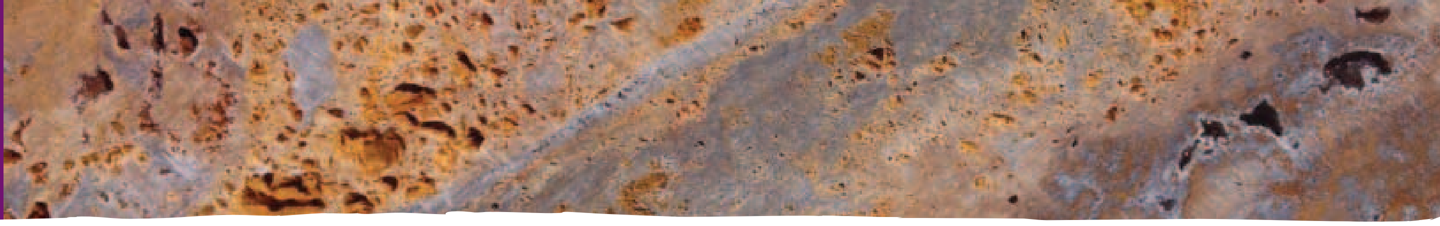
encounter
RESOURCES LIMITED

ABN 47 109 815 796

Annual Report 2015



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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

Company Secretary
Kevin Hart
Dan Travers (Joint Company Secretary)

Principal and Registered Office
Level 7, 600 Murray Street
West Perth, Western Australia 6005
Telephone (08) 9486 9455
Facsimilie (08) 6210 1578
Web *www.enrl.com.au*

Auditor
Crowe Horwath Perth
Level 6, 256 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.

Contents

Competent Person's Statement

Certain exploration drilling results for BM1 are first disclosed under JORC code 2004. It has not been updated since to comply with the JORC code 2012 on the basis that the information has not materially changed.

The information in this report that relates to Exploration Results is based on information compiled by Mr Peter Bewick who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Bewick is a holder of shares and options in, and is a full time employee of Encounter Resources Ltd and has sufficient experience which is relevant to the style of mineralisation under consideration to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bewick consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information in this report and the form and context of the information in this report has not materially changed.

Dear Fellow Shareholder,

I am pleased to present the 2015 Annual Report for Encounter Resources Ltd ("**Encounter**"). A number of important developments have occurred over the last year as we strive to unlock the inherent value in our exploration portfolio.

Encounter remains one of the most dedicated and active greenfield explorers in Australia. We are focused on generating value for our shareholders through leading edge greenfield exploration. It is clear that the next generation of major mineral discoveries in Australia will be made under cover. This is where the industry is heading in the vital search for new Tier 1 mineral assets in favourable mining jurisdictions like Australia.

The investor sentiment for mineral exploration is at multi-decade lows and this creates opportunities. Encounter has continued to selectively add to its major land holding in the proven Proterozoic Paterson Province located in the north of Western Australia.

Encounter believes that it is crucial for frontier mineral explorers to target opportunities of sufficient quality and scale to attract major partners. We also believe it is important to share risk at appropriate points. This approach maximises exploration upside for shareholders while minimising financial demands upon them.

With these objectives in mind, Encounter completed two new earn in agreements in 2015 covering the exciting Millennium zinc discovery (Hampton Hill Mining NL) and the highly prospective Lookout Rocks copper prospect (Antofagasta plc). These two transactions have delivered over $2m in exploration funding so far, with limited dilution at the project level and no dilution to Encounter shareholders from the issue of new shares. Attracting these quality partners is also emblematic of the significant exploration opportunities that continue to be generated by the Encounter team.

Encounter has continued to selectively add to its major land holding in the proven Proterozoic Paterson Province located in the north of Western Australia.

If your objective is to secure a Tier 1 asset in the fiercely competitive resource industry, it is clear that you will have to find it yourself. Tier 1 assets are rare and highly sought-after as they generate value throughout the commodity price cycle. These assets rarely come to market and when they do, they almost always change hands fully priced.

Encounter provides high quality access to large scale copper and zinc exploration opportunities in a region that has demonstrated the capacity to produce major mineral deposits.

Encounter is disciplined in its approach to capital management and we are steadfast in our commitment to systematic frontier exploration that can create enduring value for our shareholders.

In 2015, there were a number of significant achievements, including:

- Millennium Zinc: discovery of additional high grade zinc sulphide mineralisation located 3km along strike from the initial high grade intersection as well as the identification of a large scale zinc gossan;
- BM1-BM7 Copper: broad spaced diamond drill program intersected thick zones of lower grade and narrow high grade copper sulphide mineralisation that has generated a number of near surface, drill ready targets;
- Lookout Rocks Copper: commencement of the first phase of exploration activity under the new earn-in agreement with Antofagasta; and
- Aria IOCG: identification of an exciting Iron Oxide Copper Gold ("IOCG") opportunity within the Lookout Rocks Project.

Encounter has accumulated a dominant and strategic land position in the highly prospective Paterson Province and is well placed to unlock the potential of our priority targets. Our exploration plans remain well funded and importantly, we have a capable and experienced team that is realising the potential of the Yeneena Project.

In closing, we would like to thank our committed team for their professionalism and dedication. We are fortunate to have such a talented and enthusiastic team who are leaders in the field. We would also like to thank our earn-in partners, Antofagasta plc and Hampton Hill Mining NL and their representatives, our suppliers and other business partners. Finally, we would take this opportunity to thank our fellow shareholders for their ongoing support.

Yours sincerely

Paul Chapman
Chairman

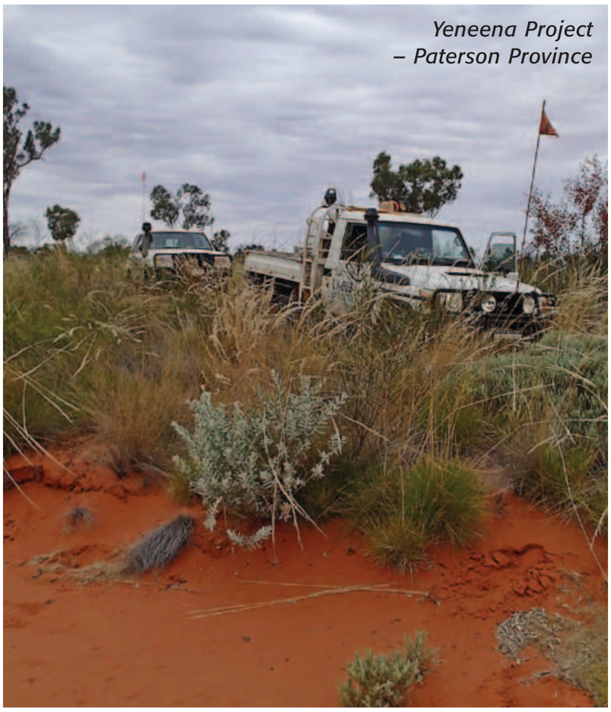
Will Robinson
Managing Director

Paterson Province

Yeneena Copper / Zinc Project

- 100% Encounter – E45/2500, E45/2502, E45/2503, E45/2657, E45/2658, E45/2805, E45/2806, E45/3768, E45/4091, E45/4230 and E45/4408
- 90% Encounter / 10% HHM – E45/2501, E45/2561 and the four eastern sub-blocks of E45/2500 with HHM earning up to 25%
- Antofagasta earning into E45/3768, E45/4091, E45/4230 and E45/4408

Yeneena covers a 1,850km² tenement package in the Paterson Province of WA located between the Nifty copper mine, the Woodie Woodie manganese mine, the Telfer gold-copper mine and the Kintyre uranium deposit (Figure 1).



Yeneena Project – Paterson Province

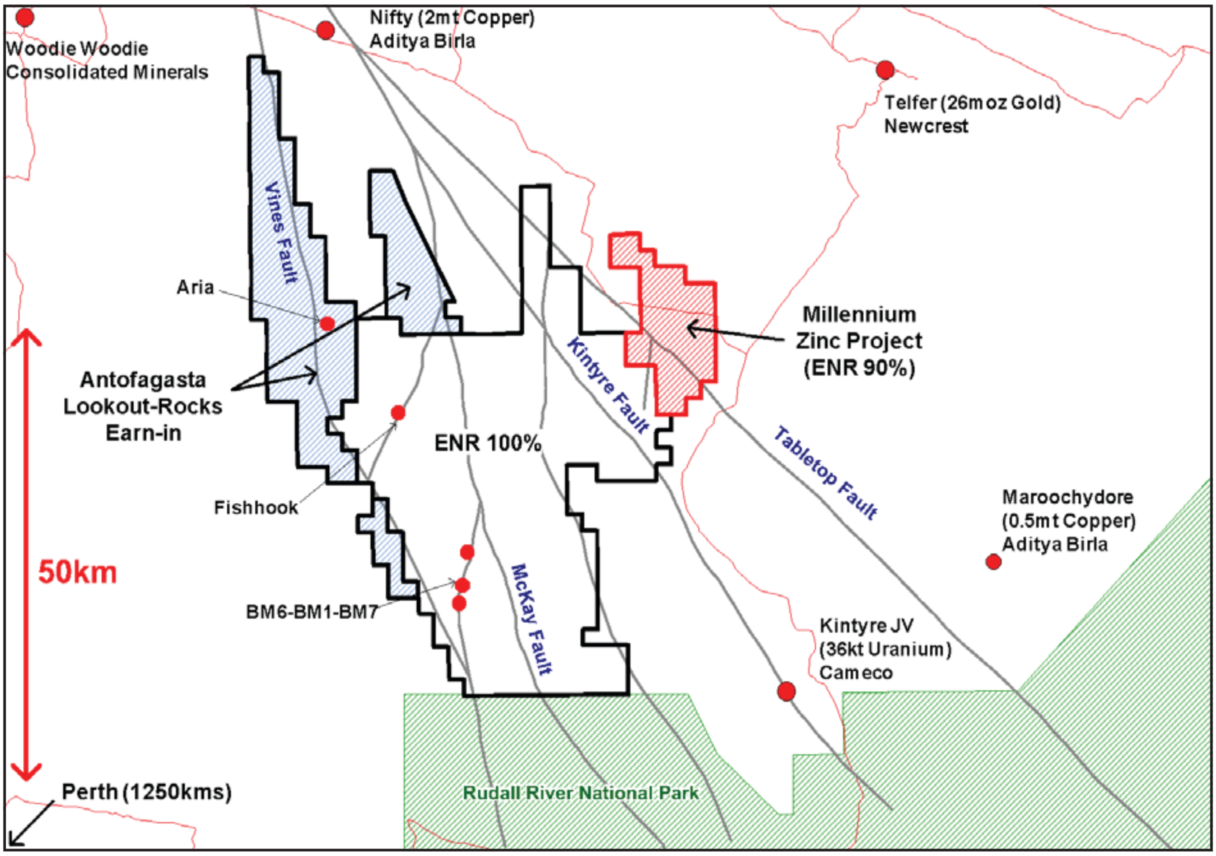


Figure 1: Yeneena Project leasing and target areas with major regional faults

2014/15 Exploration Highlights:

Millennium Zinc (Hampton earning up to 25%)

- Earn-in agreement completed with Hampton Hill Mining NL ("Hampton") to provide up to A$2 million exploration funding at Millennium Zinc Project ("Millennium").
- Five diamond drill holes completed under the earn-in agreement with Hampton.
- Assays results from drill holes EPT2201 and EPT2203 that intersected a depth extensive iron rich gossan zone have confirmed broad intervals of weathered zinc mineralisation:
  EPT2203 – 91.8m @ 1.6% Zn from 344.4m
  EPT2201 – 38.7m @ 0.9% Zn from 255.8m
- This gossan unit has now been intersected in three drill holes, across two sections and is interpreted to be over 250m in strike extent and plunging to the south-east. This gossan unit may transition at depth into a body of zinc sulphide mineralisation.
- In the south east of Millennium the intersection of 7m @ 4.8% zinc remains open along strike and at depth and will be drill tested in October 2015.

BM1-BM7 Copper Project (100% ENR)

- In July 2015 Encounter regained 100% interest, unencumbered, in the advanced BM1 and BM7 Copper Projects following the termination of the existing earn-in agreement with Antofagasta.
- Strong geochemical and structural vectors have been identified to direct follow up drilling at BM7. The final hole in 2014 program at BM7 intersected 140m @ 0.2% Cu, including 1.3m @ 3.2% Cu from 250.4m. This hole remains open for 750m down dip.
- BM6 and BM7 East alteration and copper mineralisation are similar to the hangingwall position at Nifty and deeper drilling is required.
- At BM1, diamond drilling to the south-east of the BM1 oxide zone intersected copper sulphide mineralisation which remains open to the south east.

Strike Drilling – Rig 4 Support Unit

Fishhook Copper Project (100% ENR)

- The first diamond drill program at the Fishhook Project was successful with drilling intersecting disseminated and blebby copper sulphide mineralisation within a sequence containing highly oxidised 'red-rock altered' sediments.
- These initial results are considered regionally significant and open up the potential for further copper occurrences along this previously untested northern corridor.

Lookout Rocks Copper Project (Antofagasta earning in)

- New US$6 million earn-in agreement with Antofagasta covering the Lookout Rocks Copper Project completed in July 2015.
- Heritage survey was completed to facilitate the initial aircore/RC program to commence under the new earn-in agreement with Antofagasta.
- Identification of a compelling IOCG target ("Aria Prospect") within the Lookout Rocks Copper Project.

Exploration activities conducted during 2014/15 include:

- During the year diamond drilling was completed at BM1/BM7 as part of the Antofagasta earn-in with 3 holes completed for a total of 1240 metres.
- Diamond drilling at the Fishhook Project with 2 holes drilled for a total of 865 metres (Oct 2014).
- Aircore (AC) and Reverse Circulation (RC) drilling at BM1, BM7 East, Fishhook, Stirling and Millennium totalling 162 holes for 14,321 metres.
- Four diamond drillholes were completed in the south-eastern part of Millennium for a total of 1,703 metres. (Oct-Nov 2014).
- A review of public data over the Nifty copper deposit has defined a distinct geochemical halo to the deposit. Geochemical anomalism and geological features as seen at Nifty have been identified within the BM1-BM7 region and are being used to generate vectors to high grade copper mineralisation (Nov 2014-Jan 2015).
- Five diamond drill holes completed under the earn-in agreement with Hampton Hill Mining NL at the Millennium Prospect for a total of 2242 metres (May-June 2015).
- A heritage survey was completed at Lookout Rocks in preparation for the aircore/RC drill program (June 2015).
- At the Fishhook prospect, a geological mapping, lag and rock chip sampling program was conducted (June 2015).

The Millennium, Stirling and Fishhook drill programs were partly funded through the WA Government EIS co-funded drilling program.

ZINC

Millennium Zinc Prospect – Encounter 90%/HHM 10% in E45/2501, E45/2561 and the four eastern sub blocks of E45/2500. HHM may earn up to 25% interest

The Millennium Prospect is located in the north-east of the Yeneena Project (see Figure 1) and is subject to an earn-in agreement with Hampton Hill Mining ("HHM") (refer to ASX announcement 23 April 2015).

The Millennium Prospect lies adjacent to the regionally-extensive Tabletop Fault. This structure is known to be metallogenically important and is closely associated with the position of the Nifty copper deposit, 50km along strike to the north-west.

Previous aircore and RC drilling by Encounter has defined a +3km long zinc regolith anomaly that remains open to the south-east. Initial diamond drilling at the northern and southern ends of the regolith anomaly intersected high grade zinc sulphide mineralisation including 0.7m @ 36.5% Zn in EPT1854 and 7m @ 5% Zn in EPT2198. A thick gossan intersection in EPT1831 demonstrated intense preferential weathering of sulphides along the shale – carbonate contact at Millennium (refer to ASX announcements 13 December 2013 and 12 January 2015).

In May and June 2015 five diamond holes were completed at the Millennium Prospect (see Figure 2). Three diamond holes (EPT2201, EPT2203 and EPT2206) were drilled in the north of the prospect and two holes have been drilled in the south (EPT2200 and EPT2202)

EPT2201 was designed to target the carbonate-shale contact approximately 250m south-east of the high grade sulphide intersection EPT1854. EPT2201 intersected a thick zone of zinc rich gossan (Photo 1) from 255m to 300m downhole, before the hole failed at a depth of 334.2m above the targeted shale-carbonate contact. Assays from this intersection returned 38.7m @ 0.9% Zn from 255.8m incl. 8.6m @ 2.2% Zn from 285.9m (refer to ASX announcement 9 July 2015).

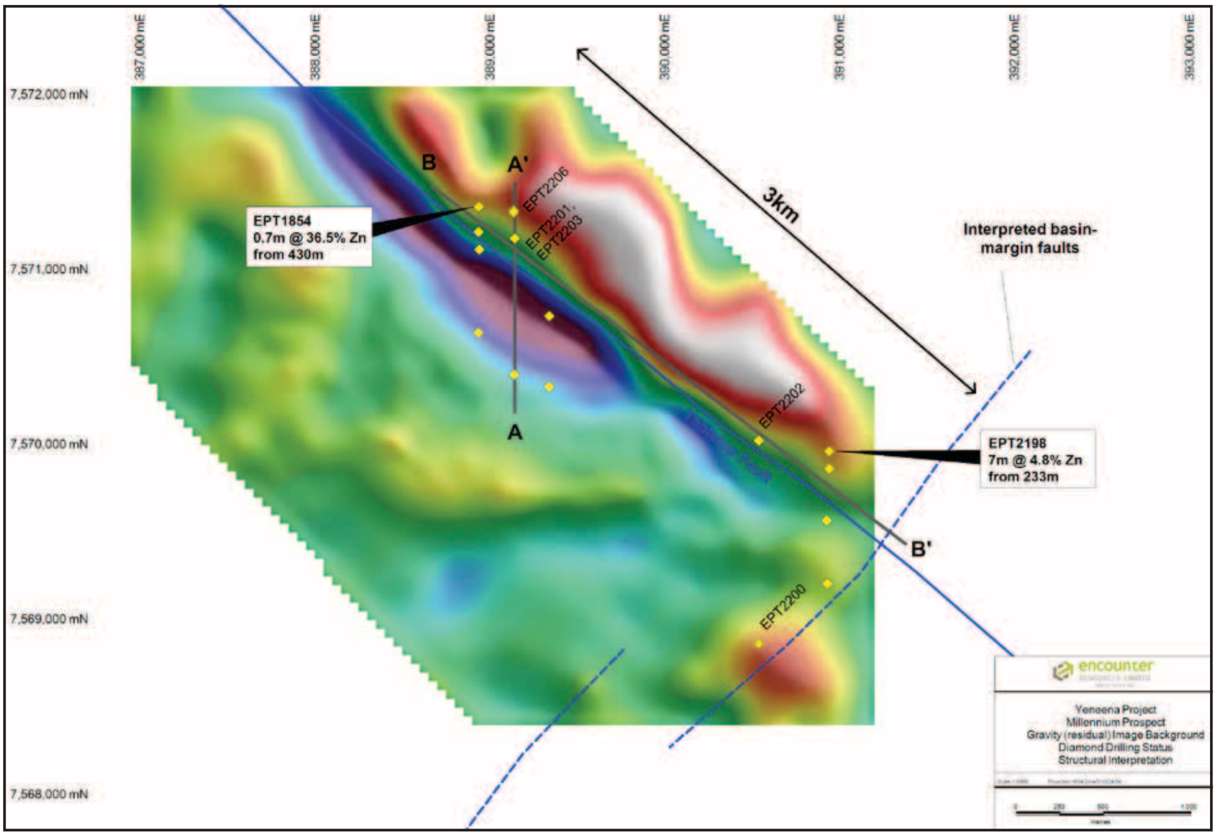
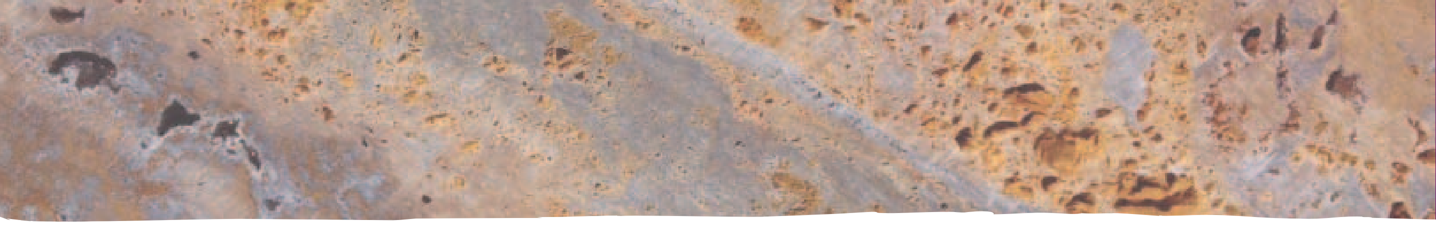


Figure 2: Diamond drilling collar location – Millennium



Millennium Zinc Prospect continued

The gossan in this hole shows strong similarities to the intersection in EPT1831 and confirmed a significant strike extension of the gossan zone.

EPT2203 was drilled to test the mineralised contact position 150m down dip of EPT2201, at a similar depth from surface as the high grade zinc sulphide intersection in EPT1854. EPT2203 intersected a thicker and more competent zone of gossan material from 344m to 432m downhole, again with highly elevated zinc anomalism (see Photo 2). Assays from EPT2203 returned 91.8m @ 1.6% Zn from 344.4m incl. 26.3m @ 2.1% Zn from 345.1m.

Photo 1: Gossan zone from ~ 281m in EPT2201

The three gossan intersections in EPT1831, EPT2201 and EPT2203 demonstrate that the targeted zone has a significant thickness with continuous and consistent geometry (see Figures 3 and 4). The highly anomalous zinc mineralisation contained within the gossan supports the interpretation that it is likely to have formed by the oxidation of primary zinc sulphide mineralisation and that the gossan zone may transition at depth into a significant body of zinc sulphide mineralisation.

The final hole on the northern section, EPT2206, was drilled 200m directly down dip of EPT2203 (Figure 3), to target the sulphide zone following a possible steep plunge. This hole intersected a deformation zone/fluid conduit with alteration similar to that in EPT1854 but intersected only traces of disseminated zinc sulphides. Accordingly, it is interpreted that the mineralised shoot intersected in EPT1831, EPT2201 and EPT2203 has a shallow south-east plunge and that EPT2206 has drilled beneath the plunging shoot (see Figure 4 long section).

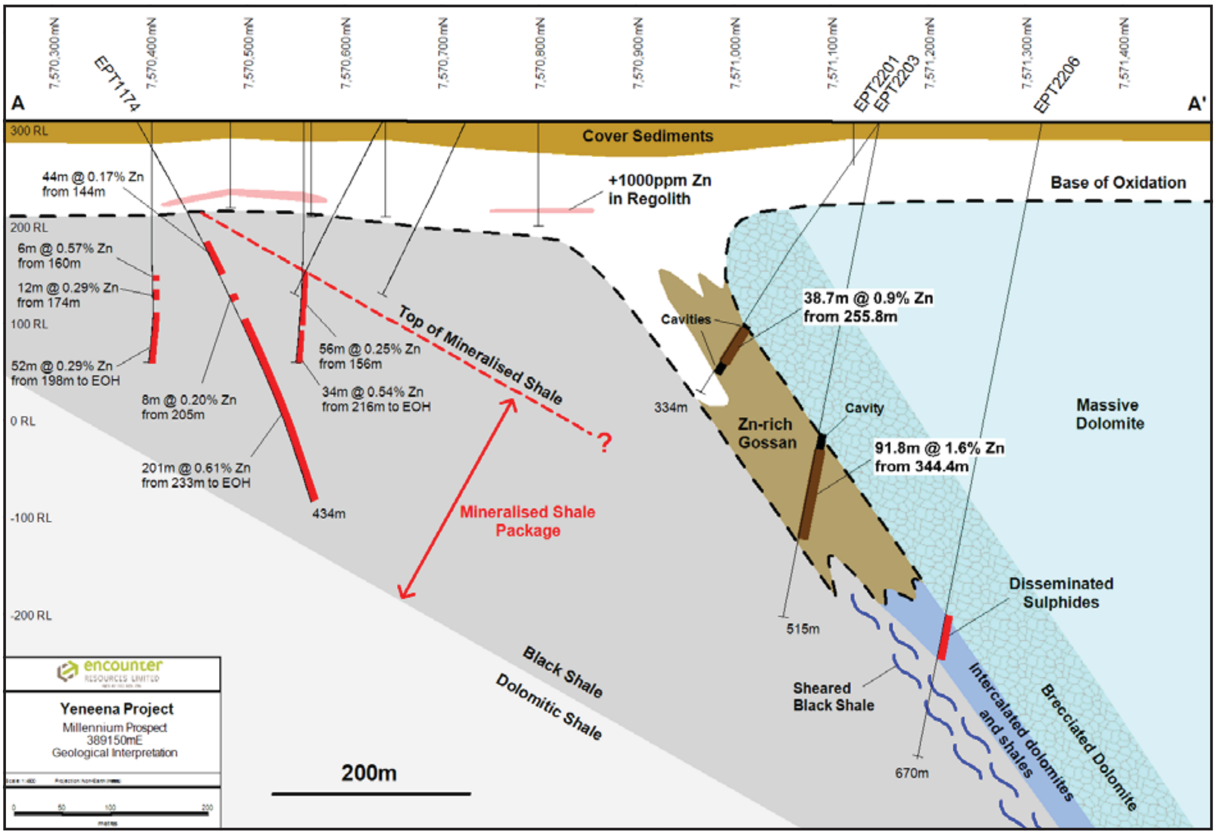


Figure 3: Cross Section 389150mE (A-A') – Millennium

Millennium Zinc Prospect continued

The gossan zone intersected at Millennium has been preferentially oxidised down to a depth of approximately 400m from surface. The sulphide intersection in EPT1854, located approximately 250m north-west and along strike of EPT2201 and EPT2203, intersected narrow zones of brecciated and laminated massive zinc sulphide mineralisation that may be representative of the primary precursor zone to the gossan. Its occurrence at similar depths to that of the gossan in EPT2203 indicates the potential for accumulations of high-grade zinc sulphide within 500m of the surface at Millennium.

Photo 2: Gossan zone from 408.9m to 419.2m in EPT2203

This interpretation is supported by the occurrence of transitional sulphides near the base of the gossan intersected in EPT2203, which is interpreted to be close to the sulphide interface. The boundary between oxide and sulphide mineralisation is expected to vary along strike at Millennium. This variation ranges from significant sulphide mineralisation intersected within 200m from surface in the south of the prospect in EPT2198, to preferential weathering up to 400m from surface in EPT2203 in the north.

An RC drilling program is being designed to test the undrilled gap along the shale-carbonate contact between the mineralised sections in the north and south of the prospect. The RC holes will be designed to test for extensions to the gossanous zone and provide pre-collars for future diamond drilling. Diamond drilling to test the interpreted south-east plunge to the zinc mineralisation will commence following the completion of the RC program.

In addition, the planned RC drill program will provide an initial drill test down dip and along strike of EPT2198 where drilling in November 2014 intersected 7m @ 4.76% Zn from 233m including 1.4m @ 10% Zn from 234.55 (see Figure 4).

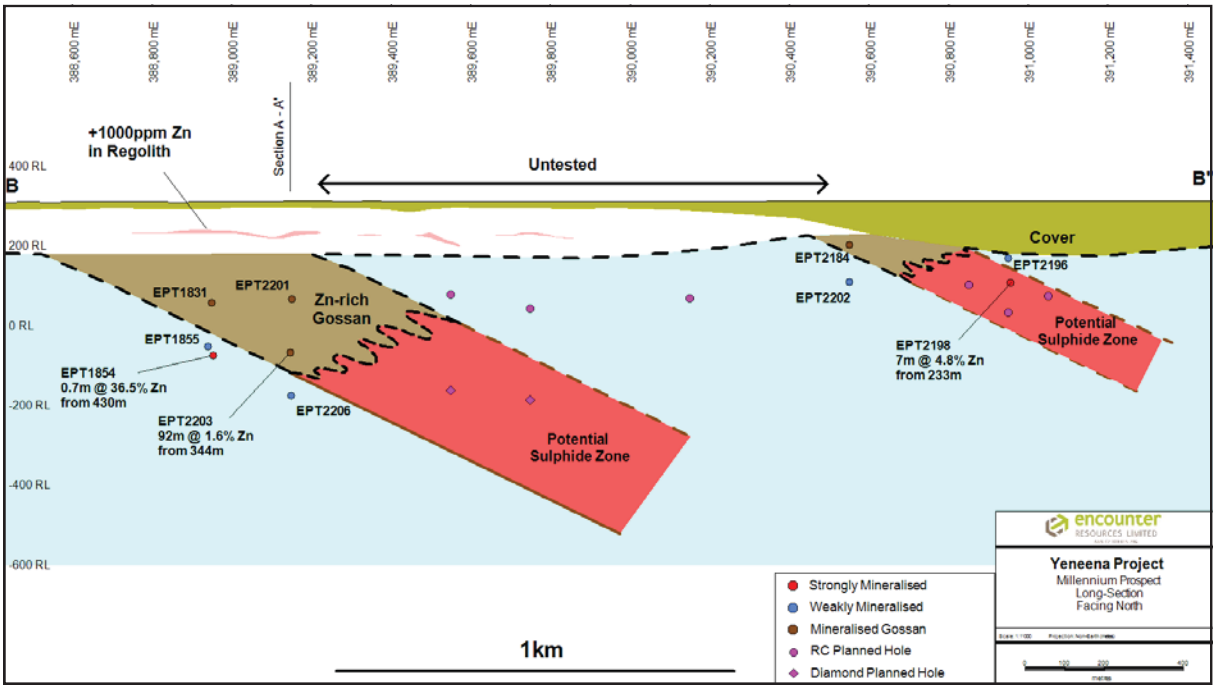


Figure 4: Diamond drilling long section (B-B') – Millennium

COPPER

BM1 – BM6 – BM7 – BM7 East Copper Prospects (100% ENR)

Background

In April 2013, Encounter completed its first earn-in agreement with a wholly owned subsidiary of Antofagasta plc, covering two JV tenements (E45/2658 and E45/2805) that contain a number of advanced copper prospects including BM1, BM6, BM7 and BM7 East. Subsequent to the end of the financial year, Antofagasta notified Encounter of their withdrawal from this earn-in and refocused their exploration investment at Yeneena to the Lookout Rocks Prospect. Since the commencement of the first earn-in, Antofagasta have sole funded over A$7.5M of exploration expenditure on the two tenements. Encounter has regained a 100% unencumbered interest in the advanced BM1 & BM7 copper targets located within a defined 14km long mineralised system.

A total 17 diamond drill holes have now been completed on the earn-in tenements since the commencement of the Antofagasta funded program in April 2013. These holes provide a broad spaced, 3D dataset over an area that hosts the BM1 and BM7 copper prospects and has a strike extent of over 7km.

The diamond drill program was designed to provide geological, geochemical and structural data to assist in the identification of vectors to high grade copper sulphide mineralisation. During December 2014 / January 2015 a review was conducted of the 3D structure, alteration signatures and trace element geochemistry of the Nifty copper deposit, located 65km to the north. The review summarised all known literature pertaining to the Nifty deposit including the PhD thesis written by Anderson (2000) as well as historical company, GA and GSWA reports.

The review of the Nifty copper sulphide deposit has identified siderite and apatite alteration associated with trace copper sulphide mineralisation as the diagnostic halo that extends laterally from the Nifty sulphide deposit (see Figure 5). This provides a template of key mineralisation vectors to high grade copper mineralisation in the Paterson Province.

The evaluation of the drill data from the BM1 to BM7 region has highlighted that a number of the key features of the Nifty alteration signature are evident at Encounter's Yeneena copper prospects. These geochemical vectors have provided a new important tool in the definition of high quality drill targets.

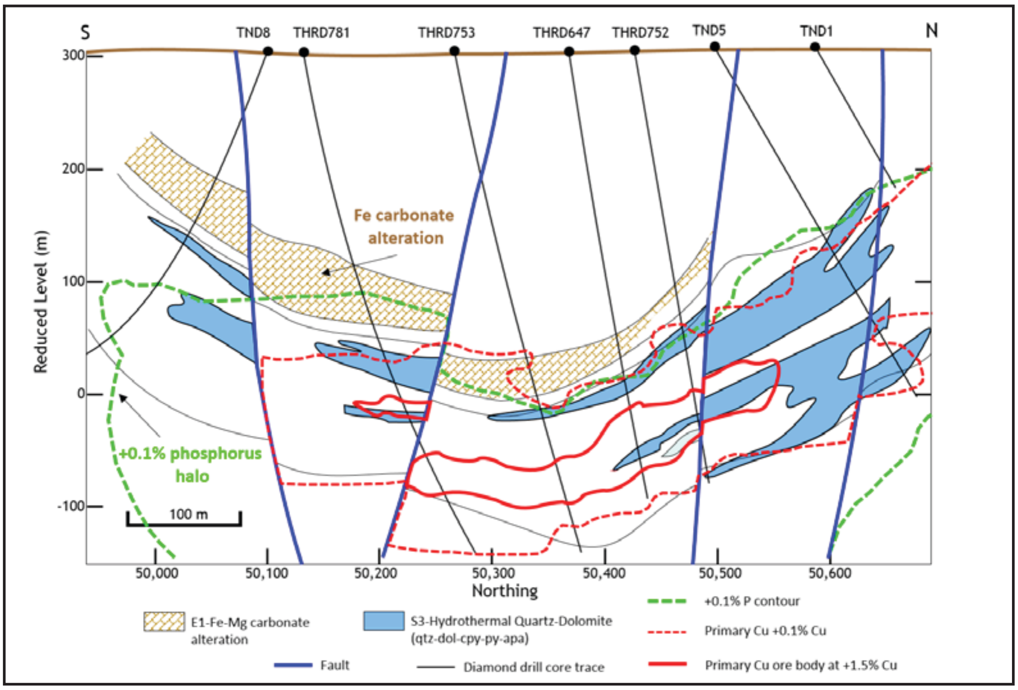


Figure 5: Cross section through Nifty copper deposit after Anderson (2000)

BM7 Prospect

The BM7 prospect is located at the intersection of the north-east trending Queen Fault and a NNW to NNE trending Windsor Fault that splays off the regionally-extensive McKay Fault (see Figure 12). A 6km long and up to 3km wide copper regolith anomaly outlines the BM7 system that is also coincident with a broad area of electrically resistive geology.

Diamond drilling at BM7 has been primarily focused on the western side of the regolith anomaly in the zone of most resistive geology. The broad spaced diamond drilling has defined a gently east-dipping sequence of interbedded carbonates and carbonaceous to calcareous shales.

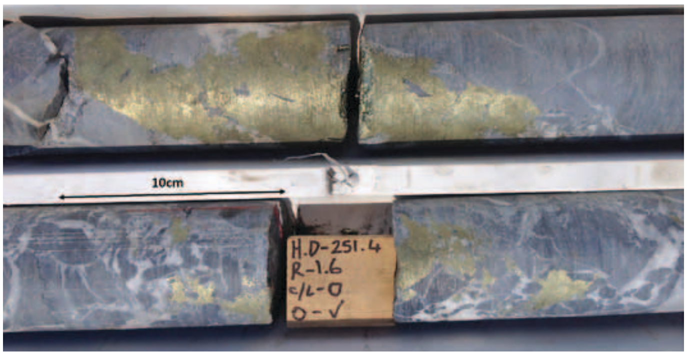


Photo 3: EPT2158 – 250.4m to 250.7m assays 8.9% copper

All diamond holes drilled along this western margin have intersected zones of disseminated copper sulphide mineralisation. The strongest mineralisation to date has been intersected in the northern half of the BM7 system in EPT1719 (5.3m @ 2.5% Cu from 387.6m including 0.7m @ 10.7% Cu from 388.6m).
(Reported pursuant to the 2004 Edition of the JORC Code – refer to ASX announcement 22 October 2013)

EPT2158, collared 400m north of EPT1719, intersected an anomalously thick package of carbonate stratigraphy containing bands of carbonaceous shale. Copper sulphide mineralisation was noted over a broad interval downhole, with stronger mineralised zones occurring at the margins of the carbonate bodies, including a narrow vein of massive chalcopyrite mineralisation at ~250m (Photo 3 – refer to ASX announcement 31 October 2014).

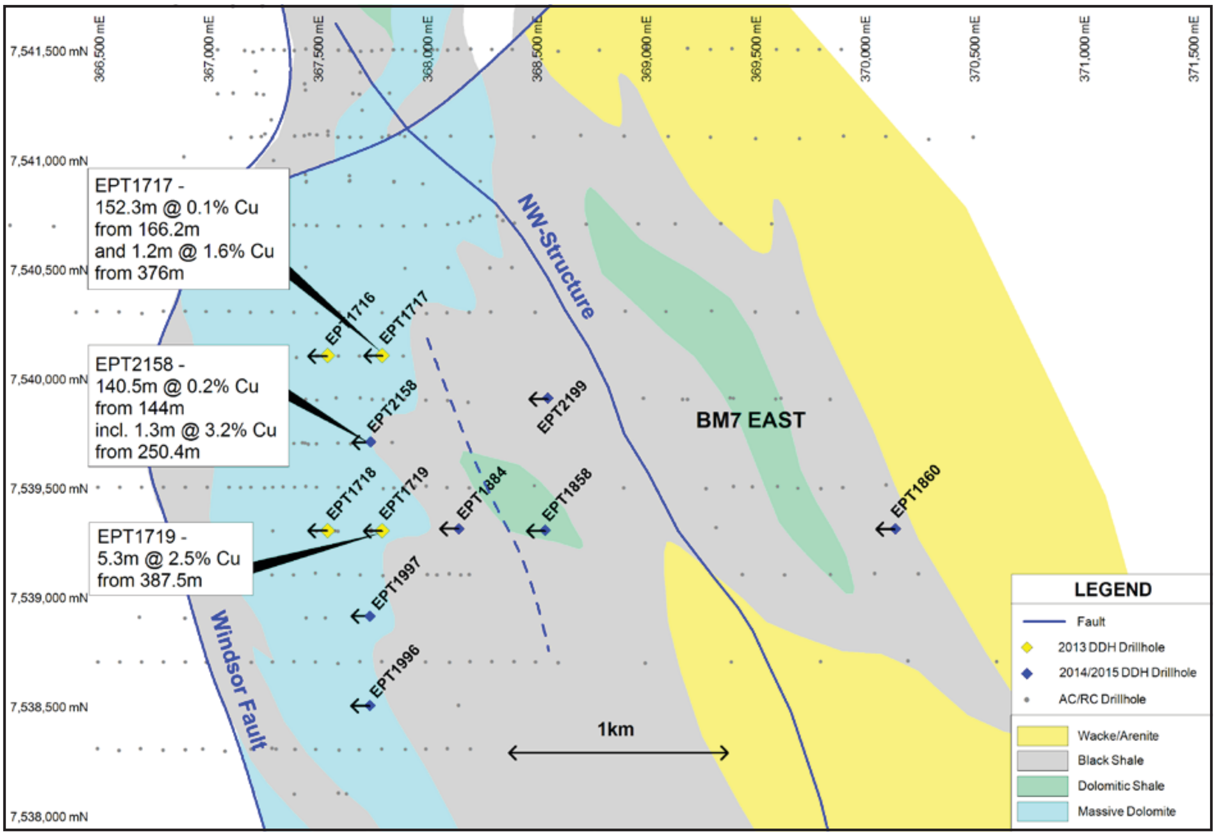


Figure 6: BM7 Diamond drilling status plan over interpreted geology

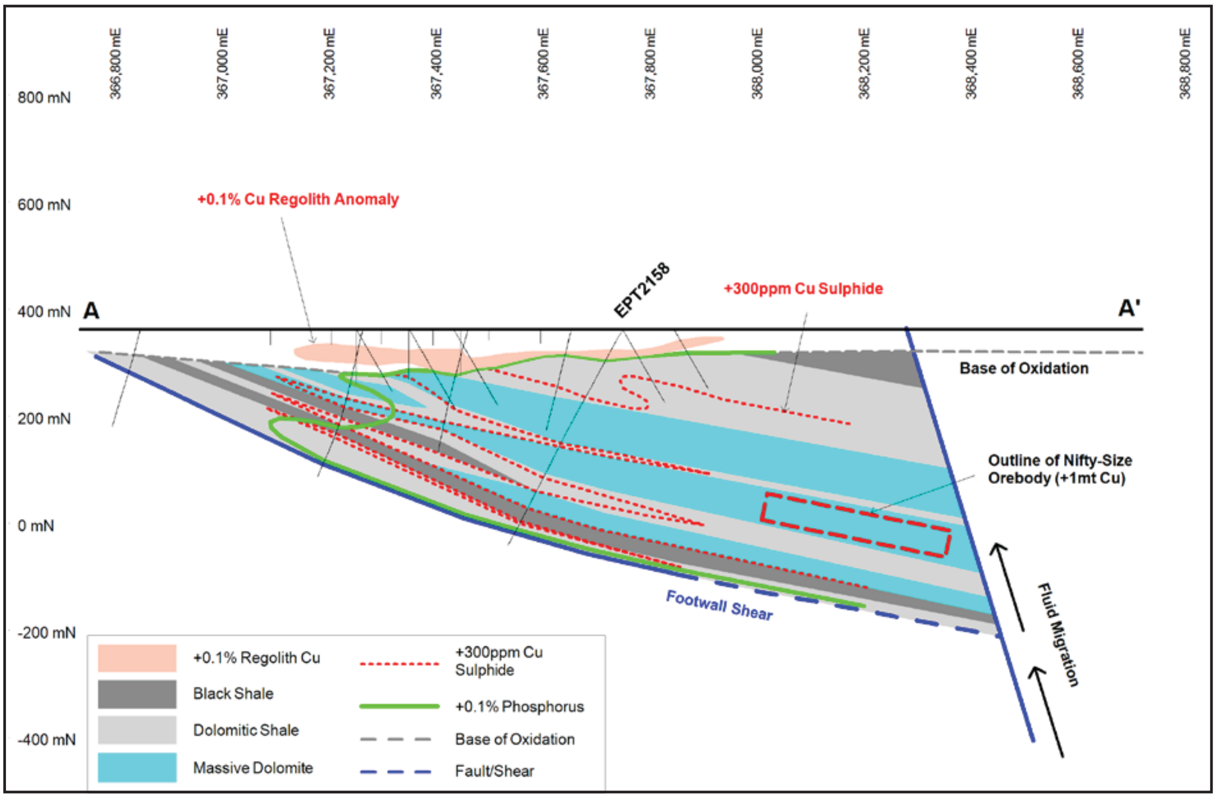


Figure 7: Interpreted cross section 7539700mN through BM7 with conceptual drill target

BM7 Prospect continued

The low grade copper sulphide mineralisation and phosphorous anomalism (proxy for apatite alteration) appear to strengthen from west to east in the northern half of BM7, in the area around drill holes EPT1717 and EPT2158. This alteration within the host carbonate stratigraphy provides a vector to the east towards interpreted steep NW trending structures. It is interpreted that these NW trending structures are the primary fluid conduits to the BM7 system and is therefore likely to be more proximal to the high grade mineralisation (see Figures 6 and 7).

Future drilling at BM7 will test the area immediately east of EPT2158 and EPT1717 where the geochemical alteration vectors are strongest and indicative of the alteration seen proximal to the Nifty copper deposit.

BM7 East Prospect

The BM7 East Prospect was identified in 2013 during wide-spaced aircore drilling east of the BM7 Prospect. The copper oxide blanket contains zones of higher grade copper oxide mineralisation and the laterally extensive copper regolith anomaly extends over 2km in strike. Intersections from the BM7 East area include:

- EPT1820 – 34m @ 0.4% Cu from 52m incl. 8m @ 0.9% Cu from 54m
- EPT1844 – 18m @ 0.4% Cu from 46m incl. 6m @ 0.7% Cu from 54m

(refer to ASX announcement 27 November 2013)

Further RC drilling was conducted during the September 2014 quarter to infill the current drill-spacing to 400m spaced sections. This program encountered similar copper grades to previous drilling, and confirmed the continuity of the copper regolith anomaly.

Fe-Mg carbonate (siderite) and phosphorus alteration halos (apatite), that are proximal alteration signatures to the Nifty hypogene high grade mineralisation, are strongly developed at BM7 East. The alteration halos underlie the core of a laterally extensive copper oxide blanket found at BM7 East that extends over 2km in strike (see Figure 8).

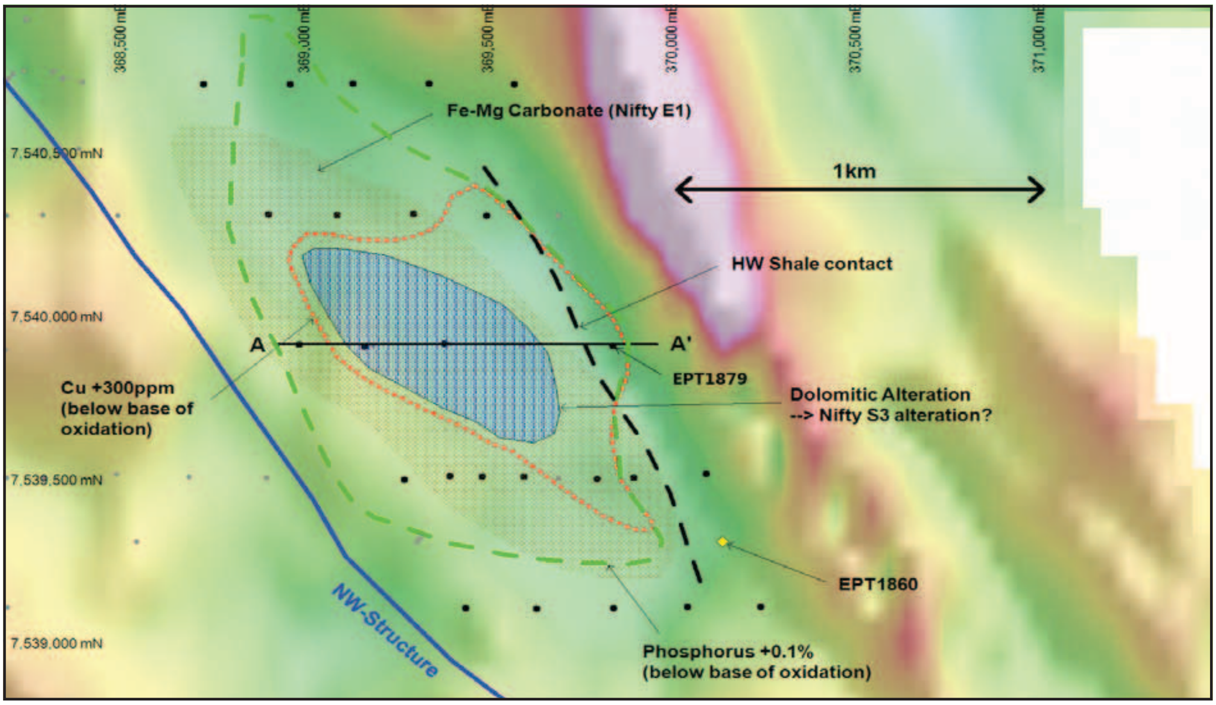


Figure 8: Plan view of alteration and mineralisation through BM7 East – background image Ch40 VTEM

BM7 East Prospect continued

RC drilling in the September 2014 quarter also identified primary copper sulphide (chalcopyrite) in one of the eastern RC holes (EPT1879) adding further support to the interpretation that the extensive regolith copper anomalism results from the direct weathering/oxidation of a body, or bodies of copper sulphide mineralisation.

The alteration and mineralisation intersected in the shallow drilling completed at BM7 East is similar to what is seen in the immediate hangingwall of the Nifty copper deposit. Drilling at depth at BM7 East will identify the extent of the alteration halos and potentially provide vectors to high grade hypogene copper mineralisation.

BM1 Prospect

The BM1 Northern Zone contains a significant accumulation of near surface, high grade copper oxide mineralisation over an area approximately 500m by 250m. In the June 2014 quarter, RC drilling extended the area of oxide mineralisation to the south east with intersections including:

- 45m @ 1.4% Cu from 12m including 16m @ 3.2% Cu from 26m (EPT2063)
- 47m @ 1.0% Cu from 11m including 15m @ 1.5% Cu from 42m (EPT2066)
- 50m @ 1.1% Cu from 12m including 19m @ 2.3% Cu from 31m (EPT2072)

Of particular interest was the intersection of shale hosted supergene copper mineralisation in two of the holes on the eastern margin of the RC program (refer to ASX announcement 15 July 2014).

A three hole diamond drilling program was also completed to test for copper sulphide mineralisation down dip to the east of the recent high grade oxide intersections and to test for the possibility of structurally controlled, steeply dipping mineralisation at depth. Diamond hole collar locations for the three hole diamond program are shown in Figure 9.

EPT2096, being the most south western of the 3 diamond holes, intersected a complex brecciated zone containing strongly altered clasts. The breccia trends along a north south structural orientation and appears to be associated with a zone a massive pyrite approximately 1km south at the BM1 Central Zone.

EPT2096 also intersected copper sulphide mineralisation, 5.8m @ 0.45% Cu from 70m, which remains open to the south east. Future drilling at BM1 will test for copper sulphide down dip to the south east of EPT2096 and for sub-horizontal layers of copper sulphide mineralisation adjacent to the strongly altered breccia zone.

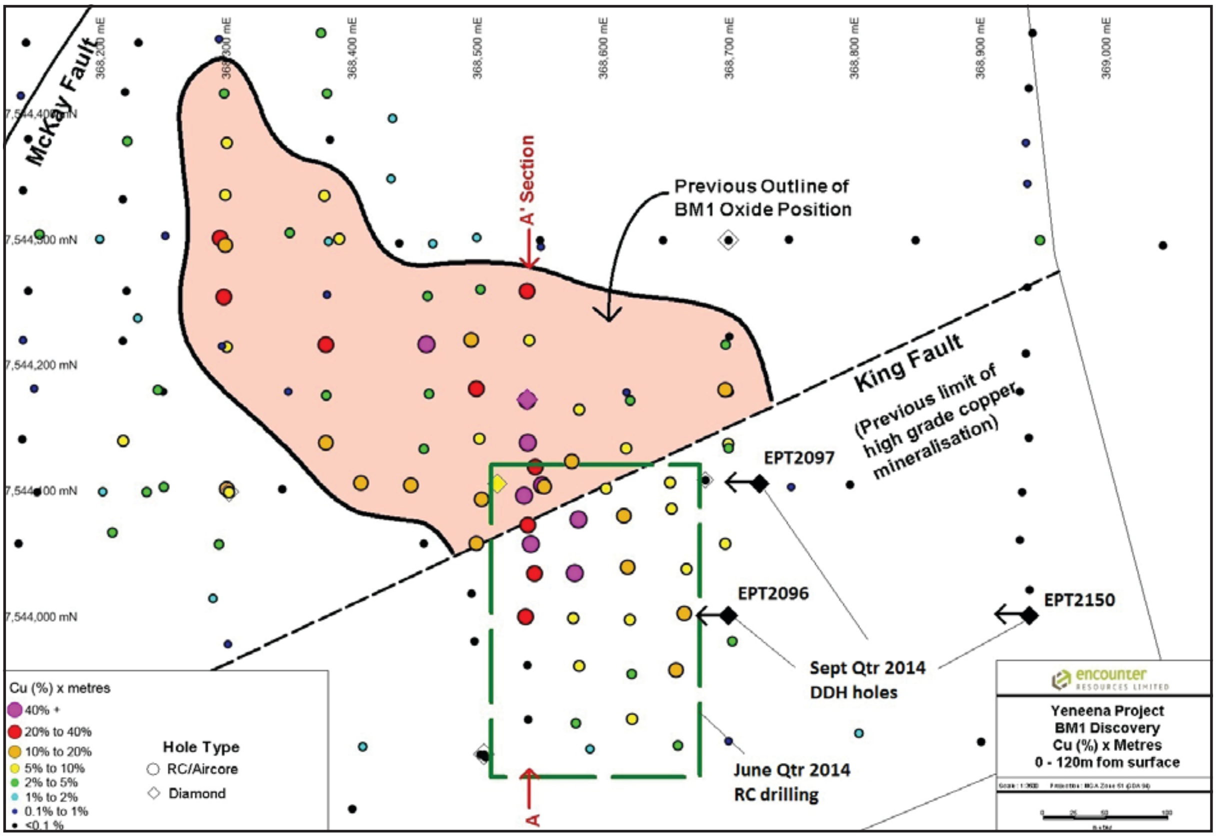


Figure 9: BM1 Northern Zone drill hole grade thickness map (Copper grade % x metres)

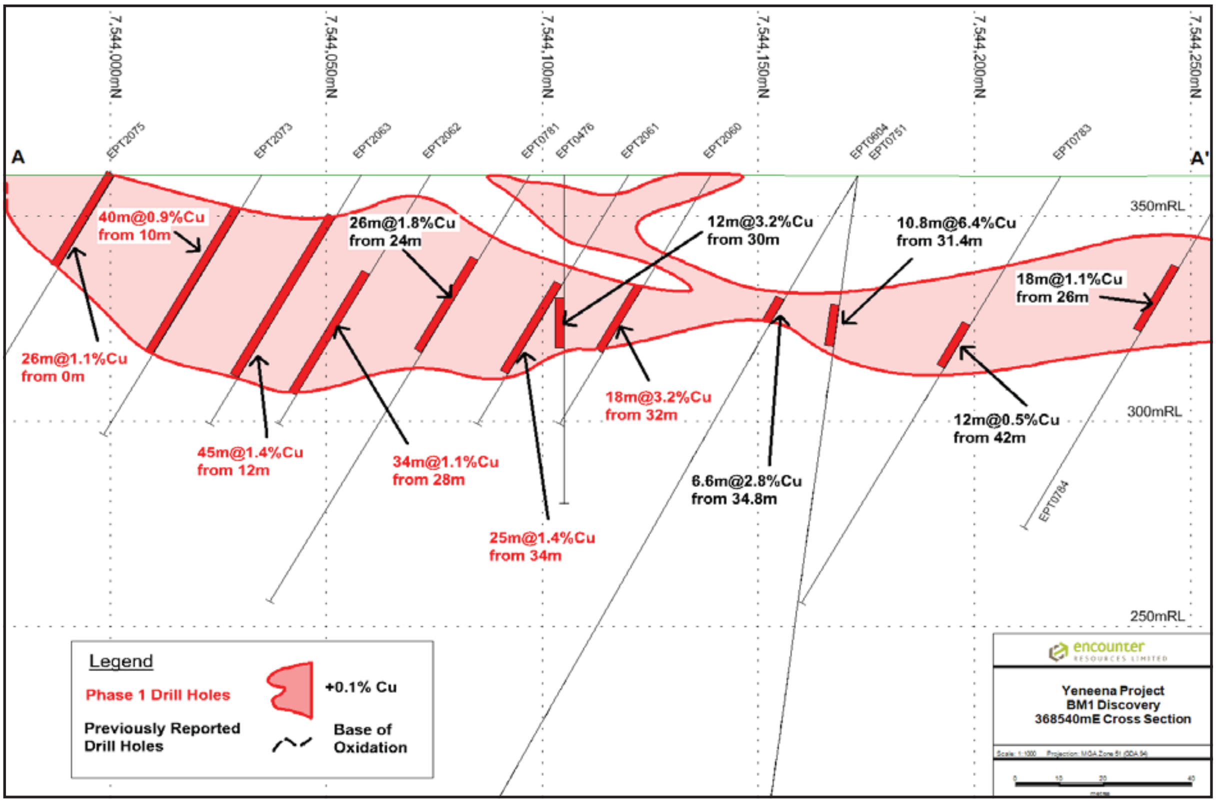


Figure 10: BM1 Cross Section A-A' 368540mE

BM6 Prospect

BM6, located 3km NNE of BM1 Northern Area was discovered during reconnaissance aircore drilling in 2011 which delineated an 800m long, 400m wide +0.1% copper regolith anomaly, adjacent to the Windsor fault (with grades up to 1.4% Cu). The regolith anomaly coincides with a VTEM conductor, which has been modelled to dip shallowly to the west (towards the Windsor Fault). Common pathfinder elements to sediment hosted copper mineralisation are elevated at BM6, with Bi assays up to 74ppm and Mo assays up to 17ppm (similar to levels seen at BM1 and BM7).

A two hole RC drill program drilled in 2013 defined a shallowing of the base of oxidation above a block of conductive shale (see Figure 11). It is interpreted that this block of shale is more resistant to weathering as a result of localised silica alteration of the shale. The RC holes also intersected elevated copper anomalism, phosphorous anomalism and siderite alteration below the base of oxidation, which is considered highly significant.

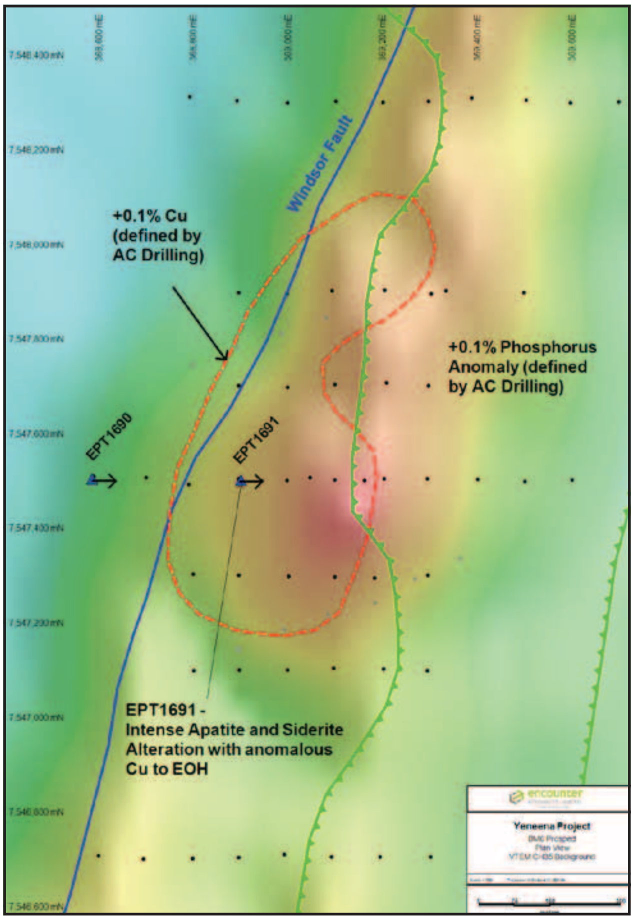


Figure 11: BM6 Prospect drill status plan over Ch35 VTEM image

The siderite alteration and phosphorous anomalism at BM6 sits below the base of oxidation within carbonaceous and dolomitic shales and can be traced over 2km of strike. The alteration halo is coincident with a broad and extensive hypogene Cu anomaly that was intersected in drill hole EPT1691 (178m @ 400ppm from 72m). This association is similar to the geochemical signature of the hangingwall shale at Nifty.

Additional RC drilling is required at BM6 to test the volume from 150m to 250m depth from the surface in order to delineate the extents of the copper and siderite alteration halos. The successful delineation of a strengthening alteration halo at BM6 will provide a vector toward primary high grade copper sulphides.

Photos 4 & 5: Chalcopyrite mineralisation from the Orca Prospect at Fishhook ~240m & 305m

Fishhook Copper Project

(E45/2657 and E45/2806 – Encounter 100%)

The success of the copper exploration program at the Yeneena Project and the discovery of a large copper-cobalt mineral system at BM1-BM7 has encouraged Encounter to expand its activities over untested regional copper targets.

The Fishhook Project covers an area of over 100km^2 and is located approximately 20km north of BM1-BM7 (see Figure 1). The project is predominantly sand covered (typically 2-10m) with limited outcrop. Beneath this sand cover lies the prospective Broadhurst Formation, the host to mineralisation at the BM1-BM7 prospects and the Nifty Copper Deposit, which is located 45km to the north of Fishhook.

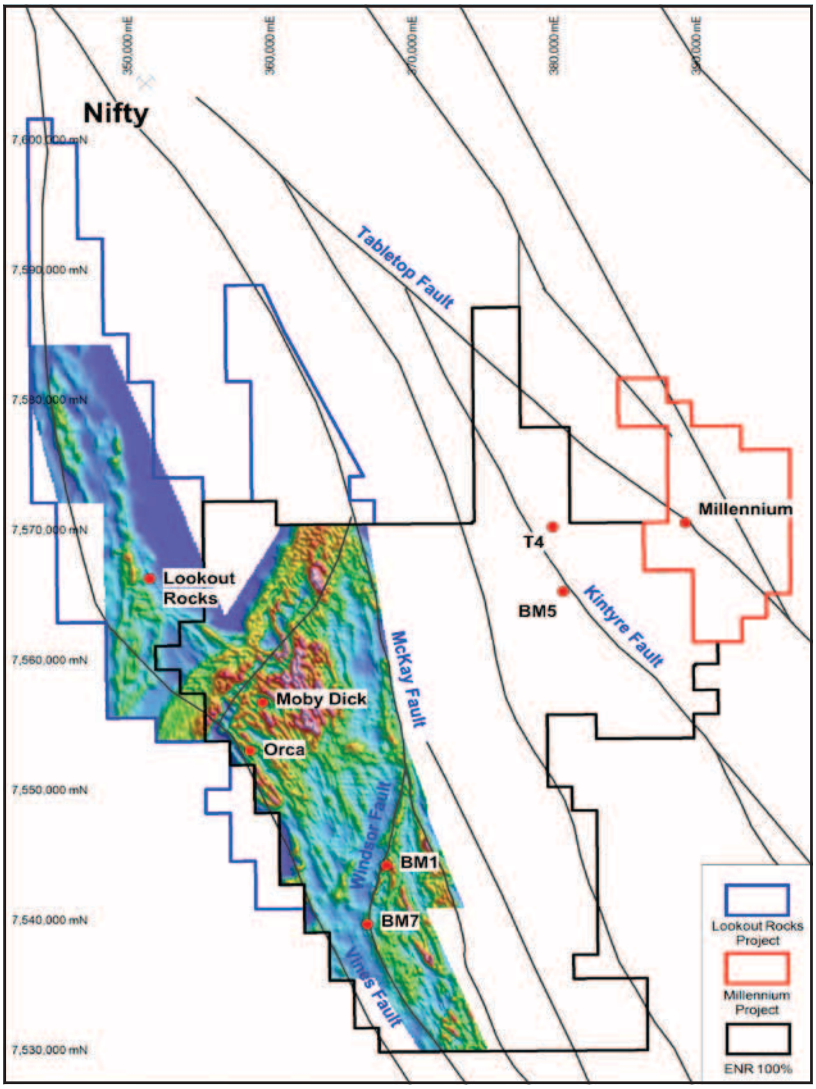


Figure 12: Yeneena Project leasing over Ch35 VTEM image

In August 2014, Encounter conducted a systematic, broad spaced 8,000m regional AC drilling program over the Fishhook Project. The AC program highlighted a number of areas of interest and two follow up diamond drill holes were subsequently completed for a total of 865m at the Moby Dick and Orca targets. Both drill holes intersected copper sulphides hosted within a sequence of highly-oxidised "red rock altered" sandstones and shales and zones of sericite altered shales/dolomites (see Photos 4-7).

Fishhook Copper Project continued

The objective of the program was to obtain the first stratigraphic information in the Fishhook area and to determine if similar mineralisation indicators occur in this area that we see at the BM1-BM7 copper discovery. The results have positive implications for the Fishhook Project and open up the potential for further sediment hosted copper occurrences along the northern corridor.

This initial diamond drilling program has been successful with the 2 diamond holes, spaced 5km apart, both exhibiting key elements of the sediment hosted copper model in a traditional Central-African copper belt setting. At Fishhook, the Broadhurst sediments are in close proximity to the underlying thickened sandstone sequence and have undergone extensive red-rock alteration. Mineralisation appears to be concentrated along more reduced horizons within the sequence which provides a focus for the copper mineralisation.

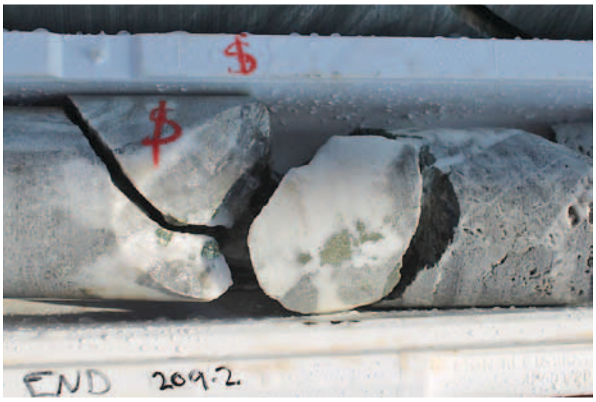


Photo 6: Chalcopyrite mineralisation from the Moby Dick Prospect at Fishhook ~209m

Photo 7: Strong 'red-rock' altered sediments from the Moby Dick Prospect at Fishhook 242-248m

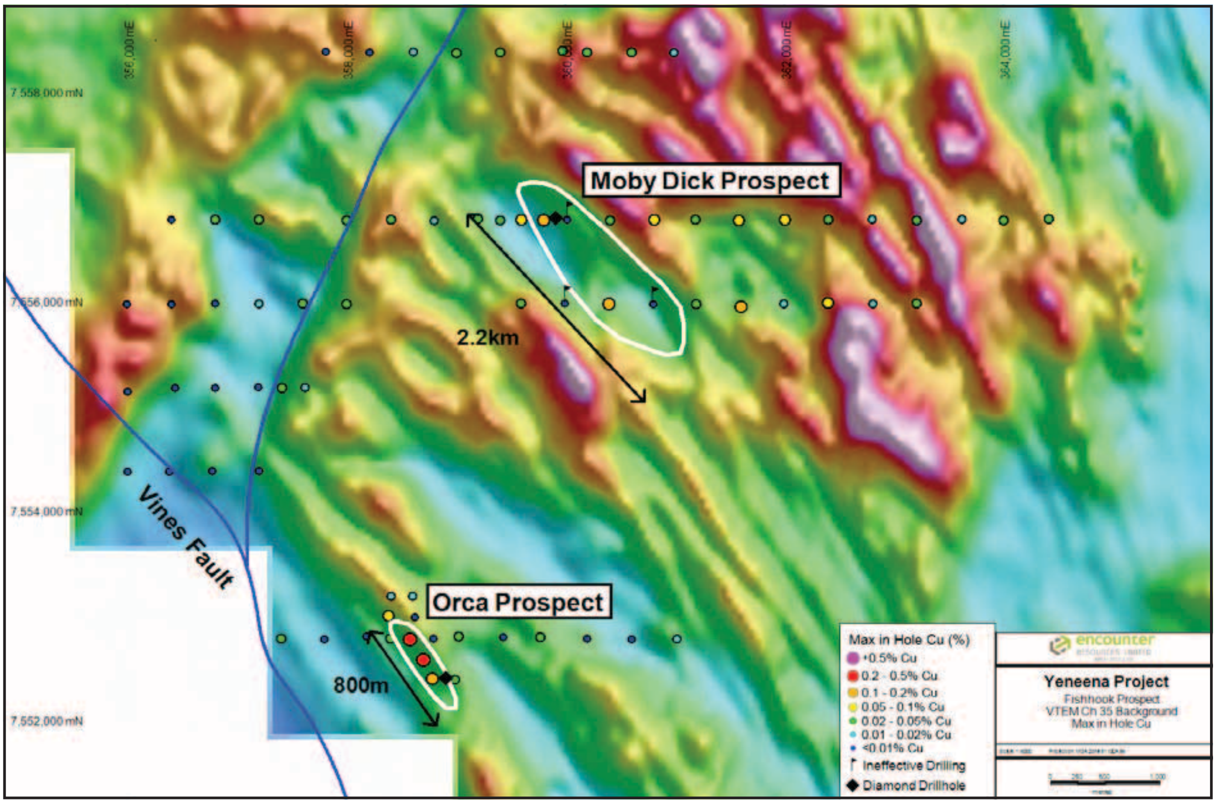
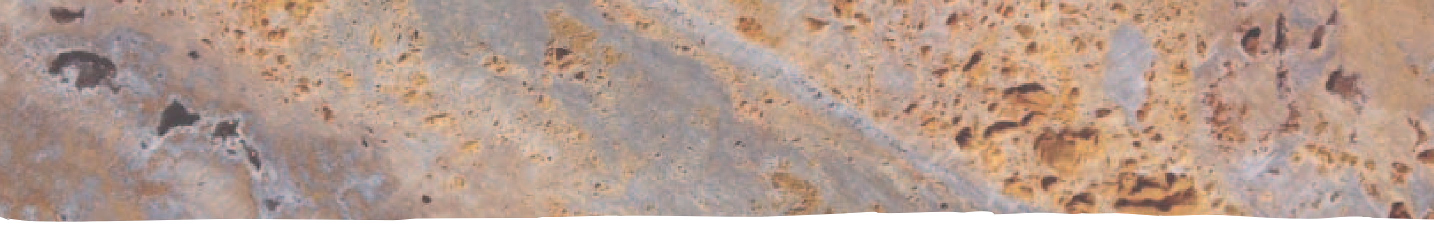
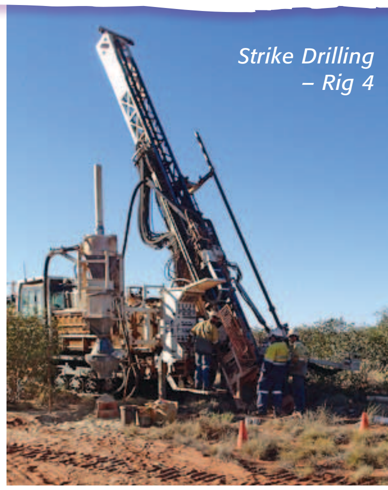


Figure 13: Fishhook Project – Moby Dick and Orca prospects





Lookout Rocks / Throssell Range Project

(E45/3768, E45/4091, E45/4408 and E45/4230
– 100% Encounter / Antofagasta earning in)

In July 2015, Encounter completed a new earn-in agreement with a wholly owned subsidiary of Antofagasta plc whereby it may earn a 70% interest in Lookout Rocks / Throssell tenements within the Yeneena Project by incurring expenditures of US$6 million over a four year period.

The Lookout Rocks / Throssell Range Projects extends north-west of the 100% owned Fishhook prospect and cover over 30 strike kms of interpreted Broadhurst sediments. Interpretation of the detailed airborne electromagnetic data indicates the prospective structures and Broadhurst lithologies extend over the entire length of the project in an area that contains very little previous exploration activity. Lookout Rocks includes four tenements (~450km^2) of highly prospective, untested exploration ground located in the north-west of Encounter's Yeneena Project (see Figure 14).

Encounter completed a detailed helicopter based VTEM survey over a large portion of Lookout Rocks in 2014 (see Figure 15). Interpretation of the data from this survey, in conjunction with detailed aerial photography, has outlined a tightly folded, NNW trending belt of Broadhurst Formation sediments. These sedimentary units are offset by interpreted NNE trending structures and are considered to be similar to the host units of the Nifty copper deposit located 25km to the north.

Drilling under the new Lookout Rocks earn-in agreement commenced in August 2015 with a track mounted aircore and slim-line RC program. This program will provide initial subsurface geochemistry at key structural locations identified at Lookout Rocks.

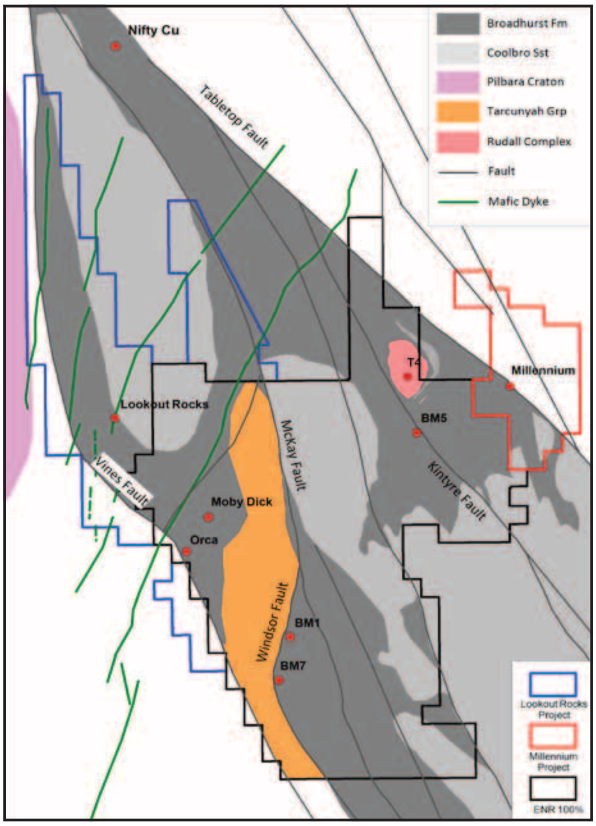


Figure 14: Yeneena Project – Geological and structural interpretation with leasing

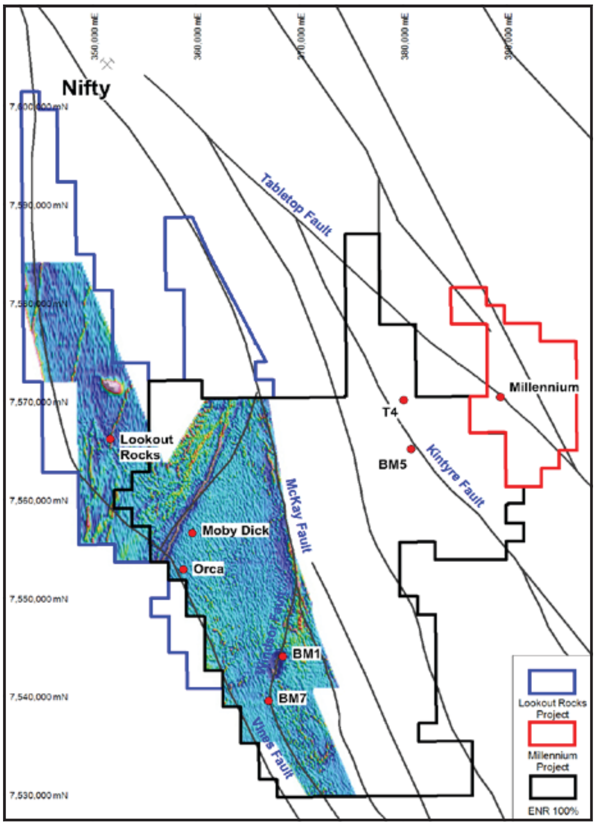


Figure 15: Yeneena Project leasing over TMIRTP 1VD Magnetic image

Aria Copper/Gold Prospect

In September 2015 the Company announced the identification of a compelling IOCG target (“**Aria Prospect**”) within the Lookout Rocks Copper Project.

A single diamond drill hole (PADD002A) was completed at the Aria Prospect by a previous explorer under the WA Government EIS program. This drill hole was located to test a discrete magnetic anomaly within the GSWA regional magnetic dataset (see Figures 16 and 17). The drill hole intersected a package of hematite altered, polymictic breccia (see Photos 8 and 9) from the start of diamond core at 84.7m to EOH (650.1m). Approximately 15% of the core drilled in PADD002A was previously submitted for chemical analysis, including only 31 metres of the first 400 metres of drill core.

Zones of light disseminations and occasional visible blebs of chalcopyrite, bornite and possible chalcocite (copper sulphide minerals) have been identified in the drill core from approximately 120m and occur sporadically to the end of the hole. A number of these zones containing visible mineralisation were not chemically assayed.

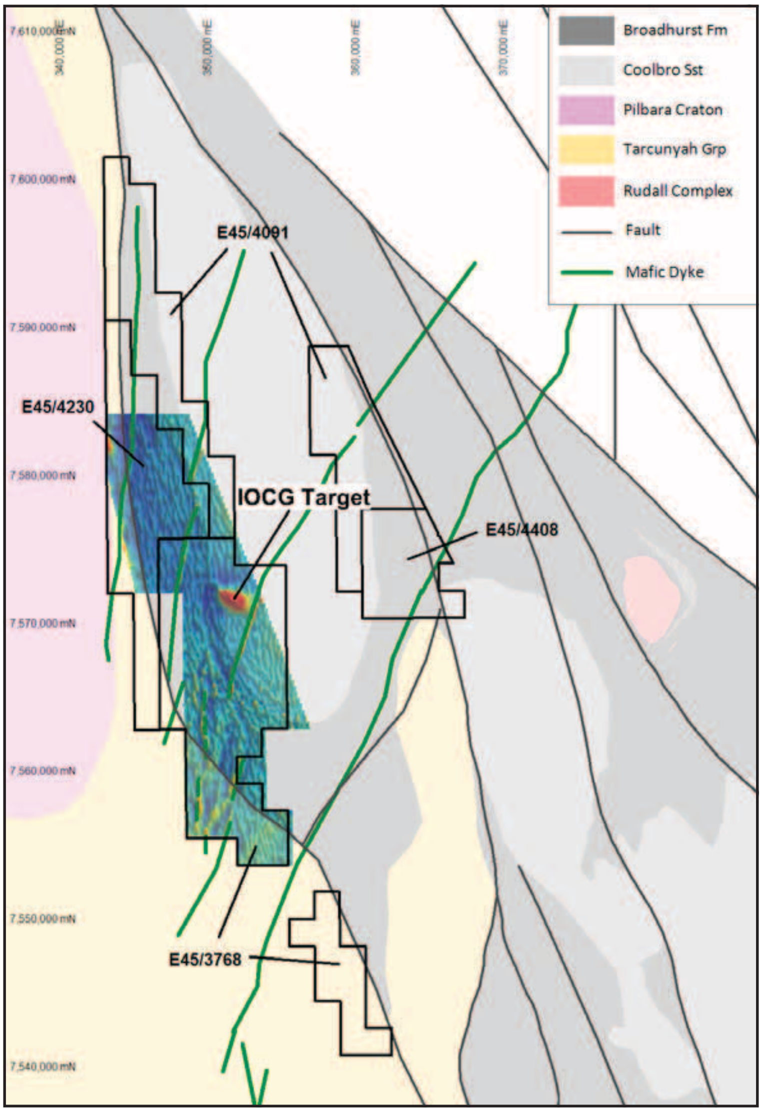


Figure 16: Lookout Rocks Project leasing over Magnetics (1VDRTP pseudocolour image – NE sun angle); Background image of Lookout Rocks Interpreted bedrock geology

In 2014, Encounter collected detailed magnetic data over the Aria prospect. The historical drill hole (PADD002A) was recently re-examined at the WA Government Carlisle Core Library. A number of technical specialists with significant experience in IOCG exploration have inspected the core and identified key characteristics of the IOCG model within the hole.

Exploration Plan

1. The entire (PADD002A) hole is being cut and will be submitted for multi-element analysis.
2. A heritage survey will be completed at Aria (Sep/Oct 2015) to facilitate an on-ground geophysical survey and follow up drilling program.
3. The 2014 detailed magnetic data will be modelled and a detailed ground gravity survey will be completed in the coming weeks to refine the planned drill program (Sep 2015).
4. Drilling, RC or diamond, at the Aria Prospect of priority targets (Oct/Nov 2015).

Photo 8: PADD002A 180.4m to 184.0m – Hematite altered, polymictic breccia containing clasts of felsic porphyry, gneissic and mafic igneous rocks

Photo 9: PADD002A 610.8.4m to 615.3m – Hematite altered, polymictic breccia containing clasts of felsic porphyry, gneissic and mafic igneous rocks

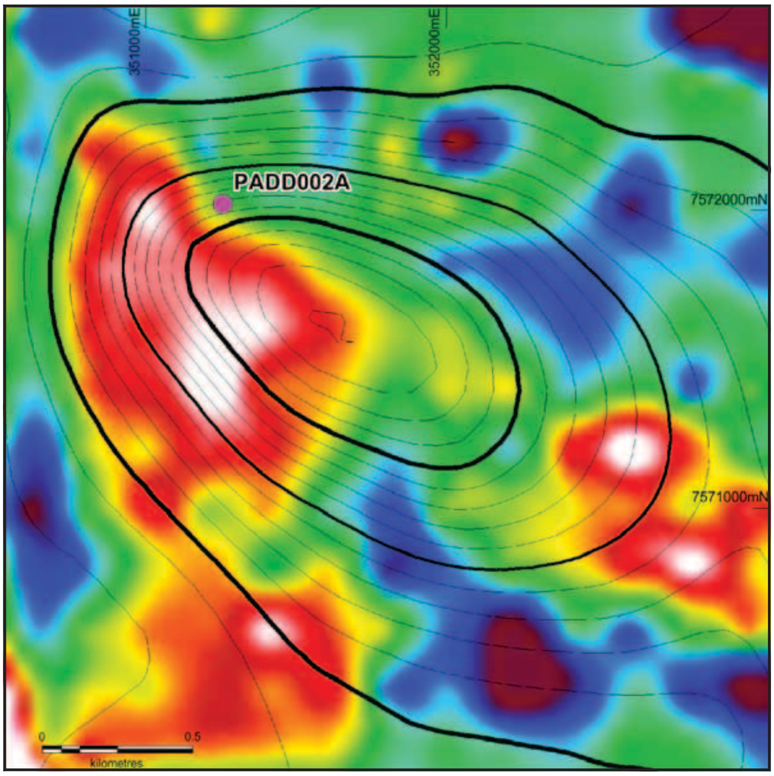


Figure 17: Aria IOCG Residual Gravity with RTP1VD Magnetic Contours showing location of PADD002A (NB – no other drilling completed over target area)

Summary of Tenements

Lease	Lease Name	Project Name	Area km^2	Managing Company	Encounter Interest
E51/1570	Hillview	Yilgarn	89	Encounter Resources Limited	100%
E70/4667	Bindi Bindi	South West	316.9	Encounter Resources Limited	100%
E45/2500	Yeneena	Paterson	163.4	Encounter Operations Pty Ltd	90-100%**
E45/2501	Yeneena	Paterson	41.4	Encounter Operations Pty Ltd	90%**
E45/2502	Yeneena	Paterson	216.3	Encounter Operations Pty Ltd	100%
E45/2503	Yeneena	Paterson	76.3	Encounter Operations Pty Ltd	100%
E45/2561	Yeneena	Paterson	86	Encounter Operations Pty Ltd	90%**
E45/2657	Yeneena	Paterson	222.8	Encounter Operations Pty Ltd	100%
E45/2658	Yeneena	Paterson	222.8	Encounter Operations Pty Ltd	100%
E45/2805	Yeneena	Paterson	209.7	Encounter Operations Pty Ltd	100%
E45/2806	Yeneena	Paterson	63.7	Encounter Operations Pty Ltd	100%
ELA45/4612	Yeneena	Paterson	153.0	Encounter Operations Pty Ltd	100%
ELA45/4564	Dora	Paterson Cu/Au	194.2	Encounter Operations Pty Ltd	100%
ELA45/4613	Telfer West	Paterson Cu/Au	121.4	Encounter Operations Pty Ltd	100%
E45/3768	Lookout Rocks	Paterson	181.50	Encounter Yeneena Pty Ltd	100%*
E45/4091	Lookout Rocks	Paterson	136.5	Encounter Yeneena Pty Ltd	100%*
E45/4230	Lookout Rocks	Paterson	92.4	Encounter Yeneena Pty Ltd	100%*
E45/4408	Lookout Rocks	Paterson	41.7	Encounter Yeneena Pty Ltd	100%*
P45/3001	Lookout Rocks	Paterson	0.8	Encounter Yeneena Pty Ltd	100%

* Tenement subject to Antofagasta Earn-In Agreement refer to ASX announcement 30 July 2015

** Tenement subject to Hampton Hill Mining NL Earn-In Agreement (only includes 4 eastern blocks on E45/2500) refer to ASX announcement 23 April 2015

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 2015.

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 twenty five 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. Mr Chapman has held managing director and other senior management roles in public companies of various sizes. Mr Chapman is the chairman of ASX listed gold producer Silver Lake Resources Ltd.

During the last 3 years, Mr Chapman was a director of Rex Minerals Limited (resigned 31 December 2013), and Phillips River Mining (resigned 26 March 2014).

Will Robinson – B.Comm, MAusIMM
Managing Director (Executive) appointed 30 June 2004
Mr Robinson is a resources industry commercial and finance specialist with over twenty years' experience in commercial management, transaction structuring and negotiation, business strategy development and London Metals Exchange metals trading. Mr Robinson held various senior commercial positions with WMC in Australia and North America from 1994 to 2003. Mr Robinson has extensive experience in the sale and distribution of commodities and was Vice President – Marketing for WMC's nickel business from 2001 to 2003. Mr Robinson founded Encounter Resources Limited in 2004 and has overseen the development of the Company as its Managing Director. Mr Robinson is the President of the Association of Mining and Exploration Companies (AMEC).

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.

Jonathan Hronsky – BAppSci, PhD, MAusIMM, FSEG
Non-Executive director appointed 10 May 2007
Dr Hronsky has more than twenty 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 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).

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. He has over 20 years experience in accounting and the management and administration of public listed entities in the mining and exploration industry.

He 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. He 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:

Director	*Directors' Interests in Ordinary Shares*	*Directors' Interests in Unlisted Options*	*Options vested at the reporting date*
P Chapman	5,600,000	–	–
W Robinson	22,168,328	–	–
P Bewick	5,102,000	3,000,000	3,000,000
J Hronsky	–	1,000,000	1,000,000

Included in the Directors' interests in Unlisted Options, there are 4,000,000 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 2015, and the number of meetings attended by each Director are as follows:

	Board of Directors' Meetings	
Director	*Held*	*Attended*
P Chapman	7	7
W Robinson	7	7
P Bewick	7	7
J Hronsky	7	7

Principal Activities

The principal activity of the Company during the financial year was mineral exploration in Western Australia.

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

Results of Operations

The consolidated net profit after income tax for the financial year was $523,915 (2014: $748,166 loss).

Included in the consolidated loss for the current year is a write-off of deferred and uncapitalised exploration and joint venture expenditure totalling $555,286 (2014: $255,804).

Review of Activities

Exploration

Exploration activities for the financial year have been focussed on the Company's Yeneena Project in the Paterson Province of Western Australia, principally at the BM1 and BM7 copper prospects and the Millennium copper/zinc prospect.

During the year the Company continued its exploration programs at BM1 and BM7 pursuant to the farm-in agreement with a wholly owned subsidiary of Antofagasta plc. The Company also entered into a farm-in agreement with Hampton Hill NL (HHM) during the year, pursuant to which HHM may earn up to a 25% interest in the Millennium zinc project.

During the year the Company also undertook exploration programs at its Fishhook prospect and also acquired a 100% interest in a prospective tenement package to the north-west of its main project area, which the Company was previously earning in to pursuant to a farm-in arrangement with Hammer Metals Limited (formerly Midas Resources Limited).

Full details of the Company's exploration activities are available in the Exploration Review in the Annual Report.

Financial Position

At the end of the financial year the Group had $1,372,033 (2014: $3,836,543) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is $19,703,415 (2014: $18,822,002).

Expenditure was principally focused on the exploration for base metals at the Company's Yeneena Project in the Paterson Province of Western Australia.

Significant Changes in the State of Affairs

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.

Options over Unissued Capital

Unlisted Options

As at the date of this report 7,370,000 unissued ordinary shares of the Company are under option as follows:

Number of Options Granted	*Exercise Price*	*Expiry Date*
450,000	80 cents	30 September 2015
450,000	40 cents	31 May 2016
1,450,000	30 cents	30 November 2016
600,000	39 cents	30 November 2017
750,000	21 cents	31 May 2017
200,000	31 cents	31 January 2018
670,000	22 cents	31 May 2018
1,250,000	23 cents	27 November 2018
750,000	31 cents	27 November 2019
800,000	16 cents	3 January 2019

All options on issue at the date of this report are vested and exercisable.

During the financial year the Company granted 2,800,000 unlisted options (2014: 945,000) over unissued shares to employees, directors and consultants of the Company.

During the year 225,000 options were cancelled (2014: 250,000) on the cessation of employment, and 5,375,000 options were cancelled on expiry of the exercise period (2014: nil).

During the financial year no (2014: Nil) ordinary shares were issued on the exercise of options.

Since the end of the financial year no options have been issued by the Company. No options have been exercised since the end of the financial year.

Since the end of the financial year no options have been cancelled due to the lapse of 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

	Number of Shares on Issue	
	2015	*2014*
Ordinary fully paid shares	**134,543,350**	132,543,350

Dividends

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

Matters Subsequent to the End of the Financial Year

Other than the matters below, 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.

- On 29 July 2015 the Company's existing farm-in arrangement with Antofagasta plc was terminated. On the same date the Company entered into a separate up to US$6 million earn-in arrangement at the Company's Lookout Rocks copper prospect within the Yeneena Project.
- On 22 September 2015 the Company announced that it had received firm commitments of $1.5 million from investors in respect of a share placement, and was also undertaking a Share Purchase Plan to existing eligible shareholders to raise up to a further $1.4 million.

Likely Developments and Expected Results of Operations

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.

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 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.

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. 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 $200,000 per annum.

Remuneration Report (Audited) continued

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 2012.

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.

Engagement of Non-Executive Directors

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

1. A Non-Executive Director may resign from his/her 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 Dr Jon Hronsky as Non-Executive Director the Company will pay him $50,000 plus statutory superannuation per annum.

In consideration of the services provided by Mr Paul Chapman as Non-Executive Chairman the Company will pay him $60,000 plus statutory superannuation per annum.

Messrs Chapman and Hronsky 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 2015.

Remuneration Report (Audited) continued

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 23 January 2013. Mr Robinson will receive a base salary of $290,000 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 on 23 January 2013. 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.

No Short Term incentives are payable to Executives where it is considered that the actual performance has fallen below the minimum requirement.

Shareholding Qualifications

The Directors are not required to hold any shares in Encounter Resources under the terms of the Company's constitution.

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:

	2015	2014	2013	2012	2011
Profit/(Loss) for the year attributable to shareholders	**$523,915**	$(748,166)	$(1,566,249)	$(758,706)	$(4,933,106)
Closing share price at 30 June	**$0.19**	$0.20	$0.16	$0.18	$0.93

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 technical exploration success, the Board considers the effective management of safety, environmental and operational matters and successful management of the Company's farm-in arrangements, the acquisition and consolidation of Yeneena landholdings, as more appropriate indicators of management performance for the 2015 financial period.

Remuneration Report (Audited) continued

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

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

	Short Term		*Post Employment*	*Other Long Term*		
30 June 2015	*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	**271,596**	**36,250**	**29,245**	**–**	**337,091**	**–**
Peter Bewick	**260,654**	**33,750**	**27,968**	**111,097**	**433,469**	**25.6%**
Jon Hronsky	**50,000**	**–**	**4,750**	**36,289**	**91,039**	**39.9%**
Total	**642,250**	**70,000**	**67,663**	**147,386**	**927,299**	

	Short Term		*Post Employment*	*Other Long Term*		
30 June 2014	*Base Salary* *$*	*Short Term Incentive* *$*	*Superannuation Contributions* *$*	*Value of Options* *$*	*Total* *$*	*Value of Options as Proportion of Remuneration* *%*
Paul Chapman	60,000	–	5,550	–	65,550	–
Will Robinson	283,958	14,500	27,607	–	326,065	–
Peter Bewick	270,000	13,500	26,224	–	309,724	–
Jon Hronsky	50,000	–	4,625	–	54,625	–
Total	663,958	28,000	64,006	–	755,964	

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	
	2014/15 financial year	*2013/14 financial year*
Will Robinson	**$36,250**	$14,500
Peter Bewick	**$33,750**	$13,500

Performance indicators for the 2014/15 financial year included corporate management, project and operational performance (including safety and environmental management and results of exploration activity) and share price performance.

Remuneration Report (Audited) continued

Options Granted as Remuneration

During the financial year ended 30 June 2015 the following options were granted to Directors or Key Management Personnel of the Company (2014: nil):

Key Management Personnel	*Number of options*	*Exercise price*	*Expiry date*
Peter Bewick	750,000	23 cents	27 November 2018
Peter Bewick	750,000	31 cents	27 November 2019
Jon Hronsky	500,000	23 cents	27 November 2018

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. No options were exercised by Key Management Personnel during the financial year.

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.

Equity instrument disclosures relating to key management personnel

Option holdings

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

2015 *Names – Directors*	*Balance at start of the year*	*Received during the year as remuneration*	*Other changes during the year*[1]	*Balance at the end of the year*	*Vested and exercisable at the end of the year*
P Chapman	**–**	**–**	**–**	**–**	**–**
W Robinson	**–**	**–**	**–**	**–**	**–**
P Bewick	**5,000,000**	**1,500,000**	**(3,500,000)**	**3,000,000**	**3,000,000**
J Hronsky	**1,300,000**	**500,000**	**(800,000)**	**1,000,000**	**1,000,000**

[1] Options lapsing unexercised at the end of the exercise period.

2014 *Names – Directors*	*Balance at start of the year*	*Received during the year as remuneration*	*Other changes during the year*[1]	*Balance at the end of the year*	*Vested and exercisable at the end of the year*
P Chapman	–	–	–	–	–
W Robinson	–	–	–	–	–
P Bewick	5,000,000	–	–	5,000,000	5,000,000
J Hronsky	1,300,000	–	–	1,300,000	1,300,000

Remuneration Report (Audited) continued

Equity instrument disclosures relating to key management personnel continued

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.

2015 *Names – Directors*	*Balance at start of the year*	*Received during the year on exercise of options*	*Other changes during during the year*	*Balance at the end of the year*
P Chapman	**5,600,000**	**–**	**–**	**5,600,000**
W Robinson	**22,168,328**	**–**	**–**	**22,168,328**
P Bewick	**5,102,000**	**–**	**–**	**5,102,000**
J Hronsky	**–**	**–**	**–**	**–**

2014 *Names – Directors*	*Balance at start of the year*	*Received during the year on exercise of options*	*Other changes during during the year*	*Balance at the end of the year*
P Chapman	5,600,000	–	–	5,600,000
W Robinson	22,168,328	–	–	22,168,328
P Bewick	5,102,000	–	–	5,102,000
J Hronsky	–	–	–	–

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

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.

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.

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:

	2015 **$**	2014 $
Audit and review of the Company's financial statements	**31,000**	33,000
Other services	**–**	–
Total	**31,000**	33,000

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.

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 24th day of September 2015.

W Robinson
Managing Director

Crowe Horwath™

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Encounter Resources Limited for the year ended 30 June 2015, 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.

Crowe Horwath Perth

Sean McGurk
Partner

Signed at Perth, 24 September 2015

Crowe Horwath Perth is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2015

	Note	Consolidated 2015 $	Re-stated 2014 $
Other income	5	**1,633,716**	477,366
Total income		**1,633,716**	477,366
Employee expenses		**(1,609,385)**	(1,676,334)
Employee expenses recharged to exploration		**1,347,908**	1,316,785
Equity based remuneration expense	19	**(187,033)**	(71,760)
Non-Executive Director's fees		**(110,000)**	(110,000)
Gain in fair value of financial assets	6	**368,987**	–
Depreciation expense	6	**(10,329)**	(9,740)
Corporate expenses		**(62,953)**	(61,432)
Administration and Other expenses		**(291,710)**	(357,247)
Exploration costs written off and expensed	6	**(555,286)**	(255,804)
Profit/(Loss) before income tax		**523,915**	(748,166)
Income tax benefit	7	**–**	–
Profit/(Loss) after tax	19	**523,915**	(748,166)
Other comprehensive income		**–**	–
Total comprehensive income/(loss) for the year		**523,915**	(748,166)

	Note	Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the Company			
Basic earnings/(loss) per share	29	**0.39**	(0.56)
Diluted earnings/(loss) per share	29	**0.37**	(0.56)

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

	Note	Consolidated 2015 $	Re-stated 2014 $
Current assets			
Cash and cash equivalents	8	**1,372,033**	3,836,543
Trade and other receivables	9(a)	**852,086**	58,494
Other current assets	9(b)	**15,018**	93,640
Total current assets		**2,239,137**	3,988,677
Non-current assets			
Other financial assets	11	**1,568,194**	–
Property, plant and equipment	12	**204,652**	304,989
Capitalised mineral exploration and evaluation expenditure	13	**19,703,415**	18,822,002
Total non-current assets		**21,476,261**	19,126,991
Total assets		**23,715,398**	23,115,668
Current liabilities			
Trade and other payables	15	**668,552**	1,207,619
Employee benefits	16(a)	**125,754**	77,397
Total current liabilities		**794,306**	1,285,016
Non-current liabilities			
Employee benefits	16(b)	**106,569**	85,606
Total non-current liabilities		**106,569**	85,606
Total liabilities		**900,875**	1,370,622
Net assets		**22,814,523**	21,745,046
Equity			
Issued capital	17	**31,471,913**	31,113,384
Accumulated losses	19	**(9,306,923)**	(12,135,860)
Equity remuneration reserve	19	**649,533**	2,767,522
Total equity		**22,814,523**	21,745,046

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

	Consolidated			
	Issued capital $	Re-stated Accumulated losses $	Equity remuneration reserve $	Total $
2014				
Balance at the start of the financial year	31,113,384	(11,429,023)	2,737,091	22,421,452
Comprehensive income for the financial year	–	(748,166)	–	(748,166)
Movement in equity remuneration reserve in respect of options vested	–	–	71,760	71,760
Transfer to accumulated losses on cancellation of vested options	–	41,329	(41,329)	–
Balance at the end of the financial year	31,113,384	(12,135,860)	2,767,522	21,745,046
2015				
Balance at the start of the financial year	31,113,384	(12,135,860)	2,767,522	21,745,046
Comprehensive income for the financial year	–	523,915	–	523,915
Movement in equity remuneration reserve in respect of options vested	–	–	187,033	187,033
Transfer to accumulated losses on cancellation of vested options	–	2,305,022	(2,305,022)	–
Transactions with equity holders in their capacity as equity holders:				
Shares issued	358,529	–	–	358,529
Balance at the end of the financial year	31,471,913	(9,306,923)	649,533	22,814,523

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

	Note	Consolidated 2015 $	2014 $
Cash flows from operating activities			
Sundry income		**14,284**	9,809
State Government funded drilling rebate		**287,018**	175,925
R&D tax concession tax refund		**–**	500,022
Interest received		**75,929**	134,768
Payments to suppliers and employees		**(792,689)**	(819,553)
Net cash provided/(used in) from operating activities	28	**(415,458)**	971
Cash flows from investing activities			
Contributions received from farm-in partners		**2,908,246**	3,725,847
Proceeds from disposal of assets		**49,033**	–
Payments for exploration and evaluation		**(4,968,272)**	(4,564,128)
Payments for plant and equipment		**(34,088)**	(132,804)
Net cash used in investing activities		**(2,045,081)**	(971,085)
Cash flows from financing activities			
Proceeds from the issue of shares		**–**	–
Payments for share issue costs		**(3,971)**	–
Net cash used in financing activities		**(3,971)**	–
Net decrease in cash held		**(2,464,510)**	(970,114)
Cash at the beginning of the financial year		**3,836,543**	4,806,657
Cash at the end of the financial year	8(a)	**1,372,033**	3,836,543

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

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").

(a) 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 24 September 2015.

Statement of Compliance

The consolidated financial report of Encounter Resources Limited complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (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 Standards –
Changes in accounting policies on initial application of accounting standards

In the year ended 30 June 2015, 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 the current annual reporting period. 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.

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 July 2015, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the Group.

The Group does not plan to adopt any standards early and the extent of the impact has not been determined.

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.

Note 1 Summary of significant accounting policies continued

(b) 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. Adoption of AASB 8 by the Group has not resulted in a redefinition of previously reported operating segments.

(c) Revenue recognition and receivables

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances and amounts collectable on behalf of third parties.

Interest income

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

Option fee income

Revenue is recognised for option fee income at such time that the option fee becoming receivable by the Company occurs.

(d) 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.

(e) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (Note 25). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Note 1 Summary of significant accounting policies continued

(f) 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) 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.

(h) 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 is deducted from the carrying value of the 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.

(i) 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.

(j) 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.

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.

Note 1 Summary of significant accounting policies continued

(k) 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 redesignates 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.

(l) 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 reduce 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 13.

Note 1 Summary of significant accounting policies continued

(m) 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.

(n) 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.

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.

(o) 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.

Note 1 Summary of significant accounting policies continued

(p) 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.

(q) 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.

(r) Comparative figures

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

(s) Investments and other financial assets

Recognition
When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss
A financial asset designated on initial recognition as one to be measured at fair value with fair value changes in profit and loss is included in the category 'financial assets at fair value through profit or loss'.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

Note 1 Summary of significant accounting policies continued

(s) Investments and other financial assets continued

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments included to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(iv) Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value hierarchy

The Group's investments and other financial assets, are measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

(t) 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 and debt securities

The fair value of financial assets at fair value through profit or loss, held to maturity investments and available for sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held to maturity investments is determined for disclosure purposes only. 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.

Note 1 Summary of significant accounting policies continued

(t) **Fair value estimation** continued

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

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.

Note 2 Financial risk management continued

(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.

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 2015 of $1,568,194 (2014: Nil). 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(k). There is some subjectivity involved in the carrying forward as capitalised or writing off to the income statement exploration and evaluation expenditure, however 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.

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.

Note 5 Other income

	Consolidated 2015 $	2014 $
Operating activities		
Earn-in option fee[1]	**1,199,207**	–
Management fees from farm-in partners	**321,470**	332,789
Gain on disposal of assets	**22,826**	–
Interest receivable	**75,929**	134,768
Other income	**14,284**	9,809
	1,633,716	477,366

[1] Fair value of 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. Refer Note 11.

Note 6 Loss for the year

	Consolidated 2015 $	Consolidated Re-stated 2014 $
Loss before income tax includes the following specific benefits/(expenses):		
Depreciation:		
Office equipment	**(10,329)**	(9,740)
Total exploration and joint venture costs not capitalised and written off	**(555,286)**	(255,804)
Gain in fair value of financial assets[1]	**368,987**	–

[1] Adjustment to carrying value of investment in Hampton Hill NL, based on ASX closing price as at 30 June 2015. The gain on investment has been recognised in the Statement of Profit or Loss. Refer Note 11.

Note 7 Income tax

(a) Income tax expense

	Consolidated 2015 $	Consolidated Re-stated 2014 $
Current income tax:		
Current income tax charge (benefit)	**(1,223,082)**	(598,861)
Current income tax not recognised	**1,223,082**	598,861
Deferred income tax:		
Relating to origination and reversal of timing differences	**–**	(150,457)
Deferred income tax benefit not recognised	**–**	150,457
Income tax expense/(benefit) reported in the income statement	**–**	–

Refer Note 30 for details of prior period adjustment in relation to the accounting of research and development tax concession credits.

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

	Consolidated 2015 $	Consolidated Re-stated 2014 $
Profit/(Loss) from continuing operations before income tax expense	**523,915**	(748,166)
Tax at the Australian rate of 30% (2014: 30%)	**157,175**	(224,450)
Tax effect of permanent differences:		
Non-deductible share based payment	**56,110**	21,528
Exploration costs written off	**166,586**	76,741
Capital raising costs claimed	**(40,974)**	(41,396)
Net deferred tax asset benefit not brought to account	**(338,897)**	167,577
Tax (benefit)/expense	**–**	–

	Consolidated 2015 $	Re-stated 2014 $

Note 7 Income tax continued

(c) Deferred tax – Balance Sheet

	2015 $	Re-stated 2014 $
Liabilities		
Prepaid expenses	**(4,505)**	(28,092)
Capitalised exploration expenditure	**(5,911,025)**	(5,646,601)
	(5,915,530)	(5,674,693)
Assets		
Revenue losses available to offset against future taxable income	**8,302,034**	8,273,990
Employee provisions	**69,697**	48,901
Accrued expenses	**–**	56,727
Deductible equity raising costs	**40,974**	64,790
	8,412,705	8,444,408
Net deferred tax asset not recognised	**2,497,175**	2,769,715

(d) Deferred tax – Income Statement

	2015 $	Re-stated 2014 $
Liabilities		
Prepaid expenses	**23,587**	(4,564)
Capitalised exploration expenditure	**(264,424)**	(314,279)
Assets		
Deductible equity raising costs	**(23,816)**	(41,395)
Accruals	**(56,727)**	47,380
Increase in tax losses carried forward	**28,044**	513,494
Employee provisions	**20,796**	28,926
Deferred tax benefit/(expense) movement for the period not recognised	**(272,540)**	229,562

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 of $27,673,446 (2014: $27,579,967) were incurred by Australian entities.

	Consolidated 2015 $	2014 $

Note 8 Current assets – Cash and cash equivalents

	2015 $	2014 $
Cash at bank and on hand	**948,676**	1,836,543
Deposits at call	**423,357**	2,000,000
	1,372,033	3,836,543

(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:

	2015 $	2014 $
Cash and cash equivalents per statement of cash flows	**1,372,033**	3,836,543

(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:

	2015 $	2014 $
Environmental bond guarantee	**–**	34,000
Office lease bond guarantee (Note 24)	**23,000**	22,629
Corporate credit card security deposit (Note 24)	**50,000**	147,520
	73,000	204,149

The $34,000 environmental bond guarantee in respect of tenement E51/1127 has been cancelled upon relinquishment of the lease.

Cash assets include an amount of $59,549 (2014: $320,081) in respect of unspent farm-in contributions received. The Company has recognised liabilities in the financial statements for unspent farm-in contributions (Note 15).

Note 9 Current assets – Receivables

(a) Trade and other receivables

	2015 $	2014 $
Funds due from farm-in partner	**223,234**	–
R&D tax concession receivable	**536,952**	–
Other receivables	**818**	6,166
Recoverable joint venture expenses	**–**	9,296
GST recoverable	**91,082**	43,032
	852,086	58,494

(b) Other current assets

	2015 $	2014 $
Prepaid tenement costs	**15,018**	93,640

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:

	Company 2015 $	2014 $
Encounter Operations Pty Ltd	**2**	2
Hamelin Resources Pty Ltd	**1**	1
Encounter Yeneena Pty Ltd	**2**	2

Subsidiary Company	Country of Incorporation	Ownership Interest 2015 %	2014 %
Encounter Operations Pty Ltd	Australia	**100%**	100%
Hamelin Resources Pty Ltd	Australia	**100%**	100%
Encounter Yeneena Pty Ltd	Australia	**100%**	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.

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

(b) Loans to controlled entities

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

	Company 2015 $	2014 $
Encounter Operations Pty Ltd	**19,480,080**	18,082,774
Hamelin Resources Pty Ltd	**357**	237
Encounter Yeneena Pty Ltd	**452,574**	110

The loans to Encounter Operations Pty Ltd, Hamelin Resources Pty Ltd and Encounter Yeneena 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 2015 $	2014 $

Note 11 Other financial assets – Investments Designated at Fair Value through Profit or Loss

	2015 $	2014 $
Balance at the start of the financial year	–	–
Investments acquired[1]	1,199,207	–
Gain on investments recognised through profit & loss[2]	368,987	–
Balance at the end of the financial year	1,568,194	–

[1] Fair value of 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. Refer Note 5.

[2] Adjustment to carrying value of investment in Hampton Hill NL, based on ASX closing price as at 30 June 2015. The gain on investment has been recognised in the Statement of Profit or Loss. Refer Note 5.

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).

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

	2015 $	2014 $
Field equipment		
At cost	898,825	905,819
Accumulated depreciation	(706,082)	(623,068)
	192,743	282,751
Office equipment		
At cost	109,035	109,035
Accumulated depreciation	(97,126)	(86,797)
	11,909	22,238
Leasehold improvements		
At cost	22,137	22,137
Accumulated depreciation	(22,137)	(22,137)
	–	–
	204,652	304,989
Reconciliation		
Field equipment		
Net book value at start of the year	282,751	251,715
Additions	34,088	129,052
Net book value of assets disposed	(26,207)	–
Depreciation	(97,889)	(98,016)
Net book value at end of the year	192,743	282,751
Office equipment		
Net book value at start of the year	22,238	28,225
Additions	–	3,753
Depreciation	(10,329)	(9,740)
Net book value at end of the year	11,909	22,238

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

	Consolidated 2015 $	Re-stated 2014 $
In the exploration and evaluation phase		
Cost carried forward in respect of:		
Incurred at cost by Encounter Resources Limited on assets not governed by joint venture agreements (i)	–	136,216
Costs capitalised by Encounter Operations Pty Ltd in respect of the Yeneena Project (ii)	**19,255,004**	18,506,190
Costs capitalised by Encounter Yeneena Pty Ltd in respect of the Yeneena Project (iii)	**448,411**	–
Capitalised share of exploration assets under JV Agreements (iv)	–	179,596
Cost carried forward	**19,703,415**	18,822,002

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.

(i) Exploration and evaluation expenditure recognised on exploration assets held solely by Encounter Resources Limited.

(ii), (iii) Exploration and evaluation expenditure recognised incurred by Encounter Operations Pty Ltd and Encounter Yeneena Pty Ltd on tenements at the Yeneena Project.

(iv) Exploration and evaluation expenditure recognised on tenements under joint venture agreements with Avoca Resources Limited. This amount includes Encounter Resources Limited's proportionate share of exploration assets held by the respective joint venture entities.

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.

	2015 $	Re-stated 2014 $
Capitalised exploration costs at the start of the period	**18,822,002**	17,774,406
Total acquisition and exploration costs for the period (v)	**2,260,668**	1,743,010
Exploration costs funded by EIS grant	**(287,017)**	(175,925)
Research and development tax concessions (vi)	**(536,952)**	(263,685)
Total exploration and joint venture costs written off and expensed for the period	**(555,286)**	(255,804)
Capitalised exploration costs at the end of the period	**19,703,415**	18,822,002

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

(v) Does not include costs incurred by farm-in partners in respect of spend incurred on assets the subject of farm-in arrangements.

During the financial period, the Company's farm-in partner Antofagasta Minerals Perth Pty Ltd (see Note 14b) incurred costs of $2,530,551 (2014: $3,436,990) in respect of exploration and evaluation costs on the Company's assets in addition to the amounts stated above.

During the financial period, the Company's farm-in partner Hampton Hill NL (see Note 14b) incurred costs of $654,819 in respect of exploration and evaluation costs on the Company's assets in addition to the amounts stated above.

(vi) Amounts receivable pursuant to research and development tax concession claims lodged during the period. Refer Note 30 for details of prior period adjustment.

Note 14 Interest in joint ventures and farm-in arrangements

(a) Joint Venture Agreements – Joint Operations

Joint venture agreements have been entered into with third parties. Details of joint venture agreements are disclosed below.

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 (Refer Note 13) 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.

Lake Way Uranium Joint Venture Agreement – Joint Operation

Under the Lake Way Uranium Joint Venture dated 1 July 2007 between Avoca Resources Limited and the Company, the Company has a 60% joint venture interest in the uranium rights at the Lake Way South tenement. The parties are contributing to expenditure in accordance with their equity interest. Encounter is the manager of the joint operation. The company's interest in the joint operation may increase to 75% if Avoca elects to dilute its interest in the tenement and be free carried though to decision to mine. Included in the assets and liabilities of the Group were the items below which represented the Group's interest in the assets and liabilities employed in joint operations.

Joint Operations – Financial Results and Carrying Values

The total amount of the Group's capitalised exploration and evaluation expenditure capitalised and employed under joint venture agreements at the reporting date is Nil (2014: $179,596 (Note 13).

(b) Farm-in Arrangements

The Company is party to the following farm-in arrangements:

Antofagasta Yeneena farm-in – Antofagasta Minerals Perth Pty Ltd earning-in

Antofagasta Minerals Perth Pty Ltd entered into a farm-in and joint venture agreement with the Company in respect of granted tenements EL45/2658 and EL45/2805 that form part of the Company's wholly owned Yeneena Project. The agreement covered an area of 433km^2 and comprises the southern extents of the Yeneena Project that incorporate the BM1, BM7 and BM8 copper prospects.

Significant terms of the farm-in arrangement were as follows:

- 5 year initial earn-in phase under which Antofagasta may acquire a 51% joint venture interest by expenditure of US$20 million and may withdraw at any time subject to a meeting a minimum spend of US$3 million;
- A second earn-in phase, should Encounter not elect to contribute to exploration costs under the joint venture, under which Antofagasta may acquire a further 19% interest by completion of a pre-feasibility study within 4 years of Encounter electing not to contribute;

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

(b) Farm-in Arrangements continued

Antofagasta Yeneena farm-in – Antofagasta Minerals Perth Pty Ltd earning-in continued

- If Antofagasta completes a pre-feasibility study during the second earn-in phase it must pay Encounter US$15 million or contribute US$15 million in lieu of Encounter's contribution to its proportionate share of feasibility study costs;
- If a decision to mine is made subsequent to the completion of a feasibility study and Encounter elects not to proceed, Antofagasta may acquire Encounter's interest at 90% of an agreed value determined by independent expert valuation.
- Amounts set out in the Earn-in and Joint Venture Agreement are in United States dollars, provided that the Australia dollar to United States dollar exchange rate published by the Reserve Bank of Australia is between 1.15 and 0.95 (the "Acceptable Range"). If the Exchange Rate is outside the Acceptable Range on the date cash payment is due, the Exchange Rate will be set at 1.05 United States dollar for each 1 Australian dollar.
- On 29 July 2015 this farm-in arrangement was terminated with Encounter retaining a 100% interest in the granted tenements.

Encounter Yeneena Lookout Rocks Farm-in – Antofagasta Minerals Perth Pty Ltd earning-in

Antofagasta Minerals Perth Pty Ltd has entered into a farm-in and joint venture agreement with the Company in respect of granted tenements EL45/4091, EL45/4408, EL45/4230 and EL45/3768 that form part of the Company's wholly owned Yeneena Project. The agreement covers an area of 450km^2 untested exploration ground located in the north-west of the Yeneena Project.

Significant terms of the farm-in arrangement as follows:

- 2 year initial earn-in phase under which Antofagasta may acquire a 51% joint venture interest by expenditure of US$2 million and may withdraw at any time subject to a meeting a minimum spend of US$500,000;
- A second earn-in phase, under which Antofagasta may acquire a further 19% interest by contributing expenditure of US$4 million within 2 years;
- In the event of a decision to mine Antofagasta will pay the Company US$3 million.

St Barbara Limited (SBM) – ENR earning-in

Encounter Resources Limited entered into a farm-in agreement with St Barbara Limited in respect of tenement applications ELA45/3232 and ELA45/3308 in the Paterson Province of Western Australia. The agreement covered an area of 60km^2 and is located to the north-east of the Company's Yeneena Project.

Significant terms of the farm-in arrangement as follows:

- 4 year initial earn-in phase under which ENR may acquire a 51% joint venture interest by expenditure of $500,000, and may withdraw at any time subject to a meeting statutory minimum required spends;
- 2 year second phase, should SBM not elect to contribute to joint venture exploration costs, under which ENR may acquire a further 19% interest by sole funding expenditure of a further $500,000;
- If SBM elects not to contribute at the end of the second phase standard industry dilution formulas will apply down to a 5% interest. If SBM's interest dilutes below 5% it will automatically revert to a 1.5% net smelter royalty.
- Subsequent to the end of the financial year Encounter notified SBM of its withdrawal from the earn-in agreement without earning an interest in the tenements.

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

(b) Farm-in Arrangements continued

Hammer Metals Limited (HMX) (formerly Midas Resources Limited (MDS)) – ENR Earning-in

Encounter Resources Limited entered into a farm-in agreement with Hammer Metals Limited in respect of granted tenements EL45/3768 and EL45/4091 in the Paterson Province of Western Australia. The agreement covered an area of 316km^2 and is located adjacent to the Company's Yeneena Project.

Significant terms of the farm-in arrangement as follows:

- 4 year initial earn-in phase under which ENR may acquire a 70% joint venture interest by expenditure of $500,000, and may withdraw at any time subject to a meeting statutory minimum expenditure required spend for the first year;
- 2 year second phase, should HMX not elect to contribute to joint venture exploration costs during this second phase, under which ENR may acquire a further 15% interest by sole funding expenditure of a further $500,000;
- If HMX elects not to contribute at the end of the second phase HMX may elect to convert its participating interest into a 1.5% net smelter royalty.

During the year the farm-in agreement was terminated and the Company acquired a 100% interest in the HMX farm-in tenements by the issue of 750,000 ordinary fully paid shares to Hammer Metals Limited, at a fair value of $112,500 (Note 17c).

Millennium Zinc Project – Hampton Hill NL (HHM) Earning-in

Encounter Resources Limited has entered into a farm-in agreement with Hampton Hill Limited pursuant to which HHM may earn up to a 25% interest in 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.

Significant terms of the farm-in arrangement as follows:

- HHM must spend a minimum of $500,000 on exploration before withdrawal. Upon meeting this minimum commitment, HHM will acquire a 10% interest in Millennium ("Initial Earn-in Phase"). At that point, HHM (10%) and Encounter (90%) will form a joint venture.
- To preserve its initial 10% interest and maintain the right to earn a further 15% interest, HHM may then elect to sole fund an additional $500,000 ("Second Earn-in Phase").

  At completion, HHM will have contributed $1,000,000 and retained its 10% interest in Millennium. The timing of this additional expenditure will be as determined by Encounter.
- HHM may then elect to contribute a further $1,000,000 out of the next $2,000,000 of exploration expenditure to earn a further 15% interest in Millennium ("Additional Earn-in Phase"). The timing of this expenditure will be determined by Encounter.
- At that point, after contribution of a total of $2,000,000 of exploration expenditure, HHM would hold a 25% and Encounter would hold 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 will be the Operator
- If, after the Initial Earn-in Phase, HHM elects to maintain its 10% interest, but forfeit their right to further earn-in, then at that point, HHM will issue 5% of the issued capital of Hampton to Encounter.
- If, after the Initial Earn in Phase, HHM elects to proceed with the Second Earn-in Phase, then at that point, HHM will issue 15% of the issued capital of HHM to Encounter. If this election is made then Encounter will have the right to appoint a member to the board of HHM.
- The earn-in and joint venture agreement is conditional upon Encounter obtaining all necessary consents and approvals to the grant of the earn-in rights to HHM.

As at 30 June 2015 HHM had acquired a 10% interest in the Millennium project pursuant to the Initial Earn-in Phase, and had elected to proceed with the Second Earn-in Phase.

	Consolidated 2015 $	2014 $

Note 15 Current liabilities – Trade and other payables

	2015 $	2014 $
Unspent farm-in contributions (Note 8c)	**59,549**	320,081
Trade payables and accruals	**573,904**	823,874
Other payables	**35,099**	63,664
	668,552	1,207,619

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 Employee benefits

(a) Current liabilities

	2015 $	2014 $
Liability for annual leave	**125,754**	77,397

(b) Non-current liabilities

	2015 $	2014 $
Liability for long service leave	**106,569**	85,606

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.

	Issue Price	2015 No.	2014 No.	2015 $	2014 $
(b) Share capital					
Issued share capital		**134,543,350**	132,543,350	**31,471,913**	31,113,384
(c) Share movements during the year					
Balance at the start of the financial year		**132,543,350**	132,543,350	**31,113,384**	31,113,384
Shares issued as consideration for drilling services	$0.20	**1,250,000**	–	**250,000**	–
Shares issued to acquire exploration assets (Note 14b)	$0.15	**750,000**	–	**112,500**	–
Less share issue costs		**–**	–	**(3,971)**	–
Balance at the end of the financial year		**134,543,350**	132,543,350	**31,471,913**	31,113,384

Note 18 Options and share based payments

The establishment of the Encounter Resources Limited Directors, Officers and Employees Option Plan ('the Plan") was last approved by a resolution at the Annual General Meeting of shareholders of the Company on 30 November 2012. 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 2,800,000 options over unissued shares (2014: 945,000).

(b) Options exercised during the year

During the financial year the Company issued no shares on the exercise of unlisted employee options (2014: Nil).

(c) Options cancelled during the year

During the year 225,000 options (2014: 250,000) were cancelled upon termination of employment. 5,375,000 options were cancelled on expiry of exercise period (2014: Nil).

(d) Options on issue at the balance date

The number of options outstanding over unissued ordinary shares at 30 June 2015 is 7,370,000 (2014: 10,170,000). The terms of these options are as follows:

Number of options outstanding	Exercise price	Expiry date
450,000	80 cents	30 September 2015
450,000	40 cents	31 May 2016
1,450,000	30 cents	30 November 2016
600,000	39 cents	30 November 2017
750,000	21 cents	31 May 2017
200,000	31 cents	31 January 2018
670,000	22 cents	31 May 2018
1,250,000	23 cents	27 November 2018
750,000	31 cents	27 November 2019
800,000	16 cents	3 January 2019
7,370,000		

(e) Subsequent to the balance date

No 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)

	2015		2014	
	No.	**WAEP (cents)**	No.	WAEP (cents)
Options outstanding at the start of the year	**10,170,000**	**87.8**	9,475,000	93.6
Options granted during the year	**2,800,000**	**23.1**	945,000	23.9
Options exercised during the year	**–**	**–**	–	–
Options cancelled and expired unexercised during the year	**(5,600,000)**	**131.3**	(250,000)	59.4
Options outstanding at the end of the year	**7,370,000**	**30.2**	10,170,000	87.8

Note 18 Options and share based payments continued

(e) Subsequent to the balance date continued

Weighted average contractual life

The weighted average contractual life for un-exercised options is 29.8 months (2014: 18.1 months).

Basis and assumptions used in the valuation of options

The 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
28 November 2014	1,250,000	23 cents	27 November 2018	2.65%	93.3%	$91,263
28 November 2014	750,000	31 cents	27 November 2019	2.65%	93.3%	$56,123
12 February 2015	800,000	16 cents	31 January 2019	2.09%	102.0%	$39,648

Historical volatility has been used as the basis for determining expected share price volatility, as it is assumed that this is an indicator of future tender, which may not eventuate.

A discount of 30% in respect of a lack of marketability has been applied to the Black-Scholes option valuation to reflect the non-negotiability and non-transferability of the unlisted options granted.

Note 19 Reserves and accumulated losses

	Consolidated			
	2015		2014 Re-stated	
	Accumulated losses $	Equity remuneraton reserve (i) $	Accumulated losses $	Equity remuneration reserve (i) $
Balance at the beginning of the year	(12,135,860)	2,767,522	(11,429,023)	2,737,091
Profit/(Loss) for the period	523,915	–	(748,166)	–
Movement in equity remuneration reserve in respect of options issued	–	187,033	–	71,760
Transfer to accumulated losses on cancellation of options	2,305,022	(2,305,022)	41,329	(41,329)
Balance at the end of the year	(9,306,923)	649,533	(12,135,860)	2,767,522

(i) The equity remuneration reserve is used to recognise the fair value of options issued 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 ($)	
	2015	2014
Fixed rate instruments		
Financial assets	**–**	–
Variable rate instruments		
Financial assets	**1,372,0233**	3,836,543

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.

	Profit or loss		Equity	
	1% increase $	1% decrease $	1% increase $	1% decrease $
2015				
Variable rate instruments	**13,720**	**(13,720)**	**13,720**	**(13,720)**
2014				
Variable rate instruments	38,365	(38,365)	38,365	(38,365)

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 $
2015							
Trade and other payables	**609,033**	**609,033**	**609,033**	**–**	**–**	**–**	**–**
	609,033	**609,033**	**609,033**	**–**	**–**	**–**	**–**
2014							
Trade and other payables	954,866	954,866	954,866	–	–	–	–
	954,866	954,866	954,866	–	–	–	–

Note 20 Financial instruments continued

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			
	2015		2014	
	Carrying amount $	**Fair value $**	Carrying amount $	Fair value $
Cash and cash equivalents	**1,372,033**	**1,372,033**	3,836,543	3,836,543
Trade and other payables	**(609,033)**	**(609,033)**	(954,866)	(954,866)
	763,000	**763,000**	2,881,677	2,881,677

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

Note 21 Dividends

No dividends were paid or proposed during the financial year ended 30 June 2014 or 30 June 2015.
The Company has no franking credits available as at 30 June 2014 or 30 June 2015.

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

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.

	2015 $	2014 $
(b) Key management personnel compensation		
A summary of total compensation paid to key management personnel during the year is as follows:		
Total short-term employment benefits	**712,250**	691,958
Total share based payments	**147,386**	–
Total post-employment benefits	**67,663**	64,006
	927,299	755,964

Note 23 Remuneration of auditors

	2015 $	2014 $
Audit and review of the Company's financial statements	**31,000**	33,000
Total	**31,000**	33,000

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 2014 or 30 June 2015 other than:

Yeneena Project Gold Claw-back

Included in the agreement for the Group's acquisition of the remaining 25% interest 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. 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.

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 Project. 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; and
- $50,000 in relation to the Company's corporate credit card facility.

(ii) Contingent assets

There were no material contingent assets as at 30 June 2014 or 30 June 2015.

Note 25 Commitments

(a) Exploration

The Group has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Group's exploration programmes and priorities. 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 $1,408,500 (2014: $1,371,000).

The exploration expenditure obligations stated above include amounts that are funded by third parties pursuant to various farm-in agreements (Note 14).

(b) Operating Lease Commitments

The Company has entered into a 2 year lease on its office at Level 7, 600 Murray Street, West Perth on effective from 1 July 2015 at $46,000 per annum, inclusive of variable outgoings. Operating lease commitments are as follows:

	2015 $	2014 $
Due within 1 year	46,000	–
Due after 1 year but not more than 5 years	46,000	–
Due after more than 5 years	–	–
	92,000	–

There were no operating lease commitments as at 30 June 2014 as the Company's lease on the offices at that stage was on a month by month basis.

(c) Contractual Commitment

There are no material contractual commitments as at 30 June 2015 or 30 June 2014 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.

The Company incurred the following amounts during the year in respect of exploration activities on under joint venture agreements, for which it acts as manager:

Lake Way Uranium JV	3,375	920

Details of the Company's interests under the joint venture agreements are provided at Note 14.

As at the end of the financial year the Company had the following amounts (due to)/owing to it by the joint ventures:

Lake Way Uranium JV[1]	–	23,240

[1] During the 30 June 2015 financial year the Company has written off all capitalised costs and receivables in relation to the Lake Way joint venture assets.

Note 27 Events occurring after the balance sheet date

Other than the matters below, 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.

- On 29 July 2015 the Company's existing farm-in arrangement with Antofagasta plc was terminated. On the same date the Company entered into a separate US$6 million earn-in arrangement at the Company's Lookout Rocks copper prospect within the Yeneena Project;
- On 22 September 2015 the Company announced that it had received firm commitments of $1.5 million from investors in respect of a share placement, and was also undertaking a Share Purchase Plan to existing eligible shareholders to raise up to a further $1.4 million.

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

	Consolidated 2015 $	Consolidated Re-stated 2014 $
Profit/(Loss) from ordinary activities after income tax	**523,915**	(748,166)
Share of management fee to JV not capitalised	**193**	138
Depreciation	**10,329**	9,740
Gain on disposal of assets	**(22,826)**	–
Exploration cost written off	**555,286**	255,804
Share based payments expense	**187,033**	71,760
Share based option income revenue	**(1,199,207)**	–
Unrealised gain on investments	**(368,987)**	–
Contribution to overheads from farm-in partner	**(321,470)**	(332,789)
EIS grant funding offset against capitalised exploration	**287,018**	175,925
Movement in assets and liabilities:		
(Increase)/decrease in receivables	**(9,610)**	(4,793)
Increase/(decrease) in payables	**(57,132)**	73,330
Net cash outflow from operating activities	**(415,458)**	971

Note 29 Earnings per share

	Consolidated	
	2015 Cents	Re-stated 2014 Cemts
(a) Basic earnings per share		
Profit/(Loss) attributable to ordinary equity holders of the Company	0.39	(0.56)
(b) Diluted earnings per share		
Profit/(Loss) attributable to ordinary equity holders of the Company	0.37	(0.56)
	$	$
(c) Loss used in calculation of basic and diluted loss per share		
Consolidated profit/(loss) after tax from continuing operations	523,915	(748,166)
	No.	No.
(d) Weighted average number of shares used as the denominator		
Weighted average number of shares used as the denominator in calculating basic earnings per share	133,766,616	132,543,350
Weighted average number of shares used as the denominator in calculating diluted earnings per share	141,136,616	132,543,350

At 30 June 2015 the Company has on issue 7,370,000 unlisted options over ordinary shares that are considered to be dilutive.

At 30 June 2014 the Company has on issue 10,170,000 unlisted options over ordinary shares that are not considered to be dilutive.

Note 30 Prior period adjustment – Research and development tax credits

The research and development tax concession credit recognised in the 2014 financial year has been re-stated in these financial statements for the comparative period ended 30 June 2014 as follows:

	Original Comparative Amount	Re-stated Comparative Amount
Income tax benefit for the year ended 30 June 2014	$263,685	$nil
Loss after tax	$(484,481)	$(748,166)
Capitalised mineral exploration and evaluation expenditure as at 30 June 2014	$19,085,687	$18,822,002
Accumulated losses as at 30 June 2014	$(11,872,175)	$(12,135,860)

The Group has amended its accounting policy in respect of the accounting treatment of research and tax development concession credits to comply with generally accepted practice during the 2015 financial year and has accordingly reflected a corresponding amendment to the 2014 comparatives. Refer to Note 1(h) for the Group's relevant accounting policy.

Note 31 Parent entity information

	Company 2015 $	Company 2014 $
Financial position		
Assets		
Current assets	**1,512,241**	3,983,107
Non-current assets	**21,705,857**	18,703,922
Total Assets	**23,218,098**	22,687,029
Liabilities		
Current liabilities	**734,756**	1,370,623
Non-current liabilities	**106,569**	–
Total Liabilities	**841,325**	1,370,623
NET ASSETS	**22,376,773**	21,316,406
Equity		
Issued Capital	**31,471,913**	31,113,384
Equity remuneration reserve	**649,533**	2,767,522
Accumulated losses	**(9,744,673)**	(12,564,500)
TOTAL EQUITY	**22,376,773**	21,316,406
Financial performance		
Profit/(Loss) for the year	**514,868**	(747,891)
Other comprehensive income	**–**	–
Total comprehensive income	**514,868**	(747,891)

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.

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

(a) the financial statements and notes set out on pages 32 to 64 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 2015 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 2015.

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

Signed at Perth this 24th day of September 2015.

W Robinson
Managing Director

Crowe Horwath™

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

Report on the Financial Report
We have audited the accompanying financial report of Encounter Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2015, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Crowe Horwath™

Auditor's Opinion
In our opinion:

(a) the financial report of Encounter Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report
We have audited the Remuneration Report included in pages 24 to 29 of the directors' report for the year ended 30 June 2015. The directors of the company 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.

Auditor's Opinion
In our opinion, the Remuneration Report of Encounter Resources Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001.*

Crowe Horwath Perth

Crowe Horwath Perth

Sean McGurk
Partner

Signed at Perth, 24 September 2015

Pursuant to the Listing Requirements of the Australian Securities Exchange, the shareholder information set out below was applicable as at 4 October 2015.

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of shareholders	Securities held
1 – 1,000	105	50,685
1,001 – 5,000	225	708,507
5,001 – 10,000	151	1,259,246
10,001 – 100,000	469	17,306,869
More than 100,000	171	126,100,901
Totals	**1,121**	**145,426,208**

There are 263 shareholders holding less than a marketable parcel of ordinary shares.

B. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below:

	Issued Ordinary Shares	
Shareholder Name	Number of shares	Percentage of shares
William Michael Robinson	22,168,328	15.24%
Eye Investment Fund Limited	11,247,698	7.73%
Antofagasta Investment Company Limited	9,241,931	6.36%

C. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are listed below:

	Listed Ordinary Shares	
Shareholder Name	Number of shares	Percentage of shares
William Michael Robinson	16,216,900	11.15%
HSBC Custody Nominees Australia Limited	11,473,126	7.89%
Citicorp Nominees Pty Ltd	9,900,031	6.81%
Merrill Lynch (Australia) Nominees Pty Ltd	7,200,000	4.95%
HSBC Custody Nominees Australia Limited	6,682,665	4.60%
Sundin Pty Ltd	5,580,000	3.84%
Stone Poneys Nominees Pty Ltd <Chapman Investment Fund>	4,650,000	3.20%
Solvista Pty Ltd	4,650,000	3.20%
Jorge Bernhard	2,190,000	1.51%
Samantha Hogg	1,850,000	1.27%
Mary Clare Los	1,815,473	1.25%
Willstreet Pty Ltd	1,700,000	1.17%
Kiki Super Fund	1,530,203	1.05%
J C O'Sullivan Pty Ltd	1,400,000	0.96%
DDH1 Drilling Pty Ltd	1,250,000	0.86%
Charles Robinson	1,200,000	0.83%
Tetramin Pty Ltd	1,100,000	0.76%
Thirty-Fifth Celebrations Pty Ltd	1,071,428	0.74%
Wythenshawe Pty Ltd	1,057,060	0.73%
Andrew Bewick	1,054,698	0.73%
Total	**83,571,584**	**57.50%**

D. Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll, each share will have one vote.

E. Restricted Securities

There are no restricted securities.

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