



Interim Consolidated Financial Statements

**For The Half-Year Ended
31 December 2008**

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Encounter Resources Limited
ABN 47 109 815 796

Directors' Report

The Directors present their interim consolidated report of Encounter Resources Limited and its controlled entity for the half-year ended 31 December 2008.

Directors

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

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

Company Secretary

Kevin Hart
Daniel Travers (Joint Company Secretary - Appointed 20 November 2008)

Review of Operations

The consolidated net loss after income tax for the half-year was \$841,387 (31 December 2007: \$123,520).

Included in the loss for the current half-year is expensed deferred exploration expenditure totalling \$373,543 (31 December 2007: \$36,318).

At the end of the half-year the Group had \$3,080,686 (30 June 2008: \$4,701,043) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$3,834,879 (30 June 2008: \$3,049,148).

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

Auditor's Independence Declaration

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

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

DATED at Perth this 11th day of March 2009.



W Robinson
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Encounter Resources Limited for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

WHK HORWATH PERTH AUDIT PARTNERSHIP



SEAN MCGURK
Principal

Perth, WA

Dated this 11th day of March 2009

Encounter Resources Limited
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Consolidated Income Statement
For the half-year ended 31 December 2008

		Consolidated	
		31 December 2008 \$	31 December 2007 \$
	Note		
Interest income		128,617	211,954
Employee expenses		(563,027)	(398,231)
Employee expenses recharged to exploration		368,770	220,669
Equity based remuneration expense		(175,902)	(45,967)
Non-executive directors fees		(40,000)	(30,000)
Operating lease expenses		(22,809)	(19,325)
Depreciation expense		(10,049)	(17,010)
Corporate expenses		(70,195)	(64,358)
Administration and other expenses		(107,258)	(117,301)
Joint venture administration costs recharged		24,009	172,367
Exploration costs written off and expensed		(373,543)	(36,318)
Loss before income tax	3	(841,387)	(123,520)
Income tax expense		-	-
Loss attributable to members for the half-year		(841,387)	(123,520)
Earnings per share			
Basic loss per share (cents)		(1.23)	(0.18)
Diluted loss per share (cents)		(1.23)	(0.18)

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

Encounter Resources Limited
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Consolidated Balance Sheet
As At 31 December 2008

	Consolidated	
	31 December 2008 \$	30 June 2008 \$
Current assets		
Cash and cash equivalents	3,080,686	4,701,043
Trade and other receivables	43,632	114,066
Other current assets	96,412	63,010
Total current assets	3,220,730	4,878,119
Non-current assets		
Property, plant and equipment	274,081	298,163
Capitalised mineral exploration and evaluation expenditure	3,834,879	3,049,148
Total non-current assets	4,108,960	3,347,311
Total assets	7,329,690	8,225,430
Current liabilities		
Trade and other payables	135,565	366,184
Employee benefits	51,170	50,806
Total current liabilities	186,735	416,990
Total liabilities	186,735	416,990
Net assets	7,142,955	7,808,440
Equity		
Issued capital	9,443,330	9,443,330
Accumulated losses	(2,706,917)	(1,865,530)
Equity remuneration reserve	406,542	230,640
Total equity	7,142,955	7,808,440

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

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Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2008

	Consolidated	
	31 December 2008 \$	31 December 2007 \$
Total equity at the beginning of the financial year	7,808,440	8,482,025
Net (expense)/income recognised directly in equity	-	-
Loss for the period	(841,387)	(123,520)
Total recognised income and expense for the period	(841,387)	(123,520)
Movement in equity remuneration reserve	175,902	45,967
Total equity at the end of the period	7,142,955	8,404,472

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

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Consolidated Cash Flow Statement
For the half-year ended 31 December 2008

	Consolidated	
	31 December 2008 \$	31 December 2007 \$
Cash flows from operating activities		
Interest received	135,352	203,785
Payments to suppliers and employees	(256,445)	(210,579)
Net cash used in operating activities	(121,093)	(6,794)
Cash flows from investing activities		
Payments for exploration and evaluation	(1,466,433)	(923,326)
Payments for plant and equipment	(32,831)	(21,993)
Net cash used in investing activities	(1,499,264)	(945,319)
Net increase/(decrease) in cash held	(1,620,357)	(952,113)
Cash at the beginning of the period	4,701,043	6,775,145
Cash at the end of the period	3,080,686	5,823,032

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

Encounter Resources Limited
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Notes to the Interim Financial Statements
For the half-year ended 31 December 2008

Note 1 Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Encounter Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

The half year report has been prepared on an accruals basis and is based on historic costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The consolidated interim financial statements were approved by the Board of Directors on 11th March 2009.

Note 2 Segment information

Business segments

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

Geographical segments

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

Note 3 Loss for the period

Loss before income tax includes the following specific expenses:

	31 December 2008 \$	31 December 2007 \$
Depreciation		
Leasehold improvements	3,689	-
Office equipment	6,360	4,770
Field equipment	-	12,240
	10,049	17,010
Rental expenses on operating leases – minimum lease payments	22,809	19,325
Previously capitalised exploration costs written off	330,781	18,890
Exploration costs not capitalised	42,762	17,428
Exploration expenditure written off and expensed	373,543	36,318

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Notes to the Interim Financial Statements
For the half-year ended 31 December 2008

Note 4 Dividends

No dividends were paid or proposed during the period.

The Company has no franking credits available as at 31 December 2008 or 31 December 2007.

Note 5 Contingencies

(i) Contingent liabilities

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

Native Title and Aboriginal Heritage

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

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

(ii) Contingent assets

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

Note 6 Events occurring after the balance sheet date

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

Note 6 Subsidiary Information

At the reporting date Encounter Resources Limited has one subsidiary company, Encounter Operations Pty Limited. The subsidiary company holds the operations of the Company under the Yeneena Joint Venture agreement with Barrick of Australia.

During the period, Encounter Resources Limited disposed of its United States based dormant subsidiary company. This subsidiary company was dormant at the comparative reporting date and had no assets or liabilities at that reporting date or any revenue or expenses for the comparative reporting period.

Encounter Resources Limited
ABN 47 109 815 796

Directors' Declaration

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

- (a) the interim financial statements and notes set out on pages 5 to 10 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standard AASB134 – *Interim Financial Reporting*, and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 31 December 2008 and of the performance for the half-year ended on that date of the Consolidated Entity.
- (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

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

Signed at Perth this 11th day of March 2009.



W Robinson
Managing Director

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ENCOUNTER RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Encounter Resources Limited and its Controlled Entities (the consolidated entity), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Encounter Resources Limited and its Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP



SEAN MCGURK
Principal

Perth, WA

Dated this 11th day of March 2009