



Interim Consolidated Financial Report

**For The Half-Year Ended
31 December 2012**

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Encounter Resources Limited
ABN 47 109 815 796

Directors' Report

The Directors present their interim consolidated report of Encounter Resources Limited and its controlled entity for the half-year ended 31 December 2012.

Directors

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

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

Company Secretary

Kevin Hart
Dan Travers

Review of Operations

The consolidated net loss after income tax for the half-year was \$1,230,005 (31 December 2011: \$546,489).

At the end of the half-year the Group had \$1,792,607 (30 June 2012: \$5,185,337) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$17,010,690 (30 June 2012: \$15,219,430).

Operations during the reporting period were primarily focussed on copper and base metals exploration at the Company's 100% owned Yeneena Project in the Paterson Province of Western Australia.

Matters Subsequent to the End of the Financial Period

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

Directors' Report

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 12th day of March 2013.

A handwritten signature in black ink, appearing to read 'W Robinson', followed by a long horizontal flourish.

W Robinson
Managing Director



AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Encounter Resources Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

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

Crowe Horwath Perth

CROWE HORWATH PERTH

Sean McGurk

SEAN MCGURK
Partner

Signed at Perth, 12 March 2013

Encounter Resources Limited
ABN 47 109 815 796

Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2012

		Consolidated	
		31 December 2012 \$	31 December 2011 \$
	Note		
Other income		56,385	11,554
Interest income		161,402	188,517
Total revenue		217,787	200,071
Employee expenses		(809,881)	(772,367)
Employee expenses recharged to exploration		634,180	640,287
Equity based remuneration expense	7	(224,627)	(145,551)
Depreciation expense	3	(6,126)	(3,367)
Corporate expenses		(53,061)	(64,706)
Administration and other expenses		(246,618)	(207,046)
Exploration costs written off and expensed	3	(741,659)	(204,746)
Loss before income tax	3	(1,230,005)	(557,425)
Income tax benefit/(expense)		-	10,936
Loss for the half-year		(1,230,005)	(546,489)
Other comprehensive Income		-	-
Total comprehensive income for the period		(1,230,005)	(546,489)
Loss per share			
Basic loss per share (cents)		(1.1)	(0.6)
Diluted loss per share (cents)		(1.1)	(0.6)

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

Encounter Resources Limited
ABN 47 109 815 796

Consolidated Statement of Financial Position
As At 31 December 2012

	Consolidated	
	31 December 2012 \$	30 June 2012 \$
Current assets		
Cash and cash equivalents	1,792,607	5,185,337
Trade and other receivables	125,315	407,678
Other current assets	82,464	77,994
Total current assets	2,000,386	5,671,009
Non-current assets		
Property, plant and equipment	327,990	381,585
Capitalised mineral exploration and evaluation expenditure	17,010,690	15,219,430
Total non-current assets	17,338,680	15,601,015
Total assets	19,339,066	21,272,024
Current liabilities		
Trade and other payables	353,796	1,308,509
Employee benefits	68,825	41,692
Total current liabilities	422,621	1,350,201
Total liabilities	422,621	1,350,201
Net assets	18,916,445	19,921,823
Equity		
Issued capital	27,320,545	27,320,545
Accumulated losses	(11,116,906)	(10,178,761)
Equity remuneration reserve	2,712,806	2,780,039
Total equity	18,916,445	19,921,823

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

Encounter Resources Limited
ABN 47 109 815 796

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2012

	Consolidated			Total
	Issued capital	Accumulated losses	Equity remuneration reserve	
	\$	\$	\$	\$
<u>6 months ended 31 December 2011</u>				
Balance at the start of the financial period	21,660,548	(9,448,420)	2,600,995	14,813,123
Comprehensive loss for the financial period	-	(546,489)	-	(546,489)
Movement in equity remuneration reserve on issue of options	-	-	145,551	145,551
Transfer from equity remuneration reserve	-	8,836	(8,836)	-
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Shares issued	-	-	-	-
Balance at the end of the financial period	21,660,548	(9,986,073)	2,737,710	14,412,185
<u>6 months ended 31 December 2012</u>				
Balance at the start of the financial period	27,320,545	(10,178,761)	2,780,039	19,921,823
Comprehensive loss for the financial period	-	(1,230,005)	-	(1,230,005)
Movement in equity remuneration reserve on issue of options	-	-	224,627	224,627
Transfer from equity remuneration reserve	-	291,860	(291,860)	-
Balance at the end of the financial period	27,320,545	(11,116,906)	2,712,806	18,916,445

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

Encounter Resources Limited
ABN 47 109 815 796

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2012

	Consolidated	
	31 December 2012 \$	31 December 2011 \$
Cash flows from operating activities		
Interest received	127,773	189,519
Other income	6,385	-
State Government funded drilling rebate	30,000	10,552
Research and development tax refund	209,250	10,936
Payments to suppliers and employees	(471,114)	(389,949)
Net cash used in operating activities	(97,706)	(178,942)
Cash flows from investing activities		
Payments for exploration and evaluation	(3,303,730)	(3,981,113)
Proceeds from the sale of exploration assets	20,000	-
Payments for plant and equipment	(11,294)	(73,458)
Net cash used in investing activities	(3,295,024)	(4,054,571)
Net decrease in cash held	(3,392,730)	(4,233,513)
Cash at the beginning of the period	5,185,337	7,241,296
Cash at the end of the period	1,792,607	3,007,783

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

Notes to the Interim Financial Statements
For the half-year ended 31 December 2012

Note 1 Basis of preparation of half-year report

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised accounting standards

In the half year ended 31 December 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2012. 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.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies

No retrospective change in accounting policy or material reclassification has occurred requiring the inclusion of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under AASB 101.

The half year financial report was approved by the Board of Directors on 12th March 2013.

Note 2 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 Interim Financial Statements
For the half-year ended 31 December 2012

Note 3 Loss for the period

Loss before income tax includes the following specific income/(expenses):

	31 December 2012 \$	31 December 2011 \$
Depreciation		
Office equipment	(6,126)	(3,367)
State Government funded drilling rebate	30,000	10,552
Previously capitalised exploration costs written off	(569,291)	(55,462)
Exploration costs not capitalised	(172,368)	(149,284)
Exploration expenditure written off and expensed	(741,659)	(204,746)

Note 4 Dividends

No dividends were paid or proposed during the period.

The Company has no franking credits available as at 31 December 2011 or 31 December 2012.

Note 5 Contingencies

(i) Contingent liabilities

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

Native Title and Aboriginal Heritage

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

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

(ii) Contingent assets

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

Notes to the Interim Financial Statements
For the half-year ended 31 December 2012

Note 6 Events occurring after the reporting date

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

Note 7 Equity based remuneration expense

During the half year reporting period the Company issued 2,200,000 (2011: 600,000) unlisted options to directors, employees and consultants.

The options issued during the reporting period vested on grant and were valued using the Black-Scholes valuation model using the following inputs:

Number of options	1,450,000	750,000
Grant date	30 November 2012	30 November 2012
Exercise date	30 November 2016	30 November 2017
Share price on grant date	21 cents	21 cents
Option exercise price	30 cents	39 cents
Volatility	108%	108%
Interest rate	2.74%	2.74%
Discount applied to valuation in respect of non-transferability of options	30%	30%
Value per option	10.01 cents	10.50 cents

Directors' Declaration

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

- (a) the interim financial statements and notes set out on pages 6 to 12 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standard AASB 134 – *Interim Financial Reporting*, and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 31 December 2012 and of the performance for the half-year ended on that date of the Consolidated Entity.
- (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

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

Signed at Perth this 12th day of March 2013.

A handwritten signature in black ink, appearing to be 'W Robinson', followed by a long horizontal flourish.

W Robinson
Managing Director

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Encounter Resources Ltd and its controlled entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Encounter Resources Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of Encounter Resources Ltd and its controlled entities' financial position as at 31 December 2012 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Encounter Resources Ltd and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



CROWE HORWATH PERTH



SEAN MCGURK

Partner

Signed at Perth, 12 March 2013