

Encounter Resources Limited
ABN 47 109 815 796

Interim Financial Statements
For The Half-Year Ended 31 December 2007

Encounter Resources Limited
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Directors' Report

The Directors present their interim report on Encounter Resources Limited for the half-year ended 31 December 2007.

Directors

The following persons were directors of Encounter Resources Limited during the whole of the half-year and up to the date of this report:

Paul Chapman	<i>(Non-Executive Chairman)</i>
Will Robinson	<i>(Managing Director)</i>
Peter Bewick	<i>(Exploration Director)</i>
Jonathan Hronsky	<i>(Non-Executive Director)</i>

Company Secretary

Kevin Hart

Review of Operations

The net loss after income tax for the half-year was \$123,520 (31 December 2006: \$354,137).

Included in the loss for the current half-year is a write-off of deferred exploration expenditure totalling \$36,318 (31 December 2006: \$77,391).

At the end of the half-year the Company had \$5,823,032 (30 June 2007: \$6,775,145) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$2,314,940 (30 June 2007: \$1,420,229). Mineral exploration and evaluation expenditure during the half-year for the Company was \$931,029 (31 December 2007: \$635,658).

Expenditure was principally focused on exploration for uranium and base metals in Western Australia.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is set out on page 4.

This report is made in accordance with a resolution of the Directors.

DATED at Perth this 12th day of March 2008.



W Robinson
Director

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Encounter Resources Limited for the half-year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

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

WHK HORWATH PERTH AUDIT PARTNERSHIP



SEAN MCGURK
Principal

Perth, WA

Dated 12th day of March 2008

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Income Statement
For the half-year ended 31 December 2007

		31 December 2007 \$	31 December 2006 \$
	Note		
Interest income		211,954	116,517
Employee expenses		(398,231)	(289,349)
Employee expenses recharged to exploration		220,669	184,568
Equity based remuneration expense		(45,967)	(12,788)
Non-executive directors fees		(30,000)	(10,000)
Corporate advisory expenses		-	(90,000)
Operating lease expenses		(19,325)	(21,993)
Depreciation expense		(17,010)	(18,775)
Corporate expenses		(64,358)	(72,011)
Administration and other expenses		(117,301)	(62,915)
Joint venture administration costs recharged		172,367	-
Exploration costs written off and expensed		(36,318)	(77,391)
Loss before income tax	3	(123,520)	(354,137)
Income tax expense		-	-
Loss attributable to members for the half-year		(123,520)	(354,137)
Basic loss per share (cents)		(0.18)	(0.59)
Diluted loss per share (cents)		(0.18)	(0.59)

The above income statement should be read in conjunction with the accompanying notes.

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Balance Sheet
As At 31 December 2007

	31	30
	December	June
	2007	2007
	\$	\$
Current assets		
Cash and cash equivalents	5,823,032	6,775,145
Trade and other receivables	154,328	142,123
Other current assets	93,106	149,226
	6,070,466	7,066,494
Total current assets		
Non-current assets		
Property, plant and equipment	87,694	92,318
Capitalised mineral exploration and evaluation expenditure	2,314,940	1,420,229
	2,402,634	1,512,547
Total non-current assets		
	8,473,100	8,579,041
Total assets		
Current liabilities		
Trade and other payables	17,512	57,216
Employee benefits	51,116	39,800
	68,628	97,016
Total current liabilities		
	68,628	97,016
Total liabilities		
	8,404,472	8,482,025
Net assets		
Equity		
Issued capital	9,443,330	9,443,330
Accumulated losses	(1,133,744)	(1,010,224)
Equity remuneration reserve	94,886	48,919
	8,404,472	8,482,025
Total equity		
	8,404,472	8,482,025

The above balance sheet should be read in conjunction with the accompanying notes.

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Statement of Changes in Equity
For the half-year ended 31 December 2007

	31 December 2007 \$	31 December 2006 \$
Total equity at the beginning of the financial year	8,482,025	4,837,419
Loss for the period	(123,520)	(354,137)
Movement in equity remuneration reserve	45,967	12,788
Total equity at the end of the period	8,404,472	4,496,070

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

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Cash Flow Statement
For the half-year ended 31 December 2007

	31 December 2007	31 December 2006
	\$	\$
Cash flows from operating activities		
Interest received	203,785	123,959
Interest paid	-	(3)
Payments to suppliers and employees	(210,579)	(275,281)
Net cash used in operating activities	(6,794)	(151,325)
 Cash flows from investing activities		
Payments for exploration and evaluation	(923,326)	(620,132)
Payments for plant and equipment	(21,993)	(23,649)
Net cash used in investing activities	(945,319)	(643,781)
 Net increase/(decrease) in cash held	(952,113)	(795,106)
Cash at the beginning of the period	6,775,145	4,209,233
Cash at the end of the period	5,823,032	3,414,127

The above cash flow statement should be read in conjunction with the accompanying notes.

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**Notes to the Interim Financial Statements
For the half-year ended 31 December 2007**

Note 1 Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Encounter Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The interim financial statements were approved by the Board of Directors on 12 March 2008.

Note 2 Segment information

Business segments

The Company is involved in the uranium and base metal mineral exploration sector.

Geographical segments

The Company is organised on a national basis with exploration and development interests within Western Australia.

Note 3 Loss for the period

Loss before income tax includes the following specific expenses:

	31 December 2007	31 December 2006
	\$	\$
Depreciation		
Office equipment	4,770	3,569
Field equipment	12,240	15,206
	<hr/>	<hr/>
Rental expenses on operating leases – minimum lease payments	19,325	21,993
	<hr/>	<hr/>
Previously capitalised exploration costs written off	18,890	-
Exploration costs not capitalised	17,428	77,381
	<hr/>	<hr/>
Exploration expenditure written off and expensed	36,318	77,391
	<hr/>	<hr/>

Note 4 Dividends

No dividends were paid or proposed during the period.

The Company has no franking credits available as at 31 December 2007 or 31 December 2006.

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**Notes to the Interim Financial Statements
For the half-year ended 31 December 2007**

Note 5 Contingencies

(i) Contingent liabilities

There were no material contingent liabilities not provided for in the financial statements of the Company as at the reporting dates, other than:

Native Title and Aboriginal Heritage

Native title claims have been made with respect to areas which include tenements in which the Company has an interest. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects. Agreement is being or has been reached with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Company has an interest.

There has been no change in contingent liabilities since the last annual reporting date.

(ii) Contingent assets

There were no material contingent assets as at the reporting dates.

Note 6 Events occurring after the balance sheet date

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Note 6 Subsidiary Information

Encounter Resources Limited has two subsidiary companies. These subsidiary companies are dormant and have no assets or liabilities at the reporting date or any revenue or expenses for the reporting period. Consolidated financial statements have not been prepared as the directors consider to do so would be immaterial to the reporting entity's net assets at the reporting date and its result and cash flows for the reporting period.

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Directors' Declaration

The Directors of Encounter Resources Limited ("the Company") declare that:

- (a) the interim financial statements and notes set out on pages 5 to 10 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standard AASB134 – *Interim Financial Reporting*, and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 31 December 2007 and of the performance for the half-year ended on that date of the Company.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Signed at Perth this 12th day of March 2008.



W Robinson
Director

INDEPENDENT AUDITOR'S REVIEW REPORT**TO THE MEMBERS OF ENCOUNTER RESOURCES LIMITED****Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of Encounter Resources Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, statement of accounting policies, other selected explanatory notes and the directors' declaration

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Encounter Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

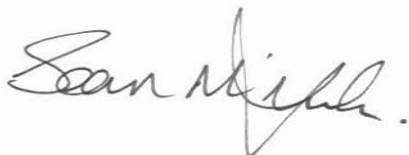
In conducting our review, we complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Encounter Resources Limited on the 12 of March 2008, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Conclusion

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

- a) giving a true and fair view of the Encounter Resources Limited financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP



SEAN MCGURK
Principal

Perth, WA
Dated this 12th day of March 2008

Total Financial Solutions

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