

RIMFIRE PACIFIC MINING NL
ACN 006 911 744

**FINANCIAL REPORT FOR THE
HALF-YEAR ENDED
31 DECEMBER 2006**

DIRECTORS' REPORT

The directors of Rimfire Pacific Mining NL submit herewith the financial report for the half-year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors' report is as follows:

DIRECTORS

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

| | |
|-----------------------------|------------------------------------|
| Graham Billingham | Director (appointed 24 May 1999) |
| John Adrian Kaminsky | Director (appointed 10 May 2004) |
| Ramona Enconniere | Director (appointed 28 April 2005) |
| Andrew Knox | Director (appointed 8 July 2005) |

PRINCIPAL ACTIVITIES

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

RESULTS OF OPERATIONS

General operating costs continue to be contained. The net result for the half-year after applicable income tax expense was a loss of (\$288,842). This compares with a loss in 2005 of (\$278,827) for the corresponding period. Non-cash items represented (\$109,813) of the total loss for 2006.

The Company had a successful capital raising through a Share Purchase Plan (SPP) to shareholders that closed in December 2006 raising A\$275,000.

DIVIDENDS

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

REVIEW OF OPERATIONS

The Company conducted further extensive exploration at the Fifield NSW Platinum (Pt) Project, mainly within EL5534. **A significant corridor of coarse grain primary Pt has been identified at Platina-Gillenbine and confirmed the Company's opinion as representing the bedrock source area for Pt** that is seen adjacent in the historic deep leads and surface soil mining from the early 1900's. This work area was mapped through auger drilling of the subsoil clay layers and trenching to weathered bedrock along an area of 150m, within the 800m target area. Further work is planned to delineate more precise bedrock areas of the Pt and extend the known Pt zoning and contours. **To date all the trenches in the most recent work program have produced coarse Pt grains in repeatable sampling.**

A significant large batch sample processing facility was being established in the period, which will greatly assist larger sample sizes to be processed, and in shorter time. This will greatly accelerate the exploration work at Fifield, and allow the expansion of trenching and the number of bulk samples to be processed, therefore producing greater precision in Pt grade and position.

The Company believes a wider Pt mineralised corridor of **approximately 8km** exists at Fifield within the Company's tenements. Additional exploration in the Fifield region within EL6241 and EL5565 will also target coarse grain Pt.

The goal of the exploration at Fifield is to establish a bedrock based Pt resource suitable for open cut mining using a low cost gravity separation plant. **The Company believes significant progress has been made in the period, having established the key principal, that the coarse grain Pt is in fact derived from a local bedrock source at Platina-Gillenbine.**

Exploration at the Company's diamond prospects at Bingara NSW has also progressed with extensive field reviews and **the first identified drill targets have been selected for a reconnaissance drill program** planned (subject to equipment availability) within the next 3 months. The Company is encouraged by the key indicator mineral locations, magnetic and topographic features in suitable drainage areas at Bingara. A geological model

for possible diamond bearing host rock has been developed for the Tom & Jerry prospect. The Company had its historic diamond exploration results presented in a number of international forums during the period.

The Company also presented its plans and vision at its Annual General Meeting of Shareholders on 29th November 2006 with a detailed overview of its exploration activities, and a comprehensive assessment of the status of the Fifield Platinum project. These presentations were also made available on the Company website www.rimfire.com.au.

The price of Platinum traded on an upward trend exceeding USD 1,100/ounce (www.Kitco.com) during the period. The price of platinum remained very strong with a reasonable mid term outlook.

AUDITOR'S INDEPENDENCE DECLARATION

We confirm that we have obtained a declaration of independence from our auditors, in accordance with Section 307C of the Corporations Act 2001, as set out on page 12.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



**J A KAMINSKY
CHAIRMAN**

Dated in Melbourne this 7th day of March 2007.

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

| | Half-Year Ended 31 Dec 06 \$ | Half-Year Ended 31 Dec 05 \$ |
|---|---------------------------------------|---------------------------------------|
| Revenue from continuing activities | 9,065 | 16,239 |
| Expenses from continuing activities | | |
| Classification of Expenses by Function: | | |
| Operating Activities: | | |
| Professional Costs | (50,865) | (46,370) |
| Travel Costs | (8,469) | (17,247) |
| Employee Costs | (51,395) | (73,222) |
| Non-cash directors' securities benefits expense | (109,813) | (39,193) |
| Occupancy Costs | (7,794) | (29,185) |
| Loss on sale of property, plant and equipment | - | (467) |
| Borrowing Costs | (4,833) | (10,288) |
| Overhead Costs | <u>(64,738)</u> | <u>(79,094)</u> |
| | (297,907) | (295,066) |
| Loss from continuing activities before income tax | <u>(288,842)</u> | <u>(278,827)</u> |
| Income tax expense relating to continuing activities | - | - |
| Net Loss | <u>(288,842)</u> | <u>(278,827)</u> |
| Basic Earnings (Loss) Per Share (cents per share) | <u>(0.15)</u> | <u>(0.18)</u> |
| Diluted Earnings (Loss) Per Share (cents per share) | (0.15) | (0.18) |

The condensed income statement is to be read in conjunction with the notes to the half-year financial report set out on pages 7 to 10.

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006**

| | 31 Dec 06 \$ | 30 Jun 06 \$ |
|---|-------------------------|-------------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 392,458 | 427,549 |
| Receivables | 27,410 | 40,304 |
| Other | 13,171 | 4,250 |
| TOTAL CURRENT ASSETS | <u>433,039</u> | <u>472,103</u> |
| NON CURRENT ASSETS | | |
| Receivables | 170,000 | 170,000 |
| Property, plant & equipment | 251,946 | 255,564 |
| Exploration & evaluation costs carried forward | 2,460,530 | 2,305,968 |
| TOTAL NON CURRENT ASSETS | <u>2,882,476</u> | <u>2,731,532</u> |
| TOTAL ASSETS | <u>3,315,515</u> | <u>3,203,635</u> |
| <u>LIABILITIES</u> | | |
| CURRENT LIABILITIES | | |
| Payables | 178,778 | 159,566 |
| Interest-bearing liabilities | 107,834 | 107,833 |
| TOTAL CURRENT LIABILITIES | <u>286,612</u> | <u>267,399</u> |
| TOTAL LIABILITIES | <u>286,612</u> | <u>267,399</u> |
| NET ASSETS | <u><u>3,028,903</u></u> | <u><u>2,936,236</u></u> |
| EQUITY | | |
| Share Capital | 10,924,765 | 10,315,754 |
| Options Reserve | - | 227,502 |
| Accumulated losses | (7,895,862) | (7,607,020) |
| TOTAL EQUITY | <u><u>3,028,903</u></u> | <u><u>2,936,236</u></u> |

The condensed balance sheet is to be read in conjunction with the notes to the half year financial report set out on pages 7 to 10

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

| | Half Year Ended 31 Dec 2006 | | | Total \$ |
|--|-------------------------------|-----------------------------|--------------------------|------------------|
| | Share Capital \$ | Accumulated Losses \$ | Options Reserve \$ | |
| | Balance at 1 July 2006 | 10,315,754 | (7,607,020) | |
| Shares issued during the period | 346,400 | - | - | 346,400 |
| Transaction costs related to shares issued | (5,511) | - | - | (5,511) |
| Options issued during the period | - | - | 40,620 | 40,620 |
| Transfer from options reserve on exercise | 144,000 | - | (144,000) | - |
| Transfer from options reserve to share capital | 124,122 | - | (124,122) | - |
| Loss attributable to the entity for the period | - | (288,842) | - | (288,842) |
| Balance at 31 December 2006 | 10,924,765 | (7,895,862) | - | 3,028,903 |

| | Half Year Ended 31 Dec 2005 | | | Total \$ |
|--|-------------------------------|-----------------------------|--------------------------|------------------|
| | Share Capital \$ | Accumulated Losses \$ | Options Reserve \$ | |
| | Balance at 1 July 2005 | 9,172,080 | (7,060,987) | |
| Shares issued during the period | 892,958 | - | - | 892,958 |
| Transaction costs related to shares issued | (64,914) | - | - | (64,914) |
| Options issued during the period | - | - | 41,493 | 41,493 |
| Loss attributable to the entity for the period | - | (278,827) | - | (278,827) |
| Balance at 31 December 2005 | 10,000,124 | (7,339,814) | 153,623 | 2,813,933 |

The condensed statement of changes in equity is to be read in conjunction with the notes to the half year financial report set out on pages 7 to 10

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

| | Half Year Ended 31 Dec 06 \$ Inflows (Outflows) | Half Year Ended 31 Dec 05 \$ Inflows (Outflows) |
|---|--|--|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Receipts from customers | - | 10,079 |
| Payments to suppliers and employees | (170,510) | (193,050) |
| Interest received | 9,065 | 7,462 |
| Interest paid | <u>(4,833)</u> | <u>(8,688)</u> |
| Net cash used in operating activities | <u>(166,278)</u> | <u>(184,197)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Refund of security deposits | - | 17,000 |
| Proceeds from sale of property, plant and equipment | - | 496 |
| Payment for mining tenement exploration | <u>(150,469)</u> | <u>(82,844)</u> |
| Net cash used in investing activities | <u>(150,469)</u> | <u>(65,348)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Costs associated with share issue | (5,511) | (64,914) |
| Proceeds from borrowings | - | 100,000 |
| Proceeds from share issue | <u>275,000</u> | <u>892,958</u> |
| Net cash provided by financing activities | <u>269,489</u> | <u>928,044</u> |
| Net increase (decrease) in cash and cash equivalents | (47,258) | 678,499 |
| Cash and cash equivalents at beginning of the half-year | <u>427,549</u> | <u>59,216</u> |
| Cash and cash equivalents at the end of the half-year | <u>380,291</u> | <u>737,715</u> |

The condensed cash flow statement is to be read in conjunction with the notes to the half year financial report set out on pages 7 to 10

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

**1. SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006.**

Note 1 – Basis of Preparation

The half-year consolidated financial report has been prepared in accordance with Accounting Standard AASB 134 “Interim Financial Reporting” and is to be read in conjunction with the annual financial report for the year ended 30 June 2006 together with any public announcements made by the Company during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001. It is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). Compliance with the Australian equivalents to IFRS (AIFRS) ensures that the financial report, comprising the group’s financial statements and notes (where applicable) complies with IFRSs.

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

The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2006.

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

2. CONTRIBUTED EQUITY

| | 31-12-2006 | 30-06-2006 | 31-12-2006 | 30-06-2006 |
|--|----------------------|--------------------|---------------------------|-------------------|
| | Number of Securities | | Value of Securities \$ | |
| <u>Issued Shares</u> | | | | |
| Fully paid ordinary shares | 210,520,886 | 194,804,262 | 10,924,765 | 10,315,754 |
| Fully paid deferred options | - | 35,676,394 | - | 48,880 |
| Unpaid deferred options | 13,500,000 | 19,000,000 | - | 178,622 |
| | <u>224,020,886</u> | <u>249,480,656</u> | <u>10,924,765</u> | <u>10,543,256</u> |
| Ordinary Shares on issue at beginning of the half year | 194,804,262 | 131,353,172 | 10,315,754 | 9,172,080 |
| <u>Movements during the half year:</u> | | | | |
| Issue on 19 th July 2006 exercise of an option at nil consideration | 2,000,000 | - | - | - |
| Issue on 21 st December 2006 under a SPP to shareholders | 9,166,624 | - | 275,000 | - |
| Issue on 21 st December 2006 to the directors of the company | 2,550,000 | - | 71,400 | - |
| Issue on 21 st December 2006 exercise of an option at nil consideration | 2,000,000 | - | - | - |
| Issued in previous financial year | - | 63,451,090 | - | 1,248,701 |
| Value of options transferred on exercise to ordinary shares | - | - | 144,000 | - |
| Value of option reserve transferred to share capital | - | - | 124,122 | - |
| Transaction costs relating to issues | - | - | (5,511) | (105,027) |
| Shares on issue at end of the half year | <u>210,520,886</u> | <u>194,804,262</u> | <u>10,924,765</u> | <u>10,315,754</u> |
| Listed options exercisable at 8 cents on or before 30 September 2006 | | | | |
| On issue at beginning of the half year | 35,676,394 | 35,676,394 | | |
| <u>Movements during the half year:</u> | | | | |
| Expired on 30 th Sept 2006 | (35,676,394) | - | | |
| On issue at end of the half year | - | 35,676,394 | | |
| Unlisted options exercisable at 8 cents on or before 30 September 2006 | | | | |
| On issue at beginning of the half year | 10,500,000 | 10,500,000 | | |
| <u>Movements during the half year:</u> | | | | |
| Expired during the period | (10,500,000) | - | | |
| On issue at end of the half year | - | 10,500,000 | | |

2. CONTRIBUTED EQUITY (cont'd)

| | 31-12-2006 | 30-06-2006 |
|--|----------------------|------------|
| | Number of Securities | |
| | | |
| Unlisted options exercisable at nil cents on or before 15 July 2006 | | |
| On issue at beginning of the half year | 2,000,000 | - |
| <i>Movements during the half year:</i> | | |
| Issued during the half year | - | 2,000,000 |
| Exercised during the half year | (2,000,000) | - |
| On issue at end of the half year | - | 2,000,000 |
| | | |
| Unlisted options exercisable at nil cents on or before 15 January 2007 | | |
| On issue at beginning of the half year | 2,000,000 | - |
| <i>Movements during the half year:</i> | | |
| Issued during the half year | - | 2,000,000 |
| Exercised during the half year | (2,000,000) | - |
| On issue at end of the half year | - | 2,000,000 |
| | | |
| Unlisted options exercisable at 12 cents on or before 30 September 2007 | | |
| On issue at beginning of the half year | 4,500,000 | - |
| <i>Movement during the half year</i> | | |
| Issued during the half year: | - | 4,500,000 |
| On issue at end of the half year | 4,500,000 | 4,500,000 |
| | | |
| Unlisted options exercisable at 12 cents on or before 30 September 2008 | | |
| On issue at beginning of the half year | - | - |
| <i>Movement during the half year</i> | | |
| Issued during the half year: | 6,000,000 | - |
| On issue at end of the half year | 6,000,000 | - |
| | | |
| Unlisted options exercisable at nil cents on or before 15 July 2007 | | |
| On issue at beginning of the half year | - | - |
| <i>Movement during the half year</i> | | |
| Issued during the half year: | 1,500,000 | - |
| On issue at end of the half year | 1,500,000 | - |
| | | |
| Unlisted options exercisable at nil cents on or before 15 January 2008 | | |
| On issue at beginning of the half year | - | - |
| <i>Movement during the half year</i> | | |
| Issued during the half year: | 1,500,000 | - |
| On issue at end of the half year | 1,500,000 | - |
| | | |

3. CONTINGENT LIABILITIES

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

4. SEGMENT REVENUES AND RESULTS

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

5. EVENTS SUBSEQUENT TO THE END OF THE HALF YEAR

The directors are not aware of any material events subsequent to the half year ended 31 December 2006 which may significantly affect the operations of the entity, the results of that operation or stated affairs of the entity.

6. RELATED PARTY TRANSACTIONS

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

Transactions with related parties:

Director Related Parties

Strategic International Ventures Pty Limited, a company associated with J Kaminsky, provided consultancy services to the parent entity. Fees of \$55,000 were paid to Strategic International Ventures Pty Limited for the half year period.

During the half year John Kaminsky renewed a loan facility to the Company of \$300,000, which was offered by him on 29th September 2006. The terms of the facility provided that the loan would be for a term of 12 months from the date of acceptance and an interest rate of 10% on any funds drawn down by the Company. Mr Kaminsky has the option to convert the loan once drawn upon, into fully paid ordinary shares in the Company, subject to shareholder approval and regulatory compliance. The facility was not drawn down by the Company in the period, and a non refundable fee of \$500 was paid to Mr Kaminsky for the facility establishment.

Entities in the wholly owned group

As at 31 December 2006, Axis Mining NL, a company wholly-owned by Rimfire Pacific Mining NL, owed an unsecured non-interest bearing loan to the parent entity. The balance of the amount owing remained unchanged since the start of the half year period being \$464,034.

DIRECTORS' DECLARATION

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

- (a) the accompanying financial statements and notes comply with the accounting standards and Corporations Regulations 2001 and give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date.
- (b) at the date of this declaration there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



A handwritten signature in cursive script, appearing to read 'J A Kaminsky', is written over a horizontal line.

J A KAMINSKY
CHAIRMAN

Dated in Melbourne this 7th day of March 2007.



Chartered Accountants
& Business Advisers

7 March 2007

The Directors
Rimfire Pacific Mining NL
Suite 810, Level 8
Exchange Tower
530 Little Collins Street
MELBOURNE VIC 3000

Dear Directors

INDEPENDENCE DECLARATION

As lead engagement partner for the review of Rimfire Pacific Mining NL for the half-year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

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

PKF
Chartered Accountants

M L Port
Partner



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Rimfire Pacific Mining NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Rimfire Pacific Mining NL ('Rimfire'), which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Rimfire and the entities it controlled at 31 December 2006 or from time to time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of Rimfire are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Rimfire's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Rimfire, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Rimfire would be in the same terms if it had been given at the time the auditor's review report was made.



Chartered Accountants
& Business Advisers

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Rimfire is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and,
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PKF
Chartered Accountants

M L Port
Partner

Melbourne
7 March 2007