Encounter Resources Limited
ABN 47 109 815 796

Consolidated Financial Statements
For The Year Ended 30 June 2008

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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 R Hart

Principal and Registered Office

Level 7, 600 Murray Street
West Perth, Western Australia 6005
Telephone (08) 9486 9455
Facsimilie (08 6210 1578
Web www.enrl.com.au

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 2008 (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 is currently a director of Albidon Limited, 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 fourteen 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. After leaving WMC Mr Robinson formed a consulting company and advised numerous mining companies with interests in Australia, South America and Africa. 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*
P Chapman	4,747,400	-
W Robinson	21,846,900	-
P Bewick	4,725,000	800,000
J Hronsky	-	500,000

Included in the Directors' interests in Unlisted Options, there are no 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 2008, and the number of meetings attended by each Director are as follows:

Director	*Board of Directors' Meetings*	
	Held	*Attended*
P Chapman	9	9
W Robinson	9	9
P Bewick	9	9
J Hronsky	9	9

Principal Activities

The principal activities 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 $855,306 (2007: $592,664).

Included in the consolidated loss for the current year is a write-off of deferred exploration expenditure totalling $339,998 (2007: $268,472).

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:

1. Yilgarn

Hillview
Multiple phases of aircore drilling were completed at the Hillview project during the year. The drilling successfully outlined a laterally continuous and coherent envelope of near surface uranium mineralisation. Drilling was completed to a nominal 400m by 100m spacing comprising of a total of 133 vertical aircore holes.

Coffey Mining, independent consultants engaged by Encounter, estimated an initial Inferred Resource above a 100ppm U_3O_8 lower cut off at Hillview of 27.6 million tonnes, averaging 174ppm U_3O_8 for a contained 10.6 million pounds of U_3O_8 (or approximately 4,800 tonnes contained U_3O_8). The Inferred Resource is reported in accordance with the JORC code (2004) and guidelines (see ASX release dated 10 July 2008).

Yeelirrie Channel
Resource modeling of the Bellah Bore East project was completed during the year defined an Inferred Resource of 350,000 tonnes averaging 210ppm U_3O_8 for 160,000lb of U_3O_8, estimated in accordance with the JORC Code (2004) (see ASX release dated 31 January 2008).

Lake Way South
An estimated 200m of the Centipede deposit extends onto Encounter tenure. Historical and recent drilling data from within Encounter's Lake Way South tenements has been compiled and a resource estimate for the Centipede Extension is in progress.

McPherson's Bore
During 2007 drilling defined near surface uranium mineralisation in lake clays which extended over 1.7 kms of strike. Shallow trenching across higher grade drill intersections completed during the year indicated that the uranium mineralisation is concentrated within 20cm from surface.

Lakeview
A single diamond drill hole was completed at the Lakeview project during this year into one of the two sub-vertical pipe-like modeled intrusions. Drilling successfully intersected a volcanic breccia with Kimberlitic affinities. The mineral separation and micro diamond analyses did not recover any micro diamonds from the samples.

Lake Darlot
The aircore drilling program uncovered a belt of previously unidentified greenstone lithologies including basalts, dolerites and felsic volcanic rocks over a 7km strike, masked by lake sediment cover. Zones of hydrothermal alteration were noted in the drilling and assay results included supergene gold anomalism of 250ppb Au over 2m.

2. Bangemall Basin

Tchintaby Well
Encounter completed 3D modeling of ground gravity data and defined six areas of excess mass Bouguer gravity adjacent to the Flint Hill Lineament. Plate modeling of two of the gravity features, Laksa and Randang, resolved that the mass anomalies sit directly downplunge of the known base metals mineralisation at depths between 150m to 250m from surface. The flat lying bodies have been modelled as stratabound features with thicknesses and densities consistent with that of a large scale body of SEDEX zinc mineralisation.

Review of Activities (continued)

Exploration (continued)

Pingandy Creek
In May 2008 Encounter completed a 400m by 200m spaced ground survey gravity over a 15km segment of the prospective Peebeezee Horizon. The gravity survey defined five excess mass anomalies both downplunge and along strike from historical Pasminco drilling. Four of the five gravity anomalies were selected for follow up drill testing, defined as coherent, multi-point anomalies located in close proximity to interpreted cross cutting structures.

Wanna
A ground gravity survey was completed at the project in March 2008. This survey was designed to test an area of anomalous groundwater geochemistry surrounding the Koorabooka Spring, as well as a WNW trending magnetic lineament on which a series of outcropping lead occurrences within dolomitic rocks have been identified. The results of the survey were very encouraging as a discrete bouguer gravity anomaly was defined immediately upstream of Koorabooka Spring. A regional LAG sampling program was then completed at 2km by 400m spacing over the project.

3. South West

Wongan Hills, Shackleton
Infill laterite sampling was completed at both projects at 500m spacing along public roads and tracks to locate possible higher grade, discrete zones of geochemical anomalism.

Results from Wongan Hills confirmed the broad corridor of uranium anomalism seen in the CRC-LEME laterite dataset. In addition, anomalous gold (>20ppb) was recognised in 30% of these laterite samples.

4. Paterson Province

Yeneena Joint Venture (Encounter earning 75% from Barrick)
In September 2007, Encounter executed the Yeneena Joint Venture Agreement with Barrick Gold of Australia. The agreement allows Encounter to earn a 75% interest in a 1500km^2 tenement package in the Paterson Province of WA.

During the year, Encounter focused on collating historical exploration data into the database and evaluating that data. Encounter also completed multi-element re-analysis of over 5400 drill pulps from 18,000m of historical drilling completed by Barrick. Results show areas of uranium and base metal anomalism one to two orders of magnitude above background.

A Tempest© Airborne EM survey was completed along the northern margin of the Yeneena sub-basin late in the year.

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 $4,701,043 (2007: $6,775,145) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is $3,049,420 (2007: $1,420,229). Mineral exploration and evaluation expenditure during the year for the Group was $1,963,420 (2007: $1,437,879).

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 1,550,000 unlisted options over unissued shares to employees and Directors of the Company.

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

Since the end of the financial year 350,000* unlisted options have been issued to employees of the Company. No options have been exercised since the end of the financial year.

As at the date of this report unissued ordinary shares of the Company under option are:

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)	57 cents	6 July 2007	6 July 2012
50,000 (i)	50 cents	9 August 2007	9 August 2012
150,000 (ii)	50 cents	11 December 2007	30 November 2012
500,000 (ii)	53.5 cents	11 December 2007	30 November 2012
400,000 (ii)	55 cents	11 December 2007	30 November 2012
400,000 (iii)	70 cents	11 December 2007	30 November 2012
350,000* (iv)	30 cents	1 July 2008	30 June 2013

(i) Unlisted options are vested and exercisable at the reporting date;
(ii) Unlisted options subject to a 12 month vesting period, exercisable after 11 December 2008;
(iii) Unlisted options subject to a 24 month vesting period, exercisable after 11 December 2009;
(iv) Unlisted options subject to a 12 month vesting period, exercisable after 1 July 2009.

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

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:

2008 *Directors*	*Base Emolument* *$*	*Superannuation Contributions* *$*	*Other Benefits* *$*	*Value of Options* *$*	*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 44.2% of P Bewick remuneration for the financial year.
(ii) Options represent 71.9% of J Hronsky remuneration for the financial year.

Remuneration Report (Continued)

2007 Directors	Base Emolument $	Superannuation Contributions $	Other Benefits $	Value of Options $	Total $
P. Chapman	20,000	1,800	-	-	21,800
W. Robinson	188,750	16,988	-	-	205,738
P. Bewick	170,833	15,375	-	-	186,208
J. Hronsky	5,591	503	-	-	6,094
Total	385,174	34,666	-	-	419,840

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 three year term commencing 23 January 2006 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

The following 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:

Directors	Grant Date	Number of Options	Value of Options (Cents)	Total Value of Options Granted ($)	Expiry Date	Exercise Price (Cents)
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 or since the end of the financial year.

Officer's 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.

	Consolidated		Company	
Total remuneration paid to auditors during the financial year:	2008 $	2007 $	2008 $	2007 $
Audit and review of the Company's financial statements	25,500	17,460	25,500	17,460
Taxation services	-	4,250	-	4,250
Total	25,500	21,710	25,500	21,710

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 25th day of September 2008.

W Robinson
Director

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Encounter Resources Limited for the year ended 30 June 2008, 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 2008

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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 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Revenue	5	407,287	275,313	407,287	275,313
Total revenue		407,287	275,313	407,287	275,313
Employee expenses		(844,363)	(584,551)	(844,363)	(584,551)
Employee expenses recharged to exploration		497,464	443,416	497,464	443,416
Equity based remuneration expense		(181,721)	(46,294)	(181,721)	(46,294)
Non-executive Director's fees		(70,000)	(25,591)	(70,000)	(25,591)
Corporate advisory expenses		-	(90,000)	-	(90,000)
Operating lease expenses		(44,069)	(25,827)	(44,069)	(25,827)
Depreciation expense	11	(10,087)	(7,529)	(10,087)	(7,529)
Corporate expenses		(107,376)	(81,757)	(107,376)	(81,757)
Joint venture administration costs recharged		65,566	-	65,566	-
Other expenses from ordinary activities		(228,009)	(181,372)	(228,009)	(181,372)
Exploration costs written off and expensed		(339,998)	(268,472)	(339,998)	(268,472)
Loss before income tax	6	(855,306)	(592,664)	(855,306)	(592,664)
Income tax expense	7	-	-	-	-
Loss attributable to members for the year	17	(855,306)	(592,664)	(855,306)	(592,664)
Earnings per share for loss attributable to the ordinary equity holders of the Company					
		Cents	Cents		
Basic earnings/(loss) per share	28	(1.25)	(1.0)		
Diluted earnings/(loss) per share	28	(1.25)	(1.0)		

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

Encounter Resources Limited
ABN 47 109 815 796

Consolidated Balance Sheet
As At 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Current assets					
Cash and cash equivalents	8	4,701,043	6,775,145	4,701,041	6,775,145
Trade and other receivables	9(a)	114,066	142,123	79,945	142,123
Other current assets	9(b)	63,010	149,226	63,010	149,226
Total current assets		4,878,119	7,066,494	4,843,996	7,066,494
Non-current assets					
Investment in controlled entities	10(a)	-	-	2	-
Loans to controlled entities	10(b)	-	-	375,334	-
Property, plant and equipment	11	298,163	92,318	298,163	92,318
Capitalised mineral exploration and evaluation expenditure	12	3,049,148	1,420,229	2,707,935	1,420,229
Total non-current assets		3,347,311	1,512,547	3,381,434	1,512,547
Total assets		8,225,430	8,579,041	8,225,430	8,579,041
Current liabilities					
Trade and other payables	14(a)	366,184	57,216	366,184	57,216
Employee benefits	14(b)	50,806	39,800	50,806	39,800
Total current liabilities		416,990	97,016	416,990	97,016
Total liabilities		416,990	97,016	416,990	97,016
Net assets		7,808,440	8,482,025	7,808,440	8,482,025
Equity					
Issued capital	15	9,443,330	9,443,330	9,443,330	9,443,330
Accumulated losses	17	(1,865,530)	(1,010,224)	(1,865,530)	(1,010,224)
Equity remuneration reserve	17	230,640	48,919	230,640	48,919
Total equity		7,808,440	8,482,025	7,808,440	8,482,025

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

Consolidated Statement of Changes in Equity
For the financial year ended 30 June 2008

		Consolidated		Company	
		2008	2007	2008	2007
	Note	$	$	$	$
Total equity at the beginning of the financial year		8,482,025	4,837,419	8,482,025	4,837,419
Loss for the year	17	(855,306)	(592,664)	(855,306)	(592,664)
Movement in equity remuneration reserve	17	181,721	46,294	181,721	46,294
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity	15	-	4,300,000	-	4,300,000
Transaction costs of equity issued	15	-	(109,024)	-	(109,024)
Total equity at the end of the financial year		7,808,440	8,482,025	7,808,440	8,482,025

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

Consolidated Cash Flow Statement
For the financial year ended 30 June 2008

	Note	Consolidated		Company	
				2008 $	2007 $
Cash flows from operating activities					
Interest received		416,325	282,521	416,325	282,521
Payments to suppliers and employees		(440,107)	(456,974)	(440,107)	(456,974)
Net cash used in operating activities	27	(23,782)	(174,453)	(23,782)	(174,453)
Cash flows from investing activities					
Payments for exploration and evaluation		(1,796,706)	(1,411,840)	(1,421,372)	(1,411,840)
Payments for plant and equipment		(253,614)	(38,771)	(253,614)	(38,771)
Net cash used in investing activities		(2,050,320)	(1,450,611)	(1,674,986)	(1,450,611)
Cash flows from financing activities					
Expenditure incurred on behalf of subsidiary company		-	-	(375,334)	-
Proceeds from the issue of shares		-	4,300,000	-	4,300,000
Payments for transaction costs relating to share issues		-	(109,024)	-	(109,024)
Net cash provided by financing activities		-	4,190,976	(375,334)	4,190,976
Net increase/(decrease) in cash held		(2,074,102)	2,565,912	(2,074,102)	2,565,912
Cash at the beginning of the financial year		6,775,145	4,209,233	6,775,145	4,209,233
Cash at the end of the financial year	8(a)	4,701,043	6,775,145	4,701,043	6,775,145

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, Urgent Issues Group 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 25th September 2008.

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 2008, but have not been applied in preparing this report:

Reference	*Title*	*Impact of Amendment*	*Application Date of Standard*	*Application Date for Group*
Interpretation 4 (revised)	*Determining Whether an Arrangement Contains a Lease*	*Clarifies the recognition of infrastructure as financial asset and/or intangible asset.*	*1 January 2008*	*1 July 2008*
AASB 8 & AASB 2007-3	*Operating Segments and Consequential Amendments to Other Standards*	*Replacement standard to AASB 114, which adopts a management reporting approach to segment reporting.*	*1 January 2009*	*1 July 2009*
AASB 123 (revised) and AASB 2007-6	*Borrowing Costs and Consequential Amendments to Other Standards*	*Amendments to AASB 123 require borrowing costs associated with qualifying assets to be capitalised.*	*1 January 2009*	*1 July 2009*
AASB 101 (revised), AASB 2007-8 & AASB 2007-10	*Presentation of Financial Statements and Consequential Amendments to Other Standards*	*Introduces a statement of comprehensive income, changes to presentation of statement of changes in equity, reclassifications and dividends, and changes to the titles of financial statements.*	*1 January 2009*	*1 July 2009*
AASB 2008-1	*Amendments to Australian Accounting Standards – Share Based Payments: Vesting Conditions and Cancellations*	*Amendments clarifying the definition of vesting conditions, introducing non-vesting conditions and prescription of accounting treatment where an award is cancelled due to non-vesting condition not satisfied.*	*1 January 2009*	*1 July 2009*

Reference	*Title*	*Impact of Amendment*	*Application Date of Standard*	*Application Date for Group*
AASB 3 (revised)	*Business Combinations*	*Introduces choice for each business combination entered into regarding the non-controlling interest on fair value or proportionate interest in net assets.*	*1 July 2009*	*1 July 2009*
AASB 127 (revised)	*Consolidated and Separate Financial Statements*	*Change of ownership interest in subsidiary (not resulting in a loss of control) to be accounted for as an equity transaction.*	*1 July 2009*	*1 July 2009*
AASB 2008-3	*Amendments to Australian Accounting Standards Arising from AASB 3 and AASB 127*	*Amending standard issued as consequence of revisions to AASB 3 and AASB 127.*	*1 July 2009*	*1 July 2009*
IAS 18, IAS 26 & IAS 27	*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	*Deals with the recognition of dividends from subsidiaries and associates and recognition of historic cost of investment.*	*1 July 2009*	*1 July 2009*
AASB 2008-5 & AASB2008-6	*Improvements to IFRS's*	*Various changes from annual improvements project.*	*1 January 2009*	*1 July 2009*

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 Company'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.

(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 Company for similar financial instruments.

(i) Property, plant and equipment

Property, plant and equipment is 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 Company 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 Company 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 Company 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 Company 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 Company'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 Company 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 Company 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 Company has no investments and the nature of the business activity of the Company does not result in trading receivables. The receivables that the Company 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.

Note 2 Financial risk management (continued)

Cash deposits
The Company'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 Company currently has no significant concentrations of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

The Company 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 Company'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 Company has significant cash assets which may be susceptible to fluctuations in changes in interest rates. Whilst the Company 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 Company does mitigate potential interest rate risk by entering into short to medium term fixed interest investments. The Company 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 Company and that are believed to be reasonable under the circumstances.

Accounting for capitalised exploration and evaluation expenditure
The Company'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	
	2008	2007	2008	2007
	$	$	$	$
Operating activities				
Interest receivable	407,287	275,313	407,287	275,313

Note 6 Loss for the year

Loss before income tax includes the following specific expenses:

Depreciation				
Office equipment	10,087	7,529	10,087	7,529
Rental expenses on operating leases – minimum lease payments	44,069	25,827	44,069	25,827
Exploration expenditure written off and expensed	339,998	268,472	339,998	268,472

Note 7 Income tax

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
a) Income tax expense				
Current income tax				
Current income tax charge (benefit)	(692,927)	(373,740)	(590,563)	(373,740)
Current income tax not recognised	692,927	373,740	590,563	373,740
Deferred income tax:				
Relating to origination and reversal of timing differences	(241,289)	(222,093)	(241,289)	(222,093)
Deferred income tax benefit not recognised	241,289	222,093	241,289	222,093
Income tax expense reported in the income statement	-	-	-	-
b) Reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	(855,306)	(592,664)	(855,306)	(592,664)
Tax at the Australian rate of 30% (2007 – 30%)	(256,592)	(177,799)	(256,592)	(177,799)
Tax effect of permanent differences:				
Non-deductible share based payment	54,516	13,888	54,516	13,888
Non-deductible entertainment	908	625	908	625
Net deferred tax asset benefit not brought to account	201,168	163,286	201,168	163,286
Tax (benefit)/expense	-	-	-	-

Note 7 Income tax (continued)

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
c) Deferred tax – Balance Sheet				
Liabilities				
Accrued income	2,689	5,401	2,689	5,401
Prepaid expenses	18,903	44,768	18,903	44,768
Capitalised exploration expenditure	914,744	291,182	812,381	291,182
	936,337	341,351	833,973	341,351
Assets				
Revenue losses available to offset against future taxable income	1,531,631	700,149	1,429,268	700,149
Employee provisions	15,242	11,940	15,242	11,940
Accrued expenses	4,490	3,000	4,490	3,000
Deductible equity raising costs	73,342	106,742	73,342	106,742
	1,624,706	821,831	1,522,342	821,831
Net deferred tax asset/(liability)	688,369	480,480	688,369	480,480
d) Deferred tax – Income Statement				
Liabilities				
Accrued income	2,712	2,162	2,712	2,162
Prepaid expenses	25,865	51,185	25,865	51,185
Capitalised exploration expenditure	(623,562)	(215,936)	(521,199)	(215,936)
Assets				
Accruals	1,490	3,000	1,490	3,000
Increase in tax losses carried forward	831,482	373,739	729,119	373,739
Employee provisions	3,302	7,943	3,302	7,943
Deferred tax benefit/(expense) not recognised	241,289	222,093	241,289	222,093

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 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Cash at bank and on hand	449,454	8,721	449,454	8,721
Deposits at call	4,251,589	6,766,424	4,251,589	6,766,424
	4,701,043	6,775,145	4,701,043	6,775,145

(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	4,701,043	6,775,145	4,701,043	6,775,145

Note 8 Current assets - Cash and cash equivalents (continued)

(b) Cash at bank and on hand

These attract interest at 4.7% (2007: 2.35%).

(c) Deposits at call

The deposits are bearing fixed interest rates of 7.77% (2007: 6.34%). These deposits have an average maturity of 30 days.

Note 9 Current assets - Receivables

	Consolidated		Company	
	2008	2007	2008	2007
a) Trade and other receivables	$	$	$	$
Trade receivables	-	17,273	-	17,273
Accrued interest	8,964	18,002	8,964	18,002
Recoverable joint venture expenses	70,971	93,263	70,971	93,263
GST recoverable	34,131	13,586	10	13,586
	114,066	142,123	79,945	142,123
b) Other current assets				
Prepaid tenement costs	49,934	141,541	49,934	141,541
Prepaid insurance	13,076	7,685	13,076	7,685
	63,010	149,226	63,010	149,226

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:

Encounter Operations Pty Ltd	-	-	2	-
Encounter Resources USA LLC	-	-	-	-
	-	-	2	-

Encounter Resources Limited has two subsidiary companies. Encounter Resources USA LLC is dormant 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	
		2008	2007
Encounter Operations Pty Ltd *	Australia	100%	100%
Encounter Resources USA LLC **	USA	100%	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.

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

Note 10 Non-current assets – Investment in controlled entities (continued)

b) Loans to controlled entities

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

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Encounter Operations Pty Ltd	-	-	375,334	-
Encounter Resources USA LLC	-	-	-	-
	-	-	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 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Field equipment				
At cost	337,154	104,491	337,154	104,491
Accumulated depreciation	(71,028)	(31,057)	(71,028)	(31,057)
	266,126	73,434	266,126	73,434
Office equipment				
At cost	43,133	27,748	43,133	27,748
Accumulated depreciation	(18,951)	(8,864)	(18,951)	(8,864)
	24,182	18,884	24,182	18,884
Leasehold improvements				
At cost	7,855	-	7,855	-
Accumulated depreciation	-	-	-	-
	7,855	-	7,855	-
	298,163	92,318	298,163	92,318

Reconciliation

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Field equipment				
Net book value at start of the year	73,434	69,702	73,434	69,702
Additions	232,663	34,789	232,663	34,789
Depreciation	(39,971)	(31,057)	(39,971)	(31,057)
Net book value at end of the year	266,126	73,434	266,126	73,434
Office equipment				
Net book value at start of the year	18,884	22,431	18,884	22,431
Additions	15,385	3,982	15,385	3,982
Depreciation	(10,087)	(7,529)	(10,087)	(7,529)
Net book value at end of the year	24,182	18,884	24,182	18,884
Leasehold improvements				
Net book value at the start of the year	-	-	-	-
Additions	7,855	-	7,855	-
Depreciation	-	-	-	-
Net book value at the end of the year	7,855	-	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	
	2008	2007	2008	2007
In the exploration and evaluation phase	$	$	$	$
Cost carried forward in respect of:				
Incurred at cost on assets not governed by formal joint venture agreements (i)	899,372	970,610	899,372	970,610
Incurred at cost under Yeneena JV Earn-in Agreement (ii)	341,213	-	-	-
Capitalised share of exploration assets under contributing JV Agreements (iii)	1,808,563	449,619	1,808,563	449,619
Cost carried forward	3,049,148	1,420,229	2,707,935	1,420,229

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	1,420,229	250,822	1,420,229	250,822
Total exploration costs capitalised for the period	1,968,917	1,437,879	1,627,704	1,437,879
Total exploration costs written off and expensed for the period	(339,998)	(268,472)	(339,998)	(268,472)
Capitalised exploration costs at the end of the period	3,049,148	1,420,229	2,707,935	1,420,229

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 $2,066,069 (2007: 449,619).

During the reporting period the Group recognised an expense of $105,682 (2007: Nil) being its share of the exploration expenditure written off by the joint venture entities during the period.

Note 13 Interest in joint ventures (continued)

(i) Lake Way Joint Venture

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
The Company has a 60% interest in the Lake Way Joint Venture.				
Share of Joint Venture's assets and liabilities:				
Cash and cash equivalents	9,072	4,304	9,072	4,304
Trade and other receivables	5	1,033	5	1,033
Capitalised mineral exploration and evaluation expenditure	143,848	125,230	143,848	125,230
Total Assets	152,925	130,567	152,925	130,567
Trade and other payables	9,482	5,919	9,482	5,919
Total Liabilities	9,482	5,919	9,482	5,919
Net Assets	143,443	124,648	143,443	124,648
Share of Joint Venture's revenue, expenses and results:				
Revenue	25	-	25	-
Administration expenses	(15)	-	(15)	-
Result before tax	10	-	10	-

(ii) Uranium Regional Joint Venture

The Company has an 80% interest in a portfolio of projects and tenements.

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Share of Joint Venture's assets and liabilities:				
Cash and cash equivalents	179,892	-	179,892	-
Trade and other receivables	41,063	-	41,063	-
Capitalised mineral exploration and evaluation expenditure	1,922,221	324,389	1,922,221	324,389
Total Assets	2,143,176	324,389	2,143,176	324,389
Trade and other payables	218,338	324,389	218,338	324,389
Total Liabilities	218,338	324,389	218,338	324,389
Net Assets	1,924,838	-	1,924,838	-
Share of Joint Venture's revenue, expenses and results:				
Revenue	2,653	-	2,653	-
Exploration costs written off	(105,682)	-	(105,682)	-
Administration expenses	(133)	-	(133)	-
Result before tax	(103,162)	-	(103,162)	-

Note 14 Current liabilities – Trade and other payables

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
a) Trade and other payables				
Trade payables and accruals	366,162	41,252	366,162	41,252
Other payables	22	15,964	22	15,964
	366,184	57,216	366,184	57,216
b) Employee benefits				
Liability for annual leave	50,806	39,800	50,806	39,800

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		2008 No.	2007 No.	2008 $	2007 $
Issued share capital		68,596,900	68,596,900	9,443,330	9,443,330
c) Share movements during the year	*Issue price*				
At the beginning of the year		68,596,900	59,996,900	9,443,330	5,252,354
Shares issued 5 April 2007	$0.50	-	8,600,000	-	4,300,000
Less: costs related to shares issued		-	-	-	(109,024)
At the end of the year		68,596,900	68,596,900	9,443,330	9,443,330

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*
50,000	57 cents	6 July 2012
50,000	50 cents	9 August 2012
150,000	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
1,550,000		

No options were exercised during the financial year.

b) Options on issue at the balance date

The number of options outstanding over unissued ordinary shares at 30 June 2008 is 2,000,000 (2007: 450,000). 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	57 cents	6 July 2012
50,000	50 cents	9 August 2012
150,000	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
2,000,000		

c) Subsequent to the balance date

The following options have been granted subsequent to the balance date and prior to the date of signing this report.

Number of Options Granted	Exercise Price	Grant Date	Expiry Date
350,000* (vi)	30 cents	1 July 2008	30 June 2013

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)

	2008		2007	
	No.	WAEP (cents)	No.	WAEP (cents)
Options outstanding at the start of the year	450,000	38.7	200,000	32.5
Options granted during the year	1,550,000	57.8	250,000	53.5
Options exercised during the year	-	-	-	-
Options expiring unexercised during the year	-	-	-	-
Options outstanding at the end of the year	2,000,000	54.6	450,000	38.7

Basis and assumptions used in the valuation of options.

The options were valued using the Black-Scholes option valuation methodology.

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	2008		2007	
	Accumulated losses	Equity remuneration reserve (i)	Accumulated losses	Equity remuneration reserve (i)
	$	$	$	$
Balance at the beginning of the year	(1,010,224)	48,919	(417,560)	2,625
Loss for the period	(855,306)	-	(592,664)	-
Transfer to equity remuneration reserve in respect of options issued	-	181,721	-	46,294
Balance at the end of the year	(1,865,530)	230,640	(1,010,224)	48,919

Note 17 Reserves and accumulated losses (Continued)

Company	2008 Accumulated losses	2008 Equity remuneration reserve (i)	2007 Accumulated losses	2007 Equity remuneration reserve (i)
	$	$	$	$
Balance at the beginning of the year	(1,010,224)	48,919	(417,560)	2,625
Loss for the period	(855,306)	-	(592,664)	-
Transfer to equity remuneration reserve in respect of options issued	-	181,721	-	46,294
Balance at the end of the year	(1,865,530)	230,640	(1,010,224)	48,919

(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) :

2008

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

Note 18 Financial instruments (Continued)

Liquidity risk (Continued)

2007

Consolidated	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5years	More than 5 years
	$	$	$	$	$	$	$
Trade and other payables	47,216	47,216	47,216	-	-	-	-
	47,216	47,216	47,216	-	-	-	-

Company	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5years	More than 5 years
	$	$	$	$	$	$	$
Trade and other payables	47,216	47,216	47,216	-	-	-	-
	47,216	47,216	47,216	-	-	-	-

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

2008

	Carrying amount ($)	
	Consolidated	Company
Fixed rate instruments		
Financial assets	4,260,553	4,260,553
Variable rate instruments		
Financial assets	449,454	449,454

2007

	Carrying amount ($)	
	Consolidated	Company
Fixed rate instruments		
Financial assets	6,784,426	6,784,426
Variable rate instruments		
Financial assets	8,721	8,721

Note 18 Financial instruments (Continued)

Interest rate risk (Continued)

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.

2008	Profit or loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
Fixed rate instruments *	42,606	(42,606)	42,606	(42,606)
Variable rate instruments	4,495	(4,495)	4,495	(4,495)

2007	Profit or loss		Equity	
	1% increase	1% decrease	1% increase	1% Decrease
Fixed rate instruments *	67,844	(67,844)	67,844	67,844
Variable rate instruments	87	(87)	87	(87)

** Fixed rate instruments are held for 30 days periods and as such the directors consider that they should be included in the above disclosures as they are affected by short term interest rate fluctuations.*

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	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Cash and cash equivalents	4,701,043	4,701,043	6,775,145	6,775,145
Trade and other receivables	79,935	79,935	128,538	128,538
Trade and other payables	(351,216)	(351,216)	(47,216)	(47,216)
	4,429,762	4,429,762	6,856,467	6,856,467

Company	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Cash and cash equivalents	4,701,043	4,701,043	6,775,145	6,775,145
Trade and other receivables	79,935	79,935	128,538	128,538
Loan to subsidiary	375,334	375,334	-	-
Trade and other payables	(351,216)	(351,216)	(47,216)	(47,216)
	4,805,096	4,805,096	6,856,467	6,856,467

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 2008.

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.

(c) Key management personnel compensation

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 Key Management Personnel

During the year there were no Senior Executives which were employed by the Company for whom disclosure is required. Details of the remuneration of Key Management Personnel are as follows:

Note 20 Key management personnel disclosures (continued)

Details of Remuneration for Key Management Personnel (Continued)

2008 *Directors*	*Base Emolument* *$*	*Superannuation Contributions* *$*	*Other Benefits* *$*	*Value of Options* *$*	*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 44.2% of P Bewick remuneration for the financial year.
(ii) Options represent 71.9% of J Hronsky remuneration for the financial year.

2007

	Short Term	*Post Employment*			
Directors	*Base Emolument* *$*	*Superannuation Contributions* *$*	*Other Benefits* *$*	*Value of Options* *$*	*Total* *$*
P Chapman	20,000	1,800	-	-	21,800
W Robinson	188,750	16,988	-	-	205,738
P Bewick	170,833	15,375	-	-	186,208
J Hronsky	5,591	503	-	-	6,094
Total	385,174	34,666	-	-	419,840

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 three year term commencing 23 January 2006 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.

Note 20 Key management personnel disclosures (continued)

d) Equity instrument disclosures relating to key management personnel

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

The following options over unissued shares have been issued to key management personnel of the Company during the 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.

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

There are no options held by Key Management Personnel that are vested and able to be exercised as at 30 June 2008.

There were no options held by Key Management Personnel at anytime during the previous financial year.

Note 20 Key management personnel disclosures (continued)

Share holdings

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

2008 Name *Directors*	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
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	-	-	-	-

2007 Name *Directors*	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
P. Chapman	4,710,000	-	-	4,710,000
W. Robinson	21,796,899	-	-	21,796,900
P. Bewick	4,700,000	-	-	4,700,000
J. Hronsky	-	-	-	-

e) Loans made to key management personnel

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

f) Other transactions with key management personnel

There were no other transactions with key management personnel.

Note 21 Remuneration of auditors

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Audit and review of the Company's financial statements	25,500	17,460	25,500	17,460
Taxation services	-	4,250	-	4,250
Total	25,500	21,710	25,500	21,710

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 2008 or 30 June 2007 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 2008 or 30 June 2007.

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 $2,119,000 (2007: $1,083,800). 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.

(b) Operating Lease Commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Due within one year	52,500	-	52,500	-
Due later than one year but not later than five years	130,500	-	130,500	-
Due later than five years	-	-	-	-
Total	183,000	-	183,000	-

The operating lease commitment relates to the lease of the Group's Perth office. 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 2008 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 has elected to contribute to the exploration expenditure program commencing 1st April 2007 to maintain their 20% interest the projects. Either party may elect to dilute their interest to a 1% net smelter royalty.

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 1500km2 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

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	
	2008	2007	2008	2007
	$	$	$	$
Loss from ordinary activities after income tax	(855,306)	(592,664)	(855,306)	(592,664)
Share of management fee to JV not capitalised	257,506	-	257,506	-
Depreciation	10,087	7,529	10,087	7,529
Exploration cost written off	339,998	268,472	339,998	268,472
Share based payments expense	181,721	46,294	181,721	46,294
(Increase)/decrease in prepaid expenses	(5,391)	93,135	(5,391)	93,135
(Increase)/decrease in receivables	9,038	596	9,038	596
Increase/(decrease) in payables	27,559	(24,292)	27,559	(24,292)
Increase/(decrease) in provisions	11,006	26,477	11,006	26,477
Net cash outflow from operating activities	(23,782)	(174,453)	(23,782)	(174,453)

Note 28 Earnings per share

	2008	2007
	Cents	Cents
a) Basic earnings per share		
Loss attributable to ordinary equity holders of the Company	(1.25)	(1.0)
b) Diluted earnings per share		
Loss attributable to ordinary equity holders of the Company	(1.25)	(1.0)

	2008	2007
c) Loss used in calculation of basic and diluted loss per share	$	$
Consolidated loss after tax from continuing operations	(855,306)	(592,664)
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	62,046,763

At 30 June 2008 the Company has on issue 2,000,000 unlisted options (2007: 450,000) over ordinary shares that are not considered to be dilutive.

Directors' Declaration

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

(a) the financial statements and notes set out on pages 13 to 43 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 2008 and of the performance for the year ended on that date of the Group.

(b) there are reasonable grounds to believe that the Group 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 2008.

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

Signed at Perth this 25th day of September 2008.

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 2008, 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 2008 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.

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

WHK HORWATH PERTH AUDIT PARTNERSHIP

SEAN MCGURK
Principal

Perth, WA

Dated this 25th day of September 2008

Total Financial Solutions

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