

A highly active, well-funded exploration company advancing a suite of greenfield discoveries in the Paterson Province of Western Australia

ASX Code

ENR

Market Cap (30/01/17)

~A\$14.0m (\$0.09/share)

Issued Capital (31/12/16)155.9 million ordinary shares
12.9 million options**Cash (31/12/16)**

~A\$2.1M

Board of Directors & ManagementMr. Paul Chapman
Non-Executive ChairmanMr. Will Robinson
Managing DirectorMr. Peter Bewick
Exploration DirectorDr. Jon Hronsky
Non-Executive DirectorMr. Kevin Hart / Mr. Dan Travers
Joint Company Secretarywww.enrl.com.auLevel 7, 600 Murray Street
West Perth WA 6005P: 08 9486 9455
F: 08 6210 1578

contact@enrl.com.au

HIGHLIGHTS**Paterson Province, WA**

A major ground position in the Paterson Province where Encounter is exploring for copper-cobalt and zinc-lead deposits at Yeneena and gold-copper deposits in the Telfer region. In this highly prospective region Encounter has made a series of greenfield discoveries that demonstrate the potential of the area for large tonnage, high quality deposits.

Telfer West Gold Project

The first two diamond holes at the Telfer West dome intersected high grade gold mineralisation:

- Diamond drill hole (ETG0002), intersected a broad, depth extensive, zone of stockwork style gold mineralisation at the Egg Prospect including **38.6m @ 1.0g/t Au** from 333m (including **4.2m @ 3.2g/t Au** from 333.5m) and **36m @ 0.6g/t Au** from 396m (including **3.2m @ 3.3g/t Au** from 415.2m) that may extend up to surface and is open along strike and at depth.
- Diamond drill hole (ETG0003), drilled 4km north-west of the Egg Prospect, targeted a magnetic corridor and intersected strong supergene gold mineralisation that included **24.9m @ 0.7g/t Au** from 127.1m and **4.0m @ 7.1g/t Au** from 216m.
- Drilling planned to recommence in March 2017

BM7 Copper-Cobalt Target

A two RC hole program was completed to test for continuity of the copper-cobalt mineralisation intersected in aircore hole EPT1557 (**9m @ 1.5% Cu and 1.0% Co from 42m to EOH**). The drilling intersected additional high grade copper-cobalt down dip including **7m @ 1.4% Cu and 246ppm Co from 66m** and **18m @ 0.5% Cu and 735ppm Co from 49m** including the final sample that graded **1m @ 0.2% Co**. Follow up drill program is planned in April-May 2017.

Lookout Rocks/Fishhook Copper

- Surface gossan (grading up to 0.2% Cu) located 800m south-west of the first diamond hole that contained up to 1% Cu. This gossan to be drill tested in April-June 2017
- Successful application for WA Govt. Exploration Incentive Scheme ("EIS") co-funding (up to A\$150,000) for Fishhook.

Aria IOCG Copper Target

Drill hole EPT2276 was extended and intersected zones of copper mineralisation within the matrix of the polymictic breccia.

Millennium Zinc

The drill program targeting the base of a thickened mineralised shale package intersected zones of anomalous zinc in line with or weaker than prior intersections in the shale. Next drill program to target along strike of **0.7m @ 36.7% Zn from 430m** in EPT1854.

CORPORATE

- ~A\$2.1 million cash balance as at 31 December 2016.

EXPLORATION

PATERSON PROVINCE

YENEENA & TELFER REGION PROJECTS

- **Yeneena Copper-Cobalt Project: 100% Encounter - E45/2500, E45/2502, E45/2503, E45/2657, E45/2658, E45/2805, E45/2806, E45/3768, E45/4091, E45/4230 and E45/4408**
- **Millennium Zinc Project: 90% Encounter / 10% Hampton Hill Mining ("HHM") - E45/2501, E45/2561 and the four eastern sub-blocks of E45/2500 with HHM earning up to 25%**
- **Paterson Gold projects: 100% Encounter - E45/4613, E45/3446, P45/2750 to P45/2752, E45/4564, E45/4757 and E45/4758**

Encounter holds exploration tenure over 2,000km² of the Paterson Province in Western Australia, located between the Nifty copper mine, the Woodie Woodie manganese mine, the Telfer gold-copper mine and the Kintyre uranium deposit (Figure 1). The targets identified in the Paterson are located adjacent to major regional faults and have been identified through electromagnetics, geochemistry and structural targeting. Encounter is actively exploring for copper-cobalt and zinc-lead deposits at Yeneena as well as gold-copper deposits in the Telfer region.

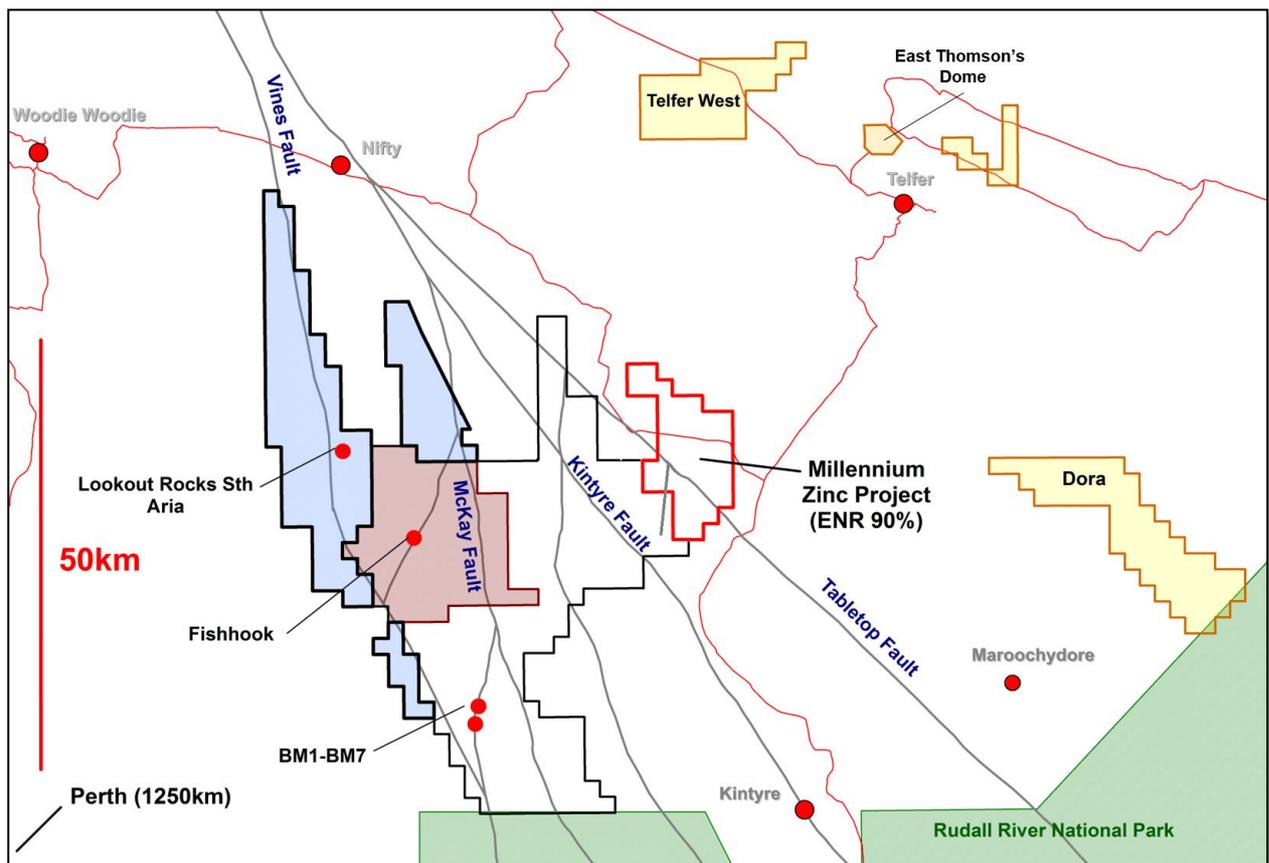


Figure 1: Yeneena and Telfer region tenements: Projects and Earn-In areas with major regional faults

PATERSON GOLD PROJECTS

Encounter has continued to add to its strategic ground holding in the Paterson Province through the acquisition of the Dora, Telfer West and East Thomson's Dome gold-copper projects in the Telfer region.

Telfer West (100% Encounter)

Background

Telfer West (E45/4613) covers an area of approximately 121km² and is located 25km north west of Newcrest's major gold-copper operation at Telfer (see Figure 5). Limited historical exploration at Telfer West was conducted by WMC and Newmont from 1983-1993 targeting gold mineralisation in a similar geological setting to Telfer.

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

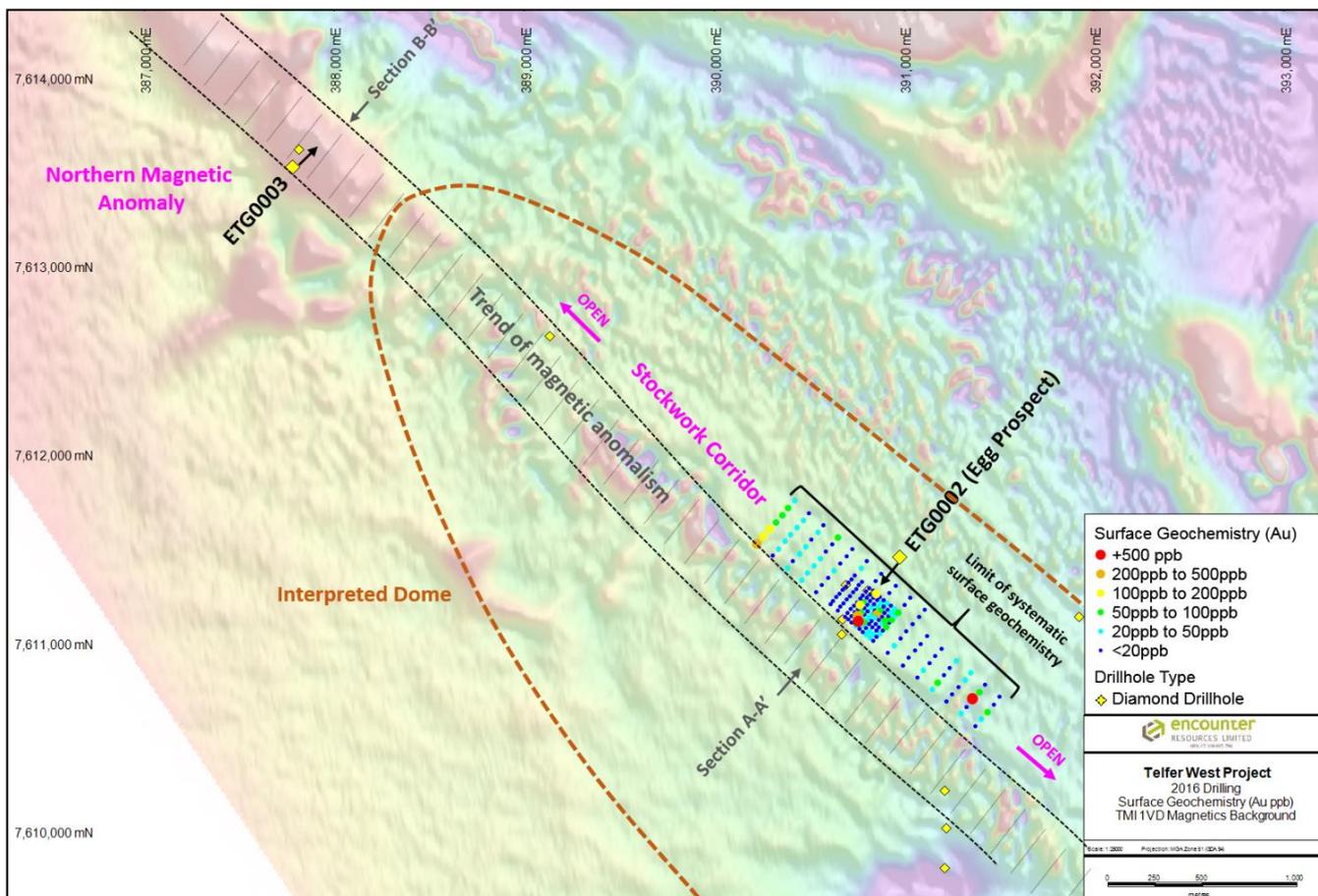


Figure 2: Telfer West diamond historical drilling, systematic surface geochemistry and interpreted dome. Historical diamond holes (yellow diamonds). Detailed aeromagnetic background (TMI 1VD pseudo colour image)

The first two holes drilled by Encounter 4km apart at Telfer West have both confirmed the presence of high grade gold mineralisation.

Egg Prospect Stockwork Zone (ETG0002)

At the Egg Prospect (ETG0002) a broad, steep dipping zone of stockwork style gold mineralisation was intersected within a strongly silicified massive quartzite unit. The stockwork zone contains multiple quartz veins containing pyrite and sporadic arsenopyrite over a downhole length of ~100m. Assay results from the broad zone of stockwork style gold mineralisation, included **38.6m @ 1.0g/t Au from 333m (including 4.2m @ 3.2g/t Au from 333.5m) and 36m @ 0.6g/t Au from 396m (including 3.2m @ 3.3g/t Au from 415.2m)** (see Figure 3). (refer ASX announcement 19 January 2017).

Please note that the upper part of the intersection reported above of 38.6m @ 1.0g/t Au from 333m was selected for priority analysis and was previously reported as 20.4m @ 0.9g/t gold (see ASX announcement 6 December 2016)

Hole_ID	Northing (m)	Easting (m)	RL (m)	EOH(m)	Dip	Azi	Hole Type
ETG0002	7611460	390978	296	521	-46.5	220	RCD
ETG0003	7613529	387780	270	564.4	-60	040	RCD

Table 1: Diamond drill hole collar locations – Telfer West

Estimated drill hole coordinates GDA94 zone 51 datum. Collars positioned via handheld GPS (+/-5m), EOH = End of hole depth; m=metre; azi=azimuth. RCD = RC precollar with diamond tail

Hole ID	From (m)	To (m)	Length (m)	Gold g/t	As (ppm)	Bi (ppm)	Cu (%)	W (ppm)
ETG0002	203.00	205.00	2.00	0.26	4	0	0.00	6
ETG0002	227.15	230.00	2.85	0.42	17	5	0.01	5
ETG0002	237.80	241.50	3.70	0.27	19	2	0.02	9
ETG0002	247.56	248.00	0.44	0.25	9	1	0.01	4
ETG0002	252.80	254.67	1.87	0.32	6	3	0.01	6
ETG0002	276.00	277.00	1.00	0.26	2	1	0.00	3
ETG0002	308.00	310.00	2.00	1.35	47	11	0.01	12
ETG0002	316.45	316.65	0.20	0.51	640	1220	0.02	69
ETG0002	326.00	327.00	1.00	0.30	0	4	0.00	5
ETG0002	333.00	371.60	38.60	1.02	1535	5	0.01	224
incl.	333.52	337.70	4.18	3.23	5625	17	0.01	41
ETG0002	377.99	378.40	0.41	0.26	1070	4	0.02	34
ETG0002	381.65	383.00	1.35	0.30	700	8	0.04	55
ETG0002	396.05	432.00	35.95	0.57	715	8	0.01	15
incl.	415.15	418.38	3.23	3.33	1790	23	0.00	11
ETG0002	491.00	492.00	1.00	0.37	36	1	0.00	14

Table 2: Diamond drilling assay results – Telfer West ETG0002

Intervals are calculated with a lower cut-off of 0.2g/t with some narrow internal zones less than 0.2g/t included. Internal higher grade intervals calculated at a 1g/t Au lower cut-off.

ETG0002 is the first hole to be drilled through the entire stockwork corridor from the hangingwall through to the interpreted footwall and has confirmed a significant, depth extensive stockwork system that is highly anomalous in gold. The hole has also provided a structural and geological framework that indicates the system may extend to surface and has the potential to contain zones of higher grade gold within the primary sulphide zone (see historical drill holes LHS 86-9 and LHS88-1 in Figure 3).

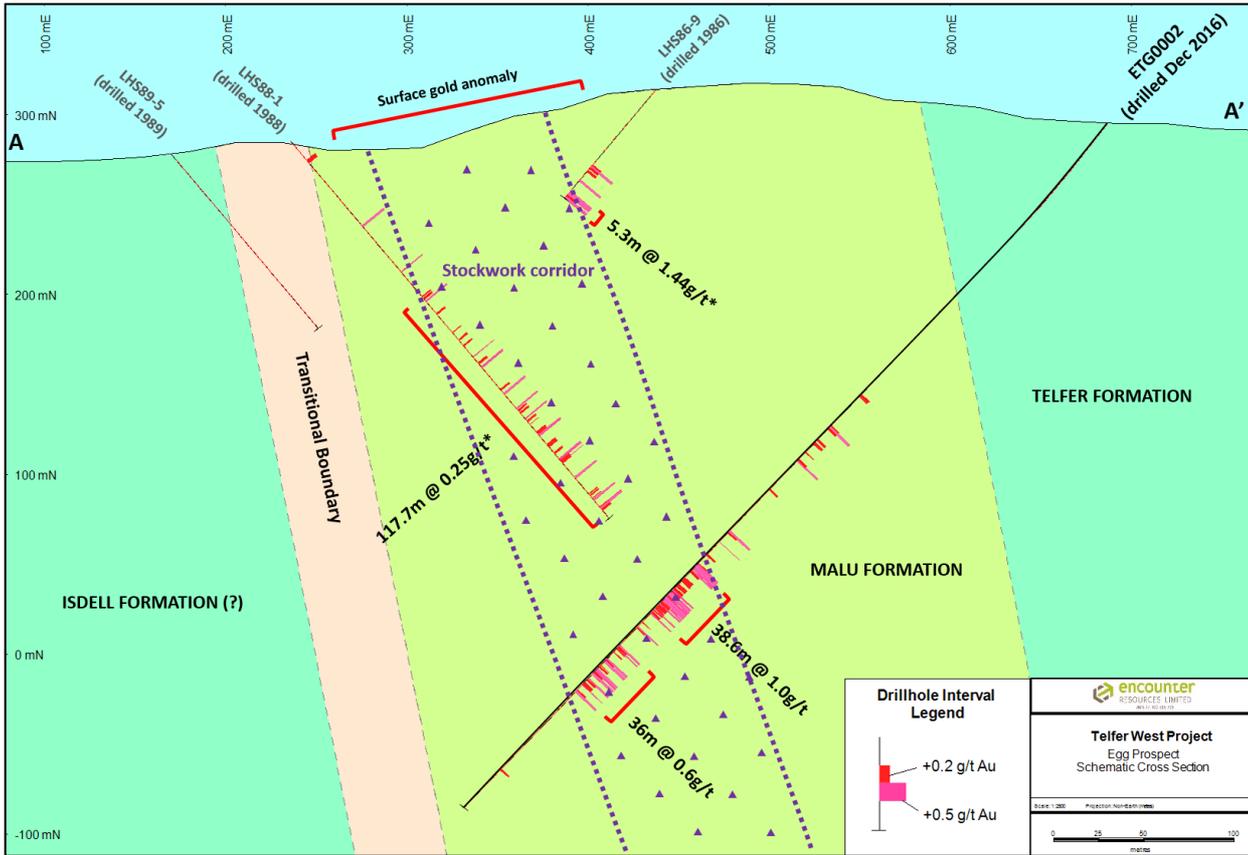


Figure 3: Telfer West, Egg Prospect schematic cross section (A – A')

The next phase of exploration at the Egg Prospect is to drill test the near surface position of the stockwork corridor on the existing drill section and to test along the corridor to the northwest and southeast. The stockwork corridor is interpreted to follow the trend of subtle magnetic anomalism which lies sub-parallel to a silicified quartzite ridge. This quartzite hosted stockwork corridor is essentially untested outside of the Egg Prospect with only one shallow diamond hole drilled along the interpreted 5kms of strike.

Northern Magnetic Anomaly (ETG0003)

The interpreted fold axis at Telfer West continues northwest from the quartzite hosted stockwork system at the Egg Prospect for a further 3kms into the Telfer Formation sediments where the magnetic anomalism strengthens. This section of the fold axis has been tested with only one previous shallow diamond drillhole, LHS89-06 that was drilled in 1989. ETG0003, located 4km north-west of ETG0002, was drilled to test this magnetic corridor adjacent to LHS89-06 (see Figure 4).

ETG0003 intersected strong supergene gold mineralisation and has established the extensive scale of the gold opportunity at Telfer West. ETG0003 returned **24.9m @ 0.7 g/t Au from 127.1m** and **4.0m @ 7.1g/t Au from 216m** within a broad gold-copper anomalous interval. The strong supergene gold mineralisation in the north of the project is interpreted to be formed through the weathering of nearby, primary gold mineralisation. (refer ASX announcement 19 January 2017).

Hole ID	From (m)	To (m)	Length (m)	Gold g/t	As (ppm)	Bi (ppm)	Cu (%)	W (ppm)
ETG0003	84.00	84.40	0.40	0.26	83	0	0.01	7
ETG0003	110.20	110.40	0.20	0.80	523	22	0.10	14
ETG0003	127.10	152.00	24.90	0.68	511	7	0.05	60
incl.	137.9	138.3	0.4	13.53	1130	452	0.08	13
ETG0003	170.50	173.40	2.90	0.90	121	2	0.07	22
ETG0003	216.00	220.00	4.00	7.08	602	176	0.08	178
ETG0003	229.10	229.40	0.30	4.25	11100	3590	2.33	73
ETG0003	244.60	244.90	0.30	2.52	27	52	0.41	11
ETG0003	249.00	250.00	1.00	0.24	6	5	0.03	4
ETG0003	255.00	258.40	3.40	0.94	<1	113	0.08	3
ETG0003	309.30	309.50	0.20	2.46	<1	41	0.17	2
ETG0003	330.60	331.20	0.60	3.69	45	2	0.05	9
ETG0003	336.60	337.10	0.50	1.29	4	1188	1.48	10
ETG0003	351.00	352.00	1.00	0.39	173	4	0.00	5
ETG0003	453.10	453.20	0.10	0.82	3170	1840	1.64	2

Table 3: Diamond drilling assay results – Telfer West ETG0003

Intervals are calculated with no lower cut-off with some internal zones less than 0.1g/t. Internal higher grade intervals calculated at a 1g/t Au lower cut-off.

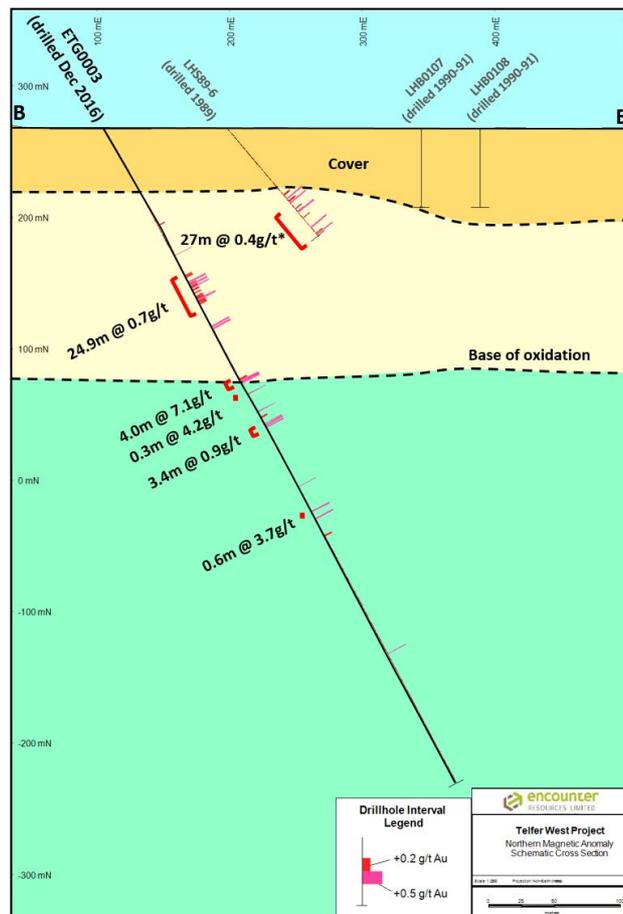


Figure 4: Telfer West, Northern Magnetic Anomaly schematic cross section (B – B')

Next steps

The objective of the first drilling at Telfer West was to identify styles of mineralisation similar to Newcrest’s Telfer Gold-Copper Mine. The first program successfully intersected both broad zones of stockwork style mineralisation and narrow high grade intersections that are similar to styles of mineralisation at Telfer. Based on these highly encouraging results drilling will recommence at Telfer West in March-April 2017 at the conclusion of the summer cyclone period.

The next phase of drilling at Telfer West will focus on the near surface position of the stockwork mineralisation at the Egg Prospect, on both the existing section and to the northwest and southeast.

Drilling along the northern section of the fold axis will aim to identify the extent of the supergene gold mineralisation drilled in ETG0003 and to define vectors to the primary mineralisation. This next phase of drilling at Telfer West will be partially funded by a WA Government EIS grant (\$150,000).

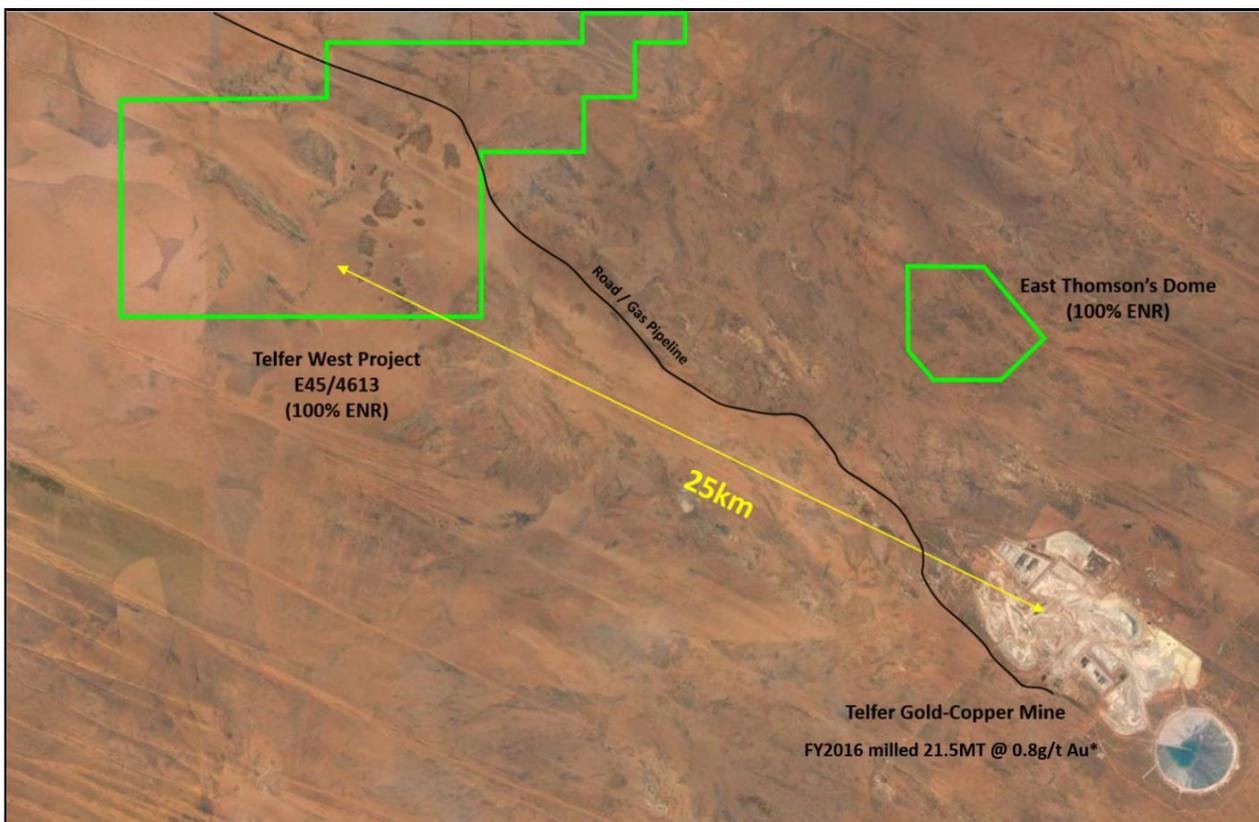


Figure 5: Telfer West location map – Google Earth background (*source Newcrest Annual Report 2016)

Dora E45/4564 (100% Encounter):

The Dora gold-copper tenement covers a series of discrete magnetic anomalies along strike from historical gold occurrences and is located approximately 40km south-east of the Telfer gold-copper mine.

In June 2016, Encounter was successful with its application for WA Government Exploration Incentive Scheme (“EIS”) co-funding (up to A\$150,000) for future drilling at Dora.

East Thomson's Dome Project (100% Encounter)

During the December 2016 quarter, Encounter acquired an additional gold project in the Telfer region at East Thomson's Dome. East Thomson's Dome is located approximately 10km north west of the Telfer gold-copper mine and contains historical, near surface gold occurrences identified in shallow drilling at the fold closure of the dome (see Figure 5).

The most recent substantive exploration at East Thomson's Dome was completed by Barrick Gold of Australia during 2004-2005. Historical exploration results from the project are currently being compiled, verified and interpreted.

On-ground exploration activity at East Thomson's Dome, that may include heritage surveys, aircore/RC/diamond drilling, is scheduled to commence in April 2017.

BM1–BM7 Copper-Cobalt Project

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

Considering the improving market outlook for both copper and cobalt, Encounter is assessing the potential within the large mineral system at BM7 for near-term, high grade copper-cobalt development opportunities.

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

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

It is interpreted that a steeply dipping high grade copper-cobalt shoot has been discovered at BM7 that is open to the north and south. Shallow drilling along the interpreted strike of the shoot includes an intersection of **8m @ 2.0% Cu and 1076ppm Co from 58m** in EPT 1689 located 200m south and strong copper-cobalt mineralisation intersected on the drill section 200m north (see Figure 6) (refer ASX release 10 January 2013).

A follow up drill program is planned in April-May 2017 to test down dip and along strike of the shoot and to test for additional near surface shoots in the BM7 region.

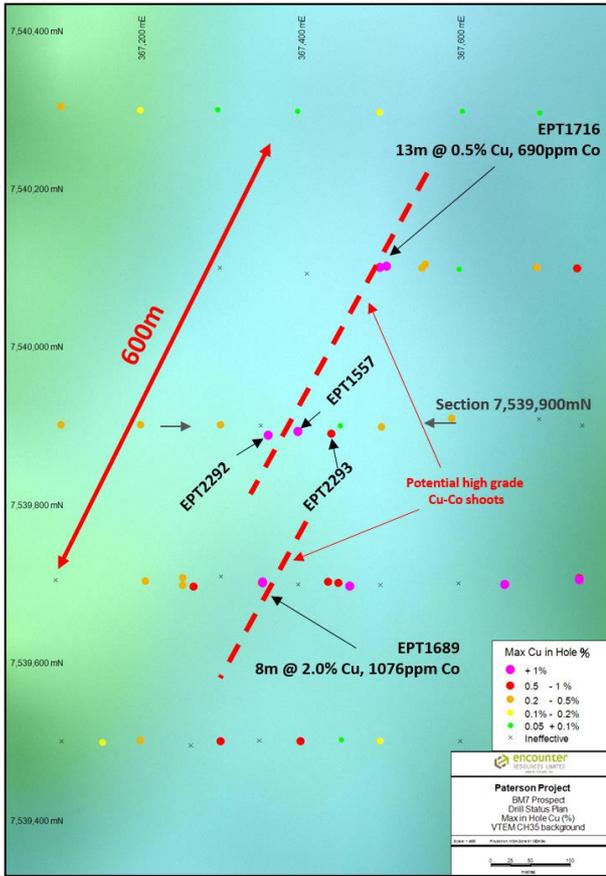


Figure 6: Drill Status plan and Max Cu in hole – BM7 Prospect (VTEM ch35 background)

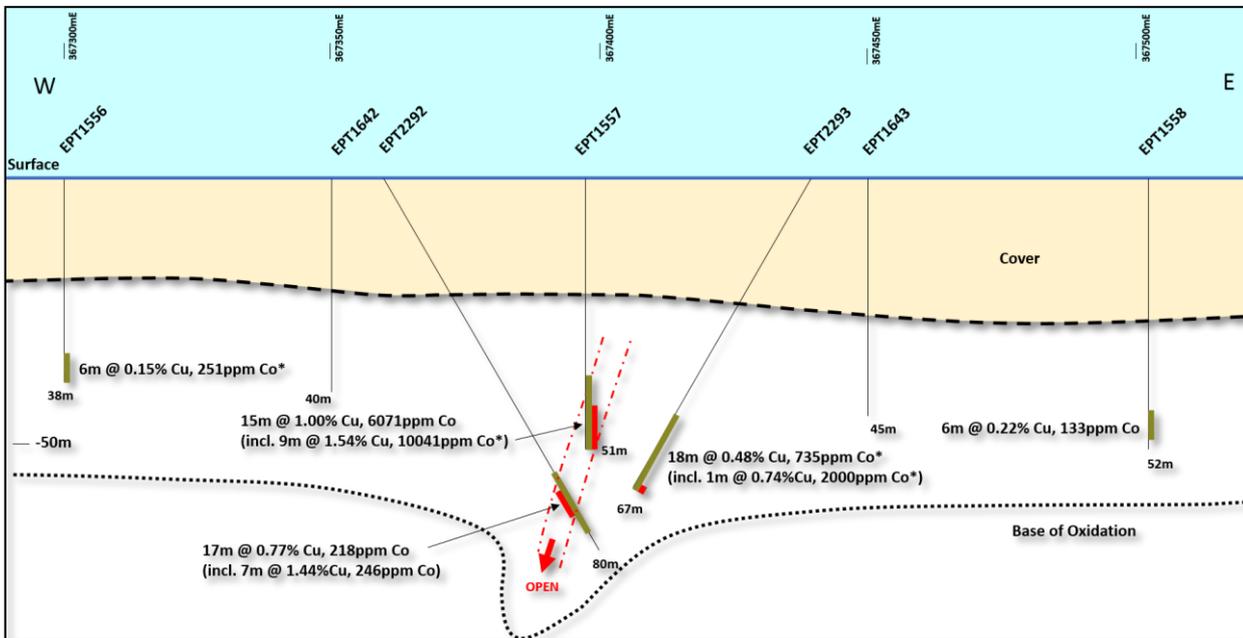


Figure 7: Cross Section 7539900mN – BM7 Prospect

Millennium Zinc Project – Encounter 90% / HHM 10% in E45/2501, E45/2561 and the four eastern sub-blocks of E45/2500. HHM may earn up to 25% interest.

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

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

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

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

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

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

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

Recent Activity

The drill program completed in the December 2016 at Millennium was primarily designed to test for high grade zinc mineralization at the base of a thickened mineralized shale package, proximal to the shale-carbonate contact.

The first hole, EPT2290, targeted an area down dip of RC hole EPT2264 which ended in a weathered gossanous ironstone grading 18m @ 1.1% Zn from 148m to end of hole (*refer ASX announcement 28 January 2016*). This hole was drilled to the south through the carbonate-shale contact and into the shale unit south of the contact. The hole intersected zones of anomalous zinc mineralisation in the shale that weakened towards the bottom of the hole.

The second hole EPT2294 targeted the base of the shale unit approximately 1km north-west of the EPT2290. This hole was designed to test the base of the mineralised shale unit proximal to drill hole EPT1174 (*refer ASX announcement 31 July 2012*). EPT1174 intersected a broad zone of carbonate alteration and veining in a shale unit that contained visible zinc and lead sulphides. This drill holed graded 201m @ 0.6% Zn from 233m to end of hole including 29m @ 1.0% Zn from 400m.

Drill hole EPT2294 intersected zones of anomalous zinc in line with, or weaker than, prior intersections in the shale. This weakening mineralisation and the lack of a clear footwall to the mineralised shale indicates that the priority of the shale hosted mineralisation in this area has been downgraded. The diamond drill program completed at Millennium in late 2016 was co-funded under the WA Government Exploration Incentive Scheme (up to A\$150,000)

Next Steps

The next phase of drilling at Millennium will target along strike of 0.7m @ 36.7% Zn from 430m in EPT1854, the most north-western drill hole at the project. The area directly downdip and down plunge to the north-west remain open and potential exists in this area for additional high grade zinc sulphide mineralisation.

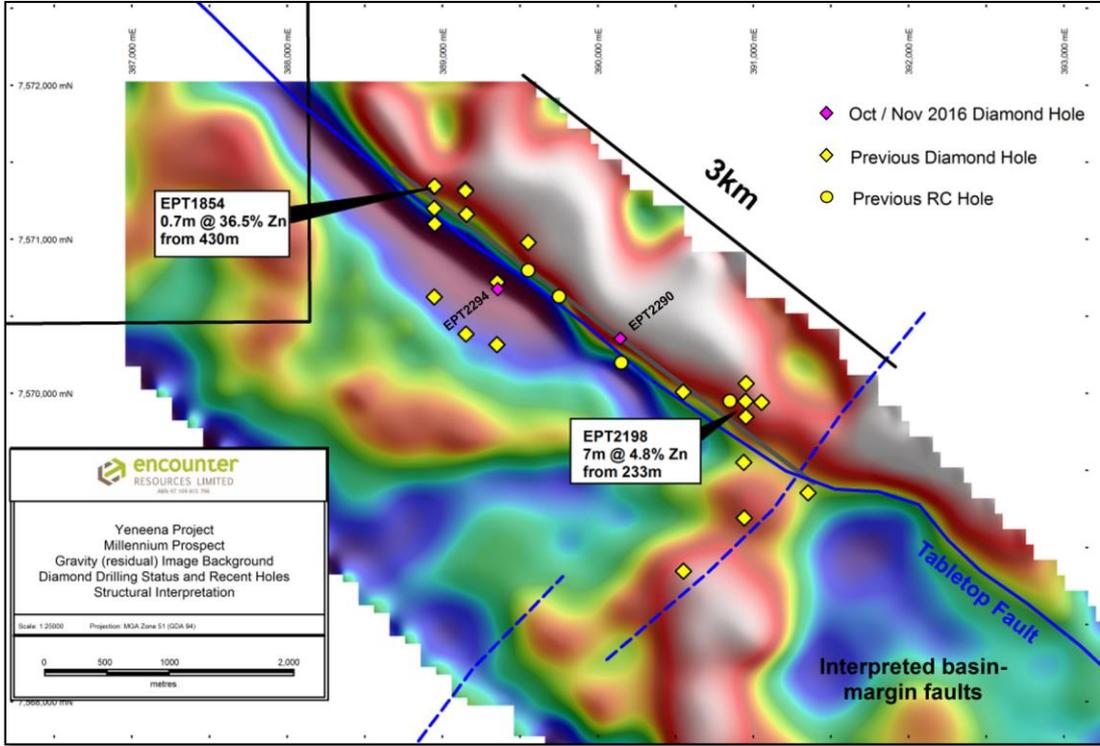


Figure 8: Drill hole collar location – Millennium

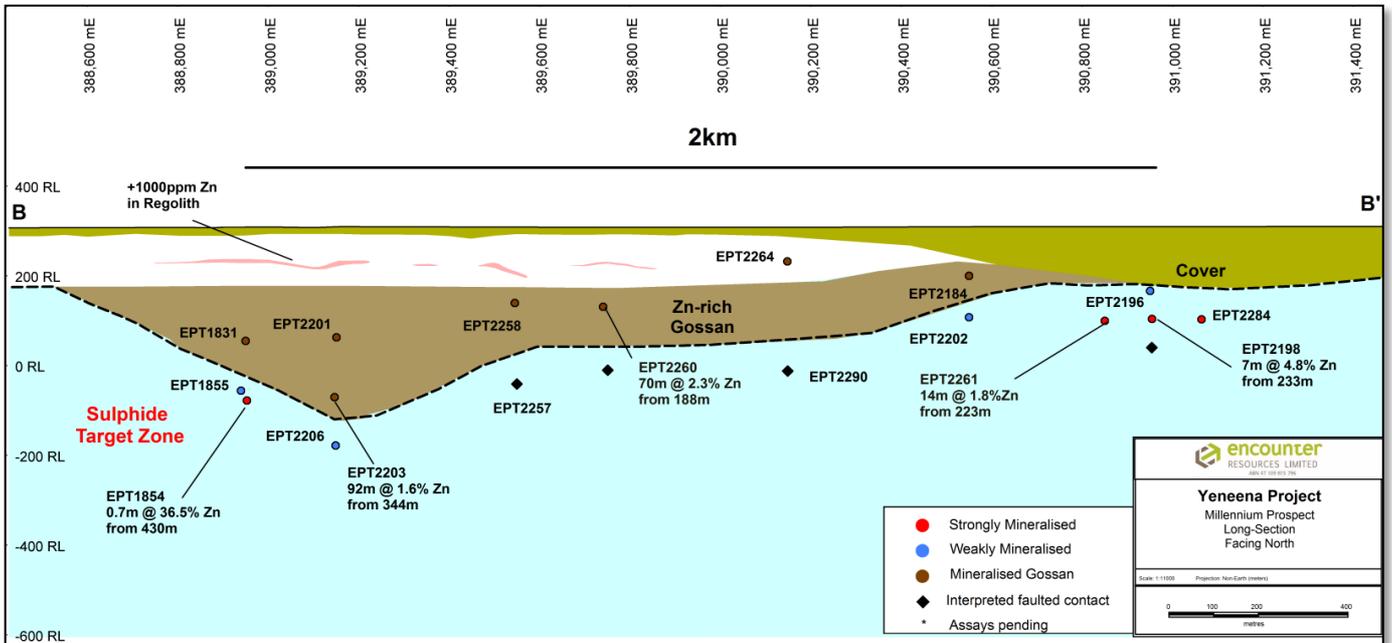


Figure 9: Drill hole long section (B – B') – Millennium Shale-Carbonate contact intersections only.

Lookout Rocks/Fishhook Copper Project - (100% Encounter)

The Lookout Rocks/Fishhook Copper Project includes six tenements (~740km²) of highly prospective exploration ground located in the north-west of Yeneena.

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

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

During the quarter, a single diamond drill hole was completed to test an airborne electromagnetic anomaly (“AEM”) 1.8km west of EPT2282. This drill hole, EPT2289, intersected an anomalously thickened sequence of Permian cover and was terminated at 342m still in cover and did not intersect the ‘first reductant’ contact. It is interpreted that this hole has drilled adjacent to a large fault scarp. The hole has confirmed the AEM anomaly is derived from a source within the Permian cover.

Also during the quarter a previously unidentified in-situ gossan (grading up to 0.2% Cu) was discovered approximately 800m south-west of the EPT2282. This gossan is approximately 80m long and runs discordant to geology (Photo 3). The identification of a surface gossan has provided an immediate target for the next phase of drilling. A series of shallow RC holes are planned to test directly beneath the gossan outcrop to determine the orientation of the body at depth.

In December 2016, Encounter was awarded WA Govt. Exploration Incentive Scheme (“EIS”) co-funding (up to A\$150,000) for the Fishhook copper project.



Photo 1: Disseminated chalcopyrite in carbonaceous shale
EPT 2282 ~259.5m downhole (1.0%Cu)
Core width ~60mm



Photo 2: Example of "Red Bed" oxidized sediments
EPT2282 ~320m downhole
Core width ~60m

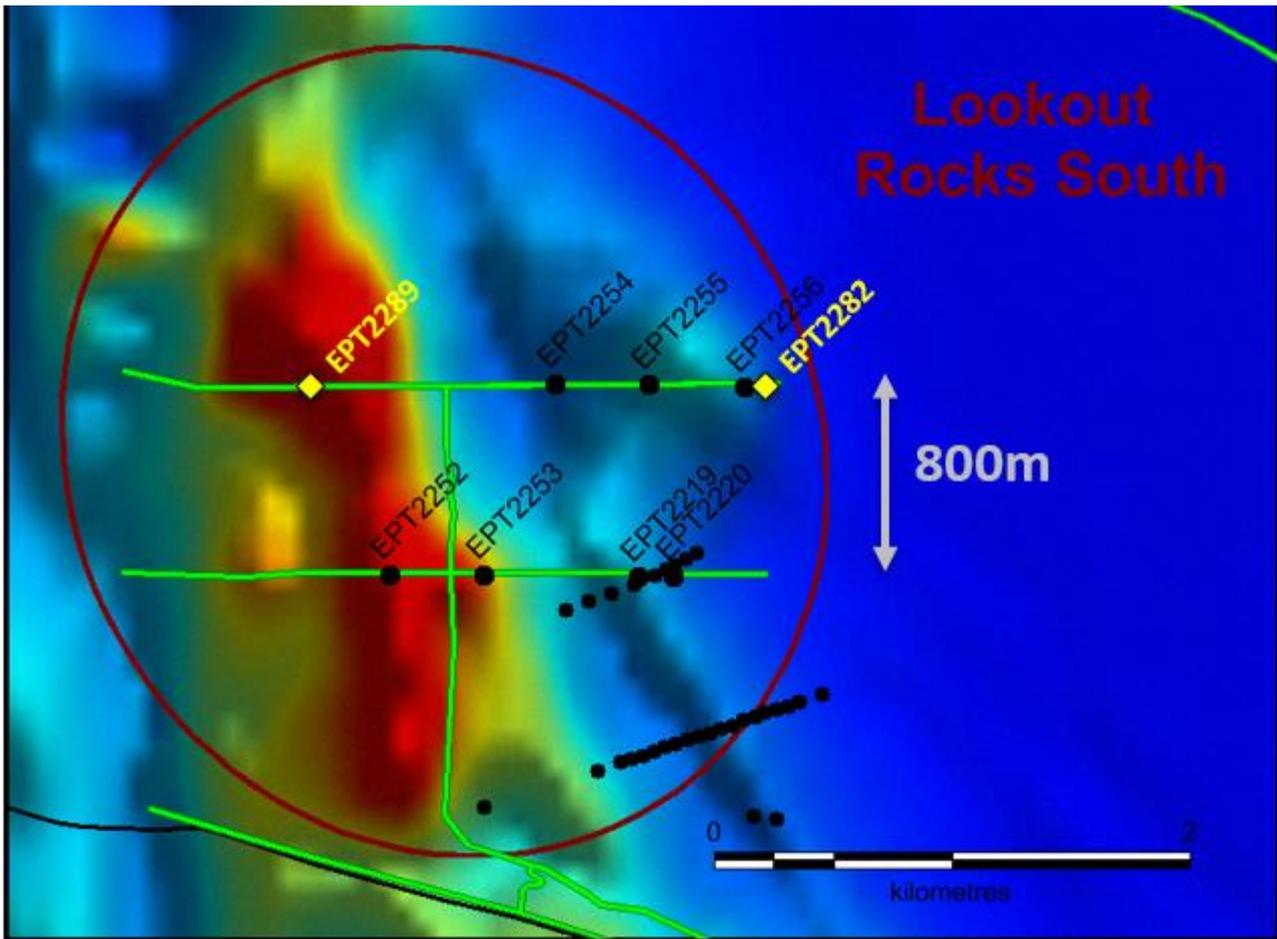


Figure 10: Lookout Rocks South Project – Drill status plan with background image of VTEM Ch35



Photo 3: Gossan identified at Lookout Rocks South

Upcoming Activity

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

RC/diamond drill program to test the gossan discovered at Lookout Rocks is planned. Diamond drilling at the Fishhook prospect will test the first reductant position beneath two of the most conductive sections of the Broadhurst sediments. Completion of the first diamond drilling at the Fishhook prospect will be co-funded under the WA Govt. Exploration Incentive Scheme ("EIS") (up to A\$150,000). These programs are scheduled to commence in April-June 2017.

Aria

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

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

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

The gravity survey outlined a discrete density anomaly located on the margin of the previously identified magnetic anomaly, with this anomaly also being located to the south of drill hole PADD002A (see Figure 11 inset).

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

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

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

Upcoming activity

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

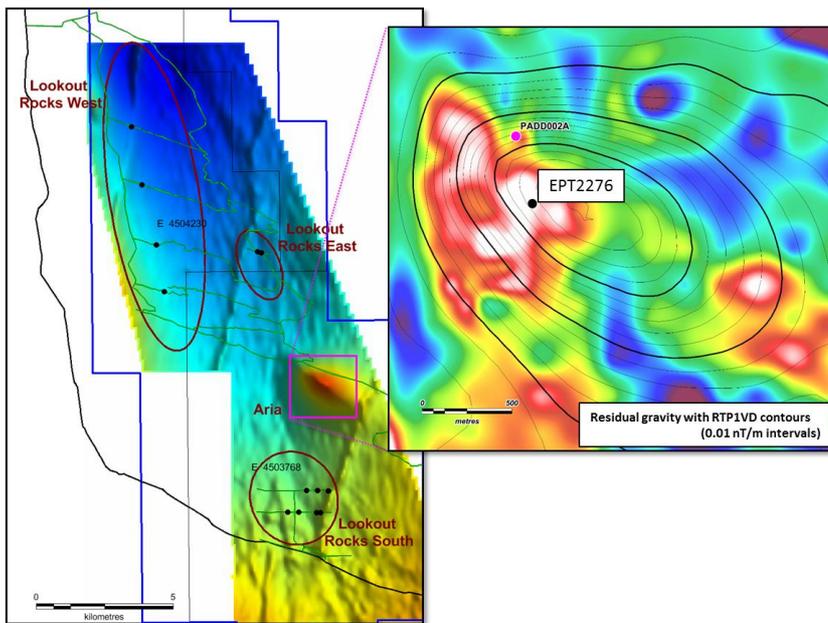


Figure 11: Lookout Rocks Project - Aria Prospect - Magnetics TMI

CORPORATE

Encounter held cash reserves of approximately \$2.1 million at 31 December 2016.

In December 2016 Encounter was successful with two applications for WA Government EIS co-funding (totalling A\$300,000) for future drill programs at the Fishhook copper prospect and the Telfer West gold-copper target.

NEXT QUARTER HIGHLIGHTS

Activities planned for the March 2017 quarter include:

Millennium Zinc (Hampton earning up to 25%)

- Design drill program to test along strike and down dip of **0.7m @ 36.7% Zn from 430m** in EPT1854

Lookout Rocks Copper Project (including Aria)

- Complete heritage and other preparations for the RC/diamond drill program to test the gossan discovered at Lookout Rocks.
- Completion of the first diamond drilling at the Fishhook copper prospect co-funded under the WA Govt. Exploration Incentive Scheme ("EIS") (up to A\$150,000).
- These drill programs are scheduled to be completed between April-June 2017.

BM1-BM7 Copper-Cobalt Project (100% ENR)

- A follow up drill program is planned in April-May 2017 to test down dip and along strike of the copper-cobalt shoot and to test for additional near surface shoots in the BM7 region.

Paterson Gold Projects (100% ENR)

- Drilling will recommence at Telfer West in March-April 2017 at the conclusion of the summer cyclone period.
- The next phase of drilling at Telfer West will focus on:
 - The near surface position of the stockwork mineralisation at the Egg Prospect, on both the existing section and to the northwest and southeast.
 - Drilling along the northern section of the fold axis will aim to identify the extent of the supergene gold mineralisation drilled in ETG0003 and to define vectors to the primary mineralisation.
- Complete compilation, verification and interpretation of the historical exploration results at East Thomson's Dome.
- On-ground exploration activity at East Thomson's Dome, that may include heritage surveys, aircore/RC/diamond drilling, is scheduled to commence in April 2017.

TENEMENT INFORMATION

Lease	Location	Project Name	Area km ²	Interest at start of quarter (01/10/2016)	Interest at end of quarter (31/12/2016)
E45/2500	266km NE of Newman	Paterson – Hampton Earning-in*	163.4	90-100%	90-100%
E45/2501	277km NE of Newman	Paterson – Hampton Earning-in	41.4	90%	90%
E45/2502	261km NE of Newman	Paterson	200.5	100%	100%
E45/2503	253km NE of Newman	Paterson	19.1	100%	100%
E45/2561	276km NE of Newman	Paterson – Hampton Earning-in	86.0	90%	90%
E45/2657	246km NE of Newman	Paterson	222.8	100%	100%
E45/2658	245km NE of Newman	Paterson	171.1	100%	100%
E45/2805	242km NE of Newman	Paterson	171.6	100%	100%
E45/2806	251km NE of Newman	Paterson	63.7	100%	100%
E45/4230	246km NE of Newman	Lookout Rocks	92.4	100%	100%
E45/3768	241km NE of Newman	Lookout Rocks / Throssell Range -	187.8	100%	100%
E45/4091	253km NE of Newman	Lookout Rocks	257.7	100%	100%
E45/4408	262km NE of Newman	Throssell Range	41.7	100%	100%
E45/4564	315km NE of Newman	Paterson Au/Cu - Dora	194.2	100%	100%
E45/4613	300km NE of Newman	Paterson Au/Cu – Telfer West	121.0	100%	100%
E45/3446	315km NE of Newman	East Thomson's Dome	6.0	0%	100%
P45/2750	315km NE of Newman	East Thomson's Dome	198ha	0%	100%
P45/2751	315km NE of Newman	East Thomson's Dome	171ha	0%	100%
P45/2752	315km NE of Newman	East Thomson's Dome	199ha	0%	100%
E45/4757	325km NE of Newman	Chicken Ranch	1.9	0%	100%
E45/4548	325km NE of Newman	Chicken Ranch	19.2	0%	100%

* Hampton earning into the four eastern block of E45/2500

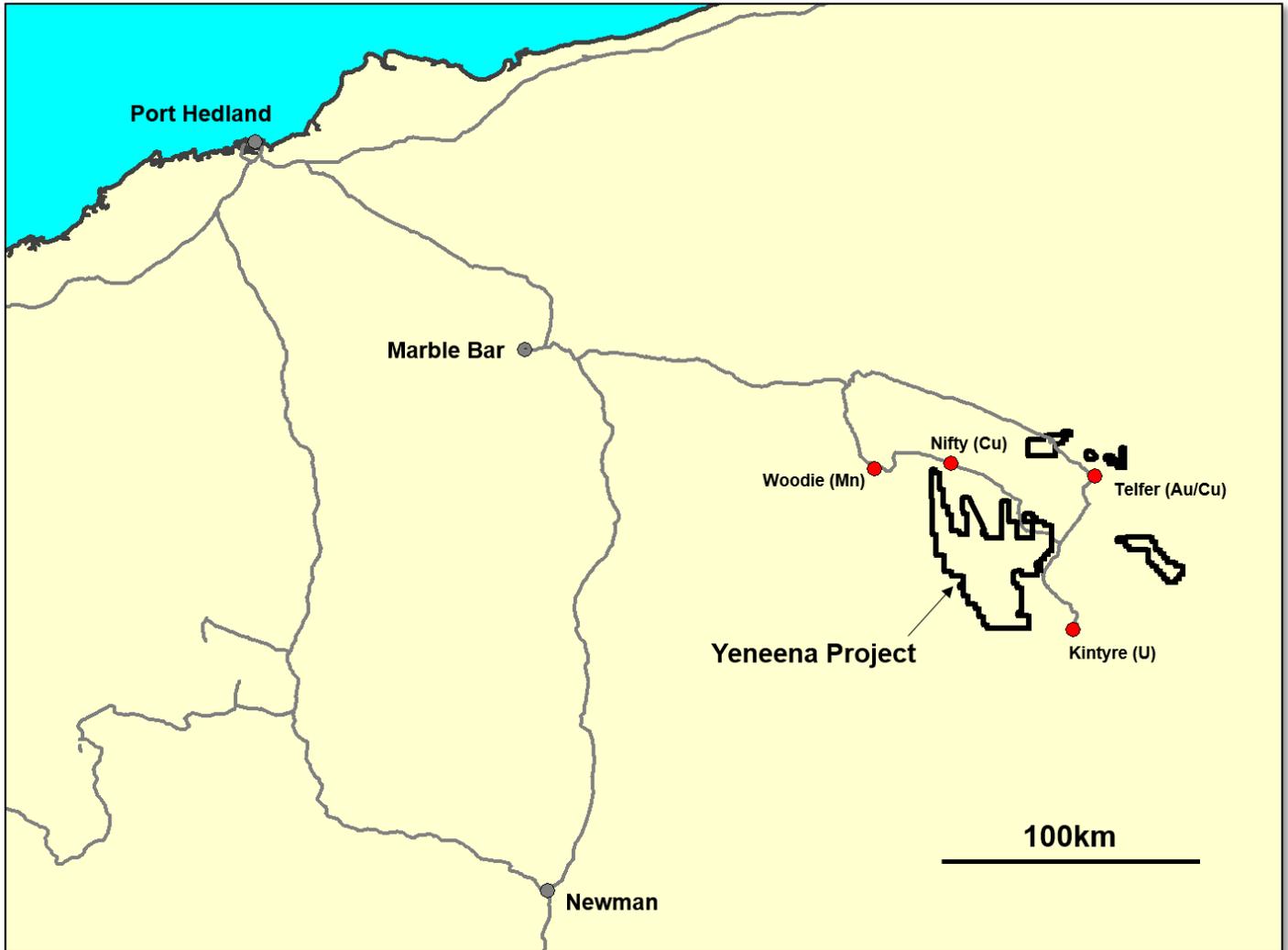


Figure 12: Paterson Province Location Plan

Will Robinson
Managing Director

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

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

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Encounter Resources Limited

ABN

47 109 815 796

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(683)	(1,802)
(b) development	-	-
(c) production	-	-
(d) staff costs	(64)	(165)
(e) administration and corporate costs	(142)	(273)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	23
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	194
1.8 Other – EIS Co-funded drilling grant	157	202
1.9 Net cash from / (used in) operating activities	(723)	(1,821)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2)	(2)
(b) tenements (see item 10)	-	-

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Farm-in contributions received	150	284
2.6	Net cash from / (used in) investing activities	148	282

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(2)	(2)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(2)	(2)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,720	3,684
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(723)	(1,821)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	148	282
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2)	(2)

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,143	2,143

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2,067	2,644
5.2 Call deposits	76	76
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,143	2,720

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	176
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Remuneration of Directors.	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
N/a	

+ See chapter 19 for defined terms.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
N/a		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	500
9.2 Development	-
9.3 Production	-
9.4 Staff costs	65
9.5 Administration and corporate costs	160
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	725

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	nil			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	E45/3446	Purchased	0%	100%
	P45/2750	Purchased	0%	100%
	P45/2751	Purchased	0%	100%
	P45/2752	Purchased	0%	100%
	E45/4757	Granted	0%	100%
	E45/4758	Granted	0%	100%

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Company secretary

Date: 31 January 2017

Print name: Kevin Hart

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

+ See chapter 19 for defined terms.