Encounter Resources Limited

ABN 47 109 815 796

ANNUAL REPORT 2012

encounter
RESOURCES LIMITED
ABN 47 109 815 796

Corporate Directory

Directors

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

Company Secretary

Kevin Hart
Dan Travers (Joint Company Secretary)

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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.

Contents

Competent Persons 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 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.

Letter from the Chairman & Managing Director

Dear Fellow Shareholder,

Over the past 12 months the Company has been actively advancing its greenfield copper discoveries made at the Yeneena Project ("Yeneena") in the Paterson Province in Western Australia ("WA").

The Company completed a total of 37,000 metres of drilling during the 2011 calendar year. In 2012 the Company is investing in 25,000 metres of diamond, RC and aircore drilling at Yeneena. The significant escalation in exploration activity over the last 18 months has been demanded by the discovery of significant copper at four separate locations at Yeneena.

Yeneena is located in a region that has demonstrated the capacity to produce world class mineral deposits including the giant gold/copper mine at Telfer, the Woodie Woodie manganese mine, the Nifty copper mine and the Kintyre uranium deposit. Importantly, all of these deposits were discovered in areas of outcrop and minimal systematic exploration has occurred across the vast areas of sand cover in this region.

The initial BM1 discovery made by the Company was the first significant new copper discovery in this area for over 25 years. The initial discovery of high grade copper oxide at BM1 was a milestone and resulted in the rapid escalation of exploration activities at Yeneena. Drilling by the Company has defined a coherant zone of near surface copper oxide mineralisation at BM1 over an area of approximately 500m x 250m with intersections up to 10m @ 6.8% Cu from 32m.

New discoveries of copper with significant scale and grade potential have since been made at Yeneena, including:

- At the BM7 prospect, located 3km south of the initial copper discovery at BM1, RC and diamond drilling has confirmed a large new copper discovery. Intersections at this new discovery drilled in 2012 include:
  - 73m @ 0.4% copper incl. 8m @ 1.0% copper
  - 34m @ 0.6% copper incl. 10m @ 1.6% copper
  - 22m @ 0.4% copper incl. 2m @ 2.9% copper
  - 34m @ 0.5% copper incl. 14m @ 0.8% copper
  - 16m @ 0.4% copper incl. 7m @ 0.7% copper

Drilling at the Yeneena project

- The BM2 prospect where the Company has discovered an 800m long 0.25% copper oxide anomaly. The deep drill program completed at BM2 in April 2012 resulted in an intersection of 26m @ 0.6% copper from a depth of 100m. This drill program also uncovered a highly anomalous zinc unit with an intersection of 201m @ 0.6% zinc from a depth of 233m to end of hole.
- The T4 prospect where a stratigraphic diamond hole intersected multiple zones of copper anomalism up to 0.9m @ 0.84% copper. The copper at T4 is related to a magnetic anomaly with a strike-length of approximately 4km that is interpreted to represent magnetite alteration associated with copper mineralisation.

Our targeting methodologies at Yeneena are having a tremendous success rate at finding new zones of copper mineralisation under sand cover across our major land position in this region. We believe we are seeing the hallmarks of the early stages of a new copper province in Western Australia.

During the year the Company expanded its land holding at Yeneena with the completion of a joint venture agreement with the Independence Group in July 2012. The Company has secured a huge foothold in this region with the 1,400km^2 land holding containing an extensive pipeline of exploration opportunities.

The significant escalation in exploration activity over the last 18 months has been demanded by the discovery of significant copper at four separate locations at Yeneena.

The Company has established a distinct competitive advantage in the area through our understanding of ore forming processes and how these mineralised systems are represented in regional datasets. Advances in modern geophysics (including advances in rapid collection airborne electromagnetics) and geochemistry (improved assay detection limits and real time analysis though hand held technologies) continue to improve the explorability of this world class mineral province.

The focus for the upcoming year is to advance one or more of these recent copper discoveries from the initial groundbreaking intersections to a mineral resource definition program.

At BM7, the Company has uncovered a large scale copper-cobalt mineral system. BM7 has demonstrated broad thicknesses of lower grade copper mineralisation intersected over a large area. The recent intersection of up to 0.9m @ 4.9% copper, has demonstrated the potential for high grade copper within this large mineral system. To date the Company has only had access to the northern quarter of the 3km long target at BM7 and drilling has been on a broad spacing. The tenement over the remaining part of the BM7 target was granted in August 2012 with drilling scheduled to commence in October 2012.

In closing we would like to thank our committed team for their professionalism and dedication. The company is fortunate to have such a talented team of geologists who are leaders in their field. Finally, we would also take this opportunity to thank our fellow shareholders for their ongoing support.

Yours sincerely

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 three geological regions of WA. Encounter's portfolio covers approximately 4,000km² of strategically located and highly prospective exploration projects (Figure 1). The portfolio includes:

- The Yeneena project ("Yeneena") – a major ground position between the Nifty copper mine, the Telfer gold/copper mine and the Kintyre uranium deposit where Encounter has made a series of new copper discoveries that have demonstrated the potential for large tonnage copper deposits;
- Inferred Resources of 11 million pounds of near surface, calcrete style uranium in the Yilgarn Province; and
- Three projects targeting base metals deposits in the Bangemall Basin.

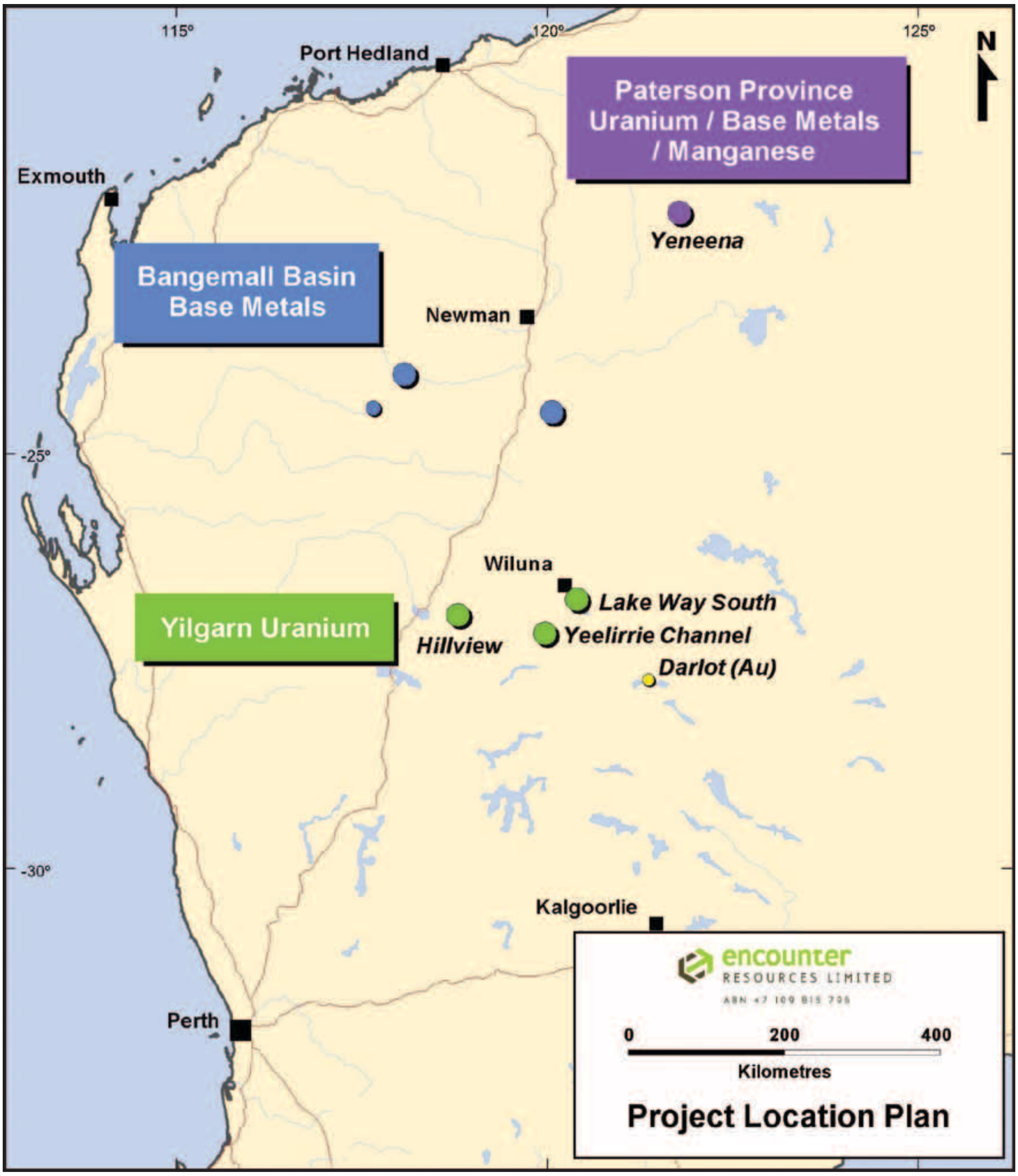


Figure 1: Project location plan.

Paterson Province

YENEENA PROJECT

(E45/2500, E45/2501, E45/2502, E45/2503, E45/2561, E45/2657, E45/2658, E45/2805 and E45/2806 – 100% Encounter), ELA45/3881 earning up to 85%

The Yeneena project covers a 1,400km^2 tenement package in the Paterson Province of WA located between the Nifty copper mine, the Telfer gold/copper mine and the Kintyre uranium deposit (Figure 2). Encounter has made a series of new copper discoveries that demonstrate the potential of the area for large tonnage copper deposits. The project is considered highly prospective for Nifty/Isa style copper mineralisation, silver-lead-zinc mineralisation, Woodie Woodie style manganese mineralisation and unconformity related uranium mineralisation.

Outside of the known discoveries at Nifty (copper) and Kintyre (uranium), found in areas of outcrop, the greenfields Yeneena Basin in the Paterson Province is significantly under-explored due to extensive sand cover and the remoteness of the location.

Simplified geology for the Yeneena Basin comprises the Palaeoproterozoic Rudall Complex as the lowermost unit, unconformably overlain by the Neoproterozoic Coolbro Sandstone which is conformably overlain by the Broadhurst Formation. The Broadhurst Formation is the host to Encounter's base metals targets and the Nifty copper mine. The Kintyre uranium deposit sits directly below the unconformity between the Coolbro Sandstone and the Rudall Complex.

A total of 37,000m of drilling was completed in 2011, along with extensive airborne geophysical surveys and geochemical programs. In 2012 the company is in the process of completing a 25,000m program of aircore, RC and diamond drilling. This work has resulted in the discovery of copper sulphide mineralisation at four separate targets at Yeneena (BM1, BM2, BM7 and T4).

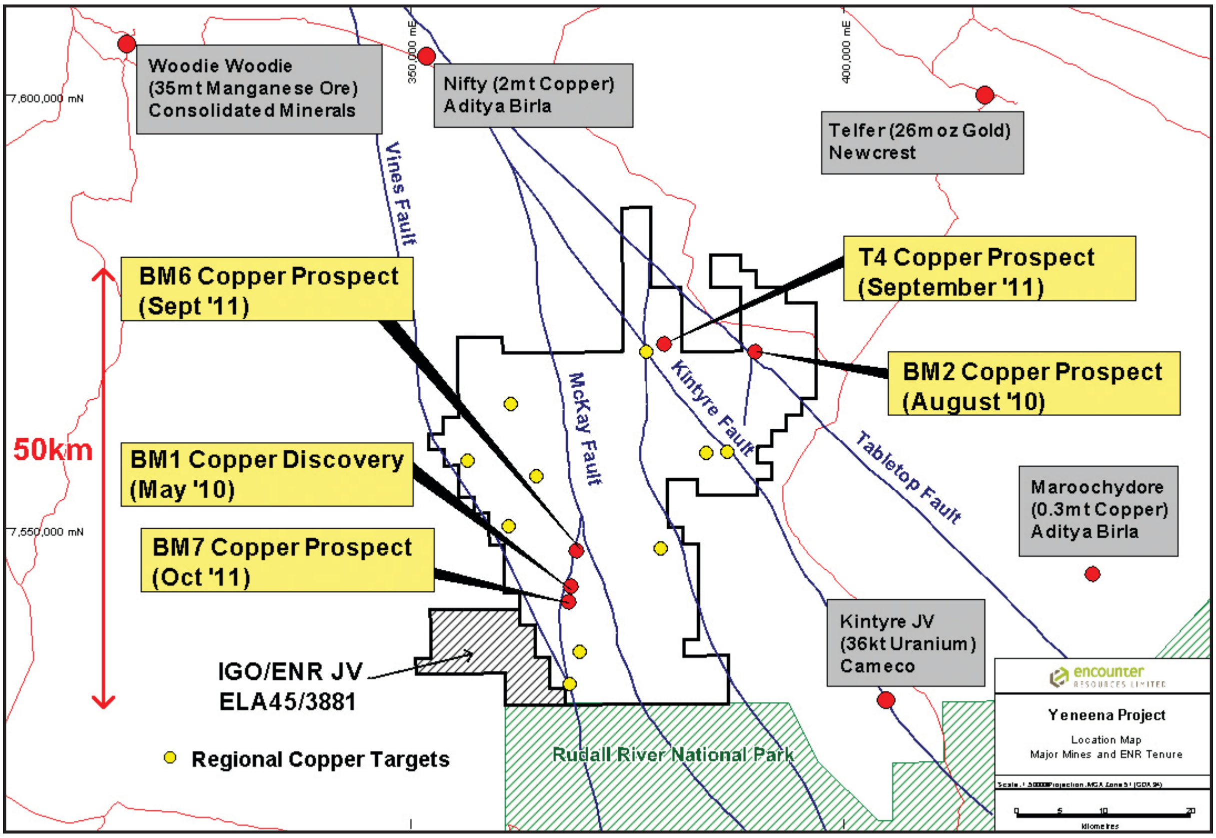


Figure 2: Yeneena project leasing and target plan.

Diamond drill rig at T4

BM7 Copper Discovery

The BM7 prospect is located 3km south of the initial BM1 discovery (Figure 2), at the intersection of the north-east trending Queen fault and the regionally-extensive McKay fault. Copper-oxide mineralisation has been defined by aircore drilling over 3.5km along the Queen fault and remains open both along strike and to the south. The best development of this mineralisation observed to date in shallow aircore drilling is close to the intersection of the Queen and McKay faults.

The first diamond drill hole beneath the large scale copper-oxide anomaly, EPT1109, was completed in December 2011. The drill hole intersected an extensive hydrothermal stockwork system containing broad zones of finely disseminated, locally blebby and stringer copper sulphide mineralisation. Assay results included a zone of 102m @ 0.2% Cu and 243ppm Co from 274m. These results indicate the presence of a large-scale, depth-extensive, primary copper-mineralised system at BM7.

A total of 29 RC drill holes were completed at BM7 during May and June 2012 in a broad 200m x 200m pattern. This drill program was expanded from the original 2500m program following the identification of significant extensions to the zone of copper-oxide mineralisation defined by the aircore drill program.

The assay results from the RC program include several zones of oxide, transitional and sulphide copper mineralisation:

- 34m @ 0.64% copper and 793ppm cobalt from 156m incl. 10m @ 1.64% copper and 1616ppm cobalt from 166m
- 22m @ 0.38% copper and 185ppm cobalt from 140m incl. 2m @ 2.87% copper and 518ppm cobalt from 156m
- 34m @ 0.48% copper from 20m incl. 14m @ 0.83% copper from 28m
- 18m @ 0.38% copper and 298ppm cobalt from 46m incl. 2m @ 2.24% copper from 50m
- 40m @ 0.21% copper and 143ppm cobalt from 100m incl. 12m @ 0.40% copper from 100m
- 12m @ 0.40% copper and 318ppm cobalt from 40m
- 12m @ 0.24% copper and 116ppm cobalt from 18m

Nine diamond drill holes have been completed at BM7 in 2012. This program has successfully intersected zones of copper-sulphide mineralisation below the depth of the RC drilling. This mineralisation varies from coarse blebby copper-sulphides in stockwork style vein arrays to narrower, strongly brecciated and sheared zones containing pervasive disseminated copper-sulphides.

BM7 Copper Discovery continued

Assays results have been received from six drill holes to date and include the following intersections:

- 33m @ 0.37% copper and 221ppm cobalt from 410m incl. 19m @ 0.47% copper and 220ppm cobalt from 423m in EPT 1168
- 46m @ 0.21% copper from 148m in EPT1160
- 16m @ 0.41% copper and 324ppm cobalt from 498m incl. 7m @ 0.69% copper and 319ppm cobalt from 506m in EPT 1167
- 279m @ 0.1% Cu and 100ppm Co from 172m incl. 23m @ 0.31% Cu and 170ppm Co and 6m @ 0.7% Cu and 435ppm Co in EPT1244
- 73m @ 0.4% Cu and 100ppm Co from 74m incl. 8m @ 1.0% Cu and 120ppm Co and 0.9m at 4.9% Cu and 350ppm Co in EPT1159

The RC and diamond drilling programs at BM7 have confirmed a new copper discovery at the Yeneena project. Mineralisation intersected in drilling extends over an 800m strike extent and remains open to the south. The system appears to widen and strengthen to the south where copper mineralisation has been intersected in drill holes across a 1km wide section (Figure 3).

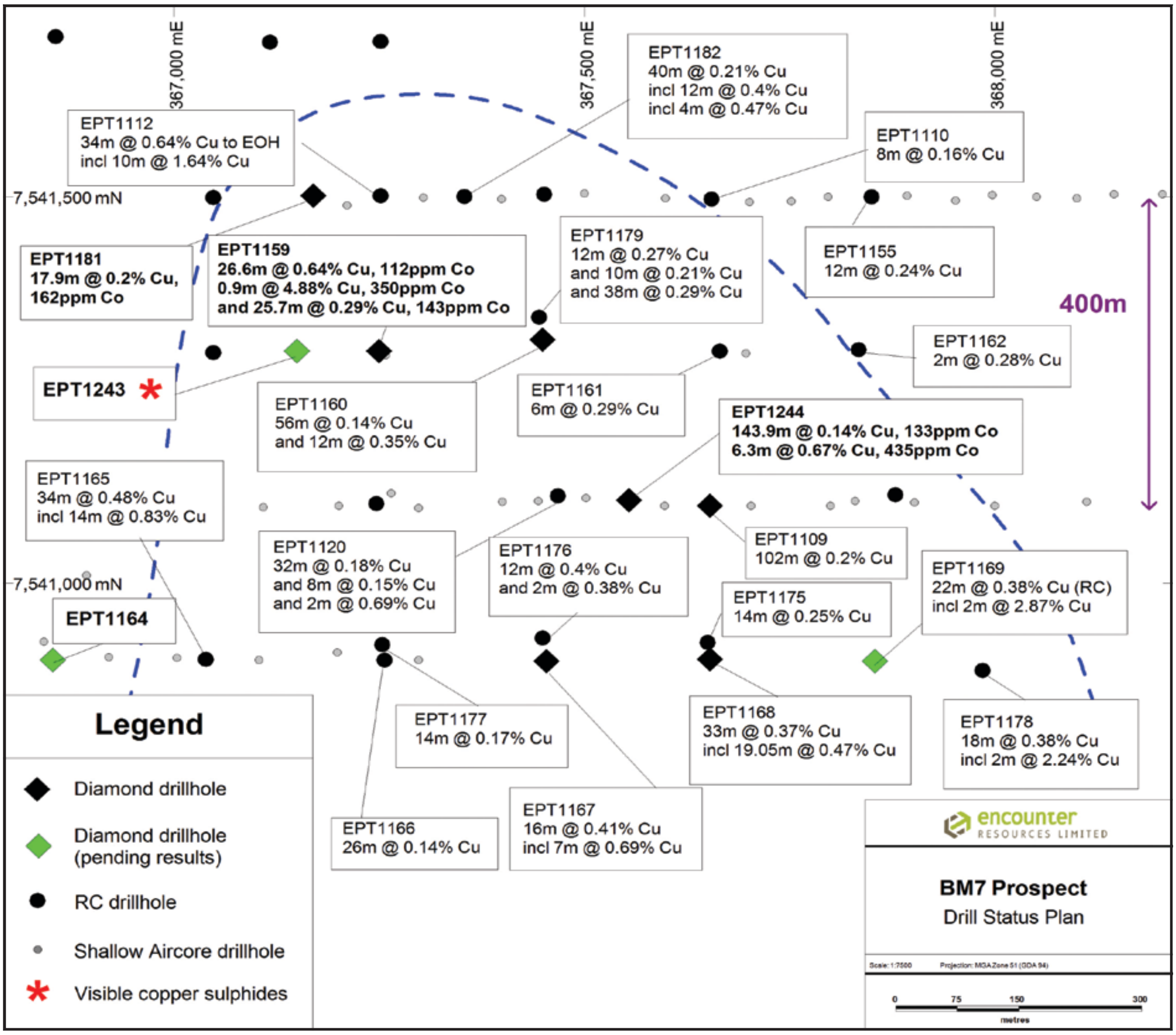


Figure 3: BM7 prospect drill status plan.

BM7 Copper Discovery continued

The shales at BM7 are highly dolomite and silica altered and this alteration appears to have subdued the conductance of the host rocks. A recently flown VTEM survey indicates that BM7 drilling to date is situated at the northern end of a substantial target area of low conductance (Figure 4). It is interpreted that the dolomite-silica alteration process is intimately associated with the copper mineralisation event, which implies that the BM7 copper system may extend a further 2.5km south of the current area of drilling.

The 3km long target zone of low conductivity at BM7 coincides with a major flexure in the McKay Fault, where it changes from a SSW to a SSE orientation. Conceptually such flexure zones are considered highly prospective positions as mineralising fluids are commonly focused at these locations in major ore systems.

The tenement to the south, E45/2805, was previously held under application by the Company, and prevented the extension of the drilling program further south. This tenement covers an area of 210km^2 and importantly hosts a 12km segment of the McKay Fault Zone running south from BM7. Exploration License E45/2805 was granted in August 2012. A heritage survey at the new tenement was completed in September 2012 and drilling is scheduled to re-commence in October 2012 to test the remaining 2.5km long extent of the geophysical target at BM7.

BM1 Copper Discovery

The BM1 Copper Discovery is located approximately 60km south of the Nifty copper mine (Figure 2). The BM1 copper mineralisation is hosted within the Broadhurst Formation and is almost entirely overlain by 2-10 metres of transported cover. Aircore ("AC") drilling in the BM1 region has defined copper oxide mineralisation over an 8km section of the McKay fault zone from BM6 in the north to the BM7 prospect in the south (Figure 4).

High grade copper mineralisation was first discovered in aircore drilling at BM1 in June 2010. Aircore and reverse-circulation ("RC") drilling defined two zones of coherent near surface copper-oxide mineralisation named the Northern and Central Areas. This mineralisation lies adjacent to the intersection of the McKay Fault with the north-east trending King fault (Figure 4). At the Northern Area the flat lying copper oxide mineralisation extends over an area 500m by 250m and is interpreted to be the weathered remnants of a primary copper-sulphide position.

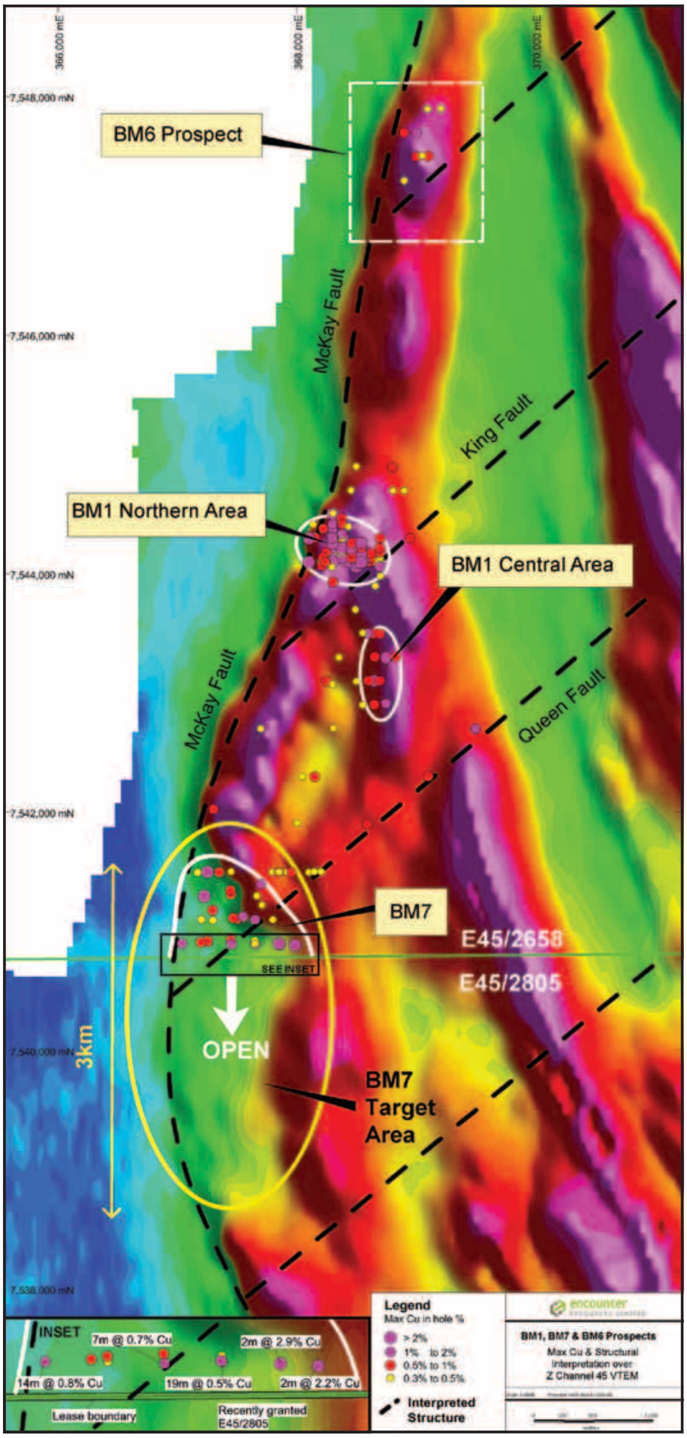


Figure 4: BM1, BM7 and BM6 prospects Maximum copper in hole.

BM1 Copper Discovery continued

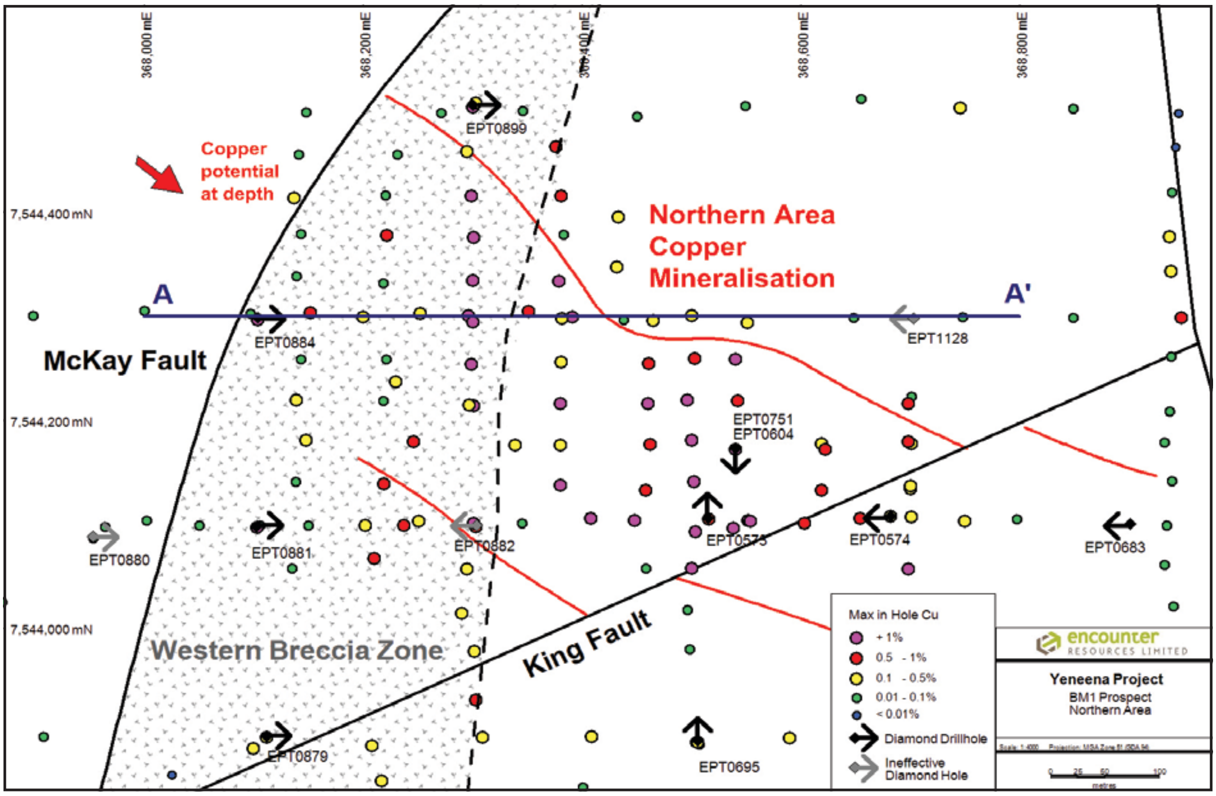
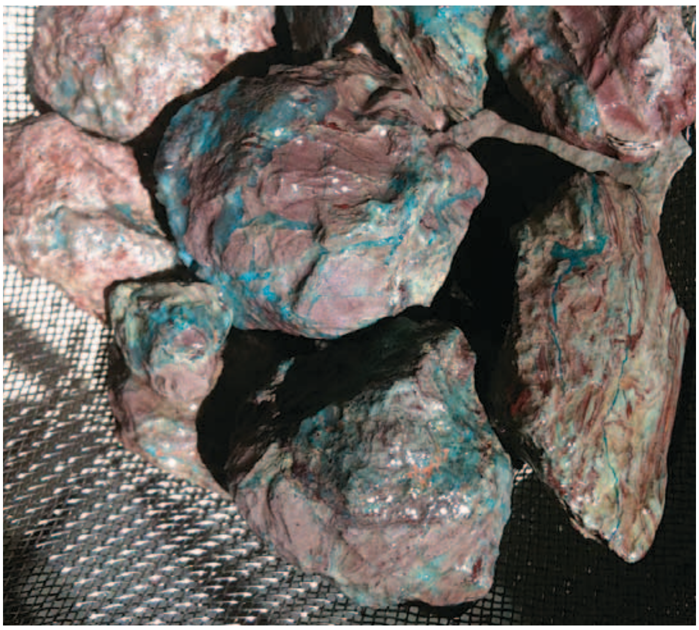


Figure 5: Drill hole location plan BM1 Northern Area showing major faults and western breccia zone.

Diamond drilling during 2011 and 2012 focused on key structural intersections, interpreted to be pathways for the ore bearing fluids that generate large scale sediment-hosted copper deposits. Diamond drilling identified an intense, steep dipping fault breccia zone on the western margin of the BM1 Northern Area containing primary copper-sulphides (Figure 5). Copper-sulphide mineralisation of varying intensity was intersected and was generally associated with bands of intense quartz-carbonate veining along lithological boundaries. Two diamond drill holes intersected significant copper oxide mineralisation including the highest grade intersection at the project to date in EPT751 (10m @ 6.8% copper from 32m). Significantly diamond drilling confirmed that the copper system at BM1 is alive to a vertical depth of at least 500m.



Copper oxide mineralisation from BM1

The western breccia zone appears to be a long lived fluid pathway and has potentially been the focus of multiple mineralising events that introduced the copper, cobalt and silver mineralisation. The presence of multiple phases of mineralisation is supported by the observation that copper, cobalt and silver are not always found together within the zone.

At the end of the 2011 field campaign, EPT1128 was in progress and at a downhole depth of 534m. Visual inspection noted disseminated copper-sulphide mineralisation in the last few trays of drill core.

BM1 Copper Discovery continued

Drill hole EPT1128 was re-entered when diamond drilling recommenced at BM1 in June 2012 and completed to a depth of 690.6m. The narrow bands of disseminated copper-sulphide mineralisation noted at the bottom of the hole at the end of the 2011 drilling continued for a further 40m downhole. Assay results from this extended hole are expected to be received in October 2012.

BM6 Prospect

A detailed helicopter EM survey ("VTEM") completed at BM1 in June 2011 identified a regional scale anomaly 3km north of BM1, adjacent to the regionally significant McKay fault. This target was named BM6 (Figure 4). Initial reconnaissance aircore drilling over BM6 was completed in September 2011. Assays from reconnaissance aircore drilling included copper grades up to 1.4% Cu (Figure 6) and indicate a close correspondence between the strongest geochemical and geophysical anomalism. The copper anomaly at BM6 is currently 800m long, and is open to the north and south. Follow up drilling at the BM6 prospect is planned in 2013.

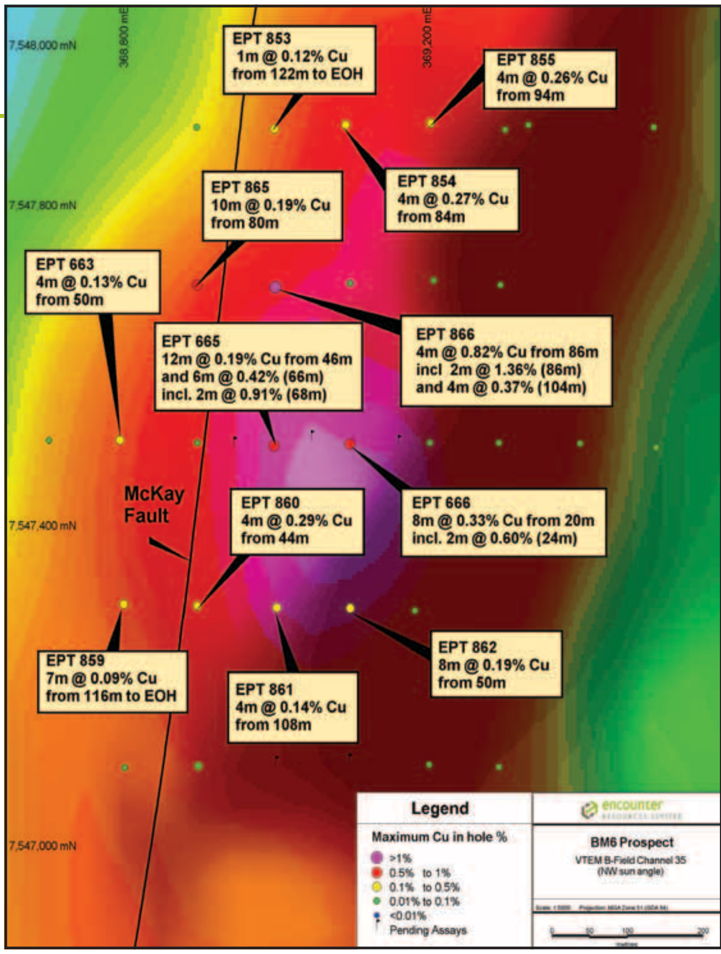


Figure 6: BM6 Prospect drill status plan.

VTEM survey helicopter and crew

BM2 Prospect

The BM2 prospect is located 50km south-east of the Nifty copper deposit and 34km north-east of the BM1 copper discovery, on the regionally extensive Tabletop Fault. This structure is known to be metallogenically important and is closely associated with the position of the Nifty Copper deposit, 50km along strike to the north-west (Figure 2). The prospect was first aircore drilled in August 2010 and later followed up with a more extensive aircore drill program in 2011.

A broad zone of copper anomalism (+0.25% Cu) was identified within the regolith over a strike extent of 800m (Figure 7). The identification of this significant base metal anomaly was made in an area of no outcrop, with up to 20m of transported overburden.

An orientation partial leach soil geochemical survey was completed over the BM2 prospect in 2011. It was designed to determine if soil surveys can be used to 'look through' areas of thick transported cover. The results were encouraging, and highlighted an east-northeast copper anomaly that is consistent with the copper anomaly defined by aircore drilling. This surface sampling development has positive implications for the prioritisation and testing of sand-covered regional targets at the Yeneena project.

Two diamond drill holes completed in August 2011 were the first deep drilling at the prospect. These drill holes were co-funded through the Western Australian Government Exploration Incentive Scheme. The purpose of these drill holes was to test for the source of the 800m long copper anomaly defined in aircore drilling and to gain a basic understanding of the geology and structure at depth. Assay results from the two diamond drill holes drilled on section 389350mE confirmed extensive thicknesses of zinc mineralisation in both drill holes with the mineralisation open along strike and at depth (Figure 8). This zinc mineralisation appears stratabound in nature with the 'Upper Zinc Contact' coinciding with a marked change in lithogeochemical indicators. The lower contact of this mineralised unit remains untested with zinc anomalism extending to the bottom of all deep holes completed at BM2.

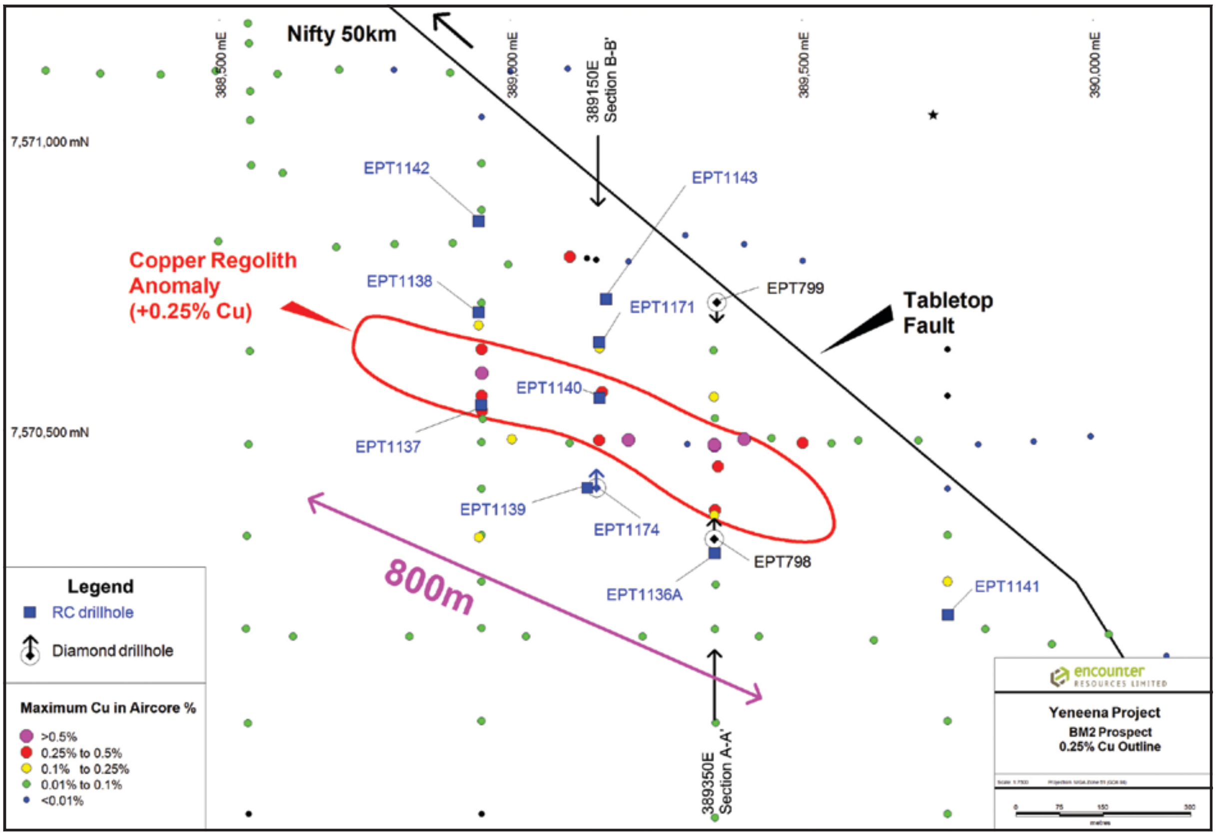


Figure 7: BM2 maximum copper in aircore drilling and drill status plan (2012 RC and diamond collars in blue, 2011 diamond collars in black).

BM2 Prospect continued

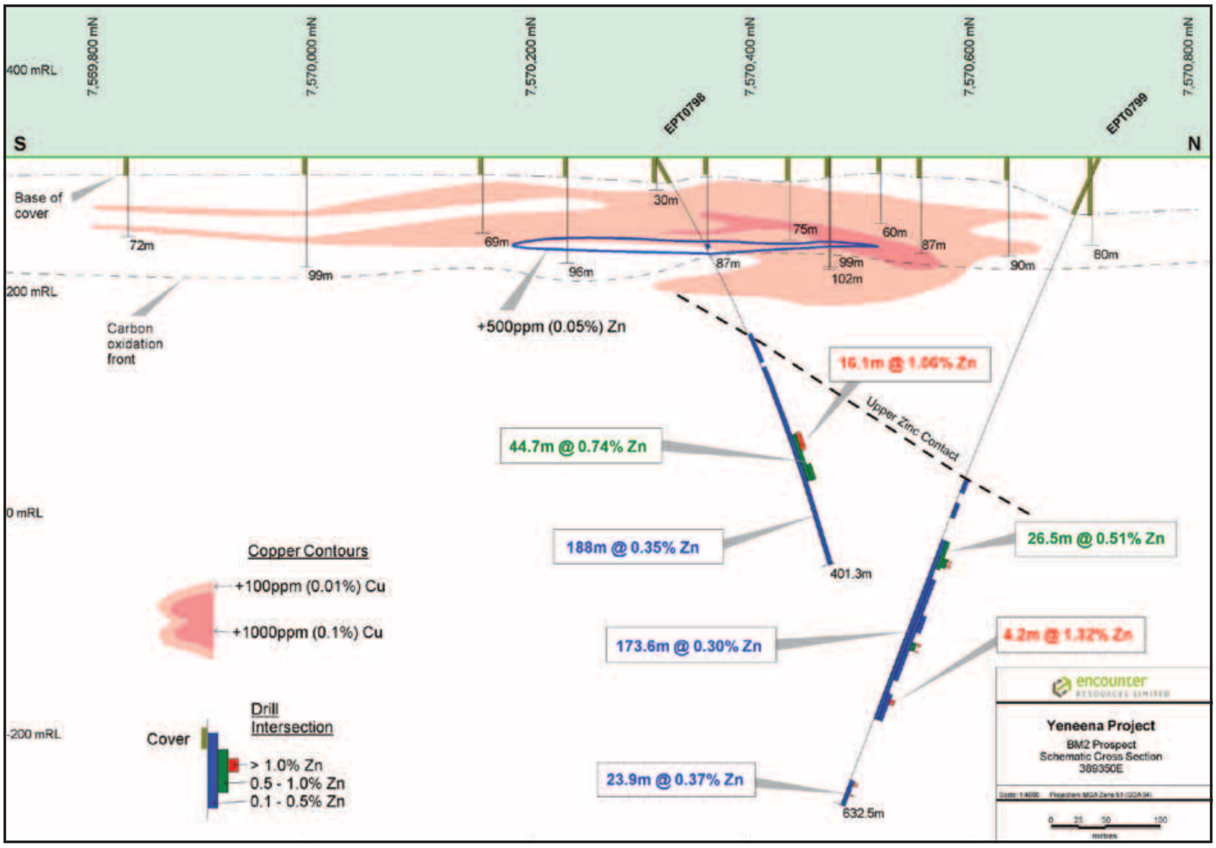


Figure 8: BM2 Cross Section A-A' 389350mE.

Results from the August 2011 diamond drilling include:

- EPT798 – 188m @ 0.35% Zn from 213.3m to EOH incl. 44.7m @ 0.74% Zn
- EPT799 – 173.6m @ 0.30% Zn from 375m incl. 26.5m @ 0.51% Zn; and 23.9m @ 0.37% Zn from 608m to EOH

Significantly, the minor levels of copper anomalism observed in fresh rock at depth in these drill holes were considered insufficient to account for the scale and intensity of the 800m long near surface copper oxide anomalism at BM2. This interpretation suggests that the copper anomalism observed within the regolith on this section represent secondary dispersion from a primary source. It is noted that in many ore-systems it is not uncommon for zinc mineralisation to occur distal to a central zone of copper mineralisation.

The Company was successful in its merit-based application for a second round of WA Government co-funded RC/diamond drilling at BM2 in 2012. This funding contributed $150,000 towards the cost of drilling designed to test for the primary source of the copper oxide anomalism and define potential vectors to higher grade zinc mineralisation.

An RC drill program was completed to test up dip and to the west of section 389350mE where previous diamond drilling had intersected a broad zone of zinc sulphide mineralisation (see Figure 7). RC drilling results confirmed a heavily leached oxide profile with many drill holes showing a strengthening of mineralisation at depth. RC drill holes EPT1136A through to EPT1141 all ended in anomalous zinc and lead and have mapped out an extensive area of base-metal sulphide mineralisation that extends over 1km in strike (Figure 7).

Drill hole EPT1140, collared in the core of the regolith copper anomaly, returned the first copper sulphide intersection at BM2 of 26m @ 0.60% copper from 100m incl. 10m @ 0.92% copper from 100m (see Figure 9). This intersection sits below the depth of the original aircore drilling and remains open to the west and at depth.

BM2 Prospect continued

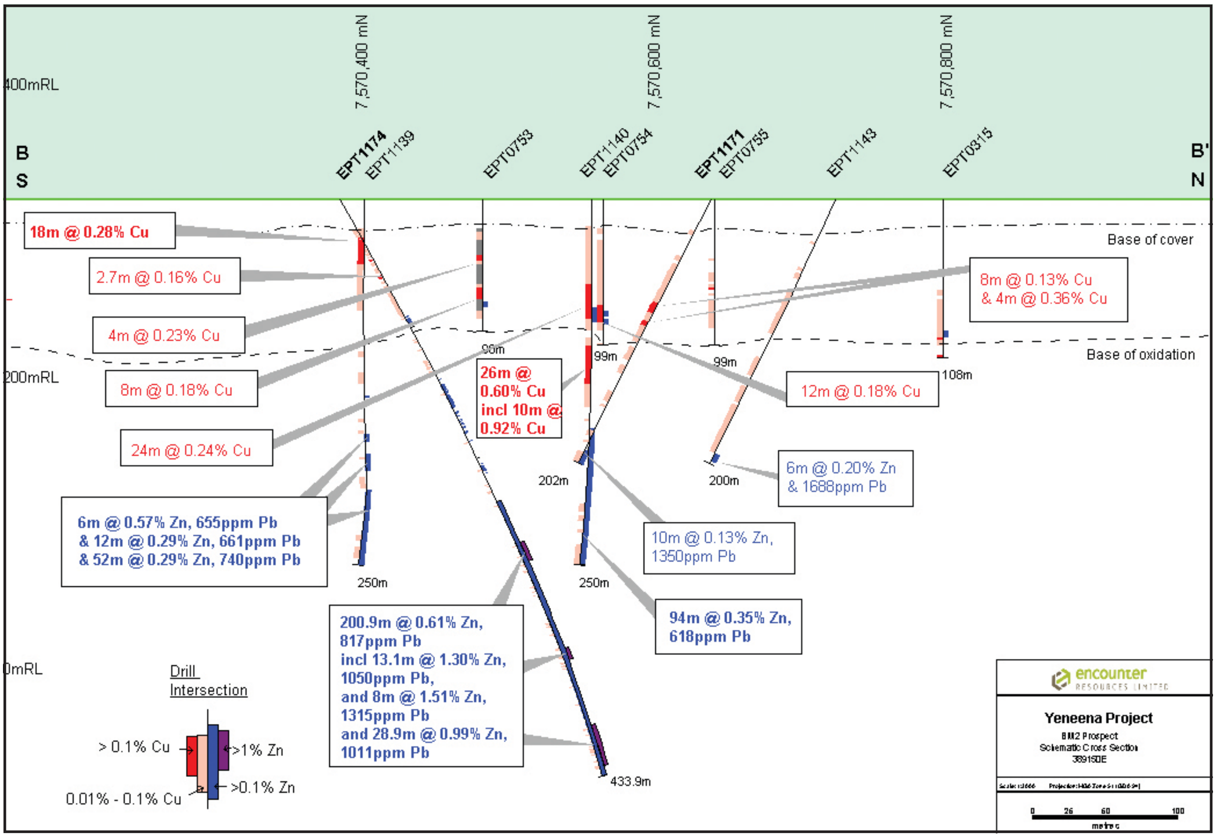


Figure 9: BM2 Cross Section 389150mE.

Diamond drill hole EPT1174 was designed to test for copper sulphide mineralisation at depth below EPT1140 and to test for extensions to the zinc sulphide mineralisation drilled in EPT798 and EPT799. The hole intersected a broad zone of carbonate alteration and veining in the shale unit that contained visible zinc and lead sulphides (Figure 9). Assays from this hole confirmed the increased thicknesses and grade of primary zinc mineralisation, relative to intial results from section 389350mE.

Sunset at the Yeneena project

Assay results for EPT1174 include:

- 201m @ 0.6% zinc from 233m to end of hole including:
- 13m @ 1.3% zinc from 295m; and
- 8m @ 1.5% zinc from 349m; and
- 29m @ 1.0% zinc from 400m

A helicopter based VTEM ("Versatile Time domain Electromagnetic") survey was also completed over the BM2 prospect during 2012. A series of 150m spaced north-south lines were flown to assess whether any conductors could be mapped out within the area of the copper regolith anomalism. Initial processing and modelling of the VTEM data has outlined a shallow NE dipping conductor centred to the west and downdip of EPT1140. Further drilling at the BM2 prospect is planned to test the modelled EM conductor located adjacent to the copper mineralisation intersected in EPT1140.

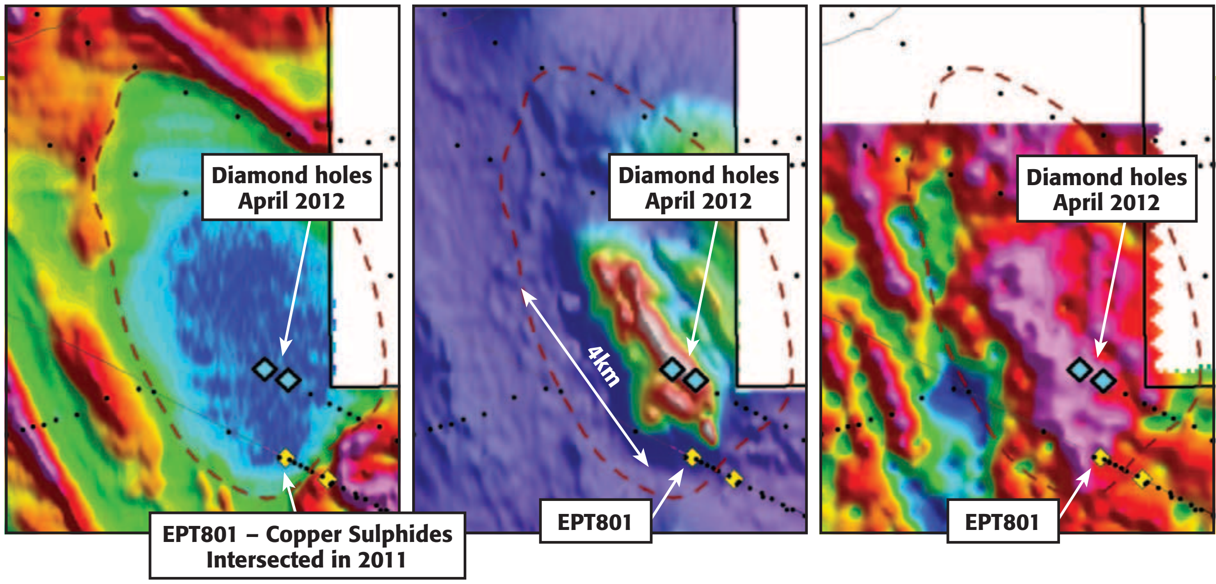


Figure 10: T4 Palaeo-Proterozoic basement block interpretation over AEM, TMI magnetics and Gravity data.

T4 Prospect

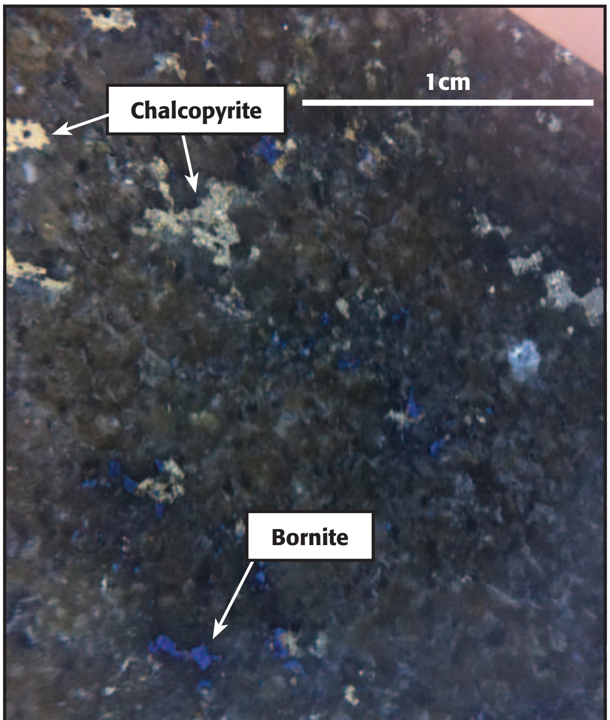
The T4 prospect is located at the north of the Yeneena Project, about 30km north-east of the BM1 copper discovery (see Figure 2). The geology of the T4 area is dominated by an 8km by 5km dome-shaped uplifted block of Palaeoproterozoic Rudall Complex metamorphics. Encounter identified the presence of this block of Palaeoproterozoic basement rocks as an anomalous response in three independent geophysical datatsets (AEM, magnetics and gravity; see Figure 10).

The T4 target represents a compelling structural, geological and geophysical target at the Yeneena project. Base metal mineralisation is being targeted along structures internal to the basement block and along the margins of the dome. This area has significant scale potential, is totally sand-covered and has received minimal prior exploration.

Two diamond drill holes were drilled at T4 in August 2011. The first hole targeted the margin of the interpreted block of Rudall Complex and the second was drilled within the boundary of the block. These drill holes confirmed the geological interpretation of the T4 block as a basement inlier and significantly, one of them (EPT801) intersected multiple zones of disseminated copper-sulphides.

Core samples from EPT801 were submitted to the GEMOC research facility at Macquarie University for U-Pb age analysis. The results confirmed that the age of the peak metamorphic event in these rocks is 1780 ± 9Ma and the age of the igneous protolith is at least 1980Ma. These results confirmed that the copper target at T4 is hosted within metamorphic basement rocks equivalent to those of the Rudall Complex.

As mentioned above, EPT801 also intersected narrow zones of disseminated sulphide mineralisation including an intersection of 0.9m @ 0.84% copper and 8g/t silver, within a broader zone of copper-silver anomalism. These results confirmed the presence of a copper-mineralising event in the T4 region. This is considered to be a highly significant result as EPT801 was a stratigraphic hole that was not specifically targeted to intersect mineralisation but drilled at a logistically convenient position along an existing track to test our geological model.



EPT801 – 194m – Disseminated chalcopyrite and bornite in altered metamorphics – 0.8% Cu

T4 Prospect continued

A surface geochemical sampling program in the sand dune swales at T4 was completed in late 2011. Results highlighted multiple Cu-Ag anomalies on the margins of the T4 block. Final results from that survey have highlighted four anomalies (Figure 11; Anomalies A to D).

Significantly, a copper-silver geochemical anomaly (Anomaly A) has been defined across two sample lines to the north of EPT801. Anomaly A lies coincident with a +4km long magnetic and gravity geophysical anomaly that have both now been modelled. The magnetic anomaly dips steeply to the east-northeast and the gravity anomaly has been modelled as a broad, flat lying, near surface +0.5 Mgal density anomaly.

Two diamond drill holes were completed at T4 in April-May 2012 for a total of 841m. These drill holes were drilled 1.6km north of EPT801 (Figure 10).

Assay results from these two drill holes confirmed that zones of elevated copper anomalism (300-1000ppm copper) are associated with more intense magnetite alteration at T4. Magnetic susceptibility testing of the drill holes is in progress to allow analysis of the original airborne magnetic modeling and to ensure drilling intersected the main geophysical anomaly.

A track mounted aircore rig completed a 160 hole (5700m) drill program at the T4 prospect in August 2012. Broad spaced drill lines were designed across the southern half of the Rudall Complex Inlier to identify zones of stronger copper mineralisation and to test a series of geochemical targets around the margin of the Inlier identified at T4.

This drilling confirmed a shallow cover sequence and a strongly stripped regolith profile. The majority of holes drilled over the main geophysical anomalies intersected 7-10m of cover and then progressed directly into 10-15m of saprolitic metamorphic rock. Due to the strongly stripped nature of the regolith profile at T4, any oxide or supergene dispersion from a primary copper-sulphide horizon is likely to be very narrow. It is therefore considered that any coherent copper anomalism identified in this broad spaced program is potentially significant.

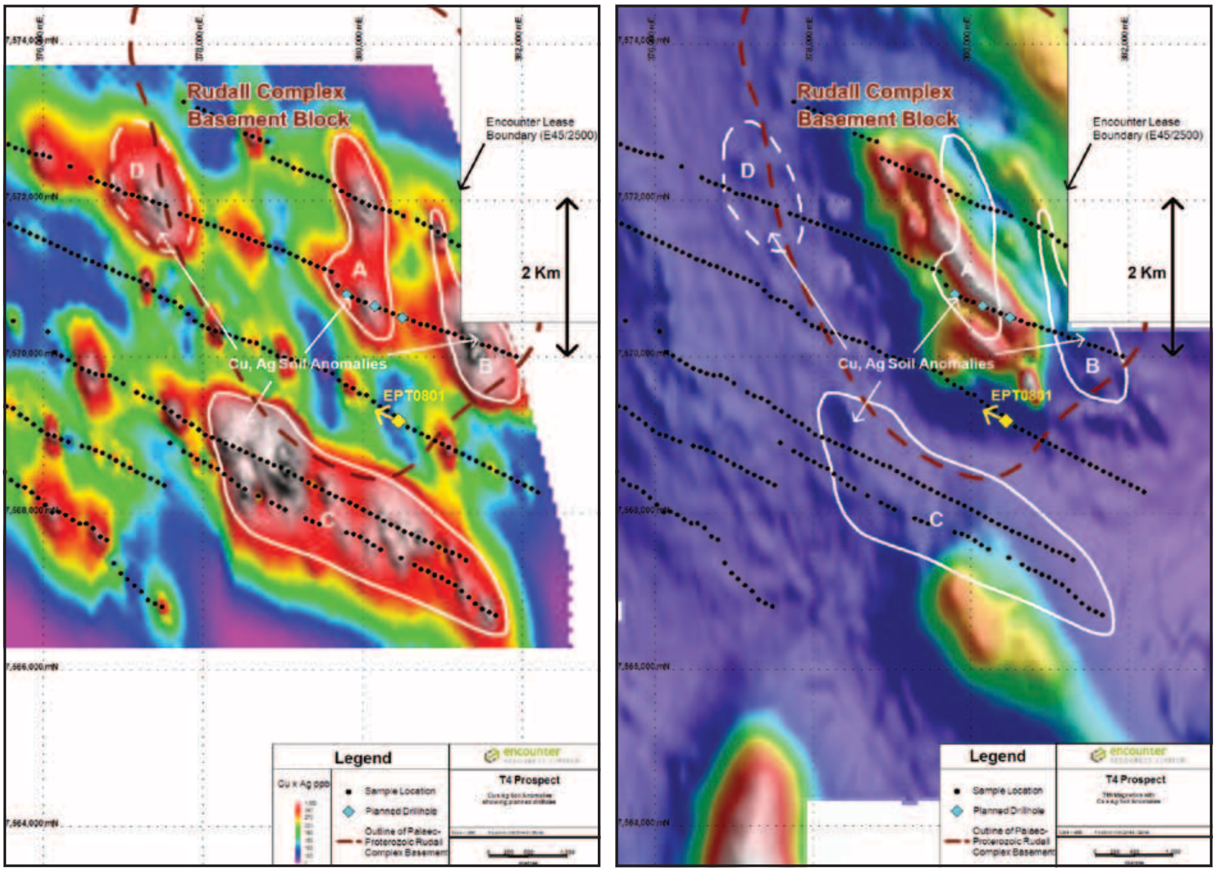


Figure 11: a) Copper – Silver partial leach geochemical anomalies at T4; b) Copper – Silver anomalies on TMI magnetics.

T4 Prospect continued

Initial handheld XRF analysis of the aircore samples has defined four corridors of copper anomalism that extend 1-2km in strike length. The copper corridors appear to be structurally controlled and are located adjacent to the area of magnetic anomalism. Importantly it appears none of the three stratigraphic diamond drill holes completed at T4 have tested any of these four corridors. Following the receipt of geochemical analysis of samples from the aircore drilling, further shallow drilling and/or geophysical surveys are planned to define targets for follow up RC or diamond drilling.

BM5 Target

The BM5 target is located along the regionally extensive Kintyre Fault (Figure 2). In 2009, diamond drill hole EPT062 was drilled to test beneath a gossanous iron manganese horizon associated with copper-lead-zinc-silver geochemical anomalism and returned an intersection of **0.1m @ 28.5% zinc, 2.3% lead and 33.9g/t silver from 301.6m** (see Figure 12).

No exploration activity was completed at the BM5 prospect in 2011/12, however, additional RC drilling is planned towards the north of BM5 where it is interpreted that the prospective geological contact is trending closer to surface.

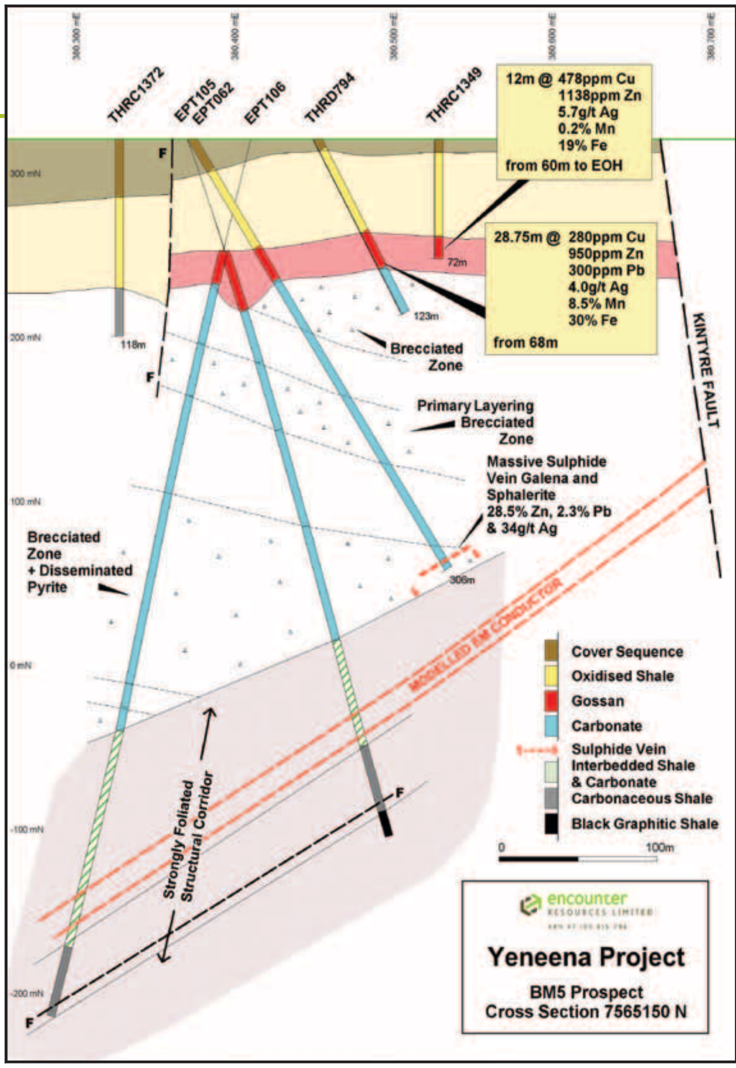


Figure 12: BM5 Cross Section 7565150mN.

Soil sampling at Yeneena project

Yilgarn District

CALCRETE URANIUM RESOURCES

A strategic review of the calcrete uranium resource continues to consider the potential development and commercial alternatives to advance the projects. The area of interest is shown on Figure 13.

HILLVIEW (E51/1127 – 83% Encounter, 17% Avoca)

The Hillview uranium project is located 50km south east of Meekatharra and contains an Inferred Resource of 27.6 million tonnes, averaging 174ppm U_3O_8 for a contained 10.6 million pounds of U_3O_8. The Inferred Resource is reported in accordance with the JORC code (2004) and guidelines.

The main mineralised zone at Hillview is 7km long by 1.4km wide with an average thickness of 3.15m. The resource is a flat lying, consistent body of near surface uranium mineralisation with minimal internal dilution.

LAKE WAY SOUTH (E53/1232 – 60% Encounter, 40% Avoca Uranium rights only)

The Lake Way South project is located approximately 10kms south of Wiluna, between Toro Energy's Lake Way and Centipede uranium deposits. An Inferred Resource for the area of the Centipede Extension resource within the JV tenement has been calculated. This resource contains 220,000t @ 244ppm U_3O_8 for 120,000lbs of U_3O_8. The Inferred Resource is reported in accordance with the JORC code (2004) and guidelines.

BELLAH BORE EAST (ELA53/1685 – 100% Encounter)

The Bellah Bore East is situated in the upper reaches of the Yeelirrie Channel. An Inferred Resource of 350,000t averaging 210ppm U_3O_8 for 160,000lb of U_3O_8 has been calculated for the Bellah Bore East prospect. The Inferred Resource is reported in accordance with the JORC code (2004) and guidelines.

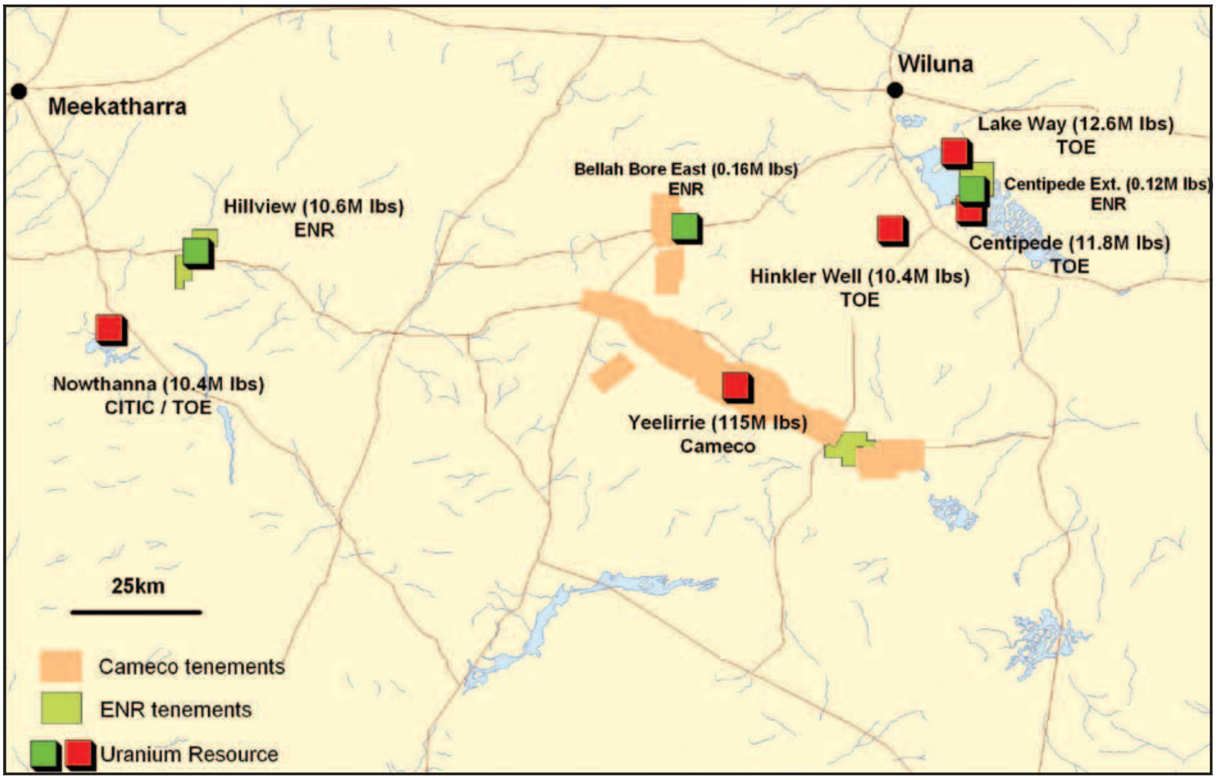


Figure 13: Location of uranium resources in the north east Yilgarn Province.

DARLOT EAST PROJECT – Gold (ELA 37/1148 – 100% Encounter)

The Darlot East project covers 285km^2 and is located approximately 6kms east of the Darlot Gold mine, 70kms east of the township of Leinster. The project is situated within an area of interpreted granite gneiss between the Yandal Greenstone Belt to the west and the Duketon Greenstone Belt to the east. Interpretation of the regional aeromagnetics has identified an extensive NNW trending structural corridor that 'horsetails' as it flexes along the margin of a major granite intrusion located in the east of the project. Drilling to the north of the project by Encounter has identified a +1km wide zone of greenstone lithologies that is interpreted to extend south into the Darlot East project.

Regional geochemical datasets collect by CSIRO have highlighted minor gold anomalism within the project area in association with lithological indicators similar to other mapped greenstone terrains.

Drilling is planned at the project to determine if any significant regolith gold anomalism occurs within the area of interpreted greenstone lithologies.

Bangemall Basin

BEYONDIE (Encounter – 100%)

A regional targeting exercise was initiated during late 2009 incorporating key learnings from the work completed at the Yeneena project and building on our understanding of the formation of large scale base metal systems.

The targeting program highlighted an area on the eastern margin of the Bangemall Basin that demonstrates a number of key structural ingredients. Applications have been lodged over an area of 1500km^2 located approximately 150km south south east of Newman. The tenements capture the intersection of the Tangadee Lineament with the margin of the Bangemall Basin and northern Yilgarn block (Figure 14).

Minimal exploration work was completed on the Bangemall Basin projects during the 2011/2012 year due to the prioritisation of the exploration activities at Yeneena.

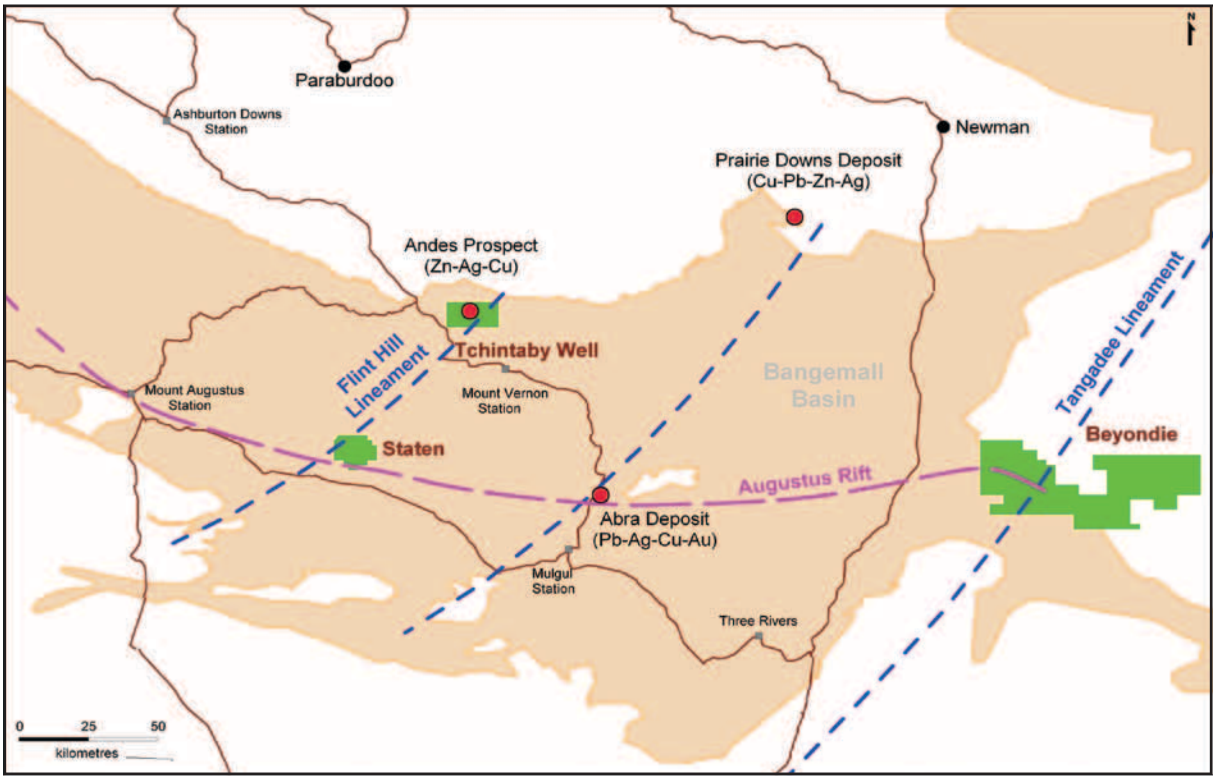


Figure 14: Location of Encounter Tenements in the Bangemall Basin.

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 undertaking 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.

Lake Way 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 figures 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 70ppm U_3O_8 over a minimum downhole distance of 1m. Shallow aircore drilling has been completed on a nominal 200m by 200m grid. All grade values used in the calculation are based on chemical analysis of representative drill samples.

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 km²	Managing Company	Encounter Interest
E52/2648	Staten	Bangemall Basin	109.4	Encounter Resources Limited	100%
E52/2654	Tchintaby	Bangemall Basin	106.6	Encounter Resources Limited	100%
ELA69/2966	Beyondie	Bangemall Basin	359.1	Hamelin Resources Pty Ltd	100%
ELA69/2967	Beyondie	Bangemall Basin	499.8	Hamelin Resources Pty Ltd	100%
ELA69/2968	Beyondie	Bangemall Basin	568.1	Hamelin Resources Pty Ltd	100%
E53/1232	Wiluna South	Lake Way South JV	30.17	Avoca Resources Limited	60% of Uranium Rights
E36/769	Yeelirrie South	Yilgarn	48.83	Encounter Resources Limited	100%
ELA37/1148	Darlot	Yilgarn	212.4	Encounter Resources Limited	100%
ELA53/1685	Bellah Bore East	Yilgarn	45.96	Encounter Resources Limited	100%
E51/1127	Hillview	Yilgarn	52.02	Encounter Resources Limited	83%
ELA57/905	Nesbitt Soak	Yilgarn	212	Encounter Resources Limited	100%
ELA57/906	Nesbitt Soak	Yilgarn	212	Encounter Resources Limited	100%
E45/2500	Yeneena	Paterson	163.4	Encounter Operations Pty Ltd	100%
E45/2501	Yeneena	Paterson	41.4	Encounter Operations Pty Ltd	100%
E45/2502	Yeneena	Paterson	216.3	Encounter Operations Pty Ltd	100%
E45/2503	Yeneena	Paterson	76.3	Encounter Operations Pty Ltd	100%
E45/2561	Yeneena	Paterson	86	Encounter Operations Pty Ltd	100%
E45/2657	Yeneena	Paterson	222.8	Encounter Operations Pty Ltd	100%
E45/2658	Yeneena	Paterson	222.8	Encounter Operations Pty Ltd	100%
E45/2805	Yeneena	Paterson	209.7	Encounter Operations Pty Ltd	100%
E45/2806	Yeneena	Paterson	63.7	Encounter Operations Pty Ltd	100%
ELA45/3881	Yeneena	Paterson	114.4	Encounter Operations Pty Ltd	0% earning up to 85%

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.enrl.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
- Audit Committee Charter
- Code of Conduct
- Diversity Policy
- 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 2011/2012 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"), other than as stated below. 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 complying with Recommendation 1.1 of the Corporate Governance Council, the Company has adopted a Board Charter which clarifies the respective roles of the Board and senior management and assists in decision making processes. A copy of the Board Charter is available on the Company's website.

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 of the Corporate Governance Council. 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 Jonathan Hronsky. The skills, experience and expertise of all Directors is set out in the Directors' Report section of this Annual Report.

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 both of the current Non-Executive Directors meet the recommended independence criteria. As a result the Company complies with Recommendation 2.1 of the Corporate Governance Council. 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 considered to be an independent director and as such Recommendation 2.2 of the Corporate Governance Council has been complied with. 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 the Company complies with Recommendation 2.3 of the Corporate Governance Council.

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 of the Corporate Governance Council. 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 of the Corporate Governance Council. 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 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 of the Corporate Governance Council. This Code addresses expectations for conduct in accordance with legal requirements and agreed ethical standards. A copy of the Code is available on the Company's website.

Guidelines for Trading in Company Securities

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 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.

The guidelines also provide that the acknowledgement of the Chairman or the Board should be obtained prior to trading. A summary of the Guidelines are available on the Company's website.

The Company's policy restricts, notwithstanding exceptional circumstances, the trading in Company's securities by those individuals covered by the policy to trading windows that are open for 10 days following the hosting of General Meetings of the Company, the release of annual, half yearly results and quarterly reports and after any other public announcement on ASX.

Diversity

The Board has adopted a diversity policy that details the purpose of the policy and the employee selection and appointment guidelines, consistent with the recommendations of the Corporate Governance Council. The Board believes that the adoption of an efficient diversity policy has the effect of broadening the employee recruitment pool, supporting employee retention, including different perspectives and is socially and economically responsible governance practice.

The Company employs new employees and promotes current employees on the basis of performance, ability and attitude. The Board is continually reviewing its practices with a focus on ensuring that the selection process at all levels within the organisation is formal and transparent and that the workplace environment is open, fair and tolerant.

The Company, in keeping with the recommendations of the Corporate Governance Council provides the following information regarding the proportion of gender diversity in the organisation as at 30 June 2012:

	Proportion of female / total number of persons employed
Females employed in the Company as a whole	5/13
Females employed in the Company in senior positions	1/1
Females appointed as a Director of the Company	0/4

The recommendations of the Corporate Governance Council relating to reporting require a Board to set measurable objectives for achieving diversity within the organisation, and to report against them on an annual basis. The Company has implemented measurable objectives as follows:

Measurable Objective	Objective Satisfied	Comment
Adoption and promotion of a Formal Diversity Policy	Yes	The Company has adopted a formal diversity policy which has been made publicly available via the ASX and the Company's website.
To ensure Company policies are consistent with and aligned with the goals of the Diversity Policy	Yes	The Company's selection, remuneration and promotion practices are merit based and as such are consistent with the goals of the Company's Diversity Policy.
To provide flexible work and salary arrangements to accommodate family commitments, study and self-improvement goals, cultural traditions and other personal choices of current and potential employees.	Yes	The Company does, where considered reasonable, and without prejudice, accommodate requests for flexible working arrangements.
To implement clear and transparent policies governing reward and recognition practices.	Yes	The Company grants reward and promotion based on merit and responsibility as part of its annual and ongoing review processes.
To provide relevant and challenging professional development and training opportunities for all employees.	Yes	The Company seeks to continually encourage self-improvement in all employees, irrespective of seniority, ability or experience, through external and internal training courses, regular staff meetings and relevant on job mentoring.

The Company has not implemented specific measurable objectives regarding the proportion of females to be employed within the organisation or implement requirements for a proportion of female candidates for employment and Board positions. The Board considers that the setting of quantitative gender based measurable targets is not consistent with the merit and ability based policies currently implemented by the Company.

The Board will consider the future implementation of gender based diversity measurable objectives when more appropriate to the size and nature of the Company's operations.

Corporate Governance Council Recommendation 4

Safeguarding Integrity in Financial Reporting

Audit Committee

During the 2012 financial year the Board formed a separate Audit Committee and as such complies with Recommendation 4.1 of the Corporate Governance Council.

The Audit Committee is comprised of the Company's Non-Executive Directors, who are also considered to be independent, and the Committee is chaired by Dr Jon Hronsky who is not the Chairman of the Board. The Board believes that with the composition of the Audit Committee being of Independent Non-Executive Directors, the Company is able to meet the objectives of Recommendation 4.2, and discharge its duties in this area. The relevant experience of members is detailed in the Directors' section of the Directors' Report.

The Audit Committee has adopted a formal Audit Committee Charter which sets its role and responsibilities, as per Recommendation 4.3. A copy of the Audit Committee Charter is available on the Company's website.

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.

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

The Audit Committee are available for correspondence with the auditors of the Company.

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 of the Corporate Governance Council.

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 of the Corporate Governance Council. A copy of the policy is available on the Company's website.

In addition to electronic communication via the ASX website, the Company publishes all significant announcements together with all quarterly reports. These documents are available in both hardcopy on request and on the Company website 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 policy

The Board 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 of the Corporate Governance Council. The Board is responsible for supervising management's framework of control and accountability systems to enable risk to be assessed and managed.

Risk management and the internal control system

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.

In order to implement the Company's Risk Management Policy, it was considered important that the Company establish an internal control regime in order to:

- Assist the Company to achieve it's strategic objectives;
- Safeguard the assets and interests of the Company and its stakeholders; and
- Ensure the accuracy and integrity of external reporting.

Key identified risks to the business are monitored on an ongoing basis as follows:

- **Business risk management**
  The Company manages its activities within budgets and operational and strategic plans.
- **Internal controls**
  The Board has implemented internal control processes typical for the Company's size and stage of development. It requires the senior executives to ensure the proper functioning of internal controls and in addition it obtains advice from the external auditors as considered necessary.
- **Financial reporting**
  Directors approve an annual budget for the Company and regularly review performance against budget at Board Meetings.
- **Operations review**
  Members of the Board regularly visit the Company's exploration project areas, reviewing both geological practices, and environmental and safety aspects of operations.
- **Environment and safety**
  The Company is committed to ensuring that sound environmental management and safety practices are maintained on its exploration activities.

The Company's risk management strategy is evolving and will be an ongoing process and it is recognised that the level and extent of the strategy will develop with the growth and change in the Company's activities.

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 of the Corporate Governance Council. The Board believes that the Company is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more 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 of the Corporate Governance Council.

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 of the Corporate Governance Council. 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 of the Corporate Governance Council.

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.

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. Share options which were issued to a Non-Executive Director, were subject to shareholder approval. 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 (the Group) at the end of, and during the year ended 30 June 2012.

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, MAusIMM

Non-Executive Chairman appointed 7 October 2005

Mr Chapman is a chartered accountant with over twenty years experience in the resources sector gained in Australia and the United States. Mr Chapman has experience across a range of commodity businesses including gold, nickel, uranium, manganese, bauxite/alumina and oil/gas. Mr Chapman has held managing director and other senior management roles in public companies of various sizes. Mr Chapman is the chairman of ASX listed gold producer Sliver Lake Resources Ltd and minerals explorer Rex Minerals Ltd.

Will Robinson – B.Comm, MAusIMM

Managing Director (Executive) appointed 30 June 2004

Mr Robinson is a resources industry commercial and finance specialist with over eighteen 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. Mr Robinson has extensive experience in the sale and distribution of commodities and was Vice President – Marketing for WMC's nickel business from 2001 to 2003. Mr Robinson founded Encounter Resources Limited in 2004 and has overseen the development of the Company as its Managing Director. Mr Robinson is the President of the Association of Mining and Exploration Companies (AMEC).

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, Exploration Manager for WMC's Nickel Business Unit and Exploration Manager for North America based in Denver, Colorado. Whilst at WMC, Mr Bewick gained extensive experience in project generation for a range of commodities including nickel, gold and bauxite. Mr Bewick has been associated with a number of brownfields exploration successes at Kambalda and with the greenfield Collurabbie Ni-Cu-PGE discovery.

Jonathan Hronsky – BAppSci, PhD, MAusIMM, FSEG

Non-executive director appointed 10 May 2007

Dr 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. He is currently a Director of exploration consulting group Western Mining Services and Chairman of the board of management of the Centre for Exploration Targeting at the University of Western Australia.

Company Secretary

Kevin Hart – B.Comm, FCA

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, Endeavour Corporate, which specialises in the provision of company secretarial and accounting services to ASX listed entities.

Dan Travers – BSc (Hons), FCCA

Mr Travers is a Fellow of the Association of Chartered Certified Accountants and was appointed to the position of Joint Company Secretary on 20 November 2008. He is an employee of Endeavour Corporate, which specialises in the provision of company secretarial and accounting services to ASX listed entities in the mining and exploration industry.

Directors' Interests

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

Director	*Directors' Interests in Ordinary Shares*	*Directors' Interests in Unlisted Options*	*Options vested at the reporting date*
P Chapman	5,394,900	–	–
W Robinson	22,096,900	–	–
P Bewick	4,975,000	4,300,000	4,300,000
J Hronsky	–	1,300,000	1,300,000

Included in the Directors' interests in Unlisted Options, there are 5,600,000 options that are vested and exercisable as at the date of signing this report.

Directors' Meetings

The number of meetings of the Company's Directors held during the year ended 30 June 2012, and the number of meetings attended by each Director are as follows:

	Board of Directors' Meetings	
Director	*Held*	*Attended*
P Chapman	8	8
W Robinson	8	8
P Bewick	8	8
J Hronsky	8	8

Principal Activities

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

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

Results of Operations

The consolidated net loss after income tax for the financial year was $758,706 (2011: $4,933,106).

Included in the consolidated loss for the current year is a write-off of deferred exploration expenditure totalling $234,086 (2011: $2,097,750).

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

Exploration activities for the financial year have been focussed on the Company's Yeneena Project in the Paterson Province, principally at the BM1 and BM7 copper discoveries, T4 copper prospect and the BM2 copper/zinc prospect. The Yeneena Project covers a 1,400km^2 area of the Paterson Province in Western Australia.

Full details of the Company's exploration activities are available in the Exploration Review in the Annual Report.

Financial Position

At the end of the financial year the Group had $5,185,337 (2011: $7,241,296) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is $15,219,430 (2011: $7,535,748).

Expenditure was principally focused on the exploration for base metals at the Company's Yeneena Project in the Paterson Province of Western Australia.

Significant Changes in the State of Affairs

During the year the Company completed a placement of 14,850,000 shares at $0.40 each, raising $5,940,000 before costs.

Other than the above, 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

As at the date of this report 8,025,000 unissued ordinary shares of the Company are under option as follows:

Number of Options Granted	*Exercise Price*	*Expiry Date*
500,000	53.5 cents	30 November 2012
400,000	55 cents	30 November 2012
400,000	70 cents	30 November 2012
200,000	30 cents	30 June 2013
5,425,000	$1.35	22 November 2014
550,000	80 cents	30 September 2015
550,000	40 cents	31 May 2016

All options on issue at the date of this report are vested and exercisable.

During the financial year the Company granted 1,250,000 unlisted options (2011: 5,500,000) over unissued shares to employees, directors and consultants of the Company.

During the year 50,000 options were cancelled (2011: 175,000) on the cessation of employment.

During the financial year no (2011: 1,200,000) ordinary shares were issued on the exercise of options.

Since the end of the financial year no options have been issued by the Company. No options have been exercised since the end of the financial year. Since the end of the financial year 50,000 options have been cancelled due to the lapse of exercise period.

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

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments and Expected Results of Operations

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

Environmental Regulation and Performance

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

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

Remuneration Report (Audited)

Remuneration Policy

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

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

Short-term incentive bonus

The Non-Executive Directors set the key performance indicators (KPI) for the Key Management Personnel. The KPI's include measures related to the Group and the individual, and may include safety, environmental, operational performance and financial measures. The measures are chosen to directly align the individual's reward to the KPI's of the Group and to its strategy and performance.

The objectives vary with position and responsibility and include measures such as achieving strategic and funding targets, safety and environmental performance, exploration and other operational success. All performance objectives are weighted when calculating the maximum bonus achievable.

At the end of each financial year the Non-Executive Directors assesses the performance of the Group against the KPI's set at the beginning of the financial year. A percentage of the pre-determined maximum bonus amount is awarded depending on results. No bonus is awarded where performance falls below the minimum requirement.

There were no KPI's set for the financial year ended 30 June 2012. The measurement of KPI's and Key Management Personnel's individual performance will be assessed for the financial year ended 30 June 2013, and the Non-Executive Directors will recommend the appropriate level of bonus to the Board.

The method of assessment provides the Non-Executive Directors with an objective measure of Key Management Personnel performance.

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 each Director of the Company are as follows:

Directors	*Base Emolument $*	*Superannuation Contributions $*	*Other Benefits $*	*Value of Options Granted $*	*Total $*	*Share based payments as % of remuneration*
2012						
P Chapman	60,000	5,400	–	–	65,400	–
W Robinson	280,000	25,200	–	–	305,200	–
P Bewick	260,000	23,400	–	–	283,400	–
J Hronsky	50,000	4,500	–	–	54,500	–
Total	**650,000**	**58,500**	**–**	**–**	**708,500**	**–**
2011						
P Chapman	52,000	4,608	–	–	56,608	–
W Robinson	250,275	22,525	–	–	272,800	–
P Bewick	231,000	20,790	–	1,509,449	1,761,239	85.7%
J Hronsky	46,200	4,158	–	345,017	395,375	87.3%
Total	**579,475**	**52,081**	**–**	**1,854,466**	**2,486,022**	**74.6%**

Executive Employment Agreements

Remuneration and other terms of employment for the Managing Director and Exploration Director are set out in their respective Executive Employment Agreements. Both employment contracts are for a two year term commencing 23 January 2011 and are subject to a three month notice of termination of contract.

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

Unlisted Options

No options over unissued shares were issued to Key Management Personnel of the Company during the year (2011: 4,300,000).

No options have been issued to Directors or Key Management Personnel since the end of the financial year.

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

End of Remuneration Report

Officer's Indemnities and Insurance

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

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

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

Proceedings on behalf of the Company

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

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

Corporate Governance

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

Non-audit Services

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

	2012 $	2011 $
Total remuneration paid to auditors during the financial year:		
Audit and review of the Company's financial statements	**39,240**	32,000
Other services	**–**	–
Total	**39,240**	32,000

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 the following page.

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

Dated at Perth this 21st day of September 2012.

W Robinson
Managing Director

Crowe Horwath

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Encounter Resources Limited for the year ended 30 June 2012, 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.

Crowe Horwath Perth

CROWE HORWATH PERTH

CYRUS PATELL
Partner

Signed at Perth, 21 September 2012

Crowe Horwath Perth is a WHK Group Firm and a member of Crowe Horwath International, a Swiss verein.
Each member firm of Crowe Horwath is a separate and independent legal entity.

Consolidated Statement of Comprehensive Income

For the financial year ended 30 June 2012

	Note	Consolidated 2012 $	2011 $
Revenue	5	**371,715**	337,741
Total revenue		**371,715**	337,741
Employee expenses		**(1,417,955)**	(1,038,130)
Employee expenses recharged to exploration		**1,143,686**	838,006
Equity based remuneration expense	17	**(207,409)**	(2,351,643)
Non-executive Director's fees		**(110,000)**	(97,400)
Depreciation expense	6	**(11,509)**	(16,158)
Corporate expenses		**(87,823)**	(125,078)
Joint venture administration costs recharged		**642**	34
Administration and Other expenses		**(426,153)**	(382,728)
Exploration costs written off and expensed	6	**(234,086)**	(2,097,750)
Loss before income tax		**(978,892)**	(4,933,106)
Income tax benefit/(expense)	7	**220,186**	–
Loss after tax	17	**(758,706)**	(4,933,106)
Other comprehensive income		**–**	–
Total comprehensive income for the year		**(758,706)**	(4,933,106)

		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the Company			
Basic earnings/(loss) per share	27	**(0.7)**	(5.2)
Diluted earnings/(loss) per share	27	**(0.7)**	(5.2)

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

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	Consolidated 2012 $	2011 $
Current assets			
Cash and cash equivalents	8	**5,185,337**	7,241,296
Trade and other receivables	9(a)	**407,678**	121,144
Other current assets	9(b)	**77,994**	98,584
Total current assets		**5,671,009**	7,461,024
Non-current assets			
Property, plant and equipment	11	**381,585**	337,195
Capitalised mineral exploration and evaluation expenditure	12	**15,219,430**	7,535,748
Total non-current assets		**15,601,015**	7,872,943
Total assets		**21,272,024**	15,333,967
Current liabilities			
Trade and other payables	14(a)	**1,308,509**	482,966
Employee benefits	14(b)	**41,692**	37,879
Total current liabilities		**1,350,201**	520,845
Total liabilities		**1,350,201**	520,845
Net assets		**19,921,823**	14,813,122
Equity			
Issued capital	15	**27,320,545**	21,660,547
Accumulated losses	17	**(10,178,761)**	(9,448,420)
Equity remuneration reserve	17	**2,780,039**	2,600,995
Total equity		**19,921,823**	14,813,122

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2012

	Consolidated			
	Issued capital $	Accumulated losses $	Equity remuneration reserve $	Total $
2011				
Balance at the start of the financial year	12,745,067	(4,742,176)	476,214	8,479,105
Comprehensive income for the financial year	–	(4,933,106)	–	(4,933,106)
Movement in equity remuneration reserve	–	226,862	2,124,781	2,351,643
Transactions with equity holders in their capacity as equity holders:				
Shares issued	8,915,480	–	–	8,915,480
Balance at the end of the financial year	21,660,547	(9,448,420)	2,600,995	14,813,122
2012				
Balance at the start of the financial year	**21,660,547**	**(9,448,420)**	**2,600,995**	**14,813,122**
Comprehensive income for the financial year	**–**	**(758,706)**	**–**	**(758,706)**
Movement in equity remuneration reserve	**–**	**28,365**	**179,044**	**207,409**
Transactions with equity holders in their capacity as equity holders:				
Shares issued	**5,659,998**	**–**	**–**	**5,659,998**
Balance at the end of the financial year	**27,320,545**	**(10,178,761)**	**2,780,039**	**19,921,823**

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

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Cash flows from operating activities			
State Government funded drilling rebate		130,552	–
R&D tax concession tax refund		10,936	171,542
Interest received		241,163	295,885
Payments to suppliers and employees		(838,919)	(754,242)
Net cash used in operating activities	26	(456,268)	(286,815)
Cash flows from investing activities			
Payments for exploration and evaluation		(7,072,265)	(3,504,287)
Payments for plant and equipment		(187,425)	(257,726)
Net cash used in investing activities		(7,259,690)	(3,762,013)
Cash flows from financing activities			
Proceeds from the issue of shares		5,940,000	9,446,640
Payments for share issue costs		(280,001)	(531,161)
Net cash provided by financing activities		5,659,999	8,915,479
Net increase/(decrease) in cash held		(2,055,959)	4,866,651
Cash at the beginning of the financial year		7,241,296	2,374,645
Cash at the end of the financial year	8(a)	5,185,337	7,241,296

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

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for 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 separate financial statements of the parent entity have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial report of the Group was authorised for issue in accordance with a resolution of Directors on 21 September 2012.

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.

Adoption of New and Revised Standards –

Changes in accounting policies on initial application of accounting standards

In the year ended 30 June 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies other than those set out below.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Reporting basis and conventions

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

Critical accounting estimates

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

Principles of consolidation

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

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

Note 1 Summary of significant accounting policies continued

(b) Segment reporting

Operating segments are identified and segment information disclosed, where appropriate, on the basis of internal reports reviewed by the Company's board of directors, being the Group's Chief Operating Decision Maker, as defined by AASB 8. Adoption of AASB 8 by the Group has not resulted in a redefinition of previously reported operating segments.

(c) Revenue recognition and receivables

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

Interest income

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

(d) Income tax

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

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

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

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

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

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

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

(e) Leases

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

Note 1 Summary of significant accounting policies continued

(f) Impairment of assets

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

(g) Cash and cash equivalents

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

(h) Fair value estimation

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

(i) Property, plant and equipment

Property, plant and equipment 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight line and diminishing 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 is written off as incurred or accumulated in respect of each identifiable area of interest and capitalised. 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.

Note 1 Summary of significant accounting policies continued

(j) Mineral exploration and evaluation expenditure continued

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

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

(k) Joint ventures

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

(l) Trade and other payables

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

(m) Employee benefits

Wages, salaries and annual leave.

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

Long service leave.

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

Share based payments.

Share based compensation payments are made available to Directors and employees.

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

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. A discount is applied, where appropriate, to reflect the non-marketability and non-transferability of unlisted options, as the Black-Scholes option pricing model does not incorporate these factors into its valuation.

Note 1 Summary of significant accounting policies continued

(m) Employee benefits continued

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.

Upon the cancellation of options on expiry of the exercise period, or lapsing of vesting conditions, the balance of the share based payments reserve relating to those options is transferred to accumulated losses.

(n) Issued capital

Ordinary shares are classified as equity.

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

(o) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(p) Goods and services tax (GST)

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

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

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

(q) Comparative figures

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

Note 1 Summary of significant accounting policies continued

(r) Investments and other financial assets

Recognition

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

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

(i) Financial assets at fair value through profit or loss

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(iv) Financial liabilities

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

(s) Fair value estimation

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

Investments in equity and debt securities

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

Trade and other receivables

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

Note 2 Financial risk management

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

(a) Credit risk

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

Trade and other receivables

The nature of the business activity of the Group does not result in trading receivables. The receivables that the Group does experience through it's normal course of business are short term and the most significant recurring by quantity is receivable from the Australian Taxation Office, the risk of non-recovery of receivables from this source is considered to be negligible.

Cash deposits

The Directors believe any risk associated with the use of predominantly only one bank is addressed through the use of at least an A-rated bank as a primary banker and by the holding of a portion of funds on deposit with alternative A-rated institutions. Except for this matter the Group currently has no significant concentrations of credit risk.

(b) Liquidity risk

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

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

(c) Market risk

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

Interest rate risk

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

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

Note 3 Critical accounting estimates and judgements

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

Accounting for capitalised exploration and evaluation expenditure

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

Accounting for share based payments

The values of amounts recognised in respect of share based payments have been estimated based on the fair value of the equity instruments granted. Fair values of options issued are estimated by using an appropriate option pricing model. There are many variables and assumptions used as inputs into the models. If any of these assumptions or estimates were to change this could have a significant effect on the amounts recognised. See Note 16 for details of inputs into option pricing models in respect of options issued during the reporting period.

Note 4 Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources. Reportable segments disclosed are based on aggregating operating segments, where the segments have similar characteristics. The Group's sole activity is mineral exploration and resource development wholly within Australia, therefore it has aggregated all operating segments into the one reportable segment being mineral exploration.

The reportable segment is represented by the primary statements forming these financial statements.

	Consolidated	
	2012	2011
	$	$
Note 5 Revenue		
Operating activities		
State Government funded drilling rebate	**130,552**	42,208
Interest receivable	**240,026**	295,297
Other income	**1,137**	236
	371,715	337,741
Note 6 Loss for the year		
Loss before income tax includes the following specific expenses:		
Depreciation:		
Office equipment	**11,509**	8,779
Leasehold improvements	**–**	7,379
	11,509	16,158
Rental expenses on operating leases – minimum lease payments	**63,606**	51,674
Total exploration costs not capitalised and written off	**234,086**	2,097,750

Note 7 Income tax

	Consolidated 2012 $	Consolidated 2011 $
(a) Income tax expense		
Current income tax:		
Current income tax charge (benefit)	(2,556,703)	(1,266,734)
Current income tax not recognised	2,556,703	1,266,734
R&D tax refund receivable	(220,186)	–
Deferred income tax:		
Relating to origination and reversal of timing differences	(269,215)	(788,283)
Deferred income tax benefit not recognised	269,215	788,283
Income tax expense/(benefit) reported in the income statement	(220,186)	–

The Group submitted a claim to the Australian Taxation Office for a Research and Development tax concession in respect of qualifying transactions which occurred during the year ended 30 June 2011.

	2012 $	2011 $
(b) Reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(978,892)	(4,933,106)
Tax at the Australian rate of 30% (2011: 30%)	(293,668)	(1,479,932)
Tax effect of permanent differences:		
Non-deductible share based payment	62,223	705,493
R&D tax refund receivable	(220,186)	–
Exploration costs written off	70,226	629,325
Capital raising costs claimed	(37,769)	(39,071)
Net deferred tax asset benefit not brought to account	198,988	184,185
Tax (benefit)/expense	(220,186)	–
(c) Deferred tax – Balance Sheet		
Liabilities		
Prepaid expenses	(23,398)	(29,576)
Capitalised exploration expenditure	(4,565,829)	(2,260,724)
	(4,589,227)	(2,290,300)
Assets		
Revenue losses available to offset against future taxable income	6,621,346	4,359,507
Employee provisions	12,508	11,364
Accrued expenses	16,295	6,000
Deductible equity raising costs	129,447	129,458
	6,779,596	4,506,329
Net deferred tax asset/(liability)	2,190,369	2,216,029

	Consolidated 2012 $	2011 $

Note 7 Income tax continued

(d) Deferred tax – Income Statement

	2012 $	2011 $
Liabilities		
Prepaid expenses	**6,178**	(753)
Capitalised exploration expenditure	**(2,305,105)**	(444,943)
Assets		
Accruals	**10,295**	–
Increase in tax losses carried forward	**2,556,703**	1,241,507
Employee provisions	**1,144**	(7,528)
Deferred tax benefit/(expense) not recognised	**229,215**	788,283

The deferred tax benefit 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 of $22,071,152 (2011: $13,548,808) were incurred by Australian entities.

Note 8 Current assets – Cash and cash equivalents

	Consolidated 2012 $	2011 $
Cash at bank and on hand	**1,185,337**	126,321
Deposits at call	**4,000,000**	7,114,975
	5,185,337	7,241,296

(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 statement of cash flows as follows:

	2012 $	2011 $
Cash and cash equivalents per statement of cash flows	**5,185,337**	7,241,296

(b) Deposits at call

The deposits are bearing fixed interest rates of 5.9% (2011: 6.0%). These deposits have an average maturity of 87 days.

Note 9 Current assets – Receivables

	Consolidated 2012 $	2011 $
(a) Trade and other receivables		
R&D tax concession receivable	**209,250**	–
Other receivables	**110,600**	61,782
Recoverable joint venture expenses	**7,449**	4,938
GST recoverable	**80,379**	54,424
	407,678	121,144
(b) Other current assets		
Prepaid tenement costs	**77,994**	85,618
Prepaid expenses	**–**	12,966
	77,994	98,584

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 Encounter Resources Limited's wholly owned subsidiary companies:

	Company 2012 $	2011 $
Encounter Operations Pty Ltd	**2**	2
Hamelin Resources Pty Ltd	**1**	1

Subsidiary Company	Country of Incorporation	Ownership Interest 2012 %	2011 %
Encounter Operations Pty Ltd	Australia	**100%**	100%
Hamelin Resources Pty Ltd	Australia	**100%**	100%

- Encounter Operations Pty Ltd was incorporated in Western Australia on 27 November 2006.
- Hamelin Resources Pty Ltd was incorporated in Western Australia on 24 November 2009.

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

	Company 2012 $	2011 $
(b) Loans to controlled entities		
The following amounts are payable to the parent company, Encounter Resources Limited at the reporting date:		
Encounter Operations Pty Ltd	**14,630,795**	6,986,449
Hamelin Resources Pty Ltd	**–**	–

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

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

	Consolidated 2012 $	2011 $
Field equipment		
At cost	759,949	592,309
Accumulated depreciation	(407,376)	(275,851)
	352,573	316,458
Office equipment		
At cost	93,225	73,441
Accumulated depreciation	(64,213)	(52,704)
	29,012	20,737
Leasehold improvements		
At cost	22,137	22,137
Accumulated depreciation	(22,137)	(22,137)
	–	–
	381,585	337,195
Reconciliation		
Field equipment		
Net book value at start of the year	316,458	120,251
Additions	167,640	252,852
Depreciation	(131,525)	(56,645)
Net book value at end of the year	352,573	316,458
Office equipment		
Net book value at start of the year	20,737	24,644
Additions	19,784	4,872
Depreciation	(11,509)	(8,779)
Net book value at end of the year	29,012	20,737
Leasehold improvements		
Net book value at the start of the year	–	7,379
Additions	–	–
Depreciation	–	(7,379)
Net book value at the end of the year	–	–

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

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

	Consolidated 2012 $	2011 $
In the exploration and evaluation phase		
Cost carried forward in respect of:		
Incurred at cost by Encounter Resources Limited on assets not governed by joint venture agreements (i)	**123,494**	291,285
Costs capitalised by Encounter Operations Pty Ltd in respect of the Yeneena Project (ii)	**14,385,971**	6,874,888
Capitalised share of exploration assets under JV Agreements (iii)	**709,965**	369,575
Cost carried forward	**15,219,430**	7,535,748

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.

(ii) Exploration and evaluation expenditure recognised incurred by Encounter Operations Pty Ltd on tenements at the Yeneena Project.

(iii) Exploration and evaluation expenditure recognised on tenements under 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 2012 $	2011 $
Capitalised exploration costs at the start of the period	**7,535,748**	6,052,602
Total exploration costs for the period	**7,917,768**	3,580,896
Total exploration costs written off and expensed for the period	**(234,086)**	(2,097,750)
Capitalised exploration costs at the end of the period	**15,219,430**	7,535,748

Note 13 Interest 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.

Regional Uranium Joint Venture 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 had elected to contribute to the exploration expenditure program commencing 1st April 2007 to maintain their 20% interest in the projects. Under the terms of the agreement either party may elect to dilute their interest to a 1% net smelter royalty. On 30 September 2008, Avoca Resources elected to cease contributing to the Joint Venture and is diluting its interest in the projects in accordance with the terms of the Joint Venture agreement.

Lake Way Uranium Joint Venture Agreement

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.

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.

Joint Ventures – Financial Results and Carrying Values

The total amount of the Group's capitalised exploration and evaluation expenditure capitalised and employed under joint venture agreements at the reporting date is $709,965 (2011: $369,575 (Note 12). During the reporting period the Group recognised an expense of $55,560 (2011: $1,544,098) being its share of the exploration expenditure written off by the joint venture entities during the period.

Note 14 Current liabilities – Trade and other payables

	Consolidated 2012 $	2011 $
(a) Trade and other payables		
Trade payables and accruals	**1,267,846**	444,133
Other payables	**40,663**	38,833
	1,308,509	482,966
(b) Employee benefits		
Liability for annual leave	**41,692**	37,879

Liabilities are not secured over the assets of the Group. 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.

		2012 No.	2011 No.	2012 $	2011 $
(b) Share capital					
Issued share capital		**114,194,360**	99,344,360	**27,320,545**	21,660,547
(c) Share movements during the year					
Balance at the start of the financial year		**99,344,360**	79,161,435	**21,660,547**	12,745,067
Issued on exercise of options	$0.10	–	500,000	–	50,000
Issued on exercise of options	$0.20	–	100,000	–	20,000
Issued on exercise of options	$0.30	–	125,000	–	37,500
Issued on exercise of options	$0.45	–	100,000	–	45,000
Issued on exercise of options	$0.50	–	125,000	–	62,500
Issued on exercise of options	$0.525	–	250,000	–	131,250
Share placement	$0.27	–	11,482,925	–	3,100,390
Share placement	$0.80	–	7,500,000	–	6,000,000
Share placement	$0.40	**14,850,000**	–	**5,940,000**	–
Less share issue costs		–	–	**(280,002)**	(531,160)
Balance at the end of the financial year		**114,194,360**	99,344,360	**27,320,545**	21,660,547

(d) Option plan

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

Note 16 Options and share based payments

The establishment of the Encounter Resources Limited Directors, Officers and Employees Option Plan ('the Plan") was last approved by a resolution at the Annual General Meeting of shareholders of the Company on 30 November 2009. 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 1,250,000 options over unissued shares (2011: 5,500,000).

Note 16 Options and share based payments continued

(b) Options exercised during the year

During the financial year the Company issued no shares on the exercise of unlisted employee options (2011: 1,200,000).

(c) Options cancelled during the year

During the year 50,000 options (2011: 175,000) were cancelled upon termination of employment.

(d) Options on issue at the balance date

The number of options outstanding over unissued ordinary shares at 30 June 2012 is 8,075,000 (2011: 6,875,000). The terms of these options are as follows:

Number of options outstanding	Exercise price	Expiry date
50,000	50 cents	9 August 2012
500,000	53.5 cents	30 November 2012
400,000	55 cents	30 November 2012
400,000	70 cents	30 November 2012
200,000	30 cents	30 June 2013
5,425,000	$1.35	22 November 2014
550,000	80 cents	30 September 2015
550,000	40 cents	31 May 2016
8,075,000		

(e) Subsequent to the balance date

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

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

Subsequent to the balance date 50,000 options exercisable at 50 cents each were cancelled on expiry of the exercise period.

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

	2012		2011	
	No.	**WAEP (cents)**	No.	WAEP (cents)
Options outstanding at the start of the year	**6,875,000**	**117.0**	2,750,000	43.6
Options granted during the year	**1,250,000**	**69.0**	5,500,000	135.0
Options exercised during the year	**–**	**–**	(1,200,000)	28.9
Options expiring unexercised during the year	**(50,000)**	**135.0**	(175,000)	135.0
Options outstanding at the end of the year	**8,075,000**	**109.4**	6,875,000	117.0

Note 16 Options and share based payments continued

(e) Subsequent to the balance date continued

Weighted average contractual life

The weighted average contractual life for un-exercised options is 26.5 months (2011: 35.9 months).

Basis and assumptions used in the valuation of options.

The options issued during the year 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)
18 November 2011	150,000	$1.35	22 November 2014	4.50%	85%	33.0
25 October 2011	450,000	$0.80	30 September 2014	4.50%	80%	21.3
8 March 2012	100,000	$0.80	30 September 2014	3.50%	85%	10.4
13 June 2012	550,000	$0.40	31 May 2016	2.35%	86%	9.4

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. A discount of 30% in respect of a lack of marketability has been applied to the Black-Scholes option valuation to reflect the non-negotiability and non-transferability of the unlisted options granted.

Note 17 Reserves and accumulated losses

	Consolidated			
	2012		2011	
	Accumulated losses $	Equity remuneraton reserve (i) $	Accumulated losses $	Equity remuneration reserve (i) $
Balance at the beginning of the year	**(9,448,420)**	**2,600,995**	(4,742,176)	476,214
Loss for the period	**(758,706)**	**–**	(4,933,106)	–
Movement in equity remuneration reserve in respect of options issued	**–**	**207,409**	–	2,351,643
Transfer to accumulated losses on exercise of options	**–**	**–**	151,390	(151,390)
Transfer to accumulated losses on cancellation of options	**28,365**	**(28,365)**	75,472	(75,472)
Balance at the end of the year	**(10,178,761)**	**2,780,039**	(9,448,420)	2,600,995

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

Note 18 Financial instruments

Credit risk

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

Impairment losses

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

Interest rate risk

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

	Carrying amount ($) 2012	2011
Fixed rate instruments		
Financial assets	**–**	–
Variable rate instruments		
Financial assets	**5,185,337**	7,241,296

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 $
2012				
Variable rate instruments	**51,853**	**(51,853)**	**51,853**	**(51,853)**
2011				
Variable rate instruments	72,413	(72,413)	72,413	(72,413)

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):

Consolidated	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $	More than 5 years $
2012							
Trade and other payables	**1,213,531**	**1,213,531**	**1,213,531**	**–**	**–**	**–**	**–**
	1,213,531	**1,213,531**	**1,213,531**	**–**	**–**	**–**	**–**
2011							
Trade and other payables	424,133	424,133	424,133	–	–	–	–
	424,133	424,133	424,133	–	–	–	–

Note 18 Financial instruments continued

Fair values

Fair values versus carrying amounts

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

	Consolidated			
	2012		2011	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Cash and cash equivalents	**5,185,337**	**5,185,337**	7,241,296	7,241,296
Trade and other payables	**(1,213,531)**	**(1,213,531)**	(424,133)	(424,133)
	3,971,806	**3,971,806**	6,817,163	6,817,163

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 ended 30 June 2012 or 30 June 2011.

The Company has no franking credits available as at 30 June 2012 or 30 June 2011.

Note 20 Key management personnel disclosures

(a) Directors and key management personnel

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

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.

(b) Key management personnel compensation

Details of key management personnel remuneration are contained in the Audited Remuneration Report in the Directors' Report. A summary of total compensation paid to key management personnel during the year is as follows:

	2012 $	2011 $
Total short-term employment benefits	**650,000**	579,475
Total share based payments	**–**	1,854,466
Total post-employment benefits	**58,500**	52,081
	708,500	2,486,022

Note 20 Key management personnel disclosures continued

(c) Equity instrument disclosures relating to key management personnel

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

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

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

Options are 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.

Name – Directors	Balance at start of the year	Received during the year as remuneration	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
2012					
P Chapman	**–**	**–**	**–**	**–**	**–**
W Robinson	**–**	**–**	**–**	**–**	**–**
P Bewick	**4,300,000**	**–**	**–**	**4,300,000**	**4,300,000**
J Hronsky	**1,300,000**	**–**	**–**	**1,300,000**	**1,300,000**
2011					
P Chapman	–	–	–	–	–
W Robinson	–	–	–	–	–
P Bewick	800,000	3,500,000	–	4,300,000	4,300,000
J Hronsky	500,000	800,000	–	1,300,000	1,300,000

Share holdings

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

Name – Directors	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
2012				
P Chapman	**4,747,000**	**–**	**647,900**	**5,394,900**
W Robinson	**21,846,900**	**–**	**250,000**	**22,096,900**
P Bewick	**4,725,000**	**–**	**250,000**	**4,975,000**
J Hronsky	**–**	**–**	**–**	**–**
2011				
P Chapman	4,747,400	–	–	4,747,400
W Robinson	21,846,900	–	–	21,846,900
P Bewick	4,725,000	–	–	4,725,000
J Hronsky	–	–	–	–

(d) Loans made to key management personnel

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

(e) Other transactions with key management personnel

There were no other transactions with key management personnel.

Note 21 Remuneration of auditors

	Consolidated 2012 $	2011 $
Audit and review of the Company's financial statements	**39,240**	32,000
Other services	**–**	–
Total	**39,240**	32,000

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 2012 or 30 June 2011 other than:

Yeneena Project Gold Claw-back

Included in the agreement for the Group's acquisition of the remaining 25% interest in the Yeneena Project is a gold claw-back right in the event of a major discovery of a deposit of minerals dominant in gold, with gold revenue measured in a mining study equal to or exceeding 65% of total revenue and where a JORC compliant mineral resources exceeds 4,000,000 ounces of gold or gold equivalent, or is capable of producing at least 200,000 ounces of gold or gold equivalent per year for 10 years. Under the agreement Barrick (Australia Pacific) Limited retains the right to regain an interest of between 70 and 100% in the gold discovery at a price of between US$40-100 per ounce, with a 1.5% net smelter royalty to Encounter Resources.

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 2012 or 30 June 2011.

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 $916,000 (2011: $939,000). These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements. This commitment does not include the expenditure commitments which are the responsibility of the joint venture partners.

	Consolidated	
	2012	2011
	$	$
(b) Operating Lease Commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are as follows:		
Due within one year	–	41,250
Due later than one year but not later than five years	–	–
Total	–	41,250

The operating lease commitment relates to the lease of the Group's Perth office plus car park. The initial lease period was for three years commencing from 1 July 2008, and was extended for 6 months to 31 December 2011. At the reporting date there are no other operating lease commitments.

(c) Contractual Commitment

There are no material contractual commitments as at 30 June 2012 other than those disclosed above and not otherwise disclosed in the Financial Statements.

Note 24 Related party transactions

Transactions with Directors during the year are disclosed at Note 20 – Key Management Personnel.

The Company incurred the following amounts during the year in respect of exploration activities on under joint venture agreements, for which it acts as manager:

	2012	2011
	$	$
Regional Uranium JV	35,781	41,277
Lake Way Uranium JV	11,046	564
Details of the Company's interests under the joint venture agreements are provided at Note 13.		
As at the end of the financial year the Company had the following amounts (due to)/owing to it by the joint ventures:		
Regional Uranium JV	(5,033)	8,440
Lake Way Uranium JV	11,173	12,345

Note 25 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 26 Reconciliation of loss after tax to net cash inflow from operating activities

	Consolidated 2012 $	Consolidated 2011 $
Loss from ordinary activities after income tax	**(758,706)**	(4,933,106)
Share of management fee to JV not capitalised	**6,381**	6,243
Depreciation	**11,509**	16,158
Exploration cost written off	**234,086**	2,097,750
Share based payments expense	**207,409**	2,351,643
Movement in assets and liabilities:		
(Increase)/decrease in R&D tax refundable	**(209,250)**	171,542
(Increase)/decrease in prepaid expenses	**12,965**	(1,358)
(Increase)/decrease in receivables	**(2,596)**	(11,885)
Increase/(decrease) in payables	**41,934**	16,198
Net cash outflow from operating activities	**(456,268)**	(286,815)

Note 27 Earnings per share

	Consolidated 2012 Cents	Consolidated 2011 Cents
(a) Basic earnings per share		
Loss attributable to ordinary equity holders of the Company	**(0.7)**	(5.2)
(b) Diluted earnings per share		
Loss attributable to ordinary equity holders of the Company	**(0.7)**	(5.2)

	$	$
(c) Loss used in calculation of basic and diluted loss per share		
Consolidated loss after tax from continuing operations	**(758,706)**	(4,933,106)

	No.	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	**104,761,710**	93,776,980

At 30 June 2012 the Company has on issue 8,075,000 (2011: 6,875,000) unlisted options over ordinary shares that are not considered to be dilutive.

Note 28 Parent entity information

	Company 2012 $	2011 $
Financial position		
Assets		
Current assets	5,234,356	7,349,463
Non-current assets	15,845,839	7,984,504
Total Assets	21,080,195	15,333,967
Liabilities		
Current liabilities	1,350,201	520,845
Total Liabilities	1,350,201	520,845
NET ASSETS	19,729,994	14,813,122
Equity		
Issued Capital	27,320,545	21,660,547
Equity remuneration reserve	2,780,039	2,600,995
Accumulated losses	(10,370,590)	(9,448,420)
TOTAL EQUITY	19,729,994	14,813,122
Financial performance		
Loss for the year	(950,535)	(4,933,106)
Other comprehensive income	–	–
Total comprehensive income	(950,535)	(4,933,106)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

No guarantees have been entered into by the parent entity in relation to the debts of its subsidiary companies.

Contingent liabilities

For full details of contingencies see Note 22.

Commitments

For full details of commitments see Note 23.

Directors' Declaration

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

(a) the financial statements and notes set out on pages 34 to 61 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 2012 and of the performance for the year ended on that date of the Group.

(b) the remuneration disclosures that are contained in the Remuneration Report in the Directors Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, The Corporations Act 2001 and the Corporations Regulations 2001.

(c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

(d) the financial statements comply with International Financial Reporting Standards as set out in Note 1.

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 2012.

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

Signed at Perth this 21st day of September 2012.

W Robinson
Managing Director

Crowe Horwath

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENCOUNTER RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Encounter Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 of the financial report that gives a true and fair view 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:

(a) the financial report of Encounter Resources Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Report on the Remuneration Report
We have audited the Remuneration Report included in pages 30 to 31 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion
In our opinion, the Remuneration Report of Encounter Resources Limited. for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001.*

CROWE HORWATH PERTH

CYRUS PATELL
Partner

Signed at Perth, 21 September 2012

ASX Additional Information

Pursuant to the Listing Requirements of the Australian Securities Exchange, the shareholder information set out below was applicable as at 28 September 2012

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of shareholders	Securities held
1 – 1,000	113	61,982
1,001 – 5,000	302	949,104
5,001 – 10,000	222	1,844,246
10,001 – 100,000	532	17,981,067
More than 100,000	143	93,357,961
Totals	**1,312**	**114,194,360**

There were 213 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:

	Issued Ordinary Shares	
Shareholder Name	Number of shares	Percentage of shares
William Michael Robinson	22,096,900	19.35%
Eye Investment Fund Limited	11,145,852	9.86%

C. Twenty Largest Shareholders

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

	Listed Ordinary Shares	
Shareholder Name	Number of shares	Percentage of Shares
William Michael Robinson	16,216,900	14.20%
HSBC Custody Nominees Australia Limited	11,175,813	9.79%
Jacmew Pty Ltd	5,580,000	4.89%
Stone Poneys Nominees Pty Ltd <Chapman Investment Fund A/c>	4,650,000	4.07%
Solvista Pty Ltd	4,650,000	4.07%
UBS Nominees Pty Ltd	3,850,000	3.37%
Jorge Bernhard	2,107,375	1.85%
HSBC Custody Nominees Australia Limited	1,921,629	1.68%
Willstreet Pty Ltd	1,700,000	1.49%
Samantha Hogg	1,583,000	1.39%
Pieter Los	1,500,000	1.31%
UBS Wealth Management Australia Nominees	1,221,551	1.07%
Charles Robinson	1,200,000	1.05%
Thirty-fifth Celebrations Pty Ltd	1,000,000	0.88%
Kiki Super Fund	914,442	0.80%
Picton Cove Pty Ltd	811,913	0.71%
Andrew Bewick	783,270	0.69%
Jonhston Family Account	750,000	0.66%
Stone Poneys Nominees Pty Ltd <Chapman Super Fund A/c>	722,400	0.63%
HSBC Custody Nominees Australia Limited	719,400	0.63%
Total	**63,057,693**	**55.23%**

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.

E. Restricted Securities

There are no restricted securities.

Diamond drilling at T4 Prospect

encounter
RESOURCES LIMITED

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