



NOTICE OF ANNUAL GENERAL MEETING

&

EXPLANATORY STATEMENT

To be held

At 12.00pm (WST), Monday, 25 November 2019

at

The Offices of AMEC,
6 Ord Street, West Perth WA 6005

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15 October 2019

Dear Fellow Encounter Shareholder,

Please find enclosed the Notice of Annual General Meeting for the Shareholders' Meeting to be held at 6 Ord Street, West Perth at 12.00pm (WST) on Monday, 25 November 2019.

The purpose of the meeting is to conduct the annual business of the Company, being consideration of the annual financial statements, the remuneration report and in addition seek shareholder approval in accordance with the Corporations Act 2001 and the Listing Rules of the ASX to a number of resolutions, which are set out in the attached Notice of Meeting paper.

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

Yours sincerely

Paul Chapman
Chairman

ENCOUNTER RESOURCES LIMITED

ABN 47 109 815 796

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Encounter Resources Limited will be convened at 12.00pm WST on Monday, 25 November 2019 at 6 Ord Street, West Perth, Western Australia.

AGENDA

1. Discussion of Financial Statements and Reports

To discuss the Financial Report, the Directors' Report and Auditor's Report for the year ended 30 June 2019.

2. Adoption of the Remuneration Report

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2019."

Voting Prohibition Statement

The Company will disregard any votes cast on Agenda Item 2 by, or on behalf of, a Restricted Voter. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and*
- (b) it is not cast on behalf of a Restricted Voter.*

Further, a Restricted Voter who is appointed as a proxy will not vote on Agenda Item 2 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 2. Shareholders may also choose to direct the Chair to vote against Agenda Item 2, or to abstain from voting.*

3. Re-election of Director – Peter Bewick

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

"That, Mr Peter Bewick who retires in accordance with the Company's Constitution and ASX Listing Rule 14.4, and being eligible, offers himself for re-election, be re-elected as a Director."

4. Election of Director – Philip Crutchfield

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

"That, Mr Philip Crutchfield who was appointed as a Director of the Company since the last annual general meeting, and who retires in accordance with the Company's Constitution and being eligible, offers himself for election, be elected as a Director."

ENCOUNTER RESOURCES LIMITED

ABN 47 109 815 796

NOTICE OF ANNUAL GENERAL MEETING

AGENDA (CONTINUED)

5. Approval of Additional 10% Placement Capacity

To consider and, if thought fit, to approve the following resolution, with or without amendment, as a **special resolution**:

"That, for the purpose of Listing Rule 7.1A and all other purposes, the Company approves the allotment and issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 5 by, or on behalf of, a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity).

However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides) will be taken into account.

6. Non-Executive Director Remuneration

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.17, clause 10.9 of the Company's Constitution and for all other purposes, Shareholders approve the maximum total aggregate fixed sum per annum to be paid to non-executive Directors be set at \$300,000 per annum in accordance with the terms and conditions set out in the Explanatory Memorandum."

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 6 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 6. Shareholders may also choose to direct the Chair to vote against Agenda Item 6, or to abstain from voting.*

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 6 by, or on behalf of, any Director of the Company (other than a Director that is ineligible to participate in any employee incentive scheme in relation to the Company), and any person associated with those persons.

However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides) will be taken into account.

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NOTICE OF ANNUAL GENERAL MEETING

AGENDA (CONTINUED)

7. Approval of the Grant of Options in Lieu of Director Fees to Director – Mr Paul Chapman

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

“That pursuant to and in accordance with ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 700,000 options to Mr Paul Chapman (or his nominee) to subscribe for ordinary shares in the Company. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 7 by, or on behalf of, Mr Paul Chapman and any of his associates.

However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides) will be taken into account.

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 7 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 7. Shareholders may also choose to direct the Chair to vote against Agenda Item 7, or to abstain from voting.*

8. Approval of the Grant of Options in Lieu of Director Fees to Director – Mr Philip Crutchfield

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

“That pursuant to and in accordance with ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 700,000 options to Mr Philip Crutchfield (or his nominee) to subscribe for ordinary shares in the Company. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 8 by, or on behalf of, Mr Philip Crutchfield and any of his associates.

However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides) will be taken into account.

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 8 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 8. Shareholders may also choose to direct the Chair to vote against Agenda Item 8, or to abstain from voting.*

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NOTICE OF ANNUAL GENERAL MEETING

AGENDA (CONTINUED)

9. Approval of the Grant of Incentive Options to Director – Mr Will Robinson

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

“That pursuant to and in accordance with ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 700,000 options to Mr Will Robinson to subscribe for ordinary shares in the Company. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 9 by, or on behalf of, Mr Will Robinson and any of his associates.

However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides) will be taken into account.

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 9 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 9. Shareholders may also choose to direct the Chair to vote against Agenda Item 9, or to abstain from voting.*

10. Approval of the Grant of Incentive Options to Director – Mr Peter Bewick

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

“That pursuant to and in accordance with ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 700,000 options to Mr Peter Bewick to subscribe for ordinary shares in the Company. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 10 by, or on behalf of, Mr Peter Bewick and any of his associates.

However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides) will be taken into account.

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 10 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 10. Shareholders may also choose to direct the Chair to vote against Agenda Item 10, or to abstain from voting.*

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NOTICE OF ANNUAL GENERAL MEETING

AGENDA (CONTINUED)

11. Approval of the Grant of Incentive Options to Director – Mr Philip Crutchfield

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

“That pursuant to and in accordance with ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 1,000,000 options to Philip Crutchfield to subscribe for ordinary shares in the Company. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 11 by, or on behalf of, Mr Philip Crutchfield and any of his associates.

However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides) will be taken into account.

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 11 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 11. Shareholders may also choose to direct the Chair to vote against Agenda Item 11, or to abstain from voting.*

12. Approval of the Grant of Incentive Options to Director – Mr Paul Chapman

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

“That pursuant to and in accordance with ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 300,000 options to Mr Paul Chapman to subscribe for ordinary shares in the Company. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 12 by, or on behalf of, Mr Paul Chapman and any of his associates.

However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides) will be taken into account.

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 12 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 12. Shareholders may also choose to direct the Chair to vote against Agenda Item 12, or to abstain from voting.*

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NOTICE OF ANNUAL GENERAL MEETING

AGENDA (CONTINUED)

13. Approval of the Grant of Incentive Options to Director – Dr Jon Hronsky

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

“That pursuant to and in accordance with ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 300,000 options to Dr Jon Hronsky to subscribe for ordinary shares in the Company. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 13 by, or on behalf of, Dr Jon Hronsky and any of his associates.

However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides) will be taken into account.

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 13 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 13. Shareholders may also choose to direct the Chair to vote against Agenda Item 13, or to abstain from voting.*

ENCOUNTER RESOURCES LIMITED

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NOTICE OF ANNUAL GENERAL MEETING

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act. Details of the definitions and abbreviations used in this Notice are set out in the Glossary to the Explanatory Statement.

GENERAL NOTES

1. With respect to Agenda Item 2, the vote on this item is advisory only and does not bind the Directors of the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.
2. **Voting by Proxy:** Sections 250BB and 250BC of the Corporations Act came into effect on 1 July 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:
 - if proxy holders vote, they must cast all directed proxies as directed; and
 - if a poll is demanded for a particular resolution, any directed proxies which are not voted (where the appointed proxy is not the chair of the meeting) will automatically default to the Chair, who must vote the proxies as directed.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and

- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

3. The Explanatory Statement to Shareholders attached to this Notice of Annual General Meeting is hereby incorporated into and forms part of this Notice of General Meeting.
4. The Directors have determined in accordance with Regulation 7.11.37 of the Corporations Regulations that, for the purposes of voting at the meeting, shares will be taken to be held by the registered holders at 5.00pm (WST) on 23 November 2019.

BY ORDER OF THE BOARD



Kevin Hart
COMPANY SECRETARY

Dated this 15th day of October 2019

ENCOUNTER RESOURCES LIMITED

ABN 47 109 815 796

EXPLANATORY STATEMENT

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

Certain abbreviations and other defined terms are used throughout this Explanatory Statement. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations are set out in the Glossary to the Explanatory Statement.

1. Discussion of Financial Statements & Reports

The Company's financial reports for the financial year ended 30 June 2019, together with the Directors' reports and the auditor's report are placed before the Annual General Meeting thereby giving shareholders the opportunity to discuss those documents and to ask questions. The auditor will be attending the Annual General Meeting and will be available to answer any questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent audit report;
- the accounting policies adopted by the Company in relation to the preparation of accounts; and
- the independence of the auditor in relation to the conduct of the audit.

Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

2. Adoption of Remuneration Report

Section 250R(2) of the Corporations Act requires the Company to present to its Shareholders the Remuneration Report, as disclosed in the Company's Annual Report.

The Resolution is advisory only and does not bind the Directors or the Company. The Annual Report (together with the Remuneration Report) is available on the Company's website (www.enrl.com.au).

Under the Corporations Act, if at least 25% of the votes cast on the resolution to Agenda Item 2 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's next Annual General Meeting, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the general meeting (**Spill Meeting**) within 90 days of the Company's Annual General Meeting. All of the Directors who were in office when the Company's Directors' report was approved, other than the Managing Director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The proportion of votes cast in a poll against the adoption of the 2018 Remuneration Report was less than 25% of the total votes cast. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to the Directors and sets out the Company's remuneration arrangements for each of the Directors and senior management of the Company for the financial year ended 30 June 2019. The Remuneration Report is part of the Directors' Report contained in the annual financial report of the Company for the financial year ended 30 June 2019.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

The Board considers that its current practices of setting executive and non-executive remuneration are within normal industry expectations, and provides an effective balance between the need to attract and retain the services of the highly skilled key management personnel that the Company requires. As such the directors recommend that shareholders vote in favour of the resolution to Agenda Item 2.

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EXPLANATORY STATEMENT

2. Adoption of Remuneration Report (Continued)

Voting

Note that a voting exclusion applies to Agenda Item 2 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

By appointing the Chair as proxy, and not providing voting directions, you are considered to have expressly authorised the Chair to exercise your proxy, even though the resolution may be connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolution.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

3. Re-Election of Director – Mr Peter Bewick as an Ordinary Resolution

Experience

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 and Exploration Manager for WMC's Nickel Business Unit. He also held the position of Exploration Manager for North America based in Denver, Colorado. Whilst at WMC, Mr Bewick gained extensive experience in project generation for a range of commodities including nickel, gold and bauxite.

Mr Bewick has been associated with a number of brownfields exploration successes at Kambalda and with the greenfield Collurabbie Ni-Cu-PGE discovery. Mr Bewick is an Executive Director of the Company in charge of exploration.

Term of Office

Mr Bewick was appointed as Director on 7 October 2005.

Independence

The Board of Encounter Resources Limited does not consider Mr Bewick to be an Independent Director due to his executive status.

Special Responsibilities

Executive director responsible for strategy and management and implementation of the Company's exploration programs.

Directors' Recommendation

The Board (excluding Mr Bewick) supports the proposed re-election and recommends that Shareholders vote in favour of the re-election of Mr Bewick as a Director.

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EXPLANATORY STATEMENT

4. Election of Director – Mr Philip Crutchfield as an Ordinary Resolution

Experience

Mr Crutchfield is a prominent and highly respected barrister specialising in commercial law.

Since 2015, Philip has been Non-Executive Chairman of highly successful financial services company Zip Co Limited (ASX:Z1P). Mr Crutchfield is a board member of the Geelong Grammar School Council, Bell Shakespeare Theatre Company and the Victorian Bar Foundation Limited. Philip is also a former partner of Mallesons Stephen Jaques (now King & Wood Mallesons). Philip is a senior barrister practising in commercial law and was admitted to practice in 1988.

Term of Office

Mr Crutchfield was appointed as Director on 9 October 2019 and effective from 1 November 2019.

Independence

The Board of Encounter Resources Limited considers Mr Crutchfield to be an Independent Director.

Special Responsibilities

Member of the Company's Audit Committee.

Directors' Recommendation

The Board (excluding Mr Crutchfield) supports the proposed election and recommends that Shareholders vote in favour of the election of Mr Crutchfield as a Director.

5. Approval of Additional 10% Placement Capacity as a Special Resolution

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital over a 12 month period after the Annual General Meeting at which a resolution for the purposes of Listing Rule 7.1A is passed by special resolution (**Additional 10% Placement Capacity**). The Additional 10% Placement Capacity is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An entity will be eligible to seek approval under Listing Rule 7.1A if: (a) the entity has a market capitalisation of \$300 million or less; and (b) the entity that is not included in the S&P ASX 300 Index. The Company's market capitalisation as at 14 October 2019 was \$40.7m and therefore the Board considers that it is an eligible entity for the purposes of Listing Rule 7.1A.

The number of Equity Securities to be issued under the Additional 10% Placement Capacity will be determined in accordance with the formula set out in Listing Rule 7.1A.2.

$$(A \times B) - E$$

Where,

A = Has the same meaning as in Listing Rule 7.1

B = 10%

E = The number of equity securities issued or agreed to be issued under Listing Rule 7.1A2 in the 12 months before the issue date or date of agreement to issue that are not issued with the approval of holders of ordinary securities under Listing Rule 7.1 or 7.4.

The Company is putting Agenda Item 5 to Shareholders to seek approval to issue additional Equity Securities under the Additional 10% Placement Capacity.

This Resolution does not mean that the Company will necessarily utilise the 10% Additional Placement Capacity. Rather, capital markets have recently been in a state of fluctuation and the Directors acknowledge that they may need to act quickly to raise funds when favourable markets emerge. The Company's failure to raise capital, if and when needed, could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities. Under these circumstances, the Additional 10% Placement Capacity will provide flexibility for the Company to issue additional securities, in the event that the Directors determine that the issue of the additional securities is in the interests of the Shareholders and the Company in achieving its objectives.

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EXPLANATORY STATEMENT

5. Approval of Additional 10% Placement Capacity (Continued)

Listing Rule 7.1A

The effect of Agenda Item 5 will be to permit the Company to issue the Equity Securities under Listing Rule 7.1A during the Additional Placement Period (as defined below) without using the Company's 15% placement capacity under Listing Rule 7.1.

Equity Securities issued under the Additional 10% Placement Capacity must be in the same class as an existing quoted class of Equity Securities of the Company. As at the date of this Notice the Company has quoted securities in the form of Shares on issue.

As at the date of this Notice, the Company has 280,824,968 Shares on issue and therefore, subject to Shareholder approval being sought under Agenda Item 5, up to 28,082,496 Equity Securities will be permitted to be issued in accordance with Listing Rule 7.1A. Shareholders should note that the calculation of the number of Equity Securities permitted to be issued under the Additional 10% Placement Capacity is a moving calculation and will be based on the formula set out in Listing Rule 7.1A at the time of issue of the Equity Securities. The table on the page below demonstrates various examples as to the number of Equity Securities that may be issued under the Additional 10% Placement Capacity.

The resolution the subject of Agenda Item 5 is a special resolution, requiring approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) in order to be passed.

Specific information required by Listing Rule 7.3A

The following information in relation to the Shares to be issued is provided to Shareholders for the purposes of Listing Rule 7.3A:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the volume weighted average price for the Company's Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If the resolution the subject of Agenda Item 5 is approved by Shareholders and the Company issues Equity Securities under the Additional 10% Placement Capacity, the existing Shareholders' economic and voting interests in the Company will be diluted. There is also a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date of the Equity Securities.

The table below shows the dilution of existing Shareholders of the issue of the maximum number of Equity Securities under the Additional 10% Placement Capacity using different variables for the number of ordinary securities for variable "A" (as defined in Listing Rule 7.1A) and the market price of Shares. It is noted that variable "A" is based on the number of ordinary securities the Company has on issue at the time of the proposed issue of Equity Securities.

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EXPLANATORY STATEMENT

5. Approval of Additional 10% Placement Capacity (Continued)

Specific information required by Listing Rule 7.3A (Continued)

The table shows:

- (i) examples of where variable “A” is at its current level, and where variable “A” has increased by 50% and by 100%;
- (ii) examples of where the issue price of ordinary securities is the current market price as at close of trade on 14 October 2019 (current market price), where the issue price is halved, and where it is doubled; and
- (iii) the dilutionary effect will always be 10% if the maximum number of Equity Securities that may be issued under the Additional 10% Placement Capacity are issued.

Variable ‘A’	Number of Shares issued and funds raised under the Additional 10% Placement Capacity and dilution effect	Dilution		
		\$0.073 Issue Price at half the current market price	\$0.145 Issue Price at current market price	\$0.29 Issue Price at double the current market price
Current Variable A 280,824,968 Shares	Shares issued	28,082,496	28,082,496	28,082,496
	Funds raised	\$2,035,981	\$4,071,962	\$8,143,924
	Dilution	10%	10%	10%
50% increase in current Variable A 421,237,452 Shares	Shares issued	42,123,745	42,123,745	42,123,745
	Funds raised	\$3,053,972	\$6,107,943	\$12,215,886
	Dilution	10%	10%	10%
100% increase in current variable A 561,649,936 Shares	Shares issued	56,164,993	56,164,993	56,164,993
	Funds raised	\$4,071,962	\$8,143,924	\$16,827,848
	Dilution	10%	10%	10%

Note: this table assumes:

- (i) No Options are exercised before the date of the issue of the Equity Securities;
 - (ii) The Company issues the maximum number of Equity Securities under the Additional 10% Placement Capacity and the Equity Securities issues consists only of Shares;
 - (iii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholders holding at the date of the Annual General Meeting;
 - (iv) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (c) Approval of the Additional 10% Placement Capacity will be valid from the date of the Annual General Meeting and will expire on the earlier of:
- (i) the date that is 12 months after the date of the Annual General Meeting; and
 - (ii) the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),
- (Additional Placement Period).

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EXPLANATORY STATEMENT

5. Approval of Additional 10% Placement Capacity (Continued)

Specific information required by Listing Rule 7.3A (Continued)

- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) cash consideration. If Equity Securities are issued for cash consideration, the Company intends to use the funds to advance its exploration programs and general working capital purposes; or
 - (ii) non-cash consideration for the acquisition of new assets or any other consideration other than cash. If Equity Securities are issued for non-cash consideration, the Company will comply with the minimum issue price limitation under Listing Rule 7.1A.3 in relation to such issue and will release the valuation of the non-cash consideration to the market.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

- (e) The Company's allocation policy for the issue of Equity Securities under the Additional 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s). Securities allotted pursuant to the allocation policy will be determined following consideration of a number of factors including, but not limited to, the following matters:

- 5. the ability of the Company to raise funds at the time of the proposed issue of Equity Securities;
- 6. the dilutionary effect of the proposed of the issue of the Equity Securities on existing Shareholders at the time of proposed issued of Equity Securities;
- 7. the financial situation and solvency of the Company; and
- 8. advice from its professional advisers, including corporate, financial and broking advisers (if applicable).

At the date of this Notice, the Company has not formed an intention as to whether the securities will be offered to existing security holders, or to any class or group of existing security holders, or whether the securities will be offered exclusively to new investors that have not previously been security holders of the Company. The Company will give consideration before making any placement of securities under Listing Rule 7.1A whether the raising of any funds under such placement could be carried out in whole, or in part, by an entitlement offer to existing security holders.

The allottees under the Additional 10% Placement Capacity have not been determined as at the date of this Notice but will not include related parties (or their associates) of the Company.

- (f) The Company previously obtained approval from its Shareholders pursuant to Listing Rule 7.1A at its 2018 Annual General Meeting on 30 November 2018 and the Company has issued 5,093,613 securities pursuant to that Listing Rule 7.1A approval.

During the 12 month period prior to the date of the 2019 Annual General Meeting, the Company otherwise issued a total of 18,449,876 new Shares and 4,650,000 new Options, being a total of 23,099,876 New Equity Securities.

The total amount of 23,099,876 New Equity Securities issued represents approximately 8.6% of the total diluted number of Equity Securities on issue in the Company on 30 November 2018, being 268,425,092.

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EXPLANATORY STATEMENT

5. Approval of Additional 10% Placement Capacity (Continued)

Information relating to issues of Equity Securities by the Company in the 12 months prior to the date of the 2019 Annual General Meeting is as follows:

Date of Appendix 3B	Number of Equity Securities	Class of Equity Securities and summary of terms	Names of recipients or basis on which recipients determined	Issue price of Equity Securities and discount to Market Price ¹ on the trading day prior to the issue	If issued for cash – the total consideration, what it was spent on and the intended use of any remaining funds If issued for non-cash consideration – a description of the consideration and the current value of the consideration
3 December 2018 and 5 February 2019	4,650,000 unlisted options	Note 3,4	650,000 options issued to certain employees of the Company pursuant to the terms of the Company's Employee Share Option Plan. 4,000,000 options issued to directors following shareholder approval at the 2018 annual general meeting.	Nil issue price. Market price on the trading day prior to the issue was 6.0 cents per share (2 December 2018) and 5.5 cents per share (4 February 2019).	Options issued to employees of the Company for no cash consideration. At the date of this Notice of Meeting the options have a fair value of \$210,750 based on the underlying market value of the Company's shares.
10 July 2019	16,849,876 ordinary fully paid shares	Note 2	Issued to various sophisticated and professional investors pursuant to a share placement announced to ASX on 8 July 2019.	Issued at a price of 7.5 cents per share. Market price on the trading day prior to the announcement of the issue was 7.1 cents per share.	Cash consideration \$1,263,741 before costs of the issue. Funds from the placement will be used to advance exploration and project generation and for working capital purposes.
28 August 2019	1,600,000 ordinary fully paid shares	Note 2	Issued to directors and their related parties pursuant to a share placement announced to ASX on 8 July 2019 and shareholder approval on 23 August 2019.	Issued at a price of 7.5 cents per share. Market price on the trading day prior to the announcement of the issue was 7.1 cents per share.	Cash consideration \$120,000 before costs of the issue. Funds from the placement will be used to advance exploration and project generation and for working capital purposes.

Notes:

1. Market Price means the closing price of ordinary fully paid shares on ASX (excluding special crossings, overnight sales and exchange traded option exercises).
2. Ordinary fully paid shares (ENR), terms of which are set out in the Company's constitution.
3. 3,150,000 unlisted options issued pursuant to the terms and conditions of the Encounter Resources Limited Employee Option Plan and exercisable at 9 cents each on or before 30 November 2022.
4. 1,500,000 unlisted options issued pursuant to the terms and conditions of the Encounter Resources Limited Employee Option Plan and exercisable at 12 cents each on or before 30 November 2023.

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EXPLANATORY STATEMENT

5. Approval of Additional 10% Placement Capacity (Continued)

- (g) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not determined its allocation policy for the issue of Equity Securities under the Additional 10% Placement Capacity. The Company has not approached, and has not yet determined to approach, any particular existing security holders or an identifiable class of existing security holders to participate in an offer under the Additional 10% Placement Capacity, and therefore no Shareholder will be excluded from voting on Agenda Item 5.

Directors' Recommendation

The Board recommends Shareholders vote in favour of this Agenda Item.

6. Non-Executive Director Remuneration

as an Ordinary Resolution

Background

Clause 10.9 of the Constitution requires that the amount to be paid to Directors, as remuneration for their services as Directors, shall not be increased, except pursuant to a resolution passed at a general meeting of the Company where notice of the suggested increase shall have been given to Shareholders in the notice convening the meeting.

ASX Listing Rule 10.17 provides that an entity must not increase the total aggregate amount of directors' fees payable to all of its non-executive directors without the approval of holders of its ordinary securities.

The total aggregate amount of directors' fees per annum to be paid to the non-executive Directors was previously set at \$200,000 per annum at the Annual General Meeting held on 26 November 2007. Agenda Item 6 seeks Shareholder approval to increase the total aggregate amount of directors' remuneration available to be paid to the non-executive Directors at \$300,000 per annum.

The total amount of non-executive Directors' fees payable includes superannuation contributions made by the Company for the benefit of the Director and any fees which the Director agrees to sacrifice for other benefits. It does not include reimbursement of genuine out-of-pocket expenses, genuine "special exertion" fees paid in accordance with the Constitution or securities issued to a Director under ASX Listing Rule 10.11 or 10.14 with approval of Shareholders.

The proposed total aggregate amount of non-executive Directors' fees has been determined after reviewing similar companies listed on ASX and the Directors believe that this level of remuneration is in line with corporate remuneration of similar companies.

The maximum aggregate fees payable to Directors has not been increased for twelve (12) years. If Agenda Item 6 is approved, it does not mean that the Company must utilise the entire maximum sum of \$300,000 approved for fees in each year. However, the Board considers that it is reasonable and appropriate to seek approval for an increased amount for the following reasons:

- (a) the growth of the Company and increased responsibilities and potentially the total number of non-executive Directors;
- (b) to ensure that the Company maintains its capacity to remunerate both existing and new Directors joining the Board;
- (c) to remunerate Directors appropriately for the expectations placed upon them by both the Company and the regulatory environment in which it operates; and
- (d) to give the Company the flexibility to attract and retain new Directors whose skills and qualifications are appropriate for a company of the size and nature of the Company.

Information for the purposes of ASX Listing Rule 10.17

If Shareholders approve Agenda Item 6, the maximum aggregate amount of fees which can be paid to non-executive Directors each year will increase by to \$300,000 per annum.

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EXPLANATORY STATEMENT

6. Non-Executive Director Remuneration (Continued)

The following securities have been issued to non-executive Directors under ASX Listing Rule 10.11 or 10.14 at any time within the last 3 years:

Date of Issue	Non-Executive Director	Securities issued	Consideration paid by Director for the issue
25 Nov 2016	Jon Hronsky	500,000 options exercisable at \$0.13 expiring 24 Nov 2020	Nil
3 Dec 2018	Jon Hronsky	1,000,000 options exercisable at \$0.09 expiring 30 Nov 2022	Nil

A voting exclusion statement is included in the Notice of Meeting for Agenda Item 6.

Directors' recommendation and proxy voting

Given the interest of the non-executive Directors in this Resolution, the Board does not believe it is appropriate to make a recommendation to Shareholders in relation to voting on Agenda Item 6. The Chair intends to exercise all available proxies in favour of Agenda Item 6.

7. Information Relating to the Proposed Issue of Options to Directors – Resolutions 7 to 13

Options to be issued in lieu of payment of director fees

The Company has recently offered non-executive directors an annual election to receive cash remuneration or an equivalent amount in unlisted options. This annual election relates to the remuneration period from 1 December to 30 November of the relevant year. Both Mr Paul Chapman and Mr Philip Crutchfield have elected to receive unlisted options in lieu of fees. Accordingly, Agenda items 7 and 8 seek Shareholder approval to allow the Company to issue unlisted options to Mr Paul Chapman and Mr Philip Crutchfield in lieu of receiving cash remuneration for their services as Non-Executive Directors. In the event that Shareholder approval is not obtained, Mr Paul Chapman and Mr Philip Crutchfield will each receive cash remuneration amounting to \$50,000 per annum.

Options to be issued to directors as incentives

Agenda items 9 to 13 seek Shareholder approval to allow the Company to issue unlisted options to all of the Directors of the Company (Participating Directors).

The number of Incentive Options to be granted to each of the Participating Directors has been determined based upon a consideration of:

- (a) the remuneration / fees of the Participating Directors;
- (b) the Directors' wish to ensure that the remuneration / fees offered is competitive with market standards. The Directors have considered the proposed number of Incentive Options to be granted will ensure that the Participating Directors' overall remuneration / fees is in line with market standards; and
- (c) incentives to attract and ensure continuity of service of Directors who have appropriate knowledge and expertise.

The grant of the above options are considered an appropriate remuneration strategy to align the interests of the individual with those of the Company's strategic plan focusing on optimizing performance with the benefits flowing through to enhanced shareholder returns, whilst also protecting the Company's cash reserves so that they can directed towards the Company's operations.

EXPLANATORY STATEMENT

7. Information Relating to the Proposed Issue of Options to Directors – Resolutions 7 to 13 (Continued)

Listing Rule 10.11 and Corporations Act Chapter 2E

Listing Rule 10.11 provides that a Company must not issue equity securities (including options) to a related party of the company, such as a director, without the Company obtaining its Shareholders approval. If Shareholder approval is given under Listing Rule 10.11, Listing Rule 7.2, Exception 14 provides that approval is not required under Listing Rule 7.1.

The grant of Options to the Directors, and the potential allotment and issue of Shares pursuant to the same will constitute the giving of a financial benefit to a related party of the Company, for which Shareholder approval is usually required pursuant to Section 208 of the Corporations Act.

There are various exceptions to the requirement for Shareholder approval. This includes, in accordance with Section 211 of the Corporations Act, where the benefit is remuneration to a related party as an officer or employee of the Company, and to give the remuneration would be reasonable given:

- the circumstances of the Company in giving the remuneration; and
- the related party's circumstances (including the responsibilities involved in the office or employment)

The Board is of the view that the exception in Section 211 of the Corporations Act is relevant to the financial benefits to be granted to each of the Directors under their engagement as Officers of the Company.

Further, the Board believes that the financial benefits available to each of the Directors pursuant to the proposed grant of Options are commensurate with the responsibilities and performance levels expected of them.

Accordingly, the Company is not seeking the approval of Shareholders under Section 208 of the Corporations Act.

The following information is provided to Shareholders to allow them to assess the proposed resolutions:

(a) The related party to whom the proposed resolution would permit the financial benefit to be given and nature of financial benefit.

Subject to Shareholder approval, the Options in Lieu of Director Fees and Incentive Options will be granted to the following:

<i>Director</i>	<i>Number of Options</i>	<i>Expiry Date</i>	<i>Exercise Price</i>
<i>Options Issued in Lieu of Director Fees:</i>			
Mr Paul Chapman (or nominee)	700,000 ¹	4 Years from Grant Date	150% of 5 day VWAP prior to Issue Date
Mr Philip Crutchfield (or nominee)	700,000 ¹		
<i>Incentive Options:</i>			
Mr Will Robinson (or nominee)	700,000	4 years from Grant Date	150% of 5 day VWAP prior to Issue Date
Mr Peter Bewick (or nominee)	700,000		
Mr Philip Crutchfield (or nominee)	1,000,000		
Mr Paul Chapman (or nominee)	300,000		
Dr Jon Hronsky (or nominee)	300,000		

The Options issued in lieu of Director fees will have an expiry dates as disclosed in the table above and will be issued in accordance with terms and conditions as set out in Schedule 1 of this Explanatory Statement.

The Incentive Options will have an expiry dates as disclosed in the table above and will be issued in accordance with terms and conditions as set out in Schedule 2 of this Explanatory Statement.

¹ Options are proposed to be issued in lieu of Director fees for the period from 1 December 2019 to 30 November 2020.

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EXPLANATORY STATEMENT

7. Information Relating to the Proposed Issue of Options to Directors – Resolutions 7 to 13 (Continued)

(a) The related party to whom the proposed resolution would permit the financial benefit to be given and nature of financial benefit (Continued)

The Directors of the Company consider the indicative theoretical value attributable to the Options at a valuation date of 1 October 2019 to be as follows, notwithstanding that the Options will not be issued until after 25 November 2019 being the date of the Annual General Meeting of the Shareholders of the Company.

Options to be issued in lieu of payment of Director fees:

<i>Director</i>	<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>	<i>Indicative Value</i>
Paul Chapman	700,000	\$0.20	30 Sept 2023	\$49,052
Philip Crutchfield	700,000	\$0.20	30 Sept 2023	\$49,052

Incentive options:

<i>Director</i>	<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>	<i>Indicative Value</i>
Will Robinson	700,000	\$0.20	30 Sept 2023	\$49,052
Peter Bewick	700,000	\$0.20	30 Sept 2023	\$49,052
Philip Crutchfield	1,000,000	\$0.20	30 Sept 2023	\$70,075
Paul Chapman	300,000	\$0.20	30 Sept 2023	\$21,022
Jon Hronsky	300,000	\$0.20	30 Sept 2023	\$21,022

The Black and Scholes option valuation methodology was used as a basis for the calculations using the following assumptions:

The 5 day volume weighted average price of a fully paid Share as at the valuation date of 1 October 2019 was \$0.133.

The risk free interest rate used was 0.69% (based on the 5 year Reserve Bank treasury bond rates respectively as at 1 October 2019).

A volatility factor of 86.3% was used to value the options as determined using the daily closing share prices for the last 12 months.

The Black and Scholes option pricing model assumes that the Options the subject of the valuation can be sold on a secondary market. The terms and conditions of the proposed Options state that the Options shall not be listed for official quotation on ASX.

Any change in the variables applied in the Black and Scholes calculation between the date of the valuation and the date the Options are granted would have an impact on their value.

(b) Directors' Recommendations

Agenda Items 7 and 12

Messrs Robinson, Bewick, Hronsky and Crutchfield (who have no interest in the outcome of Agenda Items 7 and 12) recommend that Shareholders vote in favour of Agenda Items 7 and 12 as they believe the issue of the Options to the Director is in the best interests of the Company because the Options provide the Director with an incentive to enhance the future value of the Company's Shares for the benefit of all Shareholders, and also an appropriate way to retain the Director's professional services at reasonable market rates whilst also protecting the Company's cash reserves so that they can directed towards the Company's operations.

Mr Chapman declines to make a recommendation on Agenda Items 7 and 12 because he has a material personal interest in the outcome of the Resolutions.

EXPLANATORY STATEMENT

7. Information Relating to the Proposed Issue of Options to Directors – Resolutions 7 to 13 (Continued)

(b) Directors' Recommendations (Continued)

Agenda Items 8 and 11

Messrs Robinson, Bewick, Hronsky and Chapman (who have no interest in the outcome of Agenda Items 8 and 11) recommend that Shareholders vote in favour of Agenda Items 8 and 11 as they believe the issue of the Options to the Director is in the best interests of the Company because the Options provide the Director with an incentive to enhance the future value of the Company's Shares for the benefit of all Shareholders, and also an appropriate way to retain the Director's professional services at reasonable market rates whilst also protecting the Company's cash reserves so that they can directed towards the Company's operations.

Mr Crutchfield declines to make a recommendation on Agenda Items 8 and 11 because he has a material personal interest in the outcome of the Resolutions.

Agenda Item 9

Messrs Crutchfield, Bewick, Hronsky and Chapman (who have no interest in the outcome of Agenda Item 9) recommend that Shareholders vote in favour of Agenda Item 9 as they believe the issue of the Options to the Director is in the best interests of the Company because the Options provide the Director with an incentive to enhance the future value of the Company's Shares for the benefit of all Shareholders, and also an appropriate way to retain the Director's professional services at reasonable market rates whilst also protecting the Company's cash reserves so that they can directed towards the Company's operations.

Mr Robinson declines to make a recommendation on Agenda Item 9 because he has a material personal interest in the outcome of the Resolution.

Agenda Item 10

Messrs Crutchfield, Robinson, Hronsky and Chapman (who have no interest in the outcome of Agenda Item 10) recommend that Shareholders vote in favour of Agenda Item 10 as they believe the issue of the Options to the Director is in the best interests of the Company because the Options provide the Director with an incentive to enhance the future value of the Company's Shares for the benefit of all Shareholders, and also an appropriate way to retain the Director's professional services at reasonable market rates whilst also protecting the Company's cash reserves so that they can directed towards the Company's operations.

Mr Bewick declines to make a recommendation on Agenda Item 10 because he has a material personal interest in the outcome of the Resolution.

Agenda Item 13

Messrs Crutchfield, Robinson, Bewick and Chapman (who have no interest in the outcome of Agenda Item 13) recommend that Shareholders vote in favour of Agenda Item 13 as they believe the issue of the Options to the Director is in the best interests of the Company because the Options provide the Director with an incentive to enhance the future value of the Company's Shares for the benefit of all Shareholders, and also an appropriate way to retain the Director's professional services at reasonable market rates whilst also protecting the Company's cash reserves so that they can directed towards the Company's operations.

Dr Hronsky declines to make a recommendation on Agenda Item 13 because he has a material personal interest in the outcome of the Resolution.

(c) Directors' Interest

Mr Chapman has a personal interest in the outcome of the resolutions the subject of Agenda Items 7 and 12.

Mr Crutchfield has a personal interest in the outcome of the resolutions the subject of Agenda Items 8 and 11.

Mr Robinson has a personal interest in the outcome of the resolution the subject of Agenda Item 9.

Mr Bewick has a personal interest in the outcome of the resolution the subject of Agenda Item 10.

Dr Hronsky has a personal interest in the outcome of the resolution the subject of Agenda Item 13.

EXPLANATORY STATEMENT

7. Information Relating to the Proposed Issue of Options to Directors – Resolutions 7 to 13 (Continued)

(d) Terms and Conditions of Options

Options to be issued in lieu of payment of director fees

The terms and conditions of the options proposed to be granted to the Participating Directors in lieu of director fees are included at Schedule 1.

Options to be issued to directors as incentives

The terms and conditions of the Incentive Options proposed to be granted to the Participating Directors are included at Schedule 2

The Options will also have the following specific terms:

1. the key terms, as set out in Section 7(a) above; and
2. the benefit of the cashless exercise facility on the terms and conditions set out in Schedules 1 and 2.

(e) Other information reasonably required by the members to make a decision and that is known to the Company or any of its Directors

Options to be issued in lieu of payment of director fees

Mr Chapman and Mr Crutchfield have elected to receive options in lieu of receipt of cash-based director fees for their services as directors of the Company. The number of options proposed to be issued has been determined by reference to a Black-Scholes option valuation undertaken at 1 October using model inputs stated in item 7(a).

Options to be issued to directors as incentives

The Incentive Options form part of the Company's long term incentive for employees and are to be granted in addition to the total fixed remuneration/fees set out below. The exercise price of the Incentive Options is linked to improved share price performance. Importantly, this provides ongoing incentive to increase shareholder value over time and the exercise price reflects levels in excess of the current market price of the Company's Shares.

The number of Incentive Options to be issued to the Directors has been determined based on the reasons outlined in the director's recommendation to shareholders at item 7(b). The number of Incentive Options has also been determined having regard to less tangible issues such as alignment of interests to the Company. The Incentive Options shall be granted free to the Directors (or their respective nominees) and will be issued within one month of the date of the meeting.

Exercise of the options is allowable immediately after issue, but only likely to occur if there is sustained upward movement in the Company's Share price.

If the options proposed to be granted to the Directors (or their nominee) under Agenda Items 7 to 13 are exercised, the Company's issued Share capital would increase by a maximum of 4,400,000 Shares to a total of issued Share capital of 285,224,968 Shares (assuming no other Shares are issued or outstanding options are exercised), and will represent a maximum of approximately 1.5% of the total issued capital of the Company on a fully diluted basis. The maximum dilution stated is calculated based on all of the options being exercised by payment of the exercise price in full.

Should any of the Directors elect to utilise the cashless exercise provisions this would result in a lesser number of shares to be issued, and a reduction in the funds receivable by the Company, on the exercise of the Incentive Options.

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EXPLANATORY STATEMENT

7. Information Relating to the Proposed Issue of Options to Directors – Resolutions 7 to 13 (Continued)

(e) Other information reasonably required by the members to make a decision and that is known to the Company or any of its Directors (cont'd)

As at 15 October 2019 the issued capital of the Company comprised the following Shares and Options:

280,824,968	<i>Ordinary fully paid shares.</i>
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<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
750,000	31 cents	27 November 2019
325,000	14 cents	28 February 2020
1,850,000	13 cents	24 November 2020
750,000	17.5 cents	24 November 2021
675,000	10.5 cents	1 November 2021
725,000	10 cents	31 May 2022
3,150,000	9 cents	30 November 2022
1,500,000	12 cents	30 November 2023

The following table sets out the current interest in Shares and Options of the Directors:

<i>Director</i>	<i>Relevant Interest in Shares</i>	<i>Relevant Interest in Options</i>
Paul Chapman	9,422,500	Nil
Will Robinson	25,169,098	Nil
Peter Bewick	7,200,000	5,250,000
Jon Hronsky	200,000	1,500,000
Philip Crutchfield	2,514,241	Nil

Details of the nature and amount of each major element of the emoluments of the Directors for the financial year ended 30 June 2019, as detailed in the 2019 Annual Financial Statements is as follows:

<i>Director</i>	<i>Base Remuneration</i>	<i>Superannuation</i>	<i>Value of Options</i>	<i>Total</i>
	\$	\$	\$	\$
Paul Chapman ¹	60,000	5,700	-	65,700
Will Robinson ²	267,135	25,380	-	292,515
Peter Bewick	246,635	23,430	51,022	321,087
Jon Hronsky	50,000	4,750	17,579	72,329
Philip Crutchfield ³	N/a	N/a	N/a	N/a

1. Mr Chapman's base remuneration has changed from \$60,000 to \$50,000 (excluding superannuation) per annum effective 1 October 2019
2. Mr Robinson's base remuneration has been reduced from \$290,000 to \$270,000 per annum (excluding superannuation) effective 1 October 2019
3. Not applicable as appointed 9 October 2019. Mr Crutchfield's base remuneration has been set at \$50,000 (excluding superannuation) per annum

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EXPLANATORY STATEMENT

7. Information Relating to the Proposed Issue of Options to Directors – Resolutions 7 to 13 (Continued)

(e) Other information reasonably required by the members to make a decision and that is known to the Company or any of its Directors (cont'd)

If the market price of the Company's Shares is in excess of the exercise price of the Options it is likely that the Options will be exercised. A benefit would accrue on the exercise of the Options by the payment of the amount determined under this Notice and the sale of the Shares for an amount in excess of these amounts.

In the 12 months preceding the date of this Notice the highest and lowest market prices of the Company's Shares were as follows:

	Date	Price of Company's shares on ASX
Highest price	9 October 2019	\$0.17
Lowest Price	9 November 2018	\$0.04

The closing market price of the Company's Shares on the day before the date of this Notice was:

Date	Closing price of Company's shares on ASX
14 October 2019	\$0.145

All Shares issued pursuant to the exercise of options under Agenda Items 7 to 13 will rank pari passu with the existing Shares on issue.

There is no other information known to the Directors that is reasonably required by Shareholders to make a decision whether or not it is in the Company's interest to pass the Resolutions of Agenda Items 7 to 13.

Information requirements pursuant to Listing Rule 10.13

In addition, the following information is provided in accordance with the notice requirements of Listing 10.13:

- (a) the Options will be granted to the Participating Directors, or their nominees, as noted in section 7(a) above;
- (b) the maximum number of equity securities to be granted is 4,400,000 Options, as follows:

Agenda item 7	700,000 options
Agenda item 8	700,000 options
Agenda item 9	700,000 options
Agenda item 10	700,000 options
Agenda item 11	1,000,000 options
Agenda item 12	300,000 options
Agenda item 13	300,000 options

- (c) Details of the terms of the Options are as noted in section 7(d) above and as per schedules 1 and 2;
- (d) The options will be granted within 1 month after the date of the Annual General Meeting;
- (e) the options will be granted for no further consideration. As such, no funds will be raised by the grant of the options;
- (f) voting exclusions apply to Agenda Items 7 to 13 and are set out in the Notice of Meeting.

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EXPLANATORY STATEMENT

Glossary

Annual General Meeting means the annual general meeting of the Company.

Accounting Standards has the meaning given to that term in the Corporations Act.

Additional 10% Placement Capacity has the meaning set out in Section 5 of the Explanatory Statement.

Additional Placement Period has the meaning set out in Section 5(c) of the Explanatory Statement.

Annual General Meeting or Meeting means the annual general meeting the subject of the Notice.

Annual Report means the annual report of the Company for the year ended 30 June 2019.

ASX means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors.

Closely Related Party has the meaning given to that term in the Corporations Act.

Company means Encounter Resources Limited ACN 47 109 815 796.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Equity Securities has the meaning as in the Listing Rules.

Explanatory Statement means this Explanatory Statement accompanying the Notice.

Key Management Personnel has the meaning given to that term in the Accounting Standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of the ASX.

Market Value means the value of Shares as determined by the volume weighted average trading price of Shares sold on the ASX over the last 5 trading days immediately before the relevant date.

New Equity Securities means all securities issued in the 12 months prior to 25 November 2019.

Notice or Notice of Meeting means the notice of annual general meeting accompanying this Explanatory Statement.

Option means an option to acquire a Share.

Plan means the Encounter Resources Limited Employee Share Option Plan.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2019.

Restricted Voter means Key Management Personnel and their Closely Related Parties.

Resolution means a resolution the subject of this Notice.

Share means an ordinary fully paid share in the capital of the Company;

Shareholder means a holder of a Share.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

WST means Australian Western Standard Time.

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EXPLANATORY STATEMENT

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS TO BE ISSUED IN LIEU OF DIRECTOR FEES

The following is a summary of the key terms and conditions of the Options to be issued to Participating Directors (Eligible Participants) pursuant to Agenda Items 7 and 8:

1. General

- 1.1 No monies will be payable for the grant of the options. Options are issued in lieu of cash director fees for the period 1 December 2019 to 30 November 2020.
- 1.2 A certificate will be issued for the options.
- 1.3 The options will not be listed for Official Quotation.
- 1.4 The options are transferable subject to approval of the Board.
- 1.5 Each option shall carry the right to subscribe for one Share upon exercise of the option.
- 1.6 The options shall expire at 5.00pm WST on the Expiry date.
- 1.7 Subject to clauses 1.6, 2 and 3, the options may be exercised by the Optionholder at any time, but subject to the prior satisfaction of the Exercise Conditions (if any).
- 1.8 The Board may, at its discretion, by notice to the Optionholder adjust or vary the terms of an option, subject to the requirements of the Listing Rules. No adjustment or variation will be made without the consent of the Optionholder if such adjustment or variation would have a materially prejudicial effect upon the Optionholder (in respect of their outstanding options).
- 1.9 Options may only be exercised by delivery to the Company Secretary (at a time when the options may be exercised) of:
 - (a) the certificate for the options or, if the certificate for the options has been lost or destroyed, a declaration to that effect, accompanied by an indemnity in favour of the Company against any loss, costs or expenses which might be incurred by the Company as a consequence of its relying on the declaration that the certificate has been lost or destroyed;
 - (b) a notice, in the required form, addressed to the Company and signed by the Optionholder stating that the Optionholder exercises the options and specifying the number of options which are exercised; and
 - (c) subject to clause 1.10, payment to the Company of an amount equal to the Exercise Price multiplied by the number of options which are being exercised unless there is no exercise price payable in respect of the options to be exercised. Unless clause 1.10 applies, the notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque) by the Expiry Date and subject to the options the subject of the notice vesting in accordance with any Exercise Conditions stipulated in these terms and conditions.
- 1.10 In lieu of paying the aggregate Exercise Price to purchase Shares under clause 1.9(c), the Optionholder may, at the Board's sole and absolute discretion, elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula (a Cashless Exercise):

$$A = \frac{B(C - D)}{C}$$

where:

A = the number of Shares (rounded down to the nearest whole number) to be issued to the optionholder;
B = the number of Shares otherwise issuable upon the exercise of the Options or portion of the Options being exercised;
C = the Market Value of one Share determined as of the date of delivery to the Company Secretary; and
D = the Exercise Price.

- 1.11 Options may be exercised in one or more parcels of any size, provided that the number of Shares issued upon exercise of the number of options in any parcel is not less than a Marketable Parcel. An exercise of only some options shall not affect the rights of the Optionholder to the balance of the options held by the Optionholder.
- 1.12 The Company shall allot the resultant Shares and deliver the holding statements within 10 Business Days of the exercise of the option.

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EXPLANATORY STATEMENT

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS TO BE ISSUED IN LIEU OF DIRECTOR FEES (CONTINUED)

- 1.13 Shares allotted pursuant to an exercise of options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
 - 1.14 The Company shall, in accordance with the Listing Rules, make application to have Shares allotted pursuant to an exercise of options listed for Official Quotation, if the Company is listed on the ASX at the time.
2. Lapse of Options
 - 2.1 Unless clause 2.2 applies, the options will lapse immediately and all rights in respect of the options will be lost when the Expiry Date has passed
 - 2.2 If the term of an option would otherwise expire outside a Trading Window applicable to the Eligible Participant or the Optionholder, then the term of such Option shall be extended to the close of business on the 10th Business Day during the next Trading Window applicable to the Eligible Participant or the Optionholder.
3. Change in Control Event
 - (a) The Company shall give written notice of any proposed Change of Control Event to the Optionholder. Upon the giving of any such notice the Optionholder shall be entitled to exercise, at any time within the 14-day period following the giving of such notice, all or a portion of those options granted to the Optionholder which are then vested and exercisable in accordance with their terms, as well as any unvested Options which shall become vested and exercisable in connection with the completion of such Change of Control Event. Unless the Board determines otherwise (in its sole and absolute discretion), upon the expiration of such 14 day period, all rights of the Optionholder to exercise any outstanding options, whether vested or unvested, shall terminate and all such options shall immediately lapse, expire and cease to have any further force or effect, subject to the completion of the relevant Change of Control Event.
4. Participation Rights
 - 4.1 The Optionholder is not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless:
 - (a) the Optionholder has become entitled to exercise the options under clauses 1.6, 2 or 3; and
 - (b) the Optionholder does so before the record date for the determination of entitlements to the new issue of securities and participates as a result of being a holder of Shares.The Company must give the Optionholder, in accordance with the Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue.
 - 4.2 In the event of a bonus issue of Shares being made pro-rata to shareholders (Bonus Issue), the number of Shares issued to an Optionholder on exercise of each option will include the number of Shares that would have been issued to the Optionholder if the option had been exercised prior to the record date for the Bonus Issue (Bonus Shares). No adjustment will be made to the Exercise Price. The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank pari passu in all respects with the other Shares of that class on issue at the date of issue of the Bonus Shares.
 - 4.3 If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares the Exercise Price shall be reduced according to the formula specified in the Listing Rules.
 - 4.4 If, prior to the expiry of any options, there is a reorganisation (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, then the rights of a Participant (including the number of options to which each Optionholder is entitled and the Exercise Price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
 - 4.5 If, prior to the expiry of any options, a resolution for a members' voluntary winding up of the Company is proposed (other than the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to Optionholder of the proposed resolution. Subject to the Exercise Conditions, the Optionholder may, during the period referred to in the notice, exercise their options.
 - 4.6 The options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant options.

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SCHEDULE 2 – TERMS AND CONDITIONS OF INCENTIVE OPTIONS

The following is a summary of the key terms and conditions of the Options to be issued to Participating Directors (Eligible Participants) pursuant to Agenda Items 9 to 13:

1. General
 - 1.1 No monies will be payable for the grant of the options.
 - 1.2 A certificate will be issued for the options.
 - 1.3 The options will not be listed for Official Quotation.
 - 1.4 The options are transferable subject to the approval of the Board.
 - 1.5 Each option shall carry the right to subscribe for one Share upon exercise of the option.
 - 1.6 The options shall expire at 5.00pm WST on the Expiry date.
 - 1.7 Subject to clauses 1.6, 2 and 3, the options may be exercised by the Optionholder at any time, but subject to the prior satisfaction of the Exercise Conditions (if any).
 - 1.8 The Board may, at its discretion, by notice to the Optionholder adjust or vary the terms of an option, subject to the requirements of the Listing Rules. No adjustment or variation will be made without the consent of the Optionholder if such adjustment or variation would have a materially prejudicial effect upon the Optionholder (in respect of their outstanding options).
 - 1.9 Options may only be exercised by delivery to the Company Secretary (at a time when the options may be exercised) of:
 - (a) the certificate for the options or, if the certificate for the options has been lost or destroyed, a declaration to that effect, accompanied by an indemnity in favour of the Company against any loss, costs or expenses which might be incurred by the Company as a consequence of its relying on the declaration that the certificate has been lost or destroyed;
 - (b) a notice, in the required form, addressed to the Company and signed by the Optionholder stating that the Optionholder exercises the options and specifying the number of options which are exercised; and
 - (c) subject to clause 1.10, payment to the Company of an amount equal to the Exercise Price multiplied by the number of options which are being exercised unless there is no exercise price payable in respect of the options to be exercised. Unless clause 1.10 applies, the notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque) by the Expiry Date and subject to the options the subject of the notice vesting in accordance with any Exercise Conditions stipulated in these terms and conditions.
 - 1.10 In lieu of paying the aggregate Exercise Price to purchase Shares under clause 1.9(c), the Optionholder may, at the Board's sole and absolute discretion, elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula (a Cashless Exercise):
$$A = \frac{B(C - D)}{C}$$
where:
 - A = the number of Shares (rounded down to the nearest whole number) to be issued to the optionholder;
 - B = the number of Shares otherwise issuable upon the exercise of the Options or portion of the Options being exercised;
 - C = the Market Value of one Share determined as of the date of delivery to the Company Secretary; and
 - D = the Exercise Price.
 - 1.11 Options may be exercised in one or more parcels of any size, provided that the number of Shares issued upon exercise of the number of options in any parcel is not less than a Marketable Parcel. An exercise of only some options shall not affect the rights of the Optionholder to the balance of the options held by the Optionholder.
 - 1.12 The Company shall allot the resultant Shares and deliver the holding statements within 10 Business Days of the exercise of the option.

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EXPLANATORY STATEMENT

SCHEDULE 2 – TERMS AND CONDITIONS OF INCENTIVE OPTIONS (CONTINUED)

- 1.13 Shares allotted pursuant to an exercise of options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
- 1.14 The Company shall, in accordance with the Listing Rules, make application to have Shares allotted pursuant to an exercise of options listed for Official Quotation, if the Company is listed on the ASX at the time.
2. Lapse of Options
- 2.1 Unless clause 2.2, 2.3 or 2.4 applies, the options will lapse immediately and all rights in respect of the options will be lost:
- (a) if the Eligible Participant ceases to be an employee or director of, or to render services to, a member of the Group for any reason whatsoever (including without limitation resignation or termination for cause) and the Exercise Conditions have not been met; or
 - (b) the Exercise Conditions are unable to be met; or
 - (c) the Expiry Date has passed; or
 - (d) the deadline provided for in clause 2.4 has passed,
- whichever is earlier.
- 2.2 If the term of an option would otherwise expire outside a Trading Window applicable to the Eligible Participant or the Optionholder, then the term of such Option shall be extended to the close of business on the 10th Business Day during the next Trading Window applicable to the Eligible Participant or the Optionholder.
- 2.3 If the Eligible Participant dies, becomes Permanently Disabled, resigns employment on the basis of retirement from the workforce or is made redundant by the relevant member of the Group, prior to the Expiry Date of any options granted to the Optionholder (Ceasing Event) the following provisions apply.
- (a) the Optionholder or the Optionholder's legal personal representative, where relevant, may exercise those options which at that date:
 - (i) have become exercisable;
 - (ii) have not already been exercised; and
 - (iii) have not lapsed, in accordance with clause 2.3(c);
 - (b) at the absolute discretion of the Board, the Board may resolve that the Optionholder, or the Optionholder's legal personal representative, where relevant, may exercise those Options which at that date:
 - (i) have not become exercisable; and
 - (ii) have not lapsed,in accordance with clause 2.3(c) and, if the Board exercises that discretion, those unexercisable options will not lapse other than as provided in clause 2.3(c);
 - (c) the Optionholder or the Optionholder's legal personal representative (as the case may be) must exercise those referred to in clause 2.3(a) and, where permitted, clause 2.3(c), not later than the first to occur of:
 - (i) the Expiry Date of the options in question; and
 - (ii) the date which is 6 months after the Ceasing Event provided that in the case of options referred to in clause 2.3(b), all Exercise Conditions have been met at that time (unless the Board decides to waive any relevant Exercise Conditions, in its absolute discretion); and
 - (d) options which have not been exercised by the end of the period specified in clause 2.3(c) lapse immediately at the end of that period and all rights in respect of those options will thereupon be lost.
- 2.4 Where the Eligible Participant ceases to be an employee or director of, or to render services to, a member of the Group, for any reason whatsoever (including without limitation resignation or termination for cause), prior to the Expiry Date in relation to the options (Ceasing Date) and the Exercise Conditions have been met, the Optionholder will be entitled to exercise options for a period of up to 1 month after the Ceasing Date, after which the options will lapse immediately and all rights in respect of those options will be lost.

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SCHEDULE 1 – TERMS AND CONDITIONS OF INCENTIVE OPTIONS (CONTINUED)

3. Change in Control Event

- (a) On the occurrence of a Change of Control Event, the Board may in its sole and absolute discretion determine that unvested options will vest despite the non-satisfaction of any Exercise Conditions and become exercisable in accordance with clause 3(b), with such vesting deemed to have taken place immediately prior to the effective date of the Change of Control Event, regardless of whether or not the employment, engagement or office of the Eligible Participant is terminated or ceases in connection with the Change of Control Event.
- (b) Whether or not the Board determines to accelerate the vesting of any options, the Company shall give written notice of any proposed Change of Control Event to the Optionholder. Upon the giving of any such notice the Optionholder shall be entitled to exercise, at any time within the 14-day period following the giving of such notice, all or a portion of those options granted to the Optionholder which are then vested and exercisable in accordance with their terms, as well as any unvested Options which shall become vested and exercisable in connection with the completion of such Change of Control Event. Unless the Board determines otherwise (in its sole and absolute discretion), upon the expiration of such 14 day period, all rights of the Optionholder to exercise any outstanding options, whether vested or unvested, shall terminate and all such options shall immediately lapse, expire and cease to have any further force or effect, subject to the completion of the relevant Change of Control Event.

4. Participation Rights

- 4.1 The Optionholder is not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless:
 - (a) the Optionholder has become entitled to exercise the options under clauses 1.6, 2 or 3; and
 - (b) the Optionholder does so before the record date for the determination of entitlements to the new issue of securities and participates as a result of being a holder of Shares.
- The Company must give the Optionholder, in accordance with the Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue.
- 4.2 In the event of a bonus issue of Shares being made pro-rata to shareholders (Bonus Issue), the number of Shares issued to an Optionholder on exercise of each option will include the number of Shares that would have been issued to the Optionholder if the option had been exercised prior to the record date for the Bonus Issue (Bonus Shares). No adjustment will be made to the Exercise Price. The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank pari passu in all respects with the other Shares of that class on issue at the date of issue of the Bonus Shares.
 - 4.3 If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares the Exercise Price shall be reduced according to the formula specified in the Listing Rules.
 - 4.4 If, prior to the expiry of any options, there is a reorganisation (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, then the rights of a Participant (including the number of options to which each Optionholder is entitled and the Exercise Price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
 - 4.5 If, prior to the expiry of any options, a resolution for a members' voluntary winding up of the Company is proposed (other than the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to Optionholder of the proposed resolution. Subject to the Exercise Conditions, the Optionholder may, during the period referred to in the notice, exercise their options.
 - 4.6 The options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant options.

