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ANNUAL REPORT 2018



encounter
RESOURCES LIMITED

ABN 47 109 815 796

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CORPORATE DIRECTORY



Directors

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

Company Secretaries

Kevin Hart

Dan Travers

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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.

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LETTER FROM THE CHAIRMAN AND MANAGING DIRECTOR

Dear Fellow Shareholder,

We are pleased to present the 2018 Annual Report for Encounter Resources Ltd (**"Encounter"**). It has been a highly active and expansionary year for Encounter.

Encounter has complemented its activities in the Paterson Province with a major new portfolio in the Tanami-West Arunta region. This is being done via five new joint ventures with Newcrest Mining Ltd (**"Newcrest"** ASX:NCM), Australia's largest gold producer. Newcrest brings with it significant financial, technical and operating capability.

As a consequence, Encounter has significant leverage to multiple, well funded, exploration programs in one of Australia's most highly sought-after gold districts. Furthermore, in the event of a decision to mine, Encounter can elect to participate with an experienced developer and operator in Newcrest.

Encounter was also delighted to extend our project generation alliance with Newcrest for a further 12 months to July 2019. We hope to build on the five joint ventures already established which provide a pipeline of projects with the potential to host major gold deposits.

Encounter continues to build its exciting gold portfolio in regions that have demonstrated potential for large scale, high quality gold deposits. The Laverton belt is one of Australia's most productive and prospective gold regions. Extensions of this belt, where it extends under shallow cover, have been a focus of Encounter's ongoing targeting activities. Innovative new targeting and exploration approaches are being applied to the under-cover southern extension of the Laverton Tectonic Zone.

Encounter has continued with its activities on gold projects near Newcrest's gold-copper mine at Telfer. During the year, the first drilling completed by Encounter at the N31 Reef at East Thomson's Dome intersected high grade, shallow gold mineralisation. In addition, drilling at Telfer West has extended the length of the mineral system to over 5km.

We have also continued with base metals activities at Yeneena copper-cobalt-zinc projects in the Paterson Province. We are actively seeking a partner with the financial and technical capability to advance Yeneena with us.

With the strengthening and expansion of our portfolio, we look forward to 2019 with optimism. Our portfolio includes high quality opportunities in three of Australia's most prospective gold regions: the Tanami-West Arunta, the Paterson Province and the Laverton Tectonic Zone. This gold portfolio is complemented by base metals projects in the Paterson Province, where recent activity by a number of major mining houses highlights and validates the enormous potential of the region.

Encounter remains one of the most dedicated and active mineral exploration companies in Australia. We are focused on generating value for our shareholders through leading edge exploration for new Tier 1 mineral assets in favourable mining jurisdictions like Australia.

Encounter is disciplined in its approach to capital management and we are steadfast in our commitment to systematic exploration that can create enduring value for our shareholders. Our exploration plans remain well funded and, importantly, we have an extremely capable and experienced team that is dedicated to realising the potential of our portfolio.

In closing, we would like to thank our local communities, employees, joint venture and alliance partners, suppliers and other business partners. We also would take this opportunity to thank our fellow shareholders for your ongoing support.

Yours sincerely



Paul Chapman
Chairman



Will Robinson
Managing Director



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EXPLORATION REVIEW

Tanami and West Arunta Gold

Encounter completed five new joint ventures with Newcrest in the Tanami and West Arunta regions of WA. Encounter has significant leverage to multiple, well funded, projects in one of the most highly sought-after gold districts in Australia. In the event of a decision to mine, Encounter can elect to enter a production joint venture with an experienced developer and operator in Newcrest

Joint ventures covering 100km of strike along the Trans-Tanami Structure (Selby, Watts, Lewis)

Selby Joint Venture (1,534km^2) including:

- Bandicoot – discrete 2km long magnetic anomaly with coincident gold/arsenic geochemical anomaly
- Camel – 7.2m @ 3.1g/t Au from 95m in last drill program (2010)

Watts Joint Venture (552km^2) including:

- Hutch's Find – significant zone of gold/arsenic anomalism in colluvium over 5km of strike (19m @ 2.3g/t Au from 98m and 10m @ 5.4 g/t Au from 123m in limited deep drilling)
- Sunset Ridge – 8km long arsenic anomaly defined in shallow drilling

Lewis Joint Venture (619km^2) including:

- 20 strike km of untested Trans-Tanami Structure

Phillipson Joint Venture (1,570km^2)

- Large scale gold target in unexplored Neoproterozoic corridor in the southern Tanami

Aileron Joint Venture (187km^2)

- IOCG-style target located in the West Arunta region

Paterson Province Gold

The first drilling completed by Encounter at the N31 Reef at East Thomson's Dome intersected high grade, shallow gold mineralisation in hole ETG0151 (3m @ 39g/t Au from 9m)

Laverton Tectonic Zone Gold

Encounter secured a prospective new gold project in the Laverton Tectonic Zone. Nazare is located at the southern extension of the interpreted greenstone/gneissic corridor and is situated south-east of the recent Bombora gold discovery by Apollo Consolidated Limited (ASX:AOP)

Yeneena Copper-Cobalt Corridor

Encounter controls 70 strike kilometres of Yeneena basin that is prospective for Proterozoic copper-cobalt deposits similar to the deposits of the Central African Copperbelt. This corridor also contains the Aria IOCG-style prospect

Corporate

Exploration Development Incentive credits of $776,652 were distributed to Encounter shareholders in January 2018

Encounter successfully undertook a share placement in May 2018 of approximately 46 million ordinary fully paid shares at $0.06 each to raise approximately $2.75 million before costs

The project generation alliance with Newcrest was extended for a further 12 months from July 2018

Encounter was successful in its application for the Federal Government Junior Mineral Exploration Incentive (JMEI) up to an amount of $750,000 in 2017/18 and up to $1.24 million that may be distributed in a capital raising in 2018/19

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Tanami and West Arunta

One of Australia's most prospective gold regions

Fast-tracking exploration via 5 joint ventures with Newcrest

Paterson Province

New discoveries being made near the 30Moz giant at Telfer

Recent activity of majors highlights province potential

Laverton Tectonic Zone

Innovative generative program in a world class gold province

Covers 40km extension of major structural corridor

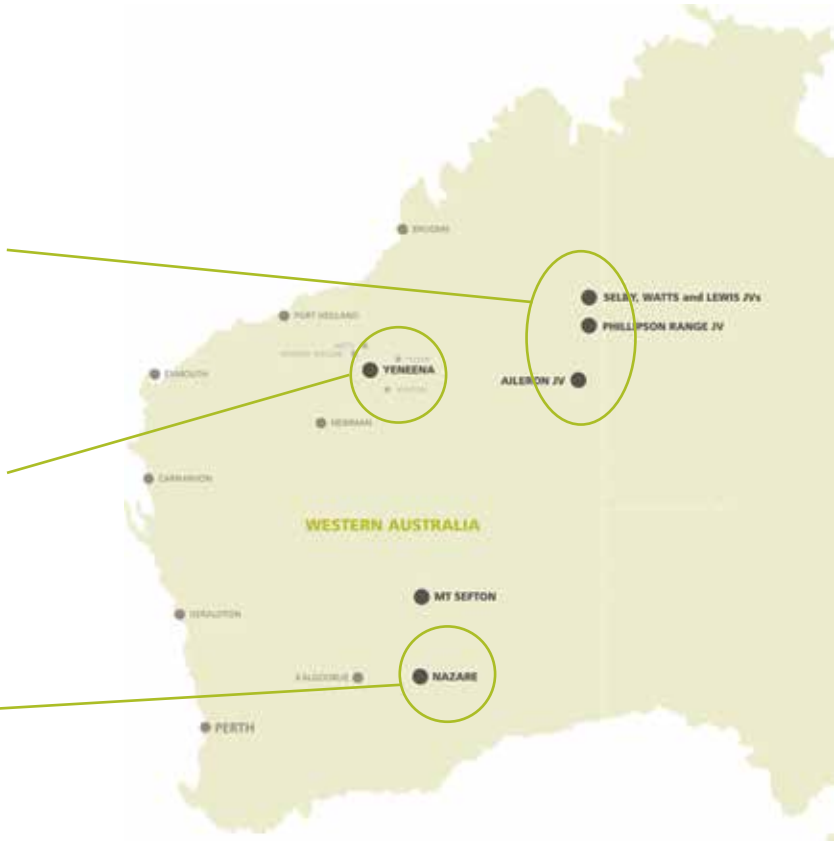

Figure 1: Encounter Projects - Location Plan

TANAMI AND WEST ARUNTA GOLD

50:50 JV Encounter/Newcrest – E80/5045, E80/5129, E80/5132, E80/5137, E80/5145, E80/5146, E80/5147, E80/5152, ELA80/5169, ELA80/5186

Encounter has entered five separate unincorporated joint ventures with a wholly owned subsidiary of Newcrest Mining Limited.

Joint Venture Summary Terms

- Newcrest and Encounter have entered into five separate joint ventures (Selby, Watts, Lewis, Phillipson and Aileron), initially on a 50:50 basis, that cover a total area of ~4,400km^2. While these are separate joint ventures, each joint venture is on the same or largely similar terms.
- Newcrest made payments totalling $500,000 to Encounter following execution of the Phillipson Joint Venture Agreement and following the grant of tenement E80/5045; and will make a further payment of $500,000 if Newcrest elects to continue activity on tenement E80/5045 beyond 12 months from grant being 30 August 2019.
- Newcrest will be the Manager of each joint venture.
- Encounter has the option to maintain its 50% interest in any or all of the joint ventures by contributing to its share of exploration expenditure. This election will be made after reviewing the first joint venture budget for each project covering the period to 30 June 2019.
- Should Encounter elect not to contribute on a 50:50 basis on any given joint venture, Newcrest may increase its interest to 80% in that relevant joint venture **by sole funding exploration activities and delivering a JORC Inferred Resource of greater than 1 million ounces of gold or gold equivalent.**
- Upon notification of the JORC Inferred Resource, Encounter can elect to maintain its 20% interest in the joint venture by funding its portion of future expenditure or Newcrest will acquire Encounter's joint venture interest for fair value (being an amount agreed or as determined by independent experts).
- Prior to a decision to mine being made, if Encounter elects not to contribute to expenditure at any time after previously contributing, then standard industry dilution formulas will apply down to a 10% interest. If Encounter's interest dilutes below 10%, the interest will be transferred to Newcrest and Encounter will be entitled to a 2% net smelter royalty.

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EXPLORATION REVIEW (continued)

- If Newcrest elects at any time to withdraw from the joint venture or its interest in the joint venture dilutes to below 10%, Newcrest's interest will be transferred to Encounter.
- After the completion of a feasibility study, Encounter can elect to participate in mine development in proportion to its joint venture interest by voting to approve a decision to mine. Should Encounter vote against a decision to mine, Newcrest can acquire Encounter's joint venture interest for fair value (being an amount agreed or as determined by independent experts).
- Encounter can elect to sell its joint venture interest to a third party subject to Newcrest having a pre-emptive right. Encounter also retains a pre-emptive right in the event Newcrest wishes to sell its joint venture interest to a third party.

Tanami Corridor Projects – Three Joint Ventures to Fast-Track exploration:

The Selby, Watts and Lewis joint ventures cover in total, 100km of strike along the major structural corridor (Trans-Tanami Structure) that extends through the Tanami region from the Northern Territory into WA (see Figure 2).

The three joint venture areas have been subject to sporadic and fragmented exploration in the past. Encounter has consolidated ground holdings that total ~2,600km^2. The limited surficial historical exploration has produced highly encouraging results identifying a series of large scale gold/arsenic regolith anomalies. Although only limited deeper drilling has been completed across these regional scale geochemical anomalies, a number of high grade, near surface drill intersections confirm the potential of the area to produce high grade gold. Encounter has acquired a 100km long section of a well mineralised, emerging gold province that is significantly underexplored, particularly on the WA side of the border.

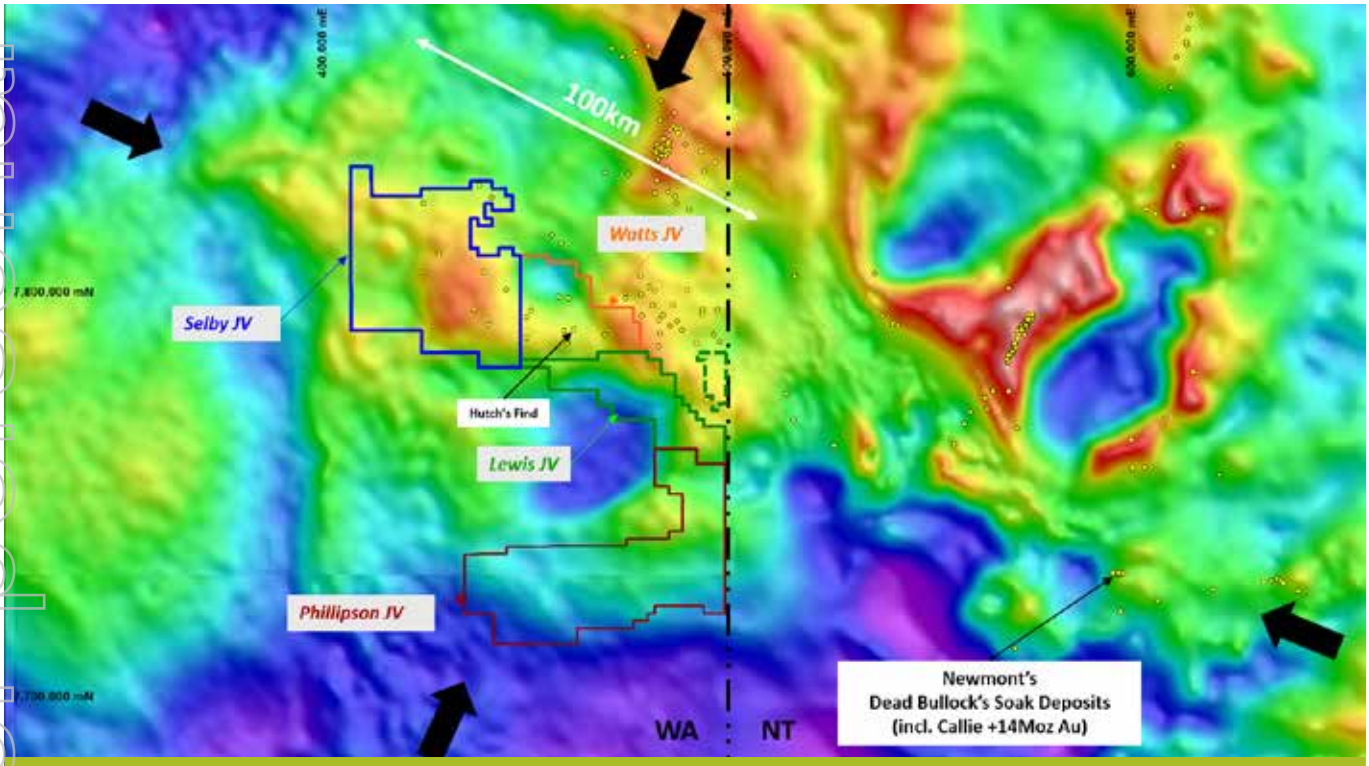

Figure 2 – Tanami Joint Venture areas with gold occurrences over regional gravity data

1. Selby Joint Venture

The Selby joint venture covers the most western end of the West Tanami project area. Selby includes a number of regional scale geochemical anomalies defined in shallow drilling, discrete geophysical targets and historical high grade gold intersections in limited deeper drilling. While target generation and prioritisation is ongoing, prospects at Selby include:

- Bandicoot – discrete 2km magnetic anomaly with coincident gold/arsenic geochemical anomaly
- Camel – 7.2m @ 3.1g/t Au from 95m in last drill program (2010)
  (source Tanami Gold NL Quarterly Report September 2010)

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2. Watts Joint Venture

The Watts joint venture covers the central corridor of targets where a regional scale north-north-east structure defined in the January 2018 Geological Survey of Western Australia ("GSWA") gravity survey intersects the Trans-Tamami Structure. Watts includes the Hutch's Find and Sunset Ridge prospects as well as a number of untested anomalies in historical geochemical drilling:

- Hutch's Find – significant zone of gold/arsenic anomalism over 5km of strike (Figures 3a and 3b). Max-in-hole geochemical plans cover an area of ~120km^2 and include 3,615 holes of which 95% are RAB, aircore or vacuum geochemical holes with an average depth of 11m. The limited RC and diamond drilling that has occurred is well mineralised and contains high grade gold intersections that remain open down plunge and along strike including:

  HFDD4 – hole depth 184m

  - 19m @ 2.3g/t Au from 98m;
  - 10m @ 5.4 g/t Au from 123m; and
  - 0.5m @ 17.2g/t Au from 164.3m
    (source Tanami Gold NL Quarterly Report September 2010)

- Sunset Ridge – 8km long arsenic anomaly defined in shallow drilling

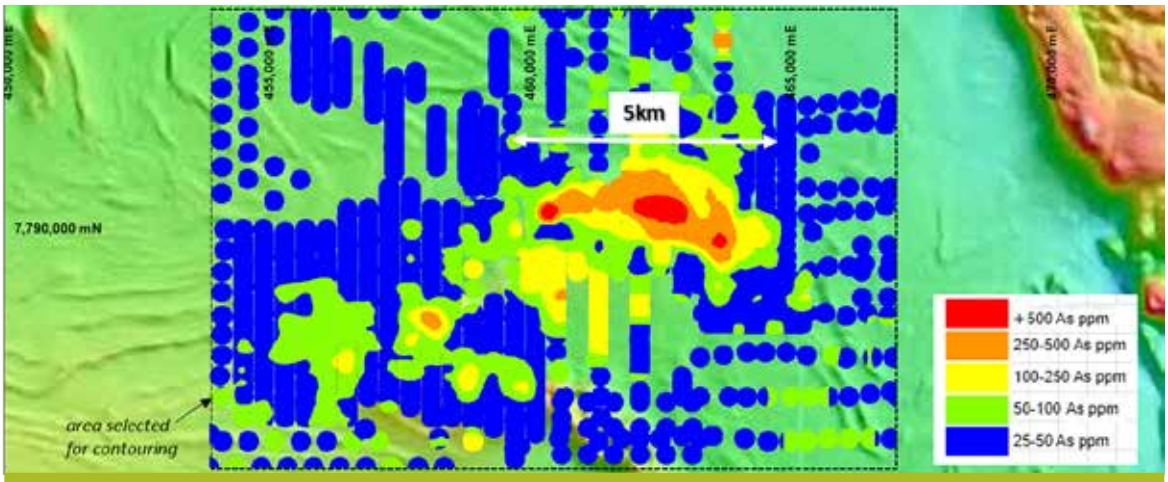

Figure 3a – Hutch's Find prospect. Maximum arsenic (As) in hole over TMI magnetics

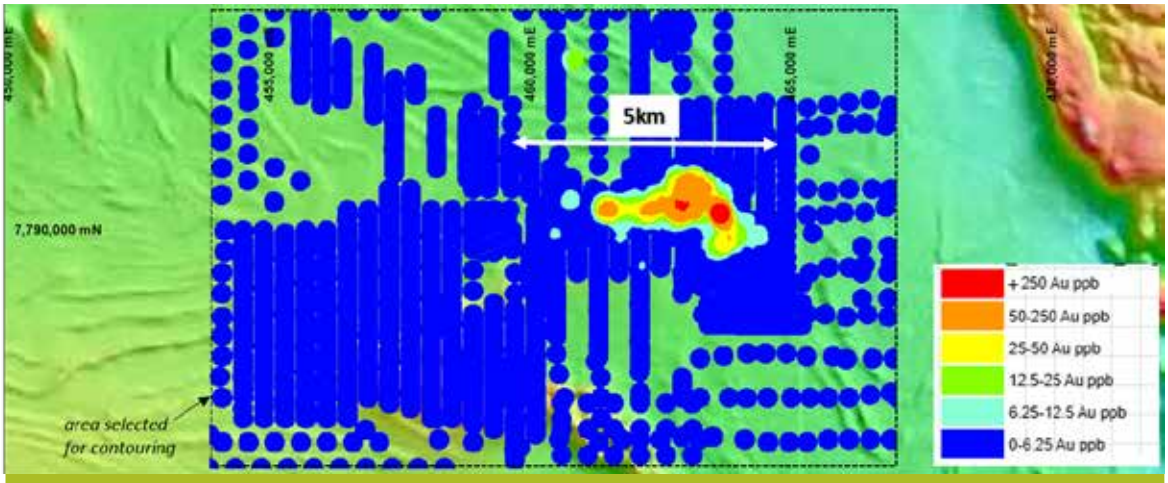

Figure 3b – Hutch's Find prospect. Maximum gold (Au) in hole over TMI magnetics

3. Lewis Joint Venture

The Lewis joint venture covers over 20km of strike of untested Trans-Tanami Structure. This structure has been enhanced and defined in the GSWA January 2018 gravity survey. Vast areas along this highly prospective structure have never seen a soil sample or a drill hole. This is a first mover opportunity into a newly defined area on a prolific regional structure.

EXPLORATION REVIEW (continued)

Phillipson Range Joint Venture (Southern Tanami)

The Phillipson JV consists of three large tenements spanning ~1,570km^2. The western end of this area was the subject of a regional scale pre-competitive geochemical soil survey completed by the GSWA that outlined a peak gold soil anomaly up to 63ppb Au in a 5km x 5km helicopter-supported auger sampling survey. This is a significant and standout gold anomaly in the regional geochemical survey and occurs in an area with absolutely no previous exploration.

The Phillipson anomaly is also supported by the next sample taken 5km north that returned up to 7ppb Au. The anomaly is more than 5km long with supporting multi-element anomalism in the area with arsenic, bismuth and cobalt (As up to 90ppm, Bi up to 2.9ppm and Co up to 13ppm) indicating a possible magmatic origin to the mineralising fluid. The anomaly remains open to the south (Figure 4).

GSWA geochemical sampling has been integral in a number of important recent mineral discoveries in WA. The GSWA geochemical mapping of the Fraser Range collected the highly anomalous Ni-Cu-Co sample proximal to the Nova-Bollinger nickel-copper deposit now owned by Independence Group NL (ASX:IGO). A gold anomaly of similar amplitude anomaly to that at Phillipson Range, obtained in a broad regional geochemical program was also integral to the discovery of the 8Moz Tropicana gold mine.

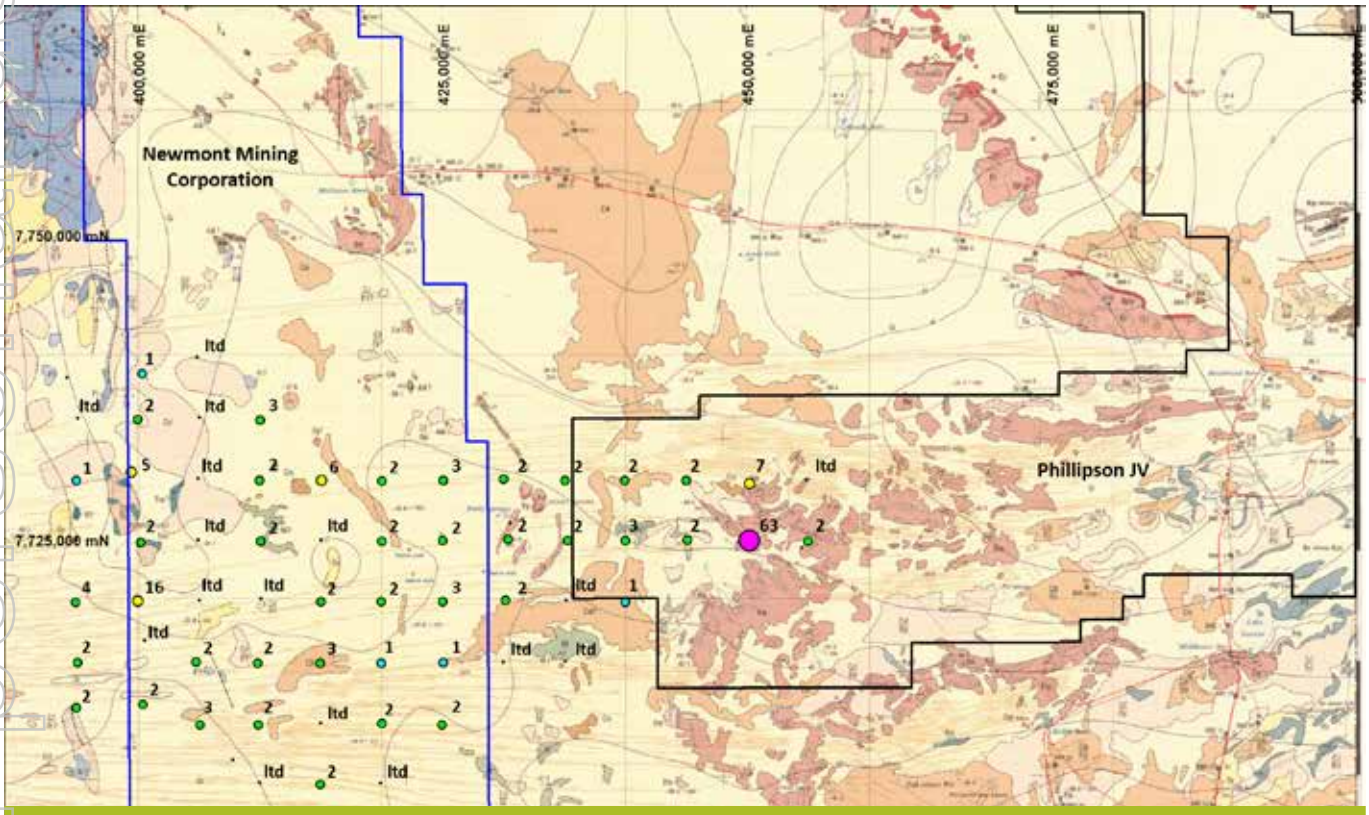

Figure 4 – Phillipson JV – GSWA 250K geology and regional soil sampling program (Au ppb)

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A GSWA airborne gravity survey released in January 2018 indicates that the Phillipson anomaly is located on a major regional north-north-east structure and also on a structure sub-parallel to the main Trans-Tanami structural corridor to the north. This potentially provides important structural context for the anomaly (see Figure 2).

Following tenement grant, a heritage assessment will be completed and further geochemical sampling undertaken to refine the geochemical anomaly.

Aileron Joint Venture (West Arunta)

The Aileron JV is located in the West Arunta district of WA, ~600km west of Alice Springs. There has been no previous mineral exploration on the tenement although gold/copper mineralisation has been identified within the region. The project contains a discrete magnetic anomaly consistent with the scale of an Ernest Henry or Carrapateena style system (Figures 5 & 6).

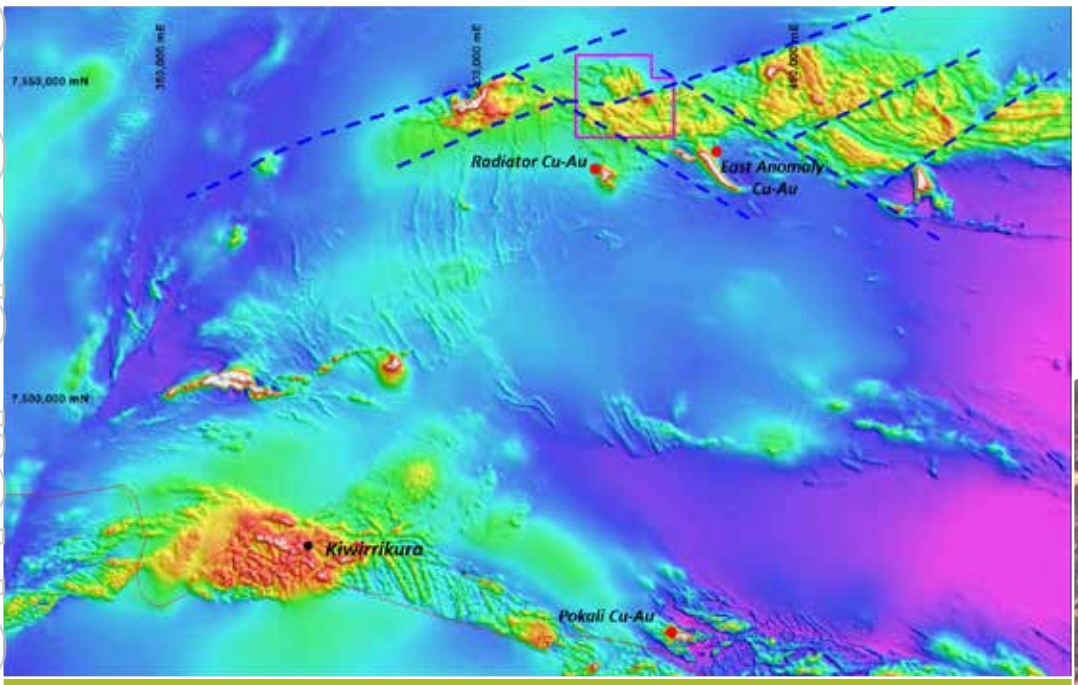

Figure 5 – Aileron Project Location Plan (tenement shown in magenta outline) on TMI background

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EXPLORATION REVIEW (continued)

The anomaly has been modelled as a steeply dipping magnetic body and is approximately 400m in diameter, starting from approximately 150m below surface and plunging to 1km. The interpreted structural architecture adjacent to the magnetic anomaly is conducive to major fluid flow.

Following the grant of the tenement, a heritage survey will be completed to prepare for potential diamond drilling to test the anomaly.



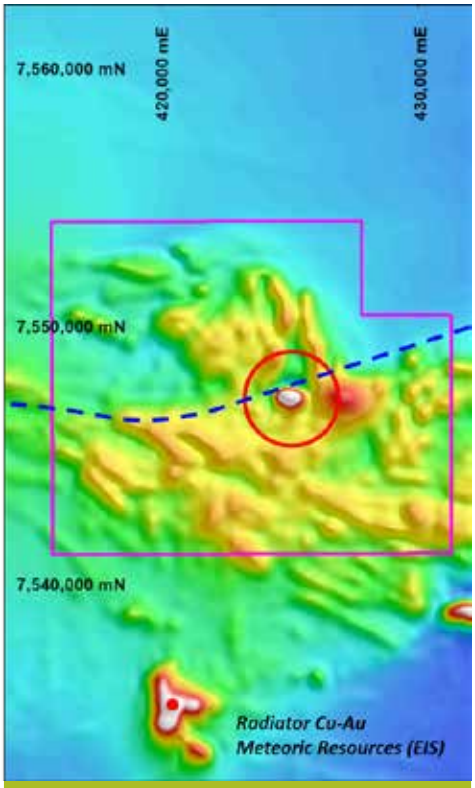

Figure 6 – Aileron magnetic anomaly (TMI)

PATERSON PROVINCE GOLD

100% Encounter – E45/4613, E45/3446, P45/2750 to P45/2752, P45/3032, E45/4757, E45/4758 and ELA45/5138

Encounter holds a highly prospective and strategic ground holding in the Paterson Province that hosts Newcrest's major gold-copper operation at Telfer.

East Thomson's Dome Project (100% Encounter)

Background

East Thomson's Dome is located just 5km from the major gold-copper mine at Telfer (Figure 7). The domal structure at East Thomson's Dome has a core of Malu Formation with the fold axis trending WNW. The majority of surface gold and reef style mineralisation at East Thomson's Dome has been discovered in the overlying Telfer Formation sediments. This geological setting is similar to that of the high grade reefs at Telfer.

Fold Closure Prospect

A 15 hole program of RC drilling was completed at the Fold Closure prospect in November 2017. New zones of reef-style mineralisation have been identified across the 200m by 200m drill area. Near surface intersections include (refer ASX release 21 December 2017):

- 6m @ 2.7g/t Au from 39m in ETG0125
- 4m @ 4.3g/t Au from surface in ETG0109
- 4m @ 3.5g/t Au from 17m in ETG0110
- 2m @ 5.4g/t Au from 46m in ETG0106

The reefs at the Fold Closure prospect remain open to the north-west and south-east.

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N31 Reef

The N31 Reef is located 1.5km north-west of the Fold Closure Prospect near the interpreted boundary between the Telfer Formation and the underlying Malu Formation. Previous historical drilling at the N31 Reef consists of nine RC drill holes (average depth of 61m) and one deep stratigraphic diamond hole drilled by Barrick Gold in 2005 (to a depth of 1,011m). Results from this limited previous drilling include:

- 1m @ 10.4g/t Au from 59m in BTDD0004
- 2m @ 6.9g/t Au from 6m in NTR32
- 4m @ 3.5g/t Au from 8m in NTR31 (refer ASX release 30 November 2017)

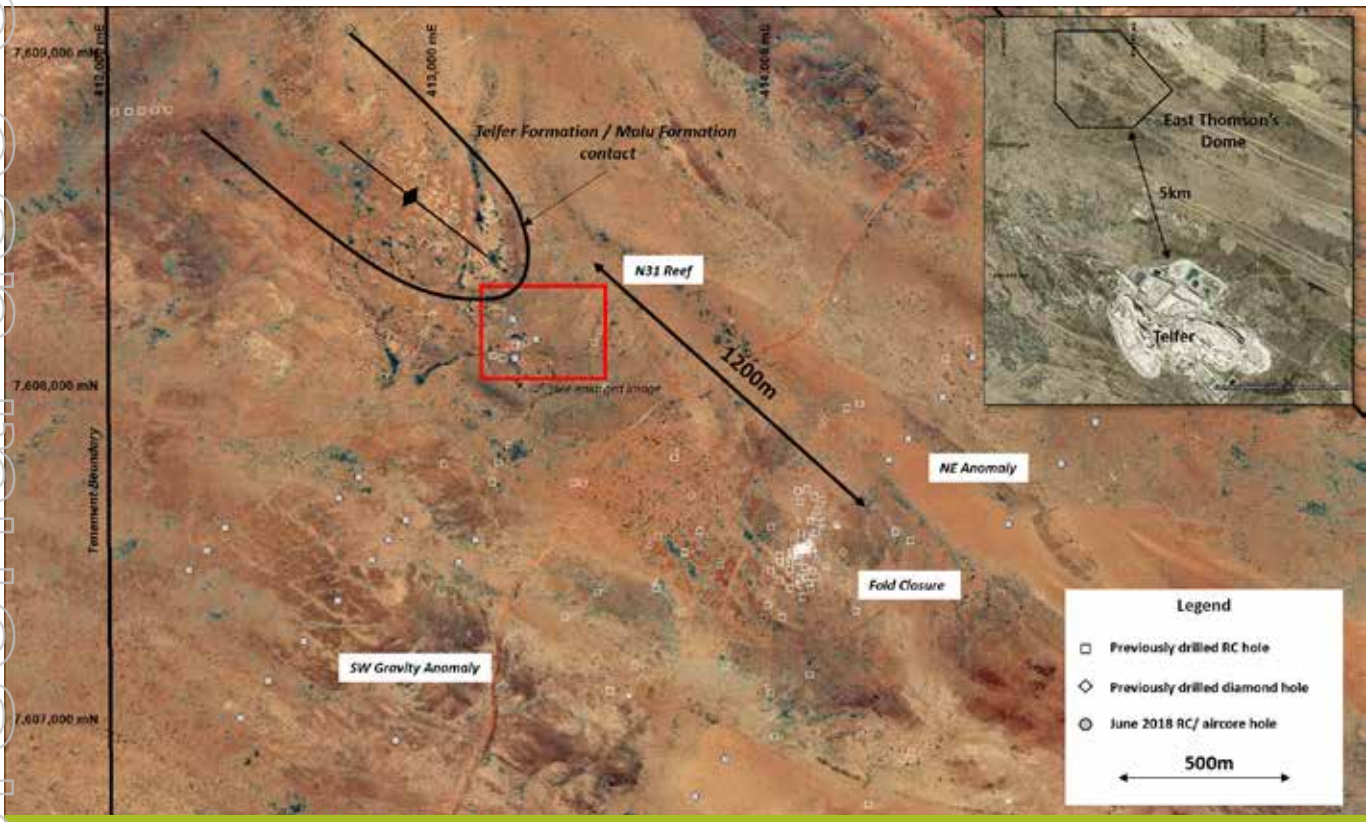

Figure 7 – East Thomson's Dome Summary Plan

Three RC holes were completed at the N31 Reef in June 2018. One of these holes, ETG0151, intersected gold mineralisation significantly higher grade than previously drilled (3m @ 39g/t Au from 9m including 1m at 109g/t from 9m) (refer ASX release 2 August 2018).

A nine hole RC/diamond drill program was completed at the N31 Reef during August-September 2018. A number of the drill holes contained gold anomalism (in the range of 0.1-0.5g/t Au) towards bottom of hole but drilling did not establish an extension of the high grade gold intersected in ETG0151.

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EXPLORATION REVIEW (continued)

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Telfer West (100% Encounter)

Telfer West (E45/4613) covers an area of approximately 121km^2 and is located 25km north west of Telfer. Telfer West covers an 8km by 5km domal formation of Proterozoic sediments bounded to the north-west and south-east by late stage granitic intrusions. The domal structure has a core of Isdell Formation overlain by the Malu Formation, Telfer Formation and sediments of the Puntapunta Formation.

Integration of geological and geophysical data in 3D suggests that the surface geochemical anomaly targeted by RC hole ETG0094 and an IP anomaly located beneath ETG0002 (39m @ 1g/t Au from 333m and 36m @ 0.6g/t from 396m) (refer ASX release 19 January 2017) might represent a single, steep, north-plunging, high grade shoot (see Figure 9).

Two diamond drill holes were completed at Telfer West in August-September 2018 targeting this interpreted high grade shoot. RC hole ETG0094 was extended with a diamond tail by a further 141 metres and ETG0184 was completed from surface to test an IP anomaly located beneath ETG0002.

Diamond drill hole ETG0184 intersected a 70m (downhole) zone of silicified and fractured quartzite with multiple quartz stockwork style veins containing pyrite and arsenopyrite (see Photo 1). This intersection is consistent with the style of the stockwork mineralisation seen in previous drilling at Telfer West.



Photo 1 – Drill core from ETG0184 at Telfer West from approximately 307-310m - silicified and fractured quartzite with multiple quartz stockwork style veins containing pyrite and arsenopyrite

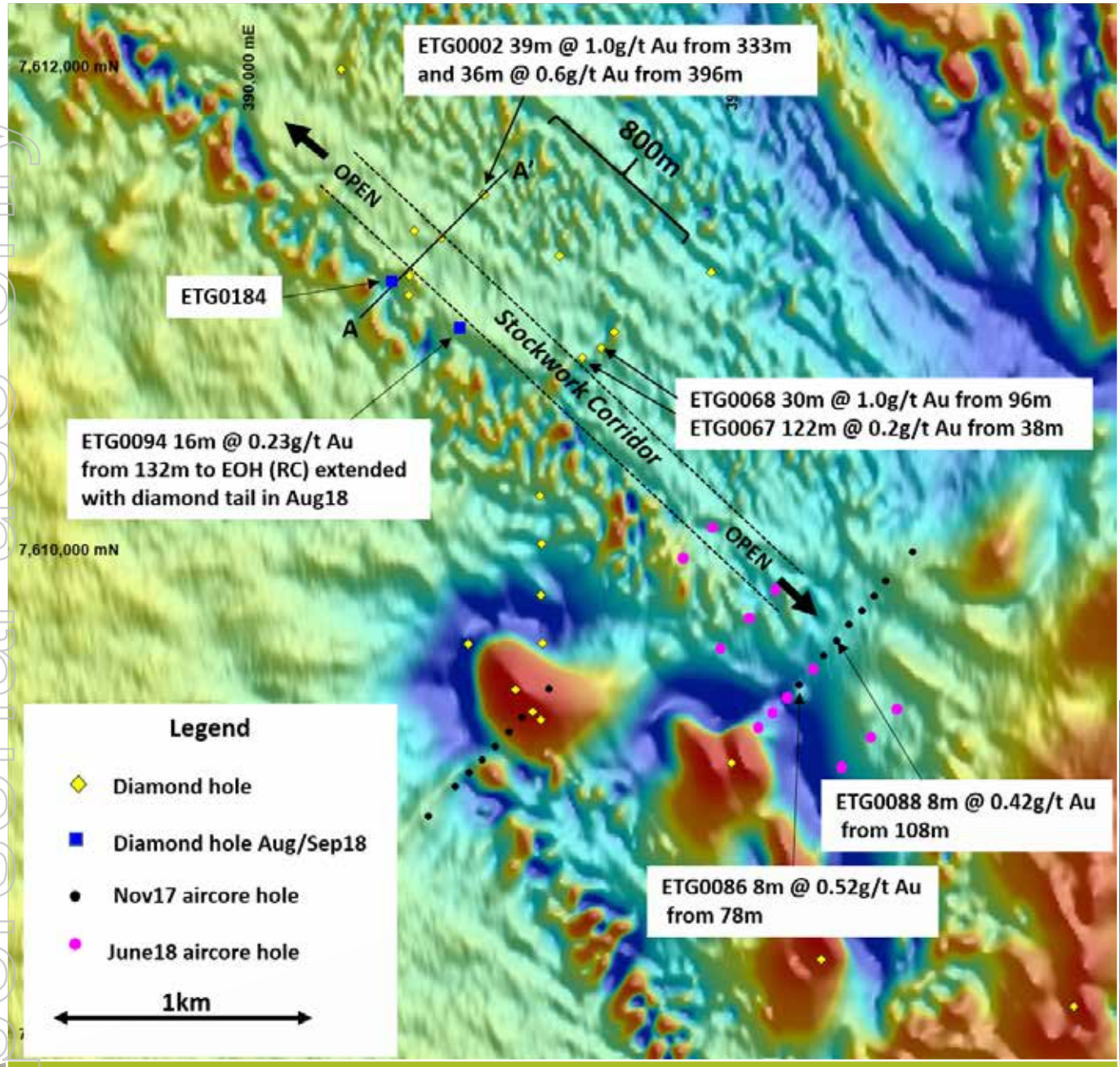

Figure 8 – Telfer West Stockwork Corridor – Drill Location Plan with aeromagnetic background (TMI 1VD pseudo colour image)

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EXPLORATION REVIEW (continued)

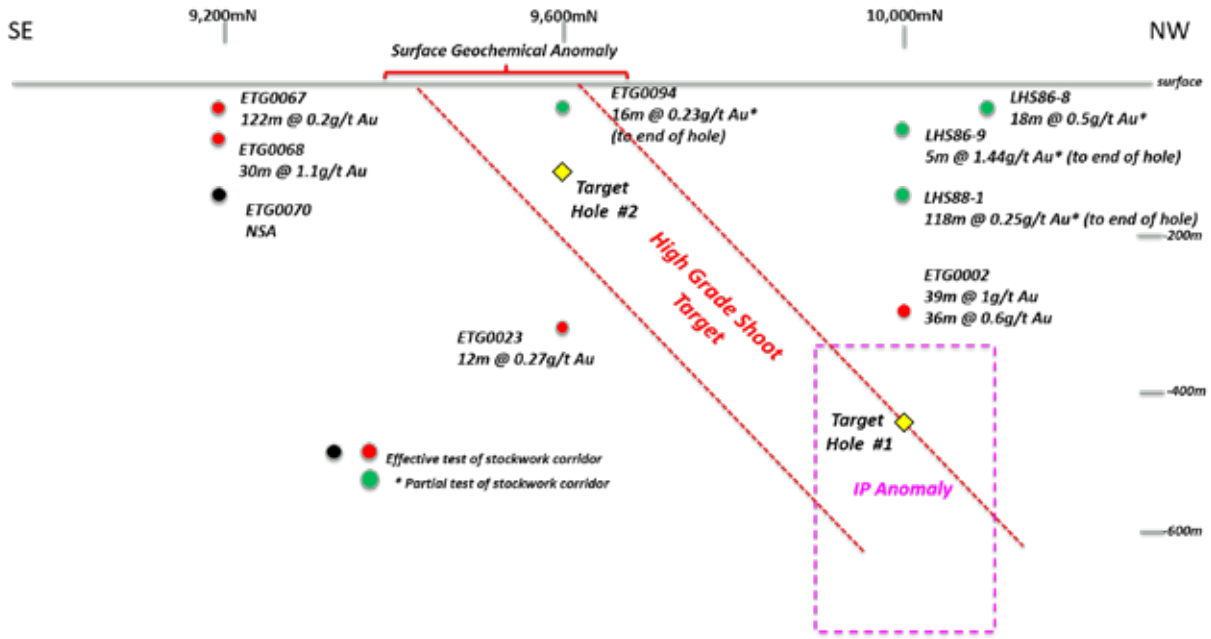

Figure 9 – Telfer West Egg Stockwork Corridor – Long Section looking towards the south west

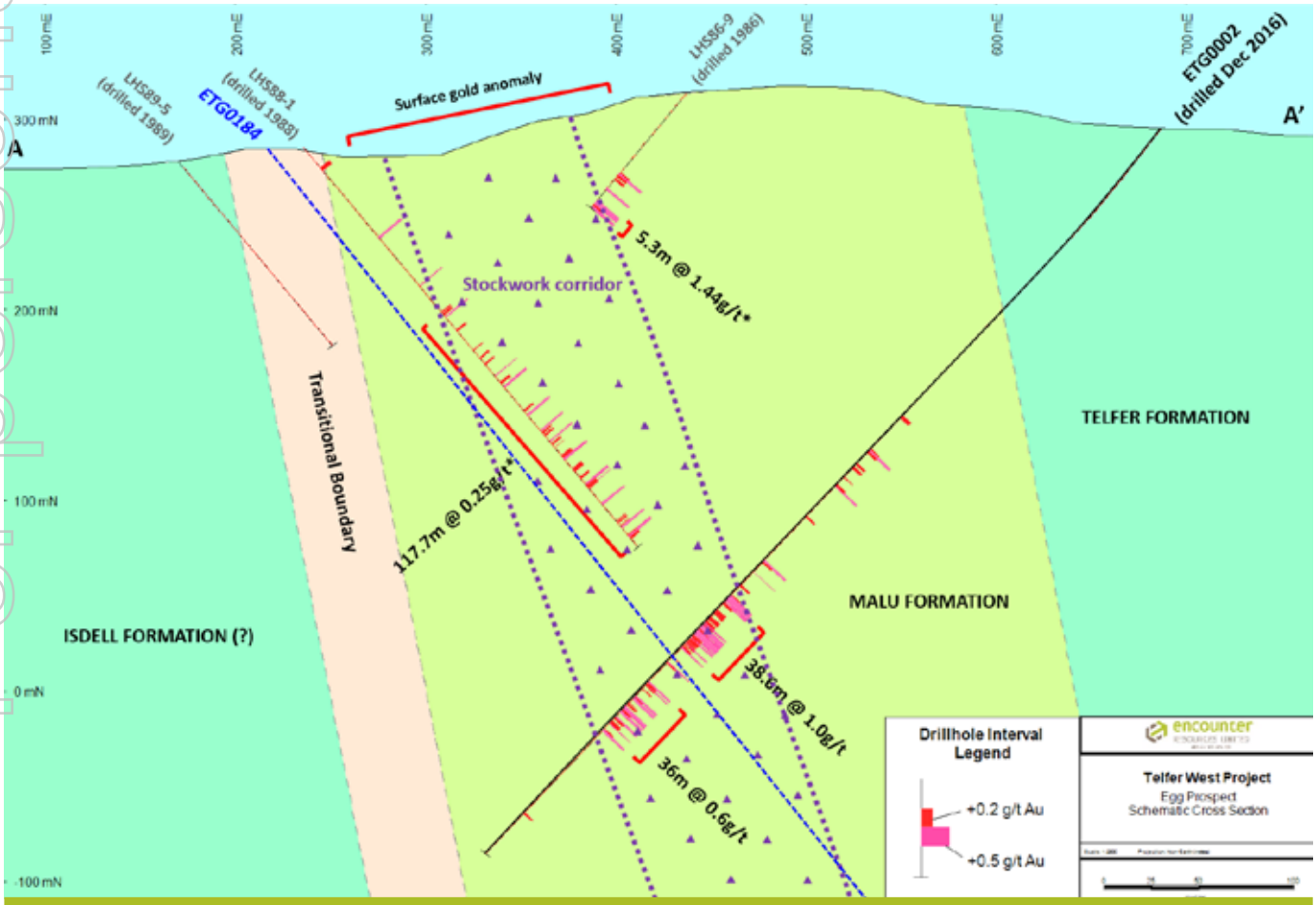

Figure 10 – Telfer West Cross Section - Egg Stockwork Corridor

A section of eight aircore holes (ETG0086-ETG0093) completed in November 2017 successfully outlined a zone of supergene gold anomalism that extended the stockwork gold corridor by 1.5km to the southeast (see Figure 8) (refer ASX release 21 December 2017) and included:

- 8m @ 0.52g/t Au from 78m and 13m @ 0.09g/t Au from 98m to EOH in ETG0086
- 8m @ 0.42g/t Au from 108m and 2m @ 0.31g/t Au from 124m in ETG0088

Four lines of aircore drilling (12 holes) were completed at the southern supergene gold anomaly in June 2018 with the goal of providing a primary target for deeper drilling. Additional gold supergene anomalism was intersected and deeper RC drilling was completed at the prospect in August 2018.

LAVERTON TECTONIC ZONE GOLD
100% Encounter – E28/2709, ELA28/2762, ELA28/2763 and ELA28/2810

Encounter continues to build its exciting gold portfolio in regions that have demonstrated potential for large scale, high quality gold deposits. The Laverton Tectonic Zone is one of Australia's most productive and prospective gold regions and extensions of this corridor, where it extends under shallow cover, have been a focus of Encounter's ongoing targeting activities. Encounter has acquired a prospective new gold project located at the southern extension of the Laverton Tectonic Zone in Western Australia ("WA") (see Figure 11).

Exploration licence E28/2709 was recently granted and covers an area of 98km^2 in the north of the Nazare Project. The project is located approximately 150km east-north-east of Kalgoorlie. Exploration at the project will initially focus on a structural intersection where an interpreted structure extending south-east from the AOP's Bombora gold discovery intersects with the interpreted greenstone/gneissic extension of the Laverton Tectonic Zone in an area of cover and no prior gold exploration (see Figure 12).

The only prior drilling completed within the granted tenement is a single RC hole drilled more than 10 years ago by a uranium explorer that was not assayed for gold.

An initial soil sampling program was completed in July 2018 within E28/2709 to assess the amenability of geochemistry to assist the drill target prioritisation. The program successfully defined gold anomalies with significant contrast to background. Further geochemistry is planned to better define these anomalies and when additional tenements are granted, the program will be expanded to cover the southern structural targets within the Nazare project (see Figure 12).

The three additional tenements applied for to the south of E28/2709 cover an interpreted additional 30 strike kilometres of the Laverton Tectonic Zone and in total the project area now covers 689km^2.

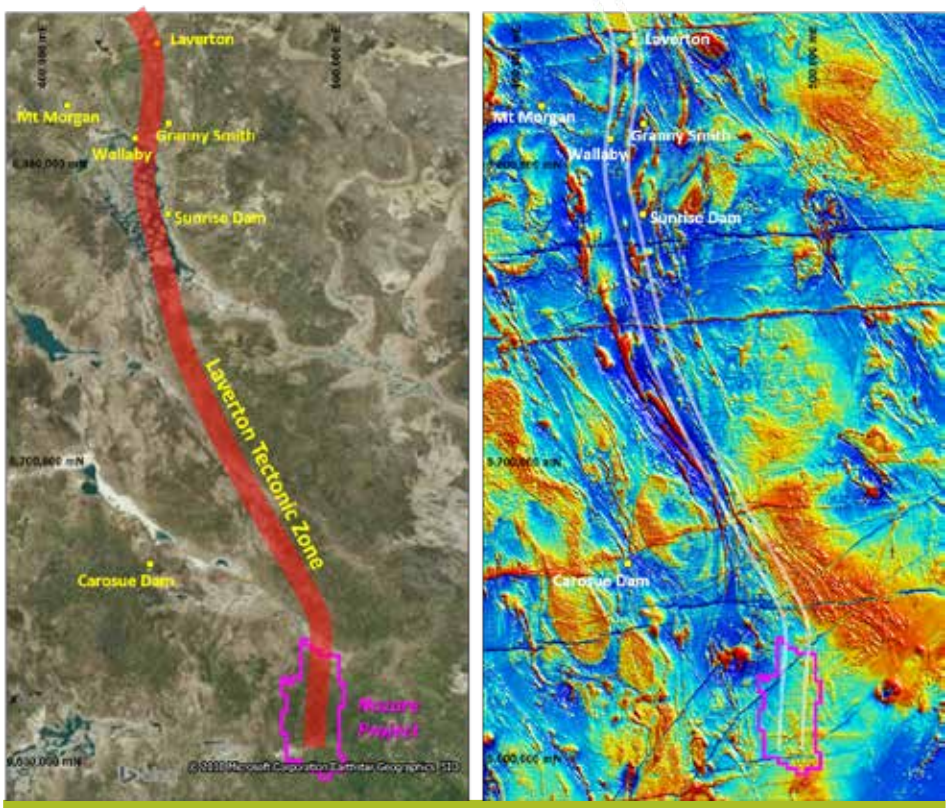

Figure 11 – Nazare regional location plan, regional TMI magnetics and major gold mines

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EXPLORATION REVIEW (continued)

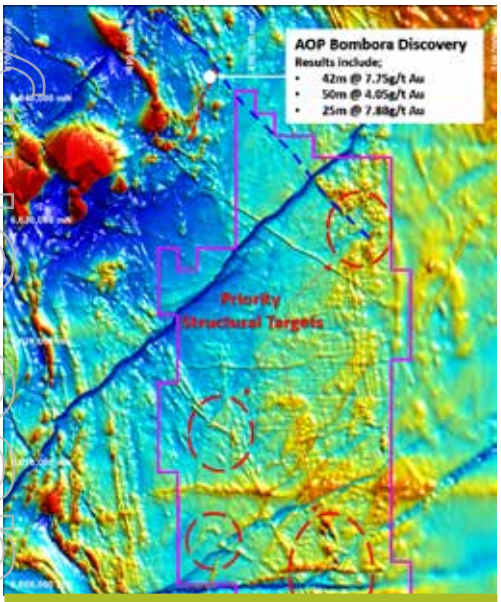

Figure 12 – Nazare target summary over airborne TMI magnetics image

YENEENA COPPER-COBALT-ZINC

- Yeneena Copper-Cobalt Project: 100% Encounter – E45/2500, E45/2502, E45/2657, E45/2658, E45/2805, E45/2806, E45/3768, ELA45/4861, ELA45/5333 and ELA45/5334
- Millennium Zinc Project: 75% Encounter / 25% Hampton Hill Mining ("HHM") – E45/2501, E45/2561 and the four eastern sub-blocks of E45/2500

Encounter holds exploration tenure over 1,900km² of the Paterson Province in Western Australia (WA), that hosts the Telfer gold-copper mine and the Nifty copper mine. Encounter is actively exploring for gold-copper deposits in the Telfer region as well as copper-cobalt and zinc-lead deposits at Yeneena (Figure 13).

The copper-cobalt and zinc-lead prospects identified at Yeneena are located adjacent to major regional faults and have been identified through electromagnetics, geochemistry and structural targeting.

BM1–BM7 (100% Encounter)

BM1-BM7 is a 14km long copper system, discovered and wholly owned by Encounter, that contains high grade copper-cobalt sulphide mineralisation and a coherent zone of near surface copper oxide mineralisation.

Considering the improving market outlook for both copper and cobalt, Encounter is assessing potential partnership opportunities.

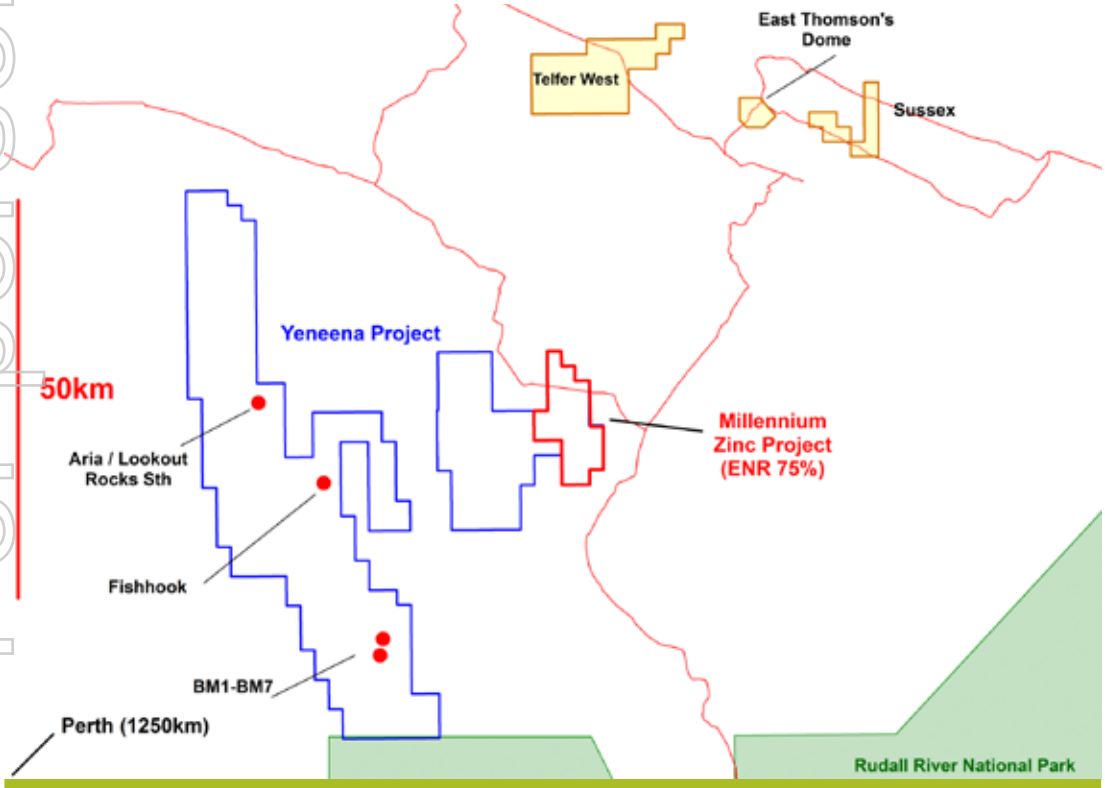

Figure 13: Yeneena and Telfer region tenements

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Lookout Rocks/Fishhook Copper Project (100% Encounter)

The Lookout Rocks/Fishhook Copper Project is located in the north-west of Yeneena.

The Central African Copperbelt is the world's largest source of cobalt and one of the world's largest sources of copper. These Proterozoic aged, sediment hosted deposits are of a similar age and geological setting to the Yeneena basin.

The first drill hole at Lookout Rocks (diamond hole EPT2282) was completed in June 2016. EPT2282 successfully intersected narrow zones of disseminated copper sulphide mineralization, up to 1% Cu, at the targeted "first reductant" position. This copper-cobalt mineralisation is hosted by black, reduced carbonaceous sediments, located directly above an oxidised "red bed" stratigraphic unit, a stratigraphic position similar to that of many major copper deposits of the Zambian Copperbelt.

EPT2282 confirmed the targeted mineralisation model at Lookout Rocks, focused at a stratigraphic contact "first reductant" interface. Surface mapping indicates that this stratigraphic contact, which is the focus of the copper-cobalt mineralisation, is relatively flat and extends laterally over a large part of Lookout Rocks. Lookout Rocks/Fishhook contain an interpreted 50km of strike of the stratigraphic contact that hosts the "first reductant" copper sulphide mineralisation intersected at Lookout Rocks (refer ASX release 28 July 2016).

A two RC hole drill test of an ironstone/gossan at Lookout Rocks was completed in June 2018. These drill holes intersected low level copper anomalism within the regolith and an interpreted shear zone at depth. The faulted position is currently being assessed to determine future exploration plans.

The process of identifying a suitable partner to advance the exploration at Yeneena copper-cobalt-zinc prospects continues.

Millennium Zinc Project (Encounter 75% / Hampton Hill Mining ("HHM") 25% in E45/2501, E45/2561 and the four eastern sub-blocks of E45/2500)

The Millennium Project is located in the north-east of Yeneena where previous aircore and RC drilling by Encounter has defined a +3km long zinc regolith anomaly that remains open to the SE. Diamond drilling at Millennium has intersected a thick zinc gossan at the contact between a brecciated carbonate and a thick sequence of carbonaceous shales of the Broadhurst Formation. Previous assay results from the gossan include (refer ASX release 9 July 2015):

- EPT2201 38.7m @ 0.9% Zn from 255.8m; and
- EPT2203 91.8m @ 1.6% Zn from 344.4m

High tenor zinc sulphide mineralisation, in the form of sphalerite, has been intersected below the gossanous unit and returned assays of (refer ASX releases 12 January 2015 and 13 December 2013):

- EPT1854 0.7m @ 36.7% Zn from 430m; and
- EPT2198 7m @ 4.8% Zn from 233m

A single RC hole, EPT2305, was drilled during the December 2017 quarter at the Southern Structural Target located at the south eastern end of the 3km long zinc regolith anomaly at Millennium (see Figure 14). The hole was designed to test an interpreted SE to SSE flexure within the Tabletop Fault. The vertical hole was drilled to a depth of 220m where it ended in Permian cover. This RC hole may be used as a pre-collar for a diamond hole to test the defined structural target. The potential application of a Magnetotellurics (MT) geophysical survey in the south east of the Millennium project is also being evaluated.



EXPLORATION REVIEW (continued)

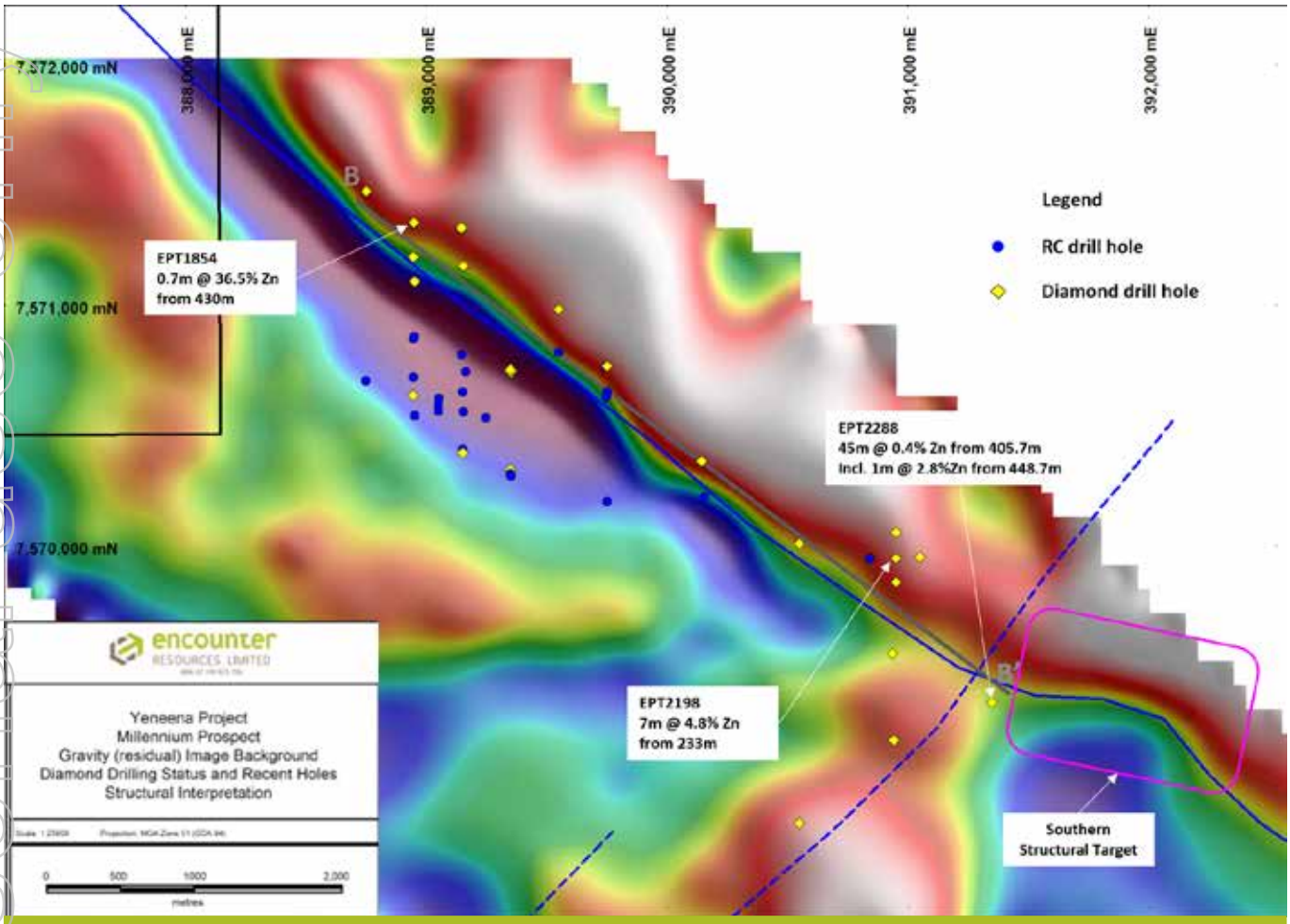

Figure 14: Drill hole collar location – Millennium

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 holds 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 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Bewick consents to the inclusion in the report of the matters based on the information compiled by him, 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 the relevant ASX releases and the form and context of the announcement has not materially changed. The Company confirms that the form and context in which the Competent Persons findings are presented have not been materially modified from the original market announcements.

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SUMMARY OF TENEMENTS

Lease	Lease Name	Project Name	Area km²	Managing Company	Encounter Interest
E45/2500	Yeneena	Paterson	107.3	Encounter Operations Pty Ltd	75%*
E45/2501	Yeneena	Paterson	19.12	Encounter Operations Pty Ltd	75%*
E45/2502	Yeneena	Paterson	117.8	Encounter Operations Pty Ltd	100%
E45/2561	Yeneena	Paterson	50.95	Encounter Operations Pty Ltd	75%*
E45/2657	Yeneena	Paterson	156	Encounter Operations Pty Ltd	100%
E45/2658	Yeneena	Paterson	95.4	Encounter Operations Pty Ltd	100%
E45/2805	Yeneena	Paterson	85.8	Encounter Operations Pty Ltd	100%
E45/2806	Yeneena	Paterson	35	Encounter Operations Pty Ltd	100%
E45/4757	Sussex	Paterson	12.8	Encounter Operations Pty Ltd	100%
E45/4758	Sussex	Paterson	19.2	Encounter Operations Pty Ltd	100%
ELA45/4861	Yeneena	Paterson	328	Encounter Operations Pty Ltd	100%
ELA45/5333	Yeneena	Paterson	254.6	Encounter Operations Pty Ltd	100%
ELA45/5334	Yeneena	Paterson	102.1	Encounter Operations Pty Ltd	100%
E45/3768	Yeneena	Paterson	149.7	Encounter Yeneena Pty Ltd	100%
E45/4613	Telfer West	Paterson	60.7	Hamelin Resources Pty Ltd	100%
E45/3446	East Thomson's Dome	Paterson	6	Hamelin Resources Pty Ltd	100%
P45/2750	East Thomson's Dome	Paterson	198 HA	Hamelin Resources Pty Ltd	100%
P45/2751	East Thomson's Dome	Paterson	177 HA	Hamelin Resources Pty Ltd	100%
P45/2752	East Thomson's Dome	Paterson	199 HA	Hamelin Resources Pty Ltd	100%
P45/3032	East Thomson's Dome	Paterson	113.80 HA	Hamelin Resources Pty Ltd	100%
E28/2709	Nazare	Yilgarn	98	Hamelin Resources Pty Ltd	100%
E80/5045	Phillipson Range JV	Tanami	283	Hamelin Resources Pty Ltd	100%
E80/5129	Phillipson Range JV	Tanami	643	Hamelin Resources Pty Ltd	100%
E80/5132	Selby JV	Tanami	646	Hamelin Resources Pty Ltd	100%
E80/5137	Selby JV	Tanami	613	Hamelin Resources Pty Ltd	100%
E80/5145	Watts JV	Tanami	552	Hamelin Resources Pty Ltd	100%
E80/5146	Lewis	Tanami	548	Hamelin Resources Pty Ltd	100%
E80/5147	Selby JV	Tanami	275	Hamelin Resources Pty Ltd	100%
E80/5152	Phillipson Range JV	Tanami	643.5	Hamelin Resources Pty Ltd	100%
ELA80/5169	Aileron JV	Tanami	187.6	Hamelin Resources Pty Ltd	100%
ELA80/5186	Lewis JV	Tanami	70.96	Hamelin Resources Pty Ltd	100%
ELA45/5138	Sussex	Paterson	6.4	Hamelin Resources Pty Ltd	100%
ELA28/2762	Nazare	Yilgarn	206.8	Hamelin Resources Pty Ltd	100%
ELA28/2763	Nazare	Yilgarn	206.9	Hamelin Resources Pty Ltd	100%
ELA28/2810	Nazare	Yilgarn	177.5	Hamelin Resources Pty Ltd	100%
ELA38/3333	Mt Sefton	Yilgarn	562.4	Hamelin Resources Pty Ltd	100%
ELA38/3342	Mt Sefton	Yilgarn	451.6	Encounter Resources Limited	100%
ELA38/3347	Mt Sefton	Yilgarn	118.4	Encounter Resources Limited	100%
ELA59/2339	Bunnawarra	Yilgarn	210.8	Encounter Resources Limited	100%
ELA59/2345	Bunnawarra	Yilgarn	210.7	Encounter Resources Limited	100%

Summary of tenements as of 12 October 2018

* Tenement subject to Hampton Hill JV (only includes 4 eastern blocks on E45/2500) see ASX announcement April 23, 2015

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RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 30 June 2018



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DIRECTORS' REPORT

The Directors present their report on Encounter Resources Limited (the Company) and the entities it controlled (the Group) at the end of, and during the year ended 30 June 2018.

DIRECTORS

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

Paul Chapman – B.Comm, ACA, Grad. Dip. Tax, MAICD, MAusIMM
Non-Executive Chairman appointed 7 October 2005

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

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

Will Robinson – B.Comm, MAusIMM
Managing Director (Executive) appointed 30 June 2004

Mr Robinson has worked in the resources industry in Australia and Canada for over twenty years. Mr Robinson's experience includes senior management roles at a large international resources company and executive roles in the junior mining and exploration sector. Mr Robinson is also president of the resources industry advocacy body, 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. Mr Hart has over 30 years experience in accounting and the management and administration of public listed entities in the mining and exploration industry.

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

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Dan Travers – BSc (Hons), FCCA

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

DIRECTORS' INTERESTS

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

Director	Directors' Interests in Ordinary Shares	Directors' Interests in Unlisted Options	Options vested at the reporting date
P Chapman	8,622,500	-	-
W Robinson	24,769,098	-	-
P Bewick	6,800,000	3,000,000	3,000,000
J Hronsky	200,000	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 2018, and the number of meetings attended by each Director are as follows:

Director	Board of Directors' Meetings	
	Held	Attended
P Chapman	11	11
W Robinson	11	11
P Bewick	11	11
J Hronsky	11	10

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 loss after income tax for the financial year was $10,136,263 (2017: $1,313,269).

Included in the consolidated loss for the current year is a write-off of deferred and uncapitalised exploration and joint venture expenditure totalling $9,975,754 (2017: $208,666).

REVIEW OF ACTIVITIES

Exploration

Exploration activities during the financial year have been primarily focussed on the Company's wholly owned gold projects in the Paterson Province of Western Australia and expanding the Company's portfolio of West Australian gold prospects.

In addition, the Company entered into a project generation alliance with Newcrest Mining Limited, which has resulted in the formation of five separate joint ventures in the Tanami and West Arunta regions of Western Australia.

During the year the Company also continued its copper-cobalt exploration programs at its 100% owned Yeneena project in the Paterson Province. The Company also continued to carry out exploration pursuant to the farm-in agreement with Hampton Hill NL (HHM) during the year at the Millennium zinc project.

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 $2,860,071 (2017: $3,631,091) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is $11,638,248 (2017: $18,624,668).

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DIRECTORS' REPORT (continued)

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

» During the year the Company issued 49,173,548 ordinary fully paid shares pursuant to share placements.

OPTIONS OVER UNISSUED CAPITAL

Unlisted Options

As at the date of this report 12,741,429 unissued ordinary shares of the Company are under option as follows:

Number of Options Granted	Exercise Price	Expiry Date
1,250,000	23 cents	27 November 2018
750,000	31 cents	27 November 2019
500,000	16 cents	31 January 2019
5,441,429	21 cents	30 September 2018
400,000	14 cents	28 February 2020
2,025,000	13 cents	24 November 2020
750,000	17.5 cents	24 November 2021
825,000	10.5 cents	1 November 2021
800,000	10 cents	31 May 2022

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

During the financial year:

» 1,625,000 options (2017: 2,775,000) were granted over unissued shares to employees, directors and consultants of the Company;

» no options (2017: 700,000) were cancelled on the cessation of employment;

» 1,245,000 options (2017: 2,000,000) were cancelled on expiry of the exercise period; and

» no (2017: 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; and

» no options have been cancelled due to the lapse of the exercise period.

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

ISSUED CAPITAL

Number of Shares on Issue		
	2018	2017
Ordinary fully paid shares	**238,375,092**	188,951,544

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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

On 17 September 2018 the Company advised that it had received $400,000 from Newcrest Mining Limited following the grant of an exploration tenement in relation to the Phillipson joint venture.

Other than the above, 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company expects to maintain exploration programs at its Paterson Gold and Yeneena copper-cobalt-zinc projects, and commence exploration in joint venture with Newcrest Mining Limited in the Tanami and West Arunta regions of Western Australia.

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

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

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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.

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 27 November 2015.

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. During the financial year ended 30 June 2018, $20,000 in fees were voluntarily foregone by Mr Chapman.

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 2018.

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 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.

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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:

	2018	2017	2016	2015	2014
Profit/(Loss) for the year attributable to shareholders	**$(10,129,591)**	$(1,313,269)	$(5,803,036)	$523,915	$(748,166)
Closing share price at 30 June	**$0.053**	$0.115	$0.13	$0.19	$0.20

As an exploration company the Board does not consider the profit/(loss) attributable to shareholders as one of the performance indicators when implementing Short Term Incentive Payments. In addition to economic and technical exploration success, the Board considers more appropriate indicators of management performance for the 2018 financial period to include:

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

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:

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DIRECTORS' REPORT (continued)

30 June 2018	Short Term		Post Employment	Other Long Term		
	Base Salary $	Short Term Incentive $	Superannuation Contributions $	Value of Options $	Total $	Value of Options as Proportion of Remuneration %
Paul Chapman	**40,000**	**-**	**3,800**	**-**	**43,800**	**-**
Will Robinson[1]	**266,019**	**29,000**	**28,117**	**-**	**323,136**	**-**
Peter Bewick	**259,096**	**27,000**	**27,179**	**-**	**313,275**	**-**
Jon Hronsky	**50,000**	**-**	**4,750**	**-**	**54,750**	**-**
Total	**615,115**	**56,000**	**63,846**	**-**	**734,961**	

[1]Included in remuneration for Mr Robinson for the year ended 30 June 2018 is accrued salary of $79,388.

30 June 2017	Short Term		Post Employment	Other Long Term		
	Base Salary $	Short Term Incentive $	Superannuation Contributions $	Value of Options $	Total $	Value of Options as Proportion of Remuneration %
Paul Chapman	60,000	-	5,700	-	65,700	-
Will Robinson	300,225	-	28,521	-	328,746	-
Peter Bewick	274,107	-	26,040	50,982	351,129	14.5%
Jon Hronsky	50,000	-	4,750	16,791	71,541	23.5%
Total	684,332	-	65,011	67,773	817,116	

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	
	2017/18 financial year	2016/17 financial year
Will Robinson	**$29,000**	$nil
Peter Bewick	**$27,000**	$nil

In addition to economic and technical exploration success, the Board considers more appropriate indicators of management performance for the 2018 financial period to include:

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

Options Granted as Remuneration

During the financial year ended 30 June 2018 nil options (2017: 2,000,000) were granted to Directors or Key Management Personnel of the Company.

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 Directors or 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.

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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.

2018 Name	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
Directors					
P. Chapman	**-**	**-**	**-**	**-**	**-**
W. Robinson	**-**	**-**	**-**	**-**	**-**
P. Bewick	**3,750,000**	**-**	**(750,000)**	**3,000,000**	**3,000,000**
J. Hronsky	**1,000,000**	**500,000**	**-**	**1,000,000**	**1,000,000**

2017 Name	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
Directors					
P. Chapman	-	-	-	-	-
W. Robinson	-	-	-	-	-
P. Bewick	3,000,000	1,500,000	(750,000)	3,750,000	3,750,000
J. Hronsky	1,000,000	500,000	(500,000)	1,000,000	1,000,000

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

Share holdings

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

2018 Name	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors				
P. Chapman	**5,707,142**	**-**	**2,915,358**	**8,622,500**
W. Robinson	**22,275,470**	**-**	**2,493,628**	**24,769,098**
P. Bewick	**5,209,142**	**-**	**1,590,858**	**6,800,000**
J. Hronsky	**-**	**-**	**200,000**	**200,000**

2017 Name	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors				
P. Chapman	5,707,142	-	-	5,707,142
W. Robinson	22,275,470	-	-	22,275,470
P. Bewick	5,209,142	-	-	5,209,142
J. Hronsky	-	-	-	-

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DIRECTORS' REPORT (continued)

Loans made to key management personnel

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

Other transactions with key management personnel

There were no other transactions with key management personnel.

End of Remuneration Report

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

OFFICERS' INDEMNITIES AND INSURANCE

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

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

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

NON-AUDIT SERVICES

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

Total remuneration paid to auditors during the financial year:	2018 $	2017 $
Audit and review of the Company's financial statements	**29,100**	28,500

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.

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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 27th day of September 2018.

Will Robinson
Managing Director



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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 2018, 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

Dated at Perth this 27th day of September 2018

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2018

	Note	Consolidated	
		2018 $	2017 $
Other income	5	**143,518**	130,866
Total income		**143,518**	130,866
Employee expenses		**(1,280,225)**	(1,211,790)
Employee expenses recharged to exploration		**1,001,607**	964,020
Equity based remuneration expense	19	**(37,922)**	(86,709)
Non-executive Director's fees		**(90,000)**	(110,000)
Gain/(loss) in fair value of financial assets	6,11	**522,731**	(338,238)
Profit/(loss) on disposal of assets		**296**	-
Depreciation expense	6	**(288)**	(7,060)
Corporate expenses		**(67,034)**	(62,600)
Administration and Other expenses		**(353,192)**	(383,092)
Exploration costs written off and expensed	6	**(9,975,754)**	(208,666)
Profit/(Loss) before income tax		**(10,136,263)**	(1,313,269)
Income tax benefit	7	**-**	-
Profit/(Loss) after tax	19	**(10,136,263)**	(1,313,269)
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the year		**(10,136,263)**	(1,313,269)
Earnings per share for loss attributable to the ordinary equity holders of the Company			
Basic earnings/(loss) per share	29	**(5.2)**	(0.8)
Diluted earnings/(loss) per share	29	**(5.2)**	(0.8)

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	Consolidated	
		2018 $	2017 $
Current assets			
Cash and cash equivalents	8	**2,860,071**	3,631,091
Trade and other receivables	9(a)	**80,844**	306,991
Other current assets	9(b)	**242,614**	30,459
Total current assets		**3,183,529**	3,968,541
Non-current assets			
Other financial assets	11	**953,216**	430,485
Property, plant and equipment	12	**55,515**	82,855
Capitalised mineral exploration and evaluation expenditure	13	**11,638,248**	18,624,668
Total non-current assets		**12,646,979**	19,138,008
Total assets		**15,830,508**	23,106,549
Current liabilities			
Trade and other payables	15	**629,889**	847,040
Employee benefits	16	**288,568**	246,616
Total current liabilities		**918,457**	1,093,656
Total liabilities		**918,457**	1,093,656
Net assets		**14,912,051**	22,012,893
Equity			
Issued capital	17	**40,676,386**	37,678,887
Accumulated losses	19	**(26,075,127)**	(16,052,305)
Equity remuneration reserve	19	**310,792**	386,311
Total equity		**14,912,051**	22,012,893

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2018

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	Consolidated			
	Issued capital $	Accumulated losses $	Equity remuneration reserve $	Total $
2017				
Balance at the start of the financial year	34,401,834	(14,963,883)	524,449	19,962,400
Comprehensive income for the financial year	-	(1,313,269)	-	(1,313,269)
Movement in equity remuneration reserve in respect of options vested	-	-	86,709	86,709
Transfer to accumulated losses on cancellation of vested options	-	224,847	(224,847)	-
Transactions with equity holders in their capacity as equity holders: Shares issued (net of costs)	3,277,053	-	-	3,277,053
Balance at the end of the financial year	37,678,887	(16,052,305)	386,311	22,012,893
2018				
Balance at the start of the financial year	**37,678,887**	**(16,052,305)**	**386,311**	**22,012,893**
Comprehensive income for the financial year	**-**	**(10,136,263)**	**-**	**(10,136,263)**
Movement in equity remuneration reserve in respect of options vested	**-**	**-**	**37,922**	**37,922**
Transfer to accumulated losses on cancellation of vested options	**-**	**113,441**	**(113,441)**	**-**
Transactions with equity holders in their capacity as equity holders: **Shares issued (net of costs)**	**2,997,499**	**-**	**-**	**2,997,499**
Balance at the end of the financial year	**40,676,386**	**(26,075,127)**	**310,792**	**14,912,051**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2018

	Note	Consolidated	
		2018 $	2017 $
Cash flows from operating activities			
Project generation fee received		**100,000**	-
State Government funded drilling rebate		**384,878**	268,558
R&D tax concession tax refund		**127,640**	443,694
Interest received		**20,275**	32,912
Payments to suppliers and employees		**(681,812)**	(809,797)
Net cash from/(used in) operating activities	28	**(49,019)**	(64,633)
Cash flows from investing activities			
Contributions received from farm-in partners		**491,423**	404,050
Payments for exploration and evaluation		**(4,089,333)**	(3,748,056)
Proceeds from sale of plant and equipment		**6,364**	-
Payments for plant and equipment		**(5,119)**	(2,000)
Net cash used in investing activities		**(3,596,665)**	(3,346,006)
Cash flows from financing activities			
Proceeds from the issue of shares		**2,960,326**	3,407,286
Payments for share issue costs		**(85,662)**	(49,947)
Net cash from/(used in) financing activities		**2,874,664**	3,357,339
Net increase/(decrease) in cash held		**(771,020)**	(53,300)
Cash at the beginning of the financial year		**3,631,091**	3,684,391
Cash at the end of the financial year	8(a)	**2,860,071**	3,631,091

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

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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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 27th September 2018.

Statement of Compliance

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

Adoption of new and revised Accounting Standards

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

The adoption of the Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

New standards and interpretations not yet adopted

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application date or future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- **AASB 9 Financial Instruments**

  This standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 Financial Instruments introduces new classification and measurement models for financial assets.

  The Group currently accounts for its non-cash financial assets at Fair Value through Profit or Loss, which is consistent with a treatment permitted under AASB 9 Financial Instruments. The Group currently has no material exposure to other financial assets and financial liabilities affected by the requirements of AASB 9 Financial Instruments.

  This standard is applicable to annual reporting periods beginning on or after 1 January 2018 and as such the Group will adopt this standard from 1 July 2018. Whilst at this time the Group does not consider there to be any material impact from the adoption of AASB 9 Financial Instruments, it will make an assessment of potential effects over the next 12-month period.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

- **AASB 15 Revenue from Contracts with Customers**

  The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and prescribes specific presentation and disclosure requirements.

  The Group does not currently have any contracts with customers in place and as such its exposure to the requirements of AASB 15 Revenue from Contracts with Customers is limited.

  This standard is applicable to annual reporting periods beginning on or after 1 January 2018 and as such the Group will adopt this standard from 1 July 2018. Whilst at this time the Group does not consider there to be any material impact from the adoption of AASB 15 Revenue from Contracts with Customers, it will make an assessment of potential effects over the next 12-month period.

- **AASB 16 Leases**

  The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases, and requires, subject to certain exemptions, the recognition of a 'right-of-use asset' and a corresponding lease liability, and the subsequent depreciation of the 'right-of-use' asset. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

  The Group is currently not party to any operating or finance lease arrangements and as such its exposure to the requirements of AASB 16 Leases is limited.

  This standard is applicable to annual reporting periods beginning on or after 1 January 2019 and as such the Group will adopt this standard from 1 July 2019. Whilst at this time the Group does not consider there to be any material impact from the adoption of AASB 16 Leases, it will make an assessment of potential effects over the next 12-month period.

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.

(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.

Management fee income

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

(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.

(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 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 are deducted from the carrying value of the relevant asset.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Government grants (continued)

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.

(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 designates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained.

Monies received pursuant to farm-in agreements are treated as a liability on receipt and until such time as the relevant expenditure is incurred.

(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 reduces the carrying amount of the investment.

Joint operations

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

Details of these interests are shown in Note 14.

(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.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

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

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

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

(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.

(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.

(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 securities

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

Trade and other receivables

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

Fair value measurement

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

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Fair value estimation (continued)

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.

(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 2018 of $953,216 (2017: $430,485). 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	
	2018 $	2017 $
Operating activities		
Project generation fees	**100,000**	
Management fees from farm-in partners	**19,183**	97,754
Interest receivable	**20,275**	32,912
Other income	**4,060**	200
	143,518	130,866

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NOTE 6. LOSS FOR THE YEAR

	Consolidated	
	2018 $	2017 $
Loss before income tax includes the following specific benefits/(expenses):		
Depreciation:		
Office equipment	**(288)**	(7,060)
Total exploration and joint venture costs not capitalised and written off	**(9,975,754)**	(208,666)
(Loss)/Gain in fair value of financial assets[1]	**522,731**	(338,238)

[1] Adjustment to carrying value of investment in Hampton Hill NL, based on ASX closing price as at 30 June 2018. The gain/(loss) on investment has been recognised in the Statement of Profit or Loss. Refer note 11.

NOTE 7. INCOME TAX

	Consolidated	
	2018 $	2017 $
a) Income tax expense		
Current income tax:		
Current income tax charge (benefit)	**(1,033,689)**	(1,304,262)
Current income tax not recognised	**1,033,689**	1,304,262
Deferred income tax:		
Relating to origination and reversal of timing differences	**(1,447,464)**	-
Deferred income tax benefit not recognised	**1,447,464**	-
Income tax expense/(benefit) reported in the income statement	**-**	-
b) Reconciliation of income tax expense to prima facie tax payable		
Profit/(Loss) from continuing operations before income tax expense	**(10,136,263)**	(1,313,269)
Tax at the Australian rate of 30% (2016 – 30%)	**(2,787,472)**	(393,981)
Tax effect of permanent differences:		
Non-deductible share based payment	**10,429**	26,013
Unrealised movement in fair value of financial assets	**(143,751)**	101,471
Exploration costs written off	**2,684,744**	234
Capital raising costs claimed	**(9,006)**	(8,312)
Net deferred tax asset benefit not brought to account	**245,056**	274,575
Tax (benefit)/expense	**-**	-

	Consolidated	
	2018 $	2017 $
c) Deferred tax – Balance Sheet		
Liabilities		
Prepaid expenses	**(66,719)**	(9,138)
Capitalised exploration expenditure	**(3,200,518)**	(5,587,400)
	(3,267,237)	(5,596,538)
Assets		
Revenue losses available to offset against future taxable income	**8,324,029**	9,246,002
Employee provisions	**79,356**	73,985
Accrued expenses	**22,052**	436
Deductible equity raising costs	**29,965**	16,816
	8,455,402	9,337,239
Net deferred tax asset not recognised	**5,188,165**	3,740,701

d) Deferred tax – Income Statement		
Liabilities		
Prepaid expenses	**(57,581)**	(6,302)
Capitalised exploration expenditure	**2,386,882**	(740,412)
Assets		
Deductible equity raising costs	**13,149**	6,672
Accruals	**21,616**	(13,023)
Increase in tax losses carried forward	**(921,973)**	293,320
Employee provisions	**5,371**	1,460
Deferred tax benefit/(expense) movement for the period not recognised	**1,447,464**	(458,285)

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 $27,746,763 (2017: $26,715,166) were incurred by Australian entities.

During the 2018 financial year the Company's eligible shareholders received tax credits up to a total of $776,652 in respect of the Company's participation in the Exploration Development Incentive scheme (EDI) for the 2017 financial year, a total of $2,824,189 tax losses has been cancelled in respect of the EDI credits received by the Company's shareholders.

The Company will issue Junior Mineral Exploration Incentive (JMEI) credits to eligible shareholders in respect of the 2018 financial year amount to $750,000, a total of $2,727,273 in tax losses has been cancelled as at 30 June 2018 in the above notes in respect of this issue.

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NOTE 8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2018 $	2017 $
Cash at bank and on hand	**2,785,821**	3,556,972
Deposits at call	**74,250**	74,119
	2,860,071	3,631,091

a) Reconciliation to cash at the end of the year

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

Cash and cash equivalents per statement of cash flows	**2,860,071**	3,631,091

b) Deposits at call

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

c) Cash balances not available for use

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

Office lease bond guarantee (Note 24)	**23,000**	23,000

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

NOTE 9. CURRENT ASSETS - RECEIVABLES

	Consolidated	
	2018 $	2017 $
a) Trade and other receivables		
Funds due from farm-in partner	**7,677**	1,753
Other receivables	**31,912**	215,515
GST recoverable	**41,255**	89,723
	80,844	306,991
b) Other current assets		
Prepaid tenement costs	**242,614**	9,453

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

NOTE 10. NON-CURRENT ASSETS - INVESTMENT IN CONTROLLED ENTITIES

	Company	
	2018 $	2017 $

a) Investment in controlled entities

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

Encounter Operations Pty Ltd	**2**	2
Hamelin Resources Pty Ltd	**1**	1
Encounter Yeneena Pty Ltd	**2**	2
Baudin Resources Pty Ltd	**10**	10

Subsidiary Company	Country of Incorporation	Ownership Interest	
		2018	2017
Encounter Operations Pty Ltd	Australia	**100%**	100%
Hamelin Resources Pty Ltd	Australia	**100%**	100%
Encounter Yeneena Pty Ltd	Australia	**100%**	100%
Baudin Resources 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.
- Baudin Resources Pty Ltd was incorporated in Western Australia on 7 April 2017.

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:

	2018 $	2017 $
Encounter Operations Pty Ltd	**21,170,709**	20,596,334
Hamelin Resources Pty Ltd	**3,684,164**	1,680,921
Encounter Yeneena Pty Ltd	**662,128**	523,935

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.

NOTE 11. OTHER FINANCIAL ASSETS - INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated	
	2018 $	2017 $
Balance at the start of the financial year[1]	**430,485**	768,723
Gain on investments recognised through profit & loss[2]	**522,731**	(338,238)
Balance at the end of the financial year	**953,216**	430,485

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

[2] Adjustment to carrying value of investment in Hampton Hill NL, based on ASX closing price as at 30 June 2018. The gain on investment has been recognised in the Statement of Profit or Loss. Refer note 6.

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

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NOTE 12. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2018 $	2017 $
Field equipment		
At cost	**844,631**	900,825
Accumulated depreciation	**(790,900)**	(817,970)
	53,731	82,855
Office equipment		
At cost	**111,107**	109,035
Accumulated depreciation	**(109,323)**	(109,035)
	1,784	-
Leasehold improvements		
At cost	**22,137**	22,137
Accumulated depreciation	**(22,137)**	(22,137)
	-	-
	55,515	82,855

Reconciliation

Field equipment		
Net book value at start of the year	**82,855**	126,633
Cost of additions	**3,046**	2,000
Net book value of disposals	**(6,068)**	-
Depreciation charged	**(26,102)**	(45,778)
Net book value at end of the year	**53,731**	82,855
Office equipment		
Net book value at start of the year	**-**	7,060
Cost of additions	**2,072**	-
Depreciation charged	**(288)**	(7,060)
Net book value at end of the year	**1,784**	-

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	
	2018 $	2017 $
In the exploration and evaluation phase		
Capitalised exploration costs at the start of the period	**18,624,668**	16,156,627
Total acquisition and exploration costs for the period (i)	**3,317,996**	3,229,305
Exploration costs funded by EIS grant	**(204,052)**	(303,122)
Research and development tax credits (ii)	**(127,640)**	(249,476)
Total exploration and joint venture costs written off and expensed for the period	**(9,972,724)**	(208,666)
Capitalised exploration costs at the end of the period	**11,638,248**	18,624,668

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

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

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

During the financial period, the Company's farm-in partner Hampton Hill NL (see Note 14b) incurred costs of $112,021 (2017: $413,526) in respect of exploration and evaluation costs on the Company's assets in addition to the amounts stated above.

(ii) Amounts receivable pursuant to research and development tax credit (R&D) claims lodged during the period. The activities the subject of the R&D claims are subject to review by AusIndustry prior to being submitted. R&D submissions may or may not be subject to future review or audit by AusIndustry or the Australian Taxation Office.

NOTE 14. INTEREST IN JOINT VENTURES AND FARM-IN ARRANGEMENTS

a) Joint Venture Agreements – Joint Operations

Joint venture agreements may be entered into with third parties.

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

The Company was party to the following farm-in and joint venture arrangements during the financial year ended 30 June 2018:

b) Farm-in Arrangements

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

Encounter Resources Limited has entered into a farm-in agreement with HHM 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.

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NOTE 14. INTEREST IN JOINT VENTURES AND FARM-IN ARRANGEMENTS (CONTINUED)

b) Farm-in Arrangements (continued)

- 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.

During the year ended 30 June 2018 HHM completed its earn-in of a 25% interest in the Millennium project and the Millennium project is now a contributing 75:25 joint venture.

NOTE 15. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2018 $	2017 $
Share issue liability[1]	**-**	101,536
Unspent farm-in contributions (Note 8c)	**223,741**	-
Trade payables and accruals	**344,847**	705,200
Other payables	**61,301**	40,304
	629,889	847,040

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

[1] Share subscription funds received prior to 30 June 2017 in respect of a share placement completed on 12 July 2017.

NOTE 16. EMPLOYEE BENEFITS

	Consolidated	
	2018 $	2017 $
a) Current liabilities		
Liability for annual leave	**147,007**	116,599
Liability for long service leave	**141,561**	130,017
	288,568	246,616

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	**2018 No.**	2017 No.	**2018 $**	2017 $
b) Share capital					
Issued share capital		**238,375,092**	188,951,544	**40,676,386**	37,678,887
c) Share movements during the year					
Balance at the start of the financial year		**188,951,544**	188,951,544	**37,678,887**	34,401,834
Shares issued to acquire exploration assets	$0.085	**-**	250,000	**-**	21,250
Share placement	$0.10	**-**	26,230,000	**-**	2,623,000
Share purchase plan	$0.10	**-**	6,827,500	**-**	682,750
Share placement	$0.10	**2,806,216**	-	**280,622**	-
Shares issued to acquire exploration assets	$0.082	**250,000**	-	**20,500**	-
Share placement	$0.06	**46,367,332**	-	**2,782,040**	-
Less share issue costs		**-**	-	**(85,662)**	(49,947)
Balance at the end of the financial year		**238,375,092**	188,951,544	**40,676,386**	37,678,887

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 27 November 2015. 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 1,625,000 options (2017: 2,775,000) over unissued shares.

b) Options exercised during the year

During the financial year the Company issued no shares (2017: Nil) on the exercise of unlisted employee options.

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NOTE 18. OPTIONS AND SHARE BASED PAYMENTS (CONTINUED)

c) Options cancelled during the year

During the year: no options (2017: 700,000) were cancelled upon termination of employment; and 1,245,000 options (2017: 2,000,000) were cancelled on expiry of exercise period.

d) Options on issue at the balance date

The number of options outstanding over unissued ordinary shares at 30 June 2018 is 12,741,429 (2017: 12,361,429). The terms of these options are as follows:

Number of options outstanding	Exercise price	Expiry date
1,250,000	23 cents	27 November 2018
750,000	31 cents	27 November 2019
500,000	16 cents	31 January 2019
5,441,429	21 cents	30 September 2018
400,000	14 cents	28 February 2020
2,025,000	13 cents	24 November 2020
750,000	17.5 cents	24 November 2021
825,000	10.5 cents	1 November 2021
800,000	10 cents	31 May 2022
12,741,429		

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)

	2018		2017	
	No.	WAEP (cents)	No.	WAEP (cents)
Options outstanding at the start of the year	**12,361,429**	**20.3**	12,286,429	38.8
Options granted during the year	**1,625,000**	**10.3**	2,775,000	14.2
Options exercised during the year	**-**	**-**	-	-
Options cancelled and expired unexercised during the year	**(1,245,000)**	**32.2**	(2,700,000)	29.4
Options outstanding at the end of the year	**12,741,429**	**18.5**	12,361,429	20.3

Weighted average contractual life

The weighted average contractual life for un-exercised options is 25.3 months (2017: 28.0 months).

Basis and assumptions used in the valuation of options.

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

Date granted	Number of options granted	Exercise price (cents)	Expiry date	Risk free interest rate used	Volatility applied	Value of Options
9 Nov 2017	825,000	10.5	1 Nov 2021	1.95%	83%	$21,846
8 Jun 2018	800,000	10	31 May 2022	2.35%	70%	$16,076

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

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			
	2018		2017	
	Accumulated losses $	**Equity remuneration reserve (i) $**	Accumulated losses $	Equity remuneration reserve (i) $
Balance at the beginning of the year	**(16,052,305)**	386,311	**(14,963,883)**	524,449
Profit/(Loss) for the period	**(10,136,263)**	-	**(1,313,269)**	-
Movement in equity remuneration reserve in respect of options issued	**-**	37,922	**-**	86,709
Transfer to accumulated losses on cancellation of options	**113,441**	(113,441)	**224,847**	(224,847)
Balance at the end of the year	**(26,075,127)**	310,792	**(16,052,305)**	386,311

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

NOTE 20. FINANCIAL INSTRUMENTS

Credit risk

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

Impairment losses

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

Interest rate risk

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

	Carrying amount ($)	
	2018	2017
Fixed rate instruments		
Financial assets	**-**	-
Variable rate instruments		
Financial assets	**2,860,071**	3,631,091

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NOTE 20. FINANCIAL INSTRUMENTS (CONTINUED)

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
2018				
Variable rate instruments	**28,601**	**(28,601)**	**28,601**	**(28,601)**
2017				
Variable rate instruments	36,311	(36,311)	36,311	(36,311)

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 $
2018							
Trade and other payables	**344,847**	**344,847**	**344,847**	**-**	**-**	**-**	**-**
	344,847	**344,847**	**344,847**	**-**	**-**	**-**	**-**
2017							
Trade and other payables	703,747	703,747	703,747	-	-	-	-
	703,747	703,747	703,747	-	-	-	-

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			
	2017		2016	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Cash and cash equivalents	**2,860,071**	**2,860,071**	3,631,091	3,631,091
Other financial assets	**953,216**	**953,215**	430,485	430,485
Trade and other payables	**(344,847)**	**(344,847)**	(703,747)	(703,747)
	3,468,440	**3,468,440**	3,357,829	3,357,829

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 2018 or 30 June 2017.

The Company has no franking credits available as at 30 June 2018 or 30 June 2017.

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.

(b) Key management personnel compensation

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

	2018 $	2017 $
Total short-term employment benefits	**671,115**	684,332
Total share based payments	**-**	67,773
Total post-employment benefits	**663,846**	65,011
	734,961	817,116

NOTE 23. REMUNERATION OF AUDITORS

	2018 $	2017 $
Audit and review of the Company's financial statements	**29,100**	28,500

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 2018 or 30 June 2017 other than:

Yeneena Project Gold Claw-back

Included in the agreement for the Group's acquisition of the remaining 25% interest of certain licences in the Yeneena Project is a gold claw-back right in the event of a major discovery of a deposit of minerals dominant in gold, with gold revenue measured in a mining study equal to or exceeding 65% of total revenue and where a JORC compliant mineral resources exceeds 4,000,000 ounces of gold or gold equivalent, or is capable of producing at least 200,000 ounces of gold or gold equivalent per year for 10 years. Under the agreement Barrick (Australia Pacific) Limited retains the right to regain an interest of between 70 and 100% in the gold discovery at a price of between US$40-100 per ounce, with a 1.5% net smelter royalty to Encounter Resources.

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

Telfer West Production Royalty

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

Native Title and Aboriginal Heritage

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

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NOTE 24. CONTINGENCIES (CONTINUED)

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

Bank guarantees

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

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

(ii) Contingent assets

There were no material contingent assets as at 30 June 2018 or 30 June 2017.

NOTE 25. COMMITMENTS

(a) Exploration

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

As at balance date, total exploration expenditure commitments on tenements held by the Group have not been provided for in the financial statements and which cover the following twelve month period amount to $1,231,520 (2017: $1,438,960).

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

There are no material operating lease commitments as at 30 June 2018 or 30 June 2017 not otherwise disclosed in the Financial Statements.

(c) Contractual Commitment

There are no material contractual commitments as at 30 June 2018 or 30 June 2017 not otherwise disclosed in the Financial Statements.

NOTE 26. RELATED PARTY TRANSACTIONS

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

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

NOTE 27. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 17 September 2018, the Company advised that it had received $400,000 from Newcrest Mining Limited following the grant of an exploration tenement in relation to the Phillipson joint venture.

Other than the above, 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.

NOTE 28. RECONCILIATION OF LOSS AFTER TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2018 $	2017 $
Profit/(Loss) from ordinary activities after income tax	**(10,136,263)**	(1,313,269)
Research and development tax credit	**127,640**	443,694
Depreciation	**288**	7,060
Exploration cost written off and expensed	**9,975,754**	209,962
Share based payments expense	**37,922**	86,709
Unrealised loss on investments	**(522,731)**	338,238
Contribution to overheads from farm-in partner	**(19,183)**	(97,754)
EIS grant funding offset against capitalised exploration	**219,053**	219,053
Movement in assets and liabilities:		
(Increase)/decrease in receivables	**178,041**	(44,216)
Increase/(decrease) in payables	**90,460**	1,821
Net cash outflow from operating activities	**(49,019)**	(64,633)

NOTE 29. EARNINGS PER SHARE

	Consolidated	
	2018	2017
	cents	cents
a) Basic earnings per share		
Profit/(Loss) attributable to ordinary equity holders of the Company	**(5.2)**	(0.8)
b) Diluted earnings per share		
Profit/(Loss) attributable to ordinary equity holders of the Company	**(5.2)**	(0.8)
	$	$
c) Loss used in calculation of basic and diluted loss per share		
Consolidated profit/(loss) after tax from continuing operations	**(10.136,236)**	(1,313,269)
	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	**195,825,899**	158,749,688
Weighted average number of shares used as the denominator in calculating diluted earnings per share	**195,825,899**	158,749,688

At 30 June 2018, the Company has on issue 12,741,429 options (2017: 12,361,429) over ordinary shares that are not considered to be dilutive.

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NOTE 30. PARENT ENTITY INFORMATION

	Company	
	2017 $	2016 $
Financial position		
Assets		
Current assets	**3,134,397**	3,878,618
Non-current assets	**12,700,711**	19,237,863
Total Assets	**15,835,108**	23,116,481
Liabilities		
Current liabilities	**923,057**	1,103,588
Non-current liabilities	**-**	-
Total Liabilities	**923,057**	1,103,588
NET ASSETS		
Equity		
Issued Capital	**40,676,386**	37,678,887
Equity remuneration reserve	**310,792**	386,311
Accumulated losses	**(26,075,127)**	(16,052,305)
TOTAL EQUITY	**14,912,051**	22,012,893
Financial performance		
Profit/(Loss) for the year	**(10,136,263)**	(1,313,899)
Other comprehensive income	**-**	-
Total comprehensive income	**(10,136,263)**	(1,313,899)

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.



DIRECTORS' DECLARATION

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

(a) the financial statements and notes set out on pages 35 to 62 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 2018 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 2018.

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

Signed at Perth this 27th day of September 2018.

W Robinson
Managing Director

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INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF ENCOUNTER RESOURCES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Encounter Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

Key Audit Matter	How we addressed the Key Audit Matter
Consideration of impairment of capitalised mineral exploration and evaluation expenditure	
Impairment of the carrying value of the Group's Capitalised Mineral Exploration and	Our procedures included, but were not limited to:

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Key Audit Matter	How we addressed the Key Audit Matter
Consideration of impairment of capitalised mineral exploration and evaluation expenditure	
Evaluation Expenditure assets was material to our audit and represented an area of significant estimate and judgement within the financial report. As outlined in Note 6, the Group recorded an expense in respect to exploration expenditure of $9.98m for the year ended 30 June 2018. This matter is considered a key audit matter due to the high degree of judgement required by the directors to assess whether impairment indicators are present for specified tenements held and due to the significance of the capitalised amount of $11.64m at 30 June 2018. The conditions and assessment undertaken in relation to impairment are disclosed in the Group's accounting policy in Notes 1(f), 1(k) and 13 of the financial report.	▪ Evaluating management's documented assessment of the existence or otherwise of impairment indicators from both internal and external sources; ▪ Corroborating representations made by management with available external data and evidence obtained by us during the course of our audit; and ▪ Considering the appropriateness of relevant disclosures in the notes to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 32 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Encounter Resources Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Crowe Horwath Perth

CROWE HORWATH PERTH

SEAN MCGURK
Partner

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ASX ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of the Australian Securities Exchange, the shareholder information set out below was applicable as at 2 October 2018.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of shareholders by size of holding:

Ordinary Fully Paid Shares

Distribution	Number of shareholders	Securities held
1 – 1,000	103	41,577
1,001 – 5,000	181	561,303
5,001 – 10,000	130	1,073,502
10,001 – 100,000	457	19,641,395
More than 100,000	240	217,057,315
Totals	**1,111**	**238,375,092**

There are 358 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	% of shares
William Michael Robinson	24,769,098	10.40%
Eye Investment Fund Limited	13,350,000	5.60%
Tiga Trading PL	12,850,000	5.39%
Deutsche Balaton Aktiengesellschaft	12,500,000	5.24%

C. TWENTY LARGEST SHAREHOLDERS

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

	Ordinary Shares - Quoted	
Shareholder Name	Number of shares	% of Shares
William Michael Robinson	16,216,900	6.80%
HSBC Custody Nominees Australia Limited	13,350,000	5.60%
UBS Nominees Pty Ltd	12,850,000	5.39%
Deutsche Balaton Aktiengesellschaft	12,500,000	5.24%
Citicorp Nominees Pty Ltd	9,389,892	3.94%
Merrill Lynch Australia Nominees Pty Ltd	9,112,024	3.82%
Stone Poneys Nominees Pty Ltd <Chapman Super Fund>	8,600,000	3.61%
Silver Lake Resources Limited	8,300,000	3.48%
Wythenshawe Pty Ltd	6,000,000	2.52%
Sundin Pty Ltd	5,580,000	2.34%
Solvista Pty Ltd	5,000,000	2.10%
Kiki Super Fund	3,062,000	1.28%
Hillboi Nominees Pty Ltd	2,705,661	1.14%
Thirty Fifth Celebration Pty Ltd <JC McBain Super Fund>	2,600,604	1.09%

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Shareholder Name	Ordinary Shares - Quoted	
	Number of shares	% of Shares
Jorge Bernhard	2,490,000	1.04%
HSBC Custody Nominees Australia Limited	2,004,339	0.84%
Paul Meathrel	1,913,850	0.80%
J C O'Sullivan Pty Ltd	1,900,000	0.80%
Wythenshawe Pty Ltd <Minjar Account>	1,894,750	0.79%
P&S Bewick <Bewick Super Fund>	1,800,000	0.76%
Total	127,270,020	53.38%

D. UNQUOTED SECURITIES

Options over Unissued Shares

Number of Options	Exercise Price	Expiry Date	Number of Holders
1,250,000	23 cents	27 November 2018	2
750,000	31 cents	27 November 2019	1
500,000	16 cents	31 January 2019	4
400,000	14 cents	28 February 2020	4
2,025,000	13 cents	24 November 2020	11
750,000	17.5 cents	24 November 2021	1
825,000	10.5 cents	1 November 2021	7
800,000	10 cents	31 May 2022	6
750,000	17.5 cents	24 November 2021	1
7,300,000			

E. 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.

There are no voting rights in respect of options over unissued shares.

F. RESTRICTED SECURITIES

There are no restricted securities.

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NOTES

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