

RIMFIRE PACIFIC MINING NL
ACN 006 911 744

**FINANCIAL REPORT FOR THE
HALF-YEAR ENDED
31 DECEMBER 2005**

DIRECTORS' REPORT

The directors of Rimfire Pacific Mining NL submit herewith the financial report for the half-year ended 31 December 2005. In order to comply with the provisions of the Corporations Act 2001, the director's report is as follows:

DIRECTORS

The names of the directors of the company during or since the end of the half-year are:

Graham Billingham	Director (appointed 24 May 1999)
Geoffrey Stuart	Director (resigned 18 October 2005)
John Adrian Kaminsky	Director (appointed 10 May 2004)
Ramona Enconniere	Director (appointed 28 April 2005)
Andrew Knox	Director (appointed 8 July 2005)

PRINCIPAL ACTIVITIES

The principal activity of the company is the exploration and development of economic mineral deposits.

RESULTS OF OPERATIONS

General operating costs continue to be contained. The net result for the half-year after applicable income tax expense was a loss of \$278,827. This compares with a loss in 2004 of \$214,486 for the corresponding period. The major reason for the increased loss relates to the new accounting standard requiring expense recognition of share options issued to the directors of the company pursuant to AASB 2. This amount expensed was \$39,193, as a non cash item.

The Company had a successful capital raising through a 1 for 3 rights issue to shareholders in October 2005, raising A\$800,459 underwritten by the directors of the Company. The issue was fully subscribed.

DIVIDENDS

No dividends were paid during the half-year, nor are any recommended.

REVIEW OF OPERATIONS

The Company conducted further significant field surface exploration within the identified shear zone dyke system at the Fifield NSW Platinum Project, within EL5534. This target zone is a corridor that measures approximately 2,600m x 400m, and is believed by Rimfire to host the bedrock source of primary coarse grain Platinum (Pt) and Gold (Au) observed within the vicinity of the Platina-Gillenbine historic workings.

The major exploration activities in the period comprised auger drill, trenching and geochemical sampling techniques, thereby laying the foundation for a substantial RC (reverse circulation) drill program to be conducted January/February 2006. The goal of the RC drill program is to locate "open cut grade of platinum in bedrock". Previous explorers have not conducted a drill program in the shear zone dyke system identified by Rimfire.

The Company presented its plans and vision at its Annual General Meeting of Shareholders on 28th November 2005 with a detailed overview of its exploration activities, and a comprehensive assessment of the status of the Fifield Platinum project. These presentations were also made available on the Company website www.rimfire.com.au.

The price of Platinum traded throughout the period on an upward trend exceeding USD 1,000/ounce (www.kitco.com) during the period. The price of platinum remained approximately double the price of gold, as it has also done for the past 18 months.

AUDITOR'S INDEPENDENCE DECLARATION

We confirm that we have obtained a declaration of independence from our auditors, in accordance with Section 307C of the Corporations Act 2001, as set out on page 15.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'J A Kaminsky', written over a horizontal line.

**J A KAMINSKY
CHAIRMAN**

Dated in Brisbane this 3rd day of March 2006.

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	Half-Year Ended 31 Dec 05 \$	Half-Year Ended 31 Dec 04 \$
Revenue from ordinary activities	16,239	3,027
Expenses from Ordinary Activities		
Classification of Expenses by Function:		
Operating Activities:		
Professional Costs	(46,370)	(52,360)
Travel Costs	(17,247)	(11,202)
Employee Costs	(73,222)	(44,466)
Directors' securities benefits expense	(39,193)	-
Occupancy Costs	(29,185)	(45,302)
Marketing Costs	-	(5,200)
Loss on sale of property, plant and equipment	(467)	-
Borrowing Costs	(10,288)	(6,029)
Overhead Costs	<u>(79,094)</u>	<u>(52,954)</u>
	(295,066)	(217,513)
Loss from ordinary activities before income tax	<u>(278,827)</u>	<u>(214,486)</u>
Income tax expense relating to Ordinary activities	-	-
Net Loss	<u>(278,827)</u>	<u>(214,486)</u>
Basic Earnings Per Share (cents per share)	(0.18)	(0.20)
Diluted Earnings Per Share (cents per share)	(0.14)	(0.20)

The condensed income statement is to be read in conjunction with the notes to the half-year financial report set out on pages 7 to 12.

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005**

	31 Dec 05	30 Jun 05
	\$	\$
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	737,715	59,216
Receivables	20,948	48,456
Other	4,250	13,280
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	762,913	120,952
	<hr/>	<hr/>
NON CURRENT ASSETS		
Receivables	176,909	183,502
Property, plant & equipment	262,801	267,723
Exploration & evaluation costs carried forward	1,983,480	1,900,615
	<hr/>	<hr/>
TOTAL NON CURRENT ASSETS	2,423,190	2,351,840
	<hr/>	<hr/>
TOTAL ASSETS	3,186,103	2,472,792
	<hr/>	<hr/>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Payables	164,336	142,569
Interest-bearing liabilities	207,834	107,000
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TOTAL CURRENT LIABILITIES	372,170	249,569
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TOTAL LIABILITIES	372,170	249,569
	<hr/>	<hr/>
NET ASSETS	<u>2,813,933</u>	<u>2,223,223</u>
	<hr/>	<hr/>
EQUITY		
Share Capital	10,153,747	9,284,210
Accumulated losses	(7,339,814)	(7,060,987)
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TOTAL EQUITY	<u>2,813,933</u>	<u>2,223,223</u>
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The condensed balance sheet is to be read in conjunction with the notes to the half year financial report set out on pages 7 to

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Half Year Ended 31 Dec 2005		
	Share Capital	Accumulated Losses	Total
	\$	\$	
Balance at 1 July 2005	9,284,210	(7,060,987)	2,223,223
Shares issued during the period	934,451	-	934,451
Transaction costs related to shares issued	(64,914)	-	(64,914)
Loss attributable to the entity for the period	-	(278,827)	(278,827)
Balance at 31 December 2005	10,153,747	(7,339,814)	2,813,933

	Half Year Ended 31 Dec 2004		
	Share Capital	Accumulated Losses	Total
	\$	\$	
Balance at 1 July 2004	8,291,639	(6,561,799)	1,729,840
Shares issued during the period	898,597	-	898,597
Transaction costs related to shares issued	(55,185)	-	(55,185)
Loss attributable to the entity for the period	-	(214,486)	(214,486)
Balance at 31 December 2004	9,135,051	(6,776,285)	2,358,766

The condensed statement of changes in equity is to be read in conjunction with the notes to the half year financial report set out on pages 7 to 12

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	Half Year Ended 31 Dec 05 \$ Inflows (Outflows)	Half Year Ended 31 Dec 04 \$ Inflows (Outflows)
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	10,079	-
Payments to suppliers and employees	(193,050)	(268,202)
GST Refund	-	46,688
Interest received	7,462	3,027
Dividends received	-	-
Interest paid	<u>(8,688)</u>	<u>-</u>
Net cash used in operating activities	<u>(184,197)</u>	<u>(218,487)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Refund of security deposits	17,000	-
Proceeds from sale of property, plant and equipment	496	-
Payment for mining tenement exploration	(82,844)	(255,649)
Purchase of property plant and equipment	<u>-</u>	<u>(2,596)</u>
Net cash used in investing activities	<u>(65,348)</u>	<u>(258,245)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Costs associated with share issue	(64,914)	(24,752)
Proceeds from borrowings	100,000	63,250
Proceeds from share issue	<u>892,958</u>	<u>722,939</u>
Net cash provided by financing activities	<u>928,044</u>	<u>761,437</u>
Net increase (decrease) in cash and cash equivalents	678,499	284,705
Cash and cash equivalents at beginning of the half-year	<u>59,216</u>	<u>(15,229)</u>
Cash and cash equivalents at the end of the half-year	<u><u>737,715</u></u>	<u><u>269,476</u></u>

The condensed statement of cash flows is to be read in conjunction with the notes to the half year financial report set out on pages 7 to 12

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**1. SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005.**

Note 1 – Basis of Preparation

The half-year consolidated financial report has been prepared in accordance with Accounting Standard AASB 134 and is to be read in conjunction with the annual financial report for the year ended 30 June 2005. It is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). Compliance with the Australian equivalents to IFRS (AIFRS) ensures that the financial report, comprising the group's financial statements and notes (where applicable) and the parent entity financial statements and notes of Rimfire Pacific Mining NL, complies with IFRSs.

The half-year financial report does not include notes of the type normally included in an annual financial report.

The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2005.

For the purpose of preparing the half year consolidated financial statements, the half year has been treated as a discrete reporting period.

Note 2 – First-time adoption of Australian Equivalents to International Financial Reporting Standards

This is the first AIFRS financial report presented by Rimfire Pacific Mining NL.

The following reconciliations explain how the transition from previous GAAP to AIFRS affected the reported financial position, financial performance and cash flows.

1. **SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (cont'd).**

Reconciliation of equity at 30 June 2005

	Previous GAAP	Consolidated Entity Effect of transition to AIFRS	AIFRS
	\$	\$	\$
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	59,216	-	59,216
Trade and other receivables	48,456	-	48,456
Other	13,280	-	13,280
Total current assets	120,952	-	120,952
NON-CURRENT ASSETS			
Receivables	183,502	-	183,502
Property, plant and equipment	267,723	-	267,723
Exploration and evaluation costs carried forward	1,900,615	-	1,900,615
Total non-current assets	2,351,840	-	2,351,840
TOTAL ASSETS	2,472,792	-	2,472,792
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Trade and other payables	142,569	-	142,569
Other financial liabilities	107,000	-	107,000
Total current liabilities	249,569	-	249,569
TOTAL LIABILITIES	249,569	-	249,569
NET ASSETS	2,223,223	-	2,223,223
<u>EQUITY</u>			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	9,220,960	63,250	9,284,210
Accumulated losses	(6,997,737)	(63,250)	(7,060,987)
TOTAL EQUITY	2,223,223	-	2,223,223

Notes to the reconciliation

The only adjustment required as part of the transition to AIFRS as at 30 June 2005 was recognition of share options issued to the directors of the company pursuant to AASB 2. AASB 2 requires share based payments, which includes share options to be recognised as an expense with a corresponding increase in share capital.

**1. SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (cont'd).**

Reconciliation of profit and loss for the year ended 30 June 2005

	Previous GAAP	Consolidated Entity Effect of transition to AIFRS	AIFRS
	\$	\$	\$
Revenue	41,966	-	41,966
Cost of sales	353	-	353
Gross profit(loss)	41,613	-	41,613
Other Income	-	-	-
Employee and directors' costs	108,527	63,250	171,777
Marketing costs	170	-	170
Occupancy expenses	97,333	-	97,333
Professional expenses	117,164	-	117,164
Other expenses	142,365	-	142,365
Borrowing costs	11,992	-	11,992
Profit(loss) before income tax	(435,938)	(63,250)	(499,188)
Income tax expense	-	-	-
Profit(loss) for the period	(435,938)	(63,250)	(499,188)
Total revenues, expenses and valuation adjustments recognised directly in equity	(59,790)	-	(59,790)
Profit(loss) attributable to members of the parent	(495,728)	(63,250)	(558,978)

Notes to the reconciliation

The only adjustment required as part of the transition to AIFRS as at 30 June 2005 was recognition of share options issued to the directors of the company pursuant to AASB 2. AASB 2 requires share based payments, which includes share options to be recognised as an expense with a corresponding increase in share capital.

Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statements.

Note that no adjustments for the transition to AIFRS were required at the transition date of 1 July 2004 or for the half year ended 31 December 2004 that would effect the reported financial position, financial performance and cash flows.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

2. CONTRIBUTED EQUITY

	31-12-2005	30-06-2005	31-12-2005	30-06-2005
	Number of Securities		Value of Securities \$	
<u>Issued Shares</u>				
Fully paid ordinary shares	184,804,229	131,353,172	10,000,124	9,172,080
Fully paid deferred options	-	-	48,880	48,880
Unpaid deferred options	19,000,000	11,000,000	104,743	63,250
	203,804,229	142,353,172	10,153,747	9,284,210
Ordinary Shares on issue at beginning of year	131,353,172	95,018,051	9,172,080	8,242,759
<u>Movements during the year:</u>				
Issue on 5 July 2005 exercise of an option at nil consideration	2,000,000	-	-	-
Issue on 6th October 2005 under a prorata rights issue to all shareholders	44,451,057	-	800,459	-
Issue on 9 December 2005 to the directors of the company	5,000,000	-	92,499	-
Issue on 9 December 2005 exercise of an option at nil consideration	2,000,000	-	-	-
Issued in previous financial year	-	36,335,121	-	989,111
Transaction costs relating to issues	-	-	(64,914)	(59,790)
Shares on issue at end of year	184,804,229	131,353,172	10,000,124	9,172,080
Listed options exercisable at 20 cents on or before 30 September 2004				
On issue at beginning of year	-	4,884,391	48,880	48,880
<u>Movements during the year:</u>				
Expired during the year	-	(4,884,391)	-	-
On issue at end of year	-	-	48,880	48,880
Listed options exercisable at 8 cents on or before 30 September 2006				
On issue at beginning of year	35,676,394	-	-	-
<u>Movements during the year:</u>				
Issued in previous financial year	-	35,676,394	-	-
On issue at end of year	35,676,394	35,676,394	-	-
Unlisted options exercisable at 8 cents on or before 30 September 2006				
On issue at beginning of year	7,000,000	7,000,000	-	-
<u>Movements during the year:</u>				
Issued during the year:	3,500,000	-	513	-
Exercised during the year	-	-	-	-
On issue at end of year	10,500,000	7,000,000	513	-

2. CONTRIBUTED EQUITY (cont'd)

	31-12-2005	30-06-2005	31-12-2005	30-06-2005
	Number of Securities		Value of Securities \$	
Unlisted options exercisable at nil cents on or before 15 July 2005				
On issue at beginning of year	2,000,000	-	46,000	-
<u>Movements during the year:</u>				
Issued during the year	-	2,000,000	-	46,000
Exercised during the year	(2,000,000)	-	-	-
On issue at end of year	-	2,000,000	46,000	46,000
Unlisted options exercisable at nil cents on or before 15 January 2006				
On issue at beginning of year	2,000,000	-	46,000	-
<u>Movements during the year:</u>				
Issued during the year	-	2,000,000	-	46,000
Exercised during the year	(2,000,000)	-	-	-
On issue at end of year	-	2,000,000	46,000	46,000
Unlisted options exercisable at 12 cents on or before 30 September 2007				
On issue at beginning of year	-	-	-	-
<u>Movement during the year</u>				
Issued during the year:	4,500,000	-	2,192	-
On issue at end of year	4,500,000	-	2,192	-
Unlisted options exercisable at nil cents on or before 15 July 2006				
On issue at beginning of year	-	-	-	-
<u>Movement during the year</u>				
Issued during the year:	2,000,000	-	6,613	-
On issue at end of year	2,000,000	-	6,613	-
Unlisted options exercisable at nil cents on or before 15 January 2007				
On issue at beginning of year	-	-	-	-
<u>Movement during the year</u>				
Issued during the year:	2,000,000	-	3,425	-
On issue at end of year	2,000,000	-	3,425	-

3. CONTINGENT LIABILITIES

The directors are not aware of any matters or circumstances which have arisen during or since the financial year which may significantly affect the operation of the entity, the results of that operation or stated affairs of the consolidated entity in future financial years.

4. SEGMENT REVENUES AND RESULTS

The company operated predominantly in one industry, mining, exploration and prospecting and one geographical area, Australia.

5. EVENTS SUBSEQUENT TO THE END OF THE HALF YEAR

On 2 February 2006 the entity agreed to fully discharge the loan owing to its director Mr John Kaminsky for \$100,000 by the end of February 2006.

On 3 February 2006 the entity announced a placement of 10,000,000 new ordinary shares to institutional and sophisticated investors. The shares will be issued at a price of 3.5 cents per share and will raise \$350,000 for the entity before costs. The new shares will rank parri passu with the existing ordinary shares on issue and was approved by shareholders at the Annual General Meeting, held 28th November 2005.

The entity's existing lease over its head office premises in Brisbane will expire on 28th February 2006 and will not be renewed. Consequently, it has been decided to relocate the entity's head office to Room 810, 530 Little Collins Street, Melbourne, Victoria. The new lease term will be 2 years commencing from 1st March 2006 and the gross commitments in these two years will be \$17,300 and \$17,800 respectively.

On 6 February 2006 the company announced that it has commenced a significant RC drilling program at its exploration license EL5534 at Fifield in central NSW, in major exploration program for the source of primary coarse grain platinum.

6. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

Director Related Entities

Strategic International Ventures Pty Limited, a company associated with J Kaminsky, provided consultancy services to the parent entity. Strategic International Ventures Pty Limited was paid a fee of \$9,000.

Entities in the wholly owned group

During the half year the parent entity was partially repaid on its accumulated interest free loan provided to its subsidiary Axis Mining NL. At 31 December 2005, Axis Mining NL has amounts owing to the parent entity totalling \$463,034 (\$474,350 as at 30 June 2005) interest free, payable at call. The loan has been fully provided for at 31st December 2005.

6. RELATED PARTY TRANSACTIONS (cont'd)

Other Related Entities

During the half year John Kaminsky provided a loan to the company for \$100,000 at interest of 10% p.a. which was drawn as part of a \$300,000 facility offered by him on 10 June 2005. The original terms of the facility provided that the loan would be for a term of the earlier of the completion of a capital raising sufficient to discharge the loan or 12 months from the date of acceptance. Despite funds being available to discharge this loan from capital raising during the period, it was decided by the board on 2 February 2006, to defer the discharge of the loan until the end of February 2006.

RIMFIRE PACIFIC MINING NL A.C.N. 006 911 744

DIRECTORS' DECLARATION

In the opinion of the directors of Rimfire Pacific Mining NL :

- (a) the accompanying financial statements and notes comply with the accounting standards and Corporations Regulations 2001 and give a true and fair view of the consolidated entity's financial position as at 31 December 2005 and its performance for the half-year ended on that date.
- (b) at the date of this declaration there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



J A KAMINSKY
CHAIRMAN

Dated in Brisbane this 3rd day of March 2006.

AUDITOR'S INDEPENDENCE DECLARATION

To: The Directors of Rimfire Pacific Mining NL

As lead engagement partner of the review of Rimfire Pacific Mining NL for the half year ended 31 December 2005. I declare that, to the best of my knowledge and belief, there have been:

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

**PKF
Brisbane Partnership
Chartered Accountants**



**John D Keating
PARTNER**

Dated at Brisbane the 3 day of March 2006.

INDEPENDENT REVIEW REPORT

To the members of Rimfire Pacific Mining NL:

Scope

We have reviewed the financial report of Rimfire Pacific Mining NL for the half-year ended 31 December 2005 as set out on pages 3 to 13. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

The auditor's independence declaration given to the relevant directors would be in the same terms if it had been given at the time the audit report was made.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Rimfire Pacific Mining NL is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**PKF
CHARTERED ACCOUNTANTS
BRISBANE PARTNERSHIP**



**John D Keating
PARTNER**

Dated in Brisbane this 3 day of March 2006.