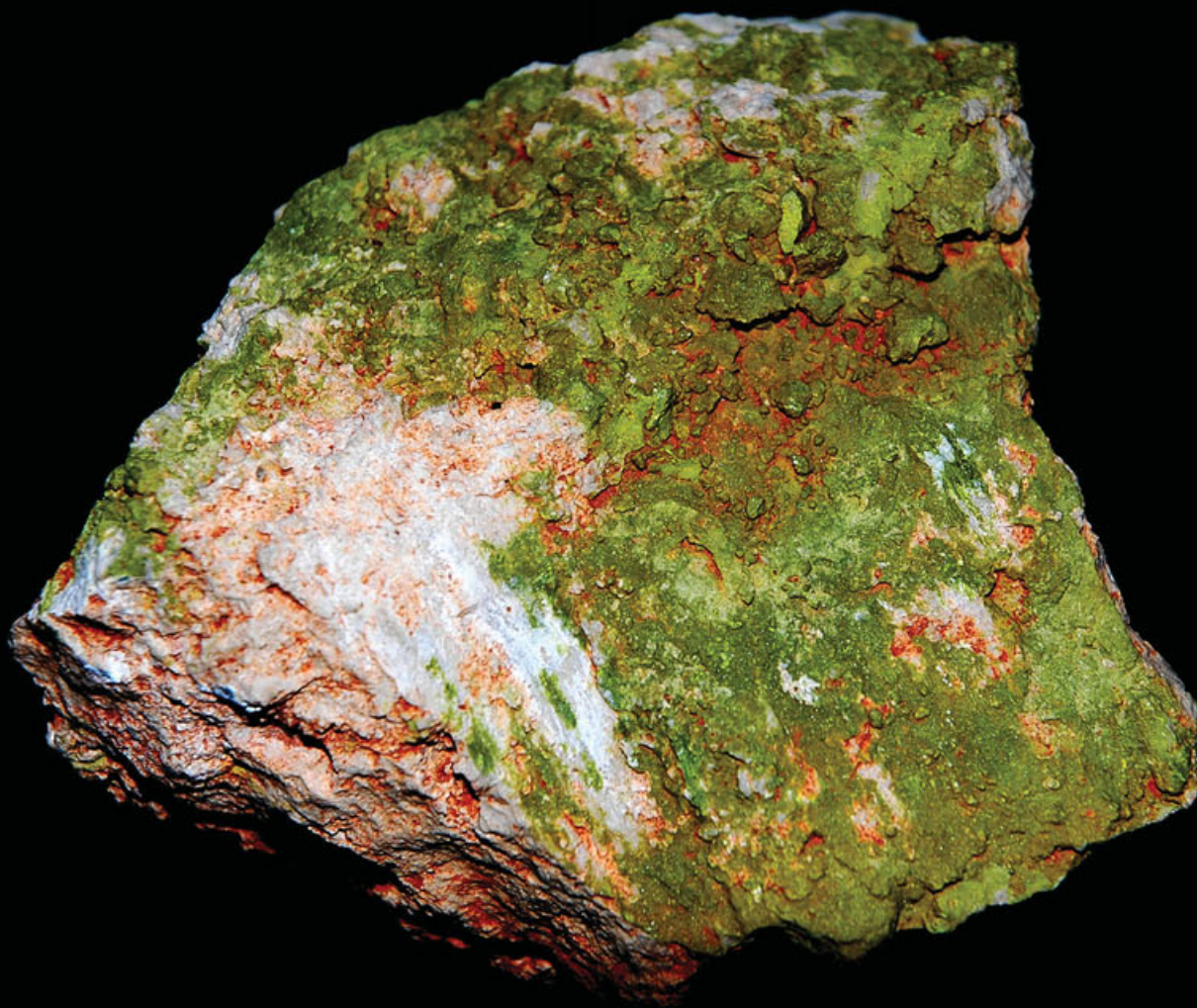




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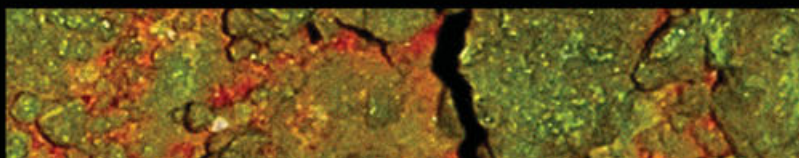


PROSPECTUS

Prospectus for the issue of up to 20,000,000 Shares at an issue price of \$0.20 each to raise a total of up to \$4,000,000 with the right to accept over-subscriptions of 5,000,000 Shares at an issue price of \$0.20 each to raise an additional \$1,000,000.

Shares offered by this Prospectus should be considered speculative.

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser.





Corporate Directory

Encounter Resources Limited
ABN 47 109 815 796

Directors

Paul Chapman (Non-Executive Chairman)
Will Robinson (Managing Director)
Peter Bewick (Exploration Director)

Company Secretary

Kevin Hart

Registered and Principal Office

Level 1, 46 Parliament Place
West Perth WA 6005
Contact Details
PO Box 273
Telephone: +61 8 9486 9455
Fax: +61 8 6210 1578
Website: www.encounterresources.com.au
Email: contact@encounterresources.com.au

Solicitors Reporting on Tenements

Hunt & Humphry
Level 2, 20 Terrace Road
East Perth WA 6004

Investigating Accountants

Grant Thornton
Level 6, 256 St Georges Terrace
Perth WA 6001

Solicitors to the Company

Blakiston & Crabb
1202 Hay Street
West Perth WA 6005

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
AppleCross WA 6153

Independent Geologist

RSG Global
1162 Hay Street
West Perth WA 6005

Auditor

Grant Thornton
Level 6, 256 St Georges Terrace
Perth WA 6001

Corporate Advisor

Linq Corporate Pty Ltd
Ground Floor
24 Outram Street
West Perth WA 6005

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*Front Cover: Oxidised carnotite mineralisation in calcrete
(this is not an asset of the Company).*

Important Notes and Statements

This Prospectus has been issued by Encounter Resources Limited ("Encounter" or the "Company") and is dated 9 February 2006 and was lodged with the Australian Securities and Investment Commission ("ASIC") on that date. The ASIC and ASX take no responsibility for the contents of this Prospectus. No securities will be allotted or issued on the basis of this Prospectus later than the expiry date of this Prospectus being the date which is 13 months after the date of this Prospectus. Securities allotted or issued pursuant to this Prospectus will be allotted or issued on the terms and conditions set out herein.

Before deciding to invest in the Company, potential investors should read the entire Prospectus and in particular, in considering the prospects for the Company, investors should consider the risk factors that could affect the financial performance of the Company. The Company is at the early stages of its development and the risks are therefore significant. The Shares offered by the Prospectus should be considered speculative. Investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues) and seek professional advice from an accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or the Offer, or otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in Section 10 of this Prospectus.

The Company has issued both a printed and an electronic version of this Prospectus and the electronic version may be accessed at www.encounterresources.com.au. The Offer pursuant to an electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. The Corporations Act prohibits any person from passing to another person the Application Form unless it is attached to or accompanies the complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus by contacting the Company by e-mail at contact@encounterresources.com.au.

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an exposure period of 7 days from the date of lodgement with the ASIC. This period may be extended by the ASIC for a further period of up to 7 days. The purpose of this exposure period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, Applications received during the exposure period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the exposure period will not be processed until after the exposure period. No preference will be conferred on Applications received in the exposure period and all Applications received during the exposure period will be treated as if they were simultaneously received on the Opening Date.

Investment Highlights

Encounter is focused on uranium exploration in WA. Highlights include:

- Quality management team with strong corporate and exploration track records.
- Control of the strike continuation of the world's largest known calcrete uranium deposit.
- An early mover strategy resulting in a high quality, strategic uranium tenement holding in WA.
- Targets selected in conjunction with Avoca Resources Limited.

Project Summary

Yeelirrie Channel (Encounter 80%, Avoca 20%) – 40 strike kms of the Yeelirrie palaeochannel to the northwest and southeast of BHP's Yeelirrie deposit that contains 52,500t U_3O_8 .

- Secured brownfields targets in late 2004
- A strong, unexplained geochemical anomaly has been defined at Yeelirrie South
- Previous exploration focused on areas of surface drainage leaving palaeochannel position untested southeast of the Yeelirrie deposit

Lake Way South (Encounter earning 60% of Uranium Rights from Avoca) – Lake region between Nova Energy Ltd's Lake Way and Centipede deposits

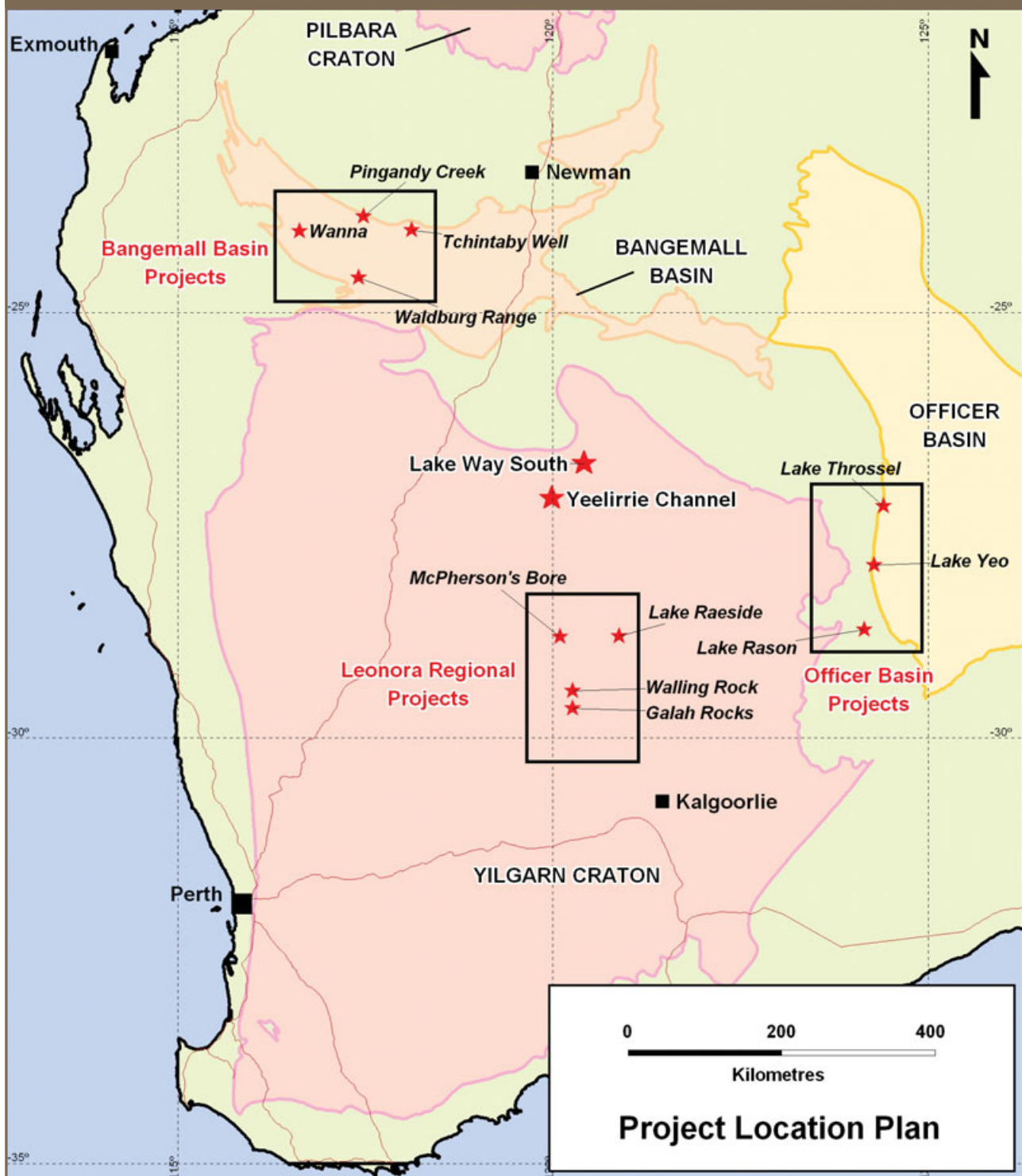
- Previous exploration restricted by lack of lake drilling technology
- Mineralised intersections (+1kg/t U_3O_8) drilled within 100m of tenement boundary
- Centipede project mapped to the boundary of the Lake Way South Tenement

Leonora Regional Projects (Encounter 80%, Avoca 20%) – Quality calcrete associated uranium targets within the Lake Raeside / Barlee and Lake Ballard drainage systems. Targets defined as radiometric and/or geochemical anomalies including the Lake Raeside project adjacent to Energy Metal Ltd's Mopoke Well prospect.

Officer Basin Projects (Encounter 80%, Avoca 20%) – Three untested, large scale greenfields playa lake uranium targets at Lake Yeo, Lake Throssel and Lake Rason. Targets defined as significant uranium series radiometric anomalies within multi-client datasets.

Bangemall Basin Projects (Encounter 80%, Avoca 20%) – Four regional multi-element GSWA geochemical anomalies on the margin of the Bangemall Basin that are prospective for both Jabiluka (unconformity) and calcrete associated uranium deposits.

FIGURE 1 – ENCOUNTER PROJECT LOCATION PLAN



Chairman's Letter

Dear Investor,

I am pleased to present to you, on behalf of the Board of Directors, an Offer to become a shareholder in Encounter Resources Limited ("Encounter" or "the Company").

Encounter is an exploration company focused on unlocking the uranium potential of its quality portfolio of assets in Western Australia ("WA"). To complement this quality portfolio the Company has assembled a management team with proven corporate and exploration track records. These provide the essential elements required to achieve Encounter's vision of becoming a significant energy producing resource company.

WA hosts a wide variety of geological environments that are highly prospective for the formation of uranium deposits. As a result of the implementation of the Three Mines Policy by the federal government in the early 1980s, minimal greenfields uranium exploration has taken place in WA over the past two decades.

In this time, there have been considerable advances in technologies and a series of significant data acquisition programs that can be applied to uranium exploration. These changes primarily relate to the availability, quality and use of radiometrics, the availability of regional scale geochemical datasets as well as the availability of lake based drilling technologies.

During the last quarter of 2004 when Encounter and its joint venture partner, Avoca Resources Limited, commenced its land acquisition program, WA was receiving little attention from other uranium explorers. This presented Encounter with the opportunity to complete the assessment of the new regional datasets and embark on a selective land acquisition program.

Encounter has primarily targeted areas considered prospective for near surface uranium deposits associated with the development of calcrete within Tertiary palaeochannel drainage systems. This targeting work was focused in areas where large radiometric datasets had been acquired since the early 1980s. In addition to the radiometric data, Encounter has assessed the GWSA Regional Geochemical datasets collected between 1994 and 2001 and defined a number of multi element anomalies that may relate to near surface uranium mineralisation.

Encounter will now implement a focussed exploration program to test the potential for significant uranium occurrences within its strategic tenement holdings.

The uranium market outlook has improved considerably in the last two years. A growing focus on greenhouse gas reduction appears likely to favour nuclear power generation. The strategic importance of uranium as a power source is rising as China's rapid industrialisation stresses the supply of more traditional energy sources, including coal and petroleum.

Current global uranium production meets only around 55% per cent of demand, with the shortfall made up largely from stockpiles that are now largely depleted. There are some 35 nuclear power reactors with a total net capacity of about 37,000 MW planned worldwide. Rising gas prices and greenhouse constraints on coal have combined to put nuclear power back on the agenda for projected new power capacity in both Europe and North America. A leading industry body is forecasting that world mine production will need to expand significantly post 2005. Accordingly, uranium prices have tripled in recent times.

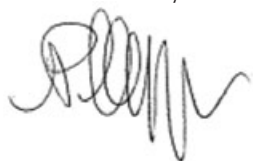
It should be noted that in WA, the State government has a restrictive policy on uranium mining and processing. Changes in policy may take time to develop but favourable changes to the regulatory environment in WA should have a positive effect on the Company.

Apart from the technical merit of its projects, Encounter has also been mindful of the strategic and commercial potential of those projects. For example, the Yeelirrie project is adjacent to the largest calcrete deposit in the world held by BHP Billiton and the Lake Way South project lies between Nova Energy's two main projects. Any advancements by those parties should have positive implications for Encounter.

Through its early mover strategy, Encounter has assembled a quality, uranium exploration portfolio. Importantly, Encounter has an experienced management team that will take a disciplined commercial and technical approach to maximise the value of the current portfolio and to take advantage of future opportunities as they arise.

On behalf of the Board of Encounter, I commend the Offer to you.

Yours sincerely



Paul I. Chapman
Chairman

9 February 2006

Key Terms and Dates

Public Offer and Priority Offer

Issue Price per Share	20 cents
Number of Shares offered under the Prospectus	20,000,000
Amount to be raised under the Subscription Offer*	\$4,000,000

**Assumes the Offer is fully subscribed with no oversubscriptions.*

Proforma Capital Structure

The pro-forma capital structure of Encounter is summarised below and assumes the Offer is fully subscribed with no oversubscriptions taken up:

	Number	%
Shares currently on issue	34,996,900	63.6%
Shares to be issued pursuant to this Offer*	20,000,000	36.4%
Total Shares on issue at the Listing Date	54,996,900	100%

**If Encounter elects to accept oversubscriptions the number of Shares could increase by up to 5 million Shares.*

As at the date of this Prospectus, Encounter has agreed to issue 100,000 unlisted options at an exercise price of 20¢ to an employee of the Company pursuant to the terms of the Company's Employee Share Option Plan as summarised in Section 9.4. The issue of these options is conditional upon the listing of the Company.

Further details of the Company's issued capital are contained in the Investigating Accountant's Report and the Additional Information sections of this Prospectus.

Indicative Timetable

Indicative Timetable	Date
Prospectus lodged with ASIC	9 February 2006
Opening Date	16 February 2006
Closing Date for Priority Offer to Avoca Resources Limited shareholders	9 March 2006
Closing Date for Public Offer	16 March 2006
Allocation of Shares and despatch of Shareholder Statements	25 March 2006
Anticipated date of listing on the ASX subject to ASX approval	30 March 2006

The Directors reserve the right to vary the Offer dates and to close the Public Offer and Priority Offer early or extend the Closing Date.

Section 1

Details of the Offer

1.1 Shares Offered for Subscription

This Prospectus invites investors to apply for up to 20,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$4,000,000 with rights to accept oversubscription of 5,000,000 Shares at an issue price of \$0.20 per Share to raise up to a further \$1,000,000, before expenses of the Offer. All Shares issued pursuant to this Prospectus will be issued as fully paid and will rank equally in all respects with the Shares already on issue.

Applications must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares, and can only be made by completing the relevant Application Form attached to or accompanying this Prospectus.

Subject to the terms of the Priority Offer, the Company reserves the right to reject any Application or to allocate any Applicant fewer Shares than the number applied for.

1.2 Priority Offer

Avoca Resources Limited ("Avoca") Shareholders, holding at least 2,000 fully paid ordinary shares in Avoca on a date to be nominated by Avoca, will have priority in respect of up to 5,000,000 Shares (\$1,000,000) offered under this Prospectus. The priority given to Avoca Shareholders will be in respect of Applications for between 10,000 Shares (\$2,000) and 80,000 Shares (\$16,000). Avoca Shareholders who wish to apply for in excess of the maximum of 80,000 Shares must apply for the excess Shares through the Public Offer. The priority entitlement for Avoca Shareholders will only operate for Applications received by Encounter on or before the Priority Offer Closing Date.

Applications under the Priority Offer, can only be made on the personalised Priority Offer Application Form accompanying this Prospectus. Applications by Avoca Shareholders should be made in exactly the same name and address as their Avoca shareholding. In the event that Avoca Shareholders validly apply for more than 5,000,000 Shares (\$1,000,000) the Directors will determine the allocation of the Shares and may elect to allocate Avoca shareholders shares from the Public Offer.

1.3 Public Offer

A total of 15,000,000 Shares plus any Shares not subscribed under the Priority Offer will be available under the Public Offer. Applications for Shares by general investors must be made on the Public Offer Application Form attached to this Prospectus.

1.4 How to Apply

Priority Offer

If you are an Avoca Shareholder and wish to participate in the Priority Offer, you should complete your personalised Priority Offer Application Form. Avoca Shareholders may apply for a minimum parcel of 10,000 Shares representing a minimum investment of \$2,000. Avoca Shareholders who wish to apply for Shares in excess of the minimum investment must apply for Shares in multiples of 1,000 (equivalent to \$200) thereafter up to a maximum of 80,000 Shares (\$16,000). Avoca Shareholders who wish to apply for in excess of the maximum of 80,000 Shares must apply for the excess Shares through the Public Offer.

All personalised Priority Offer Application Forms and accompanying cheques must be received by the Priority Closing Date at the Company's Share Registry at the following address.

Deliver to:
Encounter Resources Limited
c/- Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Post to:
Encounter Resources Limited
c/- Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953

1.5 Public Offer

If you wish to participate in the Public Offer, you should complete the Public Offer Application Form. Applicants may apply for a minimum parcel of 10,000 Shares representing a minimum investment of \$2,000. Applicants seeking additional Shares must apply for Shares in multiples of 1,000 (equivalent to \$200) thereafter. All applications must be completed in accordance with the detailed instructions on how they are to be completed and be accompanied by a cheque in Australian dollars payable to "Encounter Resources Limited – Float Account" and crossed "Not Negotiable". No brokerage or stamp duty is payable. Completed Public Offer Application Forms and accompanying cheques must be received by the Public Offer Closing Date at the following address:

Deliver to:
Encounter Resources Limited
c/- Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Post to:
Encounter Resources Limited
c/- Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953

1.6 Oversubscription

The Company reserves the right to accept oversubscriptions of up to \$1,000,000 through the issue of a further 5,000,000 Shares at an issue price of \$0.20 per Share. The maximum amount which may be raised under this Prospectus is therefore \$5,000,000 by the issue of a maximum of 25,000,000 Shares.

1.7 Minimum Subscription

The minimum subscription to the Offer is 20,000,000 Shares raising \$4,000,000 before expenses of the Offer. In accordance with the Corporations Act, no Shares will be allotted by the

Company until the minimum subscription has been received.

If the minimum subscription has not been raised within three (3) months after the date of this Prospectus, the Company will either repay the application monies to Applicants or issue a supplementary or replacement prospectus and allow Applicants one month to withdraw their Application and be repaid their application monies.

1.8 Purpose of the Offer

The purpose of the Offer is to raise adequate funds:

- to pursue the projects described in this Prospectus, in particular to conduct drilling and exploration for surficial uranium deposits at South Lake Way and Yeelirrie;
- to identify and evaluate uranium opportunities in other locations;
- to pursue other strategic exploration or mining opportunities should they arise; and
- to provide working capital.

In the two years after listing on ASX, the funds raised from the Offer are expected to be applied as follows:

Use of Funds	Full Subscription	Maximum Subscription
Pre-offer cash and receivables	244,670	244,670
Total raised in the Offer	4,000,000	5,000,000
Total Funds Available	4,244,670	5,244,670
Exploration work program (first 2 years) (refer to Independent Geologist's Report)	2,963,100	3,470,200
Administration (first 2 years)	850,000	850,000
Remaining costs of the Offer	372,410	432,410
Unallocated working capital	59,160	492,060
Total Funds Applied	4,244,670	5,244,670

Further detail with respect to the application of funds to be raised from the Offer to exploration is set out in the Expenditure Summary in Section 1.9 and in the Independent Geologist's Report in Section 5.

Following the Completion of the Offer, the Directors are of the opinion that the Company will have sufficient working capital to carry out these objectives.

1.9 Expenditure Summary

The Company proposes to fund its intended activities, as outlined in the table below, from the proceeds of the Offer.

It should be noted that budgets will be subject to modification on an ongoing basis depending on the results obtained from such exploration as carried out. This involves an ongoing assessment of each of the Company's uranium interests and may lead to increased or decreased levels of expenditure on certain interests reflecting a change in emphasis. Subject to the above, the following expenditure is proposed for the various granted tenements and tenement applications as at 31 January 2006:

Tenements	Full Subscription		Maximum Subscription	
	Year 1 (\$)	Year 2 (\$)	Year 1 (\$)	Year 2 (\$)
Lake Way				
Granted*	438,200	397,900	706,100	637,100
Applications	—	—	—	—
TOTAL	438,200	397,900	706,100	637,100
Yeelirrie Channel				
Granted*	490,810	373,540	490,810	373,540
Applications	161,790	115,260	161,790	115,260
TOTAL	652,600	488,800	652,600	488,800
Leonora Regional				
Granted*	48,320	49,680	48,320	49,680
Applications	72,480	74,520	72,480	74,520
TOTAL	120,800	124,200	120,800	124,200
Bangemall Regional				
Granted*	53,900	39,525	53,900	39,525
Applications	161,700	118,575	161,700	118,575
TOTAL	215,600	158,100	215,600	158,100
Officer Basin				
Granted*	57,155	71,260	57,155	71,260
Applications	106,145	132,340	106,145	132,340
TOTAL	163,300	203,600	163,500	203,600
GRAND TOTAL	1,590,500	1,372,600	1,858,400	1,611,800

*Schedule 1 of the Solicitors' Report on Mining Tenements sets out details of the granted tenements.

This project expenditure table is based on the assumption that Avoca elects not to contribute to future exploration expenditure under the Avoca Joint Venture.

In the event that the Company raises an amount between \$4,000,000 and \$5,000,000, the Company will apply the amount as exploration expenditure on the project areas noted in the above table in the same proportion that the Year 1 expenditure on each project area bears to the total Year 1 expenditure, in the full subscription scenario.

The above expenditure table is subject to change and is contingent on circumstances, results and other opportunities.

Expenditure may be reallocated amongst existing or new projects or to general working capital. If tenements are granted for any of the above project areas which are designated as tenement applications, the Company may reallocate funds to these projects having regard to the recommendations made in the Independent Geologist's Report in Section 5. The Company does not intend to restrict its activities to the above project areas and will evaluate other opportunities as they arise.

1.10 Underwriting

The Offer is not underwritten.

1.11 Escrow

All of the Shares held by the Directors and some of the Shares held by the seed capitalists prior to admission to the Official List, will be subject to escrow restrictions as imposed by the ASX for up to two years after the date of quotation of the Shares on the ASX. These agreements will be entered into in accordance with the Listing Rules.

1.12 Forecasts

The current government policy on uranium mining in WA (as outlined in the Independent Geologist's Report) and the speculative nature of exploration mean that uncertainties are associated with the future revenue earning potential of the Company and the timing of and sustainability of cash flow. On this basis, the Directors believe that reliable forecasts cannot be prepared and accordingly have not included forecasts in this Prospectus.

1.13 Allotment and Allocation of Shares

Subject to ASX granting conditional approval for the Company to be admitted to the Official List, the allotment of Shares to Applicants will occur as soon as possible after the Offer is closed, following which statements of Shareholdings will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

Pending the issue of the Shares, or return of the Application Monies, the Application Monies will be held in trust for the Applicants.

Subject to the terms of the Priority Offer, the Directors have the right to allocate Shares. The Company may reject any Application or allocate any Applicant fewer Shares than applied for under the Offer.

If an Application is not accepted, or is accepted in part only, the relevant part of the Application Monies will be refunded. Interest will not be paid on Application Monies refunded.

1.14 Applicants Outside Australia

This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. It is the responsibility of any Applicant who is resident outside Australia to ensure compliance with all laws of any country relevant to their Application, and any such Applicant should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed to enable them to apply for and be allotted Shares.

No action has been taken to register or qualify the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. The return of a completed Application form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

1.15 ASX Listing

Within seven (7) days after the date of this Prospectus, application will be made by the Company to the ASX for the Company to be admitted to the Official List of ASX and for admission of the Shares offered pursuant to this Prospectus to quotation on ASX. If the Company is not admitted to the Official List of ASX and the Shares not admitted to quotation within three (3) months after the date of this Prospectus, the Company will not allot or issue any Shares, and will repay all Application Monies without interest as soon as practicable. ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may admit Encounter to its Official List is not to be taken in any way as an indication of the merits of the Company or the Shares offered pursuant to this Prospectus.

1.16 CHESS

Encounter will apply to participate in the Clearing House Electronic Subregister System (CHESS), operated by ASX Settlement and Transfer Corporation Pty Ltd (ASTC) (a wholly owned subsidiary of ASX), in accordance with the Listing Rules and ASTC Settlement Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored subregister and an electronic CHESS subregister. The two subregisters together will make up the Company's principal register of securities.

Under CHESS, the Company will not issue certificates to Shareholders. Instead, the Company will provide Shareholders with a holding statement that sets out the number of Shares allotted to that Shareholder under this Prospectus. If a Shareholder is broker-sponsored, the ASTC will send them a CHESS statement.

The CHESS statement will set out the number of securities allotted to each holder under the Prospectus, give details of the Shareholder's holder identification number and give the participant identification number of the sponsor.

If you are registered on the issuer sponsored sub register, your statement will be dispatched by the share registry and will contain the number of securities allotted under the Prospectus and the Shareholder's security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. A Shareholder may request a statement at any other time, however a charge may be made for additional statements.

1.17 Enquiries in Relation to the Offer

This Prospectus provides information for potential investors in Encounter, and should be read in its entirety. If, after reading this Prospectus, you have any questions about any aspect of an investment in Encounter, please contact your stockbroker, accountant or independent financial adviser.

1.18 Privacy Disclosure

The Company collects information about each Applicant from an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses, ASX, ASIC and other regulatory authorities.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.



Section 2 Management

2.1 Board

Mr. Paul Chapman (Age 47)

B.Comm, ACA, Grad. Dip. Tax, CFTP(Snr), MAICD, SIA(Aff)

Non Executive Chairman

Mr Paul Chapman is a chartered accountant and has held various senior commercial roles within WMC over a seventeen year period. This includes experience in the United States as CFO of WMC's Houston based oil and gas division as well as time in Pittsburgh working on the formation of the AWAC bauxite and Alumina business. Mr Chapman was appointed CFO of Anaconda Nickel Limited (now Minara Resources Limited) in 2001 and was responsible for its US\$700 million debt restructuring process. Mr Chapman was a founding shareholder and Managing Director of Reliance Mining Limited culminating in the recommended takeover by Consolidated Minerals Limited. Paul is now Managing Director of OM Holdings Ltd's Australian operations.

Mr. Will Robinson (Age 34)

B.Comm

Managing Director

Mr Will Robinson is a resources industry commercial and finance specialist with over eleven 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 until 2003. During his time with WMC he was instrumental in the success of the Kambalda nickel mine outsourcing strategy as the Commercial Manager of the Kambalda Nickel Operations. Mr Robinson has extensive experience in the sale and distribution of commodities and was Vice President – Marketing for WMC's nickel business from 2001 to 2003. Since leaving WMC Mr Robinson formed a consulting company and has advised numerous mining companies with interests in Australia, South America and Africa.

Mr. Peter Bewick (Age 37)

B.Eng (Hons), MAusIMM.

Exploration Director

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


2.2 Company Secretary

Mr Kevin Hart (Age 43)

B.Comm, ACA

Mr Hart is a chartered accountant and has over 20 years experience in accounting and the management and administration of public listed entities in the mining and exploration industry.

He is a partner in an advisory firm which specialises in the provision of company secretarial services to ASX listed entities.



Section 3

Company and Project Overview

3.1 Company History

- June 2004 – Encounter was founded by Will Robinson. The Company was incorporated to conduct project evaluations and to seek acquisition opportunities in the Eastern Goldfields of WA.
- October 2004 – Identified the changing nature of the world uranium market and the potential future value of high quality uranium exploration projects in WA in the event of changes in the regulatory environment.
- December 2004 – Together with Avoca, conducted a regional targeting and land acquisition program.
- December 2004 to February 2005 – Submitted exploration licence applications over the strike continuation of the Yeelirrie deposit and the most significant radiometric anomalies in the Yilgarn and Officer Basin in WA.
- April 2005 – Executed a formal joint venture with Avoca giving Encounter the right to earn 60% of the Uranium Rights on the Lake Way South Tenement.
- April-May 2005 – Conducted a detailed review of the GSWA regional geochemical data and applied for tenements over a number of uranium anomalies in the Yilgarn and Bangemall Basin of WA.
- May 2005 – Converted to a public company
- September 2005 – Peter Bewick joined the Company as Exploration Director. Paul Chapman became Non Executive Chairman.

3.2 Exploration Strategy

Uranium deposits hosted in calcrete form the largest sub group of the surficial deposit class. They are geologically young deposits from Tertiary to Recent in age. These deposits form as a result of the deep weathering of granitic and gneissic rocks that contain in the order of 3-8ppm uranium and the mobilisation of the uranium into solution. The fluids containing the uranium are confined within palaeodrainage systems and playa lakes. The uranium is then precipitated as carnotite under oxidising conditions. The carnotite commonly occurs as coatings in voids, on fracture walls and as disseminations in sediments, adjacent to cemented calcium and magnesium carbonate bodies within the drainage system.

In WA, the calcrete deposits are generally found within 10 metres of the surface. The world's largest known deposit of this class is the BHPB Yeelirrie deposit that is stated to contain 52,500 tonnes of U_3O_8 in resource at an average grade of 1.5kg/t U_3O_8 .

Geophysical Targets

A significant uranium exploration effort was conducted from 1950 to 1983 in WA. This effort was particularly intense following the discovery of the Yeelirrie deposit by WMC in 1972. The Yeelirrie area was first identified as an area of interest from a regional radiometric survey completed by the BMR.

Since the mid 1980s, a number of regional scale, multi-client airborne geophysical surveys were flown in WA over areas of poor data coverage. The surveys were initiated in an attempt to invigorate grassroots exploration in those areas. The collection of these large scale radiometric datasets highlighted new areas of interest not recognised in the previous phase of uranium exploration.

Following a review of these datasets Encounter has applied for exploration licences over three large-scale, untested playa lake radiometric anomalies in the region of the Officer Basin, as well as a number of untested palaeochannel radiometric anomalies within the Yilgarn Craton.

Although radiometric data was used extensively over many years there are significant limitations to the use of radiometrics in areas of surface cover. It is estimated that less than 50 centimetres of sand or other non-radioactive cover could conceal a radiometric reading at surface. Encounter has acquired tenements over the strike continuation of two of the largest calcrete deposits in WA at Yeelirrie and Lake Way, where the tertiary drainage systems that host the uranium mineralisation extend under shallow cover.

Geochemical Targets

During the period between 1994 and 2001 the GSWA completed a regional geochemical exploration initiative aimed at stimulating activity in areas deemed to have high exploration potential. Through this program, large areas were sampled at a spacing of approximately one sample per 4km². In total twenty complete 1:250,000 sheets were sampled and analyses for a large suite of elements, including uranium, vanadium and phosphorous oxide (P_2O_5).

Encounter completed a review of this data using principle component analysis in an effort to define calcrete associated targets within the Yilgarn District. Samples that were taken within 5km of a defined tertiary drainage system were subsetting from the regional dataset and analysed. Based on this work, Encounter has applied for three projects to the west and southwest of Leonora at McPherson's Bore (ELA29/587), Walling Rock (ELA30/299) and Galah Rocks (ELA30/300).

A similar assessment process was initiated in the Bangemall Basin where there is the potential for both calcrete and unconformity style deposits. Through this effort a number of multi-element anomalies were defined, resulting in four projects being applied for on the northern and southern margin of the Bangemall Basin. These four projects are the Pingandy Creek (ELA08/1542 & ELA08/1579), Tchintaby Well (E52/1882), Waldburg Range (ELA52/1895) and Wanna (ELA09/1254) projects.

3.3 Project Summary

After a 20 year virtual hiatus in uranium exploration activity, an opportunity exists in WA to apply modern exploration technologies and assess new data to successfully target and define new uranium resources. Encounter, at a time of minimal competition, acquired a high quality brownfields and greenfields uranium exploration portfolio in WA.

Encounter, together with joint venture partner Avoca, will now commence a focused exploration campaign to assess these projects. The exploration management fundamentals employed by Encounter will ensure:

- (a) projects are ranked and work programs prioritised;
- (b) programs are designed to clearly defined decision points;
- (c) results are assessed and reviewed against pre-defined goals;
- (d) follow-up programs are only approved if the project passes business and technical gating; and
- (e) where appropriate, Encounter will share the project risk with other parties.

The completion of this program will ensure Encounter is well placed to capitalise on a change in regulatory environment that would allow for the mining of uranium in WA.

3.4 Summary of Exploration Projects

Yeelirrie Channel

(E53/1154-1158, E36/541 and ELAs36/540, 542 and 569)
– Encounter 80%, Avoca 20%

BHPB's Yeelirrie uranium deposit, located approximately 60kms south west of Wiluna, is the world's largest calcrete associated uranium deposit with a published resource of 52,500 tonnes of U_3O_8 .

Previous exploration at Yeelirrie focused on the defined radiometric anomalies within the main Yeelirrie channel. Several areas along this defined channel are covered by non radioactive sheetwash sands and sediments that may obscure a radiometric response. Encounter believes these areas of shallow cover offer an excellent opportunity for the discovery of additional uranium resources up and down stream from the Yeelirrie deposit. With this in mind, Encounter has established an exploration tenement holding encompassing over 40 strike kilometres of the defined drainage channel to the northwest and southeast of the Yeelirrie deposit.

An area of specific interest was identified by Encounter following a review of the GSWA regional geochemical data on the Sir Samuel 1:250,000 sheet. Two data points with anomalous uranium values are situated wholly within the Encounter tenements on the margin of a lake system. This discrete uranium geochemical anomaly is within an area of thin sheetwash and lake cover, 25kms southeast of the Yeelirrie deposit. The two points are considered significant as they sit

FIGURE 2 – YEELIRRIE RADIOMETRIC ANOMALY (URANIUM SERIES) WITH ENCOUNTER TENEMENTS.

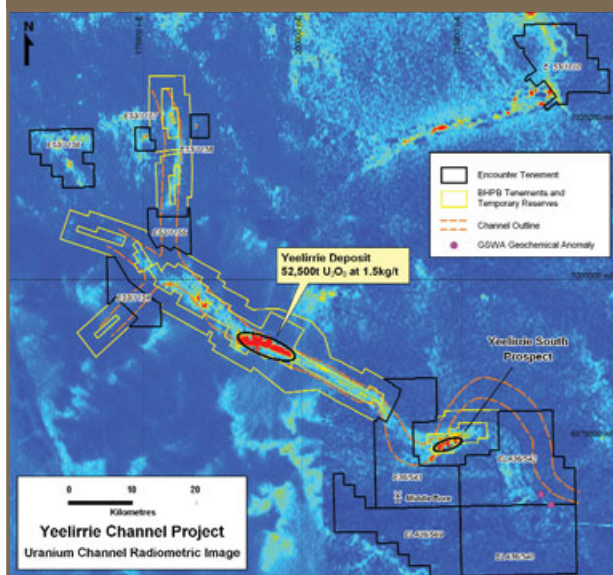
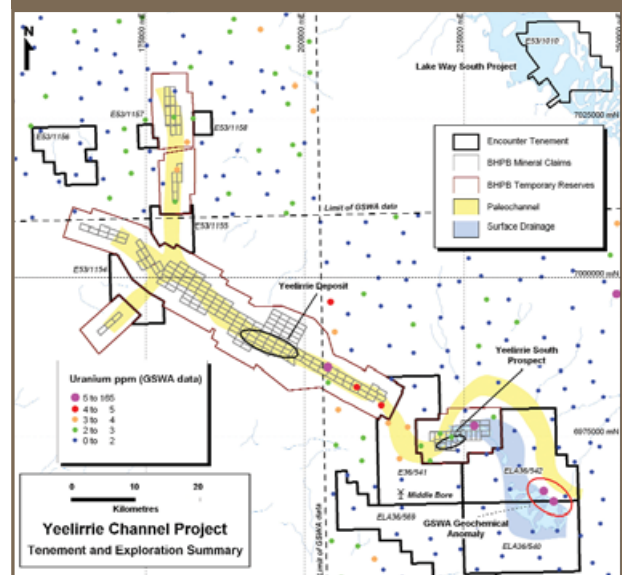


FIGURE 3 – YEELIRRIE GEOCHEMISTRY (GSWA DATA)



within the top 2% of the +20,000 sample GSWA dataset. A review of historical data has highlighted that there has been no systematic uranium exploration over the Yeelirrie South anomaly.

Encounter's initial exploration program at Yeelirrie will focus on:

- (a) the assessment of the Yeelirrie South geochemical anomaly, and
- (b) the definition of the palaeochannel position utilising gravity and electromagnetics upstream and downstream from the Yeelirrie Deposit.

Areas of defined prospectivity within the channel will then be systematically tested utilising shallow aircore drilling.

Lake Way South

(E53/1010) – Encounter earning 60%, Avoca 40%

The Lake Way South project is located approximately 10kms south of the township of Wiluna and covers an area of 117.3km².

Encounter has entered into an agreement with Avoca to earn 60% of the Uranium Rights on the Lake Way South Tenement (E53/1010).

The tenement covers approximately 12kms of the Lake Way drainage system and is located between Nova Energy's Lake Way uranium deposit to the north and their Centipede deposits to the south.

An assessment of the historical exploration data in the Centipede area indicates the calcrete channel extends under the current lake, through the southwestern boundary of E53/1010. Uranium mineralisation is well developed in holes adjacent to the lease boundary with individual assays over 1kg/t U₃O₈ recorded within 100m of the lease boundary.

Due to the lack of drilling in the area it is not possible to determine how far the channels extend before terminating. The interpreted extension of the channels and the accumulated sediments that may occur at the termination of the channel are high priority targets for Encounter.

Encounter will utilise both airborne and ground geophysical methods to define the channel position at Lake Way South and then embark on a focused lake based drilling program. The priorities for this drilling are to test the interpreted extensions to the Centipede mineralisation and complete regional traverses along the interpreted channel position. It is anticipated drilling on the Lake Way South Tenement will commence in the first half of 2006.

Leonora Regional

(E29/577, ELA29/587, ELA30/299 and ELA30/300) – Encounter 80%, Avoca 20%

A key feature in the targeting of calcrete uranium deposits is the identification of hydrological trap sites within the palaeochannel systems. Encounter has targeted the intersection of major palaeochannels and significant bends in these channels as potential trap sites for uranium mineralisation.

A review of the radiometrics and regional geochemical data to the west of the townships of Leonora and Menzies identified a number of unexplained regional scale uranium geochemical anomalies. The anomalies are coincident with interpreted trap sites, along the mapped drainage systems east of Lake Barlee and to the west of Lake Ballard and are considered by Encounter to be highly prospective.

Officer Basin

(ELA 38/1786, E 38/1787 and ELAs 38/1790-1792) – Encounter 80%, Avoca 20%

Encounter has applied for exploration licences over three untested playa lake radiometric anomalies in a region approximately 175kms east of Laverton. The anomalies are located near the southwest margin of the Officer Basin at Lake Throssel, Lake Yeo and Lake Rason and represent several of the most significant untested radiometric anomalies in WA.

Bangemall Basin

(ELA 08/1542, ELA 08/1579, E 52/1882, ELA 52/1895, ELA 09/1254) – Encounter 80%, Avoca 20%

Unconformity style deposits such as those found in the Athabasca Basin in Canada and East Alligator River district in the Northern Territory are located within Mesoproterozoic sandstone-dominated sediments unconformably overlying metamorphosed Proterozoic basement.

FIGURE 4 – LAKE WAY RADIOMETRICS AND KNOWN RESOURCE LOCATIONS

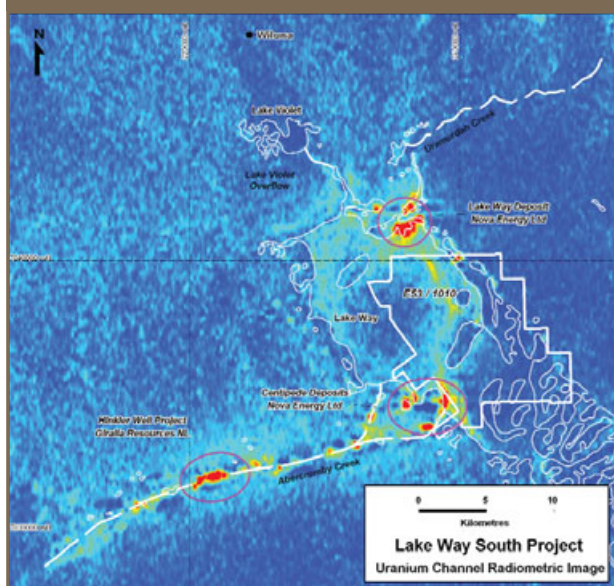
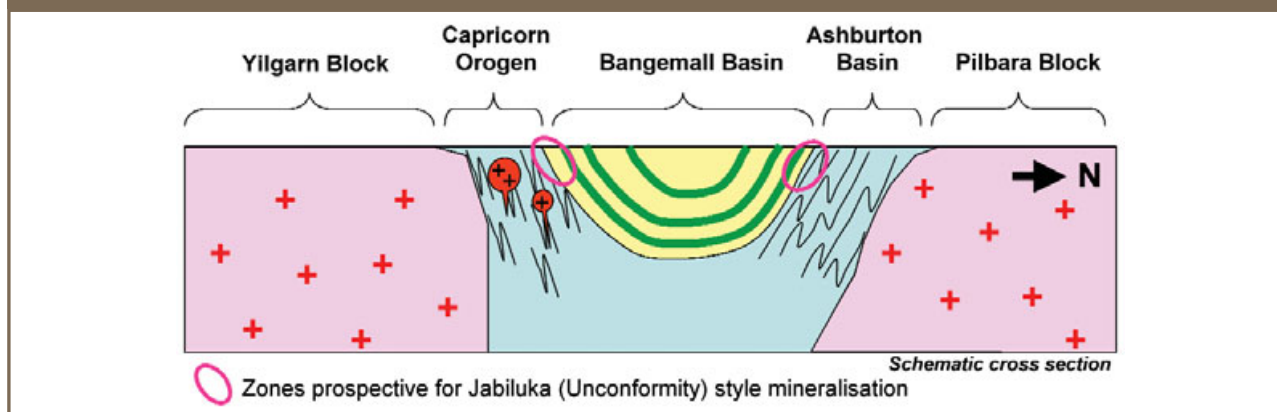


FIGURE 5 – SCHEMATIC CROSS SECTION ILLUSTRATING ZONES PROSPECTIVE FOR UNCONFORMITY STYLE URANIUM MINERALISATION (NOT TO SCALE)




Encounter has targeted the northern and southern margins of the Bangemall Basin for unconformity style uranium mineralisation where the Mesoproterozoic Bangemall Basin sediments overlie the Palaeoproterozoic Capricorn Orogen to the south and Ashburton Basin to the north.

Unconformity style deposits are associated with anomalous concentrations of cobalt, arsenic, selenium, silver, nickel and molybdenum. Principle component analysis on GSWA regional geochemical samples, located within 5km of the Proterozoic rocks of WA, generated a factor which highlighted anomalism in arsenic, molybdenum, antimony and uranium. Plotting this factor, along with individual scores for uranium, arsenic, cobalt

and nickel, highlighted several areas of coincident anomalism within the Mesoproterozoic rocks of the Edmund Group of the Bangemall Basin. Four targets have been selected by Encounter following the review of the GSWA data at Pingandy Creek, Tchintaby Well, Waldburg Range and Wanna.

Tenement applications over these targets were extended outside the bounds of the specific unconformity targets, to capture any significant areas of drainage containing mapped calcrete bodies. These calcrete bodies may host secondary uranium mineralisation similar to the Yeelirrie deposit and will be explored in conjunction with the primary target zones.



Section 4

Risk Factors

An investment in the Company is considered speculative. Prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

4.1 Risks Specific to the Company

The current and future operations of the Company, including exploration, appraisal and production activities, may be affected by a range of factors, including:

Australian Government regulation and policy

Uranium mining in Australia is subject to extensive regulation by state and federal governments in relation to exploration, development, production, exports, taxes and royalties, labour standards, occupational health, waste disposal, protection and rehabilitation of the environment, mine reclamation, mine safety, toxic and radioactive substances, native title and other matters. Compliance with such laws and regulations will increase the costs of exploring, drilling, developing, constructing, operating and closing mines and other production facilities.

The Federal Government currently permits the mining and export of uranium under strict international agreements designed to prevent the proliferation of nuclear weapons. The export of uranium is tightly controlled by the Federal Government through its licensing process and Australian uranium can only be exported to those countries who undertake to use it for peaceful purposes.

There is currently no legislation that expressly prohibits uranium mining in WA. However, the current WA State Government does have a policy opposing uranium mining. All mining leases granted since 22 June 2002 are subject to a condition which prohibits the mining of uranium. Whilst the Company is not restricted from exploration and evaluation of its uranium deposit in WA, the development of the uranium deposit is contingent upon a change of WA State Government policy in relation to uranium production. There can be no assurance that the policy will change in the future and this may adversely affect the long-term prospects of the Company.

Competition from alternative energy and public perception

Nuclear energy is in direct competition with other more conventional sources of energy which include gas, coal and hydro-electricity. Furthermore, any potential growth of the

nuclear power industry (with any potential attendant increase in the demand for uranium) beyond its current level will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity.

The nuclear industry is currently subject to some negative public opinion due to political, technological and environmental factors. This may have an adverse impact on the demand for uranium and increase the regulation of uranium mining.

One of the arguments in favour of nuclear energy is its lower emissions of carbon dioxide per unit of power generated compared to coal and gas. Alternative energy systems such as wind or solar also have very low levels, if any, of carbon emissions, however to date these have not been efficient enough to be relied upon for large scale based load power. Technology changes may occur that make alternative energy systems more efficient and reliable.

Tenement Title

Certain of the tenements referred to in this Prospectus are applications awaiting grant and are not granted licences. There is a risk that these applications will not be granted.

In addition, continuing title to tenements is conditional on the Company meeting the requirements under which the tenement title is granted and failure to meet those requirements places the Company's on-going rights to that title and therefore the tenement at risk.

Lake Way South Tenement (E53/1010) Uranium Rights

The Company is not the registered holder of the Lake Way South Tenement. The Company's rights to uranium are based on contract and the ability of the Company to exploit the Uranium Rights is dependent upon Avoca, the registered tenement holder, maintaining the Lake Way South Tenement in good standing.

There are also risks associated with Avoca (which has granted the Uranium Rights to the Company) obtaining renewal of the tenement upon expiry of its current term.

The ability of the Company to carry out exploration on the Lake Way South Tenement is subject to Avoca continuing to have the right and liberty to conduct gold exploration and mining operations on the Lake Way South Tenement. The gold operations of Avoca will take priority over exploitation of Uranium Rights in respect of Lake Way South Tenement. If a

proposed uranium development area overlaps and conflicts with an area which Avoca intends to explore or mine gold ("Gold Area"), Avoca's proposed program in respect to the Gold Area will take priority over any uranium program to the extent the area overlaps with the Gold Area and to the extent the proposed programs are in conflict.

4.2 General Risks

Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities. If activities cannot be funded there is a risk that tenements may have to be surrendered or not renewed. Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

Market Conditions

The market price of the Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Exploration Success

The mineral tenements of the Company as described in this Prospectus are in the early stages of exploration and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of the tenements currently held by the Company, or any other tenements that may be acquired in the future by the Company, will result in the discovery of an economic uranium deposit. Under current policy uranium deposits in WA cannot be developed. Development will require a change in policy.

The exploration costs of the Company described in the Independent Geologist's Report and section 1.9 of the Prospectus are based on certain estimates and assumptions

with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or identify uranium deposits, failure to achieve predicted grades in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Having been incorporated in June 2004, the Company does not have any operating history, although it should be noted that the Directors have between them significant operational experience. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

Mineralisation Estimates

The Independent Geologist's Report set out in this Prospectus has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (VALMIN Code) which is binding upon members of the Australasian Institute of Mining and Metallurgy (AusIMM), the Australian Institute of Geoscientists (AIG) and the rules and guidelines relating to Independent Expert Reports set by ASIC and the ASX.

Political Risk, Commodity Price Volatility and Exchange Rates Risks

In the event that the Company achieves exploration success leading to uranium production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for uranium, technological advancements, forward selling activities and other macro-economic factors. Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and

will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

Environmental Risks

The operations and proposed activities of the Company are subject to Australian State and Federal laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds.

In particular, some of the Company's tenement applications affect environmentally sensitive lands. As noted in the Solicitors' Report on Mining Tenements, this may result in a refusal to grant the relevant applications or a refusal to permit exploration or mining activities or the imposition of restrictive conditions on these activities. The Solicitors' Report on Mining Tenements sets out in further detail the Company's tenement applications which affect environmentally sensitive lands and the regulatory consequences.

It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities including accidental leakages, spills, or other unforeseen circumstances which could subject the Company to extensive liability.

Future legislation and regulations governing uranium production may impose significant environmental obligations on the Company in relation to uranium mining.

Title Risks and Native Title

Interest in tenements in Australia are governed by Federal and State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise.

It is also possible that the tenements in which the Company has an interest or will in the future acquire such an interest, are areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

Further information in relation to the mining tenements and native title claims is set out in the Solicitor's Report on Mining Tenements in Section 7 of this Prospectus.

Additional Requirements for Capital

The Company's capital requirements will depend on numerous factors. Depending on the Company's ability to generate income from its operations and other acquisition opportunities, the Company will most likely require further financing in addition to amounts raised under this capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or scale back its exploration programs, as the case may be.

Reliance on Key Management and Encounter Management Shareholding

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its Directors and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

The shareholdings of the Directors will be subject to escrow for two years after the date of quotation of the Shares on the ASX. While the Directors' shareholdings are not subject to any other restrictions they have the ability to change control of the Company.

4.3 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Prospectus. Therefore, the securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for securities pursuant to this Prospectus.

Section 5 Independent Geologist's Report



31 January 2005

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Dear Sirs

RSG Global Pty Ltd ('RSG Global') has been commissioned by Encounter Resources Limited ('Encounter'), to provide an Independent Geologist's Report on uranium exploration properties located in Western Australia in which Encounter has an interest. This report is to be included in a Prospectus to be lodged with the Australian Securities and Investments Commission ('ASIC') on or about 9 February 2006, offering for subscription 20 million Shares at an issue price of 20¢ per Share (the 'Prospectus'), to raise a total of \$4 million (before costs associated with the issue). The funds raised will be primarily used for the purpose of exploration and evaluation of the mineral properties.

RSG Global has not been requested to provide an Independent Valuation, nor have we been asked to comment on the Fairness or Reasonableness of any vendor or promoter considerations. RSG Global has therefore not offered any opinion on these matters.

RSG Global has based its review of the Encounter projects on information provided by Encounter, along with technical reports prepared by Government agencies and previous tenement holders, and other relevant published and unpublished data. Site visits were conducted to the Lake Way South, Yeelirrie Channel and Leonora Regional projects in September 2005. No site visits were undertaken to the Officer Basin and Bangemall Basin projects due their immature status and lack of previous relevant exploration. Regardless, we have endeavoured, by making all reasonable enquiries, to confirm the authenticity and completeness of the technical data upon which the Independent Geologist's Report is based. A final draft of the report was also provided to Encounter, along with a written request to identify any material errors or omissions prior to lodgement. Where appropriate, and in accordance with ASIC Practice Note 55 and Update 183, consent has been obtained to quote opinions expressed in unpublished reports prepared by other professionals on the properties concerned.

The Encounter mineral properties described in this report comprise a single granted Exploration Licence in which Encounter can earn a 60% interest, and a further 10 granted Exploration Licences and 14 Exploration Licence Applications in which Encounter has an 80% interest. When all tenements are granted, the Encounter properties will cover an aggregate area of approximately 3,252 square kilometres. RSG Global has not been requested to review a further single granted Exploration Licence and six additional Exploration Licence Applications in Western Australia, which Encounter is understood to have an 80% interest. The legal status, including Native Title considerations associated with the tenure of the Encounter properties, is the subject of a separate Solicitor's Report, which appears in Section 7 of this Prospectus. These matters have not been independently verified by RSG Global. The present status of tenements listed in this report is based on information provided by Encounter, and the report has been prepared on the assumption that the tenements are, or will prove to be, lawfully accessible for evaluation.

The Independent Geologist's Report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports ('The VALMIN Code'), which is binding upon Members of the Australasian Institute of Mining and Metallurgy (AusIMM), the Australian Institute of Geoscientists (AIG), and the rules and guidelines issued by such bodies as the ASIC and Australian Stock Exchange (ASX), which pertain to Independent Expert Reports.

RSG Global Pty Ltd (ACN 101 090 135) as trustee for RSG Global Partnership (ABN 79 256 402 893)

P E R T H • J O H A N N E S B U R G • A C C R A

The Encounter properties are considered to represent 'Exploration Projects' which are speculative in nature. RSG Global considers, nonetheless, that the projects have been acquired on the basis of sound technical merit. The properties are also considered to be sufficiently prospective, subject to varying degrees of exploration, development and policy risk, to warrant further evaluation of their economic potential, consistent with the proposed programs.

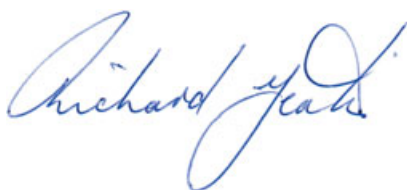
Exploration and evaluation programs summarised in the report amount to a total expenditure of approximately \$2.96 million, of which Encounter plans to spend approximately \$1.59 million in the first year of assessment. At least half the liquid assets held, or funds proposed to be raised by Encounter, are understood to be committed to the acquisition, exploration, development and administration of the mineral properties, satisfying the requirements of ASX Listing Rules 1.3.2(b) and 1.3.3(b). RSG Global also understands that Encounter has sufficient working capital to carry out its stated objectives, satisfying the requirements of ASX Listing Rule 1.3.3(a). Encounter has prepared staged exploration and evaluation programs, specific to the potential of the projects, which are consistent with the budget allocations. RSG Global considers that the relevant areas have sufficient technical merit to justify the proposed programs and associated expenditure, satisfying the requirements of ASX Listing Rule 1.3.3(a). The proposed exploration budgets also exceed, or are consistent with, the anticipated minimum annual statutory expenditure commitments on the various project tenements.

The Independent Geologist's Report has been prepared on information available up to and including 31 January 2006. RSG Global has provided consent for the inclusion of the Independent Geologist's Report in Section 5 of the Prospectus in the form and context in which the report appears and has not withdrawn that consent prior to lodgement of the Prospectus with the ASIC.

RSG Global is an integrated mineral industry consulting firm, which has been providing services and advice to international mining companies and financial institutions since 1987. The primary author of this report, Mr R.J. Yeates, is a professional geologist with more than 23 years experience in the exploration and evaluation of mineral properties within Australia and elsewhere internationally. Mr Yeates is a Principal of RSG Global, and a Member of the AusIMM and AIG. Mr Yeates has the appropriate relevant qualifications, experience, competence and independence to be generally considered an "Expert" and a "Competent Person" under definitions provided in the VALMIN Code, however has less than the required five years experience in uranium geology and uranium exploration.

Neither RSG Global, nor the authors of this report, have or have had previously, any material interest in Encounter or the mineral properties in which Encounter has an interest. Our relationship with Encounter is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

Yours faithfully
RSG Global Pty Ltd



R J Yeates BSc MAusIMM MAIG
Principal

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Summary

Encounter Resources Limited (Encounter) has compiled an extensive tenement holding in Western Australia that is based exclusively on the potential for uranium mineralisation. The projects described in the report collectively comprise a single granted Exploration Licence in which Encounter can earn a 60% interest, and a further 10 granted Exploration Licences and 14 Exploration Licence Applications in which Encounter has an 80% interest. The projects cover an aggregate area of approximately 3,252km² as shown in Figure 1.

The Lake Way South, Yeelirrie Channel, Leonora Regional and Officer Basin projects are predicated on their potential for valley fill calcrete hosted uranium mineralisation, similar to the Yeelirrie, Lake Way and Centipede deposits in the Wiluna area of Western Australia. The Bangemall Basin projects are considered prospective for unconformity style mineralisation, similar to the Jabiluka deposits in the Northern Territory and the Kintyre deposit in the East Pilbara region of Western Australia.

The Lake Way South Project comprises a single granted Exploration Licence in which Encounter has negotiated an option to acquire a 60% interest from Avoca Resources Limited. The tenement lies between and immediately adjacent to the Lake Way and Centipede uranium deposits near Wiluna, which are now controlled by Nova Energy Limited. Carnotite mineralisation has precipitated within calcrete deposits associated with the broad deltas of tributary palaeo-channels that empty into the Lake Way hyper-saline playa. These uranium deposits were discovered, defined and evaluated in the late 1970s and early 1980s, prior to initiation of the then Federal Government's 'Three Mines Policy' in 1983.

The potential of the Lake Way South Project is based on a uranium channel radiometric anomaly that appears to represent a 12km long channel linking the Lake Way and Centipede deposits beneath the lake's surface. In addition, the western margin of the Centipede deposit is known to impinge on the project tenement and may prove to extend into the project area. There is also potential to define additional mineralisation around the lake margins, particularly associated with the deltas of palaeo-channel tributaries, where a radiometric signature may be obscured by sand accumulations.

The Yeelirrie Channel Project lies southwest of Wiluna and completely surrounds the State Agreement tenements and associated Temporary Reserves that incorporate BHP Billiton's substantial Yeelirrie uranium deposit. The Encounter tenements cover the entire Yeelirrie palaeo-channel that is not already held under the State Agreement. Carnotite mineralisation comprising the Yeelirrie deposit has precipitated within valley fill calcrete aquifers in response to changes in groundwater chemistry. The opportunity exists to identify additional mineralisation within the Yeelirrie palaeo-drainage system. This potential is variously

supported by uranium channel radiometric data, hydro-geochemistry and anomalous uranium values returned from the Geological Survey of Western Australia's (GSWA) regional geochemical sampling program completed in 2001.

The Lake Raeside Project lies west of Leonora, covering the lake surface and southern shoreline toward the western end of the Lake Raeside palaeo-drainage system. The tenement application lies immediately east of the Stakeyard Well (Mopoke Well) and Peninsula calcrete hosted uranium prospects. The surface of Lake Raeside itself represents one of the strongest uranium channel radiometric anomalies in Western Australia. This response appears to be due to uranium mineralisation precipitated in thin carbonated clay layers within the upper portion of the lake sediment profile. While the precise nature and form of this mineralisation has not been established, the mineralisation is considered to represent a valid target for initial assessment.

Other projects located within the southern portion of Western Australia include the McPherson's Bore, Walling Rock and Galah Rocks projects located to the west of Leonora, and a further three project areas in the Great Victoria Desert, comprising the Lake Throssel, Lake Yeo and Lake Rason projects. These are also associated with various Tertiary palaeo-drainage systems potentially prospective for calcrete hosted deposits. Although more speculative in nature, these tenements have been applied for on the basis of their strong associated uranium channel radiometric signatures and/or their proximity to highly anomalous uranium results returned from the GSWA regional geochemical survey. None of these projects have previously been assessed for their uranium potential.

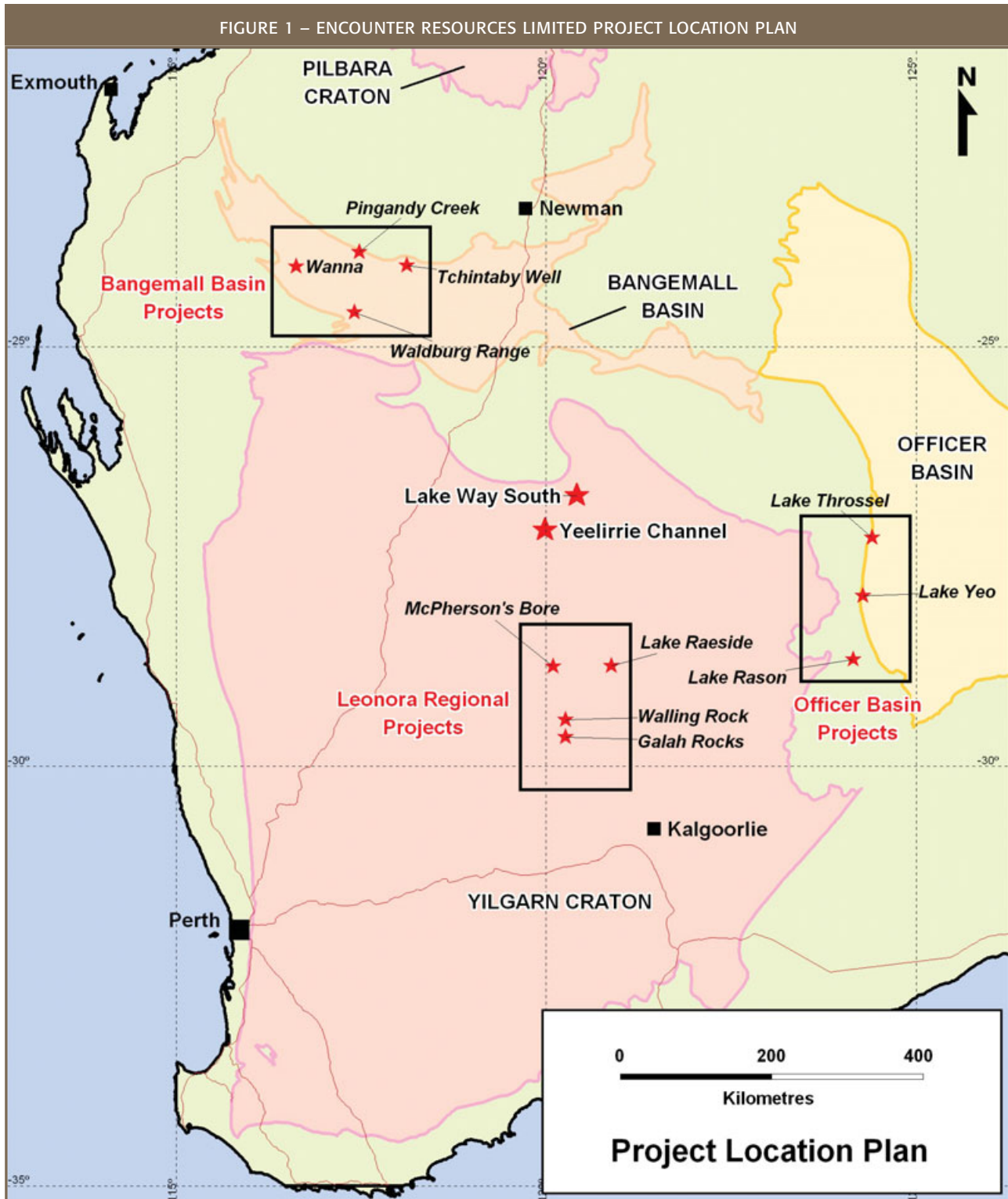
The remaining tenement applications are situated along the northern and southern margins of the Bangemall Basin, straddling the unconformity separating this succession from underlying basement rocks of the Ashburton Group. The exploration concept is predicated on the unconformity related uranium model, the validity of which is confirmed by nearby uranium prospects that are consistent with this style. Although only limited uranium exploration has been completed at some of these projects, they all incorporate clusters of highly anomalous uranium results generated by the GSWA regional geochemical sampling program, along with pathfinder elements that are consistent with the unconformity model.

Despite the integrity of Encounter's proposed strategy, State Government policy presently prohibits uranium mining in Western Australia. Political attitudes are, however, appropriately changing in response to environmental concerns over 'green-house' gas emissions and 'global warming', along with the requirement for many countries to meet Kyoto Protocol emission targets. Nuclear power generation is being increasingly viewed as an efficient, clean (low emission) source of energy,

the safety of which has been significantly enhanced following introduction of pebble-bed reactor technology. The increasing worldwide shift towards nuclear power generation, and the consequent decline in strategic stockpiles of uranium, is driving the uranium price higher. Demand for uranium is increasingly out-stripping supply from production.

While there is no legislative restriction on Encounter's ability to explore and evaluate the company's uranium assets, successful development of uranium deposits in Western Australia is totally dependent on a change in State Government policy in relation to uranium mining. Notwithstanding present policy, Encounter has accumulated a substantial uranium exploration portfolio that is based on sound research and strong technical merit.

FIGURE 1 – ENCOUNTER RESOURCES LIMITED PROJECT LOCATION PLAN



Although the status of several projects is more speculative in nature, their exploration and evaluation is readily justified. The Lake Way South and Yeelirrie Channel projects are also well placed strategically in the event that the Lake Way-Centipede and Yeelirrie deposits are ultimately developed.

Uranium exploration in Western Australia effectively ceased in 1983 with the introduction of the then Federal Government's 'Three Mines Policy'. Combined with lower uranium prices, State Government policy has ensured that minimal uranium exploration has been undertaken in Western Australia during the past two decades. Prior to this, exploration was substantially limited by the available technology, including the ability to access the lake surface for drilling, the availability, quality and application of radiometric data, an understanding of groundwater catchment hydrology and geochemistry, and the availability of regional geochemical datasets. Encounter is well placed to take maximum advantage of the considerable technological advances in these areas.

Encounter has provided RSG Global with exploration and evaluation strategies and budgets for each project, collectively comprising expenditure of \$2.96 million over an initial two year period. RSG Global considers that the proposed exploration strategies are entirely consistent with the potential of the projects and that the proposed schedule is achievable, providing that Exploration Licence Applications are granted in a timely manner and programs are appropriately staged to permit the review of progressive results. Similarly, RSG Global considers that the allocated expenditures are consistent with the proposed programs and, providing lower priority tenements associated with the Bangemall and Officer Basin projects are relinquished in Year 2, these budgets should prove adequate to meet the anticipated minimum annual statutory expenditure requirements in each case.

1. Introduction

RSG Global Pty Ltd ('RSG Global') has been commissioned by Encounter Resources Limited (Encounter) to provide an Independent Geologist's Report on uranium mineral exploration properties Western Australia in which Encounter has an interest. This report is to be included in a Prospectus to be lodged with the Australian Securities and Investments Commission. The Encounter properties described in this report comprise 11 granted Exploration Licences and 14 Exploration Licence Applications which, when all tenements are granted, will cover an approximate aggregate area of 3,252km².

The legal status of the Encounter properties, including Native Title considerations, is the subject of a separate Solicitor's Report that appears in Section 7 of this Prospectus. These matters have not been independently verified by RSG Global. The present status of tenements listed in this report is based on information provided by Encounter and the report has been

prepared on the assumption that the tenements are, or will prove to be, lawfully accessible for evaluation.

The Independent Geologist's Report does not address a further single granted Exploration Licence and 6 Exploration Licence Applications that are understood to be vested to Encounter 80% and Avoca Resources 20% in accordance with the Avoca joint venture agreement. RSG Global has been expressly requested by Encounter not to provide an opinion as to their prospectivity or comment on the proposed associated exploration programs.

The Independent Geologist's Report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports ('The VALMIN Code'), which is binding upon Members of the Australasian Institute of Mining and Metallurgy (AusIMM), the Australian Institute of Geoscientists (AIG), and the rules and guidelines issued by such bodies as the ASIC and Australian Stock Exchange (ASX), which pertain to Independent Expert Reports.

The Independent Geologist's Report has been prepared on information available up to and including 31 January 2006. RSG Global has provided consent for the inclusion of the Independent Geologist's Report in Section 5 of the Prospectus in the form and context in which the report appears and has not withdrawn that consent prior to lodgement of the Prospectus with the ASIC.

RSG Global is an integrated mineral industry consulting firm, which has been providing services and advice to international mining companies and financial institutions since 1987. The primary author of this report is Mr R.J. Yeates, who is a professional geologist with more than 23 years experience in the exploration and evaluation of mineral properties within Australia and elsewhere internationally. Mr Yeates is a Principal of RSG Global, and a Member of the AusIMM and AIG.

Mr Yeates has the appropriate relevant qualifications, experience, competence and independence to be generally considered as an 'Expert' under the definition provided in the VALMIN Code, however has less than the required five years experience in uranium geology and exploration.

Neither RSG Global, nor the authors of this report, have or have had previously, any material interest in Encounter or the mineral properties in which Encounter has an interest. Our relationship with Encounter is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

2. Background on the Australian Uranium Industry

Significant economic growth is expected to occur in developing countries such as China and India over the coming decades. World energy consumption has risen by 3.3% per annum for the past 30 years, faster than the annual rate of population growth (2.0%). As per capita energy consumption in developing countries rises towards that of industrialised countries, it follows that total energy demand will continue to escalate.

Fossil fuels (coal, gas and oil) provide 65% of total global electricity production, hydro and other renewable energy sources provide 18%, and nuclear power generation provides 17%. Many industrialised nations are heavily dependent on nuclear power generation, with domestic nuclear electricity representing a major component in such countries as the United States (20%), Germany (30%), Japan (34%), Hungary (36%), Sweden (46%), and particularly France (78%) and Lithuania (80%). Worldwide, there are 440 operating nuclear power reactors in 31 countries, with total installed capacity of 366,000 MW. The scale of the world's nuclear power industry is considerable and growing.

For the past 50 years the development of nuclear power facilities has been determined mainly by economic and strategic factors, particularly in countries such as France, Japan and Sweden that have limited domestic supplies of hydrocarbon fuels. The environmental benefits of low CO₂ and SO₂ emissions have been an important but secondary consideration. The increasing concentration of CO₂ in the earth's atmosphere is a growing environmental concern. Deforestation, cement manufacturing and the burning of fossil fuels have been the main anthropogenic contributors. Carbon dioxide, along with methane and nitrous oxide, are the main contributors to the Greenhouse Effect, whereby heat is trapped within earth's atmosphere resulting in global warming.

Australia is uniquely placed to fulfil the projected production shortfall in the supply of uranium, hosting 38% of the world's known uranium resources and being geographically proximal to the major growth markets. Production from Australia's three uranium mines at Ranger in the Northern Territory, and Olympic Dam and Beverley in South Australia, totalled approximately 22% of the world's uranium production in 2004. Despite Australia's important position as a significant exporter of uranium, it does not generate any nuclear power due to its significant coal reserves. There are significant opportunities for Australian companies to increase the mining and export of uranium in coming years, especially from the Northern Territory, South Australia and Western Australia where the bulk of known resources are located.

The Australian mining industry is a mature, high technology and well-regulated industry that supplies a significant proportion of

the world's raw materials. The stringent safety and environmental regulations imposed within the Australian mining industry are more rigorous than those in developing nations that lack a highly evolved culture of safety and environmental awareness. Australia can potentially provide a secure long-term supply of uranium to the world's nuclear power industry and is committed to supplying only those countries that are signatories to the Nuclear Non-Proliferation Treaty. Through the International Atomic Agency Authority, Australia is able to track the complete life-cycle of uranium and ensure that it is used for peaceful purposes only.

The timing and growth of Australian uranium exports will be strongly influenced by government policy at both a Commonwealth and State level. The regulation of the uranium industry has been extensively driven by political change over the last 20 years. In 1983, the federal Labor government introduced the "three mines policy", restricting uranium production to the three sites being mined at that time, including Ranger and Narbalek in the Northern Territory, and Olympic Dam in South Australia. This policy was abandoned when the Coalition government was elected in March 1996.

The current Federal Government policy is to develop the potential of Australia's uranium industry by allowing mining and export under strict international agreements designed to prevent nuclear proliferation. The Commonwealth Government controls all exports from Australia through its licensing arrangements, however the States and Territories control the licensing of uranium mining itself. The inconsistent policies of the State and Territory Governments represent the greatest impediment to development of the uranium industry in Australia. The Western Australian and Queensland governments have a policy of opposing uranium mining altogether, while South Australia and the Northern Territory permit uranium mining.

3. Yeelirrie Channel Project

3.1 Introduction

The Yeelirrie Channel Project comprises nine partially contiguous Exploration Licence Applications that straddle the substantial Yeelirrie uranium deposit, centred approximately 65km southwest of Wiluna in Western Australia. Wiluna is located some 750km northeast of Perth and 600km east-northeast of Geraldton, the closest deep-water port.

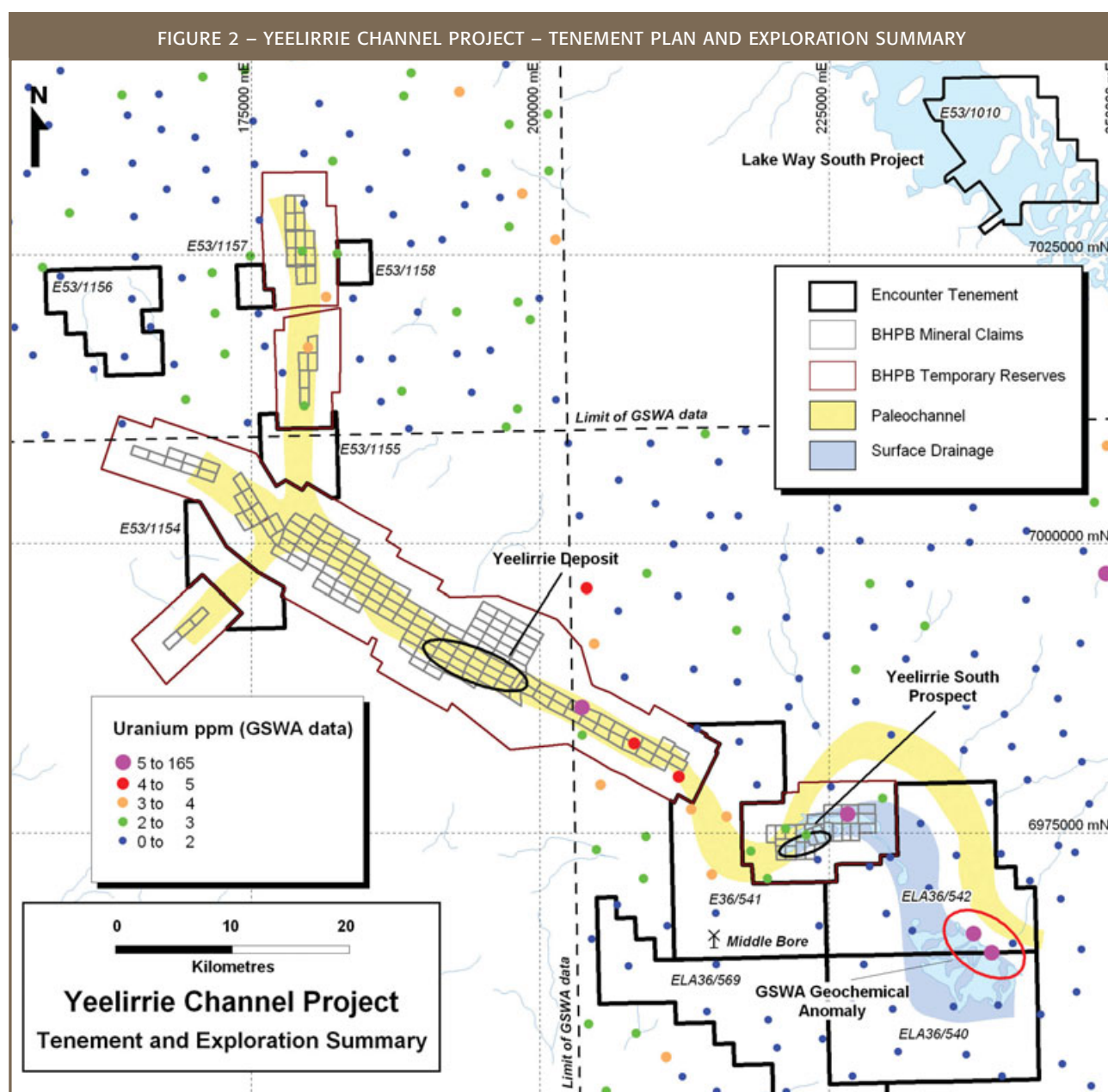
The project is accessed from Kalgoorlie, 550km to the south, via the sealed Goldfields Highway to Mount Keith, thence via station tracks, fencelines and borefield access roads to Yeelirrie station homestead. A scheduled twice-weekly commercial air service exists between Perth and Wiluna, and Yeelirrie Station has a formed gravel airstrip suitable for small charter aircraft.

The terrain within the project area is completely dominated by broad flat to gently undulating expanses of sand plain, interrupted only by a saline playa lake to the southeast, representing the downstream continuation of the Yeelirrie palaeo-channel. The project experiences a semi-arid sub-tropical continental climate, characterised by hot dry summers and mild dry winters. The mean annual precipitation is approximately 150mm the majority of which falls during the summer months via occasional remnant tropical depressions and more isolated storms. The vegetation is dominated by moderate to densely developed acacia woodland, interspersed with annual grasslands and perennial spinifex. Although considered marginal for agricultural purposes, the land-use is dominated by extensive sheep and cattle grazing activities.

3.2 Tenure

The Yeelirrie Channel Project comprises six partially contiguous granted Exploration Licences (E53/1154 to E53/1158 and E36/541) and three Exploration Licence Applications (ELA36/540, ELA36/542 and ELA36/569), covering an approximate aggregate area of some 1,030km² as shown in Figure 2. The tenement applications are vested in Encounter Resources Limited (80%) and Avoca Resources Limited (20%).

Encounter has negotiated a joint venture agreement with Avoca Resources Limited (Avoca) that encompasses all properties within the Encounter portfolio. With the exception of the Lake Way South Project, the broad terms of the Avoca Joint Venture Agreement are as follows:



- Encounter and Avoca will explore for and, where appropriate, co-develop uranium deposits in Australia.
- Targeted uranium exploration assets will be acquired and held 80% by Encounter and 20% by Avoca.
- Encounter will incur the costs associated with all tenement application fees, rents, securities and exploration expenditure through to April 2007, after which the parties will continue to contribute to exploration expenditure on a pro-rata equity basis.
- Encounter will manage all exploration activities.

The Lake Way South uranium rights joint venture agreement also comprises part of a broader agreement with Avoca, however the terms and relative equities differ as explained in Section 4.2.

Encounter's Yeelirrie Channel tenements completely surround those held by BHP Billiton (BHPB), incorporating the Yeelirrie uranium deposit and Yeelirrie South uranium prospect. These tenements are held under a State Agreement, ratified by an Act of Parliament, to facilitate development of the project, and can only be rescinded by mutual consent. In addition to the tenements themselves, the BHPB assets are protected by Temporary Reserves that extend beyond the Mineral Claim boundaries to provide a development buffer. It is understood that these Temporary Reserves will also be excised from the Encounter Exploration Licences when granted.

3.3 Geology

The Yeelirrie Channel Project is located toward the northern extremity of the Archaean Yilgarn Province of Western Australia. The basement geology is dominated by gneiss and granitoids, with the Mount Wilkinson Granite to the north being of greater significance as a potential source of uranium mineralisation.

The Yeelirrie Channel project tenements straddle the substantial, yet undeveloped, Yeelirrie uranium deposit, discovered by Western Mining Corporation (now BHP Billiton) in 1972. This deposit comprises 52,500t of U_3O_8 at a grade of 1.5kg/t U_3O_8 utilising a 0.5kg/t cutoff grade, making it the single largest and highest grade calcrete-hosted uranium deposit in the world. The Yeelirrie deposit was initially identified as one of the most prominent uranium channel radiometric anomalies in Western Australia. The anomaly was found to coincide with a portion of a much more extensive area of calcrete development, largely covered by sandplain, thereby obscuring the broader radiometric response. The calcrete deposits are associated with an extensive dendritic palaeo-channel that drains southeast, evolving into a playa lake system downstream from the Yeelirrie deposit.

The Yeelirrie deposit is hosted within valley-fill calcretes that are 1km to 1.5km wide and are developed over a channel length of 85km. The deposit itself comprises a sheet-like body, some

9km long and 500m to 1,500m wide, averaging 3m in thickness. Mineralisation is exposed in one small outcrop and extends up to 14m below surface, however is largely confined to between 4m and 8m below surface. The present watertable lies at 4.5m depth and the uranium mineralisation is typically best developed immediately below this level in the transition zone beneath the calcrete.

Mineralisation is exclusively comprised of the readily soluble hydrated potassium-uranium vanadate mineral carnotite, $K_2(UO_2)_2(VO_4)_2 \cdot 3H_2O$. The carnotite clearly post-dates the calcrete, commonly occurring as void linings in porcellanous varieties, as seams and disseminations in earthy varieties, as fracture 'paint' on slip planes around the margin of mounds, and as grain coatings within the clay-sand host beneath the calcrete.

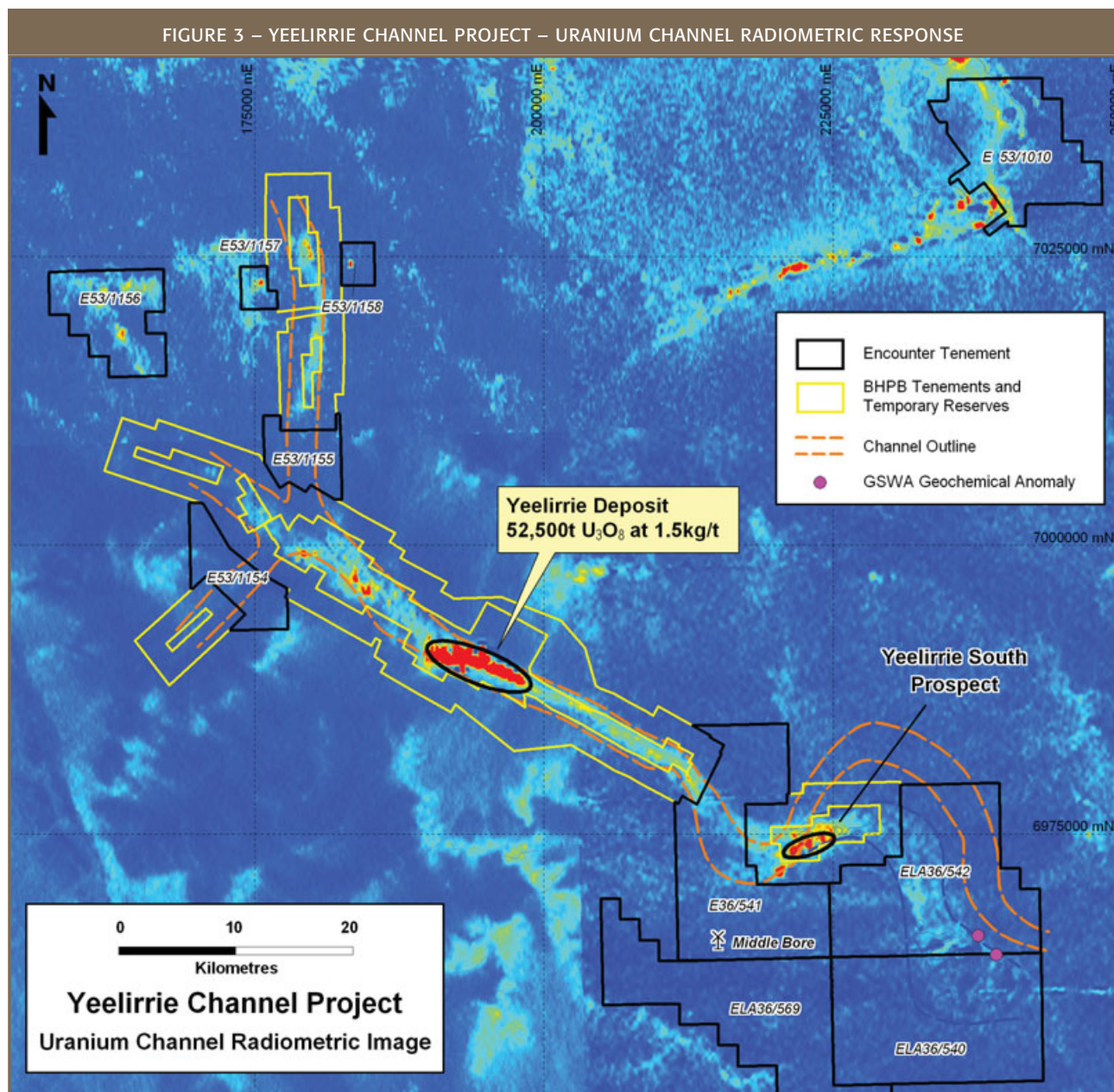
From an exploration perspective, the Yeelirrie deposit was originally identified as a strong airborne radiometric anomaly some 10km long and 2km wide, being more intense where the channel calcrete is exposed at surface. Orientation radon gas surveys undertaken over the deposit indicate that values between 10 and 50 times background were recorded at a depth of 1.3m into the deposit. This was attributed to the uranium content of the soils immediately surrounding the sample site, rather than the radon gas emitted from the deposit itself. No significant exploration benefit was derived from the survey over more conventional radiometric surveying.

Of more significance is the application of hydro-geochemistry. Water sampling from stock bores, wells and drillholes identified strongly anomalous background values of 5ppb to 10ppb U throughout the Yeelirrie catchment, increasing to between 100ppb and 450ppb U along the channel, and up to 1,200ppb U within the deposit itself. The sampling also demonstrated a progressive increase in salinities in the down-channel direction, ranging from 750ppm total dissolved solids (TDS) around the catchment margins, rising to 5,000ppm on channel margins, and reaching a maximum of 25,000ppm TDS near the deposit. Both the uranium content and the concentration relative to TDS are highest immediately down-channel from the deposit. Calculated carnotite solubilities also increase progressively down-channel, becoming positive close to the deposit.

The Yeelirrie palaeo-channel is reasonably clearly defined by the uranium channel radiometric data downstream from the Yeelirrie deposit, however it becomes somewhat more diffuse in the upstream direction, where the channel and radiometric response become increasingly obscured by thicker sandplain cover (Figure 3). Sufficient resolution is evident on the uranium channel image, however, to discern that the channel breaks up into a series of tributaries some 15km to 25km upstream from the Yeelirrie deposit. In the downstream direction the present day channel can be clearly traced to an



FIGURE 3 – YEELIRRIE CHANNEL PROJECT – URANIUM CHANNEL RADIOMETRIC RESPONSE



anomalous area associated with the Yeelirrie South Prospect, continuing south to the boundary of E36/540, where it enters a more prominent playa lake.

Water bore drilling by WMC Resources Limited in 1995 and 1996 defined an older channel of the Yeelirrie system comprising extensive calcrete deposits. The channel diverges northeast from the present channel in the vicinity of the Yeelirrie South Prospect, before turning abruptly south-southeast, some 5km to the east of and parallel to the existing Yeelirrie channel and lake system. This channel has no radiometric signature, but it is commonly veneered by extensive superficial deposits that would likely preclude a response.

The Encounter tenement applications cover the Yeelirrie channel downstream from the Yeelirrie deposit to the Yeelirrie

South Prospect, also held by BHP Billiton under the same State Agreement. The Encounter tenements continue beyond this area in the downstream direction to the southeast. In the upstream direction, the Encounter applications cover several portions of the tributary channels that are not already covered by the State Agreement. In essence, Encounter has applied for all portions of the Yeelirrie channel that are not already covered by the BHP Billiton State Agreement.

3.4 Exploration History

At one stage Western Mining Corporation Limited (WMC – now BHP Billiton) held Mineral Claims covering an aggregate 90km length of the Yeelirrie palaeo-channel and tributaries, extending from the Wiluna-Sandstone road in the northwest to the playa lakes developed within the south-eastern Encounter

tenements. Although Mineral Claims were held by WMC between 1972 and 1983, no exploration is officially recorded within these tenements.

No previous exploration has been recorded within the three Encounter tenements (E53/1156 to E53/1158 inclusive) lying within the headwaters of the Yeelirrie palaeo-channel system. These tenements were acquired on the basis of a series of small discrete uranium channel radiometric anomalies that are suspected to relate to exposures of radioactive granitoid basement, possibly representing the primary source of uranium constituting the Yeelirrie deposit. The remaining Encounter tenements lying up-channel from the Yeelirrie deposit (E53/1155 and E53/1154) respectively straddle northern and southern tributaries to the main Yeelirrie palaeo-channel.

Investigations by the author has determined that regional uranium exploration is understood to have comprised auger drilling along claim boundaries on a nominal 250m by 1,500m pattern in order to delineate and sample areas of channel-related calcrete development. Where zones of porcellaneous calcrete prevented penetration of the auger drill, a second phase of percussion drilling was completed. It is understood that no calcrete was found to be associated with the northern tributary channel within E53/1155, however uranium mineralisation is associated with fluvial sediments other than calcrete in lower reaches of the Yeelirrie system. Reconnaissance drilling within what is now E53/1154 identified that calcrete associated with the southern tributary was restricted to that mapped on the 1:250,000 sheet.

It is understood that auger drilling was also completed along Mineral Claim boundaries over a channel length of approximately 22km downstream from the Yeelirrie deposit. The channel downstream from the Yeelirrie deposit was found to be narrower and shallow, and no evidence of calcrete development was identified up-channel from Altona Bore, within what is now part of Encounter's E36/541. The calcrete identified between Altona Bore and Little Well (Yeelirrie South Prospect) now forms part of the BHP Billiton State Agreement area.

Bore water sampling was completed throughout the region, including the Yeelirrie catchment. Of particular interest is a water sample derived from Middle Bore, located near the southwest corner of Encounter's E36/541, which generated an anomalous uranium assay of 175ppb. This bore lies south of the Yeelirrie channel and potentially marks the position of a previously unrecognised mineralised tributary channel, projected to join the main channel in the vicinity of Altona Bore.

Between 1970 and 1971, Asarco (Australia) Pty Ltd completed 19 percussion drillholes at the Yeelirrie South Prospect. The mineral claims were optioned from a prospector who had identified strong radioactivity on the dry lake bed whilst driving between Snake Well and Little Well. Drilling verified the

presence of carnotite in unconsolidated lake sediments comprising calcrete and silt at a depth of between 0.7m and 5m. Sampling over 5m intervals generated numerous values >100ppm U, to a maximum value of 700ppm U. Asarco withdrew from the option agreement as the results were considered to be of no economic consequence at that time. The area of mineralisation is now incorporated within the eastern block (Yeelirrie South) of the BHP Billiton State Agreement area, lying between (and excised from) E36/541 and E36/542.

Between 1972 and 1975, Anaconda Australia Inc explored for uranium in an area referred to as the 'Adarli' uranium prospect, extending south through the central portion of E36/542 and into the north-central portion of E36/540. Some 47 broadly spaced, vertical percussion holes were completed at Mineral Claim corners. The best reported intersection was 8m at 26ppm U, returned from a group of 10 anomalous holes, located within the present E36/542, where the current Yeelirrie channel enters the lake. No economic concentrations of uranium were identified and the tenements were relinquished.

Between 1977 and 1979, Australian Consolidated Minerals Limited (ACM), in joint venture with Japanese company PNC, explored the vicinity of the Yeelirrie South Prospect to the east of Altona Bore. Some 31 RC drillholes (320m) were completed to a depth of 15m on a 300m by 300m grid pattern. Of the 161 two-metre samples collected during the program, 126 were submitted for analysis. Six samples reported U_3O_8 values >100ppm, to a maximum of 208ppm U_3O_8 , while 26 samples generated vanadium values >100ppm. The contoured uranium values create a patchy east-northeast trend, while the vanadium results demonstrate a more cohesive zone lying parallel to and immediately south of the better uranium results. The area is now incorporated within the BHP Billiton State Agreement area.

Between 1995 and 1996, WMC Resources Limited (now BHP Billiton) conducted water exploration in the Albion Downs area, successfully identifying a suitable supply of process water for the Mount Keith nickel project. A substantial portion of this exploration (now under a Miscellaneous Licence) covered the eastern portion of what is now E36/542, and comprised ground gravity surveys, electromagnetic surveys and ground-water drilling. The drilling program included some 13 holes within E36/542. The program identified a major calcrete aquifer that departs the existing Yeelirrie channel in the vicinity of the Yeelirrie South Prospect, and trends northeast before turning abruptly south-southeast. The channel, which lies some 5km to the east (and effectively parallels) the existing Yeelirrie channel and lake system, is suspected to represent an older remnant channel of the Yeelirrie palaeo-drainage system. The channel is typically 80m deep, comprising an upper aquifer of calcareous sediments, sand, clay and calcrete approximately 20m to 40m thick, overlying transitional silts, silcrete, laterite

and clay, above a basal layer of sand and gravel. The calcrete is particularly well developed within the arcuate portion of the channel lying to the north of, and extending south into, E36/542. A review of the relevant documentation indicates that neither the drill cuttings nor the bore water samples were assayed for uranium or vanadium.

Between 1994 and 2001, the Geological Survey of Western Australia (GSWA) completed the initial stage of a regional geochemical sampling initiative covering twenty 1:250,000 sheet areas at a sample spacing of one per 4km². The samples were analysed for a wide variety of trace elements, including uranium, vanadium and P₂O₅. Anomalous uranium results were returned from the vicinity of Yeelirrie (>20ppm U) and Yeelirrie South (5ppm U), however of particular interest are two adjacent samples located along the north-eastern shore of the Yeelirrie lake system. GSWA sample numbers 131955 and 131896, located within E36/542 and E36/540 respectively, returned values of 20ppm and 10ppm U, lying within the top 2% of the entire survey sample population. These results were returned from an extensive area of calcrete development, largely obscured by a thin veneer of sand, situated between the playa lake shoreline associated with the current Yeelirrie drainage to the west and the older Yeelirrie palaeo-channel defined by WMC Resources in 1995 to the east. This area does not appear to have received any previous systematic uranium exploration.

3.5 Exploration Potential

Encounter has several obvious opportunities to identify uranium mineralisation within the Yeelirrie Channel Project. The highly anomalous water sample derived from Middle Bore, within Encounter's E36/541, lies well south of the Yeelirrie channel and potentially marks the position of a previously unrecognised mineralised tributary channel entering from the south. This possibility is considered to represent a high priority for initial exploration.

The extensive calcrete development associated with the older Yeelirrie channel, identified by WMC water bore drilling to the east of the existing channel, does not appear to have been assessed for its uranium potential. Analysis of the water and remaining drill cuttings for those holes completed within E36/542 is required to determine the uranium potential of this recently identified extension to the Yeelirrie system. It is interesting to note that the uranium tenor and calcrete development associated with the current channel appears to diminish rapidly beyond the point where the older channel diverges in the vicinity of Yeelirrie South.

The anomalous GSWA regional uranium sampling results, appear to lie within an extensive area of calcrete development within E36/542 and E36/540 that has received minimal

previous exploration attention. Ground inspection indicates that the calcrete is largely obscured by a veneer of sand, potentially limiting a uranium channel radiometric response. The area of calcrete development is situated between the current playa shoreline and the older Yeelirrie palaeo-channel, where the two are only separated by some 800m.

Elsewhere within the extensive project tenements, previous drilling has generally been undertaken on a sparse pattern and cannot be considered conclusive, particularly in the vicinity of suspected tributary channels to the upper Yeelirrie catchment. These areas are veneered by deposits of aeolian sand that largely obscure the original geomorphology and any uranium channel radiometric response.

The Encounter tenements effectively cover the entirety of the Yeelirrie palaeo-drainage system that is not already preserved within the BHP Billiton State Agreement areas. The tenements therefore surround one of the largest and highest grade calcrete hosted uranium deposits in the world. This represents a significant strategic tenement holding if and when the Yeelirrie deposit is ultimately developed.

3.6 Exploration Strategy

Encounter has provided RSG Global with its exploration strategy for the Yeelirrie Channel Project, covering activities for an initial two year period.

The Year 1 program entails the compilation of relevant historic exploration data and bore water sampling information, along with 50 line kilometres of electro-magnetic (EM) surveying to clearly delineate all palaeo-channels obscured beneath aeolian cover. These activities will be complimented by approximately 7,500m of aircore drilling, down-hole radiometric logging and physical assaying to commence assessment of existing targets and those identified via the ground gravity survey.

The Year 2 program is planned to comprise a further 7,500m of aircore drilling to delineate specific higher priority targets, along with associated down-hole radiometric logging and physical assaying.

RSG Global considers that the proposed exploration and evaluation strategy is entirely consistent with the potential of the Yeelirrie Channel Project, providing it is appropriately staged to allow review at the completion of each phase of exploration.

Encounter has also provided RSG Global with an initial exploration and evaluation budget summarised in Table 1 below.

TABLE 1 – YEELIRRIE CHANNEL PROJECT – PROPOSED EXPLORATION AND EVALUATION EXPENDITURE

Activity	Year 1	Year 2
Data compilation and re-assaying	\$ 20,000	\$ –
Ground EM survey	\$ 150,000	\$ –
Aircore drilling and radiometric logging	\$ 240,000	\$ 240,000
Assaying (65% of samples)	\$ 50,000	\$ 50,000
Data interpretation and assessment	\$ 40,000	\$ 35,000
Field supervision and support	\$ 50,000	\$ 60,000
Rents, rates and tenement costs	\$ 17,500	\$ 40,000
Administration	\$ 85,100	\$ 63,800
Total	\$ 652,600	\$ 488,800

The proposed annual expenditure of \$652,600 and \$488,800 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Yeelirrie Channel Project and is adequate to cover the costs of the proposed programs. The budgeted expenditure is also considered adequate to meet the combined minimum statutory expenditure commitments for the project tenements once they are granted.

4. Lake Way South Project

4.1 Introduction

The Lake Way South Project comprises the north-eastern portion and immediately adjacent shoreline of Lake Way, a large saline playa lake located 16km southeast of the township of Wiluna in Western Australia. Wiluna is located some 750km northeast of Perth and 600km east-northeast of Geraldton, the closest deep-water port.

The project is accessed from Kalgoorlie, 550km to the south, via the sealed Goldfields Highway to Wiluna. The northern portion of the project is accessed from the formed gravel Gunbarrel Highway, while the southern portion is accessed directly from the Goldfields Highway to the south of Wiluna. A scheduled twice-weekly commercial air service exists between Perth and Wiluna, and the township has a sealed airstrip which is available for use by large charter aircraft.

The township of Wiluna includes police, medical, postal, communications, fuel and road freight services. The major regional centre of Kalgoorlie represents the principle mining supply and service centre for the well developed mining industry within the Eastern Goldfields Province, including the northern outpost of Wiluna. The Goldfields gas pipeline runs adjacent to the project, and a rail-head, linking with the Trans-Australia Railway to Perth and the port of Esperance to the south, exists at the town of Leonora 300km south of Wiluna.

The terrain within the project area comprises a broad flat expanse of saline playa that is periodically inundated during wetter seasons. The immediate shoreline is represented by flat

to gently undulating soil covered plains and isolated low sand dunes. The project is located in a semi-arid sub-tropical continental climatic regime, characterised by hot dry summers and mild dry winters. The mean annual precipitation is approximately 150mm, the majority of which falls during the summer months via occasional remnant tropical depressions and more isolated storms. At these times the lake may become temporarily inundated.

Vegetation is non-existent on Lake Way itself, while the adjacent shoreline is dominated by low salt-tolerant shrubs and herbage, interspersed with patches of sparse acacia woodland. Annual grasses are associated with clay and loam soils around the lake-fringe, and perennial spinifex grass occurs on sandier soils and dunes. Although considered marginal for agricultural purposes, the land-use is dominated by extensive sheep and cattle grazing activities.

4.2 Tenure

The Lake Way South Project comprises a single granted Exploration Licence (E53/1010) which covers an approximate area of some 117km² (Figure 4). The tenement is held by Avoca Resources Limited (Avoca).

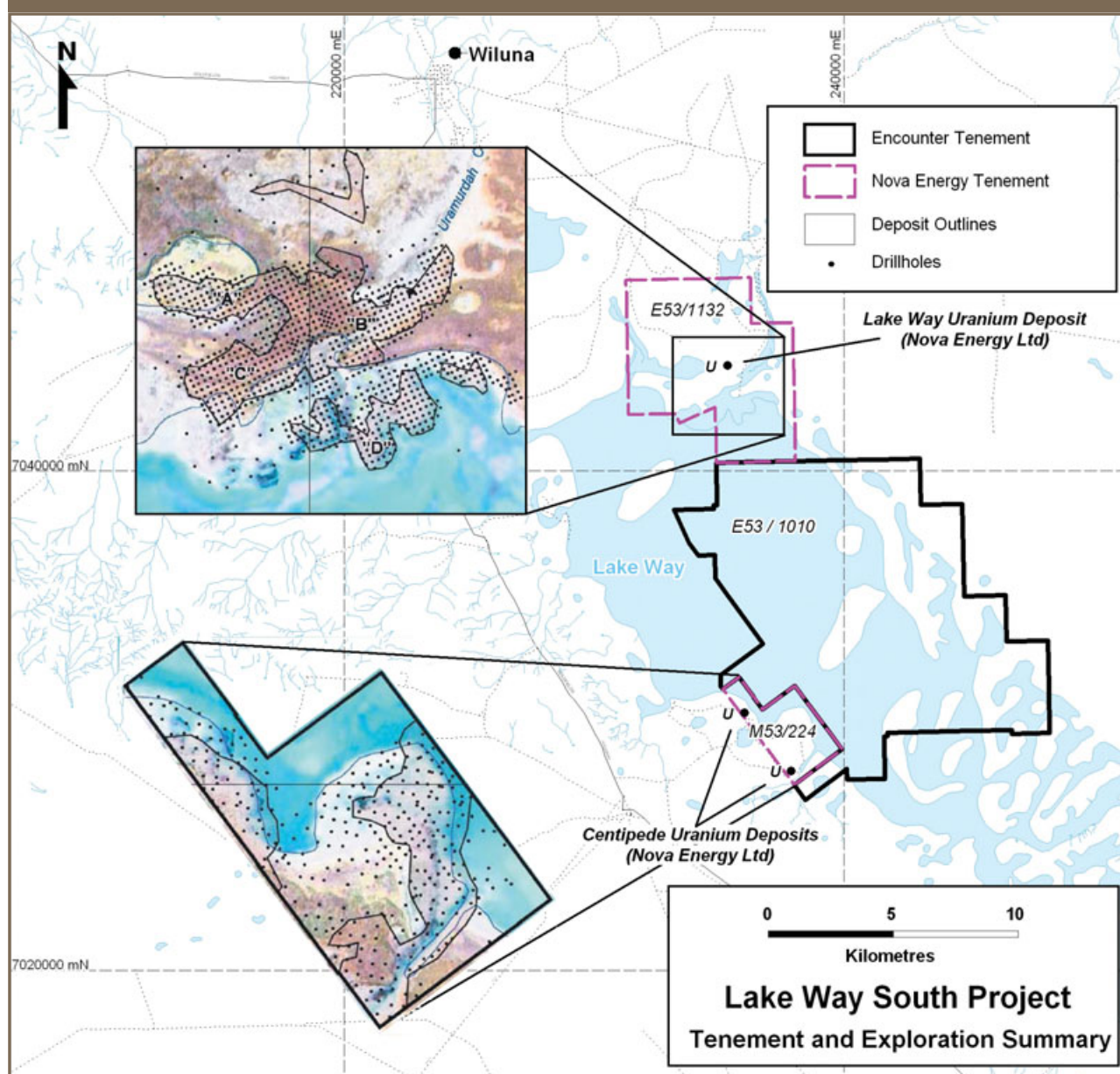
Encounter may earn a 60% interest in the uranium rights associated with E53/1010 via expenditure of \$80,000 prior to October 2006. Avoca may then elect to contribute to expenditure on a pro-rata equity basis (40%) or dilute to a 25% free carried interest through to a decision to mine.

4.3 Geology

The Lake Way South Project is located near the eastern margin of the Archaean Norseman-Wiluna greenstone belt, which trends northward through the Eastern Goldfields Province of Western Australia. The regional setting is dominated by basement gneiss and granitoids to the east and a 'greenstone' succession of volcanic and sedimentary rocks to the west.

The project covers a 12km length of the Lake Way palaeo-drainage system, lying between the Lake Way and Centipede

FIGURE 4 – LAKE WAY SOUTH PROJECT – TENEMENT PLAN AND EXPLORATION SUMMARY



(Abercromby) uranium deposits to the north and south respectively. These deposits, now largely controlled by Nova Energy Limited, comprise approximately 9,000t of U_3O_8 at an approximate cutoff grade of 500ppm U_3O_8 . Historic exploration data and feasibility studies indicate that a portion of one lens comprising the Centipede deposits marginally impinges on the boundary of E53/1010.

The Lake Way and Centipede uranium deposits are associated with broad tributary palaeo-channel deltas which empty into the Lake Way hyper-saline playa, itself representing the remnants of a major primary palaeo-drainage system. These drainages are considered to be of Tertiary age, however there is evidence to suggest that larger channels may have been active as far back as the Cretaceous.

Uranium mineralisation associated with the adjacent Lake Way and Centipede deposits is hosted by surficial layers of calcrete, dolomite, sand, silt and clays, which overlie the basement geology to a depth of up to 40m and are developed as a series of amorphous and discontinuous lobes. The principle difference between the Lake Way and Centipede deposits is that the latter is predominantly hosted by calcrete (>80%), whereas the Lake Way mineralisation is relatively evenly distributed between calcrete, carbonated silty clay and carbonated basal sand ore types. The composition of the calcrete deposits is dominated by calcite (limestone) or dolomite, with 15% to 20% montmorillonite clay, about 5% silica and subordinate kaolinite. Economic mineralisation is most commonly developed at the present day watertable (approximately 2m depth), but extends from surface to a depth

of up to 8m below the watertable. Deeper zones of mineralisation possibly reflect older watertable levels or zones of restricted groundwater movement.

The uranium mineralisation is dominated by carnotite, which has been mobilised into the groundwater and transported from the source within palaeo-channels. The source of the uranium mineralisation has not been accurately established, but the Lake Way and Centipede deposits are thought to be derived from the Lake Violet intrusive complex (via Uramurdah Creek and Lake Violet Overflow) and the Mount Wilkinson Granite (via Abercromby Creek) respectively.

Within the lower reaches of tributaries, commonly at their confluence with primary palaeo-drainage systems (playa lakes), the watertable lies within 5m of the surface. Here evaporation and associated loss of carbon dioxide promotes precipitation of calcium and magnesium carbonates as calcrete. Conditions governing carnotite deposition are complex, but where the solubility products of the active uranium, vanadium and potassium ion species exceed the solubility product of carnotite, this mineral is precipitated.

Micro to crypto-crystalline carnotite is found as coatings on bedding planes, in the interstices between sand and silt grains, in fissures within calcrete and dolomite, and in tubular voids in buried soil surfaces. The carnotite appears to have been precipitated onto any available surface.

Other uranium occurrences have also been defined in the vicinity of Lake Way, but outside the project tenements. The channel of Abercromby Creek, the delta of which hosts the Centipede deposits, is recorded to contain uranium mineralisation over a 33km distance upstream from Lake Way. This includes the Hinkler Well Prospect, located approximately 16km upstream from the Centipede deposits, where sporadic low grade (0.1kg/t U_3O_8) lenses of mineralisation have been defined over an area of 3km by 1km.

4.4 Exploration History

The Lake Way uranium deposit was discovered by Delhi International Oil Corporation (Delhi) and Vam Limited in 1972 whilst the joint venture was exploring for base metal mineralisation within the Wiluna district. Virtually all exploration and feasibility work was completed by Delhi through until December 1981 when CSR Limited acquired Delhi, including its interests in the Lake Way deposits. In 1983, the newly elected Federal Labor Government initiated the 'Three Mines Policy' in relation to uranium, following which exploration and development plans were suspended and the assets were dispersed. Aside from site rehabilitation, no significant exploration activity has been undertaken since 1983.

In 1972, minor airborne radiometric anomalies were confirmed by ground radiometric surveys, rotary drilling, bulldozing and

assaying. More comprehensive geological and metallurgical investigations commenced in 1976 and were completed in 1979, complimented by environmental, hydrological and meteorological investigations between 1978 and 1981. The feasibility work identified a 'reserve' of 4.4Mt at 0.90kg/t U_3O_8 (0.45kg/t U_3O_8 cutoff grade) at the Lake Way deposit, now controlled by Nova Energy.

The Centipede uranium deposits are understood to have been discovered by Esso Exploration and Production Inc (Esso) and joint venture partners, Mount Isa Mines Limited (MIM), International Nickel Company (Inco) and Selection Trust (Seltrust), in about 1977. The majority of exploration on the Centipede Project was undertaken by Esso and partners through until 1981, defining a 'reserve' of 4.6Mt at 1.07kg/t U_3O_8 at a 0.5kg/t U_3O_8 cutoff grade. The rights to the Centipede Project were acquired by Delhi (then controlled by CSR Limited) in 1982, in order to capitalise on the obvious synergies with the nearby Lake Way Project. The Centipede uranium deposits are now also largely controlled by Nova Energy Limited.

Evaluation of the Centipede Project by Esso and partners involved extensive drilling within the mineralised area, comprising some 500 diamond core, RC and auger holes. Mineralised areas have been drilled out on 100m centres, expanding to 200m centres immediately peripheral to the principle deposits. Esso drilling results along the boundary of what is now E53/1010 includes 1.6m at 0.73kg/t U_3O_8 and 0.65m at 1.05kg/t U_3O_8 , confirming that at least one of the Centipede deposits may well extend into E53/1010.

The Abercromby and Millipede deposits, representing the two eastern most of the Centipede deposits, were briefly explored by Acclaim Uranium Limited in 1999. This work included infill drilling and re-estimation of the Abercromby and Millipede resources, the results of which were generally consistent with that previously estimated by Esso and others.

Vertical aircore drilling for gold was completed over the surface of Lake Way within E53/1010 by Avoca in 2003. Although none of the drilling targeted potential extensions to the Centipede deposit or other radiometric anomalies, the holes were relogged by Encounter in 2005 to define the Tertiary lacustrine geology and resample the holes for uranium mineralisation.

The geology was found to be broadly consistent with that associated with the adjacent Centipede deposits, with calcrete and quartz-clay grits encountered in three holes on line 7,030,000mN, adjacent and oblique to the deposit. The calcrete horizon extended from 12m to 14m depth, being considerably deeper than that hosting the Centipede mineralisation. Geochemical analysis of 12 Avoca drillholes returned results of 5ppm to 15ppm U_3O_8 , however the drilling lies outside the more obvious areas of potential economic interest.

4.5 Exploration Potential

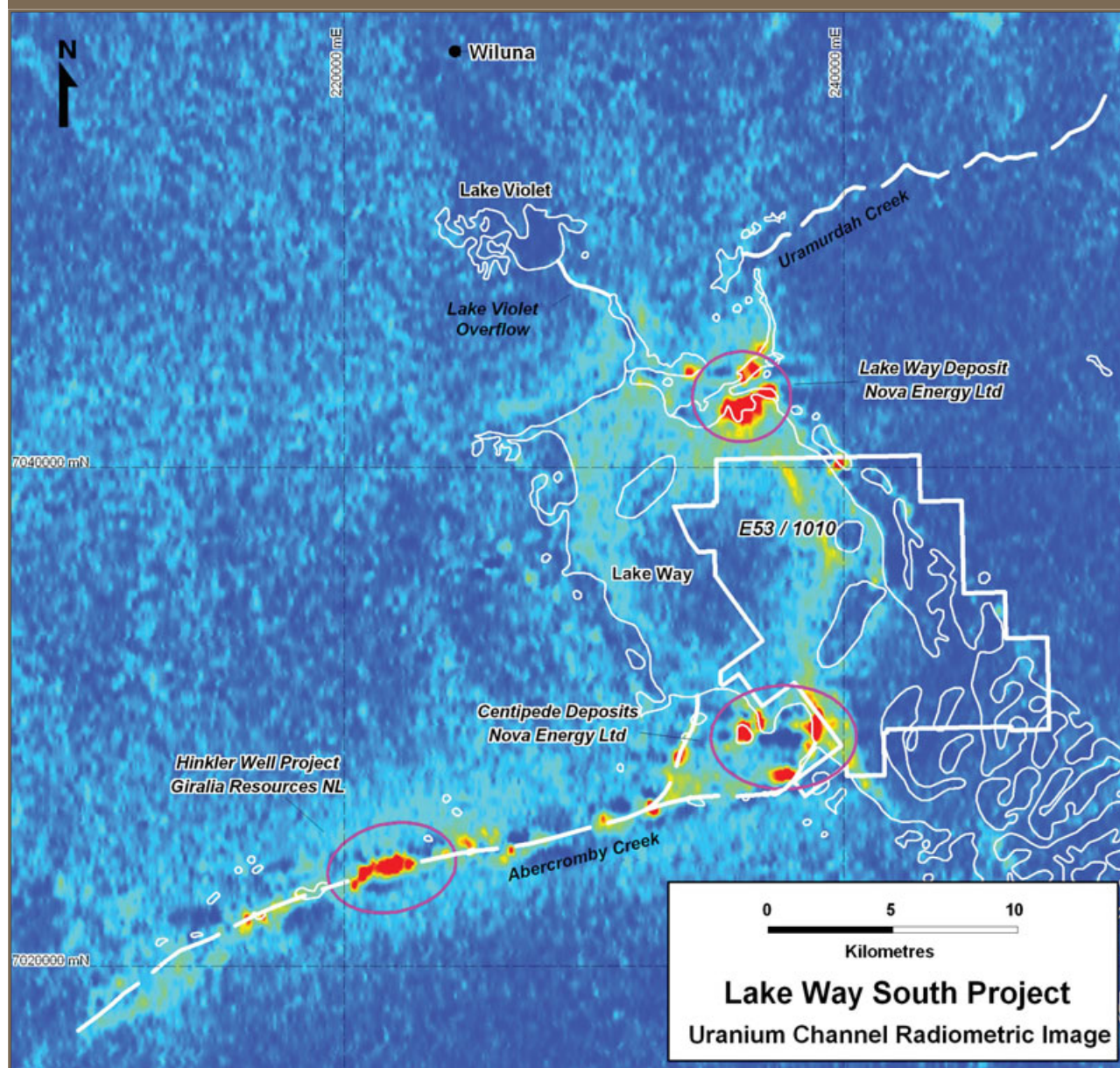
Previous exploration associated with the immediately adjacent Centipede deposits indicates that mineralisation of potential economic significance was at least defined up to the south-western boundary of E53/1010. Uranium mineralisation is well developed within drillholes immediately adjacent to this boundary, and assays up to 1kg/t U_3O_8 are recorded within 100m of the boundary.

The radiometric image of the Lake Way area (Figure 5) clearly and predictably demonstrates strong uranium-channel anomalies associated with the Lake Way and Centipede deposits. The Centipede radiometric anomaly extends eastward into the Lake Way South Project, albeit in a more subdued fashion. Similarly, the radiometric image also suggests that a

sinuous channel persists through E53/1010 beneath superficial lake sediment cover, effectively linking the Lake Way and Centipede deposits. However, the precise mechanism resulting in this situation is difficult to explain. Confirmation of mineralisation adjacent to Centipede and the possible existence of a channel linking the Centipede and Lake Way deposits clearly represent high priorities for initial exploration.

The lake margins and lake itself are respectively veneered by superficial lacustrine sediments and sand dunes that locally appear to largely mask the airborne uranium-channel radiometric response. Equally, drilling access within these more challenging terrains appears to have been restricted by the technology available in the late 1970s and early 1980s. The distribution of sand dunes, at least, appears to partially coincide with apparently

FIGURE 5 – LAKE WAY SOUTH PROJECT – URANIUM CHANNEL RADIOMETRIC RESPONSE



unmineralised areas between the adjacent Centipede deposits. Some opportunity exists within E53/1010 to identify undisclosed uranium mineralisation beneath superficial cover, with no obvious associated radiometric expression.

The Lake Way and Centipede uranium deposits are clearly associated with tributary channel deltas entering the primary Lake Way palaeo-drainage system. This is suggested to be due to subtle changes in groundwater chemistry and saturation levels of potassium, uranium and vanadium responsible for carnotite precipitation. Should this prove correct, then 'deltaic' environments along the lake shoreline should be considered to represent higher priority exploration targets. One such target is situated to the southeast of the Centipede deposit, within E53/1010, where an untested radiometric anomaly parallels the lake shore.

Sufficient exploration has previously been completed on the Lake Way and Centipede deposits, both of which lie immediately adjacent to E53/1010, to establish the existence of a potentially economic project. In the event that additional mineralisation is identified within the Lake Way South Project, and the Lake Way and Centipede deposits are ultimately developed, the property is also considered to represent a sound strategic asset.

4.6 Exploration Strategy

Encounter has provided RSG Global with its exploration strategy for the Lake Way South Project, covering activities for an initial two year period.

The Year 1 program entails 6,500m of aircore drilling and down-hole radiometric logging. Some 2,500m of this program will be focussed on identifying extensions of the Centipede deposits within E53/1010, while the remaining 4,000m will be directed towards regional reconnaissance traverses over other more prospective portions of the tenement.

The Year 2 program is planned to comprise a further 6,500m of aircore drilling, which will be evenly distributed between definition of potential Centipede deposit extensions and targets identified from reconnaissance work elsewhere within the project.

RSG Global considers that the proposed exploration and evaluation strategy is entirely consistent with the potential of the Lake Way South Project, providing it is appropriately staged to allow review at the completion of each phase of exploration.

Encounter has also provided RSG Global with an initial exploration and evaluation budget summarised in Table 2 below.

The proposed annual expenditure of \$438,200 and \$397,900 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Lake Way South Project and is adequate to cover the costs of the proposed programs. The budget also exceeds the annual minimum statutory expenditure requirement on the tenement and is adequate to meet the requirements of the Avoca joint venture agreement.

TABLE 2 – LAKE WAY SOUTH PROJECT – PROPOSED EXPLORATION AND EVALUATION EXPENDITURE

Activity	Year 1	Year 2
Aircore drilling and radiometric logging	\$ 260,000	\$ 240,000
Assaying (65% of samples)	\$ 50,000	\$ 40,000
Data interpretation and assessment	\$ 30,000	\$ 25,000
Field supervision and support	\$ 35,000	\$ 35,000
Rents, rates and tenement costs	\$ 6,000	\$ 6,000
Administration	\$ 57,200	\$ 51,900
Total	\$ 438,200	\$ 397,900

5. Leonora Regional Projects

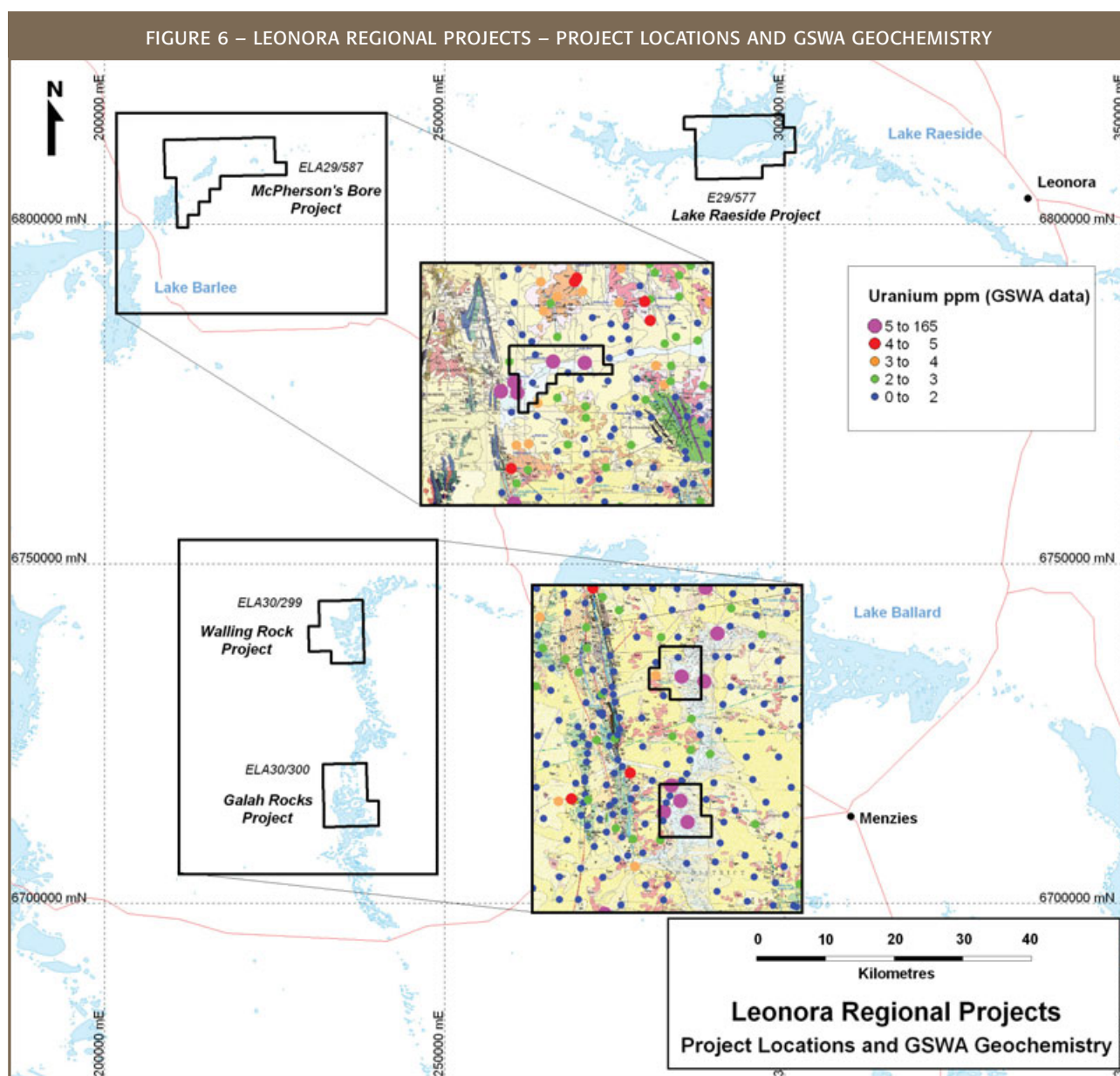
5.1 Introduction

The Leonora Regional Projects comprise four disparate Exploration Licence Applications that lie between 60km and 120km west of Leonora in the Eastern Goldfields Province of Western Australia. Leonora is located some 800km northeast of Perth and 230km north of the regional mining service centre of Kalgoorlie. The individual tenements are variously referred to as Lake Raeside, McPherson's Bore, Walling Rock and Galah Rocks.

The Lake Raeside Project is accessed from Kalgoorlie 230km northwards on the sealed Goldfields Highway to Leonora, thence west along the formed gravel Mount Ida road. The project can be accessed north from the Mount Ida road along poorly maintained fence-line tracks to the southern lake shore.

The remaining projects can be accessed from Kalgoorlie 130km north on the Goldfields Highway to Menzies, thence northwest along the formed gravel Sandstone Road. The projects are accessed from the Sandstone road by various station tracks, mining tracks and fence-lines.

The terrain within the project areas comprises broad flat expanses of saline playa, while the immediate shoreline is represented by flat to gently undulating soil covered plains and isolated low sand dunes. The projects are located in a semi-arid temperate continental climate, characterised by hot dry summers and cool damp winters. The mean annual precipitation is approximately 230mm, the majority of which falls as showers associated with remnant cold fronts during the winter months. Occasional remnant tropical depressions and isolated thunderstorms provide some unreliable summer and



autumn precipitation. The lakes may become temporarily inundated during heavier rainfall periods or events.

Vegetation is non-existent on the lakes themselves, while the adjacent shorelines are invariably dominated by low salt-tolerant shrubs and herbage, interspersed with patches of sparse acacia woodland and occasional stands of eucalypt. Annual grasses are associated with clay and loam soils around the lake-fringe, and perennial spinifex grass occurs on sandier soils and dunes. The land-use is dominated by extensive sheep and cattle grazing activities.

5.2 Tenure

The Leonora Regional Projects comprise one granted Exploration Licence (E29/577) and a further three disparate Exploration Licence Applications (ELA29/587, ELA30/299 and ELA30/300) covering an approximate aggregate area of some 375km² as shown in Figure 6 below. The tenement applications are vested in Encounter Resources Limited (80%) and Avoca Resources Limited (20%), in accordance with the Avoca joint venture agreement.

5.3 Geology

The Leonora Regional Projects are variously situated to the east (Lake Raeside) and west (McPherson's Bore, Walling Rock and Galah Rocks) of the Mount Ida greenstone belt within the Eastern Goldfields Province of the Archaean Yilgarn Craton. The basement geology within the projects themselves is dominated by gneiss and granitoids, and the tenements straddle extensive playa lakes respectively comprising the Raeside, Barlee and Ballard palaeo-drainage systems.

The Lake Raeside tenement was applied for on the basis of highly anomalous GSWA uranium geochemistry (Figure 7) and an extremely strong uranium channel radiometric response (Figure 8) that precisely coincides with the extent of water and saline deposits comprising the lake itself. In addition, the project lies immediately downstream from the Raeside valley calcrete uranium occurrences, comprising the Stakeyard Well (Mopoke Well) Prospect, located on the southern shore of the lake associated with the delta of the Granite Creek tributary, and the Peninsula Prospect lying on the northern side of the lake opposite the Granite Creek delta. These occurrences were identified by exploration in the late 1970s and are now controlled by Energy Metals Limited.

The Stakeyard Well Prospect comprises two lenses of uranium mineralisation defined by drilling on a 200m by 400m pattern. Carnotite mineralisation is associated with calcrete and indurated quartz sand developed along either margin of Granite Creek where the tributary enters Lake Raeside from the south. Mineralisation is exposed at surface in a setting that is essentially identical to that at the Lake Way and Centipede deposits.

Mineralisation at the Peninsular Prospect comprises a 5.6km long, 100m to 800m wide south trending sheet that lies at a

depth of 5m to 10m below surface. Carnotite mineralisation is hosted by calcareous sandy clays lying above the watertable, and is only exposed at surface within a shallow pit excavated within calcrete.

The Lake Raeside Project is also potentially significant in relation to its primary diamond potential. Since 1991, several companies have identified diamond indicator minerals in loam sampling within the Raeside area. These are suspected to be derived from a series of small discrete magnetic anomalies, the most prominent of which lies in the extreme eastern portion of the Encounter tenement.

The McPherson's Bore, Walling Rock and Galah Rocks projects were all acquired on the basis of broad spaced regional uranium geochemical sampling completed by the GSWA between 1994 and 2001. These tenement applications incorporate and/or lie immediately adjacent to uranium geochemical anomalies that fall within the top 2% of the entire survey sample population.

5.4 Exploration History

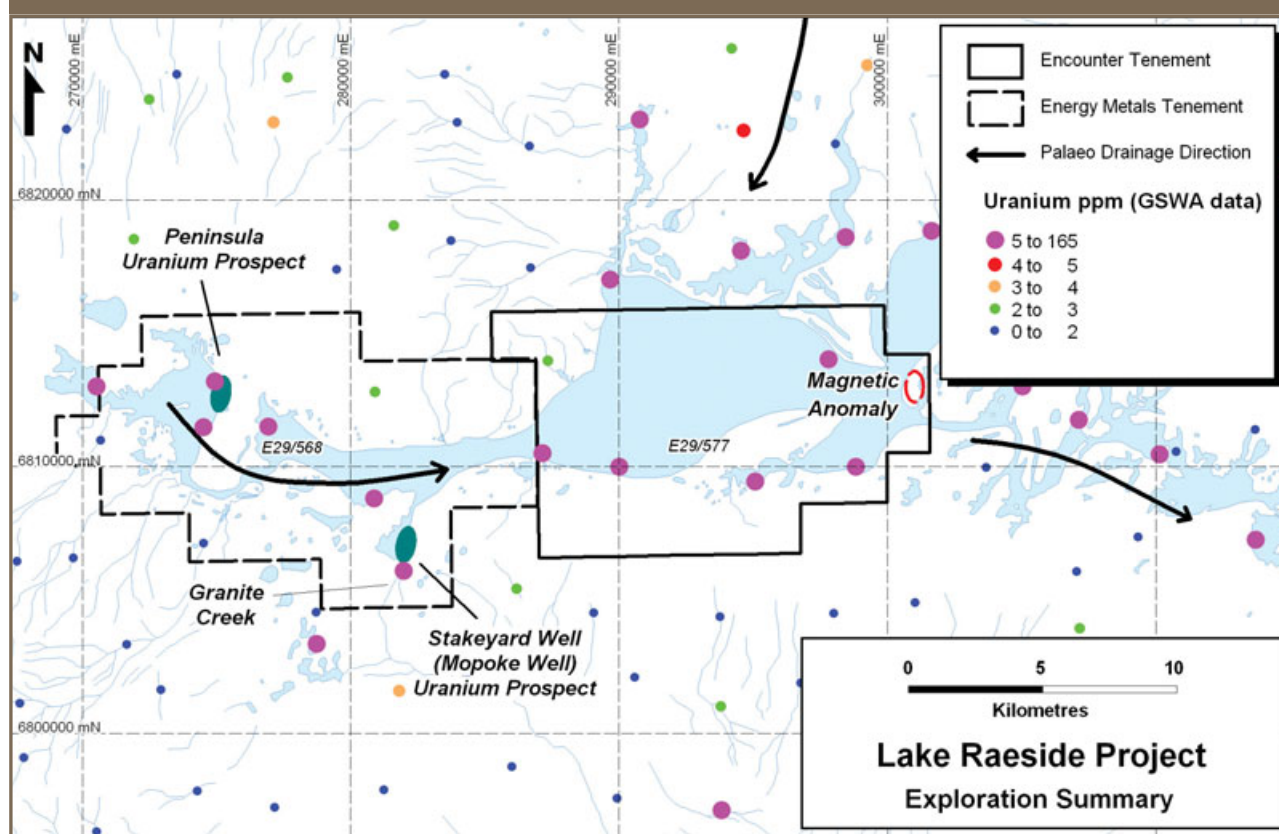
The Lake Raeside area has been explored for uranium by various companies including Newmont, Western Mining Corporation (WMC), BP Minerals Australia (who discovered and delineated the Peninsula Prospect), and Esso Exploration and Production Australia (Esso) who discovered and delineated the Stakeyard Well (Mopoke Well) deposits. Within Encounter's E29/577, reported exploration is confined to that completed by Esso and WMC.

Although the microfilm records are difficult to discern, it would appear that Esso completed RAB drilling around the lake margins in 1977, extending into what is now the western portion of E29/577. This work generated encouraging but poorly cohesive values >100ppm U, to a maximum of 270ppm U, largely associated with the Stakeyard Well (Mopoke Well) Prospect now controlled by Energy Metals Limited.

WMC explored a similar area of the lake and surrounds, completing auger and percussion drilling that confirmed the Esso results. Due to access difficulties for drilling on the lake itself, the surface radiometric anomaly was tested via four hand-auger holes. The assay results were of considerable significance, ranging from 117ppm to 806ppm U. Better values were concentrated between 15cm to 60cm below surface, associated with carbonated clays in the upper portion of the sediment profile.

Between 1991 and 1999, diamond exploration has been undertaken by various companies including Stockdale Prospecting, Wiluna Mines and Ashton. Exploration has included airborne magnetic surveys, follow-up ground magnetic surveys, heavy mineral stream sediment sampling, deflation loam sampling, and percussion, aircore and RC drilling. This work has identified lamprophyre indicator minerals associated with encouraging magnetic features at Turkey Well to the immediate

FIGURE 7 – LAKE RAESIDE PROJECT – EXPLORATION SUMMARY



west of E29/577 and a further prospect to the south of the Encounter tenement application.

Limited gold exploration has also been undertaken within the Raeside area, however this has generally been unsuccessful and is of no relevance to the Encounter strategy.

Aside from the highly anomalous uranium samples collected during the GSWA regional survey, no previous documented uranium exploration is recorded within the McPherson's Bore, Walling Rock and Galah Rocks projects.

5.5 Exploration Potential

Resolution of the more immediate uranium potential of the Lake Raeside Project involves assessment of the southern shoreline and immediate hinterland for subsurface calcrete development, particularly within the south-western portion of the tenement where mineralisation is associated with the confluence of Granite Creek and Lake Raeside.

The lake surface itself represents one of the most prominent uranium channel radiometric anomalies in Western Australia. Little previous drilling appears to have been completed on the lake surface due to access difficulties with conventional equipment utilised in the past, however new technology allows this to be completed with relative ease. Limited hand-auger sampling by WMC identified a thin mineralised horizon within carbonated clays close to the lake surface that appears to

explain the radiometric response. While this response is consistent across the entire lake surface within E29/577, there may well be regions where the mineralised horizon thickens and/or incorporates higher uranium grades. While the precise geochemical and compositional mechanism for this concentration has not been fully evaluated, and notwithstanding possible environmental issues, the potential exists for this material to constitute a resource in its own right.

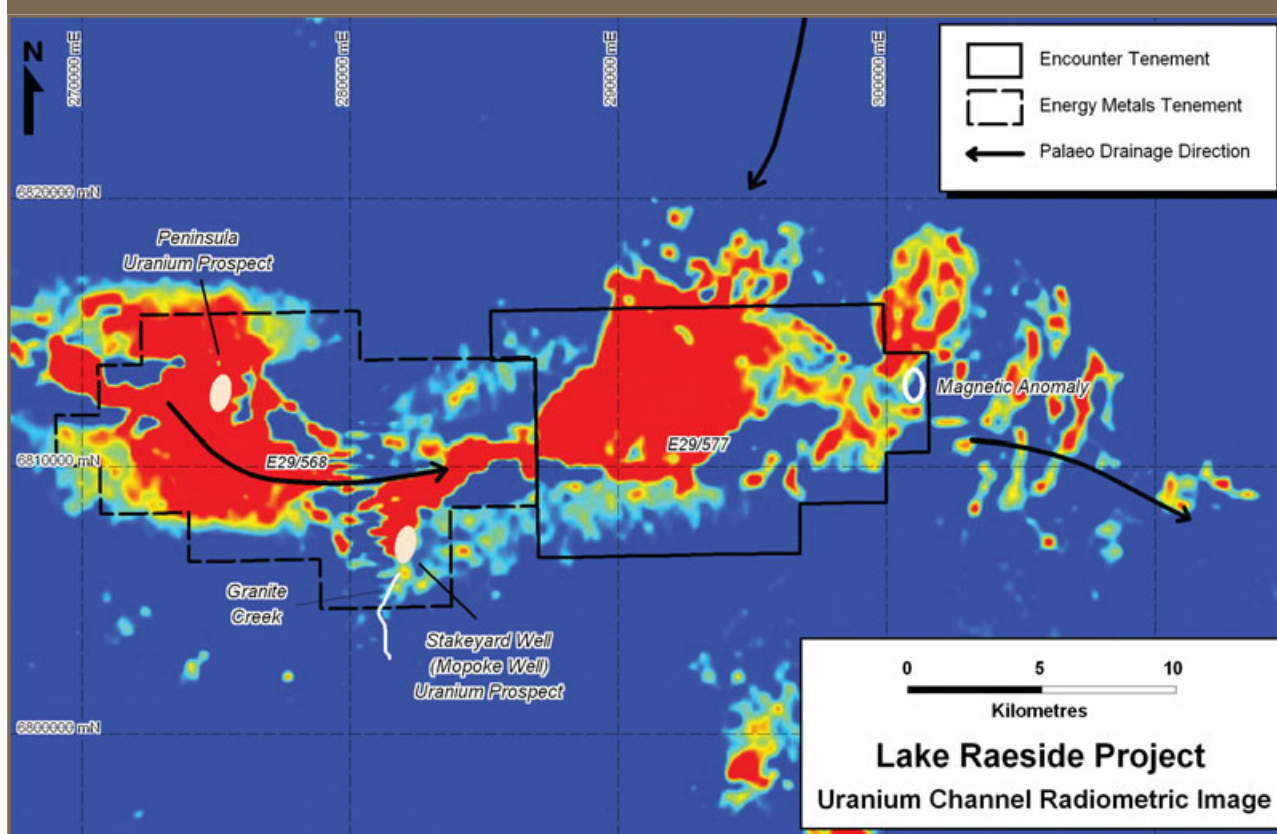
In addition to the uranium potential, the Lake Raeside area has been long regarded as having potential for primary diamonds. Of particular interest is the discrete magnetic anomaly within the extreme eastern portion of the tenement.

The McPherson's Bore, Walling Rock and Galah Rocks projects are considerably less mature than the Lake Raeside Project and are therefore more speculative in nature. Notwithstanding this, highly anomalous GSWA sample sites are associated with each project, and all are located within prospective climatic, geomorphic and hydrologic environments. Initial exploration, focusing on deltaic regions where tributary channels enter the playa lake systems, is readily justified in each case.

5.6 Exploration Strategy

Encounter has provided RSG Global with its exploration strategy for the Leonora Regional Projects, covering activities for an initial two year period.

FIGURE 8 – LAKE RAESIDE PROJECT – URANIUM CHANNEL RADIOMETRIC IMAGE



The Year 1 program entails the acquisition and interpretation of the airborne radiometric survey data over all project areas. In addition, the collection of 20 line kilometres of ground gravity surveying at the Lake Raeside Project will be undertaken to clearly delineate palaeo-channels beneath the lake surface.

The Year 2 program is planned to comprise 1,500m of reconnaissance aircore drilling, down-hole radiometric logging and physical assaying at the Lake Raeside Project, some of which may be reassigned to other projects should appropriate targets be identified in Year 1.

RSG Global considers that the proposed exploration and evaluation strategy is entirely consistent with the more

speculative potential of the Leonora Regional Projects, and that the proposed schedule is achievable, providing the tenements are granted within a reasonable timeframe.

Encounter has also provided RSG Global with a two year exploration budget summarised in Table 3 below.

The proposed annual expenditure of \$120,800 and \$124,200 in Years 1 and 2 respectively, is considered to be consistent with the potential of the Leonora Regional Projects, and is adequate to cover the costs of the proposed programs. The budgeted expenditure is also considered adequate to meet the combined minimum statutory expenditure commitments for the project tenements once granted.

TABLE 3 – LEONORA REGIONAL PROJECTS – PROPOSED EXPLORATION AND EVALUATION EXPENDITURE

Activity	Year 1	Year 2
Airborne radiometric data acquisition and interpretation	\$ 20,000	\$ –
Ground gravity survey (20 line km)	\$ 50,000	\$ –
Reconnaissance aircore drilling and radiometric logging (2,000m)	\$ –	\$ 48,000
Assaying (65% of samples)	\$ –	\$ 10,000
Data interpretation and assessment	\$ 15,000	\$ 10,000
Field supervision and support	\$ 15,000	\$ 20,000
Rents, rates and tenement costs	\$ 5,000	\$ 20,000
Administration	\$ 15,800	\$ 16,200
Total	\$ 120,800	\$ 124,200

6. Officer Basin Projects

6.1 Introduction

The Officer Basin Projects comprise one granted Exploration Licence and a further four Exploration Licence Applications that lie between 160km and 220km east and northeast of Laverton within the Great Victoria Desert of Western Australia (Figure 9). Laverton is located some 950km by road northeast of Perth and 350km north-northeast of the regional mining service centre of Kalgoorlie. The three individual projects are referred to as Lake Throssel, Lake Yeo and Lake Rason.

All projects are accessed 230km north from Kalgoorlie on the sealed Goldfields Highway to Leonora, thence 125km east along the sealed road to Laverton. The Lake Throssel Project is then accessed via the formed gravel Lasseter Highway towards the Warburton Community. This road traverses the project approximately 220km northeast of Laverton.

The Lake Yeo Project can be accessed more directly via the formed gravel road 140km east from Laverton to Yamarna Station (now resumed), thence a further 65km east via the poorly maintained Neal Junction track to the abandoned Yeo station homestead, and thence via disused station and survey tracks through portions of the project area.

The Lake Rason Project is accessed 30km southeast from Laverton towards Merolia Station, thence a further 110km eastward on the Mount Luck track that traverses the Lake Rason project area before continuing across the Great Victoria Desert to the Trans Australia railway line.

The terrain within the project areas comprises broad flat expanses of saline playa, while the immediate shoreline is represented by flat to gently undulating sand covered plains and dunes, rising to low laterite plateaux along the southern shores of Lake Throssel. The projects are located in an arid temperate continental regime, characterised by hot dry summers and cool damp winters. The mean annual precipitation is approximately 230mm, the majority of which falls as showers associated with occasional cold fronts during the winter months. Isolated remnant tropical depressions and thunderstorms provide limited unreliable precipitation in the summer and autumn. The lakes may become temporarily inundated during heavier rainfall periods or events.

Vegetation is non-existent on the lakes themselves, while the adjacent shorelines are invariably dominated by low salt-tolerant shrubs and herbage, interspersed with patches of sparse acacia scrub and casuarina (desert oak) stands. Limited areas of annual grasses proliferate around the lake-fringes, particularly Lake Yeo. Otherwise perennial spinifex grass is ubiquitous on sandier soils and dunes. Being desert to semi-desert, the land is not utilised for any commercial purpose. The shores of Lake Yeo were previously utilised for extensive cattle grazing, however the pastoral lease has now been resumed as an A-Class Nature Reserve.

6.2 Tenure

The Officer Basin Projects collectively comprise one granted Exploration Licence and a further four Exploration Licence Applications. The Lake Throssel Project is represented by a single Exploration Licence Application (ELA38/1786), while Lake Rason comprises a single granted Exploration Licence (E38/1787) and the Lake Yeo Project comprises three contiguous applications (ELA38/1790 to ELA38/1792 inclusive). The projects collectively cover an aggregate area of approximately 740km². The tenement applications are vested in Encounter Resources Limited (80%) and Avoca Resources Limited (20%), in accordance with the Avoca joint venture agreement.

The Lake Yeo tenement applications lie entirely within the Lake Yeo A-Class Nature Reserve (A³⁶²⁷¹) designated for the conservation of flora and fauna. If granted, it is anticipated that restrictions will be imposed on the type and extent of exploration activities that can be conducted within the Nature Reserve.

6.3 Geology

The basement geology associated with the Officer Basin Projects is dominated by Permian glaciogenic and fluvial sediments of the Paterson Formation. In the northern portion of the Lake Throssel tenement, the Paterson Formation is locally underlain by limited exposures of Proterozoic sediments.

The Officer Basin project tenements each straddle extensive playa lakes comprising the Throssel, Yeo and Rason palaeo-drainage systems, all of which have uranium channel radiometric anomalies that coincide with the lake surface. The Lake Yeo tenements were applied for on the basis that the surface of Lake Yeo itself represents the largest and strongest uranium channel radiometric response in Western Australia. Regional mapping also records extensive calcrete development, particularly within the Lake Throssel Project.

The Lake Throssel and Lake Rason projects were similarly acquired on the basis of their uranium channel radiometric response, however these are somewhat more diffuse and subdued than that associated with Lake Yeo. It is assumed that the nature of the uranium response associated with the surface of these lakes is similar to that at Lake Raeside, however the precise form that the uranium takes and its mode of occurrence has not been established.

It is interesting to note that there are several anecdotal and documented reports of carnotite development within calcrete aquifers associated with palaeo-channels in the Yamarna area to the west. These palaeo-channels are also readily distinguishable beneath sand cover on the detailed airborne radiometric images. The channels appear to drain in an east to southeast direction, strongly suggesting that they ultimately empty into Lakes Yeo and Rason.

6.4 Exploration History

There is no record of any previous uranium exploration having been undertaken within the Officer Basin Projects. A joint venture between WMC and Kilkenny Gold explored an extensive area around and including Lake Throssel for gold between 1993 and 2001. No drilling was completed within ELA38/1786. No exploration of any significance is recorded within or near the Lake Yeo and Lake Rason projects.

6.5 Exploration Potential

As with Lake Raeside, the surface of Lake Yeo represents one of the most prominent uranium channel radiometric anomalies in Western Australia and no previous exploration of any description has been undertaken within the vicinity of the tenements. The extremely strong radiometric response is consistent over the entire surface area of this extensive lake. Should the cause of the radiometric response prove to represent mineralised clays within the upper portion of the lake profile, exploration to determine the thickness and grade of this

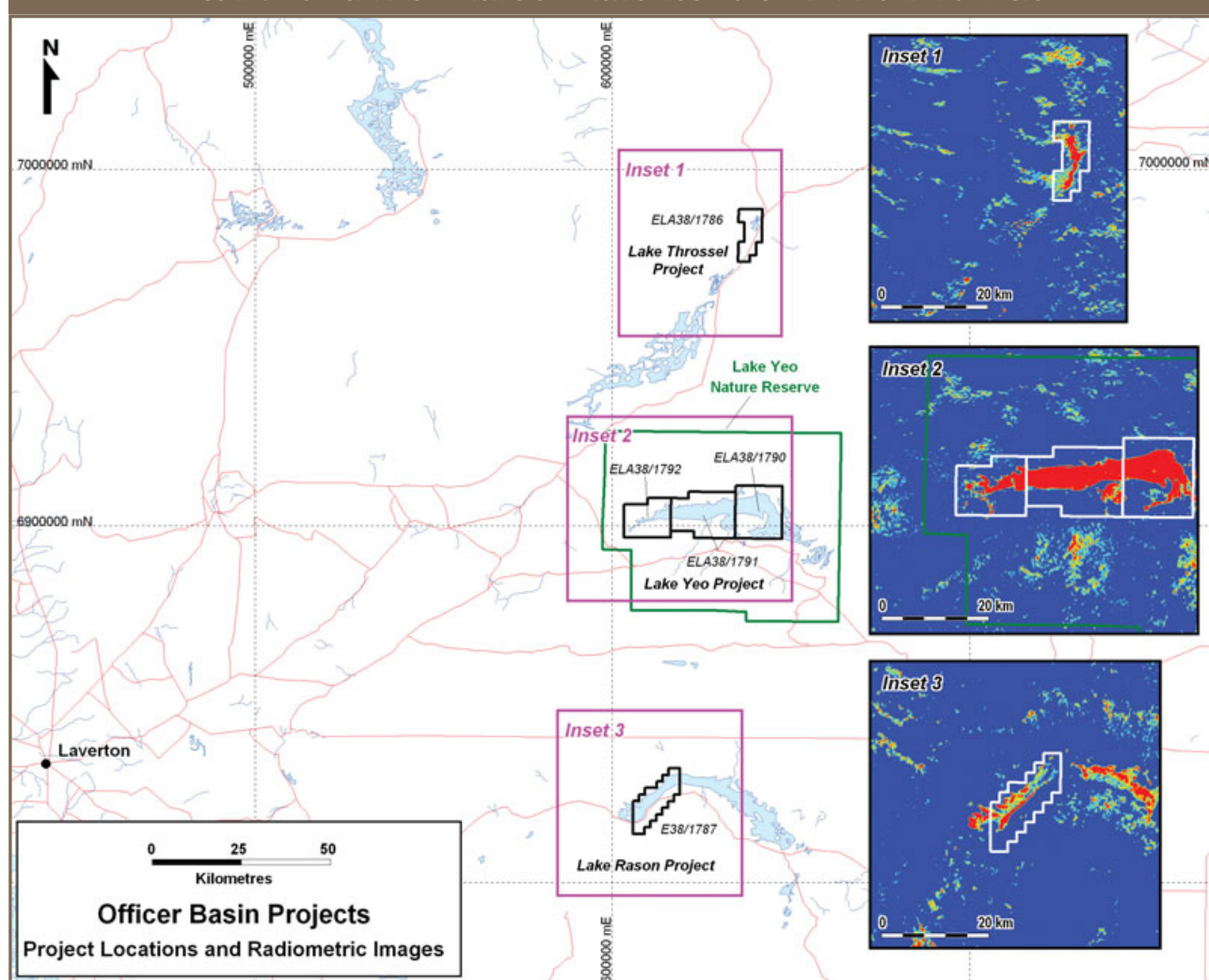
mineralisation is readily justified in the first instance.

As the Lake Yeo Project lies entirely within an A-Class Nature Reserve, the exploration potential is entirely predicated on the tenements being successfully granted in the first instance, and if granted, what environmental restrictions may be imposed on exploration activities.

While the radiometric signatures associated with the surface of Lakes Throssel and Rason are marginally more subdued and smaller in size, this same mineralisation model readily requires initial investigation.

Extensive calcrete development is known to exist within the Lake Throssel Project at least, and is considered likely to be present at the Lake Yeo and Lake Rason projects, where mapping is totally reliant on interpretation. The shorelines and immediate hinterlands of all three lakes represent valid targets for calcrete hosted uranium mineralisation, particularly where tributary channels are determined to enter the main lake systems.

FIGURE 9 – OFFICER BASIN PROJECTS – PROJECT LOCATIONS AND RADIO-METRIC IMAGES



6.6 Exploration Strategy

Encounter has provided RSG Global with its exploration strategy for the Officer Basin Projects, covering activities for an initial two year period.

The Year 1 program entails 2,500m of reconnaissance aircore drilling, hydrological sampling and down-hole radiometric logging.

The Year 2 is planned to comprise an additional 2,500m reconnaissance aircore drilling, hydrological sampling, down-hole radiometric logging and physical assaying within higher priority areas determined from initial reconnaissance mapping and sampling completed in Year 1.

RSG Global considers that the proposed exploration and evaluation strategy is generally consistent with the more speculative potential of the Officer Basin Projects. However, the

integrity of the proposed program and budget designated for the Lake Yeo Project may be dependent on the successful granting of tenements within the A-Class Nature Reserve, and if granted, what restrictions on exploration are likely to be imposed.

Encounter has also provided RSG Global with an initial exploration and evaluation budget summarised in Table 4 below.

The proposed annual expenditure of \$163,300 and \$203,600 in Years 1 and 2 respectively, is considered to be consistent with the potential of the Officer Basin Projects, and is adequate to cover the costs of the proposed programs. The budgeted expenditure is, however, marginally insufficient to meet the likely combined minimum statutory expenditure commitments for the project tenements, assuming all five are granted and held concurrently.

TABLE 4 – OFFICER BASIN PROJECTS – PROPOSED EXPLORATION AND EVALUATION EXPENDITURE

Activity	Year 1	Year 2
Reconnaissance aircore drilling and radiometric logging	\$ 80,000	\$ 80,000
Assaying (65% of samples)	\$ 17,000	\$ 17,000
Hydrological sampling of reconnaissance aircore holes	\$ 15,000	\$ 15,000
Data interpretation and assessment	\$ 10,000	\$ 15,000
Field supervision and support	\$ 10,000	\$ 10,000
Rents, rates and tenement costs	\$ 10,000	\$ 40,000
Administration	\$ 21,300	\$ 26,600
Total	\$ 163,300	\$ 203,600

7. Bangemall Basin Projects

7.1 Introduction

The Bangemall Basin Projects comprise four separate project areas referred to as the Pingandy Creek, Tchintaby Well, Waldburg Range and Wanna projects. All properties have been applied for on the basis of geological settings and multi-element GSWA geochemical anomalies that are consistent with the unconformity related uranium mineralisation model.

The Pingandy Creek Project comprises two contiguous Exploration Licence Applications located 120km southeast of Paraburdoo at the northern margin of the Bangemall Basin in the Ashburton Province of Western Australia (Figure 1). Paraburdoo is located some 980km north of Perth and 310km southeast of the regional mining and energy service centre of Karratha.

The Tchintaby Well Project comprises a single granted Exploration Licence that is also located on the northern margin of the Bangemall Basin, 60km to the east of the Pingandy Creek Project.

The Waldburg Range and Wanna projects each comprise a single Exploration Licence Application located along the southern margin of the Bangemall Basin, 50km to the southeast and 50km to the northwest of Mt Augustus, respectively.

The terrain within the project areas comprises flat to gentling undulating expanses, rising to low hills. The projects are located in a semi-arid sub-tropical continental regime, characterised by hot humid summers and warm dry winters. The limited rainfall largely results from tropical depressions and storms during the summer and early autumn.

The vegetation is dominated by sparse acacia woodland interspersed with areas of annual grasses and eucalypts along drainage lines, while areas of rocky or sandy terrain are dominated by perennial spinifex grass. The land-use is dominated by extensive sheep and cattle grazing activities.

7.2 Tenure

The Bangemall Basin Projects collectively comprise a single granted Exploration Licence (E52/1882), representing the Tchintaby Well Project, and four Exploration Licence Applications

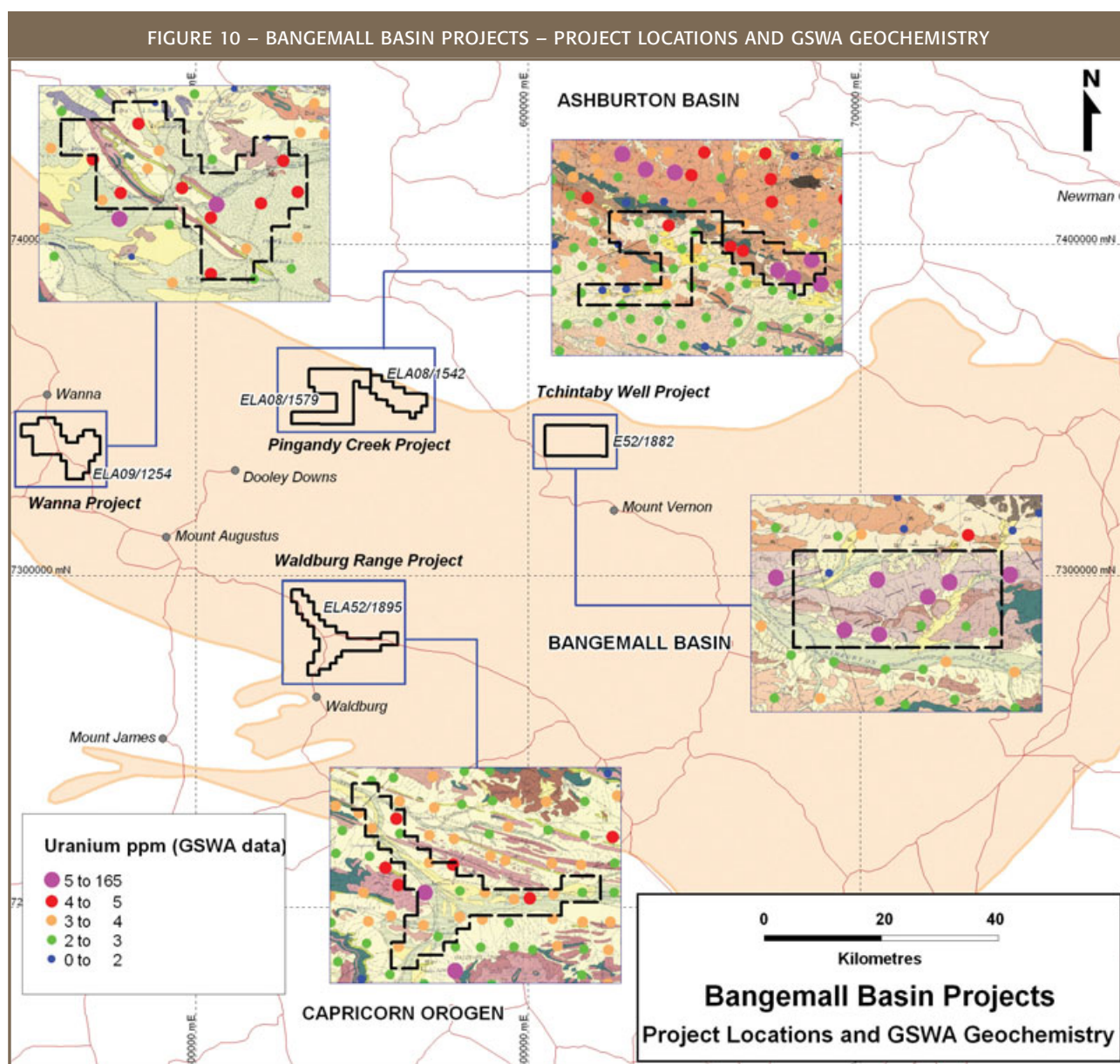
(ELA8/1542, ELA8/1579, ELA52/1895 and ELA9/1254), representing the Pingandy Creek, Waldburg Range and Wanna projects respectively. These tenements and applications collectively cover an aggregate area of 930km² as shown in Figure 10 below. The tenements and applications are vested in Encounter Resources Limited (80%) and Avoca Resources Limited (20%), in accordance with the Avoca joint venture agreement.

7.3 Geology

The Bangemall Basin Projects represent a conceptual opportunity that is predicated on the unconformity-associated uranium deposit model. These deposits typically occur within intra-cratonic sedimentary basins at or immediately below the contact between early to mid Proterozoic meta-sedimentary successions and unconformably overlying continental

sandstones. The Proterozoic meta-sedimentary successions typically include graphitic variants at or near the unconformity and lie along the flanks of Archaean gneiss domes with high background uranium contents. Examples of unconformity-related uranium deposits include Ranger, Koongarra and Narbalek in the Northern Territory, Kintyre in the east Pilbara region of Western Australia, and the Saskatchewan deposits within the Athabasca Basin of Canada.

Primary mineralisation is dominated by pitchblende (UO₂), the thorium poor variety of uraninite, and coffinite, along with a multitude of secondary uranium minerals within the upper oxidised portion of these deposits. Mineralisation is frequently accompanied by a complex assemblage that may include gold, silver and platinum group metals, along with various sulphides, tellurides, arsenides and selenides of copper, lead, zinc, nickel and cobalt. The gangue mineralogy and alteration assemblage



typically comprise various carbonates, chalcedonic silica, sericite (illite), chlorite, kaolinite, haematite and tourmaline. Mineralisation occurs within shears, veins, breccias and palaeo-regolith profiles along or below the unconformity surface associated with extensive alteration haloes.

The unconformity-related uranium deposits typically have a pathfinder trace element signature comprising uranium, nickel, cobalt, arsenic, lead and copper that can be readily determined from conventional stream sediment and soil geochemical techniques. Radiometric and electromagnetic (EM) surveys, the latter to detect and trace the common host carbonaceous horizons, can also be readily applied in exploration.

The Bangemall Basin Projects straddle the northern and southern margins of the Mesoproterozoic Bangemall Basin where it unconformably overlies sediments of the Palaeoproterozoic Ashburton Formation to the north and the Capricorn Orogen to the south. In a regional context, these intra-cratonic Proterozoic basins lie between the Archaean Yilgarn and Pilbara cratons.

The northern project areas (Pingandy Creek and Tchintaby Well) are dominated by basement rocks of the Ashburton Formation, variously including metamorphosed conglomerates, sandstones, shales and dolomites comprising the upper portion of the Wyloo Group. The unconformably overlying Bangemall Group sediments to the south comprise dolomites, sandstones, siltstones and mudstones of the Edmund Subgroup, which have locally been intruded by conformable Neoproterozoic dolerite sills. The basement stratigraphy has been extensively metamorphosed and deformed into dominantly west-northwest trending folds, consistent with the regional fabric. The Bangemall Group strikes in the same orientation, however the succession has a more persistent dip to the south-southwest.

The southern project areas (Waldburg Range and Wanna) incorporate basement rocks of the Palaeoproterozoic Capricorn Orogen, comprising reworked Archaean gneisses, the Morrissey Metamorphic Suite and a complex range of felsic to intermediate granitoids. The basement is locally unconformably overlain by small elongate sedimentary basins of the Mount James Formation comprising metamorphosed conglomerates, sandstones, phyllite and chert. The Mount James Formation (and the basement granitoids and gneisses) are in turn unconformably overlain by the lower-most successions of the Bangemall Group, locally comprising conglomerates, sandstones, siltstones, shales, dolomites and cherts.

Uranium mineralisation associated with the northern margin of the Bangemall Basin is confined to the Angelo River (or Turee Creek) uranium occurrence, located 75km to the northeast of the Pingandy Creek Project. The style of mineralisation and stratigraphic disposition are consistent with the unconformity model, being associated with a faulted contact between the Mount McGrath Formation of the Wyloo Group and unconformably overlying conglomerates and sandstones of

the Bresnahan Group. The latter is interpreted to represent a small deformed basin that is marginally younger than, and unconformably overlain by, the Bangemall Group. Mineralisation is developed within brecciated haematitic and carbonaceous shale, sandstone breccia, chert breccia, dolomitic shale and clay.

Uranium mineralisation is well documented within Palaeoproterozoic rocks of the Capricorn Orogen lying along the southern margin of the Bangemall Basin. At least 45 separate uranium occurrences are recorded from exploration in the 1970s. Seven of these prospects represent primary mineralisation associated with two arcuate belts of uranium-bearing pegmatite situated within or adjacent to the Morrissey Metamorphic Suite to the south and west of the Wanna Project. Mineralisation is dominated by the uranium mineral euxenite $(Y,Ca,Ce,U,Th)(Nb,Ta,Ti)_2O_6$, commonly accompanied by subordinate pitchblende and its oxidised equivalent, gummite (UO_2). The remaining occurrences comprise calcrete associated carnotite mineralisation developed along creeks and rivers broadly draining the area of primary pegmatite mineralisation. No prospects consistent with the unconformity style uranium model have been identified along the southern margin of the Bangemall Basin to date.

The Bangemall Basin Projects were applied for principally on the basis of the GSWA regional geochemical sampling program. The project areas incorporate clusters of anomalous uranium results ($>5ppm$) proximal to the unconformity defining the margins of the Bangemall Basin. In addition to the uranium results, principle component analysis (PCA) completed by Encounter on the GSWA dataset identified anomalous arsenic, molybdenum and antimony associated with the lower-most units of the Bangemall Basin, along with high individual values for cobalt and nickel.

7.4 Exploration History

Exploration within the northern and southern margins of the Bangemall Basin, and the adjacent Ashburton Formation and Capricorn Orogen respectively, is dominated by the search for base metals. This work has variously been undertaken by Ashburton Exploration Pty Ltd and Westfield Minerals Limited between 1961 and 1967, and more recently by Pasminco Exploration, CRA Exploration and BHP Minerals between 1991 and 1998.

The only exploration relevant to the uranium potential of the Bangemall Basin Projects is that completed by CRA Exploration between 1994 and 1998 within what is now the Tchintaby Well Project, along the north-central margin of the basin. Exploration was focussed on carbonaceous shale horizons within a succession of gently south dipping sandstones, shales, dolomites and cherts of the Top Camp Formation, representing the lower-most units of the Bangemall Group. Initial exploration included aerial photography, mapping, rock chip and stream sediment



sampling, mineralogical studies and reconnaissance RC drilling. Drilling intersected a 12m wide carbonaceous shale horizon with up to 1.1% zinc and 16g/t silver termed the Andes Prospect.

Some of the reconnaissance holes drilled by CRA Exploration within what is now the central-eastern portion of ELA52/1882 were also assayed for uranium. These holes are spaced 1km to 3km apart and record values generally below 10ppm U, with localised zones up to 25ppm. A reasonably strong correlation was noted between zinc and uranium results, and the mineralised zones were also strongly anomalous in vanadium with holes completed in the 1996 program encountering up to 10m at 1,000ppm V.

7.5 Exploration Potential

The Angelo River uranium occurrence, located to the northeast and north of the Pingandy Creek and Tchintaby Well projects respectively, has a geological setting essentially identical to that comprising the Bangemall Basin Projects, demonstrating that application of the unconformity model is valid. Similarly, anomalous uranium and vanadium results associated with zinc and silver mineralisation within the Tchintaby Well Project includes aspects consistent with the unconformity model.

Each of the project areas incorporate clusters of anomalous uranium results derived from the GSWA regional sampling program that are proximal to unconformities defining the northern and southern margins of the Bangemall Basin. These results lie within the top 2% of the total survey uranium population and are frequently associated with anomalous pathfinder trace element geochemistry that is broadly consistent with the unconformity model. The source and significance of these results has never been assessed by exploration.

In several instances the project areas have been extended to cover mapped calcrete developed along ephemeral stream systems that drain the Bangemall unconformity and GSWA sample sites anomalous in uranium. Primary uranium occurrences in pegmatite and secondary carnotite mineralisation within calcrete are recorded at numerous locations along the

southern margin of the Bangemall Basin. Uranium mineralisation is primarily associated with the Capricorn Orogen basement, one of the prerequisites for unconformity style deposits and an exploration opportunity in its own right.

The Bangemall Basin Projects are considered to be more speculative in nature, however initial exploration to determine the validity of the unconformity uranium model and assess the potential for calcrete hosted uranium mineralisation within each of the project areas is readily justified.

7.6 Exploration Strategy

Encounter has provided RSG Global with its exploration strategy for the Bangemall Basin Projects, covering activities for an initial two year period.

The Year 1 program is centred on a regional hydro-geochemical survey planned for the northern and southern margins of the Bangemall Basin. This survey will be complimented by a detailed geochemical sampling program over areas of interest defined by the hydro-geochemical survey. The proposed Year 2 program is planned to include 1,500m of reconnaissance RC drilling, down-hole radiometric logging and physical assaying within higher priority areas determined from the hydro-geochemical survey and geochemical sampling completed in Year 1.

RSG Global considers that the proposed exploration and evaluation strategy is generally consistent with the more speculative potential of the Bangemall Basin Projects.

Encounter has also provided RSG Global with an initial exploration and evaluation budget summarised in Table 5 below.

The proposed annual expenditure of \$215,600 and \$158,100 in Years 1 and 2 respectively, is considered to be consistent with the potential of the Bangemall Basin Projects and is adequate to cover the costs of the proposed programs. The budgeted expenditure is also considered adequate to meet the combined minimum statutory expenditure commitments for the project tenements once they are all granted, assuming that lower priority areas will be relinquished prior to Year 2.

TABLE 5 – BANGEMALL BASIN PROJECTS – PROPOSED EXPLORATION EXPENDITURE

Activity	Year 1	Year 2
Regional hydrogeochemical survey	\$ 50,000	\$ –
Detailed geochemical survey and interpretation	\$ 100,000	\$ –
Reconnaissance RC drilling and radiometric logging (1,500m)	\$ –	\$ 50,000
Assaying (65% of samples)	\$ –	\$ 7,500
Data interpretation and assessment	\$ 20,000	\$ 15,000
Field supervision and support	\$ 10,000	\$ 20,000
Rents, rates and tenement costs	\$ 7,500	\$ 45,000
Administration	\$ 28,100	\$ 20,600
Total	\$ 215,600	\$ 158,100

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World Nuclear Association	2003	The Global Nuclear Fuel Market. Supply and Demand 2003-2025.

9. Glossary of Technical Terms

<i>aeolian</i>	Formed or deposited by the action of wind.
<i>aircore drilling</i>	Rotary drilling method whereby sample is delivered to the surface inside the rod string by compressed air. Typically utilised in shallow drilling of weathered or poorly consolidated rock.
<i>alteration</i>	The change in the mineral composition of a rock, commonly due to hydrothermal activity.
<i>aquifer</i>	Porous and permeable rock or strata that contains or acts as a conduit for groundwater.
<i>Archaean</i>	The oldest rocks of the Precambrian era, older than about 2,500 million years before the present.
<i>arsenide</i>	A complex compound or mineral of arsenic.
<i>auger drilling</i>	A rotary drilling technique which uses a blade drill bit and screw auger shaft to return sample to the surface.
<i>basin</i>	A large depression within which sediments are sequentially deposited and lithified.
<i>breccia</i>	Rock comprising angular fragments enclosed in a matrix, usually the result of persistent fracturing by tectonic or hydraulic means.
<i>calcite</i>	A mineral of composition CaCO_3 (calcium carbonate) which is an essential constituent of limestones and marbles.
<i>calcrete</i>	Superficial residual deposits cemented by or precipitated from groundwater as secondary calcium carbonate as a result of evaporation.
<i>carbonaceous</i>	Containing carbon, often in the form of graphite.
<i>carbonate</i>	Rock of sedimentary or hydrothermal origin, composed primarily of calcium, magnesium or iron and CO_3 . Essential component of limestones and marbles.
<i>carnotite</i>	Yellow, strongly radioactive, potassium, uranium vanadate $\text{K}_2(\text{UO}_2)_2(\text{VO}_4)_2 \cdot 3\text{H}_2\text{O}$, usually occurring as a secondary uranium mineral deposited or precipitated from meteoric waters.
<i>chalcedonic silica</i>	Cryptocrystalline and hydrated silica, usually deposited at low temperatures.
<i>chert</i>	Fine grained sedimentary rock composed of cryptocrystalline silica.
<i>chlorite</i>	A green coloured hydrated aluminium-iron-magnesium silicate mineral (mica) common in metamorphic rocks.
<i>coffinite</i>	A naturally occurring ore mineral of uranium, $\text{U}(\text{SiO}_4)_{1-x}(\text{OH})_{4x}$, commonly fine-grained and mixed with organic matter and other minerals.
<i>complex</i>	An assemblage of rocks of any age or origin that has been folded or intruded together.
<i>conglomerate</i>	A rock composed predominantly of rounded pebbles, cobbles or boulders deposited by the action of water.
<i>contact</i>	Surface which marks the change between rocks of different type.
<i>craton</i>	Large, and usually ancient, stable mass of the earth's crust.
<i>Cretaceous</i>	The third and final period of the Mesozoic era, between 141 and 65 million years ago.
<i>deform</i>	A general term for the process of folding, faulting, shearing, compression or extension of rocks as a result of stress.

<i>diamond drilling</i>	Method of obtaining a cylindrical core of rock by drilling with a diamond set or diamond impregnated bit.
<i>dip</i>	The angle at which a rock stratum or structure is inclined from the horizontal.
<i>dolerite</i>	A medium grained mafic intrusive igneous rock composed mostly of pyroxenes and sodium-calcium feldspar.
<i>dolomite</i>	A rock or mineral composed of calcium and magnesium carbonate.
<i>dome</i>	An anticlinal structure that plunges in both directions.
<i>electromagnetic survey</i>	A geophysical technique whereby transmitted electromagnetic fields are used to energise and detect conductive material beneath the earth's surface.
<i>euxenite</i>	An ore mineral or uranium, $(Y,Ca,Ce,U,La,Th)(Nb,Ta,Ti)_2O_6$, commonly found in pegmatites.
<i>fabric</i>	The spatial and geometrical configuration of all those components that make up a deformed rock or terrain.
<i>fault</i>	A fracture or fracture zone, along which displacement of opposing sides has occurred.
<i>felsic</i>	Light colour rocks containing an abundance of any of the minerals feldspar, feldspathoid and silica, synonymous with acidic.
<i>fluvatile</i>	Material transported and deposited in rivers and streams.
<i>fold</i>	A planar sequence of rocks or a feature bent about an axis.
<i>g/t</i>	Grams per tonne, a standard mass unit for demonstrating the concentration of precious metals in a rock, equivalent to parts per million (ppm).
<i>glacigene</i>	Material deposited by glacial action.
<i>gneiss</i>	A coarse grained, banded, high grade metamorphic rock.
<i>granite</i>	A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate mica.
<i>granitoid</i>	A general term to describe coarse grained felsic intrusive igneous rocks resembling granite.
<i>graphitic</i>	Containing graphite, a form of carbon.
<i>gravity survey</i>	Recording the specific gravity of rock masses in order to determine their distribution at depth.
<i>greenstone</i>	Term commonly applied to low metamorphic grade rocks of basic composition and comprised largely of the minerals albite, chlorite and amphibole. Commonly applied to Archaean rock sequences dominated by these rock types.
<i>gummite</i>	A mixture of yellow or orange secondary uranium oxides formed by the alteration of uraninite (pitchblende).
<i>haematite</i>	A common oxide ore of iron, Fe_2O_3 .
<i>haematitic</i>	Containing the iron oxide mineral haematite.
<i>hyper-spectral survey</i>	Measurement of electromagnetic radiation within the infra-red, visible and microwave windows to map variations in mineral compositions at the surface.
<i>illite</i>	A hydrated clay mica.



<i>intermediate</i>	A rock unit which contains a mix of felsic (acidic) and mafic (basic) minerals.
<i>intra-cratonic</i>	Situated between or within cratons.
<i>intrusive</i>	Refers to a magma which has solidified before reaching the earth's surface.
<i>kaolinite</i>	A white clay mineral or hydrous aluminium silicate, usually derived by the weathering of aluminous feldspar.
<i>kg/t</i>	Kilograms per tonne, a standard mass unit for demonstrating the concentration of uranium in a rock.
<i>lacustrine</i>	Lake environment.
<i>laterite</i>	A cemented residuum of weathering, generally leached in silica with a high alumina and/or iron content.
<i>limestone</i>	A sedimentary rock containing at least 50% calcium or calcium-magnesium carbonate.
<i>magnetic anomaly</i>	Zone where the magnitude and orientation of the earth's magnetic field differs from adjacent areas.
<i>Mesoproterozoic</i>	Middle Proterozoic era of geological time, between 1,600 million years and 1,000 million years ago.
<i>metamorphose</i>	Alteration of rock and changes in mineral composition due to the effects of pressure, temperature and fluids.
<i>meta-sedimentary</i>	A sedimentary rock that has been metamorphosed.
<i>mineralogical studies</i>	Study of a rock via the compositions and properties of the contained minerals. Includes mineral analysis by X-ray and optical microscopy.
<i>montmorillonite</i>	An expandable hydrated clay mineral of the smectite group, $(\text{Na,Ca})_{0.33}(\text{Al,Mg})_2\text{Si}_4\text{O}_{10}(\text{OH})_2 \cdot n\text{H}_2\text{O}$.
<i>mudstone</i>	Sedimentary rock formed from mud or clay.
<i>Neoproterozoic</i>	Late Proterozoic era of geological time, between 1,000 million years and 545 million years ago.
<i>orogen</i>	A belt of deformed rocks, usually comprising metamorphic and intrusive igneous rocks, frequently occurring along the collision zone between cratons.
<i>palaeo-channel</i>	A preserved, inactive river channel in-filled with partially consolidated fluvial sediments that may continue to carry water in the subsurface.
<i>palaeo-drainage</i>	A preserved, inactive river system in-filled with partially consolidated fluvial sediments that may continue to carry water in the subsurface.
<i>Palaeoproterozoic</i>	Early Proterozoic era of geological time, between 2,500 million years and 1,600 million years ago.
<i>palaeo-regolith</i>	An ancient soil and/or weathering profile that has been preserved by overlying strata.
<i>pathfinder</i>	A trace element that is indicative of the presence of another trace element of economic significance.
<i>pegmatite</i>	A very coarse grained intrusive felsic igneous rock which commonly occurs in dyke-like bodies containing lithium, boron, fluorine, rare and earth bearing minerals.
<i>percussion drilling</i>	A drilling method which uses a percussive hammer on a set of drill rods to drill a hole, using compressed air to power the hammer and remove drill cuttings.



<i>phyllite</i>	A metasedimentary rock displaying a platy cleavage.
<i>pitchblende</i>	Oxide ore of uranium containing UO_2 and $\text{UO}_2\cdot\text{H}_2\text{O}$, representing a thorium poor variety of uraninite.
<i>platinum group metals</i>	A group of elements that includes platinum and palladium.
<i>playa</i>	Ephemeral salt lake.
<i>porcellanous</i>	Has the physical characteristics of porcelain.
<i>ppb</i>	Parts per billion; a measure of low level concentration, equivalent to grams per tonne (g/t).
<i>principle component analysis (PCA)</i>	Technique to capture the variance of principle components in datasets by summarising the defining factors whilst simultaneously filtering out noise.
<i>Proterozoic</i>	An era of geological time spanning the period from 2,500 million years to 545 million years before present.
<i>radioactivity</i>	The spontaneous decay or disintegration of an unstable atomic nucleus, accompanied by the emission of radiation.
<i>radiometric</i>	Data relating to the radioactivity emitted by rocks at or near the earth's surface, usually collected by helicopter or fixed wing aircraft.
<i>radiometric logging</i>	The collection and recording of data relating to the radioactivity emitted by rocks at, near or below the earth's surface.
<i>radon survey</i>	The systematic measurement of radon gas concentrations emitted as a result of radioactive decay to detect uranium concentrations or determine safe operating conditions.
<i>RC drilling</i>	A drilling method in which the fragmented sample is brought to the surface inside the drill rods, thereby reducing contamination.
<i>reworked</i>	Components derived from an older sedimentary formation and incorporated into a younger one.
<i>rock chip sampling</i>	The collection of selective or representative samples of rock fragments within a limited area.
<i>sandstone</i>	A sedimentary rock composed of cemented or compacted detrital minerals, principally quartz grains.
<i>secondary</i>	Pertains to minerals or mineral deposits that have been modified or upgraded by chemical and/or physical processes, leading to a change in composition or form.
<i>selenide</i>	A complex compound or mineral of selenium.
<i>sericite</i>	A white or pale apple green potassium mica, very common as an alteration product in metamorphic and hydrothermally altered rocks.
<i>shale</i>	A fine grained, laminated sedimentary rock formed from clay, mud and silt.
<i>shear</i>	A zone in which rocks have been deformed and dislocated primarily by ductile means in response to applied stresses.
<i>sheet</i>	A general term for a tabular body or deposit of rock.
<i>silcrete</i>	Superficial deposit or precipitate formed by low temperature chemical processes associated with ground waters, and composed of fine grained, hydrated minerals of silica.
<i>sill</i>	Sheet of intrusive igneous rock which is flat lying or has intruded parallel to stratigraphy.



<i>siltstone</i>	A rock intermediate in character between shale and sandstone, composed of silt-sized grains.
<i>stratigraphic</i>	Composition, sequence and correlation of stratified rocks.
<i>sulphide</i>	A metallic mineral containing sulphur, usually comprising or associated with mineralisation.
<i>telluride</i>	A complex compound or mineral of tellurium.
<i>Tertiary</i>	Subdivision of the Cainozoic era, covering the period from 65 to 1.8 million years ago.
<i>total dissolved solids (TDS)</i>	Concentration of soluble minerals or salts within water.
<i>tourmaline</i>	A complex aluminium silicate mineral containing boron.
<i>transition zone</i>	Partly oxidised ore or material intermediate between the oxide zone and the primary zone.
<i>unconformably</i>	Having the relation of uniformity to the underlying rocks; not succeeding the underlying strata in immediate order of age or parallel position.
<i>unconformity</i>	A term applied to a contact between stratigraphic units emplaced in an interrupted succession and not in parallel position.
<i>uranium-channel</i>	Radioactive data relating to the radioactivity emitted exclusively by uranium within rocks at or near the earth's surface.



Section 6

Investigating Accountant's Report

Grant Thornton 

Grant Thornton Western Australian Partnership
ABN 21 965 022 882
Chartered Accountants, Business Advisers and Consultants

8 February 2006

The Directors
Encounter Resources Limited
Level 1
46 Parliament Place
WEST PERTH WA 6005

Gentlemen

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

This report has been prepared by Grant Thornton for inclusion in the Prospectus dated on or about 9 February 2006 for the proposed offer of up to 20,000,000 shares in Encounter Resources Limited ("Encounter" or "the company"), at 20 cents per share (the "Prospectus"), to raise \$4,000,000 (the "Offer") with the right to accept over subscriptions of 5,000,000 shares, at 20 cents per share, to raise an additional \$1,000,000. The minimum subscription under the Offer is \$4,000,000. The Offer is not underwritten.

Grant Thornton has been requested to:

- Form an opinion on whether the historical financial information disclosed in Appendix 1 to this Report is fairly presented in accordance with generally accepted accounting principles as applied in Australia for reporting on financial information in a Prospectus; and
- Report whether anything has come to our attention which would cause us to believe that the unaudited pro-forma financial information disclosed in the Appendix 2 to this Report is not properly drawn up in accordance with the basis of preparation and assumptions set out therein and with generally accepted practice as applied in Australia for presenting pro-forma financial information in a prospectus.
- Report on whether anything has come to our attention that would cause us to believe that the Australian Equivalents to International Financial Reporting Standards ("AIFRS") financial information (as disclosed in Appendix 1 to this Report) has not been prepared in accordance with the recognition and measurement principles prescribed in the AIFRS effective at the date of this report.

The Directors of Encounter have prepared and are responsible for, the historical and pro-forma financial information included in the Appendices to this Report. They are also responsible for the assessment of the impact and potential adjustments from Generally Accepted Accounting Principles in Australia ("GAAP") on the adoption of AIFRS as set out in Appendix 1 to this Report.

Expressions defined in the Prospectus have the same meaning in this report.

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Grant Thornton is a trademark owned by Grant Thornton International and used under licence by independent firms and entities throughout the world.

2. Background Information

The purpose of this Report is to set out information relevant to the historical financial performance of Encounter and the unaudited pro-forma financial position of Encounter as at 31 December 2005, included in the Appendices to this report.

Encounter was incorporated on 30 June 2004 for the purposes of acquiring mineral interests and conduct of mineral exploration in Western Australia.

The company has interests in the following projects:

- Yeelirrie Channel Projects;
- Lake Way South Projects;
- Leonara Regional Projects;
- Officer Basin Projects; and
- Bangemall Basin Projects.

3. Financial Information

3.1 Historical Financial Information

The historical financial information of Encounter, provided in Appendix 1 to this Report, comprises:

- The audited Statement of Financial Performance and Statement of Cash Flows for the year ended 30 June 2005;
- The audited Statement of Financial Position as at 30 June 2005; and
- Notes to the financial statements.

The historical financial information has been prepared on the basis detailed above, and in accordance with the accounting policies set out in Note 1 of Appendix 1 to this Report.

3.2 Unaudited Pro-Forma Financial Information

The unaudited pro-forma financial information of Encounter provided in Appendix 2 of this report, comprises:

- (i) The audited Statement of Financial Position of Encounter as at 30 June 2005.
- (ii) Conversion of one ordinary share held by Mr Will Robinson at 30 June 2005 into 33,300 ordinary shares
- (iii) Further advances made by Mr Will Robinson of \$30,000 post 30 June 2005.
- (iv) The issue of 100,000 ordinary shares to directors to raise \$100,000.
- (v) The issue of 200,000 ordinary shares to Mr Will Robinson in satisfaction of \$200,000 of loans made to the company.
- (vi) Repayment of amounts owing to Mr Will Robinson of \$34,336.
- (vii) Share split on the basis of 93 for 1 ordinary share during October 2005.
- (viii) The issue to seed capital investors of 4,000,000 ordinary shares to raise \$400,000 consisting of 4,000,000 shares issued at 10 cents each.
- (ix) The Unaudited Pro-Forma Balance Sheet of Encounter as at 31 December 2005, based on the issue of 20,000,000 shares at 20 cents each under the Offer to raise \$4,000,000.
- (x) The write off against share capital of the costs associated with the Offer of \$464,000.
- (xi) Operating activities of the company for the period 1 July 2005 to 31 December 2005 resulted in the following transactions:
 - Payment of suppliers \$196,263
 - Prepaid tenement rentals \$40,781
 - Plant and equipment purchases \$2,158
 - GST received \$6,940
 - Payment of accruals \$7,964
 - GST receivable \$12,668
 - Prepaid expenses \$2,082
 - Prospectus costs incurred and paid post 1 July 2005 and pre 31 December 2005 \$91,590

The unaudited pro-forma financial information is based on the overriding assumption that Encounter will obtain official quotation on the ASX. The pro-forma financial information has been derived from the historical financial information which has been adjusted in respect of the Unaudited Pro-forma Balance Sheet, to give effect to transactions that occurred after 30 June 2005 that have had or will have a significant effect on the capital structure of Encounter.

4. Scope of Review

4.1 Historical Financial Information

The historical financial information has been extracted from the audited financial report of Encounter for the year ended 30 June 2005.

The financial report was audited by Grant Thornton and the audit opinion issued was unqualified.

4.2 Pro-Forma Financial Information

Grant Thornton has reviewed the pro-forma financial information in accordance with Australian Auditing Standards applicable to review engagements to report whether, on the basis of the procedures described, anything has come to its attention which would cause it to believe that the pro-forma financial information disclosed in Appendix 2 to this report is not properly drawn up in accordance with the basis of preparation and assumptions set out therein.

The review procedures were substantially less in scope than an audit examination conducted in accordance with generally accepted auditing standards. The review was limited primarily to:

- Enquiries of senior management of Encounter;
- Review of relevant working papers, accounting records and other documentation supporting the adjustments and the assumptions on which they are based; and
- Review of the Unaudited Pro-forma Balance Sheet to determine that it is in accordance with Encounter's current accounting policies and the key assumptions underlying its preparation.

Having regard to the nature of the review, which provides less assurance than an audit, and to the nature of the pro-forma financial information, this report does not express an audit opinion on the unaudited pro-forma financial information included in Appendix 2 to this report.

4.3 AIFRS Financial Information

We have reviewed the AIFRS financial information contained in Appendix 1 to this Report in order to state whether anything has come to our attention which causes us to believe that the AIFRS financial information has not been prepared in accordance with the recognition and measurement principles prescribed in the AIFRS effective at the date of this Report and as considered relevant and appropriate to the Company.

The Directors of the Company have determined the impact of transitioning to AIFRS. The disclosures set out in Appendix 1 to this Report reflect elections the Directors have made in considering the first time adoption of AIFRS. We note, the Directors may, at any time until completion of the first AIFRS compliant financial report, elect to revisit, and where necessary, revise the accounting policies and disclosures to be applied arising from the transition to AIFRS. Accordingly the Company's first AIFRS compliant financial report may differ from the disclosure (including the 30 June 2005 comparative year) set out in Appendix 1 to this Report.

5. Opinions

5.1 Historical Financial Information

In Grant Thornton's opinion, based on the scope of its procedures, the historical financial information, comprising:

- The audited Statement of Financial Performance and Statement of Cash Flows for the year ended 30 June 2005; and
- The audited Statement of Financial Position as at 30 June 2005; and
- Notes to the financial statements;

is fairly presented in accordance with generally accepted accounting principles as applied in Australia for reporting on financial information in a prospectus.

5.2 Unaudited Pro-Forma Financial Information

Based on Grant Thornton's review, which is not an audit, nothing has come to its attention which would cause it to believe that the unaudited pro-forma financial information, comprising the Unaudited Pro-forma Balance Sheet as at 31 December 2005 is not properly drawn up in accordance with the basis of preparation and assumptions set out in Note 1 of Appendix 1 to this report and with generally accepted practice as applied in Australia for presenting pro-forma financial information in a prospectus.

5.3 AIFRS Financial Information

Based on our review which is not an audit, nothing has come to our attention which causes us to believe that the AIFRS financial information contained in Appendix 1 to this Report has not been prepared in accordance with the recognition and measurement principles prescribed in AIFRS effective at the date of this Report relevant to the Company.

6. Subsequent Events

To the best of Grant Thornton's knowledge and belief, there have been no material items, transactions or events subsequent to 30 June 2005 not otherwise disclosed in this report that have come to its attention during the course of its review which would cause the information included in this report to be misleading.

7. Independence

We recommend that intending investors consult their own professional advisers for independent advice that an investment pursuant to the Prospectus to which this Report relates is appropriate for their individual circumstances. Intending investors should also note that:

- Grant Thornton has not been involved in any other aspect of the Prospectus and did not authorise or cause the issue of any other part of the Prospectus and we have only issued our consent in respect of inclusion of this report in the Prospectus;
- Neither Grant Thornton nor any of the partners of Grant Thornton have any interest in the company, except for the fact that Grant Thornton are the appointed auditors of Encounter;
- The giving of our consent to the inclusion of this Report in the Prospectus should not be taken as an endorsement of the company or a recommendation by Grant Thornton of any participation in the share issue by any intending investors;
- Grant Thornton gives no assurance or guarantee whatsoever in respect of the future success of or financial returns associated with the subscription of shares being offered pursuant to the Prospectus; and
- Grant Thornton does not have any interest in the outcome of the listing of the shares other than in connection with the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Yours faithfully

GRANT THORNTON

WESTERN AUSTRALIAN PARTNERSHIP



GREG LEGUIER

Partner

Appendix 1

Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2005

	Note	30 June 2005 \$
Revenue from ordinary activities	2	—
Consultant costs		27,526
Exploration expenditure		34,360
Administrative expenses		9,404
		<hr/>
Loss from ordinary activities before income tax expense	3	71,290
Income tax expense relating to ordinary activities	4	—
		<hr/>
Loss from ordinary activities after related income tax expense		71,290
		<hr/>
Net loss		71,290
		<hr/>

The accompanying notes form part of these financial statements.

Statement of Financial Position

AS AT 30 JUNE 2005

	Note	30 June 2005 \$
CURRENT ASSETS		
Cash assets	5	22,315
Receivables	6	1,876
Other	7	116,820
		<hr/>
TOTAL CURRENT ASSETS		141,011
		<hr/>
TOTAL ASSETS		141,011
		<hr/>
CURRENT LIABILITIES		
Payables	8	7,964
Other	9	204,336
		<hr/>
TOTAL CURRENT LIABILITIES		212,300
		<hr/>
TOTAL LIABILITIES		212,300
		<hr/>
NET (DEFICIENCY OF) ASSETS		(71,289)
		<hr/>
EQUITY		
Contributed equity	10	1
Accumulated losses	11	(71,290)
		<hr/>
TOTAL EQUITY		(71,289)
		<hr/>

The accompanying notes form part of these financial statements.

Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2005

	Note	30 June 2005 \$
Cash flow from operating activities		
Receipts from operations		15,882
Interest received		—
Payments to suppliers and employees		(193,637)
Net cash (used in) operating activities	16(b)	(177,755)
Cash flows from financing activities		
Proceeds from share issues		—
Proceeds from borrowings		200,070
Net cash provided by financing activities		200,070
Net increase in cash held		22,315
Cash at beginning of period		—
Cash at end of period	16(a)	22,315

The accompanying notes form part of these financial statements.

Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

1. Statement of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a general-purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report covers Encounter Resources Limited as an individual entity. Encounter Resources Limited is an unlisted public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical cost and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. Accounting policies have been consistently applied throughout the year unless otherwise stated.

(b) Taxation

Income Tax

The Company adopts the liability method of tax effect accounting.

Income tax expense is calculated on the profit or loss from ordinary activities adjusted for permanent differences. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company.

(d) Exploration, evaluation and development expenditure

Application fees and tenement rentals on exploration licenses are expensed.

Exploration, evaluation and development costs in respect of each identifiable area of interest are expensed as incurred.

Exploration, evaluation and development costs comprise acquisition costs, direct exploration and evaluation costs and an appropriate portion of related overhead expenditure but do not include general overhead expenditure which has no direct connection with a particular area of interest.

(e) Goods and Services Tax

Revenues, expenses, liabilities and assets are recognised net of the amount of goods and services (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority or recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Notes to and Forming Part of the Financial Statements (Cont'd)
FOR THE YEAR ENDED 30 JUNE 2005

1. Statement of Significant Accounting Policies (Cont'd)

(f) Revenue Recognition

Interest Income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(g) Cash

For the purpose of the statement of cash flows, cash includes:

- Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- Investments in money market instruments with less than one month to maturity.

(h) Comparatives

No comparatives have been disclosed as the Company was incorporated on 30 June 2004. The first reporting year of the Company is therefore the year ended 30 June 2005.

(i) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(j) Interests in Joint Ventures

The Company's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the statements of financial performance and financial position. Details of the Company's interests are shown in Note 21.

(k) Adoption of Australian Equivalents to International Financial Reporting Standards

The Australian Accounting Standards Board ("AASB") is adopting International Financial Reporting Standards ("IFRS") for application to reporting periods beginning on or after 1 January 2005. The AASB has issued AASB equivalents to IFRS, and Urgent Issues Group Abstracts ("UIG") corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. These Australian pronouncements are known as Australian equivalents to IFRS ("AIFRS"). The adoption of AIFRS will be first reflected in the financial statements of the Company for the year ending 30 June 2006.

The Company will manage the transition to the new standards by reviewing the revised standards and UIG to identify key differences in accounting policies that are expected to arise on the adoption of AIFRS.

Following a review of the Australian equivalents to IFRS, set out below are the likely affects of adopting AIFRS.

Impairment of Assets

The company determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. In determining value in use, cashflows must now be discounted. Management do not expect this change in accounting policy to have any impact on the carrying value of the Company's assets on transition to AIFRS, or at 30 June 2005.

Exploration Expenditure

The company considers that the existing accounting policy on exploration and evaluation complies with the requirements of AASB 6, resulting in information that is relevant to the economic decision-making needs of users and so does not expect there to be any impact on the financial statements of the Company as a result of the transition to AIFRS.

It is noted that AASB 6 does not deal with development expenditure, however this does not currently impact on the Company's financial statements as it does not yet have any assets at the development stage.

Notes to and Forming Part of the Financial Statements (Cont'd)
FOR THE YEAR ENDED 30 JUNE 2005

1. Statement of Significant Accounting Policies (Cont'd)

(k) Adoption of Australian Equivalents to International Financial Reporting Standards (Cont'd)

Joint Ventures

The option of using either proportionate consolidation or equity accounting for jointly controlled entities (allowed under the international standard) will not be available – equity accounting must continue to be used. Existing Australian disclosure requirements regarding joint venture entities must also be retained.

The Company does not expect this change in accounting policy to have any significant impact on the financial statements of the company.

Income Tax

Under AASB112, deferred tax balances will be determined using the balance sheet method, which calculates temporary differences based on the carrying amounts of the Company's assets and liabilities in the statements of financial position and their associated tax bases. Current and deferred taxes attributable to amounts recognized directly in equity will also be recognized directly in equity.

This will represent a change to the current accounting policy under which deferred tax balances are determined using the income statement method, items are only tax effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognized directly in equity.

There is not expected to be any material affect on the carrying value of assets and liabilities of the company as a result of this change in accounting policy.

Share Based Payments

Under AASB2 Share Based Payments, the Company will be required in the future to recognise as an expense any options issued to employees under any Company employee share option plan. No options have been issued by the Company at the reporting date and accordingly there would be no effect on the financial statements.

Impact on Statement of Financial Position as at 30 June 2005, Statement of Financial Performance for the year ended 30 June 2005 and Statement of Cash Flows for the year ended 30 June 2005

It has been assessed by the Company that there will be no material impact.

2. Revenue

Operating Activities:

Interest received

Total Revenue

30 June 2005
\$

—

—

3. Loss from Ordinary Activities

Loss from ordinary activities before income tax has been determined after:

Expenses:

Consultant costs

Exploration expenditure

Administrative expenses

27,526

34,360

9,404

Notes to and Forming Part of the Financial Statements (Cont'd)
FOR THE YEAR ENDED 30 JUNE 2005

30 June 2005
\$

4. Income Tax Expense

- a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(21,387)
Less:	
Tax effect of:	
– Non deductible expenditure	1,251
Future income tax benefits not brought to account	20,136
Income Tax Expense	–

- b) Future income tax benefits not brought to account and carried forward in relation to:

Tax Losses	20,136
Timing Differences	35,046
	55,182

- c) The future income 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 deductions for the losses.

5. Cash Assets

Cash at bank (refer Note 16(a))	22,315
---------------------------------	--------

6. Receivables

Goods and services tax recoverable	1,876
------------------------------------	-------

7. Other Assets

Prepaid tenement rentals	116,820
--------------------------	---------

8. Payables

Unsecured:	
Accrued expenses	7,964
	7,964

9. Other Current Liabilities

Amounts payable to Directors (refer Note 15(b))	204,336
---	---------

Amounts payable to directors are unsecured and interest free.

Notes to and Forming Part of the Financial Statements (Cont'd)
FOR THE YEAR ENDED 30 JUNE 2005

30 June 2005
\$

10. Contributed Equity

Issued and paid up capital (1 ordinary share, fully paid)

1

Movement in contributed equity:

Balance at beginning of period

—

Issued on incorporation

1

Balance at the end of period

1

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion of the number of shares held.

At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on the show of hands.

Share Options

There are no unissued shares for which options are outstanding at the date of this report.

11. Accumulated Losses

Accumulated loss at the beginning of the year

—

Net loss attributable to the members of the Company

(71,290)

Accumulated losses at the end of the year

(71,290)

12. Directors' Remuneration

- a) The numbers of directors whose incomes from the Company or any related parties were within the specified bands are as follows:

2005
No.

\$0 – \$9,999

5

2005
\$

Income paid or payable to all directors, from the Company and related parties.

—

- b) **Remuneration of Executives**

There are no executive officers of the Company whose remuneration was \$100,000 or more.

13. Financial Reporting by Segments

Since incorporation the Company has operated predominantly within one business and geographical segment being the acquisition of mineral interests and mineral exploration in Western Australia.

14. Auditors' Remuneration

Remuneration for auditing the financial report.

4,750

Notes to and Forming Part of the Financial Statements (Cont'd)
FOR THE YEAR ENDED 30 JUNE 2005

15. Related Party Transactions

a) Directors

The names of each person holding the position of Director of the Company during the year were:

Paul Chapman (Chairman) – Appointed 8 October 2005
 Will Robinson (Managing Director) – Appointed 30 June 2004.
 Peter Bewick (Exploration Director) – Appointed 8 October 2005
 Stephen Abbott (Director) – Appointed 14 April 2005, Resigned 17 October 2005
 Edward Robinson (Director) – Appointed 14 April 2005, Resigned 17 October 2005

Directors Interests

The directors held the following shares in the Company at reporting date.

	Ordinary Shares
Paul Chapman (Chairman)	
Appointed 7 October 2005	–
Will Robinson (Managing Director)	
Appointed 30 June 2004	1
Peter Bewick (Exploration Director)	
Appointed 7 October 2005	–
Stephen Abbott (Director)	
Appointed 14 April 2005, Resigned 17 October 2005	–
Edward Robinson (Director)	
Appointed 14 April 2005, Resigned 17 October 2005	–

Directors' remuneration is disclosed at Note 12(a). Other transactions with Directors are disclosed at Note 15(b) below.

b) Transactions with Directors

Transactions between related parties are on normal terms and conditions no more favourable than those available to other parties unless otherwise stated.

Loans from Directors

At 30 June 2005, the following amounts were owed to directors of the company:

	30 June 2005
	\$
Will Robinson	204,336
	<hr/> 204,336 <hr/>

The above amounts are unsecured, interest free and it is the intention of the Company that they will be repaid within 12 months of balance date.

Of the balance owing \$4,267 was advanced pursuant to the terms of a loan agreement between Mr Will Robinson and the Company dated 30 August 2004 with repayment required on 30 August 2007. A further \$200,000 was advanced pursuant to the terms of a second loan agreement dated 29 December 2004 with repayment required on 30 December 2007. Both loans are unsecured, interest free and have no penalty should they be repaid earlier than the due date by the Company.

Share Transactions of Directors

Directors and their director related entities hold directly, indirectly or beneficially, as at reporting date, the following equity interests in the company:

	Number
– Fully paid ordinary shares	1

Notes to and Forming Part of the Financial Statements (Cont'd)
FOR THE YEAR ENDED 30 JUNE 2005

30 June 2005
\$

16. Cash Flow Information

- a) Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank and on hand	22,315
b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities	
Loss from ordinary activities after income tax	(71,290)
Non-cash flows in loss from ordinary activities	4,267
Prepaid Tenement Rentals	(116,820)
Changes in assets and liabilities	
– (Decrease)/increase in accruals	7,964
– (Increase)/decrease in receivables	(1,876)
Net cash used in operating activities	(177,755)

17. Financial Instruments

- a) **Interest Rate Risk Exposures**

The exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

30 June 2005	Floating Interest Rate \$	Fixed Interest Rate \$	Non- Interest Bearing \$	Total \$	Weighted Average Int. Rate
Financial Assets					
Cash	–	–	22,315	22,315	–
Receivables	–	–	1,876	1,876	–
			24,191	24,191	–
Financial Liabilities					
Payables	–	–	7,964	7,964	–
Other current liabilities	–	–	204,336	204,336	–
	–	–	212,300	212,300	
Net Financial (Liabilities)	–	–	(188,109)	(188,109)	

- b) **Credit Risk Exposures**

Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with credit worthy counterparts and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The carrying amount of financial assets recorded in the Statement of Financial Position, net of any provisions for losses, represents the Company's maximum exposure to credit risk.

- c) **Net Fair Values of Financial Assets and Liabilities**

The carrying amounts of financial assets and financial liabilities as disclosed in the Statement of Financial Position approximate their estimated net fair value.

Notes to and Forming Part of the Financial Statements (Cont'd)
FOR THE YEAR ENDED 30 JUNE 2005

18. Subsequent Events

No matters or circumstances have arisen since the end of the period, which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial periods, other than the following:

- (i) During August and September 2005 Mr Will Robinson advanced the Company on an interest free and unsecured basis \$30,000.
- (ii) During September 2005, the ordinary share held by Mr Will Robinson at 30 June 2005 pursuant to a share split, was converted into 33,300 ordinary shares of the company.
- (iii) During September 2005, the company raised \$100,000 through the issue of a total of 100,000 ordinary shares to Mr Paul Chapman and Mr Peter Bewick (50,000 each).
- (iv) During October 2005, the company issued a total of 200,000 ordinary shares in satisfaction of \$200,000 of director loans from Mr Will Robinson.
- (v) During October 2005, the ordinary shares on issue at that time (333,300), pursuant to a share split, were converted into 30,996,900 ordinary shares of the company.
- (vi) During October 2005, the Company repaid the balance of advances owed to Mr Will Robinson of \$34,336.
- (vii) During November 2005, the Company issued to seed capital investors 4,000,000 ordinary shares to raise \$400,000 consisting of 4,000,000 shares issued at 10 cents each.
- (viii) The company has an IPO Prospectus raising for \$4 million underway (through the issue of 20,000,000 ordinary shares at 20 cents each). If successful, this will allow for ASX listing of the company to be achieved, and funds raised will be used in the exploration of interests in Western Australia.

The financial effect of the above transactions has not been brought to account at balance date.

19. Commitments

In order to maintain an interest in the exploration tenements in which the company is involved, the company is committed to meet the conditions under which the tenements were granted and the obligations of any joint venture agreements. The timing and amount of exploration commitments required as per the Mining Act, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest.

As at the reporting date the company had made application for a number of exploration tenements and was awaiting the grant of tenure. If tenure for the current applications is granted, the company will have an annual commitment in respect of those tenements totaling \$1,140,100. Financial commitments for subsequent periods will be determined at a future date.

20. Contingent Liabilities

The Company's activities in Australia are subject to the *Native Title Act*. Uncertainty associated with Native Title issues may impact on the Company's future plans.

The company is not aware of any Native Title issues that cannot be resolved through the normal legal process, should they arise.

The Company is not aware of any other matters that may impact upon its timely access to the land that comprises its project areas.

Notes to and Forming Part of the Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2005

21. Joint Ventures

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

The Company is entitled to earn a 60% interest in the Uranium Rights associated with exploration licence 53/1010 ("E53/1010") held by Avoca expending at least \$80,000 in permitted expenditure on E53/1010 by September 2006. Uranium rights means the right to explore and mine for uranium as well as the title to uranium recovered. The Company's interest in E53/1010 may also increase to 75% if Avoca elects to dilute its interest in the tenement.

If the Company earns an interest in the Uranium Rights in E53/1010, the parties have agreed to enter into a formal joint venture agreement.

Avoca has agreed to provide the following services to the Company in exchange for a 20% interest in any of the Tenements (other than E53/1010) and Applications (see Schedule 1 of this report) that are granted to the Company –

- (a) geological interpretation services;
- (b) tenement administration services;
- (c) early stage targeting expertise; and
- (d) geological and exploration methodology review.

The Company is responsible as manager for the joint venture for the day-to-day conduct of operation on E53/1010.

The carrying value in the above joint ventures represents exploration expenditure on mineral interests. This exploration expenditure has been accounted for in accordance with Note 1 (d).

Appendix 2

Unaudited Pro-Forma Balance Sheet AT 31 DECEMBER 2005

	Notes	Audited 30 June 2005 \$	Unaudited Pro forma 31 December 2005 \$
CURRENT ASSETS			
Cash assets	2	22,315	3,864,656
Receivables	3	1,876	7,604
Other	4	116,820	159,683
TOTAL CURRENT ASSETS		141,011	4,031,943
NON-CURRENT ASSETS			
Plant and equipment	5	—	2,158
TOTAL NON-CURRENT ASSETS		—	2,158
TOTAL ASSETS		141,011	4,034,101
CURRENT LIABILITIES			
Payables	6	7,964	—
Other	7	204,336	—
TOTAL CURRENT LIABILITIES		212,300	—
TOTAL LIABILITIES		212,300	—
NET (DEFICIENCY OF) ASSETS		(71,289)	4,034,101
EQUITY			
Contributed equity	8	1	4,236,001
Accumulated losses	9	(71,290)	(201,900)
TOTAL EQUITY		(71,289)	4,034,101

Unaudited Pro-Forma Balance Sheet

AT 31 DECEMBER 2005

1. Assumptions used in compiling the Unaudited Pro-forma Balance Sheet

The preceding table, which assumes official quotation of Encounter on the ASX, sets out:

- (i) The audited Statement of Financial Position of Encounter as at 30 June 2005 and the Unaudited Pro-Forma Balance Sheet as at 31 December 2005 which have reflected the following matters described in (ii) and (xi) below.
- (ii) Conversion of one ordinary share held by Mr Will Robinson at 30 June 2005 into 33,300 ordinary shares.
- (iii) Further advances made by Mr Will Robinson of \$30,000 post 30 June 2005.
- (iv) The issue of 100,000 ordinary shares to directors to raise \$100,000 during September 2005.
- (v) The issue of 200,000 ordinary shares to Mr Will Robinson in satisfaction of \$200,000 of loans made to the company and outstanding at 30 June 2005.
- (vi) Repayment of the balance of amounts owing to Mr Will Robinson of \$34,336.
- (vii) Share split on the basis of 93 for 1 ordinary shares during October 2005 at the time when there were 333,300 ordinary shares on issue.
- (viii) The issue to seed capital investors of 4,000,000 ordinary shares to raise \$400,000 (consisting of 4,000,000 ordinary shares issued at 10 cents each).
- (ix) The assumed issue of 20,000,000 ordinary shares at 20 cents each under the Offer to raise \$4,000,000.
- (x) The write off against share capital of the costs associated with the Offer of \$464,000. This includes \$91,590 incurred and paid post 1 July 2005 and prior to 31 December 2005.
- (xi) Operating activities of the company for the period 1 July 2005 to 31 December 2005 resulted in the following transactions:

■ Payment of suppliers	\$196,263
■ Prepaid tenement rentals	\$40,781
■ Plant and equipment purchases	\$2,158
■ GST received	\$6,940
■ Payment of accruals	\$7,964
■ GST receivable	\$12,668
■ Prepaid expenses	\$2,082
■ Prospectus costs incurred and paid post 1 July 2005 and pre 31 December 2005	\$91,590

**Unaudited
Pro forma
31 December 2005
\$**

2. Reconciliation of cash balance

Balance of cash as per historical Statement of Financial Position at 30 June 2005	22,315
Advances from Mr Will Robinson (Note 1 (iii))	30,000
Proceeds from share capital raising (Note 1 (iv))	100,000
Repayment of amounts owing to Mr Will Robinson (Note 1 (vi))	(34,336)
Seed capital raisings (Note 1 (viii))	400,000
Proceeds of the Offer (Note 1 (ix))	4,000,000
Costs of the Offer incurred and paid post 1 July 2005 and prior to 31 December 2005 (note 1 (xi))	(91,590)
Remaining costs of the Offer (Note 1 (x))	(372,410)
GST received (Note 1 (xi))	6,940
Payments to suppliers (Note 1 (xi))	(196,263)
Balance of cash as per the Unaudited Pro-forma Balance Sheet	<u>3,864,656</u>

3. Reconciliation of receivables

Balance of receivables as per historical Statement of Financial Position at 30 June 2005	1,876
GST received (Note 1 (xi))	(6,940)
GST receivable (Note 1 (xi))	<u>12,668</u>
Balance of receivables as per the Unaudited Pro-forma Balance Sheet	<u>7,604</u>

		Unaudited Pro forma 31 December 2005 \$
4. Reconciliation of other current assets		
Balance of other current assets as per Historical Statement of Financial Position at 30 June 2005		116,820
Prospectus costs incurred and paid post 1 July 2005 and prior to 31 December 2005 (Note 1 (xi))		91,590
Transfer of prospectus costs to share capital on ASX listing		(91,590)
Prepaid expenses (Note 1 (xi))		2,082
Prepaid tenement rentals (Note 1 (xi))		40,781
		<hr/>
Balance of other current assets as per the Unaudited Pro-Forma Balance Sheet.		159,683
5. Reconciliation of plant and equipment		
Balance of plant and equipment as per historical Statement of Financial Position at 30 June 2005		–
Plant and equipment purchases (Note 1 (xi))		2,158
		<hr/>
Balance of plant and equipment as per the Unaudited Pro-Forma Balance Sheet		2,158
6. Reconciliation of payables		
Balance of payables as per historical Statement of Financial Position at 30 June 2005		7,964
Accruals paid (Note 1 (xi))		(7,964)
		<hr/>
Balance of payables as per the Unaudited Pro-Forma Balance Sheet		–
7. Reconciliation of other current liabilities		
Balance of other current liabilities as per historical Statement of Financial Position at 30 June 2005		204,336
Amounts advanced by Mr Will Robinson post 1 July 2005 (Note 1 (iii))		30,000
Issue of shares in part satisfaction of amounts owed to Mr Will Robinson (Note 1 (v))		(200,000)
Repayment of balance of amounts owed to Mr Will Robinson (Note 1 (vi))		(34,336)
		<hr/>
Balance of other current liabilities as per Unaudited Pro-forma Balance Sheet		–
		<hr/>
	Unaudited Pro forma 31 December 2005 No.	Unaudited Pro forma 31 December 2005 \$
8. Reconciliation of contributed equity		
Balance of contributed equity as per historical Statement of Financial Position at 30 June 2005	1	1
Conversion of Mr Will Robinson's ordinary share pursuant to share split on the basis of 33,300 ordinary shares for one ordinary share (Note 1 (ii))	(1) 33,300	– –
Share capital raisings (Note 1 (iv))	100,000	100,000
Shares issued in satisfaction of loan from Mr Will Robinson (Note 1 (v))	200,000	200,000
	<hr/>	<hr/>
	333,300	300,001
	<hr/>	<hr/>
Share split of the basis of 93 for every 1 ordinary share (Note 1 (vii))	(333,300) 30,996,900	– –
Seed capital raising (Note 1 (viii))	4,000,000	400,000
	<hr/>	<hr/>
	34,996,900	700,001
	<hr/>	<hr/>

	Unaudited Pro forma 31 December 2005 No.	Unaudited Pro forma 31 December 2005 \$
8. Reconciliation of contributed equity (cont)		
Proceeds of the Offer (Note 1 (ix))	20,000,000	4,000,000
Costs associated with the Offer (Note 1 (x)) but not incurred pre-31 December 2005	–	(372,410)
Costs associated with the Offer incurred post 1 July 2005 and transferred from “prepayments” on listing on the ASX	–	(91,590)
Balance of contributed equity as per the Unaudited Pro-forma Balance Sheet	54,996,900	4,236,001
9. Reconciliation of accumulated losses		
Balance of accumulated losses as per historical Statement of Financial Position at 30 June 2005		(71,290)
Loss for period 1 July 2005 to 31 December 2005		(130,610)
Balance of accumulated losses as per the Unaudited Pro-forma Balance Sheet		(201,900)

10. Share Based Payments

On 1 February 2006, the Company entered into a share based payment arrangement with one of its employees. The terms of the arrangement are as follows:

- The employee will be granted with 100,000 unlisted options upon the company listing on the ASX, for nil consideration;
- Exercise price: 20 cents each;
- Exercise period: Anytime within 5 years of the company listing on the ASX;
- Vesting period: 12 months after the grant date.
- There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to Shareholders during the currency of the option.
- However, the Optionholder has the right to exercise their options prior to the date of determining entitlements to any capital issues to the then existing Shareholders of the Company made during the currency Options, and will be granted a period of at least nine (9) business days before the books closing date to exercise the Options; and
- All options will be cancelled upon the holder ceasing to be an employee of the Company unless the Directors in their absolute discretion (with no requirement to give any reasons therefore) resolve to extend the time for cancellation.

The fair value of the 100,000 unlisted options granted was \$10,500.

The fair value was calculated using a Black and Scholes Option pricing model applying the following inputs:

- Exercise price: 20 cents
- Exercise period: 5 years from grant date
- Underlying share price: 20 cents (upon ASX listing)
- Assumed volatility: 50%
- Risk free rate: 5.28% (at 1 February 2006)

Under the requirements of AASB2 – *Share Based Payments*, the fair value of the options granted is required to be expensed over the vesting period. However, upon immediate listing on the ASX, no amounts would be required to be recognised in the unaudited pro-forma Balance Sheet. The recognition of the expense would occur over the 12 month period commencing from the date of the company listing on the ASX and would result in the company recognising \$10,500 through the income statement with a corresponding amount being directly recognised in equity.

Section 7

Solicitor's Report on Mining Tenements

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2 February 2006

The Directors
Encounter Resources Limited
Level 1
46 Parliament Place
WEST PERTH WA 6005

Dear Sirs,

Solicitors' Report on Mining Tenements

Purpose

This report is being prepared for inclusion in a prospectus to be issued by Encounter Resources Limited ("**Company**") dated on or about 9 February 2006 to raise up to \$5,000,000.00 ("**Prospectus**").

We have been requested to report upon the exploration licences granted to the Company or in which the Company has an interest ("**Tenements**") and applications for mining tenements made by the Company ("**Applications**"). Details of the Tenements and Applications are listed in Schedule 1 attached to this report.

Opinion

As a result of our searches and enquiries, subject to the assumptions, qualifications and exceptions set out in this report, we are of the opinion that:

- (a) the information included in this report is accurate as to the status of the Tenements and Applications and the details of the registered holders and applicants;
- (b) all applicable rents and other fees due under the Mining Act 1978 ("**Mining Act**") in respect of the Tenements have been paid;
- (c) all expenditure requirements under the Mining Act have been complied with;
- (d) the Company's rights to explore the Tenements are subject to various conditions as noted in Schedule 1. The matters referred to in the section headed "Environmentally Sensitive Lands" below are likely to constrain the Company's exploration activities in some areas. The matters referred to under the section headed "Uranium Mining in Western Australia" should also be noted; and
- (e) all applications for determination of native title which affect the Tenements and Applications are noted in Schedule 3.

Sources of Information

For the purposes of preparing this report we have relied upon the following searches and enquiries with government agencies during the period 9 January to 31 January 2006:

- Searches of the register maintained by the Department of Industry and Resources ("DoIR") in relation to the Tenements and Applications;
- Quick Appraisal searches of TENGGRAPH database maintained by DoIR in relation to the Tenements and Applications;
- reports from the Land Claims Mapping Unit Division of the Department of Land Information ("DLI") concerning the correlation between native title claims and the Tenements and Applications;
- searches of the Register of Native Title Claims maintained by the National Native Title Tribunal ("NNTT"); and
- searches of the Register of Aboriginal Sites maintained by the Department of Indigenous Affairs ("DIA") in relation to the Tenements and Applications.

We also confirmed with DoIR the status of the Tenements and Applications as at 30 January 2006.

We have also relied upon information provided by the Company including:

- a copy of a joint venture agreement dated 1 April 2005 ("**Avoca joint venture agreement**") between the Company and Avoca Resources Limited ("**Avoca**");
- copies of various access agreements and Aboriginal heritage agreements entered into by the Company respectively with other tenement holders and native title claim groups whose claims affect some of the Tenements and Applications;
- information concerning the Tenements and Applications as noted in Schedule 1.

Mining Tenements – General

Exploration Licences

Subject to various conditions, the holder of an exploration licence under the Mining Act is authorised to:

- (a) enter the land for the purpose of exploration for minerals with employees, contractors and such vehicles, equipment and machinery as may be necessary; and
- (b) excavate, extract or remove earth, soil, rock, stone, fluid or mineral bearing substances not exceeding a total of 1,000 tonnes over the term of the licence or a greater tonnage approved by the Minister.

The term of an exploration licence is 5 years, however this may be extended for two further periods of one or two years under prescribed circumstances. The Minister may also extend the term of an exploration licence for further terms of one year under exceptional circumstances.

The holder of an exploration licence must relinquish not less than half of the blocks under the exploration licence at the expiration of the third year. A further relinquishment of not less than half of the blocks is also required at the expiration of the fourth year.

The holder of an exploration licence may not undertake commercial mining on an exploration licence. A mining lease is required for that purpose. However, the holder of an exploration licence has, subject to the Mining Act, the right to apply for and to have granted mining leases over the land (other than reserved land) the subject of that exploration licence. This is subject to the Minister's discretion under section 111A of the Mining Act to refuse the application on the grounds of public interest.

Mining Leases

Subject to various conditions, a mining lease granted under the Mining Act authorises the holder to mine for and dispose of any minerals on the land in respect of which the lease was granted, including doing all acts and things necessary to effectively carry out mining operations.

The term of a mining lease is 21 years which can be renewed for a further 21 years at the option of the holder.

Tenement Conditions

Mining tenements, including exploration licences and mining leases, are granted subject to various conditions prescribed by the Mining Act including the payment of rent, compliance with minimum expenditure and reporting requirements. They may not be transferred or encumbered without the approval of the Minister.

Mining tenements are also usually granted subject to specific conditions and limitations imposed by the Minister, including environmental requirements.

Company's Mining Tenements and Applications

The Company is registered as the holder of each of the Tenements other than exploration licence 53/1010 which is held by Avoca. Under the Avoca joint venture agreement, which is outlined in Schedule 2, the Company has a right to earn a 60% interest in uranium rights associated with exploration licence 53/1010 and Avoca has the right to acquire a 20% interest in the other Tenements and exploration licences granted to the Company pursuant to the Applications.

In order for the Applications to be validly granted the requirements of the Mining Act and the NTA must be complied with and the Minister responsible for the Mining Act or the Minister's delegate must exercise their discretion to grant the Applications.

In this regard, we refer to the sections below headed "Uranium Mining in Australia", "Environmentally Sensitive Lands" and "Native Title". We do not express an opinion whether any of the Applications will be granted. Indeed, DoIR has advised the Company that it has recommended against the grant of Applications 38/1790, 38/1791 and 38/1792 because they are within a nature reserve.

Uranium Mining In Western Australia

The Commonwealth Government and Western Australian State Government have adopted policies which presently restrict uranium mining.

The Commonwealth Government will only issue an export licence for uranium if it is satisfied the intended recipient will use the uranium for peaceful non-explosive purposes. The State Government has a policy opposing uranium mining and since 25 June 2002 all mining leases have been granted subject to a condition prohibiting the mining of uranium ore.

These policies should not restrict exploration for uranium. However, in order for the Company to mine uranium in Western Australia government policy would need to change.

Environmentally Sensitive Lands

Some of the Applications affect environmentally sensitive lands as noted in Schedule 1. This may result in a refusal to grant the relevant Applications or a refusal to permit exploration or mining activities or the imposition of restrictive conditions on these activities.

Specifically, exploration licence application 38/1786 affects the Yeo Lake/Lake Throssell wetland (WAO44) managed by the Commonwealth Department of Environment and Heritage which is recorded as a "wetland of national significance". Accordingly, the Company may need to obtain the consent of the Federal Minister of Environment and Heritage under the Environmental Protection and Biodiversity Conservation Act 1999 (Cth) ("EPBC Act") prior to the grant of this Application or the conduct of exploration activities. Applications 38/1790, 38/1791 and 38/1792 are affected by a National Estate Register site (NER9865). If an action, such as the grant of exploration licence, may have a significant impact on a National Estate Register site, approval of the Commonwealth Minister for Environment and Heritage may be required under the EPBC Act. In addition, Application 38/1786 is within a proposed State conservation reserve.

Applications 38/1790, 38/1791 and 38/1792 are also wholly within the Yeo Lake Nature Reserve (Crown Reserve 36271) which is a class A reserve vested in the Western Australian Wildlife Authority. As such, under sections 23 and 24 of the Mining Act, mineral exploration and mining cannot be conducted within the area of those Applications (if granted) without the prior consent of the Minister for Industry and Resources who must first consult and obtain the consent of the Minister for Environment. Furthermore, a mining lease or general purpose lease cannot be granted within the area of a class A reserve unless both Houses of Parliament by resolution consent to the grant.

We also note that the current policy of the Western Australian State Government is to "prohibit mineral or petroleum exploration or production in all National Parks, all Nature Reserves and all Marine Nature Reserves". DoIR has advised the Company that, in accordance with their policy, it has recommended that the Minister should not grant Applications 38/1790, 38/1791 and 38/1792.

The Company has made submissions to the Minister that an unqualified adherence to this policy would be a fetter of the Minister's discretion and the Applications should be considered on their merits. At the time of this report the Minister had not determined the Applications.

Even if Applications 38/1790, 38/1791 and 38/1792 are granted the Company will require the consent of the Minister before any exploration activities are undertaken and the matter is likely to be referred under the Environmental Protection Act 1987 (WA) for assessment which may or may not result in approval.

Agreements

Avoca Joint Venture Agreement

Under the Avoca joint venture agreement, the Company and Avoca have agreed to establish an unincorporated joint venture for the purpose of identifying, acquiring, evaluating and developing or selling mining tenements with potential uranium deposits in Western Australia. The joint venture agreement provides the Company with an opportunity to earn a 60% interest uranium rights associated with exploration licence 53/1010 held by Avoca. The Company has also agreed to assign to Avoca a 20% interest in the other Tenements and Applications, if granted, in consideration of various services to be provided by Avoca. A summary of the Avoca joint venture agreement is contained in Schedule 2.

Access Agreements

The Company has also entered into the following agreements –

- (a) Access Agreement with TEC Desert Pty Ltd and TEC Desert No. 2 Pty Ltd trading as Southern Cross Energy in relation to applications for exploration licences 36/520 and 33/542; and
- (b) Agreement with WMC Resources Ltd in relation to applications for exploration licences 36/540, 36/541 and 36/542.

These exploration licences, if granted, will encroach upon miscellaneous licences held by TEC Desert Pty Ltd and TEC Desert No. 2 Pty Ltd and by WMC Resources Ltd respectively. The agreements regulate the conditions under which the Company may access the common ground and provide that the Company is to indemnify the tenement holder for damage, costs and expenses in specified circumstances.

Aboriginal Heritage Agreements

The Company has also entered into various Aboriginal heritage protection agreements in relation to its exploration activities on some of the Tenements and some tenements to be granted under the Applications, if granted. These agreements are noted in Schedule 3.

Native Title

General

Australian common law recognises a form of native title which reflects the entitlement of Aboriginal people to their traditional lands in accordance with their traditional laws and customs.

The content and nature of native title must be proved and may vary from place to place and group to group. Native title may be wholly or partially extinguished, particularly by legislative and executive actions, such as the grant of a freehold title, which are inconsistent with the continued right to enjoy native title.

Where native title has been partially extinguished, native title rights will co-exist with other rights and interests in the land.

Native Title Act 1993 (Cth)

The Native Title Act 1993 (Cth) ("NTA") was enacted in response to the recognition of native title by the High Court of Australia in *Mabo -v- Queensland (No. 2)* (1992) 175 CLR 1. The NTA:

- provides a procedure under which native title claims and compensation claims may be made in the Federal Court;
- provides for the States and Territories to validate land and mining titles granted prior to 1 January 1994 (when the NTA commenced) and, in some circumstances, titles granted between 1 January 1994 and 23 December 1996 to the extent that the titles may have been invalid by reason of native title; and
- regulates all actions, including the grant of mining tenements, which affect native title rights.

Native Title Claims

Applications for a determination of native title are lodged with the Federal Court under the NTA. If a claim satisfies the registration test under the NTA it will be entered on the register of native title claims maintained by the National Native Title Tribunal ("NNTT"). Registered claims have access to procedural rights under the NTA in relation to actions such as land dealings which may affect native title rights.

Claims which fail the registration test must nevertheless be heard and determined by the Federal Court. Details of the native title claims affecting each of the Applications together with each claim's registration status are contained in Schedule 3.

Future Acts

Under the NTA, subject to certain exceptions, an act undertaken on or after 1 January 1994 which affects native title rights and interests, is known as a "future act".

A future act will be valid if it falls within one of a number of categories of actions specified in the NTA (Part 2 Division 3 Subdivisions B to P) and there is compliance with applicable procedural requirements. Accordingly, if the grant of a mining tenement on or after 1 January 1994 affected native title, subject to certain exceptions, it was or is a future act and will be valid only if the requirements of the NTA were or are complied with.

In order to determine whether, and to what extent, the grant of a mining tenement will affect native title, a determination must be made by the Federal Court as to whether native title exists in the area. Pending this determination, the validity of future acts such as the grant of mining tenements can be ensured if the State and the tenement applicant comply with the procedures of the NTA.

Generally, a mining tenement (a "right to mine" in the NTA) which affects native title may validly be granted in the following ways:

1. The **right to negotiate procedure** (Part 2 Division 3 Subdivision P) should be complied with in relation to mining tenements, other than those required solely for infrastructure purposes. This involves the notification and advertising of a proposed grant, negotiation by the State and tenement applicant with any registered native title claimants and, if agreement cannot be reached, determination by the NNTT. In the case of low impact mining tenements, the State may nominate the NTA expedited procedure. As a general practice the State of Western Australia nominates the expedited procedure in relation to exploration and prospecting licences provided that the tenement applicant has entered into a standard Aboriginal heritage protection agreement. If registered native title claimants do not object to the expedited procedure within four months the grant may proceed. If they do object and the objection is upheld by the NNTT, the right to negotiate procedure applies.
2. In the case of a mining tenement to be used solely for infrastructure purposes, such as a miscellaneous licence, the **infrastructure procedure** (section 24MD) should be complied with. This involves notification of a proposed grant, consultation by the tenement applicant with any registered native title claimants who lodge objections and, if requested by the objectors, a determination by an independent person.
3. The tenements may be approved under an **indigenous land use agreement** (Subdivisions B, C and D) which must be entered into with all the registered native title claimants for the area and registered under the NTA.

Notification of proposed future acts under section 29 of the NTA should be given in all areas unless native title has conclusively been extinguished. The future act procedures must then be complied with in those areas where at the end of the notification period there has been a determination by the Federal Court that native title exists or a registered native title claim is pending. The need to comply with NTA procedures can significantly delay the grant of mining tenements particularly if agreement cannot be reached with the registered native title claimants.

Expedited Procedure

It is the current policy of DoIR to nominate the expedited procedure in relation to applications for exploration licences where the tenement holder has entered into a standard regional heritage agreement with registered native title claimants whose claims are affected by an application.

The NTA right to negotiate procedure and expedited procedure are commenced by the State issuing a notice of its intention to grant mining tenements under section 29 of the NTA. This has occurred in relation to some of the Applications as detailed in Schedule 3. As at 27 January 2006, an objection to the grant of exploration licence application 38/1786 had been lodged on behalf of the Ngaanyatjarra Lands native title holders.

The Company has entered into standard regional heritage agreements in relation to several of the Applications as noted in Schedule 3. All of the current registered native title claimants have signed standard heritage agreements in relation to exploration licence applications 09/1197, 38/1787, 51/1096, 51/1097 and 51/1102. As such, based on current DoIR policy, these applications should be clear for grant under the NTA at the end of the notification period unless a new native title claim is registered and objection lodged.

Although the Company has also signed regional heritage agreements in relation to several other Applications, there remain some registered native title claim groups with whom the Company has not entered into heritage agreements. This means that these applications may still be subject to objections by those native title claimants and may need to be determined by the NNTT in due course.

Granted Tenements

The Tenements were granted after the commencement of the NTA. DoIR has informed us that the expedited procedure under the NTA was undertaken in relation to the Tenements prior to grant. Accordingly, the Tenements have been validly granted under the NTA.

Grant of Applications

In order for the Applications to be validly granted under the NTA the future act requirements of the NTA must be complied with.

Conversion to Mining Leases

If an application is made for the grant of a mining lease over any part of the Tenements or of any exploration licences granted pursuant to the Applications, the NTA right to negotiate will apply even though the exploration licences have been processed under the NTA expedited procedure.

Exercise of Rights

Assuming the exploration licences are validly granted under the NTA, the rights of the tenement holder will prevail over any inconsistent native title rights. In the case of exploration licences, recent court decisions have held that there is considerable scope for the co-existence of native title rights and the exploration licensee's rights.

Compensation

From January 1999, the Mining Act was amended to make mining tenement holders liable for native title compensation. Consequently, if it is proved that native title exists over any of the land the subject of the Tenements and Applications, the Company may be liable for any native title compensation claims. To date, no native title compensation claims have been decided by an Australian court.

Aboriginal Heritage Sites

Native title and Aboriginal heritage, particularly the spiritual and cultural significance of sites, are closely linked in Aboriginal tradition. Even if native title has been extinguished, the notion of an Aboriginal person's traditional country and particularly the spiritual and cultural value of sites on the land will remain.

The Aboriginal Heritage Act 1972 (WA) ("AHA") protects archaeological and ethnographic sites of significance to Aboriginal people in Western Australia. Although the AHA encourages the registration of Aboriginal sites, the AHA protects all Aboriginal sites, whether registered or not. The great majority of sites are not registered.

Between 16 and 31 January 2006, we searched the register of sites maintained by the Department of Indigenous Affairs ("DIA") in relation to the Applications. The searches disclosed that 16 registered sites encroach on the Tenements and Applications. It is probable that there are also unregistered sites in those areas.

The AHA does not provide a mechanism for determining the existence of Aboriginal sites, although the register enables developers to identify some sites. Accordingly, to ensure that all sites in a target area are avoided, the practice has developed for mineral explorers and miners to undertake Aboriginal heritage surveys with Aboriginal traditional owners to identify ethnographic sites and to undertake archaeological surveys to identify archaeological sites.

Under section 18 of the AHA, the Minister for Indigenous Affairs has a discretion to give consent for land to be used for a purpose which would "otherwise be likely to result in a breach of" the Act. Prior to the Minister giving consent, an evaluation of the site and a recommendation must first be made by the Aboriginal Cultural Material Committee. Under the DIA guidelines, the proponent must undertake an Aboriginal heritage survey and consult traditional owners before making an application under section 18.

We are informed by the Company that it is not aware of any Aboriginal heritage surveys having been undertaken in relation to the Tenements and Applications.

Aboriginal sites may also be protected under the Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth) ("**ATSIHP Act**"). Under the ATSIHP Act interested persons may apply to the Commonwealth Minister for a protection order. Interim orders may be made in urgent circumstances and final protection orders may operate permanently or for specified period of time. Prior to making a declaration, the Minister must commission a report in relation to the area. The process may take several months. We are informed by the Company that it is not aware of any application having been made under the ATSIHP Act in relation to the Tenements or Applications.

In conducting exploration activities on the Tenements or any exploration licences granted pursuant to the Applications, the Company must comply with the requirements of the AHA and the ATSIHP Act. In practice this will entail obtaining the co-operation of the Aboriginal traditional owners to undertake surveys.

Qualifications

For the purpose of this report:

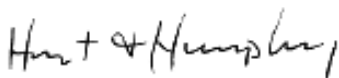
- (a) we have assumed that the information provided by, or obtained from, the Company, DoIR, NNTT, DLI and DIA is accurate and complete;
- (b) we have assumed that the State of Western Australia has carried out the future act procedures in relation to the Tenements in accordance with the NTA;
- (c) we express no opinion as to whether the Applications will ultimately be granted or in respect of any conditions which may be imposed on any grant;
- (d) we express no opinion on the merits of the native title claims referred to in this report; and
- (e) other than the reserves referred to in the column headed "Environmentally Sensitive Lands" in Schedule 1, we have not made enquiries as to the underlying tenure of the Tenements and Applications.

Apart from the enquiries we made with the Company, DoIR, NNTT, DLI and DIA, we have not undertaken any special or independent investigation to determine the existence or absence of facts or circumstances.

Consent

This report is given solely for the benefit of the Company and its directors in connection with the issue of the Prospectus and is not to be relied upon or disclosed to any other person or used for any other purpose or referred to in any public document or filed with any government agency or other person without our prior consent.

Yours faithfully,



HUNT & HUMPHRY

Schedule 1

Encounter Resources – Mining Tenements

Tenement/ Application No.	Lease Name ³	Project Name ³	Area ³ (km ²)	Application Date	Applicant	Term	Annual Expenditure Requirements	Environmental Interests and Conditions ⁴
Granted								
E09/1197	Minneritchie Well	Bangemall Basin	53.05	3/3/05	Encounter Resources Limited	20/1/06-19/1/11	\$20,000	1, 2, 3, 4, 5, 6, 7, 8, 9
E29/577	Lake View Tank	Leonora Regional	123.4	4/2/05	Encounter Resources Limited	16/12/05 – 15/12/10	\$37,800	1, 2, 3, 4, 5, 6, 7, 8
E38/1784	Borker Bore	WA Regional	109	16/2/05	Encounter Resources Limited	11/01/06 – 10/01/11	\$32,400	1, 2, 3, 4, 5, 6, 7, 8
E38/1787	Lake Rason	Officer Basin	123.4	16/2/05	Encounter Resources Limited	11/01/06 - 10/01/06	\$36,900	1, 2, 3, 4, 5, 6
E52/1882 ¹	Glen Ross Well	Bangemall Basin	172.5	21/6/05	Encounter Resources Limited	13/9/2005 – 12/9/2010	\$49,500	1, 2, 3, 4, 5, 6, 7, 8, 9, 20, 21, 22, 23 Water Reserve (0.3%)
E53/1010 ²	Wiluna South	Lake Way Sth	117.3	3/9/01	Avoca Resources Ltd	01/05/2002 – 30/04/2007	\$41,400.00	1, 3, 4, 5, 6, 7, 8, 24, 26
E53/1156	Mt Merewether	Yeelirrie Channel	70.4	7/2/05	Encounter Resources Limited	17/10/2005 – 16/10/2010	\$20,700.00	Water Reserve (0.3%) 1, 2, 3, 4, 5, 6, 7, 8, 25
E53/1157	Limestone Well	Yeelirrie Channel	12.2	7/2/05	Encounter Resources Limited	17/10/2005 – 16/10/2010	\$20,000.00	1, 2, 3, 4, 5, 6, 7, 8, 9
E53/1158	Bitter Bore	Yeelirrie Channel	12.2	7/2/05	Encounter Resources Limited	17/10/2005 – 16/10/2010	\$20,000.00	1, 2, 3, 4, 5, 6, 7, 8
E36/541	Altona Bore	Yeelirrie Channel	198.3	31/12/04	Encounter Resources Limited	26/10/2005 – 25/10/2010	\$58,500.00	1, 2, 3, 4, 5, 6, 7, 8, 9, 13, 14, 15, 16, 17, 18, 19
E53/1154	Suprise Bore	Yeelirrie Channel	61.1	21/1/05	Encounter Resources Limited	26/10/2005 – 25/10/2010	\$20,000.00	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12
E53/1155	Rubble Bore	Yeelirrie Channel	48.9	21/1/05	Encounter Resources Limited	26/10/2005 – 25/10/2010	\$20,000.00	1, 2, 3, 4, 5, 6, 7, 8, 9
Applications								
ELA08/1542	Pingandy Creek	Bangemall Basin	106.7	22/6/05	Encounter Resources Limited	NA	NA	NA
ELA08/1579	Pingandy Creek	Bangemall Basin	219.8	1/9/05	Encounter Resources Limited	NA	NA	NA
ELA09/1254	Wanna	Bangemall Basin	218.8	9/9/05	Encounter Resources Limited	NA	NA	NA
ELA29/587	McPherson Bor	Leonora Regional	123.4	21/6/05	Encounter Resources Limited	NA	NA	NA
ELA30/299	Walling Rock	Leonora Regional	62.8	21/6/05	Encounter Resources Limited	NA	NA	NA
ELA30/300	Galah Rocks	Leonora Regional	65.6	21/6/05	Encounter Resources Limited	NA	NA	NA

Tenement/ Application No.	Lease Name ³	Project Name ³	Area ³ (km ²)	Application Date	Applicant	Term	Annual Expenditure Requirements	Environmental Interests and Conditions ⁴
Applications								
ELA36/540	Easter Bore	Yeelirie Channel	201.1	31/12/04	Encounter Resources Limited	NA	NA	NA
ELA36/542	Black Tank Well	Yeelirie Channel	213.5	31/12/04	Encounter Resources Limited	NA	NA	NA
ELA36/569	Deep Bore	Yeelirie Channel	213	9/11/05	Encounter Resources Limited	NA	NA	NA
ELA37/830	Snowies Bore	WA Regional	164.2	1/6/05	Encounter Resources Limited	NA	NA	NA
ELA38/1786	Lake Throssel	Officer Basin	76.3	16/2/05	Encounter Resources Limited	NA	NA	ANCA Wetland (32.8%) Proposed Conservation Park (100%)
ELA38/1790	Lake Yeo 1	Officer Basin	194.1	28/2/05	Encounter Resources Limited	NA	NA	Class A National Park (100%) National Estate Register Site (100%) ANCA Wetland (64.4%)
ELA38/1791	Lake Yeo 2	Officer Basin	212.3	28/2/05	Encounter Resources Limited	NA	NA	Class A National Park (100%) National Estate Register Site (100%) ANCA Wetland (64.4%)
ELA38/1792	Lake Yeo 3	Officer Basin	133.4	28/2/05	Encounter Resources Limited	NA	NA	Class A National Park (100%) National Estate Register Site (100%) ANCA Wetland (26.9%)
ELA51/1096	Gidgee Bore	WA Regional	89.3	7/2/05	Encounter Resources Limited	NA	NA	NA
ELA51/1097	Crossland Hill	WA Regional	30.8	7/2/05	Encounter Resources Limited	NA	NA	NA
ELA51/1102	Hanaford Well	WA Regional	132.8	16/2/05	Encounter Resources Limited	NA	NA	Water Reserve (0.1%)
ELA51/1127	Hill View 2	WA Regional	201.7	9/11/05	Encounter Resources Limited	NA	NA	NA
ELA51/1137	Yalgur	WA Regional	213	31/1/06	Encounter Resources Limited	NA	NA	NA
ELA52/1895	Waldburg Range	Bangemall Basin	218.6	31/8/05	Encounter Resources Limited	NA	NA	NA

1 The rights conferred by this Exploration Licence may not be exercised until a Heritage Agreement (as defined in the Nhamuawanga, Wajari and Ngarlawanga Indigenous Land Use Agreement) has been entered into in respect of the licence provided that this restriction only applies for so long as the Nhamuawanga, Wajari and Ngarlawanga Indigenous Land Use Agreement is in force.

2 Avoca Resources has applied for mining leases 53/1066-1073 over E53/1010.

3 Information provided by Encounter Resources Limited

4 Tenement conditions listed below.

LEGEND: E = Exploration Licence (granted)

ELA = Pending application for exploration licence (not yet granted)

NA = Not Applicable

Tenement Conditions

1. The Licensee's attention is drawn to the provisions of the Aboriginal Heritage Act 1972 and any Regulations thereunder.
2. The Licensee's attention is drawn to the Environmental Protection Act 1986 and the Environmental Protection (Clearing of Native Vegetation) Regulations 2004, which provides for the protection of all native vegetation from damage unless prior permission is obtained.
3. All surface holes drilled for the purpose of exploration are to be capped, filled or otherwise made safe immediately after completion.
4. All costeans and other disturbances to the surface of the land made as a result of exploration, including drill pads, grid lines and access tracks, being backfilled and rehabilitation to the satisfaction of the Environmental Officer, Department of Industry and Resources (DoIR). Backfilling and rehabilitation being required no later than 6 months after excavation unless otherwise approved in writing by the Environmental Officer, DoIR.
5. All waste materials, rubbish, plastic sample bags, abandoned equipment and temporary buildings being removed from the mining tenement prior to or at the termination of exploration program.
6. Unless the written approval of the Environmental Officer, DoIR is first obtained, the use of drilling rigs, scrapers, graders, bulldozers, backhoes or other mechanised equipment for surface disturbance or the excavation of costeans is prohibited. Following approval, all topsoil being removed ahead of mining operations and separately stockpiled for replacement after backfilling and/or completion of operations.
7. The Licensee notifying the holder of any underlying pastoral or grazing lease by telephone or in person, or by registered post if contact cannot be made, prior to undertaking airborne geophysical surveys or any ground disturbing activities utilising equipment such as scrapers, graders, bulldozers, backhoes, drilling rigs; water carting equipment or other mechanised equipment.
8. The Licensee or transferee, as the case may be, shall within thirty (30) days of receiving written notification of:
 - the grant of the Licence; or
 - registration of a transfer introducing a new Licensee;
 advise, by registered post, the holder of any underlying pastoral or grazing lease details of the grant or transfer.
9. No interference with Geodetic Survey Station and mining within 15 metres thereof being confined to below a depth of 15 metres from the natural surface.
10. Prior to any ground-disturbing activity, as defined by the Director, Environment, DoIR the licensee preparing a detailed program for each phase of proposed exploration for approval of the Director, Environment, DoIR. The program to include:
 - maps and/or aerial photographs showing all proposed routes, construction and upgrading of tracks, camps, drill sites and any other disturbances;
 - the purpose, specifications and life of all proposed disturbances;
 - proposals which may disturb any declared rare or geographically restricted flora and fauna; and
 - techniques, prescriptions and timetable for the rehabilitation of all proposed disturbances.
11. The licensee, at his expense, rehabilitating all areas cleared, explored or otherwise disturbed during the term of the licence to the satisfaction of the Director, Environment, DoIR. Such rehabilitation as is appropriate and may include:
 1. stockpiling and return of topsoil;
 2. backfilling all holes, trenches and costeans;
 3. ripping;
 4. contouring to the original landform;
 5. revegetation with seed; and
 6. capping and backfilling of all drill holes.
12. Prior to the cessation of exploration/prospecting activity the licensee notifying the Environmental Officer, DoIR and arranging inspection as required.
13. The rights of ingress to and egress from Miscellaneous Licence 36/126 being at all times preserved to the licensee and no interference with the purpose or installations connected to the licence.

14. The licensee of Miscellaneous Licences 36/60, 36/97 & 36/126 ("the Miscellaneous Licences"), its employees, agents and contractors being allowed at all times to enter and pass through or over the area of Exploration Licences 36/541 ("the Exploration Licence") together with any vehicles, machinery or equipment and to conduct any activities associated with the Miscellaneous Licences.
15. No exploration holes to be drilled within 500 metres of an existing production or monitoring bore without the prior consent of the holder of the Miscellaneous Licences, such consent shall not be unreasonably withheld.
16. The activities of the holder of the Exploration Licence must not interfere with any existing production or monitoring bore upon the Miscellaneous Licences.
17. Subject to conditions 15 and 16 above, the holder of the Exploration Licence is to use its reasonable endeavours to otherwise minimise interference with any activities conducted or proposed to be conducted by the holder of the Miscellaneous Licences, its employees, agents or contractors on the area of the Miscellaneous Licences.
18. The holder of the Exploration Licence shall not take any water from the production or monitoring bores located on the Miscellaneous Licences without the prior consent of the holder of the Miscellaneous Licences.
19. All exploration drill holes on the Miscellaneous Licences drilled by the holder of the Exploration Licence shall be abandoned in such a manner to prevent entry of surface water into the drill hole that could contaminate the aquifer. Where appropriate, exploration drill holes shall be abandoned by:
 - (a) removing PVC surface casing; and
 - (b) either:
 - (i) install pre-cast or in-situ cement plug to minimum depth of 0.3 metres below ground level with plastic pipe breather to extend above ground level; or
 - (ii) install a plastic plug ("octo-plug: or equivalent) to a depth of 0.3 metres below ground level; or
 - (iii) completely backfill drill hole with cuttings to the surface allowing for settlement; and
 - (c) tag the drill hole for future identification; and
 - (d) place top soil over the drill hole to a height of 0.2 metres above the surface to compensate for settlement.
20. The grant of the Exploration Licence has been made in accordance with the Nhamuwallaga, Wajarri and Ngarlawangga Indigenous Land Use Agreement between the State of Western Australia and the Native Title Holders registered under Section 24CL of the Native Title Act 1993 on 5 July 2001.
21. The prior written consent of the Minister for State Development being obtained before commencing mining on Water Reserve 18500.
22. The rights conferred by this Exploration Licence may not be exercised until a Heritage Agreement (as defined in the Nhamuwallaga, Wajarri and Ngarlawangga Indigenous Land Use Agreement) has been entered into in respect of the licence provided that this restriction only applies for so long as the Nhamuwallaga, Wajarri and Ngarlawangga Indigenous Land Use Agreement is in force.
23. The holder from time to time of this Exploration Licence shall not so long as the Nhamuwallaga, Wajarri and Ngarlawangga Indigenous Land Use Agreement is in force carry out an exploration activity (as defined in the Nhamuwallaga, Wajarri and Ngarlawangga Indigenous Land Use Agreement) other than in accordance with the Heritage Agreement.
24. Pursuant to the Savings and Transitional Provisions of the Mining Amendment Acts 1990 and 1994 all land surrendered, forfeited (other than forfeiture by plaintiff action) or expiring from a non-graticular exploration licence will either:
 - Automatically be included into a graticular exploration licence, provided the surrender, forfeiture or expiry occurred after the grant of the graticular licence; or
 - Automatically be included into an application for a graticular exploration licence provided the surrender, forfeiture or expiry occurred after 14 October 1995.
25. The prior written consent of the Minister for State Development being obtained before commencing mining on Water Reserve 12825.
26. The rights of ingress to and egress from Miscellaneous Licence 53/84 being at all times preserved to the licensee and no interference with the purpose or installations connected to the licence.

Schedule 2

Joint Venture and Exploration Agreement Encounter Resources Pty Ltd and Avoca Resources Limited

Background

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

Encounter's Right to Earn-in for Uranium Rights

The Company is entitled to earn a 60% interest in the Uranium Rights associated with exploration licence 53/1010 ("**E53/1010**") held by Avoca expending at least \$80,000 in permitted expenditure on E53/1010 by September 2006. Uranium rights means the right to explore and mine for uranium as well as the title to uranium recovered. The Company's interest in E53/1010 may also increase to 75% if Avoca elects to dilute its interest in the tenement.

If the Company earns an interest in the Uranium Rights in E53/1010, the parties have agreed to enter into a formal joint venture agreement.

Avoca Interest in Encounter Tenements

Avoca has agreed to provide the following services to the Company in exchange for a 20% interest in any of the Tenements (other than E53/1010) and Applications (see Schedule 1 of this report) that are granted to the Company –

- (a) geological interpretation services;
- (b) tenement administration services;
- (c) early stage targeting expertise; and
- (d) geological and exploration methodology review.

Encounter as Manager

The Company is responsible as manager for the joint venture for the day-to-day conduct of operation on E53/1010.

Gold Operations by Avoca

Avoca retains the right to conduct gold exploration and mining operations on E53/1010. In the event that Avoca wishes to explore or mine gold, those operations will take priority over any uranium exploration program conducted by the Company to the extent of any conflict.

Third Party Earn-in Agreement

The Agreement provides for the Company, with the prior approval of Avoca, to enter into agreements with third parties whereby the Company obtains the right to earn an interest in uranium rights associated with mining tenements held by third parties ("**Third Party Earn-in Agreement**").

Under the Agreement, Avoca is entitled to an interest corresponding to 20% of the Company's right and obligations in respect of any Third Party Earn-In Agreements the Company enters.

Assignment

Either party may assign their interests under the Agreement with the consent of the other party which cannot be unreasonably withheld. The Agreement provides pre-emptive rights to each party.

Caveat

The Company lodged a caveat against the Tenement on 28 October 2005 to protect its interests under the Agreement. Avoca is also entitled to lodge a copy of the Agreement as dealing and any caveats necessary against any Applications if granted to the Company to protect its interests.

Schedule 3

Encounter Resources

Mining Tenement Applications – Native Title Claims and Reported Aboriginal Sites

Tenement Application No.	Native Title Claim		Regional Heritage Agreement	Registered Aboriginal Sites	NTA Compliance
	Federal Court No.	Status			(As advised by DoIR)
Granted					
E09/1197	Wajarri Yamatji (WAD 6033/98) Wajarri Elders (WAD 6042/98)	Reg. WITH.	No 7 July 2005	0	Granted under NTA procedures
E29/577	Wutha (WAD 6064/98) Wongatha (WAD 6005/98) Koara (WAD 6008/98) Ngalia Kutjungkatja (WAD 6011/98) Wongatha Non-Claimant (WAD 123/04)	Reg. Reg. Unreg. Unreg. Active	No 22 September 2005 NA NA	1	Granted under NTA procedures
E38/1784	Wutha (WAD 6064/98) Wongatha (WAD 6005/98) Koara (WAD 6008/98) Mantjintjarra Ngalia (WAD 6069/98) Ngalia Kutjungkatja 2 (WAD 6001/02) Wongatha Non-Claimant (WAD 123/04)	Reg. Reg. Unreg. Unreg. Unreg. Active	No 25 May 2005 NA NA NA NA	0	Granted under NTA procedures
E38/1787	Wongatha (WAD 6005/98) Wongatha Non-Claimant (WAD 123/04)	Reg. Active	25 May 2005 NA	0	Granted under NTA procedures
E36/541	Sir Samuel (WAD 6050/98) Koara (WAD 6008/98) Tjupan 2 (WAD 6001/03) Ngalia Kutjungkatja (WAD 6011/98)	Unreg. Unreg. Unreg. Unreg.	NA NA NA NA	0	Granted under NTA procedures
E52/1882	Nharnuwangga Wajarri Ngarlawangga (WAD 72/98)	Det.	No	0	Granted
E53/1010	Sir Samuel 2 (WAD 6059/98) Tjupan 2 (WAD 6001/03)	Unreg. Unreg.	NA NA	1	Granted under NTA procedures
E53/1154	Ngalia Kutjungkatja (WAD 6011/98) Sir Samuel No.1 (WAD 6050/98) Tjupan 2 (WAD 6001/03)	Unreg. Unreg. Unreg.	NA NA NA	0	Granted under NTA procedures
E53/1155	As for E53/1154		As for E53/1154	0	Granted under NTA procedures
E53/1156	Ngalia Kutjungkatja (WAD 6011/98) Sir Samuel No.1 (WAD 6050/98)	Unreg. Unreg.	NA NA	0	Granted under NTA procedures
E53/1157	As for E53/1156		As for E53/1156	0	Granted under NTA procedures
E53/1158	As for E53/1156		As for E53/1156	0	Granted under NTA procedures

SECTION 7: SOLICITOR'S REPORT ON MINING TENEMENTS

Tenement Application No.	Native Title Claim		Regional Heritage Agreement	Registered Aboriginal Sites	NTA Compliance
	Federal Court No.	Status			(As advised by DoIR)
Applications					
ELA08/1542	Nil	NA		0	Section 29 process initiated – Notification commenced 19/10/05
ELA08/1579	Gobawarra Minduarra Yinhawanga (WAD 6173/98) Jurruru (WAD 6007/00) Nharuwangga Wajarri Ngaralwangga (WAD 72/98)	Reg. Reg. Det.	No No No	1	Not yet notified under Section 29
ELA09/1254	Gnulli (WAD 6161/98) Wadjari Yamatji (WAD 6033/98) Wajarri Elders (WAD 6042/98)	Reg. Reg. WITH	No No No	0	Not yet notified under Section 29
ELA29/587	As for E29/577		As for E29/577	0	Section 29 process initiated – Notification commenced 5/10/05
ELA30/299	Wutha (WAD 6064/98) Wongatha (WAD 6005/98) Wongatha Non-Claimant (WAD 123/04) Ngalia Kutjungkatja (WAD 6011/98)	Reg. Reg. Active Unreg.	No. 22 September 2005	0	Section 29 process initiated – Notification commenced 5/10/05
ELA30/300	Wutha (WAD 6064/98) Wongatha (WAD 6005/98) Wongatha Non-Claimant (WAD 123/04)	Reg. Reg. Active	No 22 September 2005	0	Section 29 process initiated – Notification commenced 5/10/05
ELA36/540	Tjupan (WAD 6040/98) Tjupan 2 (WAD 6001/03) Sir Samuel (WAD 6050/98) Koara (WAD 6008/98) Ngalia Kutjungkatja (WAD 6011/98)	Unreg. Unreg. Unreg. Unreg. Unreg.	NA NA NA NA NA	2	Section 29 process initiated – Notification commenced 1/2/06
ELA36/542	Tjupan (WAD 6040/98) Tjupan 2 (WAD 6001/03) Sir Samuel (WAD 6050/98) Koara (WAD 6008/98) Ngalia Kutjungkatja (WAD 6001/98)	Unreg. Unreg. Unreg. Unreg. Unreg.	NA NA NA NA NA	0	Section 29 process initiated – Notification commenced 1/2/06
ELA36/569	Tjupan 2 (WAD 6001/03) Sir Samuel (WAD 6050/98) Koara (WAD 6008/98) Ngalia Kutjungkatja (WAD 6001/98)	Unreg. Unreg. Unreg. Unreg.	NA NA NA NA	1	Not yet notified under Section 29
ELA37/830	Wutha (WAD 6064/98) Sir Samuel (WAD 6050/98) Koara (WAD 6008/98) Mantjintjarra Ngalia (WAD 6069/98) Ngalia Kutjungkatja 2 (WAD 6001/02) Tjupan 2 (WAD 6001/03)	Reg. Unreg. Unreg. Unreg. Unreg. Unreg.	NA NA NA NA NA NA	4	Section 29 process initiated – Notification commenced 21/9/05

Tenement Application No.	Native Title Claim		Regional Heritage Agreement	Registered Aboriginal Sites	NTA Compliance (As advised by DoIR)
	Federal Court No.	Status			
Applications					
ELA38/1786	Tjirrkarli Kanpa (WAD 6103/98) Wongatha (WAD 6005/98) Ngaanyatjarra Lands (WAD 6004/04) Mantjintjarra Ngalia (WAD 6069/98) Ngalia Kutjungkata 2 (WAD 6001/02) Wongatha Non-Claimant (WAD 123/04)	Reg. Reg. Det. Unreg. Unreg. Active	No 25 May 2005 No NA NA NA	3	Section 29 process initiated – Notification commenced 29/6/05 An objection was lodged on behalf of the Ngaanyatjarra Lands native title holders on 27 October 2005
ELA38/1790	As for E38/1787		As for E38/1787	0	Not yet notified under Section 29
ELA38/1791	As for E38/1787		As for E38/1787	0	Not yet notified under Section 29
ELA38/1792	As for E38/1787		As for E38/1787	0	Not yet notified under Section 29
ELA51/1096	Wadjarri Yamatji (WAD 6033/98) Ngoonooru Wadjarri (WAD 6033/98)	Reg. WITH	NA 20 May 2005	0	Section 29 process initiated – Notification commenced 30/11/05
ELA51/1097	As for ELA51/1096		As for ELA51/1096	0	Section 29 process initiated – Notification commenced 30/11/05
ELA51/1102	Wadjarri Yamatji (WAD 6033/98) Ngoonooru Wadjarri (WAD 6033/98)	Reg. WITH	NA 20 May 2005	0	Section 29 process initiated – Notification commenced 30/11/05
ELA51/1127	Wutha (WAD 6064/98) Yugunga-Nya (WAD 6132/98)	Reg. Reg.	No No	0	Not yet notified under Section 29
ELA51/1137	Wadjarri Yamatji (WAD 6033/98)	Reg.	No	Not Available	Not yet notified under Section 29
ELA52/1895	Wajarri Yamatji (WAD 6033/98) Wajarri Elders (WAD 6042/98) Nharnuwangga Wajarri Ngarlawangga (WAD 72/98)	Filed WITH Det.	NA NA No	2	Section 29 process initiated – Notification commenced 14/12/05

LEGEND

Filed = Pending testing for registration under the NTA
 Unreg. = Failed registration test under NTA
 Reg. = Passed registration test under NTA
 NAV = Not available
 Active = Active non-claimant native title applications
 Det. = Native title claim determined by Federal Court
 NA = Not applicable

Section 8

Corporate Governance

8.1 Introduction

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board 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. To the extent they are applicable, the Company has adopted the Ten Essential Corporate Governance Principles and Best Practice Recommendations ("Recommendations") as published by ASX Corporate Governance Council.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

The Board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

8.2 Explanations for Departures from Best Practice Recommendations

Principle 1 recommendation 1.1

Notification of Departure:

The Company has not formally disclosed the functions reserved to the Board and those delegated to management. The appointment of the Non-Executive Chairman to the Board is formalised in writing by way of a letter of engagement.

Explanation for Departure:

The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management. The Board has established a framework for the management of the Company and the roles and responsibilities of the Board and management.

Previously, due to the small size of the Board and of the Company, the Board did not think that it was necessary to formally document the roles of the Board and management as these roles were clearly understood by all members of the Board and management. The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Company and ensuring that shareholder value is increased.

Principle 2 Recommendation 2.1

Notification of Departure:

The Board does not have a majority of independent Directors.

Explanation for Departure:

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the relevant industry experience and specific expertise relevant to the Company's business and level of operations.

The Board considers that its structure is, and will continue to be, appropriate in the context of the Company's recent history. The Company considers that the non-independent Directors possess the skills and experience suitable for building the Company. Furthermore, the Board considers that in the current phase of the Company's growth, the Company's shareholders are better served by directors who have a vested interest in the Company. The Board intends to reconsider its composition as the Company's operations evolve, and may appoint independent directors as it deems appropriate.

Principle 2 Recommendation 2.2

Notification of Departure:

The Chairman does not satisfy the test of independence as set out in Box 2.1 of the ASX Principles of Good Corporate Governance and Best Practice Recommendations Independence Test ("Independence Test").

Explanation for Departure:

While the Board recognises the importance of independence in decision making, it does not comply with Recommendation 2.2 as Mr Chapman does not satisfy paragraph 1 of the Independence Test insofar as Mr Chapman will be a substantial shareholder of the Company. Details of Mr Chapman's shareholding are disclosed in Section 9.3 of the Prospectus.

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.

Principle 2 Recommendation 2.4

Notification of Departure:

The full Board carries out the role of a nomination committee in accordance with the Nomination Committee Charter formalised on 8 February 2006. The Board has not adopted a charter relevant to the specific functions of a nomination committee.

Explanation for Departure:

The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee, in particular at this early stage of the Company's operations (ie. a company seeking to be listed on the ASX), where the Company's focus is on the retention of directors and senior executives.

Principle 3 Recommendation 3.1 and Principle 10 Recommendation 10.1

Notification of Departure:

The Company established a formal code of conduct on 8 February 2006.

Explanation for Departure:

The Board considers that, before the Code of Conduct was formalised and adopted, its business practices, as led by the Board and key executives, were the equivalent of a code of conduct.

Principle 3 Recommendation 3.2

Notification of Departure:

The Company established a formal policy regarding trading in the Company's securities on 8 February 2006.

Explanation for Departure:

Although prior to 8 February 2006 there was no written policy, all directors, officers and employees of the Company understood when it is appropriate for trading in securities to occur (in line with the law relating to the prohibitions on insider trading, set out in the Corporations Act.). This has now been formalised.

Principle 4 Recommendation 4.2, 4.3, 4.4

Notification of Departure:

There is no separate Audit Committee.

Explanation for Departure:

The Company's financial statements are prepared by the company secretary and reviewed in detail by the full Board. The Board also relies on the functions and capabilities of its external auditors to ensure proper audit of financial statements. While the Board considers this process sufficient to ensure integrity in financial reporting in the current circumstances, it will continue

to monitor whether any further safeguards are required and make changes as appropriate.

Principle 5 Recommendation 5.1

Notification of Departure:

The Company established written policies and procedures designed to ensure compliance with Listing Rule disclosure requirements and accountability for compliance on 8 February 2006.

Explanation for Departure:

Before adopting the written policy, the Company had in place informal procedures which it believes were sufficient for ensuring compliance with Listing Rule disclosure requirements and accountability for compliance. The Board nominated the managing director and the company secretary as being responsible for all matters relating to disclosure.

Principle 6 Recommendation 6.1

Notification of Departure:

The Company established a formal shareholder communication strategy on 8 February 2006.

Explanation for Departure:

The Company established a formal Shareholder communication strategy to support active communication with its Shareholders once it is listed and it aims to actively promote shareholder involvement in the Company. It will achieve this by posting on its website, copies of all information which is lodged with the ASX. Shareholders with internet access will also be encouraged to provide their email addresses to receive electronic copies of information distributed by the Company. Alternatively, hard copies of information distributed by the Company will be available on request.

Principle 7 Recommendation 7.1

Notification of Departure:

Until 8 February 2006, the Company had only an informal risk oversight and management policy and internal compliance and control system.

Explanation for Departure:

The Board is aware of the various risks that affect the Company and its particular business and established a written policy on 8 February 2006. As the Company develops, the Board will further develop appropriate procedures to deal with risk oversight and management and internal compliance, taking into account the size of the Company and the stage of development of its projects.

Principle 8 Recommendation 8.1**Notification of Departure:**

The Company does not have in place a formal process for evaluation of the Board, its committees, individual directors and key executives.

Explanation for Departure:

Due to the recent history of the Company (it was registered as a proprietary limited company in June 2004 and converted to a public company on 26 May 2005), an evaluation of the Board has been carried out on a continuing and informal basis as part of the Company's preparations for the initial public offering and proposed listing on ASX. The Company will put in place a process for evaluating the Board, individual Directors and key executives once it has been listed and has had an opportunity to put into effect its business plan as disclosed in this Prospectus.

Principle 9 Recommendations 9.1, 9.2, 9.3, 9.4**Explanation for departure:**

The Company does not have a formal remuneration policy and has not established a separate remuneration committee.

Explanation for Departure:

The current remuneration of the Directors is disclosed in Section 9.3 of the Prospectus. Remuneration is currently in accordance with the general principals recommended by the ASX, that is, non-executive Directors receive a fixed fee for their services and do not receive performance based remuneration. Due to the early stage of development and small size of the Company, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate to set aside time at two Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, none of the Directors participate in any deliberations regarding their own remuneration or related issues.

Section 9

Additional Information

9.1 Rights Attaching to Shares

Full details of the rights attaching to Shares are:

- (a) set out in the Constitution a copy of which can be inspected, free of charge, at Encounter's registered office during normal business hours; and
- (b) in certain circumstances, regulated by the Corporations Act, the Listing Rules and the general law.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. All Shares issued pursuant to this Prospectus will from the time they are issued, rank *pari passu* with all the Company's existing Shares.

Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at present there is only one class of shares), at meetings of Shareholders of Encounter:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid shares, shall have such number of votes as bears the same proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited).

Rights on Winding Up

Subject to the rights of holders of shares with special rights in a winding up (at present there are none), on a winding up of Encounter all assets that may be legally distributed among members will be distributed in proportion to the number of Shares held by them irrespective of the amount paid up or credited as paid up on the shares.

Transfer of Shares

Subject to the Constitution and to any restrictions attached to a member's shares, a member may transfer any of the member's shares by a proper ASTC transfer, a written transfer in any

usual form or in any other form approved by the Directors, or any other electronic system established or recognised by the Listing Rules.

The Directors may decline to register a transfer of shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or Listing Rules where:

- the transfer is not in registrable form;
- the Company has a lien on any of the shares transferred;
- registration of the transfer may breach Australian law;
- the transfer is not permitted under the terms of an employee share plan; or
- the Company is otherwise permitted or required to do so under the Listing Rules, or except for a proper ASTC transfer, under the terms of issue of the shares.

Future Increases in Capital

The allotment and issue of any shares is under the control of the Directors. Subject to the Listing Rules, the Corporations Act and any special rights conferred on the holder of any shares, the Directors may allot or otherwise dispose of shares on such terms and conditions as they see fit.

Variation of Rights

Under the Corporations Act 2001, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of the issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

Dividend Rights

Subject to the rights of holders of shares issued with special, preferential or qualified rights (at present there are none), the Directors may determine that a dividend is payable, fix the amount and the time for payment of the dividend and authorise the payment or crediting of the dividend and authorise the payment or crediting of the dividend by the Company to, or at the direction of, each Shareholder entitled to that dividend.

ASX Listing Rules

If the Company is admitted to the Official List of ASX, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

9.2 Summary of Material Contracts

(a) Joint Venture – Avoca Resources Limited

Schedule 2 of the Solicitors' Report on Mining Tenements sets out a summary of the Avoca Joint Venture Agreement.

(b) Access Agreements and Aboriginal Heritage Protection Agreements

The Solicitors' Report on Mining Tenements refers to various access agreements and Aboriginal heritage agreements to which the Company is a party.

(c) Corporate Advisory Mandate

Pursuant to a deed made 26 October 2005 between LinQ Corporate Pty Ltd ("LinQ") and the Company ("Mandate"), LinQ has been engaged to act as the Company's corporate advisor in relation to advising, arranging and facilitating capital raisings, assisting in the Offer and providing corporate consultancy services.

In consideration for LinQ's services, the Company will pay to LinQ fees (exclusive of GST) as follows:

- a monthly retainer of \$5,000 commencing from 1 November 2005, for the shorter of 6 months or until the Company is admitted to the Official List of ASX;
- for a period of 12 months following the Company's admission to the Official List of the ASX, a monthly retainer of \$10,000 (totalling in aggregate a minimum of \$120,000);
- a management fee based on 2% of the proposed equity raisings during the term of the engagement under the Mandate; and
- a success fee based on 4% of the equity successfully raised by LinQ during the term of the engagement under the Mandate.

The Company is obliged under the Mandate to reimburse LinQ for all reasonable out of pocket expenses incurred in the performance of its engagement under the Mandate.

The Company is also obliged to indemnify LinQ, its related bodies corporate and each of LinQ and its associates' directors, employees, officers and agents against all losses, damages and liabilities suffered or incurred by them in connection with the arrangements as contemplated in the Mandate. This indemnity will not apply to the extent that the loss is suffered through movements in the price of shares or options in the Company or because of LinQ's negligence or bad faith, provided the loss, damage or liability results from the negligence or bad faith of LinQ.

Either party may terminate the engagement at any time by giving written notice to the other. If the Company terminates the engagement, it must pay to LinQ the balance of the minimum monthly retainer due under the Mandate, such that LinQ receives minimum fees of \$30,000 and \$120,000 (exclusive of GST). If LinQ terminates the engagement, the Company's obligation to make payments to LinQ shall cease immediately upon termination.

(d) Executive Employment Agreements

On 23 January 2006, the Company entered into an employment agreement with Mr Will Robinson pursuant to which Mr Robinson was appointed to act as managing director of the Company for a term of three years commencing from 23 January 2006.

On 23 January 2006, the Company entered into an employment agreement with Mr Peter Bewick pursuant to which Mr Bewick was appointed to act as an exploration director of the Company for a term of three years commencing from 23 January 2006.

The two executive employment agreements will be referred to collectively as the "Employment Agreements".

Pursuant to the respective Employment Agreements, the Company will provide to Mr Robinson an annual salary component of \$170,000 per annum plus statutory superannuation and provide to Mr Bewick an annual salary component of \$150,000 per annum plus statutory superannuation. Payment of any salaries is conditional on the Company being admitted to the Official List of ASX. The salaries are to be reviewed on annually or as agreed.

The Company is also required to reimburse Messrs Robinson and Bewick for any expenses incurred by them in the course of their employment and any additional expenses incurred by them that were previously approved by the Company.

The Employment Agreements may be terminated by Messrs Robinson and Bewick by providing three months notice in writing or at any time by mutual agreement between the Company and Messrs Robinson and Bewick upon such terms and conditions as they shall mutually agree.

(e) Non-Executive Letter of Engagement

Pursuant to a letter of appointment from the Company and accepted by Mr Paul Chapman on 3 February 2006 ("Engagement Letter"), Mr Chapman is continuing his appointment to the Board as a non-executive Director.

In consideration of the services provided by Mr Chapman, the Company will pay him a fixed fee of \$20,000 per annum plus statutory superannuation. Payment of any accrued fee is conditional on the Company being admitted to the Official List of ASX.

Mr Chapman is also entitled to fees or other amounts as the Board determines where he performs special duties or otherwise perform services outside the scope of the ordinary duties of a Director. He may also be reimbursed for out of pocket expenses incurred as a result of his directorship or any special duties.

(f) Deeds of Indemnity and Access between Encounter and each of its Directors

By a Deed of Indemnity and Access dated 4 November 2005 between Encounter and each of its Directors, Encounter has agreed to indemnify them in respect of liabilities incurred by them while they acted in their capacity as a Director, as the case may be. Encounter also agreed to insure them against certain risks that they are exposed to as officers of the Company. Encounter has also agreed to grant to them a right of access to certain Company records.

9.3 Interests of Directors of the Company

Except as disclosed in this Prospectus, no Director holds, or during the last two years has held, any interest in:

- (a) the formation or promotion of Encounter;
- (b) property acquired or proposed to be acquired by Encounter in connection with its formation or promotion of the Offer; or
- (c) the Offer,

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to any Director to induce him to become or to qualify as a Director or otherwise for services rendered by him in connection with the formation or promotion of Encounter or the Offer.

Shareholding Qualifications

The Directors are not required to hold any Shares in Encounter under the Constitution.

Directors' Holdings

At the date of the Prospectus the relevant interest of each of the Directors in the Shares of the Company are as follows:

Director	Number of Shares Held Directly	Number of Shares Held Indirectly
Paul Chapman	nil	4,650,000 ⁽¹⁾
William Robinson	16,116,900	5,580,000 ⁽²⁾
Peter Bewick	nil	4,650,000 ⁽³⁾

Notes:

1. Stone Poneys Nominees Pty Ltd is the registered holder of these Shares which are held on trust for the Chapman Investment Fund. Paul Chapman is the sole director of Stone Poneys Nominees Pty Ltd and a beneficiary of the underlying trust.
2. Jacmew Pty Ltd is the registered holder of these Shares which are held on trust for the WMBR Family Trust, William Robinson is a beneficiary of the underlying trust.
3. Solvista Pty Ltd is the registered holder of these Shares which are held on trust for the Bewick Family Trust. Peter Bewick is the sole director of Solvista Pty Ltd and a beneficiary of the underlying trust.

Nothing in this Prospectus will be taken to preclude Directors, officers or employees of Encounter from applying for Shares under this Prospectus.

Directors' Interests in Avoca

Mr Will Robinson holds a total of 400,000 fully paid ordinary shares in Avoca. Under the Priority Offer, Mr Robinson will be entitled to subscribe for Shares on the same terms and conditions as other Avoca Resources Limited Shareholders. As at the date of this Prospectus, Mr Robinson does not intend to apply for any Shares pursuant to the Priority Offer. Mr Robinson will apply for Shares pursuant to the Public Offer.

Mr Peter Bewick holds a direct or indirect interest in a total of 77,000 fully paid ordinary shares in Avoca. Under the Priority Offer, Mr Bewick will be entitled to subscribe for Shares on the same terms and conditions as other Avoca Resources Limited Shareholders. As at the date of this Prospectus, Mr Bewick does not intend to apply for Shares pursuant to the Priority Offer. Mr Bewick will apply for Shares pursuant to the Public Offer.

Mr Paul Chapman holds an indirect interest in a total of 30,000 fully paid ordinary shares in Avoca. Under the Priority Offer, Mr Chapman will be entitled to subscribe for Shares on the same terms and conditions as other Avoca Resources Limited Shareholders. As at the date of this Prospectus, Mr Chapman does not intend to apply for Shares pursuant to the Priority Offer. Mr Chapman will apply for Shares pursuant to the Public Offer.

Remuneration of Directors

The Constitution provides that the non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum from time to time determined by the Company in general meeting. The Directors' fees payable in aggregate to the non executive Directors of the Company is currently set at \$80,000 per annum.

A Director may be paid fees or other amounts as the Directors determine when a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

The Company has arranged for Mr Paul Chapman to assume the position of non-executive Chairman of Encounter pursuant to a letter of appointment, as noted in Section 9.2(e). Encounter will pay the non-executive Chairman at a rate calculated on the basis of \$20,000 per annum plus superannuation for the provision of services.

The Company has arranged for Mr Will Robinson to assume the position of Managing Director of Encounter pursuant to an employment agreement, as noted in Section 9.2(d). Encounter will pay the Managing Director at a rate calculated on the basis of \$170,000 per annum plus superannuation for the provision of services, which accrues from 23 January 2006.

The Company has arranged for Mr Peter Bewick to assume the position of Exploration Director of Encounter pursuant to an employment agreement, as noted in Section 9.2(d). Encounter will pay the Exploration Director at a rate calculated on the basis of \$150,000 per annum plus superannuation for the provision of services, which accrues from 23 January 2006. For the period commencing on 20 September 2005 up to 20 January 2006, Mr Bewick has been paid a rate of \$367 per day (plus superannuation of 9% of this rate) for the total number of days worked.

9.4 Employees' and Officers' Share Options

The Company has established The Encounter Resources Limited Employee Share Option Plan ("Plan") to assist in the attraction, retention and motivation of employees or officers of the Company and its related bodies corporate ("Group"). No options have been issued under the Plan as at the date of this Prospectus.

A summary of the Rules of the Plan is set out below.

- All employees and officers will be eligible to participate in the Plan.
- The allocation of options under the Plan to each employee or officer is in the discretion of the Board.

- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue, subject to the satisfaction of any performance, vesting or other conditions determined by the Board. Options will be issued for no consideration.

- The exercise price of options will be determined by the Board with regard to the market value of the Shares when the Board resolves to offer the options.

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

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

but disregarding any offer made, option acquired or Share issued by way of or as a result of an offer under the Plan to a person situated outside Australia; or an offer under the Plan that did not need disclosure to investors because of section 708 of the Corporations Act; or an offer made under a disclosure document, must not exceed 3% of the Company's issued Shares.

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

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

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

- Options cannot be transferred other than to the legal personal representative of a deceased option holder.

- The Company will not apply for official quotation of any options. Shares issued as a result of the exercise of options will rank equally with the Company's Shares.

- Option holders may only participate in new issues of securities by first exercising their options before the record date for determining entitlements to the new issue.
- If there is a bonus share issue to the Shareholders, the number of shares over which an option is exercisable will be increased by the number of shares which the option holder would have received if the option had been exercised before the record date for the bonus issue.
- If there is a pro rata issue (other than a bonus share issue) to the Shareholders, the exercise price of the options will be adjusted in the manner provided for in the Listing Rules.
- If there is a reorganisation of the issued capital of the Company, unexercised options will be reorganised in accordance with the Listing Rules.
- The Board may amend the Plan Rules subject to the requirements of the Listing Rules.

9.5 Interest of Persons

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, has, or has had within the two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of Encounter;
- (b) any property acquired or proposed to be acquired by Encounter in connection with its formation or promotion or in connection with the Offer; or
- (c) the Offer, and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Grant Thornton will receive professional fees of approximately \$10,000 for accounting services in connection with this Prospectus including the provision of the Investigating Accountant's Report. Grant Thornton have not provided other professional services to the Company during the last two years.

Grant Thornton will act as auditors of the Company. The Company will pay for auditing or related services in the normal course of business.

RSG Global Pty Ltd will receive professional fees of approximately \$23,000 for the provision of the Independent Geologist's Report. RSG Global Pty Ltd has not provided other professional services to the Company during the last two years.

Blakiston & Crabb will receive professional fees of approximately \$30,000 for legal work undertaken by them in connec-

tion with this Prospectus, including a general review of the compliance of the Prospectus with the requirements of the Corporations Act and participation in the due diligence process. Blakiston & Crabb have provided other professional services to the Company during the last two years for which the Company has paid or will pay fees totalling approximately \$6,000.

LinQ Corporate Pty Ltd has been appointed as corporate advisor to the Company for which it will be paid fees as detailed in Section 9.2(c). Perpetual Trustees Nominees Limited holds 2,000,000 Shares on trust for the LinQ Resources Fund. LinQ Capital Limited is the manager of the fund. LinQ Corporate Pty Ltd and LinQ Capital Limited have a common shareholder.

Hunt & Humphry will receive professional fees of approximately \$11,000 for the preparation of the Solicitors' Report on Mining Tenements contained in this Prospectus. Hunt & Humphry have provided other professional services to the Company during the last two years for which the Company has paid or will pay fees totalling approximately \$19,000.

Security Transfer Registrars Pty Ltd has been appointed as Encounter's share registry and will be paid for these services on normal commercial terms.

9.6 Insurance

The Company intends to effect and maintain, Directors' and Officers' Liability and Company Reimbursement insurance after quotation.

9.7 Consents

Each of the parties referred to in this Section:

- does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this Section; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Grant Thornton has given its written consent to the inclusion in Section 6 of this Prospectus of its Investigating Accountant's Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Hunt & Humphry has given its written consent to the inclusion in Section 7 of this Prospectus of their Report on Tenements and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

RSG Global Pty Ltd has given its written consent to the inclusion in Section 5 of this Prospectus of its Independent Geologist's Report and to all statements to those reports in the form and context in which they appear and has not withdrawn such consent before lodgement of the Prospectus with the ASIC.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

- RSG Global Pty Ltd as Independent Consulting Geologist;
- Grant Thornton as auditors of the Company and the Investigating Accountant;
- LinQ Corporate Pty Ltd as corporate adviser to the Company;
- Security Transfer Registrars Pty Ltd as the Company's share registry;
- Hunt & Humphry as solicitors reporting on the Company's tenements; and
- Blakiston & Crabb as solicitors to the Company.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

9.8 Expenses of the Offer

It is estimated that Encounter will pay the following costs in connection with the preparation and issue of this Prospectus (exclusive of GST and assuming that the \$4,000,000 raising only is reached):

Service	Estimate of Cost (\$)
Corporate Advisor	320,000
Legal	30,000
Tenement Report	11,000
Accounting	10,000
Geological Expert	23,000
Printing and mail	24,000
ASIC and ASX Fees	36,000
Other	10,000
Total	464,000

9.9 Taxation

The acquisition and disposal of Shares in Encounter will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in Encounter are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, Encounter, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

9.10 Litigation

The Company is not involved in any material litigation or arbitration proceedings, nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company.

9.11 Electronic Prospectus

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with the ASIC and the issue of Shares and Options in response to an electronic application form, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company and the Company will send to you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept a Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application moneys received will be dealt with in accordance with section 722 of the Corporations Act.

9.12 The Directors' Statement

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in this Prospectus by other persons, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, that those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with ASIC, or to the Directors' knowledge, before any issue of Shares pursuant to this Prospectus. This Prospectus is prepared on the basis that certain matters may reasonably be expected to be known to likely investors or their professional advisors.

Each of the Directors has consented to the lodgement of this Prospectus in accordance with Section 720 of the Corporations Act 2001 and has not withdrawn that consent.

Dated 9 February 2006



Signed for and on behalf of
Encounter Resources Limited
William Robinson
Managing Director

Section 10

Definitions

The following definitions apply throughout this document unless the context requires otherwise.

Applicant	A person who submits an Application.
Application	A valid application to subscribe for Shares.
Application Form	The Priority Offer Application Form or the Public Offer Application Form (as the case may be).
Application Monies	Monies received by Encounter from Applicants.
ASIC	Australian Securities and Investments Commission.
ASTC	ASC Settlement and Transfer Corporations Pty Ltd ACN 008 504 532.
ASX	Australian Stock Exchange Limited ACN 008 624 691.
Auditors	Grant Thornton
Avoca	Avoca Resources Limited ACN 097 083 282.
Avoca Joint Venture	The joint venture between Avoca and the Company on the terms summarised in Section 9.2(a).
Avoca Shareholder	An ordinary shareholder of Avoca.
BHPB or BHP Billiton	BHP Billiton Limited ACN 097 083 282.
BMR	Bureau of Mineral Resources.
Board	The board of Directors unless the context indicates otherwise.
Business Day	A day other than a Saturday or Sunday on which banks are open for business in Perth, Western Australia.
CHESS	ASX Clearing House Electronic Subregistry System.
Company or Encounter	Encounter Resources Limited ABN 47 109 815 796.
Constitution	Company's constitution.
Corporations Act 2001	The Corporations Act 2001 of the Commonwealth of Australia.
Directors	The directors of the Company as at the date of this Prospectus.
Dollars or \$	Australian dollars unless otherwise stated.
E	An Exploration Licence.
ELA	An Exploration Licence Application.
Electronic Prospectus	The electronic form of this Prospectus.
Exposure Period	The period of seven (7) days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than seven (7) days pursuant to Section 727(3) of the Corporations Act 2001.
GSWA	The Geological Survey of Western Australia.

Independent Geologist	RSG Global Pty Ltd.
Independent Geologist's Report	The report contained in Section 5 of this Prospectus.
Investigating Accountant	Grant Thornton.
Investigating Accountant's Report	The report contained in Section 6.
JORC Code	Has the same meaning as in Appendix 5A of the Listing Rules.
Lake Way South Tenement	Exploration Licence E53/1010 held by Avoca.
Listing Rules	Listing Rules of ASX.
Nova Energy	Nova Energy Limited ACN 111 599 154.
Offer	The Public Offer and the Priority Offer made under this Prospectus as set out in Section 1 of this Prospectus.
Offer Period	The period commencing on the Opening Date and ending on the Closing Date.
Official List	The Official List of ASX.
Opening Date	The date on which the Offer opens.
Priority Offer	The invitation to the shareholders of Avoca to apply for up to 5,000,000 Shares pursuant to the priority offer detailed in Section 1.2.
Priority Offer Application Form	The Priority Offer application form accompanying this Prospectus.
Priority Offer Closing Date	5.00pm WST on 9 March 2006.
Prospectus	This prospectus dated 9 February 2006 and includes the Electronic Prospectus.
Public Offer	The invitation to the public to apply for a total of 15,000,000 Shares plus any Shares not subscribed under the Priority Offer detailed in Section 1.3 of this Prospectus and oversubscriptions of up to 5,000,000 shares.
Public Offer Application Form	The Public Offer application form attached to this Prospectus.
Public Offer Closing Date	5.00 pm WST on 16 March 2006.
Quotation	Quotation of the Shares on ASX.
Share	One (1) fully paid ordinary share in the Company.
Share Registry	Security Transfer Registrars Pty Ltd ACN 008 894 488.
Shareholder	A holder of Shares.
Solicitor's Report on Mining Tenements	The report contained in section 7 of this Prospectus.
Uranium Rights	The right to explore and mine uranium and title to uranium recovered from the Lake Way South Tenement.
WMC	WMC Resources Ltd ACN 004 184 598.
WST	Western Standard Time, Perth, Western Australia.

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Public Offer Application Form and Instructions



(ACCOMPANYING THE PROSPECTUS DATED 9 FEBRUARY 2006)

REGISTERED OFFICE:

Level 1, 46 Parliament Place
WEST PERTH WA 6005

SHARE REGISTRY:

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233
Email: registrar@securitytransfer.com.au
Website: securitytransfer.com.au

PUBLIC APPLICATION FORM

Applicants should read the Prospectus in its entirety before completing this form. A person who gives to another person access to this application form, must at the same time and by the same means give that person access to the Prospectus.

No of Shares applied for:..... (Minimum 10,000 Shares then in multiples of 1,000 Shares) Application monies at \$0.20 per Share: \$.....	Identifying Stamp Only
--	------------------------

Title – Given Names/Company Name	Surname/ACN
.....
Joint applicants or account designation	
.....
.....

Postal Address
City/Town..... State..... Postcode.....
Email Address
Contact Name..... Daytime Contact No.....

CHESS HIN		
Tax File No/Exemption Category	Applicant 2	Applicant 3
.....

DECLARATION
1. I/We wish to apply for the abovementioned shares,
2. I/We wish to apply for the abovementioned Shares, issued in accordance with the terms of the Prospectus accompanying this form.
3. I/We enclose my/our cheque made payable to ENCOUNTER RESOURCES LIMITED – FLOAT ACCOUNT, for an amount shown being payment at the rate of \$0.20 per Share applied for.
4. I/We hereby authorise you to place my/our name(s) on the register of members in respect of the number of Shares, allotted to me/us.
5. I/We agree to be bound by the Constitution of the Company.
6. If any information on this form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the directors as to whether to accept this form, and how to construe, amend or complete it, shall be final.
7. I/We understand and agree that the directors may, allot less than the number of Shares we apply for, or none at all, in their absolute discretion.

Cheques must be made payable to "ENCOUNTER RESOURCES LIMITED – FLOAT ACCOUNT" and be in Australian dollars.

**THIS ENCOUNTER RESOURCES LIMITED APPLICATION FORM WITH PAYMENT IN FULL MUST BE LODGED WITH SECURITY TRANSFER
REGISTRARS PTY LTD BY 5PM WST 16 MARCH 2006
(SUBJECT ALWAYS TO THE RIGHT OF THE COMPANY TO CLOSE THE OFFER EARLY)**

This Application Form relates to the Offer of 15,000,000 Shares plus any Shares not subscribed under the Priority Offer at \$0.20 per Share (including the right to accept oversubscriptions of 5,000,000 shares at \$0.20 per share) pursuant to the Prospectus dated 9 February 2006. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read this document before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and an Application Form, on request and without charge.

NOTES

1. Enter the number of Shares you wish to apply for. Applications must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares.
2. Enter the total amount of application monies payable. To calculate this amount, multiply the number of Shares you are applying for by the issue price for each Share (ie, \$0.20 per Share).
3. Enter the full name(s) of all legal entities that are to be recorded as the registered holders.
4. Enter the postal address for all communications from the Company.
5. Enter the name and telephone number of the person who should be contacted if there are any questions with respect to this application.
6. If you are CHESS sponsored, enter your Holder Identification Number (HIN). Otherwise leave this box blank and a SRN will be allocated to you on issue.
7. Enter the tax file number(s) of the applicant(s) – this is not mandatory.
8. Unless otherwise agreed by the Company, payment must be made to "ENCOUNTER RESOURCES LIMITED – FLOAT ACCOUNT" by cheque drawn or payable on a bank within Australia, crossed "Not Negotiable" and be in Australian dollars. Receipt of payment will not be acknowledged.
9. This application form does not need to be signed. Return of this application form with the required application monies will constitute a subscription for that number of Shares stated on this form.

If you have received an application form without a complete and unaltered copy of this Prospectus, please contact the Company who will send you, free of charge, a printed copy of this Prospectus.

Please note that if an application form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the directors as to whether to accept an application form, and how to construe, amend or complete it, shall be final. An application form will not be treated as having offered to subscribe for more Shares than is indicated by the amount of the accompanying cheque.

Lodgement of Applications

Forward your completed Public Application Form with cheque(s) attached to:

Post:

Encounter Resources Limited
C/- Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953

Delivery by hand:

Encounter Resources Limited
C/- Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Applications are for Shares as detailed in the Prospectus dated 9 February 2006.

CORRECT FORMS OF REGISTRABLE TITLE

Note that only legal entities are allowed to hold securities. Application forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full name and the surname is required for each natural person. Application forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below:

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable
Title		
Trusts	Mr John David Brown <John David Brown A/C>	John Brown Family Trust
Deceased Estates	Mr John David Brown < Est John David Brown A/C>	John Brown <Deceased>
Partnerships	Mr John David Brown and Mr Michael James Brown	John Brown & Son
Clubs/Unincorporated Bodies	Mr John David Brown <ABC Tennis Association A/C>	Brown Investment Club or ABC Tennis Association
Super Funds	John Brown Pty Ltd <Super Fund A/C>	John Brown Superannuation Fund

Priority Offer Application Form and Instructions



(ACCOMPANYING THE PROSPECTUS DATED 9 FEBRUARY 2006)

REGISTERED OFFICE:
Level 1, 46 Parliament Place
WEST PERTH WA 6005

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
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APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233
Email: registrar@securitytransfer.com.au
Website: securitytransfer.com.au

AVOCA RESOURCES LIMITED SHAREHOLDERS PRIORITY APPLICATION FORM

Applicants should read the Prospectus in its entirety before completing this form. A person who gives to another person access to this application form, must at the same time and by the same means give that person access to the Prospectus.

No of Shares applied for:

(Minimum 10,000 Shares then in multiples of 1,000 Shares to a maximum of 80,000 shares)

Application monies at \$0.20 per Share: \$



Title – Given Names/Company Name

Surname/ACN

.....

.....

Joint applicants or account designation

.....

.....

.....

.....

Postal Address

City/Town..... State..... Postcode.....

Email Address

Contact Name..... Daytime Contact No.....

CHESS HIN

Tax File No/Exemption Category

Applicant 2

Applicant 3

.....

DECLARATION

1. I/We wish to apply for the abovementioned shares,
2. I/We wish to apply for the abovementioned Shares, issued in accordance with the terms of the Prospectus accompanying this form.
3. I/We enclose my/our cheque made payable to ENCOUNTER RESOURCES LIMITED – FLOAT ACCOUNT, for an amount shown being payment at the rate of \$0.20 per Share applied for.
4. I/We hereby authorise you to place my/our name(s) on the register of members in respect of the number of Shares, allotted to me/us.
5. I/We agree to be bound by the Constitution of the Company.
6. If any information on this form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the directors as to whether to accept this form, and how to construe, amend or complete it, shall be final.
7. I/We understand and agree that the directors may, allot less than the number of Shares we apply for, or none at all, in their absolute discretion.

Cheques must be made payable to "ENCOUNTER RESOURCES LIMITED – FLOAT ACCOUNT" and be in Australian dollars.

**THIS ENCOUNTER RESOURCES LIMITED APPLICATION FORM WITH PAYMENT IN FULL MUST BE LODGED WITH SECURITY TRANSFER REGISTRARS PTY LTD BY 5PM WST 9 MARCH 2006
(SUBJECT ALWAYS TO THE RIGHT OF THE COMPANY TO CLOSE THE OFFER EARLY)**

This Application Form relates to the Priority Offer of 5,000,000 Shares at \$0.20 per Share pursuant to the Prospectus dated 9 February 2006. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read this document before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and an Application Form, on request and without charge.

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3. Enter the full name(s) of all legal entities that are to be recorded as the registered holders.
4. Enter the postal address for all communications from the Company.
5. Enter the name and telephone number of the person who should be contacted if there are any questions with respect to this application.
6. If you are CHESS sponsored, enter your Holder Identification Number (HIN). Otherwise leave this box blank and a SRN will be allocated to you on issue.
7. Enter the tax file number(s) of the applicant(s) – this is not mandatory.
8. Unless otherwise agreed by the Company, payment must be made to "ENCOUNTER RESOURCES LIMITED – FLOAT ACCOUNT" by cheque drawn or payable on a bank within Australia, crossed "Not Negotiable" and be in Australian dollars. Receipt of payment will not be acknowledged.
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Applecross WA 6153

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Clubs/Unincorporated Bodies	Mr John David Brown <ABC Tennis Association A/C>	Brown Investment Club or ABC Tennis Association
Super Funds	John Brown Pty Ltd <Super Fund A/C>	John Brown Superannuation Fund

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www.encounterresources.com.au