



encounter

RESOURCES LIMITED

ABN 47 109 815 796

annual report 2008

...commodity diversity, geographic focus



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 Registered Office

Level 7, 600 Murray Street
West Perth, Western Australia 6005
Telephone (08) 9486 9455
Facsimile (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
Facsimile (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.

Encounter Resources Limited (Encounter) is a mineral exploration company based in Perth, Western Australia (WA). The company's shares are listed on the Australian Stock Exchange (ASX: ENR). The company's strategy is focused on the discovery and development of uranium and base metals resources in WA.

Encounter Resources controls a portfolio comprising over 7,000 square kilometres of highly prospective exploration projects targeting: surficial uranium in the Yilgarn Craton; unconformity uranium and base metals in the Paterson Province; and SEDEX base metal mineralisation, similar to the giant deposits of Century and McArthur River, in the Bangemall Basin. To drive its growth strategy the company has assembled a dedicated and experienced team of geoscientists who are leaders in their field of expertise.



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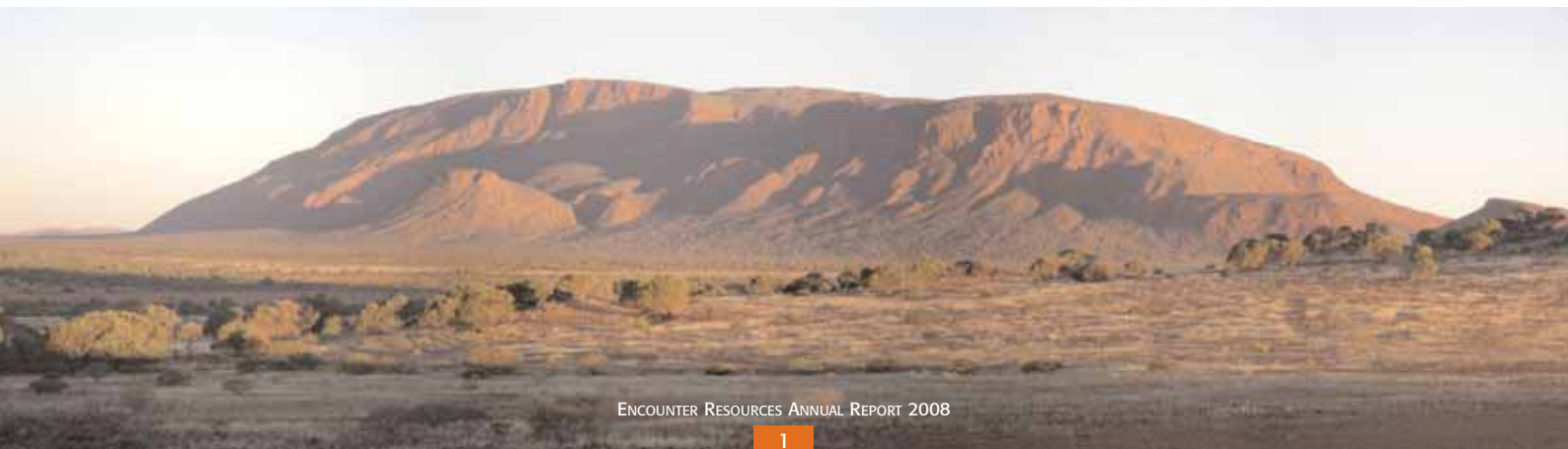


Highlights and Achievements

- Aggressive exploration strategy resulted in the completion of twelve drill programs at nine separate projects during the year.
- Initial Inferred Resource estimates were released for the Hillview and Bellah Bore East projects. The Hillview resource, estimated at over 10 million pounds of near surface U_3O_8 , was completed within twelve months of the first drill program at the project.
- Encounter expanded and consolidated its extensive base metals project portfolio in the Bangemall Basin to complement its advancing uranium assets.
- The Tchintaby Well and Pingandy Creek (Bangemall Basin) base metals projects were advanced from regional multi-element geochemical anomalies in key structural locations to high quality Zn-Cu-Pb-Ag drill targets.
- Successful geophysical and geochemical programs at the Wanna base metals project (Bangemall Basin) identified compelling drill targets and led to the acquisition of an extensive land position prospective for Broken Hill style deposits.
- Completed multi-element re-analysis from 18,000 metres of historical drilling at the Yeneena JV in the Paterson Province with results showing areas of uranium and base metal anomalism one to two orders of magnitude above background.

Goals for 2009

- Complete initial drill testing of priority uranium and base metals targets identified within the Yeneena JV.
- Complete initial metallurgical test work for the Hillview uranium project.
- Determine scope for higher grade zones at Bellah Bore East uranium resource.
- Complete geophysical orientation over base metal mineralisation in the Bangemall Basin to accelerate definition of high grade positions.
- Complete initial drill testing of the Southern Bangemall Basin base metals targets commencing at the Wanna project.
- Complete initial drill program at the multi-metal Wongan Hills and Shackleton projects.





Letter from the Chairman & Managing Director

Dear Fellow Shareholder,

Encounter Resources has made significant progress in our exploration strategy during the year. The company is also on target to achieve the key business objectives outlined in the company's 2007 Annual Report.

The company maintains a two pronged exploration strategy focused on uranium and base metals in Western Australia (WA). This provides commodity diversity and geographical focus to maximise the return from our exploration dollar.

As a company we believe strongly in investing funds on in-ground exploration and since listing in 2006 the company has aggressively and successfully explored its portfolio. In addition, the company continues to assess new business opportunities to enhance its asset base.

The company has made significant progress in its exploration programs on a number of fronts in the last year.

Encounter's calcrete uranium strategy in the northern Yilgarn continues to bear fruit. Our exploration to date has added satellite resources around Yeelirrie/Lake Way and we discovered the Hillview resource.

The Inferred Resource at Hillview is a big step forward for Encounter. We commenced our first drill program at Hillview in July 2007. Within twelve months of that first drill hole we released our maiden resource at the project at over 10 million lbs of U_3O_8 . This rapid project advancement is a credit to the project team and is consistent with the company's aggressive approach to advancing its uranium and base metals assets in WA.

The project is well located in a highly endowed area around Wiluna/Meekatharra including several other uranium deposits such as BHP Billiton's giant Yeelirrie deposit, and has excellent access to infrastructure. This area will be a future production centre for uranium and is likely to host one or more uranium processing facilities within the next five years. While there is considerable evaluation work to be completed at Hillview, the resource is suited for bulk mining being a near surface and consistent body of mineralisation.

The company's second focus for uranium is exploration for unconformity related uranium at our Yeneena project. The project is located within the the Paterson Province located in northern WA and is held in joint venture with Barrick Gold of Australia. Encounter controls a major position within a world class mineral province that hosts the Kintyre uranium deposits and the Nifty Copper mine. Kintyre is Australia's most recent unconformity uranium discovery, discovered in 1985 by CRA Exploration. We believe that the Paterson region is one of the most exciting, under-explored unconformity uranium regions in the world. The project also has considerable base metals potential. The Yeneena project will be where most of our uranium exploration effort will be made in the upcoming year.

In addition to our advancing uranium interests, Encounter has assembled an extensive base metals portfolio. The primary target is SEDEX base metal mineralisation similar to the giant deposits of Century and McArthur River in Eastern Australia. The base metals exploration to date has focussed on the Proterozoic Bangemall Basin in central Western Australia where the company controls a large and strategic project position. The Tchintaby Well and Pingandy Creek projects have been advanced to high quality Zn-Cu-Pb-Ag drill targets.

The company continues to expand its exploration landholding in the Bangemall Basin. The company has recently expanded its Wanna base metals project, located along the central rift of the basin and this project will see its maiden drill program in 2009.

On the corporate front, the company maintains a sound financial position with \$4.7 million in cash reserves at the end of June 2008.

The recent state election result means that Western Australia is now open for uranium business. Western Australia, through its uranium resource position, can now play a key role in a global push to reduce carbon emissions by being a safe and reliable supplier of fuel to an expanding global nuclear industry.

The company has maintained its exploration focus in Western Australia where it has secured an extensive portfolio of assets, a process that began in 2004. We believe strongly in the geological prospectivity that high quality projects in Western Australia provide. In 2007/08 a large part of the exploration effort was focused on uranium and that effort will continue. In addition, we will be accelerating our base metals exploration work in 2008/09 to complement our uranium assets.

Finally, the company has assembled a highly respected, dedicated exploration team with decades of experience exploring for world class deposits. We would like to thank the outstanding exploration, field operations and administration team for their valuable contribution to the company's ongoing exploration effort. With a pipeline of quality projects and a very capable and energetic team in place we look forward to 2009 with a high degree of optimism.

We thank the shareholders for their ongoing support.



Paul Chapman
Chairman



Will Robinson
Managing Director



Exploration Review

Encounter Resources Limited (Encounter) is a Western Australian (WA) based exploration and resource development company with projects in four geological regions of WA. Encounter's portfolio covers over 7,000km² of strategically located and highly prospective exploration projects (Figure 1). The portfolio includes:

- a suite of projects located in the Yilgarn Province prospective for calcrete style uranium, base metals and gold;
- five projects targeting base metals deposits in the Bangemall Basin;
- two multi-metal projects in the South West of WA; and
- a joint venture with Barrick Gold of Australia which encompasses a major ground position in the Proterozoic Paterson mineral province considered highly prospective for unconformity related uranium and base metals mineralisation.

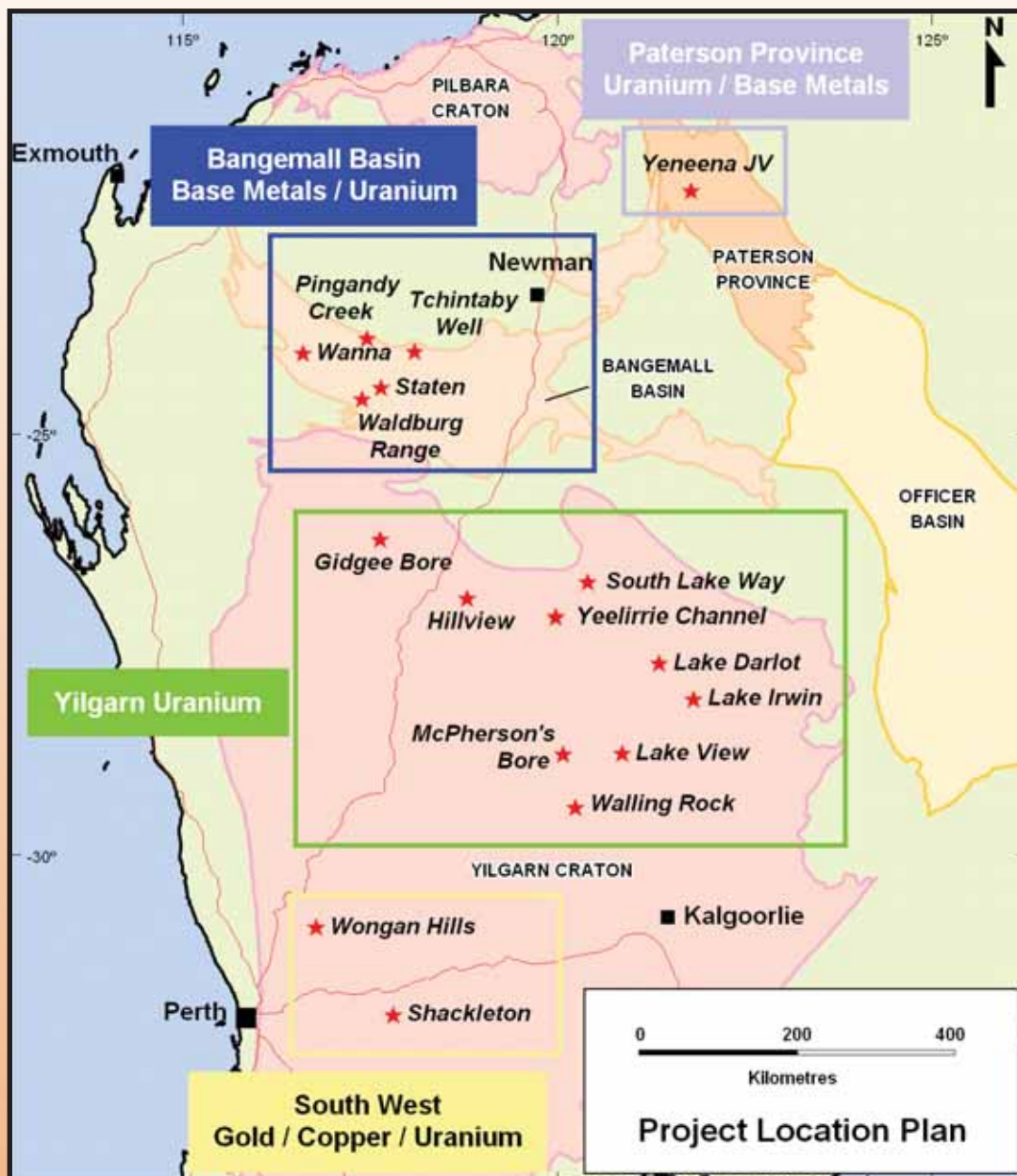


Figure 1: Project Location Plan

Yilgarn

Encounter's uranium exploration activities in the Yilgarn Province of WA have been the priority programs for the company over the past year. Drilling completed in that time has focused on progressing initial discoveries into resources. This work culminated in the announcement of the Hillview and the Bellah Bore East uranium resources.

During the evaluation phase of the numerous uranium projects held by Encounter, it was the company's philosophy to also assess the projects for other commodities. This work has led to the definition of a highly prospective gold project and a promising base metals opportunity.

Hillview (E51/1127) – Uranium

The Hillview project is located 50km south east of Meekatharra. Broad spaced reconnaissance drilling at Hillview by Western Mining Corporation in the 1970s identified a 15km long zone of near surface uranium mineralisation.

Multiple phases of aircore drilling were completed by Encounter during the year to test this large scale anomaly. 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 over the main mineralised zone that extends over a 7km by 1.4km area with an average thickness of 3.15m (Figure 2).

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) (see Table 1). The Inferred Resource is reported in accordance with the JORC code (2004) and guidelines.

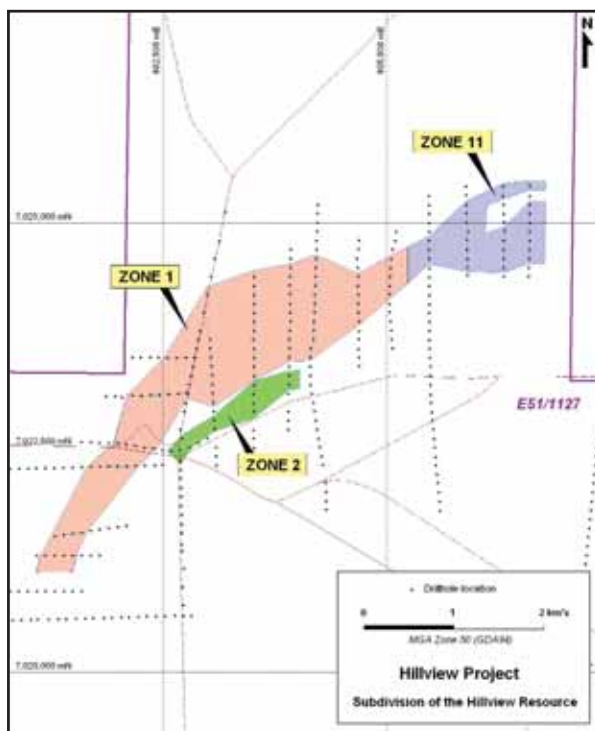


Figure 2: Resource zone outlines

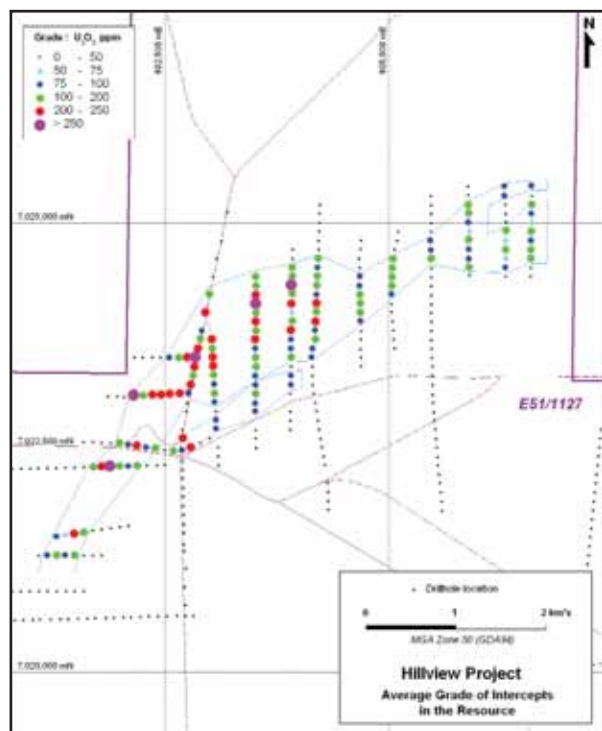


Figure 3: Average grade of drill intersections

Hillview Uranium Project, Western Australia – Inferred Resource Estimate

Reported above a 100ppm and 150ppm U₃O₈ Lower Cut Off – Reported Using a Bulk Density of 2.0 t/m³
 2D Ordinary Kriged Estimate Using Length x Grade and Length as Service Variables
 Parent Cell Dimensions of 100m NS by 200m EW by 32m RL

Zone	Tonnage (Mt)	Grade (U ₃ O ₈ ppm)	Contained Metal U ₃ O ₈ (M lb)
100ppm U ₃ O ₈ Lower Cut Off			
1	21.6	182	8.7
2	1.6	147	0.5
11	4.4	146	1.4
Total	27.6	174	10.6
150ppm U ₃ O ₈ Lower Cut Off			
1	20.6	184	8.3
2	0.6	168	0.2
11	1.5	153	0.5
Total	22.7	181	9.0

Table 1: Hillview resource tabulation (zones as per Figure 2)

Note: Figures have been rounded

The Hillview resource is a flat lying, consistent body of near surface uranium mineralisation with minimal internal dilution. Initial metallurgical test work has commenced to provide an indication of the potential leach amenability of the uranium mineralisation.

Yeelirrie Channel

(E53/1154-58, E36/540-542) – Uranium

Encounter controls more than 1,000km² of tenure covering over 40kms of the Yeelirrie drainage channel (see Figure 4). This channel hosts BHP Billiton's Yeelirrie uranium deposit located 60kms south west of Wiluna. The Yeelirrie deposit is the world's largest calcrete associated uranium deposit with a published resource of 52,500 tonnes of U₃O₈.

Bellah Bore East (E53/1158)

Drilling during the previous financial year defined an area of near surface uranium mineralisation approximately 500m by 150m and between 2m to 10m thick at Bellah Bore East, a satellite uranium discovery within the Yeelirrie Channel.

Resource modelling completed during the year defined an Inferred Resource of 350,000t averaging 210ppm U₃O₈ for 160,000lb of U₃O₈, estimated in accordance with the JORC Code (2004).

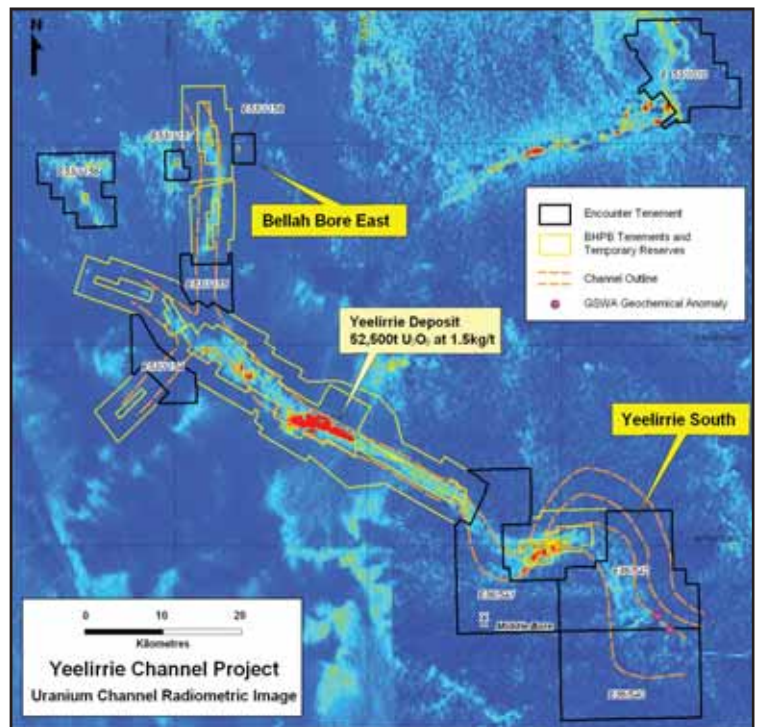


Figure 4: Yeelirrie Uranium channel radiometrics and leasing plan

Potential exists for additional satellite uranium resources and extensions to the higher grade zones within the deposit at Bellah Bore East. Several drill targets have been defined and will be tested in the coming year.

Exploration Review continued

Yeelirrie South (E36/540-542)

Encounter is targeting the basal portion of the main palaeochannel for uranium mineralisation downstream from the BHP Billiton Yeelirrie South prospect (see Figure 4). The target is based on a model similar to that seen at the Beverley uranium deposit in South Australia.

A program of hydrogeochemical sampling from historical drill holes in the region will be completed in the coming year together with targeted drilling to test potential trap sites.

Lake Way South (E53/1010 and E53/1232) – Uranium

The Lake Way South project is located approximately 10kms south of the township of Wiluna and covers an area of 117.3km². The tenements cover approximately 12kms of the Lake Way drainage system and are located between Toro Energy's Lake Way uranium deposit to the north and its Centipede deposit to the south.

An estimated 200m of the Centipede deposit extends onto Encounter tenure. A uranium resource estimate for the Lake Way South project is underway.

Toro Energy's Centipede deposit is well advanced and will possibly be one of the first uranium projects to be developed in WA. In the next 12 months Encounter will focus on testing the remaining targets on and along the Eastern margin of Lake Way (see Figure 5).

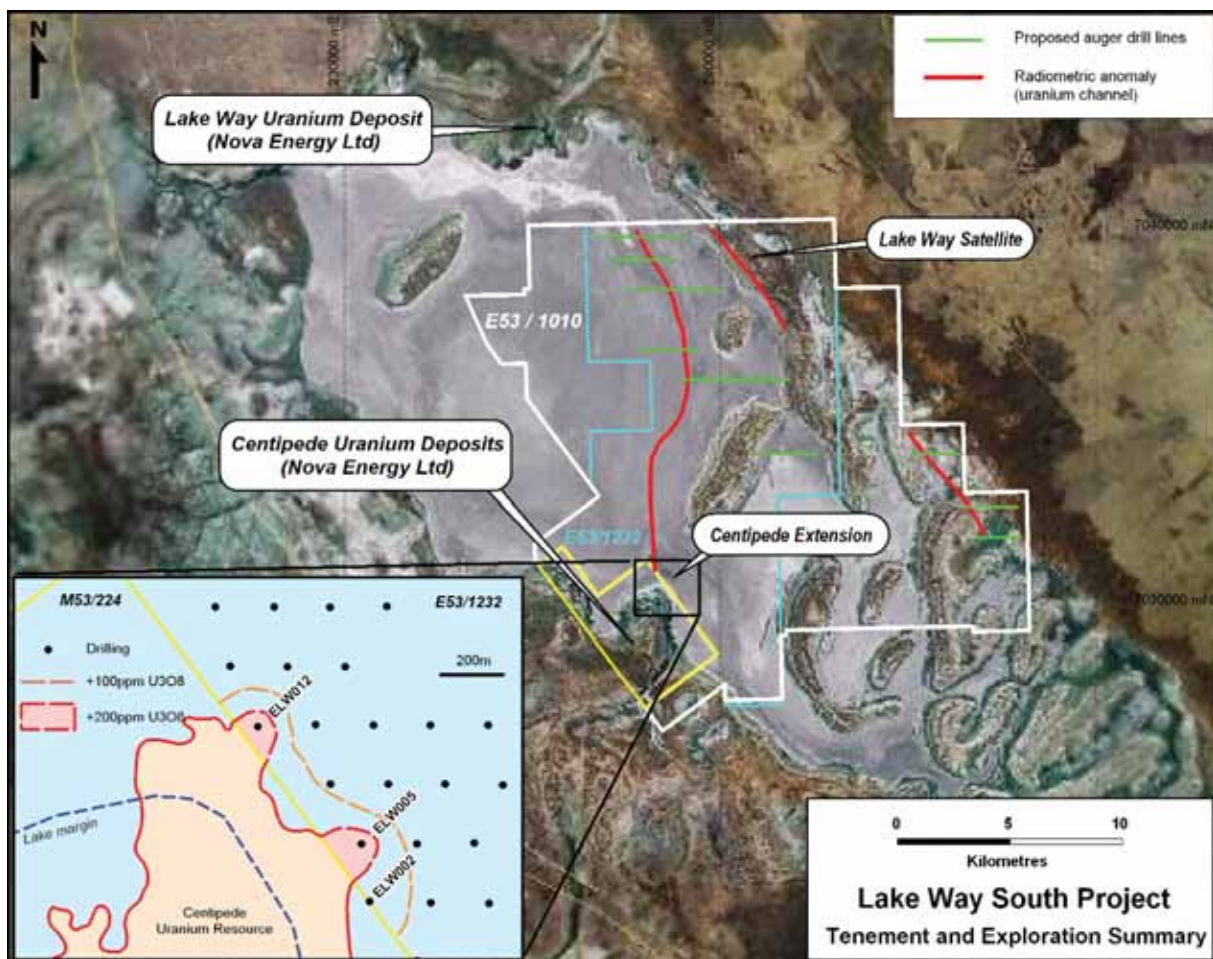


Figure 5: Lake Way Exploration summary plan

McPherson's Bore (E29/587) – Uranium

The McPherson's Bore project is located 120km west of Leonora and is situated within the Lake Raeside drainage system. The project covers a coincident uranium channel radiometric anomaly and a GSWA uranium stream sediment anomaly.

During 2007 drilling defined near surface uranium mineralisation in lake clays which extended over 1.7kms of strike. Intersections included 1m @ 448ppm U_3O_8 from surface and 1m @ 283ppm U_3O_8 from surface.

Shallow trenching across higher grade drill intersections completed during the year indicated that the uranium mineralisation is concentrated within 20cm from surface. A detailed ground geochemical program is planned to help define mineralisation trends and potential vectors towards the source of this surficial uranium mineralisation.

Lakeview (E29/577 and ELA37/877) – Diamonds and Uranium

Encounter completed a detailed gravity survey over a discrete magnetic anomaly on the margin of Lake Raeside in the east of the Lakeview project. Modelling of this data indicated two sub-vertical pipe-like bodies within granitic terrain interpreted as Kimberlitic intrusions.

A single diamond drill hole (ELV 71) was completed at the Lakeview project during this year into one of the two sub-vertical pipe-like modelled intrusions. Drilling successfully intersected a volcanic breccia with Kimberlitic affinities.

Four core samples from this hole were submitted for heavy mineral separation, micro diamond, and trace element geochemical analyses as well as petrological examination. The mineral separation and micro diamond analyses did not recover any micro diamonds from the samples.

Lake Darlot (E37/830) – Gold

The Lake Darlot project is located 15kms north of the Darlot Gold Mine on the eastern margin of the Yandal Greenstone Belt (see Figure 6). Initial drilling was completed to test a surface radiometric anomaly within the Lake Darlot drainage system. Elevated strontium and uranium anomalism was discovered in shallow auger drilling that warranted further evaluation. A series of deeper aircore drilling traverses were completed to locate a source for this near surface anomalism.

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. The identified greenstone rocks are coincident with a NNW trending structural corridor interpreted from the regional aeromagnetics. Together with elevated gold anomalism this area is considered highly prospective and second phase of aircore drilling will be completed early in 2008.

An additional tenement has been applied for to the SSE of E37/830, along strike of the discovered greenstones which is also in an area of interpreted structural complexity.

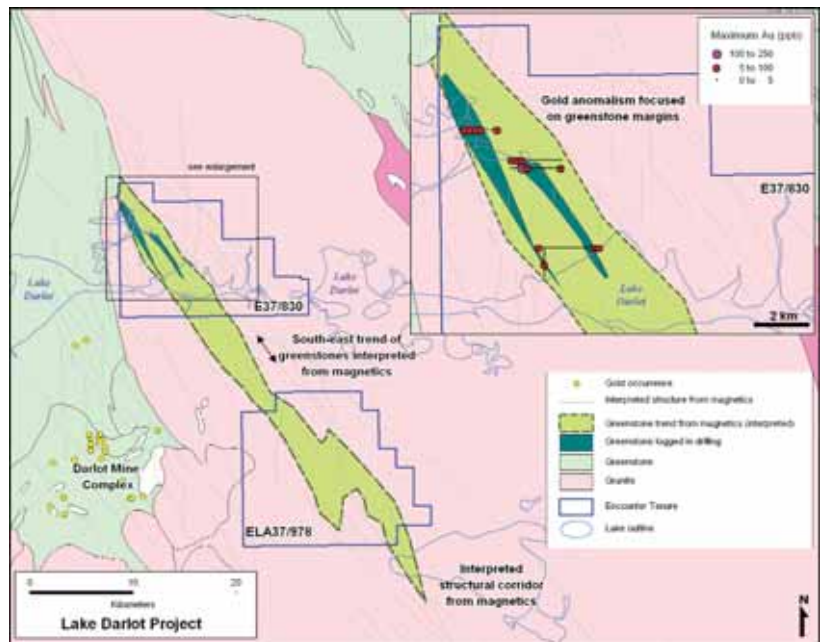


Figure 6: Darlot project interpreted geology and drilling summary



Exploration Review continued

Crossland Hill and Gidgee Bore (E51/1096 and E51/1097) – Base Metals

The Crossland Hill and Gidgee Bore projects are located approximately 60kms northwest of Meekatharra. The area contains extensive granitic and gneissic outcrop. Interpretation of the surface uranium channel radiometrics indicates a broad zone of metasomatic alteration and elevated uranium anomalism across both projects.

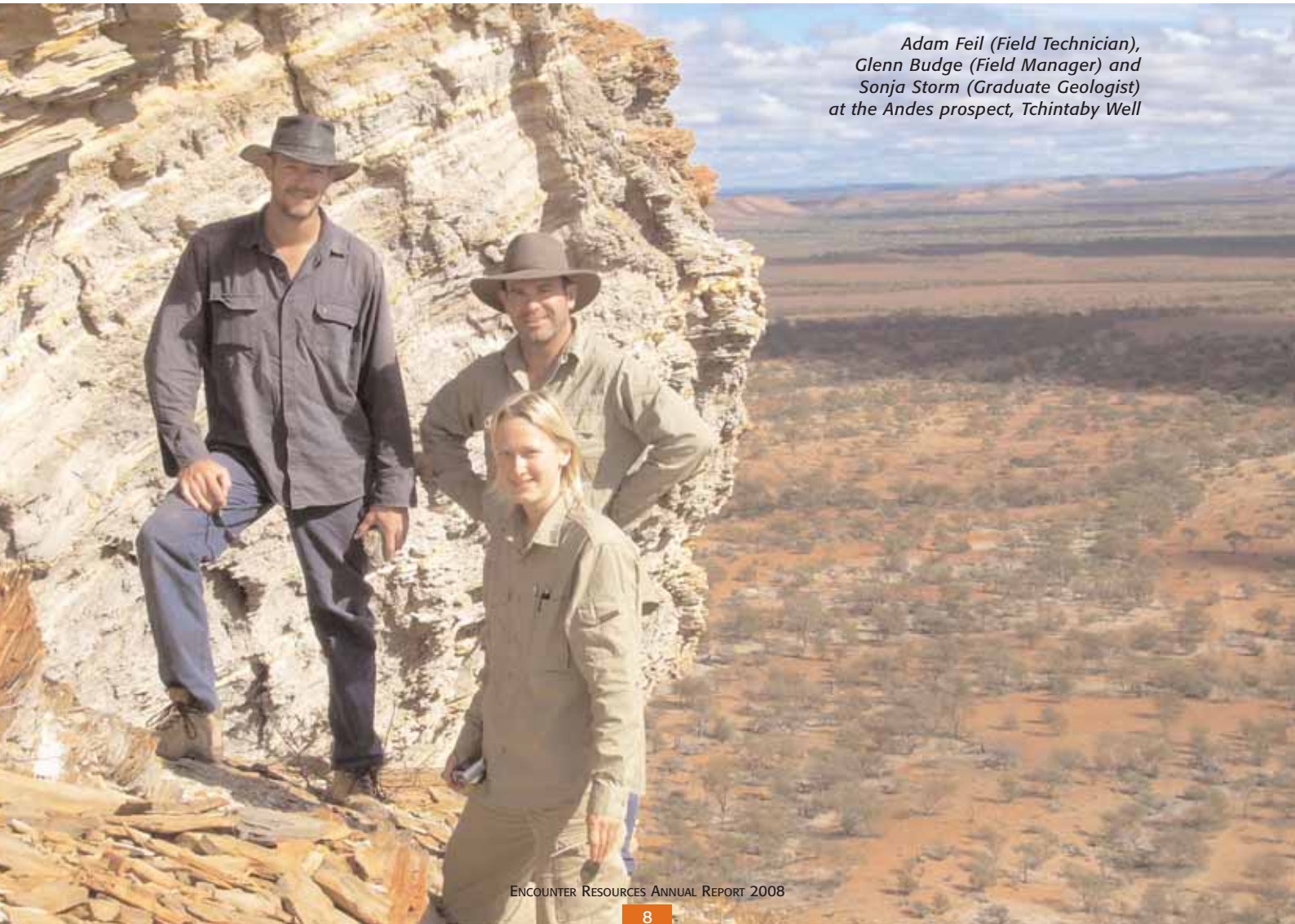
A strong Pb-Zn-Ag anomaly was generated in a regional rock chip program completed in 2007. A detailed magnetic lag (maglag) sampling program was completed over the anomaly during the year. Samples were collected at a sample spacing of 200m by 50m and submitted for analysis. Results from this program are currently being interpreted.

Lake Irwin (E38/1784) – Uranium, Base Metals and Gold

The Lake Irwin project is located 95km north east of Leonora. Results from auger drilling completed last year showed anomalism within the lake sediments of up to 1.7m at 485ppm Zn and 405ppm Cu at the bottom of a 3.2m auger hole. In addition, a 400m wide gold anomaly of over 10ppb Au in windblown sands and lake sediments was identified along the northern most section of drilling.

An aircore drill program was completed to test the northern extension of these anomalies. Aircore drilling defined a thick lake sediment sequence over variably altered granite and gneissic lithologies. Results from this drilling are pending.

*Adam Feil (Field Technician),
Glenn Budge (Field Manager) and
Sonja Storm (Graduate Geologist)
at the Andes prospect, Tchintaby Well*



Bangemall Basin

Encounter controls a large and strategic project position of over 2,000km² in the prospective Proterozoic Bangemall Basin of WA (see Figure 7).

Both the northern and southern margins of the Bangemall Basin have the potential to host unconformity related uranium mineralisation where the Mesoproterozoic Bangemall Basin sediments overlie the Palaeoproterozoic Capricorn Orogen to the south and Ashburton Basin to the north.

While the uranium potential of the basin remains untested, the compelling and immediate base metals prospectivity has been the focus of exploration work by Encounter at the Tchintaby Well and Pingandy Creek projects.

Tchintaby Well (E52/1882 and ELA52/1959) – Base Metals and Uranium

The Tchintaby Well project is located 85km south of Paraburdoo and covers over 750km² along the northern margin of the Bangemall Basin. The project is considered prospective for high grade SEDEX zinc mineralisation, similar to the Century and McArthur River deposits in Eastern Australia.

Drilling in the mid 1990s by CRA Exploration intersected an 8km by 5km area of extensive low grade Zn-Cu-Ag mineralisation. Intersections within this mineralised area were in the order of 10-15m thickness, grading 0.5-1% Zn, 500-1000ppm Cu and 5-15g/t Ag.

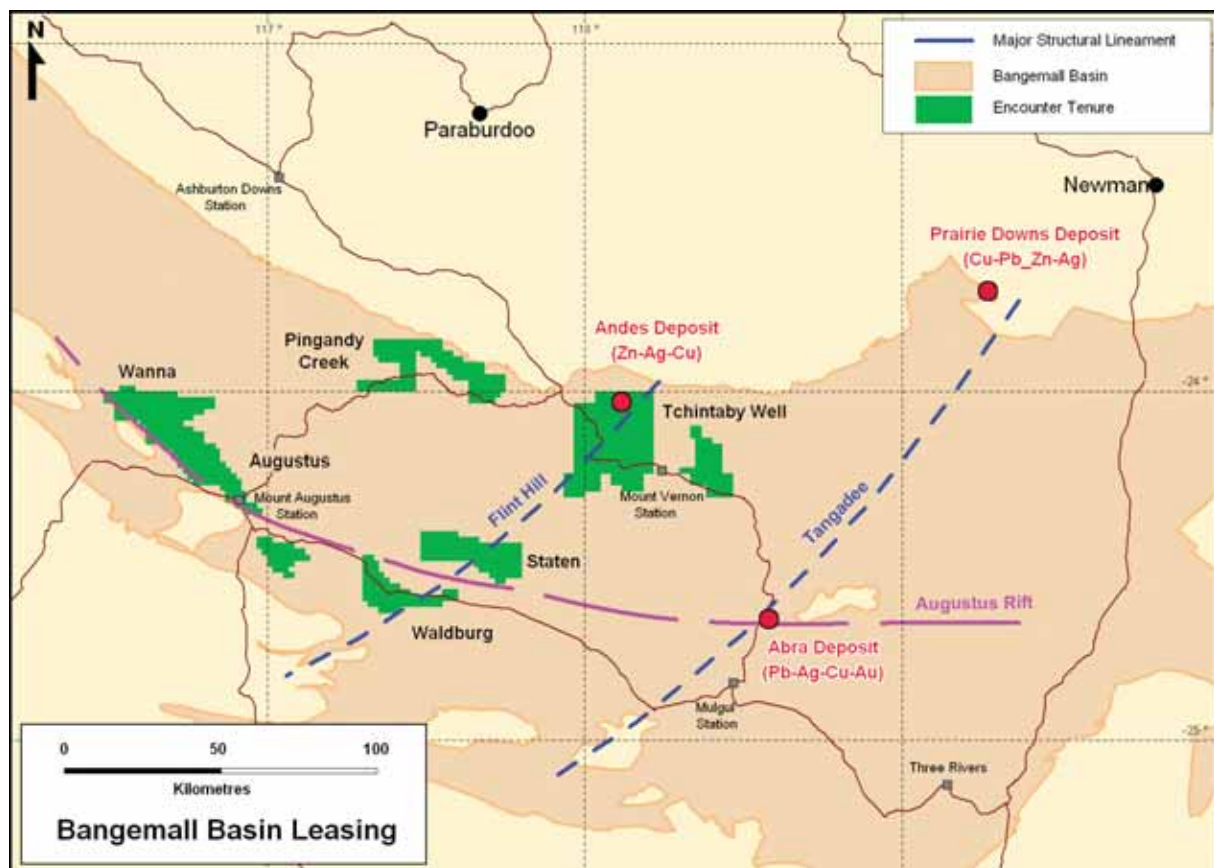


Figure 7: Bangemall Basin leasing and simplified geology

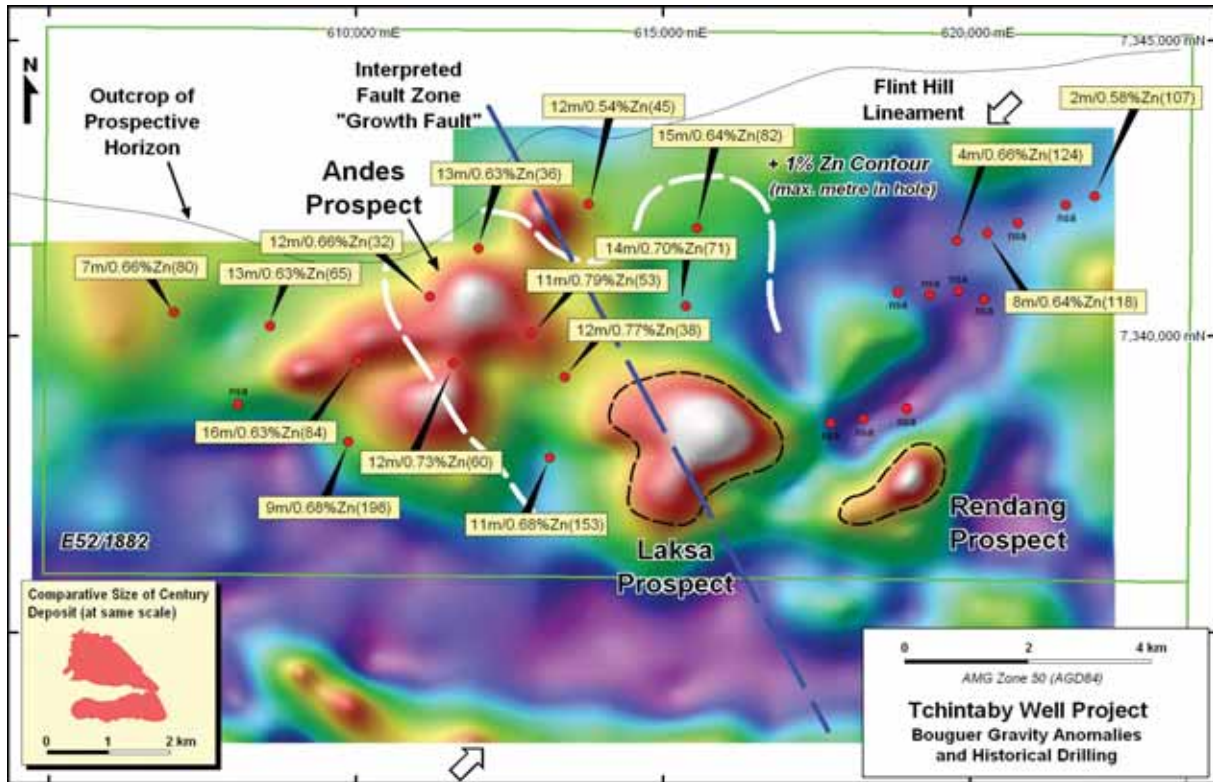


Figure 8: Tchintaby Well gravity anomalies and historical drilling

Encounter completed 3D modelling of ground gravity data covering a 40km segment of the Flint Hill Lineament which is interpreted to represent the location of a long lived basement structure and possible conduit for mineralising fluids. Six areas of excess mass were defined in the Bouguer gravity adjacent to the lineament.

It appears that the low grade Zn-Cu-Ag mineralisation drilled by CRA at the Andes Prospect is associated with a cluster of gravity features in the north of the project. Significantly, the holes drilled by CRA did not test the highest amplitude gravity features.



Senior Exploration Geologist, Sarah Cooke, at Mt Augustus

Plate modelling of two gravity features south of the Andes Prospect, Laksa and Rendang (see Figure 8), 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.

Pods of brecciated sediments were identified during field reconnaissance along the south west margin of the Laksa anomaly. The pods trend in a NNW orientation and appear associated with a series of discrete lateritic platforms. It is interpreted that this area of sedimentary breccias is proximal to a syn-sedimentary 'Growth Fault', a key ingredient in the SEDEX deposit model.

An initial drill program to test these targets commenced in September 2008.

Pingandy Creek (E08/1779, E08/1578 and E08/1794) – Base Metals and Uranium

The Pingandy Creek project is located 60km west of the Tchintaby Well project in a similar geological position. The project was granted in September 2007 and covers an area of 425km².

Historical drilling in the area by Pasmenco in the mid 1990s intersected extensive, shallow, low grade Zn-Cu-Pb mineralisation within a black shale unit named the Peebeeze Horizon. Historical intersections from this unit include: 3m @ 1.25% Zn from 19m; 3m @ 0.67% Zn from 21m; 6m @ 0.54% Zn from 23m.

In May 2008 Encounter completed a 400m by 200m spaced ground gravity survey over a 15km segment of the prospective Peebeeze Horizon. The survey area encompassed a number of historic mineralised holes with intersections shallower than 25m from surface as well as 3kms of the down plunge extension of this target horizon.

The gravity survey defined five excess mass anomalies both down plunge and along strike from the Pasmenco drilling (see Figure 9). Four of the five (G1-G4) gravity anomalies were selected for follow up drill testing, defined as coherent, multi-point anomalies located in close proximity to interpreted cross cutting structures. It is inferred that these interpreted structures are the conduits for the mineralising base metal rich fluids.

A heritage survey was completed during June and cleared access tracks to the proposed drill sites at targets G1 to G4. Drilling of the defined anomalies commenced in August 2008. Results of this program are pending.



Glenn Budge (Field Manager) at the Warne Valley Gossan, Pingandy Creek

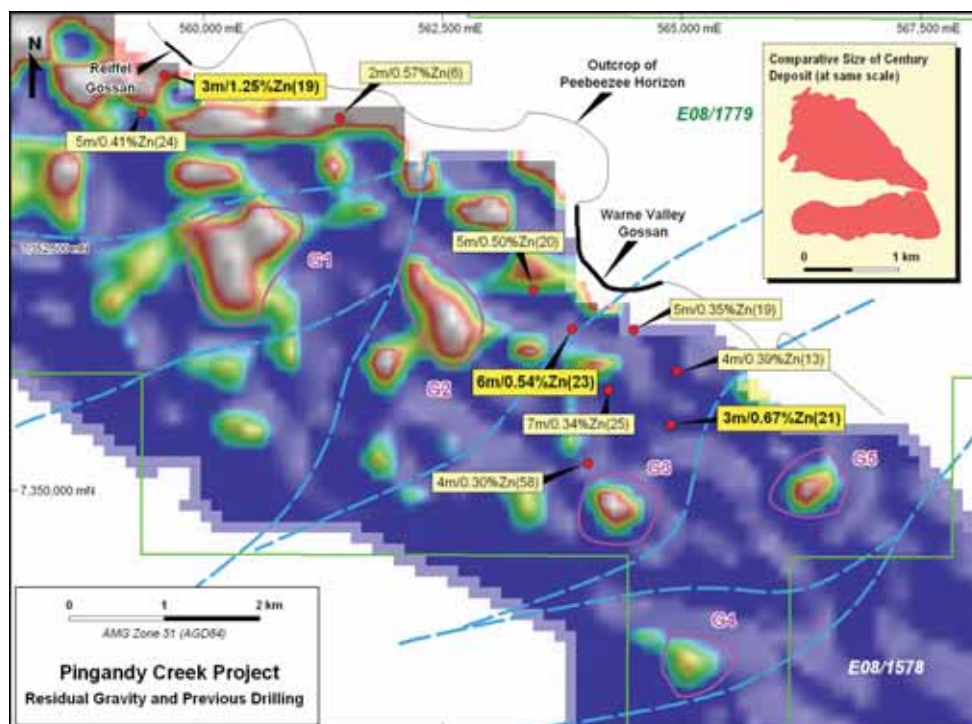


Figure 9: Pingandy Creek gravity anomalies and historical drilling

Staten and Waldburg Range (E51/2031 and ELA51/2126) – Base Metals/Uranium/Gold

The Staten and Waldburg projects cover over 540km² and are located near the southern margin of the Bangemall Basin, 60kms east of Mt Augustus. The tenements cover a series of historical BHP regional stream sediment gold anomalies and an extensive uranium channel radiometric anomaly along the eastern flank of Staten Hill.

A preliminary rock chip sampling program was completed along 200m of the +10km long radiometric anomaly at Staten Hill. An interesting multi-element U-Ag-Cu-Mo-Ni-Zn anomaly was generated within a highly altered and sheared siltstone. These metal associations highlight a potentially extensive area of metal enrichment along a key stratigraphic horizon.

Over the coming 12 months Encounter intends to complete a regional ground gravity survey and surface geochemical program once several key tenement applications are granted.

Wanna and Augustus JV (E09/1297, ELA09/1577 and E09/1268) – Base Metals and Uranium

The Wanna and Augustus projects cover an area of anomalous uranium and base metals geochemistry identified in the GSWA regional stream sediment surveys. The projects are located along the southern margin of the Bangemall Basin and are considered prospective for Broken Hill style base metals mineralisation and unconformity related uranium mineralisation.

A ground gravity survey was completed at the project in March 2008. This survey was designed to cover 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 (see Figure 10). 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 subsequently completed at 2km by 400m spacing over the project. The survey defined a broad multi-metal (Pb, Ag, Mo, As) anomaly coincident with the gravity feature. Encounter entered into a joint venture agreement with Dolphin Resources Pty Ltd to earn an 80% interest in the area on the south eastern corner of the Wanna project. In addition a new application has been made over a 30km long corridor to the SSE of the Dolphin joint venture.

The Wanna and Augustus projects cover a 60km long segment of an interpreted major rift zone that has seen minimal historical exploration. The region is covered by extensive areas of sheetwash making traditional exploration methods less effective. Encounter's exploration activities will significantly increase in the region in the next 12 months with the first drilling campaign planned to commence in 2009.

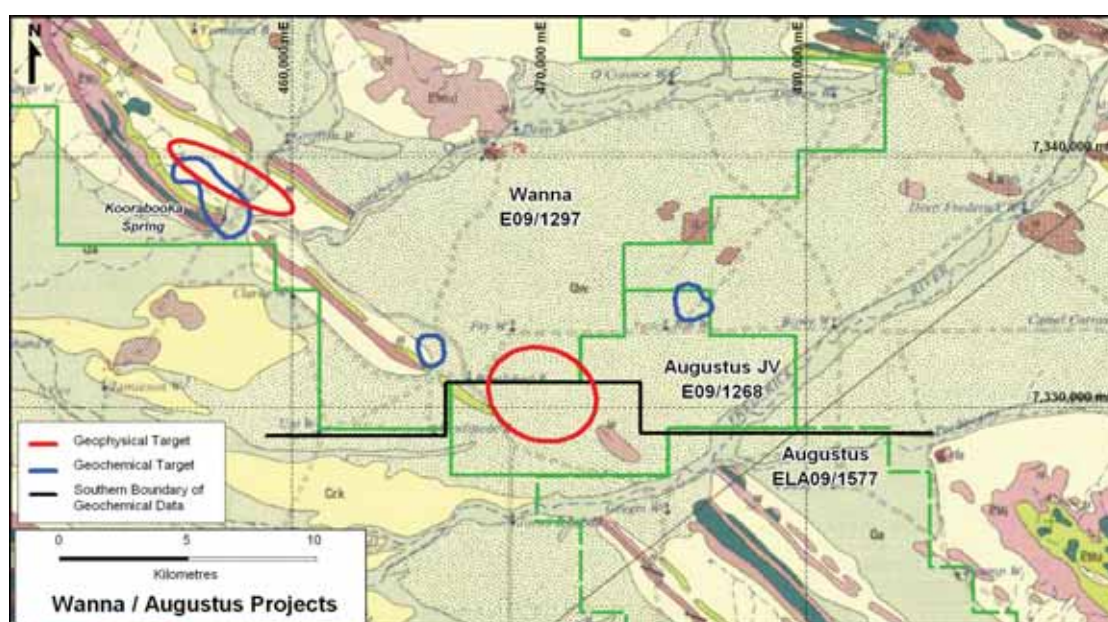
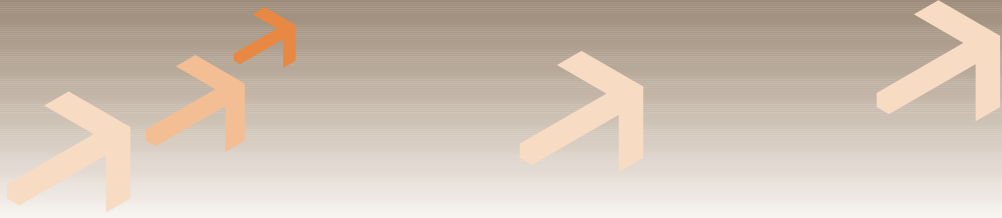


Figure 10: Wanna project surface geology and exploration summary



South West

Wongan Hills and Shackleton

(E70/2957 and E70/2958)

– Gold/Base Metals/Uranium

The Wongan Hills and Shackleton projects are located in the wheatbelt of WA, within 200kms of Perth. The projects were secured in March 2006 following the release of the 9km spaced regional CRC-LEME laterite geochemical dataset for the South West Yilgarn. These two projects cover the standout laterite geochemical uranium sample clusters within this extensive dataset.



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. In addition, rock chip sampling of granitic outcrops was completed.

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, with supporting tellurium and molybdenum (see Figure 11). A series of drill sections are planned at Wongan Hills to further test these areas of geochemical anomalism.

Laterite and rock chip multi-element assays results from Shackleton have recently been received and are being interpreted.

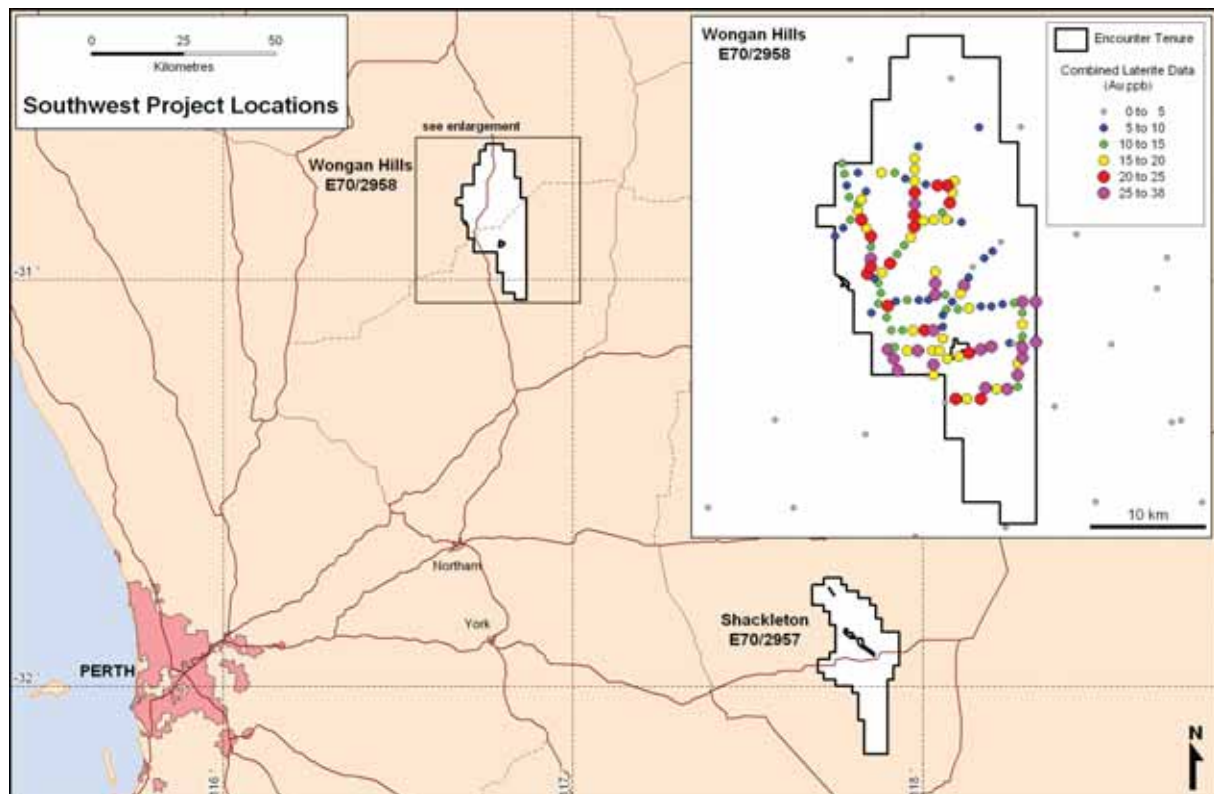


Figure 11: South West project location and Wongan Hills gold anomalism



Exploration Review continued

Yeneena Joint Venture – Uranium and Base Metals

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 1,500km² tenement package in the Paterson Province of WA. The project area is considered highly prospective for unconformity related uranium mineralisation, SEDEX lead-zinc mineralisation and Nifty/Isa style copper mineralisation.

The project area covers the northern margin of an anomalously thick sub-basin of Yeneena Group sedimentary rocks. This margin replicates the geological setting at the southern margin of the sub-basin, 40kms to the south, where the Kintyre uranium deposits are located (see Figure 12).

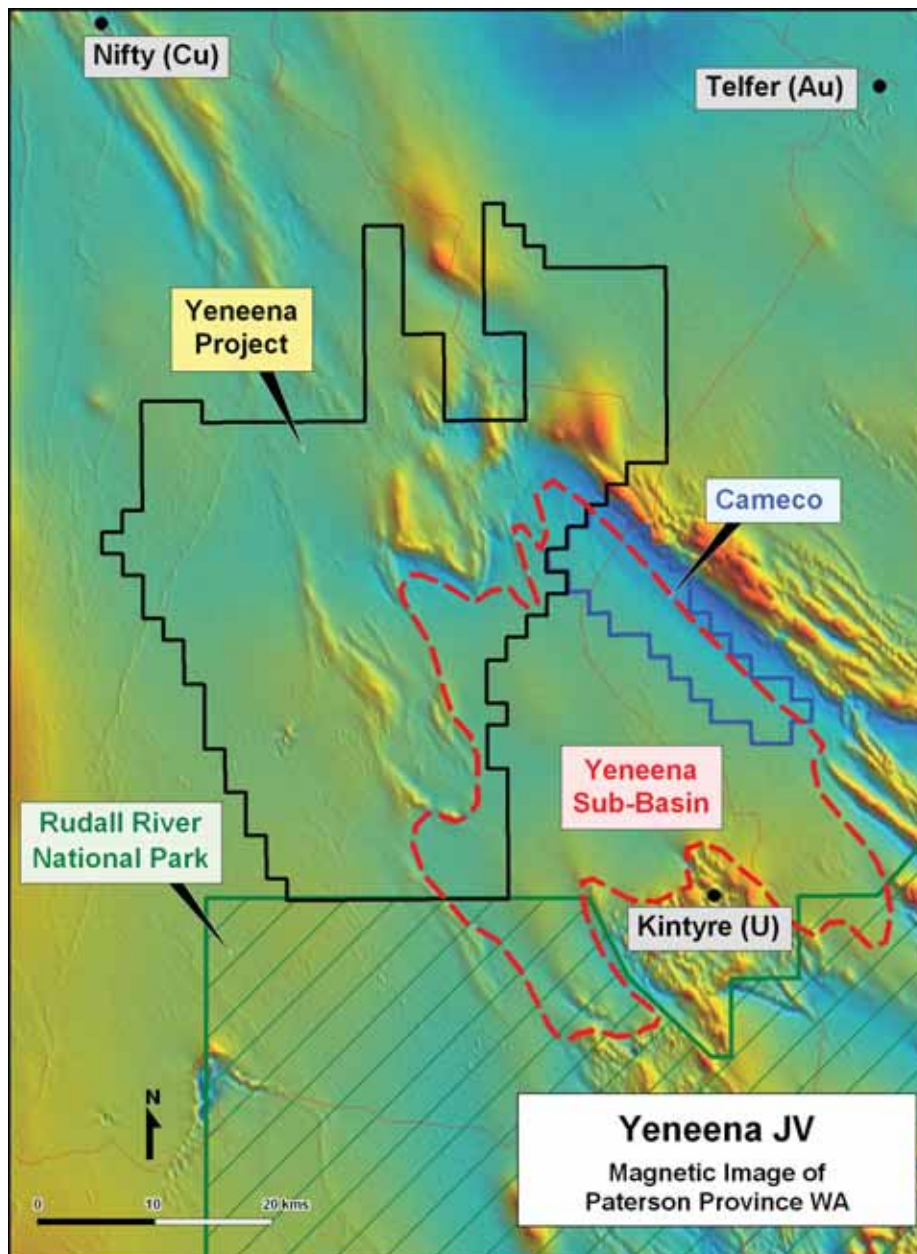
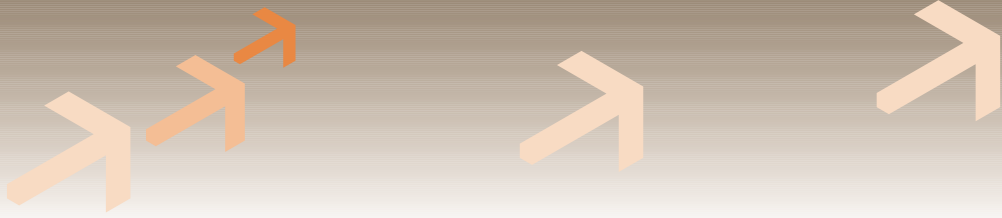


Figure 12: Yeneena project regional aeromagnetics and leasing plan



The Kintyre uranium deposits lie near the unconformity between Lower Proterozoic metamorphic rocks of the Rudall Complex and the overlying younger Proterozoic Yeneena Group sandstones. Such unconformities are critical in the formation of 'unconformity style' uranium ores like Kintyre and deposits in the Athabasca Basin of Canada.

At the Yeneena project, this unconformity is interpreted to be preserved beneath a thin veneer of Yeneena Group sandstones. The area contains limited outcrop as it is largely covered with aeolian sand. The Yeneena Group sediments are also considered prospective for base metals. The Nifty copper mine is hosted in the same stratigraphy 45km to the north west.

During the year, Encounter focused on collating historical exploration data. Encounter also completed multi-element re-analysis of over 5,400 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. The location of a number of the recently defined uranium and base metals targets can be seen on Figure 13.

In addition, a program of end-of-hole hyperspectral logging was completed on previously drilled aircore and RC chip trays provided by Barrick. Results of this hyperspectral logging will be used in conjunction with the multi-element analysis to assist in prospect prioritisation.

A Tempest© Airborne EM survey was completed along the northern margin of the Yeneena sub-basin late in the year. The 1,000 line km survey was designed to infill the regional Paterson EM survey currently being completed by Geoscience Australia as part of the Federal Government's Onshore Energy Initiative. Final results from the AEM survey will be received following the release of the GA survey data.

Encounter plans to follow up co-incident structural, geochemical and/or geophysical anomalies with detailed ground geophysical programs and drilling in the coming year.

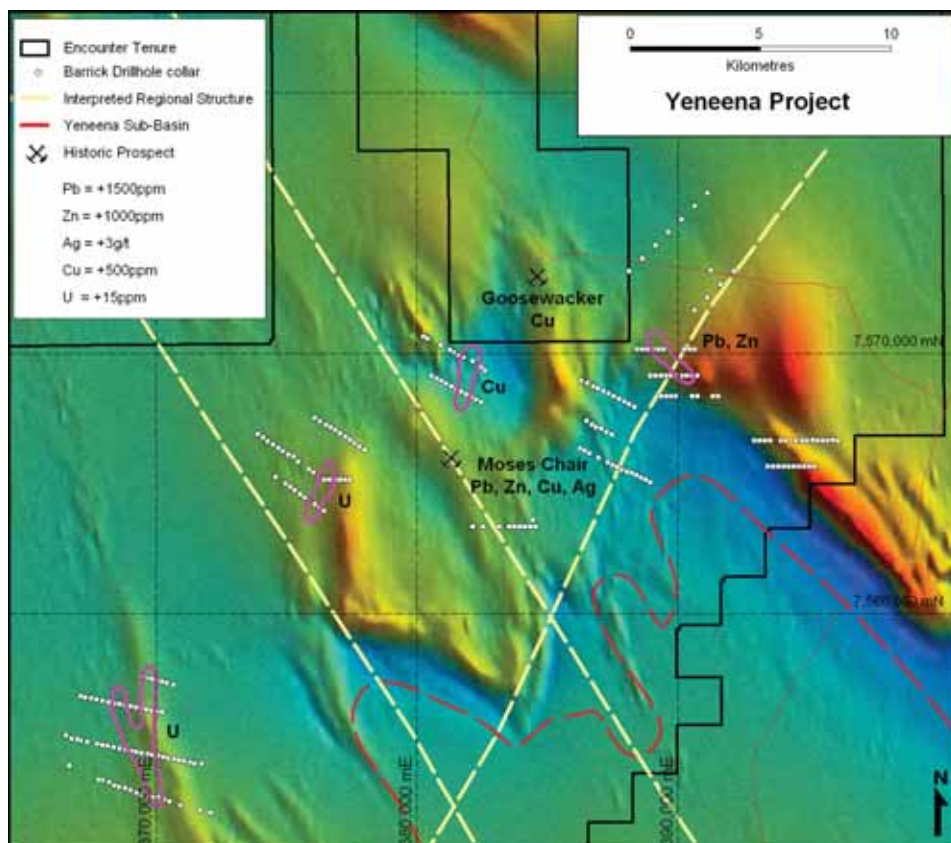


Figure 13: Yeneena project uranium and base metals anomalies



Exploration Review continued

Hillview Qualifying Statement

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 (Encounter) 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'.

The Mineral Resource is based on information compiled by Mr Neil Inwood who is employed by Coffey Mining Ltd. Mr Peter Bewick from Encounter has consented to a joint sign off for the Resource, Mr Bewick taking responsibility for the quality and reliability of the drillhole database and Mr Inwood is responsible for the grade estimate and classification of the resource. Messrs Inwood and Bewick have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves".

The information in this report that relates to gamma uranium grades is based on information compiled by David Wilson BSc MSc MAusIMM from 3D Exploration Ltd based in Western Australia.

Holes were logged with an Auslog A75 total count gamma tool. The gamma tool was calibrated in Adelaide at the Department of Water, Land and Biodiversity Conservation in calibration pits constructed under the supervision of the CSIRO. These calibration pits have been shown to provide calibration standards for drill hole logging tools that are comparable to those at the DOE facility in Grand Junction, Colorado USA. The gamma tool measures the total gamma ray flux in the drill hole. Readings were averaged over 2 centimetre intervals and the reading and depth recorded on a portable computer. The gamma ray readings were then converted to equivalent U_3O_8 readings by using the calibration factors derived in the Adelaide calibration pits. These factors also take into account differences in hole size and water content.

The gamma radiation used to calculate the equivalent U_3O_8 is predominately from the daughter products in the uranium decay chain. When a deposit is in equilibrium, the measurement of the gamma radiation from the daughter products is representative of the uranium present. It takes approximately 2.4M years for the uranium decay series to reach equilibrium. Thus, it is possible that these daughter products, such as radium, may have moved away from the uranium or not yet have achieved equilibrium if the deposit is younger than 2.4M years. In these cases the measured gamma radiation will over or under estimate the amount of uranium present. At Hillview, the calculated U_3O_8 from the measured gamma radiation appears to be under reporting, by 20%, the true grades when compared to the ICP assays from 42 holes. Further studies on this apparent disequilibrium are being conducted.

Mr Wilson is a full-time employee of 3D Exploration Pty Ltd, a consultant to Encounter Resources Limited. Mr Wilson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Messrs Wilson, Inwood and Bewick consent to the inclusion in the report of the matters based on the information compiled by them, in the form and context in which it appears.

Bellah Bore East Qualifying Statement

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 (Encounter) 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'.

Resource numbers are rounded to reflect the accuracy of the estimation process and as a consequence exhibit rounding errors. Both Contained U_3O_8 tonnes and Contained U_3O_8 pounds are based on contained metal content and at this stage do not consider any mining, metallurgical or economic parameters.

The estimate is based on a cut off of 100ppm U_3O_8 over a minimum downhole distance of 1m. Shallow aircore drilling has been completed on a nominal 150m by 150m grid. All grade values used in the calculation are based on chemical analysis of representative drill samples. A specific gravity of 2.1 was used in the calculation which is an assumed figure based on a literature search of similar deposits found in Western Australia and Namibia.

The mineralised zone varies in vertical thickness from 1m to 6m. The main uranium mineral identified in drilling is carnotite which is a common mineral found in Surficial style deposit in Western Australia. All mineralised intervals in the modelled area are within 10m of surface and, therefore, are potentially easily mined.

Additional drilling is required determine the extent of the higher grade core of the mineralisation centred on EYN064 (3m@781ppm U_3O_8 including 1m@2111ppm U_3O_8). The assay interval of 1m@2111ppm U_3O_8 in EYN064 was treated as an outlier in the resource model and cut to 500ppm U_3O_8 . If further drilling can extend the high grade area it is anticipated that the resource grade will increase.

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.



Summary of Tenements

Lease	Lease Name	Project Name	Area Km ²	Title Holder	Encounter Interest
E08/1578	Pingandy Option	Bangemall Basin	73.9	Callum Baxter	Option to earn 100%
E08/1779	Pingandy Creek	Bangemall Basin	332.8	Encounter Resources Limited	80%
E08/1794	Table Top	Bangemall Basin	15.7	Encounter Resources Limited	100%
E09/1297	Wanna	Bangemall Basin	354.4	Encounter Resources Limited	80%
E09/1268	Augustus JV	Bangemall Basin	62	Dolphin Resource Pty Ltd	earning 80%
ELA09/1577	Austustus	Bangemall Basin	239	Encounter Resources Limited	100%
E52/1882	Tchintaby	Bangemall Basin	172.5	Encounter Resources Limited	80%
ELA52/1959	Tchintaby South	Bangemall Basin	589.1	Encounter Resources Limited	80%
ELA52/2077	Turkey Creek	Bangemall Basin	191.1	Encounter Resources Limited	80%
E52/2031	Waldburg Range	Bangemall Basin	224	Encounter Resources Limited	80%
ELA52/2126	Statan	Bangemall Basin	312.6	Encounter Resources Limited	100%
ELA09/1561	Isabella	Bangemall Basin	112	Encounter Resources Limited	100%
E09/1197	Minneritchie Well	Gascoyne	52.2	Encounter Resources Limited	80%
E09/1296	Stone Tank Well	Gascoyne	100.4	Encounter Resources Limited	80%
E53/1010	Wiluna South	Lake Way Sth JV	50.7	Avoca Resources Ltd	60% of Uranium Rights
E53/1232	Wiluna South	Lake Way Sth JV	66.8	Avoca Resources Ltd	60% of Uranium Rights
E29/577	Lakeview	Leonora Regional	126.4	Encounter Resources Limited	80%
ELA37/877	Lakeview East	Leonora Regional	87.3	Encounter Resources Limited	80%
E29/587	McPherson's Bore	Leonora Regional	123.4	Encounter Resources Limited	80%
E30/299	Walling Rock	Leonora Regional	62.8	Encounter Resources Limited	80%
E29/674	Perrinvale Nth	Leonora Regional	78.5	Encounter Resources Limited	100%
ELA29/675	Perrinvale Sth	Leonora Regional	116	Encounter Resources Limited	100%
E51/1096	Gidgee Bore	Meekatharra	89.3	Encounter Resources Limited	80%
E51/1097	Crossland Hill	Meekatharra	30.8	Encounter Resources Limited	80%
E51/1127	Hillview	Meekatharra	202.1	Encounter Resources Limited	80%
E51/1137	Yalgar	Meekatharra	216.1	Encounter Resources Limited	80%
E37/830	Lake Darlot	Melrose	164	Encounter Resources Limited	80%
ELA37/978	Darlot East	Melrose	212	Encounter Resources Limited	100%
E38/1784	Lake Irwin	Melrose	109	Encounter Resources Limited	80%
E45/2500	Yeneena	Paterson JV	163.4	Barrick Gold of Australia	earning 75%
E45/2501	Yeneena	Paterson JV	82.9	Barrick Gold of Australia	earning 75%
E45/2502	Yeneena	Paterson JV	216.3	Barrick Gold of Australia	earning 75%
E45/2503	Yeneena	Paterson JV	155.8	Barrick Gold of Australia	earning 75%
E45/2561	Yeneena	Paterson JV	178	Barrick Gold of Australia	earning 75%
E45/2657	Yeneena	Paterson JV	222.8	Barrick Gold of Australia	earning 75%
E45/2658	Yeneena	Paterson JV	222.6	Barrick Gold of Australia	earning 75%
ELA45/2805	Yeneena	Paterson JV	63.7	Barrick Gold of Australia	earning 75%
ELA45/2806	Yeneena	Paterson JV	209.7	Barrick Gold of Australia	earning 75%
E70/2957	Shackleton	SW Regional	583	Encounter Resources Limited	80%
E70/2958	Wongan Hills	SW Regional	589.6	Encounter Resources Limited	80%
E53/1154	Suprise Bore	Yeelirrie Nth	44.1	Encounter Resources Limited	80%
E53/1155	Rubble Bore	Yeelirrie Nth	35.2	Encounter Resources Limited	80%
E53/1156	Mt Merewether	Yeelirrie Nth	70.4	Encounter Resources Limited	80%
E53/1157	Limestone Well	Yeelirrie Nth	9.8	Encounter Resources Limited	80%
E53/1158	Bitter Bore	Yeelirrie Nth	10.5	Encounter Resources Limited	80%
E36/540	Easter Bore	Yeelirrie Sth	201.1	Encounter Resources Limited	80%
E36/541	Altona Bore	Yeelirrie Sth	176	Encounter Resources Limited	80%
E36/542	Black Tank Well	Yeelirrie Sth	213.5	Encounter Resources Limited	80%



Corporate Governance Statement

Introduction

Since the introduction of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Guidelines" or "the Recommendations"), Encounter Resources Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Guidelines, the Company has followed each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company, the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board of the Company is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

Further information about the Company's corporate governance practices is set out on the Company's website at www.enr.com.au. In accordance with the recommendations of the ASX, information published on the Company's website includes:

- Board Charter
- Nomination Committee Charter
- Remuneration Committee Charter
- Code of Conduct
- Policy and Procedure for Selection and Appointment of New Directors
- Summary of Policy for Trading in Company Securities
- Summary of Compliance Procedures
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Shareholder Communication Strategy
- Summary of Company's Risk Management Policy

Explanation for Departures from Best Practice Recommendations

During the Company's 2007/2008 financial year the Company has complied with the Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council ("Corporate Governance Principles and Recommendations") and have early adopted the revised Principles and Recommendations taking effect from reporting periods beginning on or after 1 January 2008. Significant policies and details of any significant deviations from the principles are specified below.

Corporate Governance Council Recommendation 1

Lay Solid Foundations for Management and Oversight

Role of the Board of Directors

The role of the Board is to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and ensure the Company is properly managed.

In order to fulfil this role, the Board is responsible for the overall corporate governance of the Company including formulating its strategic direction, setting remuneration and monitoring the performance of Directors and executives. The Board relies on senior executives to assist it in approving and monitoring expenditure, ensuring the integrity of internal controls and management information systems and monitoring and approving financial and other reporting.


In broad terms, the Board Charter clarifies the respective roles of the Board and senior management and assists in decision making processes.

Board Processes

An agenda for the meetings has been determined to ensure certain standing information is addressed and other items which are relevant to reporting deadlines and or regular review are scheduled when appropriate. The agenda is regularly reviewed by the Chairman, the Managing Director and the Company Secretary.

Evaluation of Senior Executive Performance

The Company has not complied with recommendation 1.2. Due to the early stage of development of the Company it



is difficult for quantitative measures of performance to be established. As the Company progresses its projects, the board intends to establish appropriate evaluation procedures. The Chairman assesses the performance of the Executive Directors on an informal basis.

Corporate Governance Council Recommendation 2

Structure the Board to Add Value

Board Composition

The Constitution of the Company provides that the number of Directors shall not be less than three. There is no requirement for any share holding qualification.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the scope of activities of the Company, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the Board and are subject to re election by shareholders at the next general meeting. In any event one third of the Directors are subject to re election by shareholders at each general meeting.

The Board is comprised of four members, two Non-Executive and two Executive. The Non-Executive Directors are Mr Paul Chapman (Chairman) and Dr Jonathon Hronsky. The skills, experience and expertise of all Directors is set out in the Directors' Report on page 22.

The Board has assessed the independence of its non executive directors according to the definition contained within the ASX Corporate Governance Guidelines and has concluded that one of the current Non-Executive Directors, Mr Chapman does not meet the recommended independence criteria, by virtue of his substantial shareholding in the Company. As a result the Company does not comply with Recommendation 2.1, however, the Board considers that both its structure and composition are appropriate given the size of the Company and that the interests of the Company and its shareholders are well met.

Independent Chairman

The Chairman is not considered to be an independent director and as such Recommendation 2.2 has not been complied with. However, the Board believes that Mr Chapman is the most appropriate person for the position as Chairman because of his industry experience and proven track record as a public company director.

Roles of Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are exercised by different individuals, and as such complies with Recommendation 2.3

Nomination Committee

The Board does not have a separate Nomination Committee comprising of a majority of independent Directors and as such does not comply with Recommendation 2.4. The selection and appointment process for Directors is carried out by the full Board. The Board considers that given the importance of Board composition it is appropriate that all members of the Board partake in such decision making. The Company adopted the Nomination Committee Charter on 8 February 2006.

Evaluation of Board Performance

The Company does not have a formal process for the evaluation of the performance of the Board and as such does not comply with Recommendation 2.5. The Board is of the opinion that the competitive environment in which the Company operates will effectively provide a measure of the performance of the Directors, in addition the Chairman assesses the performance of the Board, individual directors and key executives on an informal basis.

Education

All Directors are encouraged to attend professional education courses relevant to their roles.

Independent Professional Advice and Access to Information

Each Director has the right to access all relevant information in respect of the Company and to make appropriate enquiries of senior management. Each Director has the right to seek independent professional advice at the Company's expense, subject to the prior approval of the Chairman, which shall not be unreasonably withheld.



Corporate Governance Statement continued

Corporate Governance Council Recommendation 3

Promote Ethical and Responsible Decision Making

The Board actively promotes ethical and responsible decision making.

Code of Conduct

The Board has adopted a Code of Conduct that applies to all employees, executives and Directors of the Company, and as such complies with Recommendation 3.1. This Code addresses expectations for conduct in the following areas in accordance with legal requirements and agreed ethical standards. A copy of the Code is available on the Company's website.

Security Trading Policy

The Board has committed to ensuring that the Company, its Directors and executives comply with their legal obligations as well as conducting their business in a transparent and ethical manner. The Board has adopted a policy and procedure on dealing in the Company's securities by directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information, and as such complies with Recommendation 3.2. The policy also provides that the acknowledgement of the Chairman should be obtained prior to trading. A summary of the Policy is available on the Company's website.

Corporate Governance Council Recommendation 4

Safeguarding Integrity in Financial Reporting

Audit Committee

The Board does not have a separate Audit Committee with a composition as suggested by Recommendations 4.1, 4.2 and 4.3. The full Board carries out the function of an audit committee. The Board believes that the Company is not of a sufficient size to warrant a separate committee and that the full Board is able to meet objectives of the best practice recommendations and discharge its duties in this area. The relevant experience of Board members is detailed in the Directors' section of the Directors' Report.

The Board reviews the performance of the external auditors on an annual basis and the Chairman meets with them during the year to review findings and assist with Board recommendations.

In the absence of a formal audit committee the Non-executive Directors of the Company are available for correspondence with the auditors of the Company.

Financial reporting

The Board relies on senior executives to monitor the internal controls within the Company. Financial performance is monitored on a regular basis by the Managing Director who reports to the Board at the scheduled Board meetings.

Corporate Governance Council Recommendation 5

Make Timely and balanced disclosure

Continuous Disclosure

The Board is committed to the promotion of investor confidence by providing full and timely information to all security holders and market participants about the Company's activities and to comply with the continuous disclosure requirements contained in the Corporations Act 2001 and the Australian Securities Exchange's Listing Rules. The Company has established written policies and procedures, designed to ensure compliance with the ASX Listing Rule Requirements, in accordance with Recommendation 5.1.

Continuous disclosure is discussed at all regular Board meetings and on an ongoing basis the Board ensures that all activities are reviewed with a view to the necessity for disclosure to security holders.

In accordance with ASX Listing Rules the Company Secretary is appointed as the Company's disclosure officer.


Corporate Governance Council Recommendation 6

Respect the Rights of Shareholders

Communications

The Board fully supports security holder participation at general meetings as well as ensuring that communications with security holders are effective and clear. This has been incorporated into a formal shareholder communication strategy, in accordance with Recommendation 6.1. A copy of the policy is available on the Company's website.

In addition to electronic communication via the ASX web site, the Company publishes all significant announcements together with all quarterly reports. These documents are available on the Company web site at www.enrl.com.au.



Shareholders are able to pose questions on the audit process and the financial statements directly to the independent auditor who attends the Company Annual General Meeting for that purpose.

Corporate Governance Council Recommendation 7

Recognise and manage risk

Risk management

The Board's has adopted a risk management policy that sets out a framework for a system of risk management and internal compliance and control, whereby the Board delegates day-to-day management of risk to the Managing Director, therefore complying with Recommendation 7.1. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

Risk Reporting

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively therefore not complying with Recommendation 7.2. The Board believes that the Company is not currently considered to be of a size, nor its affairs of such complexity to justify the implementation of a formal system for identifying, assessing monitoring and managing risk in the Company. The Company does not have an internal audit function.

Managing Director and Chief Financial Officer

Written Statement


The Board requires the Managing Director and the Company Secretary provide a written statement that the financial statements of company present a true and fair view, in all material aspects, of the financial position and operational results and have been prepared in accordance with Australian Accounting Standards and the Corporation Act. The Board also requires that the Managing Director and Company Secretary provide sufficient assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is working effectively.

The declarations have been received by the Board, in accordance with Recommendation 7.3.

Corporate Governance Council Recommendation 8

Remunerate Fairly and Responsibly

Remuneration Committee



The Board does not have a separate Remuneration Committee and as such does not comply with Recommendation 8.1. Remuneration arrangements for Directors are determined by the full Board. The Board is also responsible for setting performance criteria, performance monitors, share option schemes, superannuation, termination and retirement entitlements, and professional indemnity and liability insurance cover.

The Board considers that the Company is effectively served by the full Board acting as a whole in remuneration matters, and ensures that all matters of remuneration continue to be decided upon in accordance with Corporations Act requirements, by ensuring that no Director participates in any deliberations regarding their own remuneration or related issues.

Distinguish Between Executive and Non-Executive Remuneration

The Company does distinguish between the remuneration policies of its Executive and Non-Executive Directors in accordance with Recommendation 8.2.

Executive Directors receive salary packages which may include performance based components, designed to reward and motivate, including the granting of share options, subject to shareholder approval and vesting conditions relating to continuity of engagement.

Non-Executive Directors receive fees agreed on an annual basis by the Board, within total Non-Executive remuneration limits voted upon by shareholders at Annual General Meetings. During the financial year one Non-Executive Director received share options as remuneration, which were subject to shareholder approval and a vesting condition based upon continuity of engagement. The grant of options was deemed appropriate by the Board to provide an incentive and to reward the Director.

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 Collurabie 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.

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 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 U₃O₈ lower cut off at Hillview of 27.6 million tonnes, averaging 174ppm U₃O₈ for a contained 10.6 million pounds of U₃O₈ (or approximately 4,800 tonnes contained U₃O₈). 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 U₃O₈ for 160,000lb of U₃O₈, 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.



Directors' Report continued

Review of Activities continued

Exploration continued

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.

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 1500km² 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 in the regolith 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:

<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Grant Date</i>	<i>Expiry Date</i>
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.

Directors' Report continued

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	Base Emolument \$	Superannuation Contributions \$	Other Benefits \$	Value of Options \$	Total \$
<i>Directors</i>					
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

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.

Remuneration Report (Audited) continued

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:

<i>Directors</i>	<i>Grant Date</i>	<i>Number of Options</i>	<i>Value of Options (Cents)</i>	<i>Total Value of Options Granted (\$)</i>	<i>Expiry Date</i>	<i>Exercise Price (Cents)</i>
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.

Directors' Report continued

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	
	2008 \$	2007 \$	2008 \$	2007 \$
Total remuneration paid to auditors during the financial year:				
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 29.

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

Total Financial Solutions

*Horwath refers to Horwath International Association, a Swiss Verein.
Each member of the Association is a separate and independent legal entity.*

Member Horwath International

WHK Horwath Perth Audit Partnership ABN 96 844 819 235
Level 6, 256 St Georges Terrace Perth WA 6000 Australia
GPO Box P1213 Perth WA 6844 Australia
Telephone +61 8 9481 1448 Facsimile +61 8 9481 0152
Email perth@whkhorwath.com.au www.whkhorwath.com.au
A WHK Group firm

Consolidated Income Statement

For the financial year ended 30 June 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	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)
				Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the Company					
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.

Consolidated Balance Sheet

As at 30 June 2008

Note	Consolidated		Company		
	2008 \$	2007 \$	2008 \$	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

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
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 \$	2008 \$	2007 \$
Cash flows from operating activities				
	416,325	282,521	416,325	282,521
	(440,107)	(456,974)	(440,107)	(456,974)
	(23,782)	(174,453)	(23,782)	(174,453)
27				
Cash flows from investing activities				
	(1,796,706)	(1,411,840)	(1,421,372)	(1,411,840)
	(253,614)	(38,771)	(253,614)	(38,771)
	(2,050,320)	(1,450,611)	(1,674,986)	(1,450,611)
Cash flows from financing activities				
	–	–	(375,334)	–
	–	4,300,000	–	4,300,000
	–	(109,024)	–	(109,024)
	–	4,190,976	(375,334)	4,190,976
	(2,074,102)	2,565,912	(2,074,102)	2,565,912
	6,775,145	4,209,233	6,775,145	4,209,233
	4,701,043	6,775,145	4,701,043	6,775,145
8(a)				

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

Notes to the Financial Statements

For the financial year ended 30 June 2008

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 25 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)	<i>Determining Whether an Arrangement Contains a Lease</i>	<i>Clarifies the recognition of infrastructure as financial asset and/or intangible asset.</i>	1 January 2008	1 July 2008
AASB 8 & AASB 2007-3	<i>Operating Segments and Consequential Amendments to Other Standards</i>	<i>Replacement standard to AASB 114, which adopts a management reporting approach to segment reporting.</i>	1 January 2009	1 July 2009
AASB 123 (revised) and AASB 2007-6	<i>Borrowing Costs and Consequential Amendments to Other Standards</i>	<i>Amendments to AASB 123 require borrowing costs associated with qualifying assets to be capitalised.</i>	1 January 2009	1 July 2009
AASB 101 (revised), AASB 2007-8 & AASB 2007-10	<i>Presentation of Financial Statements and Consequential Amendments to Other Standards</i>	<i>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.</i>	1 January 2009	1 July 2009
AASB 2008-1	<i>Amendments to Australian Accounting Standards – Share Based Payments: Vesting Conditions and Cancellations</i>	<i>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.</i>	1 January 2009	1 July 2009

Note 1 Summary of significant accounting policies continued

(a) Basis of preparation continued

Early adoption of standards continued

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

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.



Notes to the Financial Statements continued

For the financial year ended 30 June 2008

Note 1 Summary of significant accounting policies continued

(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.

Note 1 Summary of significant accounting policies continued

(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.



Notes to the Financial Statements continued

For the financial year ended 30 June 2008

Note 1 Summary of significant accounting policies continued

(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.



Note 1 Summary of significant accounting policies continued

(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.



Notes to the Financial Statements continued

For the financial year ended 30 June 2008

Note 1 Summary of significant accounting policies continued

(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 its normal course of business are short term and the most significant recurring by quantity is the receivable from the Australian Taxation Office, the risk of recovery of no recovery of receivables from this source is considered to be negligible.



Cash deposits

The 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.



Note 2 Financial risk management continued

(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.

Notes to the Financial Statements continued

For the financial year ended 30 June 2008

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Note 5 Revenue				
<i>Operating activities</i>				
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

(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	–	–	–	–
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(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)
<i>Tax effect of permanent differences:</i>				
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

(c) Deferred tax – Balance Sheet

Liabilities

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
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
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(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
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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.

Notes to the Financial Statements continued

For the financial year ended 30 June 2008

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Note 8 Current assets				
– Cash and cash equivalents				
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
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(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

(a) Trade and other receivables

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
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:

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
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.

	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.

Notes to the Financial Statements continued

For the financial year ended 30 June 2008

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Note 11 Non-current assets				
– Property, plant and equipment				
<i>Field equipment</i>				
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
<i>Office equipment</i>				
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				
<i>Field equipment</i>				
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
<i>Office equipment</i>				
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
<i>Leasehold improvements</i>				
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

In the exploration and evaluation phase

Cost carried forward in respect of:

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
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.

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
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

Notes to the Financial Statements continued

For the financial year ended 30 June 2008

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.

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
(i) Lake Way Joint Venture				
The Company has a 60% interest in the Lake Way Joint Venture.				
<i>Share of Joint Venture's assets and liabilities:</i>				
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
<i>Share of Joint Venture's revenue, expenses and results:</i>				
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.				
<i>Share of Joint Venture's assets and liabilities:</i>				
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	–
<i>Share of Joint Venture's revenue, expenses and results:</i>				
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

(a) Trade and other payables

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
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
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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.

		2008	2007	2008	2007
		No.	No.	\$	\$
(b) Share capital					
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.

Notes to the Financial Statements continued

For the financial year ended 30 June 2008

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
<hr/> 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
<hr/> 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	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

	2008		2007	
	Accumulated losses \$	Equity remuneration reserve (i) \$	Accumulated losses \$	Equity remuneration reserve (i) \$
Consolidated				
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
Company				
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.

Notes to the Financial Statements continued

For the financial year ended 30 June 2008

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):

	Carrying amount \$	Contractual cash flows \$	6 months or less \$	6-12 months \$	1-2 years \$	2-5 years \$	More than 5 years \$
2008							
Consolidated							
Trade and other payables	351,216	351,216	351,216	–	–	–	–
	351,216	351,216	351,216	–	–	–	–
Company							
Trade and other payables	351,216	351,216	351,216	–	–	–	–
	351,216	351,216	351,216	–	–	–	–
2007							
Consolidated							
Trade and other payables	47,216	47,216	47,216	–	–	–	–
	47,216	47,216	47,216	–	–	–	–
Company							
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:

	Carrying Amount (\$)	
	Consolidated	Company
2008		
Fixed rate instruments		
Financial assets	4,260,553	4,260,553
Variable rate instruments		
Financial assets	449,454	449,454
2007		
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

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.

	Profit or loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
2008				
Fixed rate instruments*	42,606	(42,606)	42,606	(42,606)
Variable rate instruments	4,495	(4,495)	4,495	(4,495)
2007				
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:

	2008		2007	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Consolidated				
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				
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.

Notes to the Financial Statements continued

For the financial year ended 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:

	Short Term Base Emolument \$	Post Employment Superannuation Contributions \$	Other Benefits \$	Value of Options \$	Total \$
2008					
Directors					
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
2007					
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

(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.

Note 20 Key management personnel disclosures continued

(c) Key management personnel compensation continued

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.

(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:

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 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 the 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.

Notes to the Financial Statements continued

For the financial year ended 30 June 2008

Note 20 Key management personnel disclosures continued

(d) Equity instrument disclosures relating to key management personnel 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 the 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				
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.

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Note 21 Remuneration of auditors				
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.



Notes to the Financial Statements continued

For the financial year ended 30 June 2008

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 1 April 2007. In accordance with the Agreement, Avoca has elected to contribute to the exploration expenditure program commencing 1 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 1,500km² 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 Cents	2007 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)
	2008 No.	2007 No.
(d) Weighted average number of shares used as the denominator		
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 30 to 59 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

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 Note 1, 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

Member Horwath International

WHK Horwath Perth Audit Partnership ABN 96 844 819 235
Level 6, 256 St Georges Terrace Perth WA 6000 Australia
GPO Box P1213 Perth WA 6844 Australia
Telephone +61 8 9481 1448 Facsimile +61 8 9481 0152
Email perth@whkhorwath.com.au www.whkhorwath.com.au
A WHK Group firm



*Horwath refers to Horwath International Association, a Swiss Verein.
Each member of the Association is a separate and independent legal entity.*



ASX Additional Information

Pursuant to the Listing Requirements of the Australian Stock Exchange Limited, the shareholder information set out below was applicable as at 3 October 2008.

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of shareholders
1 – 1,000	80
1,001 – 5,000	312
5,001 – 10,000	232
10,001 – 100,000	304
More than 100,000	36
Totals	964

There were 121 shareholders holding less than a marketable parcel of ordinary shares.

B. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below:

Shareholder Name	Issued Ordinary Shares	
	Number of shares	Percentage of shares
William Michael Robinson	16,216,900	23.64%
Eye Investment Fund Limited	6,532,964	9.52%
Jacmew Pty Ltd	5,580,000	8.13%
UBS Nominees Pty Ltd and related bodies corporate	5,388,074	7.85%
Stone Poneys Nominees Pty Ltd	4,650,000	6.77%
Solvista Pty Ltd	4,650,000	6.77%

C. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are listed below:

Shareholder Name	Listed Ordinary Shares	
	Number	Percentage quoted
William Michael Robinson	16,216,900	23.64%
HSBC Custody Nominees Australia Limited	6,800,764	9.91%
Citicorp Nominees Pty Ltd	5,720,810	8.34%
Jacmew Pty Ltd	5,580,000	8.13%
Stone Poneys Nominees Pty Ltd	4,650,000	6.78%
Solvista Pty Ltd	4,650,000	6.78%
National Nominees Limited	2,941,800	4.29%
Jorge Bernhard	1,773,300	2.59%
Domain Investment Holdings Pty Ltd	1,340,486	1.95%
HSBC Custody Nominees Australia Ltd	1,189,279	1.73%
Charles Arthur Bennett Robinson	825,000	1.20%
Forty Traders Ltd	550,000	0.80%
Pieter Los	500,000	0.73%
Phillip Towzell	500,000	0.73%
UBS Wealth Management Australia Nominees	461,642	0.67%
HSBC Custody Nominees Australia Ltd	348,200	0.51%
Bruce Birnie Pty Ltd	300,000	0.44%
Eric Roles	300,000	0.44%
Andrew Ralph Bewick	250,000	0.36%
SLHH Pty Ltd	222,400	0.32%
Total	55,120,581	80.34%

D. Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll, each share will have one vote.



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NOTICE OF ANNUAL GENERAL MEETING

&

EXPLANATORY STATEMENT

To be held

At 4.00pm, Thursday, 20 November 2008

at the

Parmelia Hilton, 14 Mill Street
PERTH WA 6000

20 October 2008

Dear Fellow Encounter Shareholder,

Please find enclosed the Notice of Annual General Meeting for the Shareholders' Meeting to be held at the Parmelia Hilton, 14 Mill Street, Perth 6000 at 4.00pm on Thursday, 20 November 2008.

The purpose of the meeting is to conduct the annual business of the Company, being consideration of the annual financial statements, the remuneration report and in addition seek shareholder approval in accordance with the Corporations Act 2001 and the Listing Rules of the ASX to a number of resolutions, which are set out in the attached Notice of Meeting paper.

Your Directors seek your support and look forward to your attendance at the meeting.

Yours sincerely



Paul Chapman
Chairman

ENCOUNTER RESOURCES LIMITED

ABN 47 109 815 796

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Encounter Resources Limited will be convened at 4.00pm on Thursday, 20 November 2008 at the Parmelia Hilton, 14 Mill Street, Perth, Western Australia.

AGENDA

ORDINARY BUSINESS

1. Discussion of Financial Statements and Reports

To discuss the Financial Report, the Directors' Report and Auditor's Report for the year ended 30 June 2008.

2. Adoption of the Remuneration Report

To adopt the Remuneration Report for the financial year ended 30 June 2008.

3. Election of Director – Mr Paul Chapman

To consider and, if thought fit, to pass with or without modification the following ordinary resolution:

“To elect as a Director, Mr Paul Chapman who retires in accordance with the Company's Constitution and being eligible, offers himself for re-election.”

ENCOUNTER RESOURCES LIMITED
ABN 47 109 815 796

NOTICE OF ANNUAL GENERAL MEETING

GENERAL NOTES

1. With respect to Agenda Item 2, the vote on this item is advisory only and does not bind the Directors of the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company. The Chairman of the meeting intends to vote undirected proxies in favour of the adoption of the remuneration report.
2. There are no voting exclusions in respect of Agenda items in this Notice of Annual General Meeting.
3. The Explanatory Statement to Shareholders attached to this Notice of Annual General Meeting is hereby incorporated into and forms part of this Notice of General Meeting.
4. The Directors have determined in accordance with Regulation 7.11.37 of the Corporations Regulations that, for the purposes of voting at the meeting, shares will be taken to be held by the registered holders at 4.00pm on 18 November 2008.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Kevin R Hart', with a long horizontal stroke extending to the right.

Kevin R Hart
COMPANY SECRETARY

Dated this 20th day of October 2008

ENCOUNTER RESOURCES LIMITED

ABN 47 109 815 796

EXPLANATORY STATEMENT

The purpose of the Explanatory Statement is to provide shareholders with information concerning all of the Agenda items in the Notice of Annual General Meeting.

1. Discussion of Financial Statements & Reports

Encounter Resources Limited's financial reports and the directors' declaration and reports and the auditor's report are placed before the meeting thereby giving shareholders the opportunity to discuss those documents and to ask questions. The auditor will be attending the Annual General Meeting and will be available to answer any questions relevant to the conduct of the audit and his report.

2. Adoption of Remuneration Report

During this item there will be opportunity for shareholders at the meeting to comment on and ask questions about the remuneration report. The remuneration report is available in the Directors' Report section of the Annual Report.

The vote on the proposed resolution in item 2 is advisory only and will not bind the directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

A reasonable opportunity will be provided for discussion of the remuneration report at the meeting.

The Chairman of the meeting intends to vote undirected proxies in favour of the adoption of the remuneration report.

The directors recommend that shareholders vote in favour of item 2.

3. Re-Election of Director – Mr Paul Chapman as an Ordinary Resolution

Mr Chapman is a Chartered Accountant and has held senior commercial roles within WMC over a seventeen year period. This includes experience in North America as CFO of WMC Houston's 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 a director of Albidon Limited, Silver Lake Resources Limited and Rex Minerals Limited.

Mr Chapman was appointed as Director on 7 October 2005.

PROXY FORM

To: **Encounter Resources Limited (ABN: 47 109 815 796)** Fax No: **61 8 6210 1578**
PO Box 273
West Perth WA 6872

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

Name: _____
 (PLEASE PRINT)
 Address: _____

Appointment of Proxy:

I/We being a member/s of Encounter Resources Limited and entitled to attend and vote hereby appoint:

The Chairman of the Meeting (mark with an 'X') **OR** Write here the name of the person you are appointing if this person is **someone other than** the Chairman of the Meeting.

Or failing the person name, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Encounter Resources Limited to be held at the Parmelia Hilton, 14 Mill Street, Perth on Thursday, 20 November 2008 at 4.00pm (Perth time) and at any adjournment of that meeting.

Voting directions to your proxy – please mark	<input checked="" type="checkbox"/>	to indicate your directions		
			For	Against
				* Abstain
Agenda Item			<input type="checkbox"/>	<input type="checkbox"/>
2. Adoption of Remuneration Report			<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of Mr Paul Chapman as a Director			<input type="checkbox"/>	<input type="checkbox"/>

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on you behalf on a show of hands or on a poll and your notes will not be counted in computing the required majority on a poll.

If you do not wish to direct your proxy how to vote, and wish him or her to vote at his or her discretion, please place a mark in this box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution, and votes cast by him other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your vote on the resolutions and your vote will not be counted in computing the required majority if a poll is called.

PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

 Individual / Sole Director and
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

 Contact Daytime Telephone

 Date

HOW TO COMPLETE THE PROXY FORM

1 Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. The Chairman intends to vote in favour of resolutions for which no voting indication has been given.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate securityholder or proxy is to attend the meeting, the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

6. Lodgement of a Proxy and Deadline for Receipt of Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below no later than 4.00 pm (Perth time) on 18 November 2008, being 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged by post, delivery or facsimile to the Registered Office of Encounter Resources Limited being:

**Level 7, 600 Murray Street, West Perth WA 6005
Or by facsimile to fax number +61 8 6210 1578**