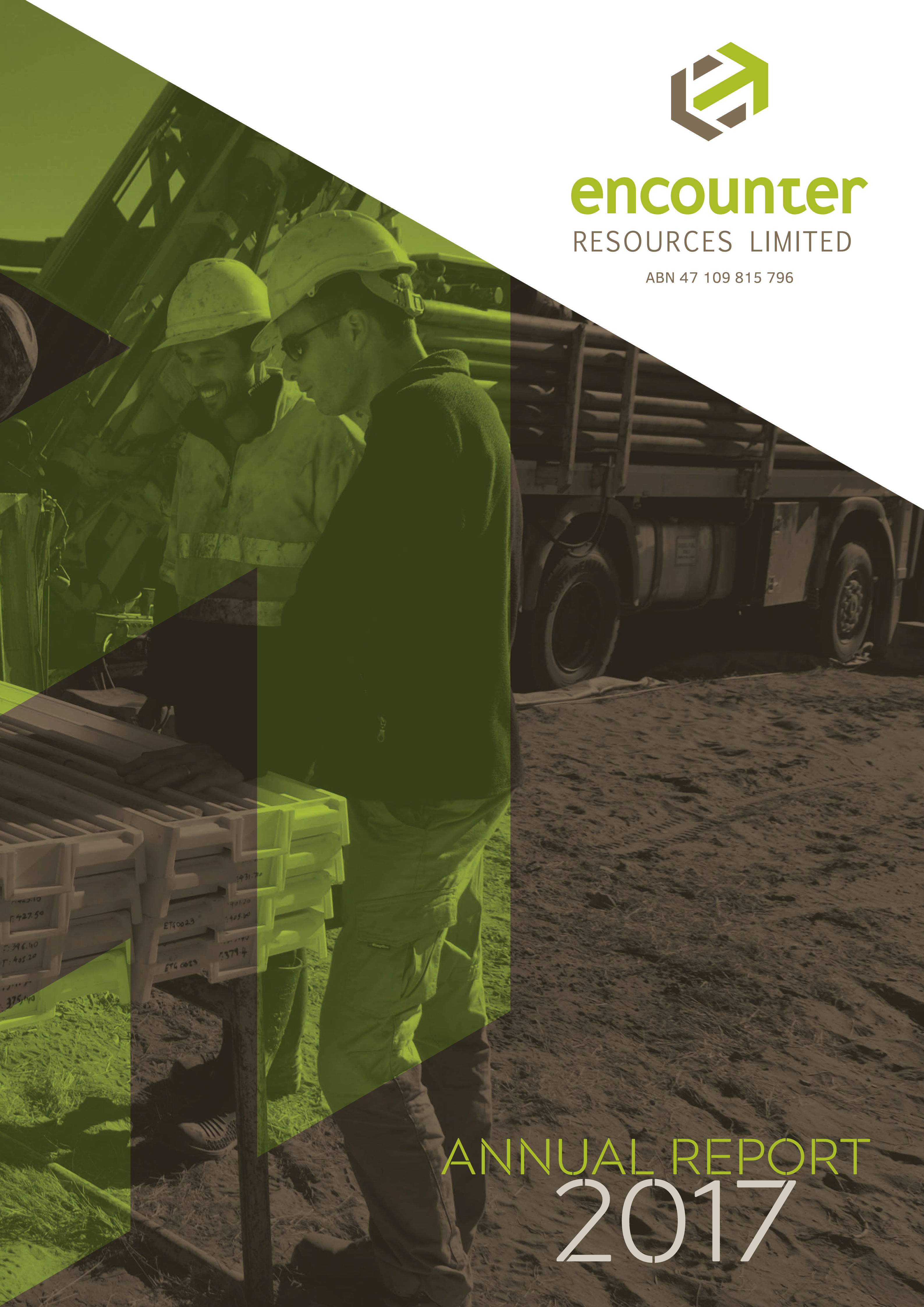
encounter

RESOURCES LIMITED

ABN 47 109 815 796



ANNUAL REPORT 2017

CORPORATE DIRECTORY

Directors

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

Company Secretaries

Kevin Hart
Dan Travers

Principal and Registered Office

Level 7, 600 Murray Street
West Perth, Western Australia 6005
Telephone (08) 9486 9455
Facsimilie (08) 9486 8366
Web www.enrl.com.au

Auditor

Crowe Horwath Perth
Level 5, 45 St Georges Terrace
Perth, Western Australia 6000

Share Registry

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

Stock Exchange Listing

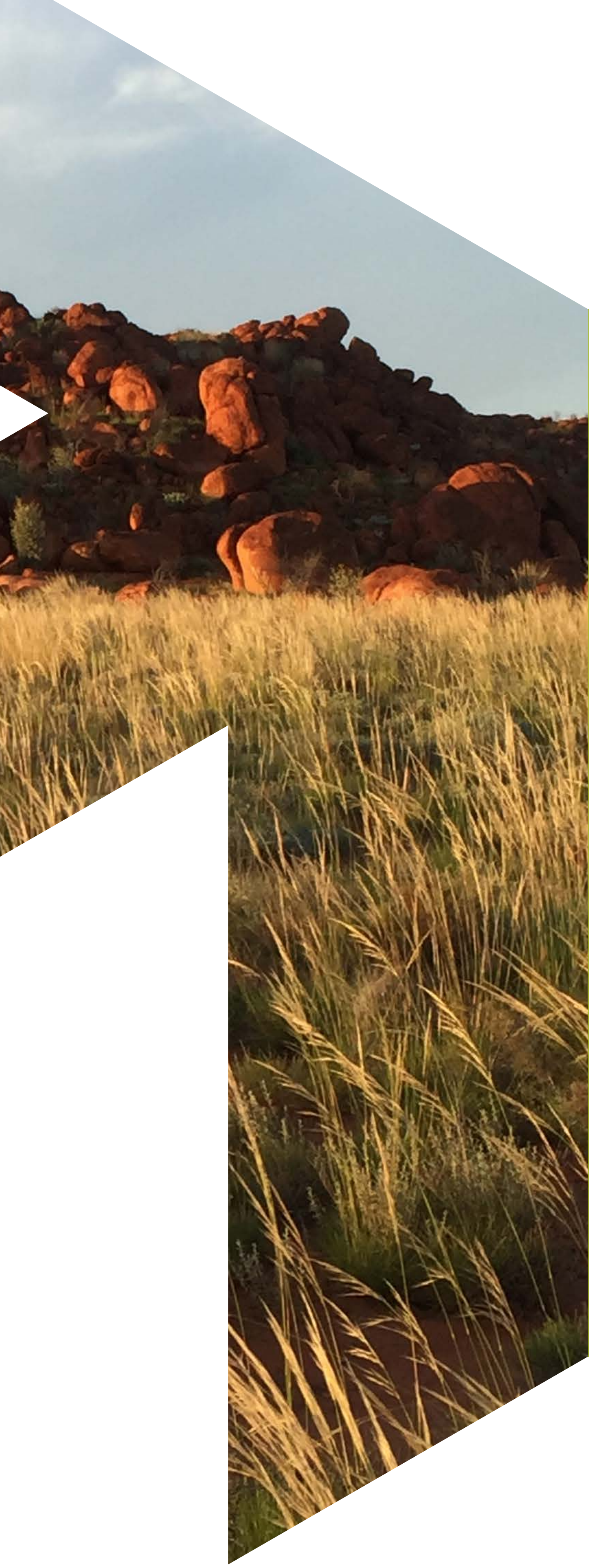
The Company's shares are quoted on the Australian Securities Exchange. The home exchange is Perth, Western Australia.

ASX Code

ENR – Ordinary shares

Company Information

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



CONTENTS

LETTER FROM THE CHAIRMAN AND MANAGING DIRECTOR

Dear Fellow Shareholder,

I am pleased to present the 2017 Annual Report for Encounter Resources Ltd (**"Encounter"**), a transformational year for the company.

Encounter's existing copper-cobalt-zinc project portfolio at Yeneena has been enlarged and enhanced with the addition of rapidly advancing gold projects in the Telfer region. We have also entered into an exciting project generation alliance with Newcrest Mining Ltd (**"Newcrest"** ASX:NCM), Australia's largest gold producer and owner of the nearby Telfer gold-copper mine.

Our gold projects in the Telfer region provide near term opportunities that leverage off Encounter's operating capabilities in the area and complement our base metals projects. The gold portfolio assembled by Encounter is targeting shallow gold opportunities in a well known region that has established large scale potential and is near infrastructure.

During 2017, the first drilling by Encounter at Telfer West (located 25km from Newcrest's Telfer gold-copper mine) intersected high grade gold in two locations 4km apart. The latest drilling at Telfer has identified a new gold stockwork zone that remains open along strike. This mineralised corridor can be traced over 5km of strike and Encounter has only started testing its potential.

Encounter's second advanced project in the area that was also drilled in 2017 is East Thomson's Dome. The initial drill program at East Thomson's Dome was designed to test part of a 2km long coincident gold-copper soil anomaly located on a large dome structure just 5km from the Telfer gold-copper mine. The first drilling by Encounter at East Thomson's Dome has extended known, near-surface gold reefs and has discovered additional reefs at depth. This drilling highlights the potential for a series of stacked gold lodes within the gold-copper system at East Thomson's Dome.

Encounter continues to advance exploration along the 70km long copper-cobalt corridor at Yeneena. Proterozoic aged, sediment hosted deposits in the Central African Copperbelt are one of the world's largest sources of copper and the world's largest source of cobalt. Similar age and geological setting has been defined in the Yeneena Basin in Western Australia.

Encounter has established proof of concept though drilling results and controls large landholdings at key structural locations in the district. Multiple mineralisation styles discovered at Yeneena highlight the region's potential. Encounter is assessing the large mineral system at BM7 for near-term, high grade copper-cobalt development opportunities. While continuing with the planned exploration, we are also actively pursuing a partner to advance the copper-cobalt exploration.

In addition to copper-cobalt, Encounter has discovered a large scale zinc-lead mineral system at Millennium that is over 3km long and is depth extensive. The processes to produce high tenor zinc mineralisation and multiple zinc mineralisation styles have been established. In conjunction with our 25% partner at Millennium, Hampton Hill Mining Ltd (**"HHM"**, ASX:HHM) and with an improving outlook for zinc, further RC drilling is planned during the second half of 2017.

In July 2017, Encounter entered into an exciting project generation alliance with Newcrest. We are delighted to be working on new project generation with Newcrest which has a unique understanding of the district potential of the north of Western Australia.

The alliance will utilise Encounter's highly credentialed project generation team to identify new camp scale exploration and potential future production opportunities in the north of Western Australia. The alliance structure provides Encounter with significant leverage and resources to generate and advance a pipeline of projects with the potential to host plus one million ounce gold deposits.

Encounter remains one of the most dedicated and active greenfield explorers in Australia. We are focused on generating value for our shareholders through leading edge greenfield exploration for new Tier 1 mineral assets in favourable mining jurisdictions like Australia.

Encounter is disciplined in its approach to capital management and we are steadfast in our commitment to systematic frontier exploration that can create enduring value for our shareholders. Our exploration plans remain well funded and, importantly, we have an extremely capable and experienced team that is dedicated to realising the vast potential of our project portfolio.

In closing, we would like to thank our employees, earn-in and alliance partners, suppliers and other business partners. We also would take this opportunity to thank our fellow shareholders for your ongoing support.

Yours sincerely

Paul Chapman
Chairman

Will Robinson
Managing Director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EXPLORATION REVIEW

PATERSON PROVINCE

YENEENA & TELFER REGION PROJECTS

- **Yeneena Copper-Cobalt Project: 100% Encounter - E45/2500, E45/2502, E45/2657, E45/2658, E45/2805, E45/2806, E45/3768, E45/4091, E45/4230 and E45/4408**
- **Millennium Zinc Project: 75% Encounter / 25% Hampton Hill Mining ("HHM") - E45/2501, E45/2561 and the four eastern sub-blocks of E45/2500**
- **Paterson Gold Projects: 100% Encounter - E45/4613, E45/3446, P45/2750 to P45/2752, P45/3032, E45/4564, E45/4757 and E45/4758**

Encounter holds exploration tenure over 2,000km² of the Paterson Province in Western Australia ("WA"), that hosts the Telfer gold-copper mine and the Nifty copper mine. Encounter is actively exploring for gold-copper deposits in the Telfer region as well as copper-cobalt and zinc-lead deposits at Yeneena (Figure 1).

The Company's gold portfolio includes Telfer West, a recent shallow, high grade gold discovery and East Thomson's Dome that includes a large scale gold soil anomaly identified adjacent to high grade outcropping gold reefs.

The copper-cobalt and zinc-lead prospects identified at Yeneena are located adjacent to major regional faults and have been identified through electromagnetics, geochemistry and structural targeting.

Separate to the projects in the Paterson Province, Encounter has a project generation alliance covering northern WA with Australia's largest gold mining company, Newcrest Mining Ltd ("Newcrest" ASX:NCM).

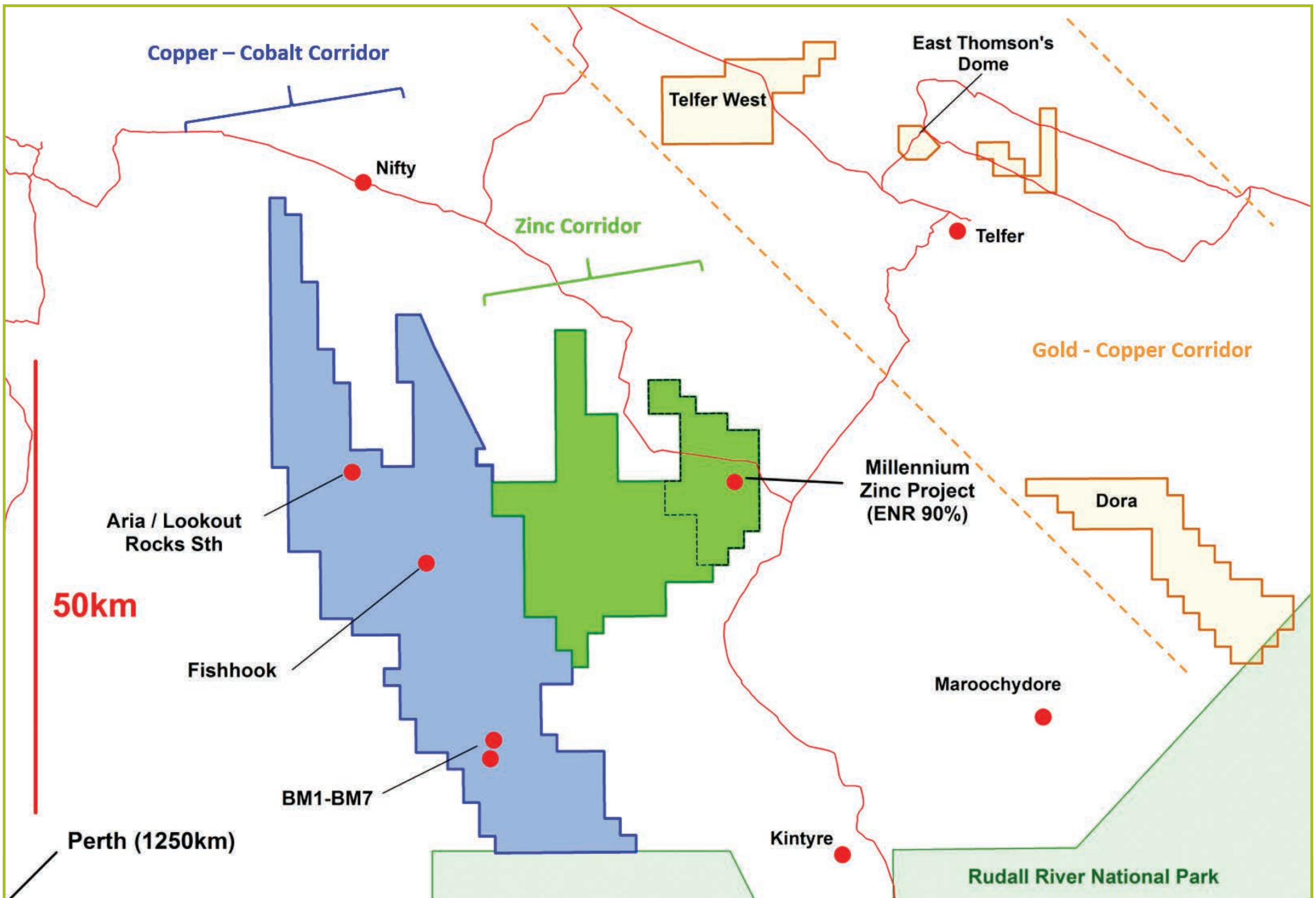

Figure 1: Yeneena tenements: Projects and Earn-In areas with major regional faults

2016/17 Exploration Highlights:

- Telfer West (Stockwork Corridor) - The latest drilling has identified a new gold stockwork zone that remains open along strike. This mineralised corridor can be traced over 5km of strike and Encounter has only started testing its potential.
- Telfer West (Northern Magnetic Anomaly) - The first RC program intersected near surface, high grade gold in a highly favourable geological setting, including:
  - ETG0015 20m @ 1.8g/t Au and 502ppm Cu from 94m including 10m @ 2.8g/t Au and 812ppm Cu from 94m
  - ETG0016 14m @ 1.2g/t Au and 1179ppm Cu from 66m including 4m @ 3.3g/t Au and 1400ppm Cu from 74m

  This supergene position remains open to the east, south and north. Additional drilling will be required to determine the orientation and extent of the higher grade corridors within this broad anomaly.
- East Thomson's Dome - The initial drill program at East Thomson's Dome was designed to test part of a 2km long coincident gold-copper soil anomaly located on a large dome structure just 5km from Newcrest's Telfer gold-copper mine. The first drilling by Encounter at East Thomson's Dome has extended the known near surface gold reefs and discovered additional reefs at depth. This drilling highlights the potential for a series of stacked gold lodes within the gold-copper system at East Thomson's Dome.
- Yeneena Copper-Cobalt Corridor - Encounter controls 70 strike kilometres of the Yeneena basin that is prospective for Proterozoic copper-cobalt deposits similar to the deposits of the Central African Copperbelt. Considering the improving market outlook for both copper and cobalt, Encounter is assessing the potential within the large mineral system at BM7 for near-term, high grade copper-cobalt development opportunities, including:
  - A +600m long zone of cobalt mineralisation discovered at BM7 that includes near surface intersections including 9m @ 1.0% Co and 1.5% Cu from 42m to EOH
  - Lookout Rocks South Gossan: The recently identified, 80m long gossan at Lookout Rocks where surface sampling returned grades up to 0.19% Co and 0.22% Cu
- Drilling at the Aria IOCG style prospect intersected further hematite-altered, polymictic breccia with zones of weakly disseminated chalcopyrite. The next drill program at Aria will focus on completion of a series of shallow drill sections to test the upper part of the copper bearing, hematite altered, polymictic breccia for stronger concentrations of copper mineralisation.
- Large scale mineral system discovered at Millennium that is over 3km long and is depth extensive. The processes to produce very high tenor zinc sulphide mineralisation and the identification of multiple zinc mineralisation styles has been established. Further RC drilling is planned at a structural target in the south-east of the project where the mineralised trend remains open.
- The Newcrest project generation alliance provides Encounter with significant leverage and resources to generate and advance a pipeline of projects with the potential to host plus one million ounce gold deposits in northern WA.
- Exploration Development Incentive Credits totalling $402,285 were distributed to Encounter shareholders in May 2017

During 2016/17 Encounter exploration activities at Yeneena included:

- 6,162m of diamond drilling (18 holes)
- 4,923m of RC drilling (30 holes)
- A detailed airborne magnetic survey at Telfer West
- Surface geochemical surveys and mapping at Telfer West and East Thomson's Dome
- Two aboriginal heritage surveys

EXPLORATION REVIEW (continued)

PATERSON GOLD PROJECTS

Encounter holds a highly prospective and strategic ground holding in the Paterson Province that hosts Newcrest's major gold-copper mine at Telfer.

Telfer West (E45/4613) (100% Encounter)

Background

Telfer West covers an area of approximately 121km^2 and is located 25km north west of Telfer (see Figure 1). Limited historical exploration at Telfer West was conducted by WMC and Newmont from 1983-1993 targeting gold mineralisation in a similar geological setting to Telfer.

Telfer West covers an 8km by 5km domal formation of Proterozoic sediments that is bounded to the north-west and south-east by late stage granitic intrusions. The domal structure has a core of Isdell Formation overlain by the Malu Formation, Telfer Formation and sediments of the Puntapunta Formation. These geological units are the main hosts of gold-copper mineralisation at Telfer. A linear belt of subtle magnetic anomalism forms part of a broad structural corridor that defines the fold axis of the Telfer West dome (see Figure 2). The gold mineralisation intersected is contained within this structural corridor, with stronger accumulations in areas of greater structural complexity.

The first two holes (ETG0002 and ETG0003) drilled by Encounter in December 2016, 4km apart, both confirmed the presence of high grade gold mineralisation at the Egg Stockwork Corridor and the Northern Magnetic Anomaly (see Figure 2).

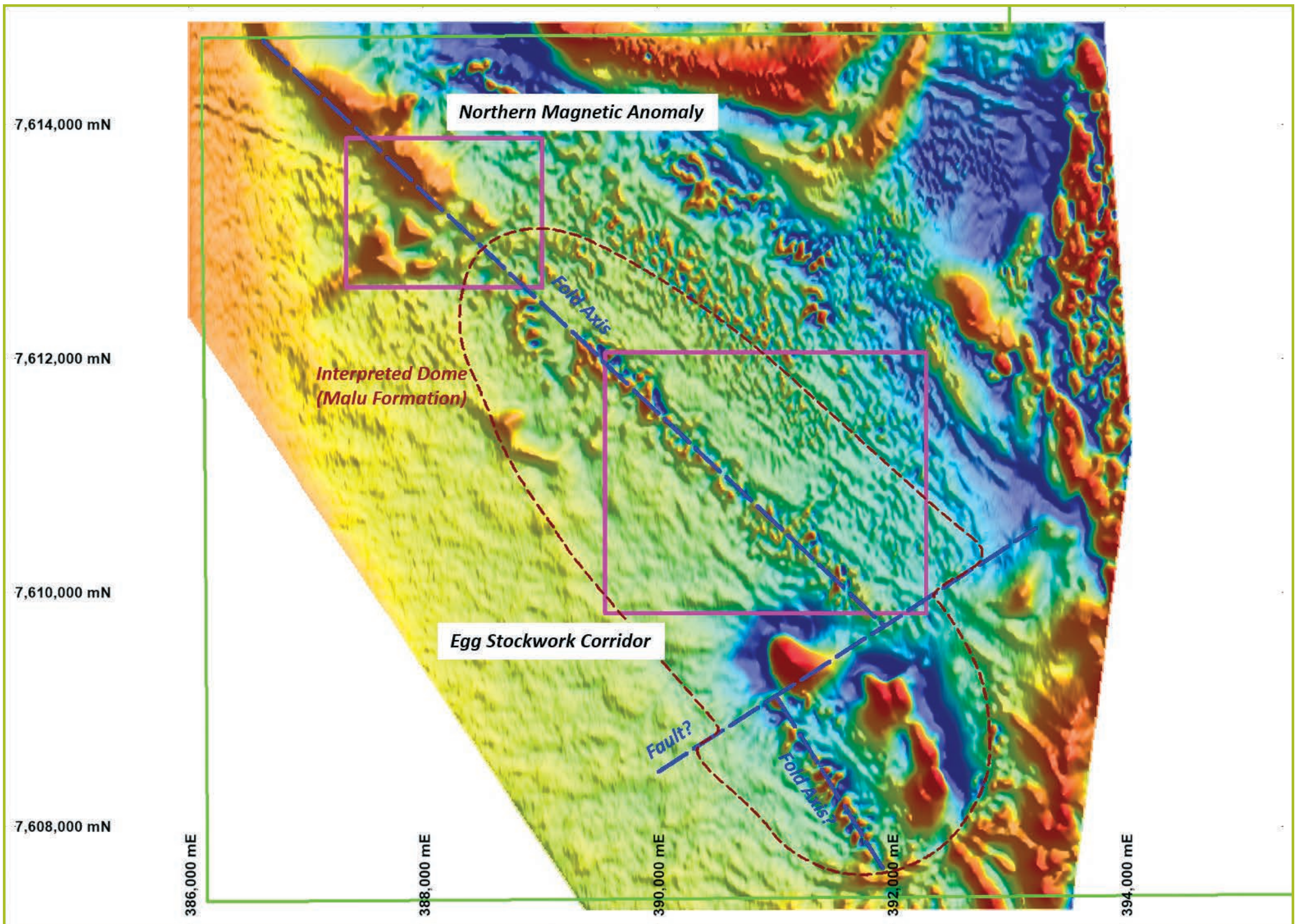

Figure 2: Telfer West prospects with interpreted dome and interpreted structure. Detailed aeromagnetic background (TMI 1VD pseudo colour image)

Egg Stockwork Corridor

In July 2017, a program of RC drilling was completed at Telfer West which included two RC drill holes (ETG0067 and ETG0068). These holes were drilled 800m south-east and along strike of the Egg Stockwork mineralisation where hole ETG0002 was drilled in December 2016. ETG0002 intersected an 80m wide, depth extensive zone of stockwork style gold mineralisation that included:

- 38.6m @ 1.0g/t Au from 333m (including 4.2m @ 3.2g/t Au from 333.5m) and 36m @ 0.6g/t Au from 396m (including 3.2m @ 3.3g/t Au from 415.2m) (refer ASX release 19 January 2017)

The first RC hole in the new area, ETG0067, returned 122m @ 0.2g/t Au with mineralisation strengthening towards the bottom of hole (36m @ 0.4g/t gold from 124m to EOH) (refer ASX release 31 July 2017) (Figure 3).

The second RC pre-collar (ETG0068) contained a thick zone of oxidised gold mineralisation of 30m @ 1.1g/t Au from 96m which is located to the north-east of the new stockwork zone. This intersection may represent a lateral supergene dispersion or a hangingwall position to the stockwork.

ETG0067 and ETG0068 were both extended with diamond tails in August 2017. Visual inspection of the drill core shows that these holes contain stockwork zones of silicified and fractured quartzite containing pyrite.

Based on this new area of gold mineralisation, an additional RC/diamond drill hole (ETG0070) was completed 80m north-east of ETG0068 to test the down dip of the 30m @ 1.1g/t Au intersection (Figure 4). Assay results from ETG0070 and the diamond tails of ETG0067 and ETG0068 are expected in October 2017. ETG0070 has been left open and may be extended to test the new stockwork zone below ETG0068.

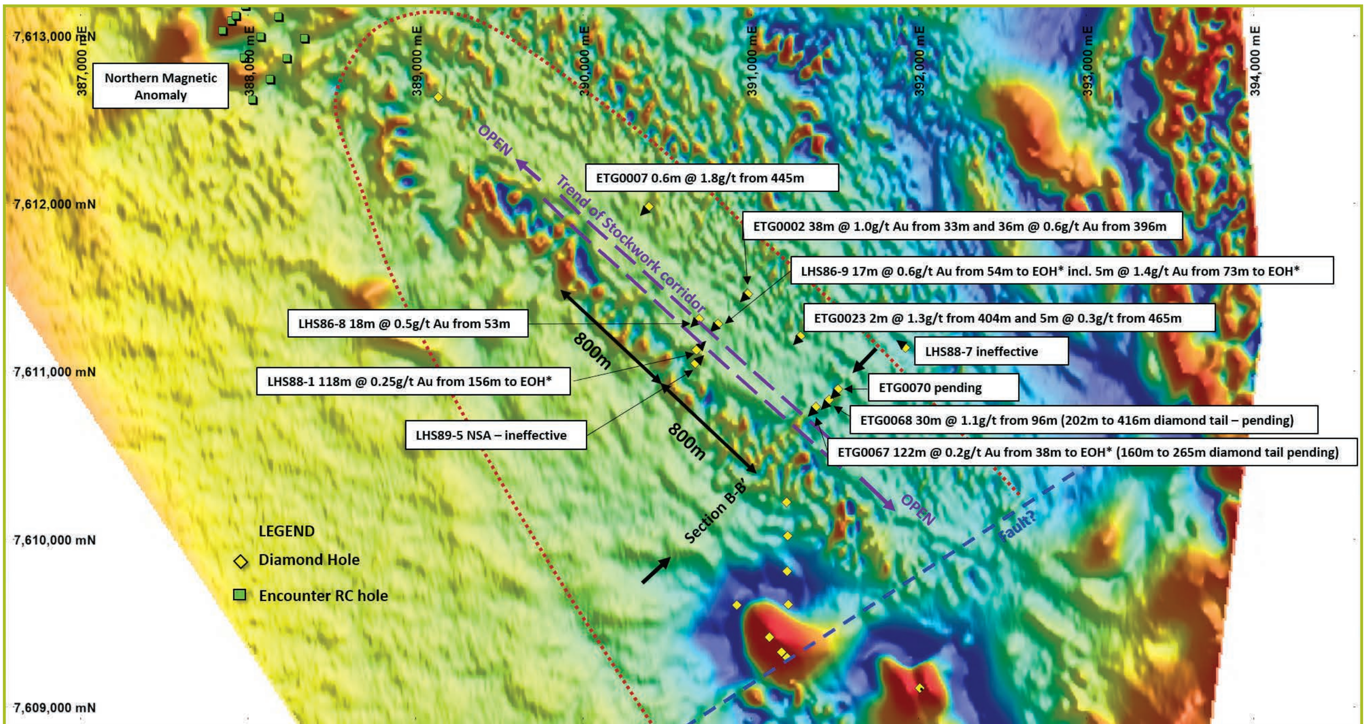

Figure 3: Telfer West prospects with interpreted dome and interpreted structure. Detailed aeromagnetic background (TMI 1VD pseudo colour image)

EXPLORATION REVIEW (continued)

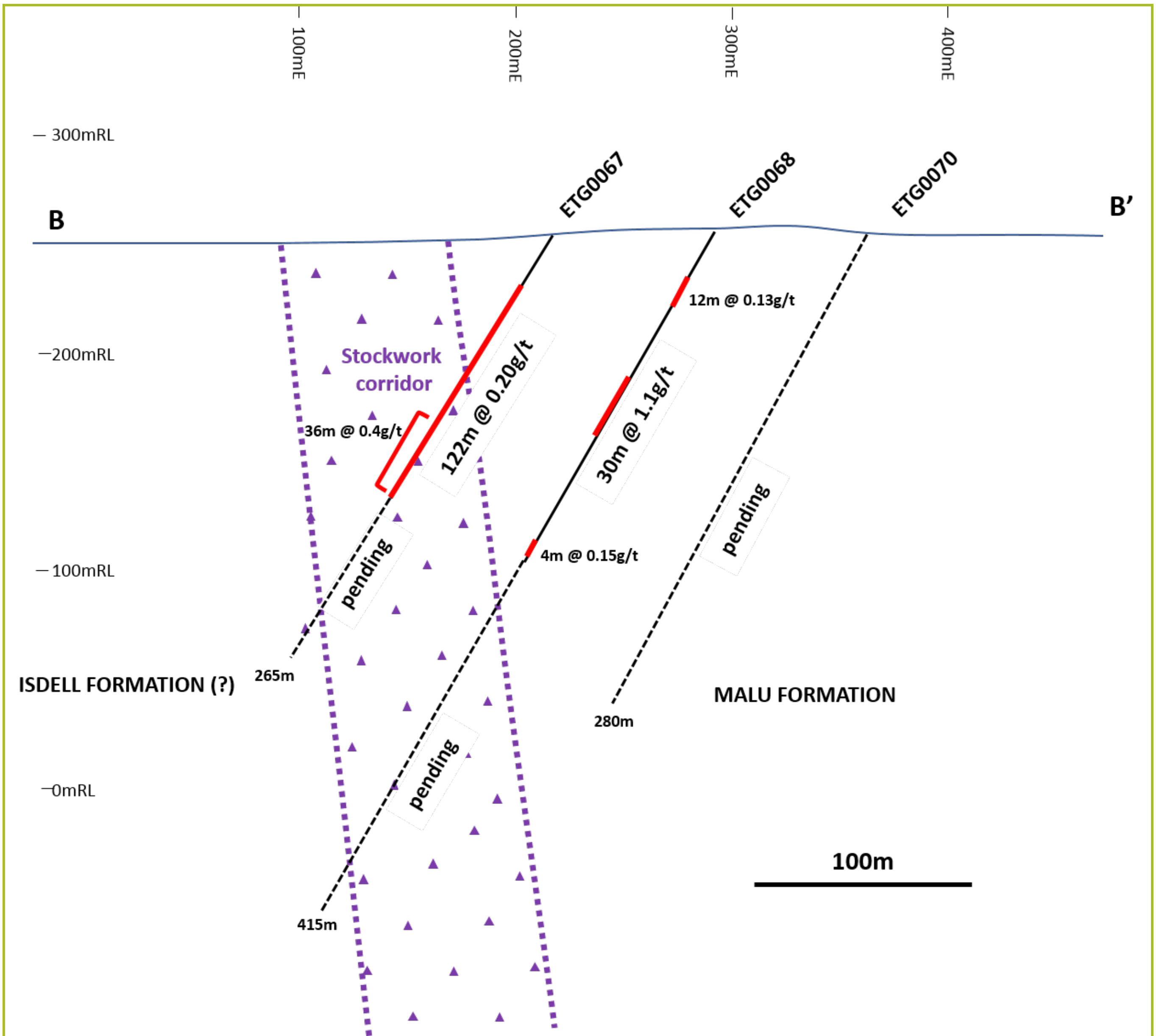

Figure 4: Telfer West Southern Stockwork Zone. Interpreted section B-B'

Northern Magnetic Anomaly

An 11 hole (2,216 metre) RC program was completed at Telfer West in March-April 2017. The objective of the first RC program was to follow up the strong supergene gold mineralisation intersected in diamond drill hole ETG0003 completed in December 2016 that included 24.9m @ 0.7g/t Au from 127.1m and 4.0m @ 7.1g/t Au from 216m (refer ASX release 19 January 2017).

A broad drill hole grid pattern was designed to determine the lateral extent of supergene gold mineralisation intersected in ETG0003 and to define vectors towards potential primary mineralisation along the fold axis in this northern part of the Telfer West dome.

The RC program successfully intersected under cover, high grade, near surface gold mineralisation (refer ASX release 26 April 2017):

- ETG0015 20m @ 1.8g/t Au and 502ppm Cu from 94m including 10m @ 2.8g/t Au and 812ppm Cu from 94m
- ETG0016 14m @ 1.2g/t Au and 1179ppm Cu from 66m including 4m @ 3.3g/t Au and 1400ppm Cu from 74m
- ETG0010 8m @ 1.0 g/t and 426ppm Cu from 197m

A second RC drill program was completed at Northern Magnetic Anomaly in July 2017 (Figure 5). This drilling was designed to test for continuity of gold mineralisation and for additional gold mineralisation to the south-east. The drilling intersected additional supergene gold mineralisation but of lower tenor than ETG0015 and ETG0016. Intersections received include:

- ETG0026 14m @ 0.4g/t Au from 62m including 2m @ 2.1g/t Au from 62m
- ETG0030 6m @ 1.4g/t Au from 88m
- ETG0031 6m @ 0.4g/t Au from 196m to EOH including 2m @ 1.1g/t Au from 200m to EOH (refer ASX release 31 July 2017)

Based on an initial review of results, the supergene position remains open to the east, south and north. Additional drilling will be required to determine the orientation and extent of the higher grade corridors within this broad anomaly.

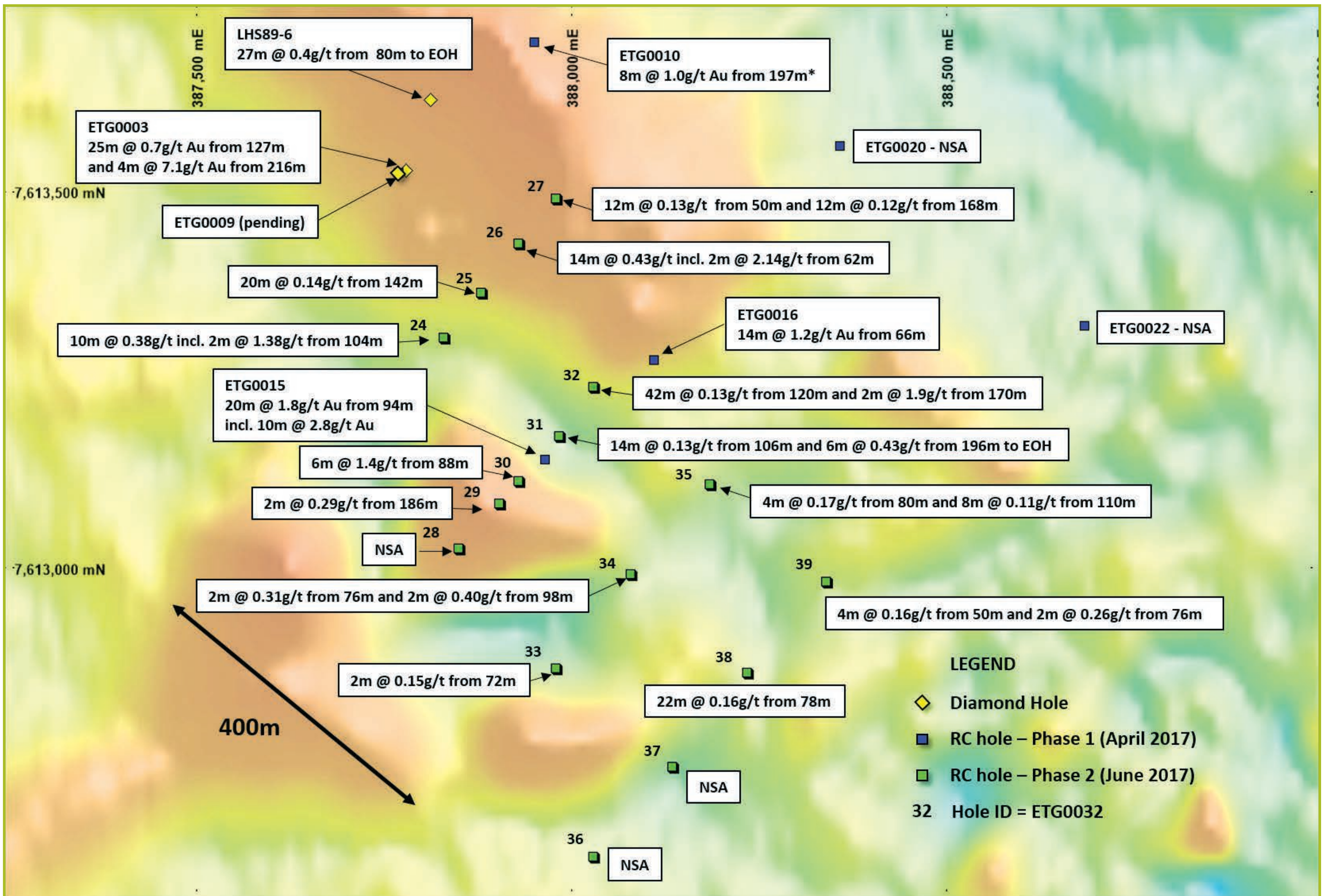

Figure 5: Telfer West Northern Magnetic Anomaly drill status plan and drill results summary. Detailed aeromagnetic background (TMI 1VD pseudo colour image)

EXPLORATION REVIEW (continued)

East Thomson's Dome (E45/3446, P45/2750-52, P45/3032) (100% Encounter)

Background

East Thomson's is a high quality opportunity located just 5km from the Telfer mine (Figure 6). The domal structure at East Thomson's Dome has a core of Telfer Formation sediments with the fold axis trending WNW. This geological setting is similar to the setting of the high grade reefs at Telfer.

Historical exploration at East Thomson's Dome ("ETD") was conducted by Newmont, Duval Mining and Mt Burgess Mining between 1985 and 2003. The most recent exploration was completed by Barrick in 2003-2006. Previous drilling completed at East Thomson's Dome was mainly shallow RAB and RC programmes with only 3 diamond holes drilled across the 4km by 4km project. In total, 438 holes have been drilled at East Thomson's Dome with only 10 of these holes exceeding 100m depth and the remainder of the holes averaging 28m depth.

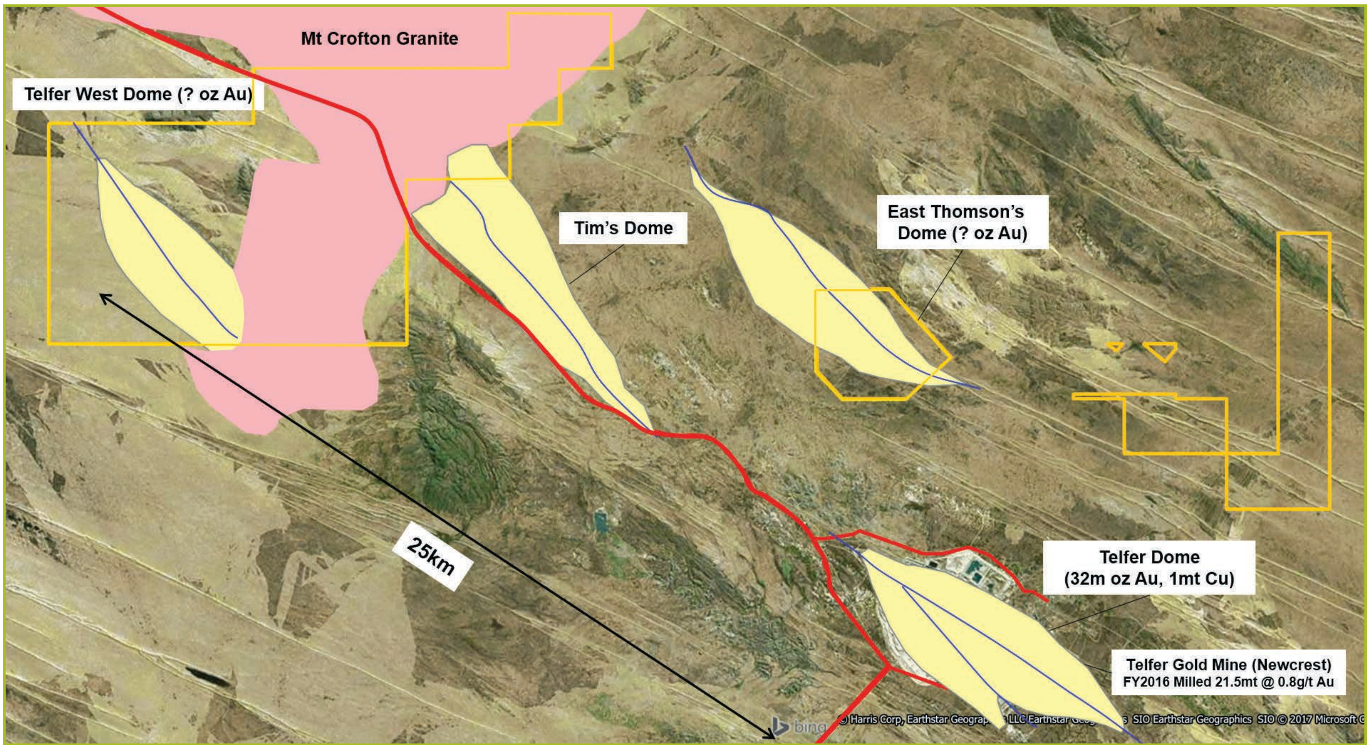

Figure 6: Telfer Region Gold Projects. Interpreted mineralised domes and location map – Bing background

Historical Exploration Results

Historical shallow exploration in the 1990s at the Fold Closure focused on a high grade reef orientated perpendicular to the axis of the East Thomson's Dome. The reef has been drilled to a depth of approximately 50m and remains open down dip and along strike. Previous results include (refer ASX release 14 February 2017):

- NTR 5 4m @ 29.0 g/t Au from 31m
- NTR 12 2m @ 33.0 g/t Au from 22m
- NTR 17 10m @ 9.8 g/t from 16m incl. 2m @ 45.8 g/t Au from 20m
- NTR 57 2m @ 76.2 g/t Au from 35m
- NTR 61 7m @ 17.1 g/t Au from 16m incl. 3m @ 37.6 g/t Au from 19m

A total of 107 holes were drilled by previous explorers in and around the Fold Closure with only 2 of these holes being diamond holes and only 6 holes exceeding 100m downhole depth. The average depth of the drilling at the Fold Closure, excluding the 6 deepest holes, is 34m.

The most recent drilling at East Thomson's Dome was conducted by Barrick in 2005. Barrick's diamond drill hole at the Fold Closure returned 3m @ 8.3 g/t Au from 243m in a quartz reef that is interpreted to strike parallel to the fold axis and remains open in all directions (see Figure 7). A prospecting program completed in March 2017 by Encounter focused on an outcropping quartz vein located 300m south-east of the Barrick DDH. This surface quartz vein is interpreted to be the outcropping position of the gold bearing quartz reef drilled by Barrick. The identification of gold nuggets in the vicinity of the outcropping vein indicates the potential for a significant strike length of this high grade vein.

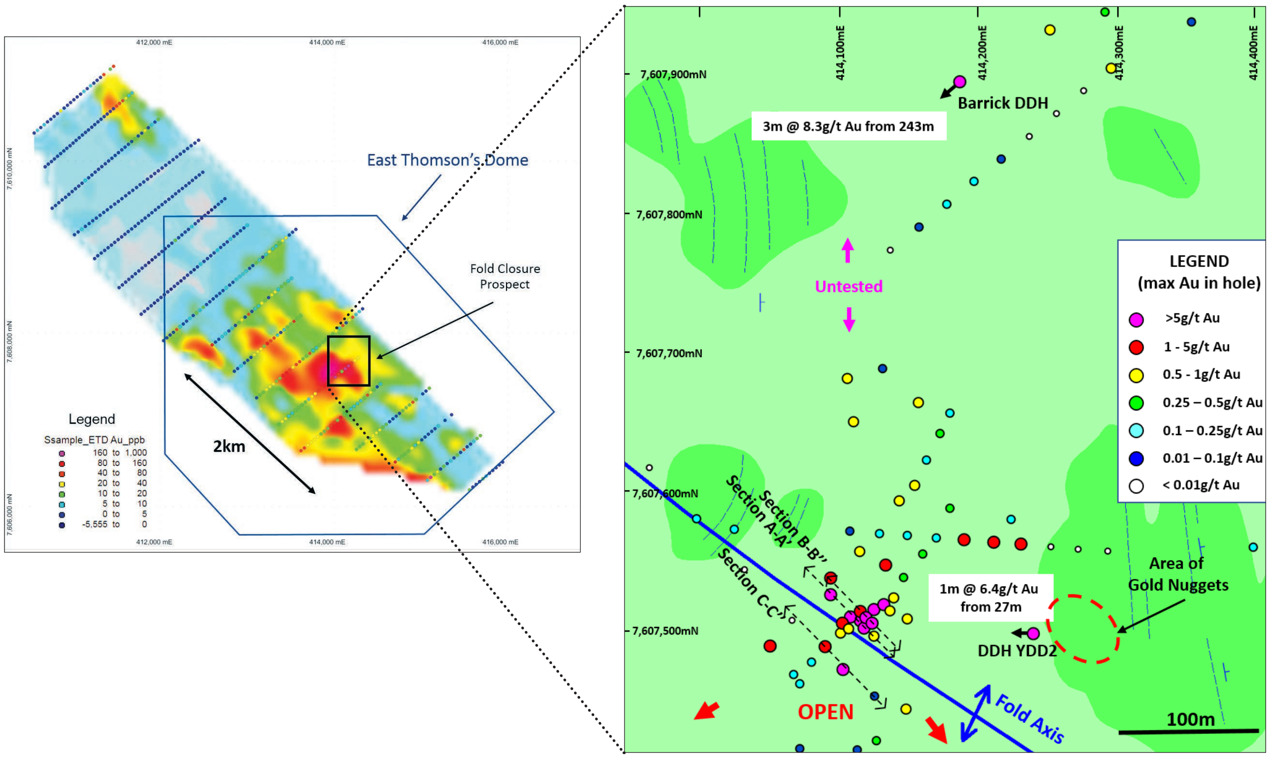

Figure 7: Fold Closure Prospect (East Thomson's Dome): Maximum gold in hole plot on surface geology (darker green = outcropping sediments, lighter green = sediment float)

Encounter's maiden drill program at East Thomson's Dome included six RC drill sections spaced between 200m and 800m apart and four diamond drill holes at the Fold Closure in July-August 2017. The 18 hole RC program was designed to provide an initial drill test of the eastern half of a large (+2km long) gold soil geochemical anomaly identified at East Thomson's Dome. The diamond drilling program was designed to extend the area of shallow high grade reefs identified by previous explorers at the Fold Closure.

Fold Closure – High grade reef system

Four diamond drill holes were completed by Encounter at the Fold Closure for a total of 736 metres. Three of the four holes were drilled immediately south-east of a series of outcropping high grade gold reefs, drilled in the 1990s, that defined high grade near surface reef mineralisation.

This historical drilling was limited to approximately 50m below surface and focused on a small area, approximately 80m by 40m. The three latest holes drilled by Encounter were targeting the interpreted down dip and along strike extensions of this high grade mineralisation.

EXPLORATION REVIEW (continued)

Diamond holes ETG0053, ETG0054 and ETG0055 all intersected oxidised, reef-style gold mineralisation and returned high grade gold intersections including:

- ETG0053 2.9m @ 7.7g/t Au from 127.1m incl. 0.45m @ 25.4g/t Au from 129.55m to EOH
- ETG0054 1m @ 3.2g/t Au from 80m
- ETG0055 2.5m @ 7.3g/t Au from 11.4m, part of 26.6m @ 1.0g/t Au from 4.2m (refer ASX release 14 September 2017)

It appears the reef mineralisation at East Thomson's Dome is stacked, with more than one mineralised horizon intersected in the diamond drill holes. Importantly, the drilling has significantly increased the area of the known reef mineralisation to an area of 150m by 120m. These high grade reefs at the Fold Closure remain open down dip and along strike and will be subject to a second round of drilling in October 2017.

Large Gold/Copper Soil Anomaly – strengthening to the west

Previous drilling over the +2km long, gold-copper surface geochemical anomaly at East Thomson's Dome is shallow with average drill depth of ~30m and the drilling is not systematic. Encounter completed a program of 18 RC holes for 3,816m over six, 200m to 800m spaced traverses across the eastern half of the geochemical anomaly. Holes were planned to a nominal depth of 200m which was thought to be sufficient to test the important geochemical horizon at the base of oxidation. Anomalously deep oxidation at East Thomson's Dome resulted in many of the RC holes finishing above the target horizon.

Although the holes did not test the base of oxidation, the results received are highly encouraging with a well mineralised (+1g/t Au) trend defined over a strike length of +500m (Figure 8). Highly anomalous copper was also encountered with all gold intersections, often ranging from 500ppm to 1,000ppm Cu. Results along this trend include:

- ETG0048 4m @ 1.2g/t Au from 158m
- ETG0051 6m @ 1.2g/t Au from 202m
- ETG0045 6m @ 9.0g/t Au from 178m to EOH incl. 2m @ 26g/t Au from 178m (refer ASX release 14 September 2017)

This main trend is well supported by a wide zone of supergene mineralisation including:

- ETG0047 ended in 10m @ 0.2g/t Au from 150m
- ETG0052 with 34m @ 0.2g/t Au from 36m
- ETG0044 intersected 16m @ 0.6g/t Au from 154m (refer ASX release 16 August 2017)
- ETG0046 ended in 8m @ 0.3g/t Au from 140m including 2m at 0.5g/t Au at EOH (refer ASX release 16 August 2017)

These results are highly anomalous and encouraging given that this was broad spaced drilling over the eastern half of the 2km long geochemical anomaly. Results have defined a core, high grade gold-copper trend within a wider supergene anomalous zone that is strengthening to the west. Importantly, many of the broad spaced RC holes did not reach the base of oxidation, meaning the horizon has not been effectively tested. Additionally the western half of the 2km long geochemical anomaly also remains untested.

The RC pre-collar of ETG0045 finished in 6m @ 9g/t Au at 184m. In August 2017 a diamond tail extended the hole to 396m with assays from the diamond drilling expected in October 2017.

The next phase of RC drilling at East Thomson's Dome will close up drill spacing along the defined high grade trend and will extend drilling to the west over the remaining untested portion of the surface geochemical anomaly. This RC drill program will commence in early October 2017.

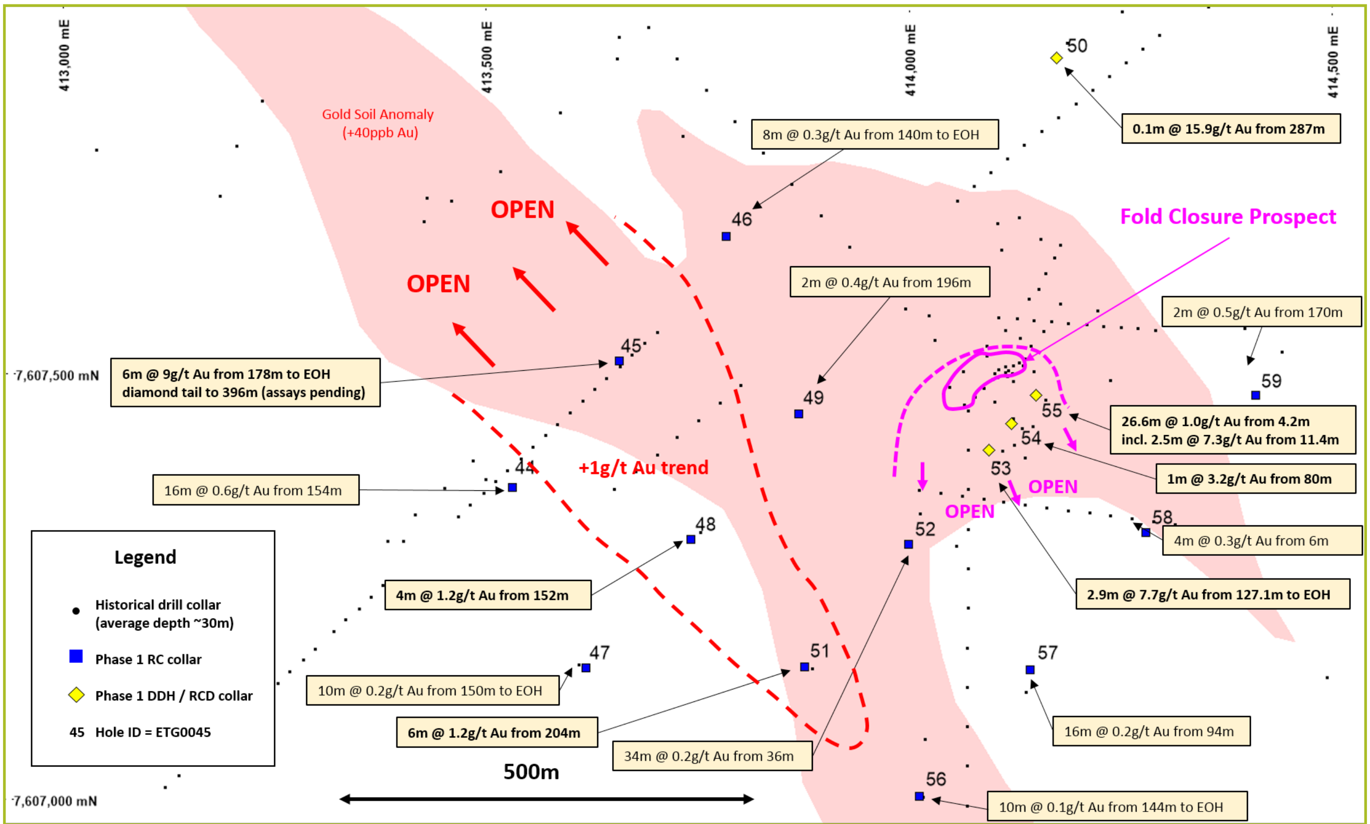

Figure 8: East Thomson's Dome Phase 1 drilling summary

Dora (E45/4564) (100% Encounter)

The Dora gold-copper tenement covers a series of discrete magnetic anomalies along strike from historical gold occurrences and is located approximately 40km south-east of the Telfer gold-copper mine. Exploration at Dora has been deferred to allow for drilling at Telfer West and East Thomson's Dome.

YENEENA COPPER-COBALT PROJECTS

BM1–BM7 (E45/2658, E45/2805) (100% Encounter)

BM1-BM7 is a 14km long copper-cobalt system, discovered and wholly owned by Encounter, that contains high grade copper-cobalt sulphide mineralisation and a coherent zone of near surface copper oxide mineralisation.

Considering the improving market outlook for both copper and cobalt, Encounter is assessing the potential within the large mineral system at BM7 for near-term, high grade copper-cobalt development opportunities. Encounter's previous exploration programs at BM7 focused on the delineation of large tonnage copper sulphide deposits. The previous broad spaced drilling in the BM7 area was designed to test for thick, gentle easterly dipping zones of copper mineralisation that would parallel stratigraphy. However, a recent review of this drilling has identified a potential steep westerly dip to the high grade copper-cobalt shoots.

A two RC hole program was completed at BM7 in November 2016 to test for continuity of the copper-cobalt mineralisation intersected in aircore hole EPT1557 (**9m @ 1.5% Cu and 1.0% Co from 42m to EOH**) (refer ASX release 21 November 2012).

The two shallow RC scissor holes intersected additional high grade copper-cobalt down dip of EPT1557. EPT2292 included an intersection of **7m @ 1.4% Cu and 246ppm Co from 66m**. Also encouraging, is the bottom of hole intersection in EPT2293 that finished in **18m @ 0.5% Cu and 735ppm Co from 49m** including the final sample that graded **1m @ 0.2% Co** (see Figure 10) (refer ASX release 25 January 2017).

EXPLORATION REVIEW (continued)

It is interpreted that a steeply dipping high grade copper-cobalt shoot has been discovered at BM7 that is open to the north and south. Shallow drilling along the interpreted strike of the shoot includes an intersection of **8m @ 2.0% Cu and 1076ppm Co from 58m** in EPT1689 located 200m south and strong copper-cobalt mineralisation has been intersected on the drill section 200m north (see Figure 9) (refer ASX release 10 January 2013).

A follow up drill program was completed in August 2017 to test down dip of the high grade copper-cobalt shoot at BM7. Assay results are pending.

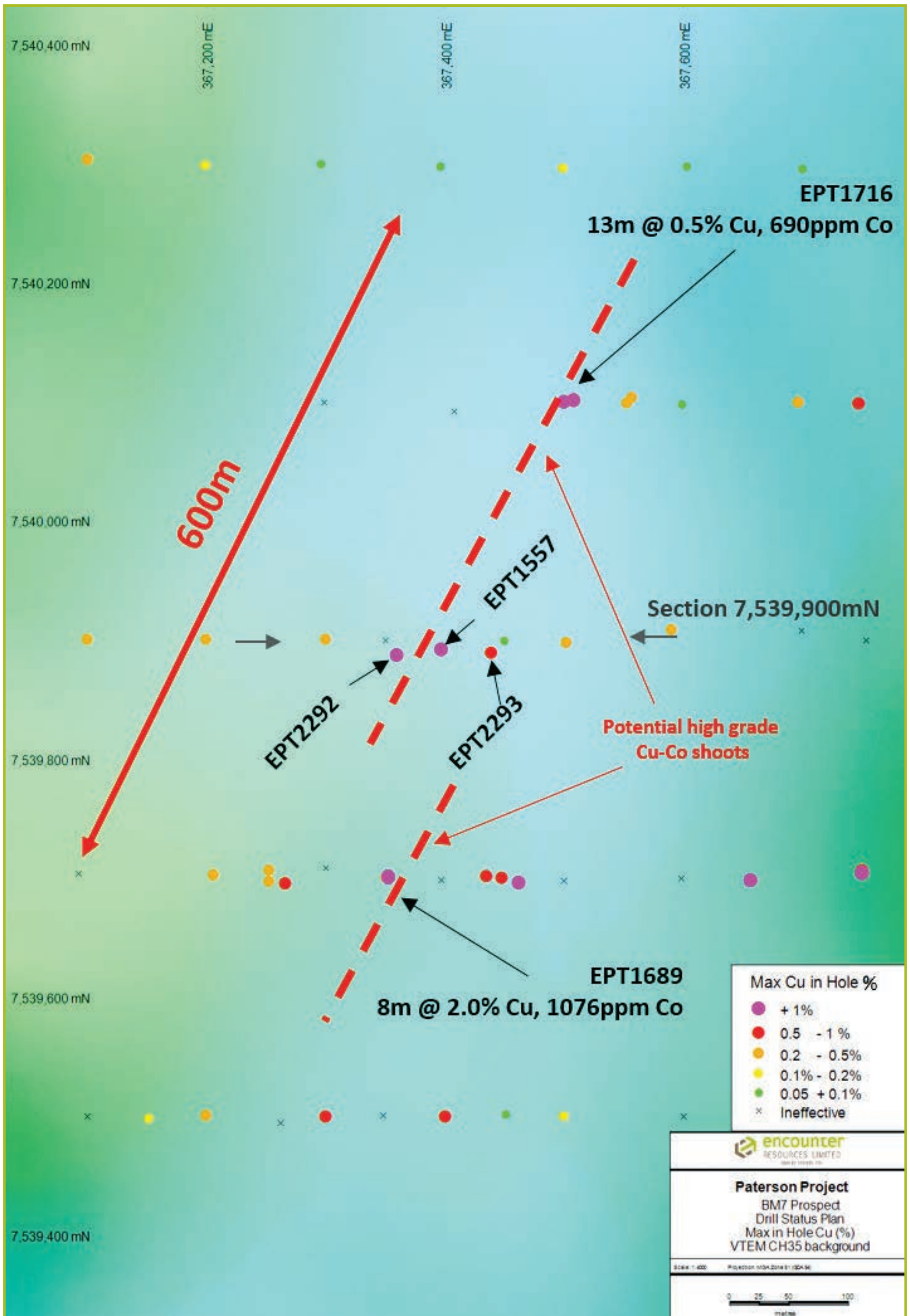

Figure 9: Drill Status plan and Max Cu in hole – BM7 Prospect (VTEM ch35 background)

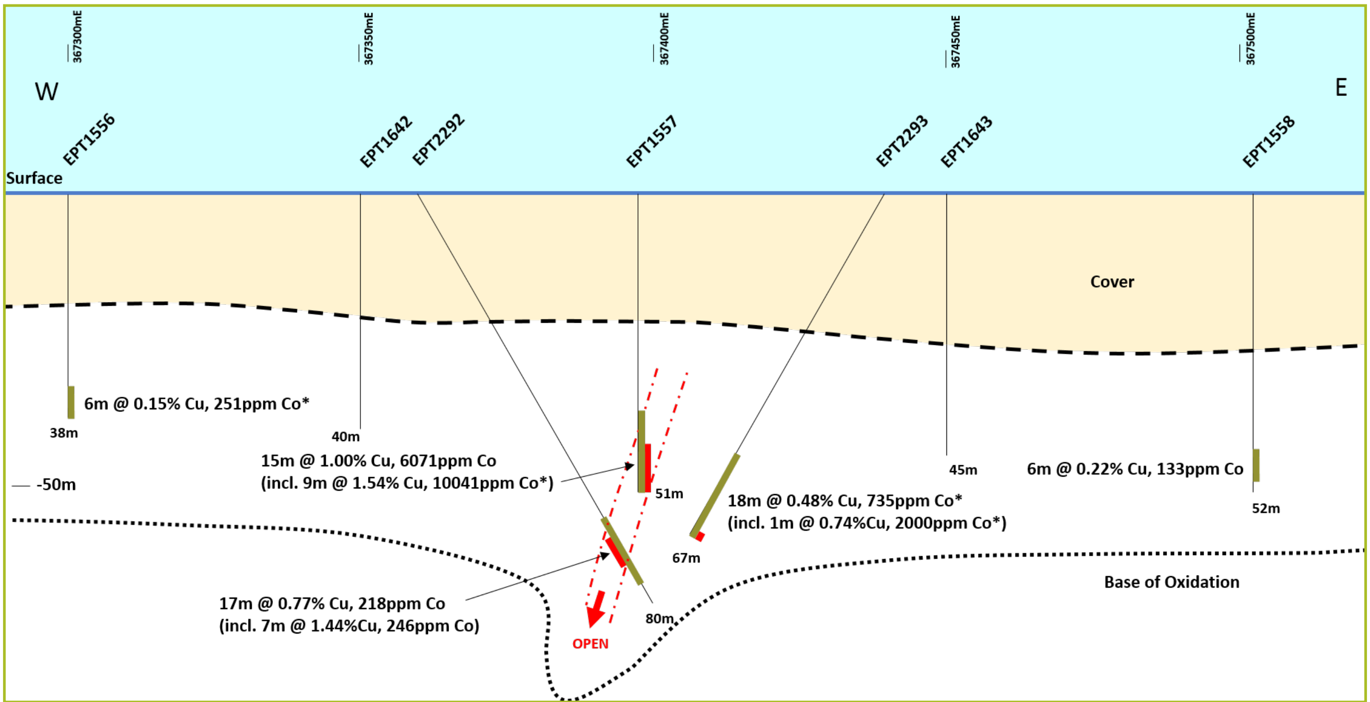

Figure 10: Cross Section 7539900mN – BM7 Prospect

Lookout Rocks/Fishhook Copper Project (E45/3768, E45/2657, E45/4408, E45/4230, E45/4091) (100% Encounter)

The Lookout Rocks/Fishhook Copper Project includes six tenements (~740km^2) of highly prospective exploration ground located in the north-west of Yeneena.

The Central African Copperbelt is the world's largest source of cobalt and one of the world's largest sources of copper. These Proterozoic aged, sediment hosted deposits are of a similar age and geological setting to the Yeneena basin. The recent significant improvement in the outlook for the copper and cobalt prices has reaffirmed the Proterozoic Yeneena Basin as a potential source of high value copper-cobalt discoveries.

The first drill hole at Lookout Rocks South (diamond hole EPT2282) was completed in June 2016. EPT2282 successfully intersected narrow zones of disseminated copper sulphide mineralisation, up to 1% Cu, at the targeted "first reductant" position. This copper-cobalt mineralisation is hosted by black, reduced carbonaceous sediments, located directly above an oxidised "red bed" stratigraphic unit, a stratigraphic position similar to that of many major copper deposits of the Zambian Copperbelt.

EPT2282 also confirmed the targeted mineralisation model at Lookout Rocks, focused at a stratigraphic contact "first reductant" interface (see photos 1 and 2). Surface mapping indicates that this stratigraphic contact, which is the focus of the copper-cobalt mineralisation, is relatively flat and extends laterally over a large part of Lookout Rocks. Lookout Rocks/Fishhook is interpreted to contain 50km of strike of the stratigraphic contact position that hosts the "first reductant" copper sulphide mineralisation intersected at Lookout Rocks (refer ASX release 28 July 2016).

In November 2016, a previously unidentified in-situ gossan (grading up to 0.19% cobalt and 0.22% copper) was discovered approximately 800m south-west of EPT2282. This gossan is approximately 80m long and runs discordant to geology (Photo 3). The identification of a surface gossan has provided an immediate target for the next phase of drilling at Lookout Rocks.

EXPLORATION REVIEW (continued)

Photo 1: Disseminated chalcopyrite in carbonaceous shale

EPT2282 ~259.5m downhole (1.0%Cu)

Core width ~60mm

Photo 2: Example of "Red Bed" oxidized sediments

EPT2282 ~320m downhole

Core width ~60mm

Photo 3: Gossan identified at Lookout Rocks South

Diamond drilling at Fishhook was completed in July 2017 to test the first reductant position beneath two of the most conductive sections of the Broadhurst sediments. Completion of the diamond drilling at Fishhook was co-funded under the WA Govt. Exploration Incentive Scheme (**"EIS"**) (up to A$150,000). Assay results are pending.

Aria (E45/3768) (100% Encounter)

A single diamond drill hole (PADD002A) was completed at the Aria prospect by a previous explorer. This drill hole was located to test a discrete magnetic anomaly within the GSWA regional magnetic dataset (Figure 11). The drill hole intersected a hematite altered, polymictic breccia from the start of diamond core at 84.7m to the end of hole (650.1m).

Zones of weakly disseminated chalcopyrite and bornite (copper sulphide minerals) have been identified in the drill core from approximately 120m to the end of the hole.

A detailed ground gravity survey was completed at Aria in September 2015. The survey was designed to define density anomalies adjacent to the hematite-altered breccia intercepted in PADD002A, with resultant anomalies potentially outlining zones of more intense hematite alteration which may have a close spatial relationship to the strongest copper mineralisation.

Diamond drill hole EPT2276 was designed to test the discrete density anomaly located on the margin of the previously identified magnetic anomaly. EPT2276 was completed in October 2015 to a depth of 400.4m and intersected a hematite-altered, polymictic breccia similar to PADD002A with zones of weakly disseminated chalcopyrite. EPT2276 was terminated at 400.4m but did not intersect lithologies that explain either the magnetic or gravity anomalies. The hole was left open to be extended to explain the gravity or magnetic anomalies identified at Aria.

Drill hole EPT2276 was subsequently extended by a further 380m to test for the source of the discrete gravity and magnetic anomalies. This hole intersected Proterozoic lithologies similar to what was seen in the upper part of the hole. Disseminated copper sulphide were observed to approximately 460m downhole with several occurrences of course blebby chalcopyrite noted within the matrix of the polymictic breccia.

The source of the magnetic and gravity anomalies remains unexplained with analysis of core samples not defining any significant variation in density or magnetic susceptibility that would account for the modelled anomalies.

The next drill program at Aria will focus on completion of a series of shallow drill sections to test the upper part of the copper bearing hematite altered, polymictic breccia for stronger concentrations of copper mineralisation.

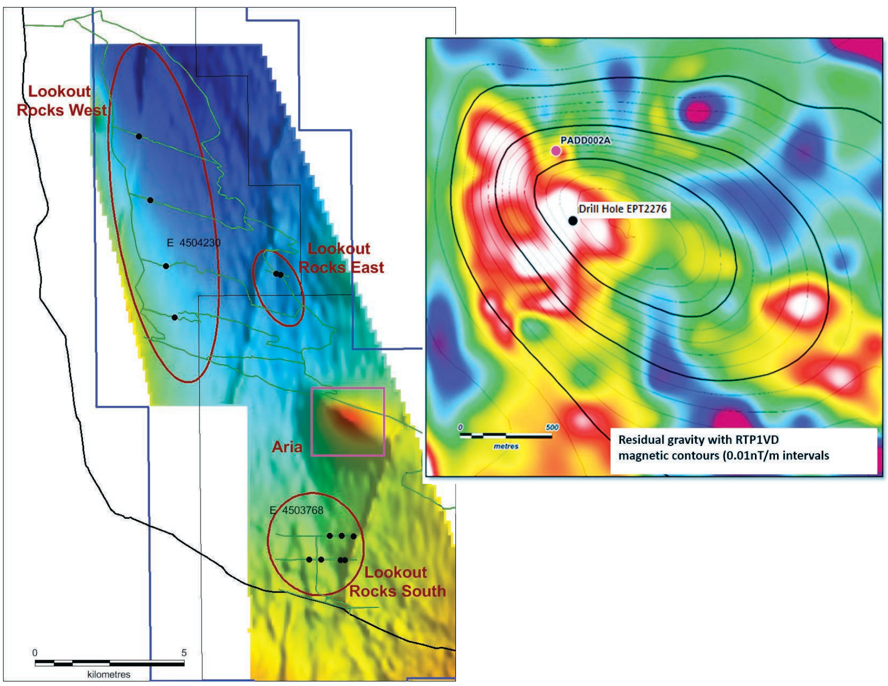

Figure 11: Lookout Rocks Project - Aria Prospect - Magnetics TMI

The process of identifying a partner to advance the exploration at Lookout Rocks/Fishhook/Aria is progressing.

EXPLORATION REVIEW (continued)

Millennium Zinc Project (Encounter 75% / Hampton Hill Mining ("HHM") 25% in E45/2501, E45/2561 and the four eastern sub-blocks of E45/2500)

The Millennium Project is located in the north-east of Yeneena (see Figure 1) and is subject to an earn-in Agreement with HHM (refer ASX release 23 April 2015).

The Millennium Project lies on the north eastern margin of the Yeneena Basin at the intersection of the NNW trending Tabletop Fault and the NE orientated Tangadee structural lineament. This intersection of two metallogenically important structural corridors is a first order target and typical of the style of setting that is associated with large scale metal deposits.

Previous aircore and RC drilling by Encounter has defined a +3km long zinc regolith anomaly that remains open to the SE. Diamond drilling at Millennium has intersected a thick zinc gossan at the contact between a brecciated carbonate and a thick sequence of carbonaceous shales of the Broadhurst Formation. Previous assay results from the gossan include (refer ASX release 9 July 2015):

- EPT2201 38.7m @ 0.9% Zn from 255.8m; and
- EPT2203 91.8m @ 1.6% Zn from 344.4m

High tenor zinc sulphide mineralisation, in the form of sphalerite, has been intersected below the gossanous unit and returned assays of (refer ASX releases 12 January 2015 and 13 December 2013):

- EPT1854 0.7m @ 36.7% Zn from 430m; and
- EPT2198 7m @ 4.8% Zn from 233m.

Diamond drilling at Millennium has identified two distinct styles of zinc sulphide mineralisation, 'contact related' and 'shale hosted'. The presence of multiple styles of zinc mineralisation and the +3km long zinc footprint indicates a significant mineralising event at Millennium.

The high grade zinc intersection in drill hole EPT1854 (0.7m @ 36.7% Zn from 430m) is the most north-western drill hole at the project (see Figures 12 & 13). The areas directly down dip and down plunge to the north-west remain open and potential exists for additional high grade zinc sulphide mineralisation.

A diamond drill hole was completed at Millennium in August 2017 targeting along strike of EPT1854. Assay results are pending.

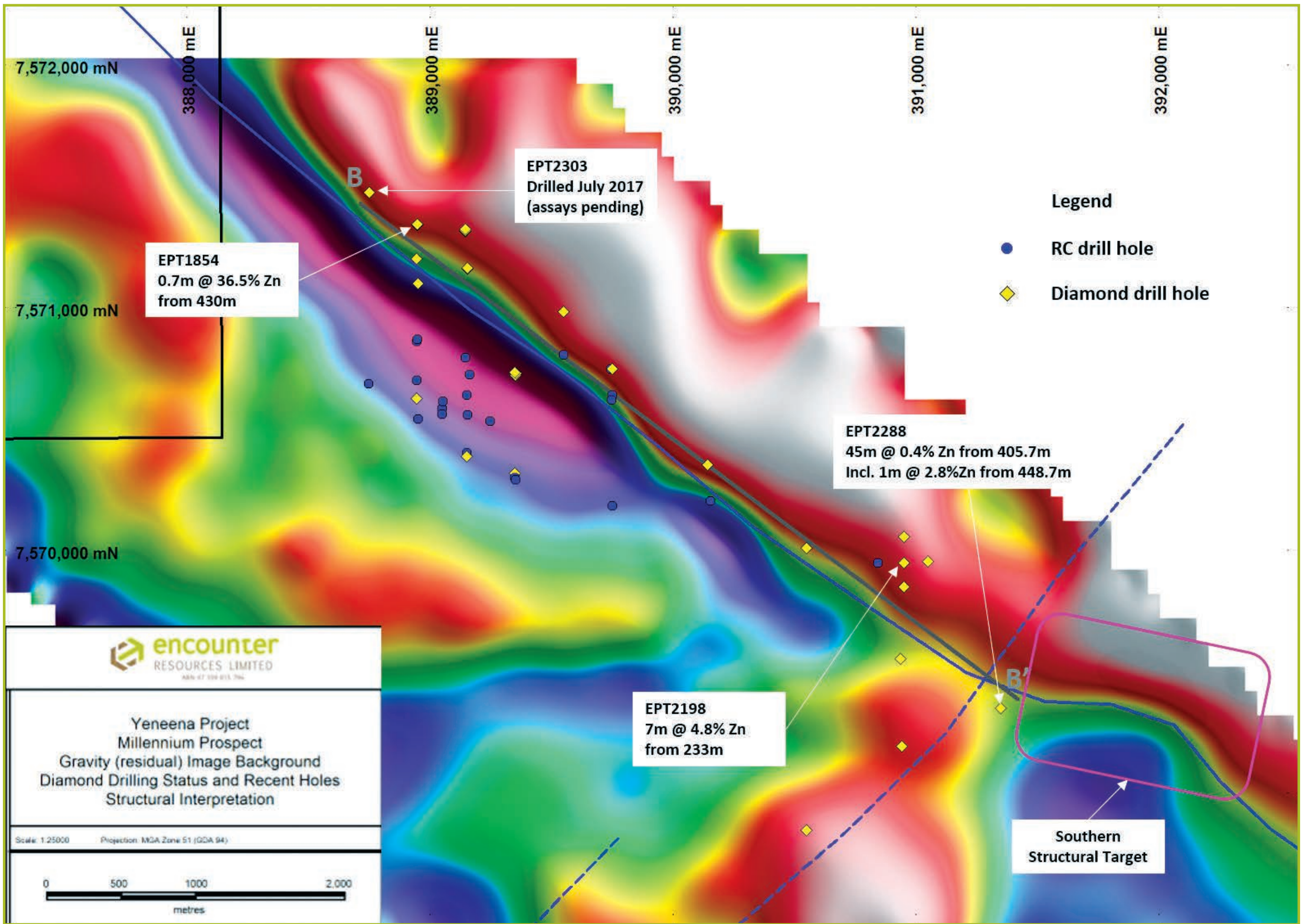

Figure 12: Drill hole collar location – Millennium

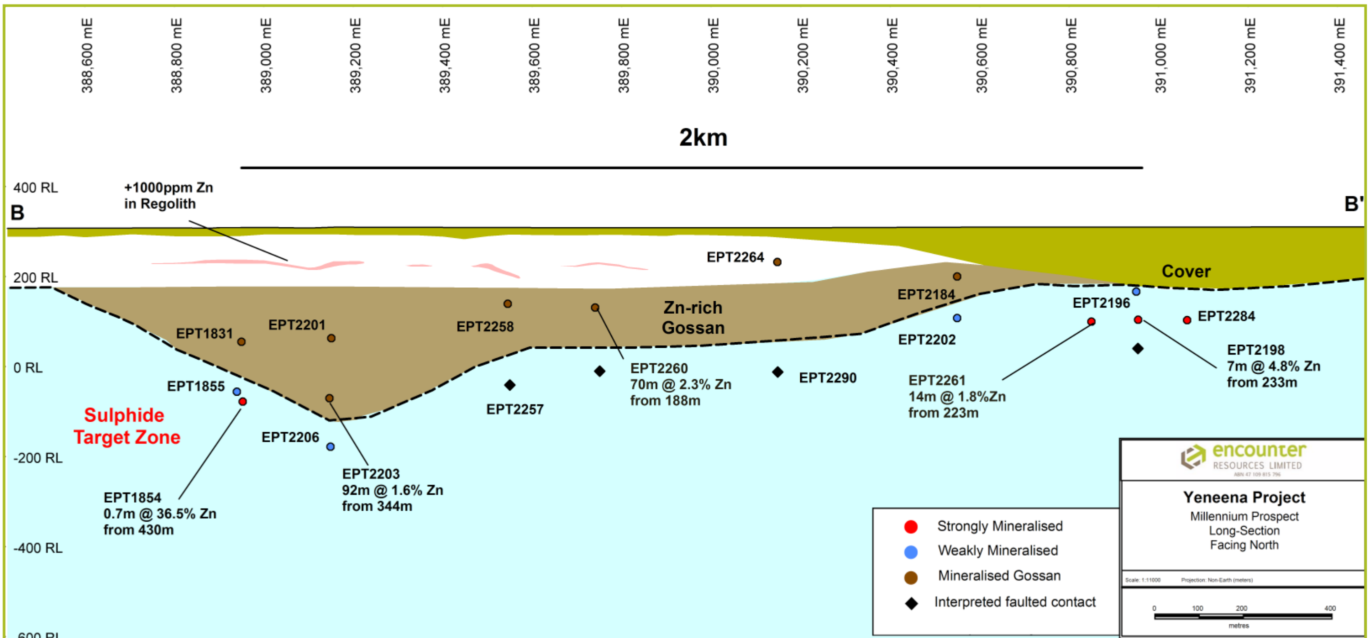

Figure 13: Drill hole long section (B – B') – Millennium Shale-Carbonate contact intersections only

EXPLORATION REVIEW (continued)

Newcrest/Encounter - Project Generation Alliance

In July 2017, Encounter entered into a project generation alliance with Newcrest.

Newcrest will fund Encounter up to A$500,000 over 12 months to generate project opportunities within an agreed alliance area in WA ("Alliance Area"). The alliance will utilise Encounter's highly credentialed project generation team to identify new camp scale exploration and potential future production opportunities in northern WA.

Encounter will be the manager of project generation in the Alliance Area. Projects submitted for potential joint venture will be subject to approval prior to any joint venture formation.

The Alliance Area excludes any ground that Newcrest or Encounter currently have a direct or indirect interest in or is under application by Newcrest or Encounter. The Alliance Area also contains an exclusion zone and specifically excludes projects around Newcrest's Telfer mine in the Paterson Province of WA.

Key terms of the alliance include:

- The companies will enter into a 50:50 joint venture over any project(s) approved for further exploration by both parties to the alliance.
- Encounter will have the option to maintain its 50% contributing interest in approved projects by co-funding its attributable share of exploration expenditure.
- Should Encounter elect not to contribute on a 50:50 basis, Newcrest may increase its interest to 80% by sole funding further exploration activities and delivering a JORC compliant resource of greater than one million ounces of gold or gold equivalent.
- If Newcrest does not elect to increase and maintain its interest to 80% on the terms outlined above, then the joint venture over the identified project will terminate and Newcrest's interest will revert back to Encounter, such that Encounter will hold a 100% interest in the project.
- Should the alliance elect not to proceed with a proposed project then that project will revert back to Encounter on a 100% basis.

Figure 14: Yeneena Location Plan

The information in this report that relates to Exploration Results is based on information compiled by Mr. Peter Bewick who is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Bewick holds shares and options in and is a full time employee of Encounter Resources Ltd and has sufficient experience which is relevant to the style of mineralisation under consideration to qualify as a Competent Person as defined in the 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bewick consents to the inclusion in the report of the matters based on the information compiled by him, in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information in the relevant ASX releases and the form and context of the announcement has not materially changed. The Company confirms that the form and context in which the Competent Persons findings are presented have not been materially modified from the original market announcements.

SUMMARY OF TENEMENTS

Lease	Lease Name	Project Name	Area km²	Managing Company	Encounter Interest
E45/2500	Yeneena	Paterson	163.4	Encounter Operations Pty Ltd	75%*
E45/2501	Yeneena	Paterson	41.4	Encounter Operations Pty Ltd	75%*
E45/2502	Yeneena	Paterson	200.5	Encounter Operations Pty Ltd	100%
E45/2561	Yeneena	Paterson	86	Encounter Operations Pty Ltd	75%*
E45/2657	Yeneena	Paterson	222.8	Encounter Operations Pty Ltd	100%
E45/2658	Yeneena	Paterson	171.7	Encounter Operations Pty Ltd	100%
E45/2805	Yeneena	Paterson	171.6	Encounter Operations Pty Ltd	100%
E45/2806	Yeneena	Paterson	63.7	Encounter Operations Pty Ltd	100%
E45/4757	Chicken Ranch	Paterson Cu/Au	12.8	Encounter Operations Pty Ltd	100%
E45/4758	Chicken Ranch	Paterson Cu/Au	19.2	Encounter Operations Pty Ltd	100%
E45/3768	Lookout Rocks	Paterson	181.5	Encounter Yeneena Pty Ltd	100%
E45/4091	Lookout Rocks	Paterson	136.5	Encounter Yeneena Pty Ltd	100%
E45/4230	Lookout Rocks	Paterson	92.4	Encounter Yeneena Pty Ltd	100%
E45/4408	Lookout Rocks	Paterson	41.7	Encounter Yeneena Pty Ltd	100%
E45/4564	Dora	Paterson Cu/Au	194.2	Hamelin Resources Pty Ltd	100%
E45/4613	Telfer West	Paterson Cu/Au	121.4	Hamelin Resources Pty Ltd	100%
E45/3446	East Thomson’s Dome	Paterson	6	Hamelin Resources Pty Ltd	100%
P45/2750	East Thomson’s Dome	Paterson	198 HA	Hamelin Resources Pty Ltd	100%
P45/2751	East Thomson’s Dome	Paterson	177 HA	Hamelin Resources Pty Ltd	100%
P45/2752	East Thomson’s Dome	Paterson	199 HA	Hamelin Resources Pty Ltd	100%
P45/3032	East Thomson’s Dome	Paterson	113.80 HA	Hamelin Resources Pty Ltd	100%

* Tenement subject to Hampton Hill Mining NL Earn-In Agreement (only includes 4 eastern blocks on E45/2500) see ASX announcement April 23, 2015

encounter
RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 30 June 2017

DIRECTORS' REPORT

The Directors present their report on Encounter Resources Limited (the Company) and the entities it controlled (the Group) at the end of, and during the year ended 30 June 2017.

DIRECTORS

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

Paul Chapman – B.Comm, ACA, Grad. Dip. Tax, MAICD, MAusIMM

Non-Executive Chairman appointed 7 October 2005

Mr Chapman is a chartered accountant with over twenty five years' experience in the resources sector gained in Australia and the United States. Mr Chapman has experience across a range of commodity businesses including gold, nickel, uranium, manganese, bauxite/alumina and oil/gas. Mr Chapman has held managing director and other senior management roles in public companies of various sizes.

During the last 3 years, Mr Chapman was a director of ASX listed companies Silver Lake Resources Ltd (resigned 30 September 2015) and Phillips River Mining (resigned 26 March 2014), and was appointed as a director of Avanco Resources Limited on 1 May 2017.

Will Robinson – B.Comm, MAusIMM

Managing Director (Executive) appointed 30 June 2004

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

Peter Bewick – B.Eng (Hons), MAusIMM

Exploration Director (Executive) appointed 7 October 2005

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

Jonathan Hronsky - BAppSci, PhD, MAusIMM, FSEG

Non-Executive Director appointed 10 May 2007

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

During the last 3 years Dr Hronsky has been a director of Cassini Resources Limited (appointed 3 April 2014).

COMPANY SECRETARIES

Kevin Hart – B.Comm, FCA

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

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

Dan Travers – BSc (Hons), FCCA

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

DIRECTORS' INTERESTS

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

Director	Directors' Interests in Ordinary Shares	Directors' Interests in Unlisted Options	Options vested at the reporting date
P Chapman	6,722,500	-	-
W Robinson	23,075,470	-	-
P Bewick	6,000,000	3,750,000	3,750,000
J Hronsky	200,000	1,000,000	1,000,000

Included in the Directors' interests in Unlisted Options, there are 4,750,000 options that are vested and exercisable as at the date of signing this report.

DIRECTORS' MEETINGS

The number of meetings of the Company's Directors held during the year ended 30 June 2017, and the number of meetings attended by each Director are as follows:

Director	Board of Directors' Meetings	
	Held	Attended
P Chapman	8	6
W Robinson	8	8
P Bewick	8	8
J Hronsky	8	8

PRINCIPAL ACTIVITIES

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

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

RESULTS OF OPERATIONS

The consolidated net loss after income tax for the financial year was $1,313,269 (2016: $5,803,036).

Included in the consolidated loss for the current year is a write-off of deferred and uncapitalised exploration and joint venture expenditure totalling $208,666 (2016: $4,635,718).

DIRECTORS' REPORT (continued)

REVIEW OF ACTIVITIES

Exploration

Exploration activities for the financial year have been focussed in the Paterson Province of Western Australia primarily on the Company's copper-cobalt and zinc-lead prospects at the Yeneena Project and the gold-copper prospects in the Telfer region.

The Company commenced exploration on its gold portfolio that includes Telfer West, a recent shallow, high grade gold discovery and East Thomson's Dome that includes a large scale gold soil anomaly identified adjacent to high grade outcropping gold reefs.

During the year the Company also continued its copper exploration programs at its 100% owned BM1 and BM7 prospects and at the Lookout Rocks project. The Company also continued to carry out exploration pursuant to the farm-in agreement with Hampton Hill NL (HHM) during the year at the Millennium zinc project.

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

Financial Position

At the end of the financial year the Group had $3,631,091 (2016: $3,684,391) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is $18,624,668 (2016: $16,156,627).

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

» During the year the Company issued 26,230,000 ordinary fully paid shares pursuant to a share placement and 6,827,500 ordinary fully paid shares pursuant to a share purchase plan.

OPTIONS OVER UNISSUED CAPITAL

Unlisted Options

As at the date of this report 12,361,429 unissued ordinary shares of the Company are under option as follows:

Number of Options Granted	Exercise Price	Expiry Date
750,000	39 cents	30 November 2017
495,000	22 cents	31 May 2018
1,250,000	23 cents	27 November 2018
750,000	31 cents	27 November 2019
500,000	16 cents	31 January 2019
5,441,429	21 cents	30 September 2018
400,000	14 cents	28 February 2020
2,025,000	13 cents	24 November 2020
750,000	17.5 cents	24 November 2021

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

During the financial year the Company granted 2,775,000 unlisted options (2016: 600,000) over unissued shares to employees, directors and consultants of the Company.

During the year 700,000 options were cancelled (2016: 275,000) on the cessation of employment, and 2,000,000 options were cancelled on expiry of the exercise period (2016: 850,000).

During the financial year no (2016: Nil) ordinary shares were issued on the exercise of options.

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

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

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

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

ISSUED CAPITAL

Number of Shares on Issue		
	2017	2016
Ordinary fully paid shares	**188,951,544**	155,644,044

DIVIDENDS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

- On 12 July 2017 the Company issued 2,806,216 ordinary fully paid shares to directors of the Company pursuant to shareholder approval for their participation in a share placement.
- Subsequent to the end of the financial year the Company entered into a project generation alliance with Newcrest Mining Limited covering northern Western Australia.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company expects to maintain exploration programs at its Paterson Gold and Yeneena copper-cobalt-zinc projects.

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

REMUNERATION REPORT (AUDITED)

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

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

Remuneration Committee

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

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

DIRECTORS' REPORT (continued)

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

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

Non-Executive Remuneration

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

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

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

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

Executive Director and Other Key Management Personnel Remuneration

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

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

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

Incentive Plans

The Company provides long term incentives to Directors and Employees pursuant to the Encounter Resources Employee Share Option Plan, which was last approved by shareholders at the Annual General Meeting held on 27 November 2015.

The Board, acting in remuneration matters:

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

Engagement of Non-Executive Directors

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

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

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

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

Messrs Chapman and Hronsky are also entitled to fees for other amounts as the Board determines where they perform special duties or otherwise perform extra services or make special exertions on behalf of the Company. There were no such fees paid during the financial year ended 30 June 2017.

Engagement of Executive Directors

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

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

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

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

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

Short Term Incentive Payments

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

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

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

Shareholding Qualifications

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

Group Performance

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

	2017	2016	2015	2014	2013
Profit/(Loss) for the year attributable to shareholders	**$(1,313,269)**	$(5,803,036)	$523,915	$(748,166)	$(1,566,249)
Closing share price at 30 June	**$0.115**	$0.13	$0.19	$0.20	$0.16

As an exploration company the Board does not consider the profit/(loss) attributable to shareholders as one of the performance indicators when implementing Short Term Incentive Payments. In addition to technical exploration success, the Board considers the effective management of safety, environmental and operational matters and successful management of the Company's farm-in arrangements, the acquisition and consolidation of high quality landholdings, as more appropriate indicators of management performance for the 2016 financial period.

Remuneration Disclosures

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

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

DIRECTORS' REPORT (continued)

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

30 June 2017	Short Term		Post Employment	Other Long Term		
	Base Salary $	Short Term Incentive $	Superannuation Contributions $	Value of Options $	Total $	Value of Options as Proportion of Remuneration %
Paul Chapman	**60,000**	**-**	**5,700**	**-**	**65,700**	**-**
Will Robinson	**300,225**	**-**	**28,521**	**-**	**328,746**	**-**
Peter Bewick	**274,107**	**-**	**26,040**	**50,982**	**351,129**	**14.5%**
Jon Hronsky	**50,000**	**-**	**4,750**	**16,791**	**71,541**	**23.5%**
Total	**684,332**	**-**	**65,011**	**67,773**	**817,116**	

30 June 2016	Short Term		Post Employment	Other Long Term		
	Base Salary $	Short Term Incentive $	Superannuation Contributions $	Value of Options $	Total $	Value of Options as Proportion of Remuneration %
Paul Chapman	60,000	-	5,700	-	65,700	-
Will Robinson	227,352	39,875	25,387	-	292,614	-
Peter Bewick	227,250	37,125	25,116	-	289,491	-
Jon Hronsky	50,000	-	4,750	-	54,750	-
Total	564,602	77,000	60,953	-	702,555	

Details of Performance Related Remuneration

During the period, short term incentive payments were paid to the executive directors as follows:

	Short term incentive payments - cash bonuses paid	
	2016/17 financial year	2015/16 financial year
Will Robinson	**$nil**	$39,875
Peter Bewick	**$nil**	$37,125

Performance indicators for the 2015/16 financial year included corporate management, project and operational performance (including safety and environmental management, successful management of the Company's farm-in arrangements, cash flow management and results of exploration activity) and share price performance.

Options Granted as Remuneration

During the financial year ended 30 June 2017 2,000,000 options were granted to Directors or Key Management Personnel of the Company (2016: nil), as follows:

	Number	Exercise Price	Expiry Date	Value of Options
Peter Bewick	750,000	13 cents	24 Nov 2020	$25,186
	750,000	17.5 cents	24 Nov 2021	$25,796
Jon Hronsky	500,000	13 cents	24 Nov 2020	$16,791

The fair value of options issued as remuneration is allocated to the relevant vesting period of the options. Options are provided at no cost to the recipients.

No options were exercised by Key Management Personnel during the financial year.

Exercise of Options Granted as Remuneration

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

Equity instrument disclosures relating to key management personnel

Option holdings

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

2017 Name	Balance at start of the year	Received during the year as remuneration	Other changes during the year[1]	Balance at the end of the year	Vested and exercisable at the end of the year
Directors					
P. Chapman	**-**	**-**	**-**	**-**	**-**
W. Robinson	**-**	**-**	**-**	**-**	**-**
P. Bewick	**3,000,000**	**1,500,000**	**(750,000)**	**3,750,000**	**3,750,000**
J. Hronsky	**1,000,000**	**500,000**	**(500,000)**	**1,000,000**	**1,000,000**

2016 Name	Balance at start of the year	Received during the year as remuneration	Other changes during the year[1]	Balance at the end of the year	Vested and exercisable at the end of the year
Directors					
P. Chapman	-	-	-	-	-
W. Robinson	-	-	-	-	-
P. Bewick	3,000,000	-	-	3,000,000	3,000,000
J. Hronsky	1,000,000	-	-	1,000,000	1,000,000

[1] *Options lapsing unexercised at the end of the exercise period.*

Share holdings

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

2017 Name	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors				
P. Chapman	**5,707,142**	**-**	**-**	**5,707,142**
W. Robinson	**22,275,470**	**-**	**-**	**22,275,470**
P. Bewick	**5,209,142**	**-**	**-**	**5,209,142**
J. Hronsky	**-**	**-**	**-**	**-**

2016 Name	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors				
P. Chapman	5,600,000	-	107,142	5,707,142
W. Robinson	22,168,328	-	107,142	22,275,470
P. Bewick	5,102,000	-	107,142	5,209,142
J. Hronsky	-	-	-	-

Subsequent to the end of the financial year the Directors subscribed for a total of 2,806,216 ordinary fully paid shares pursuant to shareholder approval to participate in a share placement (refer Directors Interest section of this Directors Report for interests of the Directors at the date of the report).

DIRECTORS' REPORT (continued)

Loans made to key management personnel

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

Other transactions with key management personnel

There were no other transactions with key management personnel.

End of Remuneration Report

OFFICERS' INDEMNITIES AND INSURANCE

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

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

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

Total remuneration paid to auditors during the financial year:	2017 $	2016 $
Audit and review of the Company's financial statements	**28,500**	29,000
Other services	**-**	-
Total	**28,500**	29,000

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

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

AUDITOR'S INDEPENDENCE DECLARATION

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

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

Dated at Perth this 28th day of September 2017.

W Robinson
Managing Director

Crowe Horwath™

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Encounter Resources Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

Crowe Horwath Perth

CROWE HORWATH PERTH

CYRUS PATELL
Partner

Signed at Perth, 28th September 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2017

	Note	Consolidated	
		2017 $	2016 $
Other income	5	**130,866**	329,853
Total income		**130,866**	329,853
Employee expenses		**(1,211,790)**	(1,271,941)
Employee expenses recharged to exploration		**964,020**	1,075,080
Equity based remuneration expense	19	**(86,709)**	(20,992)
Non-executive Director's fees		**(110,000)**	(110,000)
Gain/(loss) in fair value of financial assets	6,11	**(338,238)**	(799,471)
Depreciation expense	6	**(7,060)**	(4,849)
Corporate expenses		**(62,600)**	(64,448)
Administration and Other expenses		**(383,092)**	(300,550)
Exploration costs written off and expensed	6	**(208,666)**	(4,635,718)
Profit/(Loss) before income tax		**(1,313,269)**	(5,803,036)
Income tax benefit	7	**-**	-
Profit/(Loss) after tax	19	**(1,313,269)**	(5,803,036)
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the year		**(1,313,269)**	(5,803,036)
Earnings per share for loss attributable to the ordinary equity holders of the Company			Cents
Basic earnings/(loss) per share	29	**(0.8)**	(3.9)
Diluted earnings/(loss) per share	29	**(0.8)**	(3.9)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	Consolidated	
		2017 $	2016 $
Current assets			
Cash and cash equivalents	8	**3,631,091**	3,684,391
Trade and other receivables	9(a)	**306,991**	307,282
Other current assets	9(b)	**30,459**	9,453
Total current assets		**3,968,541**	4,001,126
Non-current assets			
Other financial assets	11	**430,485**	768,723
Property, plant and equipment	12	**82,855**	133,693
Capitalised mineral exploration and evaluation expenditure	13	**18,624,668**	16,156,627
Total non-current assets		**19,138,008**	17,059,043
Total assets		**23,106,549**	21,060,169
Current liabilities			
Trade and other payables	15	**847,040**	856,018
Employee benefits	16(a)	**246,616**	123,688
Total current liabilities		**1,093,656**	979,706
Non-current liabilities			
Employee benefits	16(b)	**-**	118,063
Total non-current liabilities		**-**	118,063
Total liabilities		**1,093,656**	1,097,769
Net assets		**22,012,893**	19,962,400
Equity			
Issued capital	17	**37,678,887**	34,401,834
Accumulated losses	19	**(16,052,305)**	(14,963,883)
Equity remuneration reserve	19	**386,311**	524,449
Total equity		**22,012,893**	19,962,400

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2017

	Consolidated			
	Issued capital $	Accumulated losses $	Equity remuneration reserve $	Total $
2016				
Balance at the start of the financial year	31,471,913	(9,306,923)	649,533	22,814,523
Comprehensive income for the financial year	-	(5,803,036)	-	(5,803,036)
Movement in equity remuneration reserve in respect of options vested	-	-	20,992	20,992
Transfer to accumulated losses on cancellation of vested options	-	146,076	(146,076)	-
Transactions with equity holders in their capacity as equity holders: Shares issued (net of costs)	2,929,921	-	-	2,929,921
Balance at the end of the financial year	34,401,834	(14,963,883)	524,449	19,962,400

2017				
Balance at the start of the financial year	**34,401,834**	**(14,963,883)**	**524,449**	**19,962,400**
Comprehensive income for the financial year	**-**	**(1,313,269)**	**-**	**(1,313,269)**
Movement in equity remuneration reserve in respect of options vested	**-**	**-**	**86,709**	**86,709**
Transfer to accumulated losses on cancellation of vested options	**-**	**224,847**	**(224,847)**	**-**
Transactions with equity holders in their capacity as equity holders: **Shares issued (net of costs)**	**3,277,053**	**-**	**-**	**3,277,053**
Balance at the end of the financial year	**37,678,887**	**(16,052,305)**	**386,311**	**22,012,893**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2017

	Note	Consolidated	
		2017 $	2016 $
Cash flows from operating activities			
State Government funded drilling rebate		**268,558**	399,350
R&D tax concession tax refund		**443,694**	536,952
Interest received		**32,912**	71,652
Payments to suppliers and employees		**(809,797)**	(646,129)
Net cash from/(used in) operating activities	28	**(64,633)**	361,825
Cash flows from investing activities			
Contributions received from farm-in partners		**404,050**	2,638,438
Payments for exploration and evaluation		**(3,748,056)**	(3,617,826)
Payments for plant and equipment		**(2,000)**	-
Net cash used in investing activities		**(3,346,006)**	(979,388)
Cash flows from financing activities			
Proceeds from the issue of shares		**3,407,286**	2,954,097
Payments for share issue costs		**(49,947)**	(24,176)
Net cash from/(used in) financing activities		**3,357,339**	2,929,921
Net increase/(decrease) in cash held		**(53,300)**	2,312,358
Cash at the beginning of the financial year		**3,684,391**	1,372,033
Cash at the end of the financial year	8(a)	**3,631,091**	3,684,391

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

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

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

The financial report of the Group was authorised for issue in accordance with a resolution of Directors on 28th September 2017.

Statement of Compliance

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

Adoption of new and revised Accounting Standards

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) that are mandatory for the crrent reporting period.

The adoption of the Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

New standards and interpretations not yet adopted

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application date or future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- **AASB 9 Financial Instruments**

  This standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’. AASB 9 Financial Instruments introduces new classification and measurement models for financial assets.

  The Group currently accounts for its non-cash financial assets at Fair Value through Profit or Loss, which is consistent with a treatment permitted under AASB 9 Financial Instruments. The Group currently has no material exposure to other financial assets and financial liabilities affected by the requirements of AASB 9 Financial Instruments.

  This standard is applicable to annual reporting periods beginning on or after 1 January 2018 and as such the Group will adopt this standard from 1 July 2018. Whilst at this time the Group does not consider there to be any material impact from the adoption of AASB 9 Financial Instruments, it will make an assessment of potential effects over the next 12-month period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017 (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

- **AASB 15 Revenue from Contracts with Customers**

  The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and prescribes specific presentation and disclosure requirements.

  The Group does not currently have any contracts with customers in place and as such its exposure to the requirements of AASB 15 Revenue from Contracts with Customers is limited.

  This standard is applicable to annual reporting periods beginning on or after 1 January 2018 and as such the Group will adopt this standard from 1 July 2018. Whilst at this time the Group does not consider there to be any material impact from the adoption of AASB 15 Revenue from Contracts with Customers, it will make an assessment of potential effects over the next 12-month period.

- **AASB 16 Leases**

  The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases, and requires, subject to certain exemptions, the recognition of a 'right-of-use asset' and a corresponding lease liability, and the subsequent depreciation of the 'right-of-use' asset. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

  The Group is currently not party to any operating or finance lease arrangements and as such its exposure to the requirements of AASB 16 Leases is limited.

  This standard is applicable to annual reporting periods beginning on or after 1 January 2019 and as such the Group will adopt this standard from 1 July 2019. Whilst at this time the Group does not consider there to be any material impact from the adoption of AASB 16 Leases, it will make an assessment of potential effects over the next 12-month period.

Reporting basis and conventions

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

Critical accounting estimates

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

Principles of consolidation

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

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

b) Segment reporting

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

c) Revenue recognition and receivables

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Revenue recognition and receivables (continued)

Interest income

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

Option fee income

Revenue is recognised for option fee income at such time that the option fee becoming receivable by the Company occurs.

Management fee income

Revenue is recognised for management fees from farm-in partners during the period in which the Company provided the relevant service.

d) Income tax

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

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

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

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

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

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

e) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 25). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

f) Impairment of assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017 (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Cash and cash equivalents

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

h) Government grants

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

Amounts receivable from the Australian Tax Office in respect of research and development tax concession claims are recognised in the year in which the claim is lodged with the Australian Tax Office. Amounts receivable are allocated in the financial statements against the corresponding expense or asset in respect of which the research and development concession claim has arisen.

i) Fair value estimation

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

j) Property, plant and equipment

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

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

Asset Class	Depreciation Rate
Field Equipment and Vehicles	33%
Office Equipment	33%
Leasehold Improvements	Over the term of the lease

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

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

k) Mineral exploration and evaluation expenditure

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Mineral exploration and evaluation expenditure (continued)

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

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

Farm-in arrangements (in the exploration and evaluation phase)

For exploration and evaluation asset acquisitions (farm-in arrangements) in which the Group has made arrangements to fund a portion of the selling partner's (farmor's) exploration and/or future development expenditures (carried interests), these expenditures are reflected in the financial statements as and when the exploration and development work progresses.

Farm-out arrangements (in the exploration and evaluation phase)

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained.

Monies received pursuant to farm-in agreements are treated as a liability on receipt and until such time as the relevant expenditure is incurred.

l) Joint ventures and joint operations

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

Details of these interests are shown in Note 14.

m) Trade and other payables

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

n) Employee benefits

Wages, salaries and annual leave

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017 (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Employee benefits (continued)

Long service leave

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

Share based payments

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

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

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

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

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

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

o) Issued capital

Ordinary shares are classified as equity.

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

p) Earnings per share

i) Basic earnings per share

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

ii) Diluted earnings per share

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

q) Goods and services tax (GST)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Goods and services tax (GST) (continued)

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

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

r) Comparative figures

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

s) Investments and other financial assets

Recognition

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

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

i) Financial assets at fair value through profit or loss

A financial asset designated on initial recognition as one to be measured at fair value with fair value changes in profit and loss is included in the category ‘financial assets at fair value through profit or loss’.

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

ii) Held-to-maturity investments

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

iii) Loans and receivables

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

iv) Financial liabilities

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

Fair value hierarchy

The Group’s investments and other financial assets, are measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017 (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Investments and other financial assets (continued)

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

t) Fair value estimation

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

Investments in equity securities

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

Trade and other receivables

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

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

NOTE 2. FINANCIAL RISK MANAGEMENT

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

a) Credit risk

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

Trade and other receivables

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

Cash deposits

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

b) Liquidity risk

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

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

c) Market risk

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

Interest rate risk

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

Equity risk

The Group has exposure to price risk in respect of its holding of ordinary securities in Hampton Hill NL (ASX: HHM), which has a carrying value at 30 June 2017 of $430,485 (2016: $768,723). The investment is classified at fair value through profit or loss and as such any movement in the market value of HHM shares will be recognised as a benefit of expense in profit or loss. No specific hedging activities are undertaken into this investment.

Foreign exchange risk

The Group enters into earn-in arrangements that may be denominated in currencies other than Australian Dollars.

Whilst the Group does not recognise assets or liabilities in respect of these earn-in arrangements and accordingly fluctuations in foreign exchange rates will have no direct impact on the Group's net assets, movements in foreign exchange may favourably or adversely affect future amounts to be incurred by the Group or its earn-in partners pursuant to such agreements.

Other than the above, the Group does not have any direct contact with foreign exchange fluctuations other than their effect on the general economy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017 (continued)

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Accounting for capitalised exploration and evaluation expenditure

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

Accounting for share based payments

The values of amounts recognised in respect of share based payments have been estimated based on the fair value of the equity instruments granted. Fair values of options issued are estimated by using an appropriate option pricing model. There are many variables and assumptions used as inputs into the models. If any of these assumptions or estimates were to change this could have a significant effect on the amounts recognised. See note 18 for details of inputs into option pricing models in respect of options issued during the reporting period.

NOTE 4. SEGMENT INFORMATION

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

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

NOTE 5. OTHER INCOME

	Consolidated	
	2017 **$**	2016 $
Operating activities		
Management fees from farm-in partners	**97,754**	258,200
Interest receivable	**32,912**	71,653
Other income	**200**	-
	130,866	329,853

NOTE 6. LOSS FOR THE YEAR

	Consolidated	
	2017 **$**	2016 $
Loss before income tax includes the following specific benefits/(expenses):		
Depreciation:		
Office equipment	**(7,060)**	(4,849)
Total exploration and joint venture costs not capitalised and written off	**(208,666)**	(4,635,718)
(Loss)/Gain in fair value of financial assets[1]	**(338,238)**	(799,471)

[1] Adjustment to carrying value of investment in Hampton Hill NL, based on ASX closing price as at 30 June 2017. The gain/(loss) on investment has been recognised in the Statement of Profit or Loss. Refer note 11.

NOTE 7. INCOME TAX

	Consolidated	
	2017 $	2016 $
a) Income tax expense		
Current income tax:		
Current income tax charge (benefit)	**(1,304,262)**	(974,344)
Current income tax not recognised	**1,304,262**	974,344
Deferred income tax:		
Relating to origination and reversal of timing differences	**-**	(1,701,810)
Deferred income tax benefit not recognised	**-**	1,701,810
Income tax expense/(benefit) reported in the income statement	**-**	-
b) Reconciliation of income tax expense to prima facie tax payable		
Profit/(Loss) from continuing operations before income tax expense	**(1,313,269)**	(5,803,036)
Tax at the Australian rate of 30% (2016 – 30%)	**(393,981)**	(1,740,911)
Tax effect of permanent differences:		
Non-deductible share based payment	**26,013**	6,298
Unrealised movement in fair value of financial assets	**101,471**	239,841
Exploration costs written off	**234**	1,358,073
Capital raising costs claimed	**(8,312)**	(22,116)
Net deferred tax asset benefit not brought to account	**274,575**	158,815
Tax (benefit)/expense	**-**	-
c) Deferred tax – Balance Sheet		
Liabilities		
Prepaid expenses	**(9,138)**	(2,836)
Capitalised exploration expenditure	**(5,587,400)**	(4,846,988)
Assets		
Revenue losses available to offset against future taxable income	**9,246,002**	8,952,682
Employee provisions	**73,985**	72,525
Accrued expenses	**436**	13,459
Deductible equity raising costs	**16,816**	10,144
	9,337,239	9,048,810
Net deferred tax asset not recognised	**3,740,701**	4,198,986

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017 (continued)

NOTE 7. INCOME TAX (CONTINUED)

	Consolidated	
	2017 $	2016 $
d) Deferred tax – Income Statement		
Liabilities		
Prepaid expenses	**(6,302)**	1,669
Capitalised exploration expenditure	**(740,412)**	1,064,037
Assets		
Deductible equity raising costs	**6,672**	(30,830)
Accruals	**(13,023)**	13,459
Increase in tax losses carried forward	**293,320**	650,648
Employee provisions	**1,460**	2,827
Deferred tax benefit/(expense) movement for the period not recognised	**(458,285)**	1,701,810

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

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

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

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

All unused tax losses of $30,212,038 (2016: $29,842,273) were incurred by Australian entities.

During the 2017 financial year the Company's eligible shareholders received tax credits up to a total of $402,285 in respect of the Company's participation in the Exploration Development Incentive scheme (EDI) for the 2016 financial year. A total of $1,340,950 tax losses were cancelled in the 2017 financial year in respect of the EDI credits received by the Company's shareholders.

NOTE 8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2017 $	2016 $
Cash at bank and on hand	**3,556,972**	3,609,304
Deposits at call	**74,119**	75,087
	3,631,091	3,684,391

a) Reconciliation to cash at the end of the year

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

Cash and cash equivalents per statement of cash flows	**3,631,091**	3,684,391

b) Deposits at call

Amounts classified as deposits at call are short term deposits depending upon the immediate cash requirements of the Group, and earn interest at the respective short term interest rates.

c) Cash balances not available for use

Included in cash and cash equivalents above are amounts pledged as guarantees for the following:

Office lease bond guarantee (Note 24)	**23,000**	23,000
Corporate credit card security deposit (Note 24)	**-**	50,000
	23,000	73,000

Cash assets include an amount of $nil (2016: $104,847) in respect of unspent farm-in contributions received. The Company has recognised liabilities in the financial statements for unspent farm-in contributions (Note 15).

NOTE 9. CURRENT ASSETS - RECEIVABLES

	Consolidated	
	2017 $	2016 $
a) Trade and other receivables		
Funds due from farm-in partner	**1,753**	14,877
R&D tax concession receivable	**-**	194,218
Other receivables	**215,515**	56,723
GST recoverable	**89,723**	41,464
	306,991	307,282

b) Other current assets

Prepaid tenement costs	**30,459**	9,453

Details of fair value and exposure to interest risk are included at note 20.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017 (continued)

NOTE 10. NON-CURRENT ASSETS - INVESTMENT IN CONTROLLED ENTITIES

	Company	
	2017 $	2016 $

a) Investment in controlled entities

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

Encounter Operations Pty Ltd	**2**	2
Hamelin Resources Pty Ltd	**1**	1
Encounter Yeneena Pty Ltd	**2**	2
Baudin Resources Pty Ltd	**10**	-

Subsidiary Company	Country of Incorporation	Ownership Interest	
		2017	2016
Encounter Operations Pty Ltd	Australia	**100%**	100%
Hamelin Resources Pty Ltd	Australia	**100%**	100%
Encounter Yeneena Pty Ltd	Australia	**100%**	100%
Baudin Resources Pty Ltd	Australia	**100%**	N/a

- Encounter Operations Pty Ltd was incorporated in Western Australia on 27 November 2006.
- Hamelin Resources Pty Ltd was incorporated in Western Australia on 24 November 2009.
- Encounter Yeneena Pty Ltd was incorporated in Western Australia on 23 May 2013.
- Baudin Resources Pty Ltd was incorporated in Western Australia on 7 April 2017.

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

b) Loans to controlled entities

The following amounts are payable to the parent company, Encounter Resources Limited at the reporting date:

	2017 $	2016 $
Encounter Operations Pty Ltd	**20,596,334**	20,228,414
Hamelin Resources Pty Ltd	**1,680,921**	318
Encounter Yeneena Pty Ltd	**523,935**	315,235

The loans to Encounter Operations Pty Ltd, Hamelin Resources Pty Ltd and Encounter Yeneena Pty Ltd, to fund exploration activity are non interest bearing. The Directors of Encounter Resources Limited do not intend to call for repayment within 12 months.

NOTE 11. OTHER FINANCIAL ASSETS - INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated	
	2017 $	2016 $
Balance at the start of the financial year[1]	**768,723**	1,568,194
Gain on investments recognised through profit & loss[2]	**(338,238)**	(799,471)
Balance at the end of the financial year	**430,485**	768,723

[1] The investment relates to the shares received from Hampton Hill NL in relation to an option fee pursuant to an election made under an earn-in agreement in respect of the Company's Millennium project.

[2] Adjustment to carrying value of investment in Hampton Hill NL, based on ASX closing price as at 30 June 2017. The gain on investment has been recognised in the Statement of Profit or Loss. Refer note 6.

Investments designated at fair value through profit or loss have been measured at level 1 in the fair value measurement hierarchy, refer accounting policy 1(s).

NOTE 12. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2017 $	2016 $
Field equipment		
At cost	**900,825**	898,825
Accumulated depreciation	**(817,970)**	(772,192)
	82,855	126,633
Office equipment		
At cost	**109,035**	109,035
Accumulated depreciation	**(109,035)**	(101,975)
	-	7,060
Leasehold improvements		
At cost	**22,137**	22,137
Accumulated depreciation	**(22,137)**	(22,137)
	-	-
	82,855	133,693

Reconciliation

Field equipment		
Net book value at start of the year	**126,633**	192,743
Additions	**2,000**	-
Depreciation	**(45,778)**	(66,110)
Net book value at end of the year	**82,855**	126,633
Office equipment		
Net book value at start of the year	**7,060**	11,909
Depreciation	**(7,060)**	(4,849)
Net book value at end of the year	**-**	7,060

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017 (continued)

NOTE 13. NON-CURRENT ASSETS - CAPITALISED MINERAL EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2017 $	2016 $
In the exploration and evaluation phase		
Capitalised exploration costs at the start of the period	**16,156,627**	19,703,415
Total acquisition and exploration costs for the period (i)	**3,229,305**	1,682,498
Exploration costs funded by EIS grant	**(303,122)**	(399,350)
Research and development tax credits (ii)	**(249,476)**	(194,218)
Total exploration and joint venture costs written off and expensed for the period	**(208,666)**	(4,635,718)
Capitalised exploration costs at the end of the period	**18,624,668**	16,156,627

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

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

i) Does not include costs incurred by farm-in partners in respect of spend incurred on assets the subject of farm-in arrangements.

   During the financial period, the Company's farm-in partner Antofagasta Minerals Perth Pty Ltd (see Note 14b) incurred costs of $nil (2016: $1,432,197) in respect of exploration and evaluation costs on the Company's assets in addition to the amounts stated above. This farm-in agreement terminated on 2 September 2016.

   During the financial period, the Company's farm-in partner Hampton Hill NL (see Note 14b) incurred costs of $413,526 (2016: $675,098) in respect of exploration and evaluation costs on the Company's assets in addition to the amounts stated above.

ii) Amounts receivable pursuant to research and development tax credit (R&D) claims lodged during the period. The activities the subject of the R&D claims are subject to review by AusIndustry prior to being submitted. R&D submissions may or may not be subject to future review or audit by AusIndustry or the Australian Taxation Office.

NOTE 14. INTEREST IN JOINT VENTURES AND FARM-IN ARRANGEMENTS

a) Joint Venture Agreements – Joint Operations

Joint venture agreements may be entered into with third parties.

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

The Company was party to the following farm-in arrangements during the financial year ended 30 June 2017:

b) Farm-in Arrangements

Millennium Zinc Project – Hampton Hill NL (HHM) Earning-in

Encounter Resources Limited has entered into a farm-in agreement with HHM pursuant to which HHM may earn up to a 25% interest in the Company's Millennium zinc project, comprising exploration licences EL45/2501, EL45/2561 and four blocks of EL45/2500 in the Paterson Province of Western Australia.

NOTE 14. INTEREST IN JOINT VENTURES AND FARM-IN ARRANGEMENTS (CONTINUED)

b) Farm-in Arrangements (continued)

Significant terms of the farm-in arrangement as follows:

- HHM must spend a minimum of $500,000 on exploration before withdrawal. Upon meeting this minimum commitment, HHM will acquire a 10% interest in Millennium ("Initial Earn-in Phase"). At that point, HHM (10%) and Encounter (90%) will form a joint venture.
- To preserve its initial 10% interest and maintain the right to earn a further 15% interest, HHM may then elect to sole fund an additional $500,000 ("Second Earn-in Phase"). At completion, HHM will have contributed $1,000,000 and retained its 10% interest in Millennium. The timing of this additional expenditure will be as determined by Encounter.
- HHM may then elect to contribute a further $1,000,000 out of the next $2,000,000 of exploration expenditure to earn a further 15% interest in Millennium ("Additional Earn-in Phase"). The timing of this expenditure will be determined by Encounter.
- At that point, after contribution of a total of $2,000,000 of exploration expenditure, HHM would hold a 25% and Encounter would hold a 75% interest in the joint venture.
- Industry standard expenditure contribution or dilution formulas would apply. If a party's interest is diluted to less than 10%, that interest would convert to a 1% Net Profit Royalty.
- Encounter will be the Operator
- If, after the Initial Earn-in Phase, HHM elects to maintain its 10% interest, but forfeit their right to further earn-in, then at that point, HHM will issue 5% of the issued capital of Hampton to Encounter.
- If, after the Initial Earn in Phase, HHM elects to proceed with the Second Earn-in Phase, then at that point, HHM will issue 15% of the issued capital of HHM to Encounter. If this election is made then Encounter will have the right to appoint a member to the board of HHM.
- The earn-in and joint venture agreement is conditional upon Encounter obtaining all necessary consents and approvals to the grant of the earn-in rights to HHM.

As at 30 June 2017 HHM had acquired a 10% interest in the Millennium project pursuant to the Initial Earn-in Phase, and had elected to proceed with the Second Earn-in Phase. Encounter and HHM are currently in the Additional Earn-in phase, after which HHM will have earned a 25% interest in the farm-in licences.

The following farm-in agreement was terminated during the financial year:

Encounter Yeneena Lookout Rocks Farm-in – Antofagasta Minerals Perth Pty Ltd earning-in

Antofagasta Minerals Perth Pty Ltd has entered into a farm-in and joint venture agreement with the Company in respect of granted tenements EL45/4091, EL45/4408, EL45/4230 and EL45/3768 that form part of the Company's wholly owned Yeneena Project. The agreement covers an area of 450km2 untested exploration ground located in the north-west of the Yeneena Project.

Significant terms of the farm-in arrangement as follows:

- 2 year initial earn-in phase under which Antofagasta may acquire a 51% joint venture interest by expenditure of US$2 million and may withdraw at any time subject to a meeting a minimum spend of US$500,000;
- A second earn-in phase, under which Antofagasta may acquire a further 19% interest by contributing expenditure of US$4 million within 2 years;
- In the event of a decision to mine Antofagasta will pay the Company US$3 million.

The farm-in arrangement was terminated on 2 September 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017 (continued)

NOTE 15. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2017 $	2016 $
Share issue liability[1]	**101,536**	-
Unspent farm-in contributions (Note 8c)	**-**	104,847
Trade payables and accruals	**705,200**	727,295
Other payables	**40,304**	23,876
	847,040	856,018

Liabilities are not secured over the assets of the Group. Details of fair value and exposure to interest risk are included at note 20.

[1] Share subscription funds received prior to 30 June 2017 in respect of a share placement completed on 12 July 2017.

NOTE 16. EMPLOYEE BENEFITS

	Consolidated	
	2017 $	2016 $
a) Current liabilities		
Liability for annual leave	**116,599**	123,688
Liability for long service leave	**130,017**	-
	246,616	123,688
b) Non-current liabilities		
Liability for long service leave	**-**	118,063

Long service leave liability reclassified to current liabilities to reflect current entitlement.

NOTE 17. ISSUED CAPITAL

a) Ordinary shares

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

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

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

	Issue price	2017 No.	2016 No.	2017 $	2016 $
b) Share capital					
Issued share capital		**188,951,544**	155,644,044	**37,678,887**	34,401,834
c) Share movements during the year					
Balance at the start of the financial year		**155,644,044**	134,543,350	**34,401,834**	31,471,913
Share purchase plan	$0.14	**-**	2,617,836	**-**	366,497
Share placements	$0.14	**-**	18,482,858	**-**	2,587,600
Shares issued to acquire exploration assets	$0.085	**250,000**	-	**21,250**	-
Share placements	$0.10	**26,230,000**	-	**2,623,000**	-
Share purchase plan	$0.10	**6,827,500**	-	**682,750**	-
Less share issue costs		**-**	-	**(49,947)**	(24,176)
Balance at the end of the financial year		**188,951,544**	155,644,044	**37,678,887**	34,401,834

Subsequent to the end of the financial year the Company issued a further 2,806,216 ordinary fully paid shares at 10 cents per share pursuant to a share placement following shareholder approval.

NOTE 18. OPTIONS AND SHARE BASED PAYMENTS

The establishment of the Encounter Resources Limited Directors, Officers and Employees Option Plan ('the Plan") was last approved by a resolution at the Annual General Meeting of shareholders of the Company on 27 November 2015. All eligible Directors, executive officers and employees of Encounter Resources Limited who have been continuously employed by the Company are eligible to participate in the Plan.

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

a) Options issued during the year

During the financial year the Company granted 2,775,000 options over unissued shares (2016: 6,041,429).

b) Options exercised during the year

During the financial year the Company issued no shares on the exercise of unlisted employee options (2016: Nil).

c) Options cancelled during the year

During the year 700,000 options (2016: 275,000) were cancelled upon termination of employment. 2,000,000 options were cancelled on expiry of exercise period (2016: 850,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017 (continued)

NOTE 18. OPTIONS AND SHARE BASED PAYMENTS (CONTINUED)

d) Options on issue at the balance date

The number of options outstanding over unissued ordinary shares at 30 June 2017 is 12,361,429 (2016: 12,286,429). The terms of these options are as follows:

Number of options outstanding	Exercise price	Expiry date
750,000	39 cents	30 November 2017
495,000	22 cents	31 May 2018
1,250,000	23 cents	27 November 2018
750,000	31 cents	27 November 2019
500,000	16 cents	31 January 2019
5,441,429	21 cents	30 September 2018
400,000	14 cents	28 February 2020
2,025,000	13 cents	24 November 2020
750,000	17.5 cents	24 November 2021
12,361,429		

e) Subsequent to the balance date

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

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

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

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

	2017		2016	
	No.	WAEP (cents)	No.	WAEP (cents)
Options outstanding at the start of the year	**12,286,429**	**38.8**	7,370,000	30.2
Options granted during the year	**2,775,000**	**14.2**	6,041,429	20.3
Options exercised during the year	**-**	**-**	-	-
Options cancelled and expired unexercised during the year	**(2,700,000)**	**29.4**	(1,125,000)	51.8
Options outstanding at the end of the year	**12,361,429**	**21.0**	12,286,429	38.8

Weighted average contractual life

The weighted average contractual life for un-exercised options is 28.0 months (2016: 24.5 months).

Basis and assumptions used in the valuation of options.

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

Date granted	Number of options granted	Exercise price (cents)	Expiry date	Risk free interest rate used	Volatility applied	Value of Options
25 Nov 2016	1,250,000	13	24 Nov 2020	2.19%	88%	$41,977
25 Nov 2016	750,000	17.5	24 Nov 2021	2.19%	88%	$25,796
14 Dec 2016	775,000	13	24 Nov 2020	2.19%	89%	$18,937

NOTE 18. OPTIONS AND SHARE BASED PAYMENTS (CONTINUED)

e) Subsequent to the balance date (continued)

Historical volatility has been used as the basis for determining expected share price volatility.

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

No valuation has been undertaken for the options issued attaching to the share placement.

NOTE 19. RESERVES AND ACCUMULATED LOSSES

	Consolidated			
	2017		2016	
	Accumulated losses $	Equity remuneration reserve (i) $	Accumulated losses $	Equity remuneration reserve (i) $
Balance at the beginning of the year	(14,963,883)	524,449	(9,306,923)	649,533
Profit/(Loss) for the period	(1,313,269)	-	(5,803,036)	-
Movement in equity remuneration reserve in respect of options issued	-	86,709	-	20,992
Transfer to accumulated losses on cancellation of options	224,847	(224,847)	146,076	(146,076)
Balance at the end of the year	(16,052,305)	386,311	(14,963,883)	524,449

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

NOTE 20. FINANCIAL INSTRUMENTS

Credit risk

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

Impairment losses

The Directors do not consider that any of the Group's financial assets are subject to impairment at the reporting date. No impairment expense or reversal of impairment charge has occurred during the reporting period, other than the write off of deferred exploration assets at note 13.

Interest rate risk

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

	Carrying amount ($)	
	2017	2016
Fixed rate instruments		
Financial assets	-	-
Variable rate instruments		
Financial assets	3,631,091	3,684,391

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017 (continued)

NOTE 20. FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
2017				
Variable rate instruments	**36,311**	**(36,311)**	**36,311**	**(36,311)**
2016				
Variable rate instruments	36,844	(36,844)	36,844	(36,844)

Liquidity risk

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

Consolidated	Carrying amount $	Contractual cash flows $	< 6 months $	6-12 months $	1-2 years $	2-5 years $	> 5 years $
2017							
Trade and other payables	**703,747**	**703,747**	**703,747**	**-**	**-**	**-**	**-**
	703,747	**703,747**	**703,747**	**-**	**-**	**-**	**-**
2016							
Trade and other payables	706,309	706,309	706,309	-	-	-	-
	706,309	706,309	706,309	-	-	-	-

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	Consolidated			
	2017		2016	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Cash and cash equivalents	**3,631,091**	**3,631,091**	3,684,391	3,684,391
Other financial assets	**430,485**	**430,485**	768,723	768,723
Trade and other payables	**(703,747)**	**(703,747)**	(706,309)	(706,309)
	3,357,829	**3,357,829**	3,746,805	3,746,805

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

NOTE 21. DIVIDENDS

No dividends were paid or proposed during the financial year ended 30 June 2016 or 30 June 2017.

The Company has no franking credits available as at 30 June 2016 or 30 June 2017.

NOTE 22. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors and key management personnel

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

i) ***Chairman – non-executive***
Paul Chapman

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

iii) ***Non-executive directors***
Jonathan Hronsky, Director

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

b) Key management personnel compensation

A summary of total compensation paid to key management personnel during the year is as follows:

	2017 $	2016 $
Total short-term employment benefits	**684,332**	641,602
Total share based payments	**67,773**	-
Total post-employment benefits	**65,011**	60,953
	817,116	702,555

NOTE 23. REMUNERATION OF AUDITORS

	2017 $	2016 $
Audit and review of the Company's financial statements	**28,500**	29,000
Total	**28,500**	29,000

NOTE 24. CONTINGENCIES

i) Contingent liabilities

There were no material contingent liabilities not provided for in the financial statements of the Group as at 30 June 2016 or 30 June 2017 other than:

Yeneena Project Gold Claw-back

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

The Yeneena Project Gold Claw-back relates to the following exploration licences: E45/2500, E45/2501, E45/2502, E45/2503, E45/2561, E45/2657, E45/2658, E45/2805 and E45/2806.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017 (continued)

NOTE 24. CONTINGENCIES (CONTINUED)

Telfer West Production Royalty

The Group is subject to a production unit royalty of $1 per dry metric tonne of ore mined and sold from licence E45/4613 at its Telfer West Gold Project.

Native Title and Aboriginal Heritage

The Group has Land Access and Mineral Exploration Agreements with Western Desert Lands Aboriginal Corporation in relation to the tenements comprising the Yeneena Project. Western Desert Lands Aboriginal Corporation ((Jamukurnu-Yapalikunu/ WDLAC) is the Prescribed Body Corporate for the Martu People of the Central Western Desert region in Western Australia.

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

Bank guarantees

ANZ Bank has provided unconditional bank guarantees (refer Note 8) as follows:

$23,000 in relation to the lease over the Company's office premises at Level 7, 600 Murray Street, West Perth; and

$50,000 in relation to the Company's corporate credit card facility. The guarantee in respect of the Company's credit card facility expired during the 2017 financial year.

ii) Contingent assets

There were no material contingent assets as at 30 June 2016 or 30 June 2017.

NOTE 25. COMMITMENTS

a) Exploration

The Group has certain obligations to perform minimum exploration work on mineral leases held. These obligations may be varied as a result of renegotiations of the terms of the exploration licences or their relinquishment. The minimum exploration obligations are less than the normal level of exploration expected to be undertaken by the Group.

As at balance date, total exploration expenditure commitments on tenements held by the Group have not been provided for in the financial statements and which cover the following twelve month period amount to $1,438,960 (2016: $1,376,500).

The exploration expenditure obligations stated above include amounts that are funded by third parties pursuant to various farm-in agreements (Note 14).

b) Operating Lease Commitments

The Company has entered into a 2 year lease on its office at Level 7, 600 Murray Street, West Perth on effective from 1 July 2015 at $46,000 per annum, inclusive of variable outgoings. Operating lease commitments are as follows:

	2017 **$**	2016 $
Due within 1 year	-	46,000
Due after 1 year but not more than 5 years	-	-
Due after more than 5 years	-	-
	-	46,000

c) Contractual Commitment

There are no material contractual commitments as at 30 June 2016 or 30 June 2017 not otherwise disclosed in the Financial Statements.

NOTE 26. RELATED PARTY TRANSACTIONS

Transactions with Directors during the year are disclosed at Note 22 – Key Management Personnel.

There are no other related party transactions, other than those already disclosed elsewhere in this financial report.

NOTE 27. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

- On 12 July 2017 the Company issued 2,806,216 ordinary fully paid shares to directors of the Company pursuant to shareholder approval for their participation in a share placement.
- Subsequent to the end of the financial year the Company entered into a project generation alliance with Newcrest Mining Limited covering northern Western Australia.

NOTE 28. RECONCILIATION OF LOSS AFTER TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2017 **$**	2016 $
Profit/(Loss) from ordinary activities after income tax	**(1,313,269)**	(5,803,036)
Research and development tax credit	**443,694**	536,952
Depreciation	**7,060**	4,849
Exploration cost written off and expensed	**209,962**	4,635,718
Share based payments expense	**86,709**	20,992
Unrealised loss on investments	**338,238**	799,471
Contribution to overheads from farm-in partner	**(97,754)**	(258,200)
EIS grant funding offset against capitalised exploration	**303,122**	399,350
Movement in assets and liabilities:		
(Increase)/decrease in receivables	**(44,216)**	9,951
Increase/(decrease) in payables	**1,821**	15,778
Net cash outflow from operating activities	**(64,633)**	361,825

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017 (continued)

NOTE 29. EARNINGS PER SHARE

	Consolidated	
	2017	2016
	cents	cents
a) Basic earnings per share		
Profit/(Loss) attributable to ordinary equity holders of the Company	**(0.8)**	(3.9)
b) Diluted earnings per share		
Profit/(Loss) attributable to ordinary equity holders of the Company	**(0.8)**	(3.9)

	$	$
c) Loss used in calculation of basic and diluted loss per share		
Consolidated profit/(loss) after tax from continuing operations	**(1,313,269)**	(5,803,036)

	No.	No.
d) Weighted average number of shares used as the denominator		
Weighted average number of shares used as the denominator in calculating basic earnings per share	**158,749,688**	149,811,427
Weighted average number of shares used as the denominator in calculating diluted earnings per share	**158,749,688**	149,811,427

At 30 June 2017 the Company has on issue 12,361,429 unlisted options over ordinary shares that are not considered to be dilutive (2016: 12,286,429).

NOTE 30. PARENT ENTITY INFORMATION

	Company	
	2017 $	2016 $
Financial position		
Assets		
Current assets	**3,878,618**	3,684,484
Non-current assets	**19,237,863**	17,369,086
Total Assets	**23,116,481**	21,053,570
Liabilities		
Current liabilities	**1,103,588**	973,107
Non-current liabilities	**-**	118,063
Total Liabilities	**1,103,588**	1,091,170
NET ASSETS	**22,012,893**	19,962,400
Equity		
Issued Capital	**37,678,887**	34,401,834
Equity remuneration reserve	**386,311**	524,449
Accumulated losses	**(16,052,305)**	(14,963,883)
TOTAL EQUITY	**22,012,893**	19,962,400
Financial performance		
Profit/(Loss) for the year	**(1,313,899)**	(1,297,465)
Other comprehensive income	**-**	-
Total comprehensive income	**(1,313,899)**	(1,297,465)

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

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

Contingent liabilities

For full details of contingencies see Note 24.

Commitments

For full details of commitments see Note 25.

DIRECTORS' DECLARATION

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

a) the financial statements and notes set out on pages 35 to 65 are in accordance with the Corporations Act 2001, including:

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

   ii) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Group.

c) the remuneration disclosures that are contained in the Remuneration Report in the Directors Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, The Corporations Act 2001 and the Corporations Regulations 2001.

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

e) the financial statements comply with International Financial Reporting Standards as set out in Note 1.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.

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

Signed at Perth this 28th day of September 2017.

W Robinson
Managing Director

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INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF ENCOUNTER RESOURCES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Encounter Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key Audit Matter	How we addressed the Key Audit Matter
Consideration of impairment of capitalised mineral exploration and evaluation expenditure=	
Exploration assets are required to be assessed for impairment when facts and circumstances	Our procedures included, but were not limited to:

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Key Audit Matter	How we addressed the Key Audit Matter
Consideration of impairment of capitalised mineral exploration and evaluation expenditure=	
suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. This matter is considered a key audit matter due to the high degree of judgement required by the directors to assess whether impairment indicators are present for specified tenements held and due to the significance of the capitalised amount at 30 June 2017. The conditions and assessment undertaken in relation to impairment are disclosed in the Group's accounting policy in Notes 1(f), 1(k) and 13 of the financial report.	▪ Conducting discussions with management regarding the criteria used in their impairment assessment and ensuring that this was in line with *AASB 6 Exploration for and Evaluation of Mineral Resources*. ▪ Reviewing evidence of activities carried out and management intentions for the area of interests the Group holds, to corroborate the representations made by management during our discussions. ▪ Assessed the Group's right to tenure by obtaining and assessing supporting documentation such as license agreements or renewals and any correspondence with relevant government agencies in connection with the renewal process. ▪ Evaluating key assumptions adopted by management that support the position formed on whether the exploration and evaluation expenditure was impaired.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 32 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Encounter Resources Limited for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Crowe Horwath Perth

CROWE HORWATH PERTH

CYRUS PATELL
Partner

Dated at Perth this 28th day of September 2017

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ASX ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of the Australian Securities Exchange, the shareholder information set out below was applicable as at 26 September 2017.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of shareholders by size of holding:

Ordinary Fully Paid Shares

Distribution	Number of shareholders	Securities held
1 – 1,000	102	46,236
1,001 – 5,000	200	626,132
5,001 – 10,000	128	1,057,274
10,001 – 100,000	428	17,191,089
More than 100,000	190	172,837,029
Totals	**1,048**	**191,757,760**

There are 313 shareholders holding less than a marketable parcel of ordinary shares.

B. SUBSTANTIAL SHAREHOLDERS

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

	Issued Ordinary Shares	
Shareholder Name	Number of shares	% of shares
William Michael Robinson	22,275,470	12.20%
Eye Investment Fund Limited	11,479,028	7.38%
Antofagasta Investment Company Limited	9,241,931	5.94%

C. TWENTY LARGEST SHAREHOLDERS

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

	Ordinary Shares - Quoted	
Shareholder Name	Number of shares	% of Shares
Merrill Lynch Australia Nominees Pty Ltd	17,327,507	9.04%
William Michael Robinson	16,216,900	8.46%
HSBC Custody Nominees Australia Limited	13,350,000	6.96%
Citicorp Nominees Pty Ltd	9,447,633	4.93%
BNP Paribas Nominees Pty Ltd <DRP>	8,600,000	4.48%
UBS Nominees Pty Ltd	7,850,000	4.09%
Sundin Pty Ltd	6,808,750	3.55%
Solvista Pty Ltd	5,000,000	2.61%
Stone Poneys Nominees Pty Ltd <Chapman Super Fund>	4,700,000	2.45%
Wythenshawe Pty Ltd	3,150,000	1.64%
HSBC Custody Nominees Australia Limited	2,664,687	1.39%
Kiki Super Fund	2,618,000	1.37%
Domain Investment Holdings Pty Ltd	2,500,000	1.30%
Jorge Bernhard	2,490,000	1.30%
Stone Poneys Nominees Pty Ltd <Chapman Investment Fund>	2,000,000	1.04%

ASX ADDITIONAL INFORMATION (continued)

C. TWENTY LARGEST SHAREHOLDERS (CONTINUED)

Shareholder Name	Ordinary Shares - Quoted Number of shares	Ordinary Shares - Quoted % of Shares
Wythenshawe Pty Ltd <Minjar Account>	1,894,750	0.99%
Samantha Hogg	1,800,000	0.94%
Ross Gibson	1,750,000	0.91%
Willstreet Pty Ltd	1,700,000	0.89%
Thirty Fifth Celebrations Pty Ltd	1,550,000	0.81%
Total	**113,418,047**	**59.15%**

D. UNQUOTED SECURITIES

Options over Unissued Shares

Number of Options	Exercise Price	Expiry Date	Number of Holders
750,000	39 cents	30 November 2017	1
495,000	22 cents	31 May 2018	4
1,250,000	23 cents	27 November 2018	2
750,000	31 cents	27 November 2019	1
500,000	16 cents	31 January 2019	4
5,441,429	21 cents	30 September 2018	17*
400,000	14 cents	28 February 2020	4
2,025,000	13 cents	24 November 2020	11
750,000	17.5 cents	24 November 2021	1
12,361,429			

* Included in the above table is a holding of in excess of 20% of a class of unquoted equity securities (excluding equity securities issued pursuant to an employee incentive scheme), as follows:

Name of holder	Exercise Price	Expiry Date	Number of Options
Exploration Capital Partners 2014 Limited Partnership	21 cents	30 September 2018	3,600,000

E. VOTING RIGHTS

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

There are no voting rights in respect of options over unissued shares.

F. RESTRICTED SECURITIES

There are no restricted securities.


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