



**Interim Consolidated Financial Report**

**For The Half-Year Ended  
31 December 2014**

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

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

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**Directors' Report**

The Directors present their interim consolidated report of Encounter Resources Limited and its controlled entity for the half-year ended 31 December 2014.

**Directors**

The following persons were directors of Encounter Resources Limited during the whole of the half-year and up to the date of this report:

Paul Chapman	<i>(Non-Executive Chairman)</i>
Will Robinson	<i>(Managing Director)</i>
Peter Bewick	<i>(Exploration Director)</i>
Jonathan Hronsky	<i>(Non-Executive Director)</i>

**Company Secretary**

Kevin Hart  
Dan Travers

**Review of Operations**

The consolidated net loss after income tax for the half-year was \$375,843 (31 December 2013: \$358,244).

At the end of the half-year the Group had \$2,118,601 (30 June 2014: \$3,836,543) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$20,442,916 (30 June 2014: \$19,085,687).

Operations during the reporting period were primarily focused on copper and base metals exploration at the Group's Yeneena Project in the Paterson Province of Western Australia. A total of \$1,586,843 (2013: \$733,070) was incurred on the Group's 100% owned prospects and \$2,149,646 (2013: \$1,736,280) was incurred on tenements the subject of the Antofagasta farm-in arrangement, which commenced in April 2013.

The Company received a total of \$2,167,466 (2013: \$1,651,444) in respect of farm-in contributions pursuant to the Antofagasta farm-in arrangement during the six months to 31 December 2014.

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

Other than the matter below, there has not arisen in the interval between the end of the financial period 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.

- Subsequent to the end of the financial period the Company issued 800,000 unlisted options to employees exercisable at 16 cents each and expiring 31 January 2019.

**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 11<sup>th</sup> day of March 2015.

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

**Will Robinson**  
**Managing Director**

## AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Encounter Resources Limited for the half-year ended 31 December 2014, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



**Crowe Horwath Perth**



**Sean McGurk**  
Partner

Signed at Perth, 11 March 2015

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

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the half-year ended 31 December 2014**

	Note	Consolidated	
		31 December 2014 \$	31 December 2013 \$
Other income		250,996	173,779
Interest income		26,928	65,251
<b>Total revenue</b>		<b>277,924</b>	239,030
Employee expenses		(1,017,114)	(907,714)
Employee expenses recharged to exploration		826,413	638,575
Equity based remuneration expense	7	(147,386)	-
Depreciation expense	3	(7,352)	(4,705)
Corporate expenses		(52,559)	(50,731)
Administration and other expenses		(174,347)	(191,321)
Exploration costs written off and expensed	3	(81,422)	(81,378)
<b>Loss before income tax</b>	3	<b>(375,843)</b>	(358,244)
Income tax benefit/(expense)		-	-
<b>Loss for the half-year</b>		<b>(375,843)</b>	(358,244)
Other comprehensive Income		-	-
<b>Total comprehensive income for the period</b>		<b>(375,843)</b>	(358,244)
<b>Loss per share</b>			
Basic loss per share (cents)		(0.3)	(0.3)
Diluted loss per share (cents)		(0.3)	(0.3)

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 31 December 2014**

	Consolidated	
	31 December 2014 \$	30 June 2014 \$
<b>Current assets</b>		
Cash and cash equivalents	2,118,601	3,836,543
Trade and other receivables	211,574	58,494
Other current assets	99,832	93,640
<b>Total current assets</b>	<b>2,430,007</b>	3,988,677
<b>Non-current assets</b>		
Property, plant and equipment	255,111	304,989
Capitalised mineral exploration and evaluation expenditure	20,442,916	19,085,687
<b>Total non-current assets</b>	<b>20,698,027</b>	19,390,676
<b>Total assets</b>	<b>23,128,034</b>	23,379,353
<b>Current liabilities</b>		
Trade and other payables	789,479	1,207,619
Employee benefits	98,932	77,397
<b>Total current liabilities</b>	<b>888,411</b>	1,285,016
<b>Non-current liabilities</b>		
Employee benefits	100,820	85,606
<b>Total non-current liabilities</b>	<b>100,820</b>	85,606
<b>Total liabilities</b>	<b>989,231</b>	1,370,622
<b>Net assets</b>	<b>22,138,803</b>	22,008,731
<b>Equity</b>		
Issued capital	31,471,913	31,113,384
Accumulated losses	(9,942,996)	(11,872,175)
Equity remuneration reserve	609,886	2,767,522
<b>Total equity</b>	<b>22,138,803</b>	22,008,731

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 half-year ended 31 December 2014**

	<b>Consolidated</b>			
	Issued capital \$	Accumulated losses \$	Equity remuneration reserve \$	Total \$
<u>6 months ended 31 December 2013</u>				
Balance at the start of the financial period	31,113,384	(11,429,023)	2,737,091	22,421,452
Comprehensive loss for the financial period	-	(358,244)	-	(358,244)
Balance at the end of the financial period	31,113,384	(11,787,267)	2,737,091	22,063,208
<u>6 months ended 31 December 2014</u>				
Balance at the start of the financial period	<b>31,113,384</b>	<b>(11,872,175)</b>	<b>2,767,522</b>	<b>22,008,731</b>
Comprehensive loss for the financial period	-	<b>(375,843)</b>	-	<b>(375,843)</b>
Shares issued (net of costs)	<b>358,529</b>	-	-	<b>358,529</b>
Movement in equity remuneration reserve on the issue of options	-	-	<b>147,386</b>	<b>147,386</b>
Transfer to accumulated losses on expiry of options	-	<b>2,305,022</b>	<b>(2,305,022)</b>	-
Balance at the end of the financial period	<b>31,471,913</b>	<b>(9,942,996)</b>	<b>609,886</b>	<b>22,138,803</b>

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 half-year ended 31 December 2014**

		Consolidated	
		31 December 2014	31 December 2013
Note		\$	\$
<b>Cash flows from operating activities</b>			
Interest received		26,928	65,251
Other income		62,239	151
State Government funded drilling rebate		97,614	145,925
Research and development tax refund		-	237,272
Payments to suppliers and employees		(467,873)	(494,375)
		<b>(281,092)</b>	<b>(45,776)</b>
<b>Net cash used in operating activities</b>			
<b>Cash flows from investing activities</b>			
Contributions received from farm-in partners	9	2,167,466	1,651,444
Payments for exploration and evaluation		(3,566,257)	(2,513,853)
Payments for plant and equipment		(34,088)	(6,979)
		<b>(1,432,879)</b>	<b>(869,388)</b>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Payments for costs associated with issues of shares		(3,971)	-
		<b>(3,971)</b>	<b>-</b>
<b>Net cash used in financing activities</b>			
<b>Net decrease in cash held</b>		<b>(1,717,942)</b>	<b>(915,164)</b>
<b>Cash at the beginning of the period</b>		<b>3,836,543</b>	<b>4,806,657</b>
<b>Cash at the end of the period</b>		<b>2,118,601</b>	<b>3,891,493</b>

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

**Notes to the Interim Financial Statements**  
**For the half-year ended 31 December 2014**

**Note 1 Basis of preparation of half-year report**

**Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*. Compliance with *AASB 134* ensures compliance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

**Basis of preparation**

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report, other than the Group's accounting policy for exploration and evaluation expenditure which has been amended to reflect the Group's policy on accounting for projects subject to farm-in arrangements (amended extract below), are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2014.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

*Adoption of new and revised accounting standards*

In the half year ended 31 December 2014, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2014. It has been determined by the Group that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies

No retrospective change in accounting policy or material reclassification has occurred requiring the inclusion of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under *AASB 101*.

The half year financial report was approved by the Board of Directors on 11<sup>th</sup> March 2015.

**Note 2 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.

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

**Notes to the Interim Financial Statements**  
**For the half-year ended 31 December 2014**

**Note 3 Loss for the period**

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

	<b>31 December 2014 \$</b>	31 December 2013 \$
Depreciation		
Office equipment	<b>(7,352)</b>	(4,705)
Other income		
Other income and reimbursements	<b>228,834</b>	173,779
Gain on disposal of plant and equipment	<b>22,162</b>	-
	<b>250,996</b>	173,779
Exploration costs		
Previously capitalised exploration costs written off	-	-
Depreciation of field equipment	<b>(50,407)</b>	(42,920)
Exploration costs not capitalised	<b>(31,015)</b>	(38,458)
Exploration expenditure written off and expensed	<b>(81,422)</b>	(81,378)

**Note 4 Dividends**

No dividends were paid or proposed during the period.

The Company has no franking credits available as at 31 December 2013 or 31 December 2014.

**Note 5 Contingencies**

*(i) Contingent liabilities*

There has been no change in contingent liabilities since the last annual reporting date.

*(ii) Contingent assets*

There were no material contingent assets as at the reporting dates.

**Notes to the Interim Financial Statements**  
**For the half-year ended 31 December 2014**

**Note 6 Events occurring after the reporting date**

Other than the matter below, there has not arisen in the interval between the end of the financial period 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.

- Subsequent to the end of the financial period the Company issued 800,000 unlisted options to employees exercisable at 16 cents each and expiring 31 January 2019.

**Note 7 Options**

During the half year reporting period the Company issued 2,000,000 (2013: nil) unlisted options to directors following Shareholder approval granted at the Company's 2014 AGM. The options are exercisable as follows:

- 1,250,000 exercisable at 23 cents each and expiring 27 November 2018; and
- 750,000 exercisable at 31 cents each and expiring 27 November 2019.

The Company has recognised an expense of \$147,386 (2013: Nil) during the period in respect of the fair value of the options issued.

During the period the Company cancelled 5,600,000 unlisted options on expiry of exercise period and on termination of employment. An amount of \$2,305,022 has been transferred from the equity remuneration reserve to accumulated losses in respect of the fair value originally recognised on the issue of these now cancelled options.

**Note 8 Share based payments**

During the half year reporting period the Company issued the following shares as consideration for the acquisition of assets and services:

- 1,250,000 ordinary fully paid shares issued at 20 cents per share in consideration for drilling services provided; and
- 750,000 ordinary fully paid shares issued at 15 cents per share in consideration for the acquisition of a 100% interest in exploration licences E45/3768 and E45/4091 from Hammer Metals Limited.

**Note 9 Antofagasta farm-in**

During the reporting period the Group received cash of \$2,167,466 (2013: \$1,651,444) in respect of contributions from Antofagasta Minerals Perth Pty Ltd (Antofagasta) pursuant to the farm-in agreement commencing April 2013.

During the period the Group incurred, on behalf of its farm-in partner Antofagasta, exploration expenses of \$2,149,646 (2013: \$1,736,280).

Included in cash assets of the Group as at 31 December 2014 is \$291,202 (30 June 2014: \$320,081) of unspent farm-in contributions.

**Directors' Declaration**

The Directors of Encounter Resources Limited ("the Consolidated Entity") declare that:

- (a) the interim financial statements and notes set out on pages 6 to 12 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Australian Accounting Standard AASB 134 – *Interim Financial Reporting*, and the Corporations Regulations 2001; and
  - (ii) give a true and fair view of the financial position as at 31 December 2014 and of the performance for the half-year ended on that date of the Consolidated Entity.
  
- (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

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

Signed at Perth this 11<sup>th</sup> day of March 2015.



**Will Robinson**  
**Managing Director**

## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ENCOUNTER RESOURCES LIMITED**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Encounter Resources Ltd and its controlled entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of Encounter Resources Ltd and its controlled entities' financial position as at 31 December 2014 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Encounter Resources Ltd and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Encounter Resources Ltd and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



**Crowe Horwath Perth**



**Sean McGurk**  
Partner

Signed at Perth, 11 March 2015