



Interim Consolidated Financial Report

**For the Half-Year Ended
31 December 2017**

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Encounter Resources Limited
ABN 47 109 815 796

Directors' Report

The Directors present their interim consolidated report of Encounter Resources Limited and its controlled entity for the half-year ended 31 December 2017.

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 \$288,395 (31 December 2016: \$383,137).

At the end of the half-year the Group had \$1,319,778 (30 June 2017: \$3,631,091) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$20,698,432 (30 June 2017: \$18,624,668).

Operations during the reporting period were primarily focused on gold exploration at the Group's projects in the Paterson Province of Western Australia. A total of \$2,073,764 (2016: \$1,445,294) was incurred on the Group's projects and a further \$80,705 (2016: \$332,203) was incurred on behalf of its farm-in partner Hampton Hill NL in respect of the Millennium Project.

The Company received a total of \$108,050 (2016: \$283,736) in respect of farm-in contributions pursuant to the farm-in arrangements during the six months to 31 December 2017.

Matters Subsequent to the End of the Financial Period

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.

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 13th day of March 2018.

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 2017, 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, 13 March 2018

Encounter Resources Limited
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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2017

	Note	Consolidated	
		31 December 2017 \$	31 December 2016 \$
Other income	3	19,895	87,299
Interest income		16,200	22,774
Total revenue		36,095	110,073
Employee expenses		(763,017)	(700,913)
Employee expenses recharged to exploration		550,182	507,990
Equity based remuneration expense		(21,846)	(86,709)
Profit/(loss) on disposal of assets		296	-
Gain/(loss) in fair value of financial assets	10	276,740	153,745
Depreciation expense	3	-	(7,060)
Corporate expenses		(46,178)	(46,542)
Administration and other expenses		(211,395)	(194,269)
Exploration costs written off and expensed	3	(109,272)	(119,452)
Loss before income tax		(288,395)	(383,137)
Income tax benefit/(expense)		-	-
Loss for the half-year		(288,395)	(383,137)
Other comprehensive Income		-	-
Total comprehensive income for the period		(288,395)	(383,137)
Loss per share			
Basic loss per share (cents)		(0.2)	(0.3)
Diluted loss per share (cents)		(0.2)	(0.3)

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

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Consolidated Statement of Financial Position
As At 31 December 2017

	Note	Consolidated	
		31 December 2017 \$	30 June 2017 \$
Current assets			
Cash and cash equivalents		1,319,778	3,631,091
Trade and other receivables		159,511	306,991
Other current assets		201,552	30,459
Total current assets		1,680,841	3,968,541
Non-current assets			
Other financial assets	10	707,225	430,485
Property, plant and equipment		67,035	82,855
Capitalised mineral exploration and evaluation expenditure		20,698,432	18,624,668
Total non-current assets		21,472,692	19,138,008
Total assets		23,153,533	23,106,549
Current liabilities			
Trade and other payables	11	846,469	847,040
Employee benefits		264,885	246,616
Total current liabilities		1,111,354	1,093,656
Total liabilities		1,111,354	1,093,656
Net assets		22,042,179	22,012,893
Equity			
Issued capital		37,974,722	37,678,887
Accumulated losses		(16,261,944)	(16,052,305)
Equity remuneration reserve		329,401	386,311
Total equity		22,042,179	22,012,893

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

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Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2017

	Consolidated			Total \$
	Issued capital \$	Accumulated losses \$	Equity remuneration reserve \$	
<u>6 months ended 31 December 2016</u>				
Balance at the start of the financial period	34,401,834	(14,963,883)	524,449	19,962,400
Comprehensive loss for the financial period	-	(383,137)	-	(383,137)
Shares issued (net of costs)	19,500	-	-	19,500
Movement in equity remuneration reserve in respect of options vested	-	-	86,709	86,709
Transfer to accumulated losses on expiry of options	-	189,345	(189,345)	-
Balance at the end of the financial period	34,421,334	(15,157,675)	421,813	19,685,472
<u>6 months ended 31 December 2017</u>				
Balance at the start of the financial period	37,678,887	(16,052,305)	386,311	22,012,893
Comprehensive loss for the financial period	-	(288,395)	-	(288,395)
Shares issued (net of costs)	295,835	-	-	295,835
Movement in equity remuneration reserve in respect of options vested	-	-	21,846	21,846
Transfer to accumulated losses on expiry of options	-	78,756	(78,756)	-
Balance at the end of the financial period	37,974,722	(16,261,944)	329,401	22,042,179

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

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Consolidated Statement of Cash Flows
For the half-year ended 31 December 2017

		Consolidated	
		31	31
		December	December
		2017	2016
Note		\$	\$
Cash flows from operating activities			
		16,200	22,774
		281,328	201,806
		127,640	194,218
		(449,165)	(438,160)
		(23,997)	(19,362)
Net cash used in operating activities			
Cash flows from investing activities			
	9	108,050	283,736
	12	383,373	-
		(84,701)	-
		(2,871,155)	(1,802,499)
		6,364	-
		(3,046)	(2,000)
		(2,461,115)	(1,520,763)
Net cash used in investing activities			
Cash flows from financing activities			
		179,086	-
		(5,287)	(1,750)
		173,799	(1,750)
Net cash used in financing activities			
		(2,311,313)	(1,541,875)
		3,631,091	3,684,391
		1,319,778	2,142,516

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 2017

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, are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2017.

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 2017, 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 2017. 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 2017. 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 13 March 2018.

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.

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Notes to the Interim Financial Statements
For the half-year ended 31 December 2017

Note 3 Loss for the period

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

	31 December 2017 \$	31 December 2016 \$
Depreciation		
Office equipment	-	(7,060)
Other income		
Farm-in management fees	17,935	87,099
Other income	1,960	200
	19,895	87,299
Exploration costs		
Previously capitalised exploration costs written off	-	(536)
Depreciation of field equipment	(12,798)	(25,122)
Exploration costs not capitalised	(96,474)	(93,794)
Exploration expenditure written off and expensed	(109,272)	(119,452)

Note 4 Dividends

No dividends were paid or proposed during the period.

The Company has no franking credits available as at 31 December 2017 or 31 December 2016.

Note 5 Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

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

Note 6 Events occurring after the reporting date

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.

Encounter Resources Limited
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Notes to the Interim Financial Statements
For the half-year ended 31 December 2017

Note 7 Issued capital

During the 6 month period to 31 December 2017 the Company issued 2,806,216 ordinary fully paid shares pursuant to a share placement and issued 250,000 ordinary fully paid shares in part consideration for the acquisition of exploration prospects at the Company's West Tanami project.

During the 6 month period to 31 December 2016 the Company issued 250,000 ordinary fully paid shares in part consideration for the acquisition of the East Thomson's Dome gold prospect in the Paterson Province of Western Australia. This has been included within the balance of capitalised exploration expenditure at the period end.

	Issue price	2017 No.	2016 No.	2017 \$	2016 \$
<i>Share movements during the period</i>					
Balance at 1 July		188,951,544	155,644,044	37,678,887	34,401,834
Shares issued to acquire the East Thomson's Dome prospect	\$0.085	-	250,000	-	21,250
Share placement	\$0.10	2,806,216	-	280,622	-
Shares issued to acquire the Duketon prospect	\$0.082	250,000	-	20,500	-
Less share issue costs		-	-	(5,285)	(1,750)
Balance at 31 December		192,007,760	155,894,044	37,974,724	34,421,334

Note 8 Options

During the current period the following movements in options over unissued shares occurred:

	31 December 2017 No.	31 December 2016 No.
Options on issue at the start of the financial period	12,361,429	12,286,429
Options issued ¹	825,000	2,775,000
Options cancelled on expiry of the exercise period	(750,000)	(1,450,000)
Options cancelled on cessation of employment	-	(700,000)
	12,436,429	12,911,429

¹ 825,000 unlisted options issued to employees of the Company exercisable at 10.5 cents each and expiring 1 November 2021.

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Notes to the Interim Financial Statements
For the half-year ended 31 December 2017

Note 9 Farm-in arrangements

Millennium Zinc Project – Hampton Hill NL (HHM)

Details of the Millennium Zinc Project farm-in arrangement are included in the 2017 Annual Financial Statements. As at the date of this report HHM had acquired a 25% interest in the Millennium project pursuant to the Initial Earn-in Phase, and had elected to proceed with the Second Earn-in Phase.

During the reporting period the Group received cash of \$108,050 (2016: \$283,736) in respect of contributions from HHM pursuant to the farm-in agreement.

During the period the Group incurred, on behalf of its farm-in partner HHM, exploration expenses of \$80,705 (2016: \$332,203).

Note 10 Other financial assets

Movement in investments designated at fair value through profit or loss

	31 December 2017 \$	31 December 2016 \$
Investment in Hampton Hill Mining NL:		
Fair value of investment at the start of the period	430,485	768,723
Movement in fair value of investment	276,740	153,744
Fair value of investment at the end of the period	707,225	922,467

Note 11 Trade and other payables

	31 December 2017 \$	30 June 2017 \$
Trade and other payables	560,640	745,504
Share issue liability ¹	-	101,536
Unspent farm-in contributions ²	7,657	-
Unspent project generation alliance contributions ³	278,172	-
	846,469	847,040

¹Funds received for shares unissued as at the reporting date.

²Amounts in respect of unspent farm-in contributions as at the reporting date. See Note 9 for details of the Group's farm-in arrangements.

³Amounts in respect of unspent project generation alliance contributions as at the reporting date. See Note 12 for details regarding the project alliance arrangement with Newcrest Mining Limited.

Notes to the Interim Financial Statements
For the half-year ended 31 December 2017

Note 12 Newcrest project generation alliance

During the reporting period Encounter entered into a project generation alliance with Newcrest Mining Limited (Newcrest).

Newcrest will fund Encounter up to A\$500,000 over the next 12 months to generate project opportunities within an agreed alliance area in Western Australia ("Alliance Area") to identify new camp scale exploration and potential future production opportunities in northern Western Australia.

Encounter will be the manager of project generation in the Alliance Area. Projects submitted for potential joint venture will be subject to approval prior to any joint venture formation.

The Alliance Area excludes any ground that Newcrest or Encounter currently have a direct or indirect interest in or is under application by Newcrest or Encounter. The Alliance Area also contains an exclusion zone and specifically excludes projects around the Telfer mine in the Paterson Province of WA.

Key terms of the alliance include:

- The companies will enter into a 50:50 joint venture over any project(s) approved for further exploration by both parties to the alliance.
- Encounter will have the option to maintain its 50% contributing interest in approved projects by co-funding its attributable share of exploration expenditure.
- Should Encounter elect not to contribute on a 50:50 basis, Newcrest may increase its interest to 80% by sole funding further exploration activities and delivering a JORC compliant resource of greater than one million ounces of gold or gold equivalent.
- If Newcrest does not elect to increase and maintain its interest to 80% on the terms outlined above then the joint venture over the identified project will terminate and Newcrest's interest will revert back to Encounter, such that Encounter will hold a 100% interest in the project.
- Should the alliance elect not to proceed with a proposed project then that project will revert back to Encounter on a 100% basis.

During the reporting period Encounter received contributions pursuant to the above arrangement from Newcrest of \$383,373 (2016: nil) and incurred acquisition and incurred project expenditure of \$105,201 (2016: nil).

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 14 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 2017 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 13th day of March 2018.



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 entity (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other 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 entity financial position as at 31 December 2017 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 entity, 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 entity 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 2017 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, 13 March 2018