encounter
RESOURCES LIMITED

ABN 47 109 815 796

ANNUAL REPORT 2009

encounter RESOURCES LIMITED
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Corporate Directory

Directors

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

Company Secretary

Kevin Hart
Daniel Travers (Joint Company Secretary)

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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.

Front Cover: Sunset at Yeneena Exploration Camp.

Encounter Resources Ltd is a mineral exploration company based in Perth, Western Australia (WA). The company's shares are listed on the Australian Stock Exchange (ASX : ENR). The company's strategy is to grow shareholder value through focused, methodological exploration and the development of uranium, gold and base metals resources in Australia. To drive its growth strategy the company has assembled a dedicated and experienced team of geoscientists who are leaders in their field of expertise.

Contents

Termite mounds of the Great Sandy Desert.

Letter from the Chairman & Managing Director

Dear Fellow Shareholder,

At the risk of understatement, 2008/09 was an interesting year for the resources sector. Our industry and our Company have seen a number of significant developments over the last twelve months.

At the start of the 2008/09 year, Encounter released its maiden uranium resource at the Hillview project of over 10 million pounds of near surface U_3O_8. In September 2008 the ban on uranium mining in Western Australia (WA) was lifted following a change of State Government. This is a big positive for a company that has been exploring for uranium in WA since 2004. The discovery and development of uranium resources is likely to be a significant growth industry for WA for many years and Encounter is keen to be part of the growth of this vibrant new industry.

However, to complement its uranium assets, the Company has also been investing considerable resources towards establishing a base metals portfolio. Along with uranium, we see base metals, and particularly copper, as commodities key to future global growth. One of the most exciting developments in 2009 has been the emergence of the Company's copper targets in the Paterson Province of WA. The targets identified are the culmination of two years of investment which included an extensive airborne EM survey and a large re-analysis program from 18,000m of historic drilling. The first diamond drill testing of these copper targets has just commenced as this annual report goes to print.

While the Company is continually assessing new opportunities to build the project portfolio, it has maintained its exploration focus in Australia on three broad areas:

- The Paterson Province in northern WA where the Company is a major exploration land holder between the Nifty copper mine and Kintyre uranium deposit.
- The northern Yilgarn region of WA where the Company maintains its uranium interests including the 10 million pound uranium resource at Hillview. The resource is located in the district that is likely to host WA's first uranium mine. The Company is assessing the potential development and commercial alternatives to advance the Hillview project.
- The Bangemall Basin in WA where the primary target is SEDEX Century style zinc/lead and sedimentary hosted copper.

One of the most exciting developments in 2009 has been the emergence of the Company's copper targets in the Paterson Province of WA.

Hillview Uranium Project.

Letter from the Chairman & Managing Director continued

The Company's main focus in 2009 has been the opportunity that has emerged in the Paterson Province. Put simply, we believe that the Paterson region is one of the most underexplored sedimentary copper and unconformity uranium regions in the world.

The Paterson Province is the host to Australia's most recent greenfields unconformity uranium discovery (Kintyre, 1985). For a number of reasons there has been minimal systematic uranium exploration in this region since the Kintyre discovery. In relation to copper, we believe there are a number of significant copper deposits to be discovered in the region. Deposits of this type generally occur in clusters of several major discoveries and a tail of smaller deposits. There is extensive sand cover in this region and while outcropping areas make up a very small part of this mineral province they have delivered a number of world class mineral discoveries.

Encounter controls 1,300km^2 of ground between the Nifty copper mine to the north and the Kintyre uranium deposit to the south along a major structural corridor. The Company is one of the largest exploration landholders in this district. The major regional structures that are integral to the formation of the known mineral deposits in the region extend under sand cover through Encounter's project.

The new datasets collected by Encounter have been the key to improving the explorability under sand cover in this world class mineral province.

…we believe that the Paterson region is one of the most underexplored sedimentary copper and unconformity uranium regions in the world.

In 2008 Encounter flew a 1,000 line km airborne EM over the Paterson project area in conjunction with Geoscience Australia. The survey has been highly successful at seeing well into the basement with minimal interference from any surface conductive units. Also in 2008, Encounter completed an extensive re-analysis program of sample pulps from the 18,000 metres of gold exploration drilling conducted by Barrick. This re-analysis has highlighted new areas of significant uranium and base metal anomalism.

Together, these new datasets collected by Encounter in 2008, have defined a series of compelling new targets in this underexplored region. In recognition of the quality of the targets, the Company was successful in its application for a co-funded drilling grant under the new WA Government Exploration Incentive Scheme. The initial drill program is focused on the large scale, near surface, copper targets identified. The considerable uranium potential of the Paterson project will be the focus of future programs.

In September 2009, the Company arranged a private placement to raise A$3.5 million. This additional funding will allow the Company to accelerate its exciting copper exploration programs and advance its uranium exploration portfolio.

In closing we would like to thank our committed team for their professionalism and dedication to the Company's exploration efforts. The Company has an exceptional exploration team in place, an exciting suite of large scale exploration targets and it is well funded to complete its exploration plans. With these critical factors in place, 2010 has the potential to be a company transforming year for Encounter. 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 over 4,500km^2 of strategically located and highly prospective exploration projects (Figure 1). The portfolio includes:

- A major ground position in the Paterson mineral province, between the Nifty copper mine and the Kintyre uranium deposit, considered highly prospective for unconformity related uranium and Proterozoic copper mineralisation;
- Over 10 million pounds of near surface calcrete style uranium resources in the Yilgarn Province; and
- Five projects targeting base metals deposits in the Bangemall Basin.

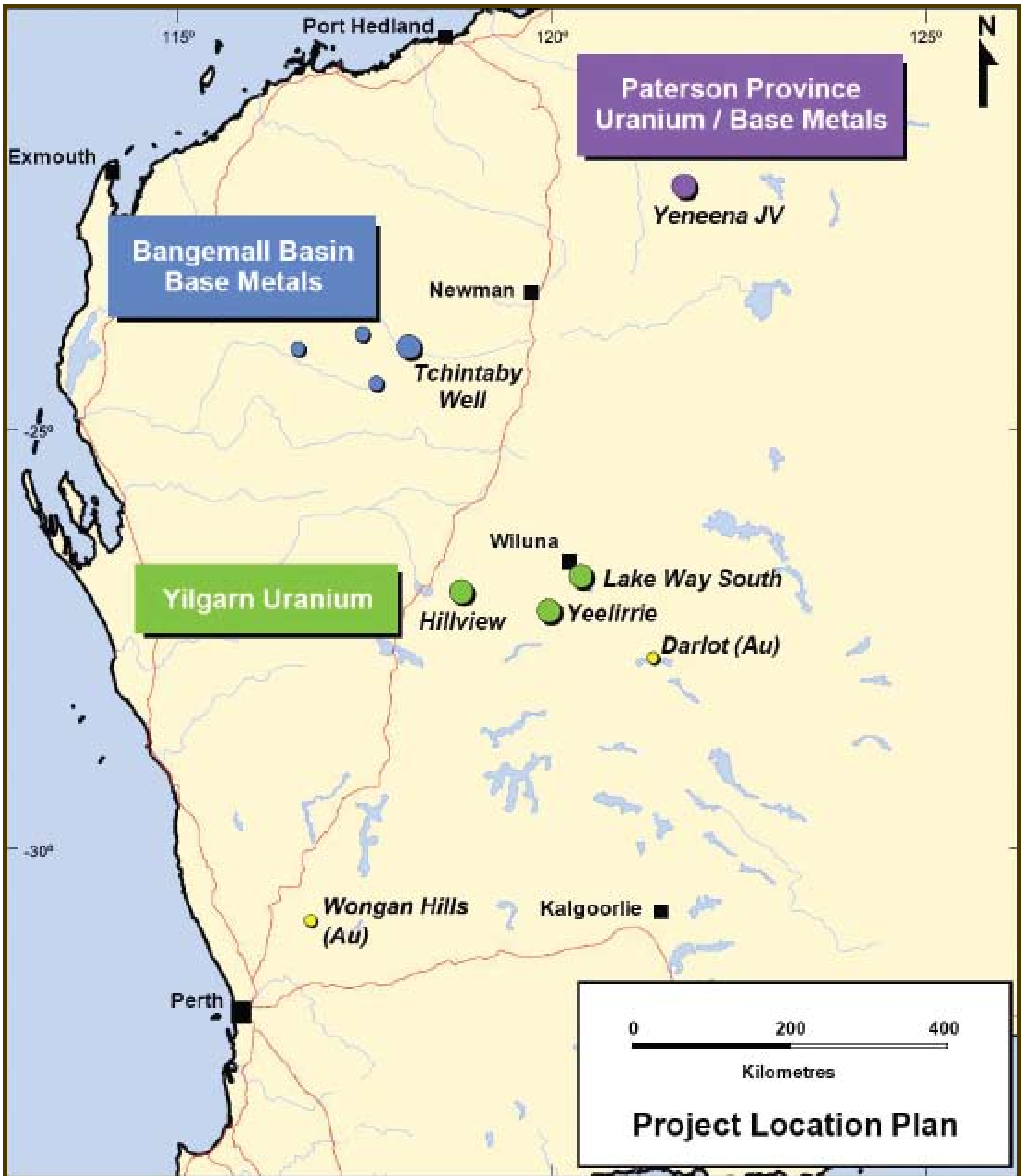

Figure 1: Project Location Plan.

Paterson Province

YENEENA PROJECT – *Copper, uranium and base metals*

(E45/2500, E45/2501, E45/2502, E45/2503, E45/2561, E45/2657, E45/2658, ELA45/2805 and ELA45/2806 – Encounter earning 75% from Barrick)

The Yeneena JV covers a 1,300km^2 tenement package in the Paterson Province of WA that is considered highly prospective for unconformity related uranium mineralisation, SEDEX lead-zinc mineralisation and Nifty/Isa style copper mineralisation. Encounter is earning a 75% interest in the tenements from Barrick Gold of Australia through the expenditure of $3M over 5 years.

The project area covers the northern margin of an area of anomalously thick Yeneena Group sedimentary rocks (Throssell Graben). This margin replicates the geological setting seen 40kms to the south, where the Kintyre uranium deposits are located (Figure 2). Outside of the known discoveries at Nifty (Cu) and Kintyre (U), found in areas of outcrop, the greenfields Paterson Province is significantly underexplored due to extensive sand cover and the remoteness of the location.

Simplified geological stratigraphy for the region comprises the Palaeo-Proterozoic Rudall Complex as the lowermost unit, overlain by the Neo-Proterozoic Coolbro Sandstone (Figure 3). The Broadhurst Formation sits stratigraphically above the Coolbro Sandstone and is the host to the 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. This position is the primary target for unconformity uranium mineralisation.

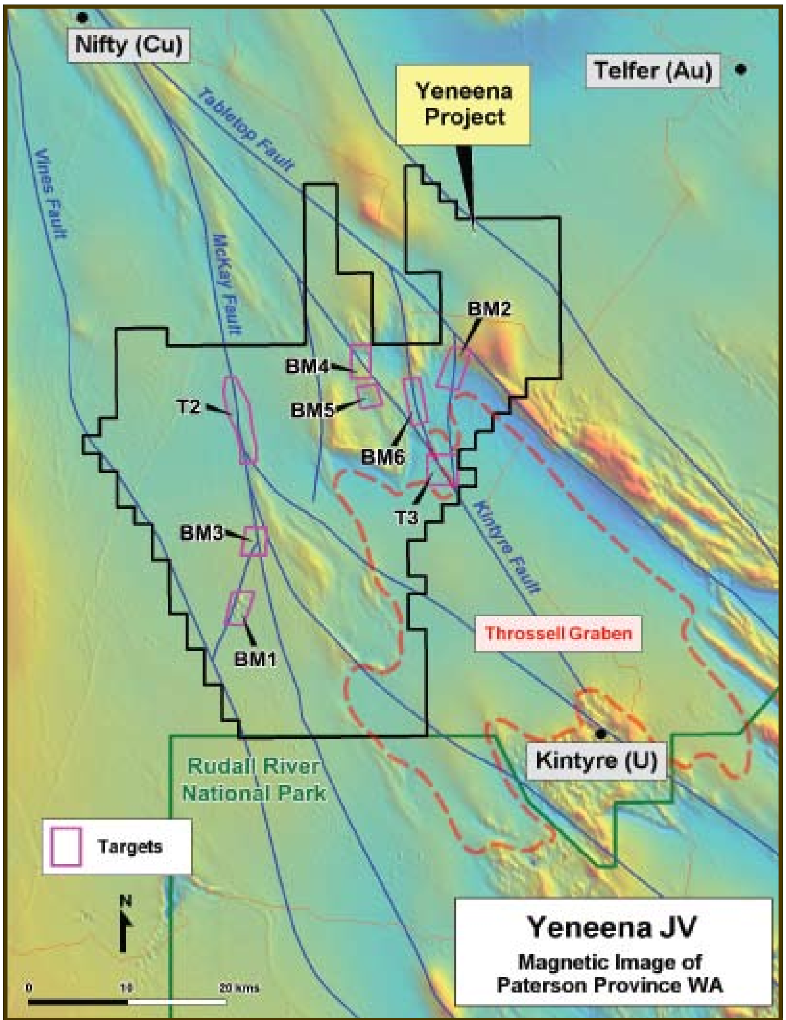

Figure 2: Yeneena project regional aeromagnetics, leasing and target plan.

During 2008 Geoscience Australia (GA) completed a 30,000 line km airborne TEMPEST© electromagnetic (AEM) survey over a large portion of the Paterson Province. The survey lines were flown in an east-west orientation at 1km or 2km line spacing. Encounter contracted Fugro Airborne to fly an additional 1000 line kms within the Yeneena JV to infill line spacing to 500m over the project area. The final data from this survey, including the GA flight lines, was received in April 2009.

The extensive regional AEM survey was highly successful at seeing well into the basement and shows minimal interference from any surface conductive units. This data has opened up a new exploration space at a relatively shallow depth in a region that hosts three major

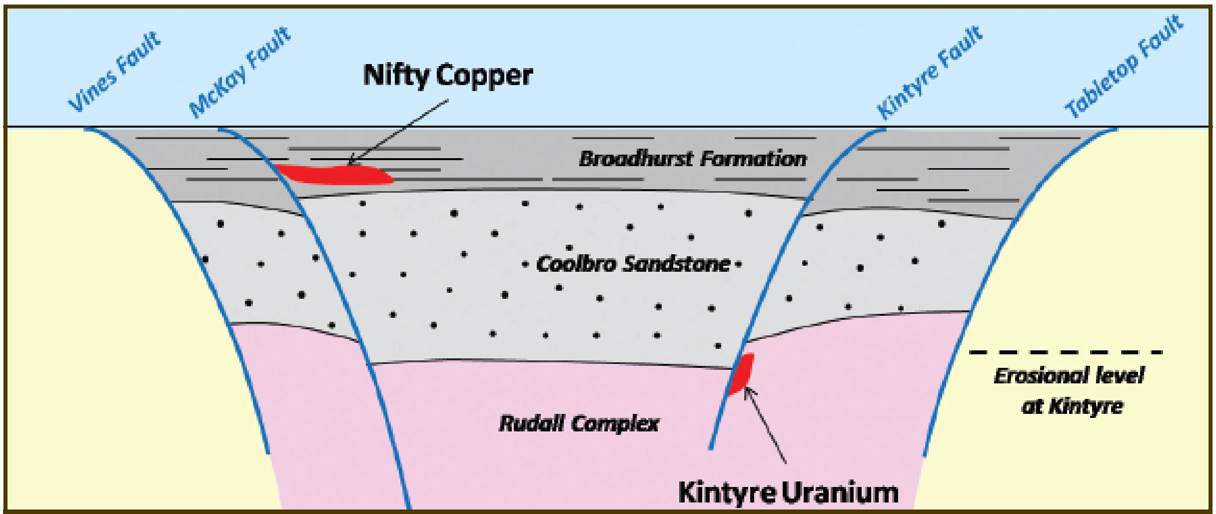

Figure 3: Schematic cross section stratigraphy of the Yeneena Basin.

mineral deposits. Bedrock conductors, in conjunction with geochemical and geological datasets, were used to define eight priority regional targets (refer to Figure 2). Of these targets, BM1 and BM5 were aircore drilled in May and June 2009.

A ground based EM survey commenced in July 2009 to provide greater definition of the bedrock conductors. Targets T2, BM1 and BM5 will be drill tested during September 2009 in a planned diamond drilling program. The quality of these targets resulted in the company being awarded funding from the WA Government's Co-Funded Exploration Initiative Scheme for up to $150,000 for the Yeneena diamond drilling program.

BM1 Target

The BM1 target is located within the Broadhurst Formation and consists of a coincident magnetic and AEM anomaly located on a SSW trending splay structure to the McKay Fault (refer to Figure 2).

Drilling by CRA in the mid 1980s focused on the outcropping ironstone unit at the northern end of the magnetic anomaly. Three holes were drilled by CRA and intersected copper up to 1000ppm and broad anomalous zones of uranium mineralisation. A water bore hole (WTWB2) drilled to the south of the ironstone returned highly anomalous copper results of 15m @ 0.14% Cu from 25m, including 3m @ 0.35% Cu. A second water bore (WTWB1) drilled 350m to the north west of WTWB2 ended in mineralisation with 8m @ 0.08% Cu from 52m to the end of hole, including 6m @ 0.10% Cu from 52m.

A decade later Normandy completed two broadly spaced lines of shallow RAB drilling across the target area and intersected additional copper regolith anomalism of 10m @ 0.12% Cu from 15m and 26m @ 310ppm Cu from 17m.

Historical drilling defined a regolith copper anomaly over 1.2kms in strike and open to the north, south and east. This regolith anomalism includes thick intersections in three holes grading in excess of 0.1% Cu over 800 metres in strike. The southern half of this copper anomaly is coincident with a westerly dipping AEM conductor that is interpreted to represent a sulphidic horizon below the base of oxidation.

Sampling historical drill holes at the Yeneena Project.

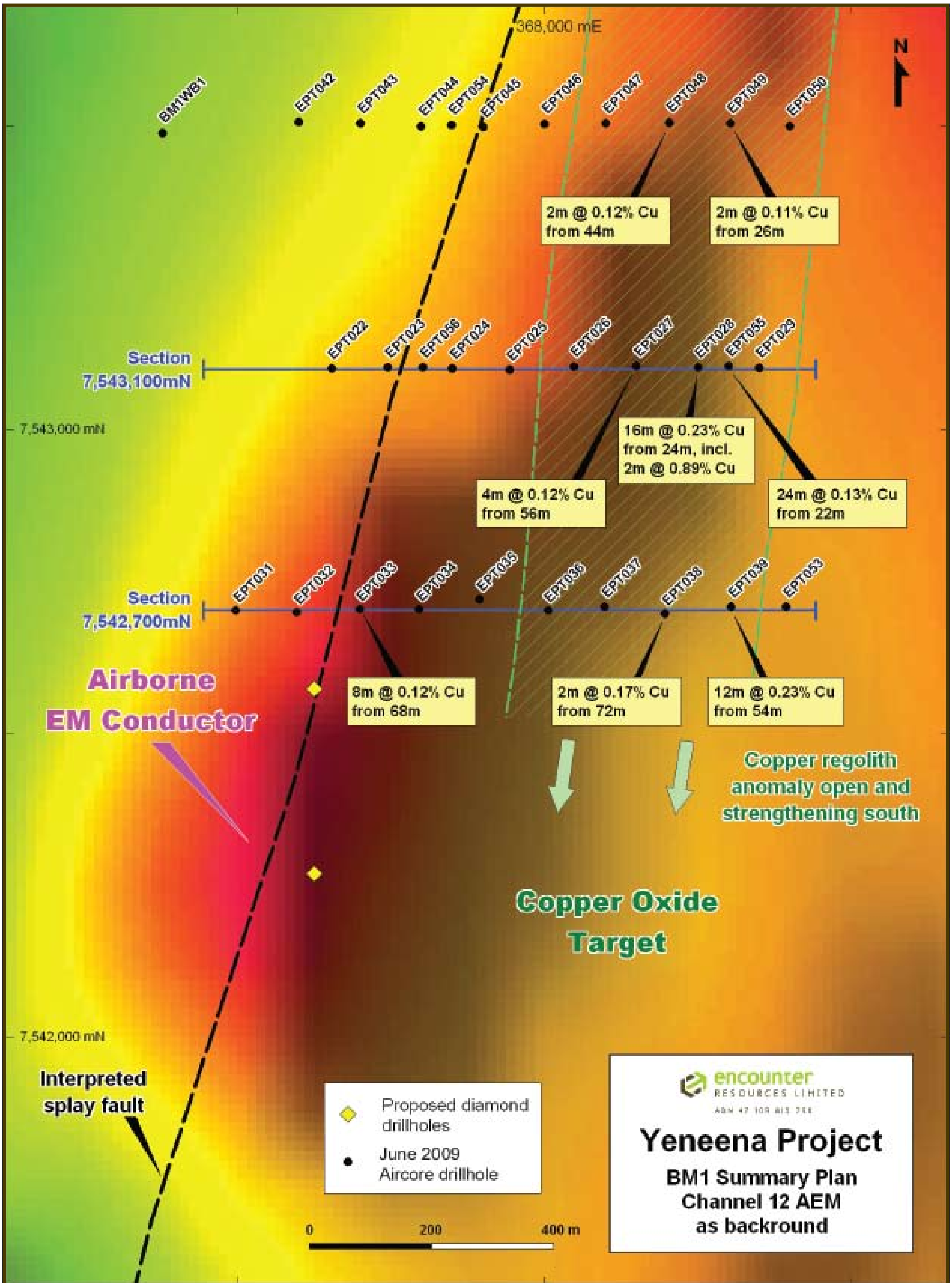

Figure 4: Exploration summary plan for BM1 target.

During June 2009 three aircore drill traverses at 400m x 100m spacing were completed across the northern and eastern (up dip) extents of the AEM conductor at the BM1 target (Figure 4). This drilling successfully defined a coherent, under cover, near surface copper regolith anomaly that is open and strengthening towards the south.

The anomalism is focused along two contacts between black shale and carbonate units of the Broadhurst Formation (refer to drill sections in Figures 5 and 6). The western contact sits above the AEM conductor along the interpreted splay fault whereas the eastern contact lies directly up dip of the modelled AEM plate.

Will Robinson, Peter Bewick and Sarah James (Senior Exploration Geologist) at the Yeneena Core Farm.

Prominent copper anomalism focused along the eastern carbonate-shale contact is interpreted to be metal leakage directly up dip of the modelled, shallow, westerly dipping AEM conductor. Anomalous results include 16m @ 0.23% Cu from 24m and 12m @ 0.23% Cu from 54m. Numerous regolith intersections over 0.1% Cu and results of up to 2m @ 0.89% Cu highlight the potential of this area to host a substantial body of copper oxide mineralisation. Extensive and pervasive silica, carbonate and hematite alteration together with elevated cobalt and uranium are associated with the zone of anomalous copper on the eastern contact. This association of alteration and metal anomalism shows similarities to the Zambian style "Red Bed" copper deposits.

Copper anomalism focused along the western carbonate-shale contact is coincident with a magnetic anomaly along the NNE trending splay structure from the McKay Fault. Anomalism associated with this structure includes 8m @ 0.12% Cu from 68m in pervasively carbonate altered fresh rock. This anomalism is interpreted to be metal leakage from the modelled AEM conductor at depth, that has migrated up the interpreted steeply dipping splay structure.

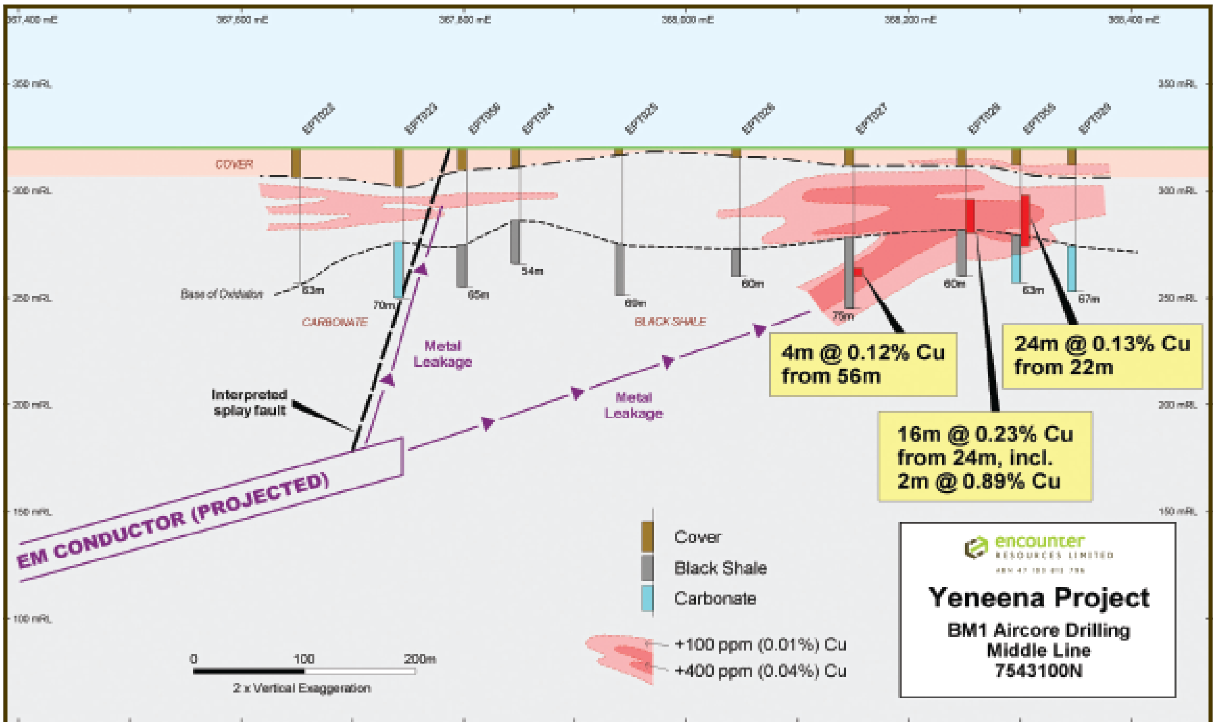

Figure 5: BM1 aircore drill section 7543100mN.

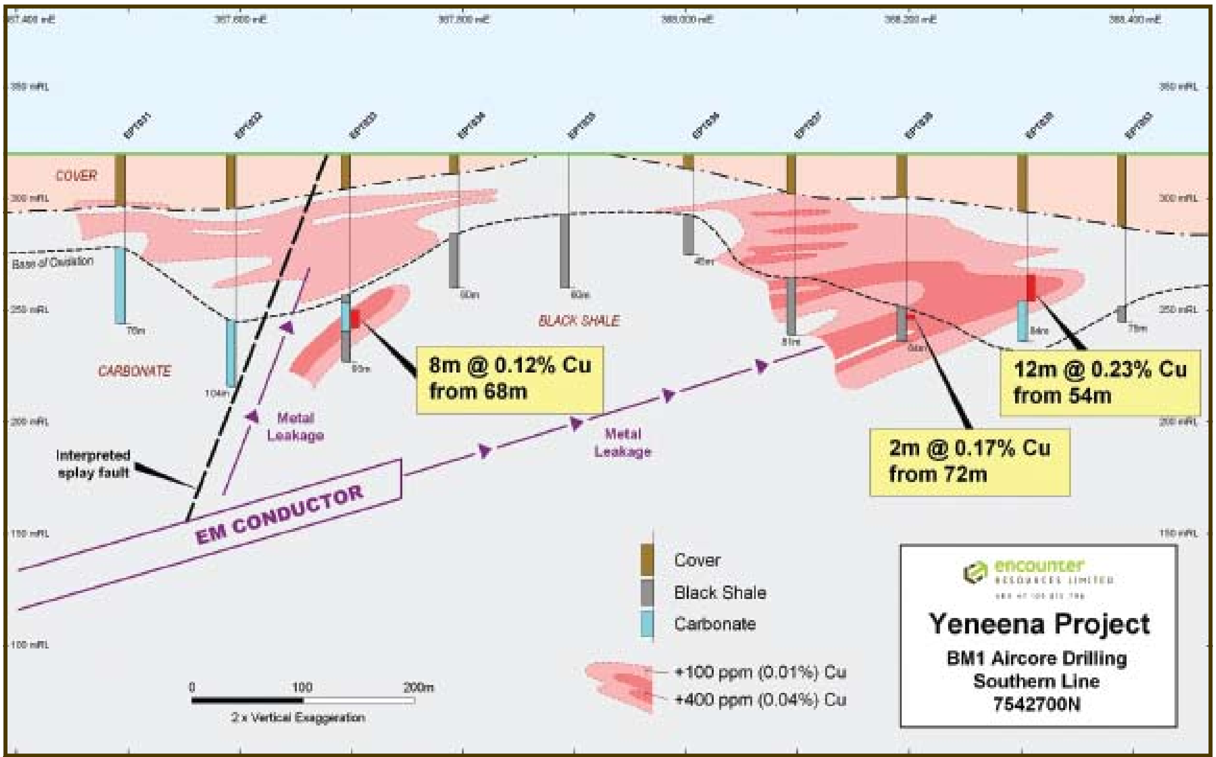

Figure 6: BM1 aircore drill section 7542700mN.

The observed geological, geochemical and geophysical features at BM1 show strong similarities to that of the 2 million metal tonne Nifty copper deposit (Figure 7).

In September 2009 two diamond drill holes will be completed to test the source of the bedrock AEM and ground EM conductor. Additional drilling is also proposed south of the recent aircore drill traverses to test for economic copper oxide mineralisation.

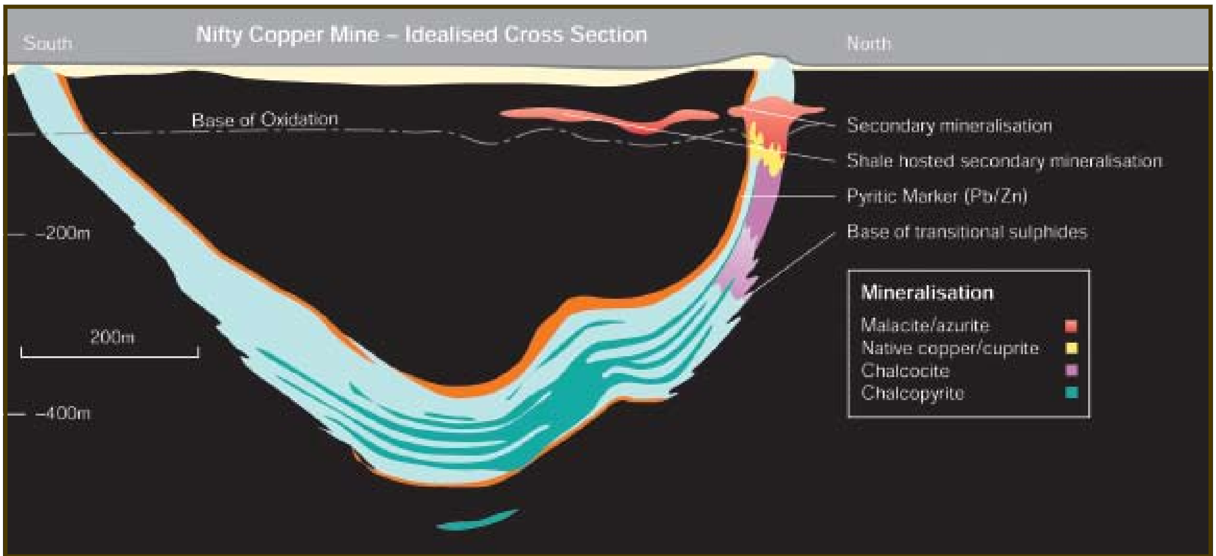

Figure 7: Nifty Copper Mine idealised cross section. (Source: Straits Resources Ltd Annual Report 2001)

BM5 Target

The BM5 target is located along the regionally extensive Kintyre Fault (refer to Figure 2). The area was initially drilled by WMC in the early 1990s, at the end of their exploration program in the region. A series of 800m spaced reverse circulation (RC) traverses were drilled across the NW trending Kintyre Fault where it separates two large zones of conductive Broadhurst Formation. These were followed up by one diamond drill hole.

The early drilling program intersected thick zones of Fe-Mn rich material below Permian and Recent cover. The Fe-Mn body is over 1km long and is associated with strong Cu-Zn-Pb-Ag anomalism. The body appears to be controlled by the underlying dolomitic basement geology at the intersection with the Kintyre Fault (Figure 8). Initial interpretation by Western Mining Corporation (WMC) inferred that the base metal anomalism was due to manganese scavenging within the regolith. A comprehensive review of the historical data clearly shows that the high Cu-Zn-Pb-Ag values in this zone do not correlate with the high manganese values. It is therefore interpreted that this enriched body represents a potentially significant base metal gossan.

Soil sampling at the Yeneena Project.

The compilation and interpretation of the results from the seven hole aircore and RC drill program has recently been completed. A strong geochemical vector within the gossanous horizon indicates increased prospectivity along the western margin of the dolomite unit located at historical drill hole THRD794 (Figure 8). The geochemical target is coincident with an interpreted NW to NNW structural jog along the western dolomite contact. This geochemical and structural target will be tested as part of the September 2009 diamond drilling program.

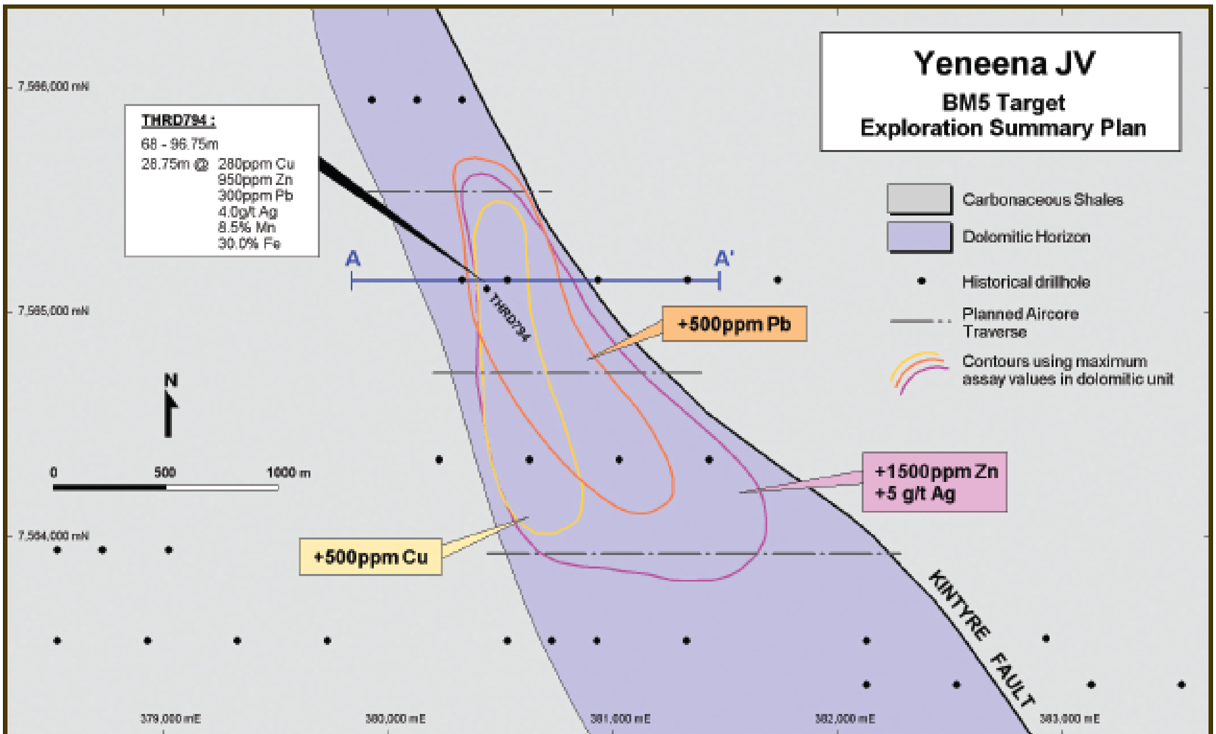

Figure 8: Geochemical vectors at BM5 are coincident at western margin of dolomite unit.

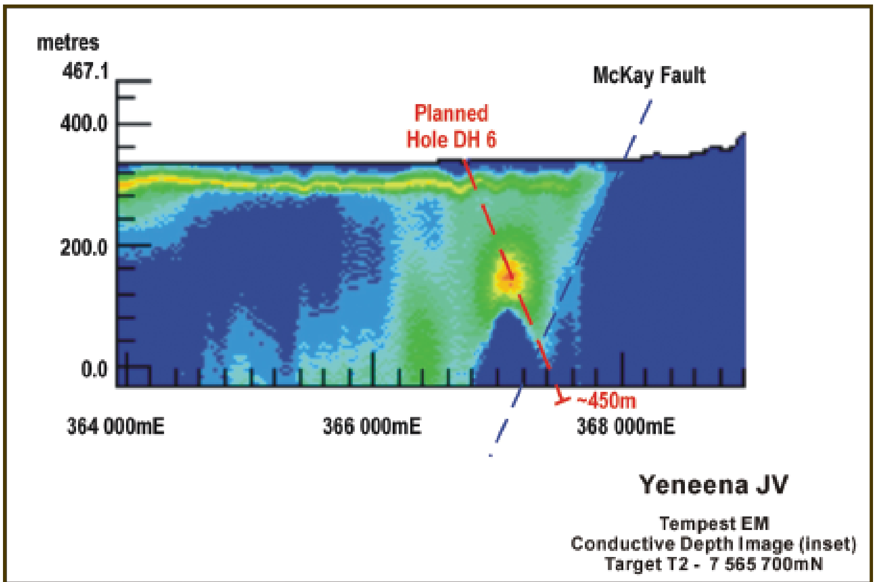

Figure 9: Conductive depth image (CDI) of T2 target with planned drilling.

T2 Target

The T2 target is a discrete AEM conductor located in the north west of the project on a section of the McKay Fault (Figure 9, refer to Figure 2 for location). The bedrock AEM anomaly is located at a major stratigraphic discontinuity between the deeper water environment of the Coolbro Sandstone on the east, and the shallow marine shelf sediments to the west. Significantly, in the area of the AEM anomaly the basement geology is masked by two extensive sand dunes. Geochemistry from historical drilling 5kms to the south of T2, reveals near surface base metal anomalism that is open and increasing in intensity to the north.

A ground EM survey in July 2009 confirmed the AEM anomaly is a 600 metre long conductive body at a depth of 100-150m. The T2 EM conductor is modelled as a northerly plunging synform located on the McKay Fault. There is negligible geological information for this target as it is completely sand covered, but the strength and geometry of the conductive body and its ideal structural location, are considered highly encouraging and a justification for drill testing in the September program (Figure 9).

BM2 Target

The BM2 target is also beneath an area of extensive sand cover at the intersection between a north-south trending, westerly dipping fault and the regional north west striking Tabletop Fault (refer to Figure 2). AEM conductivity depth images indicate a clear structural termination along the eastern margin of a conductive horizon against the Tabletop Fault. The AEM target was refined by a ground EM survey completed in July 2009. Copper regolith anomalism up to 521ppm Cu has been intersected in 1km spaced historical aircore drill holes. This broad base metal regolith anomaly extends over an interpreted strike of 3kms.

An aircore drill program is planned to further define the regolith geochemistry at the BM2 target in 2010.

Yilgarn District

Encounter progressed initial uranium exploration discoveries at Hillview, Lake Way South and Bellah Bore East through intensive drill programs and geological evaluation into resources in 2008 and 2009. The company has now embarked on an evaluation phase of the uranium projects looking at strategic and commercial opportunities within the northern Yilgarn Province of WA. Figure 10 shows the location of uranium resources in the northern Yilgarn region.

Glenn Budge (Field Manager) completing regional rock chip sampling.

HILLVIEW – *uranium*

(E51/1127 – 80% Encounter, 20% Avoca)

The Hillview uranium project is located 50kms 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. The average grade of the drill holes within the resource indicates that the uranium mineralisation is best developed at a bend in the channel system where potential exists for a smaller, higher grade resource (Figure 11).

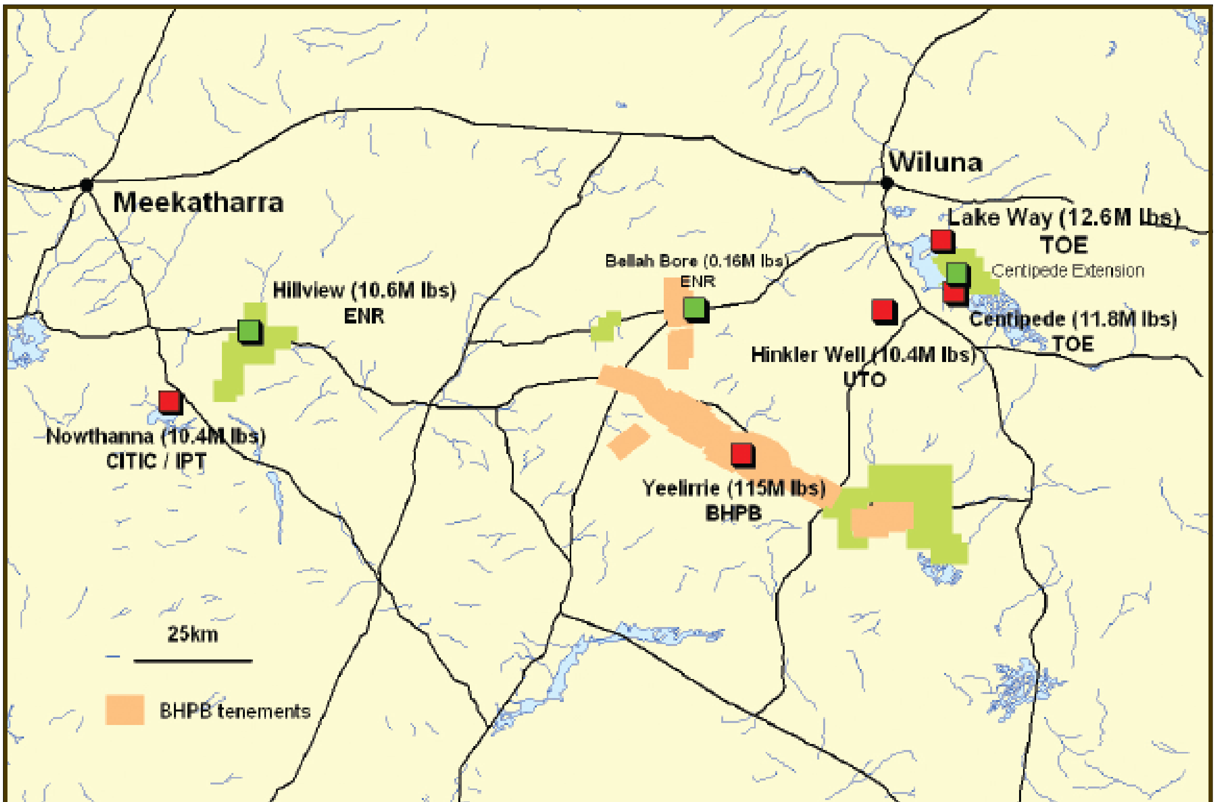

Figure 10: Location of uranium resources in the northern Yilgarn Province (Encounter tenure is coloured green).

A strategic review of the Hillview uranium resource was initiated by the company to consider the potential development and commercial alternatives to advance the project.

Initial work involved a mineralogical assessment and metallurgical leach testing. The results of the leach test, using a conventional calcrete uranium circuit, resulted in low dissolution of uranium. Mineralogical work indicated that the majority of the uranium present in the sample is contained within opaline silica, with no discrete uranium mineral identified. The uranium-bearing opaline silica fraction is a relatively small part of the deposit. This observation suggests the possibility of beneficiating this material to produce a much higher feed to a leach circuit optimised for leaching the opaline silica material.

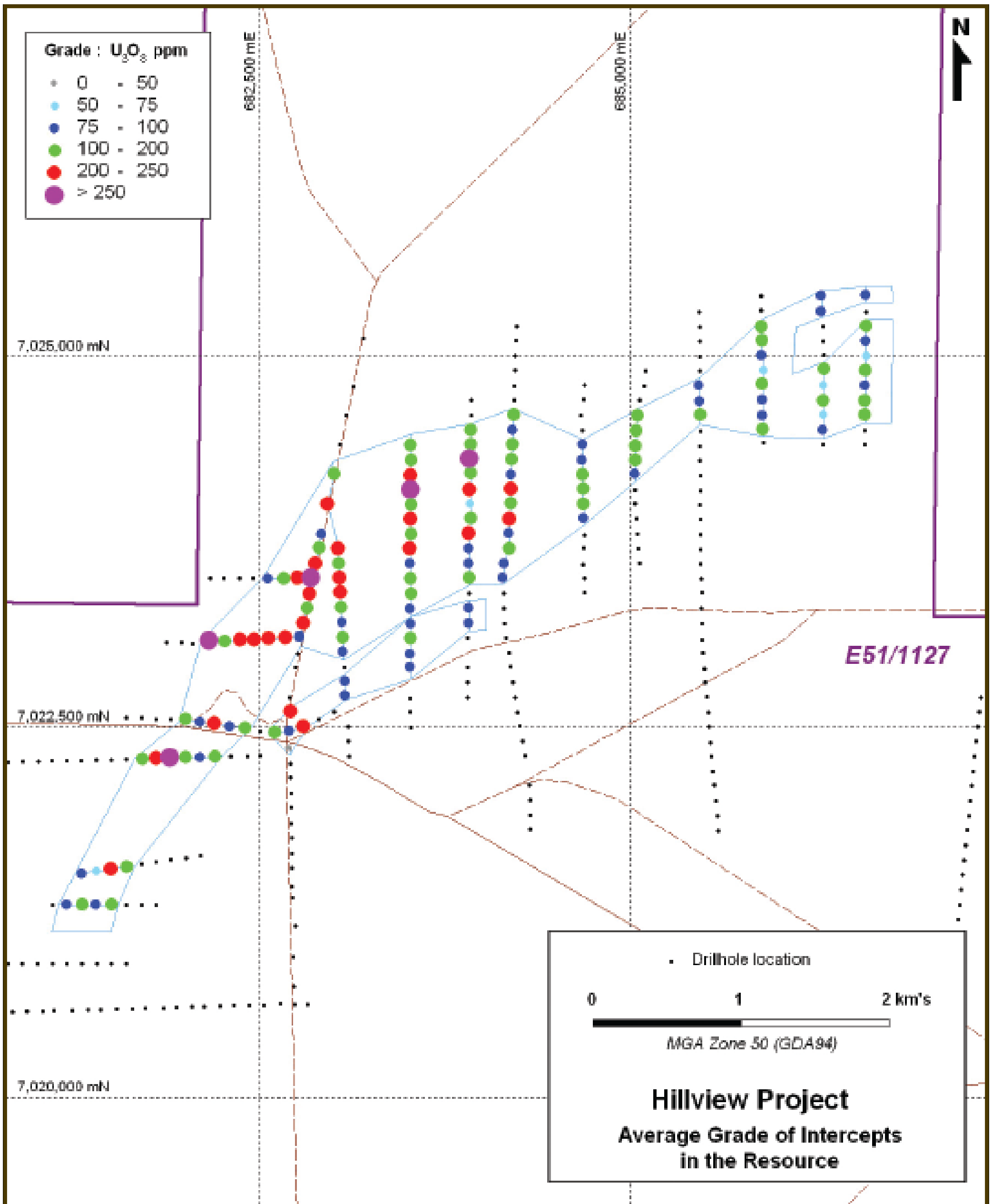

Figure 11: Hillview uranium resource U_3O_8 grade distribution.

YEELIRRIE CHANNEL – *uranium*

(E53/1158, E36/541 – 80% Encounter, 20% Avoca and ELA 53/1427 – 100% Encounter)

Encounter concentrated its early exploration activities within the Yeelirrie drainage channel, located 60kms south west of Wiluna WA. This channel is host to the world's largest calcrete associated uranium deposit, BHP's Yeelirrie uranium deposit with a published resource of 52,500 tonnes U_3O_8 (refer to Figure 10).

The potential for additional satellite uranium deposits in the Yeelirrie channel was founded in the discovery of Bellah Bore East in 2007. Bellah Bore East (E53/1158) is located upstream from the Yeelirrie uranium deposit and has an Inferred Resource of 350,000t averaging 210ppm U_3O_8 for 160,000lb of U_3O_8, estimated in accordance with the JORC (2004) Code.

Reassessment of Encounter's ground holding has resulted in a rationalisation of tenements in the area. Encounter still has the belief that there is potential for calcrete associated and basal palaeochannel uranium mineralisation within the Yeelirrie catchment. An application for ELA53/1427 is a target based on the palaeochannel uranium model similar to the Beverley uranium deposit in South Australia. Exploration will commence once the tenement is granted.

LAKE WAY SOUTH – *uranium*

(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. Toro Energy is well advanced with development of its uranium resources in WA, which gives a strategic value to the Lake Way South project. A program of lake based aircore drilling was completed by Encounter that confirmed the Centipede resource extended approximately 200m into the Lake Way South tenement using a cutoff grade above 100ppm U_3O_8 (Figure 12). Results obtained from the drilling and a compilation of historical information provided sufficient information to produce an Inferred Resource for the area of the Centipede resource within the JV tenement. This calculation defined 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.

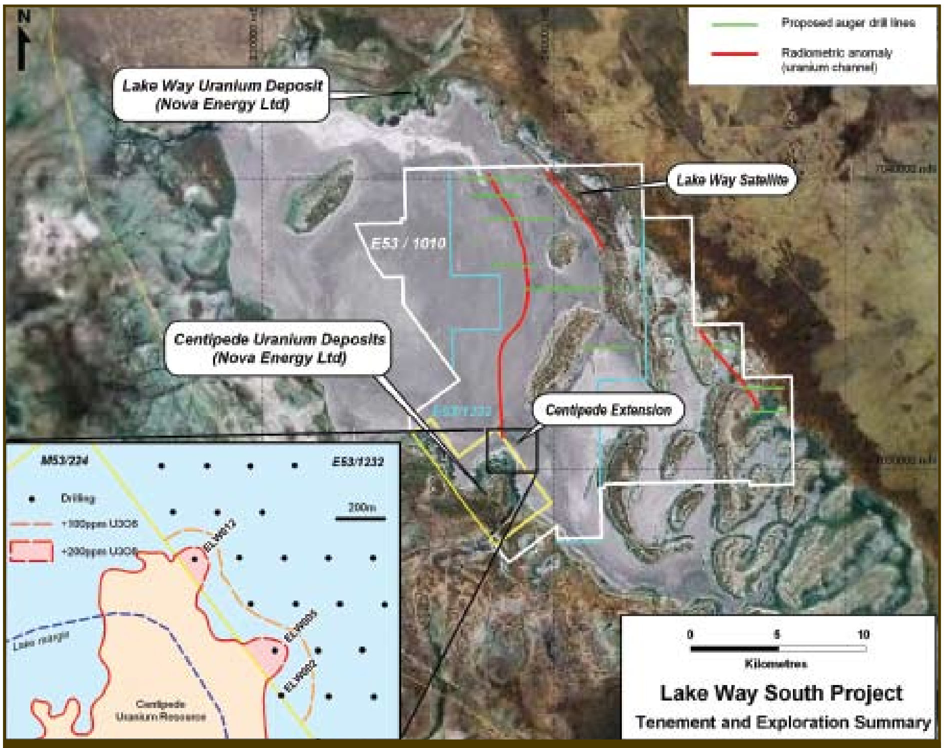

Figure 12: Lake Way South project tenement and exploration summary.

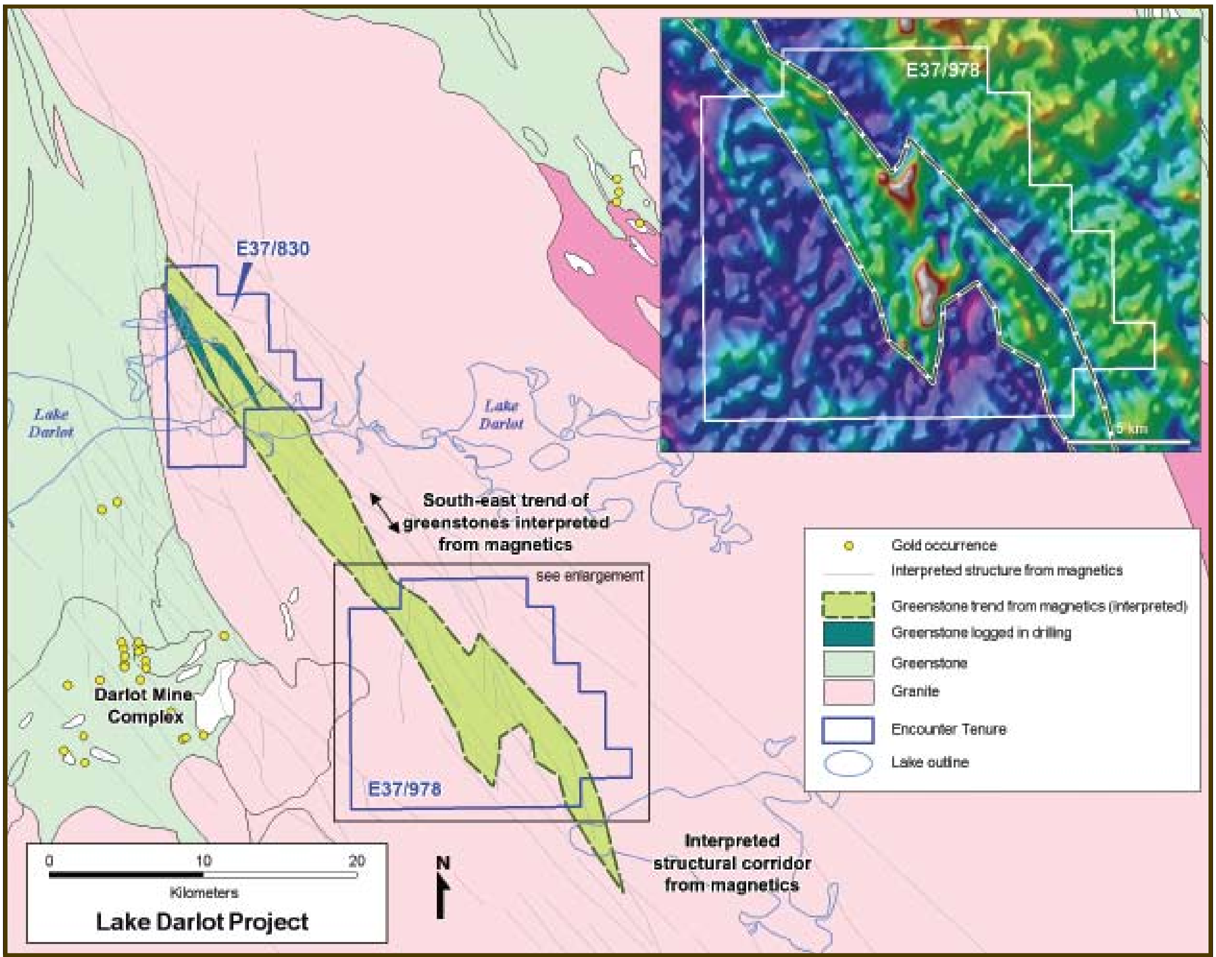

Figure 13: Lake Darlot project tenements and regional geology plan.

LAKE DARLOT – *gold*

(E37/830 – 80% Encounter, 20% Avoca and E37/978 – 100% Encounter)

The Lake Darlot project comprises two tenements located north and east of the Darlot Gold Mine on the eastern margin of the Yandal Greenstone Belt (Figure 13). These tenements have been acquired to cover a previously unrecognised greenstone belt. Interpretation of the regional magnetics 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.

Aircore drilling under shallow cover within E37/830 identified a previously unknown belt of greenstone lithologies including dolerites, basalts and felsic intrusions under lake sediment cover. The 1km x 200m spaced drilling across the 8km long greenstone belt intersected low level gold (250ppb) anomalism.

The southern tenement E37/978 was granted in March 2009. This tenement covers 212km^2 and captures the interpreted southern extension of the recently discovered greenstone belt. Interpretation of the regional aeromagnetics infers a southerly plunging antiform of greenstone in the centre of the tenement, terminating against the NNW structural corridor.

This geological setting is similar to the 4 million ounce Darlot Gold Mine and is considered prospective for gold mineralisation. Exploration commenced with a series of regional soil sample traverses and rock chip samples collected across defined structural targets. Previously unmapped outcrops of greenstone were defined within the area of magnetic complexity. The results from this program are pending and will be used to assess areas for follow up exploration.

Bangemall Basin

Drill programs completed at Tchintaby and Pingandy Creek projects during 2008, provided a greater understanding of the interpreted controls on base metals mineralisation in the Bangemall Basin. As a result of this work, the company has acquired a new project in the basin and reduced ground holdings in areas of lower prospectivity. This program of tenement rationalisation resulted in an overall 50% reduction of tenure in the basin to approximately 1,000km^2 (Figure 14).

RC drilling at Tchintaby.

TCHINTABY – *zinc and copper*

(E52/1882 – 80% Encounter, 20% Avoca and E52/2386 – 100% Encounter)

The Tchintaby project covers over 336km^2 targeting high grade SEDEX zinc mineralisation, similar to the Century and McArthur River deposits in eastern Australia.

An initial drill program of seven vertical RC holes was completed in September 2008 at the Andes, Laksa and Rendang prospects (Figure 15). The program was designed to test a series of bouguer gravity anomalies within the sedimentary package. The excess mass gravity anomalies were interpreted to represent concentrations of sulphidic material and possibly base metal mineralisation.

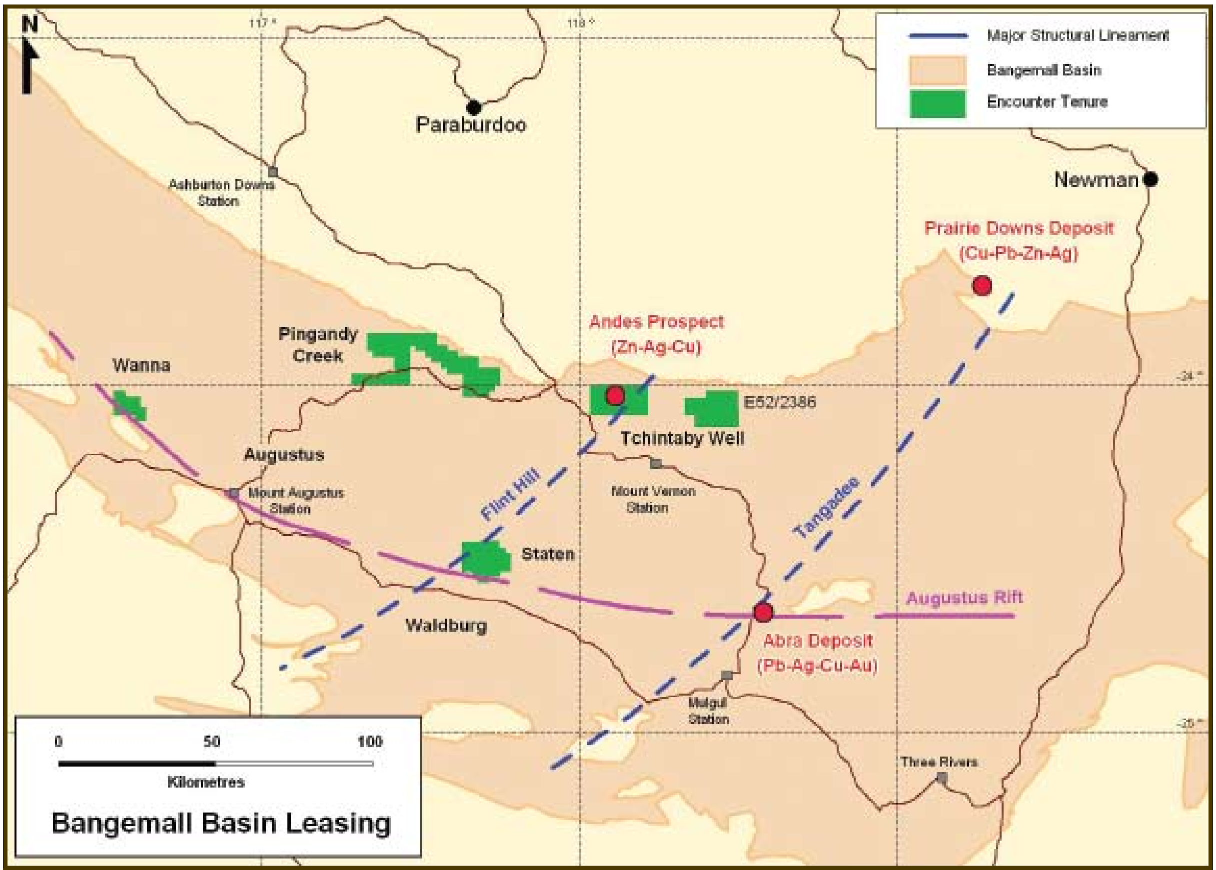

Figure 14: Bangemall Basin lease and regional geology plan.

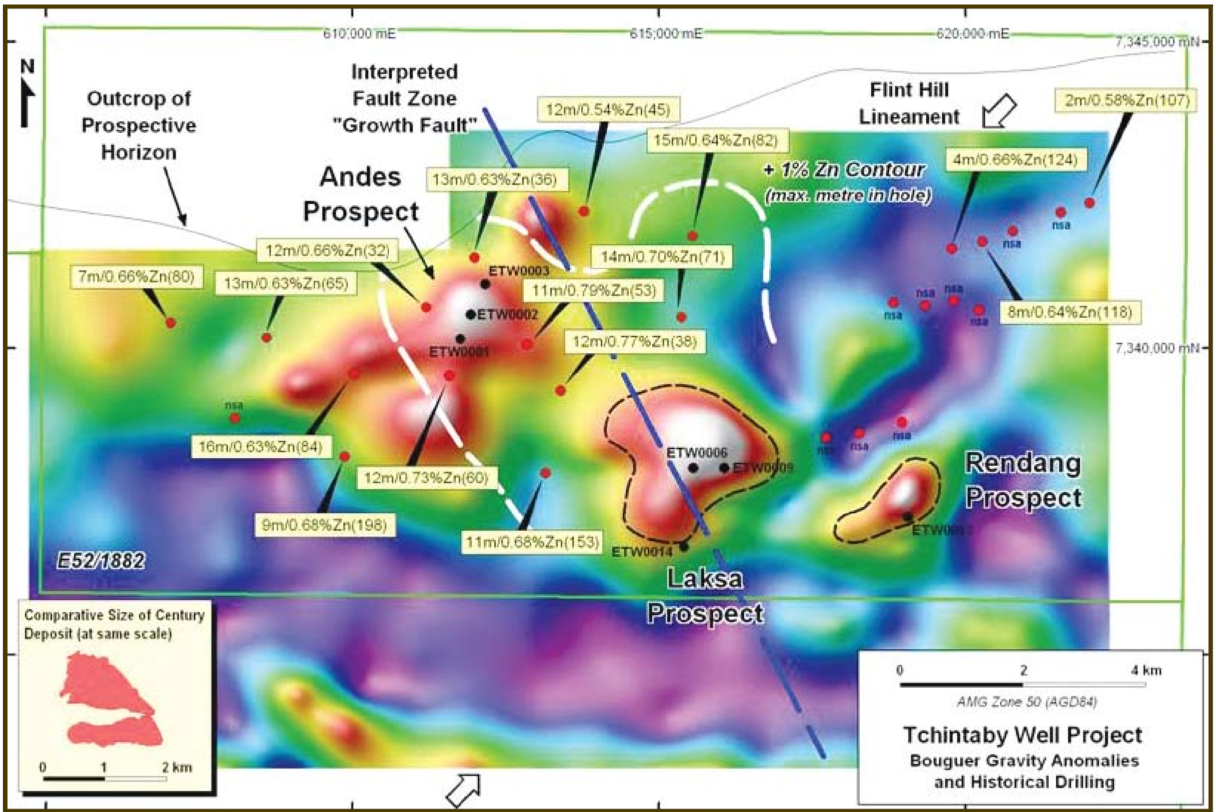

Figure 15: Location of gravity anomalies, historical drilling and Encounter drilling at the Tchintaby project.

Drilling discovered a significant 4 km strike extension to the Zn-Cu-Ag mineralised black shale horizon, including intersections of 12m @ 7062ppm Zn, 1053ppm Cu (ETW 013 – Rendang) and 11m @ 7327ppm Zn, 1022ppm Cu (ETW 006 – Laksa).

Table 1 includes significant assay results from the September 2008 drill program. The drilling results, however, did not account for the 2g/cc (2mgal) excess mass anomaly targeted by the drill program. Samples of the drilled lithologies were submitted for density measurement, which will be incorporated into geological models to determine the depth and nature of the excess mass anomaly.

Hole Number	Prospect	Northing	Easting	Depth From (metres)	Thickness (metres)	Zn ppm	Cu ppm
ETW 1	Andes	7340300	611827	26	7	4057	472
ETW 2	Andes	7340702	612072	35	9	6338	870
ETW 3	Andes	7341170	612280	33	13	7488	854
ETW 6	Laksa	7338200	615750	164	11	7327	1022
ETW 9	Laksa	7338200	616200	164	9	6806	999
ETW 13	Rendang	7337400	619200	197	12	7062	1053
ETW 14	Laksa	7336750	615400	273	10	6050	833

Table 1: Significant drill hole intersections from Tchintaby project drilling in September 2008

Key learnings from this drill program identified the potential for additional SEDEX targets along the northern margin of the Bangemall Basin. A structural targeting exercise and review of the regional geochemical sampling defined a new target 30kms to the east of the Tchintaby project. Tenement E52/2386 was granted in June 2009, with initial field work to commence in 2010.

WANNA – *base metals*

(E09/1297 – 80% Encounter, 20% Avoca)

The Wanna project is located at the southern margin of the Bangemall Basin, approximately 40kms WNW of Mt Augustus (refer to Figure 14). A regional ground gravity survey was completed in 2008 designed to infill a regional excess mass anomaly at Koorabooka Spring. Scattered bouguer gravity anomalies were associated with the geochemically anomalous stratigraphy (Pb, Ag, Mo and As from previous lag and groundwater sampling) in areas of little outcrop. Soil surveys were completed over untested gravity anomalies using the hand held Niton XRF. Data from the soil surveys were inconclusive due to the presence of transported cover. Consequently, data from these surveys are currently being remodelled and reassessed.

Regional Geochemical sampling at Wanna.

PINGANDY CREEK – *base metals*

(E08/1779 – 80% Encounter, 20% Avoca)

The Pingandy Creek project is located 80km south of Paraburdoo and covers an area of 332km^2 along the northern margin of the Bangemall Basin (refer to Figure 14).

Historical drilling in the area by Pasminco in the mid 1990s intersected extensive, shallow, low grade Zn-Cu-Pb mineralisation within a black shale unit named the Peebeezee Horizon. Encounter completed a ground gravity survey over a 15km segment of the prospective Peebeezee Horizon where only one hole had tested the horizon below a depth of 25m from surface. The survey area encompassed a number of historic mineralised holes and 3kms of the downdip extension of the target horizon.

Four of the five subtle density anomalies identified by the survey were drill tested in September 2008 by eleven RC drill holes. Assay results confirmed extensions to the area of low grade base metal mineralisation. From the results, it was interpeted the gravity anomalies are accounted for by the density contrast between the host shale unit and the dolerite sills that have intruded the mineralised horizon.

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.

Exploration Review continued

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 km^2	Managing Company	Encounter Interest
E08/1779	Pingandy Creek	Bangemall Basin	332.8	Encounter Resources Limited	80%
E09/1297	Wanna	Bangemall Basin	65.1	Encounter Resources Limited	80%
E52/1882	Tchintaby	Bangemall Basin	172.5	Encounter Resources Limited	80%
E52/2386	Tchintaby East	Bangemall Basin	163.1	Encounter Resources Limited	100%
E52/2385	Staten	Bangemall Basin	153.1	Encounter Resources Limited	100%
E53/1232	Wiluna South	Lake Way South JV	66.8	Avoca Resources Ltd	60% of Uranium Rights
ELA53/1427	Yeelirrie North	Yilgarn/Gascoyne	168	Encounter Resources Limited	100%
E29/577	Lakeview	Leonora Regional	62.2	Encounter Resources Limited	80%
E51/1096	Gidgee Bore	Meekatharra	18.47	Encounter Resources Limited	80%
E51/1127	Hillview	Meekatharra	202.1	Encounter Resources Limited	80%
E37/830	Lake Darlot	Melrose	82.1	Encounter Resources Limited	80%
E37/978	Darlot East	Melrose	212.4	Encounter Resources Limited	100%
E38/1784	Lake Irwin	Melrose	54.5	Encounter Resources Limited	80%
E45/2500	Yeneena	Paterson JV	163.4	Barrick Gold of Australia	earning 75%
E45/2501	Yeneena	Paterson JV	41.4	Barrick Gold of Australia	earning 75%
E45/2502	Yeneena	Paterson JV	216.3	Barrick Gold of Australia	earning 75%
E45/2503	Yeneena	Paterson JV	76.3	Barrick Gold of Australia	earning 75%
E45/2561	Yeneena	Paterson JV	86	Barrick Gold of Australia	earning 75%
E45/2657	Yeneena	Paterson JV	222.8	Barrick Gold of Australia	earning 75%
E45/2658	Yeneena	Paterson JV	222.8	Barrick Gold of Australia	earning 75%
ELA45/2805	Yeneena	Paterson JV	209.7	Barrick Gold of Australia	earning 75%
ELA45/2806	Yeneena	Paterson JV	63.7	Barrick Gold of Australia	earning 75%
E70/2957	Shackleton	SW Regional	574.8	Encounter Resources Limited	80%
E70/2958	Wongan Hills	SW Regional	495.6	Encounter Resources Limited	80%
E53/1158	Bitter Bore	Yeelirrie North	10.5	Encounter Resources Limited	80%
E36/541	Altona Bore	Yeelirrie South	81	Encounter Resources Limited	80%

Corporate Governance Statement

Introduction

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

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

Further information about the Company's corporate governance practices is set out on the Company's website at *www.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
- Code of Conduct
- Policy and Procedure for Selection and Appointment of New Directors
- Summary of Policy for Trading in Company Securities
- Summary of Compliance Procedures
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Shareholder Communication Strategy
- Summary of Company's Risk Management Policy

Explanation for Departures from Best Practice Recommendations

During the Company's 2008/2009 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")[1] and has adopted the revised Principles and Recommendations taking effect from reporting periods beginning on or after 1 January 2008. Significant policies and details of any significant deviations from the principles are specified below.

Corporate Governance Council Recommendation 1

Lay Solid Foundations for Management and Oversight

Role of the Board of Directors

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

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

In 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 included in 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 one of the current Non-Executive Directors, Mr Chapman does not meet the recommended independence criteria, by virtue of his substantial shareholding in the Company. As a result the Company does not comply with Recommendation 2.1 of the Corporate Governance Council. However, the Board considers that both its structure and composition are appropriate given the size of the Company and that the interests of the Company and its shareholders are well met.

Independent Chairman

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

Roles of Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are exercised by different individuals, and as such 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.

Security Trading Policy

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

Corporate Governance Council Recommendation 4

Safeguarding Integrity in Financial Reporting

Audit Committee

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

Financial reporting

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

Corporate Governance Council Recommendation 5

Make Timely and balanced disclosure

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.

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

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 web site, 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.

Corporate Governance Council Recommendation 7 continued

Recognise and manage risk

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 its 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. As the Company is an active uranium explorer it has also incorporated a radiation management plan into its occupational health and safety policies. Reports on levels of radiation exposure during the Company's activities are made available to the Board.

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 and vesting conditions relating to continuity of engagement.

Non-Executive Directors receive fees agreed on an annual basis by the Board, within total Non-Executive remuneration limits voted upon by shareholders at Annual General Meetings. In the current financial year, no Non-Executive Director received share options as remuneration. Share options which were issued to a Non-Executive Director in a prior reporting period, and are currently still held by the Director, were subject to shareholder approval and a vesting condition based upon continuity of engagement. The grant of options was deemed appropriate by the Board to provide an incentive and to reward the Director.

Directors' Report

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

Directors

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

Paul Chapman – B.Comm, ACA, Grad. Dip. Tax, CFTP(Snr), MAICD, SA Fin

Non-Executive Chairman appointed 7 October 2005

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

Will Robinson – B.Comm, MAusIMM

Managing Director (Executive) appointed 30 June 2004

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

Peter Bewick – B.Eng (Hons), MAusIMM

Exploration Director (Executive) appointed 7 October 2005

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

Jonathan Hronsky – BAppSci, PhD, MAusIMM, FSEG

Non-executive director appointed 10 May 2007

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

Company Secretary

Kevin Hart

Mr Hart is a Chartered Accountant and was appointed to the position of Company Secretary on 4 November 2005. He has over 20 years experience in accounting and the management and administration of public listed entities in the mining and exploration industry. He is currently a partner in an advisory firm which specialises in the provision of company secretarial services to ASX listed entities.

Directors' Interests

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

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

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

Directors' Meetings

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

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

Principal Activities

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

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

Results of Operations

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

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

Dividends

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

Review of Activities

Exploration

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

PATERSON PROVINCE

Yeneena Project

In April 2009 Encounter received the final data from the 1,000 line km airborne TEMPEST© electromagnetic (AEM) survey completed in 2008 in conjunction with Geoscience Australia. Bedrock conductors identified in the survey were used in conjunction with previously generated geochemical and geological datasets, to define eight priority regional targets. Two of these targets BM1 and BM5 were aircore drilled in May/June 2009.

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

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

Review of Activities

YILGARN REGION

Hillview

The Hillview uranium project is located 50kms south east of Meekatharra and contains an Inferred Resource of 27.6 million tonnes, averaging 174ppm 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. Following the lifting of the ban on uranium mining in WA a strategic review of the Hillview uranium resource was initiated by the Company to consider the potential development and commercial alternatives to advance the project.

Yeelirrie Channel

Bellah Bore East is located upstream from the Yeelirrie uranium deposit and has an Inferred Resource of 350,000t averaging 210ppm U_3O_8 for 160,000lb of U_3O_8, estimated in accordance with the JORC (2004) Code.

Lake Way South

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

Lake Darlot

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

BANGEMALL BASIN

Tchintaby

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

Pingandy Creek

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

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

Financial Position

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

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

Significant Changes in the State of Affairs

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

Options Over Unissued Capital

Unlisted Options

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

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

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

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

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

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

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

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

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

Matters Subsequent to the End of the Financial Year

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

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

Likely Developments and Expected Results of Operations

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

Environmental Regulation and Performance

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

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

Remuneration Report (Audited)

Remuneration Policy

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

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

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

Details of Remuneration for Directors and Executive Officers

During the year there were no senior executives which were employed by the Company for whom disclosure is required. Details of the remuneration of each Director of the Company are as follows:

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

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

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

Executive Employment Agreements

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

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

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

Unlisted Options

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

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

Officers Indemnities and Insurance

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

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

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

Proceedings on behalf of the Company

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

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

Corporate Governance

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

Non-audit Services

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

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

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

Non-audit Services continued

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is set out on page 33.

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

Dated at Perth this 24th day of September 2009.

W Robinson
Director

WHK Horwath

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Encounter Resources Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

WHK HORWATH PERTH AUDIT PARTNERSHIP

SEAN MCGURK
Principal

Perth, WA

Dated this 25th day of September 2009

Total Financial Solutions

Horwath

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

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A WHK Group firm

Consolidated Income Statement

For the financial year ended 30 June 2009

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

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

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

Consolidated Balance Sheet

As at 30 June 2009

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

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

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2009

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

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

Consolidated Cash Flow Statement

For the financial year ended 30 June 2009

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

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

Note 1 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

Statement of Compliance

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

Early adoption of standards

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

Reference	*Title*	*Summary*	*Application date of standard*	*Application date for Group*
AASB Int. 17 and AASB 2008-13	*Distributions of Non-cash Assets to Owners and consequential amendments to other Australian Accounting Standards*	*The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.*	*1 July 2009*	*1 July 2009*
AASB 8 and AASB 2007-3	*Operating Segments and consequential amendments to other Australian Accounting Standards*	*New standard replacing AASB 114* Segment Reporting*, which adopts a management reporting approach to segment reporting.*	*1 January 2009*	*1 July 2009*
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	*Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards*	*Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.*	*1 January 2009*	*1 July 2009*

Note 1 Summary of significant accounting policies continued

(a) Basis of preparation continued

Early adoption of standards continued

Reference	*Title*	*Summary*	*Application date of standard*	*Application date for Group*
AASB 2008-1	*Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations*	*The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.*	*1 January 2009*	*1 July 2009*
AASB 3 (Revised)	*Business Combinations*	*The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.*	*1 July 2009*	*1 July 2010*
AASB 127 (Revised)	*Consolidated and Separate Financial Statements*	*Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.*	*1 July 2009*	*1 July 2010*
AASB 2008-3	*Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*	*Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.*	*1 July 2009*	*1 July 2010*
AASB 2008-5 2008-6 2009-2 2009-5	*Various Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	*The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.*	*Various*	*Various*

Note 1 Summary of significant accounting policies continued

(a) Basis of preparation continued

Early adoption of standards continued

Reference	*Title*	*Summary*	*Application date of standard*	*Application date for Group*
AASB 2008-7	*Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	*The main amendments of relevance to Australian entities are those made to AASB 127 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition dividends is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.* *AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.*	*1 January 2009*	*1 July 2009*
Amendments to International Financial Reporting Standards	*Amendments to IFRS 7*	*The amended IFRS 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy:* *– Quoted prices in active markets for identical assets or liabilities (Level 1)* *– Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2)* *– Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)*	*1 January 2009*	*1 July 2009*
Amendments to International Financial Reporting Standards	*Amendments to IFRS 2*	*The changes relate to the attribution of cash-settled share based payments between different entities within a Group.*	*1 January 2010*	*1 July 2010*

Reporting basis and conventions

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

Critical accounting estimates

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

Note 1 Summary of significant accounting policies continued

(a) Basis of preparation continued

Principles of consolidation

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

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

(b) Segment reporting

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

(c) Revenue recognition and receivables

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

Interest income

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

(d) Income tax

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

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

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

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

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

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

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

Note 1 Summary of significant accounting policies continued

(e) Leases

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

(f) Impairment of assets

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

(g) Cash and cash equivalents

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

(h) Fair value estimation

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

(i) Property, plant and equipment

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

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

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

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

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

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

Note 1 Summary of significant accounting policies continued

(j) Mineral exploration and evaluation expenditure

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

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

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

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

(k) Joint ventures

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

(l) Trade and other payables

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

(m) Employee benefits

Wages, salaries and annual leave

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

Long service leave

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

Share based payments

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

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

Note 1 Summary of significant accounting policies continued

(m) Employee benefits continued

Share based payments continued

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

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

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

(n) Issued capital

Ordinary shares are classified as equity.

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

(o) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(p) Goods and services tax (GST)

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

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

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

(q) Comparative figures

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

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 are fair value through profit or loss

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Financial liabilities

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

(s) Fair value estimation

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

Investments in equity and debt securities

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

Trade and other receivables

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

Note 2 Financial risk management

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

(a) Credit risk

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

Trade and other receivables

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

Cash deposits

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

(b) Liquidity risk

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

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

(c) Market risk

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

Interest rate risk

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

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

Note 3 Critical accounting estimates and judgements

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

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

Note 4 Segment information

Business segments
The Group is involved in the mineral exploration sector.

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

	Consolidated		Company	
	2009 $	2008 $	**2009 $**	2008 $
Note 5 Revenue				
Operating activities				
Interest receivable	**174,288**	407,287	**174,288**	407,287

Note 6 Loss for the year

Loss before income tax includes the following specific expenses:

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Depreciation				
Office equipment	**15,724**	10,087	**15,724**	10,087
Leasehold improvements	**7,379**	–	**7,379**	–
	23,103	10,087	**23,103**	10,087
Rental expenses on operating leases				
– minimum lease payments	**29,492**	44,069	**29,492**	44,069
Exploration expenditure written off and expensed	**1,311,311**	339,998	**1,311,311**	339,998

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Note 7 Income tax				
(a) Income tax expense				
Current income tax:				
Current income tax charge (benefit)	(784,446)	(692,927)	(563,300)	(590,563)
Current income tax not recognised	784,446	692,927	563,300	590,563
R&D tax refund receivable	(113,186)	–	(113,186)	–
Deferred income tax:				
Relating to origination and reversal of timing differences	(664,887)	(241,289)	(664,887)	(241,289)
Deferred income tax benefit not recognised	664,887	241,289	664,887	241,289
Income tax expense/(benefit) reported in the income statement	(113,186)	–	(113,186)	–

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

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

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $

Note 7 Income tax continued

(d) Deferred tax – Income Statement

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Liabilities				
Accrued income	**2,689**	2,712	**2,689**	2,712
Prepaid expenses	**5,827**	25,865	**5,827**	25,865
Capitalised exploration expenditure	**(200,270)**	(623,562)	**20,876**	(521,199)
Assets				
Accruals	**3,195**	1,490	**3,195**	1,490
Increase in tax losses carried forward	**854,712**	831,482	**633,566**	729,119
Employee provisions	**(1,266)**	3,302	**(1,266)**	3,302
Deferred tax benefit/(expense) not recognised	**664,887**	241,289	**664,887**	241,289

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

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

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

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

All unused tax losses were incurred by Australian entities.

Note 8 Current assets – Cash and cash equivalents

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

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

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

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Cash and cash equivalents per cash flow statement	**2,278,318**	4,701,043	**2,278,316**	4,701,041

(b) Cash at bank and on hand

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

(c) Deposits at call

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

Note 9 Current assets – Receivables

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
(a) Trade and other receivables				
Other receivables	**124,527**	8,964	**124,527**	8,964
Recoverable joint venture expenses	**12,792**	70,971	**12,792**	70,971
GST recoverable	**23,055**	34,131	**–**	10
	160,374	114,066	**137,319**	79,945
(b) Other current assets				
Prepaid tenement costs	**30,678**	49,934	**30,678**	49,934
Prepaid insurance	**12,908**	13,076	**12,908**	13,076
	43,586	63,010	**43,586**	63,010

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

Note 10 Non-current assets – Investment in controlled entities

(a) Investment in controlled entities

The following amounts represent the respective investments in the share capital of the wholly owned subsidiary companies:	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Encounter Operations Pty Ltd	**–**	–	**2**	2

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

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

*Encounter Operations Pty Ltd was incorporated in Western Australia on 27 November 2006.
**Encounter Resources USA LLC was incorporated in the USA on 9 April 2007. Encounter Resources USA LLC was disposed of by the Group on 1 June 2009. Encounter Resources USA LLC was dormant throughout the period of ownership and held no assets or liabilities. No consideration was received on disposal.

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

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
(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	**–**	–	**1,123,268**	375,334

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

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

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

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

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

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

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

(i) Exploration and evaluation expenditure recognised on exploration assets held solely by Encounter Resources Limited and exploration expenditure not allocable to tenements.

(ii) Exploration and evaluation expenditure recognised on tenements held under the Yeneena Joint Venture earn in agreement with Barrick Gold of Australia.

(iii) Exploration and evaluation expenditure recognised on tenements under contributing joint venture agreements with Avoca Resources Limited. This amount includes Encounter Resources Limited's proportionate share of exploration assets held by the respective joint venture entities.

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

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Capitalised exploration costs at the start of the period	**3,049,148**	1,420,229	**2,707,935**	1,420,229
Total exploration costs capitalised for the period	**1,978,879**	1,968,917	**1,241,727**	1,627,704
Total exploration costs written off and expensed for the period	**(1,311,311)**	(339,998)	**(1,311,311)**	(339,998)
Capitalised exploration costs at the end of the period	**3,716,716**	3,049,148	**2,638,351**	2,707,935

Note 13 Interest in joint ventures

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

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

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

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

(ii) Uranium Regional Joint Venture

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

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

Note 14 Current liabilities – Trade and other payables

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

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

Note 15 Issued capital

(a) Ordinary shares

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

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

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

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

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

(c) Share movements during the year

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

(d) Option plan

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

Note 16 Option Plan

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

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

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

(a) Options issued during the year

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

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

No options were exercised during the financial year.

(b) Options cancelled during the year

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

(c) Options on issue at the balance date

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

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

Note 16 Option Plan continued

(d) Subsequent to the balance date

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

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

	2009		2008	
	No.	WAEP (cents)	No.	WAEP (cents)
Options outstanding at the start of the year	**2,000,000**	**54.6**	450,000	38.7
Options granted during the year	**1,125,000**	**16.2**	1,550,000	57.8
Options exercised during the year	**–**	–	–	
Options expiring unexercised during the year	**(100,000)**	**48.5**	–	–
Options outstanding at the end of the year	**3,025,000**	**40.5**	2,000,000	54.6

Basis and assumptions used in the valuation of options

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

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

* Options are subject to a 12 month vesting period

Date granted	Number of options granted	Exercise price (cents)	Expiry date	Risk free interest rate used	Volatility applied	Option valuation (cents)
2008						
11 December 2007	150,000*	50.0	30 November 2012	6.50%	49.53%	23.28
11 December 2007	500,000*	53.5	30 November 2012	6.50%	49.53%	22.36
11 December 2007	400,000*	55.0	30 November 2012	6.50%	49.53%	21.85
11 December 2007	400,000**	70.0	30 November 2012	6.50%	49.53%	18.69

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

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

Note 17 Reserves and accumulated losses

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

(i) Equity remuneration reserve

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

Note 18 Financial instruments

Credit risk

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

Impairment losses

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

Liquidity risk

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

2009	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $	More than 5 years $
Consolidated							
Trade and other payables	276,099	276,099	276,099	–	–	–	–
	276,099	276,099	276,099	–	–	–	–
Company							
Trade and other payables	276,099	276,099	276,099	–	–	–	–
	276,099	276,099	276,099	–	–	–	–

Note 18 Financial instruments continued

Liquidity risk continued

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

Interest rate risk

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

	Carrying Amount ($)	
2009	Consolidated	Company
Fixed rate instruments		
Financial assets	–	–
Variable rate instruments		
Financial assets	**2,278,318**	**2,278,318**
2008		
Fixed rate instruments		
Financial assets	–	–
Variable rate instruments		
Financial assets	4,710,007	4,710,007

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss		Equity	
2009	1% increase	1% decrease	1% increase	1% decrease
Variable rate instruments	**22,783**	**(22,783)**	**22,783**	**(22,783)**
2008				
Variable rate instruments	47,101	(47,101)	47,101	(47,101)

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	2009 Carrying amount $	2009 Fair value $	2008 Carrying amount $	2008 Fair value $
Cash and cash equivalents	**2,278,318**	**2,278,318**	4,701,043	4,701,043
Trade and other receivables	**129,352**	**129,352**	79,935	79,935
Trade and other payables	**(276,099)**	**(276,099)**	(351,216)	(351,216)
	2,131,571	**2,131,571**	4,429,762	4,429,762
Company				
Cash and cash equivalents	**2,278,316**	**2,278,316**	4,701,043	4,701,043
Trade and other receivables	**129,352**	**129,352**	79,935	79,935
Loan to subsidiary	**1,123,268**	**1,123,268**	375,334	375,334
Trade and other payables	**(276,099)**	**(276,099)**	(351,216)	(351,216)
	3,254,837	**3,254,837**	4,805,096	4,805,096

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

Note 19 Dividends

No dividends were paid or proposed during the financial year.
The Company has no franking credits available as at 30 June 2009.

Note 20 Key management personnel disclosures

(a) Directors

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

(i) Chairman – non-executive
Paul Chapman

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

(iii) Non-executive directors
Jonathan Hronsky, Director

(b) Other key management personnel

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

(c) Equity instrument disclosures relating to key management personnel

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

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

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

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

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

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

Option holdings

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

2009 Name – Directors	Balance at the start of the year	Received during the year as remuneration	Other changes during the year	Balance at the end of the year	Vested and exercisable at end of the year
P Chapman	–	–	–	–	–
W Robinson	–	–	–	–	–
P Bewick	800,000	–	–	800,000	400,000
J Hronsky	500,000	–	–	500,000	500,000
2008					
P Chapman	–	–	–	–	–
W Robinson	–	–	–	–	–
P Bewick	–	800,000	–	800,000	–
J Hronsky	–	500,000	–	500,000	–

Note 20 Key management personnel disclosures continued

(c) Equity instrument disclosures relating to key management personnel continued

Share holdings

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

2009 Name – Directors	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
P Chapman	**4,747,000**	**–**	**–**	**4,747,400**
W Robinson	**21,846,900**	**–**	**–**	**21,846,900**
P Bewick	**4,725,000**	**–**	**–**	**4,725,000**
J Hronsky	**–**	**–**	**–**	**–**
2008				
P Chapman	4,710,000	–	37,400	4,747,400
W Robinson	21,796,900	–	50,000	21,846,900
P Bewick	4,700,000	–	25,000	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.

	Consolidated		Company	
	2009 $	2008 $	**2009 $**	2008 $
Note 21 Remuneration of auditors				
Audit and review of the Company's financial statements	**27,800**	25,500	**27,800**	25,500
Other services	**–**	–	**–**	–
Total	**27,800**	25,500	**27,800**	25,500

Note 22 Contingencies

(i) Contingent liabilities

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

Native Title and Aboriginal Heritage

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

(ii) Contingent assets

There were no material contingent assets as at 30 June 2009 or 30 June 2008.

Note 23 Commitments

(a) Exploration

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

(b) Operating Lease Commitments

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

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

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

(c) Contractual Commitment

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

Note 24 Related party transactions

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

Note 25 Interests in joint ventures

Joint venture agreements have been entered into with third parties. Details of joint venture agreements are disclosed below.

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

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

Joint Venture and Exploration Agreement

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

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

Lake Way Uranium Joint Venture

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

Yeneena Joint Venture with Barrick Gold of Australia

The Yeneena JV agreement dated 14 September 2007 covers 1,500km^2 of prospective uranium and base metals exploration ground in the Paterson Province of Western Australia. The Paterson Province lies to the east of the Pilbara Craton, about 1,200km north north east of Perth. The region hosts the Kintyre uranium project and the Nifty copper mine.

Key terms of the earn in agreement are:

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

Note 26 Events occurring after the balance sheet date

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

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

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

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

Note 28 Earnings per share

	2009 Cents	2008 Cents
(a) Basic earnings per share		
Loss attributable to ordinary equity holders of the Company	**(2.90)**	(1.25)
(b) Diluted earnings per share		
Loss attributable to ordinary equity holders of the Company	**(2.90)**	(1.25)

	2008 $	2007 $
(c) Loss used in calculation of basic and diluted loss per share		
Consolidated loss after tax from continuing operations	**(1,987,843)**	(855,306)

	2008 No.	2007 No.
(d) Weighted average number of shares used as the denominator		
Weighted average number of shares used as the denominator in calculating basic and dilutive loss per share	**68,596,900**	68,596,900

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

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 64 are in accordance with the Corporations Act 2001, including:

 (i) complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

 (ii) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company and Consolidated Entity.

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

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

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

Signed at Perth this 24th day of September 2009.

W Robinson
Director

WHK Horwath

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

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

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

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

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

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

Total Financial Solutions

Member Horwath International
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A WHK Group firm

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 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

WHK HORWATH PERTH AUDIT PARTNERSHIP

SEAN MCGURK
Principal

Perth, WA

Dated this 25^{h} day of September 2009

ASX Additional Information

Pursuant to the Listing Requirements of the Australian Securities Exchange, the shareholder information set out below was applicable as at 5 October 2009.

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of shareholders
1 – 1,000	78
1,001 – 5,000	327
5,001 – 10,000	227
10,001 – 100,000	372
More than 100,000	60
Totals	**1,064**

There were 95 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	21,846,900	27.69%
Eye Investment Fund Limited	9,639,350	13.66%
Stone Poneys Nominees Pty Ltd	4,650,000	5.92%
Solvista Pty Ltd	4,650,000	5.92%

C. Twenty Largest Shareholders

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

Shareholder Name	Listed Ordinary Shares Number	Percentage Quoted
William Michael Robinson	16,216,900	20.63%
HSBC Custody Nominees Australia Limited	10,912,780	13.89%
Jacmew Pty Ltd	5,580,000	7.10%
Stone Poneys Nominees Pty Ltd	4,650,000	5.92%
Solvista Pty Ltd	4,650,000	5.92%
Jorge Bernhard	2,033,300	2.59%
Citicorp Nominees Pty Ltd	1,999,130	2.54%
Pieter Los	1,900,000	2.42%
HSBC Custody Nominees Australia Ltd	1,417,600	1.80%
HSBC Custody Nominees Australia Ltd	1,333,029	1.70%
National Nominees Limited	951,800	1.21%
Credit First Asset Management Ltd	882,353	1.12%
Custodial Services Pty Ltd	880,516	1.12%
Forty Traders Pty Ltd	825,000	1.05%
Charles Arthur Bennet Robinson	825,000	1.05%
Bruce Birnie Pty Ltd	500,000	0.64%
UBS Wealth Management Australia Nominees Pty Ltd	463,551	0.59%
UBS Nominees Pty Ltd	352,941	0.45%
Tierra Rist Pty Ltd	300,000	0.38%
Palir Pty Ltd	300,000	0.38%
Total	**56,973,900**	**72.50%**

D. Voting Rights

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

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encounter
RESOURCES LIMITED
ABN 47 109 815 796

NOTICE OF ANNUAL GENERAL MEETING

&

EXPLANATORY STATEMENT

To be held

At 11.00am, Monday, 30th November 2009

at the

Parmelia Hilton, 14 Mill Street
PERTH WA 6000

encounter
RESOURCES LIMITED
ABN 47 109 815 796

Level 7, 600 Murray Street
West Perth WA 6005

PO Box 273
West Perth WA 6872

P 08 9486 9455
F 08 6210 1578

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27th October 2009

Dear Fellow Encounter Shareholder,

Please find enclosed the Notice of Annual General Meeting for the Shareholders' Meeting to be held at the Parmelia Hilton, 14 Mill Street, Perth 6000 at 11.00am on Monday, 30th November 2009.

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

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

Yours sincerely

Paul Chapman
Chairman

ENCOUNTER RESOURCES LIMITED
ABN 47 109 815 796

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Encounter Resources Limited will be convened at 11.00am on Monday, 30 November 2009 at the Parmelia Hilton, 14 Mill Street, Perth, Western Australia.

AGENDA

ORDINARY BUSINESS

1. Discussion of Financial Statements and Reports
To discuss the Financial Report, the Directors' Report and Auditor's Report for the year ended 30 June 2009.

2. Adoption of the Remuneration Report
To adopt the Remuneration Report for the financial year ended 30 June 2009.

3. Election of Director – Dr Jon Hronsky
To consider and, if thought fit, to pass with or without modification the following ordinary resolution:

"To elect as a Director, Dr Jon Hronsky who retires in accordance with the Company's Constitution and being eligible, offers himself for re-election."

4. Adoption of Encounter Resources Limited Employee Share Option Plan
To consider, and if thought fit, to pass, with or without modification, the following ordinary resolution:

"That pursuant to ASX Listing Rule 7.2 exception 9, approval be given for the adoption and administration of the Encounter Resources Limited Employee Share Option Plan, described in the Explanatory Statement, a signed copy of which is available to the Meeting."

The issue to be in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.

5. Ratification of Prior Issue of Equity Securities
To consider, and if thought fit, to pass, with or without modification, the following ordinary resolution:

"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of 10,289,535 Shares pursuant to the Placement announced on 23rd September 2009 to professional and sophisticated investors on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

The issue to be in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.

ENCOUNTER RESOURCES LIMITED
ABN 47 109 815 796

NOTICE OF ANNUAL GENERAL MEETING

GENERAL NOTES

1. With respect to Agenda Item 2, the vote on this item is advisory only and does not bind the Directors of the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company. The Chairman of the meeting intends to vote undirected proxies in favour of the adoption of the remuneration report.

2. The Company will disregard any votes cast on resolution 4 by any Director of the Company, and any associate of those persons.

   The Company will disregard any votes cast on resolution 5 by any person who participated in the issue and any associate of that person (or those persons).

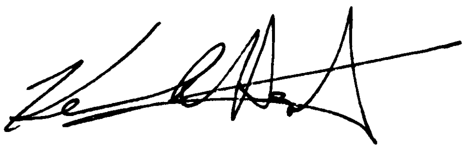
   Before a voting exclusion applies, the Company need not disregard a vote if:

   (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
   (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. The Explanatory Statement to Shareholders attached to this Notice of Annual General Meeting is hereby incorporated into and forms part of this Notice of General Meeting.

4. The Directors have determined in accordance with Regulation 7.11.37 of the Corporations Regulations that, for the purposes of voting at the meeting, shares will be taken to be held by the registered holders at 5.00pm on 28th November 2009.

BY ORDER OF THE BOARD



Kevin R Hart
COMPANY SECRETARY

Dated this 27th day of October 2009

ENCOUNTER RESOURCES LIMITED
ABN 47 109 815 796

EXPLANATORY STATEMENT

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

1. Discussion of Financial Statements & Reports

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

2. Adoption of Remuneration Report

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

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

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

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

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

3. Re-Election of Director – Dr Jon Hronsky
as an Ordinary Resolution

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

Dr Hronsky was appointed as Director on 10 May 2007.

4. Adoption of the Encounter Resources Limited Employee Share Option Plan
as an Ordinary Resolution

4.1 Employee Share Option Plan

Shareholder approval is being sought to ratify the Encounter Resources Limited Employee Share Option Plan ("Plan"). The Plan complies with ASIC Policy Statement 49 in relation to employee share schemes. This Policy Statement gives disclosure relief from the need to prepare a prospectus for offers of shares and options under compliant schemes. Persons eligible to participate in the Plan are Directors and employees of Encounter Resources Limited or associated body corporate.

The Plan was first approved by Shareholders on 17 November 2006 and it is a requirement of the ASX Listing Rule 7.2, exception 9 that the Plan be submitted to Shareholders for approval.

4. Adoption of the Encounter Resources Limited Employee Share Option Plan (Continued)

4.2 Reasons for Plan

Success for the Company and its Shareholders depends greatly on the people engaged by the Company. To maintain and improve performance the Company has an on going need both to motivate and retain an excellent and dedicated team, and to attract new and high quality people.

The Board believes that the Plan will provide an effective means to achieve these ends, in that the implementation of the Plan will:

- encourage our people to focus on creating Shareholder value;
- link reward with the achievement of the long term performance of the Company;
- encourage our people to remain with the Company by giving them the opportunity to participate in the creation of a valuable personal asset – ie a financial stake in the Company; and
- enable the Company to attract high calibre individuals.

4.3 Description of the Plan

This section gives a brief outline of the Rules of the Plan.

(a) Participation

Persons eligible to participate in the Plan are Directors and employees of Encounter Resources Limited or associated body corporate ("Eligible Person"). The Board may from time to time determine that any Eligible Person is entitled to participate in the Plan and the extent of that participation. In making that determination the Directors must consider, where appropriate, matters including employment performance and level of responsibility.

(b) Offer of Options

Each offer made by the Board must specify:-

- the number and the exercise price of the Options;
- that the Eligible Person may accept the whole or any lesser number of Options offered;
- the period within which the offer may be accepted.

The offer document must also include a copy of the plan. The offer document must also be provided to ASIC within 7 days after provision of this material to an Eligible Person.

(c) Price

Options issued under the Plan are issued free of consideration. The exercise price of the options will be determined by the Board with regard to the market value of the shares when the Board resolves to offer the options.

(d) Acceptance

An Eligible Person must, within the period specified in the offer either:-

- accept the whole or any lesser number of Options offered by notice in writing; or
- nominate a nominee in whose favour the Eligible Person wishes to renounce the offer by notice in writing.

4. Adoption of the Encounter Resources Limited Employee Share Option Plan (cont'd)

4.3 Description of the Plan (cont'd)

(e) Restrictions

Unless the Board determines otherwise, if an Eligible Person ceases to be an Eligible Person after the earliest date for exercise of their options, for any reason other than a "Specified Reason" (being retirement at age 60 or over, permanent disability, redundancy or death) the options held by them will automatically lapse.

If an Eligible Person ceases to be an Eligible Person after the earliest date for exercise of their options because of a Specified Reason such Eligible Person is entitled to exercise any such option at any time prior to its expiry date.

Notwithstanding the terms of the options, the options may be exercised in the event of specified occurrences including a change of control allowing replacement of all or a majority of the Board or during the period of a takeover bid for the Company.

The options are not transferable other than to the legal personal representative of a deceased option holder.

(f) Administration

The Board in its absolute discretion will administer the Plan in accordance with terms and conditions set out in the Plan rules.

The total number of Shares the subject of options issued under the Plan, when aggregated with:

- the number of Shares which would be issued were each outstanding offer or option, being an offer made or option acquired pursuant to the Plan or any other employee share scheme, exercised; and
- the number of Shares issued during the previous 5 years pursuant to the Plan or any other employee share scheme,

but disregarding any offer made, option acquired or Share issued by way of or as a result of an offer under the Plan to a person situated outside Australia; or an offer under the Plan that did not need disclosure to investors because of section 708 of the Corporations Act; or an offer made under a disclosure document, must not exceed 5% of the Company's issued Shares.

(g) Number of Options issued under the Plan

As at the date of this Notice 1,825,000 Options have been issued under the Plan, 1,625,000 of these Options have been issued since the last Shareholder approval. As at the date of this Notice 100,000 Options previously issued under the Plan have been cancelled.

5. Ratification of a Prior Issue of Equity Securities

On 23rd September 2009, the Company announced that it would place 10,289,535 Shares to professional and sophisticated investors in Australia at a subscription price of $0.34 each, to raise $3,498,442 before the costs of the issue.

The Placement was completed on 2nd October 2009 under the Company's 15% existing placing facility provided in Listing Rule 7.1 ("Placement"). The Placement was arranged by Blackwood Capital Limited.

Listing Rule 7.1 provides that without Shareholder approval, a company must not issue or agree to issue new equity securities constituting more than 15% of its total issued capital within a 12 month period (excluding any issue of equity securities approved by Shareholders and other various permitted exceptions which are not relevant for current purposes).

Listing Rule 7.4 allows an issue of securities made without the approval of Shareholders to be ratified by shareholders, in order to refresh the 15% capacity under Listing Rule 7.1, provided at the time the issue was made, the issue was made within the Company's existing 15% capacity under Listing Rule 7.1.

EXPLANATORY STATEMENT

5. Ratification of a Prior Issue of Equity Securities (Continued)

Shareholder approval is therefore now sought pursuant to Listing Rule 7.4 to ratify the Placement so that the Company refreshes its capacity to issue up to 15% of its issued ordinary capital, if required, in the next 12 months without first requiring Shareholder approval for those future issues.

Listing Rule 7.5 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to Listing Rule 7.4:

(a) the total number of equity securities issued was 10,289,535 Shares;

(b) the Shares were issued at a price of $0.34 per Share;

(c) the Shares issued rank equally with existing Shares on issue;

(d) the Shares were issued to professional and sophisticated investors, none of whom are related parties of the Company;

(e) the Shares are listed on ASX, and

(f) the funds raised will be used to accelerate the Company's exploration activities at its copper exploration program in the Paterson Province in Western Australia, advance its uranium exploration portfolio and provide working capital.

PROXY FORM

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

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

Name: ______________________________
(PLEASE PRINT)
Address: ______________________________

____

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

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

Or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Encounter Resources Limited to be held at the Parmelia Hilton, 14 Mill Street, Perth on Friday, 30 November 2009 at 11.00am (Perth time) and at any adjournment of that meeting.

Voting directions to your proxy – please mark X **to indicate your directions**

Agenda Item	**For**	**Against**	***Abstain**
2. Adoption of Remuneration Report	☐	☐	☐
3. Re-election of Dr Jon Hronsky as a Director	☐	☐	☐
4. Approval of Option Plan	☐	☐	☐
5. Ratification of Prior Issues of Securities	☐	☐	☐

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

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

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

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

Individual or Securityholder 1	**Securityholder 2**	**Securityholder 3**
Individual / Sole Director and **Sole Company Secretary**	**Director**	**Director/Company Secretary**

______________	______________	___ / / ___
Contact Name	Contact Daytime Telephone	**Date**

HOW TO COMPLETE THE PROXY FORM

1 Your Name and Address

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

2 Appointment of a Proxy

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

3 Votes on Items of Business

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

4 Appointment of a Second Proxy

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

To appoint a second proxy you must:

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

(b) return both forms together in the same envelope.

5 Signing Instructions

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

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

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

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

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

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

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

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below no later than 11.00am (Perth time) on 28 November 2009, being 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

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

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

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