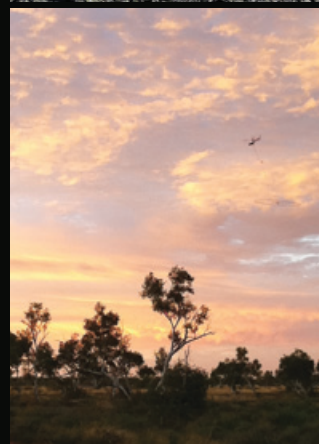




encounter
RESOURCES LIMITED

ABN 47 109 815 796



ANNUAL REPORT 2013

Corporate Directory

Directors

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

Company Secretary

Kevin Hart
Dan Travers (Joint Company Secretary)

Principal and Registered Office

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

Auditor

Crowe Horwath Perth
Level 6, 256 St Georges Terrace
Perth, Western Australia 6000

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, Western Australia 6153
Telephone (08) 9315 2333
Facsimilie (08) 9315 2233

Stock Exchange Listing

The Company's shares are quoted on the Australian Securities Exchange. The home exchange is Perth, Western Australia.

ASX Code

ENR – Ordinary shares

Company Information

The Company was incorporated and registered under the Corporations Act 2001 in Western Australia on 30 June 2004 and became a public company on 26 May 2005. The Company is domiciled in Australia.



Sample from EPT1707 (2m @ 2.8% Cu)

Contents

	Page
Letter from the Chairman & Managing Director	1
Exploration Review	3
Summary of Tenements	16
Corporate Governance Statement	17
Directors' Report	24
Auditor's Independence Declaration	33
Consolidated Statement of Comprehensive Income	34
Consolidated Statement of Financial Position	35
Consolidated Statement of Changes in Equity	36
Consolidated Statement of Cash Flows	37
Notes to the Financial Statements	38
Directors' Declaration	63
Independent Auditor's Report	64
ASX Additional Information	66

Competent Person's Statement

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

Letter from the Chairman & Managing Director

Dear Fellow Shareholder,

The last year has been an important one for the Company as it advances the exciting Yeneena Project ("Yeneena") in the Paterson Province in Western Australia ("WA").

During 2012 and 2013 Encounter strategically added to its ground position along the prospective corridor adjacent to the Yeneena Project by completing earn-in agreements with St Barbara Limited, Independence Group NL and Midas Resources Limited.

The Yeneena Project now covers 1,900km² of the Paterson Province in Western Australia and is located 40km SE of the Nifty copper mine and 30km SW of the Telfer gold/copper deposit. The Company has secured a huge foothold in this region containing an extensive pipeline of exploration opportunities.

The targets identified by the Company are located adjacent to major regional faults and have been identified through electromagnetics, geochemistry and structural targeting. The copper targets are hosted within sediments of the Broadhurst Formation in a similar geological setting to the 2 million copper tonne Nifty deposit.

In April 2013, the Company completed an earn-in agreement with a wholly owned subsidiary of Antofagasta plc, one of the world's largest copper producers, whereby it may earn a 51% interest in two tenements within the Yeneena Project by incurring expenditures of US\$20 million over a five year period.

Recent RC drilling at the project has significantly increased the scale of the BM7 prospect with a new zone of copper mineralisation intersected in multiple drill holes

Spinifex covered sand dune at Yeneena

Letter from the Chairman & Managing Director continued

*Targets identified by the Company
are located adjacent to major regional faults
and have been identified through electromagnetics,
geochemistry and structural targeting*

Dusk at Yeneena

The Company is delighted to welcome Antofagasta onto the Company's share register and into an earn-in agreement over two tenements within the Yeneena project (approximately 25% of the Yeneena project area). The transaction is a significant endorsement of the large scale copper potential at Yeneena. Antofagasta brings considerable financial, technical and operating resources to progress the exciting copper discoveries made by Encounter. This relationship will ensure a fully funded exploration programme and if successful, provides a path towards production with a major copper producer.

Recent RC drilling at the project has significantly increased the scale of the BM7 prospect with a new zone of copper mineralisation intersected in multiple drill holes 1 to 2km east of previous drilling. In addition all four diamond drill holes completed at BM7 in 2013 contain zones of primary copper sulphide mineralisation, with the strongest copper sulphide mineralisation seen at the project to date intersected in the last of the four diamond drill holes completed in 2013.

The focus for the upcoming year is to advance the copper discoveries along the 13km long BM1-BM6-BM7 copper system within the Antofagasta earn-in agreement, to test the first order targets on the 100% owned Encounter ground and the earn-in agreements completed by the Company in the region.

The Company has secured a dominant land position in the highly prospective Paterson Province and is well placed to unlock the potential of the priority targets. The Company's exploration plans are well funded, we have a great in-house technical team and a major in the copper industry as a partner.

In closing we would like to thank our committed team for their professionalism and dedication. The Company is fortunate to have such a talented team who are leaders in the field. We would also like to thank our suppliers and other business partners. Finally, we would take this opportunity to thank our fellow shareholders for their ongoing support.

Yours sincerely



Paul Chapman
Chairman

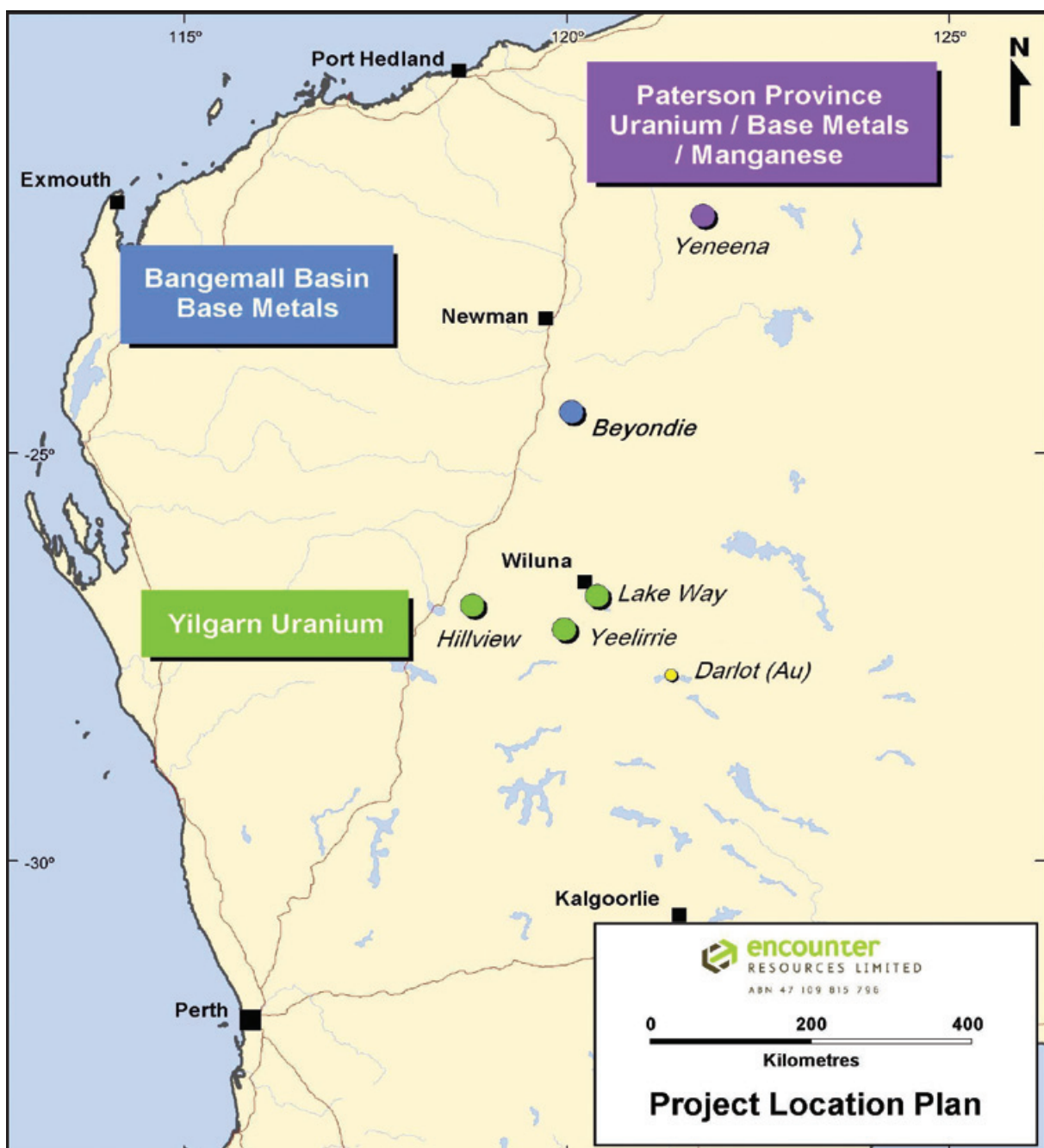


Will Robinson
Managing Director

Exploration Review

Encounter Resources Limited (Encounter) is a Western Australian (WA) based exploration and resource development company with projects in three geological regions of WA. Encounter's portfolio covers approximately 4,000km² of strategically located and highly prospective exploration projects. The portfolio includes:

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



Paterson Province

YENEENA COPPER – COBALT PROJECT

- 100% Encounter – E45/2500, E45/2501, E45/2502, E45/2503, E45/2561, E45/2657, E45/2806, ELA45/4216, ELA45/4230, ELA45/4232
- Antofagasta earning into E45/2658 and E45/2805
- Encounter 70%, Independence Group NL (IGO) 30% ELA45/4215
- Encounter earning into E45/3232 and E45/3308 from St Barbara Ltd (SBM)
- Encounter earning into E45/3768 and E45/4091 from Midas Resources Ltd (MDS)

Yeneena covers a 1,900km² tenement package in the Paterson Province of WA located between the Nifty copper mine, the Woodie Woodie manganese mine, the Telfer gold-copper mine and the Kintyre uranium deposit (Figure 1). In 2012/2013, Encounter has expanded its ground holding with earn-ins with St Barbara Mines Ltd, Independence Group NL and Midas Resources Ltd.

In April 2013, the Company completed an earn-in agreement with a wholly owned subsidiary of Antofagasta plc, one of the world's largest copper producers, whereby it may earn a 51% interest in tenements E45/2658 and E45/2805 within the Yeneena Project by incurring expenditures of US\$20 million over a five year period. Exploration under the farm-in agreement with Antofagasta commenced in April 2013.

Exploration activities during 2012/2013 focused on the BM6/BM1/BM7 corridor and the T4 prospect. Work included diamond, RC and aircore drilling together with airborne and ground geophysical surveys. Other activities included heritage surveying, hyperspectral data logging, regional reconnaissance field work, historical data compilation and rehabilitation work.

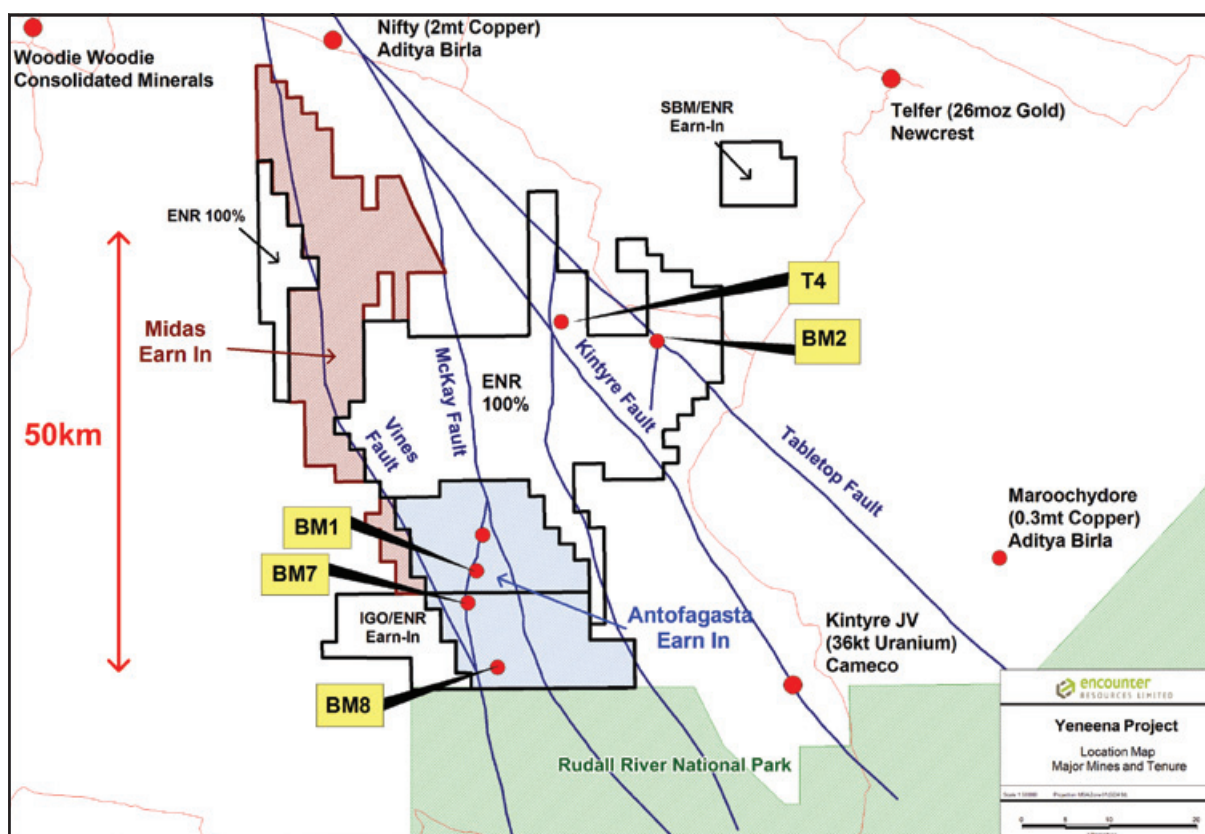


Figure 1: Location and leasing map

BM7 Prospect (Antofagasta earning in)

The BM7 prospect is located 3km south of the BM1 discovery and is situated at the intersection of the north-east trending Queen fault and the regionally-extensive McKay fault (Figure 2).

Initial RC and diamond drilling in the northern part of BM7 was completed during April-August 2012 on granted tenement E45/2658 and returned results including:

- 73m @ 0.4% Cu and 100ppm Co from 74m including:
 - 8m @ 1.0% Cu and 120ppm Co and 0.9m at 4.9% Cu and 350ppm Co
- 279m @ 0.1% Cu and 100ppm Co from 172m including:
 - 23m @ 0.31% Cu and 170ppm Co and 6m @ 0.7% Cu and 435ppm Co
- 34m @ 0.64% Cu and 793ppm Co from 156m including:
 - 10m @ 1.64% Cu and 1616ppm Co from 166m
- 22m @ 0.38% Cu and 185ppm Co including:
 - 2m @ 2.87% Cu and 518ppm Co
- 34m @ 0.48% Cu from 20m including:
 - 14m @ 0.83% Cu from 28m
- 18m @ 0.38% Cu and 298ppm Co from 46m including:
 - 2m @ 2.24% Cu from 50m

At this point the BM7 mineralisation remained open to the south of E45/2658. The southernmost section of drilling on E45/2658 defined a corridor of copper mineralisation in excess of 1km wide along the tenement's southern boundary.

The tenement directly to the south of the initial BM7 drilling, E45/2805, was granted in August 2012. A heritage survey was completed in September 2012 to facilitate a program of aircore and RC drilling.

Aircore drilling in late 2012 delineated a 3.5km long, 1.5km wide +0.1% copper regolith anomaly at BM7 that contains locally higher-grade (+0.5% copper) cores. Significant cobalt enrichment is associated with the copper oxide mineralisation. The average hole depth of the aircore holes was approximately 40 metres.

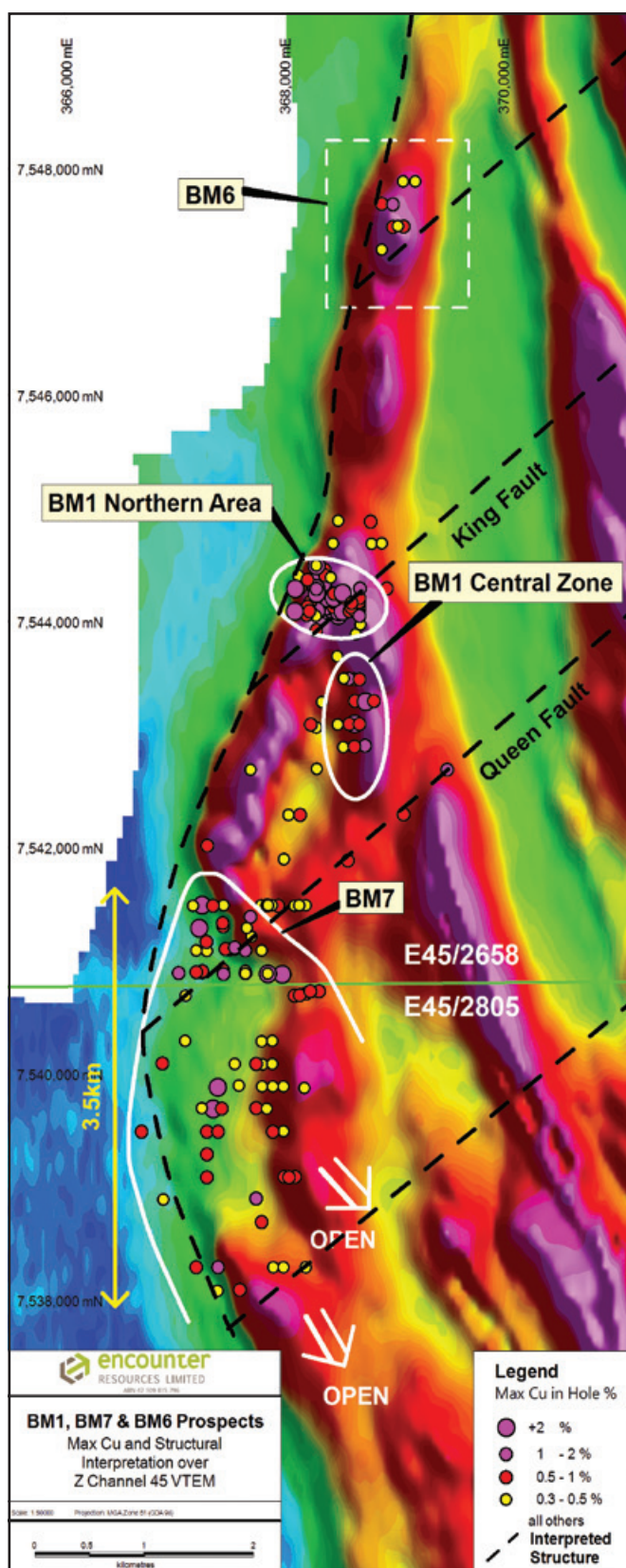


Figure 2: BM1, BM7 and BM6 Prospects

Exploration Review continued

BM7 Prospect (continued)

Significant intersections included:

- 8m @ 0.52% Cu and 364ppm Co from 76m to EOH (end of hole)
- 2m @ 0.61% Cu and 804ppm Co from 32m to EOH
- 9m @ 1.54% Cu and 1.0% Co from 42m to EOH including:
 - 4m @ 2.56% Cu and 1.74% Co from 44m
- 5m @ 0.62% Cu and 821ppm Co from 36m to EOH including:
 - 1m @ 1.2% Cu and 0.18% Co from 40m to EOH
- 13m @ 0.47% Cu and 32ppm Co from 36m to EOH

A small RC drilling campaign was completed in November 2012 to test areas where the aircore drilling was ineffective and test below some of the more significant regolith anomalies. Significant intersections from this program included:

- EPT1689 – 52m @ 0.55% Cu and 378ppm Co from 42m including 8m @ 1.97% Cu and 1,076ppm Co
- EPT1679 – 104m @ 0.2% Cu and 175ppm Co from 62m to EOH.

An IP orientation survey was conducted in the December 2012 quarter, and resulted in the identification of the Western IP anomaly at BM7, which broadly follows the orientation of the McKay fault and extends over 2.5km of strike. The anomaly is also semi-coincident with an EM anomaly located adjacent to an interpreted coherent zone of high grade supergene copper mineralisation (Figure 3).

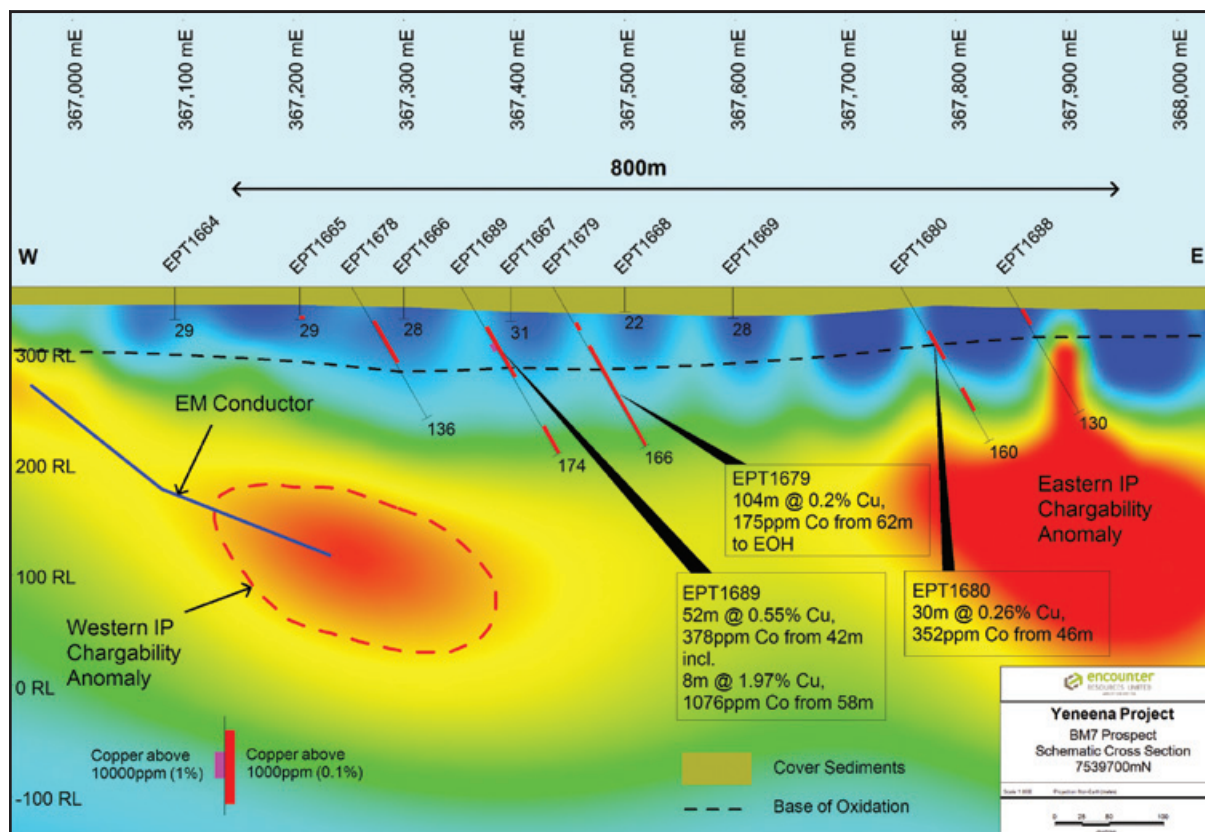


Figure 3: BM7 Prospect Cross Section (7539700mN)

BM7 Prospect (continued)

Intense dolomite alteration and highly anomalous pathfinder elements (Bi, As, Mo, Co) observed at BM7 map out a large-scale hydrothermal alteration system which is expressed in VTEM data as an area of subdued EM response (Figure 4). The dolomitisation event at BM7 associated with the copper-cobalt mineralisation event is interpreted to have reduced the conductivity of the host rock.

Exploration under the Antofagasta earn-in agreement for tenements E45/2658 and E45/2805, hosts to the BM1, BM6, BM7 and BM8 prospects commenced in April 2013.

A 15 hole, 3200m RC drill program was completed within the earn-in area with two holes drilled at both BM1 and BM6 and the remaining 11 holes drilled at BM7.

The 11 hole RC drill program at BM7 was designed to test for primary copper sulphides beneath the broad regolith anomaly and along the margins of the dolomite alteration zone. A number of the RC holes did not reach their planned target depth with several holes finishing in altered sediments containing disseminated copper sulphide mineralisation.

Assay results received for the April 2013 RC program confirmed that the zone of intensely dolomite altered shale at BM7 is anomalous in primary copper sulphide mineralisation over at least 800m in strike and remains open north and south and at depth (Figure 4). Within this dolomite alteration zone a number of the RC drill holes ended in sulphide copper mineralisation including:

- EPT1709 – 6m @ 0.7% Cu from 150m to EOH
- EPT1712 – 30m @ 0.4% Cu from 118m to EOH

A four hole diamond drill program designed to target below the 800m long zone of copper sulphide mineralisation identified in the April 2013 RC drill program was completed in September 2013 (Figure 4).

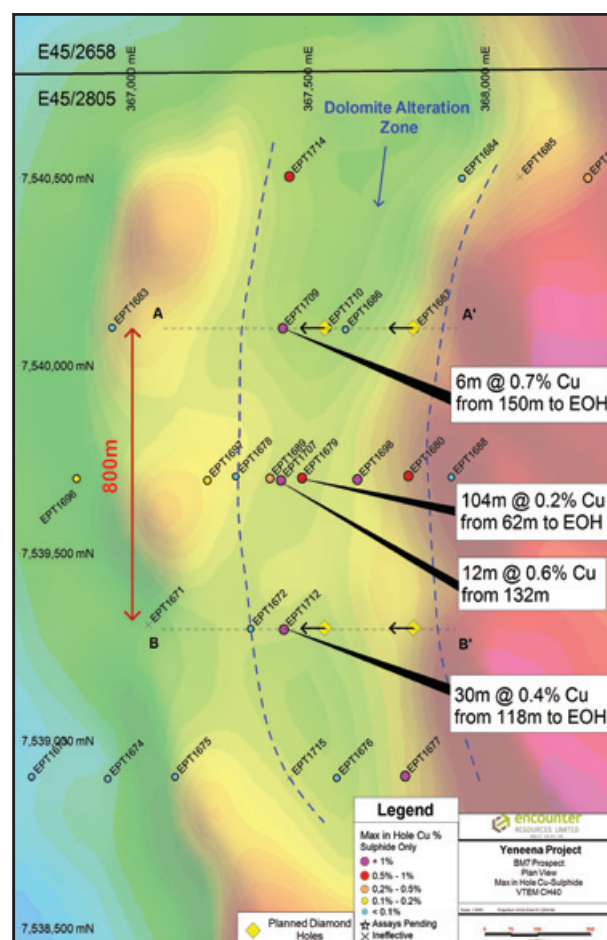


Figure 4: BM7 Prospect Plan View



Diamond Drilling at BM7



Figure 5: EPT1719 (387.1m to 392.9m)

BM7 Prospect (continued)

All four diamond holes completed contain zones of primary copper sulphide mineralisation. The copper sulphides are hosted within, and often at the margins of dolomite veined and brecciated carbonate units.

The strongest copper sulphide mineralisation at the project to date was intersected in EPT1719, which was the last of the four hole program. This zone extended over approximately 5m, with locally massive copper sulphides forming as breccia cement near the upper boundary of a narrow carbonate unit (Figure 5). The remainder of the carbonate unit contains fine disseminations and coarse blebs of chalcopyrite throughout. Assay results from EPT1719 are expected in October 2013.

The initial interpretation of the diamond drilling at BM7 supports the deposit target model. Consistent with this model, the mineralisation within the veins becomes stronger and more massive, with the sulphide assemblage within the veins becoming more chalcopyrite dominant as we approach the interpreted centre of the large mineral system at BM7.

In August 2013, a first pass RC drill program (60 vertical holes, average hole depth 80m) commenced to provide an initial test of the area to the east of the previous drilling at BM7 and also to complete the first drilling south of BM7 to help to define the full extent of the copper system at the project.

The program was successful and has extended the BM7 system over 1km to the east and by at least 1.6km south and remains open to the south. The first pass, broad spaced (800m x 400m) program (Figure 6) intersected a number of highly anomalous copper oxide and copper sulphide intersections.

Assay results have been received from the first eight holes of the RC program. Assays have confirmed a new zone of near surface copper oxide and copper sulphide mineralisation to the east of BM7.

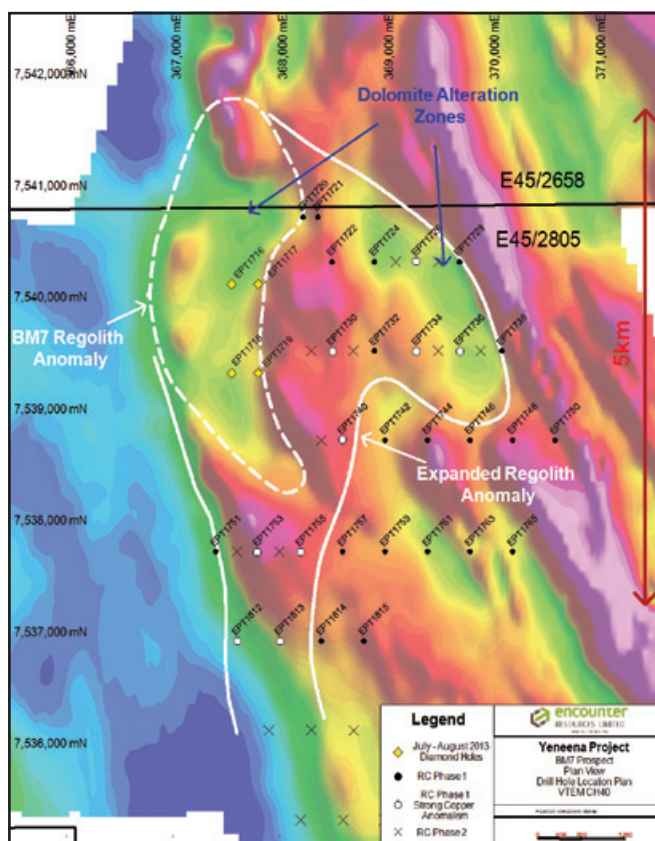


Figure 6: BM7 Prospect Drill Hole Location Plan

BM7 Prospect (continued)

Assays received within this zone include:

- EPT1726 – 18m @ 0.4% Cu from 38m including 2m @ 1.2% Cu from 46m
- EPT1734 – 22m @ 0.2% Cu from 42m including 2m @ 1.2% Cu from 58m
- EPT1736 – 36m @ 0.2% Cu from 46m to EOH

These results are considered important given the broad spacing of the first pass drill program. Initial observations are that the size and grade of this latest copper oxide blanket is potentially more significant than the initial BM7 oxide discovery holes.

Initial observations from the four diamond holes indicate a shallow easterly dip to the stratigraphy and the mineralised horizons appear to be stratabound in nature. This observation, together with the copper oxides intersected to the 1-2km east of BM7 support an interpretation of a potential synformal structure. This interpretation and the style of mineralisation seen at BM7, shows similarities to the Nifty copper deposit located 65km north of BM7.

RC drilling is scheduled to recommence October 2013 to complete the deeper infill holes and the expanded program further to the south of BM7.

BM1 Prospect (Antofagasta earning in)

Aircore and RC drilling at BM1 has defined two zones of coherent near surface copper oxide mineralisation named the Northern and Central Areas (Figure 2). At the Northern Area, the flat lying copper oxide mineralisation extends over an area 500m by 250m and is interpreted to be the weathered remnants of a primary copper sulphide position.

Re-appraisal of drilling data has identified a target north of the BM1 Northern Area down plunge of a copper oxide position. A zone of copper sulphide mineralisation (12m @ 0.12% Cu from 90m to EOH) intersected at the base of a previous aircore hole is interpreted to be fault leakage from a potential primary source plunging shallowly northwards from the BM1 Northern Zone copper oxide position. The target is located in the fold hinge of the BM1 anticline, a conceptually prospective zone for copper-cobalt sulphide accumulation. Importantly, this zone has not been drill tested beyond the depth of aircore drilling (around 100m).

Two deep RC holes totaling 656m were drilled at BM1 during the June 2013 quarter. The holes were drilled to test a target approximately 500m north of the BM1 Northern Zone (high grade copper oxide zone) at the



Kristian Hendricksen (Senior Exploration Geologist)

intersection of an interpreted NNE trending structure and the northerly plunging fold hinge of the BM1 anticline.

The holes intersected broad zones of low level (100-500ppm Cu) primary copper anomalism within weakly altered black shales. The holes ended at the depth capacity of the rig with the last 50m of the hole showing an increase in copper anomalism and alteration of the sediments. This level of copper sulphide anomalism is encouraging with the last 2m sample in EPT1693 returning 0.12% copper. The drilling has confirmed the merits of the conceptual target for primary copper mineralisation north of the BM1 copper oxide discovery and further work is required to determine the potential of the area.

BM6 Prospect (Antofagasta earning in)

Located 3km NNE of BM1 Northern Area (Figure 2), BM6 was discovered during reconnaissance aircore drilling in 2011, which delineated an 800m long, 400m wide +0.1% copper regolith anomaly adjacent to the McKay fault (with grades up to 1.4% Cu). The regolith anomaly coincides with a VTEM conductor, which has been modeled to dip shallowly to the west (towards the McKay Fault). Pathfinder elements are elevated at BM6, with Bi assays up to 74 ppm and Mo assays up to 17 ppm (similar to levels seen at BM1 and BM7).

An RC program was designed to test the depth extent of the copper mineralisation at BM6, and determine if the VTEM conductor represents primary copper sulphides. The two hole, RC drill program completed in the June 2013 quarter confirmed the modelled conductor appeared to map out a block of shallower conductive shale. The holes intersected elevated copper anomalism below the base of oxidation which is considered highly anomalous and confirms the copper system remains open to the north of BM6. A detailed review of the downhole geochemistry will be completed to define vectors to potential higher grade mineralisation.

BM2 Prospect (Encounter 100%)

The BM2 prospect is located on the regionally-extensive Tabletop Fault. This structure is known to be metallogenically important and is closely associated with the position of the Nifty Copper deposit, 50km along strike to the north-west. Previous aircore drilling defined a broad zone of copper anomalism ($+0.25\%$ Cu) over a strike extent of 800m (Figure 7). The identification of this significant base metal anomaly was made in an area of no outcrop, with up to 20m of transported overburden.

RC and diamond drilling in June 2012 confirmed a heavily leached oxide profile with many holes showing a strengthening of zinc mineralisation at depth. RC holes EPT1136A through to EPT1141 all ended in anomalous zinc and lead sulphides and have mapped out what is interpreted as the upper contact of a stratabound base metal horizon that extends over 1km in strike.

Drill hole EPT1140, collared in the centre of the regolith copper anomaly, returned the first sulphide copper intersection at BM2:

■ 26m @ 0.60% Cu from 100m incl. 10m @ 0.92% Cu from 100m

Diamond drill hole EPT1174 (Figure 8) was collared from surface and drilled to the north at -60° . The hole was designed to test for copper sulphide mineralisation at depth below EPT1140. The hole intersected a broad zone of carbonate alteration and veining in the shale unit that contained visible zinc and lead sulphides. Assay results include:

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

The Company completed 7 RC holes in April 2013 at BM2 adjacent to the copper sulphide intercept in EPT1140. The program was designed to test for both lateral and depth extensions of the copper sulphides previously intersected. Drilling intersected copper oxide mineralisation adjacent to EPT1140 but no extensions to the copper sulphide zone were encountered.

Three of the RC holes were extended to determine geometry of the upper contact of the stratabound zinc sulphide mineralisation. Zinc sulphide mineralisation was intersected near the base of all three holes with the upper contact of the stratabound mineralisation interpreted to be dipping gently to the north.



Yeneena Project entrance

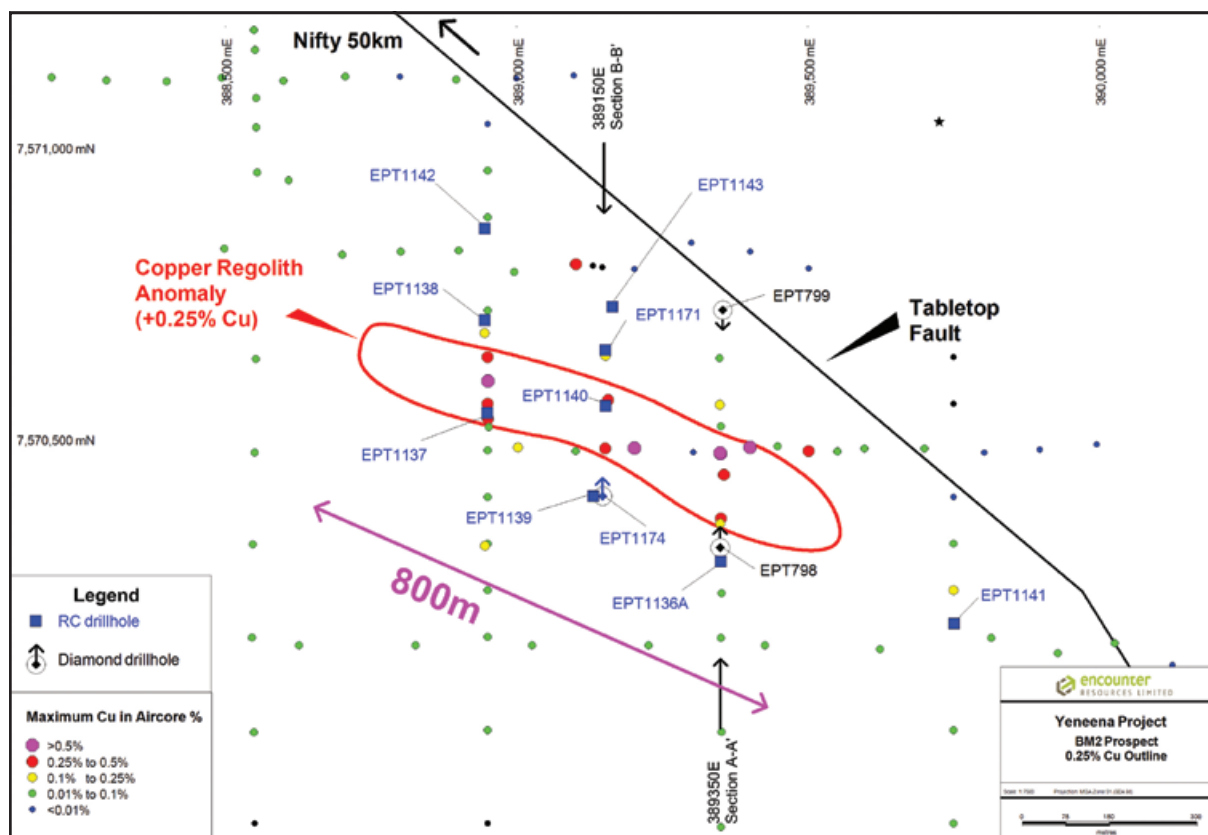


Figure 7: BM2 Prospect Drill Hole Location Plan

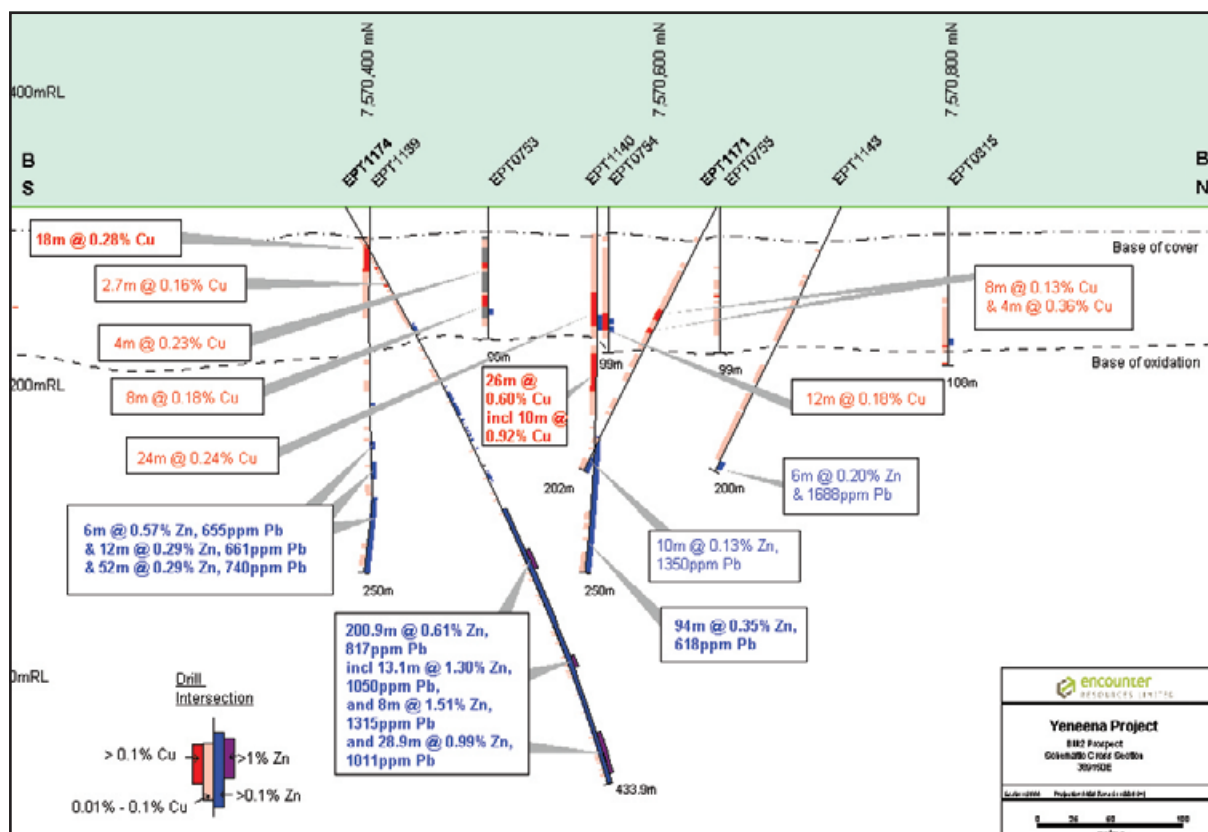


Figure 8: BM2 Prospect Schematic Cross Section

BM2 Prospect (continued)

During the June 2013 quarter, the Company was successful in an application for EIS co-funded diamond drilling of the BM2 prospect. Funding was approved for deep drilling at BM2 to test the basal contact of the zinc bearing unit. Traditionally this contact is considered the principle target for the accumulation of high grade base metals mineralisation. The EIS co-funded 1,300m diamond drilling will be completed in October 2013 (Figure 9).

T4 Prospect (Encounter 100%)

Previous stratigraphic diamond drilling at the T4 prospect, an area totally covered by sand dunes, has confirmed the presence of copper sulphides within Rudall Complex metamorphic rocks. A magnetic anomaly with a strike-length of approximately 4km is present at T4. It is interpreted that this large anomaly represents magnetite alteration associated with copper mineralisation.

Assays received from two diamond drill holes drilled at T4 designed to target the magnetic anomaly confirm that elevated copper anomalism (300-1000ppm copper) is associated with more intense magnetite and pyrrhotite alteration.

A total of 125 shallow aircore drillholes were completed over the T4 prospect in September 2012. Widespread low-level copper anomalism (+100ppm) was observed in a highly variable regolith profile (0 to 30m thick). Significantly, copper anomalism commonly occurs at end-of-hole, with EPT1391 ending in 270ppm copper and 246ppm molybdenum (two orders of magnitude above background values for molybdenum), and EPT1270 ending in 441ppm copper (Figure 10).

The regolith profile at T4 is poorly developed and is often "stripped" by erosion. This would result in tight regolith footprints over primary mineralisation, with poor lateral dispersion of copper. Considering the limited regolith profile, any results above 100ppm copper are considered significant and warrant follow-up drilling.

A program of hyperspectral logging and multi-element analysis was conducted in the March 2013 quarter, with results used to plan drillhole locations around the copper and molybdenum anomalies. Further reconnaissance drilling is also planned around the edges of the T4 Inlier as conceptually, packages of Broadhurst Formation adjacent to highly tectonised and structurally complex zones are prospective for base metal deposits.

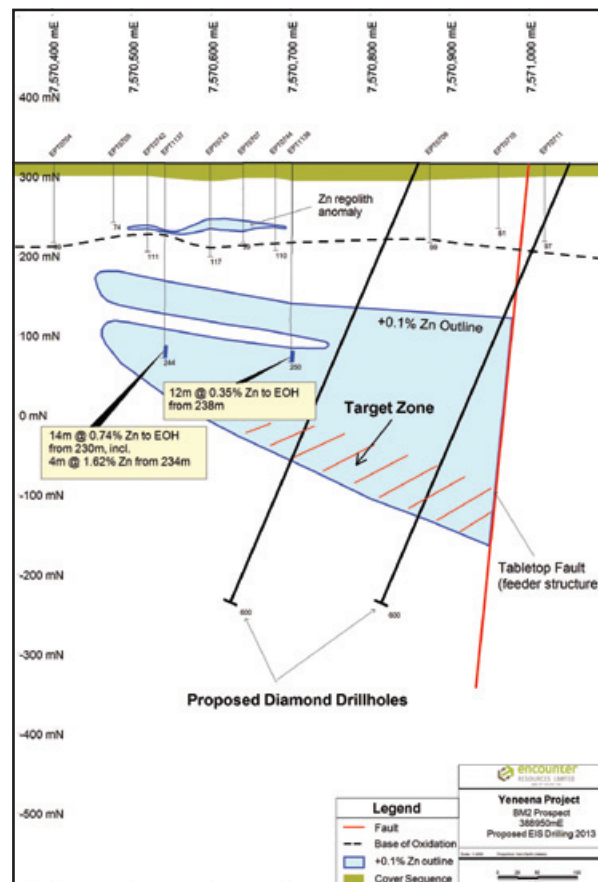


Figure 9: BM2 Prospect proposed EIS Drilling 2013

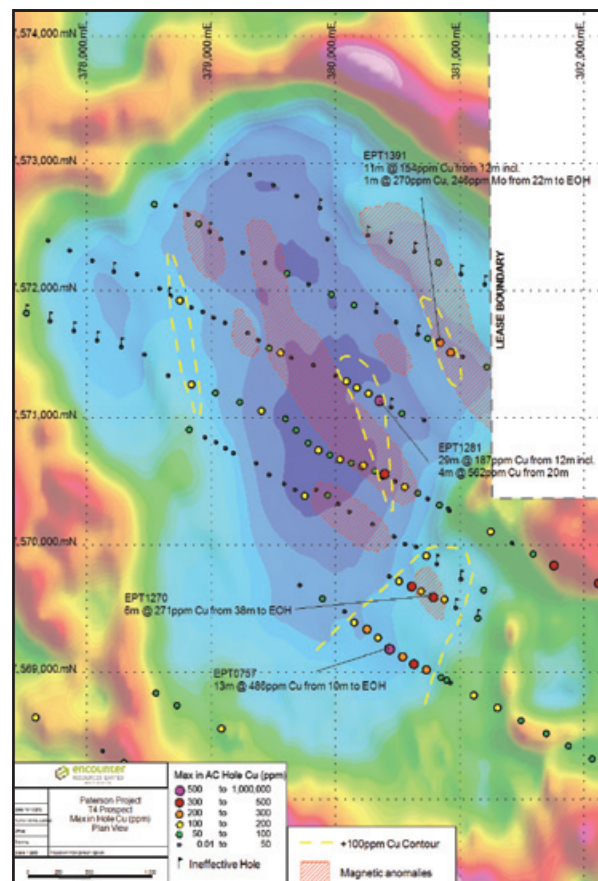


Figure 10: T4 Prospect

Yeneena Regional North West Targets (Encounter 100%)

The success of the copper exploration program at the Yeneena project and the discovery of the large scale BM1-BM6-BM7 mineral system has encouraged Encounter to expand the early stage assessment activities over the untested regional copper targets.

Three untested regional scale copper targets are located to the NW of the BM1-BM6-BM7 mineral system. These targets are hosted within Broadhurst sediments and located along NE trending structures between the McKay and Vines Faults. These NE structures are highly prospective as they represent potential dilational zones within the structural architecture of the basin during inversion. These dilational zones allow basin fluids to migrate upwards into suitable trap sites for base metal deposits.

A 1,250 line km airborne VTEM survey was completed over the regional targets located in the northwest of the Yeneena project in June 2013. Approximately 500 line km of the survey was completed over the Antofagasta earn in tenements and the remaining 750 line km over ground held 100% by Encounter.

Preliminary images from this survey have highlighted a number of targets along the NE structural corridors (Figure 11). Detailed aerial photography has been acquired, initial reconnaissance and some geochemical sampling occurred in August 2013. The company plans to complete a reconnaissance RC drill program in October 2013 to provide initial geochemical and geological information along the NE structural corridor highlighted in the VTEM survey. No previous systematic exploration has been conducted on the area of interest.

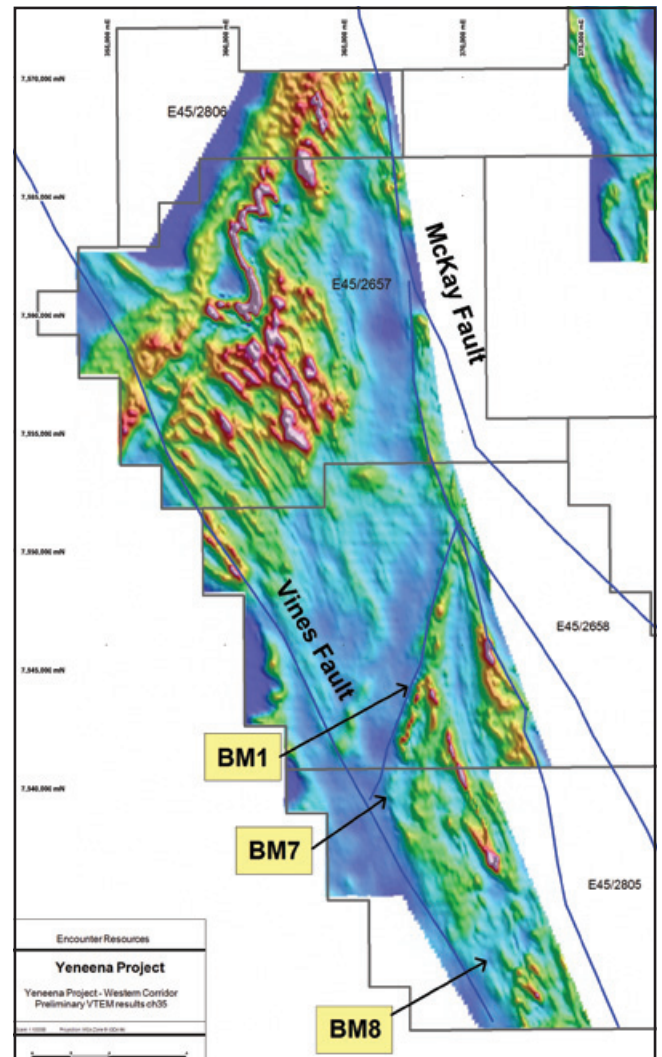


Figure 11: Yeneena Project Preliminary YTEM results



Yeneena Exploration Camp



Dust storm at Yeneena

Yilgarn District

Minimal exploration work was completed on the Yilgarn and Bangemall Basin projects over the previous year due to the prioritisation of the exploration activities at Yeneena.

HILLVIEW (ELA51/1570 – 100% Encounter)

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

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

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

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

YEELIRRE (E36/769 and E53/1685 – 100% Encounter)

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

DARLOT EAST PROJECT – Gold (E37/1148 – 100% Encounter)

The Darlot East project covers 285km² and is located approximately 6kms east of the Darlot Gold mine, 70km east of the township of Leinster.

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

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

Exploration licence E37/1148 was granted in April 2013.

Bangemall Basin

BEYONDIE (ELA69/3087, ELA69/3088 and ELA69/3089 – 100% Encounter)

The Company completed a regional targeting exercise incorporating key learnings from the work completed at the Yeneena project and building on our understanding of the formation of large scale base metal systems.

The targeting program highlighted an area on the eastern margin of the Bangemall Basin that demonstrates a number of key structural ingredients. Applications have been lodged over an area of 1500km² located approximately 150km south south east of Newman. The tenements capture the intersection of the Tangadee Lineament with the margin of the Bangemall Basin and northern Yilgarn block.

Hillview Qualifying Statement

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

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

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

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

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

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

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

Bellah Bore East Qualifying Statement

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

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

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

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

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

Mr Bewick consents to the inclusion in the report of the matters based on the information compiled by him, in the form and context in which it appears.

Lake Way Qualifying Statement

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

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

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

Mr Bewick consents to the inclusion in the report of the matters based on the information compiled by him, in the form and context in which it appears.

Summary of Tenements

Lease	Lease Name	Project Name	Area km ²	Managing Company	Encounter Interest
ELA69/3087	Beyondie	Bangemall Basin	346.6	Hamelin Resources Pty Ltd	100%
ELA69/3088	Beyondie	Bangemall Basin	524.8	Hamelin Resources Pty Ltd	100%
ELA69/3089	Beyondie	Bangemall Basin	549.3	Hamelin Resources Pty Ltd	100%
E53/1232	Wiluna South	Lake Way South JV	30.17	Encounter Resources Limited	60% of uranium rights
E36/769	Yeelirrie South	Yilgarn	48.83	Encounter Resources Limited	100%
E53/1685	Bellah Bore East	Yilgarn	45.96	Encounter Resources Limited	100%
E37/1148	Darlot	Yilgarn	212.4	Encounter Resources Limited	100%
ELA51/1570	Hillview	Yilgarn	89	Encounter Resources Limited	100%
E45/2500	Yeneena	Paterson	163.4	Encounter Operations Pty Ltd	100%
E45/2501	Yeneena	Paterson	41.4	Encounter Operations Pty Ltd	100%
E45/2502	Yeneena	Paterson	216.3	Encounter Operations Pty Ltd	100%
E45/2503	Yeneena	Paterson	76.3	Encounter Operations Pty Ltd	100%
E45/2561	Yeneena	Paterson	86	Encounter Operations Pty Ltd	100%
E45/2657	Yeneena	Paterson	222.8	Encounter Operations Pty Ltd	100%
E45/2658	Yeneena	Paterson	222.8	Encounter Operations Pty Ltd	100%*
E45/2805	Yeneena	Paterson	209.7	Encounter Operations Pty Ltd	100%*
E45/2806	Yeneena	Paterson	63.7	Encounter Operations Pty Ltd	100%
E45/3232	Yeneena	Paterson	22.33	Encounter Operations Pty Ltd	0%, Encounter earning 70%
E45/3308	Yeneena	Paterson	38.3	Encounter Operations Pty Ltd	0%, Encounter earning 70%
E45/3768	Yeneena	Paterson	187.8	Encounter Operations Pty Ltd	0%, Encounter earning 70%
E45/4091	Yeneena	Paterson	257.7	Encounter Operations Pty Ltd	0%, Encounter earning 70%
ELA45/4215	Yeneena	Paterson	114	Encounter Yeneena Pty Ltd	70% ENR 30% Newsearch
ELA45/4216	Yeneena	Paterson	370	Encounter Yeneena Pty Ltd	100%
ELA45/4230	Yeneena	Paterson	92	Encounter Yeneena Pty Ltd	100%
ELA45/4232	Yeneena	Paterson	114	Encounter Yeneena Pty Ltd	100%

* Tenement subject to Antofagasta Earn-In Agreement see ASX announcement April 23, 2013

Corporate Governance Statement

Introduction

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

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

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

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

Explanation for Departures from Best Practice Recommendations

During the Company's 2012/2013 financial year the Company has complied with the Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council ("Corporate Governance Principles and Recommendations"), other than as stated below. Significant policies and details of any significant deviations from the principles are specified below.

Corporate Governance Council Recommendation 1

Lay Solid Foundations for Management and Oversight

Role of the Board of Directors

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

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

In complying with Recommendation 1.1 of the Corporate Governance Council, the Company has adopted a Board Charter which clarifies the respective roles of the Board and senior management and assists in decision making processes. A copy of the Board Charter is available on the Company's website.

Corporate Governance Statement continued

Board Processes

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

Evaluation of Senior Executive Performance

The Company has not complied with Recommendation 1.2 of the Corporate Governance Council. Due to the early stage of development of the Company it is difficult for quantitative measures of performance to be established. As the Company progresses its projects, the board intends to establish appropriate evaluation procedures. The Chairman assesses the performance of the Executive Directors on an informal basis.

Corporate Governance Council Recommendation 2

Structure the Board to Add Value

Board Composition

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

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

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

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

The Board has assessed the independence of its non executive directors according to the definition contained within the ASX Corporate Governance Guidelines and has concluded that both of the current Non-Executive Directors meet the recommended independence criteria.. As a result the Company complies with Recommendation 2.1 of the Corporate Governance Council. The Board considers that both its structure and composition are appropriate given the size of the Company and that the interests of the Company and its shareholders are well met.

Independent Chairman

The Chairman is considered to be an independent director and as such Recommendation 2.2 of the Corporate Governance Council has been complied with. The Board believes that Mr Chapman is the most appropriate person for the position as Chairman because of his industry experience and proven track record as a public company director.

Roles of Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are exercised by different individuals, and as such the Company complies with Recommendation 2.3 of the Corporate Governance Council.

Nomination Committee

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

Evaluation of Board Performance

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

Education

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

Independent Professional Advice and Access to Information

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

Corporate Governance Council Recommendation 3

Promote Ethical and Responsible Decision Making

The Board actively promotes ethical and responsible decision making.

Code of Conduct

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

Guidelines for Trading in Company Securities

The Board has committed to ensuring that the Company, its Directors and executives comply with their legal obligations as well as conducting their business in a transparent and ethical manner. The Board has adopted a procedure on dealing in the Company's securities by directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information.

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

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

Diversity

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

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

Corporate Governance Statement continued

The Company, in keeping with the recommendations of the Corporate Governance Council provides the following information regarding the proportion of gender diversity in the organisation as at 30 June 2013:

	Proportion of female/ total number of persons employed
Females employed in the Company as a whole	4/11
Females employed in the Company in senior positions	1/3
Females appointed as a Director of the Company	0/4

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

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

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

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

Corporate Governance Council Recommendation 4

Safeguarding Integrity in Financial Reporting

Audit Committee

The Company has a separate Audit Committee and as such complies with Recommendation 4.1 of the Corporate Governance Council.

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

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

Financial reporting

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

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

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.

Corporate Governance Council Recommendation 5

Make Timely and Balanced Disclosure

Continuous Disclosure

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

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

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

Corporate Governance Statement continued

Corporate Governance Council Recommendation 6

Respect the Rights of Shareholders

Communications

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

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

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

Corporate Governance Council Recommendation 7

Recognise and Manage Risk

Risk management policy

The Board has adopted a risk management policy that sets out a framework for a system of risk management and internal compliance and control, whereby the Board delegates day-to-day management of risk to the Managing Director, therefore complying with Recommendation 7.1 of the Corporate Governance Council. The Board is responsible for supervising management's framework of control and accountability systems to enable risk to be assessed and managed.

Risk management and the internal control system

The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

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

- Assist the Company to achieve 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.

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. Share options which were issued to a Non-Executive 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 (the Group) at the end of, and during the year ended 30 June 2013.

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, MAICD, MAusIMM
Non-Executive Chairman appointed 7 October 2005

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

Will Robinson – B.Comm, MAusIMM

Managing Director (Executive) appointed 30 June 2004

Mr Robinson is a resources industry commercial and finance specialist with over nineteen years experience in commercial management, transaction structuring and negotiation, business strategy development and London Metals Exchange metals trading. Mr Robinson held various senior commercial positions with WMC in Australia and North America from 1994 to 2003. Mr Robinson has extensive experience in the sale and distribution of commodities and was Vice President – Marketing for WMC's nickel business from 2001 to 2003. Mr Robinson founded Encounter Resources Limited in 2004 and has overseen the development of the Company as its Managing Director. Mr Robinson is the President of the Association of Mining and Exploration Companies (AMEC).

Peter Bewick – B.Eng (Hons), MAusIMM

Exploration Director (Executive) appointed 7 October 2005

Mr Bewick is an experienced geologist and has held a number of senior mine and exploration geological roles during a fourteen year career with WMC. These roles include Exploration Manager and Geology Manager of the Kambalda Nickel Operations, Exploration Manager for St Ives Gold Operation, Exploration Manager for WMC's Nickel Business Unit and Exploration Manager for North America based in Denver, Colorado. Whilst at

WMC, Mr Bewick gained extensive experience in project generation for a range of commodities including nickel, gold and bauxite. Mr Bewick has been associated with a number of brownfields exploration successes at Kambalda and with the greenfield Collurabie Ni-Cu-PGE discovery.

Jonathan Hronsky – BAppSci, PhD, MAusIMM, FSEG

Non-Executive Director appointed 10 May 2007

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

Company Secretary

Kevin Hart – B.Comm, FCA

Mr Hart is a Chartered Accountant and was appointed to the position of Company Secretary on 4 November 2005. He has over 20 years experience in accounting and the management and administration of public listed entities in the mining and exploration industry.

He is currently a partner in an advisory firm, Endeavour Corporate, which specialises in the provision of company secretarial and accounting services to ASX listed entities.

Dan Travers – BSc (Hons), FCCA

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

Directors' Interests

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

<i>Director</i>	<i>Directors' Interests in Ordinary Shares</i>	<i>Directors' Interests in Unlisted Options</i>	<i>Options vested at the reporting date</i>
P Chapman	5,600,000	—	—
W Robinson	22,168,328	—	—
P Bewick	5,102,000	5,000,000	5,000,000
J Hronsky	—	1,300,000	1,300,000

Included in the Directors' interests in Unlisted Options, there are 6,300,000 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 2013, and the number of meetings attended by each Director are as follows:

<i>Director</i>	<i>Board of Directors' Meetings</i>	
	<i>Held</i>	<i>Attended</i>
P Chapman	9	9
W Robinson	9	9
P Bewick	9	9
J Hronsky	9	9

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 \$1,566,249 (2012: \$758,706).

Included in the consolidated loss for the current year is a write-off of deferred exploration expenditure totalling \$907,172 (2012: \$234,086).

Dividends

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

Review of Activities

Exploration

Exploration activities for the financial year have been focussed on the Company's Yeneena Project in the Paterson Province, principally at the BM1, BM6 and BM7 copper prospects and the BM2 copper/zinc prospect. The Yeneena Project covers a 1,900km² area of the Paterson Province in Western Australia.

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

Financial Position

At the end of the financial year the Group had \$4,806,657 (2012: \$5,185,337) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$17,774,406 (2012: \$15,219,430).

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

Significant Changes in the State of Affairs

The following significant change in the state of affairs of the Company occurred during the financial year ended 30 June 2013:

- On 23 April 2013 the Company announced that it had entered into a US\$20 million farm-in agreement with Antofagasta Minerals Perth Pty Ltd a subsidiary of Antofagasta plc, under which Antofagasta may earn up to a 51% interest in two tenements which comprise part of the Company's Yeneena Project.

Other than the above, there have been no significant changes in the state of affairs of the Company and Group during or since the end of the financial year.

Directors' Report continued

Options over Unissued Capital

Unlisted Options

As at the date of this report 9,475,000 unissued ordinary shares of the Company are under option as follows:

<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
5,425,000	\$1.35	22 November 2014
550,000	80 cents	30 September 2015
550,000	40 cents	31 May 2016
1,450,000	30 cents	30 November 2016
750,000	39 cents	30 November 2017
750,000	21 cents	31 May 2017

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

During the financial year the Company granted 2,950,000 unlisted options (2012: 1,250,000) over unissued shares to employees, directors and consultants of the Company.

During the year nil options were cancelled (2012: 50,000) on the cessation of employment. 1,550,000 options were cancelled on expiry of the exercise period (2012: nil).

During the financial year nil (2012: Nil) ordinary shares were issued on the exercise of options.

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

Since the end of the financial year no options have been cancelled due to the lapse of exercise period.

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

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments and Expected Results of Operations

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

Environmental Regulation and Performance

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

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

Remuneration Report (Audited)

Remuneration paid to Directors and Officers of the Company is set by reference to such payments made by other ASX listed companies of a similar size and operating in the mineral exploration industry. In addition reference is made to the specific skills and experience of the Directors and Officers.

Details of the nature and amount of remuneration of each Director, and other Key Management Personnel if applicable, are disclosed annually in the Company's Annual Report.

Remuneration Committee

The Board has adopted a formal Remuneration Committee Charter which provides a framework for the consideration of remuneration matters.

The Company does not have a separate remuneration committee and as such all remuneration matters are considered by the Board as a whole, with no Member deliberating or considering such matter in respect of their own remuneration.

In the absence of a separate Remuneration Committee, the Board is responsible for:

1. Setting remuneration packages for Executive Directors, Non-Executive Directors and other Key Management Personnel; and
2. Implementing employee incentive and equity based plans and making awards pursuant to those plans.

Non-Executive Remuneration

The Company's policy is to remunerate Non-Executive Directors, at rates comparable to other ASX listed companies in the same industry, for their time, commitment and responsibilities.

Non-Executive Remuneration is not linked to the performance of the Company, however to align Directors' interests with shareholders' interests, remuneration may be provided to Non-Executive Directors in the form of equity based long term incentives.

1. Fees payable to Non-Executive Directors are set within the aggregate amount approved by shareholders at the Company's Annual General Meeting;
2. Non-Executive Directors' fees are payable in the form of cash and superannuation benefits;
3. Non-Executive superannuation benefits are limited to statutory superannuation entitlements; and
4. Participation in equity based remuneration schemes by Non-Executive Directors is subject to consideration and approval by the Company's shareholders.

The maximum Non-Executive Directors fees, payable in aggregate are currently set at \$200,000 per annum.

Executive Director and Other Key Management Personnel Remuneration

Executive remuneration consists of base salary, plus other performance incentives to ensure that:

1. Remuneration packages incorporate a balance between fixed and incentive pay, reflecting short and long term performance objectives appropriate to the Company's circumstances and objectives; and
2. A proportion of remuneration is structured in a manner to link reward to corporate and individual performances.

Executives are offered a competitive level of base salary at market rates (based on comparable ASX listed companies) and are reviewed regularly to ensure market competitiveness. To date the Company has not engaged external remuneration consultants to advise the Board on remuneration matters.

Remuneration Report (Audited) continued

Incentive Plans

The Company provides long term incentives to Directors and Employees pursuant to the Encounter Resources Employee Share Option Plan, which was last approved by shareholders at the Annual General Meeting held on 30 November 2012.

The Board, acting in remuneration matters:

1. Ensures that incentive plans are designed around appropriate and realistic performance targets and provide rewards when those targets are achieved;
2. Reviews and approves existing incentive plans established for employees; and
3. Approves the administration of the incentive plans, including receiving recommendations for, and the consideration and approval of grants pursuant to such incentive plans.

Engagement of Non-Executive Directors

Non-Executive Directors conduct their duties under the following terms:

1. A Non-Executive Director may resign from his/her position and thus terminate their contract on written notice to the Company; and
2. A Non-Executive Director may, following resolution of the Board, be removed before the expiration of their period of office (if applicable). Payment is made in lieu of any notice period if termination is initiated by the Company, except where termination is initiated for serious misconduct.

In consideration of the services provided by Dr Jon Hronsky as Non-Executive Director the Company will pay him \$50,000 plus statutory superannuation per annum.

In consideration of the services provided by Mr Paul Chapman as Non-Executive Chairman the Company will pay him \$60,000 plus statutory superannuation per annum.

Messrs Chapman and Hronsky are also entitled to fees for other amounts as the Board determines where they perform special duties or otherwise perform extra services or make special exertions on behalf of the Company. There were no such fees paid during the financial year ended 30 June 2013.

Engagement of Executive Directors

The Company has entered into executive service agreements with Mr Will Robinson and Mr Peter Bewick on the following material terms and conditions:

Mr Robinson's current service agreement with the Company, in respect of his engagement as Managing Director, is effective from 23 January 2013, and is subject to a review on 1 January 2014. Mr Robinson will receive a base salary of \$290,000 per annum plus statutory superannuation.

Mr Bewick's current service agreement with the Company, in respect of his engagement as Exploration Director, is effective from on 23 January 2013, and is subject to a review on 1 January 2014. Mr Bewick will receive a base salary of \$270,000 per annum plus statutory superannuation.

Messrs Robinson and Bewick may also receive an annual short term performance based bonus which may be calculated as a percentage of their current base salary, the performance criteria, assessment and timing of which is negotiated annually with the Non-Executive Directors.

Messrs Robinson and Bewick may, subject to shareholder approval, participate in the Encounter Resources Employee Share Option Plan and other long term incentive plans adopted by the Board.

Remuneration Report (Audited) continued

Short Term Incentive Payments

Each year, the Non-Executive Directors set the Key Performance Indicators (KPI's) for the Executive Directors. The KPI's are chosen to align the reward of the individual Executives to the strategy and performance of the Company.

Performance objectives, which may be financial or non-financial, or a combination of both, are weighted when calculating the maximum short term incentives payable to Executives. At the end of the year, the Non-Executive Directors will assess the actual performance of the Executives against the set Performance Objectives. The maximum amount of the Short Term Incentive, or a lesser amount depending on actual performance achieved is paid to the Executives as a cash payment.

No Short Term incentives are payable to Executives where it is considered that the actual performance has fallen below the minimum requirement.

Executive Directors set the KPI's for other members of staff, monitor actual performance and recommend payment of short term bonuses to certain employees to the Board for approval.

Shareholding Qualifications

The Directors are not required to hold any shares in Encounter Resources under the terms of the Company's constitution.

Group Performance

In considering the Company's performance, the Board provides the following indices in respect of the current financial year and previous financial years:

	2013 \$	2012 \$	2011 \$	2010 \$	2009 \$
Loss for the year attributable to shareholders	(1,566,249)	(758,706)	(4,933,106)	(918,288)	(1,987,843)
Closing share price at 30 June	0.16	0.18	0.93	0.25	0.20

As an exploration company the Board does not consider the loss attributable to shareholders as one of the performance indicators when implementing Short Term Incentive Payments. In addition to technical exploration success, the Board considers the successful negotiation of the farm-in arrangement securing project funding of up to US\$20 million over five years with Antofagasta Minerals Perth Pty Ltd, and the expansion of its Yeneena landholdings through a number of other farm in arrangements in adverse capital markets, as more appropriate indicators of management performance for the 2013 financial period.

Remuneration Disclosures

The Key Management Personnel of the Company have been identified as:

Mr Paul Chapman	Non-Executive Chairman
Mr Will Robinson	Managing Director
Mr Peter Bewick	Exploration Director
Dr Jon Hronsky	Non-Executive Director

Directors' Report continued

Remuneration Report (Audited) continued

Remuneration Disclosures continued

The details of the remuneration of each Director and member of Key Management Personnel of the Company is as follows:

	<i>Short Term</i>		<i>Post Employment</i>	<i>Other Long Term</i>		
	<i>Base Salary</i>	<i>Short Term Incentive</i>	<i>Superannuation Contributions</i>	<i>Value of Options</i>	<i>Total</i>	<i>Value of Options as Proportion of Remuneration</i>
<i>30 June 2013</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>%</i>
Paul Chapman	60,000	—	5,400	—	65,400	—
Will Robinson	290,000	—	26,100	—	316,100	—
Peter Bewick	261,692	—	23,552	154,206	439,450	35.1
Jon Hronsky	50,000	—	4,500	50,300	104,800	48.0
Total	661,692	—	59,552	204,506	925,750	
	<i>Short Term</i>		<i>Post Employment</i>	<i>Other Long Term</i>		
	<i>Base Salary</i>	<i>Short Term Incentive</i>	<i>Superannuation Contributions</i>	<i>Value of Options</i>	<i>Total</i>	<i>Value of Options as Proportion of Remuneration</i>
<i>30 June 2012</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>%</i>
Paul Chapman	60,000	—	5,400	—	65,400	—
Will Robinson	280,000	—	25,200	—	305,200	—
Peter Bewick	260,000	—	23,400	—	283,400	—
Jon Hronsky	50,000	—	4,500	—	54,500	—
Total	650,000	—	58,500	—	708,500	

Details of Performance Related Remuneration

There have been no Short Term Incentive payments made to Directors or Key Management Personnel of the Company during the financial year ended 30 June 2013.

Options Granted as Remuneration

During the financial year ended 30 June 2013 the following options over unissued shares were issued to Directors or Key Management Personnel of the Company:

	<i>Number of Options Granted</i>	<i>Grant Date</i>	<i>Exercise Date</i>	<i>Exercise Price per option</i>	<i>Value of Options</i>
Peter Bewick	750,000	30 Nov 2012	30 Nov 2016	30 cents	\$75,450
	750,000	30 Nov 2012	30 Nov 2017	39 cents	\$78,756
Jon Hronsky	500,000	30 Nov 2012	30 Nov 2016	30 cents	\$50,300

All options granted as remuneration during the year ended 30 June 2013 vested immediately.

Exercise of Options Granted as Remuneration

During the year, no ordinary shares were issued in respect of the exercise of options previously granted as remuneration to Directors or Key Management Personnel of the Company.

End of Remuneration Report

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

Total remuneration paid to auditors during the financial year:

	2013 \$	2012 \$
Audit and review of the Company's financial statements	28,500	39,240
Other services	—	—
Total	28,500	39,240

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

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

Directors' Report continued

Auditor's Independence Declaration

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

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

Dated at Perth this 25th day of September 2013.



W Robinson
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Encounter Resources Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



CROWE HORWATH PERTH



SEAN MCGURK
Partner

Signed at Perth, 25 September 2013

Consolidated Statement of Comprehensive Income

For the financial year ended 30 June 2013

		Consolidated	
	Note	2013 \$	2012 \$
Revenue	5	308,841	371,715
Total revenue		308,841	371,715
Employee expenses		(1,415,203)	(1,417,955)
Employee expenses recharged to exploration		1,199,237	1,143,686
Equity based remuneration expense	17	(273,039)	(207,409)
Non-Executive Director's fees		(110,000)	(110,000)
Depreciation expense	6	(12,844)	(11,509)
Corporate expenses		(69,402)	(87,823)
Administration and Other expenses		(523,004)	(425,511)
Exploration costs written off and expensed	6	(907,172)	(234,086)
Loss before income tax		(1,802,586)	(978,892)
Income tax benefit/(expense)	7	236,337	220,186
Loss after tax	17	(1,566,249)	(758,706)
Other comprehensive income		—	—
Total comprehensive income for the year		(1,566,249)	(758,706)
		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the Company			
Basic earnings/(loss) per share	27	(1.3)	(0.7)
Diluted earnings/(loss) per share	27	(1.3)	(0.7)

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

Consolidated Statement of Financial Position

As at 30 June 2013

		Consolidated	
	Note	2013 \$	2012 \$
Current assets			
Cash and cash equivalents	8	4,806,657	5,185,337
Trade and other receivables	9(a)	265,643	407,678
Other current assets	9(b)	78,427	77,994
Total current assets		5,150,727	5,671,009
Non-current assets			
Property, plant and equipment	11	279,940	381,585
Capitalised mineral exploration and evaluation expenditure	12	17,774,406	15,219,430
Total non-current assets		18,054,346	15,601,015
Total assets		23,205,073	21,272,024
Current liabilities			
Trade and other payables	14(a)	717,037	1,308,509
Employee benefits	14(b)	66,584	41,692
Total current liabilities		783,621	1,350,201
Total liabilities		783,621	1,350,201
Net assets		22,421,452	19,921,823
Equity			
Issued capital	15	31,113,384	27,320,545
Accumulated losses	17	(11,429,023)	(10,178,761)
Equity remuneration reserve	17	2,737,091	2,780,039
Total equity		22,421,452	19,921,823

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

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2013

	Issued capital \$	Consolidated Accumulated losses \$	Equity remuneration reserve \$	Total \$
2012				
Balance at the start of the financial year	21,660,547	(9,448,420)	2,600,995	14,813,122
Comprehensive income for the financial year	—	(758,706)	—	(758,706)
Movement in equity remuneration reserve	—	28,365	179,044	207,409
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Shares issued	5,659,998	—	—	5,659,998
Balance at the end of the financial year	27,320,545	(10,178,761)	2,780,039	19,921,823
2013				
Balance at the start of the financial year	27,320,545	(10,178,761)	2,780,039	19,921,823
Comprehensive income for the financial year	—	(1,566,249)	—	(1,566,249)
Movement in equity remuneration reserve	—	315,987	(42,948)	273,039
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Shares issued	3,792,839	—	—	3,792,839
Balance at the end of the financial year	31,113,384	(11,429,023)	2,737,091	22,421,452

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

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2013

		Consolidated	
	Note	2013 \$	2012 \$
Cash flows from operating activities			
Sundry income		6,385	—
State Government funded drilling rebate		133,699	130,552
R&D tax concession tax refund		209,250	10,936
Interest received		190,211	241,163
Payments to suppliers and employees		(908,268)	(838,919)
Net cash used in operating activities	26	(368,723)	(456,268)
Cash flows from investing activities			
Contributions received from farm-in partners		1,378,711	—
Proceeds from sale of exploration assets		20,000	—
Payments for exploration and evaluation		(5,172,631)	(7,072,265)
Payments for plant and equipment		(28,875)	(187,425)
Net cash used in investing activities		(3,802,795)	(7,259,690)
Cash flows from financing activities			
Proceeds from the issue of shares		3,853,286	5,940,000
Payments for share issue costs		(60,448)	(280,001)
Net cash provided by financing activities		3,792,838	5,659,999
Net increase/(decrease) in cash held		(378,680)	(2,055,959)
Cash at the beginning of the financial year		5,185,337	7,241,296
Cash at the end of the financial year	8(a)	4,806,657	5,185,337

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

Notes to the Financial Statements

For the financial year ended 30 June 2013

Note 1 Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

The separate financial statements of the parent entity have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial report of the Group was authorised for issue in accordance with a resolution of Directors on 25th September 2013.

Statement of Compliance

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

Adoption of New and Revised Standards –

Changes in accounting policies on initial application of accounting standards

In the year ended 30 June 2013, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 July 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the Group except for:

- AASB 9 Financial Instruments;
- AASB 10: Consolidated Financial Statements;
- AASB 11: Joint Arrangements: and
- AASB 12: Disclosure of involvements in other entities.

The Group does not plan to adopt these standard early and the extent of the impact has not been determined.

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

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

(c) Revenue recognition and receivables

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

Interest income

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

(d) Income tax

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

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

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

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

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

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

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

Notes to the Financial Statements continued

For the financial year ended 30 June 2013

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) Government grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets is deducted from the carrying value of the asset.

(i) 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.

(j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

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

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

Note 1 Summary of significant accounting policies continued

(k) Mineral exploration and evaluation expenditure

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

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

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.

Farm-outs – in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

(l) 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.

(m) 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.

(n) 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.

Notes to the Financial Statements continued

For the financial year ended 30 June 2013

Note 1 Summary of significant accounting policies continued

(n) Employee benefits continued

Share based payments

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

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

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

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

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

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

(o) 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.

(p) 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.

(q) 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.

Note 1 Summary of significant accounting policies continued

(r) Comparative figures

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

(s) Investments and other financial assets

Recognition

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

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Financial liabilities

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

Notes to the Financial Statements continued

For the financial year ended 30 June 2013

Note 1 Summary of significant accounting policies continued

(t) Fair value estimation

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

Investments in equity and debt securities

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

Trade and other receivables

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

Note 2 Financial risk management

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

(a) Credit risk

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

Trade and other receivables

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

Cash deposits

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

(b) Liquidity risk

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

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

Note 2 Financial risk management continued

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the 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(k). There is some subjectivity involved in the carrying forward as capitalised or writing off to the income statement exploration and evaluation expenditure, however management give due consideration to areas of interest on a regular basis and are confident that decisions to either write off or carry forward such expenditure reflect fairly the prevailing situation.

Accounting for share based payments

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

Note 4 Segment information

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

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

Notes to the Financial Statements continued

For the financial year ended 30 June 2013

Note 5 Revenue

Operating activities

	2013 \$	Consolidated 2012 \$
Contribution to overheads from farm-in partner	92,245	—
Gain on sale of exploration assets	20,000	—
State Government funded drilling rebate	—	130,552
Interest receivable	189,287	240,026
Other income	7,309	1,137
	308,841	371,715

Note 6 Loss for the year

Loss before income tax includes the following specific expenses:

Depreciation:

Office equipment	12,844	11,509
Rental expenses on operating leases – minimum lease payments	—	63,606
Total exploration costs not capitalised and written off	907,172	234,086

Note 7 Income tax

(a) Income tax expense

Current income tax:

Current income tax charge (benefit)	(1,353,650)	(2,556,703)
Current income tax not recognised	1,353,650	2,556,703
R&D tax refund receivable	(236,237)	(220,186)

Deferred income tax:

Relating to origination and reversal of timing differences	(309,673)	(269,215)
Deferred income tax benefit not recognised	309,673	269,215

Income tax expense/(benefit) reported in the income statement	(236,237)	(220,186)
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The Group submitted a claim to the Australian Taxation Office for a Research and Development tax concession in respect of qualifying transactions which occurred during the year ended 30 June 2012.

(b) Reconciliation of income tax expense to prima facie tax payable

Loss from continuing operations before income tax expense	(1,802,586)	(978,892)
Tax at the Australian rate of 30% (2012: 30%)	(540,776)	(293,668)
<i>Tax effect of permanent differences:</i>		
Non-deductible share based payment	81,912	62,223
R&D tax refund receivable	(236,237)	(220,186)
Exploration costs written off	170,573	70,226
Capital raising costs claimed	(41,396)	(37,769)
Net deferred tax asset benefit not brought to account	329,687	198,988
Tax (benefit)/expense	(236,237)	(220,186)

Note 7 Income tax continued

(c) Deferred tax – Balance Sheet

Liabilities

	2013 \$	Consolidated 2012 \$
Prepaid expenses	(23,528)	(23,398)
Capitalised exploration expenditure	(5,332,322)	(4,565,829)
	(5,355,850)	(4,589,227)

Assets

Revenue losses available to offset against future taxable income	7,760,496	6,621,346
Employee provisions	19,975	12,508
Accrued expenses	9,346	16,295
Deductible equity raising costs	106,185	129,447
	7,896,003	6,779,596

Net deferred tax asset not recognised

2,540,153 2,190,369

(d) Deferred tax – Income Statement

Liabilities

Prepaid expenses	(130)	6,178
Capitalised exploration expenditure	(766,493)	(2,305,105)

Assets

Deductible equity raising costs	(23,262)	–
Accruals	(6,949)	10,295
Increase in tax losses carried forward	1,139,150	2,556,703
Employee provisions	7,467	1,144

Deferred tax benefit/(expense) not recognised

349,783 269,215

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

- (i) The Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the tax losses to be realised;
- (ii) The Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) No changes in tax legislation adversely affect the Company realising the benefit from the deduction of the losses.

All unused tax losses of \$25,868,320 (2012: \$22,071,152) were incurred by Australian entities.

Notes to the Financial Statements continued

For the financial year ended 30 June 2013

Note 8 Current assets – Cash and cash equivalents

	2013 \$	Consolidated 2012 \$
Cash at bank and on hand	1,306,657	1,185,337
Deposits at call	3,500,000	4,000,000
	4,806,657	5,185,337

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

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

Cash and cash equivalents per statement of cash flows	4,806,657	5,185,337
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(b) Deposits at call

The term deposits are bearing fixed interest rates of 4.15% (2012: 5.9%). These deposits have an average maturity of 9 months.

Included in deposits at call is a deposit of \$2 million with no fixed term that earns interest between 2.2% and 3.6%.

Note 9 Current assets – Receivables

(a) Trade and other receivables

R&D tax concession receivable	236,337	209,250
Other receivables	9,282	110,600
Recoverable joint venture expenses	8,943	7,449
GST recoverable	11,081	80,379
	265,643	407,678

(b) Other current assets

Prepaid tenement costs	78,427	77,994
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Details of fair value and exposure to interest risk are included at Note 18.

Note 10 Non-current assets – Investment in controlled entities

(a) Investment in controlled entities

The following amounts represent the respective investments in the share capital of Encounter Resources Limited's wholly owned subsidiary companies:

	2013 \$	Company 2012 \$
Encounter Operations Pty Ltd	2	2
Hamelin Resources Pty Ltd	1	1
Encounter Yeneena Pty Ltd	2	Nil

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

(a) Investment in controlled entities continued

Subsidiary Company	Country of Incorporation	Ownership Interest	
		2013 %	2012 %
Encounter Operations Pty Ltd	Australia	100%	100%
Hamelin Resources Pty Ltd	Australia	100%	100%
Encounter Yeneena Pty Ltd	Australia	100%	Nil

- Encounter Operations Pty Ltd was incorporated in Western Australia on 27 November 2006.
- Hamelin Resources Pty Ltd was incorporated in Western Australia on 24 November 2009.
- Encounter Yeneena Pty Ltd was incorporated in Western Australia on 23 May 2013.

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

	2013 \$	Company 2012 \$
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(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	17,308,738	14,630,795
Hamelin Resources Pty Ltd	126	–
Encounter Yeneena Pty Ltd	–	–

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

	2013 \$	Consolidated 2012 \$
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Note 11 Non-current assets – Property, plant and equipment

Field equipment

At cost	776,767	759,949
Accumulated depreciation	(525,052)	(407,376)
	251,715	352,573

Office equipment

At cost	105,281	93,225
Accumulated depreciation	(77,056)	(64,213)
	28,225	29,012

Leasehold improvements

At cost	22,137	22,137
Accumulated depreciation	(22,137)	(22,137)
	–	–
	279,940	381,585

Notes to the Financial Statements continued

For the financial year ended 30 June 2013

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

Reconciliation

Field equipment

	2013 \$	Consolidated 2012 \$
Net book value at start of the year	352,573	316,458
Additions	16,818	167,640
Depreciation	(117,676)	(131,525)
Net book value at end of the year	251,715	352,573

Office equipment

Net book value at start of the year	29,012	20,737
Additions	12,057	19,784
Depreciation	(12,844)	(11,509)
Net book value at end of the year	28,225	29,012

Leasehold improvements

Net book value at the start of the year	–	–
Additions	–	–
Depreciation	–	–
Net book value at the end of the year	–	–

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

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

In the exploration and evaluation phase

Cost carried forward in respect of:

Incurring at cost by Encounter Resources Limited on assets not governed by joint venture agreements (i)	113,721	123,494
Costs capitalised by Encounter Operations Pty Ltd in respect of the Yeneena Project (ii)	17,482,009	14,385,971
Capitalised share of exploration assets under JV Agreements (iii)	178,676	709,965
Cost carried forward	17,774,406	15,219,430

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

- (i) Exploration and evaluation expenditure recognised on exploration assets held solely by Encounter Resources Limited.
- (ii) Exploration and evaluation expenditure recognised incurred by Encounter Operations Pty Ltd on tenements at the Yeneena Project.
- (iii) Exploration and evaluation expenditure recognised on tenements under joint venture agreements with Avoca Resources Limited. This amount includes Encounter Resources Limited's proportionate share of exploration assets held by the respective joint venture entities.

Note 12 Non-current assets –

Capitalised mineral exploration and evaluation expenditure continued

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.

	2013 \$	Consolidated 2012 \$
Capitalised exploration costs at the start of the period	15,219,430	7,535,748
Total exploration costs for the period	3,595,847	7,917,768
Exploration costs funded by EIS grant	(133,699)	–
Total exploration costs written off and expensed for the period	(907,172)	(234,086)
Capitalised exploration costs at the end of the period	17,774,406	15,219,430

Note 13 Interest in joint ventures and farm-in arrangements

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

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

Regional Uranium Joint Venture Agreement

Under a Joint Venture and Exploration Agreement dated 1 April 2005 the Company and Avoca Resources Limited ("Avoca") 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.

On 5 June 2013 the Regional Uranium Joint Venture Agreement was terminated. All exploration costs capitalised by the joint venture arrangement have been previously written off.

Lake Way Uranium Joint Venture Agreement

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

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

Joint Ventures – Financial Results and Carrying Values

The total amount of the Group's capitalised exploration and evaluation expenditure capitalised and employed under joint venture agreements at the reporting date is \$178,676 (2012: \$709,965 (Note 12)). During the reporting period the Group recognised an expense of \$543,115 (2012: \$55,560) being its share of the exploration expenditure written off by the joint venture entities during the period.

Notes to the Financial Statements continued

For the financial year ended 30 June 2013

Note 13 Interest in joint ventures and farm-in arrangements continued

Farm-in Arrangements

The Company is party to the following farm-in arrangements:

Antofagasta plc – Antofagasta Earning-in

Antofagasta PLC and Antofagasta Minerals Perth Pty Ltd has entered into a farm-in and joint venture agreement with the Company in respect of granted tenements applications EL45/2658 and EL45/2805 that form part of the Company's wholly owned Yeneena Project. The agreement covers an area of 433km² and comprises the southern extents of the Yeneena Project that incorporate the BM1, BM7 and BM8 copper prospects. Significant terms of the farm-in arrangement as follows:

- 5 year initial earn-in phase under which Antofagasta may acquire a 51% joint venture interest by expenditure of US\$20 million and may withdraw at any time subject to a meeting a minimum spend of US\$3 million;
- A second earn-in phase, should Encounter not elect to contribute to exploration costs under the joint venture, under which Antofagasta may acquire a further 19% interest by completion of a pre-feasibility study within 4 years of Encounter electing not to contribute;
- If Antofagasta completes a pre-feasibility study during the second earn-in phase it must pay Encounter US\$15 million or contribute US\$15 million in lieu of Encounter's contribution to its proportionate share of feasibility study costs;
- If a decision to mine is made subsequent to the completion of a feasibility study and Encounter elects not to proceed, Antofagasta may acquire Encounter's interest at 90% of an agreed value determined by independent expert valuation.
- Amounts set out in the Earn-in and Joint Venture Agreement are in United States dollars, provided that the Australia dollar to United States dollar exchange rate published by the Reserve Bank of Australia is between 1.15 and 0.95 (the "Acceptable Range"). If the Exchange Rate is outside the Acceptable Range on the date cash payment is due, the Exchange Rate will be set at 1.05 United States dollar for each 1 Australian dollar.

St Barbara Limited (SBM) – ENR Earning-in

Encounter Resources Limited has entered into a farm-in agreement with St Barbara Limited in respect of tenement applications ELA45/3232 and ELA45/3308 in the Paterson Province of Western Australia. The agreement covers an area of 60km² and is located to the north-east of the Company's Yeneena Project.

Significant terms of the farm-in arrangement as follows:

- 4 year initial earn-in phase under which ENR may acquire a 51% joint venture interest by expenditure of \$500,000, and may withdraw at any time subject to a meeting statutory minimum required spends;
- 2 year second phase, should SBM not elect to contribute to joint venture exploration costs, under which ENR may acquire a further 15% interest by sole funding expenditure of a further \$500,000;
- If SBM elects not to contribute at the end of the second phase standard industry dilution formulas will apply down to a 5% interest. If SBM's interest dilutes below 5% it will automatically revert to a 1.5% net smelter royalty.

Midas Resources Limited (MDS) – ENR Earning-in

Encounter Resources Limited has entered into a farm-in agreement with Midas Resources Limited in respect of granted tenements EL45/3768 and EL45/4091 in the Paterson Province of Western Australia. The agreement covers an area of 316km² and is located adjacent to the Company's Yeneena Project.

Significant terms of the farm-in arrangement as follows:

- 4 year initial earn-in phase under which ENR may acquire a 70% joint venture interest by expenditure of \$500,000, and may withdraw at any time subject to a meeting statutory minimum expenditure required spend for the first year;
- 2 year second phase, should MDS not elect to contribute to joint venture exploration costs during this second phase, under which ENR may acquire a further 15% interest by sole funding expenditure of a further \$500,000;
- If MDS elects not to contribute at the end of the second phase MDS may elect to convert its participating interest into a 1.5% net smelter royalty.

Note 13 Interest in joint ventures and farm-in arrangements continued

Independence Group NL (IGO) – ENR 70%

Encounter Resources Limited has entered into a farm-in agreement with Independence Group NL in respect of tenement application ELA45/4215 in the Paterson Province of Western Australia. The agreement covers an area located adjacent to the Company's Yeneena Project.

Significant terms of the farm-in arrangement as follows:

- 3 year initial earn-in phase under which ENR will sole fund expenditure of \$500,000 to maintain a 70% interest, and may withdraw at any time subject to spending a minimum of \$100,000;
- 2 year second phase, should IGO not elect to contribute to joint venture exploration costs during this second phase, under which ENR may acquire a further 15% interest by sole funding expenditure of a further \$500,000;
- If IGO elects not to contribute at the end of the first or second phases standard industry dilution formulas will apply;
- If either ENR or IGO elects not to contribute after the formation of a joint venture standard industry dilution formulas will apply down to a 10% interest, at which point the relevant participating interest will revert to a 1.5% net smelter royalty.

Note 14 Current liabilities – Trade and other payables

(a) Trade and other payables

Unspent farm-in contributions

Trade payables and accruals

Other payables

	2013 \$	Consolidated 2012 \$
Unspent farm-in contributions	364,013	—
Trade payables and accruals	318,811	1,267,846
Other payables	34,213	40,663
	717,037	1,308,509

(b) Employee benefits

Liability for annual leave

Liability for annual leave	66,584	41,692
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Liabilities are not secured over the assets of the Group. Details of fair value and exposure to interest risk are included at Note 18.

Note 15 Issued capital

(a) Ordinary shares

The Company is a public company limited by shares. The Company was incorporated in Perth, Western Australia. The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them.

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

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

Notes to the Financial Statements continued

For the financial year ended 30 June 2013

Note 15 Issued capital continued

(b) Share capital

	2013 No.	2012 No.	2013 \$	2012 \$
Issued share capital	132,543,350	114,194,360	31,113,384	27,320,545

(c) Share movements during the year

Balance at the start of the financial year	114,194,360	99,344,360	27,320,545	21,660,547
Share placement \$0.40	–	14,850,000	–	5,940,000
Share placement \$0.21	9,241,931	–	1,940,806	–
Share placement \$0.21	2,380,952	–	500,000	–
Share purchase plan \$0.21	6,726,107	–	1,412,482	–
Less share issue costs	–	–	(60,449)	(280,002)
Balance at the end of the financial year	132,543,350	114,194,360	31,113,384	27,320,545

(d) Option plan

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

Note 16 Options and share based payments

The establishment of the Encounter Resources Limited Directors, Officers and Employees Option Plan ('the Plan') was last approved by a resolution at the Annual General Meeting of shareholders of the Company on 30 November 2009. All eligible Directors, executive officers and employees of Encounter Resources Limited who have been continuously employed by the Company are eligible to participate in the Plan.

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

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

(a) Options issued during the year

During the financial year the Company granted 2,950,000 options over unissued shares (2012: 1,250,000).

(b) Options exercised during the year

During the financial year the Company issued no shares on the exercise of unlisted employee options (2012: Nil).

(c) Options cancelled during the year

During the year nil options (2012: 50,000) were cancelled upon termination of employment. 1,550,000 options were cancelled on expiry of exercise period (2012: nil).

Note 16 Options and share based payments continued

(d) Options on issue at the balance date

The number of options outstanding over unissued ordinary shares at 30 June 2013 is 9,475,000 (2012: 8,075,000). The terms of these options are as follows:

Number of options outstanding	Exercise price	Expiry date
5,425,000	\$1.35	22 November 2014
550,000	80 cents	30 September 2015
550,000	40 cents	31 May 2016
1,450,000	30 cents	30 November 2016
750,000	39 cents	30 November 2017
750,000	21 cents	31 May 2017
9,475,000		

(e) Subsequent to the balance date

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

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

Subsequent to the balance date no options have been cancelled on expiry of the exercise period.

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

	2013		2012	
	No.	WAEP (cents)	No.	WAEP (cents)
Options outstanding at the start of the year	8,075,000	109.4	6,875,000	117.0
Options granted during the year	2,950,000	30.0	1,250,000	69.0
Options exercised during the year	—	—	—	—
Options expiring unexercised during the year	(1,550,000)	55.2	(50,000)	135.0
Options outstanding at the end of the year	9,475,000	93.6	8,075,000	109.4

Weighted average contractual life

The weighted average contractual life for un-exercised options is 27.5 months (2012: 26.5 months).

Basis and assumptions used in the valuation of options.

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

Date granted	Number of options granted	Exercise price (cents)	Expiry date	Risk free interest rate used	Volatility applied	Option valuation (cents)
30 November 2012	1,450,000	30	30 November 2016	2.74%	108%	\$145,871
30 November 2012	750,000	39	30 November 2017	2.74%	108%	\$78,756
27 June 2013	750,000	21	31 May 2017	3.17%	105%	\$48,412

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

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

Notes to the Financial Statements continued

For the financial year ended 30 June 2013

Note 17 Reserves and accumulated losses

	Consolidated			
	2013		2012	
	Accumulated losses \$	Equity remuneration reserve (i) \$	Accumulated losses \$	Equity remuneration reserve (i) \$
Balance at the beginning of the year	(10,178,761)	2,780,039	(9,448,420)	2,600,995
Loss for the period	(1,566,249)	–	(758,706)	–
Movement in equity remuneration reserve in respect of options issued	–	273,039	–	207,409
Transfer to accumulated losses on cancellation of options	315,987	(315,987)	28,365	(28,365)
Balance at the end of the year	(11,429,023)	2,737,091	(10,178,761)	2,780,039

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

Note 18 Financial instruments

Credit risk

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

Impairment losses

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

Interest rate risk

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

	Carrying amount (\$)	
	2013	2012
Fixed rate instruments		
Financial assets	–	–
Variable rate instruments		
Financial assets	4,806,657	5,185,337

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss		Equity	
	1% increase \$	1% decrease \$	1% increase \$	1% decrease \$
2013				
Variable rate instruments	48,066	(48,066)	48,066	(48,066)
2012				
Variable rate instruments	51,853	(51,853)	51,853	(51,853)

Note 18 Financial instruments continued

Liquidity risk

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

Consolidated	Carrying amount \$	Contractual cash flows \$	6 months or less \$	6-12 months \$	1-2 years \$	2-5 years \$	More than 5 years \$
2013							
Trade and other payables	651,670	651,670	651,670	—	—	—	—
	651,670	651,670	651,670	—	—	—	—
2012							
Trade and other payables	1,213,531	1,213,531	1,213,531	—	—	—	—
	1,213,531	1,213,531	1,213,531	—	—	—	—

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:

	2013		Consolidated		2012	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Cash and cash equivalents	4,806,657	4,806,657	5,185,337	5,185,337		
Trade and other payables	(651,670)	(651,670)	(1,213,531)	(1,213,531)		
	4,154,987	4,154,987	3,971,806	3,971,806		

The Group's policy for recognition of fair values is disclosed at Note 1(t).

Note 19 Dividends

No dividends were paid or proposed during the financial year ended 30 June 2013 or 30 June 2012.

The Company has no franking credits available as at 30 June 2013 or 30 June 2012.

Note 20 Key management personnel disclosures

(a) Directors and key management personnel

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

- (i) *Chairman – Non-Executive*
Paul Chapman
- (ii) *Executive Directors*
Will Robinson, Managing Director
Peter Bewick, Exploration Director
- (iii) *Non-Executive directors*
Jonathan Hronsky, Director

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

Notes to the Financial Statements continued

For the financial year ended 30 June 2013

Note 20 Key management personnel disclosures continued

(b) Key management personnel compensation

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

	2013 \$	2012 \$
Total short-term employment benefits	661,692	650,000
Total share based payments	204,506	—
Total post-employment benefits	59,552	58,500
	925,750	708,500

(c) Equity instrument disclosures relating to key management personnel

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

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

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

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

Option holdings

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

Name – Directors	Balance at start of the year	Received during the year as remuneration	Other changes during the year ¹	Balance at the end of the year	Vested and exercisable at the end of the year
2013					
P Chapman	—	—	—	—	—
W Robinson	—	—	—	—	—
P Bewick	4,300,000	1,500,000	(800,000)	5,000,000	5,000,000
J Hronsky	1,300,000	500,000	(500,000)	1,300,000	1,300,000

¹ Options lapsing unexercised at the end of the exercise period.

2012

P Chapman	—	—	—	—	—
W Robinson	—	—	—	—	—
P Bewick	4,300,000	—	—	4,300,000	4,300,000
J Hronsky	1,300,000	—	—	1,300,000	1,300,000

Note 20 Key management personnel disclosures continued

Share holdings

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

Name – Directors	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
2013				
P Chapman	5,394,900	–	205,100	5,600,000
W Robinson	22,096,900	–	71,428	22,168,328
P Bewick	4,975,000	–	127,000	5,102,000
J Hronsky	–	–	–	–
2012				
P Chapman	4,747,000	–	647,900	5,394,900
W Robinson	21,846,900	–	250,000	22,096,900
P Bewick	4,725,000	–	250,000	4,975,000
J Hronsky	–	–	–	–

(d) Loans made to key management personnel

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

(e) Other transactions with key management personnel

There were no other transactions with key management personnel.

Note 21 Remuneration of auditors

Audit and review of the Company's financial statements
Other services

Total

	2013 \$	Consolidated 2012 \$
Audit and review of the Company's financial statements	28,500	39,240
Other services	–	–
Total	28,500	39,240

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 2013 or 30 June 2012 other than:

Yeneena Project Gold Claw-back

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

Notes to the Financial Statements continued

For the financial year ended 30 June 2013

Note 22 Contingencies continued

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 2013 or 30 June 2012.

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 \$1,249,000 (2012: \$916,000). 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

There are no operating lease commitments as at 30 June 2013.

(c) Contractual Commitment

There are no material contractual commitments as at 30 June 2013 other than those disclosed above and not otherwise disclosed in the Financial Statements.

Note 24 Related party transactions

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

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

	2013 \$	2012 \$
Regional Uranium JV	7,927	35,781
Lake Way Uranium JV	3,899	11,046

Details of the Company's interests under the joint venture agreements are provided at Note 13.

As at the end of the financial year the Company had the following amounts (due to)/owing to it by the joint ventures:

Regional Uranium JV	–	(5,033)
Lake Way Uranium JV	22,358	11,173

Note 25 Events occurring after the balance sheet date

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

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

	2013 \$	Company 2012 \$
Loss from ordinary activities after income tax	(1,566,249)	(758,706)
Share of management fee to JV not capitalised	1,774	6,381
Depreciation	12,844	11,509
Exploration cost written off	907,172	234,086
Share based payments expense	273,039	207,409
Gain on sale of exploration assets	(20,000)	—
Contribution to overheads from farm-in partner	(92,245)	—
EIS grant funding offset against capitalised exploration	133,699	—
<i>Movement in assets and liabilities:</i>		
(Increase)/decrease in R&D tax refundable	(27,087)	(209,250)
(Increase)/decrease in prepaid expenses	—	12,965
(Increase)/decrease in receivables	20,789	(2,596)
Increase/(decrease) in payables	(12,459)	41,934
Net cash outflow from operating activities	(368,723)	(456,268)

Note 27 Earnings per share

(a) Basic earnings per share

Loss attributable to ordinary equity holders of the Company	(1.3)	(0.7)
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(b) Diluted earnings per share

Loss attributable to ordinary equity holders of the Company	(1.3)	(0.7)
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(c) Loss used in calculation of basic and diluted loss per share

Consolidated loss after tax from continuing operations	(1,566,249)	(758,706)
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(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	No. 117,007,416	No. 104,761,710
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At 30 June 2013 the Company has on issue 9,475,000 (2012: 8,075,000) unlisted options over ordinary shares that are not considered to be dilutive.

Notes to the Financial Statements continued

For the financial year ended 30 June 2013

Note 28 Parent Entity Information

	2013 \$	Company 2012 \$
Assets		
Current assets	4,894,955	5,234,356
Non-current assets	17,881,203	15,845,839
Total Assets	22,776,158	21,080,195
Liabilities		
Current liabilities	783,621	1,350,201
Total Liabilities	783,621	1,350,201
NET ASSETS	21,992,537	19,729,994
Equity		
Issued Capital	31,113,384	27,320,545
Equity remuneration reserve	2,737,091	2,780,039
Accumulated losses	(11,857,938)	(10,370,590)
TOTAL EQUITY	21,992,537	19,729,994
Financial performance		
Loss for the year	(1,803,335)	(950,535)
Other comprehensive income	—	—
Total comprehensive income	(1,803,335)	(950,535)

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

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

Contingent liabilities

For full details of contingencies see Note 22.

Commitments

For full details of commitments see Note 23.

Directors' Declaration

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

- (a) the financial statements and notes set out on pages 34 to 62 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 2013 and of the performance for the year ended on that date of the Group.
- (b) the remuneration disclosures that are contained in the Remuneration Report in the Directors Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, The Corporations Act 2001 and the Corporations Regulations 2001.
- (c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- (d) the financial statements comply with International Financial Reporting Standards as set out in Note 1.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2013.

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

Signed at Perth this 25th day of September 2013.



W Robinson
Managing Director

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

Report on the Financial Report

We have audited the accompanying financial report of Encounter Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Encounter Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 30 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Encounter Resources Limited. for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.



CROWE HORWATH PERTH



SEAN MCGURK
Partner

Signed at Perth, 25 September 2013

ASX Additional Information

Pursuant to the Listing Requirements of the Australian Securities Exchange, the shareholder information set out below was applicable as at 26 September 2013.

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of shareholders	Securities held
1 – 1,000	103	53,294
1,001 – 5,000	266	832,769
5,001 – 10,000	177	1,446,740
10,001 – 100,000	507	18,549,891
More than 100,000	171	111,660,656
Totals	1,224	132,543,350

There are 153 shareholders holding less than a marketable parcel of ordinary shares.

B. Substantial Shareholders

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

Shareholder Name	Issued Ordinary Shares	
	Number of shares	Percentage of shares
William Michael Robinson	22,168,328	16.73%
Eye Investment Fund Limited	11,247,698	8.49%
Antofagasta Investment Company Limited	9,241,931	6.97%

C. Twenty Largest Shareholders

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

Shareholder Name	Listed Ordinary Shares	
	Number of shares	Percentage of Shares
William Michael Robinson	16,216,900	12.24%
HSBC Custody Nominees Australia Limited	11,383,313	8.59%
Merrill Lynch Australia Nominees Pty Ltd	9,241,931	6.97%
Jacmew Pty Ltd	5,580,000	4.21%
Stone Poneys Nominees Pty Ltd <Chapman Investment Fund>	4,650,000	3.51%
Solvista Pty Ltd	4,650,000	3.51%
UBS Nominees Pty Ltd	3,850,000	2.90%
Jorge Bernhard	2,107,375	1.59%
HSBC Custody Nominees Australia Limited	2,050,438	1.55%
Samantha Hogg	1,783,000	1.35%
Willstreet Pty Ltd	1,700,000	1.28%
Pieter Los	1,571,428	1.19%
J C O'Sullivan Pty Ltd	1,306,428	0.99%
UBS Wealth Management Australia Nominees	1,259,883	0.95%
Charles Robinson	1,200,000	0.91%
Thirty-fifth Celebrations Pty Ltd	1,071,428	0.81%
James Wallace	1,000,000	0.75%
Stone Poneys Nominees Pty Ltd <Chapman Super Fund>	927,500	0.70%
Kiki Super Fund	914,442	0.69%
Hakuna Matata Inv Pty Ltd	900,000	0.68%
Total	73,364,066	55.35%

D. Voting Rights

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

E. Restricted Securities

There are no restricted securities.



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encounter
RESOURCES LIMITED