

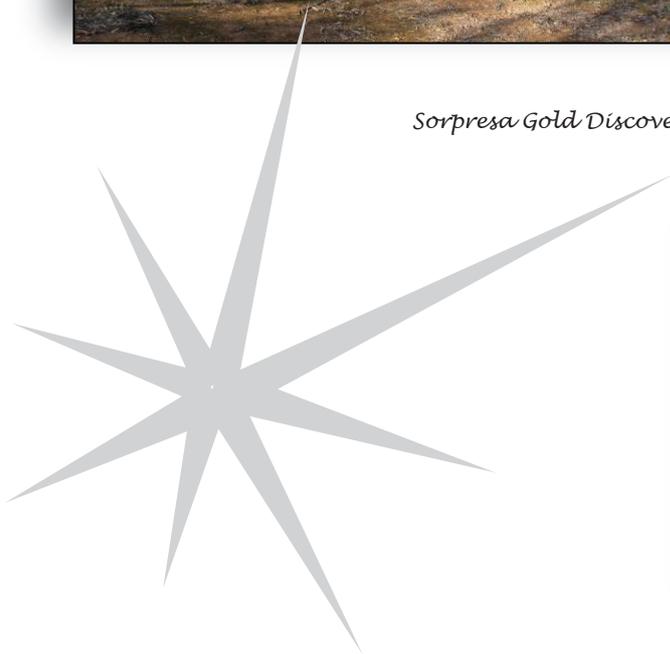
rimfire



ANNUAL REPORT 2011



Sorpresa Gold Discovery, Ffield NSW



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Dear Shareholder,

It is my pleasure to be able to provide to you the Annual Report for Rimfire Pacific Mining NL for the financial year ended 30 June 2011. Within this report the Company's exploration activities and financial performance are presented for the period.

The Company placed its major emphasis during the year on the Sorpresa fine gold prospect area at Fifield NSW. The important gold and silver discoveries here and its subsequent confirmation through the RC drill program in May 2011 is a significant defining milestone. The outcomes achieved at Sorpresa in the last 12 months have positively re-rated the Company, and this has been well reflected in the market sentiment towards the Company.



The results achieved at Sorpresa, in the context of our exploration to date, have now provided conclusive evidence that we are dealing with a significant gold system of some promise at Fifield. The greenfields discovery at Sorpresa contains high grade gold which is particularly encouraging.

Further to this, the mineralisation encountered at Sorpresa is near surface and assay friendly. This provides the Company with an excellent series of exploration targets, with strong commercial potential. The exploration and assessment will continue during the next period, where the Company will attempt to grow the full extent of the gold and silver discovered at Sorpresa, moving towards resource definition.

We are genuinely excited by the direction and scale seen at Fifield for gold, whilst we still consider the platinum potential as very important also. The Company is developing a gold and platinum mineralizing model to assist the overall exploration focus.

Sorpresa now gives important guidance on the large potential for gold mineralisation elsewhere at Fifield. Since the Sorpresa discovery, we have been actively progressing exploration on the adjacent areas to Sorpresa where a high quality mineralised corridor greater than 20km² has now been identified. We will be looking to add more gold zones through new discoveries and extensions to our Sorpresa area in a relatively short period of time. This seems a realistic goal based on the growing portfolio of Au prospects.

The detailed exploration conducted by the Company over an extended period at Fifield means the area has continued to be upgraded and redefined in geological terms, establishing multiple project areas and prospects of importance involving Platinum (Pt), Gold (Au) and Base Metal.

In conclusion, the Company will pursue its exploration activities in an aggressive and responsible manner, remaining flexible as necessary, recognising the need to add value to its project areas and realise its broader vision of successfully delivering a positive project outcome within the Fifield district. The gold discovery at Sorpresa is an important step forward in this regard.

The Company has continued to maintain a high standard of community interaction during the period within the Fifield area. This is particularly important in the modern era of stringent compliance and the need to consult all stakeholders with a relevant interest in the Company's development.

The global economic outlook still remains volatile. The Directors have been mindful of this in developing suitable strategies for the Company going forward. Accordingly, the Company completed well timed capital raisings, with a placement issue of \$2.22m in April 2011. This was subsequently followed by the exercise of existing options, raising an additional \$1.1 million at 31st August 2011, thus providing substantial ongoing funding for the next stages of exploration.

The important advances made by the Company in the period are due to the performance, dedication and contribution from an increasing range of people working with the Company. In this regard, I would like to sincerely express my appreciation for the efforts of my fellow Directors, Head Geologist Colin Plumridge for another outstanding year, the Exploration Team, staff, associates and consultants for the hard work, creative ideas, positive attitude and support provided.

During the next period the Sorpresa area in conjunction with the adjacent broader gold potential, will be pursued aggressively with an endeavour to establish a resource in the near future.

The Board of Directors would like to express their gratitude to all shareholders for their ongoing support and interest shown in the Company, as this is greatly appreciated. I look forward to providing important updates in the next period.

Yours sincerely,



John Kaminsky
Executive Chairman
Dated 14th October 2011

EXPLORATION OVERVIEW

FIFIELD PLATINUM PROJECT AREA EXPLORATION

The Fifield Platinum Project is comprised of seven tenements and two mineral claims covering known alluvial and hard rock platinum mineralisation at Fifield in central western NSW. The Company is conducting exploration on the source(s) of the coarse grained platinum historically mined in the Fifield area and the newly recognised gold and base metal potential now seen. The following areas for exploration or development are held:

Exploration Licences - EL5534 EL5565 EL6144 EL6241 EL7058 EL7233 EL7234

Mineral Claims - MC 305 MC 306

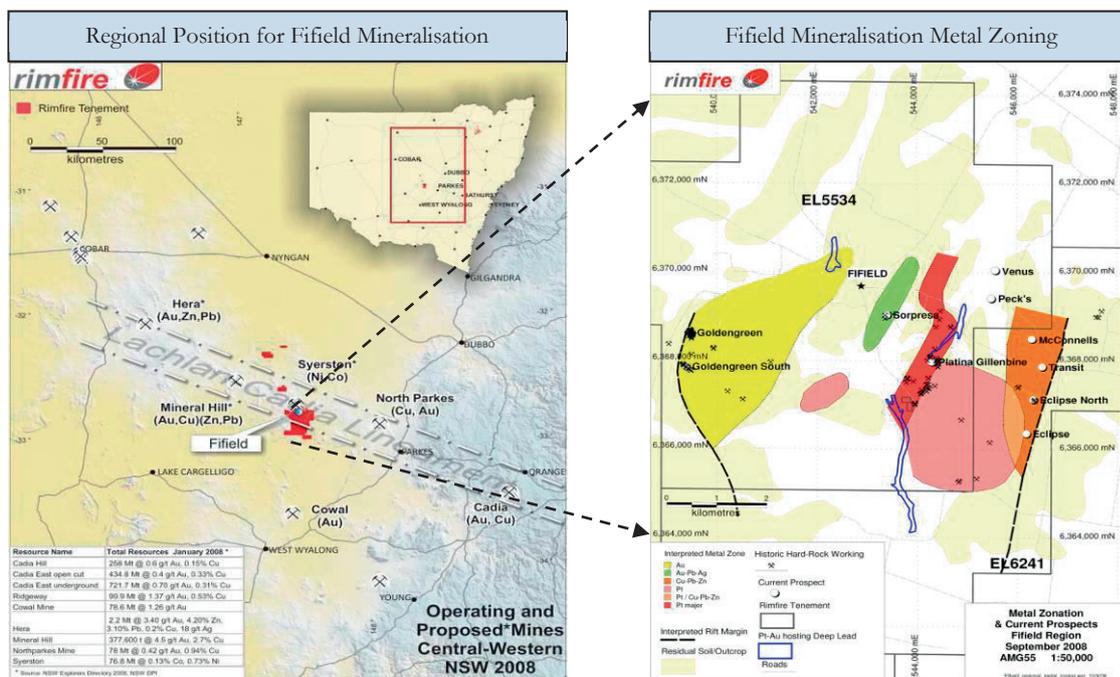
The key overall objective of the Company continues to be “the establishment of potential open cut minable resource(s) within the 25km² zone of currently identified Au and Pt mineralisation noted within the Greater Sorpresa project areas, Platina-Gillenbine and Ebenezer project areas”.

Exploration Highlights During the Past Year

Key progress was made as follows:

- **Discovery of significant gold mineralisation at Sorpresa Prospect confirming that major gold potential exists at Fifield NSW**
 - Sorpresa is a greenfields gold discovery
 - High grades of gold and silver were present in the first pass RC drilling program May 2011
- **Identification of a wider gold potential over an area greater than 20km² adjacent to Sorpresa**
 - A Company-Making gold discovery is now believed to be possible at Fifield

Project and Mineralisation Background – Fifield NSW



Rimfire has developed a wide variety of mineralisation prospects within the immediate Fifield region, including Au, Pt and Cu/Base Metal prospects, occurring over a compact zone of less than 10km. This observation also provides further support to the interpretation of the region as being a complex volcanic rift setting, with evidence for multiple, polymetallic mineralisation events associated with sub-volcanic intrusives, shearing and brecciation at various scales.

Accordingly, the exploration shows that metal zoning remains an important feature of the regional geology at Fifield. The relatively under explored Fifield area represents an excellent exploration setting for commercial mineralisation discovery in the Company's view, within the highly prized Lachlan-Cadia Lineament.

The important discovery of fine gold (Au) mineralisation at Sorpresa during the period represents a major milestone for the Company. Accordingly, considerable effort has been placed on advancing this project area, including gaining a more detailed understanding of the context of the Au mineralisation. **Results achieved at Trench 31 at the Sorpresa fine gold area in October 2010 were considered highly significant at the time and have proven to be so subsequently.**

Sorpresa Au Prospect Area – Background Summary

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

Earlier Background (2008) on Sorpresa Area – Rimfire work

The Sorpresa prospect originally consisted of a relatively small Au and base metals in soil anomaly located near an historic shaft, after a rock chip from the shaft returned a value of 8.8g/t Au. The prospect was RC drilled (3 holes) by Rimfire in 2008 and a body of Au mineralisation inferred. The host to the Au mineralisation was also a brecciated sediment with an uncertain size and orientation. The Company was of the view at that time that this mineralisation may not have occurred in isolation and this has proven to be correct.

The larger Sorpresa area was covered with broad spaced lines of soil geochemistry earlier in 2010 (100m line spacings and 25m sample interval). This coverage was based on the early concept that the originally discovered Sorpresa style of mineralisation could be extensive, but unrecognised.

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

Mineralisation

The mineralisation appears to occur in breccia zones with associated disseminated sulphide gossan and alteration, but very low in vein quartz. The mineralisation decomposes to soil, leaving little or no trace of its presence on the surface.

This Au being both very fine and disseminated did not suit the miners of past eras even if it had been located. Modern exploration and processing techniques make this mineralisation an ideal style to pursue. All high grade samples to date have produced repeatable Au assays, confirming this view.



Interpreting Trench 31 within the Sorpresa area as at January 2011

➤ The high Au grade of Trench 31 obtained in wall channel sampling gave *a true width of 9m @ 4.9g/t, and high grade sections (each 1m sections) included 9.8g/t, 12.8g/t and 11.1g/t Au.*



➤ Specific geology in the floor of trench 31 contained in excess of 70g/t in two places and confirms that the Sorpresa-Trench 31 corridor has a strength of gold mineralisation that is encouraging to the Company's opinion that this area is an unexplored gold field.

➤ Soil results, auger drill traverses, subcrop and RC drilling to date within this corridor support the likely view, that the mineralisation is potentially continuous, but this is yet to be fully determined with more detailed work programs needed

➤ The larger Sorpresa prospective gold area exceeds 1.7km x 0.4km and is essentially open ended

- There are “no historic workings” on the majority of this newly discovered mineralisation. **Essentially this area appears “missed” by others due to subdued topography, no outcrop and no visible coarse Au in the soil**

Additional large scale soil sampling programs and auger drilling traverses were conducted with more to follow.

It should be noted that the Company experience at Sorpresa demonstrates that soil chemistry results to large extent and auger bedrock results have been a successful proxy for greater values encountered in either RC drilling or trenching.

The Company has observed many fine disseminated gold occurrences focused on sediments in the Fifield district over a number of years, of which Sorpresa is only one such area.



Trench 31 at Sorpresa

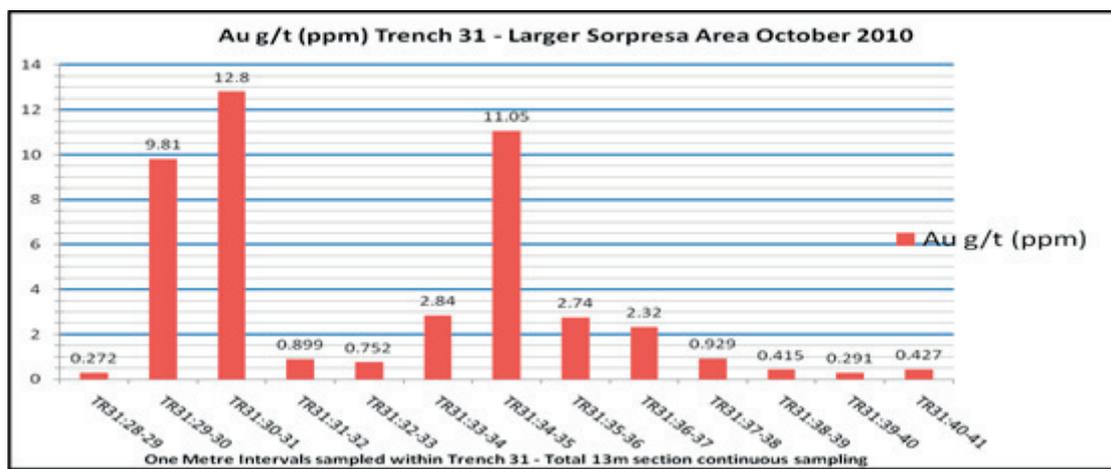
Explanatory video was provided by the Company for the purpose of better understanding the Sorpresa Area and style of work conducted as at September 2010.

These videos *precede the trench assay results* and can be found on the Company website at www.rimfire.com.au in the **Presentations and Videos** section or hyperlink below.

Title: [New Gold Area Discovery - Sorpresa Prospect Fifield NSW Oct 2010](#)

Title: [Trench 31 Discussion - Sorpresa Gold Prospect Fifield NSW Oct 2010](#)

Assays on Trench 31 were carried out by independent laboratory, ALS Laboratories Orange, using standard Fire Assay Methods for Gold, namely Au-AA22 (for Au values below 1ppm) and Au-AA26 (for Au values above 1ppm). The sample charge size for assay was 50g. Duplicate results were done on all samples for gold and showed concordance with the results in the table.



The Exploration Approach and Work to Follow at Sorpresa – An Effective Formula

Exploration programs using soil geochemistry and also bedrock geochemistry with auger traverses, followed by more detailed assessment using limited trenching and RC drilling with conventional fire assays enabled the discovery at Sorpresa.

The exploration methodology going forward will continue to focus on the following approach:

- Soil geochemistry will be used as a broad scale and sensitive scoping tool for elevated Au (>5ppb)
- Auger traverses will test bedrock geochemistry associated with surface based Au anomalism in the soils
- Trenching will be applied to selected auger traverses and other areas as appropriate
- Deeper RC drilling will be conducted to establish the 3 dimensional orientation on the Au mineralisation



This is necessary to be cost efficient, optimise intersections and minimise environmental impact. Some holes will be needed to gain greater geological insight and structural orientation.

The Company will continue to establish the correlation variability between auger traverse Au grades in bedrock and the true bedrock Au grades. However, it is already clear that in general, soil samples and bedrock auger chemistry understates the strength on the Au mineralisation, as evidenced in the results within Trench 31.

The approach being adopted represents conventional exploration. It should enable rapid exploration of Sorpresa over a large area, with focussed subsurface targets that are identified and tested quickly, in a fairly continuous manner.

Key Exploration Work Leading to May 2011 RC Drilling

Continuing positive assay results in early 2011 for the soil and bedrock auger drill geochemistry programs conducted at the Sorpresa Fine Gold (Au) prospect demonstrated that Au mineralisation exists in coherent zones and has a degree of continuity in the tested areas.

The encouraging nature of these established bedrock gold zones was further enhanced with the observation of co-incident gravity anomalism obtained in the completed micro gravity survey conducted.

Geological Views on Sorpresa Mineralisation Leading into the May 2011 RC Drill Program

The gold zones now seen at Sorpresa appear to have a definite structural control. The microgravity survey gives extra weight to the notion that mineralisation could be steep dipping in parts. The microgravity survey shows strong gravity anomalies co-incident with this mineralisation also, leading to the view that the **highly zoned nature of the mineralisation has similarities to Cobar and Canbelego styles of mineralisation.**

The gold occurs in several mineralising episodes, some with base metals including silver (e.g. in the North East) and some areas with gold, but devoid of other metals (e.g. in the South West).

The broad areas of disseminated gold are well located by soil sampling and auger drill bedrock gold assays. The actual grade of these areas, including high grade areas with complex geometry, is best tested with reverse circulation (RC) drilling into reliable deeper zones. It is important to remember there is no past mining at Sorpresa, and no outcrop, so orientation guidance on the mineralisation has been very limited.



Auger drilling into bedrock – Coherent Au zones

Completion of an East-West Soil Geochemistry Grid in January 2011 Confirmed an Extensive Gold Anomaly

An East-West (E-W) soil line sampling program was completed involving approx. 500 samples and was taken, on 50m or 100m line spacings with 25m intervals on samples, sieved to -5mm. The results enhanced and extended the earlier soil sampling programs conducted North-South (N-S) in 2010.

The Au in Soil anomaly remains open in several directions, and is currently occurring within an area of approx. 1.9km long x 0.5km wide. In addition, the entire soil grid area was geologically mapped for interpretation of soils, drainage patterns, botany and geological structure. This information has provided important context and confidence levels to the soil geochemistry results obtained.

The Bedrock Geochemistry Results March 2011 at Sorpresa Determining RC Bedrock Target Areas

Bedrock gold values consistent with previous auger drilling (2010) were seen in the interpreted coherent gold zones during the auger drilling, typically ranging from 0.1g/t to 1.5g/t. **A high value of 9.6g/t** was encountered towards the northern part of the prospect. A cut-off grade of 50ppb Au in upper bedrock was used as determining the extent of the gold zones.

The Company maintains the view that the near surface gold position in the bedrock auger drilling understates the gold potential, due to likely depletion in the more vulnerable Au positions.



2nd Auger Rig Operating



New Important 40m zone north-east of Trench 31



Auger traverse 350m SW of Trench 31

The following video material shows some field context discussion on the Sorpresa soil geochemistry and part of the recent bedrock auger drilling program in the quarter (the perspective is a geological assessment, prior to assay at that time).

Ctrl Click the Company video link: [Field Discussion at Sorpresa Gold Prospect Fifield NSW – February 2011](#)

Details of First Pass RC Drill Program at the Sorpresa Gold Prospect May 2011

A first pass RC drill program was completed on 4 main target areas for gold at the Sorpresa prospect with highly encouraging assay results received for intersections of gold and some associated silver, thus confirming that Au mineralisation exists in coherent zones and has a degree of continuity in the tested areas.

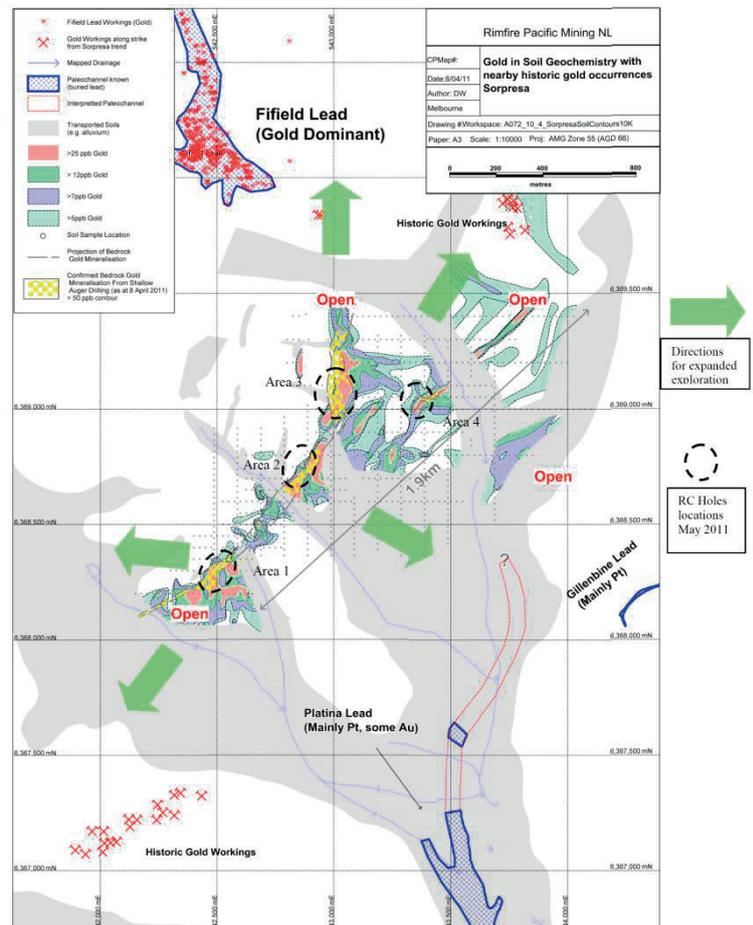
The RC drill program at Sorpresa and the various additional work programs in adjacent areas have provided a major advancement to the understanding of the underlying gold mineralisation which is considered highly prospective now at Fifield NSW by the Company.

Strong Results in RC Drill Program - 2,656m of Drilling Conducted April/May at Sorpresa Gold Prospect

40 RC drill holes and 3 Aircore holes were completed, with depths of 40m to 85m, for a total of 2,656m (holes Fi61 to Fi103). The program was designed to test for Au in 37 holes, whilst 6 holes were considered focused on geological interpretations.

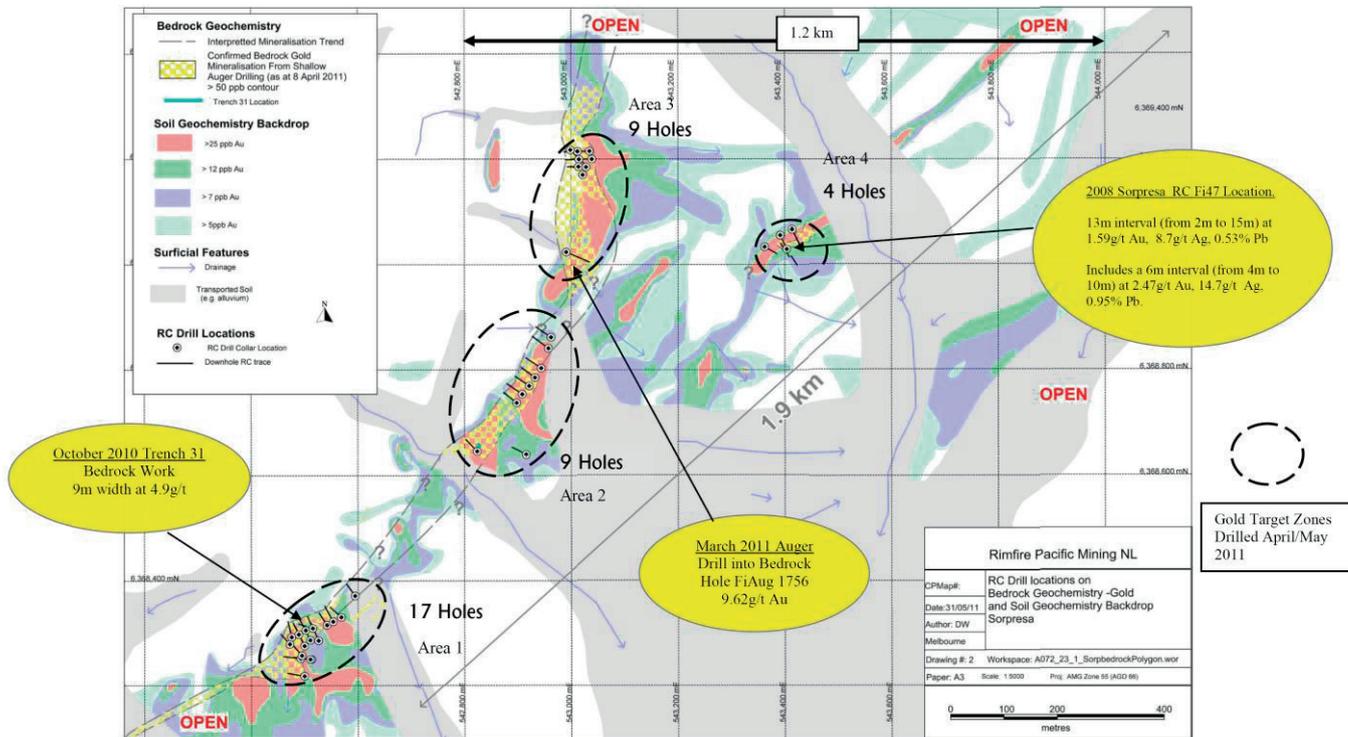
- **The RC drilling intersected Au in 25 of 37 holes designed to test for Au**, giving intersections of greater than 1g/t Au in these 25 holes; In addition, 6 holes gave intersections of Silver (Ag) above 35g/t.
- **The highest gold grade seen was 63.5g/t Au** confirming a capacity for strong Au mineralisation at Fifield.
- **The Company is of the view that Sorpresa is likely to be part of a larger mineralised gold system at Fifield** occurring within a prospective area of greater than 20km².

Sorpresa Gold in Soil Anomaly Context – Untested Areas and Adjacent Historic Au Workings



- Silver was confirmed as a significant within parts of Sorpresa. **The highest grade seen was 155g/t Ag.**
- The Au zones at Sorpresa are suited to drill delineation due to the disseminated, mostly fine nature of the gold.
- **The near surface position of the Au and Ag at Sorpresa is particularly attractive as a commercial target.**
- Many parts of the mineralisation in the RC drilling are still open in direction.

Completed RC Drilling Collar Hole Locations at Sorpresa April/May 2011
(Shown against Gold in Bedrock Auger Zones and Soils previously established)



Additional Exploration Adjacent to Sorpresa is Well Advanced

An expansion in Au exploration is now highly justified and is already underway with the Company advancing the geological model for the mineralizing system for gold and platinum at Fifield.

- Geological mapping and soil sampling was undertaken in numerous new areas prospective for Au, some of which have associated historic Au workings. A rapidly growing list of new target areas for Au is now being established.
- Additional Gravity Survey work was completed, extending interpretation of the Sorpresa Area.
- An additional 1,000m of RC drilling in September 2011 was planned for Sorpresa

The full geological context at Sorpresa is still under examination, however, it now seems highly probable in the context of the surrounding areas, from the perspective of the Company's exploration done to date and evidence provided by historic workings, that an area of much larger gold potential exists at Fifield.

Fifield Gold Potential - Fine Disseminated Gold to be Pursued at Multiple Locations

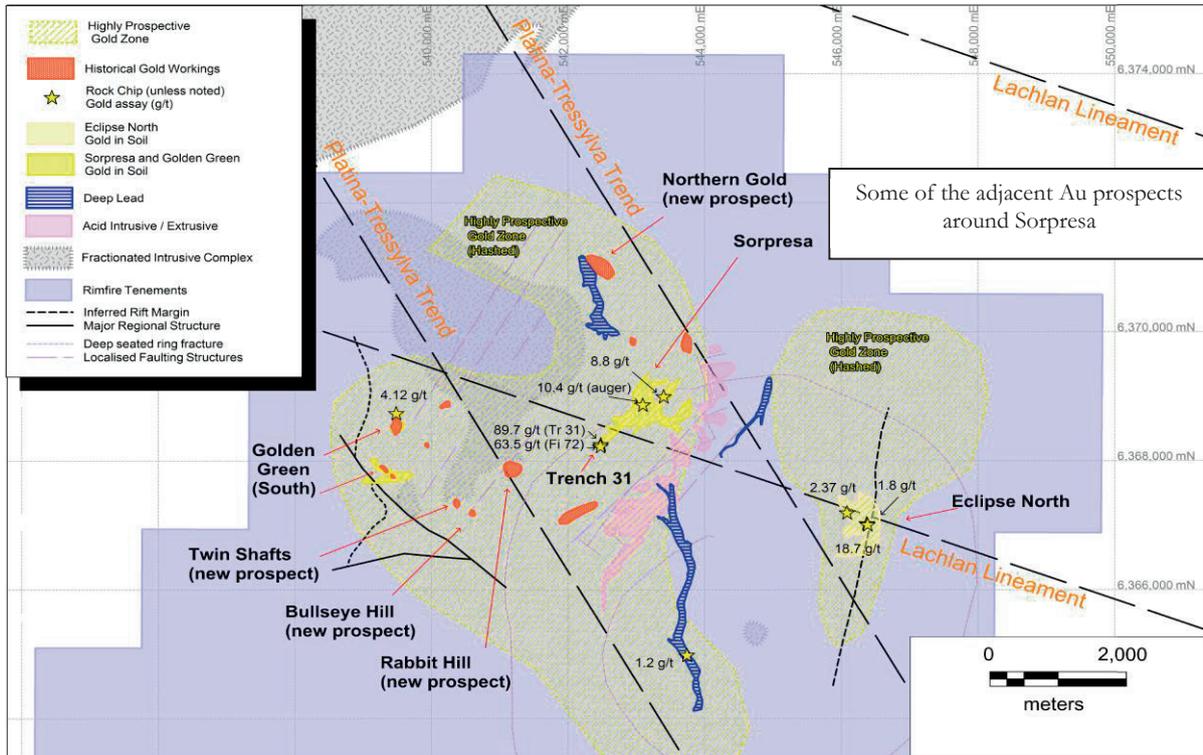
Excellent commercial Au targets exist within the broader surrounds of Sorpresa. Additional Au areas of considerable potential have been identified and are at various stages of assessment.

The following list represents a brief description of a number of these target areas.

1) Extending the Sorpresa Au Area Along Strike - Infilling Knowledge Gaps on the May 2011 RC Drilling

RC Drilling will need to be conducted along the known strike at Sorpresa. In addition, known gaps in the last RC drilling program will need to be filled. The Company will look to extend Sorpresa to the north and south using an initial program of Auger drilling, due to limitations in using soil geochemistry at these locations.

Silver mineralisation could potentially have its own specific orientation, as already seen to date in Area 3 (roadside location) and this silver mineralisation will likely partially overlap the gold position. Silver could have the capacity to reach ultra high grades and should be drilled in its own right at some later stage.



2) Greater Sorpresa Area – Au to the East

This area has gold potential and has a likely spatial overlap with the silver exploration Zone program. The concept is that the fine gold shown at Sorpresa will remain relatively shallow as it continues east, with the mineralisation following a distorted path relatively close to the current land surface. This area is large and is capable of yielding a significant gold discovery.

In general, Sorpresa is a viable 3D target as it can be assayed reliably, as it has an elevated gold cloud halo and is of considerable size. To cover the entire area would take extensive drilling, so tuning the area selectively will be the approach adopted. Using the Gravity Survey combined with knowledge of the geological alteration should act as a sufficient starting point in the exploration with Aircore drilling initially as the favoured technique.

3) Greater Sorpresa Area – Au To the West up to the Known Intrusive Contact

Newly emerging data is showing exploration potential for fine gold and platinum group elements associated with special intrusions. Some of this geology was seen in the Sorpresa RC program and also the recent work on Twin Shafts prospect.

These intrusive bodies appear to reside under the known gold position and look to be mineralized in their own right. Radiometric data in this area shows possible complex special intrusive bodies that dip below Sorpresa. There is great tonnage potential in these special intrusives and their investigation will be treated as a priority, starting with auger drilling to establish the distribution of the mineralisation.

Deeper drilling would follow to explore the shape and metal potential. The area known to date to contain these intrusive rocks is only a small part of the area that these special intrusive rocks could occur in.

4) Au Exploration Around The Large Known Intrusion (Murga-Estar)

A large annular area (approx. 20km²) to the west of Sorpresa, contains prospective multiple Au positions and this area in general is considered to have some excellent Au potential. Exploration is already underway in parts of this area. In the 3D location this potential will extend below surface to the east and south east making the total area very large by any standards.

This annular area covers a variety of surface geological conditions and needs a full suite of exploration techniques applied to it, including Gravity Survey, radiometrics survey, geochemistry, geology and extensive drilling of various types. Specifically, 2km SW along strike from the Sorpresa Gold area, historic gold workings have been mapped and are undergoing extensive sampling.

The new Au prospects include Bulls Eye Hill, Twin Shafts and Rabbit Hill as shown on the map (previous page).



Bulls Eye Hill Area Au Prospect ready for RC

5) Northern Gold Prospect North of Sorpresa

This area is believed to be an area of considerable potential for Au. The area is adjacent to some of the most intense historic bedrock Au workings (1890's) seen at Fifield. An extensive gossanous/breccia shear zone was recently discovered (15m x 50m) containing the familiar black silica signature previously noted on the Sorpresa area. The area has a known strike length of approximately 1.3km.

6) Fine Gold Exploration Along The Monzonite Corridor – South East of Sorpresa

The residual soil areas at this location are currently being explored by soil geochemistry, with auger drilling to follow up gold anomalies – extensive assays are required.

7) Lower Platina Fine Gold

This area has aspects in common with Sorpresa and was discovered at the southern end of the Platina Lead during geological mapping and sampling. Fine gold was located in bedrock (rock chip 1.2g/t), including abundant chromite and also gold within the chromite grains themselves. The alluvials at Lower Platina also contain abundant fine gold. The Gravity Survey conducted recently shows much contrast, probably demonstrating a complex area with granite and special intrusives.

Drilling work on this area will have multiple outcomes, potentially testing the fine gold mineralisation, examining any coarse Pt mineralisation and assist in the delineation of the Platina Lead and any tributaries that may be present there.



Platina Lead Looking towards South

8) Ladera Au in Elevated Iron Cemented Gravel

There is an estimated 2 to 3 million tonnes of this cemented gravel on top of a hill on the east side of EL5534, within the Ebenezer Pt soil anomaly. Crushing tests have already shown fine gold is present, but there is currently no quantitative assessment of grade. A small test with 4 RC drill holes is proposed at some stage to see if the Au grade is of economic interest.

9) Eclipse Region Fine Gold Along The Rift Margin

This is a complex area that has had several periods of work by Rimfire. Gold potential is now seen in a new light with the Sorpresa connection of Au with associated Pb (Lead) and As (Arsenic). Much of the Eclipse Region is already covered with base metal soil geochemistry conducted some 2~4 years ago by Rimfire.

10) The Far West of the Platina Lead

This is another large area, but little exploration has been done to date. The location is undulating topography and is expected to be rather straight forward to explore. Much of the area could be covered with creek sampling for fine Au. This area is the least developed in the current Au exploration program.

11) Yoes Lookout

This area is located 5km East of the Fifield township. Sampling was completed for Au, Cu, Ag and Pb in three separate locations on 25m or 50m sample spacings over an area of 2km². Possible porphyry Cu/Au is the target.

Micro Gravity Survey and Down Hole Logging Conducted at Sorpresa Prospect and Near Surrounds

The Company completed Gravity Geophysical surveys to possibly provide more structural interpretation to the wider Sorpresa Area. Interpretation at Sorpresa, based on recent RC drilling, suggests the Gravity anomaly is related to the presence of sulphides, which may relate spatially to the Au mineralised position, in part. Gravity will be used selectively as a potential diagnostic tool for further exploration on the Au mineralisation within Sorpresa and at other adjacent locations.

The Company completed down hole logging of a selection of the recent RC drill holes in an attempt to further assist structural interpretation and orientation of the mineralisation encountered to date.

Geological Notes on the Gold Mineralisation at Sorpresa

The RC drilling program in May 2011 adds significant strength to the argument that Sorpresa is only a partly accessible component of what appears likely to be a much larger Au mineralised system. The Company is on an upwards learning curve with respect to the geology, but has formative conclusions on certain aspects as further detailed.

Sorpresa gold is disseminated through structurally complex shear zones. The favoured host rock is carbonaceous shale that has undergone a change to graphitic schist. The gold accompanying silica does not form the usual quartz veins. It pervades the rock and replaces it. This is a strong distinction with most gold deposits.



The sulphide minerals are disseminated along with the gold and the silica. The sulphides encountered to date do not form massive sulphide lodes.

The gold frequently has accompanying silver and the higher silver grades seen in the RC drilling will have a positive influence in any commercial viability calculations. Base metal signatures are providing a valuable guide to likely gold zones, with Arsenic and Lead as the most reliable pathfinder metals, but anomalous amounts of Zn, Cu, Sb, Co and W can also be present.

The gold zones at Sorpresa are suited to drill delineation due to the disseminated and mostly fine nature of the gold. The drilling sections need to be spaced at between 15 and 25m apart. The geometry of the gold zones has good continuity, but can be complex and easily lost if the drill hole spacing is too great.

Empirical observations indicate that intersecting shear zones are a common means of focusing mineralisation, but they are not the main overriding gold control. It is likely that the gold is largely controlled by shallow dipping rock fractures that are related to the roof zone of the extensive underlying intrusive. The intersecting shears provided only a final gold focus rather than a main control. Hence shallow plunging extensions to the gold mineralisation are expected to be common on both the detail and the broader scale.

A Brief Summary of Features of the Exploration Outside the Sorpresa Focus is as Follows:

The Company has needed to re-weight its priorities going forward, based on the very encouraging work to come out of Sorpresa. However, a range of activities were still progressed:

- Continued investigation of the further extension of the Platina Lead to the North of the Company Freehold.
 - This work extends into the Sorpresa project area which is gold dominant
- Further metallurgical trials, plant alterations and process examination for the different types of raw material feeds that are expected from the Platina Lead were undertaken.
- Mineralogy assessment was conducted on a range of materials including rock, mineral and metal grain samples, from the Platina Lead including using the Synchrotron facility for high resolution imaging of Pt grain chemistry.
- Platina Lead assessment strategy refinement continued

Platina Lead Assessment Six Large Scale Trenches Planned

Large scale trenches that have been designed to investigate the “open cut” commercial potential for Pt within the Platina Lead are mainly on the Company freehold. This will assess the alluvial system, comprising the multilevel gravel system, the un-mined and mined portions of the historic Platina Lead. This work is seen as complementary to the exploration being conducted on the large bedrock potential seen by the Company in the area.

The shallow nature of the target Platina Lead (15~20m below surface), coupled with the attractive Platinum price, makes this a worthwhile “Tier 2” commercial target. This is particularly the case, when the important underlying bedrock geology is taken into consideration which should provide further knowledge on the “Tier 1” primary source(s) of the Pt and Au contained within the Lead.

An explanatory discussion on the six trench program has been produced in video form and is available on the Company website www.rimfire.com.au within the **Presentations and Video Section**, titled “[Platina Lead Sampling Discussion Fifield NSW Sept 2010](#)”. (A direct link to the video can be found by clicking the title)

Exploration Conclusion for the Past Year

The Company has made substantial inroads in its exploration activities in the last year, whereby there has been a significant upgrading of the potential for establishing successful gold mineralisation in the wider Fifield district that could lead to a Company Making opportunity in subsequent periods.

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

Your Directors present their report on the company and its controlled entity for the financial year ended 30 June 2011.

Directors

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

Graham Billingham
John Kaminsky
Ramona Enconiere
Thomas Burrowes (appointed 16 December 2010)
Andrew Knox (resigned 31 March 2011)

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

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

Review of Operations

In the period, the key exploration commitment continued to be placed on the projects at Fifield NSW, with the greenfields gold (Au) discovery a highlight in the period. This confirms, in the Company's view, that:

- **The mineral potential at Fifield is excellent and has advanced substantially in the period**
- **The project areas are being developed expertly and aggressively**

The May 2011 RC drilling program at Sorpresa was highly successful, confirming the prospective nature of gold exploration at Fifield. This is particularly so when viewed within the context of all the exploration undertaken by the Company to date and when also combined with the evidence of the historic gold workings in the Fifield district. This provides compelling evidence that the Company is dealing with a significant gold system of some promise at Fifield, with a capacity for "Company Making" discoveries in due course.

The Company is impressed and excited by the direction unfolding rapidly at Fifield for gold. By examining and learning as much as possible about the gold bearing geology and mineralisation geometry at Sorpresa the Company will apply this knowledge at adjacent locations.

Extensive new geological mapping and soil sampling programs have been undertaken on new areas at Fifield, prospective for gold in particular. The exploration has been supplemented in part by a newly completed gravity geophysical survey. The new gold prospect areas identified will also undergo further auger drilling and possible trenching as deemed necessary, prior to RC drilling. Whilst it is early days in these new areas, the Company is seeing signs that do reflect the larger gold potential at Fifield beyond the initial Sorpresa discovery.

Accordingly, excellent progress in exploration of the adjacent areas to Sorpresa has occurred more recently with the goal to add more gold zones to the Sorpresa discovery in due course. Whilst it is early days in these new areas, the Company is seeing signs that do reflect the larger gold potential at Fifield.

In addition, the platinum (Pt) exploration conducted to date by the Company is still considered to be highly significant. In the Company's opinion, the style of Pt mineralisation at Fifield represents an attractive commercial target, given it is coarse grained, is gravity recoverable and occurs over an extensive area (greater than 6km² at Ebenezer alone).

Pt, Au and base metal mineralisation are all present at Fifield and this metal zoning remains an important feature of the regional geology. It is still the Company's view that the Fifield area remains under-explored and thus provides excellent exploration potential for commercial mineralisation discoveries.

The price of Pt traded in the range of USD1,600 to USD1,900/ounce during the period, finishing at USD1,750/ounce level. In the Company's view, the commodity outlook still remains broadly positive in the medium term for Pt and particularly strong for gold, with a less stable global financial environment than 12 months ago.

The Company's work programs have been conducted under the expert guidance of Colin Plumridge as the Head of Exploration, in conjunction with the Chairman and the field/operations team at Fifield. The Board of Directors continues to offer its support and show its gratitude to all the people contributing to the advancement of the projects in the period, including all contractors, employees, partners and advisors.

Financial Position

The net assets of the consolidated entity have increased from \$6,901,720 at 30 June 2010 to \$8,592,837 at 30th June 2011. The Company continued to ensure that overhead costs during the financial year were carefully monitored.

The Company was successful in raising further capital in the period with a placement in April 2011 and sincerely acknowledges new and existing shareholders who participated.

Future Developments, Prospects and Business Strategies

The Company is excited by the emergence of the gold potential within the Fifield district and will continue to pursue gold mineralisation on the back of the greenfields "Sorpresa Prospect" discovery confirmed in October 2010.

An area greater than 20km² is now identified at Fifield which is to be intensively prospected for gold. The exploration direction is already well underway, with stream sediment sampling, soil geochemistry, auger drilling, geological mapping, geophysics reviews and RC target development being undertaken on a progressive basis.

The Company is to continue to develop its core Pt projects at Fifield, particularly focusing on the Platina-Gillenbine area and the Company freehold location. The Platina Lead structure still represents a potentially attractive "tier 2" commercial Pt target, as does the "Pt contained in the surficial gravels" with important insight able to be provided with respect to the mineralised "tier 1" Pt bedrock system, during the assessment of the Platina Lead.

The work on the Sorpresa area has likely provided additional insight into the interconnection between the geological systems for gold and platinum at Fifield. Important observations will be further developed during the next period.

Although recognising no resource is yet established, the Platina - Gillenbine Pt project area still has the potential to develop into a minable resource at some point in the future, in the Board's opinion.

Operating Results

The loss of the consolidated entity amounted to \$525,275 (2010: \$383,554).

Dividends

No dividends were paid during the financial year, nor are any recommended at 30 June 2011.

No Significant Changes in State of Affairs

The Sorpresa Gold discovery at Fifield has significantly changed the Company outlook going forward and has created a greater focus on the gold mineralisation potential.

The Platinum exploration remains important, whilst the Diamond exploration at Bingara has received less attention due to the changed Company circumstances with the intense focus at Fifield.

After Balance Date Events

The Company achieved an increase in its capital base after the balance date through the exercise of the Listed Options "RIMO", which were due for exercise by 31st August 2011. 26,830,093 options were converted into fully paid ordinary shares at 4.0 cents per share, realising \$1,073,204 in new capital. No other matters or circumstances which have arisen since the end of the financial year significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Environmental Issues

The consolidated entity aims to ensure that the highest standard of environmental care is achieved. The Board maintains the responsibility to ensure that the consolidated entity's environment policies are adhered to and to ensure that the consolidated entity is aware of and is in compliance with all relevant environmental legislation. There have been no environmental breaches during the 2011 financial year.

Information on Directors –

John Kaminsky (Executive Chairman and Director)

Bachelor of Applied Science (Chemistry) (RMIT) and MBA (Melbourne Business School)

John Kaminsky was appointed Director of Rimfire Pacific Mining NL and Axis Mining NL in April 2004. He brings strong strategic and international skills to the company and has more than 20 years experience in international trade, including chemicals, plastics, metals, minerals, ores, concentrates and energy products. He assumed the role of Executive Chairman in December 2004.

Graham Billingham (Non-Executive Director and Secretary)

Graham Billingham became a Director of Rimfire Pacific Mining NL and Axis Mining NL in May 1999 and comes to the Board with an extensive background in investment banking and corporate development in the Australasian region. As an investment banker and finance director, he brings to the Board extensive corporate, financial and commercial expertise.

Ramona Enconniere (Non-Executive Director)

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

Ramona Enconniere became a Director in May 2005 and has professional affiliations with the Australian Society of CPA and the Australian Institute of Banking and Finance. Ramona 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.

Thomas Burrowes (Non-Executive Director)

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

Thomas Burrowes was appointed Director in December 2010. Tom has accrued extensive operational and management experience at Board level within junior Australian resource companies over the past 23 years. After an initial career in funds management he has held executive directorship positions in 7 resource companies, including a current directorship with Stellar Resources Ltd, since 2004. Tom 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.

Andrew Knox (Non-Executive Director) (Resigned 31 March 2011)

Bachelor of Commerce (University of Western Australia) CA, CPA, FAICD

Andrew Knox was appointed Director in July 2005 and has been a Director of several Australian Public Companies which have been involved in the resource industry. He is currently the CFO of the ASX listed entity Cue Energy Limited and has substantial experience in the acquisition and assessment of business opportunities in the resource sector, comprising potential takeover targets, production/non-production reserves, infrastructure and general market opportunities and the related fund raising required.

Meetings of Directors

During the financial year, meetings of Directors were held as detailed below. Attendances by each Director during the year were:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
John Kaminsky	3	3	2	2	1	1
Graham Billingham	3	3	-	-	1	1
Ramona Enconniere	3	3	2	2	1	1
Andrew Knox	2	2	1	1	1	1
Thomas Burrowes	2	2	1	1	-	-

Options

As at 30th June 2011 the unissued ordinary shares of Rimfire Pacific Mining NL under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Category of Option	Number under Option
29/06/2010	31/08/2011	\$0.04	Listed (RIMO)	124,790,443
Total				124,790,443

No further options have been issued since the end of the financial year.

As at the report date, 26,830,093 options were converted into fully paid ordinary shares at 4.0 cents per share, realising \$1,073,204 in new capital. The balance of the options (97,960,350) had lapsed as at 1st September 2011.

Directors' Shareholdings

The Directors disclose their interest in shares, as at the 30th June 2011:

Shares held beneficially:

John Kaminsky	19,566,666
Graham Billingham	-
Ramona Enconniere	1,668,333
Thomas Burrowes	500,000

Shares in which there is a relevant interest:

John Kaminsky	5,112,666
Graham Billingham	14,100,000
Ramona Enconniere	5,925,000
Thomas Burrowes	-

This report details the nature and amount of remuneration for each Director of Rimfire Pacific Mining NL, and for the executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of Rimfire Pacific Mining NL has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific longer term incentives based on key performance areas affecting the consolidated entity's financial results. The Board of Rimfire Pacific Mining NL believes the remuneration policy to be appropriate and effective, and has established a Remuneration Review Committee to allow the Company to maintain its ability to attract and retain the best executives and Directors to run and manage the consolidated entity, as well as create goal congruence between Directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the consolidated entity is detailed below:

The remuneration policy, setting the terms and conditions for executive directors and other senior executives, was approved by the Board. The executives are entitled to receive a mix as determined by the committee, of base salary (which is based on factors such as capability, effectiveness, work tasks, responsibilities, length of service and experience), superannuation, fringe benefits and securities, subject to any necessary shareholder or regulatory approvals.

Benefits to senior executives and the non-executive Directors consisted exclusively of cash benefits in the period. A non-executive Director Pool of \$120,000 was established in 2009 and represents the maximum aggregate payments to non-executive Directors in their capacities as Directors, that can be paid in any one year, not requiring additional shareholder approval. The actual non-executive Director pool utilised in the 12 month period was \$72,000 in total.

The Board reviews executive and non-executive packages by reference to the consolidated entity's performance, executive and non-executive Director performance and comparable information from industry sectors including other listed companies in the resources sector.

With respect to executive appraisal, key aspects of performance criteria include the maintenance of an adequate level of operating capital, maximising the economic cycle and managing expenditure to efficient levels, particularly in difficult global conditions. Developing and retaining exploration personnel expertise, therefore enabling the best possible examination and enhancement of the Company exploration portfolio is considered important, and this is done whilst operating to high standards of governance, including work place safety.

Managing investor relations and Company communication with all stakeholders, including shareholders, analysts, capital providers, landholders and government departments is considered a key benchmark. Ensuring an environmentally sensitive approach to exploration programs is maintained is a measured outcome, thus minimising any potential liabilities to the Company.

All of these factors are considered to impact directly on the performance of the Company and are therefore an important component in the remuneration assessment. These factors are more easily assessed within the review process, than more volatile measures, such as day to day exploration results, commodity price fluctuation and global market sentiment. Overall technical advancement in the exploration potential of the project areas is considered in the remuneration assessment process.

Macro measures as a backdrop to performance review are also relevant, but are not a sole determining factor. Such measures would include key growth indicators of share price, volume of trade, number and stability of shareholders and market capitalisation of the Company.

The Company believes the performance review process adopted using these measures ensures a strong alignment between Board and executive performance and that of the underlying performance of the Company for a Company of this type.

As a junior exploration company other key performance criteria for the Directors and executives relate to their ability to bring ideas, business skills, experience, appropriate networks, capital raising initiatives, promotional strategies, expenditure plans and pursue exploration programs through selection of appropriate technical specialists whilst exercising prudent judgement that can create significant shareholder value. This must all be conducted within modest financial resources, so efficiency and effectiveness are key performance measures by which the Executives and Directors need to be assessed. The capacity for multi-skilling is a key criterion.

Key objectives are set by the Board for the Executive Chairman of the Company, and the Board refers to these guidelines and modifies the content according to the specific needs of the Company and its strategies going forward. The Executive Chairman currently has no employment contract with the Company and has remained on the same remuneration basis for the last 3 years.

Subject to the performance of the Company and a review of the performance and incentives offered to Directors and Executives of the Company, an entitlement to participate in share and option arrangements, subject to shareholder approval may also apply. This is designed to align the performance of the Company with the performance of the Board and Executives. Recent Legislative changes, however, make this almost an unworkable route to implement and the Company is seeking further advice.

All remuneration paid to executives and Directors is valued at the cost to the company and expensed. The Board's policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities.

The remuneration committee determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice may be sought if required. The maximum aggregate amount of fees that can be paid to non-executive Directors is not linked directly to the performance of the consolidated entity, however, the Board is conscious of its responsibilities and is mindful of the performance of the Company, so has acted accordingly, in formulating remuneration and incentive levels.

To align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the company.

Details of Remuneration for the Year Ended 30 June 2011

The remuneration for each Director of the consolidated entity receiving the highest remuneration during the year was as follows:

<u>2011</u>	Primary		Post Employment	Equity Compensation	Total
Name of Director	Salary, Fees & Commissions	Cash Bonus	Superannuation Contributions	Shares & Options	
	\$	\$	\$	\$	\$
<u>Non-Executive Directors</u>					
A. Knox*	16,214	Nil	Nil	Nil	16,214
G. Billinghamurst	22,214	Nil	Nil	Nil	22,214
R Enconniere	22,214	Nil	Nil	Nil	22,214
T Burrowes**	11,357	Nil	1,022	Nil	12,379
<u>Executive Director</u>					
J Kaminsky	176,147	Nil	15,853	Nil	192,000
	<u>248,146</u>	<u>Nil</u>	<u>16,875</u>	<u>Nil</u>	<u>265,021</u>

* Andrew Knox resigned on 31 March 2011

** Thomas Burrowes appointed on 16 December 2010

<u>2010</u>	Primary		Post Employment	Equity Compensation	Total
Name of Director	Salary, Fees & Commissions	Cash Bonus	Superannuation Contributions	Shares & Options	
	\$	\$	\$	\$	\$
<u>Non-Executive Directors</u>					
A. Knox	14,000	Nil	Nil	Nil	14,000
G. Billinghamurst	14,000	Nil	Nil	Nil	14,000
R Enconniere	14,000	Nil	Nil	Nil	14,000
<u>Executive Director</u>					
J Kaminsky	149,480	Nil	42,520	Nil	192,000
	<u>191,480</u>	<u>Nil</u>	<u>42,520</u>	<u>Nil</u>	<u>234,000</u>

Performance Income as a Proportion of Total Remuneration

No performance based bonuses were paid during the year ended 30 June 2011 (2010: nil).

Employment Contracts of Directors

The engagement conditions of the Executive Chairman, Mr J Kaminsky, were formalised in a consulting agreement which commenced on 1 December 2009 and continued to 30 November 2010. A monthly payment has been instituted since this date on an informal basis with a new agreement under current review.

Executives

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

Indemnifying Officers

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

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

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

Mr John Kaminsky
Ms Ramona Enconniere

Mr Graham Billinghamurst
Mr Thomas Burrowes

Proceedings on Behalf of the Company

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

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

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 9.

Non-Audit Services

There were no non-audit services provided by PKF Chartered Accountants during the financial year.

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



Director

John Kaminsky

Dated this

28th

day of

September

2011



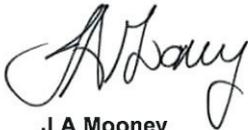
Chartered Accountants
& Business Advisers

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: **The Directors**
Rimfire Pacific Mining NL and the entities it controlled during the year

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

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



J A Mooney
Partner
PKF

28 September 2011
Melbourne

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Introduction

The Directors of Rimfire Pacific Mining NL recognise the need for high standards of corporate governance and are focused on fulfilling their responsibilities individually and as a Board to all of the Company stakeholders. The Board supports the guidelines on the “Principles of Good Corporate Governance and Best Practice Recommendations” (“Principles”) established by the ASX Corporate Governance Council.

Given the size and structure of the Company, the nature of its business, the stage of its development and the cost of strict and detailed compliance with all of the recommendations the Company has adopted some modified systems, procedures and practices which it considers allow it to reasonably meet the principles of good corporate governance.

The Company practices aim for consistency with those of the guidelines and its recommendations. The Company considers that it has adopted practices that are appropriate to the Company’s circumstance in this regard. At the end of this Corporate Governance Statement a table is included detailing the recommendations with which the Company does not strictly comply, including reasons for departure from any stated Principles.

The following sections outline the Company practices in complying with the Principles.

Principle 1: Laying Solid Foundations for Management and Oversight

The role of the Board is to lead and oversee the management and direction of the Company.

After appropriate consultation with executive management, the Board:

1. Defines and sets its business objectives. It subsequently monitors performance and achievements of the Company’s objectives and that of senior management;
2. Oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and a review of executive management, remuneration practices and insurance needs of the Company;
3. Monitors and approves financial performance and budgets; and
4. Reports to shareholders.

As part of the execution of their duties, Directors are involved in various subcommittees related to focused aspects of the Company. The Directors are able and encouraged to seek external professional advice as may be required, depending on circumstance.

In addition, Directors have a duty to disclose and appropriately report matters that affect their independence and conform to the Company’s trading policy governing dealings in the Company’s securities, including any related financial instruments.

The Board has delegated all day to day management of the Company to the executive management, subject to any specific expertise requested by management of the Board, on a case by case basis.

During the period, a review of executive performance was undertaken by the Remuneration Committee in accordance with the Company’s stated review process and benchmarking.

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

Principle 2: Structuring the Board to Add Value

Composition of the Board

The ASX Corporate Governance Council recommends that composition of the Board be determined so as to provide a Company with a broad base of industry, business, technical, administrative and corporate skill and experience considered necessary to represent shareholders and fulfill the business objectives of a Company.

The recommendations of best practice are that a majority of the Directors and in particular the chairperson should be independent. An independent Director is one who:

1. Does not hold an executive position;
2. Is not a substantial shareholder of the Company or an officer or otherwise associated directly or indirectly with a substantial shareholder of the Company;
3. Has not within the last 3 years been employed in an executive capacity by the Company or another group member or been a Director after ceasing to hold such employment;
4. Is not a principal of a professional adviser to the Company or another group member;
5. Is not a significant supplier or customer of the Company or another group member, or an officer of, or otherwise associated directly or indirectly with a significant supplier or customer;
6. Has no significant contractual relationship with the Company or any other group member other than as a Director of the Company; and
7. Is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the Directors ability to act in the best interests of the Company.

It is considered that a majority of independent Directors is the optimal composition to add value to the Company. This is due to the size and nature of the Company's business and risk profile of the Company. Corporate Governance practices are in place to support competent and objective operation of the Board and to provide investor assurance in relation to Board decision making.

As a junior exploration company, the key performance criteria for the Directors and executives relate to their ability to bring ideas, general business skills, experience, appropriate networks, risk assessment skills, capital raising initiatives, promotional strategies, expenditure plans and pursue exploration programs through appropriately selected technical specialists whilst exercising prudent judgment that can create significant shareholder value. This must all be conducted within modest financial resources, so efficiency and effectiveness are key performance measures by which the Directors are assessed.

The Board regularly discusses and reviews its performance. The chairperson also discusses with each Director their requirements, performances and aspects of involvement in the Company. The Non-Executive Directors discuss and evaluate the role fulfilled by management individually and together. This is reviewed against the discussed and agreed objectives of the Company and the effectiveness in carrying out those objectives.

Nomination of Other Board Members

Due to the small size of the Company, no Nomination Committee exists currently, this function is adopted by the Board of Directors, which at least annually, reviews its composition to determine if additional core strengths are required to be added to the Board in light of the nature of the Company businesses and its objectives. The selection process takes into consideration the skills and experience of proposed Directors with an attempt to gain sufficient diversity amongst Directors to add value to the Company.

Independent Advice

Each of the Directors is entitled to seek independent advice at Company expense to assist them to carry out their responsibilities.

Principle 3: Promotion of Ethical and Responsible Decision-Making

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. The Company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director or the interests of any other party in so far as it affects the activities of the Company and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

Directors, staff and insiders are required to make disclosure of any share trading. A formal Trading Policy was released to the ASX at the end of 2010. The cornerstone of the Company policy in relation to share trading is that officers, employees and contractors are prohibited to trade whilst in possession of unpublished price sensitive information concerning the Company. That is information which a reasonable person would expect to have a material effect on the price or value of the Company securities. An officer must discuss the proposal to acquire or sell shares with the Chairman prior to doing so to ensure that there is no price sensitive information of which that officer might not be aware. The undertaking of any trading in securities by Directors must be notified to the Company and Chairman who makes disclosure to ASX within the required reporting time-table guidelines.

An extract of the Trading Policy is provided as follows:

A Representative in possession of price sensitive information which is not generally available to the market must not deal in the Company's securities at any time, either directly, or indirectly

In addition, each Representative is permitted to trade in the Company's securities throughout the year **except** during designated closed periods. The closed periods are between the end of the March, June, September and December quarters and the release of the Company's next quarterly report to 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 December 2010 to the ASX.** There are exceptional circumstances where trading can occur outside the policy in cases of specific hardship. These details are outlined in detail in the full policy document.

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

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

<u>Senior Executive Composition by Gender</u>	
<u>Male</u>	<u>Female</u>
1	<u>Nil</u>

Principle 4: Safe Guarding Integrity in Financial Reporting

An Audit Committee operates within the Company.

The committee consists of the following:

T Burrowes (Chairman)	Non- Executive Director
R Enconniere	Non- Executive Director
J Kaminsky	Executive Director

The main responsibilities of the Audit Committee are to:

1. Review the annual financial statements with the Executive Chairman and the external auditors and make appropriate recommendations to the Board;
2. Review all regular financial reports to be made to the public prior to their release and make appropriate recommendations to the Board;
3. Monitor compliance with statutory and Australian requirements for financial reporting;
4. Review reports from management and external auditors on any significant proposed regulatory, accounting or reporting issues, to assess the potential impact on the Company's financial reporting process.

The Executive Chairman is required to state in writing that the Company's Financial Reports present a true and fair view in all material respects of the Company's financial condition and operational results in accordance with relevant accounting standards.

The committee is also charged with the responsibilities of recommending to the Board the appointment, removal and remuneration of the external auditors and reviewing the terms of their engagement and the scope and quality of the audit.

An analysis of fees paid to the external auditors, including a breakdown of fees of non- audit services, is provided in the notes to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board.

Each Board member has access to the external auditors and the auditor has access to each Board member.

Principle 5: Making Timely and Balanced Disclosure

The Executive Chairman has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirement in the ASX Listing Rules and overseeing and co-coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All material information concerning the Company, including its financial situation, performance and ownership are posted on the Company web site to ensure all investors have equal and timely access.

Principle 6: Respecting the Rights of Shareholders

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

All shareholders who nominate to do so receive a copy of the Company's annual report. The annual, half yearly and quarterly reports are prepared in accordance of the ASX Listing Rules and are posted on the Company's web site.

Regular updates on operations are made via ASX releases, including access to any audiocast or video materials. It is regrettable that the ASX is not forward thinking in its restriction on practical aspects of the Company being able to always provide hyperlinks to these materials.

Information on the Company is posted on the Company's website. This amongst other information includes all text in relation to any notices on meetings to be held by the Company. When analysts are briefed on aspects of the Company's operation, the material used in the presentation is released to the ASX and posted on the Company's website.

The Company has maintained its website during the past year, inclusive of the last 3 years of all ASX release materials, which also incorporates financial information in this time. The website includes the option for shareholders to contact the Company for clarification and receive direct updates of Company matters.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 7: Recognising and Managing Risk

A key element of the Board's role is the assessment of risk and the subsequent management of risk. Key risk areas for the Company include, amongst other things, exploration success risk, financial markets and economic cycle risk, commodity risk and key personnel risk. These are reviewed on a continuous basis and then specifically reviewed again at each Board meeting.

The issue with respect to risk in exploration is one of balancing the potential rewards with the cost of conducting adequate exploration programs. The Company employs a number of strategies to mitigate its risks including considering the farming out of exploration prospects, acquiring more information in order to better define targets within exploration prospects and maximising the use of lower cost exploration techniques. The Company utilises industry standard drafting techniques and software to map, log and assess its prospects for ongoing exploration suitability. Peer review of prospects, by both internal and third party consultants, is used when considered necessary, to consider exploration assumptions at various times.

The Company would be subject to commodity and currency price fluctuation through the sale of commodities denominated in \$US. The Company monitors certain commodity and currency movements and possible methods available to manage any such movements in price risk. However, the Company has no consistent current commercial production at this time, except potential by product from bulk sampling programs, so the Board does not consider price risk to be a significant factor at this time. Interest rate risk is assessed according to reporting guidelines.

The Board is responsible for approval of the acquisition and disposal of exploration and development interests. The Board is also responsible for overseeing identification and development of strategies to mitigate price risk, including hedging and also asset protection and potential liabilities via insurance.

The Company has in place internal control processes, and undertakes such modifications as are necessary to ensure reasonable levels of control are maintained.

Monitoring the performance of the Company's financial status and matching this adequately to the current business and economic cycles are key areas for Board risk assessment. Authorisation of equity raisings, entering into debt facilities and major capital expenditure or commitments require Board approval. All routine operating expenditures are the responsibility of management in accordance with programmes and budgets approved by the Board.

The Company currently has personnel of less than 10, which does not include an internal audit function. In relation to its responsibilities the Board's consideration includes the following:

1. Review of internal controls and recommendations of enhancements
2. Monitoring of compliance with the Corporations Act 2001, Australian Stock Exchange, Australian Taxation Office and Australian Securities Investments Commission requirements
3. Improving the quality of the management and accounting information
4. Follow-up and rectification by management of deficiencies or breakdown in controls or procedures.

The Executive Chairman provides a declaration under Section 295A, on behalf of the Company and its subsidiaries, that the financial position of the Company for the year of concern is a true and fair view, complying with the necessary Accounting Standards and Corporations Act regulations.

Principle 8: Remunerate Fairly and Responsibly

A Remuneration Committee operates within the Company.

The committee consists of the following:

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

The Remuneration Committee makes recommendations to the Board on remuneration packages and other terms of employment. Reviews are conducted annually, or earlier if required, by the committee having regard to performance and relevant comparative information. As well as a base salary, remuneration packages may include superannuation, termination entitlements, fringe benefits and securities.

Remuneration packages are set at levels that are intended to attract and retain high calibre staff and align the interest of the executives with those of the Company shareholders. Remuneration of Non-Executive Directors is treated separately and determined by the Board within the maximum amount approved by the shareholders from time to time. Currently, the annual pool established for maximum payments to Non- Executive Directors, in their capacity as Directors is \$120,000 in aggregate.

There are no retirement benefits afforded to Non- Executive Directors beyond statutory superannuation entitlements that may have accrued.

Further information on Directors' and Executives' remuneration is set out in the Directors' Report and Remuneration Report.

Table of Departures and Explanations (from the recommendations of the ASX Corporate Governance Council)

Recommendation Reference (Principle Number reference)	Departure from Recommendation	Explanation for Departure
2.2 & 2.3	The Chairman is an Executive Director and has a substantial associated shareholding in the Company and therefore does not meet the test of independence.	The Board considers that the Chairman is capable of acting independently and is sufficiently experienced to fulfil that role.
2.4	No separate Nomination Committee currently exists.	As a small Company, it is considered more practical for the Board as a whole to take on the responsibility for new Director nomination ideas.
2.5 and 2.6	There has been no formal disclosure of the process for performance evaluation of the Board, committees, individual Directors and key Executives. There is no separate section on the Company website currently devoted to Corporate Governance.	Given the size of the Company and the involvement of all four Directors a policy has not been required to date. The Directors continually monitor and discuss performance.
3.1	No formal code of conduct has been established as to practices necessary to maintain confidence in the Company integrity or as to reporting and investigating unethical practices.	It is not considered that a code of conduct or reporting guide is yet necessary. The principles are followed. 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.

Recommendation Reference (Principle Number reference)	Departure from Recommendation	Explanation for Departure
	Similarly, There has been no disclosure of the code of conduct to deal with compliance for legal or other obligations to legitimate stakeholders.	
3.2 and 3.3	No formal policy exists for work place personnel diversity, which includes gender diversity.	It is not considered that a formal diversity policy is required, given the small size of the Company and its work force. The principles are followed to the extent that the appropriate skill, experience, aptitude and competence are the key criteria for personnel selection. The practices adopted by the Board recognise that proper compliance with legal and other obligations is mandatory for the Company as a whole.
4.2	The structure of the Audit Committee comprises 3 Directors, both Executive and Non- Executive Directors, but has a majority of Non-Executive Directors.	Given the size of the Company, it is appropriate in the Board's opinion to include the Executive Chairman within the Audit Committee. A Non-Executive Director is the Chairperson of the Audit Committee.
4.3	The Audit Committee does not have a formal charter.	Given the size of the Company, the entire Board works intimately with the Executive management and Audit Committee. The Board feels that adequate procedures are in place that a formal audit charter is not necessary at this time.
5.1	Limited written policy and procedure exists to ensure that compliance with ASX Listing Rules disclosure requirements are met at senior management level.	There is only one senior Executive of the Company and the Board does not consider that a written policy is at this time required. It will be reviewed as the activities of the Company increase.
6.1	The Company has no formally designed or disclosed communication strategy with shareholders, beyond ensuring continuous disclosure is met. The ASX announcement platform is the main basis for communication with shareholders.	The Board is conscious of the need to continually keep shareholders and markets advised. The procedures adopted within the Company, although not written, are weighted towards informing shareholders and markets.
7.1 and 7.2	There has been no written implementation of policy on risk oversight and management or for senior management to make statements to the Board concerning those matters. However, risk assessment discussion is an integral part of management and the Board's activities on a regular basis.	Given the nature and size of the Company, its business interests and the involvement of all Directors who all have business management skills, it is not considered necessary to establish this practice at this time. Each member of the Board is in regular contact with senior exploration management, to assist the understanding of this key business risk.
7.3	The Company receives a statement of compliance under Section 295A concerning the integrity of the financial statements from the Executive Chairman, but the Company has no Chief Financial Officer given the size of the Company.	The Company complies with the spirit of the guidelines in this regard, but given the small size of the Company, it is not envisaged an internal financial officer would be appointed in the immediate future. The Company and Board work with the Company's external auditors and accountants to ensure a suitable compliance statement is authorised.

Project Area	Units	Reference	Date Granted	Expiry Date	Registered Holder	State	Mineral Focus
Fifield	15	EL6241	17-May-04	16-May-12	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	40	EL5534 ^a	23-Oct-98	22-Oct-10	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	4	EL5565 ^b	24-Mar-99	23-Mar-11	100% Rimfire	NSW	Platinum
Fifield	35	EL7058	1-Feb-08	01-Feb-12	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	12	EL6144	24-Oct-03	23-Oct-11	100% Rimfire	NSW	Platinum/ Gold/Base Metal
Fifield	4	EL7233	31-Oct-08	31-Oct-12	100% Rimfire	NSW	Gold/Base Metal
Fifield	6	EL7234	31-Oct-10	31-Oct-12	100% Rimfire	NSW	Gold/Base Metal.
Fifield	1.9ha	MC305 ^c	18-Nov-04	17-Nov-09	100% Rimfire	NSW	Gold/Platinum/ Silver
Fifield	2ha	MC 306 ^d	18-Nov-04	17-Nov-09	100% Rimfire	NSW	Gold/Platinum/ Silver
Bingara Diamonds	69	EL6106	29-Jul-03	28-Jul-11	100% Rimfire	NSW	Diamonds
Bingara Diamonds	2	EL5880	31-July-01	30-Jul-11	100% Rimfire	NSW	Diamonds
Bingara Diamonds	4	EL6893	4-Oct-07	4-Oct-11	100% Rimfire	NSW	Diamonds
Bingara Diamonds	18	EL6894	4-Oct-07	4-Oct-11	100% Rimfire	NSW	Diamonds
Broken Hill	74	EL5958 ^e	24-Jun-02	23-Jun-11	100% Rimfire	NSW	Base Metals

Notes:

a, b, c, d - Renewal applications have been lodged

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

Statement of Comprehensive Income

for the year ended 30 June 2011



	Note	Consolidated Entity	
		2011	2010
		\$	\$
Revenue from continuing operations	2	76,436	50,273
Expenses:			
Employee benefits expense		(164,442)	(155,692)
Non-executive directors' fees		(73,021)	(42,000)
Share based payments – exploration personnel		(112,500)	-
Professional costs		(53,321)	(71,921)
Occupancy costs		(34,338)	(26,312)
Travel costs		(17,646)	(17,155)
Marketing expense		(7,203)	(7,332)
Depreciation		(31,767)	(23,893)
Insurance		(18,753)	(12,494)
Share registry and listing expenses		(51,544)	(37,486)
Information and technology expense		(8,030)	(9,422)
Impairment write off on exploration costs		-	(5,102)
Other expenses		(29,146)	(25,018)
Loss from continuing operations before income tax		(525,275)	(383,554)
Income tax expense	4	-	-
Loss from continuing operations after income tax		(525,275)	(383,554)
Other comprehensive income		-	-
Total comprehensive loss for the year		(525,275)	(383,554)
Basic earnings (loss) per share (cents per share)	7	(0.12)	(0.12)
Diluted earnings (loss) per share (cents per share)	7	(0.12)	(0.12)

The accompanying notes form part of these financial statements

Rimfire Pacific Mining NL – 2011 Annual Report to Shareholders

Rimfire Pacific Mining NL – 2011 Annual Report to Shareholders

Statement of Financial Position

for the year ended 30 June 2011

	Note	Consolidated Entity	
		2011	2010
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	8	199,716	1,654,313
Receivables	9	77,581	61,147
Other financial assets	12	2,000,000	-
Other current assets	13	5,583	16,137
TOTAL CURRENT ASSETS		<u>2,282,880</u>	<u>1,731,597</u>
NON-CURRENT ASSETS			
Receivables	9	150,000	150,000
Property, plant and equipment	11	393,096	380,805
Exploration & evaluation costs carried forward	14	5,867,922	4,834,473
TOTAL NON-CURRENT ASSETS		<u>6,411,018</u>	<u>5,365,278</u>
TOTAL ASSETS		<u>8,693,898</u>	<u>7,096,875</u>
CURRENT LIABILITIES			
Payables	15	97,186	192,531
Provisions	16	3,875	2,624
TOTAL CURRENT LIABILITIES		<u>101,061</u>	<u>195,155</u>
TOTAL LIABILITIES		<u>101,061</u>	<u>195,155</u>
NET ASSETS		<u>8,592,837</u>	<u>6,901,720</u>
EQUITY			
Contributed equity	17	18,326,685	16,110,293
Accumulated losses		<u>(9,733,848)</u>	<u>(9,208,573)</u>
TOTAL EQUITY		<u>8,592,837</u>	<u>6,901,720</u>

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2011



Consolidated Entity

	Share Capital - Ordinary	Accumulated Losses	Total
	\$	\$	\$
Balance at 1 July 2010	16,110,293	(9,208,573)	6,901,720
Shares issued during the year	2,332,500	-	2,332,500
Transaction costs related to shares issued	(116,108)	-	(116,108)
Total comprehensive loss for the period	-	(525,275)	(525,275)
Balance at 30 June 2011	18,326,685	(9,733,848)	8,592,837
Balance at 1 July 2009	14,681,951	(8,825,019)	5,856,932
Shares issued during the year	1,622,276	-	1,622,276
Transaction costs related to share issues	(193,934)	-	(193,934)
Total comprehensive loss for the period	-	(383,554)	(383,554)
Balance at 30 June 2010	16,110,293	(9,208,573)	6,901,720

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2011

	Note	Consolidated Entity	
		2011	2010
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(512,461)	(460,977)
Interest received		58,233	64,076
Net GST refunded		89,871	73,831
Net cash used in operating activities	24a	<u>(364,357)</u>	<u>(323,070)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(44,058)	(95,157)
Payment for mining tenement exploration		(1,117,900)	(726,736)
Payment for term deposits		<u>(2,000,000)</u>	<u>-</u>
Net cash used in investing activities		<u>(3,161,958)</u>	<u>(821,893)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,229,130	1,613,146
Transaction costs associated with share issues		<u>(157,412)</u>	<u>(165,739)</u>
Net cash provided by financing activities		<u>2,071,718</u>	<u>1,447,407</u>
Net (decrease)/increase in cash held		(1,454,597)	302,444
Cash at beginning of the year		<u>1,654,313</u>	<u>1,351,869</u>
Cash at end of the year	8	<u><u>199,716</u></u>	<u><u>1,654,313</u></u>

The accompanying notes form part of these financial statements

Note 1 Statement of Accounting Policies

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.

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 as issued by the International Accounting Standards Board.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report was authorised for issue by Directors on the date of signing the directors' declaration.

The financial report is presented in Australian dollars, has been prepared on an accruals basis and is based on historical costs.

Accounting Policies

a. Significant Judgements and Key Assumptions

Judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements concern the future successful exploration and development of mining tenements including the saleability of mined resources.

The following key assumption has been made concerning the future and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

It is assumed that the mining tenements currently being explored by the consolidated entity will be successfully developed with minerals being produced and commercially sold on the market at some future point, as yet unspecified. The production of saleable minerals is assumed to be at least sufficient to recover the costs of exploration and development. Should this assumption prove incorrect then material adjustments may have to be made for impairment losses in respect of capitalised exploration costs.

b. Principles of Consolidation

A controlled entity is any entity controlled by Rimfire Pacific Mining NL. Control exists where Rimfire Pacific Mining NL has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Rimfire Pacific Mining NL to achieve the objectives of Rimfire Pacific Mining NL. A list of controlled entities is contained in Note 10 to the financial statements.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. Investments in subsidiaries are accounted for at cost in the individual financial reports of Rimfire Pacific Mining NL.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

c. 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 balance 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 income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Rimfire Pacific Mining NL and its wholly-owned Australian subsidiary have not formed an income tax consolidated group under the tax consolidation regime.

d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are measured on the cost basis, being the amounts which have been paid for the asset.

Plant and equipment

Plant and equipment are measured on the cost basis.

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

Depreciation

The depreciable amount of property, plant and equipment, 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:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	15%
Plant and equipment	7.5%-30%
Office furniture	10%-40%
Motor Vehicles	19%

e. 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.

f. Exploration Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

g. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of cash-generating unit to which the asset belongs.

h. Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance 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.

i. 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 cash flow statement, cash includes cash on hand and deposits with banks or financial institutions net of bank overdrafts.

j. Receivables

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

k. 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.

l. Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment loss has arisen. Impairment losses are recognised in the income statement.

m. Revenue

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).

n. **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 balance sheet are shown inclusive of GST.

o. **Going Concern**

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. As at 30 June 2011, the consolidated entity had sufficient cash reserves to continue its current exploration programmes and other working capital requirements for a period beyond 12 months from the date of this report. Should additional funding be required the consolidated entity may attempt future equity capital raising initiatives, however, it should be noted that while this source of funding has been used regularly in the past, any future capital raising would be dependent on financial market conditions at the time that any additional equity funds are being sought.

p. **Equity Settled Compensation**

The group previously operated a share-based compensation and incentive plan which included a share option arrangement applicable to the remuneration policy for directors. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted using the Binomial method.

q. **New and Revised Accounting Standards and Interpretations**

All new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Rimfire Pacific Mining NL and its subsidiary's operations and effective for annual reporting periods beginning on 1 July 2010 have been adopted by the consolidated entity.

Consideration has been given to the following standards, amendments to standards and interpretations, identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report:

Accounting standards

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
9	Financial Instruments	Dec 2010	1 Jan 2013
10	Consolidation	Aug 2011	1 Jan 2013
11	Joint Arrangements	Aug 2011	1 Jan 2013
12	Disclosure of Interests in Other Entities	Aug 2011	1 Jan 2013
13	Fair Value Measurement	Sep 2011	1 Jan 2013
1053	Application of Tiers of Australian Accounting Standards	June 2010	1 Jul 2013
2009 – 12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	Dec 2009	1 Jan 2011
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	June 2010	1 Jul 2013
2010 – 4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	June 2010	1 Jan 2011
2010 – 5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	October 2010	1 Jan 2011

q. New and Revised Accounting Standards and Interpretations (Cont'd)

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
2010 – 6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	Nov 2010	1 Jul 2011
2010 – 7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	Dec 2010	1 Jan 2013
2010 – 8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	Dec 2010	1 Jan 2012
2010 – 9	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	Dec 2010	1 Jul 2011
2010 – 10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	Dec 2010	1 Jan 2013
2011 – 1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]	May 2011	1 July 2011
2011 – 2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]	May 2011	1 July 2013
2011 - 4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	Jul 2011	1 Jul 2013

Note 2 Revenue

	Consolidated Entity	
	2011	2010
	\$	\$
Operating activities		
Interest	76,436	38,833
Sale of minerals	-	10,574
Other	-	866
	76,436	50,273
 Total Revenue	 76,436	 50,273

Note 3 Result for the Financial Year

Consolidated Entity

2011 2010
\$ \$

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

Expenses

Rental expense	26,922	25,389
Superannuation contribution expense	8,188	4,227

Note 4 Income Tax Expense

	Consolidated Entity	
	2011	2010
	\$	\$
a. The prima facie tax on loss before tax is reconciled to the income tax as follows:		
Prima facie tax on loss before tax at 30% (2010: 30%)	(157,583)	(115,066)
Add:		
Tax effect of:		
— non-allowable items	33,816	300
— net of current year tax losses not recognised and deductible items (exploration expenditure and others)	161,780	152,114
	38,013	37,348
Less:		
Tax effect of:		
— capitalised share placement costs	38,013	37,348
	-	-
Income tax expense attributable to loss before income tax	-	-
Deferred tax liability in relation to exploration costs	1,760,377	1,450,342
Less tax losses available	1,760,377	1,450,342
	-	-
The deferred tax asset arising from tax losses has not been recognised as an asset because recovery is not probable:		
Tax losses carried forward	3,909,773	3,429,107
Balance of franking account at year end	-	-

Potential deferred tax assets attributable to tax losses carried forward have not been brought to account because Directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable.

Future benefits attributable to temporary differences have not been brought to account as the Directors do not believe it is appropriate to regard the realisation of such benefits as probable. These benefits will only be obtained if:

- (a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realized;
- (b) the company continue to comply with the conditions for deductibility imposed by law, and
- (c) no changes in tax legislation adversely affect the company in realizing the benefit from the deductibility for the loss.

Rimfire Pacific Mining NL and its wholly owned entity have not opted to enter the tax consolidation regime as at 30 June 2011.

Note 5 Key Management Personnel Remuneration

- a. Names and positions held of Directors and Executives in office at any time during the financial year are:

Directors

John Kaminsky	Executive Chairman and Director
Graham Billinghamurst	Non-Executive Director and Secretary
Ramona Enconniere	Non-Executive Director
Andrew Knox	Non-Executive Director (resigned 31 March 2011)
Thomas Burrowes	Non-Executive Director (appointed 16 December 2010)

Executives

There were no other executives of the consolidated entity.

b. **Directors' Remuneration**

2011

	Short-term		Post	Share based	Total
	Salary & Fees	Cash Bonus	Employment Superannuation Contribution	Payment Shares & Options	
	\$	\$	\$	\$	\$
Andrew Knox	16,214	-	-	-	16,214
Graham Billinghamurst	22,214	-	-	-	22,214
Ramona Enconniere	22,214	-	-	-	22,214
John Kaminsky	176,147	-	15,853	-	192,000
Thomas Burrowes	11,357	-	1,022	-	12,379
	<u>248,146</u>	<u>-</u>	<u>16,875</u>	<u>-</u>	<u>265,021</u>

2010

	Short-term		Post	Share based	Total
	Salary & Fees	Cash Bonus	Employment Superannuation Contribution	Payment Shares & Options	
	\$	\$	\$	\$	\$
Andrew Knox	14,000	-	-	-	14,000
Graham Billinghamurst	14,000	-	-	-	14,000
Ramona Enconniere	14,000	-	-	-	14,000
John Kaminsky	149,480	-	42,520	-	192,000
	<u>191,480</u>	<u>-</u>	<u>42,520</u>	<u>-</u>	<u>234,000</u>

c. **Remuneration Options**

No options were granted to the directors during the current year.

d. **Options Holdings**

Number of Options held by Directors & Executives

	Balance 01/07/10	Granted as Remunera- tion	*Options Expired	Net Change Other *	Balance 30/06/11	Total Vested 30/06/11	Total Exercisable 30/06/11	Total Unexercisable 30/06/11
2011								
Directors								
R Enconniere	1,500,000	-	(1,500,000)	-	-	-	-	-
A Knox	1,500,000	-	(1,500,000)	-	-	-	-	-
G Billinghamurst	4,220,834	-	(1,500,000)	-	2,720,834	2,720,834	2,720,834	-
T Burrowes	-	-	-	-	-	-	-	-
J Kaminsky	5,100,000	-	(2,000,000)	-	3,100,000	3,100,000	3,100,000	-
Total	12,320,834	-	(6,500,000)	-	5,820,834	5,820,834	5,820,834	-

* Options OP01 expired 30 September 2010.

Number of Options held by Directors & Executives

	Balance 01/07/09	Granted as Remuneration	Options Expired	Net Change Other *	Balance 30/06/10	Total Vested 30/06/10	Total Exercisable 30/06/10	Total Unexercisable 30/06/10
2010								
Directors								
R Enconniere	1,500,000	-	-	-	1,500,000	1,500,000	1,500,000	-
A Knox	1,500,000	-	-	-	1,500,000	1,500,000	1,500,000	-
G Billinghamurst	1,500,000	-	-	2,720,834	4,220,834	4,220,834	4,220,834	-
J Kaminsky	2,000,000	-	-	3,100,000	5,100,000	5,100,000	5,100,000	-
Total	6,500,000	-	-	5,820,834	12,320,834	12,320,834	12,320,834	-

* Options attached to shares acquired under the 2 for 5 renounceable rights issue – completed 30 June 2010.

Note 5 Key Management Personnel Remuneration (Cont'd)

e. Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1/7/10	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/6/11
2011					
Parent Entity Directors					
G Billingham	14,100,000	-	-	-	14,100,000
J Kaminsky	23,379,332	-	-	1,300,000	24,679,332
A Knox	5,666,666	-	-	(5,666,666)**	-
R Enconniere	6,293,333	-	-	1,300,000	7,593,333
T Burrowes	-	-	-	500,000	500,000
Total	49,439,331	-	-	(2,566,666)	46,872,665

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

** Represents shares held by A Knox at the date he ceased to be a Director.

Number of Shares held by Key Management Personnel

	Balance 1/7/09	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/6/10
2010					
Parent Entity Directors					
G Billingham	11,379,166	-	-	2,720,834	14,100,000
J Kaminsky	20,279,332	-	-	3,100,000	23,379,332
A Knox	5,666,666	-	-	-	5,666,666
R Enconniere	6,293,333	-	-	-	6,293,333
Total	43,618,497	-	-	5,820,834	49,439,331

* Net Change Other refers to shares taken up under the rights issue.

Remuneration Practices

The Company's policy for determining the nature and amount of emoluments of Board members and senior executives is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, the complexity of the tasks undertaken, the market rate for such skills and work requirements and overall performance of the company. A Remuneration Committee exists within the Company to make assessments, review benchmarks and set any appropriate goals.

The engagement conditions of the Executive Chairman, Mr J Kaminsky, were formalised in an agreement which took effect 1 December 2009 and expired on 30 November 2010. The agreement is the basis for current remuneration on a roll over, however no formal agreement currently exists.

Note 6 Auditor's Remuneration

	Consolidated Entity	
	2011	2010
	\$	\$
Remuneration of the auditor for:		
— auditing or reviewing the financial reports	26,100	26,000
— other services	-	-
	<u>26,100</u>	<u>26,000</u>

Note 7 Earnings per Share

	Consolidated Entity	
	2011	2010
	\$	\$
a. Reconciliation of Earnings to Loss		
Loss used in the calculation of basic EPS	(525,275)	(383,554)
Loss used in the calculation of dilutive EPS	(525,275)	(383,554)
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	447,759,701	312,659,890
Potential ordinary shares	-	-
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	447,759,701	312,659,890
c. Classification of securities		
Current 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:	124,790,443	132,290,443
d. Ordinary shares issued between reporting date and time of completion of the financial report	-	-
Basic earnings (loss) per share (cents per share)	(0.12)	(0.12)
Diluted earnings (loss) per share (cents per share)	(0.12)	(0.12)

Note 8 Cash and Cash Equivalents

	Note	Consolidated Entity	
		2011	2010
		\$	\$
Cash at bank and on hand		77,283	1,554,313
Short term deposits		122,433	100,000
		<u>199,716</u>	<u>1,654,313</u>

Reconciliation of Cash

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

Cash at bank	77,283	1,554,313
Term deposits with maturity of 3 months or less	122,433	100,000
	<u>199,716</u>	<u>1,654,313</u>

Note 9 Receivables

	Consolidated Entity	
	2011	2010
	\$	\$
CURRENT		
Security deposits	80	80
Interest receivable	18,233	30
Other receivables	59,268	61,037
	77,581	61,147
NON-CURRENT		
Security deposits	150,000	150,000
	150,000	150,000

Note 10 Controlled Entity

	Country of Incorporation	Percentage Owned (%)	
		2011	2010
Parent Entity			
Rimfire Pacific Mining NL			
Subsidiary of Rimfire Pacific Mining NL			
Axis Mining NL	Australia	100	100

Note 11 Property, Plant and Equipment

	Consolidated Entity	
	2011	2010
	\$	\$
LAND		
Freehold land		
At cost	226,834	216,720
Total Land	226,834	216,720
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	192,853	173,105
Accumulated depreciation	(68,993)	(46,980)
	123,860	126,125
Motor Vehicle		
At cost	33,247	33,247
Accumulated depreciation	(10,696)	(5,492)
	22,551	27,755
Office Furniture		
At cost	60,953	46,757
Accumulated depreciation	(41,354)	(36,848)
	19,599	9,909

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

	Consolidated Entity	
	2011	2010
	\$	\$
Leasehold Improvements		
At cost	420	420
Accumulated depreciation	(168)	(124)
	<u>252</u>	<u>296</u>
Total Plant and Equipment	<u>166,262</u>	<u>164,085</u>
Total Property, Plant and Equipment	<u>393,096</u>	<u>380,805</u>

a. **Movements in Carrying Amounts**

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

2011	Freehold Land	Motor Vehicles	Plant and Equipment	Office Furniture	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$
Consolidated Entity:						
Balance at the beginning of year	216,720	27,755	126,125	9,909	296	380,805
Additions	10,114	-	19,748	14,196	-	44,058
Depreciation expense	-	(5,204)	(22,013)	(4,506)	(44)	(31,767)
Carrying amount at the end of year	<u>226,834</u>	<u>22,551</u>	<u>123,860</u>	<u>19,599</u>	<u>252</u>	<u>393,096</u>

2010	Freehold Land	Motor Vehicles	Plant and Equipment	Office Furniture	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$
Consolidated Entity:						
Balance at the beginning of year	216,720	6,372	75,163	10,938	348	309,541
Additions	-	23,681	68,572	2,874	-	95,157
Depreciation expense	-	(2,328)	(17,610)	(3,903)	(52)	(23,893)
Carrying amount at the end of year	<u>216,720</u>	<u>27,755</u>	<u>126,125</u>	<u>9,909</u>	<u>296</u>	<u>380,805</u>

Note 12 **Other Financial Assets**

	Consolidated Entity	
	2011	2010
	\$	\$
CURRENT		
Term deposits with maturity greater than 3 months	<u>2,000,000</u>	-

Note 13 **Other Assets**

	Consolidated Entity	
	2011	2010
	\$	\$
CURRENT		
Prepayments	5,583	16,137

Note 14 **Exploration & Evaluation Costs Carried Forward**

	Consolidated Entity	
	2011	2010
	\$	\$
NON-CURRENT		
Exploration Expenditure		
Costs carried forward in respect of areas of interest in:		
– exploration and evaluation phases	5,867,922	4,834,473
Opening balance	4,834,473	4,112,839
Additional expenditure	1,033,449	726,736
Impairment write off	-	(5,102)
Closing balance	5,867,922	4,834,473

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

Note 15 **Payables**

	Consolidated Entity	
	2011	2010
	\$	\$
CURRENT		
Trade creditors	34,914	95,636
Sundry creditors and accrued expenses	62,272	96,895
	97,186	192,531

Note 16 **Provisions**

	Consolidated Entity	
	2011	2010
	\$	\$
CURRENT		
Employee benefits	3,875	2,624
	3,875	2,624

Note 17 Contributed Equity

	Notes	Consolidated Entity	
		2011	2010
		\$	\$
499,016,550 (2010: 436,766,550) fully paid ordinary shares	17a	18,326,685	16,110,293
		<u>18,326,685</u>	<u>16,110,293</u>
a. Ordinary shares			
At the beginning of the reporting period		16,110,293	14,681,951
Shares issued during the year			
— 2 December 2010		112,500	-
— 2 May 2011		2,220,000	-
— Shares issued in the previous year		-	1,622,276
Transaction costs relating to share issues		(116,108)	(193,934)
At reporting date		<u>18,326,685</u>	<u>16,110,293</u>
		2011	2010
		No.	No.
At the beginning of reporting period		436,766,550	311,976,107
Shares issued during year			
— 2 December 2010		2,250,000	-
— 2 May 2011		60,000,000	-
— Issued in the previous year		-	124,790,443
At reporting date		<u>499,016,550</u>	<u>436,766,550</u>

On 2 December 2010 the Company issued 2,250,000 shares for nil consideration to exploration personnel as a recognition of performance and long term incentive.

On 2 May 2011 the Company issued 60,000,000 shares at 3.7 cents per share from a private placement.

b. Options

No options were issued during the current financial year.

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

c. Capital Management

Management controls the capital of the consolidated entity in order to ensure that the Company remains a going concern as a primary objective and is able to deliver suitable exploration, as the circumstances allow. This is done, to the best of management's ability in the prevailing business and economic circumstances. The consolidated entity's debt and capital includes ordinary share capital, listed options and financial liabilities.

The Board may in the future adjust the capital structure to take advantage of favourable costs of capital and issue further shares in the market. The Board has no current plans to adjust the capital structure. There are no plans to distribute dividends in the next financial year.

The consolidated entity is not subject to any externally imposed capital requirements.

Note 18 Share Based Payments

On 2 December 2010 the company issued 2,250,000 shares for nil consideration to exploration personnel as a recognition of performance and long term incentive.

On 14 December 2007, 6,500,000 share options were granted to the Directors of the Company and 1,000,000 were granted to the Head of Exploration, Mr C Plumridge to take up ordinary shares at an exercise price of 12 cents each. The options were not exercised and expired on 30 September 2010. (Reference OP01)

All options granted to Directors and the Head of Exploration were for ordinary shares in Rimfire Pacific Mining NL, which conferred a right of one ordinary share for every option held.

	Consolidated Entity			
	2011	2010	2010	2010
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	7,500,000	0.12	7,500,000	0.12
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(7,500,000)	0.12	-	-
Outstanding at year-end	-	-	7,500,000	0.12
Exercisable at year-end	-	-	7,500,000	0.12

There were no options exercised during the year ended 30 June 2011.

The options outstanding at 30 June 2010 had a weighted average exercise price of \$0.12 and a weighted average remaining contractual life of 3 months.

No share based payment options were granted during the year ended 30 June 2011.

Note 19 Capital and Leasing Commitments

		Consolidated Entity	
		2011	2010
		\$	\$
	Note		
a.	Operating Lease Commitments		
	<u>Office & Other Premises</u>		
	Payable		
	— not later than 1 year	16,201	20,830
	— later than 1 year but not later than 5 years	-	16,201
		<u>16,201</u>	<u>37,031</u>

The office premises lease is a non-cancellable lease with a two-year term, with rent payable monthly in advance, and commenced on 1st April 2010. The lease agreement has a fixed yearly payment value of year (1) \$20,573 plus GST and year (2) \$21,602 plus GST. An option exists to renew the lease at the end of the two year term for a further period of two years. The lease allows for sub-letting of all lease areas.

b. Capital Expenditure Commitments

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

		Consolidated Entity	
		2011	2010
		\$	\$
	Payable		
	— not later than 1 year	453,000	595,000
	— later than 1 year but not later than 5 years	906,000	945,000
		<u>1,359,000</u>	<u>1,540,000</u>

Note 20 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 21 Segment Reporting

Business and Geographical Segments

The consolidated entity operates predominantly in one business segment, being mineral exploration and prospecting. The consolidated entity operates predominantly in one geographical segment, being Australia.

Note 22 **Related Party Details**

	2011	2010
	\$	\$
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) Strategic International Ventures Pty Ltd, a company associated with Mr J Kaminsky, was paid in respect of administrative services provided during the prior year.	-	19,148
(ii) In the current financial year the wife of Mr J Kaminsky was paid in respect of administrative services.	28,652	-
Parent Entity Information:		
Current assets	2,282,653	1,731,370
Total assets	8,693,671	7,096,648
Current liabilities	99,561	193,655
Total liabilities	99,561	193,655
Issued capital	18,326,685	16,110,293
Accumulated losses	(9,732,575)	(9,207,300)
Total equity	8,594,110	6,902,993
Loss of the parent entity	(525,275)	(383,554)
Comprehensive loss of the parent entity	(525,275)	(383,554)

Note 23 **Post Balance Date Events**

Subsequent to year end, a total of 26,830,093 options were exercised at 4.0 cents per new ordinary share providing \$1,073,204 of additional capital to the company. 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 24 Cash Flow Information

	Consolidated Entity	
	2011	2010
	\$	\$
a. Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(525,275)	(383,554)
Non-cash flows in loss		
Depreciation	31,767	23,893
Write-off of capitalised expenditure	-	5,102
Share based payments expensed	112,500	-
Changes in assets and liabilities relating to operations, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in prepayments	10,554	(11,137)
(Increase)/decrease in other receivables	58,888	42,063
Increase/(decrease) in trade creditors and accruals	(54,042)	(189)
Increase/(decrease) in provisions	1,251	752
Cash flows from operations	(364,357)	(323,070)
b. <u>Cash not available for use</u>		
There was no cash as at the end of the year which was unavailable for use.		
c. <u>Non-cash Financing and Investing Activities</u>		
There were no non-cash financing and investing activities carried out during the year.		

Note 25 Financial Risk Management

a. Financial Risk Management Policies

Categorisation of financial instruments

Financial assets	Note	Category	Carrying value 2011	Carrying value 2010
Cash & cash equivalents	8	N/A	199,716	1,654,313
Receivables	9	Loans and receivables at amortised cost	227,581	211,147
Other financial assets	12	Held to maturity investment	2,000,000	-
Financial liabilities				
Payables	15	Financial liabilities measured at amortised cost	97,186	192,531

Note 25 Financial Risk Management (Cont'd)

a. Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with banks, deposits with other non-financial institutions, payables, loans to subsidiaries and secured borrowings.

The main purpose of non-derivative financial instruments is to raise and maintain finance for the group's operations.

The group is not involved in the use of derivative financial instruments for either hedging or speculative trading purposes. Such instruments include forward exchange and currency option contracts and interest rate swap agreements.

i. Treasury Risk Management

The Board of directors regularly reviews the financial and economic cycle risks that may affect the Company. In addition, an audit committee consisting of the executive director and non-executive directors of the group meet to analyse financial risk exposure and to evaluate management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the consolidated group in meeting its financial goals, whilst minimising the potential adverse effects on financial performance.

The audit committee operates under policies approved by the Board of directors. Risk management policies are approved and reviewed by the Board on a regular basis. These primarily include the management of the group's future cash flow requirements.

ii. Financial Risk Exposure and Management

The main risks the group is exposed to through its financial instruments are credit risk, interest rate risk and liquidity risk.

Interest Rate Risk

Interest rate risk refers to the risk that adverse changes in the market rate of interest applicable to either debts owed by the group or interest bearing investments held by the group will materially impact on the group's financial performance or position.

The group's interest rate risk exposure in relation to debt is managed by fixing the rate of exchange with respect to secured borrowings. Risk associated with funds held in deposit with financial institutions is managed by maintaining short term or non-fixed maturity dates with respect to these deposits.

Liquidity Risk

Refers to the risk that the group will have insufficient funds available to meet debts as and when they fall due. The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained and that opportunities for equity financing are regularly monitored.

Credit Risk

At balance date the maximum exposure to credit risk, (excluding the value of any collateral or other security), recognised as a financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial performance and notes to the financial statements.

The group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

Business Cycle Risks

The Company monitors key market indicators representative of the current business cycle to ensure that business cycle risks are taken into consideration in planning decisions. In particular, the general economic climate is reviewed and considered in the specific context of the resource and exploration industry outlook. Regular discussion within the Board takes account of the potential impact of these circumstances and the Company's ability to maintain its exploration programs at a suitable level and the cycle risk impact on any Company financing decisions.

Exploration and Project Risks

The nature of the core business is high risk exploration activities. There is always the possibility, despite best endeavours and extensive work programs that an economic realisation of the exploration work undertaken may not occur. The Board receives regular input from various technical professionals in regards to its work programs and weighs the relative performance of the exploration activities undertaken by the Company with the stated direction of attempting to add significant commercial value to its portfolio of projects. In addition, a risk exists that suitably qualified personnel cannot be retained or secured to continue work on the various exploration programs.

Note 25 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	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$							
Financial Assets								
Cash	77,083	1,554,113	122,433	100,000	200	200	199,716	1,654,313
Receivables	150,000	150,000	-	-	77,581	61,147	227,581	211,147
Other Financial Assets	-	-	2,000,000	-	-	-	2,000,000	-
Total Financial Assets	227,083	1,704,113	2,122,433	100,000	77,781	61,147	2,427,297	1,865,460
Financial Liabilities								
Trade and sundry creditors	-	-	-	-	97,186	192,531	97,186	192,531
Total Financial Liabilities	-	-	-	-	97,186	192,531	97,186	192,531
Net Financial Assets	227,083	1,704,113	2,122,433	100,000	(19,405)	(131,184)	2,330,111	1,672,929

Note 25 Financial Risk Management (Cont'd)

c. Net Fair Values

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

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

Recognised financial instruments

Cash: The carrying amount approximates fair value.

Receivables: The carrying amount approximates fair value.

Term Deposits: The carrying amount approximates fair value.

Trade Creditors: The carrying amount approximates fair value.

d. Sensitivity Analysis

The group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance 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 2011, 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	
	2011	2010
	\$	\$
Change in loss after tax		
- Increase in interest rate by 2%	4,542	34,082
- Decrease in interest rate by 2%	(4,542)	(34,082)
Change in equity		
- Increase in interest rate by 2%	4,542	34,082
- Decrease in interest rate by 2%	(4,542)	(34,082)

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

Note 26

Company Details

The registered office of the Company is: Rimfire Pacific Mining NL
"Exchange Tower"
Suite 411, 530 Little Collins Street
Melbourne Victoria 3000

The principal place of business is: Rimfire Pacific Mining NL
"Exchange Tower"
Suite 411, 530 Little Collins Street
Melbourne Victoria 3000



Chartered Accountants
& Business Advisers

**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 statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of Rimfire Pacific Mining NL ("the Company") and the consolidated entity. The consolidated entity comprises 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 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 entity's preparation and fair presentation of the financial report 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 entity'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*.

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PKF | ABN 83 236 985 726
Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

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Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT (CONT'D) TO THE MEMBERS OF RIMFIRE PACIFIC MINING NL

Auditor's 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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 7 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.



PKF



J A Mooney
Partner

28 September 2011
Melbourne

1. The shareholder information set out below was applicable as at 30 September 2011

(a) Distribution of Shareholders by Class

Category (Size of Holding)	Ordinary Shares
1 – 1,000	47,151
1,001 – 5,000	548,231
5,001 – 10,000	1,627,180
10,001 – 100,000	42,770,486
100,000 & over	480,853,595
Total	<u>525,846,643</u>

(b) The number of holders with shareholdings in less than marketable parcels was 572 as at 30 September 2011.

(c) The number of holders of each class of equity security as at 30 September 2011 was:

Class of Security	Number
Ordinary fully paid shares	2,030

(d) Voting Rights

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

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

On a poll every Member has:

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

(e) 20 Largest Shareholders - Ordinary Capital as at 30 September 2011

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Mr John Kaminsky	20,166,666	3.84%
2. Mr Timothy James Storey	14,003,110	2.66%
3. Warcoll Holdings Pty Ltd	13,000,000	2.47%
4. Mr Choong Guang Koh	12,500,000	2.38%
5. Dr Gary Robert Lillicrap, Mr Damian Gary Lillicrap, Mrs Imelda Anne Lillicrap	11,800,000	2.24%
6. Ralston Corporation Pty Ltd	11,511,094	2.19%
7. Cooe Investments Pty Ltd	8,632,083	1.64%
8. Esperance Investments Pty Ltd	8,339,300	1.59%
9. Mr Kerry Peter Jelbart & Dr Stephen Bruce Jelbart	7,000,000	1.33%
10. Mr Alexander Suvoltos	7,000,000	1.33%
11. HSBC Custody Nominees (Australia) Limited	6,774,634	1.29%
12. Mr Andrew Melville Knox	6,625,000	1.26%
13. Pacific Nominees Limited	6,500,000	1.24%
14. ABN Amro Clearing Sydney Nominees Pty Ltd	6,412,467	1.22%
15. Bond Street Custodians Limited	6,250,000	1.19%
16. UBS Wealth Management Australia Nominees Pty Ltd	6,250,000	1.19%
17. Mr William Theodore Durnell	6,000,006	1.14%
18. Dr Gary Robert Lillicrap	5,790,621	1.10%
19. Jillina Kaminsky	5,112,666	0.97%
20. Mr Tian Joo Lee	4,500,000	0.86%
	<u>174,167,647</u>	<u>33.12%</u>

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

Suite 411, 530 Little Collins Street
Melbourne VIC 3000

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

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

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

Telephone: 1300 552 270
Facsimile : (07) 3237 2152

5. **Stock Exchange Listing**

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

6. **Vendor Securities**

There are no restricted securities on issue as at 30 September 2011.

Corporate Directory

Directors:	John Kaminsky (Executive Chairman) Graham Billinghamurst Ramona Enconniere Thomas Burrowes
Company Secretary:	Graham Billinghamurst
Registered Office:	Suite 411, 530 Little Collins Street Melbourne VIC 3000
Exploration Office:	Suite 411, 530 Little Collins Street Melbourne VIC 3000
Auditors:	PKF Chartered Accountants Level 14, 140 William Street Melbourne VIC 3000
Lawyers of the Company:	McNab Lawyers Level 5, 111 Collins Street Melbourne VIC 3000
Share Registry:	Computershare Investor Services Pty Ltd 117 Victoria Street West End QLD 4001 Tel: 1300 787 272
Bankers:	Macquarie Bank Limited 300 Queen Street Brisbane QLD 4000
Stock Exchange Listing:	Australian Stock Exchange Home Exchange – Brisbane ASX Code – RIM
Email Address:	rimfire@rimfire.com.au
Website Address:	www.rimfire.com.au



www.rimfire.com.au