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Drilling commenced at Millennium Zinc Prospect

The directors of Encounter Resources Ltd ("Encounter") are pleased to provide an update on upcoming exploration activity at the Yeneena project of Western Australia. Drilling operations have recommenced with activities to be completed at the Millennium Zinc Prospect, Lookout Rocks Copper Prospect, Aria IOCG Prospect, BM1-BM7 Copper Prospect and the Telfer West Gold Project in the coming months.

This program starts with diamond drilling at the Millennium Zinc Prospect. A second diamond drill rig is due on site in mid-October 2016 to commence drilling at the Lookout Rocks South Copper and Aria IOCG prospects.

Background

The Millennium Zinc Prospect is located in the north-east of Yeneena (see Figure 1) and is subject to an earn-in agreement with Hampton Hill Mining ("HHM"). Exploration at Millennium is currently funded 50:50 by Encounter and HHM pursuant to the earn in agreement where HHM controls a 10% interest and can earn up to 25% of Millennium (refer ASX announcement 23 April 2015).

Millennium is situated at a key structural intersection on the regionally significant Tabletop Fault on the margin of an interpreted sedimentary sub-basin. 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 indicate a significant mineralising event at Millennium.

Upcoming Drilling

The upcoming diamond drill program at Millennium has been primarily designed to test for high grade zinc mineralization at the base of a thickened mineralized shale package, proximal to the shale-carbonate contact. This is a strong conceptual target for accumulation high grade, shale hosted zinc mineralisation.

The first hole will target an area down dip of RC hole EPT2264 which ended in a weathered gossanous ironstone grading 18m @ 1.1% Zinc from 148m to end of hole (refer ASX announcement 28 January 2016). This planned drill hole will be collared approximately 150m north of EPT2264 and drilled to the south through the carbonate-shale contact and will continued to the base of the shale unit south of the contact.

The second hole planned will target the base of the shale unit approximately 1km north-west of the first hole. This hole has been designed to test the base of the mineralised shale unit proximal to drill hole EPT1174 (refer ASX announcement 31 July 2012). EPT1174 intersected a broad zone of carbonate alteration and veining in a shale unit that contained visible zinc and lead

sulphides. This drill holed graded 201m @ 0.6% Zn from 233m to end of hole including 29m @ 1.0% Zn from 400m. It may be possible to re-enter and extend a previous drill hole to test this target area.

The 1,500-2,000 metre diamond drill program at Millennium will be co-funded under the WA Government Exploration Incentive Scheme (up to A$150,000)

Subsequent Drilling

In mid-October, when the second rig is on site, further ASX announcements will be made regarding planned activities at the Lookout Rocks Copper Prospect, Aria IOCG Prospect, BM1-BM7 Copper Prospect and the Telfer West Gold Project.

Location Plan

The Yeneena Region covers 1,800km^2 of the Paterson Province in Western Australia, and is located 35km SE of the Nifty copper mine and 40km SW of the Telfer gold/copper deposit (Figure 1). The targets identified are located adjacent to major regional faults and have been identified through electromagnetics, geochemistry and structural targeting.

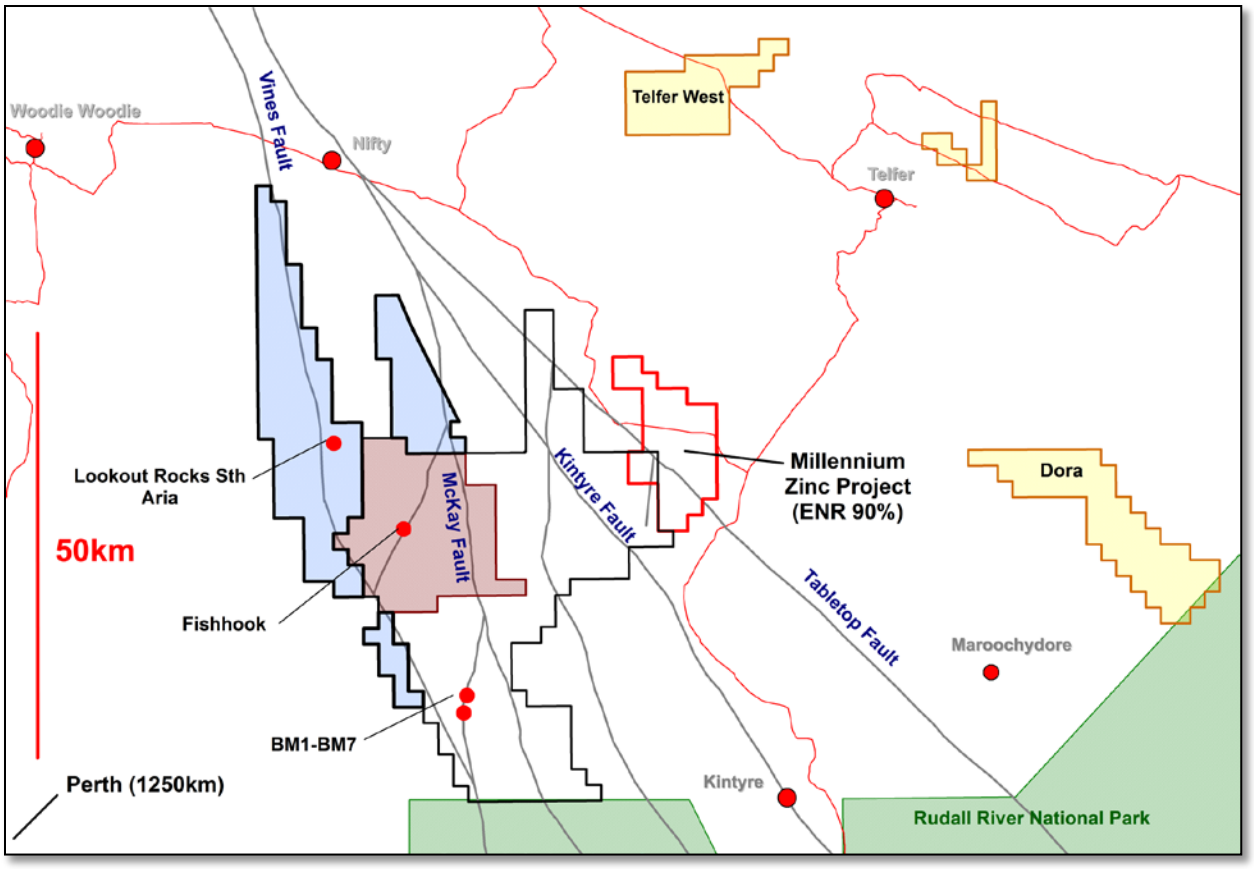

Figure 1: Yeneena Project leasing and targets areas

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.