



Consolidated Financial Statements  
For the Year Ended 30 June 2020

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Contents Page**

	Page
Corporate Directory	3
Directors' Report	4-16
Auditor's Independence Statement	17
Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Consolidated Statement of Financial Position	19
Consolidated Statement of Changes in Equity	20
Consolidated Statement of Cash Flows	21
Notes to the Financial Statements	22-49
Directors' Declaration	50
Independent Audit Report	51

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Corporate Directory**

**Directors**

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

**Company Secretaries**

Kevin Hart  
Dan Travers

**Principal and Registered Office**

Level 7, 600 Murray Street  
West Perth, Western Australia 6005  
Telephone (08) 9486 9455  
Facsimilie (08) 9489 8366  
Web [www.enrl.com.au](http://www.enrl.com.au)

**Auditor**

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

**Share Registry**

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

**Stock Exchange Listing**

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

**ASX Code**

ENR – Ordinary shares

**Company Information**

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

The Company is domiciled in Australia.

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Directors' Report**

The Directors present their report on Encounter Resources Limited (the Company) and the entities it controlled (the Group) at the end of, and during the year ended 30 June 2020.

**Directors**

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

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

***Non-Executive Chairman appointed 7 October 2005***

Mr Chapman is a chartered accountant with over 30 years' experience in the resources sector gained in Australia and the United States. Mr Chapman has experience across a range of commodity businesses including gold, nickel, uranium, manganese, bauxite/alumina and oil/gas and has held managing director and other senior management roles in public companies. Mr Chapman was a founding shareholder/director of the following ASX listed companies: Reliance Mining; Encounter Resources; Rex Minerals; Paringa Resources; Silver Lake Resources and Black Cat Syndicate.

Mr Chapman is currently a director of Western Australia based explorers, Black Cat Syndicate Limited (ASX:BC8) and Dreadnought Resources Limited (ASX:DRE) and resigned as non-executive director of Brazilian copper/gold producer Avanco Resources Limited (ASX:AVB) on 10 August 2018 following a successful takeover by OZ Minerals Limited.

**Will Robinson – B.Comm, MAusIMM**

***Managing Director (Executive) appointed 30 June 2004***

Mr Robinson has worked in the resources industry in Australia and Canada for over twenty years. Mr Robinson's experience includes senior management roles at a large international resources company and executive roles in the junior mining and exploration sector. Mr Robinson is former president of the resources industry advocacy body, the Association of Mining and Exploration Companies (AMEC) a member of the Strategic Advisory Board at the Centre for Exploration Targeting University of Western Australia and was a member of the Australian Government's Resources 2030 Taskforce.

**Peter Bewick – B.Eng (Hons), MAusIMM**

***Exploration Director (Executive) appointed 7 October 2005***

Mr Bewick is an experienced geologist and has held a number of senior mine and exploration geological roles during a fourteen year career with WMC. These roles include Exploration Manager and Geology Manager of the Kambalda Nickel Operations, Exploration Manager for St Ives Gold Operation, Exploration Manager for WMC's Nickel Business Unit and Exploration Manager for North America based in Denver, Colorado. Whilst at WMC, Mr Bewick gained extensive experience in project generation for a range of commodities including nickel, gold and bauxite. Mr Bewick has been associated with a number of brownfields exploration successes at Kambalda and with the greenfield Collurabbie Ni-Cu-PGE discovery. Mr Bewick is currently a non-executive director of Mincor Resources Limited (ASX:MCR) (appointed 2 December 2019).

**Jonathan Hronsky OAM - BAppSci, PhD, MAusIMM, FSEG**

***Non-executive director appointed 10 May 2007***

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

During the last 3 years Dr Hronsky has been a director of Cassini Resources Limited (appointed 3 April 2014) and a director of Azumah Resources Limited (ASX:AZM) between 7 November 2019 to its delisting on 19 February 2020.

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Directors' Report**

**Directors (Continued)**

**Philip Crutchfield – B. Comm, LL.B (Hons), LL.M LSE**

***Non-executive director appointed 9 October 2019***

Mr Crutchfield is a prominent and highly respected barrister specialising in commercial law. Since 2015, Philip has been Non-Executive Chairman of highly successful financial services company Zip Co Limited (ASX:Z1P) and a director of NVOI Limited (ASX:NVI) since 17 October 2019.

Mr Crutchfield is a board member of the Geelong Grammar School Council, Bell Shakespeare Theatre Company and the Victorian Bar Foundation Limited. Philip is also a former partner of Mallesons Stephen Jaques (now King & Wood Mallesons). Philip is a senior barrister practising in commercial law and was admitted to practice in 1988.

**Company Secretaries**

**Kevin Hart – B.Comm, FCA**

Mr Hart is a Chartered Accountant and was appointed to the position of Company Secretary on 4 November 2005. Mr Hart has over 30 years experience in accounting and the management and administration of public listed entities in the mining and exploration industry.

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

**Dan Travers – BSc (Hons), FCCA**

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

**Directors' Interests**

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

<i>Director</i>	<i>Directors' Interests in Ordinary Shares</i>	<i>Directors' Interests in Unlisted Options</i>	<i>Options vested at the reporting date</i>
P Chapman	9,422,500	1,000,000	1,000,000
W Robinson	25,169,098	700,000	700,000
P Bewick	7,200,000	5,200,000	5,200,000
J Hronsky	200,000	1,800,000	1,800,000
P Crutchfield	2,514,241	1,700,000	1,700,000

Included in the Directors' Interests in Unlisted Options are 10,400,000 options that are vested and exercisable as at the date of signing this report.

**Directors' Meetings**

The number of meetings of the Company's Directors held during the year ended 30 June 2020, and the number of meetings attended by each Director are as follows:

<i>Director</i>	<i>Board of Directors' Meetings</i>	
	<i>Held</i>	<i>Attended</i>
P Chapman	7	7
W Robinson	7	7
P Bewick	7	7
J Hronsky	7	7
P Crutchfield	4	4

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Directors' Report**

**Principal Activities**

The principal activity of the Company during the financial year was project generation, mineral exploration and project development in Western Australia and the Northern Territory.

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

**Results of Operations**

The consolidated net loss after income tax for the financial year was \$1,126,275 (2019: \$1,064,491).

Included in the consolidated loss for the current year is a write-off of deferred and uncapitalised exploration and joint venture expenditure totalling \$284,403 (2019: \$294,359).

**Review of Activities**

Exploration

Encounter's primary focus is on discovering major gold deposits in Western Australia's most prospective gold districts: the Tanami, the Paterson Province and the Yilgarn.

The Company is advancing a highly prospective suite of projects in the Tanami and West Arunta regions via joint ventures with Australia's largest gold miner, Newcrest Mining Limited (ASX:NCM).

Complementing its expansive gold portfolio, Encounter controls a major ground position in the emerging Proterozoic Paterson Province where it is exploring for copper-cobalt deposits with highly successful mining and exploration company IGO Limited (ASX:IGO), and copper-gold deposits at its 100% owned Lamil Project.

In addition, project generation activities in the Northern Territory utilising new Geoscience Australia datasets has resulted in Encounter securing the first mover Elliott and Jessica copper projects.

Financial Position

At the end of the financial year the Group had \$1,865,502 (2019: \$2,480,280) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$13,963,789 (2019: \$13,008,555).

**Significant Changes in the State of Affairs**

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

- During the year the Company entered into a farm-in and joint venture arrangement with IGO Limited in respect of certain exploration licences comprising the Yeneena project in the Paterson Province.

**Matters Subsequent to the End of the Financial Year**

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has delayed the commencement of certain exploration programs, it has not materially financially impacted the Group up to 30 June 2020. It is not practicable to estimate the potential impact, positive or negative, after the reporting date.

On 1 July 2020 the Company issued 900,000 options pursuant to its Employee Share Option Plan.

On 24 September 2020 the Company advised that it had entered into an option agreement which provides BHP Group Limited the right to earn up to a 75% interest in the Company's Elliott Copper Project in the Northern Territory by spending up to \$22 million over 10 years.

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Directors' Report**

**Options over Unissued Capital**

*Unlisted Options*

As at the date of this report 14,850,000 unissued ordinary shares of the Company are under option as follows:

<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
1,850,000	13 cents	24 November 2020
750,000	17.5 cents	24 November 2021
675,000	10.5 cents	1 November 2021
725,000	10 cents	31 May 2022
3,150,000	9 cents	30 November 2022
1,500,000	12 cents	30 November 2022
5,300,000	20 cents	31 October 2023
900,000	22 cents	30 June 2024

All options on issue at the date of this report are vested and exercisable. No options on issue are listed.

During the financial year:

- 5,300,000 options (2019: 4,650,000) were granted over unissued shares to employees, directors and consultants of the Company;
- no options (2019: 475,000) were cancelled on the cessation of employment;
- 1,075,000 options (2019: 7,191,429) were cancelled on expiry of the exercise period; and
- no (2018: Nil) ordinary shares were issued on the exercise of options.

Since the end of the financial year:

- 900,000 options have been issued by the Company to employees pursuant to the Company's Employee Option Plan;
- no options have been exercised; and
- no options have been cancelled due to the lapse of the exercise period.

Options do not entitle the holder to participate in any share issue of the Company or any other body corporate. The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

**Issued Capital**

<i>Number of Shares on Issue</i>		
	<b>2020</b>	<b>2019</b>
Ordinary fully paid shares	<b>280,824,968</b>	262,375,092

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Directors' Report**

**Likely Developments and Expected Results of Operations**

The Company expects to maintain exploration programs at its Paterson copper-gold, Yeneena copper-cobalt-zinc projects (Yeneena) (in conjunction with the IGO Limited farm-in and joint venture) and undertake exploration in joint venture with Newcrest Mining Limited in the Tanami and West Arunta regions of Western Australia.

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

**Dividends**

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

**Environmental Regulation and Performance**

The Group holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities. So far as the Directors are aware, all exploration activities have been undertaken in compliance with all relevant environmental regulations.

**Remuneration Report (Audited)**

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

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

**Remuneration Committee**

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

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

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

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



**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Directors' Report**

**Remuneration Report (Continued)**

**Non-Executive Remuneration**

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

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

1. Fees payable to Non-Executive Directors are set within the aggregate amount approved by shareholders at the Company's Annual General Meeting;
2. Non-Executive Directors' fees are payable in the form of cash and superannuation benefits;
3. Non-Executive superannuation benefits are limited to statutory superannuation entitlements; and
4. Non-executive directors are offered an annual election to receive cash remuneration or an equivalent amount in unlisted options. The annual election relates to the remuneration period from 1 December to 30 November of the relevant year and is subject to approval by the Company's shareholders.
5. Participation in equity based remuneration schemes by Non-Executive Directors is subject to consideration and approval by the Company's shareholders.

The maximum Non-Executive Directors fees, payable in aggregate are currently set at \$300,000 per annum.

**Executive Director and Other Key Management Personnel Remuneration**

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

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

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

**Incentive Plans**

The Company provides long term incentives to Directors and Employees pursuant to the Encounter Resources Employee Share Option Plan, which was last approved by shareholders at the Annual General Meeting held on 30 November 2018.

The Board, acting in remuneration matters:

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Directors' Report**

**Remuneration Report (Continued)**

**Engagement of Non-Executive Directors**

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

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

In consideration of the services provided by Mr Paul Chapman as Non-Executive Chairman and Dr Jon Hronsky and Mr Philip Crutchfield as Non-Executive Directors, the Company pay them \$50,000 plus statutory superannuation per annum.

Non-Executive Directors are also entitled to fees for other amounts as the Board determines where they perform special duties or otherwise perform extra services or make special exertions on behalf of the Company. There were no such fees paid during the financial year ended 30 June 2019 or 30 June 2020.

For the period 1 December 2019 to 30 November 2020, Non-Executive Directors Mr Paul Chapman and Mr Philip Crutchfield elected to receive options in lieu of directors' fees paid in cash. A total of 1,400,000 options were issued in respect of this election following shareholder approval at the Company's 2019 annual general meeting (for further details refer to the notice of meeting lodged with ASX on 22 October 2019).

**Engagement of Executive Directors**

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

Mr Robinson's current service agreement with the Company, in respect of his engagement as Managing Director, is effective from 1 October 2019. Mr Robinson will receive a base salary of \$270,000 per annum plus statutory superannuation.

Mr Bewick's current service agreement with the Company, in respect of his engagement as Exploration Director, is effective from 1 October 2019. Mr Bewick will receive a base salary of \$270,000 per annum plus statutory superannuation.

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

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

**Short Term Incentive Payments**

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

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Directors' Report**

**Remuneration Report (Continued)**

**Shareholding Qualifications**

The Directors are not required to hold any shares in Encounter Resources under the terms of the Company's constitution. However, Directors have made their own investment decisions to hold shares in Encounter Resources which are shown in this report.

**Group Performance**

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

	2020	2019	2018	2017	2016
Profit/(Loss) for the year attributable to shareholders	<b>\$(1,126,275)</b>	\$(1,064,491)	\$(10,129,591)	\$(1,313,269)	\$(5,803,036)
Closing share price at 30 June	<b>\$0.15</b>	\$0.07	\$0.053	\$0.115	\$0.13

As an exploration company, the Board does not consider the profit/(loss) attributable to shareholders as one of the performance indicators when implementing Short Term Incentive Payments. In addition to economic and technical exploration success, the Board considers more appropriate indicators of management performance for the 2020 financial period to include:

- corporate management and business development (including the identification and acquisition of high quality projects);
- project and operational performance (including safety and environmental management);
- management of the Company's farm-in and alliance arrangements; and
- cash flow and funding management.

**Remuneration Disclosures**

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

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

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Directors' Report**

**Remuneration Report (Continued)**

**Remuneration Disclosures (Continued)**

30 June 2020	Short Term		Post Employment	Other Long Term		
	Base Salary \$	Short Term Incentive \$	Superannuation Contributions \$	Value of Options \$	Total \$	Value of Options as Proportion of Remuneration
Paul Chapman	23,333	-	2,217	70,800	96,350	73.5%
Will Robinson	264,442	13,500	25,122	49,560	352,624	14.0%
Peter Bewick	267,314	13,500	25,395	49,560	355,769	13.9%
Jon Hronsky	50,000	-	4,750	21,240	75,990	28.0%
Philip Crutchfield	4,167	-	396	120,360	124,923	96.3%
<b>Total</b>	<b>609,256</b>	<b>27,000</b>	<b>57,880</b>	<b>311,520</b>	<b>1,005,656</b>	

30 June 2019	Short Term		Post Employment	Other Long Term		
	Base Salary \$	Short Term Incentive \$	Superannuation Contributions \$	Value of Options \$	Total \$	Value of Options as Proportion of Remuneration
Paul Chapman	60,000	-	5,700	-	65,700	-
Will Robinson	267,135	-	25,380	-	292,515	-
Peter Bewick	246,635	-	23,430	51,022	321,087	15.9%
Jon Hronsky	50,000	-	4,750	17,579	72,329	24.3%
<b>Total</b>	<b>623,770</b>	<b>-</b>	<b>59,260</b>	<b>68,601</b>	<b>751,631</b>	

**Details of Performance Related Remuneration**

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

	Short term incentive payments - cash bonuses paid	
	2019/20 financial year	2018/19 financial year
Will Robinson	<b>\$13,500</b>	\$nil
Peter Bewick	<b>\$13,500</b>	\$nil

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Directors' Report**

**Remuneration Report (Continued)**

**Equity instrument disclosures relating to key management personnel**

**Options Granted as Remuneration**

During the financial year ended 30 June 2020 4,400,000 (2019: 4,000,000) were granted to Directors or Key Management Personnel of the Company, as follows:

Options issued in lieu of payment of director fees:

- Paul Chapman 700,000
- Philip Crutchfield 700,000

Incentive options:

- Paul Chapman 300,000
- Will Robinson 700,000
- Peter Bewick 700,000
- Jon Hronsky 300,000
- Philip Crutchfield 1,000,000

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

**Exercise of Options Granted as Remuneration**

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

**Option holdings**

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

<b>2020</b>					
<b>Name</b>	<b>Balance at start of the year</b>	<b>Received during the year as remuneration</b>	<b>Other changes during the year<sup>1</sup></b>	<b>Balance at the end of the year</b>	<b>Vested and exercisable at the end of the year</b>
<b>Directors</b>					
<b>P. Chapman</b>	-	1,000,000	-	1,000,000	1,000,000
<b>W. Robinson</b>	-	700,000	-	700,000	700,000
<b>P. Bewick</b>	5,250,000	700,000	(750,000)	5,200,000	5,200,000
<b>J. Hronsky</b>	1,500,000	300,000	-	1,800,000	1,800,000
<b>P. Crutchfield</b>	-	1,700,000	-	1,700,000	1,700,000

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Directors' Report**

**Remuneration Report (Continued)**

2019 Name	Balance at start of the year	Received during the year as remuneration	Other changes during the year <sup>1</sup>	Balance at the end of the year	Vested and exercisable at the end of the year
<i>Directors</i>					
P. Chapman	-	-	-	-	-
W. Robinson	-	-	-	-	-
P. Bewick	3,000,000	3,000,000	(750,000)	5,250,000	5,250,000
J. Hronsky	1,000,000	1,000,000	(500,000)	1,500,000	1,500,000

<sup>1</sup> Options lapsing unexercised at the end of the exercise period.

Share holdings

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

2020 Name	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
<i>Directors</i>				
P. Chapman	8,622,500	-	800,000	9,422,500
W. Robinson	24,769,098	-	400,000	25,169,098
P. Bewick	6,800,000	-	400,000	7,200,000
J. Hronsky	200,000	-	-	200,000
P. Crutchfield	-	-	2,514,241 <sup>1</sup>	2,514,241

<sup>1</sup> Shares held as at the date of appointment as a director.

2019 Name	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
<i>Directors</i>				
P. Chapman	8,622,500	-	-	8,622,500
W. Robinson	24,769,098	-	-	24,769,098
P. Bewick	6,800,000	-	-	6,800,000
J. Hronsky	200,000	-	-	200,000

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Directors' Report**

**Remuneration Report (Continued)**

**Loans made to key management personnel**

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

**Other transactions with key management personnel**

There were no other transactions with key management personnel.

**End of Remuneration Report**

**Proceedings on behalf of the Company**

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

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

**Officers' Indemnities and Insurance**

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

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

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

**Non-audit Services**

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

Total remuneration paid to auditors during the financial year:	2020	2019
	\$	\$
Audit and review of the Company's financial statements	32,000	31,250

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

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Directors' Report**

**Auditor's Independence Declaration**

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

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

Dated at Perth this 30<sup>th</sup> day of September 2020.

A handwritten signature in black ink, appearing to read 'W Robinson', with a long horizontal flourish extending to the right.

**W Robinson**  
**Managing Director**



**DECLARATION OF INDEPENDENCE BY SUWARTI ASMONO TO THE DIRECTORS OF ENCOUNTER RESOURCES LIMITED**

As lead auditor for the audit of Encounter Resources Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Encounter Resources Limited and the entities it controlled during the year.

*Crowe Perth*

**Crowe Perth**



**Suwarti Asmono**

Partner

Dated at Perth this 30<sup>th</sup> day of September 2020

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the financial year ended 30 June 2020**

	Note	Consolidated	
		2020 \$	2019 \$
Interest income		38,930	54,446
Other income	5	96,529	467,601
<b>Total income</b>		<b>135,459</b>	<b>522,047</b>
Employee expenses		(1,146,709)	(1,115,069)
Employee expenses recharged to exploration		933,396	908,337
Equity based remuneration expense	19	(375,240)	(86,528)
Non-executive Directors' fees		(77,500)	(110,000)
Gain/(loss) in fair value of financial assets	6,11	276,740	(461,234)
Profit/(loss) on disposal of fixed assets		19,545	-
Profit/(loss) on disposal of exploration assets		(130,430)	-
Depreciation expense	6	(633)	(593)
Corporate expenses		(71,613)	(65,807)
Administration and other expenses		(404,887)	(361,285)
Exploration costs written off and expensed	6,13	(284,403)	(294,359)
<b>Profit/(Loss) before income tax</b>		<b>(1,126,275)</b>	<b>(1,064,491)</b>
Income tax benefit	7	-	-
<b>Profit/(Loss) after tax</b>	19	<b>(1,126,275)</b>	<b>(1,064,491)</b>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<b>(1,126,275)</b>	<b>(1,064,491)</b>
Earnings per share for loss attributable to the ordinary equity holders of the Company			
Basic earnings/(loss) per share	29	<b>(0.4)</b>	(0.4)
Diluted earnings/(loss) per share	29	<b>(0.4)</b>	(0.4)

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Consolidated Statement of Financial Position**  
**As at 30 June 2020**

	Note	Consolidated	
		2020 \$	2019 \$
<b>Current assets</b>			
Cash and cash equivalents	8	1,865,502	2,480,280
Trade and other receivables	9(a)	57,888	70,692
Other current assets	9(b)	147,994	149,216
<b>Total current assets</b>		<b>2,071,384</b>	2,700,188
<b>Non-current assets</b>			
Financial assets	11	768,723	491,982
Property, plant and equipment	12	85,195	37,009
Capitalised mineral exploration and evaluation expenditure	13	13,963,789	13,008,555
<b>Total non-current assets</b>		<b>14,817,707</b>	13,537,546
<b>Total assets</b>		<b>16,889,091</b>	16,237,734
<b>Current liabilities</b>			
Trade and other payables	15	241,014	199,282
Employee benefits	16	313,175	315,096
<b>Total current liabilities</b>		<b>554,189</b>	514,378
<b>Total liabilities</b>		<b>554,189</b>	514,378
<b>Net assets</b>		<b>16,334,902</b>	15,723,356
<b>Equity</b>			
Issued capital	17	43,828,235	42,465,654
Accumulated losses	19	(28,069,977)	(27,011,196)
Equity remuneration reserve	19	576,644	268,898
<b>Total equity</b>		<b>16,334,902</b>	15,723,356

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Consolidated Statement of Changes in Equity**  
**For the financial year ended 30 June 2020**

	Consolidated			
	Issued capital \$	Accumulated losses \$	Equity remuneration reserve \$	Total \$
<b>2019</b>				
Balance at the start of the financial year	40,676,386	(26,075,127)	310,792	14,912,051
Comprehensive income for the financial year	-	(1,064,491)	-	(1,064,491)
Movement in equity remuneration reserve in respect of options vested	-	-	86,528	86,528
Transfer to accumulated losses on cancellation of vested options	-	128,422	(128,422)	-
Transactions with equity holders in their capacity as equity holders: Shares issued (net of costs)	1,789,268	-	-	1,789,268
Balance at the end of the financial year	<u>42,465,654</u>	<u>(27,011,196)</u>	<u>268,898</u>	<u>15,723,356</u>
<b>2020</b>				
Balance at the start of the financial year	<b>42,465,654</b>	<b>(27,011,196)</b>	<b>268,898</b>	<b>15,723,356</b>
Comprehensive income for the financial year	-	<b>(1,126,275)</b>	-	<b>(1,126,275)</b>
Movement in equity remuneration reserve in respect of options vested	-	-	<b>375,240</b>	<b>375,240</b>
Transfer to accumulated losses on cancellation of vested options	-	<b>67,494</b>	<b>(67,494)</b>	-
Transactions with equity holders in their capacity as equity holders: Shares issued (net of costs)	<b>1,362,581</b>	-	-	<b>1,362,581</b>
Balance at the end of the financial year	<u><b>43,828,235</b></u>	<u><b>(28,069,977)</b></u>	<u><b>576,644</b></u>	<u><b>16,334,902</b></u>

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Consolidated Statement of Cash Flows**  
**For the financial year ended 30 June 2020**

	Note	Consolidated	
		2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Other income		55,578	2,903
Project generation fee received		-	400,000
State Government funded drilling rebate		120,000	112,674
Interest received		38,930	54,446
Payments to suppliers and employees		(742,316)	(783,237)
<b>Net cash used in operating activities</b>	28	<b>(527,808)</b>	<b>(213,214)</b>
<b>Cash flows from investing activities</b>			
Contributions received from project generation alliance and farm-in partners		663,223	417,286
Payments for exploration and evaluation		(2,360,289)	(2,501,617)
R&D tax concession for exploration activities		253,168	127,686
Proceeds from sale of fixed assets		19,545	-
Proceeds from sale of exploration assets		60,000	-
Payments for plant and equipment		(85,197)	-
<b>Net cash used in investing activities</b>		<b>(1,449,550)</b>	<b>(1,956,645)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		1,383,740	1,800,800
Payments for share issue costs		(21,160)	(10,732)
<b>Net cash from financing activities</b>		<b>1,362,580</b>	<b>1,790,068</b>
<b>Net decrease in cash held</b>		<b>(614,778)</b>	<b>(379,791)</b>
<b>Cash at the beginning of the financial year</b>		<b>2,480,280</b>	<b>2,860,071</b>
<b>Cash at the end of the financial year</b>	8(a)	<b>1,865,502</b>	<b>2,480,280</b>

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 1 Summary of significant accounting policies**

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

**Basis of preparation**

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

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

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

The financial report of the Group was authorised for issue in accordance with a resolution of Directors on 29<sup>th</sup> September 2020.

Statement of Compliance

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

Adoption of new and revised Accounting Standards

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

*AASB 16 Leases*

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

*Impact of adoption*

At inception of a contract the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 1 Summary of significant accounting policies (continued)**

*New standards and interpretations not yet adopted*

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application date or future reporting periods.

There are no material new or amended Accounting Standards which will materially affect the Group.

*Reporting basis and conventions*

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

*Critical accounting estimates*

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

*Principles of consolidation*

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

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

**(a) Segment reporting**

Operating segments are identified and segment information disclosed, where appropriate, on the basis of internal reports reviewed by the Company's board of directors, being the Group's Chief Operating Decision Maker, as defined by AASB 8.

**(b) Other income**

*Interest income*

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

*Option fee income*

Recognised for option fee income at such time that the option fee becoming receivable by the Company occurs.

*Management fee income*

Recognised for management fees from farm-in and alliance partners during the period in which the Company provided the relevant service.

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 1 Summary of significant accounting policies (continued)**

**(c) Income tax**

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

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

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

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

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

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

**(d) Leases**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.



**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 1 Summary of significant accounting policies (continued)**

**(e) Impairment of assets**

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

**(f) Cash and cash equivalents**

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

**(g) Government grants**

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

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

**(h) Fair value estimation**

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

**(i) Property, plant and equipment**

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 1 Summary of significant accounting policies (continued)**

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

Asset Class	Depreciation Rate
Field equipment and vehicles	33%
Office equipment	33%
Leasehold improvements	Over the term of the lease

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

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

**(j) Mineral exploration and evaluation expenditure**

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

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

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

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

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

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

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

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but designates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Monies received pursuant to farm-in agreements are treated as a liability on receipt and until such time as the relevant expenditure is incurred.

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 1 Summary of significant accounting policies (continued)**

**(k) Joint ventures and joint operations**

*Joint ventures*

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

*Joint operations*

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

Details of these interests are shown in Note 14.

**(l) Trade and other payables**

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

**(m) Employee benefits**

Wages, salaries and annual leave

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

Long service leave

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

Share based payments

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

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

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 1 Summary of significant accounting policies (continued)**

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

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

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

**(n) Issued capital**

Ordinary shares are classified as equity.

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

**(o) Earnings per share**

*(i) Basic earnings per share*

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

*(ii) Diluted earnings per share*

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

**(p) Goods and services tax (GST)**

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

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

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

**(q) Comparative figures**

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 1 Summary of significant accounting policies (continued)**

**(r) Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

*Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

- (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or
- (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

*Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 1 Summary of significant accounting policies (continued)**

**(s) Fair value estimation**

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

Investments in equity securities

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

Trade and other receivables

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

Fair value measurement

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

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

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

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

**(t) Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on a current or non-current classification.

An asset is current when it is:

- Expected to be realized, or intended to be sold or consumed in the Group's normal operating cycle;
- Expected to be realized within twelve months after the reporting period; or
- Cash or a cash equivalents (unless restricted for at least twelve months after the reporting period).

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 1 Summary of significant accounting policies (continued)**

A liability is current when it is:

- Expected to be settled in the Group's normal operating cycle;
- It is due to be settled within twelve months after the reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other assets and liabilities are classed as non-current.

**Note 2 Financial risk management**

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

**(a) Credit risk**

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

Trade and other receivables

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

Cash deposits

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

**(b) Liquidity risk**

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

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

**(c) Market risk**

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

Interest rate risk

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 2 Financial risk management (Continued)**

Equity risk

The Group has exposure to price risk in respect of its holding of ordinary securities in Hampton Hill NL (ASX: HHM), which has a carrying value at 30 June 2020 of \$768,723 (2019: \$491,982). The investment is classified at fair value through profit or loss and as such any movement in the market value of HHM shares will be recognised as a benefit of expense in profit or loss. No specific hedging activities are undertaken into this investment.

Foreign exchange risk

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

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

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

**Note 3 Critical accounting estimates and judgements**

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

Accounting for capitalised exploration and evaluation expenditure

The Group's accounting policy is stated at 1(j). There is some subjectivity involved in the carrying forward as capitalised or writing off to the income statement exploration and evaluation expenditure. Key judgements applied include determining which expenditures relate directly to exploration and evaluation activities and allocating overheads between those that are expensed and capitalised. Management give due consideration to areas of interest on a regular basis and are confident that decisions to either write off or carry forward such expenditure reflect fairly the prevailing situation.

Accounting for share based payments

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the Group's activities, staffing and geographic regions in which the Group operates. Whilst there has been delay to the commencement of certain exploration activities, there does not currently appear to be direct material impact upon the financial statements as at the reporting date as a result of the Coronavirus (COVID-19) pandemic.



**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 4 Segment information**

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

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

	Consolidated	
	2020	2019
	\$	\$

**Note 5 Other income**

*Operating activities*

Project generation fees	-	400,000
Cash flow assistance grant	50,000	-
Management fees from farm-in and project generation alliance partners	42,001	63,647
Other income	4,528	3,954
	<b>96,529</b>	<b>467,601</b>

**Note 6 Loss for the year**

*Loss before income tax includes the following specific benefits/(expenses):*

Depreciation:		
Office equipment	(633)	(593)
Total exploration and joint venture costs not capitalised and written off	(284,403)	(294,359)
(Loss)/Gain in fair value of financial assets <sup>1</sup>	276,740	(461,234)

<sup>1</sup> Adjustment to carrying value of investment in Hampton Hill NL, based on ASX closing price as at 30 June 2020. The gain/(loss) on investment has been recognised in the Statement of Profit or Loss. Refer note 11.

**Note 7 Income tax**

*a) Income tax expense*

<i>Current income tax:</i>		
Current income tax charge (benefit)	(649,960)	(516,515)
Current income tax not recognised	649,960	516,515
<i>Deferred income tax:</i>		
Relating to origination and reversal of timing differences	1,172,779	1,019,703
Deferred income tax benefit/(liability) not recognised	(1,172,779)	(1,019,703)
Income tax expense/(benefit) reported in the income statement	-	-

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

	Consolidated	
	2020	2019
	\$	\$

**Note 7 Income tax (continued)**

*b) Reconciliation of income tax expense to prima facie tax payable*

Profit/(Loss) from continuing operations before income tax expense	(1,126,275)	(1,064,491)
Tax at the Australian rate of 27.5% (2019 – 27.5%)	<b>(309,726)</b>	(292,735)
<i>Tax effect of permanent differences:</i>		
Non-deductible share based payment	<b>103,191</b>	23,795
Unrealised movement in fair value of financial assets	<b>(76,103)</b>	126,839
Exploration costs written off	<b>13,036</b>	-
Capital raising costs claimed	<b>(10,452)</b>	(9,597)
Net deferred tax asset benefit not brought to account	<b>280,054</b>	151,698
	-	-
Tax (benefit)/expense	-	-

*c) Deferred tax – Balance Sheet*

*Liabilities*

Prepaid expenses	(40,698)	(41,034)
Capitalised exploration expenditure	<b>(3,840,042)</b>	(3,577,353)
	<b>(3,880,740)</b>	(3,618,387)

*Assets*

Revenue losses available to offset against future taxable income	9,107,450	7,675,789
Employee provisions	<b>86,123</b>	86,651
Accrued expenses	<b>9,813</b>	1,089
Deductible equity raising costs	<b>18,596</b>	23,319
	<b>9,221,981</b>	7,786,849
Net deferred tax asset not recognised	<b>5,341,241</b>	4,168,462

*d) Deferred tax – Income Statement*

*Liabilities*

Prepaid expenses	336	25,685
Capitalised exploration expenditure	<b>(262,689)</b>	(376,834)

*Assets*

Deductible equity raising costs	(4,725)	(6,646)
Accruals	<b>8,724</b>	(20,963)
Increase/(decrease) in tax losses carried forward	<b>1,431,661</b>	(648,240)
Employee provisions	<b>(528)</b>	7,295
Deferred tax benefit/(expense) movement for the period not recognised	<b>1,172,779</b>	(1,019,703)

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 7 Income tax (continued)**

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

- (i) The Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the tax losses to be realised;
- (ii) The Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) No changes in tax legislation adversely affect the Company realising the benefit from the deduction of the losses.

All unused tax losses were incurred by Australian entities.

The Company intends to issue Junior Mineral Exploration Incentive (JMEI) credits to eligible shareholders in respect of the 2020 financial year amounting to \$185,496 (2019: \$309,504), a total of \$674,531 (2019: \$1,125,469) in tax losses has been cancelled as at 30 June 2020 in the above disclosures in respect of this issue.

	Consolidated	
	2020	2019
	\$	\$

**Note 8 Current assets - Cash and cash equivalents**

Cash at bank and on hand	488,373	907,780
Deposits at call	1,377,129	1,573,000
	<b>1,865,502</b>	<b>2,480,280</b>

*(a) Reconciliation to cash at the end of the year*

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

Cash and cash equivalents per statement of cash flows	<b>1,865,502</b>	2,480,280
---	------------------	-----------

*(b) Deposits at call*

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

*(c) Cash balances not available for use*

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

Office lease bond guarantee (Note 24)	<b>23,000</b>	23,000
---------------------------------------	---------------	--------

The Company recognises liabilities in the financial statements for unspent farm-in contributions (Note 15).

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

	Consolidated	
	2020	2019
	\$	\$

**Note 9 Current assets – Receivables**

*a) Trade and other receivables*

Funds due from project generation and farm-in partners	6,927	47,983
Trade and other receivables	41,271	11,207
GST recoverable	9,690	11,502
	<b>57,888</b>	<b>70,692</b>

*b) Other current assets*

Prepaid tenement costs	<b>147,994</b>	<b>149,216</b>
------------------------	----------------	----------------

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

**Note 10 Non-current assets – Investment in controlled entities**

*a) Investment in controlled entities*

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

Encounter Operations Pty Ltd	2	2
Hamelin Resources Pty Ltd	1	1
Encounter Yeneena Pty Ltd	2	2
Baudin Resources Pty Ltd	<b>10</b>	<b>10</b>

Subsidiary Company	Country of Incorporation	Ownership Interest	
		2020	2019
Encounter Operations Pty Ltd	Australia	<b>100%</b>	100%
Hamelin Resources Pty Ltd	Australia	<b>100%</b>	100%
Encounter Yeneena Pty Ltd	Australia	<b>100%</b>	100%
Baudin Resources Pty Ltd	Australia	<b>100%</b>	100%

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

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 10 Non-current assets – Investment in controlled entities (Continued)**

*b) Loans to controlled entities*

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

	2020 \$	2019 \$
Encounter Operations Pty Ltd	22,051,111	21,783,786
Hamelin Resources Pty Ltd	4,944,451	4,280,398
Encounter Yeneena Pty Ltd	881,285	803,052
Baudin Resources Pty Ltd	120,661	-

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

	Consolidated	
	2020 \$	2019 \$

**Note 11 Financial assets – Investments Designated at Fair Value through Profit or Loss**

Balance at the start of the financial year <sup>1</sup>	491,983	953,216
Gain on investments recognised through profit & loss <sup>2</sup>	276,740	(461,234)
	<hr/>	<hr/>
Balance at the end of the financial year	<b>768,723</b>	491,982

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

<sup>2</sup> Adjustment to carrying value of investment in Hampton Hill NL, based on ASX closing price as at 18 February 2020, being the last date that the shares traded on ASX. The gain on investment has been recognised in the Statement of Profit or Loss. Refer note 6.

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

	Consolidated	
	2020	2019
	\$	\$

**Note 12 Non-current assets – Property, plant and equipment**

*Field equipment*

At cost	<b>805,219</b>	844,631
Accumulated depreciation	<b>(721,645)</b>	(808,813)
	<b>83,574</b>	35,818

*Office equipment*

At cost	<b>112,170</b>	111,107
Accumulated depreciation	<b>(110,549)</b>	(109,916)
	<b>1,621</b>	1,191

*Leasehold improvements*

At cost	<b>22,137</b>	22,137
Accumulated depreciation	<b>(22,137)</b>	(22,137)
	<b>-</b>	-

	<b>85,195</b>	37,009
--	---------------	--------

**Reconciliation**

*Field equipment*

Net book value at start of the year	<b>35,818</b>	53,731
Cost of additions	<b>84,133</b>	-
Net book value of disposals	-	-
Depreciation charged	<b>(36,377)</b>	(17,913)
Net book value at end of the year	<b>83,574</b>	35,818

*Office equipment*

Net book value at start of the year	<b>1,191</b>	1,784
Cost of additions	<b>1,063</b>	-
Depreciation charged	<b>(633)</b>	(593)
Net book value at end of the year	<b>1,621</b>	1,191

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

**Note 13 Non-current assets – Capitalised mineral exploration and evaluation expenditure**

*In the exploration and evaluation phase*

Capitalised exploration costs at the start of the period	<b>13,008,555</b>	11,638,248
Total acquisition and exploration costs for the period (i)	<b>1,612,805</b>	1,899,443
Exploration costs funded by EIS grant	<b>(120,000)</b>	(107,090)
Research and development tax credits (ii)	<b>(253,168)</b>	(126,687)
Total exploration and joint venture costs written off and expensed for the period	<b>(284,403)</b>	(294,359)
Capitalised exploration costs at the end of the period	<b>13,963,789</b>	13,008,555

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 13 Non-current assets – Capitalised mineral exploration and evaluation expenditure (Continued)**

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

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

- (i) *Does not include costs incurred by farm-in partners in respect of spend incurred on assets the subject of farm-in arrangements.*
- (ii) *Amounts receivable pursuant to research and development tax credit (R&D) claims lodged during the period. The activities the subject of the R&D claims are subject to review by AusIndustry prior to being submitted. R&D submissions may or may not be subject to future review or audit by AusIndustry or the Australian Taxation Office.*

**Note 14 Interest in joint ventures and farm-in arrangements**

**a) Joint Venture Agreements – Joint Operations**

Joint venture agreements may be entered into with third parties.

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

The Company was party to the following farm-in, option and joint venture arrangements during the financial year ended 30 June 2019:

**b) Joint Venture and Farm-in Arrangements**

Millennium Zinc Project – Hampton Hill NL (HHM) Joint Venture

Encounter Resources Limited has a 75:25 contributing joint venture with HHM covering the Company's Millennium zinc project, comprising exploration licences EL45/2501, EL45/2561 and four blocks of EL45/2500 in the Paterson Province of Western Australia.

- HHM hold a 25% and Encounter holds a 75% interest in the joint venture.
- Industry standard expenditure contribution or dilution formulas would apply. If a party's interest is diluted to less than 10%, that interest would convert to a 1% Net Profit Royalty.
- Encounter is the Operator.

Earn-in and Joint Venture Agreement - Yeneena Copper-Cobalt Project ("Yeneena")– IGO Limited NL (IGO)

The key terms of the earn-in and joint venture agreement are as follows:

- IGO may earn a 70% interest in the project by sole funding \$15 million of expenditure over 7 years;
- During the earn-in, IGO shall have the right to be the Manager of the project;
- Upon IGO completing the earn-in a 70:30 joint venture will be formed, and the parties must contribute funds based on their percentage interest to maintain their respective interests; and
- Standard dilution clauses will apply to the parties' interests. Should a party's interest dilute to below 10% it shall automatically convert to a Net Smelter Royalty.

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 14 Interest in joint ventures and farm-in arrangements (Continued)**

Joint Venture Agreement – Newcrest Mining Limited (ASX:NCM)

Newcrest and Encounter currently have four separate joint ventures (Selby, Watts, Lewis and Aileron), initially on a 50:50 basis. While these are separate joint ventures, each joint venture is on the same or largely similar terms.

- Newcrest sole fund expenditure and may increase its interest to 80% in any of the joint venture by delivering a JORC Inferred Resource of greater than 1 million ounces of gold or gold equivalent.
- Upon notification of the JORC Inferred Resource, Encounter can elect to maintain its 20% interest in the joint venture by funding its portion of future expenditure or Newcrest will acquire Encounter's joint venture interest for fair value (being an amount agreed or as determined by independent experts).
- Prior to a decision to mine being made, if Encounter elects not to contribute to expenditure at any time after previously contributing, then standard industry dilution formulas will apply down to a 10% interest. If Encounter's interest dilutes below 10%, the interest will be transferred to Newcrest and Encounter will be entitled to a 2% net smelter royalty.
- If Newcrest elects at any time to withdraw from the joint venture or its interest in the joint venture dilutes to below 10%, Newcrest's interest will be transferred to Encounter.

	Consolidated	
	2020	2019
	\$	\$

**Note 15 Current liabilities – Trade and other payables**

Trade payables and accruals	<b>174,757</b>	151,051
Other payables	<b>66,257</b>	48,231
	<b>241,014</b>	199,282

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

**Note 16 Current liabilities - Employee benefits**

Liability for annual leave	<b>112,815</b>	125,575
Liability for long service leave	<b>200,360</b>	189,521
	<b>313,175</b>	315,096



**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 17 Issued capital**

a) Ordinary shares

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

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

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

	<i>Issue price</i>	<b>2020 No.</b>	2019 No.	<b>2020 \$</b>	2019 \$
--	--------------------	-----------------	----------	----------------	---------

b) Share capital

Issued share capital		<b>280,824,968</b>	262,375,092	<b>43,828,235</b>	42,465,654
----------------------	--	--------------------	-------------	-------------------	------------

c) Share movements during the year

Balance at the start of the financial year		<b>262,375,092</b>	238,375,092	<b>42,465,654</b>	40,676,386
Share placement	\$0.075	-	24,000,000	-	1,800,000
Share placement	\$0.075	<b>18,449,876</b>	-	<b>1,383,741</b>	-
Less share issue costs		-	-	<b>(21,160)</b>	(10,732)
Balance at the end of the financial year		<b>280,824,968</b>	262,375,092	<b>43,828,235</b>	42,465,654

**Note 18 Options and share based payments**

The establishment of the Encounter Resources Limited Employee Share Option Plan ("the Plan") was last approved by a resolution at the Annual General Meeting of shareholders of the Company on 30 November 2018. All eligible Directors, executive officers and employees of Encounter Resources Limited who have been continuously employed by the Company are eligible to participate in the Plan.

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

a) Options issued during the year

During the financial year the Company granted 5,300,000 options (2019: 4,650,000) over unissued shares.

b) Options exercised during the year

During the financial year the Company issued no shares (2019: Nil) on the exercise of unlisted employee options.

c) Options cancelled during the year

During the year no options (2019: 475,000) were cancelled upon termination of employment; and 1,075,000 options (2019: 7,191,429) were cancelled on expiry of exercise period.

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 18 Options and share based payments (continued)**

*d) Options on issue at the balance date*

The number of options outstanding over unissued ordinary shares at 30 June 2019 is 13,950,000 (2019: 9,725,000). The terms of these options are as follows:

<i>Number of options outstanding</i>	<i>Exercise price</i>	<i>Expiry date</i>
1,850,000	13 cents	24 November 2020
750,000	17.5 cents	24 November 2021
675,000	10.5 cents	1 November 2021
725,000	10 cents	31 May 2022
3,150,000	9 cents	30 November 2022
1,500,000	12 cents	30 November 2023
5,300,000	20 cents	31 October 2023
<b>13,950,000</b>		

*e) Subsequent to the balance date*

900,000 options have been granted subsequent to the balance date and to the date of signing this report.

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

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

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

	2020		2019	
	No.	WAEP (cents)	No.	WAEP (cents)
Options outstanding at the start of the year	<b>9,725,000</b>	<b>12.9</b>	12,741,429	18.5
Options granted during the year	<b>5,300,000</b>	<b>20.0</b>	4,650,000	10.0
Options exercised during the year	-	-	-	-
Options cancelled and expired unexercised during the year	<b>(1,075,000)</b>	<b>25.9</b>	(7,666,429)	20.4
Options outstanding at the end of the year	<b>13,950,000</b>	<b>14.6</b>	9,725,000	12.9

*Weighted average contractual life*

The weighted average contractual life for un-exercised options is 28.4 months (2019: 31.7 months).

*Basis and assumptions used in the valuation of options.*

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

Date granted	Number of options granted	Exercise price (cents)	Expiry date	Risk free interest rate used	Volatility applied	Value of Options
26 Nov 2019	5,300,000	20	31 Oct 2023	0.69%	83.6%	\$375,240

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

	Consolidated			
	2020		2019	
	Accumulated losses \$	Equity remuneration reserve (i) \$	Accumulated losses \$	Equity remuneration reserve (i) \$

**Note 19 Reserves and accumulated losses**

Balance at the beginning of the year	(27,011,196)	268,898	(26,075,127)	310,792
Profit/(Loss) for the period	(1,126,275)	-	(1,064,491)	-
Movement in equity remuneration reserve in respect of options issued	-	375,240	-	86,528
Transfer to accumulated losses on cancellation of options	67,494	(67,494)	128,422	(128,422)
Balance at the end of the year	<u>(28,069,977)</u>	<u>576,644</u>	<u>(27,011,196)</u>	<u>268,898</u>

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

**Note 20 Financial instruments**

**Credit risk**

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

**Impairment losses**

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

**Interest rate risk**

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

	Carrying amount (\$)	
	2020	2019

**Fixed rate instruments**

Financial assets	-	-
------------------	---	---

**Variable rate instruments**

Financial assets	<u>1,865,502</u>	<u>2,480,280</u>
------------------	------------------	------------------

Cash flow sensitivity analysis for variable rate instruments

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 20 Financial instruments (Continued)**

	Profit or loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease

**2020**

Variable rate instruments	18,655	(18,655)	18,655	(18,655)
---------------------------	--------	----------	--------	----------

**2019**

Variable rate instruments	24,803	(24,803)	24,803	(24,803)
---------------------------	--------	----------	--------	----------

**Liquidity risk**

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

Consolidated	Carrying amount	Contractual cash flows	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years
	\$	\$	\$	\$	\$	\$	\$

**2020**

Trade and other payables	174,757	174,757	174,757	-	-	-	-
	174,757	174,757	174,757	-	-	-	-

**2019**

Trade and other payables	151,051	151,051	151,051	-	-	-	-
	151,051	151,051	151,051	-	-	-	-

**Fair values**

**Fair values versus carrying amounts**

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

	Consolidated			
	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Cash and cash equivalents	1,865,502	1,865,502	2,480,280	2,480,280
Financial assets	768,723	768,723	491,982	491,982
Trade and other payables	(174,757)	(174,757)	(151,051)	(151,051)
	2,459,468	2,459,468	2,821,211	2,821,211

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 21 Dividends**

No dividends were paid or proposed during the financial year ended 30 June 2020 or 30 June 2019.  
The Company has no franking credits available as at 30 June 2020 or 30 June 2019.

**Note 22 Key management personnel disclosures**

(a) Directors and key management personnel

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

- (i) *Chairman – non-executive*  
Paul Chapman
- (ii) *Executive directors*  
Will Robinson, Managing Director  
Peter Bewick, Exploration Director
- (iii) *Non-executive directors*  
Jonathan Hronsky, Director  
Philip Crutchfield, Director

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

(b) Key management personnel compensation

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

	2020	2019
	\$	\$
Total short-term employment benefits	636,256	623,770
Total share-based payments	311,520	68,601
Total post-employment benefits	57,880	59,260
	<b>1,005,656</b>	<b>751,631</b>

**Note 23 Remuneration of auditors**

Audit and review of the Company's financial statements

<b>32,000</b>	<b>31,250</b>
---------------	---------------

**Note 24 Contingencies**

(i) Contingent liabilities

There were no material contingent liabilities not provided for in the financial statements of the Group as at 30 June 2020 or 30 June 2019 other than:

Yeneena Project Gold Claw-back

Included in the agreement for the Group's acquisition of the remaining 25% interest of certain licences in the Yeneena Project is a gold claw-back right in the event of a major discovery of a deposit of minerals dominant in gold, with gold revenue measured in a mining study equal to or exceeding 65% of total revenue and where a JORC compliant mineral resources exceeds 4,000,000 ounces of gold or gold equivalent, or is capable of producing at least 200,000 ounces of gold or gold equivalent per year for 10 years.

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 24 Contingencies (Continued)**

Under the agreement Barrick (Australia Pacific) Limited retains the right to regain an interest of between 70 and 100% in the gold discovery at a price of between US\$40-100 per ounce, with a 1.5% net smelter royalty to Encounter Resources.

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

Telfer West Production Royalty

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

Native Title and Aboriginal Heritage

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

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

Bank guarantees

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

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

(ii) Contingent assets

There were no material contingent assets as at 30 June 2020 or 30 June 2019.

**Note 25 Commitments**

(a) Exploration

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

As at balance date, total exploration expenditure commitments on tenements held by the Group have not been provided for in the financial statements and which cover the following twelve month period amount to \$2,302,520 (2019: \$1,214,770).

The exploration expenditure obligations stated above include amounts (approximately \$1.9m) that are funded by third parties pursuant to various farm-in agreements (Note 14). Hence current expenditure commitment on Encounter 100% owned projects is approximately \$0.4m.

(b) Lease Commitments

There are no material operating lease commitments as at 30 June 2020 or 30 June 2019 not otherwise disclosed in the Financial Statements.

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 25 Commitments (Continued)**

*(c) Contractual Commitment*

There are no material contractual commitments as at 30 June 2020 or 30 June 2019 not otherwise disclosed in the Financial Statements.

**Note 26 Related party transactions**

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

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

**Note 27 Events occurring after the balance sheet date**

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has delayed the commencement of certain exploration programs, it has not materially financially impacted the Group up to 30 June 2020. It is not practicable to estimate the potential impact, positive or negative, after the reporting date.

On 1 July 2020 the Company issued 900,000 options pursuant to its Employee Share Option Plan.

On 24 September 2020 the Company advised that it had entered into an option agreement which provides BHP Group Limited the right to earn up to a 75% interest in the Company's Elliott Copper Project in the Northern Territory by spending up to \$22 million over 10 years.

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

	Consolidated	
	2020	2019
	\$	\$

**Note 28 Reconciliation of loss after tax to net cash inflow from operating activities**

Profit/(Loss) from ordinary activities after income tax	(1,126,275)	(1,064,491)
(Profit)/loss on disposal of assets	110,885	-
Depreciation	663	593
Exploration cost written off and expensed	284,403	294,359
Share based payments expense	375,240	86,528
Unrealised (gain)/loss on investments	(276,740)	461,234
Contribution to overheads from farm-in and project alliance partners	(42,001)	(63,647)
EIS grant funding offset against capitalised exploration	120,000	112,674
<i>Movement in assets and liabilities:</i>		
(Increase)/decrease in receivables	(3,959)	5,690
Increase/(decrease) in payables	(29,976)	(46,154)
Net cash outflow from operating activities	<b>(577,808)</b>	<b>(213,214)</b>

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 29 Earnings per share**

	Consolidated	
	2020	2019
<i>a) Basic earnings per share</i>	Cents	Cents
Profit/(Loss) attributable to ordinary equity holders of the Company	<b>(0.4)</b>	(0.4)
<i>b) Diluted earnings per share</i>		
Profit/(Loss) attributable to ordinary equity holders of the Company	<b>(0.4)</b>	(0.4)
<i>c) Loss used in calculation of basic and diluted loss per share</i>	\$	\$
Consolidated profit/(loss) after tax from continuing operations	<b>(1,126,275)</b>	(1,064,491)
<i>d) Weighted average number of shares used as the denominator</i>	No.	No.
Weighted average number of shares used as the denominator in calculating basic earnings per share	<b>280,192,048</b>	253,498,380
Weighted average number of shares used as the denominator in calculating diluted earnings per share	<b>280,192,048</b>	253,498,380

At 30 June 2020, the Company has on issue 13,950,000 options (2019: 9,725,000) over ordinary shares that are not considered to be dilutive.



**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2020**

**Note 30 Parent entity information**

	Company	
	2020	2019
	\$	\$
<i>Financial position</i>		
<b>Assets</b>		
Current assets	2,061,193	2,680,979
Non-current assets	14,834,189	13,556,755
Total Assets	<b>16,895,382</b>	16,237,734
<b>Liabilities</b>		
Current liabilities	560,480	514,378
Non-current liabilities	-	-
Total Liabilities	<b>560,480</b>	514,378
<b>NET ASSETS</b>	<b>16,334,902</b>	15,723,356
<b>Equity</b>		
Issued capital	43,828,235	42,465,654
Equity remuneration reserve	576,644	268,898
Accumulated losses	<b>(28,069,977)</b>	(27,011,196)
<b>TOTAL EQUITY</b>	<b>16,334,902</b>	15,723,356
<i>Financial performance</i>		
Profit/(Loss) for the year	<b>(1,126,275)</b>	(1,064,391)
Other comprehensive income	-	-
Total comprehensive income	<b>(1,126,275)</b>	(1,064,391)

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

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

*Contingent liabilities*

For full details of contingencies see Note 24.

*Commitments*

For full details of commitments see Note 25.

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Directors' Declaration**

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

- (a) the financial statements and notes set out on pages 18 to 49 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Group.
- (b) the remuneration disclosures that are contained in the Remuneration Report in the Directors Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, The Corporations Act 2001 and the Corporations Regulations 2001.
- (c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- (d) the financial statements comply with International Financial Reporting Standards as set out in Note 1.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2020.

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

Signed at Perth this 30<sup>th</sup> day of September 2020.



**W Robison**  
**Managing Director**

## **INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ENCOUNTER RESOURCES LIMITED**

### **Report on the Audit of the Financial Report**

#### ***Opinion***

We have audited the financial report of Encounter Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### ***Basis for Opinion***

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

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

#### ***Key Audit Matters***

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

Key Audit Matter	How we addressed the Key Audit Matter
<b>Consideration of impairment of capitalised mineral exploration and evaluation expenditure</b>	
<p>The consideration of impairment of the carrying value of the Group's Capitalised Mineral Exploration and Evaluation Expenditure assets was material to our audit and represented an area of significant estimate and judgement within the financial report.</p> <p>This matter is considered a key audit matter due to the high degree of judgement required by the directors to assess whether impairment indicators are present for specified tenements held and due to the significance of the capitalised amount of \$13.96m at 30 June 2020.</p> <p>The conditions and assessment undertaken in relation to impairment are disclosed in the Group's accounting policy in Notes 1 and 13 of the financial report.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating management's documented assessment of the existence or otherwise of impairment indicators from both internal and external sources;</li> <li>• Corroborating representations made by management with available external data and evidence obtained by us during the course of our audit; and</li> <li>• Considering the appropriateness of relevant disclosures in the notes to the financial statements.</li> </ul>

***Information Other than the Financial Report and the Audit's Report Thereon***

The directors are responsible for the other information. The other information comprises the information included in the Group's 2020 Annual Report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

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

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

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

***Responsibilities of the Directors for the Financial Report***

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

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

***Auditor's Responsibilities for the Audit of the Financial Report***

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

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

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

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

#### **Report on the Remuneration Report**

##### ***Opinion on the Remuneration Report***

We have audited the Remuneration Report included in pages 8 to 15 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Encounter Resources Limited for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

##### ***Responsibilities***

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

*Crowe Perth*

#### **Crowe Perth**



**Suwarti Asmono**

Partner

Dated at Perth this 30<sup>th</sup> day of September 2020