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**NOTICE OF GENERAL MEETING**

**&**

**EXPLANATORY STATEMENT**

**To be held**

At 10.00am, Friday, 23 March 2012

**at**

The Offices of Encounter Resources Limited  
Level 7, 600 Murray Street  
West Perth WA 6005



Level 7, 600 Murray Street  
West Perth WA 6005

PO Box 273  
West Perth WA 6872

P 08 9486 9455  
F 08 6210 1578

[www.enrl.com.au](http://www.enrl.com.au)

20<sup>th</sup> February 2012

Dear Fellow Encounter Shareholder,

Please find enclosed the Notice of General Meeting for the Shareholders' Meeting to be held at the offices of Encounter Resources Limited, Level 7, 600 Murray Street, West Perth, WA 6005 at 10.00am on Friday, 23 March 2012.

The purpose of the meeting is to seek shareholder approval in accordance with the Corporations Act 2001 and the Listing Rules of the ASX to a number of resolutions, which are set out in the attached Notice of Meeting paper.

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

Yours sincerely

**Paul Chapman**  
Chairman

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**ENCOUNTER RESOURCES LIMITED**  
ABN 47 109 815 796

**NOTICE OF GENERAL MEETING**

Notice is hereby given that a General Meeting of Encounter Resources Limited will be convened at 10.00am on Friday, 23 March 2012 at the offices of Encounter Resources Limited, Level 7, 600 Murray Street, Western Australia.

**AGENDA**

**ORDINARY BUSINESS**

**1. Ratification of Prior Issue of Equity Securities – Share Placement**

To consider, and if thought fit, to pass, with or without modification, the following ordinary resolution:

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of 13,675,000 ordinary fully paid shares pursuant to the Placement completed on 15 February 2012 on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

The issue was in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.

**Voting Exclusion Statement**

The Company will disregard any votes cast on Agenda Item 1 by any person who participated in the issue, and any associate of that person (or those persons).

Before a voting exclusion applies, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**2. Participation in the Placement by Directors – Resolutions (a), (b) and (c)**

To consider, and if thought fit, to pass, with or without modification, the following ordinary resolution:

*“That, for the purposes of Sections 208 and 195(4) of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the allotment and issue of 1,175,000 shares to Directors of the Company (or their nominees) as set out in resolutions (a), (b) and (c), raising up to \$470,000 under the Placement, on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

<b>Director</b>	<b>Number of shares</b>
(a) Paul Chapman	675,000
(b) Will Robinson	250,000
(c) Peter Bewick	250,000

**Voting Exclusion Statement**

The Company will disregard any votes cast on Agenda Item 2 resolutions (a), (b) and (c), by Mr Paul Chapman, Mr Will Robinson and Mr Bewick respectively, and any associate of that person (or those persons).

Before a voting exclusion applies, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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**ENCOUNTER RESOURCES LIMITED**  
ABN 47 109 815 796

**NOTICE OF GENERAL MEETING**

**GENERAL NOTES**

1. The Explanatory Statement to Shareholders attached to this Notice of General Meeting is hereby incorporated into and forms part of this Notice of General Meeting.
2. The Directors have determined in accordance with Regulation 7.11.37 of the Corporations Regulations that, for the purposes of voting at the meeting, shares will be taken to be held by the registered holders at 5.00pm on Wednesday 21 March 2012.

**BY ORDER OF THE BOARD**

Kevin Hart  
COMPANY SECRETARY

Dated this 20<sup>th</sup> day of February 2012

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**EXPLANATORY STATEMENT**

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

**Information relating to Agenda Items 1 and 2**

On 7 February 2012 the Company announced the placement of up to 14,900,000 ordinary fully paid shares to raise approximately \$6 million, before costs. The placement is to be completed in two parts, the first tranche of 13,675,000 shares being issued on 15 February 2012, pursuant to the Company's 15% placement facility under Listing Rule 7.1 and is the subject of shareholder ratification in Agenda Item 1. The remainder of the placement, being 1,175,000 shares, is to be issued to Directors of the Company, subject to shareholder approval being sought under the resolutions attaching to Agenda Item 2.

**1 Ratification of a Prior Issue of Equity Securities – Share Placement**

Listing Rule 7.1 provides that without Shareholder approval, a company must not issue or agree to issue new equity securities constituting more than 15% of its total issued capital within a 12 month period (excluding any issue of equity securities approved by Shareholders and other various permitted exceptions which are not relevant for current purposes).

Listing Rule 7.4 allows an issue of securities made without the approval of Shareholders to be ratified by shareholders, in order to refresh the 15% capacity under Listing Rule 7.1, provided that at the time the issue was made, the issue was made within the Company's existing 15% capacity under Listing Rule 7.1.

Shareholder approval is therefore now sought pursuant to Listing Rule 7.4 to ratify the issue of Placement Shares so that the Company refreshes its capacity to issue up to 15% of its issued ordinary capital, if required, in the next 12 months without first requiring Shareholder approval for those future issues.

Listing Rule 7.5 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to Listing Rule 7.4:

- (a) the total number of equity securities issued was 13,675,000 ordinary fully paid shares;
- (b) the Shares were issued at a placement price of 40 cents each;
- (c) the Shares issued rank equally with an existing class of securities on issue;
- (d) the Shares were issued to professional and sophisticated investors, who are clients of Investorfirst Securities Limited and others, none of whom are related parties of the Company;
- (e) the funds raised from the Placement are to be used to fund the escalating exploration drill programs at the Yeneena Copper discovery and provide working capital.

**2. Participation in the Placement by Directors – Resolutions (a), (b) and (c)**

Agenda Item 2 relates to the proposed participation by Directors of the Company (or their nominees) in a Placement of shares on exactly the same terms and conditions to the placement made to the unrelated parties the subject of Agenda Item 1.

**Chapter 2E of the Corporations Act**

Under Chapter 2E of the Corporations Act, a public company cannot give a "financial benefit" to a "related party" unless one of the exceptions to Section 208 apply or Shareholders have in general meeting approved the giving of that financial benefit to the related party. A "financial benefit" is defined in the Corporations Act in broad terms and includes a public company issuing securities. For the purposes of this meeting, a "related party" includes a director of the Company. Accordingly, the proposed issue of shares to a Director involves the provision of a financial benefit to a related party of the Company.

Section 210 of the Corporations Act provides that an entity does not need to obtain Shareholder approval to give a financial benefit to a related party if the giving of the financial benefit would be reasonable in the circumstances if the related party and the entity are dealing at arm's length (or terms less favourable than arm's length).

Notwithstanding that the Related Parties will be subscribing for shares under the Placement on the same terms as all other placement investors, the Board is of the view that it is prudent to seek Shareholder approval under Section 208 of the Corporations Act.

**ENCOUNTER RESOURCES LIMITED**

ABN 47 109 815 796

**EXPLANATORY STATEMENT**

**2. Participation in Placement by Directors – Resolutions (a), (b) and (c) (Continued)**

In accordance with the requirements of Sections 217 to 227 of the Corporations Act, the following information is provided to allow Shareholders to assess the proposed issue of shares to the Related Parties:

- (a) the related parties to whom the financial benefit will be given are Mr Paul Chapman, Mr Will Robinson and Mr Peter Bewick (or their respective nominees);
- (b) the number of shares proposed to be issued is 1,175,000 ordinary fully paid shares at 40 cents per share, which would represent 1% of the expanded issued capital on an undiluted basis after the Placement.

The number of shares to be issued to, and the total subscription funds payable by the Directors, if the resolutions the subject of Agenda Item 2 are approved by Shareholders, is as follows:

Director	Number of shares	Subscription Funds (\$)
(a) Paul Chapman (or nominee)	675,000	\$270,000
(b) Will Robinson (or nominee)	250,000	\$100,000
(c) Peter Bewick (or nominee)	250,000	\$100,000

- (c) it may be perceived that a financial benefit is being given to the Directors referred to above due to the fact that the issue price of the shares are less than the prevailing market price (based on the price of shares at the date of this Notice), although the proposed issue to Directors is on identical terms to those made to other independent third parties;

The issue price per Share to be issued under Agenda 2 is 40 cents per Share. The value of the Shares, based on the market price of Shares prior to the date of the placement announcement to the ASX calculated according to the 5 day volume weighted average price of shares is equal to 45.4 cents per Share.

In the last 12 months, the highest price for ordinary fully paid shares in the company trading on ASX was \$1.15 which occurred on 4 April 2011. The lowest price was 40 cents which occurred on 31 January 2012. On 16 February 2012 the closing price was 46 cents.

- (d) Dr Jon Hronsky who is not participating in the Placement recommends that Shareholders vote in favour of the resolution, as he believes the increased shareholding of the Directors and related parties will provide further incentive to enhance the future value of the Company's shares for all Shareholders. The Placement will also add up to \$470,000 to the Company's working capital.

Mr Chapman does not wish to make a recommendation to Shareholders in respect of resolution (a) to Agenda Item 2 because he has a material interest in the outcome of the resolution. However he recommends that Shareholders vote in favour of resolutions 2(b) and 2(c) as he believes the increased shareholding of the Directors will provide further incentive to enhance the future value of the Company for all Shareholders.

Mr Robinson does not wish to make a recommendation to Shareholders in respect of resolution (b) to Agenda Item 2 because he has a material interest in the outcome of the resolution. However he recommends that Shareholders vote in favour of resolutions 2(a) and 2(c) as he believes the increased shareholding of the Directors will provide further incentive to enhance the future value of the Company for all Shareholders.

Mr Bewick does not wish to make a recommendation to Shareholders in respect of resolution (c) to Agenda Item 2 because he has a material interest in the outcome of the resolution. However he recommends that Shareholders vote in favour of resolutions 2(a) and 2(b) as he believes the increased shareholding of the Directors will provide further incentive to enhance the future value of the Company for all Shareholders.

**ENCOUNTER RESOURCES LIMITED**  
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**EXPLANATORY STATEMENT**

**2. Participation in Placement by Directors – Resolutions (a), (b) and (c) (Continued)**

*Remuneration of the Directors*

The total annual remuneration paid to the Directors for the last financial year is as follows:

<b>Year Ended 30 June 2011</b>	<b>Salaries and Fees</b>	<b>Superannuation</b>	<b>Value of options granted</b>	<b>Total</b>
Paul Chapman	\$52,000	\$4,608	Nil	\$56,608
Will Robinson	\$250,275	\$22,525	Nil	\$272,800
Peter Bewick	\$231,000	\$20,790	\$1,509,449	\$1,761,239

*Securities held by the Directors*

As at the date of this Notice, the Directors have interests in the securities of the Company as set out below:

	<b>Shares</b>	<b>Options</b>
Paul Chapman	4,747,400	Nil
Will Robinson	21,846,900	Nil
Peter Bewick	4,725,000	400,000 unlisted options exercisable at \$0.55 each on or before 30 November 2012 400,000 unlisted options exercisable at \$0.70 cents each on or before 30 November 2012 3,500,000 unlisted options exercisable at \$1.35 each on or before 22 November 2014

**Section 195 Corporations Act**

Section 195(1) of the Corporations Act provides a general restriction on a director who has a material personal interest in a resolution being considered at a director's meeting of the company being present during any discussion on the resolution or voting on the resolution at the director's meeting.

Section 195(4) of the Corporations Act provides that where there are insufficient directors to form a quorum at a director's meeting because of Section 195(1), the directors can call a general meeting of shareholders to consider the matter.

The Directors are unable to form a quorum to consider any matters relating to the issue of Shares under Agenda Item 2, as three out of the four Directors has a material interest in the outcome of the resolutions that are the subject of Agenda Item 2. Therefore, the Directors are seeking approval under Section 195(4) to deal with the matter.

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EXPLANATORY STATEMENT

2. Participation in Placement by Directors – Resolutions (a), (b) and (c) (Continued)

**ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company (which includes a Director).

If the resolutions (a), (b) and (c) that are the subject of Agenda Item 2 are passed, the Related Parties may be issued shares under the Placement. Accordingly, approval for the issue of securities to the Related Parties of the Company is required pursuant to ASX Listing Rule 10.11.

Separate approval pursuant to ASX Listing Rule 7.1 is not required in order to issue shares to the Directors as approval is being obtained under ASX Listing Rule 10.11.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Agenda Item 2:

(a) the number of shares to be issued to Related Parties is as follows:

Paul Chapman	675,000 ordinary fully paid shares
Will Robinson	250,000 ordinary fully paid shares
Peter Bewick	250,000 ordinary fully paid shares;

(b) the shares will be issued no later than one (1) month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on the same date;

(c) ordinary shares will be issued at a price of 40 cents per share and will rank equally with existing issued ordinary shares from the date of issue;

(d) the funds raised from the Placement are to be used to fund the escalating exploration drill programs at the Company's Yeneena Copper Project and provide working capital.

There is no other information known to the Directors that is reasonably required by Shareholders to make a decision whether or not it is in the Company's interest to pass the resolutions the subject of Agenda Item 2.

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