



NOTICE OF ANNUAL GENERAL MEETING

&

EXPLANATORY STATEMENT

To be held

At 11.00am, Friday, 17 November 2006

at the

Parmelia Hilton
14 Mill Street
PERTH WA 6000

16 October 2006

Dear Fellow Encounter Shareholder,

Please find enclosed the Notice of Annual General Meeting for the Shareholders' Meeting to be held at the Parmelia Hilton, 14 Mill Street, Perth 6000 at 11.00am on Friday, 17 November 2006.

The purpose of the meeting is to seek Shareholder approval in accordance with the Corporations Act 2001 and the Listing Rules of the ASX to a number of resolutions, which are set out in the attached Notice of Meeting paper.

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

Yours sincerely



Paul Chapman
Chairman

ENCOUNTER RESOURCES LIMITED
ABN 47 109 815 796

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Encounter Resources Limited will be convened at 11.00am on Friday, 17 November 2006 at the Parmelia Hilton, 14 Mill Street, Perth, Western Australia.

AGENDA

ORDINARY BUSINESS

1. Discussion of Financial Statements and Reports

To discuss the Financial Report, the Directors' Report and Auditor's Report for the year ended 30 June 2006.

2. Adoption of the Remuneration Report

To adopt the Remuneration Report for the financial year ended 30 June 2006.

3. Election of Director – Mr Paul Chapman

To consider and, if thought fit, to pass with or without modification the following ordinary resolution:

"To elect as a Director, Mr Paul Chapman who retired in accordance with the Company's Constitution and being eligible, offers himself for re-election."

4. Adoption of Encounter Resources Limited Employee Share Option Plan

To consider, and if thought fit, to pass, with or without modification, the following ordinary resolution:

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

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

5. Approval of Prior Placement of Equity Securities

To consider, and if thought fit, to pass, with or without modification, the following ordinary resolution:

"That for the purposes of Australian Stock Exchange Limited (ASX) Listing Rule 7.4 and for all other purposes that the prior issue and allotment of 200,000 Equity Securities is hereby approved."

6. Appointment of Auditor

To consider, and if thought fit, to pass, with or without modification, the following ordinary resolution:

"That Grant Thornton be appointed Auditor of the Company".

GENERAL NOTES

1. With respect to Agenda Item 2, the vote on this item is advisory only and does not bind the Directors of the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company. The Chairman of the meeting intends to vote undirected proxies in favour of the adoption of the remuneration report.
2. The Company will disregard any votes cast on the resolutions by the following person(s) and any associate of that person(s).

RESOLUTION 4

Any director of the company.

RESOLUTION 5

Any person who participated in the issue and obtain a benefit.

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GENERAL NOTES (cont'd)

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. The Explanatory Statement to Shareholders attached to this Notice of General Meeting is hereby incorporated into and forms part of this Notice of General Meeting.
 4. The Directors have determined in accordance with Regulation 7.11.37 of the Corporations Regulations that, for the purposes of voting at the meeting, shares will be taken to be held by the registered holders at 11.00am on 15 November 2006.

BY ORDER OF THE BOARD



Kevin R Hart
COMPANY SECRETARY

Dated this 16th day of October 2006

EXPLANATORY STATEMENT

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

1. Discussion of Financial Statements & Reports

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

2. Adoption of Remuneration Report

During this item there will be opportunity for shareholders at the meeting to comment on and ask questions about the remuneration report. The remuneration report is available on pages 20 to 21 of the Annual Report.

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

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

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

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

3. Re-Election of Director – Mr Paul Chapman
as an Ordinary Resolution

Mr Paul Chapman is a chartered accountant and has over twenty years resources experience gained in Australia and the US. Mr Chapman has worked in a number of commodity businesses including gold, nickel, manganese, bauxite/alumina and oil/gas. Mr Chapman has had senior management roles in public companies of various sizes.

Mr Chapman is 48 years old and was appointed Chairman on 7 October 2005.

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

4.1 Employee Share Option Plan

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

4.2 Reasons for Plan

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

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

4.2 Reasons for Plan (cont'd)

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

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

4.3 Description of the Plan

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

(a) Participation

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

(b) Offer of Options

Each offer made by the Board must specify:-

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

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

(c) Price

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

(d) Acceptance

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

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

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

4.3 Description of the Plan (cont'd)

(e) Restrictions

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

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

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

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

(f) Administration

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

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

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

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

(g) Number of Options issued under the Plan

As at the date of this Notice 200,000 Options have been issued under the terms of the Plan.

5. Ratification of Prior Issue of Equity Securities to Employees as an Ordinary Resolution

5.1 Resolution 5 seeks shareholder approval for the prior issue of 200,000 unlisted options to employees of the Company or their nominee.

The unlisted employee options were issued by the Board to provide a long term incentive for those employees to remain committed to the Company and its future development path.

EXPLANATORY STATEMENT

5. Ratification of Prior Issue of Equity Securities to Employees (cont'd)

5.1 Resolution 5 seeks shareholder approval for the prior issue of 200,000 unlisted options to employees of the Company or their nominee (cont'd).

No Director related parties participated in the issue. The options were issued for no consideration and have the following exercise price, term to expiry and conditions:

- 100,000 options issued on 23 March 2006 to Jacqui Chapman and exercisable by payment of 20 cents each on or before 23 March 2011 and subject to a 12 month vesting period from the date of issue.
- 100,000 options issued on 15 May 2006 to Glenn Budge and exercisable by payment of 45 cents each on or before 15 May 2011 and subject to a 12 month vesting period from the date of issue.

No funds were raised from the grant of options.

Any shares issued pursuant to the exercise of options under Resolution 5 will rank pari passu with the existing ordinary shares on issue.

The options if exercised will represent approximately 0.3% of the total issued capital on a fully diluted basis.

The issue of the above equity securities was made within the Company's capacity to issue securities without shareholder approval pursuant to Listing Rule 7.1.

ASX Listing Rule 7.1 requires that a listed company obtain Shareholder approval prior to the issue of equity securities representing more than 15% of the issue capital of that company in any 12 month period.

ASX Listing Rule 7.4.2 sets out an exception to ASX Listing Rule 7.1. This rule provides that where a company in general meeting ratifies the previous issue of securities made without approval under ASX Listing Rule 7.1, those securities shall be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

Shareholder ratification is now sought pursuant to ASX Listing Rule 7.4 to reinstate the Company's capacity to issue up to 15% of its issued capital, if required, in the next 12 months without Shareholder approval.

5.2 Additional terms and conditions of options:

- (a) Each option shall be issued free for no consideration.
- (b) Each option entitles the holder to subscribe for one (1) ordinary share upon payment of the exercise price.
- (c) The options will lapse at 5.00pm, Western Standard Time on the expiry date.
- (d) The options will not be listed for official quotation on the ASX.
- (e) The options shall not be transferred or assigned by an option holder except that the option holder may at any time transfer all or any of the options to a spouse, family trust, or to a proprietary limited company, all of the issued shares in which are beneficially owned by the option holder or the spouse of the option holder.

EXPLANATORY STATEMENT

5. Ratification of Prior Issue of Equity Securities to Employees (cont'd)

5.2 Additional terms and conditions of options (cont'd):

- (f) 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 option holders have 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 of the options, and will be granted a period of at least nine (9) business days before books closing date to exercise the options.

- (g) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (h) The options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of options held by them accompanied by an option Certificate and a cheque made payable to the Company for the subscription monies for the shares. An exercise of only some options shall not affect the rights of the option holder to the balance of the options held by them.
- (i) The Company shall allot the resultant shares and deliver a statement of shareholdings with a holders' identification number within ten (10) business days of the exercise of the options.
- (j) Shares allotted pursuant to an exercise of options shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.
- (k) The Company shall make an application to have those shares allotted pursuant to an exercise of options listed for official quotation by the Australian Stock Exchange Limited.
- (l) All options will lapse upon the holder ceasing to be an employee of the Company unless otherwise determined by the Board of Directors in their absolute discretion (with no requirement to give any reasons therefore) resolve to extend the time for cancellation.
- (m) If there is a pro rata issue (except a bonus issue) to the holders of the underlying securities, the exercise price of the options may be reduced according to the formula set out in Listing Rule 6.22 of the of the Official Listing Rules of the Australian Stock Exchange Limited.

The options may be exercised at any time during the period commencing after the vesting date and ending on the expiry date.

6. Appointment of Auditor

In accordance with the requirements of Section 327B of the Corporations Act 2001 the Directors are seeking ratification of the appointment of Grant Thornton Western Australian Partnership as the Company's auditor. The partnership is an independent member of Grant Thornton International.

PROXY FORM

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

Facsimile: (08) 6210 1578

SHAREHOLDER DETAILS

Name of Shareholder:
(Surname) (Given Names)

Address of Shareholder:

I/We being a member(s) of Encounter Resources Limited, hereby appoint the following person or failing him/her the Chairman of the Meeting as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at The Parmelia Hilton, 14 Mill Street, Perth, Western Australia on Friday, 17 November 2006 at 11.00am (and at any adjournment thereof) in the manner indicated below or as he/she thinks fit.

PROXY'S DETAILS:

Name of Proxy:
(Surname) (Given Names)

Address of Proxy:

INSTRUCTIONS AS TO VOTING – Refer attached Notes to the Proxy Form

If you wish to direct your proxy how to vote with respect to the proposed resolutions, please indicate the manner in which your proxy is to vote by placing a "X" in the appropriate box below, otherwise your proxy will vote or abstain from voting as he/she thinks fit.

If you do not wish to direct your proxy how to vote, please place a mark in the box By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxyholder will be disregarded of that interest.

Resolutions:

	For	Against	Abstain
Ordinary business			
1. Adoption of remuneration report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Mr Paul Chapman as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Approval of the Encounter Resources Limited Employee Share Option Plan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval of prior placement of equity securities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Appointment of Auditor.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* It is the Chairman's intention to vote in favour of all resolutions in relation to undirected proxies.

Note: If you do not mark the box under Proxy Instructions and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your votes on the resolutions and your votes will not be counted in computing the required majority if a poll is called.

Refer overleaf

FOR INDIVIDUALS OR JOINT HOLDERS

.....
 Signature of Shareholder Name (Please Print) Date

.....
 Signature of Shareholder Name (Please Print) Date
 (Joint Shareholders)

IF THE MEMBER IS A COMPANY. The COMMON SEAL of the company was herewith affixed in accordance with the Constitution in the presence of:

.....
 Director Director/Secretary Date

IF THE MEMBER IS A COMPANY HAVING ONE PERSON AS ITS SOLE DIRECTOR AND SOLE COMPANY SECRETARY. The COMMON SEAL of the company was herewith affixed in accordance with the Constitution in the presence of:

.....
 Sole Director/Company Secretary Date

NOTES TO THE PROXY FORM

1. A member entitled to attend and vote at a meeting is entitled to appoint not more than two proxies.
2. Where more than 1 proxy is appointed, each proxy must be appointed to represent a specified portion of the members voting rights.
3. A proxy need not be a member of the Company.
4. A proxy form must be signed by the member or his or her attorney. Proxies given by corporations must be signed by seal or signature of authorised officer/s according to the Company's constitution and the Corporations Act.
5. To be valid, the form appointing the proxy and the Power of Attorney or other authority (if any) under which it is signed (or an attested copy) must be lodged with:

Encounter Resources Limited
 Level 1, 46 Parliament Place
 WEST PERTH WA 6005
 or
 GPO Box 273
 WEST PERTH WA 6872

No later than 48 hours before the time for holding the meeting.

6. An electronically transmitted facsimile of any instrument appointing a proxy received by the Company and apparently signed by the appointer or his/her or its attorney shall be sufficient instrument or proxy.
7. The facsimile number to which a proxy form may be sent is: **(08) 6210 1578**
8. A proxy received by email will be valid only if the original signed proxy form is presented for verification at the meeting.
9. Unless a member specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit or abstain from voting.

CORPORATE REPRESENTATIVE

A Company may appoint a person as its representative to attend the General Meeting. A corporate representative form must be signed by seal or signature of authorised officer/s according to the Company's constitution and the Corporations Act.

ENQUIRIES

If you have any questions concerning the resolutions and the action you should take, please contact Kevin Hart – Company Secretary on (08) 9486 9455.