,283
Term deposits with maturity of 3 months or less	1,360,000	122,433
	1,401,441	199,716

Note 9 Receivables

	Consolidated Entity	
	2012	2011
	$	$
CURRENT		
Security deposits	580	80
Interest receivable	9,930	18,233
Other receivables	41,676	59,268
	52,186	77,581
NON-CURRENT		
Security deposits	150,000	150,000

Note 10 Controlled Entity

	Country of Incorporation	Percentage Owned (%) 2012	2011
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	
	2012	2011
	$	$
LAND		
Freehold land		
At cost	226,834	226,834
Total Land	226,834	226,834
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	364,467	192,853
Accumulated depreciation	(96,355)	(68,993)
	268,112	123,860
Motor Vehicle		
At cost	49,509	33,247
Accumulated depreciation	(16,326)	(10,696)
	33,183	22,551
Office Furniture		
At cost	67,436	60,953
Accumulated depreciation	(48,565)	(41,354)
	18,871	19,599

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

	Consolidated Entity	
	2012	**2011**
	$	**$**
Leasehold Improvements		
At cost	420	420
Accumulated depreciation	(206)	(168)
	214	252
Total Plant and Equipment	320,380	166,262
Total Property, Plant and Equipment	547,214	393,096

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.

2012	**Freehold Land**	**Motor Vehicles**	**Plant and Equipment**	**Office Furniture**	**Leasehold Improvements**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Consolidated Entity:						
Balance at the beginning of year	226,834	22,551	123,860	19,599	252	393,096
Additions	-	16,262	171,614	6,483	-	194,359
Depreciation expense	-	(5,630)	(19,381)	(7,211)	(38)	(32,260)
Depreciation capitalised	-	-	(7,981)	-	-	(7,981)
Carrying amount at the end of year	226,834	33,183	268,112	18,871	214	547,214

2011	**Freehold Land**	**Motor Vehicles**	**Plant and Equipment**	**Office Furniture**	**Leasehold Improvements**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Consolidated Entity:						
Balance at the beginning of year	216,720	27,755	126,125	9,909	296	380,805
Additions	10,114	-	19,748	14,196	-	44,058
Depreciation expense	-	(5,204)	(22,013)	(4,506)	(44)	(31,767)
Carrying amount at the end of year	226,834	22,551	123,860	19,599	252	393,096

Note 12 Other Financial Assets

	Consolidated Entity	
	2012	**2011**
	$	**$**
CURRENT		
Term deposits with maturity greater than 3 months	-	2,000,000

Note 13 Other Assets

	Consolidated Entity	
	2012	2011
	$	$
CURRENT		
Prepayments	11,933	5,583

Note 14 Exploration & Evaluation Costs Carried Forward

	Consolidated Entity	
	2012	2011
	$	$
NON-CURRENT		
Exploration Expenditure		
Costs carried forward in respect of areas of interest in:		
– exploration and evaluation phases	7,279,388	5,867,922
Opening balance	5,867,922	4,834,473
Additional expenditure	1,418,844	1,033,449
Impairment write off	(7,378)	-
Closing balance	7,279,388	5,867,922

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

Note 15 Payables

	Consolidated Entity	
	2012	2011
	$	$
CURRENT		
Trade creditors	107,751	34,914
Sundry creditors and accrued expenses	89,590	62,272
	197,341	97,186

Note 16 Provisions

	Consolidated Entity	
	2012	2011
	$	$
CURRENT		
Employee benefits	7,125	3,875

Note 17 Contributed Equity

	Notes	Consolidated Entity 2012 $	2011 $
525,846,643 (2011:499,016,550) fully paid ordinary shares	17a	19,393,041	18,326,685
		19,393,041	18,326,685

a. **Ordinary shares**

	2012 $	2011 $
At the beginning of the reporting period	18,326,685	16,110,293
Shares issued during the year		
— 31 August 2011	183,859	
— 12 September 2011	889,344	
— Shares issued in the previous year	-	2,332,500
Transaction costs relating to share issues	(6,847)	(116,108)
At reporting date	19,393,041	18,326,685

	2012 No.	2011 No.
At the beginning of reporting period	499,016,550	436,766,550
Shares issued during year		
— 31 August 2011	4,596,480	-
— 12 September 2011	22,233,613	-
— Issued in the previous year	-	62,250,000
At reporting date	525,846,643	499,016,550

b. **Options**

No options were issued during the current financial year.

On 31 August 2011, 4,596,480 listed options issued in accordance with the terms of a renounceable share rights issue, were exercised at a price of 4 cents.

On 12 September 2011, 22,233,613 listed options issued in accordance with the terms of a renounceable share rights issue, were exercised at a price of 4 cents.

The remaining listed options expired during the period on 31 August 2011.

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

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 Head of Exploration, Mr C Plumridge to take up ordinary shares at an exercise price of 12 cents each. The options were not exercised and expired on 30 September 2010. (Reference OP01)

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

	Consolidated Entity			
	2012		2011	
	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
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	(7,500,000)	0.12
Outstanding at year-end	-	-	-	-
Exercisable at year-end	-	-	-	-

No share based payment options were granted or exercised during the year ended 30 June 2012.

Note 19 Capital and Leasing Commitments

	Note	Consolidated Entity 2012 $	2011 $
a. **Operating Lease Commitments**			
Office & Other Premises			
Payable			
— not later than 1 year		22,682	16,201
— later than 1 year but not later than 5 years		17,011	-
		39,693	16,201

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 2012. The lease agreement has a fixed yearly payment value of $22,682 per annum plus GST. 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 2012 $	2011 $
Payable		
— not later than 1 year	443,000	453,000
— later than 1 year but not later than 5 years	886,000	906,000
	1,329,000	1,359,000

Note 20 Contingent Liabilities and Contingent Assets

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

Note 21 Segment Reporting

Business and Geographical Segments

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

Segment information is presented using a "management approach", ie. 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 flow forecast for the next 12 months of operation. On this basis, no segment information is included in these financial statements.

Note 22 **Related Party Details**

	2012 $	2011 $
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 director related parties:		
(i) In the current financial year the wife of Mr J Kaminsky was paid in respect of administrative services.	27,321	28,652

Parent Entity Information:

	2012 $	2011 $
Current assets	1,465,333	2,282,653
Total assets	9,441,935	8,693,671
Current liabilities	202,966	99,561
Total liabilities	202,966	99,561
Issued capital	19,393,041	18,326,685
Accumulated losses	(10,154,072)	(9,732,575)
Total equity	9,238,969	8,594,110
Loss of the parent entity	(421,497)	(525,275)
Comprehensive loss of the parent entity	(421,497)	(525,275)

Parent Entity Commitments:

All capital and operating commitments of the group have been entered into by the Parent Entity. Refer to note 19 for these commitments.

Note 23 **Post Balance Date Events**

On 12 September 2012, the Company announced the final position in respect to a placement of 58,333,333 fully paid shares at 3.0 cents per share raising $1,750,000 before the costs of the placement.

Also, on 21 September 2012 an SPP was concluded with a total of 26,350,000 fully paid shares to be issued at 3.0 cents per new ordinary share providing $790,500 of additional capital to the Company.

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

Note 24 Cash Flow Information

	Consolidated Entity	
	2012 $	2011 $
a. Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(421,497)	(525,275)
Non-cash flows in loss		
Depreciation	32,260	31,767
Impairment write off on exploration costs	7,378	
Share based payments expensed	-	112,500
Changes in assets and liabilities relating to operations, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in prepayments	(6,350)	10,554
(Increase)/decrease in other receivables	25,395	58,888
Increase/(decrease) in trade creditors and accruals	94,731	(54,042)
Increase/(decrease) in provisions	3,249	1,251
Cash flows from operations	(264,834)	(364,357)

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.

Note 25 Financial Risk Management

a. **Financial Risk Management Policies**

Categorisation of financial instruments

Financial assets	Note	Category	Carrying value 2012 $	Carrying value 2011 $
Cash & cash equivalents	8	N/A	1,401,441	199,716
Receivables	9	Loans and receivables at amortised cost	202,186	227,581
Other financial assets	12	Held to maturity investment	-	2,000,000
Financial liabilities				
Payables	15	Financial liabilities measured at amortised cost	197,341	97,186

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 $	
	2012	2011	2012	2011	2012	2011	2012	2011
Financial Assets								
Cash	41,241	77,083	1,360,000	122,433	200	200	1,401,441	199,716
Receivables	150,000	150,000	-	-	52,186	77,581	202,186	227,581
Other Financial Assets	-	-	-	2,000,000	-	-	-	2,000,000
Total Financial Assets	191,241	227,083	1,360,000	2,122,433	52,386	77,781	1,603,627	2,427,297
Financial Liabilities								
Trade and sundry creditors	-	-	-	-	197,341	97,186	197,341	97,186
Total Financial Liabilities	-	-	-	-	197,341	97,186	197,341	97,186
Net Financial Assets	191,241	227,083	1,360,000	2,122,433	(144,955)	(19,405)	1,406,286	2,330,111

Note 25 Financial Risk Management (Cont'd)

c. **Net Fair Values**

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

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

Recognised financial instruments

Cash: The carrying amount approximates fair value.

Receivables: The carrying amount approximates fair value.

Term Deposits: The carrying amount approximates fair value.

Trade Creditors: The carrying amount approximates fair value.

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 2012, the effect on loss 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	
	2012 $	2011 $
Change in loss after tax		
- Increase in interest rate by 2%	3,824	4,542
- Decrease in interest rate by 2%	(3,824)	(4,542)
Change in equity		
- Increase in interest rate by 2%	3,824	4,542
- Increase in interest rate by 2%	(3,824)	(4,542)

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

DIRECTORS' DECLARATION

In the directors' opinion:

1. the attached financial statements and notes and the Remuneration Report thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

2. the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

3. the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date;

4. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

5. The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Director John Kaminsky

Dated this 26th September 2012

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Rimfire Pacific Mining NL

Report on the Financial Report

We have audited the accompanying financial report of Rimfire Pacific Mining NL, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company's preparation of the financial report that gives a true and fair view 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 company'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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Rimfire Pacific Mining NL, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2012 and of its performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 7 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Rimfire Pacific Mining NL for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

David Garvey

Partner

Melbourne 26 September 2012

www.rimfire.com.au