rimfire

Directors' Report & Financial Statements

30 June 2016

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entity for the financial year ended 30 June 2016.

Directors

The names of Directors in office during the whole of the financial year and up to the date of this report:

John Kaminsky
Graham Billinghurst
Ramona Enconniere

John Gillett and Thomas Burrowes were directors from the beginning of the financial year until their retirement on 30 June 2016.

Ian McCubbing was appointed as a non-executive director and chairman of the Board subsequent to the end of the financial year on 25 July 2016 and continues in office at the date of this report.

Principal Activities

The principal activities of the Consolidated entity during the financial year were the exploration and evaluation of mineral deposits.

Review of Operations

During 2015/16 the work continued to focus exclusively at Fifield NSW, including the Sorpresa gold (Au) and silver (Ag) resource area and the multiple regional prospects located within a 6km radius of the Sorpresa discovery. The Company strategy remains consistent with past periods, to enhance the discovery growth potential and value of the Sorpresa resource, while pursuing defined prospects in regional areas of our tenements.

Discovery Progress

The Company has now significantly transformed the Fifield district potential with a clear gold association established and most recently a copper signature is developing to the east of Sorpresa particularly through the work at Eclipse Trend and Yoes areas. The Company's emerging work occurs within one of the most important gold/copper corridors in the world, the Lachlan Transverse Zone (LTZ). Accordingly the Company is well placed to pursue "company making discoveries" and has established strong brand recognition here.

An application was successfully made for an additional exploration tenement area (approx. 288km^2) to the east of Yoes. This now doubles the tenement position in the LTZ corridor, and represents an excellent ground holding for discovery growth in the district for the Company.

Evaluation of the Sorpresa Maiden Resource and Further Studies and Growth

In late 2014 the milestone was achieved in declaring of the Sorpresa Gold and Silver discovery as a JORC 2012 compliant mineral resource. Further definition drilling on high grade areas has been undertaken within Sorpresa at Trench31 and Roadside areas to improve our understanding of the grade distribution, structural controls operating and 3 dimensional shape of the mineralising system. In addition preliminary studies, including evaluation of metallurgical and process options were performed and are continuing to assess the economics of these areas and set the direction on further work.

At Roadside, Hole Fi0751, produced a best result for all of 2016 with **9m @ 16.10g/t Au** & 297g/t Ag **(incl. 1m @ 70.20g/t Au** & 248g/t Ag**).** Additionally, Hole Fi0778, with **2m @ 3.50 g/t Au** & 2360 g/t Ag **(incl. 1m @ 6.24 g/t Au** & 3170 g/t Ag**)** from 35m was the best silver result received anywhere in the project area. Bonanza grades of silver (>1000g/t Ag) have emerged fairly frequently in the gold-silver system operating at Roadside

The Company believes that potential upside exists at Sorpresa by defining additional resources in under explored areas along strike, to the south and at depth, down dip to the east and also in gap areas between mineralised domains. New areas to the north (such as Fortuna prospect) are currently being investigated also.

Regional Discovery Activities and the Sorpresa Gold Corridor

A variety of regional locations were extensively examined, including the newly defined Sorpresa gold corridor, Eclipse Trend, Yoes Lookout and Carlisle. The work has returned gold anomalism that demonstrates the extent of the large scale system that we are investigating.

Drilling was carried out with support from the NSW Government Co-operative Drilling Program Grant, using contractors, and also by the Company using its own inhouse drilling equipment.

The Potential of the Sorpresa North-South Gold Corridor

The Company has spent extensive time formulating an updated mineralisation concept model operating in the Sorpresa North-South Corridor, based on geochemistry, geology & geophysics, providing a refinement of the understanding of the potential for gold (and silver) occurring in the Sorpresa basin style geology. This is considered an important advance in concepts for major ore body discovery. The Sorpresa discovery, whilst not particularly large at this stage, is proof of concept that gold (and silver) including high grades mineralisation has a potential economic focus. Key points include:

- The Sorpresa basin style geology has been expanded to 18km^2 with less than 10% drill tested
- The prominent North-South corridor is 7km x 2km and has emerged with multiple gold targets now identified
- Multimillion ounce gold discovery potential is seen within this area

The integration of the recent intensive field work together with historic knowledge generated by the Company, now creates a highly prospective series of targets within this zone.

Consistent Work in a Lower Cost Operating Environment

The Company has been considering opportunities with potential collaborative partners in the period, and had in place a number of Confidentiality Agreements (CA), and discussions have remained active.

A solid market news flow from the operational results has contributed to the overall good performance of the Company in the period, continuing to take advantage of lower industry costs for field contractors.

The Board of Directors extends its appreciation to all personnel, partners, contractors and stakeholders, who have made valuable contributions to the Company's projects and work programs during 2015/16 period.

Financial Position

The Company continued to ensure that overhead costs during the financial year were carefully managed and monitored and was successful in raising further capital (approx. $1.6M) with a Placement completed in August 2016. The Board sincerely thanks and acknowledges new and existing shareholders who participated in this funding. A Share Purchase Plan (SPP) was also active, and was looking to raise additional funds in September 2016.

AusIndustry R&D funds of $1.046M were also received in the period. The Company also completed its final drawdown on the drilling grant ($175,000 in total) that was awarded from the NSW Department of Resources and Industry. These funding sources were non dilutionary to shareholders and greatly assisted the capacity of the Company to continue its work in a difficult market climate.

Business Strategies and Future Developments

The Company is committed to the discovery potential of the gold, silver and copper mineralisation being observed within the Fifield district, principally within the 6km radius of the known Sorpresa gold and silver resource project.

The vision and strategy being adopted by the Company can be summarised as follows:

- To demonstrate Multimillion Ounce gold equivalent potential at Fifield NSW
    - Focused on Gold, Silver, Copper & Platinum
- Maintain an Overall "Prospect Portfolio" Exploration strategy at Fifield to help mitigate risk in discovery
- Seek accelerated progress and committed expenditure through partnership opportunities
- Work programs will pursue the following key goals:
    - Enhance the Sorpresa Resource, with growth and adjacent discoveries
    - Aim for new discoveries from regional areas principally within 6km of Sorpresa
    - Assess the economic case of the Sorpresa high grade lenses

The Company believes that its consistency in adopting this approach has laid a significant foundation for the next level of advancement in the Fifield district.

Increasing Precious Metal Prices and a Better Resources Investor Sentiment

The investment mood improved in the 2nd half of 2016 for resources, with professional investors and retail participants now more willing to enter the sector.

In the last quarter of 2016 the capital and commodity markets have performed better, buoyed by increased precious metal prices in particular. A stronger appetite for risk now exists from investors, and has spilled into the predevelopment exploration space.

Operating Results

The loss of the Consolidated entity amounted to $725,485 (2015: $720,794).

Dividends

No dividends were paid during the financial year, nor are any recommended at 30 June 2016 (30 June 2015 : Nil).

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.

After Balance Date Events

Ian McCubbing was appointed as a non-executive director and chairman of the Board subsequent to the end of the financial year on 25 July 2016 and continues in office at the date of this report.

Subsequent to the end of financial year, the Company has undertaken an equity raising via a Share Placement to the value of approximately $1.6 million at 2.1 cents per share as announced vis ASX Announcements on 3rd August 2016.

The Company has also entered into a further equity raising via a Share Purchase Plan to the value of approximately $950,000, open to all shareholders registered at 2nd August 2016.

No other matters or circumstances which have arisen since the end of the financial year have 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 2016 financial year.

Information on Directors

Ian McCubbing (Appointed 25 July 2016) **Non-Executive Chairman** ***Bachelor of Commerce (Hons) (UWA), MBA (AGSM), CA, GAICD***	
Experience And Expertise	Mr Ian McCubbing was appointed Non-executive Director and Chairman of the Board on 25th July 2016 and brings a strong commercial background in the resources industry to the Company. He has over 30 years experience as a Chartered Accountant with industrial and mining companies, principally in the areas of corporate finance and mergers and acquisition. He holds a Bachelor of Commerce (Honours) from UWA and Executive MBA from the AGSM, and is a graduate member of the Australian Institute of Company Directors. Mr McCubbing is currently a Non-Executive Director of three other ASX listed resources related companies and previously been a director and CFO of ASX 200 listed mining companies.
Other Current Directorships	Avenira Ltd (non-executive director since 2012), Swick Mining Services Ltd (non-executive director since 2010), and Kasbah Resources Ltd (non-executive director since 2011).
Former Directorships in Last 3 Years	Mirabela Nickel Ltd (non-executive director Jan 2011 to Apr 2014; non-executive chairman Jan 2014 to Apr 2014)
Special Responsibilities	Chairman of the Board (Appointed 25 July 2016)

John Kaminsky **Managing Director and Chief Executive Officer** ***Bachelor of Applied Science (Chemistry) (RMIT), MBA (Melbourne Business School)***	
Experience And Expertise	John 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 and became Managing Director and Chief Executive Officer on 3rd March 2015.
Other Current Directorships	None.
Former Directorships in Last 3 Years	None.
Special Responsibilities	Managing Director and Chief Executive Officer.

Graham Billinghurst **Non-Executive Director and Secretary**	
Experience And Expertise	Graham was appointed Director of Rimfire Pacific Mining NL and Axis Mining NL in May 1999. He 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.
Other Current Directorships	None.
Former Directorships in Last 3 Years	None.
Special Responsibilities	Member of the Remuneration and Nominations Committee.

Ramona Enconniere **Non-Executive Director** ***Bachelor of Commerce (University of Melbourne), MBA (Melbourne Business School)***	
Experience And Expertise	Ramona was appointed Director of Rimfire Pacific Mining NL in May 2005. She has professional affiliations with the Australian Society of CPA and the Australian Institute of Banking and Finance. She 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.
Other Current Directorships	None.
Former Directorships in Last 3 Years	None.
Special Responsibilities	Member of the Remuneration and Nomination Committee

John Gillett (Retired 30 June 2016) Non-Executive Director *Bachelor of Engineering Civil (Hons), Diploma of Business Management, FIE Aust, MICE (UK), CEng, MAICD*	
Experience And Expertise	John was appointed a Director of Rimfire Pacific Mining NL on 17th July 2014 and became Non-Executive Chairman on 3rd March 2015. He is a professional civil engineer with business experience in the resources industry, infrastructure and services to government over a 40 year period. He has gained company director, management, business development and project experience in large corporate and multinational businesses. He has lived and worked in Australia, USA, UK and Indonesia. John's areas of expertise include strategic and business planning for new businesses, feasibility studies, environmental impact studies, approvals, design and project/construction management for mining, water, transport and building projects. In addition, he brings sound commercial judgement, risk management skills, experience in regulatory compliance and government relationships to the board.
Other Current Directorships	None.
Former Directorships in Last 3 Years	None.
Special Responsibilities	Chairman of the Board (appointed 3 March 2015, retired 30 June 2016). Member of Risk and Audit Committee (retired 30 June 2016). Chairman of Remuneration and Nomination Committee (appointed 9 December 2014, retired 30 June 2016).

Thomas Burrowes (Retired 30 June 2016) Non-Executive Director *Bachelor of Economics (Hons), MBA (Melbourne Business School)*	
Experience And Expertise	Thomas was appointed Director of Rimfire Pacific Mining NL in December 2010. He has accrued extensive operational and management experience at Board level within junior Australian resource companies over the past 25 years. After an initial career in funds management he has held executive directorship positions in 7 resource companies. He 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
Other Current Directorships	None.
Former Directorships in Last 3 Years	Stellar Resources Limited 2004 – May 2014 (Non-Executive Director).
Special Responsibilities	Chair of the Risk and Audit Committee (retired 30 June 2016) Member of the Remuneration and Nomination Committee (retired 30 June 2016).

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		Risk and Audit Committee Meetings		Remuneration and Nomination Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
John Kaminsky	4	4	-	-	-	-
Graham Billinghurst	4	4	-	-	3	3
Ramona Enconniere	4	4	-	-	3	2
John Gillett	4	4	3	2	3	3
Thomas Burrowes	4	4	3	3	3	3

REMUNERATION REPORT (AUDITED)

The Remuneration Report, which has been audited, outlines the Key Management Personnel (KMP) remuneration arrangements for the Consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its regulations.

The Remuneration Report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration for the year ended 30 June 2016
3. Service agreements
4. Share-based compensation
5. Additional information

a. Principles used to determine the nature and amount of remuneration

The Board of Rimfire Pacific Mining NL used the Remuneration and Nomination 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 alignment between Directors, executives and shareholders.

The Company Policy, implemented via the Remuneration and Nomination Committee, is to benchmark Company remuneration against comparable businesses and ensure that remuneration is comparable to the upper quartile, but also within the financial constraints the Company may be operating within at the time of assessment.

Remuneration policy for Directors and senior executives is reviewed annually by the Board. The policy allows a mix, as determined by the Board on advice of the Remuneration and Nomination Committee. Depending on the nature of employment agreements, remuneration comprises a fixed component, (which is based on factors such as capability, effectiveness, work tasks, responsibilities, length of service and experience), superannuation, fringe benefits, short term bonus, long term incentives including and wholly or partly in securities, subject to any necessary shareholder or regulatory approvals.

The policy requires reviews take into account the Consolidated entity's performance, executive and Non-Executive Director performance and comparable information from industry, including other listed companies in the resources sector. Independent external advice is sought as required. Criteria for executive and director appraisal include:

- maintaining high standards of work place health and safety, environmental compliance and community liaison
- leading the development of strategy, and communicating this to stakeholders
- maintaining and adding to capital resources necessary to execute the Company's strategy, with minimal dilution and costs to shareholders
- technical advancement in the discovery potential of the project areas
- managing operations and expenditure to efficient levels and within budgets,
- preserving financial and business integrity and managing risk under difficult industry conditions
- recruiting, managing and training personnel to ensure access to high levels of skill in the industry
- managing investor relations and Company communication
- ability to multi-skill and cover as much of the Company's skill needs from in-house resources

The Board is aware of the need to maintain competitive remuneration to reward performance which benefits shareholders and advances the Company. To this end the 2016/17 review is proposing to examine short term bonus and long term incentive programs to motivate and reward those people who create shareholder value and make the greatest contribution to the Company.

The Board has been constrained by limited financial resources in relation to the ability to change remuneration for the last few years. This has resulted in no remuneration increases for Non-Executive Directors, the Chief Executive or senior professional staff which have been frozen in the last few periods.

Chief Executive Officer remains on a roll-over of his previous arrangements with the Company, as do Directors and other senior personnel. In 2015/16, there was no increase in the Chief Executive Officer remuneration from the previous three reporting periods. There has been no change to the remuneration of Non-Executive Directors in the last two periods. To align Directors' interests with shareholder interests, Directors are encouraged to hold shares in the Company.

The remuneration policy review in 2016/17 will look to continue to meet the needs of the Company, to create a better alignment to industry practices for remuneration and to accommodate changes to law. The Company is reviewing the application of laws effective 1 July 2016 in relation to the use of employee share schemes and performance rights.

REMUNERATION REPORT (AUDITED) (continued)

b. Details of Remuneration for the Year Ended 30 June 2016

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

Benefits to senior executives and the Non-Executive Directors consisted exclusively of cash benefits in the period. A non-executive Director Pool of $200,000 was available in 2016 ($200,000 in 2015) and represents the maximum aggregate payments to Non-Executive Directors, in their capacities as Directors, that can be paid in any one year without requiring additional shareholder approval. The actual Non-Executive Director pool utilised in the 12 month period was $120,000 in total ($117,500 in 2015). This rate is below the industry norm.

2016	Primary		Post Employment	Equity Compensation	
Name of Director	Salary, Fees & Commissions	Cash Bonus	Superannuation Contributions	Shares & Options	Total
	$	$	$	$	$
Non-Executive Directors					
J Gillett	15,480	Nil	14,520	Nil	30,000
G Billinghurst	30,000	Nil	Nil	Nil	30,000
R Enconniere	30,000	Nil	Nil	Nil	30,000
T Burrowes	27,397	Nil	2,603	Nil	30,000
Executive Director					
J Kaminsky	238,532	Nil	22,661	Nil	261,193
	341,409	Nil	39,784	Nil	381,193

2015	Primary		Post Employment	Equity Compensation	
Name of Director	Salary, Fees & Commissions	Cash Bonus	Superannuation Contributions	Shares & Options	Total
	$	$	$	$	$
Non-Executive Directors					
J Gillett	25,114	Nil	2,386	Nil	27,500
G Billinghurst	30,000	Nil	Nil	Nil	30,000
R Enconniere	30,000	Nil	Nil	Nil	30,000
T Burrowes	27,397	Nil	2,603	Nil	30,000
Executive Director					
J Kaminsky	238,532	Nil	22,661	Nil	261,193
	351,043	Nil	27,650	Nil	378,693

Performance Income as a Proportion of Total Remuneration

No performance based remuneration was paid during the year ended 30 June 2016 (2015: nil).

c. Employment Contracts

The Managing Director and Chief Executive Officer, Mr J Kaminsky, had an arrangement with the Company to provide services, and this was put in place with effect on 1 January 2012. The contract conditions have continued, and a 12 month rolling extension exists, from 1st December each calendar year. It is the intention of the Company to establish a fresh agreement within the 2016/17 period. Under the terms of the contract, the remainder of the 12 month contract period represents the termination payout obligation. Accordingly the maximum termination obligation is 12 months. The period of notice for either party varies from immediate termination to 3 months, depending on circumstances of notice.

The Non-Executive Directors have been appointed on an ongoing basis and Directors have no retirement benefit allowances (neither current nor accrued), and the Company has no obligations to Directors upon their cessation from office.

REMUNERATION REPORT (AUDITED) (continued)

d. Share Based Compensation of Directors & Executives

No shares or options were granted to Directors or Executives, exercised, expired or held during the years ended 30 June 2015 or 30 June 2016.

e. Additional Disclosures Relating to Key Management Personnel

Shareholdings

2016	Balance 01/07/15	Received as Remuneration	Shares Acquired	Balance 30/6/16
J Kaminsky	29,838,169	-	3,500,000	33,338,169
G Billinghurst	18,990,356	-	442,019	19,432,375
R Enconniere*	6,992,170	-	803,405	7,795,575
J Gillett (retired 30 June 2016)	4,252,834	-	1,665,000	5,917,834
T Burrowes (retired 30 June 2016)	1,177,519	-	400,000	1,577,519
Total	61,251,048	-	6,810,424	68,061,472

* The number of shares for R. Enconniere as at 1 July 2015 differs from the closing balance at 30 June 2015 by 4,925,000 shares. The 30 June 2015 balance reflected the then current Appendix 3Y, which inadvertently included shares held by a third party. This change was previously disclosed in an Appendix 3Y released on 14 December 2015.

2015	Balance 01/07/14	Received as Remuneration	Shares Acquired	Balance 30/6/15
J Kaminsky	26,338,169	-	3,500,000	29,838,169
G Billinghurst	16,548,837	-	2,441,519	18,990,356
R Enconniere*	9,167,170	-	2,750,000	11,917,170
J Gillett (appointed 17 July 2014)	-	-	4,252,834	4,252,834
T Burrowes	1,009,302	-	168,217	1,177,519
Total	53,063,478	-	13,112,570	66,176,048

REMUNERATION REPORT (AUDITED) (continued)

Options

Number of Options held by Key Management Personnel

2016	Balance 01/07/15	Options Acquired*	Options Expired	Net Change Other	Balance 30/06/16	Total Vested 30/06/16
J Kaminsky	3,500,000	3,500,000	(3,500,000)	-	3,500,000	3,500,000
G Billinghurst	2,441,519	442,019	(2,441,519)	-	442,019	442,019
R Enconniere	2,750,000	803,045	(2,750,000)	-	803,045	803,045
J Gillett (retired 30 June 2016)	2,421,834	3,100,000	(2,421,834)	-	3,100,000	3,100,000
T Burrowes (retired 30 June 2016)	168,217	400,000	(168,217)	-	400,000	400,000
Total	11,281,570	8,245,064	(11,281,570)	-	8,245,064	8,245,064

* Options granted as part of Rights Issue.

2015	Balance 01/07/14	Options Acquired	Options Expired	Net Change Other	Balance 30/06/15	Total Vested 30/06/15
J Kaminsky	-	3,500,000	-	-	3,500,000	3,500,000
G Billinghurst	-	2,441,519	-	-	2,441,519	2,441,519
R Enconniere	-	2,750,000	-	-	2,750,000	2,750,000
J Gillett (appointed 17 July 2014)	-	2,421,834	-	-	2,421,834	2,421,834
T Burrowes	-	168,217	-	-	168,217	168,217
Total	-	11,281,570	-	-	11,281,570	11,281,570

Executives

There were no executives other than the Managing Director and Chief Executive Officer, Mr John Kaminsky, at balance date.

This concludes the Remuneration Report which has been audited.

OTHER MATTERS

Indemnifying Officers

The Company maintains a directors and officers insurance policy. 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 Ian McCubbing
Mr Graham Billinghurst
Mr John Kaminsky
Ms Ramona Enconniere

Proceedings on Behalf of the Company

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

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

Auditor's Independence Declaration

The auditor independence declaration required under Section 307C of the *Corporations Act 2001* forms part of this Directors' Report and is included on page 11.

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 Ian McCubbing

Dated this 29th day of September 2016

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DECLARATION OF INDEPENDENCE BY SIMON SCALZO TO THE DIRECTORS OF RIMFIRE PACIFIC MINING NL

As lead auditor of Rimfire Pacific Mining NL for the year ended 30 June 2016, 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.

Simon Scalzo
Partner

BDO East Coast Partnership

Melbourne, 29 September 2016

Corporate Governance Statement

Introduction

The Directors of Rimfire Pacific Mining NL recognise the need for high standards of corporate governance and are focused on fulfilling their responsibilities individually and as a Board to all of the Company stakeholders. The Board supports the guidelines in the "Corporate Governance Principles and 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 to allow it to reasonably meet the principles of good corporate governance, consistent with the guidelines and recommendations. 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: Lay Solid Foundations for Management and Oversight

During the reporting period, Mr John Gillett, a Non-Executive Director performed the role of independent Chairman of the Company, and Mr John Kaminsky performed the role of Managing Director and Chief Executive Officer. This structure is in line with the ASX Principles of Governance. The respective roles of the Board and executive management are as follows:

1. The Board, in conjunction with the CEO, defines and sets the Company's business objectives and strategy. The role of the Board is to lead and oversee the management and direction of the Company, approve and monitor plans, budgets and organisation, and oversee risk and compliance. The Board reports to Shareholders and regulators as required.

2. The CEO leads the Company in executing the Company strategy, and in managing all Company operations, finances, human resources, reporting and compliance. The CEO reports directly to the Board and regularly consults with the Chairman and individual Directors on matters of relevance and of individual expertise. The CEO is responsible for reporting on matters of compliance, takes responsibility for risk management processes and a review of executive management, remuneration practices and insurance needs of the Company.

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. Major contracts for procurement and matters involving significant commitment of Company resources are required to be consulted with the Chairman, and submitted to the Board for approval where appropriate.

The Board has two committees to assist and advise on matters:

Remuneration and Nomination Committee: This Committee's role was expanded during the year to include the Nomination role. The Committee comprises all non-executive directors and advises the Board on the employment terms and conditions and remuneration for the CEO, Non-Executive Directors and senior management personnel. During the reporting period, the Board undertook a review of Board performance as a whole and of individual Directors, and continues to review the Board structure for an appropriate mix of skills. Desired skills that were identified have been taken into account with the recent Board changes, adding to Board skills set and diversity of backgrounds available to the Company.

The Committee undertakes a review of the Managing Director/CEO's performance and remuneration at least annually and provides feedback and recommendations on performance and the remuneration package. A review of the Managing Director/CEO's performance occurred during the past year.

Risk and Audit Committee: This Committee comprises two independent directors and other directors are invited to attend Risk and Audit meetings. The Committee Chair is not the Chairman of the Company as recommended in the Corporate Governance guidelines. The Committee meets as required to advise on half yearly and annual audits, and consults with the independent Auditors of the Company. The Company maintains appropriate insurances, registers of Workplace Health and Safety performance and other risk issues in the business.

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

The Company undertakes various checks before appointing or putting forward to the Shareholders a new director and annually seeks confirmation of the Directors' good standing. Directors are required 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.

Information regarding Directors seeking re-election is presented to shareholders as part of the Notice of Meeting papers and on the website.

The Company obtains from Directors consents to act and agreements to comply with polices of the Company in general and Directors in particular. Directors are not appointed for fixed terms of service. The Managing Director and CEO currently has a roll over agreement that is subject to review. The Directors are able, and encouraged, to seek external professional advice as may be required, depending on circumstance.

The Company Secretary reports directly to the Board via the Chair on company secretarial matters.

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

Board Composition by Gender			
Executive Directors		Non-Executive Directors	
Male	Female	Male	Female
1	Nil	3	1

Senior Executive Composition by Gender	
Male	Female
1	Nil

Principle 2: Structure the Board to Add Value

Nomination of Other Board Members

Due to the small size of the Company, the nominations function has been combined with the remuneration function in the Remuneration and Nomination Committee.

The committee during the Financial Year consisted of the following independent non-executive directors:

- John Gillett (Chair)
- Ramona Enconniere
- Graham Billinghurst
- Tom Burrowes

Directors' profiles and service periods are provided in the Directors' Report. The number of meetings and attendance is outlined in the Directors' Report. A new Board member was appointed subsequent to the reporting period and Board composition remains under continuous review.

Composition of the Board

As a junior exploration Company, the key performance criteria for the Directors and executives are their ability to bring ideas, judgement, business experience, risk assessment skills, and background in the exploration and mining industry. The Directors have appropriate networks, knowledge of capital raising approaches, and experience in exploration for minerals and in project development. Directors and senior managers individually have professional skills in mining, geology, science, finance, banking, international trade and project development. They have experience in procuring services and contracts with suppliers, and in managing within modest resources. Efficiency and effectiveness are key performance measures. The Board has the ability to access specific skill gaps with outside advice as the needs may arise.

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 skills and experience considered necessary to represent Shareholders and fulfil the business objectives of a Company.

The Board currently comprises an independent Non-Executive Chair, two other independent Non–Executive Directors and the Managing Director/CEO. Directors joining and whilst members of the Board are provided with material on the Company's background, policies and operations and entail periodic site visits to familiarise themselves with the Company's operations and site staff. Each of the Directors is entitled to seek independent advice at Company expense to assist them to carry out their responsibilities.

Principle 3: Act Ethically and Responsibly

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.

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. A Director may not participate in any decision where he or she has a conflict of interest. The Board would act in accordance with the *Corporations Act* if conflict cannot be removed or if it persists.

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. The Chairman is required to advise 2 Non-executive Directors of a potential trade by himself.

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.

Principle 4: Safeguard Integrity in Corporate Reporting

A Risk and Audit Committee operates within the Company.

The Committee consisted of the following independent directors during the Financial Year.

T Burrowes (Chair)	Non-Executive Director
J Gillett	Non-Executive Director

The number of Committee members reflected the small size of the Company and the number of Directors on the Board. Other directors are invited to attend Risk and Audit meetings. Due to Directors retiring at 30th June 2016, this Committee will have new members appointed. The number of meetings held and their attendance is outlined in the Directors Report.

The main responsibilities of the Risk and Audit Committee relating to the Audit function are to:

1. Review the annual financial statements with the Managing Director and Chief Executive Officer and the external Auditors and make appropriate recommendations to the Board;
2. Review all regular financial reports to be made to the public and make appropriate recommendations to the Board prior to their release;
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.
5. Review insurances, and other risk management processes within the Company

The Managing Director and Chief Executive Officer 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 is invited to join the Risk and Audit meetings with the external Auditors and the Auditor has access to each Board member.

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 5: Make Timely and Balanced Disclosure

The Managing Director and Chief Executive Officer 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 website to ensure all investors have equal and timely access.

Principle 6: Respect the Rights of Shareholders

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

The Company maintains a website providing information about the Company and its operations to shareholders and the public. This website is regularly updated with updates via ASX Announcements, including presentations, operations updates, notices of meeting, quarterly activities and cashflow, annual and half yearly reports issued by the Company, which are located on separate webpages for ease of access. The website also includes a page with the Corporate Governance Policy and other pages devoted to policies, board and management, corporate directory and the company's operations and projects. The Company posts on its website concurrently any presentations made in public forums about Company activities.

The Company encourages shareholder engagement at meetings by encouraging attendance and providing opportunity for questions to be asked of the Directors and senior management. The Company utilises a subscriber list to disseminate all ASX Announcements via email to shareholders and other interested parties who can join via a website function or by contacting the Company directly. All Shareholders who nominate to do so receive a copy of the Company's Annual Report.

Shareholders have the option to receive communications from and to communicate to the Company and its share registry electronically.

Principle 7: Recognise and Manage Risk

A Risk and Audit Committee has operated within the Company.

The Committee consisted of the following independent directors during the Financial Year.

T Burrowes (Chair)	Non-Executive Director
J Gillett	Non-Executive Director

The number of Committee members reflected the small size of the company and the number of Directors on the Board. Other directors are invited to attend Risk and Audit meetings. Due to Directors retiring at 30th June 2016, this Committee will have new members appointed. The number of meetings held and their attendance is outlined in the Directors Report.

A key element of the Board's role is the assessment and management of risk. The Board exercises its responsibility to oversee risks in the Company through the Risk and Audit Committee. The Committee's formulation is outlined at Principle 4 Safeguarding Integrity and Corporate Reporting where the audit function is discussed and the meetings attendance is outlined in the Directors Report.

The Company has always had a strong focus on risk in field activities, including workplace health and safety, business risk arising through equipment, community and environmental factors. The Company maintains a risk register and has built a safety and environmental culture into its operations, and monitors compliance with policy and legal requirements. The Company at least annually undertakes a systematic review of its risks, controls and procedures to ensure they are effective and maintain contemporary practice. The Company has undertaken a review during the past year.

Inherent in the way the Company does business is to balance potential rewards with the cost of conducting exploration programs. The Company employs a number of strategies to mitigate its risks including using both in-house and contractor services, flexible employment arrangements to adjust resources to work loads, using low cost exploration and investigation techniques to define drill targets, and conduct of preliminary studies of options to better understand potential value creation for Shareholders. The Company maintains a portfolio of prospects at any one time to help mitigate project failure

The Company is conscious of the risk in maintenance of the database and securing this against accidental or malicious loss, theft or misuse. The Company undertakes peer review of prospects and priorities using both internal personnel and external parties, to challenge exploration assumptions at various times.

Although the Company is not yet in production and sale of mineral commodities, investor views of our industry are influenced by commodity and currency price fluctuation. The Company does not rely on debt funding so that interest rate fluctuations are not a risk at this time. Where considered to be commercially viable in relation to risk mitigated or transferred, the Company takes out insurance policies appropriate to its business.

The Company has in place internal financial control processes. These include methods of ensuring value for money in procurement, probity in contracting and approvals of Company funds, appropriate use of signing authority, and dual signatures on bank accounts. External Auditors review our systems and our compliance with control policies.

Maintenance of solvency is a serious Board and Management responsibility. Careful monitoring of expenditures against budget is carried out continuously, and cash balances and forecasts are monitored to ensure the Company is able to meet its obligations as and when they arise. As the Company is substantially reliant on shareholder funding to continue its activities, the state of equity markets and an ongoing supportive response from shareholders to the capital raising needs of the Company are of primary importance.

From time to time the Board will need to authorise equity raisings, capital or joint operations with funding implications with other parties, and/or major capital expenditure. Other routine operating expenditures are the responsibility of management in accordance with programmes and budgets approved by the Board.

With a personnel complement of less than 10, the Company does not keep an internal audit function. The Board exercises its monitoring and supervisory responsibilities through:

1. Review of reporting and use of internal controls.

2. 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 through plans for upgrading its accounting software system.

4. Follow-up and rectification by management of any deficiencies in controls or procedures.

As part of the annual audit process, the Board receives annually, the assurance from the Managing Director and Chief Executive Officer by signed declaration.

Principle 8: Remunerate Fairly and Responsibly

A Remuneration and Nomination Committee operates within the Company.

The committee during the Financial Year consisted of the following independent non-executive directors named below and its meetings and their attendance is reported in the Directors Report:

- John Gillett (Chair)
- Ramona Enconniere
- Graham Billinghurst
- Tom Burrowes

The Remuneration and Nomination Committee makes recommendations to the Board on remuneration and other terms of employment for the CEO, senior executives, and Non-Executive Directors. This is done by annual reviews of individual performance, comparison with industry data and with comparable companies. From time to time external remuneration consultants may be engaged to verify Committee processes.

Depending on the employment status of Company personnel and applicable employment law, remuneration may include a base salary or fixed contract remuneration, plus defined benefits either included in all-in rates of pay or paid as additional benefits, such as superannuation, leaves, fringe benefits, short term incentive/bonus, and long term incentives (which may include shares, options on shares or performance rights).

Remuneration packages are set at affordable market levels and aim to attract and retain high calibre staff and align the interests of personnel with those of 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 payments to Non-Executive Directors is $200,000 (2014: $200,000) in aggregate. Not all of this pool is used at present.

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
1.5	No formal policy exists for work place personnel diversity, which includes gender diversity.	The Company balances its skill needs with geographic, experience and personal attribute diversity, on merit.
2.1	The Nomination Committee does not operate as a separate entity or have a formal charter.	The nomination function has been incorporated into an expanded Remuneration and Nomination Committee. Given the size of the company and the involvement of all Directors, a policy has not been required to date.
3.1	No formal code of conduct has been established as to reporting and investigating unethical practices, except for conflict of interest and insider trading.	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.
4.1	The structure of the Risk and Audit Committee comprises two independent Directors.	Given the size and complexity of the Company, a committee of two is considered appropriate.
4.1	The Risk and Audit Committee does not have a formal charter.	A charter will be prepared during 2017.

Recommendation Reference (Principle Number reference)	Departure from Recommendation	Explanation for Departure
5.1	Limited written policy and procedure exists to ensure that compliance with ASX Listing Rules disclosure requirements are met at senior management level.	ASX listing rules are complied with. External qualified professionals provide additional advice and support to the Company decision making process.
6.2	The Company has no formally designed communication strategy with Shareholders beyond ensuring continuous disclosure is met.	The Board is conscious of the need to continually keep Shareholders and markets advised. The ASX announcement platform and website are the main bases for communication with Shareholders. Detailed disclosures are provided. The Company responds directly to any shareholder query.
7.1 and 7.2	There is a policy on management of risk in operations, but a broader risk policy is being developed.	A broader risk review and related insurance review of risks is planned as the Company expands its operations.
7.3	The Company does not have an internal audit function or appointed Chief Financial Officer.	The size and complexity of the Company doesn't warrant these functions.
8.2	The Nomination Committee does not operate as a separate entity or have a formal charter.	The nomination function has been incorporated into an expanded Remuneration and Nomination Committee. The guidelines that are used are outlined in the Corporate Governance Statement.

Schedule of Mining Tenements

Project Area	Units	Reference	Date Granted	Expiry Date	Registered Holder	State	Mineral Focus
Fifield	15	EL6241	17-May-04	16-May-18	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	40	EL5534	23-Oct-98	22-Oct-17	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	4	EL5565	24-Mar-99	23-Mar-17	100% Rimfire	NSW	Platinum
Fifield	35	EL7058	1-Feb-08	01-Feb-17	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	1.9ha	MC305	18-Nov-04	17-Nov-19	100% Rimfire	NSW	Gold/Platinum/ Silver
Fifield	2ha	MC306	18-Nov-04	17-Nov-19	100% Rimfire	NSW	Gold/Platinum/ Silver
Fifield	7	EL7959	16-Aug-12	16-Aug-17	100% Rimfire	NSW	Gold/Base Metal
Fifield	100	EL8401	22-Oct-15	22-Oct-18	100% Rimfire	NSW	Gold/Base Metal
Broken Hill	27	EL5958 [a b]	24-Jun-02	23-Jun-15	100% Rimfire	NSW	Base Metals

Notes:

a - Renewal applications have been lodged.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated Entity 2016 $	2015 $
Revenue from continuing operations	2	178,027	228,939
Expenses:			
Employee benefits expense		(294,329)	(358,594)
Non-executive directors' fees		(120,000)	(117,500)
Professional costs		(135,755)	(98,805)
Occupancy costs		(33,102)	(32,998)
Travel costs		(26,060)	(16,623)
Marketing expense		(84,561)	(87,511)
Depreciation		(39,153)	(51,720)
Insurance		(27,585)	(35,554)
Share registry and listing expenses		(52,156)	(48,925)
Write off of exploration costs		-	(2,578)
Loss on disposal of plant and equipment		(5,687)	(16,325)
Other administration expenses		(85,124)	(82,600)
Loss before income tax	3	(725,485)	(720,794)
Income tax benefit	4	-	-
Loss after income tax		(725,485)	(720,794)
Other comprehensive income		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Total comprehensive loss for the year		(725,485)	(720,794)
Loss per share for the year attributable to the members of Rimfire Pacific Mining NL			
Basic loss per share (cents per share)	6	(0.09)	(0.10)
Diluted loss per share (cents per share)	6	(0.09)	(0.10)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	Consolidated Entity 2016 $	Consolidated Entity 2015 $
CURRENT ASSETS			
Cash and cash equivalents	7	770,680	1,297,896
Trade and other receivables	8	58,972	157,060
Other current assets	11	17,436	16,507
TOTAL CURRENT ASSETS		847,088	1,471,463
NON-CURRENT ASSETS			
Trade and other receivables	8	150,000	150,000
Property, plant and equipment	10	505,186	543,003
Exploration & evaluation costs	12	11,434,071	10,705,929
TOTAL NON-CURRENT ASSETS		12,089,257	11,398,932
TOTAL ASSETS		12,936,345	12,870,395
CURRENT LIABILITIES			
Trade and other payables	13	274,271	470,948
Provisions	14	12,242	16,443
TOTAL CURRENT LIABILITIES		286,513	487,391
TOTAL LIABILITIES		286,513	487,391
NET ASSETS		12,649,832	12,383,004
EQUITY			
Contributed equity	15	27,123,763	26,131,450
Accumulated losses		(14,473,931)	(13,748,446)
TOTAL EQUITY		12,649,832	12,383,004

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

Consolidated Entity

	Contributed Equity $	Accumulated Losses $	Total $
Balance at 1 July 2015	**26,131,450**	**(13,748,446)**	**12,383,004**
Shares issued during the year	1,093,843	-	1,093,843
Transaction costs related to share issues	(101,530)	-	(101,530)
Total comprehensive loss for the period	-	(725,485)	(725,485)
Balance at 30 June 2016	**27,123,763**	**(14,473,931)**	**12,649,832**
Balance at 1 July 2014	**25,104,814**	**(13,027,652)**	**12,077,162**
Shares issued during the year	**1,124,874**	**-**	**1,124,874**
Transaction costs related to share issues	**(98,238)**	**-**	**(98,238)**
Total comprehensive loss for the period	**-**	**(720,794)**	**(720,794)**
Balance at 30 June 2015	**26,131,450**	**(13,748,446)**	**12,383,004**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated Entity 2016 $	Consolidated Entity 2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (incl of GST)		(781,951)	(932,251)
Sundry income received		-	250
Interest received		31,914	47,666
Income tax offset received		147,024	185,527
Net cash used in operating activities	22a	(603,013)	(698,808)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(31,425)	(64,763)
Payment for exploration and evaluation costs		(1,928,561)	(2,369,253)
Proceeds from NSW government grant		144,252	31,122
Tax offsets received for investing activities		898,217	1,028,098
Proceeds from deposits		-	500
Proceeds from sale of property, plant and equipment		1,000	605
Net cash used in investing activities		(916,517)	(1,373,691)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,048,843	1,092,874
Transaction costs associated with share issues		(56,529)	(77,552)
Net cash provided by financing activities		992,314	1,015,322
Net decrease in cash held		(527,216)	(1,057,177)
Cash at beginning of the year		1,297,896	2,355,073
Cash at end of the year	7	770,680	1,297,896

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 orientated entity for the purpose of the financial report.

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

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

The financial report of Rimfire Pacific Mining NL and its controlled entity, complies with International Financial Reporting Standards ("IFRS") 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 information regarding capitalised exploration expenditure for mining tenements. In particular, the judgement that there is insufficient information available to make a reasonable assessment of the existence or otherwise of economically recoverable reserves.

b. Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group had a cash balance of $770,680 at 30 June 2016 and subsequently raised $2,508,080 in equity via a Share Placement and Share Purchase Plan as detailed below in Note 24 Events Occurring after the Reporting Period. The Group has sufficient cash to meet its operating costs for at least the next 12 months.

Based on the above, the directors believe that the Group will continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

c. Principles of Consolidation

The Consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Rimfire Pacific Mining NL as at 30 June 2016 and the results of all subsidiaries for the year then ended. Rimfire Pacific Mining NL and its subsidiaries together are referred to in these financial statements as the 'Consolidated entity'.

Subsidiaries are all those entities over which the Consolidated entity has control. The Consolidated entity controls an entity when the Consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully Consolidated from the date on which control is transferred to the Consolidated entity. They are de-Consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Accounting Policies (Cont'd)

d. **Income Tax**

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

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 at cost less accumulated depreciation.

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

Depreciation

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

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

Leasehold improvements	15%
Plant and equipment	7.5%-30%
Office furniture	10%-40%
Motor Vehicles	20%

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 and Evaluation Expenditure incurred is capitalised at cost and include acquisition of rights to explore, studies, exploratory drilling, sampling and associated activities. Costs are accumulated in respect of each identifiable area of interest. General and administrative expenditures are only included in the measurement of exploration and evaluation costs where they relate directly to operational activities particular area in of interest.

These costs are only carried forward where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and
(ii) at least one of the following conditions is also met

Accounting Policies (Cont'd)

g. **Exploration Evaluation and Development Expenditure (Cont'd)**

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
(b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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 are reclassified to development and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

The carrying amount of the capitalised expenditure is also recognised after deducting any Government Grants received in relation to the capitalised exploration expenditure.

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. **Restoration, Rehabilitation, and Environmental Costs**
Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

i. **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 Consolidated Statement of Profit and Loss and Other Comprehensive Income.

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.

j. **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.

k. **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 Consolidated Statement of Cash Flows, cash includes cash on hand and deposits with banks or financial institutions net of bank overdrafts.

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

m. **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.

Accounting Policies (Cont'd)

n. **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.

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.

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.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1 - Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2 - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 - Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3. The Company would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Company recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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 Consolidated Statement of Profit and Loss and Comprehensive Income.

o. **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost

Accounting Policies (Cont'd)

p. **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).

q. **Government Grants**
Government grants relating to assets such as capitalised exploration expenditure are recognised in the Consolidated Statement of Financial Position by deducting the grant in arriving at the carrying amount of the asset. Government grants relating to expenses are recognised in the profit and loss as other income.

r. **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.

s. **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.

t. **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.

u. **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.

v. **Equity Settled Compensation**
Equity-settled transactions are awards of shares, or options over shares,that are provided to employees or contractors in exchange for the rendering of services. Equity-settled share-based compensation benefits have been provided to contractors in the current financial year.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated entity receives the services that entitle the employees or contractors to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

w. **New, revised or amending Accounting Standards and Interpretations adopted**

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 2015 have been adopted by the Consolidated entity.

The standards that are relevant and applicable for the first time for the year ended 30 June 2016 are:

- AASB 2015-3 Amendments to AASB 1031 – Materiality

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated entity.

Accounting Policies (Cont'd)

x. **New Accounting Standards and Interpretations not yet mandatory or early adopted**

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 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9: Financial Instruments and associated amending standards (applicable to annual reporting periods beginning on or after 1 January 2018).
The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting. The key changes that may affect the Consolidated entity on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective. Although the directors anticipate that the adoption of AASB 9 may have an impact on the Consolidated entity's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers and associated amending standards (applicable to annual reporting periods beginning on or after 1 January 2018 as further amended by AASB 2015-8).
When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:
- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the performance obligation is satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue. Although the directors anticipate that the adoption of AASB 15 may have an impact on the Consolidated entity's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019)
When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117 and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.
The main changes introduced by the new standard include:
- Recognition of a right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure an leases relating to low value assets);
- Deprecation of right-to-use assets in-line with AASB 116 Property, plant and equipment in profit or loss and unwinding of the liability in principal and interest components;
- Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account all components as a lease; and
- Additional disclosure requirements.

The transitional provisions of this standard allows a lessee to either retrospectively apply the standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Error; or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. Although the directors anticipate that the adoption of AASB 16 may have an impact on the Consolidated entity's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable to annual reporting periods beginning on or after 1 January 2016)
This Standard clarifies that using revenue-based methods to calculate the depreciation of an asset is not appropriate and hence not allowable. AASB 2014-4 is required to be prospectively applied and not expected to impact the Consolidated entity's financial statements.

Accounting Policies (Cont'd)

x. **New Accounting Standards and Interpretations not yet mandatory or early adopted (Cont'd)**

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (applicable to annual reporting periods beginning on or after 1 January 2016)
Amends a number of pronouncements as a result of the IASBs 2012-2014 annual improvements cycle.
Key amendments include:
AASB 5 – Change in methods of disposal
AASB 7 – Servicing contracts and applicability of the amendments to AASB7 to condensed interim financial statements.
AASB 119 – Discount rate: regional market issue; and
AASB 134 – Disclosure of information 'elsewhere in the interim financial report'
The adoption of this standard is not expected to significantly impact the financial statements of the Consolidated entity.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 makes amendments to AASB 101 Presentation of financial statements (applicable to annual reporting periods beginning on or after 1 January 2016)
The changes clarify that entities should not be disclosing immaterial information and that the presentation of information in notes can and should be tailored to provide investors and other users with the clearest story of an enitity's financial performance and financial position. The adoption of this standard will change financial statement disclosure of the Consolidated entity.

AASB 2016-1: Amendments to Australian Accounting Standards- Recognition of Deferred tax Assets for Unrealised Losses (applicable to annual reporting periods beginning on or after 1 January 2017)
This standard makes amendments to AASB 112 Income Taxes to clarify that:
- Restrictions in tax laws that do not permit the offset of deductible temporary difference reversals against a particular source of taxable profit should be considered;
- An entity should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences; and
- The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The transitional provisions require the amendments to be retrospectively applied as per AASB 108 Accounting Policies, Changes in Accounting Estimates and Error. The adoption of this standard is not expected to significantly impact the financial statements of the Consolidated entity.

AASB 2016-2: Amendments to Australian Accounting Standards- Recognition of Deferred tax Assets for Unrealised Losses (applicable to annual reporting periods beginning on or after 1 January 2017)
This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The adoption of this standard is not expected to significantly impact the financial statements of the Consolidated entity.

Note 2 Revenue

	Consolidated Entity	
	2016	**2015**
	$	**$**
Other income		
Interest	31,003	43,162
Research and development tax offset income *	147,024	185,527
Sundry Income	-	250
Total Revenue	178,027	228,939

* Additional funds of $898,217 received during the year (2015: $1,028,098) as part of the R&D tax offset has been applied against the Exploration Expenditure asset disclosed in Note 12.

Note 3 Loss for the Financial Year

	Consolidated Entity	
	2016	**2015**
	$	**$**
The net loss for the financial year has been arrived at after charging the following:		
Expenses		
Professional costs for R & D tax offset claim	26,930	12,997
Rental expense	22,682	22,682
Superannuation contribution expense	32,647	26,394
Superannuation contributions capitalised	60,155	84,026

Note 4 Income Tax Expense

	Consolidated Entity	
	2016	**2015**
	$	**$**
a. The prima facie tax expense/(benefit) on loss before tax is reconciled to the income tax as follows:		
Prima facie tax expense/(benefit) on loss before tax at 30% (2015: 30%)	(217,646)	(216,238)
Add:		
Tax effect of:		
- non-allowable items	13,500	3,300
- net current year tax losses not recognised, temporary differences and deductible exploration expenditure.	265,660	289,578
	61,514	76,640
Less:		
Tax effect of:		
- Research and Development tax offset income	(44,107)	(55,658)
- capitalised share placement costs	(17,407)	(20,982)
Income tax benefit/(expense) attributable to loss	-	-
Deferred tax assets arising from tax losses that have not been recognised:		
Tax losses carried forward	5,857,026	5,716,987
Temporary differences – exploration costs	(3,430,221)	(3,211,779)
Temporary differences – other	51,670	69,025
Net Deferred tax asset not recognised	2,478,475	2,574,233
Balance of franking account at year end	-	-

Potential deferred tax assets attributable to tax losses carried forward and temporary differences have not been brought to account because Directors do not believe realisation of the deferred tax assets is 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 2016.

Note 5 Auditor's Remuneration

	Consolidated Entity	
	2016	2015
	$	$
Remuneration of the auditor for:		
- auditing or reviewing the financial reports	38,542	38,180
	38,542	38,180

Note 6 Earnings per Share

		Consolidated Entity	
		2016	2015
		$	$
a.	**Reconciliation of Earnings to Loss**		
	Loss used in the calculation of basic EPS	(725,485)	(720,794)
	Loss used in the calculation of dilutive EPS	(725,485)	(720,794)
b.	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	775,010,489	716,941,260
	Potential ordinary shares	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	775,010,489	716,941,260
c.	**Classification of securities**		
	Share options are anti-dilutive and securities have not been classed as potential ordinary shares and are not included in the determination of dilutive EPS.	-	-
d.	Ordinary shares issued between reporting date and time of completion of the financial report	-	-
	Basic loss per share (cents per share)	(0.09)	(0.10)
	Diluted loss per share (cents per share)	(0.09)	(0.10)

Note 7 Cash and Cash Equivalents

	Consolidated Entity	
	2016	2015
	$	$
Cash at bank and on hand	270,680	127,896
Short term deposits	500,000	1,170,000
	770,680	1,297,896

Reconciliation of Cash

Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to items in the Consolidated Statement of Financial Position as follows:

Cash at bank	270,680	127,896
Term deposits with maturity of 3 months or less	500,000	1,170,000
	770,680	1,297,896

Refer to Note 23 for the risk exposure analysis for cash and cash equivalents.

Note 8 Trade and Other Receivables

	Consolidated Entity	
	2016	2015
OTHER RECEIVABLES	$	$
CURRENT		
Security deposits	13,049	13,049
Interest receivable	2,128	3,038
Other receivables	43,795	140,973
	58,972	157,060
NON-CURRENT		
Security deposits	150,000	150,000

Refer to Note 23 for the risk exposure analysis for receivables. At the reporting date, no receivables were past due or impaired. Security deposits of $150,000 are held in support a bank guarantee issued in favour of the NSW Department of Industry.

Note 9 Controlled Entity

	Country of Incorporation	Percentage Owned (%) 2016	2015
Parent Entity			
Rimfire Pacific Mining NL			
Subsidiary of Rimfire Pacific Mining NL			
Axis Mining NL	Australia	100	100

Note 10 Property, Plant and Equipment

	Consolidated Entity	
	2016	2015
	$	$
LAND		
Freehold land		
At cost	226,834	226,834
Total Land	226,834	226,834
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	459,459	460,944
Accumulated depreciation	(240,450)	(204,212)
	219,009	256,732
Motor Vehicle		
At cost	55,949	53,211
Accumulated depreciation	(23,048)	(29,263)
	32,901	23,948
Office Furniture		
At cost	89,915	86,098
Accumulated depreciation	(63,585)	(50,740)
	26,330	35,358
Leasehold Improvements		
At cost	419	419
Accumulated depreciation	(307)	(288)
	112	131
Total Plant and Equipment	278,352	316,169
Total Property, Plant and Equipment	505,186	543,003

Note 10 Property, Plant and Equipment (Cont'd)

a. **Movements in Carrying Amounts**

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

2016	**Freehold Land**	**Motor Vehicles**	**Plant and Equipment**	**Office Furniture**	**Leasehold Improvements**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Consolidated Entity:						
Balance at the beginning of year	226,834	23,948	256,732	35,358	131	543,003
Additions	-	18,218	3,657	4,772	-	26,647
Disposals	-	(4,429)	(2,146)	(113)	-	(6,688)
Depreciation expense	-	(4,836)	(20,611)	(13,687)	(19)	(39,153)
Depreciation capitalised	-	-	(18,623)	-	-	(18,623)
Carrying amount at the end of year	226,834	32,901	219,009	26,330	112	505,186

2015	**Freehold Land**	**Motor Vehicles**	**Plant and Equipment**	**Office Furniture**	**Leasehold Improvements**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Consolidated Entity:						
Balance at the beginning of year	226,834	34,968	279,329	17,635	155	558,921
Additions	-	-	29,424	35,340	-	64,764
Disposals	-	(4,972)	(11,805)	(153)	-	(16,930)
Depreciation expense	-	(6,048)	(28,185)	(17,464)	(24)	(51,721)
Depreciation capitalised	-	-	(12,031)	-	-	(12,031)
Carrying amount at the end of year	226,834	23,948	256,732	35,358	131	543,003

Note 11 Other Assets

	Consolidated Entity	
	2016	**2015**
	$	**$**
CURRENT		
Prepaid expenses (insurance, rent, body corporate)	17,436	16,507

Note 12 Exploration & Evaluation Costs Carried Forward

	Consolidated Entity	
	2016	**2015**
	$	**$**
NON-CURRENT		
Exploration Expenditure		
Costs carried forward in respect of areas of interest in:		
– exploration and evaluation phases	11,434,071	10,705,929
Opening balance	10,705,929	9,543,362
Additional expenditure	1,770,610	2,193,243
Research and development tax offset	(898,217)	(1,028,098)
NSW Cooperative Drilling Grant	(144,252)	-
Write off of exploration costs	-	(2,578)
Closing balance	11,434,071	10,705,929

No exploration expenditure was written off during 2016 (2015: 2,578).

Note 13 Trade and Other Payables

	Consolidated Entity	
	2016	**2015**
	$	**$**
CURRENT		
Trade creditors	193,515	154,622
Sundry creditors and accrued expenses	80,756	316,326
	274,271	470,948

Note 14 Provisions

	Consolidated Entity	
	2016	**2015**
	$	**$**
CURRENT		
Employee benefits	12,242	16,443

Note 15 Contributed Equity

	Consolidated Entity	
	2016	**2015**
	$	**$**
798,659,607 (2015: 744,001,176) fully paid ordinary shares	27,123,763	26,131,450
	27,123,763	26,131,450

a. **Ordinary shares**

Contributed equity		
At the beginning of the reporting period	26,131,450	25,104,814
Shares issued during the year		
— 7 December 2015	1,042,918	
— 15 January 2016	1,124	
— 18 February 2016	29,800	
— 15 March 2016	20,000	
— Shares issued in the previous year		1,124,874
Transaction costs relating to share issues	(101,529)	(98,238)
At reporting date	27,123,763	26,131,450

	2016	**2015**
	No.	**No.**
Shares outstanding		
At the beginning of reporting period	744,001,176	687,757,495
Shares issued during year		
— 7 December 2015	52,145,951	
— 15 January 2016	22,480	
— 18 February 2016	1,490,000	
— 15 March 2016	1,000,000	
— Issued in the previous year	-	56,243,681
At reporting date	798,659,607	744,001,176

b. **Share-based payments**

On 18 February 2016, 1,250,000 shares were issued for underwriting costs ($25,000) at an issue price of $0.02 per share and on 15 March 2016, 1,000,000 shares were issued for capital raising costs ($20,000) at an issue price of $0.02 per share with a total transactional value of $45,000.

Note 15 Contributed Equity (Cont'd)

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 Consolidated entity is not subject to any externally imposed capital requirements.

d. **Options**

Options to subscribe for ordinary shares in the Company have been granted as follows:

2016	**Exercise Price**	**Balance 01/07/15**	**Options Issued**	**Options Exercised/ Cancelled/ Expired**	**Balance 30/6/16**
On or before 14 December 2015	$0.020	54,643,681	-	(54,643,681)	-
On or before 15 May 2017	$0.035	-	52,385,951	-	52,385,951
		54,643,681	52,385,951	(54,643,681)	52,385,951

In association with the Share Rights Issue, 52,385,951 free options were issued during the year with an exercise price of 3.5 cents and an expiry date of 15 May 2017 (2015: 54,643,681 at 2.0 cents with expiry date 14 December 2015).

On 14 December 2015, 22,480 options were exercised at the exercise price of $0.05 (2015: nil). On the same date, 54,621,201 options expired.

Note 16 Parent Entity Information

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

	2016	**2015**
	$	**$**
Current assets	846,861	1,471,236
Total assets	12,936,118	12,870,168
Current liabilities	285,013	485,891
Total liabilities	285,013	485,891
Issued capital	27,123,763	26,131,450
Accumulated losses	(14,472,658)	(13,747,173)
Total equity	12,651,105	12,384,277
Loss of the parent entity	(725,485)	(720,794)
Comprehensive loss of the parent entity	(725,485)	(720,794)

Parent Entity Commitments:

All capital and operating commitments of the group have been entered into by the Parent Entity. Refer to note 17 for these commitments. The accounting policies of the parent entity are consistent with those of the Consolidated entity, as disclosed in note 1.

Note 17 Capital and Leasing Commitments

	Consolidated Entity	
	2016	**2015**
	$	**$**
a. **Operating Lease Commitments**		
Office & Other Premises		
Payable		
— not later than 1 year	17,011	17,011
— later than 1 year but not later than 5 years	-	-
	17,011	17,011

Note 17 Capital and Leasing Commitments (Cont'd)

b. **Capital Expenditure Commitments**

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

		Consolidated Entity	
		2016	**2015**
Payable		**$**	**$**
—	not later than 1 year	305,000	235,000
—	later than 1 year but not later than 5 years	519,000	379,000
		824,000	614,000

Note 18 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 19 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", i.e. Segment information is provided on the same basis as information used for internal reporting purposes by the board of directors. At regular intervals, the board is provided management information at a group level for the group's cash position, the carrying values of exploration permits and a group cash flow forecast for the next 12 months of operation. On this basis, no segment information is included in these financial statements.

Note 20 Key Management Personnel Disclosures

a. **Details of Directors and Key Management Personnel**

(i) Directors

The follows persons were Directors of Rimfire Pacific Mining NL during the financial year:

John Kaminsky
Graham Billinghurst
Ramona Enconniere
John Gillett (ceased 30 June 2016)
Thomas Burrows (ceased 30 June 2016)

(ii) Other Key Management Personnel

Graham Billinghurst – Company Secretary

b. **Key management personnel compensation**

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's key management personnel for the year ended 30 June 2016. The totals of remuneration paid to Key Management Personnel of the company during the year are as follows:

	2016	**2015**
	$	**$**
Short-term employee benefits	341,409	351,043
Post-employment benefits	39,784	27,650
	381,193	378,693

Note 21 Related Party Details

	2016	2015
	$	$
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 a related party of Mr J Kaminsky was paid in respect of administrative services. Payment for these services were on normal commercial terms.	12,535	22,579

Note 22 Cash Flow Information

	Consolidated Entity	
	2016	2015
	$	$
a. Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(725,485)	(720,794)
Non-cash flows in loss		
Depreciation	39,154	51,720
Impairment write off on exploration costs	-	2,578
Loss on disposal of PPE	5,687	16,325
Changes in assets and liabilities relating to operations		
(Increase)/decrease in other current assets	(929)	7,408
Decrease in other receivables	133,624	3,643
Decrease in trade creditors and accruals	(50,863)	(53,256)
Decrease in provisions	(4,201)	(6,432)
Cash flows used in operations	(603,013)	(698,808)

b. Cash not available for use
There was no cash as at the end of the year which was unavailable for use.

c. Non-cash Financing and Investing Activities
There were no non-cash financing and investing activities carried out during the year.

Note 23 Financial Risk Management

a. Financial Risk Management Objectives and Policies

The Consolidated entity's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated entity. The Consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other risks.

Risk management is carried out by senior executives under policies approved by the Board of Directors. These policies include identification and analysis of the risk exposure of the Consolidated entity and appropriate procedures, controls and risk limits.

Market risk
Interest rate risk
The Consolidated entity's main interest rate risk arises from its holdings of cash and cash equivalents on deposit. Deposits held at variable rates expose the Consolidated entity to interest rate risk. Deposits held at fixed rates expose the Consolidated entity to fair value risk. The Consolidated entity's exposure to interest rate risk is set out in Note 23(b).

Note 23 Financial Risk Management (Cont'd)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated entity. The Consolidated entity exposure to credit risk is limited to security deposits provided to landlords and other third parties. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Liquidity risk
Vigilant liquidity risk management requires the Consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Categorisation of financial instruments

Financial assets	**Note**	**Category**	**Carrying value 2016 $**	**Carrying value 2015 $**
Cash & cash equivalents	7	N/A	770,680	1,297,896
Trade and other receivables	8	Trade and other receivables at amortised cost	208,972	307,060
Financial liabilities				
Trade and other payables	13	Financial liabilities measured at amortised cost	274,271	470,948

Note 23 Financial Risk Management (Cont'd)

b. **Interest Rate Risk**

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

	Floating Interest Rate $		Fixed Interest Rate Maturing Within One Year $		Non-interest Bearing $		Total $	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Financial Assets								
Cash	269,980	126,946	500,000	1,170,000	700	950	770,680	1,297,896
Receivables	150,000	150,000	-	-	58,972	157,060	208,972	307,060
Other Financial Assets	-	-	-	-	-	-	-	-
Total Financial Assets	**419,980**	**276,946**	**500,000**	**1,170,000**	**59,672**	**158,010**	**979,652**	**1,604,956**
Financial Liabilities								
Trade and sundry creditors	-	-	-	-	274,271	470,948	274,271	470,948
Total Financial Liabilities	**-**	**-**	**-**	**-**	**274,271**	**470,948**	**274,271**	**470,948**
Net inflow/(outflow) on financial assets	**419,980**	**276,946**	**500,000**	**1,170,000**	**(214,599)**	**(312,938)**	**705,381**	**1,134,008**

Note 23 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.

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 2016, 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	
	2016	2015
	$	$
Change in loss after tax		
- Increase in interest rate by 0.5% (2015: 2.0%)	2,100	5,539
- Decrease in interest rate by 0.5% (2015: 2.0%)	(2,100)	(5,539)
Change in equity		
- Increase in interest rate by 0.5% (2015: 2.0%)	2,100	5,539
- Decrease in interest rate by 0.5% (2015: 2.0%)	(2,100)	(5,539)

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

Note 24 Events Occurring after the Reporting Period

Subsequent to the end of financial year, the Company has undertaken an equity raising via a Share Placement to the value of $1,639,250 million at 2.1 cents per share as announced vis ASX Announcements on 3rd August 2016.

The Company also had a further equity raising via a Share Purchase Plan to the value of $868,830, which was open to all shareholders registered at 2nd August 2016.

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 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

DIRECTORS' DECLARATION

In the directors' opinion:

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

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

3. the attached financial statements and notes thereto give a true and fair view of the Consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;

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

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

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

On behalf of the directors

Director: Ian McCubbing

Dated this 29th day of September 2016

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INDEPENDENT AUDITOR'S REPORT

To the members of Rimfire Pacific Mining NL

Report on the Financial Report

We have audited the accompanying financial report of Rimfire Pacific Mining NL, which comprises the consolidated statement of financial position as at 30 June 2016, 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.

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 2016 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 6 to 9 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Practice

BDO

Simon Scalzo
Partner

Melbourne, 29 September 2016

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