

rimfire



Diamond Drilling April 2013 Sorpresa Gold Project, Fifield NSW

**RIMFIRE PACIFIC MINING NL
ANNUAL REPORT 2013**



Diamond Core Hole Fi 328

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Dear Shareholder,



It is my pleasure to present to you the Annual Report for Rimfire Pacific Mining NL for the financial year ended 30 June 2013. During the last 12 months the Company has achieved further excellent results with the expansion of the Sorpresa Gold and Silver project area at Fifield NSW.

Major work programs during the year, including the highly successful first diamond drill core program, and the partial testing of the associated IP anomaly, has seen both activities have a significant underpinning of the highly prospective nature of the Sorpresa area.

It is still the Company's firm belief that the wider Sorpresa fine gold project area of some 8km² has the potential to host multi-million ounces of gold.

High grades for gold and silver were again encountered at Sorpresa, including the major step out hole Fi 329 DDH, with 1m @ 114g/t gold from 159m, which complemented the outstanding results achieved in the second half of 2012, with drill holes Fi 160 (14m @ 21.9g/t Au) and Fi 212 (14m @ 24.4g/t Au). The emergence of the silver zoning at the Roadside location, with accompanied strong results is an important feature in the northern part of the Sorpresa project.

The financial performance of the Company has been well above average, in what could only be described as historically difficult global market conditions. In the last 12 months this has impacted severely on the junior resource sector generally. Availability of risk capital from the market has been greatly reduced, exacerbated by sharply lower gold prices, which has forced large corrections in stock prices, particularly in the resource sector.

Amidst this circumstance, the Company managed to attract important additional working capital, at a stronger market valuation than a year ago, which now sees the Company in a considerably better financial position, thus allowing the important work at Sorpresa and its surrounds to continue. To this extent the Board of Directors is to be congratulated for its foresight and the new and existing shareholders of the Company sincerely thanked for the excellent support shown in the recent capital raising, which provided a combined \$3.3m in September 2013. Again, wherever possible, the Board has endeavoured to ensure all shareholders have some participation opportunity in the Company's growth.

The Company has invested in additional people, systems and project planning to enable the vast Sorpresa area to be systematically examined with ongoing drilling and complimentary exploration work programs, aiming at significant growth in milestones over the next 12 months. Geometric shapes for the gold and silver mineralization are being established at Sorpresa with the direction towards resource definition a priority. It is already recognised that the gold and silver mineralization encountered to date at Sorpresa projects to surface and gently dipping to the east, so these are positive attributes towards commercial potential, whilst other aspects of the mineralization will be examined in the next period also.

In parallel with the resource development at the Sorpresa main area is the ongoing discovery exploration work which provides additional prospects for gold in the wider Sorpresa district. Many prospects have been identified at Fifield, including Rabers, Yoes and Eclipse amongst others. It needs to be firmly understood that this regional work is equally important to the growth of the Company. A key goal is to advance through these newer areas, looking to bring these prospects to a more developed stage in the next 12 months. Discoveries may add significant value to the Company!

It should be recognised that the combined efforts of my fellow Directors, the Exploration Team headed by Darren Glover and Colin Plumridge, staff, stakeholders and consultants have contributed greatly to the results achieved by the Company this year. The long hours, continued dedication, which is provided with enthusiasm and good humour have enabled the Company to make advances for the benefit of all shareholders.

The Board of Directors expresses its sincere thanks to all shareholders for their ongoing support, particularly in a difficult year for investors. This has been greatly appreciated as the Company endeavours to keep all shareholders informed of its progress during the next period.

Yours Sincerely,



John Kaminsky
Executive Chairman
Dated 10th October 2013



Diamond Drilling Core Yard – Sorpresa

FIFIELD PROJECT AREA EXPLORATION

As at 30 June 2013 the Fifield project area is located at Fifield in central western NSW. The Company is conducting exploration on the source(s) of the more recently recognised gold (Au) and base metal and also the coarse grain platinum (Pt) historically mined in the Fifield area. The following licences for exploration or development are held:

Exploration Licences - EL5534 EL5565 EL6144 EL6241 EL7058

Mineral Claims - MC 305 MC 306

The Company goal is to create “the establishment of potential open cut minable resource(s) within the currently identified Au and Pt mineralization noted within the Greater Sorpresa project areas, Platina-Gillenbine and Ebenezer project areas”.

Exploration Summary and Highlights During the Year

The predominant focus for exploration within Fifield NSW in the period was the gold and silver mineralization at the Sorpresa project area, including the Trench 31, Boundary Gate, Join Up Zone, Roadside and the Sorpresa SW extension locations, within Sorpresa. Substantial growth occurred through step out drilling on the mineralized areas in the period.

Excellent outcomes were achieved in the last 12 months at the Sorpresa Gold and Silver project area as follows:

- **Extremely high grades for gold and silver were intersected**, including bonanza grades:
 - **14m @ 24.4g/t Au (incl. 2m @ 118g/t Au) from 26m Plus 26m @ 155g/t Ag**
 - **1m @ 114g/t Au from 159m Plus 1m @ 33g/t Ag**
 - **10m @ 535g/t Ag from 70m (incl. 2m @ 2020g/t Ag) Plus 10m @ 1.0g/t Au**
- The first Diamond Drilling program was successfully conducted (3 locations, 5 holes and approx. 1,402m) making a major contribution to the project knowledge and providing important gold intersections
 - The geology encountered was exciting and consistent across each hole, with the presence of porphyry sills, abundant brecciation, shearing, pervasive silica, sulphides and intrusive features
- Sorpresa main strike mineralization is now substantial in size and interpreted to be approx. 1.7km x 0.4km
- The host geology (receptive horizon) for the Sorpresa mineralization is seen to have good scale, continuity, shape and remains open
- Gold sections and 3D models are being developed on the mineralization as drilling density increases
- An important connection was made to the IP geophysics, allowing easier targeting of the important host geology
- South West of Trench 31, RAB drilling has doubled the relevant host geology associated with the Sorpresa system
- Further detailed regional reconnaissance exploration has been commenced in the greater 8km² Sorpresa Area



Company Owned and Operated Rig – Reconnaissance

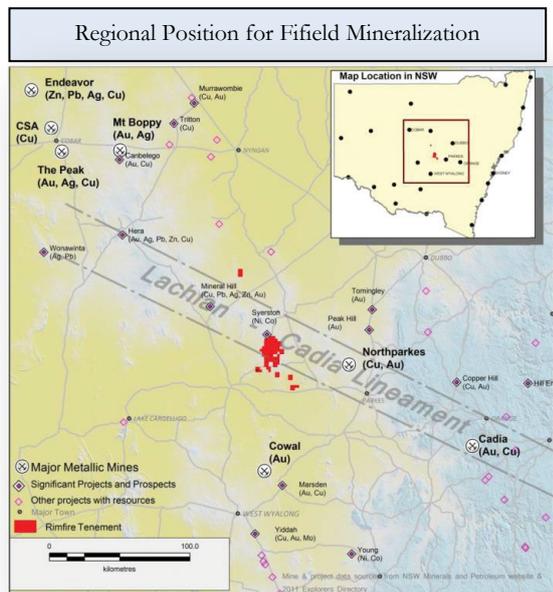
Through the diamond drilling program in particular, there have been significant advances in the knowledge of the geology, alteration, mineralization, setting and style at Sorpresa.

When combined with the excellent intersections in four out of five of the diamond holes, Sorpresa has now been significantly elevated in its status in the past 6 months, as an important emerging project within a much larger area at Fifield.

Although a resource is yet to be established, and considerable work is still required, the Company considers that the wider Sorpresa area of 8km² has the exciting potential for **multi-million ounces of gold**.

Fifield NSW Remains an Excellent Location for Discoveries - In a Mineralization Corridor of Importance

The company project area is located immediately south of the Township of Fifield NSW and sits within the well established, highly mineralized regional corridor, the Lachlan-Cadia Lineament.



This corridor includes the China Molybdenum majority owned North Parkes Copper-Au mine and the Newcrest owned Cadia Valley Au-Copper mines amongst others.

The important discovery of fine gold (Au) and silver (Ag) mineralization at Sorpresa during 2010/2011 represented a major milestone for the Company and is recognised by others within the district as being important.

Metal zoning remains an important feature of the geology at Fifield, both at the localised and regional scales with mineralization style in the immediate Fifield region, including Au, Pt and Cu/Base Metal prospects. These occur over a compact zone of less than 50km².

The interpretation of the region is one of a complex volcanic rift setting, with evidence for multiple, polymetallic mineralization events associated with sub-volcanic intrusives, shearing and brecciation at various scales.

The Increasing Gold Potential in the District

The Fifield area continued to develop its gold credentials in 2013. Evidence appears overwhelming that disseminated gold deposits will occur in this dynamic geological setting within the Fifield district, and that this has gone largely unrecognised by all other explorers prior to Rimfire's Sorpresa gold discovery.

It is the Company's firm view that the district is likely to host a range of gold discoveries, some similar in character to the Sorpresa area, **so ensuring the Company achieves a suitable balance between new exploration and delineation is important.** The overall geological setting and Au mineralized potential both continue to show impressive scale and promise in the wider Fifield district.

The objective of the Company is to explore the many prospective areas seen at Fifield as fast and as effectively as possible, thus leading to quality target establishment for further deeper drilling, where appropriate. Regular drill programs using percussion and RAB are both permanent features of the work schedules on site, with the objective to make new discoveries in the district.

Specific Components on the Sorpresa Gold Project Area – Key Aspects of the Mineralization Model

It is postulated that somewhere below the Sorpresa Gold mineralized area, there is a massive fault contact between the Girilambone rocks and the Upper Ordovician porphyry copper-gold style rocks seen at Yoes Lookout (5 km East of Sorpresa).

This important geological contact below the Sorpresa gold mineralized area is also cut by the Lachlan Lineament structure and is intruded by many and varied intrusives. It is also the site of a deep rift with highly carbonaceous rocks being deposited simultaneously with rhyodacite and basic volcanics.

The Sorpresa style mineralization is hosted by a carbonaceous receptive horizon in the sediment pile. Faulting, shearing and brecciation provide the deep plumbing that allows the gold and silver bearing hydrothermal fluids to gain access to this 'receptive horizon'. It is inferred that the receptive horizon has an overall syncline basin shape.

The known mineralization at Sorpresa is only a small part of the prospective mineralization likely contained within an interpreted Rift Basin. Parts of Sorpresa are characterised by residual soil, hence its discovery was greatly aided by soil geochemistry. By contrast much of the remaining Rift Basin is not suitable for soil geochemistry and will require drill based exploration which has already commenced at a variety of locations.

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 mineralization that is poorly exposed, awaiting discovery in the ensuing periods.

Drilling results have helped to refine the structural model and the basin wide work interpretations looking for repetitions and variations on the gold system geology, initially in the 0-60m zone, and now tracking the mineralized shoots to greater depths.

Sorpresa consists of disseminated gold and silver mineralization with associated traces of arsenic (As), lead (Pb) and antimony (Sb) as reliable pathfinders. Zinc (Zn) and Copper (Cu) are also elements that occur in various zoned parts of the system. The mineralization is largely hosted by special parts of a 30m thick black, carbonaceous shale horizon which becomes replaced by pervasive silica during mineralization to finally yield the distinct “black silica receptive horizon”, the key host geology at Sorpresa.

The extent of the black silica horizon is not yet fully defined, however, an area of 8km² is now indicated and growing as mapping continues to the south of Sorpresa. The gold mineralization appears disseminated, coherent and amenable to reliable assays with capacity for high grade as demonstrated in multiple locations with relative frequency.

Additions to this mineralized area are likely as exploration continues. It should be noted that the gold mineralization encountered continues to also be located well outside of this indicated area, and not necessarily always within the proximal black silica.

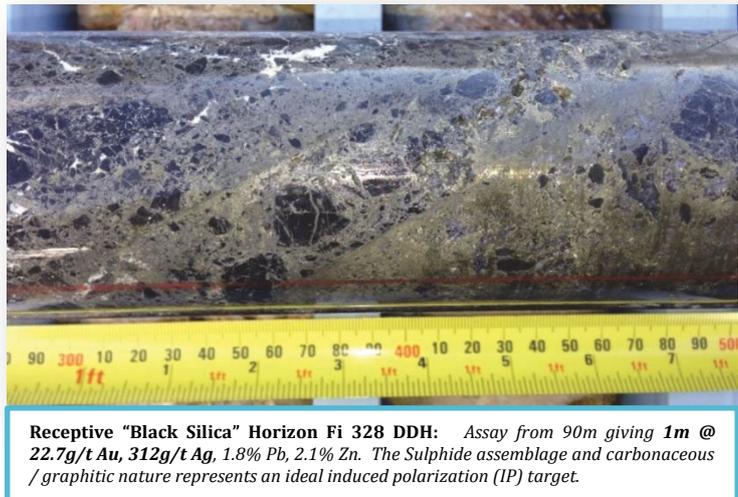
This represents a highly promising geological context for large scale discoveries and confirms the Company’s earlier views that “Company Making” Au mineralization is likely to occur in this setting.

The Importance of the Diamond Drilling Program at Sorpresa

The diamond drilling program has provided an enormous leap forward in understanding of the system geology and confirmed the large scale of the mineralization operating at Sorpresa, expanding the prospective area substantially.

This program was the first ever diamond drilling, and the deepest drilling undertaken to date at Sorpresa with 5 holes for 1,402m completed at three separate locations.

The diamond drill core gave the Company its first critical view at the geological-mineralization connection at Sorpresa. The five cored holes showed remarkable similarity in both the overall geology and the mineralization style.



Diamond drilling was utilized to investigate the interrelationship of structure and lithology with mineralization plus reveal any potential relationship to the very large IP chargeability anomaly which underlies the currently identified mineralization.

The location of the holes reflected the reconnaissance and conceptual nature of the diamond drill targets as opposed to direct targeting of known mineralization. It was very significant that hole **Fi 329 DDH intersected 1m @ 114g/t Au**, as this hole was a great distance from previously known Sorpresa style mineralization.

Results of the program were outstanding in terms of bonanza grade, width, and revealing the consistency and orientation of the prospective stratigraphy across a significant area. All five diamond holes intersected the “receptive black silica horizon” which in core is expressed as a brecciated, silicified, carbonaceous sediment often with sulphide matrix infill of pyrite, arsenopyrite, galena, sphalerite, pyrrhotite and lesser chalcopyrite.

Overlying the receptive horizon an intensely sericite altered quartz eye and feldspar pyrrhic porphyry sill was intersected in the diamond core holes. This porphyry has acted as an impervious “cap rock” effectively trapping gold and silver bearing hydrothermal fluids and restricting fluids to the host carbonaceous receptive horizon.

Recognition of such well-defined host and trap rocks in diamond core has added greatly to the unfolding exploration model and should assist future exploration success.



Porphyry Sill (PS) and Receptive Horizon (RH) in Fi 329 DDH

Building on the information gathered around Fi 329 DDH, the next phase of work will follow the prospective areas east and south east of the main Sorpresa strike line that could represent extensions of known gold and silver mineralization. These will be targeted with RAB and percussion drilling.

In addition, underlying mafic to ultramafic fractionated and layered intrusions were intersected in diamond drilling, potentially different to the Alaskan Ural Fifield complexes with implications for the style and level of the Sorpresa mineralization.

These intrusions contained elevated Platinum Group Elements (PGE's), minor chalcopyrite and bornite copper mineralization up to 1m @ 900ppm Cu (440-441m).

Additional Gold Exploration Outside of Sorpresa

An expansion in gold exploration is well justified and has already commenced, with a rapidly growing list of new target areas being established, including prospects located well to the south, east and west of Sorpresa and each is at various stages of assessment. The newly identified Rabers Lookout is of particular interest 1km to the South West of Trench 31 location.

A large portion of the 8km² prospective area for Au in the Rift Basin at the wider Sorpresa area is covered with shallow alluvium, however, it appears the Sorpresa style system re-emerges 4km to the south of Trench 31 location. The original Sorpresa gold area was discovered on the back of subtle soil geochemistry at Trench 31 location. The observation of familiar black silica geology, coupled with new Au anomalies in this southern area, makes this area important to be tested.

The Yoes Lookout gold prospect is located 5km due east of Sorpresa at Fifield NSW and is a greenfields continuous Au in soil anomaly, already identified, of considerable size and open in many directions.

The geology at Yoes Lookout is Upper Ordovician volcanics and appears to be the dominant underlying host rock style, which differs to that of Sorpresa. The Yoes Lookout setting is closer to the porphyry copper-gold style geology that includes North Parkes. An adjacent magnetic anomaly and possible indications of mineralization make this an important priority in the next period.

Concluding Remarks – Looking Forward

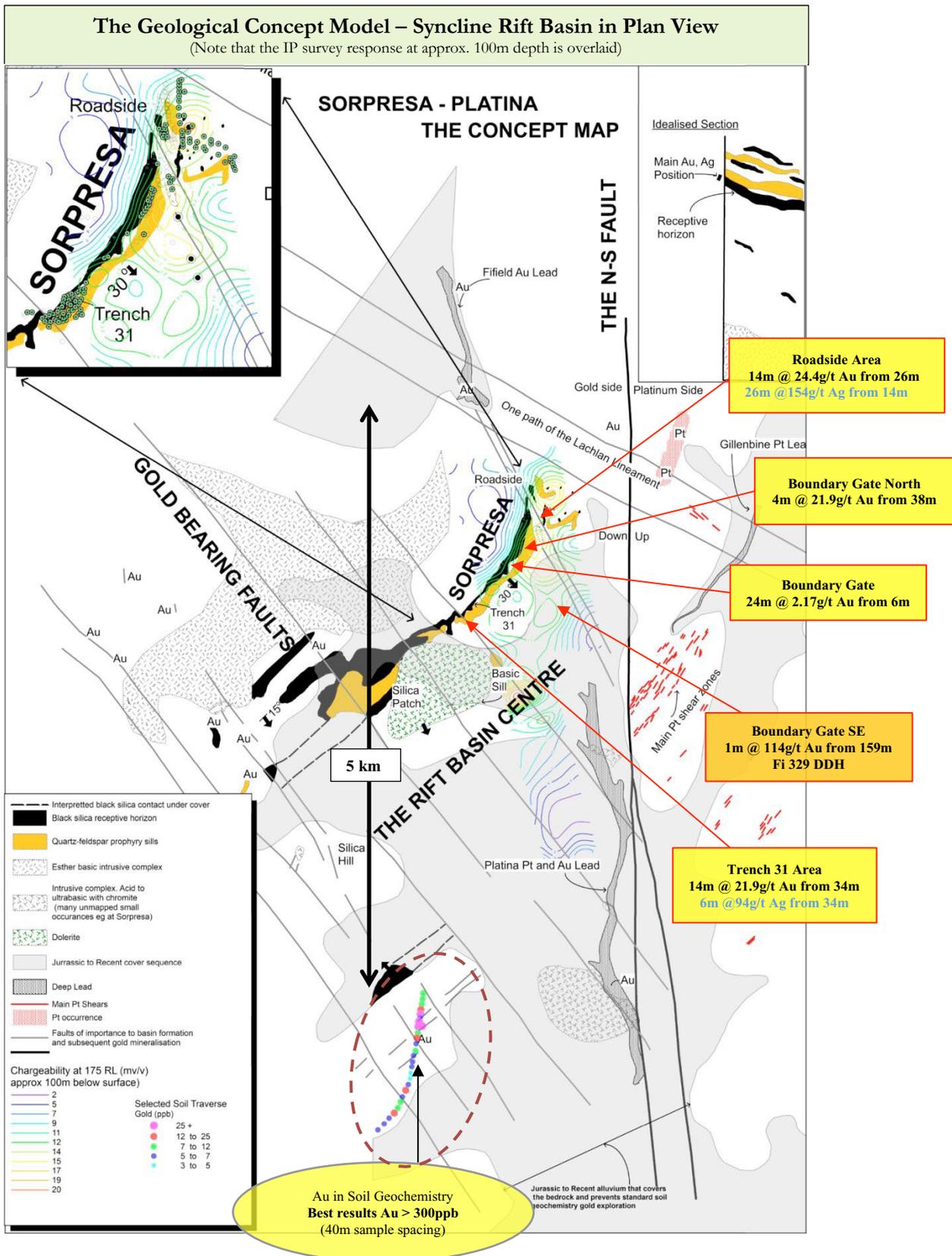
Whilst more work needs to be done, positive commercial parameters are emerging in the work completed to date, with respect to the mineralization shape, scale and depth. The Sorpresa gold and silver mineralization is characterized by a low dip rolling structure, which represents a very favourable geometry for delineation and mining considerations.

In addition the Fifield area is well supported with good development infrastructure for mining so this adds further encouragement to the process. The mounting positive drill results from the Sorpresa project have warranted a preliminary examination of the metallurgy, which will provide additional commercial input.

Shareholders should be greatly heartened by the results achieved to this point, both the diamond drilling and the earlier percussion drilling. The Company is well placed to make significant advances in the Sorpresa project area looking forward. A Company Making opportunity at Fifield continues to gain traction and will be pursued aggressively in the subsequent periods.

Right: An example of RC Drill Chips at Roadside Location within Sorpresa. They are of typical of the mineralization comprising intense silicification, brecciation with carbonate and chalcidonic quartz infill containing base metal sulphides (Sphalerite, Galena, Pyrite, Arsenopyrite and trace Chalcopyrite).





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

Your Directors present their report on the company and its controlled entity for the financial year ended 30 June 2013.

Directors

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

Graham Billingham
 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

The Company had an excellent last 12 months, focused mainly in the Sorpresa gold (Au) and silver (Ag) project area at Fifield NSW.

The high quality of the Sorpresa Gold and Silver project area and its exciting potential has underpinned the recent success of the Company, continually delivering excellent drill intersections and outcomes in the last 14 months, including:

- Extremely high grades for gold and silver at accessible depths**, including bonanza grades
- Showing the host geology (receptive horizon) for the mineralization has **size, continuity, shape and remains open**
- An important connection to the IP geophysics is seen**, allowing easier targeting of the important host geology
- The wider prospective area for gold is greater than 8km²**, of which Sorpresa is just part

Regular drilling is now a feature of the work programs at Fifield. During the period the Company conducted its first ever diamond drill hole program at Sorpresa, with excellent results. Each of the 5 diamond drill holes intersected the black silica gold receptive horizon (host geology), and successfully intersected gold and silver.

This was particularly pleasing given the large step out of 3 of the diamond drill holes, which also confirmed an association to the IP responses, expanded the prospective area considerably in the process, and introduced important insights into the geological setting. The identification of a porphyry component to the geology is deemed to be potentially very important.

Although a resource is yet to be established, the Company considers it has a very exciting project area with multi-million ounce gold potential within the Sorpresa area and its 8km² surrounds. In the last 14 months, best drill holes include:

- **14m @ 21.9g/t Au (incl. 2m @ 87.5g/t Au) from 34m Plus 6m @ 93.8g/t Ag**
- **14m @ 24.4g/t Au (incl. 2m @ 118g/t Au) from 26m Plus 26m @ 155g/t Ag**
- **1m @ 114g/t Au from 159m Plus 1m @ 33g/t Ag** (Diamond Drill hole Fi 329 DDH)
- **10m @ 535g/t Ag from 70m (incl. 2m @ 2020g/t Ag) Plus 10m @ 1.0g/t Au**

Two of these drill intersections were in the top 10 exploration gold intersections achieved within Australia by any Company during the 2012 period.

Drilling work at Sorpresa will move towards defining gold and silver resources with an early focus within the 0 to 60m oxide zone. Concomitant and equally important, discovery exploration will continue to examine the larger mineralizing picture at Fifield, which still requires extensive work, to fulfil the ambitions of a multi-million ounce gold field in the wider 8km² Sorpresa area.

The previously noted co-existence of the platinum (Pt) mineralization at Fifield with the developing gold and silver potential now seen through the work on Sorpresa, continues to be of relevance and importance. Metal zoning remains an observed feature of the regional Fifield geology and points to the likely large scale of the mineralizing events at Fifield. Whilst lessons are still being learned, major advances continue to be made by the Company in understanding the mineralization setting and its excellent potential at Fifield.

The price of gold traded downwards from September 2012, at around USD1,800/ounce to a low in June 2013 at approximately USD1,200/ounce during the period. More recently, gold finished in the trading range USD1,300/ounce to USD\$1,400/ounce level. In the Company's view, the commodity outlook still remains positive for gold, with the global financial environment still somewhat uncertain in the next reporting period, albeit with some signs of improvement.

The Company added to its technical personnel in the period, due to the growth needs of the project at Fifield. Colin Plumridge maintains a focus on discovery work programs and Mr Darren Glover has taken on the role of Exploration and Development Manager, in charge of operations and the Fifield site team.

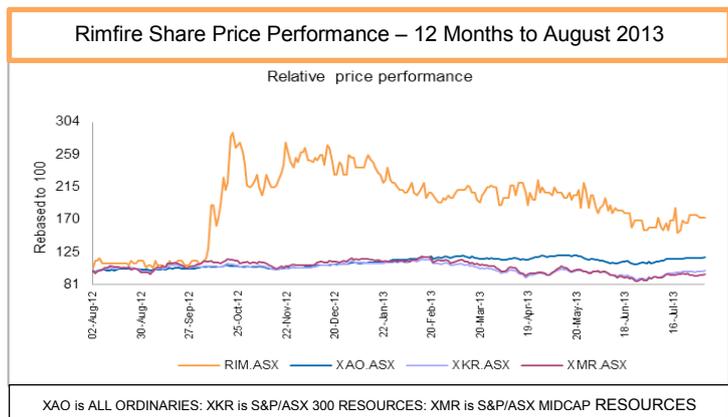
The Board of Directors is grateful to all the personnel contributing to the advancement of the Company projects in the period.

Financial Position

The net assets of the consolidated entity have increased from \$9,237,696 at 30 June 2012 to \$11,050,241 at 30 June 2013. The Company continued to ensure that overhead costs during the financial year were carefully monitored.

The Company was successful in raising further capital (approx. \$3.281m) with a placement and an SPP in September 2013. The Board sincerely acknowledges new and existing shareholders who participated in these events.

During the last 12 month period, the Company was one of the best performing stocks on the ASX compared with peers and the relevant market indices.



Future Developments, Prospects and Business Strategies

The Company remains committed to the emerging potential of the gold mineralization observed within the Fifield district, including beyond the immediate confines of the known gold and silver mineralization at the Sorpresa project.

An area greater than 20km² has been identified at Fifield which is highly prospective and will be intensively explored for gold. A subset of this area, is the Sorpresa area and its immediate surrounds which exceeds 8km². This is viewed by the Company as very important and prospective for gold mineralization.

The Sorpresa area discovery was made possible due to the partly eroded surface at this location, therefore enabling classic soil geochemistry to determine the gold and silver mineralization existence. It is anticipated that additional gold mineralized positions that are less exposed to the surface than Sorpresa, are likely to be within the gold receptive horizon now established.

These postulated gold mineralized positions are awaiting discovery. It is therefore a critical objective of the Company to methodically prospect these many areas as quickly and as effectively as possible, providing quality target development leading to deeper drilling, as appropriate, and building satellite project inventory at Fifield.

The known gold and silver mineralized positions at Sorpresa will be further developed to seek appropriate resource establishment, where feasible to do so. To date there are many favourable attributes of the known mineralization at Sorpresa, including large potential scale, desirable mining shape, accessible depths and high grades in parts. The resource definition of the mineralization will be pursued with this in mind.

The work on the Sorpresa area in 2012/13 has provided important insight into the interconnection between the geological systems for gold, silver, base metal and platinum at Fifield. The Company will be undertaking further refinement of its understanding of the underlying complex geology. The discovery of major mineralization associated with the porphyry system now seen as part of the Fifield geology represents upside of significance for the Company.

Finally, the Platina Lead structure still represents a potentially attractive tier 2 commercial platinum target, and is partly located on the Company freehold. Key knowledge is likely to be gained with respect to the mineralized platinum bedrock system operating and the Sorpresa style gold system now emerging, during any assessment of the Platina Lead, so a plan to undertake such an assessment will be reviewed during 2013/14 accordingly.

Operating Results

The loss of the consolidated entity amounted to \$655,477 (2012: \$421,497).

Dividends

No dividends were paid during the financial year, nor are any recommended at 30 June 2013.

No Significant Changes in State of Affairs

The Sorpresa Gold and Silver discovery at Fifield provides the core focus for the Company going forward. The Platinum potential remains important, and has received exploration input from the most recent diamond drilling activities. The Diamond exploration at Bingara has undergone less activity, with the Sorpresa work taking centre stage now for the Company.

After Balance Date Events

The Company achieved an increase in its capital base after the balance date through a Placement and a Share Purchase Plan (SPP) event, which raised on a combined basis, new capital before costs of approximately \$3.281m through the issue of 76,384,519 new fully paid ordinary shares at 4.3 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 2013 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. Member of: Audit and Remuneration Review (alternate to G Billingham) Committees.

Graham Billingham (Non-Executive Director and Secretary)

Graham Billingham 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. Member of: Remuneration Review Committee.

Ramona Enconiere (Non-Executive Director)

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

Ramona Enconiere 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 Enconiere 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. Member of: Audit and Remuneration Review (chairman) Committees.

Thomas Burrowes (Non-Executive Director)

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

Thomas Burrowes became a Director in December 2010. Tom has accrued extensive operational and management experience at Board level within junior Australian resource companies over the past 24 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. Member of: Audit Committee (chairman).

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 Billingham | 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 | 20,666,666 |
| Graham Billingham | - |
| Ramona Enconniere | 1,668,333 |
| Thomas Burrowes | 800,000 |

Shares in which there is a relevant interest:

| | |
|-------------------|------------|
| John Kaminsky | 5,312,666 |
| Graham Billingham | 16,200,000 |
| Ramona Enconniere | 7,150,000 |
| Thomas Burrowes | - |

Options

No options were issued during the current financial year.

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 Applied during this reporting period

In the current year, there have been no changes in key management personnel, which are listed in the table below.

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 established a Remuneration 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.

This policy is now under review, particularly with the growing needs of the Company, to create a better alignment to industry practices for remuneration. The Remuneration Review Committee has been looking at suitable benchmarking to apply to the Company's Board and executive management, and has an initial determination that the Company has remunerated in the lowest quartile of the industry, whilst the Company has performed in the top quartile, using various measures of assessment.

The Board's historic policy used for determining the nature and amount of remuneration for Board members and senior executives in this reporting period 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 \$90,000 in total. This rate is below the industry norm.

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. This review is still underway at the time of writing.

With respect to executive appraisal, key aspects of performance criteria have included 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. The Committee is further tuning performance criteria as the Company enters the next reporting period, setting explicit measures of performance.

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 amongst executives and the Board is a key attribute.

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. Performance and objectives for the Executive Chairman have yet to have the review completed for the current reporting period and hence his remuneration awaits review. The Executive Chairman is currently on a roll-over of his previous arrangements with the Company, but this is also under review.

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. Legislative changes, however, caused the Company to seek further advice, with the possible establishment of a performance rights scheme.

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 were reviewed in the period with an increase from \$24,000 to \$30,000 taking effect in this period. This level of remuneration is still under further review, as it is below industry benchmarks.

The Remuneration Review Committee determines payments to the non-executive Directors and attempts to review 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 2013

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

| <u>2013</u> | Primary | | Post Employment | Equity Compensation | Total |
|--------------------------------|-------------------------------|------------|---------------------------------|------------------------|----------------|
| Name of Director | Salary, Fees & Commissions | Cash Bonus | Superannuation Contributions | Shares & Options | |
| | \$ | \$ | \$ | \$ | \$ |
| <u>Non-Executive Directors</u> | | | | | |
| G. Billingham | 30,000 | Nil | Nil | Nil | 30,000 |
| R Enconniere | 30,000 | Nil | Nil | Nil | 30,000 |
| T Burrowes | 27,523 | Nil | 2,477 | Nil | 30,000 |
| <u>Executive Director</u> | | | | | |
| J Kaminsky | 238,532 | Nil | 21,468 | Nil | 260,000 |
| | <u>326,055</u> | <u>Nil</u> | <u>23,945</u> | <u>Nil</u> | <u>350,000</u> |

| <u>2012</u> | Primary | | Post Employment | Equity Compensation | Total |
|--------------------------------|-------------------------------|------------|---------------------------------|------------------------|----------------|
| Name of Director | Salary, Fees & Commissions | Cash Bonus | Superannuation Contributions | Shares & Options | |
| | \$ | \$ | \$ | \$ | \$ |
| <u>Non-Executive Directors</u> | | | | | |
| G. Billingham | 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 |
| <u>Executive Director</u> | | | | | |
| J Kaminsky | 226,000 | Nil | 50,000 | Nil | 276,000 |
| | <u>298,000</u> | <u>Nil</u> | <u>52,160</u> | <u>Nil</u> | <u>350,160</u> |

Performance Income as a Proportion of Total Remuneration

No performance based bonuses were paid during the year ended 30 June 2013 (2012: nil).

Employment Contracts of Directors

The Executive Chairman, Mr J Kaminsky, had an arrangement with the Company to provide services, and this was put in place with effect on 1 January 2012. Currently the contract basic conditions have rolled over, and a formal review is to be undertaken shortly.

Executives

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

[End of Remuneration Report]

Indemnifying Officers

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

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

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

Mr John Kaminsky
Ms Ramona Enconniere

Mr Graham Billingham
Mr 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.

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 during the financial year.

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



Director

John Kaminsky

Dated this 30th day of September 2013



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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 2013, I declare that, to the best of my knowledge and belief, there have been:

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

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



David Garvey
Partner

BDO East Coast Partnership

Melbourne, 30 September 2013

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms.

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 the 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 to 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.

| <u>Board Composition by Gender</u> | | | |
|------------------------------------|---------------|--------------------------------|---------------|
| <u>Executive Directors</u> | | <u>Non-Executive Directors</u> | |
| <u>Male</u> | <u>Female</u> | <u>Male</u> | <u>Female</u> |
| 1 | Nil | 2 | 1 |

| <u>Senior Executive Composition by Gender</u> | |
|---|---------------|
| <u>Male</u> | <u>Female</u> |
| 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 with 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 for enhancements
2. Monitoring of compliance with the Corporations Act 2001, Australian Securities Exchange, Australian Taxation Office and Australian Securities and 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 currently consists of the following:

- R Enconniere (Chairman)
- G Billinghamurst
- J Kaminsky (and alternate G Billinghamurst)

The Remuneration Review 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, incentives, bonus and securities.

Remuneration packages should be 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 believes that the Chairman is able to act competently and diligently in the best interests of the Company. |
| 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. |
| 3.2 and 3.3 | No formal policy exists for work place personnel diversity, which includes gender | It is not considered that a formal diversity policy is required, given the small size of the Company and its |

| Recommendation Reference (Principle Number reference) | Departure from Recommendation | Explanation for Departure |
|---|---|--|
| | diversity. | 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. |

| Project Area | Units | Reference | Date Granted | Expiry Date | Registered Holder | State | Mineral Focus |
|---------------------|-------|----------------------|--------------|-------------|-------------------|-------|------------------------------|
| Fifield | 15 | EL6241 | 17-May-04 | 16-May-15 | 100% Rimfire | NSW | Platinum/ Gold/Base Metal |
| Fifield | 40 | EL5534 | 23-Oct-98 | 22-Oct-15 | 100% Rimfire | NSW | Platinum/ Gold/Base Metal |
| Fifield | 4 | EL5565 ^a | 24-Mar-99 | 23-Mar-13 | 100% Rimfire | NSW | Platinum |
| Fifield | 35 | EL7058 | 1-Feb-08 | 01-Feb-14 | 100% Rimfire | NSW | Platinum/ Gold/Base Metal |
| Fifield | 6 | EL6144 ^b | 24-Oct-03 | 23-Oct-11 | 100% Rimfire | NSW | Platinum/ Gold/Base Metal |
| Fifield | 1.9ha | MC305 ^c | 18-Nov-04 | 17-Nov-09 | 100% Rimfire | NSW | Gold/Platinum/ Silver |
| Fifield | 2ha | MC 306 ^d | 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 ^e | 29-Jul-03 | 28-Jul-13 | 100% Rimfire | NSW | Diamonds |
| Broken Hill | 74 | EL5958 ^{fg} | 24-Jun-02 | 23-Jun-13 | 100% Rimfire | NSW | Base Metals |

Notes:

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

b - On hold

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 2013



| | Note | Consolidated Entity | |
|--|------|---------------------|-----------|
| | | 2013 | 2012 |
| | | \$ | \$ |
| Revenue from continuing operations | 2 | 93,000 | 129,099 |
| Expenses: | | | |
| Employee benefits expense | | (229,096) | (214,322) |
| Non-executive directors' fees | | (90,000) | (74,160) |
| Professional costs | | (68,575) | (60,975) |
| Occupancy costs | | (33,568) | (30,258) |
| Travel costs | | (34,878) | (16,344) |
| Marketing expense | | (29,764) | (9,395) |
| Depreciation | | (35,215) | (32,260) |
| Insurance | | (24,698) | (21,335) |
| Share registry and listing expenses | | (51,314) | (45,423) |
| Information and technology expense | | (6,542) | (5,922) |
| Impairment write off on exploration costs | | (103,212) | (7,378) |
| Other expenses | | (41,615) | (32,824) |
| Loss before income tax | | (655,477) | (421,497) |
| Income tax expense | 4 | - | - |
| Loss after income tax | | (655,477) | (421,497) |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the year net of tax | | (655,477) | (421,497) |
| | | | |
| Loss per share for the year attributable to the members of Rimfire Pacific Mining NL | | | |
| Basic loss per share (cents per share) | 7 | (0.11) | (0.08) |
| Diluted loss per share (cents per share) | 7 | (0.11) | (0.08) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Statement of Financial Position

for the year ended 30 June 2013

| | | Consolidated Entity | |
|----------------------------------|------|---------------------|---------------------|
| | Note | 2013 | 2012 |
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 909,465 | 1,401,441 |
| Trade and other receivables | 9 | 109,656 | 52,186 |
| Other current assets | 12 | 18,825 | 11,933 |
| TOTAL CURRENT ASSETS | | <u>1,037,946</u> | <u>1,465,560</u> |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 9 | 150,000 | 150,000 |
| Property, plant and equipment | 11 | 568,300 | 547,214 |
| Exploration & evaluation costs | 13 | 9,555,471 | 7,279,388 |
| TOTAL NON-CURRENT ASSETS | | <u>10,273,771</u> | <u>7,976,602</u> |
| TOTAL ASSETS | | <u>11,311,717</u> | <u>9,442,162</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | 247,124 | 197,341 |
| Provisions | 15 | 14,352 | 7,125 |
| TOTAL CURRENT LIABILITIES | | <u>261,476</u> | <u>204,466</u> |
| TOTAL LIABILITIES | | <u>261,476</u> | <u>204,466</u> |
| NET ASSETS | | <u>11,050,241</u> | <u>9,237,696</u> |
| EQUITY | | | |
| Contributed equity | 16 | 21,861,063 | 19,393,041 |
| Accumulated losses | | <u>(10,810,822)</u> | <u>(10,155,345)</u> |
| TOTAL EQUITY | | <u>11,050,241</u> | <u>9,237,696</u> |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Statement of Changes in Equity

for the year ended 30 June 2013



Consolidated Entity

| | Contributed Equity \$ | Accumulated Losses \$ | Total \$ |
|--|-----------------------------|-----------------------------|-------------------|
| Balance at 1 July 2012 | 19,393,041 | (10,155,345) | 9,237,696 |
| Shares issued during the year | 2,540,500 | - | 2,540,500 |
| Transaction costs related to share issues | (72,478) | - | (72,478) |
| Total comprehensive loss for the period | - | (655,477) | (655,477) |
| Balance at 30 June 2013 | 21,861,063 | (10,810,822) | 11,050,241 |
| 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 shares issued | (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 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Statement of Cash Flows

for the year ended 30 June 2013

| | Note | Consolidated Entity | |
|--|------|---------------------|------------------|
| | | 2013 | 2012 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments to suppliers and employees | | (518,207) | (402,124) |
| Interest received | | 100,485 | 137,290 |
| Net cash used in operating activities | 23a | <u>(417,722)</u> | <u>(264,834)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (73,218) | (194,359) |
| Payment for exploration and evaluation costs | | (2,469,058) | (1,405,438) |
| Proceeds from term deposits | | - | 2,000,000 |
| Net cash (used in)/ provided by investing activities | | <u>(2,542,276)</u> | <u>400,203</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | 2,540,500 | 1,073,203 |
| Transaction costs associated with share issues | | (72,478) | (6,847) |
| Net cash provided by financing activities | | <u>2,468,022</u> | <u>1,066,356</u> |
| Net (decrease)/increase in cash held | | (491,976) | 1,201,725 |
| Cash at beginning of the year | | 1,401,441 | 199,716 |
| Cash at end of the year | 8 | <u>909,465</u> | <u>1,401,441</u> |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1 Notes to the Consolidated Financial Statements

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 oriented 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 for 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 reporting 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.

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 result 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 reporting 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 consolidated statement of profit or loss and other comprehensive income 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, 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 reporting 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. Trade and Other Receivables

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

l. Trade and Other 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 consolidated statement of profit or loss and other comprehensive income 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 profit or loss.

n. **Revenue Recognition**

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 statement of financial position are shown inclusive of GST.

p. **Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to the owners of Rimfire Pacific Mining NL, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

q. **Segment Reporting**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. Rimfire Pacific Mining NL does not have any separately reportable segments.

r. **Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

s. **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 profit or loss. 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.

t. **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 2012 have been adopted by the consolidated entity.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2013. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, is set out below.

t. **New and Revised Accounting Standards and Interpretations (Cont'd)**

Accounting standards

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Group will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the Group.

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The Group will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the Group has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity. The adoption of this standard from 1 July 2013 will not have a material impact on the Group.

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the Group.

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirements associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the Group such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the Group from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)

AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the Group.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 will not have a material impact on the Group.

t. New and Revised Accounting Standards and Interpretations (Cont'd)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel (KMP). The adoption of these amendments from 1 July 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the Group.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the Group.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the Group.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the Group.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a material impact on the Group.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039

This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the Group.

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments

These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on the Group.

| <u>Note 2</u> | Revenue | Consolidated Entity | |
|---------------------|---------|---------------------|----------------|
| | | 2013 | 2012 |
| | | \$ | \$ |
| Other income | | | |
| Interest | | 93,000 | 129,099 |
| Total Revenue | | <u>93,000</u> | <u>129,099</u> |

| <u>Note 3</u> | Loss for the Financial Year | Consolidated Entity | |
|---------------|-----------------------------|---------------------|------|
| | | 2013 | 2012 |
| | | \$ | \$ |

The net loss for the financial year has been arrived at after charging the following:

Expenses

| | | |
|--|--------|--------|
| Rental expense | 22,681 | 21,872 |
| Superannuation contribution expense | 25,389 | 10,264 |
| Superannuation contributions capitalised | 59,915 | 53,719 |

Note 4 Income Tax Expense

| | Consolidated Entity | |
|--|---------------------|------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| a. The prima facie tax/(benefit) on loss before tax is reconciled to the income tax as follows: | | |
| Prima facie tax/(benefit) on loss before tax at 30% (2012: 30%) | (196,642) | (126,449) |
| Add: | | |
| Tax effect of: | | |
| - non-allowable items | - | - |
| - net current year tax losses not recognised, temporary differences and deductible exploration expenditure. | 220,005 | 159,788 |
| | <u>23,363</u> | <u>33,339</u> |
| Less: | | |
| Tax effect of: | | |
| — capitalised share placement costs | <u>(23,363)</u> | <u>(33,339)</u> |
| Income tax expense attributable to loss before income tax | <u>-</u> | <u>-</u> |
| | | |
| The deferred tax asset arising from tax losses has not been recognised as an asset because recovery is not probable: | | |
| Tax losses carried forward | 5,419,328 | 4,493,763 |
| Deferred Tax Liability – exploration costs | (2,866,641) | (2,183,816) |
| Temporary differences – other | <u>26,725</u> | <u>52,888</u> |
| Deferred tax asset not recognised | <u>2,579,412</u> | <u>2,362,835</u> |
| | | |
| Balance of franking account at year end | <u>-</u> | <u>-</u> |

Future benefits attributable to tax losses and 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 2013.

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 Billinghamurst | 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**

2013

| | Primary | | Post | Equity | Total |
|-----------------------|----------------|------------|--|-------------------------------|----------------|
| | Salary & Fees | Cash Bonus | Employment Superannuation Contribution | Compensation Shares & Options | |
| | \$ | \$ | \$ | \$ | \$ |
| Graham Billinghamurst | 30,000 | - | - | - | 30,000 |
| Ramona Enconniere | 30,000 | - | - | - | 30,000 |
| John Kaminsky | 238,532 | - | 21,468 | - | 260,000 |
| Thomas Burrows | 27,523 | - | 2,477 | - | 30,000 |
| | <u>326,055</u> | <u>-</u> | <u>23,945</u> | <u>-</u> | <u>350,000</u> |

2012

| | Primary | | Post | Equity | Total |
|-----------------------|----------------|------------|--|-------------------------------|----------------|
| | Salary & Fees | Cash Bonus | Employment Superannuation Contribution | Compensation Shares & Options | |
| | \$ | \$ | \$ | \$ | \$ |
| Graham Billinghamurst | 24,000 | - | - | - | 24,000 |
| Ramona Enconniere | 24,000 | - | - | - | 24,000 |
| John Kaminsky | 226,000 | - | 50,000 | - | 276,000 |
| Thomas Burrowes | 24,000 | - | 2,160 | - | 26,160 |
| | <u>298,000</u> | <u>-</u> | <u>52,160</u> | <u>-</u> | <u>350,160</u> |

c. **Remuneration Options**

No options were granted to the directors during the current year (2012: nil).

d. **Options Holdings**

Number of Options held by Directors & Executives

| | Balance 01/07/12 | Granted as Remuneration | Options Expired | Net Change Other* | Balance 30/06/13 | Total Vested 30/06/13 | Total Exercisable 30/06/13 | Total Unexercisable 30/06/13 |
|------------------|---------------------|----------------------------|--------------------|-------------------------|---------------------|-----------------------------|----------------------------------|------------------------------------|
| 2013 | | | | | | | | |
| Directors | | | | | | | | |
| R Enconniere | - | - | - | - | - | - | - | - |
| T Burrowes | - | - | - | - | - | - | - | - |
| G Billinghamurst | - | - | - | - | - | - | - | - |
| J Kaminsky | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - |

* Net Change Other refers to options exercised.

Number of Options held by Directors & Executives

| | 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 |
|------------------|---------------------|----------------------------|--------------------|-------------------------|---------------------|-----------------------------|----------------------------------|------------------------------------|
| 2012 | | | | | | | | |
| Directors | | | | | | | | |
| R Enconniere | - | - | - | - | - | - | - | - |
| T Burrowes | - | - | - | - | - | - | - | - |
| G Billinghamurst | 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.

Note 5 Key Management Personnel Remuneration (Cont'd)

e. Shareholdings

Number of Shares held by Key Management Personnel

| | Balance 01/07/12 | Received as Remuneration | Options Exercised | Net Change Other* | Balance 30/6/13 |
|--------------------------------|---------------------|-----------------------------|----------------------|----------------------|--------------------|
| 2013 | | | | | |
| Parent Entity Directors | | | | | |
| G Billingham | 15,700,000 | - | - | 500,000 | 16,200,000 |
| J Kaminsky | 25,279,332 | - | - | 700,000 | 25,979,332 |
| R Enconniere | 7,593,333 | - | - | 1,225,000 | 8,818,333 |
| T Burrowes | 500,000 | - | - | 300,000 | 800,000 |
| Total | 49,072,665 | - | - | 2,725,000 | 51,797,665 |

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

Number of Shares held by Key Management Personnel

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

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

Note 6 Auditor's Remuneration

| | Consolidated Entity | |
|---|---------------------|---------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Remuneration of the auditor for: | | |
| - auditing or reviewing the financial reports | 33,705 | 37,925 |
| | <u>33,705</u> | <u>37,925</u> |

Note 7 Earnings per Share

| | Consolidated Entity | |
|---|---------------------|-------------|
| | 2013 | 2012 |
| | \$ | \$ |
| a. Reconciliation of Earnings to Loss | | |
| Loss used in the calculation of basic EPS | (655,477) | (421,497) |
| Loss used in the calculation of dilutive EPS | (655,477) | (421,497) |
| b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | 592,030,981 | 520,572,684 |
| Potential ordinary shares | - | - |
| Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS | 592,030,981 | 520,572,684 |
| c. Ordinary shares issued between reporting date and time of completion of the financial report | 47,372,093 | 84,683,333 |
| Basic loss per share (cents per share) | (0.11) | (0.08) |
| Diluted loss per share (cents per share) | (0.11) | (0.08) |

Note 8 Cash and Cash Equivalents

| | Note | Consolidated Entity | |
|--------------------------|------|---------------------|------------------|
| | | 2013 | 2012 |
| | | \$ | \$ |
| Cash at bank and on hand | | 109,465 | 41,441 |
| Short term deposits | | 800,000 | 1,360,000 |
| | | <u>909,465</u> | <u>1,401,441</u> |

Reconciliation of Cash

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

| | | |
|---|----------------|------------------|
| Cash at bank | 109,465 | 41,441 |
| Term deposits with maturity of 3 months or less | 800,000 | 1,360,000 |
| | <u>909,465</u> | <u>1,401,441</u> |

Refer to Note 24 for the risk exposure analysis for cash and cash equivalents.

Note 9 Trade and Other Receivables

| | Consolidated Entity | |
|--------------------------|---------------------|---------|
| | 2013 | 2012 |
| | \$ | \$ |
| OTHER RECEIVABLES | | |
| CURRENT | | |
| Security deposits | 580 | 580 |
| Interest receivable | 2,446 | 9,930 |
| Other receivables | 106,630 | 41,676 |
| | 109,656 | 52,186 |
| NON-CURRENT | | |
| Security deposits | 150,000 | 150,000 |

Refer to Note 24 for the risk exposure analysis for receivables. At the reporting date, no receivables were past due or impaired.

Note 10 Controlled Entity

| | Country of Incorporation | Percentage Owned (%) | |
|--|--------------------------|----------------------|------|
| | | 2013 | 2012 |
| 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 | |
|----------------------------|---------------------|----------|
| | 2013 | 2012 |
| | \$ | \$ |
| LAND | | |
| Freehold land | | |
| At cost | 226,834 | 226,834 |
| Total Land | 226,834 | 226,834 |
| PLANT AND EQUIPMENT | | |
| Plant and equipment | | |
| At cost | 411,159 | 364,467 |
| Accumulated depreciation | (133,840) | (96,355) |
| | 277,319 | 268,112 |
| Motor Vehicles | | |
| At cost | 64,237 | 49,509 |
| Accumulated depreciation | (19,300) | (16,326) |
| | 44,937 | 33,183 |
| Office Furniture | | |
| At cost | 71,554 | 67,436 |
| Accumulated depreciation | (54,972) | (48,565) |
| | 16,582 | 18,871 |

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

| | Consolidated Entity | |
|-------------------------------------|---------------------|----------------|
| | 2013 \$ | 2012 \$ |
| Leasehold Improvements | | |
| At cost | 3,101 | 420 |
| Accumulated depreciation | (473) | (206) |
| | <u>2,628</u> | <u>214</u> |
| Total Plant and Equipment | <u>341,466</u> | <u>320,380</u> |
| Total Property, Plant and Equipment | <u>568,300</u> | <u>547,214</u> |

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.

| 2013 | Freehold Land \$ | Motor Vehicles \$ | Plant and Equipment \$ | Office Furniture \$ | Leasehold Improvements \$ | Total \$ |
|------------------------------------|------------------------|-------------------------|------------------------------|---------------------------|---------------------------------|----------------|
| Consolidated Entity: | | | | | | |
| Balance at the beginning of year | 226,834 | 33,183 | 268,112 | 18,871 | 214 | 547,214 |
| Additions | - | 19,727 | 46,692 | 4,118 | 2,681 | 73,218 |
| Disposals | - | (1,636) | - | - | - | (1,636) |
| Depreciation expense | - | (6,337) | (22,204) | (6,407) | (267) | (35,215) |
| Depreciation capitalised | - | - | (15,281) | - | - | (15,281) |
| Carrying amount at the end of year | <u>226,834</u> | <u>44,937</u> | <u>277,319</u> | <u>16,582</u> | <u>2,628</u> | <u>568,300</u> |

| 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 expense | - | - | (7,981) | - | - | (7,981) |
| Carrying amount at the end of year | <u>226,834</u> | <u>33,183</u> | <u>268,112</u> | <u>18,871</u> | <u>214</u> | <u>547,214</u> |

Note 12 **Other Assets**

| | Consolidated Entity | |
|------------------|---------------------|--------|
| | 2013 | 2012 |
| | \$ | \$ |
| CURRENT | | |
| Prepaid expenses | 18,825 | 11,933 |

Note 13 **Exploration & Evaluation Costs**

| | Consolidated Entity | |
|---|---------------------|-----------|
| | 2013 | 2012 |
| | \$ | \$ |
| NON-CURRENT | | |
| Exploration Expenditure | | |
| Costs carried forward in respect of areas of interest in: | | |
| – exploration and evaluation phases | 9,555,471 | 7,279,388 |
| Opening balance | 7,279,388 | 5,867,922 |
| Additional expenditure | 2,379,295 | 1,418,844 |
| Impairment write off | (103,212) | (7,378) |
| Closing balance | 9,555,471 | 7,279,388 |

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

Note 14 **Trade and Other Payables**

| | Consolidated Entity | |
|---------------------------------------|---------------------|---------|
| | 2013 | 2012 |
| | \$ | \$ |
| CURRENT | | |
| Trade creditors | 171,963 | 107,751 |
| Sundry creditors and accrued expenses | 75,161 | 89,590 |
| | 247,124 | 197,341 |

Note 15 **Provisions**

| | Consolidated Entity | |
|-------------------|---------------------|-------|
| | 2013 | 2012 |
| | \$ | \$ |
| CURRENT | | |
| Employee benefits | 14,352 | 7,125 |

Note 16 Contributed Equity

| | Notes | Consolidated Entity | |
|--|-------|---------------------|--------------------|
| | | 2013 | 2012 |
| | | \$ | \$ |
| 610,529,976 (2012: 525,846,643) fully paid ordinary shares | | 21,861,063 | 19,393,041 |
| | | <u>21,861,063</u> | <u>19,393,041</u> |
| a. Ordinary shares | | | |
| At the beginning of the reporting period | | 19,393,041 | 18,326,685 |
| Shares issued during the year | | | |
| — 14 September 2012 | | 1,750,000 | - |
| — 26 September 2012 | | 790,500 | - |
| — Shares issued in the previous year | | - | 1,073,203 |
| Transaction costs relating to share issues | | (72,478) | (6,847) |
| At reporting date | | <u>21,861,063</u> | <u>19,393,041</u> |
| | | 2013 | 2012 |
| | | No. | No. |
| At the beginning of reporting period | | 525,846,643 | 499,016,550 |
| Shares issued during year | | | |
| — 14 September 2012 | | 58,333,333 | - |
| — 26 September 2012 | | 26,350,000 | - |
| — Issued in the previous year | | - | 26,830,093 |
| At reporting date | | <u>610,529,976</u> | <u>525,846,643</u> |

b. Options

No options were issued or exercised 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 17 Parent Entity Information

Set out below is the supplementary information about the parent entity.

| | 2013 | 2012 |
|---|--------------|--------------|
| | \$ | \$ |
| Current assets | 1,037,719 | 1,465,333 |
| Total assets | 11,311,490 | 9,441,935 |
| Current liabilities | 259,976 | 202,966 |
| Total liabilities | 259,976 | 202,966 |
| Issued capital | 21,861,063 | 19,393,041 |
| Accumulated losses | (10,809,549) | (10,154,072) |
| Total equity | 11,051,514 | 9,238,969 |
| Loss of the parent entity | (655,477) | (421,497) |
| Comprehensive loss of the parent entity | (655,477) | (421,497) |

Parent Entity Commitments:

All capital and operating commitments of the group have been entered into by the Parent Entity. Refer to note 18 for these commitments. The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

Note 18 Capital and Leasing Commitments

| | Consolidated Entity | |
|--|---------------------|--------|
| | 2013 | 2012 |
| | \$ | \$ |
| a. Operating Lease Commitments | | |
| <u>Office & Other Premises</u> | | |
| Payable | | |
| — not later than 1 year | 17,011 | 22,682 |
| — later than 1 year but not later than 5 years | - | 17,011 |
| | 17,011 | 39,693 |
| | 17,011 | 39,693 |

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 | |
|--|---------------------|-----------|
| | 2013 | 2012 |
| | \$ | \$ |
| Payable | | |
| — not later than 1 year | 335,500 | 453,000 |
| — later than 1 year but not later than 5 years | 671,000 | 886,000 |
| | 1,006,500 | 1,359,000 |
| | 1,006,500 | 1,359,000 |

Note 19 Contingent Liabilities and Contingent Assets

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

Note 20 Segment Reporting

Business and Geographical Segments

The consolidated entity operates predominantly in one business 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 21 **Related Party Details**

| | 2013 | 2012 |
|--|--------|--------|
| | \$ | \$ |
| 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. | 43,011 | 27,321 |

Note 22 **Events Occurring after the Reporting Period**

The Company announced in its allotment notice to the ASX on 28 August 2013 that it had made a placement of 47,372,093 fully paid shares at 4.3 cents per share which raised \$2.034m before the costs of the placement. Further funds are under discussion.

In addition, the Company completed a Share Purchase Plan (SPP) at 4.3 cents per share. At the time of finalising this report, the SPP had raised funds of \$1.247m with 29,012,426 new shares to be issued.

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 23 Cash Flow Information

| | Consolidated Entity | |
|--|---------------------|-----------|
| | 2013 | 2012 |
| | \$ | \$ |
| a. Reconciliation of Cash Flow from Operations with Loss after Income Tax | | |
| Loss after income tax | (655,477) | (421,497) |
| Non-cash flows in loss | | |
| Depreciation | 35,215 | 32,260 |
| Impairment write off on exploration costs | 103,212 | 7,378 |
| Loss on disposal of PPE | 1,637 | - |
| Changes in assets and liabilities relating to operations | | |
| (Increase)/decrease in prepayments | (6,892) | (6,350) |
| (Increase)/decrease in other receivables | 106,474 | 25,395 |
| Increase/(decrease) in trade creditors and accruals | (9,118) | 94,731 |
| Increase/(decrease) in provisions | 7,227 | 3,249 |
| Cash flows from operations | (417,722) | (264,834) |
| b. <u>Cash not available for use</u> | | |
| There was no cash as at the end of the year which was unavailable for use. | | |
| c. <u>Non-cash Financing and Investing Activities</u> | | |
| There were no non-cash financing and investing activities carried out during the year. | | |

Note 24 Financial Risk Management

a. Financial Risk Management Policies

Categorisation of financial instruments

| Financial assets | Note | Category | Carrying value 2013 \$ | Carrying value 2012 \$ |
|------------------------------|------|--|------------------------------|------------------------------|
| Cash & cash equivalents | 8 | N/A | 909,465 | 1,401,441 |
| Trade and other receivables | 9 | Trade and other receivables at amortised cost | 259,656 | 202,186 |
| Financial liabilities | | | | |
| Trade and other payables | 14 | Financial liabilities measured at amortised cost | 247,124 | 197,341 |

Note 24 Financial Risk Management (Cont'd)

b. Interest Rate Risk

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

| | Floating Interest Rate | | Fixed Interest Rate | | Non-interest Bearing | | Total | |
|-----------------------------|------------------------|---------|---------------------|-----------|----------------------|-----------|-----------|-----------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | \$ | | \$ | | \$ | | \$ | |
| Financial Assets | | | | | | | | |
| Cash | 108,515 | 41,241 | 800,000 | 1,360,000 | 950 | 200 | 909,465 | 1,401,441 |
| Receivables | 150,000 | 150,000 | - | - | 109,656 | 52,186 | 259,656 | 202,186 |
| Other Financial Assets | - | - | - | - | - | - | - | - |
| Total Financial Assets | 258,515 | 191,241 | 800,000 | 1,360,000 | 110,606 | 52,386 | 1,169,121 | 1,603,627 |
| Financial Liabilities | | | | | | | | |
| Trade and sundry creditors | - | - | - | - | 247,124 | 197,341 | 247,124 | 197,341 |
| Total Financial Liabilities | - | - | - | - | 247,124 | 197,341 | 247,124 | 197,341 |
| Net Financial Assets | 258,515 | 191,241 | 800,000 | 1,360,000 | (136,518) | (144,955) | 921,997 | 1,406,286 |

Note 24 Financial Risk Management (Cont'd)

c. **Net Fair Values**

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

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

Recognised financial instruments

Cash: The carrying amount approximates fair value.

Trade and other receivables: The carrying amount approximates fair value.

Term Deposits: The carrying amount approximates fair value.

Trade and other payables: 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 reporting 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 2013, 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 | |
|-----------------------------------|---------------------|---------|
| | 2013 | 2012 |
| | \$ | \$ |
| Change in loss after tax | | |
| - Increase in interest rate by 2% | 5,170 | 3,824 |
| - Decrease in interest rate by 2% | (5,170) | (3,824) |
| Change in equity | | |
| - Increase in interest rate by 2% | 5,170 | 3,824 |
| - Increase in interest rate by 2% | (5,170) | (3,824) |

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

Note 25

Company Details

The registered office and principal place of business of the Company is:

Rimfire Pacific Mining NL
 "Exchange Tower"
 Suite 411, 530 Little Collins Street
 Melbourne VIC 3000



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 Rimfire Pacific Mining NL, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms.



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 2013 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 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership



David Garvey
Partner

Melbourne, 30 September 2013

1. The shareholder information set out below was applicable as at 11 October 2013

(a) Distribution of Shareholders by Class

| Category (Size of Holding) | Ordinary Shares |
|-------------------------------|--------------------|
| 1 – 1,000 | 50,888 |
| 1,001 – 5,000 | 520,695 |
| 5,001 – 10,000 | 1,770,262 |
| 10,001 – 100,000 | 40,855,059 |
| 100,001 & over | 643,717,591 |
| Total | <u>686,914,495</u> |

(b) The number of holders with shareholdings in less than marketable parcels was 586 as at 11 October 2013.

(c) The number of holders of each class of equity security as at 11 October 2013 was:

| Class of Security | Number |
|----------------------------|--------|
| Ordinary fully paid shares | 2,094 |

(d) Voting Rights

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

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

On a poll every Member has:

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

(e) 20 Largest Shareholders - Ordinary Capital as at 11 October 2013

| Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|--|--|---|
| 1. Pacific Nominees Limited | 22,448,837 | 3.27 |
| 2. Mr John Kaminsky | 21,015,503 | 3.06 |
| 3. TJS Investments (Aust) Pty Ltd | 20,062,024 | 2.92 |
| 4. Mr Choong Guang Koh | 17,000,000 | 2.47 |
| 5. Warcoll Holdings Pty Ltd | 16,548,837 | 2.41 |
| 6. Lillicrap Super Fund | 14,948,837 | 2.18 |
| 7. Tranco Pty Limited | 14,000,000 | 2.04 |
| 8. Ralston Corporation Pty Ltd | 12,086,094 | 1.76 |
| 9. Cooee Investments Pty Ltd | 8,816,337 | 1.28 |
| 10. Suvale Investments Pty Ltd | 8,350,000 | 1.22 |
| 11. Jelbart Super Fund | 8,348,837 | 1.22 |
| 12. Esperance Investments Pty Ltd | 8,339,300 | 1.21 |
| 13. Mr Tian Joo Lee | 8,228,561 | 1.20 |
| 14. Mr Simon Korua | 7,339,900 | 1.07 |
| 15. Mr Kenneth Davidson | 6,855,230 | 1.00 |
| 16. Dr Gary Robert Lillicrap | 6,715,505 | 0.98 |
| 17. Mr William Theodore Durnell | 6,700,000 | 0.98 |
| 18. HSBC Custody Nominees | 6,440,895 | 0.94 |
| 19. Bond Street Custodians Limited | 6,250,000 | 0.91 |
| 20. Mr Ronald Roy Foote & Mrs Renate Foote | 6,000,000 | 0.87 |
| | <u>226,494,697</u> | <u>32.97</u> |

2. **The name of the company secretary is Mr Graham Billingham.**
3. **The address and telephone number of the registered office and principal administrative office is:**

Suite 411, 530 Little Collins Street
Melbourne VIC 3000

Telephone: (03) 9620 5866
Facsimile : (03) 9620 5822
Website : www.rimfire.com.au

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

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

Telephone: 1300 850 505
Facsimile : (07) 3237 2152

5. **Stock Exchange Listing**

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

6. **Vendor Securities**

There are no restricted securities on issue as at 11 October 2013.

| | |
|--------------------------------|--|
| Directors: | John Kaminsky (Executive Chairman) Graham Billinghamurst Ramona Enconniere Thomas Burrowes |
| Company Secretary: | Graham Billinghamurst |
| Registered Office: | Suite 411, 530 Little Collins Street Melbourne VIC 3000 |
| Exploration Office: | Suite 411, 530 Little Collins Street Melbourne VIC 3000 |
| Auditors: | BDO East Coast Partnership Level 14, 140 William Street Melbourne VIC 3000 |
| Lawyers of the Company: | McNab Lawyers Level 3, 139 Collins Street Melbourne VIC 3000 |
| Share Registry: | Computershare Investor Services Pty Ltd 117 Victoria Street West End QLD 4001 Tel: 1300 850 505 |
| Bankers: | Macquarie Bank Limited 300 Queen Street Brisbane QLD 4000 |
| Stock Exchange Listing: | Australian Stock Exchange Home Exchange – Melbourne ASX Code: RIM |
| Email Address: | rimfire@rimfire.com.au |
| Website Address: | www.rimfire.com.au |



www.rimfire.com.au