



NOTICE OF ANNUAL GENERAL MEETING

&

EXPLANATORY STATEMENT

To be held

At 10.00am (WST), Friday, 27 November 2015

at

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

19th October 2015

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 10.00am (WST) on Friday, 27 November 2015.

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 10.00am WST on Friday, 27 November 2015 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 2015.

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 2015."

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 – Dr Jon Hronsky

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

"That, Dr Jon Hronsky who retires in accordance with the Company's Constitution and being eligible, offers himself for re-election, be re-elected as a Director."

4. 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 on Agenda Item 4 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, 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

5. Ratification of Prior Issues of Equity Securities

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

“That, for the purpose of ASX Listing Rule 7.4, and for all other purposes Shareholders ratify the allotment and issue of 11,632,858 Shares and 5,441,858 Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast on Agenda Item 5 by Hammer Metals Limited and its related parties, and any person who participated in the Private Placement, 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.

6. Adoption of Encounter Resources Limited Employee Share Option Plan

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

“That, for the purpose of ASX Listing Rule 7.2 (Exception 9) and for all other purposes, approval is given for the Company to issue securities under the employee incentive option scheme known as the “ Encounter Resources Limited Employee Share Option Plan” the rules of which are annexed as Schedule 1 to the Explanatory Statement,.”

Voting Exclusion Statement

The Company will disregard any votes cast on Agenda Item 6 by 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

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

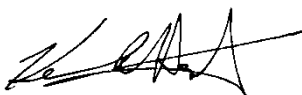
Section 250BC of the Corporations Act provides that, if:

- 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 25 November 2015.

BY ORDER OF THE BOARD



Kevin R Hart
COMPANY SECRETARY

Dated this 19th day of October 2015

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 2015, 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 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 against the adoption of the 2014 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 2015. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2015.

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 – Dr Jon Hronsky (*BAppSci, PhD, MAusIMM, FSEG*) as an Ordinary Resolution

Jon has more than 25 years of experience in the mineral exploration industry, primarily focused on project generation, technical innovation and exploration strategy development. Jon has worked across a diverse range of commodities and has particular expertise in targeting for nickel sulfide and gold deposits. His targeting work led to the discovery of the West Musgrave nickel sulfide province in Western Australia. Jon is currently Chairman of the Board of the Center for Exploration Targeting in Western Australia and was the 2009 Society of Economic Geology Distinguished Lecturer. Jon is one of the Principals at geological consultancy Western Mining Services (Aust) Pty Ltd. Prior to joining WMS, Jon was Manager-Strategy & Generative Services for BHP Billiton Mineral Exploration and before that, Global Geoscience Leader for WMC Resources Ltd. Dr Hronsky is currently a non-executive director of Cassini Resources Limited.

Dr Hronsky was appointed as Director on 10 May 2007.

4. 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 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.

The Company is putting Agenda Item 4 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

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

Listing Rule 7.1A

The effect of Agenda Item 4 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.

Based on the number of Shares on issue at the date of this Notice, the Company has 145,426,208 Shares on issue and therefore, subject to Shareholder approval being sought under Agenda Item 4, 14,542,620 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 4 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 4 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.

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 16 October 2015 (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.

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EXPLANATORY STATEMENT

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

Variable 'A'	Number of Shares issued and funds raised under the Additional 10% Placement Capacity and dilution effect	Dilution		
		\$0.0675 Issue Price at half the current market price	\$0.135 Issue Price at current market price	\$0.27 Issue Price at double the current market price
Current Variable A 145,426,208 Shares	Shares issued	14,542,620	14,542,620	14,542,620
	Funds raised	\$981,626	\$1,963,253	\$3,926,507
	Dilution	10%	10%	10%
50% increase in current Variable A 218,139,312 Shares	Shares issued	21,813,931	21,813,931	21,813,931
	Funds raised	\$1,472,440	\$2,944,880	\$5,889,761
	Dilution	10%	10%	10%
100% increase in current variable A 290,852,416 Shares	Shares issued	29,085,241	29,085,241	29,085,241
	Funds raised	\$1,963,253	\$3,926,507	\$7,853,015
	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).
- (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. 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.

ENCOUNTER RESOURCES LIMITED

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EXPLANATORY STATEMENT

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

(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:

- (i) the ability of the Company to raise funds at the time of the proposed issue of Equity Securities;
- (ii) 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;
- (iii) the financial situation and solvency of the Company; and
- (iv) 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 entitlements 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 2014 Annual General Meeting.

The Company has issued no securities pursuant to that Listing Rule 7.1A approval.

During the 12 month period prior to the date of this Notice, the Company otherwise issued a total of 11,632,858 new Shares and 8,241,429 new Options, being a total of 19,874,287 New Equity Securities.

The total amount of 19,874,287 New Equity Securities issued represents approximately 14.4% of the total diluted number of Equity Securities on issue in the Company on 28 November 2014, being 138,363,350.

Information relating to issues of Equity Securities by the Company in the 12 months prior to the date of this Notice 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
28 November 2014	2,000,000 unlisted options	Note 2	Issued to certain Directors of the Company pursuant to Shareholder approval received at the Company's 2014 AGM.	Nil issue price	Options issued to Directors of the Company for no cash consideration. At the date of this Notice of Meeting the options have nil fair value as the exercise price of the options exceeds the underlying market value of the Company's shares.

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EXPLANATORY STATEMENT

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

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
12 December 2014	750,000 ordinary fully paid shares	Note 1	Issued to Hammer Metals Limited for a 100% interest in exploration licences.	Issued at a deemed price of 15 cents per share. Market value of ordinary securities on the trading day prior to the issue was 13 cents per share.	Issued in consideration for an interest in exploration licences. Market value of the consideration given at the date of this Notice of Meeting, being 13.5 cents per share, is \$101,250.
12 February 2015	800,000 unlisted options	Note 3	Issued to certain employees of the Company pursuant to the terms of the Company's Employee Share Option Plan.	Nil issue price	Options issued to employees of the Company for no cash consideration. At the date of this Notice of Meeting the options have nil fair value as the exercise price of the options exceeds the underlying market value of the Company's shares.
1 October 2015	10,882,858 ordinary fully paid shares and 5,441,429 unlisted options	Notes 1 and 4	Issued to sophisticated and professional investors pursuant to a share placement announced to ASX on 22 September 2015.	Shares issued at 14 cents per share, with one free option, for every two Shares subscribed	Total placement funds received of \$1,523,600, before costs, will be used to advance the Company's Yeneena copper/zinc project and for working capital purposes. At the date of this Notice of Meeting the options have nil fair value as the exercise price of the options exceeds the underlying market value of the Company's shares.

In addition to the above table of issued securities, on 19 October 2015 the Company announced to ASX the closure of its Share Purchase Plan, which was originally announced to ASX on 22 September 2015 pursuant to which the Company expects to raise approximately \$340,000 at 14 cents per Share. The Company has also received a firm commitment for a private placement to raise a further \$1,064,000 at 14 cents per Share. It is anticipated that these Shares will be issued subsequent to the date of this Notice.

EXPLANATORY STATEMENT

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

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. Unlisted options issued pursuant to Shareholder approval at the Company's 2014 Annual General Meeting and exercisable as follows:
 - 1,250,000 options exercisable at 23 cents each on or before 27 November 2018;
 - 750,000 options exercisable at 31 cents each on or before 27 November 2019.
3. Unlisted options issued pursuant to the terms and conditions of the Encounter Resources Limited Employee Option Plan and exercisable at 16 cents each on or before 31 January 2019.
4. Unlisted options issued pursuant to a share placement completed on 30 September 2015, exercisable at 21 cents each on or before 30 September 2018.

- (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 4.

Directors Recommendation

The Board recommends Shareholders vote in favour of Agenda Item 4.

5. Ratification of Prior Issues of Equity Securities

as an Ordinary Resolution

Background

On 12 December 2014 the Company issued 750,000 ordinary fully paid shares ("Consideration Shares") to Hammer Metals Limited, at a deemed price of \$0.15 per share, in consideration for a 100% interest in certain exploration licences adjacent to the Company's existing wholly owned Yeneena Project in the Paterson Province (refer ASX release 12 December 2014).

On 30 September 2015 the Company completed the placement of 10,882,858 ordinary fully paid shares ("Placement Shares") and 5,441,429 options exercisable at \$0.21 each and expiring 30 September 2018 ("Options"), to professional and sophisticated investors ("Private Placement"). The Private Placement was completed at \$0.14 per share and raised A\$1,523,600 before costs (refer ASX release 1 October 2015).

ASX Information

The issue of Consideration Shares, Placement Shares and Options (together the "Securities") were completed pursuant to the Company's annual 15% placement capacity under Listing Rule 7.1.

Agenda Item 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Securities (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

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EXPLANATORY STATEMENT

5. Ratification of Prior Issues of Equity Securities (Continued)

Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification of the Securities:

(a) The Securities issued were:

- 750,000 Consideration Shares issued for the acquisition of an interest in exploration licences; and
- 10,882,858 Placement Shares and 5,441,429 Options issued pursuant to the Private Placement.

(b) The issue price of the Securities were as follows:

- Consideration Shares issued at a deemed value of \$0.15 per Share; and
- Placement Shares issued for consideration of \$0.14 per Share and funds of approximately \$1,523,600 were raised before costs. The Options, one free option for every two Placement Shares subscribed, were issued for nil cash consideration;

(c) The Consideration Shares and Placement Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares. The Options issued are not quoted and were not issued on the same terms and conditions as an existing class of securities, the Options are exercisable at \$0.21 per Option and expire on 30 September 2018 (refer to Schedule 2 for further terms and conditions of the Options);

(d) The Securities were allotted and issued to the following:

- Consideration Shares were issued to Hammer Metals Limited, which is not a related party of the Company; and
- Placement Shares and Options were issued to professional and sophisticated investors, who were not related parties of the Company; and

(e) Nil funds were raised from the issue of the Consideration Shares. The funds raised from the Private Placement provide additional funding to advance the highly prospective targets on the land holding that is 100% controlled by the Company and to provide working capital.

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EXPLANATORY STATEMENT

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

Agenda Item 6 seeks Shareholder approval for the adoption of an Employee Share Option Plan (Plan) in accordance with Exception 9 of ASX Listing Rule 7.2.

The Directors adopted the Encounter Resources Limited Employee Share Option Plan (**Plan**) on 27 September 2012 and was last approved by Shareholders on 30 November 2012.

The Plan is designed to provide incentives to the employees and Directors of the Company and to recognise their contribution to the Company's success. Under the Company's current circumstances the Directors consider that the incentives to employees and Directors are a cost effective and efficient incentive for the Company as opposed to alternative forms of incentives such as cash bonuses or increased remuneration. To enable the Company to secure employees and Directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The Plan is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain significant shareholdings in the Company.

The Plan incorporates the facility for Participants to undertake a 'cash less exercise', whereby, in lieu of paying the aggregate exercise price to purchase the Shares, the Board may, in its sole and absolute discretion, permit a Participant to elect to receive a reduced number of Shares, in lieu of payment of cash or other consideration.

The number of Shares received will be determined in accordance with the following formula:

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

where:

A = the number of Shares (rounded down to the nearest whole number) to be issued to the Participant;

B = the number of Shares otherwise issuable upon the exercise of the Option or portion of the Option 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.

For example, if a Participant holds 50 Options (which have vested and are therefore capable of exercise), each with an exercise price of \$1.00 and they elect to exercise all of their Options by paying the exercise price, they would pay \$50 and receive 50 Shares. However, if the Participant elects their rights under the cashless exercise facility, and the Market Value of one Share prior to exercise is \$1.50, the Participant will pay no cash and receive 16 Shares (being $50(\$1.50 - \$1.00)/\$1.50 = 16.67$, rounded down to 16 Shares).

Shareholder approval is required if any issue of Options pursuant to the Plan is to fall within the exception to the calculation of the 15% limit imposed by Listing Rule 7.1 on the number of securities which may be issued without Shareholder approval. Accordingly, Shareholder approval is sought for the purposes of Listing Rule 7.2 Exception 9(b) which provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme that has been approved by the holders of ordinary securities within three years of the date of issue.

Prior Shareholder approval will be required before any Director or related party of the Company can participate in the Plan.

Under the Plan, the Board may offer to eligible employees of the Company, the opportunity to subscribe for such number of Options in the Company as the Board may decide and on the terms set out in the rules of the Plan. Options granted under the Plan will be offered to participants in the Plan on the basis of the Board's view of the contribution of the eligible person to the Company.

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EXPLANATORY STATEMENT

6. Adoption of the Encounter Resources Limited Employee Share Option Plan (Continued)

In accordance with the requirements of Listing Rule 7.2 Exception 9(b), the following information is provided:

- (a) a summary of the terms and conditions of the Plan is attached at Schedule 1 to this Explanatory Statement;
- (b) as at the date of this Notice a total of 6,220,000 Options have been issued to employees pursuant to the terms of approved employee incentive plans, 800,000 of these Options have been issued since the last Shareholder approval on 28 November 2014;
- (c) as at the date of this Notice a total of 1,625,000 Options have been cancelled on expiry in respect of Options issued under approved employee incentive plans, 275,000 of these options have been cancelled since the last Shareholder approval on 28 November 2014;
- (d) as at the date of this Notice a total of 1,475,000 Shares have been issued pursuant to the exercise of Options issued under approved employee incentive plans, none of these Shares have been issued since the last Shareholder approval on 28 November 2014; and
- (e) A voting exclusion statement has been included for the purposes of Agenda Item 6.

If Agenda Item 6 is passed, the Company will be able to issue Shares under the Plan without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 3 year period.

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EXPLANATORY STATEMENT

Definitions

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 4 of the Explanatory Statement.

Additional Placement Period has the meaning set out in Section 4(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 2015.

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 27 November 2015.

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 2015.

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 EMPLOYEE SHARE OPTION PLAN

The following is a summary of the key terms and conditions of the Plan to be adopted by Shareholders pursuant to Agenda Item 6:

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 not transferable.
- 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) except as otherwise by the rules of the Plan.
- 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 form of Schedule 2 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 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 formula included in the Employee Share Option Plan (a Cashless Exercise):
- 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.
- 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.

EXPLANATORY STATEMENT

SCHEDULE 1 – TERMS AND CONDITIONS OF EMPLOYEE SHARE OPTION PLAN (CONTINUED)

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 the options referred to in clause 2.3(a) and, where permitted, clause 2.3(b), 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.

EXPLANATORY STATEMENT

SCHEDULE 1 – TERMS AND CONDITIONS OF EMPLOYEE SHARE OPTION PLAN (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.

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EXPLANATORY STATEMENT

SCHEDULE 2 – TERMS AND CONDITIONS OF OPTIONS ISSUED 30 SEPTEMBER 2015

The following is a summary of the key terms and conditions of the Options, for which Shareholder ratification of the issue is sought pursuant to Agenda Item 5:

- a) Each Option gives the Optionholder the right to subscribe for one Share.
- b) Each Option will expire at 5.00 pm (Western Australia time) on the third anniversary of the issue date of the Option (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- c) Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.21 (**Exercise Price**).
- d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- e) An Optionholder may exercise its Options by lodging with the Company, before the Expiry Date:
 - a. a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
 - b. a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised.
- f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- g) Within five Working Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- h) All Shares allotted upon the exercise of Options will upon allotment rank *pari passu* in all respects with other Shares.
- i) If at any time the issued capital of the Company is reorganised (including consolidation, sub-division, reduction or return), all rights of an Optionholder are to be changed in a manner consistent with the ASX Listing Rules at the time of the reorganisation.
- j) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
- k) An Option does not confer the right to a change in Exercise Price or a change in the number of Shares over which the Option can be exercised unless in accordance with paragraph (i).
- l) The Options are not transferable without the prior consent of the Company, and will not be listed for Official Quotation on the ASX.