Encounter Resources Limited
ABN 47 109 815 796

Consolidated Financial Statements
For The Year Ended 30 June 2009

Encounter Resources Limited
ABN 47 109 815 796

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Encounter Resources Limited
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Corporate Directory

Directors

Paul Chapman	Non-Executive Chairman
Will Robinson	Managing Director
Peter Bewick	Exploration Director
Jonathan Hronsky	Non-Executive Director

Company Secretary
Kevin Hart
Daniel Travers (Joint Company Secretary)

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West Perth, Western Australia 6005
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Facsimilie (08) 6210 1578
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Auditor
WHK Horwath Perth Audit Partnership
Level 6, 256 St Georges Terrace
Perth, Western Australia 6000

Share Registry
Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, Western Australia 6153
Telephone (08) 9315 2333
Facsimilie (08) 9315 2233

Stock Exchange Listing
The Company's shares are quoted on the Australian Securities Exchange. The home exchange is Perth, Western Australia.

ASX Code
ENR – Ordinary shares

Company Information
The Company was incorporated and registered under the Corporations Act 2001 in Western Australia on 30 June 2004 and became a public company on 26 May 2005.

The Company is domiciled in Australia.

Directors' Report

The Directors present their report on Encounter Resources Limited (the Company) and the entities it controlled at the end of, and during the year ended 30 June 2009 (the Group).

Directors

The names and details of the Directors of Encounter Resources Limited during the financial year and until the date of this report are:

Paul Chapman – B.Comm, ACA, Grad. Dip. Tax, CFTP(Snr), MAICD, SA Fin
Non-Executive Chairman appointed 7 October 2005
Mr Chapman is a Chartered Accountant and has held various senior commercial roles within WMC over a seventeen year period. This includes experience in North America as CFO of WMC's Houston based oil and gas division as well as time in Pittsburgh working on the formation of the AWAC bauxite and Alumina business. Mr Chapman was appointed CFO of Anaconda Nickel Limited (now Minara Resources Limited) in 2001 and was responsible for its US$700 million debt restructuring process. Mr Chapman was a founding shareholder and Managing Director of Reliance Mining Limited (2003-2005) culminating in the recommended takeover by Consolidated Minerals Limited. Mr Chapman was a director of Albidon Limited until 22 April 2009 and is currently the Non-Executive Chairman of Silver Lake Resources Limited and Rex Minerals Limited.

Will Robinson – B.Comm, MAusIMM
Managing Director (Executive) appointed 30 June 2004
Mr Robinson is a resources industry commercial and finance specialist with over fifteen years experience in commercial management, transaction structuring and negotiation, business strategy development and London Metals Exchange metals trading. Mr Robinson held various senior commercial positions with WMC in Australia and North America from 1994 to 2003. During his time with WMC he was instrumental in the success of the Kambalda nickel mine outsourcing strategy as the Commercial Manager of the Kambalda Nickel Operations. Mr Robinson has extensive experience in the sale and distribution of commodities and was Vice President – Marketing for WMC's nickel business from 2001 to 2003. Mr Robinson founded Encounter Resources Limited in 2004 and has overseen the development of the Company as its Managing Director.

Peter Bewick – B.Eng (Hons), MAusIMM
Exploration Director (Executive) appointed 7 October 2005
Mr Bewick is an experienced geologist and has held a number of senior mine and exploration geological roles during a fourteen year career with WMC. These roles include Exploration Manager and Geology Manager of the Kambalda Nickel Operations, Exploration Manager for St Ives Gold Operation and Exploration Manager for WMC's Nickel Business Unit. Most recently he held the position of Exploration Manager for North America based in Denver, Colorado. Whilst at WMC, Mr Bewick gained extensive experience in project generation for a range of commodities including nickel, gold and bauxite. Mr Bewick has been associated with a number of brownfields exploration successes at Kambalda and with the greenfield Collurabbie NI-CU-PGE discovery.

Jonathan Hronsky - BAppSci, PhD, MAusIMM, FSEG

Non-executive director appointed 10 May 2007
Dr. Jon Hronsky has more than twenty five years of experience in the mineral exploration industry, primarily focused on project generation, technical innovation and exploration strategy development. Dr. Hronsky has particular expertise in targeting for nickel sulfide deposits, but has worked across a diverse range of commodities. His work led to the discovery of the West Musgrave nickel sulfide province in Western Australia. Dr. Hronsky was most recently Manager-Strategy & Generative Services for BHP Billiton Mineral Exploration. Prior to that, he was Global Geoscience Leader for WMC Resources Ltd.

Directors' Report

Company Secretary

Kevin Hart
Mr Hart is a Chartered Accountant and was appointed to the position of Company Secretary on 4 November 2005. He has over 20 years experience in accounting and the management and administration of public listed entities in the mining and exploration industry.

He is currently a partner in an advisory firm which specialises in the provision of company secretarial services to ASX listed entities.

Directors' Interests

As at the date of this report the Directors' interests in shares and unlisted options of the Company are as follows:

Director	*Directors' Interests in Ordinary Shares*	*Directors' Interests in Unlisted Options*	*Options vested at the reporting date*
P Chapman	4,747,400	-	-
W Robinson	21,846,900	-	-
P Bewick	4,725,000	800,000	400,000
J Hronsky	-	500,000	500,000

Included in the Directors' interests in Unlisted Options, there are 900,000 options that are vested and exercisable as at the date of signing this report.

Directors' Meetings

The number of meetings of the Company's Directors held during the year ended 30 June 2009, and the number of meetings attended by each Director are as follows:

Director	*Board of Directors' Meetings*	
	Held	*Attended*
P Chapman	7	7
W Robinson	7	7
P Bewick	7	7
J Hronsky	7	7

Principal Activities

The principal activity of the Company during the financial year was mineral exploration in Western Australia.

There were no significant changes in these activities during the financial year.

Results of Operations

The consolidated net loss after income tax for the financial year was $1,987,843 (2008: $855,306).

Included in the consolidated loss for the current year is a write-off of deferred exploration expenditure totalling $1,311,311 (2008: $339,998).

Directors' Report

Dividends

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

Review of Activities

Exploration

The review of exploration activities has been summarised by principal areas of exploration, as follows:

Paterson Province
Yeneena Project
In April 2009 Encounter received the final data from the 1000 line km airborne TEMPEST© electromagnetic (AEM) survey completed in 2008 in conjunction with Geoscience Australia. Bedrock conductors identified in the survey were used in conjunction with previously generated geochemical and geological datasets, to define eight priority regional targets. Two of these targets BM1 and BM5 were aircore drilled in May/June 2009.

Prominent copper anomalism was identified at the BM1 target which is interpreted to be metal leakage directly up dip of the modelled, shallow westerly dipping AEM conductor. Anomalous results include 16m @ 0.23% Cu from 24m and 12m @ 0.23% Cu from 54m. Numerous regolith intersections over 0.1% Cu and results of up to 2m @ 0.89% Cu highlight the potential of this area to host a substantial body of copper mineralisation.

A ground based EM program commenced in July 2009 to provide greater definition of the bedrock conductors. The BM1, BM5 and T2 targets will be drill tested during a planned September 2009 diamond drilling program.

Yilgarn Region

Hillview
The Hillview uranium project is located 50kms south east of Meekatharra and contains an Inferred Resource of 27.6 million tonnes, averaging 174ppm U3O8 for a contained 10.6 million pounds of U3O8. The Inferred Resource is reported in accordance with the JORC code (2004) and guidelines. Following the lifting of the ban on uranium mining in WA a strategic review of the Hillview uranium resource was initiated by the Company to consider the potential development and commercial alternatives to advance the project.

Yeelirrie Chanel
Bellah Bore East is located upstream from the Yeelirrie uranium deposit and has an Inferred Resource of 350,000t averaging 210ppm U3O8 for 160,000lb of U3O8, estimated in accordance with the JORC (2004) Code.

Lake Way South
Results obtained from the drilling and a compilation of historical information provided sufficient information to produce an Inferred Resource for the area of the Centipede resource within the JV tenement.

Lake Darlot
Aircore drilling under shallow cover identified a previously unknown belt of greenstone lithologies including dolerites, basalts and felsic intrusions under lake sediment cover. The 1km x 200m spaced drilling across the 8km long greenstone belt intersected low level gold (250ppb) anomalism.

Review of Activities (Continued)

Exploration (Continued)

Bangemall Basin

Tchintaby
An initial drill program of seven vertical RC holes was completed in September 2008 at the Andes, Laksa and Rendang prospects and designed to test a series of bouguer gravity anomalies within the sedimentary package. Drilling discovered a significant 4 km strike extension to the Zn-Cu-Ag mineralised black shale horizon, including intersections of 12m @ 7062ppm Zn, 1053ppm Cu (ETW 013 - Rendang) and 11m @ 7327ppm Zn, 1022ppm Cu (ETW 006 - Laksa).

Pingandy Creek
Four subtle density anomalies identified by the survey completed in 2008 were drill tested in September 2008 by eleven RC drill holes. Assay results confirmed extensions to the area of low grade base metal mineralisation.

The information in this report that relates to Exploration Results is based on information compiled by Mr. Peter Bewick who is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Bewick is a full time employee of Encounter Resources Ltd and has sufficient experience which is relevant to the style of mineralisation under consideration to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bewick consents to the inclusion in the report of the matters based on the information compiled by him, in the form and context in which it appears.

Financial Position

At the end of the financial year the Group had $2,278,318 (2008: $4,701,043) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is $3,716,716 (2008: $3,049,148). Mineral exploration and evaluation expenditure incurred during the year for the Group was $1,978,879 (2008: $1,968,917).

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

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Company and Group during or since the end of the financial year.

Options Over Unissued Capital

Unlisted Options
During the financial year the Company granted 1,125,000 unlisted options over unissued shares to employees of the Company.

During the year 100,000 unlisted options were cancelled on the cessation of employment of an employee.

No ordinary shares were issued during the financial year on the exercise of options.

Since the end of the financial year no options have been issued to employees of the Company. No options have been exercised since the end of the financial year.

Options Over Unissued Capital (Continued)

As at the date of this report 3,025,000 unissued ordinary shares of the Company are under option as follows:

Number of Options Granted	*Exercise Price*	*Grant Date*	*Expiry Date*
100,000 (i)	20 cents	23 March 2006	23 March 2011
100,000 (i)	45 cents	15 May 2006	15 May 2011
250,000 (i)	52.5 cents	7 December 2006	7 December 2011
50,000 (i)	50 cents	9 August 2007	9 August 2012
125,000 (i)	50 cents	11 December 2007	30 November 2012
500,000 (i)	53.5 cents	11 December 2007	30 November 2012
400,000 (i)	55 cents	11 December 2007	30 November 2012
400,000 (ii)	70 cents	11 December 2007	30 November 2012
325,000 (iii)	30 cents	1 July 2008	30 June 2013
775,000 (iv)	10 cents	1 March 2009	28 February 2014

(i) Unlisted options are vested and exercisable at the reporting date;
(ii) Unlisted options subject to a 24 month vesting period, exercisable after 11 December 2009;
(iii) Unlisted options subject to a 12 month vesting period, exercisable after 1 July 2009.
(iv) Unlisted options subject to a 12 month vesting period, exercisable after 1 March 2010.

These unlisted options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

Matters Subsequent to the End of the Financial Year

On 23rd September 2009, the Company announced a share placement raising $3,498,442 before costs by the issue of 10,289,535 ordinary fully paid shares at $0.34 each.

Other than the above, there has not arisen in the interval between the end of the financial year 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 Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Likely Developments and Expected Results of Operations

Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors to do so would be likely to prejudice the business activities of the Group and is dependent upon the results of the future exploration and evaluation.

Environmental Regulation and Performance

The Group holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities.

So far as the Directors are aware, all exploration activities have been undertaken in compliance with all relevant environmental regulations.

Remuneration Report (Audited)

Remuneration Policy

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. Remuneration packages include fixed remuneration with bonuses or equity based remuneration entirely at the discretion of the Board based on the performance of the Company.

Total remuneration for all Non-Executive Directors was last voted on by shareholders on 26 November 2007, whereby it is not to exceed $200,000 per annum. Non-Executive Directors do not receive bonuses. Directors' fees cover all main Board activities.

At the date of this report the Company has not entered into any agreements with Directors or senior executives which include performance based components.

Details of Remuneration for Directors and Executive Officers

During the year there were no senior executives which were employed by the Company for whom disclosure is required.

Details of the remuneration of each Director of the Company are as follows:

2009 *Directors*	*Base Emolument* *$*	*Superannuation Contributions* *$*	*Other Benefits* *$*	*Value of Options Granted* *$*	*Total* *$*
P. Chapman	38,667	3,480	-	-	42,147
W. Robinson	210,250	18,923	-	-	229,173
P. Bewick	193,333	17,400	-	-	210,733
J. Hronsky	40,000	3,600	-	-	43,600
Total	**482,250**	**43,403**	**-**	**-**	**525,653**

2008 *Directors*	*Base Emolument* *$*	*Superannuation Contributions* *$*	*Other Benefits* *$*	*Value of Options Granted* *$*	*Total* *$*
P. Chapman	30,000	2,700	-	-	32,700
W. Robinson	205,000	18,319	-	-	223,319
P. Bewick (i)	187,500	16,875	-	162,160	366,535
J. Hronsky (ii)	40,000	3,600	-	111,800	155,400
Total	**462,500**	**41,494**	**-**	**273,960**	**777,954**

(i) Options represent nil% (2008: 44.2%) of P Bewick remuneration for the financial year.
(ii) Options represent nil% (2008: 71.9%) of J Hronsky remuneration for the financial year.

Remuneration Report (Audited)

Executive Employment Agreements
Remuneration and other terms of employment for the Managing Director and Exploration Director are set out in their respective Executive Employment Agreements. Both employment contracts are for a two year term commencing 23 January 2009 and are subject to a three month notice of termination of contract.

The contractual arrangements contain certain provisions typically found in contracts of this nature.

Payment of termination benefit by the employer, other than amongst other things for gross misconduct is equal to the payment limit set by Sub-section 200G of the Corporations Act 2001.

Unlisted Options
No options over unissued shares have been issued to Directors or Key Management Personnel of the Company during or since the end of the financial year.

No options were exercised by Key Management Personnel during or since the end of the financial year.

End of Remuneration Report

Officers Indemnities and Insurance

During the year the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has not provided any insurance for an auditor of the Company.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or Group, or to intervene in any proceedings to which the Company or Group is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company or Group with leave of the Court under section 237 of the Corporations Act 2001.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the Annual Report.

Non-audit Services

During the year WHK Horwath the Company's auditor, has not performed any other services in addition to their statutory duties.

Total remuneration paid to auditors during the financial year:	Consolidated		Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
Audit and review of the Company's financial statements	**27,800**	25,500	**27,800**	25,500
Other services	**-**	-	**-**	-
Total	**27,800**	25,500	**27,800**	25,500

The board considers any non-audit services provided during the year by the auditor and satisfies itself that the provision of any non-audit services during the year by the auditor is compatible with, and does not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services are reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

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 12.

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

Dated at Perth this 24th day of September 2009.

W Robinson
Director

WHK Horwath

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Encounter Resources Limited for the year ended 30 June 2009, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK HORWATH PERTH AUDIT PARTNERSHIP

SEAN MCGURK
Principal

Perth, WA

Dated this 25th day of September 2009

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A WHK Group firm

Encounter Resources Limited
ABN 47 109 815 796

Consolidated Income Statement
For the financial year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Revenue	5	**174,288**	407,287	**174,288**	407,287
Total revenue		**174,288**	407,287	**174,288**	407,287
Employee expenses		**(935,703)**	(844,363)	**(935,703)**	(844,363)
Employee expenses recharged to exploration		**685,461**	497,464	**685,461**	497,464
Equity based remuneration expense		**(230,297)**	(181,721)	**(230,297)**	(181,721)
Non-executive Director's fees		**(78,667)**	(70,000)	**(78,667)**	(70,000)
Depreciation expense	11	**(23,103)**	(10,087)	**(23,103)**	(10,087)
Corporate expenses		**(100,868)**	(107,376)	**(100,868)**	(107,376)
Joint venture administration costs recharged		**24,806**	65,566	**24,806**	65,566
Other expenses from ordinary activities		**(305,635)**	(272,078)	**(305,635)**	(272,078)
Exploration costs written off and expensed	6	**(1,311,311)**	(339,998)	**(1,311,311)**	(339,998)
Loss before income tax		**(2,101,029)**	(855,306)	**(2,101,029)**	(855,306)
Income tax benefit/(expense)	7	**113,186**	-	**113,186**	-
Loss attributable to members for the year	17	**(1,987,843)**	(855,306)	**(1,987,843)**	(855,306)

	Note	2009	2008
Earnings per share for loss attributable to the ordinary equity holders of the Company		**Cents**	Cents
Basic earnings/(loss) per share	28	**(2.90)**	(1.25)
Diluted earnings/(loss) per share	28	**(2.90)**	(1.25)

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

Encounter Resources Limited
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Consolidated Balance Sheet
As at 30 June 2009

		Consolidated		Company	
		2009	2008	**2009**	2008
	Note	**$**	$	**$**	$
Current assets					
Cash and cash equivalents	8	**2,278,318**	4,701,043	**2,278,316**	4,701,041
Trade and other receivables	9(a)	**160,374**	114,066	**137,319**	79,945
Other current assets	9(b)	**43,586**	63,010	**43,586**	63,010
Total current assets		**2,482,278**	4,878,119	**2,459,221**	4,843,996
Non-current assets					
Investment in controlled entities	10(a)	**-**	-	**2**	2
Loans to controlled entities	10(b)	**-**	-	**1,123,268**	375,334
Property, plant and equipment	11	**220,907**	298,163	**220,907**	298,163
Capitalised mineral exploration and evaluation expenditure	12	**3,716,716**	3,049,148	**2,638,351**	2,707,935
Total non-current assets		**3,937,623**	3,347,311	**3,982,528**	3,381,434
Total assets		**6,419,901**	8,225,430	**6,441,749**	8,225,430
Current liabilities					
Trade and other payables	14(a)	**322,422**	366,184	**344,270**	366,184
Employee benefits	14(b)	**46,585**	50,806	**46,585**	50,806
Total current liabilities		**369,007**	416,990	**390,855**	416,990
Total liabilities		**369,007**	416,990	**390,855**	416,990
Net assets		**6,050,894**	7,808,440	**6,050,894**	7,808,440
Equity					
Issued capital	15	**9,443,330**	9,443,330	**9,443,330**	9,443,330
Accumulated losses	17	**(3,823,888)**	(1,865,530)	**(3,823,888)**	(1,865,530)
Equity remuneration reserve	17	**431,452**	230,640	**431,452**	230,640
Total equity		**6,050,894**	7,808,440	**6,050,894**	7,808,440

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

Encounter Resources Limited
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Consolidated Statement of Changes in Equity
For the financial year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Total equity at the beginning of the financial year		**7,808,440**	8,482,025	**7,808,440**	8,482,025
Loss for the year	17	**(1,987,843)**	(855,306)	**(1,987,843)**	(855,306)
Movement in equity remuneration reserve	17	**230,297**	181,721	**230,297**	181,721
Transactions with equity holders in their capacity as equity holders:		**-**	-	**-**	-
Total equity at the end of the financial year		**6,050,894**	7,808,440	**6,050,894**	7,808,440

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

Encounter Resources Limited
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Consolidated Cash Flow Statement
For the financial year ended 30 June 2009

		Consolidated		Company	
		2009	2008	**2009**	2008
	Note	**$**	$	**$**	$
Cash flows from operating activities					
Interest received		**181,023**	416,325	**181,023**	416,325
Payments to suppliers and employees		**(525,733)**	(440,107)	**(525,733)**	(440,109)
Net cash used in operating activities	27	**(344,710)**	(23,782)	**(344,710)**	(23,784)
Cash flows from investing activities					
Payments for exploration and evaluation		**(2,040,876)**	(1,796,706)	**(1,292,942)**	(1,421,372)
Payments for plant and equipment		**(37,139)**	(253,614)	**(37,139)**	(253,614)
Net cash used in investing activities		**(2,078,015)**	(2,050,320)	**(1,330,081)**	(1,674,986)
Cash flows from financing activities					
Expenditure incurred on behalf of subsidiary company		**-**	-	**(747,934)**	(375,334)
Net cash used in financing activities		**-**	-	**(747,934)**	(375,334)
Net increase/(decrease) in cash held		**(2,422,725)**	(2,074,102)	**(2,422,725)**	(2,074,104)
Cash at the beginning of the financial year		**4,701,043**	6,775,145	**4,701,041**	6,775,145
Cash at the end of the financial year	8(a)	**2,278,318**	4,701,043	**2,278,316**	4,701,041

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

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Encounter Resources Limited as an individual entity ("Company") and the consolidated entity consisting of Encounter Resources Limited and its subsidiaries ("Group").

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

The financial report of the Group was authorised for issue in accordance with a resolution of Directors on 24th September 2009.

Statement of Compliance
The consolidated financial report of Encounter Resources Limited complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS), in their entirety. Compliance with AIFRS ensures that the financial report also complies with International Financial Reporting Standards (IFRS) in their entirety.

Early adoption of standards

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this report:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to other Australian Accounting Standards	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	1 July 2009
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	1 July 2009

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	1 July 2010
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	1 July 2010

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	1 July 2010
AASB 2008-5 2008-6 2009-2 2009-5	Various Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	Various	Various
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition dividends is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	1 July 2009

Reference	Title	Summary	Application date of standard	Application date for Group
Amendments to International Financial Reporting Standards	Amendments to IFRS 7	The amended IFRS 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: - Quoted prices in active markets for identical assets or liabilities (Level 1) - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2) - Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)	1 January 2009	1 July 2009
Amendments to International Financial Reporting Standards	Amendments to IFRS 2	The changes relate to the attribution of cash-settled share based payments between different entities within a Group.	1 January 2010	1 July 2010

Reporting basis and conventions
These financial statements have been prepared under the historical cost convention, and on an accrual basis.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Principles of consolidation
The financial statements of subsidiary companies are included in the consolidated financial statements from the date control commences until the date control ceases. The financial statements of subsidiary companies are prepared for the same reporting period as the parent company, using consistent accounting policies.

Inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation. Investments in subsidiary companies are accounted for at cost in the individual financial statements of the Company.

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Revenue recognition and receivables

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances and amounts collectable on behalf of third parties.

Interest income
Interest income is recognised on a time proportion basis and is recognised as it accrues.

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary timing differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to those timing differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Amounts receivable from the Australian Tax Office in respect of research and development tax concession claims are recognised in the year in which the expenditure on which the claim was incurred.

(e) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 23). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(f) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(i) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight line and written down value methods to allocate their cost, net of residual values, over their estimated useful lives, as follows:

Field equipment	33.3%
Office equipment	33.3%
Leasehold improvements	Over the term of the lease

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)). Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(j) Mineral exploration and evaluation expenditure

Mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made. 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.

Immediate restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure. Exploration activities resulting in future obligations in respect of restoration costs result in a provision to be made by capitalising the estimated costs, on a discounted cash basis, of restoration and depreciating over the useful life of the asset. The unwinding of the effect of the discounting on the provision is recorded as a finance cost in the income statement.

(k) Joint ventures

Interests in joint ventures have been brought to account by including the appropriate share of the relevant assets, liabilities and costs of the joint ventures in their relevant categories in the financial statements. Details of these interests are shown in Note 13.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

(m) Employee benefits

Wages, salaries and annual leave.
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave.
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future salaries, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share based payments.
Share based compensation payments are made available to Directors and employees.
The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(n) Issued capital

Ordinary shares are classified as equity.

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

(o) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

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

(p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as a part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flow.

(q) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Investments and other financial assets

Recognition
When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets are fair value through profit or loss
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments included to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) 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.

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

(s) Fair value estimation

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

Investments in equity and debt securities
The fair value of financial assets at fair value through profit or loss, held to maturity investments and available for sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held to maturity investments is determined for disclosure purposes only. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Trade and other receivables
The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Note 2 Financial risk management

The Group has exposure to a variety of risks arising from its use of financial instruments. This note presents information about the Company's exposure to the specific risks, and the policies and processes for measuring and managing those risks. The Board of Directors has the overall responsibility for the risk management framework and has adopted a Risk Management Policy.

(a) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from transactions with customers and investments.

Trade and other receivables
The Group has no investments and the nature of the business activity of the Group does not result in trading receivables. The receivables that the Group does experience through it's normal course of business are short term and the most significant recurring by quantity is the receivable from the Australian Taxation Office, the risk of recovery of no recovery of receivables from this source is considered to be negligible.

Cash deposits
The Group's primary banker is St George Bank Limited, at balance date significantly all operating accounts and funds held on deposit are with this bank other than a cash at call deposit with Rabobank Australia. The Directors believe any risk associated with the use of predominantly only one bank is addressed through the use of an A rated bank as a primary banker and by the holding of a portion of funds on deposit with an alternative AAA rated institution. Except for this matter the Group currently has no significant concentrations of credit risk.

Note 2 Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance resources to finance the Company's current and future operations, and consideration is given to the liquid assets available to the Company before commitment is made to future expenditure or investment.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising any return.

Interest rate risk

The Group has significant cash assets which may be susceptible to fluctuations in changes in interest rates. Whilst the Group requires the cash assets to be sufficiently liquid to cover any planned or unforeseen future expenditure, which prevents the cash assets being committed to long term fixed interest arrangements; the Group does mitigate potential interest rate risk by entering into short to medium term fixed interest investments.

The Group does not have any direct contact with foreign exchange or equity risks other than their effect on the general economy.

Note 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Accounting for capitalised exploration and evaluation expenditure

The Group's accounting policy is stated at 1(j). There is some subjectivity involved in the carrying forward as capitalised or writing off to the income statement exploration and evaluation expenditure, however management give due consideration to areas of interest on a regular basis and are confident that decisions to either write off or carry forward such expenditure reflect fairly the prevailing situation.

Note 4 Segment information

Business segments

The Group is involved in the mineral exploration sector.

Geographical segments

The Group is organised on a national basis with exploration and development interests in Western Australia.

Note 5 Revenue

	Consolidated		Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
Operating activities				
Interest receivable	**174,288**	407,287	**174,288**	407,287

Note 6 Loss for the year

Loss before income tax includes the following specific expenses:				
Depreciation				
Office equipment	**15,724**	10,087	**15,724**	10,087
Leasehold improvements	**7,379**	-	**7,379**	-
	23,103	10,087	**23,103**	10,087
Rental expenses on operating leases – minimum lease payments	**29,492**	44,069	**29,492**	44,069
Exploration expenditure written off and expensed	**1,311,311**	339,998	**1,311,311**	339,998

Note 7 Income tax

a) Income tax expense				
Current income tax:				
Current income tax charge (benefit)	**(784,446)**	(692,927)	**(563,300)**	(590,563)
Current income tax not recognised	**784,446**	692,927	**563,300**	590,563
R&D tax refund receivable	**(113,186)**	-	**(113,186)**	-
Deferred income tax:				
Relating to origination and reversal of timing differences	**(664,887)**	(241,289)	**(664,887)**	(241,289)
Deferred income tax benefit not recognised	**664,887**	241,289	**664,887**	241,289
Income tax expense/(benefit) reported in the income statement	**(113,186)**	-	**(113,186)**	-

The Group submitted a claim to the Australian Taxation Office for a Research and Development tax concession in respect of qualifying transactions occurring during the year ended 30 June 2008. The $113,186 refund has been received by the Group prior to the date of signing this financial report.

Note 7 Income tax (continued)

	Consolidated		Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
b) Reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	**(1,987,843)**	(855,306)	**(1,987,843)**	(855,306)
Tax at the Australian rate of 30% (2008 – 30%)	**(596,353)**	(256,592)	**(596,353)**	(256,592)
Tax effect of permanent differences:				
Non-deductible share based payment	**69,089**	54,516	**69,089**	54,516
R&D tax refund receivable	**(113,186)**	-	**(113,186)**	
Exploration costs written off	**364,926**	-	**364,926**	-
Non-deductible entertainment	**622**	908	**622**	908
Net deferred tax asset benefit not brought to account	**161,716**	201,168	**161,716**	201,168
Tax (benefit)/expense	**(113,186)**	-	**(113,186)**	-
c) Deferred tax – Balance Sheet				
Liabilities				
Accrued income	**-**	2,689	**-**	2,689
Prepaid expenses	**13,076**	18,903	**13,076**	18,903
Capitalised exploration expenditure	**1,115,015**	914,744	**791,505**	812,381
	1,128,091	936,337	**804,581**	833,973
Assets				
Revenue losses available to offset against future taxable income	**2,386,343**	1,531,631	**2,062,834**	1,429,268
Employee provisions	**13,976**	15,242	**13,976**	15,242
Accrued expenses	**7,685**	4,490	**7,685**	4,490
Deductible equity raising costs	**39,942**	73,342	**39,942**	73,342
	2,447,946	1,624,706	**2,124,437**	1,522,342
Net deferred tax asset/(liability)	**1,319,855**	688,369	**1,319,856**	688,369
d) Deferred tax – Income Statement				
Liabilities				
Accrued income	**2,689**	2,712	**2,689**	2,712
Prepaid expenses	**5,827**	25,865	**5,827**	25,865
Capitalised exploration expenditure	**(200,270)**	(623,562)	**20,876**	(521,199)
Assets				
Accruals	**3,195**	1,490	**3,195**	1,490
Increase in tax losses carried forward	**854,712**	831,482	**633,566**	729,119
Employee provisions	**(1,266)**	3,302	**(1,266)**	3,302
Deferred tax benefit/(expense) not recognised	**664,887**	241,289	**664,887**	241,289

Note 7 Income tax (continued)

The deferred tax assets of tax losses not brought to account will only be obtained if:

(i) The Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the tax losses to be realised;

(ii) The Company continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) No changes in tax legislation adversely affect the Company realising the benefit from the deduction of the losses.

All unused tax losses were incurred by Australian entities.

Note 8 Current assets - Cash and cash equivalents

	Consolidated		Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
Cash at bank and on hand	**143,954**	449,454	**143,952**	449,452
Deposits at call	**2,134,364**	4,251,589	**2,134,364**	4,251,589
	2,278,318	4,701,043	**2,278,316**	4,701,041

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:

Cash and cash equivalents per cash flow statement	**2,278,318**	4,701,043	**2,278,316**	4,701,041

(b) Cash at bank and on hand

These attract interest at 2% (2008: 4.7%).

(c) Deposits at call

The deposits are bearing fixed interest rates of 4% (2008: 7.77%). These deposits have an average maturity of 30 days.

Note 9 Current assets – Receivables

a) Trade and other receivables				
Other receivables	**124,527**	8,964	**124,527**	8,964
Recoverable joint venture expenses	**12,792**	70,971	**12,792**	70,971
GST recoverable	**23,055**	34,131	**-**	10
	160,374	114,066	**137,319**	79,945
b) Other current assets				
Prepaid tenement costs	**30,678**	49,934	**30,678**	49,934
Prepaid insurance	**12,908**	13,076	**12,908**	13,076
	43,586	63,010	**43,586**	63,010

Details of fair value and exposure to interest risk are included at note 18.

Note 10 Non-current assets – Investment in controlled entities

a) Investment in controlled entities

The following amounts represent the respective investments in the share capital of the wholly owned subsidiary companies:

	Consolidated		Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
Encounter Operations Pty Ltd	**-**	-	**2**	2

Encounter Resources USA LLC was dormant until disposed of, and has no assets or liabilities at the reporting dates or any revenue or expenses for the reporting periods.

Subsidiary Company	**Country of Incorporation**	**Ownership Interest**	
		2009	**2008**
Encounter Operations Pty Ltd *	Australia	100%	100%
Encounter Resources USA LLC **	USA	Nil	100%

* Encounter Operations Pty Ltd was incorporated in Western Australia on 27 November 2006.

** Encounter Resources USA LLC was incorporated in the USA on 9 April 2007. Encounter Resources USA LLC was disposed of by the Group on 1 June 2009. Encounter Resources USA LLC was dormant throughout the period of ownership and held no assets or liabilities. No consideration was received on disposal.

The ultimate controlling party of the group is Encounter Resources Limited.

b) Loans to controlled entities

The following amounts are payable to the parent company, Encounter Resources Limited at the reporting date:

	Consolidated		Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
Encounter Operations Pty Ltd	**-**	-	**1,123,268**	375,334

The loan to Encounter Operations Pty Ltd, to fund exploration activity is non interest bearing and is repayable at call. The Directors of Encounter Resources Limited do not intend to call for repayment within 12 months.

Note 11 Non-current assets – Property, plant and equipment

	Consolidated		Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
Field equipment				
At cost	**337,594**	337,154	**337,594**	337,154
Accumulated depreciation	**(159,869)**	(71,028)	**(159,869)**	(71,028)
	177,725	266,126	**177,725**	266,126
Office equipment				
At cost	**63,099**	43,133	**63,099**	43,133
Accumulated depreciation	**(34,675)**	(18,951)	**(34,675)**	(18,951)
	28,424	24,182	**28,424**	24,182
Leasehold improvements				
At cost	**22,137**	7,855	**22,137**	7,855
Accumulated depreciation	**(7,379)**	-	**(7,379)**	-
	14,758	7,855	**14,758**	7,855
	220,907	298,163	**220,907**	298,163
Reconciliation				
Field equipment				
Net book value at start of the year	**266,126**	73,434	**266,126**	73,434
Additions	**440**	232,663	**440**	232,663
Depreciation	**(88,841)**	(39,971)	**(88,841)**	(39,971)
Net book value at end of the year	**177,725**	266,126	**177,725**	266,126
Office equipment				
Net book value at start of the year	**24,182**	18,884	**24,182**	18,884
Additions	**19,966**	15,385	**19,966**	15,385
Depreciation	**(15,724)**	(10,087)	**(15,724)**	(10,087)
Net book value at end of the year	**28,424**	24,182	**28,424**	24,182
Leasehold improvements				
Net book value at the start of the year	**7,855**	-	**7,855**	-
Additions	**14,282**	7,855	**14,282**	7,855
Depreciation	**(7,379)**	-	**(7,379)**	-
Net book value at the end of the year	**14,758**	7,855	**14,758**	7,855

No items of property, plant and equipment have been pledged as security by the Company.

Note 12 Non-current assets – Capitalised mineral exploration and evaluation expenditure

	Consolidated		Company	
	2009	2008	**2009**	2008
In the exploration and evaluation phase	**$**	$	**$**	$
Cost carried forward in respect of:				
Incurred at cost on assets not governed by joint venture agreements (i)	**646,598**	899,372	**646,598**	899,372
Incurred at cost under Yeneena JV Earn-in Agreement (ii)	**1,078,365**	341,213	**-**	-
Capitalised share of exploration assets under contributing JV Agreements (iii)	**1,991,753**	1,808,563	**1,991,753**	1,808,563
Cost carried forward	**3,716,716**	3,049,148	**2,638,351**	2,707,935

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(i) Exploration and evaluation expenditure recognised on exploration assets held solely by Encounter Resources Limited and exploration expenditure not allocable to tenements.
(ii) Exploration and evaluation expenditure recognised on tenements held under the Yeneena Joint Venture earn in agreement with Barrick Gold of Australia.
(iii) Exploration and evaluation expenditure recognised on tenements under contributing joint venture agreements with Avoca Resources Limited. This amount includes Encounter Resources Limited's proportionate share of exploration assets held by the respective joint venture entities.

The capitalised exploration expenditure written off includes expenditure written off on surrender of, or intended surrender of tenements for both the group entities and the Group's proportionate share of the exploration written off by the joint venture entities.

Capitalised exploration costs at the start of the period	**3,049,148**	1,420,229	**2,707,935**	1,420,229
Total exploration costs capitalised for the period	**1,978,879**	1,968,917	**1,241,727**	1,627,704
Total exploration costs written off and expensed for the period	**(1,311,311)**	(339,998)	**(1,311,311)**	(339,998)
Capitalised exploration costs at the end of the period	**3,716,716**	3,049,148	**2,638,351**	2,707,935

Note 13 Interest in joint ventures

Included in the assets and liabilities of the Group were the items below which represented the Group's interest in the assets and liabilities employed in joint ventures.

The total amount of the Group's capitalised exploration and evaluation expenditure capitalised and employed under joint venture agreements at the reporting date is $1,991,753 (2008: $1,808,563).

During the reporting period the Group recognised an expense of $885,185 (2008: $105,682) being its share of the exploration expenditure written off by the joint venture entities during the period.

(i) Lake Way Joint Venture

	Consolidated		**Company**	
	2009	2008	**2009**	2008
	$	$	**$**	$
The Company has a 60% interest in the Lake Way Joint Venture.				
Share of Joint Venture's assets and liabilities:				
Cash and cash equivalents	**17,482**	9,072	**17,482**	9,072
Trade and other receivables	**1,318**	5	**1,318**	5
Capitalised mineral exploration and evaluation expenditure	**170,301**	143,848	**170,301**	143,848
Total Assets	**189,101**	152,925	**189,101**	152,925
Trade and other payables	**19,188**	9,482	**19,188**	9,482
Total Liabilities	**19,188**	9,482	**19,188**	9,482
Net Assets	**169,913**	143,443	**169,913**	143,443
Share of Joint Venture's revenue, expenses and results:				
Revenue	**17**	25	**17**	25
Administration expenses	**-**	(15)	**-**	(15)
Result before tax	**17**	10	**17**	10

(ii) Uranium Regional Joint Venture

The Company originally had an 80% interest in a portfolio of projects and tenements which is increasing due to the election of the Joint Venture partner Avoca Resources Limited to cease contributing to Joint Venture activities and hence diluting its own interest.

	Consolidated		**Company**	
	2009	2008	**2009**	2008
Share of Joint Venture's assets and liabilities:				
Cash and cash equivalents	**18,579**	179,892	**18,579**	179,892
Trade and other receivables	**3,890**	41,063	**3,890**	41,063
Capitalised mineral exploration and evaluation expenditure	**2,239,309**	1,922,221	**2,239,309**	1,922,221
Total Assets	**2,261,778**	2,143,176	**2,261,778**	2,143,176
Trade and other payables	**16,608**	218,338	**16,608**	218,338
Total Liabilities	**16,608**	218,338	**16,608**	218,338
Net Assets	**2,245,170**	1,924,838	**2,245,170**	1,924,838
Share of Joint Venture's revenue, expenses and results:				
Revenue	**2,714**	2,653	**2,714**	2,653
Exploration costs written off	**(885,185)**	(105,682)	**(885,185)**	(105,682)
Administration expenses	**(124)**	(133)	**(124)**	(133)
Result before tax	**(882,595)**	(103,162)	**(882,595)**	(103,162)

Note 14 Current liabilities – Trade and other payables

	Consolidated		Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
a) Trade and other payables				
GST payable	**-**	-	**21,848**	-
Trade payables and accruals	**301,717**	366,162	**301,717**	366,162
Other payables	**20,705**	22	**20,705**	22
	322,422	366,184	**344,270**	366,184
b) Employee benefits				
Liability for annual leave	**46,585**	50,806	**46,585**	50,806

Liabilities are not secured over the assets of the company. Details of fair value and exposure to interest risk are included at note 18.

Note 15 Issued capital

a) Ordinary shares
The Company is a public company limited by shares. The Company was incorporated in Perth, Western Australia.

The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value. There is no limit to the authorised share capital of the Company.

b) Share capital	**2009**	2008	**2009**	2008
	No.	No.	**$**	$
Issued share capital	**68,596,900**	68,596,900	**9,443,330**	9,443,330

c) Share movements during the year
There were no movements in share capital during the current or prior year.

d) Option plan
Information relating to the Encounter Resources Limited Directors, Officers and Employees Option Plan is set out in note 16.

Note 16 Option Plan
The establishment of the Encounter Resources Limited Directors, Officers and Employees Option Plan (‘the Plan”) was adopted at a Meeting of Directors on 8 February 2006, and approved by a special resolution at the Annual General Meeting of shareholders of the Company on 17 November 2006. All eligible Directors, executive officers and employees of Encounter Resources Limited who have been continuously employed by the Company are eligible to participate in the Plan.

The Plan allows the Company to issue free options to eligible persons. The options can be granted free of charge and are exercisable at a fixed price in accordance with the Plan.

Options issued under the Plan have a 12 month vesting period prior to exercise, except under certain circumstances whereby options may be capable of exercise prior to the expiry of the vesting period.

a) Options issued during the year

During the financial year the Company granted the following unlisted options over unissued shares:

Number of options granted	*Exercise price*	*Expiry date*
350,000	30 cents	30 June 2013
775,000	10 cents	28 February 2014
1,125,000		

No options were exercised during the financial year.

b) Options cancelled during the year

During the year 100,000 options were cancelled upon termination of employment of an employee.

c) Options on issue at the balance date

The number of options outstanding over unissued ordinary shares at 30 June 2009 is 3,025,000 (2008: 2,000,000). The terms of these options are as follows:

Number of options outstanding	*Exercise price*	*Expiry date*
100,000	20 cents	23 March 2011
100,000	45 cents	15 May 2011
250,000	52.5 cents	7 December 2011
50,000	50 cents	9 August 2012
125,000	50 cents	30 November 2012
500,000	53.5 cents	30 November 2012
400,000	55 cents	30 November 2012
400,000	70 cents	30 November 2012
325,000	30 cents	30 June 2013
775,000	10 cents	28 February 2014
3,025,000		

d) Subsequent to the balance date

No options have been granted subsequent to the balance date to the date of signing this report.

No options have been exercised subsequent to the balance date to the date of signing this report.

Note 16 Option Plan (Continued)

Reconciliation of movement of options over unissued shares during the period including weighted average exercise price (WAEP)

	2009		2008	
	No.	**WAEP (cents)**	No.	WAEP (cents)
Options outstanding at the start of the year	**2,000,000**	**54.6**	450,000	38.7
Options granted during the year	**1,125,000**	**16.2**	1,550,000	57.8
Options exercised during the year	**-**		-	-
Options expiring unexercised during the year	**(100,000)**	**20.0**	-	-
Options outstanding at the end of the year	**3,025,000**	**40.5**	2,000,000	54.6

Basis and assumptions used in the valuation of options.
The options were valued using the Black-Scholes option valuation methodology.

2009

Date granted	Number of options granted	Exercise price (cents)	Expiry date	Risk free interest rate used	Volatility applied	Option valuation (cents)
1 July 2008	350,000*	30.0	30 June 2013	6.75%	52%	12.06
1 March 2009	775,000*	10.0	28 February 2014	3.61%	120%	5.65

* Options are subject to a 12 month vesting period

2008

Date granted	Number of options granted	Exercise price (cents)	Expiry date	Risk free interest rate used	Volatility applied	Option valuation (cents)
11 December 2007	150,000*	50.0	30 November 2012	6.50%	49.53%	23.28
11 December 2007	500,000*	53.5	30 November 2012	6.50%	49.53%	22.36
11 December 2007	400,000*	55.0	30 November 2012	6.50%	49.53%	21.85
11 December 2007	400,000**	70.0	30 November 2012	6.50%	49.53%	18.69

* Options are subject to a 12 month vesting period
** Options are subject to a 24 month vesting period

Historical volatility has been used as the basis for determining expected share price volatility, as it is assumed that this is an indicator of future tender, which may not eventuate.

Note 17 Reserves and accumulated losses

Consolidated	**2009**		2008	
	Accumulated losses	**Equity remuneration reserve (i)**	Accumulated losses	Equity remuneration reserve (i)
	$	**$**	$	$
Balance at the beginning of the year	**(1,865,530)**	**230,640**	(1,010,224)	48,919
Loss for the period	**(1,987,843)**	**-**	(855,306)	-
Movement in equity remuneration reserve in respect of options issued	**-**	**230,297**	-	181,721
Transfer to accumulated losses on cancellation of options	**29,485**	**(29,485)**	-	-
Balance at the end of the year	**(3,823,888)**	**431,452**	(1,865,530)	230,640

Company	**2009**		2008	
	Accumulated losses	**Equity remuneration reserve (i)**	Accumulated losses	Equity remuneration reserve (i)
	$	**$**	$	$
Balance at the beginning of the year	**(1,865,530)**	**230,640**	(1,010,224)	48,919
Loss for the period	**(1,987,843)**	**-**	(855,306)	-
Movement in equity remuneration reserve in respect of options issued	**-**	**230,297**	-	181,721
Transfer to accumulated losses on cancellation of options	**29,485**	**(29,485)**	-	-
Balance at the end of the year	**(3,823,888)**	**431,452**	(1,865,530)	230,640

(i) Equity remuneration reserve
The equity remuneration reserve is used to recognise the fair value of options issued but not exercised.

Note 18 Financial instruments

Credit risk
The Directors do not consider that the Group's financial assets are subject to anything more than a negligible level of credit risk, and as such no disclosures are made, note 2(a).

Impairment losses
The Directors do not consider that any of the Group's financial assets are subject to impairment at the reporting date. No impairment expense or reversal of impairment charge has occurred during the reporting period, other than the write off of deferred exploration assets at note 12.

Liquidity risk
The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, note 2(b) :

Note 18 Financial instruments (continued)

2009

Consolidated	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Trade and other payables	**276,099**	**276,099**	**276,099**	**-**	**-**	**-**	**-**
	276,099	**276,099**	**276,099**	**-**	**-**	**-**	**-**

Company	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Trade and other payables	**276,099**	**276,099**	**276,099**	**-**	**-**	**-**	**-**
	276,099	**276,099**	**276,099**	**-**	**-**	**-**	**-**

2008

Consolidated	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	$	$	$	$	$	$	$
Trade and other payables	351,216	351,216	351,216	-	-	-	-
	351,216	351,216	351,216	-	-	-	-

Company	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	$	$	$	$	$	$	$
Trade and other payables	351,216	351,216	351,216	-	-	-	-
	351,216	351,216	351,216	-	-	-	-

Interest rate risk
At the reporting date the interest profile of the Group's interest-bearing financial instruments was:

2009

	Carrying amount ($)	
	Consolidated	**Company**
Fixed rate instruments		
Financial assets	**-**	**-**
Variable rate instruments		
Financial assets	**2,278,318**	**2,278,318**

Note 18 Financial instruments (continued)

Interest rate risk (continued)

2008

	Carrying amount ($)	
	Consolidated	Company
Fixed rate instruments		
Financial assets	-	-
Variable rate instruments		
Financial assets	4,710,007	4,710,007

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

2009	**Profit or loss**		**Equity**	
	1% increase	**1% decrease**	**1% increase**	**1% decrease**
Variable rate instruments	**22,783**	**(22,783)**	**22,783**	**(22,783)**

2008	Profit or loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
Variable rate instruments	47,101	(47,101)	47,101	(47,101)

Fair values

Fair values versus carrying amounts
The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

Consolidated	**2009**		2008	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Cash and cash equivalents	**2,278,318**	**2,278,318**	4,701,043	4,701,043
Trade and other receivables	**129,352**	**129,352**	79,935	79,935
Trade and other payables	**(276,099)**	**(276,099)**	(351,216)	(351,216)
	2,131,571	**2,131,571**	4,429,762	4,429,762

Note 18 Financial instruments (continued)

Fair values (continued)

Company	**2009**		2008	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Cash and cash equivalents	**2,278,316**	**2,278,316**	4,701,043	4,701,043
Trade and other receivables	**129,352**	**129,352**	79,935	79,935
Loan to subsidiary	**1,123,268**	**1,123,268**	375,334	375,334
Trade and other payables	**(276,099)**	**(276,099)**	(351,216)	(351,216)
	3,254,837	**3,254,837**	4,805,096	4,805,096

The Group's policy for recognition of fair values is disclosed at note 1(s).

Note 19 Dividends

No dividends were paid or proposed during the financial year.

The Company has no franking credits available as at 30 June 2009.

Note 20 Key management personnel disclosures

(a) *Directors*

The following persons were directors of Encounter Resources Limited during the financial year:

(i) *Chairman – non-executive*
Paul Chapman

(ii) *Executive directors*
Will Robinson, Managing Director
Peter Bewick, Exploration Director

(iii) *Non-executive directors*
Jonathan Hronsky, Director

(b) *Other key management personnel*

There were no other persons employed by or contracted to the Company during the financial year, having responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

Note 20 Key management personnel disclosures (continued)

(c) Equity instrument disclosures relating to key management personnel

Unlisted Options provided as remuneration and shares issued on exercise of such options

No options over unissued shares have been issued to key management personnel of the Company during the financial year.

The following options over unissued shares have been issued to key management personnel of the Company during the previous financial year:

	Grant Date	Number of Options	Value of Options (Cents)	Total Value of Options Granted ($)	Expiry Date	Exercise Price (Cents)
Directors						
P Bewick	11 December 2007	400,000	21.85	87,400	30 November 2012	55 cents
P Bewick	11 December 2007	400,000	18.69	74,760	30 November 2012	70 cents
J Hronsky	11 December 2007	500,000	22.36	111,800	30 November 2012	53.5 cents

The fair value of options issued as remuneration is allocated to the relevant vesting period of the options.

The options were provided at no cost to the recipients. No options were exercised by Key Management Personnel during the financial year.

Option holdings
Key Management Personnel have the following interests in unlisted options over unissued shares of the Company.

2009 Name	Balance at start of the year	Received during the year as remuneration	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors					
P. Chapman	-	-	-	-	-
W. Robinson	-	-	-	-	-
P. Bewick	**800,000**	-	-	**800,000**	**400,000**
J. Hronsky	**500,000**	-	-	**500,000**	**500,000**

Note 20 Key management personnel disclosures (continued)

(c) Equity instrument disclosures relating to key management personnel

Option holdings (continued)

2008 Name	Balance at start of the year	Received during the year as remuneration	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors					
P. Chapman	-	-	-	-	-
W. Robinson	-	-	-	-	-
P. Bewick	-	800,000	-	800,000	-
J. Hronsky	-	500,000	-	500,000	-

Share holdings
The number of shares in the Company held during the financial year by key management personnel of the Company, including their related parties are set out below. There were no shares granted during the reporting period as compensation.

2009 **Name**	**Balance at start of the year**	**Received during the year on exercise of options**	**Other changes during the year**	**Balance at the end of the year**
Directors				
P. Chapman	**4,747,000**	**-**	**-**	**4,747,400**
W. Robinson	**21,846,800**	**-**	**-**	**21,846,900**
P. Bewick	**4,725,000**	**-**	**-**	**4,725,000**
J. Hronsky	**-**	**-**	**-**	**-**

2008 Name	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors				
P. Chapman	4,710,000	-	37,400	4,747,400
W. Robinson	21,796,899	-	50,000	21,846,900
P. Bewick	4,700,000	-	25,000	4,725,000
J. Hronsky	-	-	-	-

Note 20 Key management personnel disclosures (continued)

(d) Loans made to key management personnel

No loans were made to key personnel, including personally related entities during the reporting period.

(e) Other transactions with key management personnel

There were no other transactions with key management personnel.

Note 21 Remuneration of auditors

	Consolidated		Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
Audit and review of the Company's financial statements	**27,800**	25,500	**27,800**	25,500
Other services	**-**	-	**-**	-
Total	**27,800**	25,500	**27,800**	25,500

Note 22 Contingencies

(i) Contingent liabilities
There were no material contingent liabilities not provided for in the financial statements of the Group as at 30 June 2009 or 30 June 2008 other than:

Native Title and Aboriginal Heritage
Native title claims have been made with respect to areas which include tenements in which the Group has an interest. The Group 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 Group 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 Group has an interest.

(ii) Contingent assets
There were no material contingent assets as at 30 June 2009 or 30 June 2008.

Note 23 Commitments

(a) Exploration
The Group has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Group's exploration programmes and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Group have not been provided for in the financial statements and which cover the following twelve month period amount to $1,649,750 (2008: $2,119,000). These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements. This commitment does not include the expenditure commitments which are the responsibility of the joint venture partners.

Note 23 Commitments (continued)

(b) Operating Lease Commitments
Commitments for minimum lease payments in relation to non-cancellable operating leases are as follows:

	Consolidated		**Company**	
	2009	2008	**2009**	2008
	$	$	**$**	$
Due within one year	**68,931**	52,500	**68,931**	52,500
Due later than one year but not later than five years	**73,431**	130,500	**73,431**	130,500
Total	**142,362**	183,000	**142,362**	183,000

The operating lease commitment relates to the lease of the Group's Perth office plus car park. The initial lease period is for three years commencing from 1 July 2008. At the reporting date there are no other operating lease commitments.

(c) Contractual Commitment
There are no material contractual commitments as at 30 June 2009 other than those disclosed above and not otherwise disclosed in the Financial Statements.

Note 24 Related party transactions
There were no related party transactions during the year, other than disclosed at note 20.

Note 25 Interests in joint ventures
Joint venture agreements have been entered into with third parties. Details of joint venture agreements are disclosed below .

Assets employed by these joint ventures and the Group's expenditure in respect of them is brought to account initially as capitalised exploration and evaluation expenditure (Refer Note 12) until a formal joint venture agreement is entered into. Thereafter, investment in joint ventures is recorded distinctly from capitalised exploration costs incurred on the company's 100% owned projects.

See note 13 for disclosures of interests in the assets and liabilities employed under formal joint venture agreements.

Joint Venture and Exploration Agreement
Under a Joint Venture and Exploration Agreement dated 1 April 2005 the Company and Avoca Resources Limited ("Avoca") have agreed to establish an unincorporated joint venture for the purposes of identifying, acquiring, evaluating and developing or selling mining tenements with potential uranium deposits within Western Australia. Encounter is the manager of the joint venture.

Avoca Resources held a 20% free carried interest in Encounter's exploration projects for the two year period which ended on 1st April 2007. In accordance with the Agreement, Avoca had elected to contribute to the exploration expenditure program commencing 1st April 2007 to maintain their 20% interest the projects. Under the terms of the agreement either party may elect to dilute their interest to a 1% net smelter royalty. On 30 September 2008, Avoca Resources elected to cease contributing to the Joint Venture and is diluting its interest in the projects in accordance with the terms of the Joint Venture agreement.

Note 25 Interests in joint ventures (continued)

Lake Way Uranium Joint Venture
Under the Lake Way Uranium Joint Venture dated 1 July 2007 between Avoca Resources Limited and the Company, the Company has a 60% joint venture interest in the Uranium at the Lake Way South tenement. The parties are contributing to expenditure in accordance with their equity interest. Encounter is the manager of the joint venture. The company's interest in the joint venture may increase to 75% if Avoca elects to dilute its interest in the tenement and be free carried though to decision to mine.

Yeneena Joint Venture with Barrick Gold of Australia
The Yeneena JV agreement dated 14 September 2007 covers 1500km^2 of prospective uranium and base metals exploration ground in the Paterson Province of Western Australia. The Paterson Province lies to the east of the Pilbara Craton, about 1,200km north north east of Perth. The region hosts the Kintyre uranium project and the Nifty copper mine.

Key terms of the earn in agreement are:

- Encounter Resources Limited will spend a minimum of A$500,000 on exploration within 15 months, commencing 9 October 2007;
- Encounter Resources Limited may spend A$3 million over 5 years to earn a 75% interest in the project;
- Following the completion of the earn in period Barrick can contribute to expenditure to maintain an equity interest in the project or dilute to a 1.5% net smelter royalty.

Note 26 Events occurring after the balance sheet date

On 23rd September 2009, the Company announced a share placement raising $3,498,442 before costs by the issue of 10,289,535 ordinary fully paid shares at $0.34 each.

Other than the above, there has not arisen in the interval between the end of the financial year 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 Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Note 27 Reconciliation of loss after tax to net cash inflow from operating activities

	Consolidated		Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
Loss from ordinary activities after income tax	**(1,987,843)**	(855,306)	**(1,987,843)**	(855,306)
Share of management fee to JV not capitalised	**160,351**	257,506	**160,351**	257,506
R&D tax claim receivable	**(113,186)**	-	**(113,186)**	-
Depreciation	**23,103**	10,087	**23,103**	10,087
Exploration cost written off	**1,311,311**	339,998	**1,311,311**	339,998
Share based payments expense	**230,297**	181,721	**230,297**	181,721
Movement in assets and liabilities:				
(Increase)/decrease in prepaid expenses	**168**	(5,391)	**168**	(5,391)
(Increase)/decrease in receivables	**11,582**	9,038	**11,582**	9,038
Increase/(decrease) in payables	**20,854**	27,559	**20,854**	27,559
Increase/(decrease) in provisions	**(1,347)**	11,006	**(1,347)**	11,006
Net cash outflow from operating activities	**(344,710)**	(23,782)	**(344,710)**	(23,782)

Note 28 Earnings per share

	2009	2008
	Cents	Cents
a) Basic earnings per share		
Loss attributable to ordinary equity holders of the Company	**(2.90)**	(1.25)
b) Diluted earnings per share		
Loss attributable to ordinary equity holders of the Company	**(2.90)**	(1.25)
c) Loss used in calculation of basic and diluted loss per share	**$**	$
Consolidated loss after tax from continuing operations	**(1,987,843)**	(855,306)
d) Weighted average number of shares used as the denominator	**No.**	No.
Weighted average number of shares used as the denominator in calculating basic and dilutive loss per share	**68,596,900**	68,596,900

At 30 June 2009 the Company has on issue 3,025,000 unlisted options (2008: 2,000,000) over ordinary shares that are not considered to be dilutive.

Encounter Resources Limited
ABN 47 109 815 796

Directors' Declaration

In the opinion of the Directors of Encounter Resources Limited ("the Company")

(a) the financial statements and notes set out on pages 17 to 47 are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  (ii) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company and Consolidated Entity.

(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.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2009.

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

Signed at Perth this 24th day of September 2009.

W Robinson
Director

WHK Horwath

INDEPENDENT AUDIT REPORT TO MEMBERS OF ENCOUNTER RESOURCES AND ITS CONTROLLED ENTITIES

We have audited the accompanying financial report of Encounter Resources Limited (the company) and Encounter Resources Limited and its Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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.

Auditor's Opinion

In our opinion, the financial report of Encounter Resources Limited and Encounter Resources Limited and its Controlled Entities is in accordance with the Corporations Act 2001 including:

(a) (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Member Horwath International
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REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 9 to 10 of the directors' report for the year ended 30 June 2009. 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.

Auditor's Opinion
In our opinion the Remuneration Report for Encounter Resources Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP

SEAN MCGURK
Principal

Perth, WA

Dated this 25h day of September 2009