

RIMFIRE PACIFIC MINING NL

ACN 006 911 744

FINANCIAL REPORT

**FOR THE HALF-YEAR ENDED
31 DECEMBER 2010**

DIRECTORS' REPORT

The Directors of Rimfire Pacific Mining NL submit herewith the financial report for the half-year ended 31 December 2010.

DIRECTORS

The names of the Directors of the Company during or since the end of the half-year and up to the date of this report are:

Graham Billingham	Director
John Kaminsky	Director
Ramona Enconniere	Director
Andrew Knox	Director
Thomas Burrowes	Director (appointed 16 December 2010)

PRINCIPAL ACTIVITY

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

RESULTS OF OPERATIONS

The net result for the half-year after applicable income tax expense was a loss of \$316,940. This compares with a loss in 2009 of \$143,615 for the corresponding period. The major additional expense in the period compared with the previous period was a non cash issue of new fully paid ordinary shares to exploration personnel, to the value of \$112,500.

The Company believes the result again underscores the cost efficient nature of its operations and exploration programs. As at 31st December 2010 the consolidated entity had approximately \$954,230 in cash.

DIVIDENDS

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

REVIEW OF OPERATIONS

The Sorpresa Fine Gold Prospect has been elevated as a major priority within the Company, since its discovery confirmation in October 2010. In addition, the exploration during the period continued to be focused on the mineralising system for coarse grained Platinum (Pt) and Gold (Au) within the Company freehold at Fifield, NSW.

The project areas are located immediately south of the Township of Fifield NSW and sits within the well established, highly mineralised regional corridor, the Lachlan-Cadia Lineament. This corridor includes the Rio Tinto owned North Parkes Copper-Au mine and the Newcrest owned Cadia Valley Au-Copper mines amongst others.

The key overall objective of the Company continues to be “the establishment of a potential open cut minable resource within the 6km² zone of currently identified Au and Pt mineralisation noted within the Sorpresa, Platina-Gillenbine and Ebenezer project areas”, which includes both alluvial targets and the greater bedrock system.

The Company continues to investigate the commercial potential on its freehold of the alluvial system, comprising the multilevel gravel system and un-mined portions of the historic Paleo Channel, The Platina Lead. The bedrock geology for Pt and Au will be examined in this process.

The Company provided a range of video materials to assist understanding of the work programs being conducted by the Company at Fifield NSW. These videos can be found on the Company website at:

<http://www.rimfire.com.au/presentations.htm>

Fifield - Gold Dominant Areas

The “Sorpresa” Au prospect had extensive work programs in the period leading to the major milestone discovery announcements in October 2010.

The larger Sorpresa area was covered with broad spaced lines of soil geochemistry in 2010 (generally 100m line spacings and 25m sample interval now conducted over an area of approx. 1.9km x 0.5km).

The assay data on the soil geochemistry combined with the bedrock assays in October/December 2010 auger traverses and Trench 31 placed over selected Au anomalies within these soil results, confirms that the larger Sorpresa area represents Au anomalism that is large and significant.

The Au is very fine and disseminated through the breccia and surrounding geology as confirmed with the Trench 31 sampling (October 2010 and January 2011) undertaken that produced repeatable Au assays, even within the very high Au zones, which exceeded 70g/t Au.

It is the Company’s firm view, that the Trench results are highly significant.

- The high Au grade of Trench 31 obtained in wall channel sampling gave
 - *a true width of 9m @ 4.9g/t, and high grade sections (each 1m sections) included 9.8g/t, 12.8g/t and 11.1g/t*
- Specific geology in the floor of trench 31 contained *in excess of 70g/t in two places* and confirms that the Sorpresa-Trench 31 corridor has a strength of gold mineralisation that is encouraging to the Company’s opinion that *this area is an unexplored gold field.*
- Both the trench 31 area and the 2008 RC Drill area are centred on brecciated sediments, with fine gold contained in a strong mineralised zone with negligible vein quartz, being 1.2km apart and are open ended.
 - Soil results, auger drill traverses into bedrock and subcrop to date within this corridor support the likely view, that the mineralisation is continuous, but this is yet to be determined with more detailed work programs
- The Sorpresa prospective gold area, based on additional soil geochemistry at the report date exceeded 1.9km x 0.4km and is essentially still open ended
- The Company has noted many fine disseminated gold occurrences focused on sediments in the Fifield district over a number of years, of which Sorpresa is only one such area.

Summary Exploration Planned at Fifield NSW for the 2011 period for Pt and Au

The major exploration activities that the Company is looking to undertake at Fifield during 2011 includes the following, subject to any constraints:

- Complete an initial assessment of the Sorpresa fine Au area, with soil sampling, auger drilling and trenching
- Undertake an RC Drill program on the Sorpresa area in the first half of 2011
- Further define and bulk sample the Platina Lead with six deep trenches to assess the bedrock geology and the commercial potential of Pt within the Platina Lead

Company Annual General Meeting (AGM)

The AGM was held on 24th November 2010 in Melbourne, where detailed presentations on the Company and its exploration progress and priorities was provided. The presentations are available by clicking the hyperlinks at:

[Exploration Presentation 2010 AGM \(Click here\)](#)

[Chairman address to 2010 AGM \(Click Here\)](#)

The Company presented a special award to the Head of Exploration, Mr Colin Plumridge and the support team involved in the discovery of the Sorpresa Gold Project Area, in due recognition of the important milestone achieved with a major new discovery at Fifield.

Commodity Pricing for the December 2010 Period

The price of Platinum has fluctuated in the period, and was trading above the level of USD\$1,750 per ounce at the end of the period ([Kitco.com](#)). Gold traded above USD\$1,400 in the period.

The information in the report to which this statement is attached that relates to Exploration Results is compiled by Mr Colin Plumridge, who is a Member of The Australian Institute of Mining and Metallurgy, each with over 40 years experience in the mineral exploration and mining industry. Mr Plumridge is employed by Plumridge & Associates Pty. Ltd. and is a consulting geologist to the Company. He has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which is being undertaken to qualify as Competent Persons as defined in the 2004 edition of the "Australian Code for Reporting of Mineral Resources and Ore reserves". Mr Plumridge consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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 4.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



**J A KAMINSKY
CHAIRMAN**

Dated in Melbourne this 15th day of March 2011.



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Rimfire Pacific Mining NL for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Rimfire Pacific Mining NL and the entities it controlled during the half year ended 31 December 2010.

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

J A Mooney
Partner
PKF

15 March 2011
Melbourne

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Half-Year Ended 31 Dec 10 \$	Half-Year Ended 31 Dec 09 \$
Revenue from continuing operations	18,304	47,638
Expenses from continuing operations		
Professional Costs	(11,525)	(19,725)
Employee Benefits	(72,403)	(76,380)
Directors' Non-Executive Benefits	(34,200)	(6,000)
Share Based Payments - Exploration Personnel	(112,500)	-
Occupancy Costs	(19,941)	(15,107)
Depreciation	(15,767)	(10,026)
Impairment Write Off	-	(3,822)
Administration Costs	(68,908)	(60,193)
	<u>(335,244)</u>	<u>(191,253)</u>
Loss from continuing operations before income tax	<u>(316,940)</u>	<u>(143,615)</u>
Income tax expense	-	-
Loss from continuing operations after income tax	<u>(316,940)</u>	<u>(143,615)</u>
Other comprehensive income	-	-
Total comprehensive loss for the half year	<u><u>(316,940)</u></u>	<u><u>(143,615)</u></u>
Basic Loss Per Share (cents per share)	(0.07)	(0.05)
Diluted Loss Per Share (cents per share)	(0.07)	(0.05)

The statement of comprehensive income is to be read in conjunction with the notes to the half-year financial report set out on pages 9 to 10.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	31 Dec 10 \$	30 Jun 10 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	954,230	1,654,313
Receivables	13,449	25,515
Other current assets	14,532	16,137
TOTAL CURRENT ASSETS	<u>982,211</u>	<u>1,695,965</u>
NON-CURRENT ASSETS		
Receivables	150,000	150,000
Property, plant & equipment	400,278	380,805
Exploration & evaluation costs carried forward	5,214,618	4,834,473
TOTAL NON-CURRENT ASSETS	<u>5,764,896</u>	<u>5,365,278</u>
TOTAL ASSETS	<u>6,747,107</u>	<u>7,061,243</u>
LIABILITIES		
CURRENT LIABILITIES		
Payables	48,408	156,899
Provisions	3,263	2,624
TOTAL CURRENT LIABILITIES	<u>51,671</u>	<u>159,523</u>
TOTAL LIABILITIES	<u>51,671</u>	<u>159,523</u>
NET ASSETS	<u>6,695,436</u>	<u>6,901,720</u>
EQUITY		
Contributed Equity	16,220,949	16,110,293
Accumulated losses	(9,525,513)	(9,208,573)
TOTAL EQUITY	<u>6,695,436</u>	<u>6,901,720</u>

The statement of financial position is to be read in conjunction with the notes to the half year financial report set out on pages 9 to 10.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Contributed Equity \$	Accumulated Losses \$	Total \$
Balance at 1 July 2010	16,110,293	(9,208,573)	6,901,720
Total comprehensive loss for the period, net of tax	-	(316,940)	(316,940)
Shares issued	112,500	-	112,500
Costs to issue	(1,844)	-	(1,844)
Balance at 31 December 2010	16,220,949	(9,525,513)	6,695,436

	Contributed Equity \$	Accumulated Losses \$	Total \$
Balance at 1 July 2009	14,681,951	(8,825,019)	5,856,932
Total comprehensive loss for the period, net of tax	-	(143,615)	(143,615)
Balance at 31 December 2009	14,681,951	(8,968,634)	5,713,317

The statement of changes in equity is to be read in conjunction with the notes to the half year financial report set out on pages 9 to 10.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Half-Year Ended 31 Dec 10 \$ Inflows (Outflows)	Half-Year Ended 31 Dec 09 \$ Inflows (Outflows)
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	-	10,574
Payments to suppliers and employees	(199,811)	(167,343)
Interest received	14,436	47,191
Fuel tax credits received	3,899	8,601
Net cash used in operating activities	<u>(181,476)</u>	<u>(100,977)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(27,381)	(46,166)
Payments for mining tenement exploration	(459,052)	(362,889)
Net cash used in investing activities	<u>(486,433)</u>	<u>(409,055)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	9,130	-
Costs associated with share issue	(41,304)	-
Net cash used in financing activities	<u>(32,174)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(700,083)	(510,032)
Cash and cash equivalents at beginning of the half-year	1,654,313	1,351,869
Cash and cash equivalents at the end of the half-year	<u>954,230</u>	<u>841,837</u>

The statement of cash flows is to be read in conjunction with the notes to the half year financial report set out on pages 9 to 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

1. SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010.

Basis of Preparation

The half-year consolidated financial report has been prepared in accordance with Accounting Standard AASB 134, Interim Financial Reporting.

The half-year financial report does not include notes of the type normally included in an annual financial report. This report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Summary of Significant Accounting Policies

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2010.

The entity has not elected to early adopt any new Accounting Standards or amendments that are issued but not yet effective.

Going Concern

The consolidated entity has incurred a loss of \$316,940, had net cash outflows of \$181,476 from operating activities for the half year ended 31 December 2010, and has at present a potential deficiency in working capital beyond the next 12 month period from the date of this financial report. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The Directors believe the going concern basis is appropriate and therefore the financial report has been prepared on the going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors have the capacity to defer cash outflows themselves, if necessary, and have the ability to re-organise exploration programs, if necessary, over the next 12 month period from the date of this report meeting minimum requirements over the next 12 months. The Directors are intending to secure additional financing as and when required and have a number of alternatives available to them such as a farm-out of exploration commitments or raising additional equity funds, which the consolidated entity has a history of successfully doing over the last 5 years.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity be unable to continue as a going concern.

2. CONTRIBUTED EQUITY

	31-12-2010	30-06-2010	31-12-2010	30-06-2010
	Number of Securities		Value of Securities \$	
<u>Issued Shares</u>				
Fully paid ordinary shares	439,016,550	436,766,550	16,220,949	16,110,293
Ordinary shares on issue at beginning of period	436,766,550	311,976,107	16,110,293	14,681,951
<u>Movements during the period:</u>				
Shares issued:				
29 th June 2010	-	124,790,443	-	1,622,276
2 nd December 2010	2,250,000	-	112,500	-
Transaction costs relating to issues			(1,844)	(193,934)
Shares on issue at end of period	439,016,550	436,766,550	16,220,949	16,110,293
Unlisted options				
On issue at beginning of period	7,500,000	7,500,000		
<u>Movement during the period</u>				
Expired during the period	(7,500,000)	-		
On issue at end of period	-	7,500,000		

Listed options

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

3. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Directors are not aware of any contingent liabilities or contingent assets which have arisen during or since the half-year which may significantly affect the operation of the consolidated entity, the results of that operation or stated affairs of the consolidated entity in future financial periods.

4. SEGMENT REVENUES AND RESULTS

The consolidated entity operated predominantly in one industry being mining, exploration and prospecting, and one geographical area, being Australia.

5. EVENTS SUBSEQUENT TO THE END OF THE HALF YEAR

The Directors are not aware of any material events subsequent to the half year ended 31 December 2010 which may significantly affect the operations of the consolidated entity, the results of that operation or stated affairs of the consolidated entity.

DIRECTORS' DECLARATION

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

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the company 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

A handwritten signature in black ink, appearing to read 'J A Kaminsky', with a large, sweeping flourish underneath.

**J A KAMINSKY
EXECUTIVE CHAIRMAN**

Dated in Melbourne this 15th day of March 2011.



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

Chartered Accountants
& Business Advisers

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of Rimfire Pacific Mining NL which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises Rimfire Pacific Mining NL (the company) and the entities it controlled at 31 December 2010 or from time to time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Rimfire Pacific Mining NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

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 the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter - Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 "Going Concern" in the half-year financial report, which indicates that the consolidated entity incurred a loss of \$316,940 for the half-year, and had net cash outflows of \$181,476 from operating activities for the half-year ended 31 December 2010. These conditions give rise to a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern, and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

15 March 2011
Melbourne

J A Mooney
Partner

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