



ANNUAL REPORT  
2014

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## Competent Person's Statement

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

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

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



## Corporate Directory

### Directors

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

### Company Secretary

Kevin Hart  
Dan Travers (Joint Company Secretary)

### Principal and Registered Office

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Telephone (08) 9486 9455  
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### Auditor

Crowe Horwath Perth  
Level 6, 256 St Georges Terrace  
Perth, Western Australia 6000

### Share Registry

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross, Western Australia 6153  
Telephone (08) 9315 2333  
Facsimilie (08) 9315 2233

### Stock Exchange Listing

The Company's shares are quoted on the Australian Securities Exchange. The home exchange is Perth, Western Australia.

### ASX Code

ENR – Ordinary shares

### Company Information

The Company was incorporated and registered under the Corporations Act 2001 in Western Australia on 30 June 2004 and became a public company on 26 May 2005. The Company is domiciled in Australia.

# Letter from the Chairman & Managing Director

## *Dear Fellow Shareholder,*

The 2013/14 year was an evolving one for Encounter. New areas of high grade copper and zinc were discovered at separate prospects within the Yeneena project. In spite of difficult commodity and equity markets for exploration, Encounter remains one of the most committed and active greenfield exploration companies in Australia. We remain steadfast in our view of the substantial value that can be unlocked for our shareholders through large scale, frontier exploration in highly prospective under cover terrains in Australia.

In 2013/14 we invested over \$4.5m in exploration. This was mostly at the expanding Yeneena project in the Proterozoic Paterson Province in northern Western Australia. The Yeneena project continues to deliver exciting exploration results for Encounter and has the attention of major mining companies around the world.

We continue to work closely with our earn-in partner, Antofagasta plc, one of the world's largest copper producers, to progress the BM1/BM7 copper discoveries located in the southern portion of the Yeneena project. Progress during the year included the highest grade copper sulphide intersection to date at BM7. We look forward to building on this solid platform.

Recent drilling has expanded the BM1 near surface, high grade oxide zone within the Antofagasta earn-in area. This year's RC drill program at BM1 delivered some of the thickest and highest grade copper oxide intervals so far at the Yeneena project. Work continues in interpreting this expanding near surface secondary copper zone and narrowing the search for a primary copper source.

Adding to the emerging picture at Yeneena, in November 2013 Encounter discovered high grade zinc sulphide mineralisation at its 100% owned BM2/Millennium prospect located 35km north east of the BM1/BM7 copper discoveries. This zinc discovery enhances the already well-established mineral potential of our 1,850km<sup>2</sup> land holding at the Yeneena project.

*The progress achieved throughout the year continues to build our confidence in the potential for major new greenfield discoveries at the Yeneena Project.*



# Letter from the Chairman & Managing Director continued



*Encounter remains one of the most committed and active greenfield exploration companies in Australia.*

Encounter continues to expand and advance new opportunities at the Yeneena project. The 2014 field season saw the first systematic exploration completed at the 100% owned Fishhook copper prospect located 20km north of the BM1/BM7 copper discovery.

The progress achieved throughout the year continues to build our confidence in the potential for major new greenfield discoveries at the Yeneena Project.

Encounter has accumulated a dominant land position in the highly prospective Paterson Province and is well placed to unlock the potential of the priority targets. Our exploration plans are well funded and we have a major in the copper industry as a partner. Importantly, we have a capable and experienced team that is realising the potential of the Yeneena project.

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

Yours sincerely

**Paul Chapman**  
Chairman

**Will Robinson**  
Managing Director

# Exploration Review

## Paterson Province

### YENEENA COPPER – COBALT PROJECT

- 100% Encounter – E45/2500, E45/2501, E45/2502, E45/2503, E45/2561, E45/2657, E45/2806, E45/4230 and ELA45/4408
- Antofagasta earning into E45/2658 and E45/2805
- Encounter 100%, Independence Group NL (IGO) Option ELA45/4316
- Encounter earning into E45/3232 and E45/3308 from St Barbara Ltd (SBM)
- Encounter earning into E45/3768 and E45/4091 from Hammer Metals Ltd (HMX) formerly Midas Resources Ltd

Yeneena covers a 1,850km<sup>2</sup> tenement package in the Paterson Province of WA located between the Nifty copper mine, the Woodie Woodie manganese mine, the Telfer gold-copper mine and the Kintyre uranium deposit (Figure 1).

Encounter significantly advanced the Yeneena Project during the past 12 months.

RC drilling completed in 2013 has tripled the size of the BM7 Prospect footprint which is now 6km x 3km and is still growing. A new zone of copper mineralisation was also intersected in RC drilling over 1-2km east of previous drilling at BM7 East.

Diamond drilling confirmed copper sulphide mineralisation extends to depth and has established the high grade potential of the BM7 system (5.3m @ 2.5% Cu including 0.7m @ 10.7% Cu).

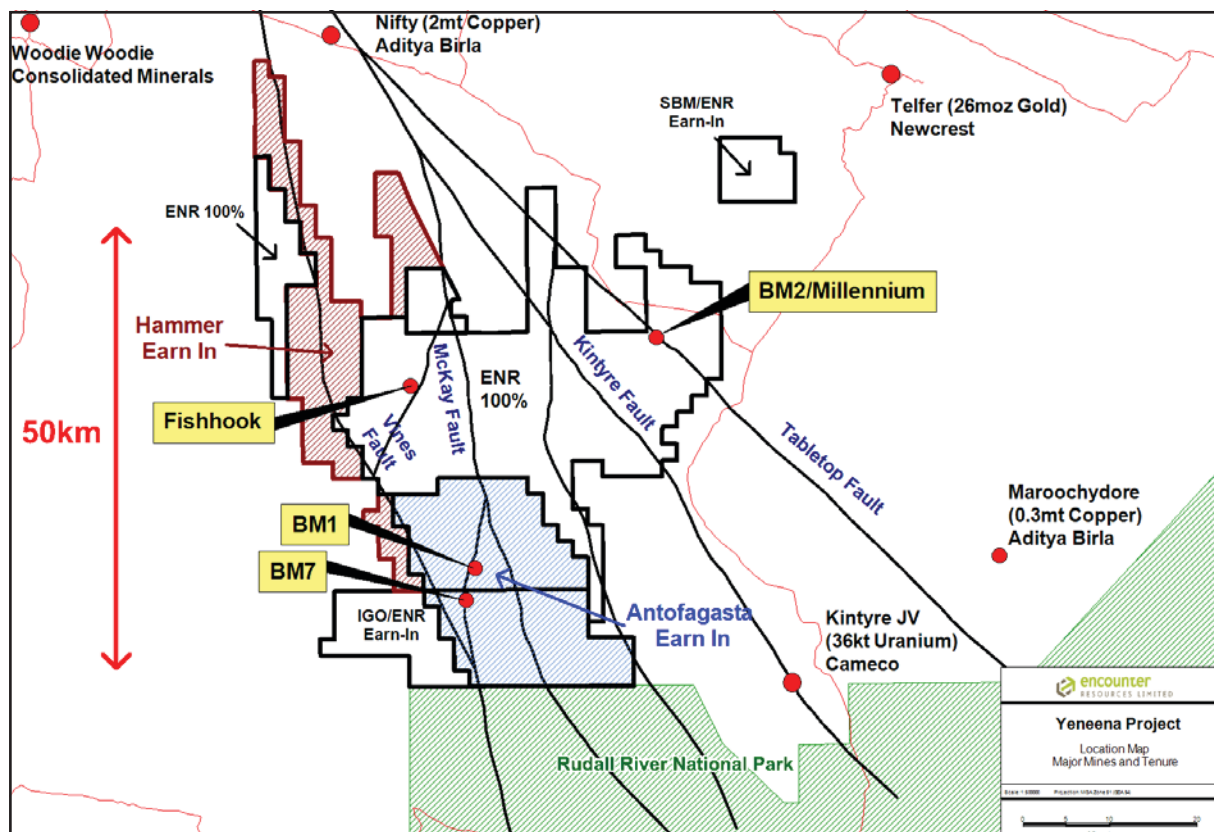


Figure 1: Yeneena project leasing and target areas with major regional faults

## Introduction

Diamond drilling at BM2 (Encounter 100%) intersected 0.7m @ 36.5% zinc and 37g/t silver in brecciated and laminated massive sulphide mineralisation in EPT1854. A 140m thick zone of highly oxidised, iron rich material containing elevated zinc (grading approximately 1% zinc) was intersected 200m up-dip of the massive sulphide mineralisation in EPT1854. This may represent the weathered remnants of a thick body of zinc sulphide mineralisation

In January 2014, Antofagasta confirmed the continued funding of the Yeneena earn-in exploration into 2014. Antofagasta is required to spend a minimum of US\$4M in the second year to maintain the earn-in.

The Company was awarded EIS co-funded diamond drilling grants amounting to \$275,000 for two Yeneena regional targets in 2014, Fishhook and Stirling. In June 2014 the Company was awarded a further grant for \$150,000 for diamond and RC drilling at the BM2/Millennium target.

Exploration activities conducted during 2013/14 include:

- Heritage surveys at the BM7, BM7 East and BM8 Prospects
- Heritage survey at the Stirling Prospect – St Barbara Mining earn-in tenements (Encounter earning in)
- VTEM survey over prospective Broadhurst Formation as part of the Hammer Metals Ltd earn-in (Encounter earning in)
- Diamond drilling at BM2 and BM7 (15 holes for 7,730m)
- Extensional and metallurgical RC drilling at the BM1 Prospect (29 holes for 2,234m)
- RC/AC drilling at Fishhook, BM8, BM9 and BM10 corridor regional prospects
- EIS co funded drill programs at Fishhook and Millennium prospects commenced in September 2014

## BM1-BM6-BM7-BM8-BM9-BM10 (Antofagasta Earning In)

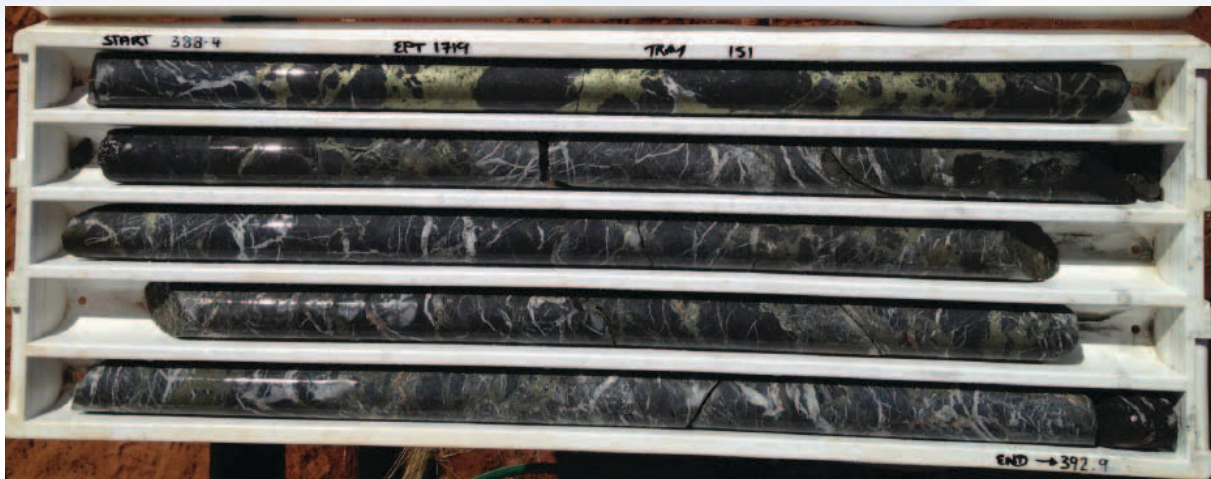
The two earn-in tenements, E45/2658 and E45/2805, host the BM1, BM6, BM7, BM8, BM9 and BM10 prospects (Figure 1).

The BM7 tenement, E45/2805 to the south of E45/2658, was granted in August 2012. Since then, Encounter has outlined a large copper system that is still growing. The Company has attracted a quality partner in Antofagasta plc and subsequent joint drill programs have produced high grade copper sulphide mineralisation and tripled the size of the copper mineralised footprint. The mineralisation seen at BM7 shows geological similarities to the Nifty deposit located 65km to the north that contained a pre-mined resource of 2 million tonnes of copper metal.

The 2014 field season drilling targeted eastward extensions of high-grade copper mineralisation at BM7, extensional and metallurgical RC drilling at the BM1 Prospect and the commencement of a large regional RC/aircore campaign over new targets (BM8, BM9 and BM10) and the extensions of existing prospects.



*Airborne EM crew – Geotech Airborne*



*Photo 1: EPT1719 – ~387.6m to 392.9m – Veined and brecciated carbonate with local massive copper sulphide breccia cement*

### BM7 Prospect

RC drilling completed at BM7 in April 2013 confirmed that the zone of intensely dolomite altered shale at BM7 is anomalous in primary copper sulphide mineralisation over at least 800m in strike and remains open north and south and at depth. Within this dolomite alteration zone a number of the RC drill holes ended in sulphide copper mineralisation.

A four hole diamond drill program designed to target below the 800m long zone of copper sulphide mineralisation identified was completed in September 2013. All four diamond holes completed contain zones of primary copper sulphide mineralisation hosted within, and often at the margins of dolomite veined and brecciated carbonate units.

The strongest copper sulphide mineralisation at the project to date was intersected in EPT1719, the last of the four hole program. EPT1719 intersected a 5.3 metre zone, with locally massive copper sulphides forming as breccia cement near the upper boundary of a narrow carbonate unit (Photo 1). This zone returned an assay of 5.3m @ 2.5% Cu from 387.6m including 0.7m @ 10.7% Cu from 388.6m.

In August 2013, a first pass RC drill program (60 vertical holes, average hole depth 80m) commenced to provide an initial test of the area immediately to the east of the previous drilling at BM7 and also south of BM7 to help to define the full extent of the copper system at the project (see ASX announcement 27 November 2013).

Drilling successfully extended the BM7 system 3km to the south to the BM8 Prospect. Results include:

- EPT1753 – 22m @ 0.3% Cu from 18m including 2m @ 1.6% Cu from 18m
- EPT1755 – 50m @ 0.1% Cu from 32m to EOH including 2m @ 1.2% Cu from 58m
- EPT1829 – 4m @ 1.2% Cu from 70m

Shallow RC drilling on two 800m spaced sections, 2km to the east of the previous known mineralisation at BM7 resulted in the discovery of the BM7 East regolith anomaly during the second half of 2013. The copper oxide blanket discovered contains zones of high grade copper oxide mineralisation and the laterally extensive 0.5% copper regolith anomaly extends over 2km in strike. Intersections from the BM7 East area include:

- EPT1820 – 34m @ 0.4% Cu from 52m including 8m @ 0.9% Cu from 54m
- EPT1844 – 18m @ 0.4% Cu from 46m including 6m @ 0.7% Cu from 54m
- EPT1726 – 18m @ 0.4% Cu from 38m including 2m @ 1.2% Cu from 46m
- EPT1734 – 22m @ 0.2% Cu from 42m including 2m @ 1.2% Cu from 58m

The BM7 East copper anomalism sits at the base of the weathered zone. The tenor and scale of the metal anomalism at BM7 East is considered significant given the broad spacing of the initial drilling. It is interpreted that this anomalism results from the direct weathering of a potential body, or bodies of copper sulphide mineralisation.

## BM7 Prospect (continued)

An additional zone of 0.5% copper regolith anomalism was defined in the central part of the 3km wide BM7 system. The mineralisation within this area is closely associated with north-west trending conductive units that appear strongly fault controlled.

Results from this area include:

- EPT1730 – 10m @ 0.4% Cu from 66m
- EPT1822 – 22m @ 0.4% Cu from 36m including 2m @ 2.3% Cu from 46m

Structural interpretation of the four diamond holes completed at BM7 in 2013 indicated that the copper mineralisation occurs within multiple horizons, likely due to early thrusting of the shale/dolomite sequence. In addition, more regional fold hinge zones may act as significant structural traps for mineralising fluids including both antiform and synform (Nifty-style) hinge zones.

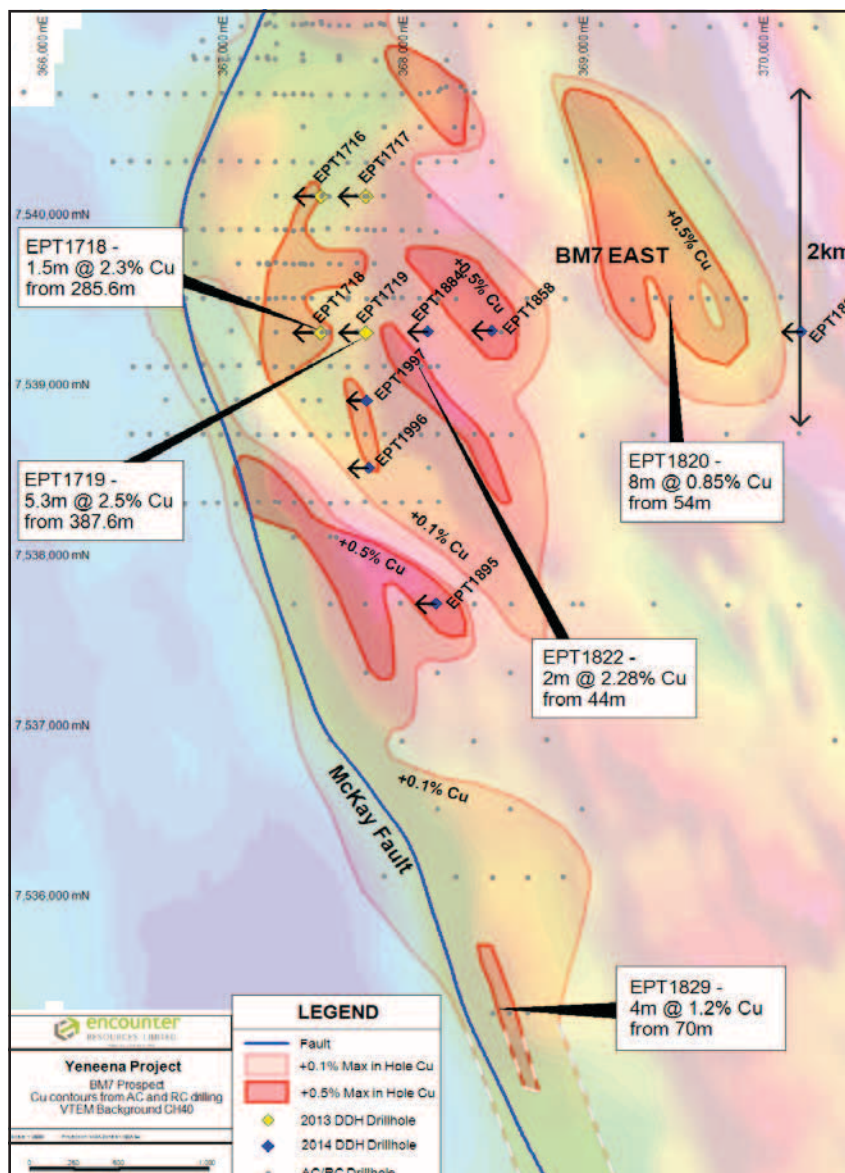


Figure 2: BM7/BM7 East Prospect – Diamond Drill Plan (Background image – VTEM CH40)





*Project review with Antofagasta geologists*

A heritage survey was completed in April 2014 to facilitate the drilling for the 2014 field season.

A drilling campaign of six diamond drill holes was completed in the June 2014 quarter at spacings from between 400m to 1.6km. Holes were designed to test the area down dip and to the east of high grade copper sulphide mineralisation in EPT1719, to refine the understanding of the 3D geology at BM7 and provide lithogeochemical and structural vectors to high grade copper sulphide mineralisation.

Observations from these initial framework diamond holes indicate a flat lying, large-scale thrust forms a footwall to the copper system (termed the "Footwall Shear"). The strongest copper sulphide mineralisation occurs just above the Footwall Shear in the west of BM7 where the sedimentary sequence is dominated by sulphidic black shales and carbonate interbeds. The chalcopyrite mineralisation hosted in the units directly above the Footwall Shear appears to be zoned from a pyrite association in the south to a carbonate hosted, vein controlled assemblage and finally to pervasive, shale hosted chalcopyrite in the north of BM7. This sulphide zonation indicates a prospectivity vector to the north of the BM7 system.

### **BM1 Prospect** (Antofagasta earning in)

Previous aircore and RC drilling at BM1 has defined two zones of coherent near surface copper oxide mineralisation named the Northern and Central Areas. At the Northern Area, the flat lying copper oxide mineralisation extends over an area 500m by 250m and is interpreted to be the weathered remnants of a primary copper sulphide position.

High grade copper mineralisation was first discovered in aircore drilling at the BM1 Northern Area in June 2010 and included numerous thick intersections grading over 1% copper, intersected within 50 metres of the surface. Further drilling confirmed a coherent zone of high grade, near surface copper mineralisation at BM1, seemingly bounded to the south east by the interpreted NE trending King Fault, a splay fault off the regionally significant McKay Fault.

New aircore and RC drilling was completed at the BM1 Prospect in June 2014. Drilling was designed to collect representative samples of the various species of oxide mineralisation for sequential copper analysis (an assaying method designed to test copper recoveries utilising various acids). Drilling was completed inside and outside of areas of known copper mineralisation at BM1.

Drilling discovered high grade copper mineralisation south-east of the King Fault, previously interpreted to be the bounding structure to the high grade mineralisation at BM1.

# Exploration Review continued

## BM1 Prospect (continued)

Highlights from RC drilling **within** the area of previously defined mineralisation include: (see ASX announcement 15 July 2014)

- 18m @ 3.2% Cu from 32m including 9m @ 6.0% Cu from 37m (EPT2060)
- 25m @ 1.4% Cu from 31m including 6m @ 2.8% Cu from 47m (EPT2061)
- 34m @ 1.1% Cu from 28m including 8m @ 2.0% Cu from 46m (EPT2062)

Highlights from the first phase of RC drilling **outside** the area of previously defined mineralisation include: (see ASX announcement 15 July 2014)

- 45m @ 1.4% Cu from 12m including 16m @ 3.2% Cu from 26m (EPT2063)
- 47m @ 1.0% Cu from 11m including 15m @ 1.5% Cu from 42m (EPT2066)
- 50m @ 1.1% Cu from 12m including 19m @ 2.3% Cu from 31m (EPT2072)
- 40m @ 0.9% Cu from 10m including 11m @ 2.0% Cu from 23m (EPT2073)
- 13m @ 0.6% Cu from 12m including 2m @ 2.5% Cu from 21m (EPT2074)
- 26m @ 1.1% Cu from 0m including 7m @ 2.0% Cu from 2m (EPT2075)

The drill program was extended to include a second phase of RC drilling at BM1 and further expanded the near surface copper zone as well as intersected supergene copper below the base of oxidation. Results include:

- 12m @ 1.2% Cu from 50m including 4m @ 2.6% Cu from 56m (EPT2080)
- 42m @ 0.4% Cu from 18m including 4m @ 1.7% Cu from 48m (EPT2078)
- 18m @ 0.5% Cu from 16m including 2m @ 1.2% Cu from 22m (EPT2083)

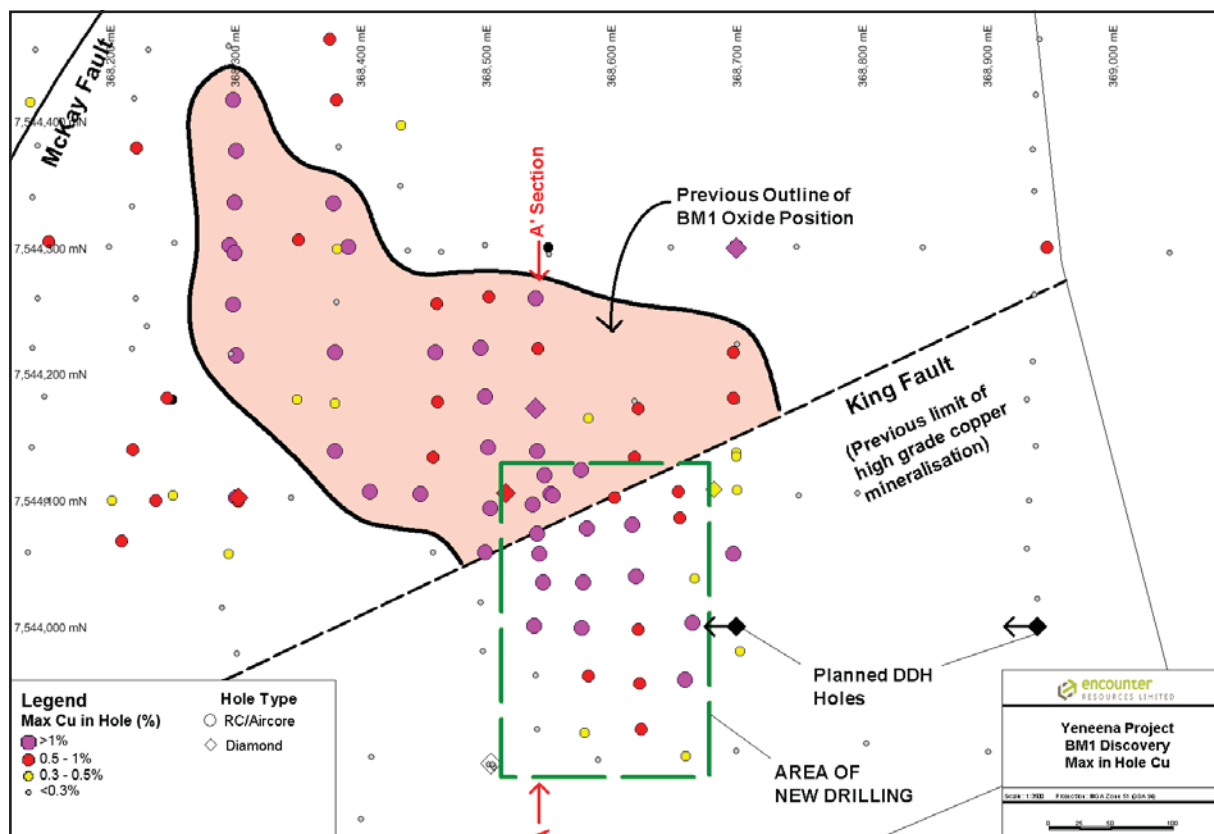


Figure 4: BM1 Northern Zone Drill Hole Location Map with Max Copper in Hole (Section A-A' see Figure 5)

### BM1 Prospect (continued)

Of particular interest is the identification of shale hosted supergene copper mineralisation at the end of holes EPT2079 and EPT2081, interpreted to provide a possible vector to primary copper sulphide mineralisation below the high grade oxide and supergene mineralisation.

- 12m @ 0.4% Cu from 68m to EOH (EPT2079)
- 10m @ 0.3% Cu from 70m to EOH (EPT2081)

Diamond drilling in the second half of 2014 will test for copper sulphide mineralisation down dip to the south east of the high grade copper oxide mineralisation discovered at BM1.

A second target that will be tested in this program is for potential high grade structurally controlled copper sulphides directly below the near surface copper mineralisation discovered at BM1.



Sunset at Yeneena

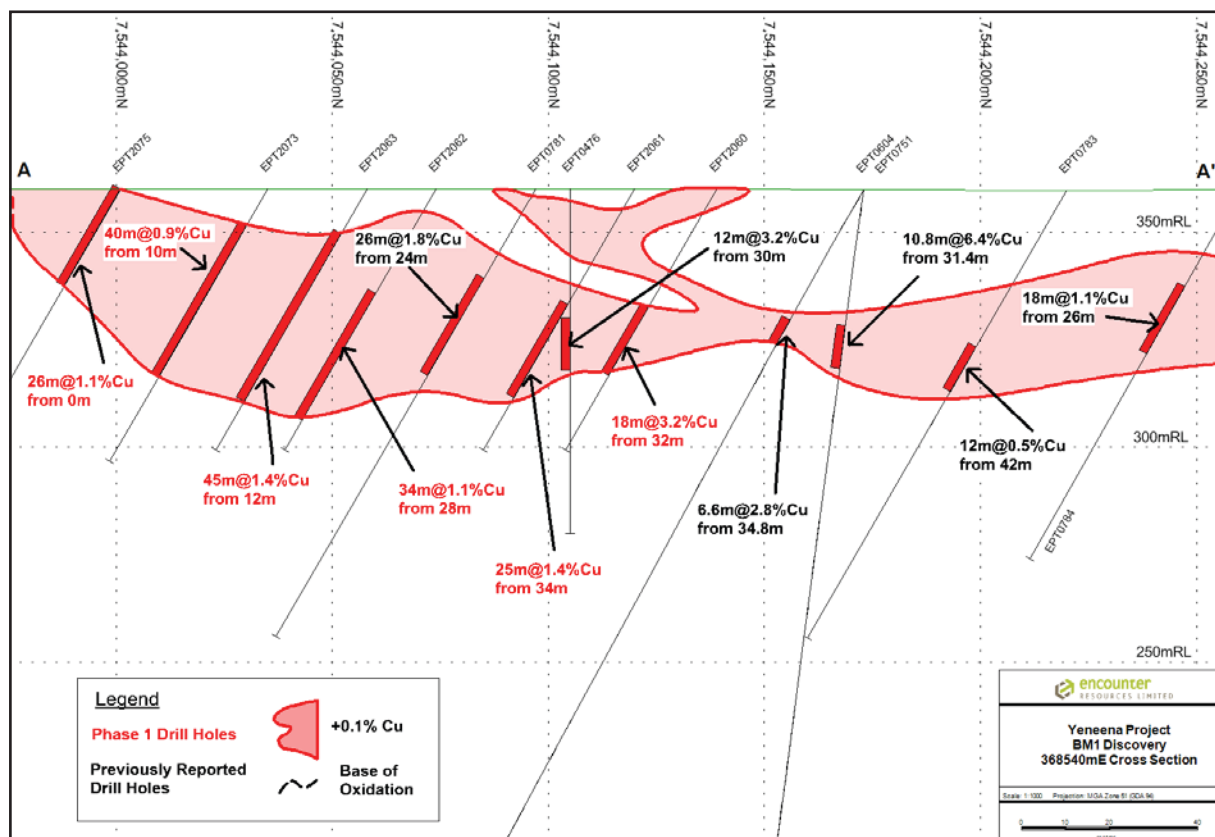


Figure 5: BM1 Northern Zone Cross Section A-A' 368540mE (see Figure 4 for location)

# Exploration Review continued

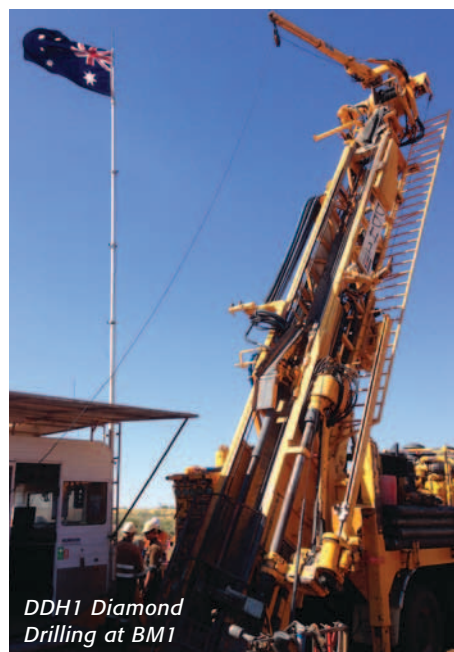
## BM8 Prospect (Antofagasta earning in)

During the September 2013 quarter, a total of 18 shallow RC holes were drilled at the BM8 Prospect for a total of 1,478m, stepping south from BM7 and extending its footprint by a further 3km southwards.

A review of the regional gravity data suggested that the McKay Fault may be located further to the west than the interpreted location from the electromagnetic data implying that the BM8 drill lines should be extended to the west.

A heritage survey was completed in April 2014 to extend the drill lines at BM8 further to the west to enable RC/aircore drilling to be completed.

The western extension drilling was completed in June 2014 and consisted of 17 holes for 820m. Holes were drilled on a 400m x 800m grid. Assay results from this drilling indicated no significant copper oxide anomalism. Results will be reviewed to determine if further evaluation is required.



DDH1 Diamond Drilling at BM1

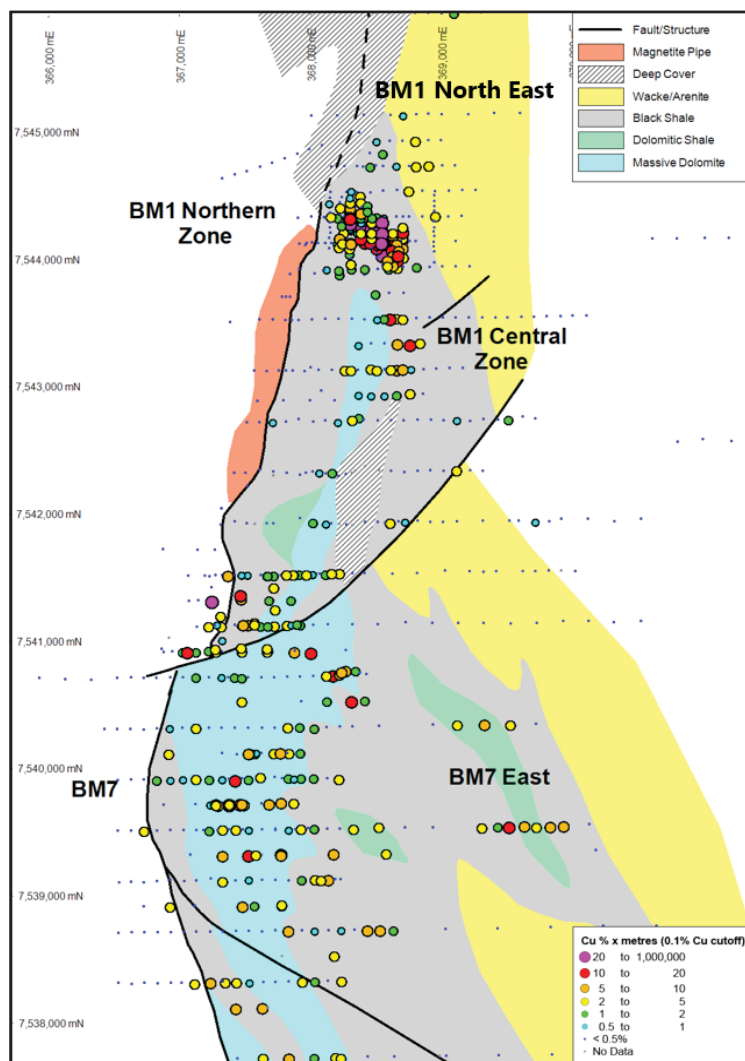


Figure 6: BM1-BM7 Max Copper in Hole

### BM2-Millennium Prospect (Encounter 100%)

The BM2 Prospect is located on the regionally-extensive Tabletop Fault. This structure is known to be metallogenically important and is closely associated with the position of the Nifty copper deposit, 50km along strike to the north-west. Aircore drilling in 2011 defined a broad zone of copper anomalism (+0.25% Cu) over a strike extent of 800m. The identification of this significant base metal anomaly was made in an area of no outcrop, with up to 20m of transported overburden.

Drill hole EPT1140, collared in the core of the regolith copper anomaly (April 2012), returned the first sulphide copper intersection at BM2 of 26m @ 0.60% Cu from 100m including 10m @ 0.92% Cu from 100m.

Diamond drill hole EPT1174 (May 2012) was designed to test for copper sulphide mineralisation at depth below EPT1140. EPT1174 intersected a broad zone of carbonate alteration and veining in a shale unit that contained visible zinc and lead sulphides. Assay results include 201m @ 0.6% Zn from 233m to end of hole including 13m @ 1.3% Zn from 295m; 8m @ 1.5% Zn from 349m; and 29m @ 1.0% Zn from 400m.

Diamond drilling during the second half of 2013 (co-funded under the WA Government Exploration Incentive Scheme) significantly advanced the BM2 Prospect with the discovery of high grade zinc and silver at the prospect. During this period three holes were drilled at BM2 for a total of 1,824m. These holes were drilled on the north-south cross section 388,950mE (see ASX announcement 13 December 2013).

Diamond drill hole EPT1831 intersected a number of zones of highly oxidised, iron rich material containing elevated zinc within an overall downhole length of 140m (Photo 2). These zones graded approximately 1.2% zinc and sit at the contact between a brecciated carbonate and a sulphidic black shale. The ironstone, which starts from a depth of 175m, is interpreted to represent the weathered remnants of a body of zinc sulphide mineralisation.

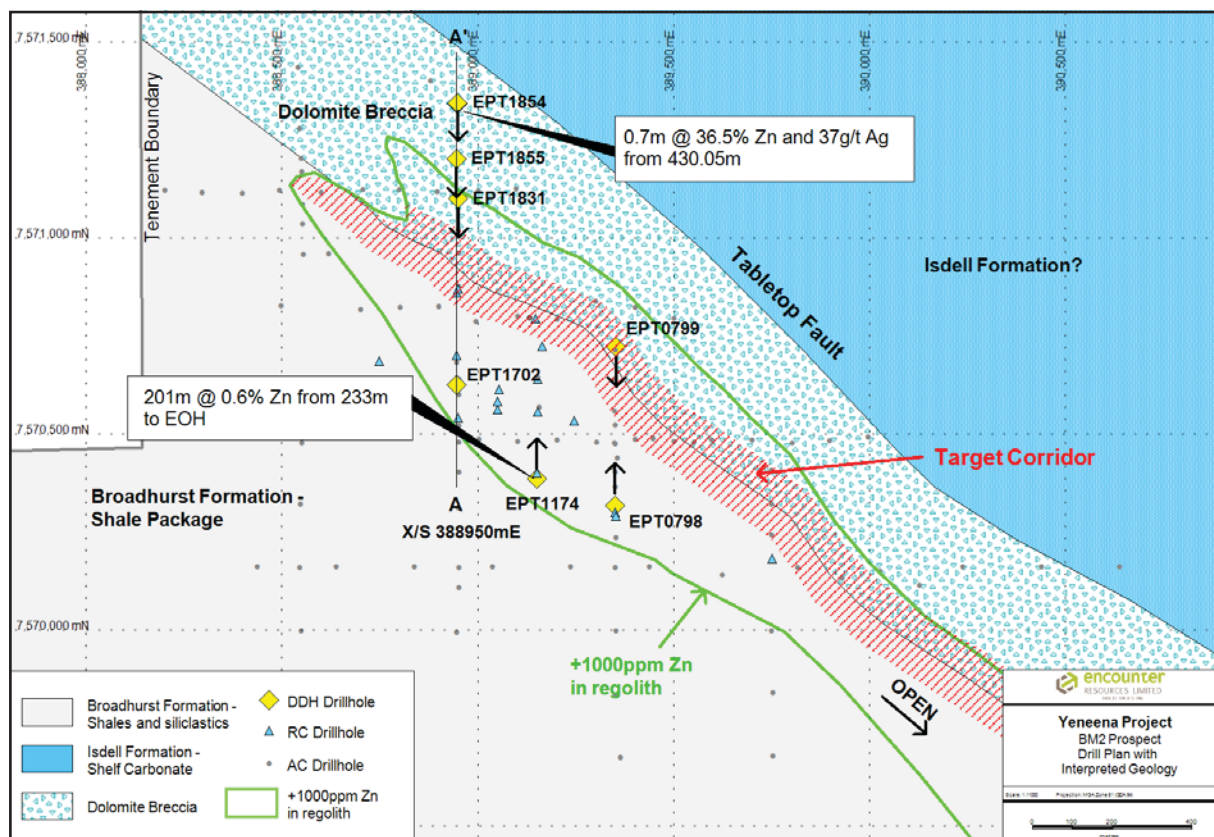


Figure 7: BM2 Prospect – Drill status plan and geochemical summary

# Exploration Review continued

## BM2-Millennium Prospect (continued)

EPT1854 tested the down-dip extent of the ironstone in EPT1831, and intersected two narrow zones of massive Zn-sulphide mineralisation (Photo 3). This zinc sulphide mineralisation (sphalerite) is located 200m down-dip from the top of the iron rich gossanous material in EPT1831. The zinc sulphide mineralisation sits within a wide shear zone at the contact between carbonaceous shale and a brecciated dolomite adjacent and parallel to the Tabletop Fault. Drillhole EPT1854 was the first hole to test the shale/dolomite mineralised contact below the base of oxidation. Previous shallow aircore and RC drilling along the mineralised contact has intersected Zn anomalism over a strike length of 2km which remains open to the south-east.

Chemical assays from these zones combined returned 0.7m @ 36.5% Zn and 37g/t Ag and have confirmed the high grade zinc/silver potential of the mineral system at BM2.

The diamond drilling program at BM2 re-commenced in April 2014. The initial hole in the program, EPT1855 was designed to test the up dip position of high grade zinc sulphide mineralisation intersected in EPT1854. The hole intersected a similar alteration zone and low grade zinc mineralisation was noted at the carbonate/shale contact but no massive zinc sulphide mineralisation was intersected.

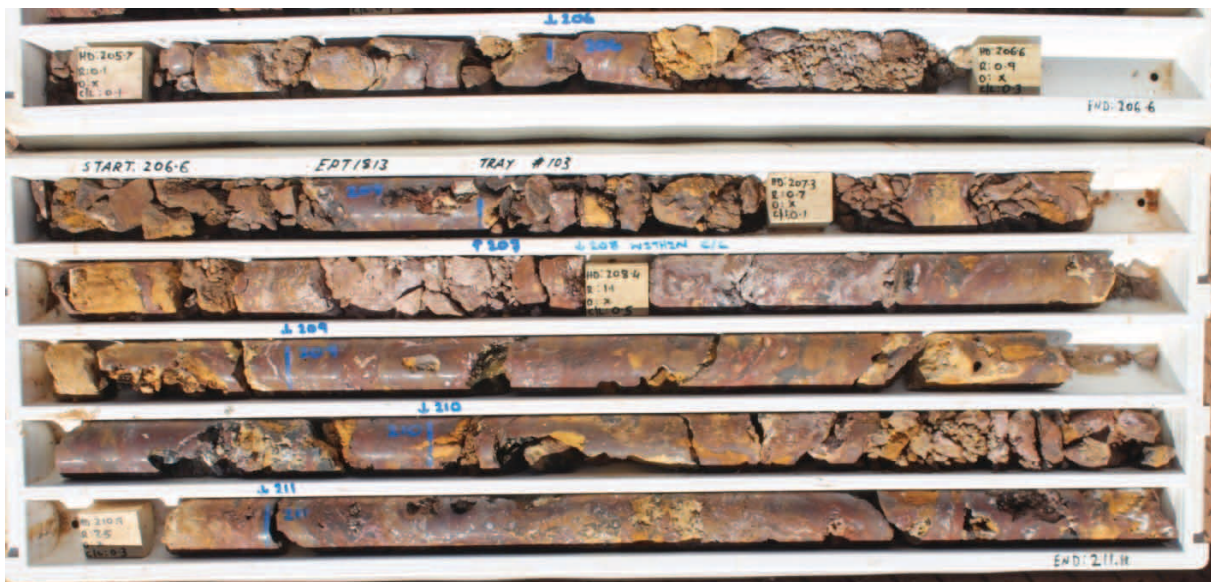


Photo 2: EPT1831 ~205.7 to 211.8m – Highly oxidised, iron rich material containing elevated zinc (~1% Zn)



Photo 3: EPT1854 – ~428.3 to 431.6m – 0.3m and 0.1m wide zones of brecciated and laminated massive zinc sulphide mineralisation

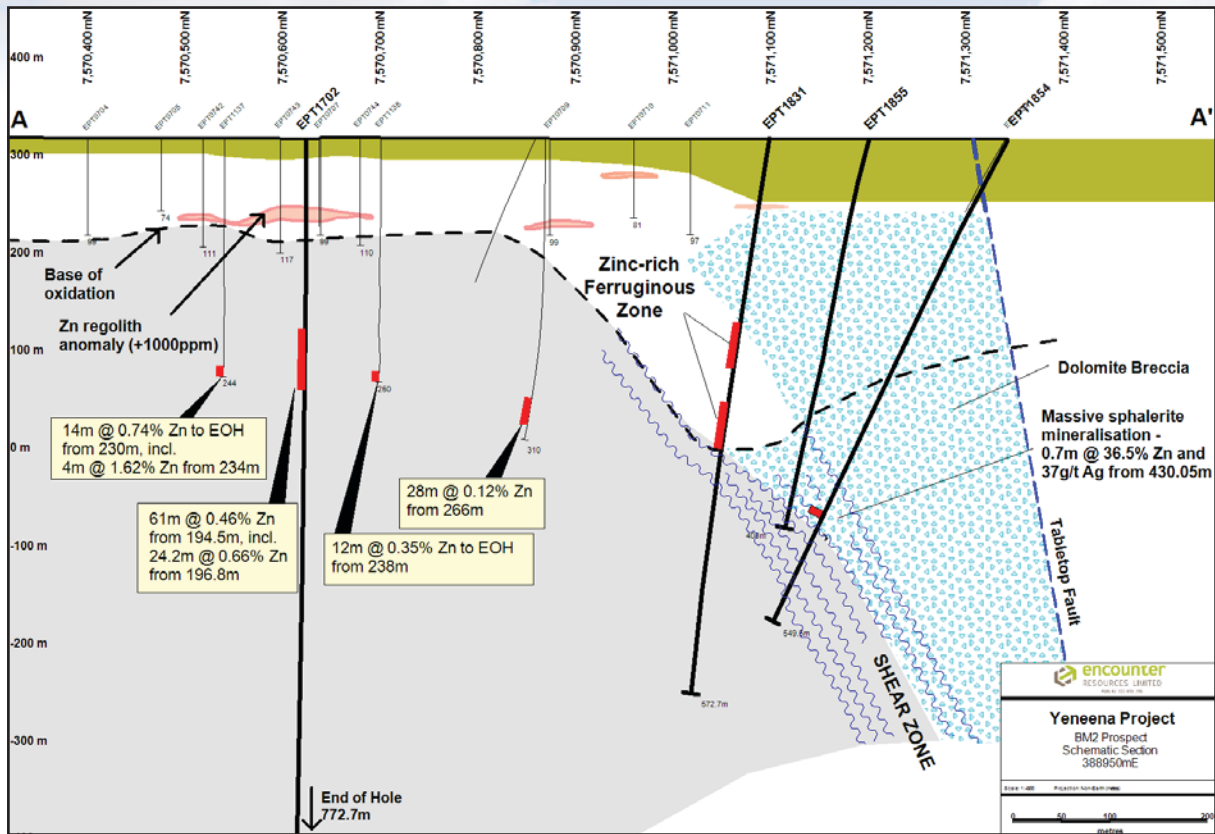


Figure 8: BM2 Prospect – Schematic Section

A follow up drill program has commenced at BM2/Millennium to test the shale/carbonate contact at the interpreted intersection with an anomalously thick package of shale sediments (the Millennium Target, Figure 9). It is interpreted this position represents the intersection of the key mineralising structure and margin of a sub basin within the Broadhurst sediments. This drilling will be co-funded under the WA Government Exploration Incentive Scheme and will consist of orientation traverses of shallow RC drilling with follow-up diamond drilling.

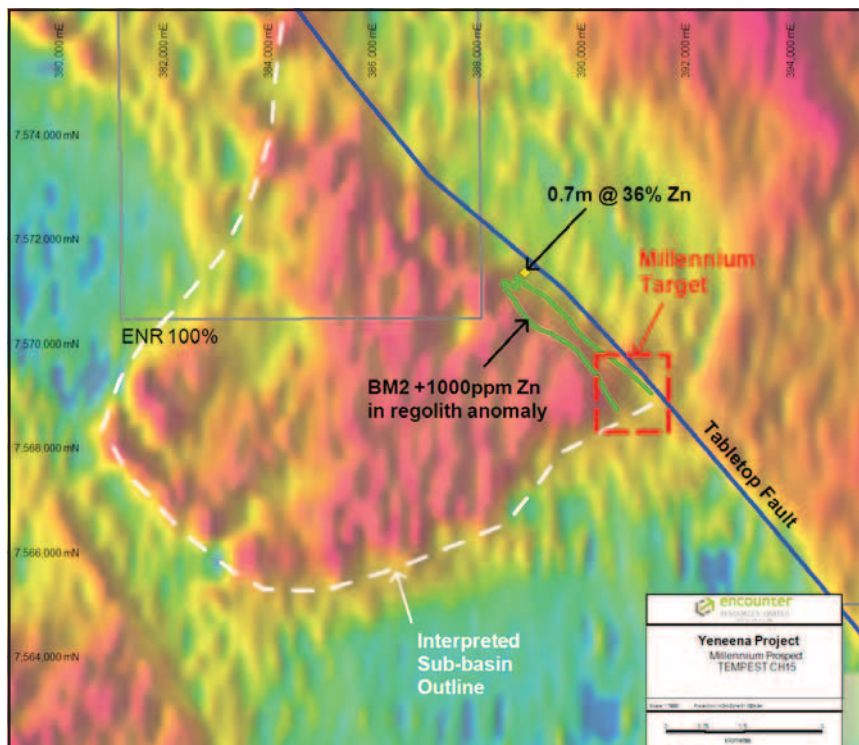


Figure 9: VTEM – BM2/Millennium Prospect

## Fishhook Copper Prospect (Encounter 100%)

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

A 1,250 line km airborne VTEM survey was completed over the regional targets located in the north-west of the Yeneena project during June 2013. Approximately 500 line km of the survey was completed over the Antofagasta earn-in tenements and the remaining 750 line km over ground held 100% by Encounter. Final data and images from the VTEM survey were delivered in September 2013 and highlighted a number of targets along the NE structural corridors.

The first reconnaissance drilling along the NE structural corridor was completed during the September 2013 quarter with the objective of identifying evidence of copper mineralising fluids. Eight shallow RC drill holes were completed to provide initial sub-surface geochemical and geological information along this NE structural corridor. Chemical analysis of this drilling confirmed low level but significant copper anomalism is present along this splay structure between the McKay and Vines Faults, which includes the Fishhook target. Encouragingly, initial results indicate that this NE structural corridor may have seen similar

copper mineralising fluids to the BM1-BM7 trend located 20km south.

Encounter was awarded a WA Government Exploration Incentive Scheme (EIS) drilling grant for \$150,000 to complete initial deeper drilling of the Fishhook target in 2014. The first systematic exploration along the Fishhook project commenced in July 2014. The aircore program highlighted a number of areas of interest including two targets for immediate follow up (Figure 10).

The Moby Dick target is a 2km long copper geochemical anomaly coincident with a resistive geophysical anomaly. A diamond drill hole is planned for this target to identify the source of the copper regolith anomaly and to determine if similar mineralisation indicators occur in the Fishhook area as we see in the BM1-BM7 corridor. This will be the first diamond drilling completed in the Fishhook Prospect area.

The Orca target is located approximately 5km south west of Moby Dick. Aircore and EIS co-funded RC drilling in the area has outlined a north west trending, 800m long copper geochemical anomaly located adjacent to the regionally significant Vines Fault. Previous shallow drilling indicates the anomaly contains copper with assays up to 0.4% Cu, 104g/t silver and end of hole bedrock copper anomalism grading above 0.1% Cu. This target will also be followed up with a single diamond drill hole (see ASX announcement 30 September 2014).

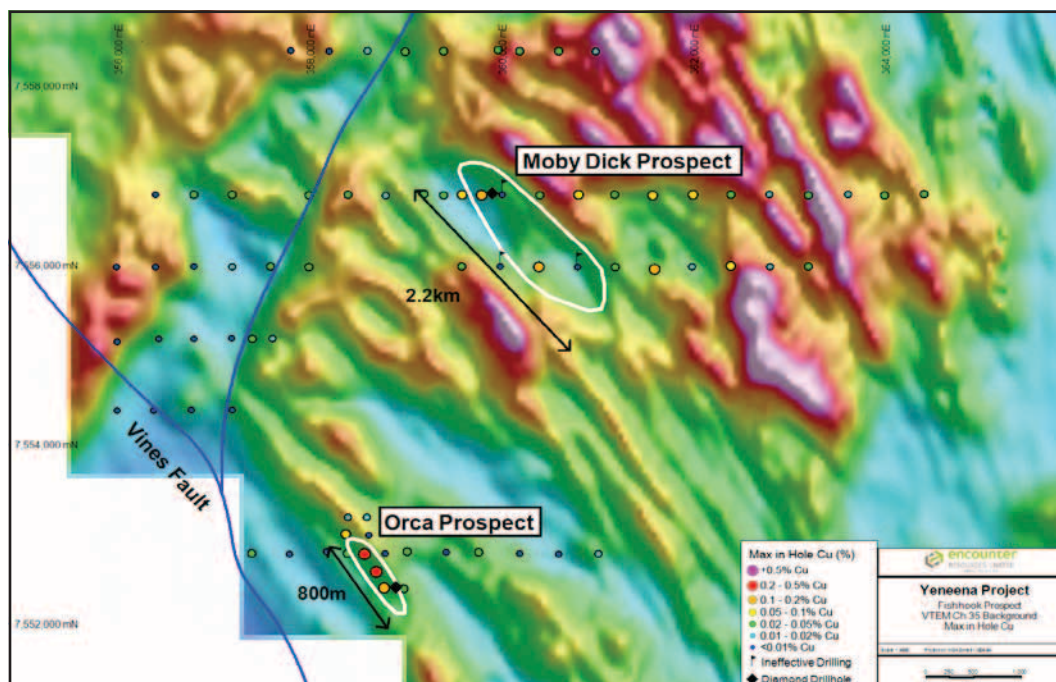


Figure 10: VTEM Fishhook target – NE Structural Corridor



**Lookout Rocks Project** – ENR earning in from Hammer Metals Ltd (formerly Midas Resources Ltd) (E45/3768 and E45/4091) and E45/4230 (100% Encounter)

A 560 line km airborne VTEM survey covering the area of the Hammer earn-in tenements was completed in April 2014. Final data from the survey was received in August 2014, with preliminary images shown in Figures 11a and 11b. The survey has provided important information about the conductivity and magnetic variability of the basement rocks in this area of extensive sand cover.

An initial interpretation of the airborne geophysical data indicates the prospective structures and Broadhurst lithologies extend northwest from the Fishhook Prospect into the Hammer earn-in tenements. Historical exploration along the prospective trend is limited to two shallow RAB drilling traverses completed in the 1980s. Results from these two traverses were successful in that anomalous copper oxide mineralisation was identified at the base of the Broadhurst sequence at the Lookout Rocks Prospect.

A structural interpretation and targeting program will be completed in the second half of 2014. Drilling at the Lookout Rocks project is expected to be completed in mid 2015.



Strike Drilling – Rig 4

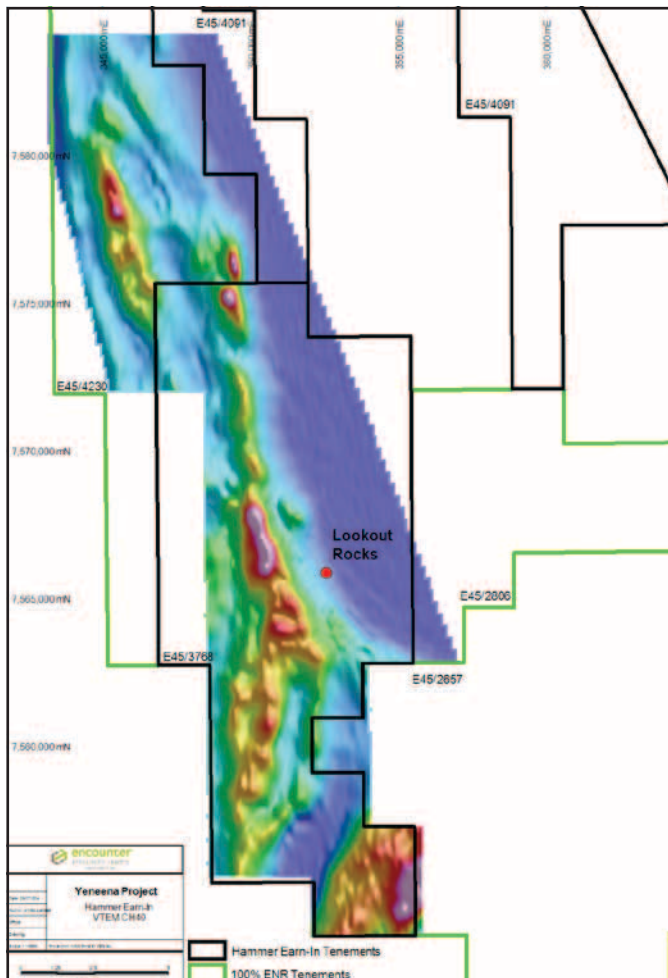


Figure 11a: VTEM Channel 40 – Lookout Rocks project

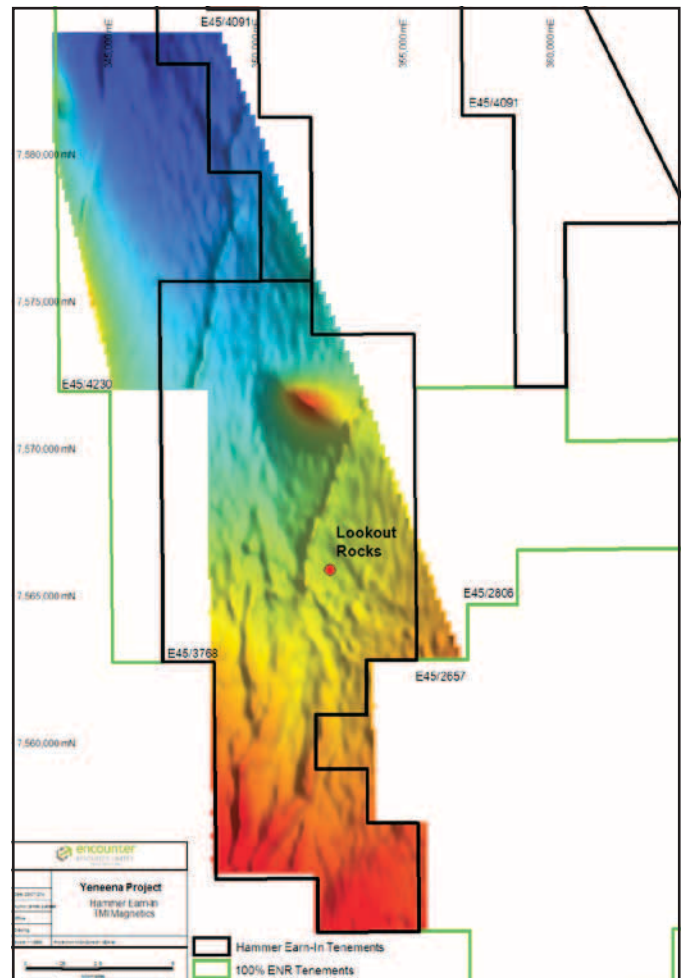


Figure 11b: Magnetic Image – Lookout Rocks project

# Exploration Review continued

## **Stirling Prospect** – ENR earning in from St Barbara (E45/3308 and E45/3232)

The Stirling earn-in tenements are located within a prospective north-east structural corridor between the Yeneena project and Telfer. The earn-in tenements cover an area of 60km<sup>2</sup> located 10km north-east of the Company's Yeneena project and 15kms south-west of Newcrest's giant Telfer gold-copper mine.

An airborne VTEM survey was conducted at the Stirling Prospect in September 2013, centering on a magnetic target generated through the interpretation of broad-spaced aeromagnetic data. Modelling of the magnetic data from this survey highlighted a north-north easterly plunging magnetic anomaly hosted within Lamil Group sediments. It is interpreted that this anomaly may represent pyrrhotite or magnetite alteration associated with the Telfer-style Cu-Au mineralisation event (see Figure 12b).

In December 2013 the Company was awarded an EIS co-funded drilling grant for \$125,000 to complete initial RC and diamond drilling of the Stirling target.

A heritage survey was completed in June 2014 to facilitate initial RC drilling that will test the target at a depth of approximately 75m from surface. If successful a second phase of diamond drilling will test the anomaly at depth.

The first drilling at Stirling commenced in September 2014. No previous exploration has been conducted on this target.

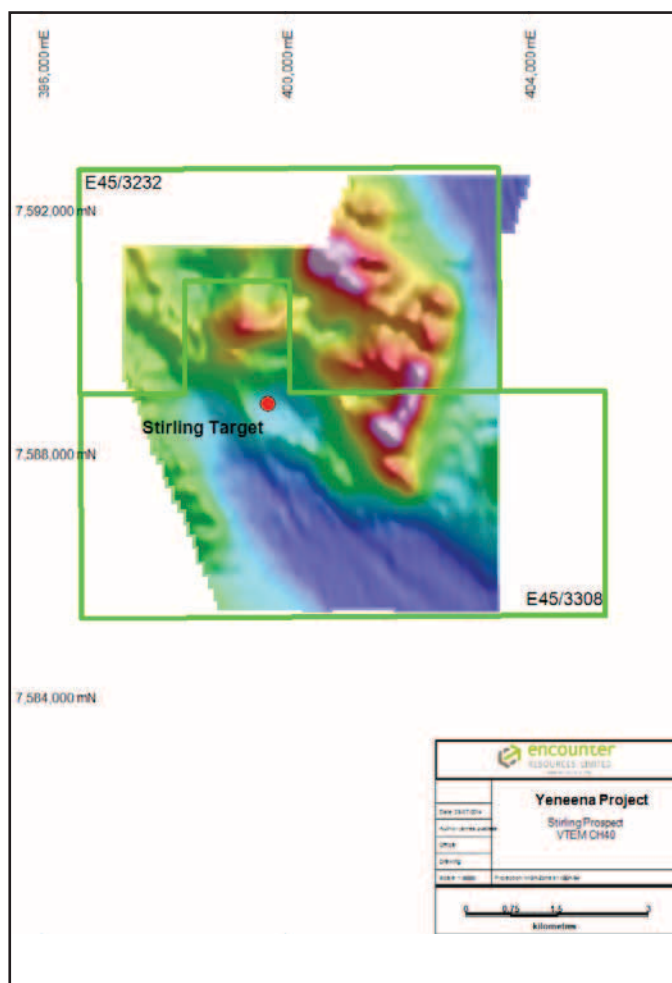


Figure 12a: VTEM Channel 40 – Stirling project

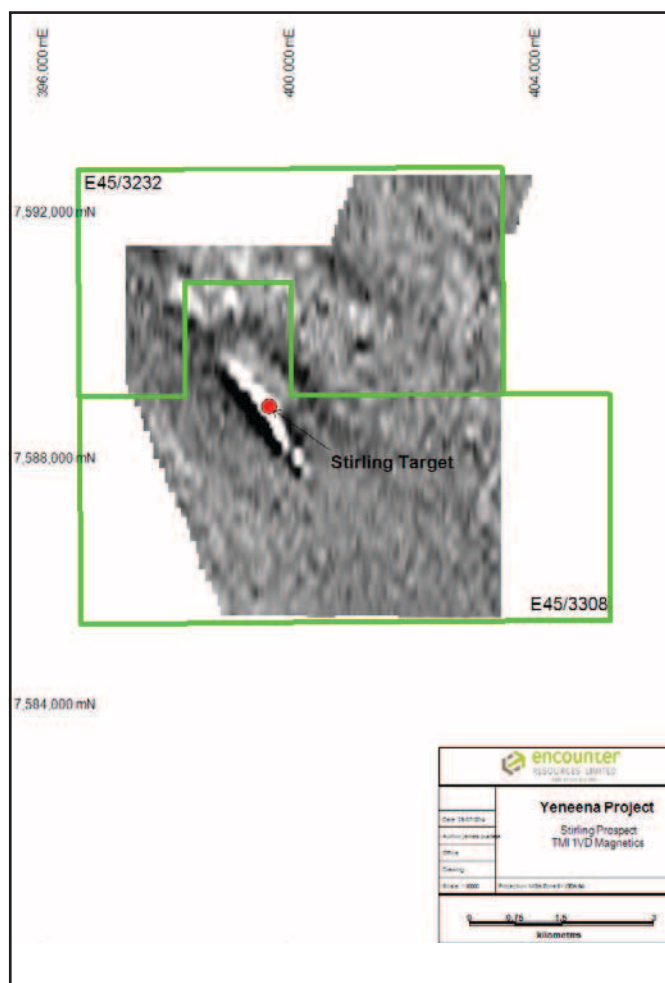


Figure 12b: Magnetic TMI 1VD – Stirling project

# Summary of Tenements

Lease	Lease Name	Project Name	Area km <sup>2</sup>	Registered Holder	Encounter Interest
ELA69/3258	Beyondie	Bangemall Basin	346.6	Encounter Resources Limited	100%
ELA69/3259	Beyondie	Bangemall Basin	524.8	Encounter Resources Limited	100%
ELA69/3260	Beyondie	Bangemall Basin	549.3	Encounter Resources Limited	100%
E53/1232	Wiluna South	Lake Way South JV	30.17	Encounter Resources Limited	60% of uranium rights
E36/769	Yeelirrie South	Yilgarn	48.83	Encounter Resources Limited	100%
E53/1685	Bellah Bore East	Yilgarn	45.96	Encounter Resources Limited	100%
E51/1570	Hillview	Yilgarn	89	Encounter Resources Limited	100%
ELA37/1202	Darlot East	Yilgarn	200.3	Encounter Resources Limited	100%
E45/2500	Yeneena	Paterson	163.4	Encounter Operations Pty Ltd	100%
E45/2501	Yeneena	Paterson	41.4	Encounter Operations Pty Ltd	100%
E45/2502	Yeneena	Paterson	216.3	Encounter Operations Pty Ltd	100%
E45/2503	Yeneena	Paterson	76.3	Encounter Operations Pty Ltd	100%
E45/2561	Yeneena	Paterson	86	Encounter Operations Pty Ltd	100%
E45/2657	Yeneena	Paterson	222.8	Encounter Operations Pty Ltd	100%
E45/2658	Yeneena	Paterson	222.8	Encounter Operations Pty Ltd	100%*
E45/2805	Yeneena	Paterson	209.7	Encounter Operations Pty Ltd	100%*
E45/2806	Yeneena	Paterson	63.7	Encounter Operations Pty Ltd	100%
E45/3232	Yeneena	Paterson	22.33	Encounter Operations Pty Ltd	0%, Encounter earning 70%
E45/3308	Yeneena	Paterson	38.3	Encounter Operations Pty Ltd	0%, Encounter earning 70%
E45/3768	Yeneena	Paterson	181.50	Encounter Operations Pty Ltd	0%, Encounter earning 70%
E45/4091	Yeneena	Paterson	136.5	Encounter Operations Pty Ltd	0%, Encounter earning 70%
E45/4230	Yeneena	Paterson	92	Encounter Yeneena Pty Ltd	100%
ELA45/4316	Yeneena	Paterson	114	Encounter Yeneena Pty Ltd	100%
ELA45/4361	Yeneena	Paterson	216	Encounter Yeneena Pty Ltd	100%
ELA45/4362	Yeneena	Paterson	282.6	Encounter Yeneena Pty Ltd	100%
ELA45/4408	Yeneena	Paterson	44.6	Encounter Yeneena Pty Ltd	100%
ELA45/4452	Yeneena	Paterson	51.1	Encounter Yeneena Pty Ltd	100%

\* Tenement subject to Antofagasta Earn-In Agreement see ASX announcement April 23, 2013

# Corporate Governance Statement

## Introduction

Since the introduction of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Guidelines" or "the Recommendations"), Encounter Resources Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Guidelines, the Company has followed each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company, the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board of the Company is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

Further information about the Company's corporate governance practices is set out on the Company's website at [www.enrl.com.au](http://www.enrl.com.au). In accordance with the recommendations of the ASX, information published on the Company's website includes:

- Board Charter
- Nomination Committee Charter
- Remuneration Committee Charter
- Audit Committee Charter
- Code of Conduct
- Diversity Policy
- Policy and Procedure for Selection and Appointment of New Directors
- Summary of Policy for Trading in Company Securities
- Summary of Compliance Procedures
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Shareholder Communication Strategy
- Summary of Company's Risk Management Policy

## Explanation for Departures from Best Practice Recommendations

During the Company's 2013/2014 financial year the Company has complied with the Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council ("Corporate Governance Principles and Recommendations"), other than as stated below. Significant policies and details of any significant deviations from the principles are specified below.

### Corporate Governance Council Recommendation 1

#### *Lay Solid Foundations for Management and Oversight*

##### **Role of the Board of Directors**

The role of the Board is to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and ensure the Company is properly managed.

In order to fulfil this role, the Board is responsible for the overall corporate governance of the Company including formulating its strategic direction, setting remuneration and monitoring the performance of Directors and executives. The Board relies on senior executives to assist it in approving and monitoring expenditure, ensuring the integrity of internal controls and management information systems and monitoring and approving financial and other reporting.

In complying with Recommendation 1.1 of the Corporate Governance Council, the Company has adopted a Board Charter which clarifies the respective roles of the Board and senior management and assists in decision making processes. A copy of the Board Charter is available on the Company's website.

### ***Board Processes***

An agenda for the meetings has been determined to ensure certain standing information is addressed and other items which are relevant to reporting deadlines and or regular review are scheduled when appropriate. The agenda is regularly reviewed by the Chairman, the Managing Director and the Company Secretary.

### ***Evaluation of Senior Executive Performance***

The Company has not complied with Recommendation 1.2 of the Corporate Governance Council. Due to the early stage of development of the Company it is difficult for quantitative measures of performance to be established. As the Company progresses its projects, the board intends to establish appropriate evaluation procedures. The Chairman assesses the performance of the Executive Directors on an informal basis.

## **Corporate Governance Council Recommendation 2**

### ***Structure the Board to Add Value***

#### ***Board Composition***

The Constitution of the Company provides that the number of Directors shall not be less than three. There is no requirement for any share holding qualification.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the scope of activities of the Company, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the Board and are subject to re election by shareholders at the next general meeting. In any event one third of the Directors are subject to re election by shareholders at each general meeting.

The Board is comprised of four members, two Non-Executive and two Executive. The Non-Executive Directors are Mr Paul Chapman (Chairman) and Dr Jonathan Hronsky. The skills, experience and expertise of all Directors is set out in the Directors' Report section of this Annual Report.

The Board has assessed the independence of its Non-Executive directors according to the definition contained within the ASX Corporate Governance Guidelines and has concluded that both of the current Non-Executive Directors meet the recommended independence criteria. As a result the Company complies with Recommendation 2.1 of the Corporate Governance Council. The Board considers that both its structure and composition are appropriate given the size of the Company and that the interests of the Company and its shareholders are well met.

#### ***Independent Chairman***

The Chairman is considered to be an independent director and as such Recommendation 2.2 of the Corporate Governance Council has been complied with. The Board believes that Mr Chapman is the most appropriate person for the position as Chairman because of his industry experience and proven track record as a public company director.

#### ***Roles of Chairman and Chief Executive Officer***

The roles of Chairman and Chief Executive Officer are exercised by different individuals, and as such the Company complies with Recommendation 2.3 of the Corporate Governance Council.

#### ***Nomination Committee***

The Board does not have a separate Nomination Committee comprising of a majority of independent Directors and as such does not comply with Recommendation 2.4 of the Corporate Governance Council. The selection and appointment process for Directors is carried out by the full Board. The Board considers that given the importance of Board composition it is appropriate that all members of the Board partake in such decision making. The Company adopted the Nomination Committee Charter on 8 February 2006.

# Corporate Governance Statement continued

## ***Evaluation of Board Performance***

The Company does not have a formal process for the evaluation of the performance of the Board and as such does not comply with Recommendation 2.5 of the Corporate Governance Council. The Board is of the opinion that the competitive environment in which the Company operates will effectively provide a measure of the performance of the Directors, in addition the Chairman assesses the performance of the Board, individual directors and key executives on an informal basis.

## ***Education***

All Directors are encouraged to attend professional education courses relevant to their roles.

## ***Independent Professional Advice and Access to Information***

Each Director has the right to access all relevant information in respect of the Company and to make appropriate enquiries of senior management. Each Director has the right to seek independent professional advice at the Company's expense, subject to the prior approval of the Chairman, which shall not be unreasonably withheld.

## **Corporate Governance Council Recommendation 3**

### ***Promote Ethical and Responsible Decision Making***

The Board actively promotes ethical and responsible decision making.

## ***Code of Conduct***

The Board has adopted a Code of Conduct that applies to all employees, executives and Directors of the Company, and as such complies with Recommendation 3.1 of the Corporate Governance Council. This Code addresses expectations for conduct in accordance with legal requirements and agreed ethical standards. A copy of the Code is available on the Company's website.

## ***Guidelines for Trading in Company Securities***

The Board has committed to ensuring that the Company, its Directors and executives comply with their legal obligations as well as conducting their business in a transparent and ethical manner. The Board has adopted a procedure on dealing in the Company's securities by directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information.

The guidelines also provide that the acknowledgement of the Chairman or the Board should be obtained prior to trading. A summary of the Guidelines are available on the Company's website.

The Company's policy restricts, notwithstanding exceptional circumstances, the trading in Company's securities by those individuals covered by the policy to trading windows that are open for 10 days following the hosting of General Meetings of the Company, the release of annual, half yearly results and quarterly reports and after any other public announcement on ASX.

## ***Diversity***

The Board has adopted a diversity policy that details the purpose of the policy and the employee selection and appointment guidelines, consistent with the recommendations of the Corporate Governance Council. The Board believes that the adoption of an efficient diversity policy has the effect of broadening the employee recruitment pool, supporting employee retention, including different perspectives and is socially and economically responsible governance practice.

The Company employs new employees and promotes current employees on the basis of performance, ability and attitude. The Board is continually reviewing its practices with a focus on ensuring that the selection process at all levels within the organisation is formal and transparent and that the workplace environment is open, fair and tolerant.

The Company, in keeping with the recommendations of the Corporate Governance Council provides the following information regarding the proportion of gender diversity in the organisation as at 30 June 2014:

	Proportion of female/ total number of persons employed
Females employed in the Company as a whole	4/16
Females employed in the Company in senior executive positions	0/0
Females appointed as a Director of the Company	0/4

The recommendations of the Corporate Governance Council relating to reporting require a Board to set measurable objectives for achieving diversity within the organisation, and to report against them on an annual basis.

The Company has implemented measurable objectives as follows:

Measurable Objective	Objective Satisfied	Comment
Adoption and promotion of a Formal Diversity Policy	Yes	The Company has adopted a formal diversity policy which has been made publicly available via the ASX and the Company's website.
To ensure Company policies are consistent with and aligned with the goals of the Diversity Policy	Yes	The Company's selection, remuneration and promotion practices are merit based and as such are consistent with the goals of the Company's Diversity Policy.
To provide flexible work and salary arrangements to accommodate family commitments, study and self-improvement goals, cultural traditions and other personal choices of current and potential employees.	Yes	The Company does, where considered reasonable, and without prejudice, accommodate requests for flexible working arrangements.
To implement clear and transparent policies governing reward and recognition practices.	Yes	The Company grants reward and promotion based on merit and responsibility as part of its annual and ongoing review processes.
To provide relevant and challenging professional development and training opportunities for all employees.	Yes	The Company seeks to continually encourage self-improvement in all employees, irrespective of seniority, ability or experience, through external and internal training courses, regular staff meetings and relevant on job mentoring.

The Company has not implemented specific measurable objectives regarding the proportion of females to be employed within the organisation or implement requirements for a proportion of female candidates for employment and Board positions. The Board considers that the setting of quantitative gender based measurable targets is not consistent with the merit and ability based policies currently implemented by the Company.

The Board will consider the future implementation of gender based diversity measurable objectives when more appropriate to the size and nature of the Company's operations.

# Corporate Governance Statement continued

## Corporate Governance Council Recommendation 4

### *Safeguarding Integrity in Financial Reporting*

#### **Audit Committee**

The Company has a separate Audit Committee and as such complies with Recommendation 4.1 of the Corporate Governance Council.

The Audit Committee is comprised of the Company's Non-Executive Directors, who are also considered to be independent, and the Committee is chaired by Dr Jon Hronsky who is not the Chairman of the Board. The Board believes that with the composition of the Audit Committee being of Independent Non-Executive Directors, the Company is able to meet the objectives of Recommendation 4.2, and discharge its duties in this area. The relevant experience of members is detailed in the Directors' section of the Directors' Report.

The Audit Committee has adopted a formal Audit Committee Charter which sets its role and responsibilities, as per Recommendation 4.3. A copy of the Audit Committee Charter is available on the Company's website.

#### **Financial reporting**

The Board relies on senior executives to monitor the internal controls within the Company. Financial performance is monitored on a regular basis by the Managing Director who reports to the Board at the scheduled Board meetings.

The Board reviews the performance of the external auditors on an annual basis and meets with them during the year to review findings and assist with Board recommendations.

In the absence of a formal audit committee the Non-Executive Directors of the Company are available for correspondence with the auditors of the Company.

## Corporate Governance Council Recommendation 5

### *Make Timely and balanced disclosure*

#### **Continuous Disclosure**

The Board is committed to the promotion of investor confidence by providing full and timely information to all security holders and market participants about the Company's activities and to comply with the continuous disclosure requirements contained in the Corporations Act 2001 and the Australian Securities Exchange's Listing Rules. The Company has established written policies and procedures, designed to ensure compliance with the ASX Listing Rule Requirements, in accordance with Recommendation 5.1 of the Corporate Governance Council.

Continuous disclosure is discussed at all regular Board meetings and on an ongoing basis the Board ensures that all activities are reviewed with a view to the necessity for disclosure to security holders.

In accordance with ASX Listing Rules the Company Secretary is appointed as the Company's disclosure officer.

## Corporate Governance Council Recommendation 6

### *Respect the Rights of Shareholders*

#### **Communications**

The Board fully supports security holder participation at general meetings as well as ensuring that communications with security holders are effective and clear. This has been incorporated into a formal shareholder communication strategy, in accordance with Recommendation 6.1 of the Corporate Governance Council. A copy of the policy is available on the Company's website.

In addition to electronic communication via the ASX web site, the Company publishes all significant announcements together with all quarterly reports. These documents are available in both hardcopy on request and on the Company website at [www.enrl.com.au](http://www.enrl.com.au).

Shareholders are able to pose questions on the audit process and the financial statements directly to the independent auditor who attends the Company Annual General Meeting for that purpose.



## Corporate Governance Council Recommendation 7

### *Recognise and manage risk*

#### ***Risk management policy***

The Board has adopted a risk management policy that sets out a framework for a system of risk management and internal compliance and control, whereby the Board delegates day-to-day management of risk to the Managing Director, therefore complying with Recommendation 7.1 of the Corporate Governance Council. The Board is responsible for supervising management's framework of control and accountability systems to enable risk to be assessed and managed.

#### ***Risk management and the internal control system***

The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

In order to implement the Company's Risk Management Policy, it was considered important that the Company establish an internal control regime in order to:

- Assist the Company to achieve its strategic objectives;
- Safeguard the assets and interests of the Company and its stakeholders; and
- Ensure the accuracy and integrity of external reporting.

Key identified risks to the business are monitored on an ongoing basis as follows:

#### ■ **Business risk management**

The Company manages its activities within budgets and operational and strategic plans.

#### ■ **Internal controls**

The Board has implemented internal control processes typical for the Company's size and stage of development. It requires the senior executives to ensure the proper functioning of internal controls and in addition it obtains advice from the external auditors as considered necessary.

#### ■ **Financial reporting**

Directors approve an annual budget for the Company and regularly review performance against budget at Board Meetings.

#### ■ **Operations review**

Members of the Board regularly visit the Company's exploration project areas, reviewing both geological practices, and environmental and safety aspects of operations.

#### ■ **Environment and safety**

The Company is committed to ensuring that sound environmental management and safety practices are maintained on its exploration activities.

The Company's risk management strategy is evolving and will be an ongoing process and it is recognised that the level and extent of the strategy will develop with the growth and change in the Company's activities.

#### ***Risk Reporting***

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively therefore not complying with Recommendation 7.2 of the Corporate Governance Council. The Board believes that the Company is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing monitoring and managing risk in the Company.

The Company does not have an internal audit function.

# Corporate Governance Statement continued

## ***Managing Director and Chief Financial Officer Written Statement***

The Board requires the Managing Director and the Company Secretary provide a written statement that the financial statements of company present a true and fair view, in all material aspects, of the financial position and operational results and have been prepared in accordance with Australian Accounting Standards and the Corporation Act. The Board also requires that the Managing Director and Company Secretary provide sufficient assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is working effectively.

The declarations have been received by the Board, in accordance with Recommendation 7.3 of the Corporate Governance Council.

## **Corporate Governance Council Recommendation 8**

### ***Remunerate Fairly and Responsibly***

#### ***Remuneration Committee***

The Board does not have a separate Remuneration Committee and as such does not comply with Recommendation 8.1 of the Corporate Governance Council. Remuneration arrangements for Directors are determined by the full Board. The Board is also responsible for setting performance criteria, performance monitors, share option schemes, superannuation, termination and retirement entitlements, and professional indemnity and liability insurance cover.

The Board considers that the Company is effectively served by the full Board acting as a whole in remuneration matters, and ensures that all matters of remuneration continue to be decided upon in accordance with Corporations Act requirements, by ensuring that no Director participates in any deliberations regarding their own remuneration or related issues.

#### ***Distinguish Between Executive and Non-Executive Remuneration***

The Company does distinguish between the remuneration policies of its Executive and Non-Executive Directors in accordance with Recommendation 8.2 of the Corporate Governance Council.

Executive Directors receive salary packages which may include performance based components, designed to reward and motivate, including the granting of share options, subject to shareholder approval and vesting conditions relating to continuity of engagement.

Non-Executive Directors receive fees agreed on an annual basis by the Board, within total Non-Executive remuneration limits voted upon by shareholders at Annual General Meetings. Share options which were issued to a Non-Executive Director, were subject to shareholder approval and a vesting condition based upon continuity of engagement. The grant of options was deemed appropriate by the Board to provide an incentive and to reward the Director.

# 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 2014.

## Directors

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

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

Mr Chapman is a chartered accountant with over twenty five years' experience in the resources sector gained in Australia and the United States. Mr Chapman has experience across a range of commodity businesses including gold, nickel, uranium, manganese, bauxite/ alumina and oil/gas. Mr Chapman has held managing director and other senior management roles in public companies of various sizes. Mr Chapman is the chairman of ASX listed gold producer Silver Lake Resources Ltd.

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

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

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

**Peter Bewick** – B.Eng (Hons), MAusIMM  
*Exploration Director (Executive) appointed 7 October 2005*

Mr Bewick is an experienced geologist and has held a number of senior mine and exploration geological roles during a fourteen year career with WMC. These roles include Exploration Manager and Geology Manager of the Kambalda Nickel Operations, Exploration Manager for St Ives Gold Operation, Exploration Manager for WMC's Nickel Business Unit and Exploration Manager for North America based in Denver, Colorado. Whilst

at WMC, Mr Bewick gained extensive experience in project generation for a range of commodities including nickel, gold and bauxite. Mr Bewick has been associated with a number of brownfields exploration successes at Kambalda and with the greenfield Collurabbie Ni-Cu-PGE discovery.

**Jonathan Hronsky** – BAppSci, PhD, MAusIMM, FSEG  
*Non-Executive director appointed 10 May 2007*

Dr Hronsky has more than twenty five years of experience in the mineral exploration industry, primarily focused on project generation, technical innovation and exploration strategy development. Dr Hronsky has particular expertise in targeting for nickel sulfide deposits, but has worked across a diverse range of commodities. His work led to the discovery of the West Musgrave nickel sulfide province in Western Australia. Dr Hronsky was most recently Manager-Strategy & Generative Services for BHP Billiton Mineral Exploration. Prior to that, he was Global Geoscience Leader for WMC Resources Ltd. He is currently a Director of exploration consulting group Western Mining Services and Chairman of the board of management of the Centre for Exploration Targeting at the University of Western Australia.

During the last 3 years Dr Hronsky has been a director of Cassini Resources Limited (appointed 3 April 2014).

## Company Secretary

**Kevin Hart** – B.Comm, FCA

Mr Hart is a Chartered Accountant and was appointed to the position of Company Secretary on 4 November 2005. He has over 20 years experience in accounting and the management and administration of public listed entities in the mining and exploration industry.

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

**Dan Travers** – BSc (Hons), FCCA

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

# Directors' Report continued

## Directors' Interests

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

<i>Director</i>	<i>Directors' Interests in Ordinary Shares</i>	<i>Directors' Interests in Unlisted Options</i>	<i>Options vested at the reporting date</i>
P Chapman	5,600,000	–	–
W Robinson	22,168,328	–	–
P Bewick	5,102,000	5,000,000	5,000,000
J Hronsky	–	1,300,000	1,300,000

Included in the Directors' interests in Unlisted Options, there are 6,300,000 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 2014, and the number of meetings attended by each Director are as follows:

<i>Director</i>	<i>Board of Directors' Meetings</i>	
	<i>Held</i>	<i>Attended</i>
P Chapman	7	7
W Robinson	7	7
P Bewick	7	7
J Hronsky	7	7

## Principal Activities

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

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

## Results of Operations

The consolidated net loss after income tax for the financial year was \$484,481 (2013: \$1,566,249).

Included in the consolidated loss for the current year is a write-off of deferred and uncapitalised exploration expenditure totalling \$255,804 (2013: \$907,172).

## Dividends

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

## Review of Activities

### Exploration

Exploration activities for the financial year have been focussed on the Company's Yeneena Project in the Paterson Province, principally at the BM1 and BM7 copper prospects and the BM2 copper/zinc prospect. The Yeneena Project covers a 1,850km<sup>2</sup> area of the Paterson Province in Western Australia.

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 \$3,836,543 (2013: \$4,806,657) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$19,085,687 (2013: \$17,774,406).

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

### Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Company and Group during or since the end of the financial year.

## Options over Unissued Capital

### Unlisted Options

As at the date of this report 10,170,000 unissued ordinary shares of the Company are under option as follows:

<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
5,375,000	\$1.35	22 November 2014
500,000	80 cents	30 September 2015
500,000	40 cents	31 May 2016
1,450,000	30 cents	30 November 2016
650,000	39 cents	30 November 2017
750,000	21 cents	31 May 2017
200,000	31 cents	31 January 2018
745,000	22 cents	31 May 2018

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

During the financial year the Company granted 945,000 unlisted options (2013: 2,950,000) over unissued shares to employees, directors and consultants of the Company.

During the year 250,000 options were cancelled (2013: nil) on the cessation of employment, and nil options were cancelled on expiry of the exercise period (2013: 1,550,000).

During the financial year no (2013: Nil) ordinary shares were issued on the exercise of options.

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

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

Options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

### Issued Capital

	<i>Number of Shares on Issue</i>	
	<i>2014</i>	<i>2013</i>
Ordinary fully paid shares	132,543,350	132,543,350

### Matters Subsequent to the End of the Financial Year

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

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

### Environmental Regulation and Performance

The Group holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities.

So far as the Directors are aware, all exploration activities have been undertaken in compliance with all relevant environmental regulations.

## Remuneration Report (Audited)

Remuneration paid to Directors and Officers of the Company is set by reference to such payments made by other ASX listed companies of a similar size and operating in the mineral exploration industry. In addition reference is made to the specific skills and experience of the Directors and Officers.

Details of the nature and amount of remuneration of each Director, and other Key Management Personnel if applicable, are disclosed annually in the Company's Annual Report.

### Remuneration Committee

The Board has adopted a formal Remuneration Committee Charter which provides a framework for the consideration of remuneration matters.

The Company does not have a separate remuneration committee and as such all remuneration matters are considered by the Board as a whole, with no Member deliberating or considering such matter in respect of their own remuneration.

In the absence of a separate Remuneration Committee, the Board is responsible for:

1. Setting remuneration packages for Executive Directors, Non-Executive Directors and other Key Management Personnel; and
2. Implementing employee incentive and equity based plans and making awards pursuant to those plans.

### Non-Executive Remuneration

The Company's policy is to remunerate Non-Executive Directors, at rates comparable to other ASX listed companies in the same industry, for their time, commitment and responsibilities.

Non-Executive Remuneration is not linked to the performance of the Company, however to align Directors' interests with shareholders' interests, remuneration may be provided to Non-Executive Directors in the form of equity based long term incentives.

1. Fees payable to Non-Executive Directors are set within the aggregate amount approved by shareholders at the Company's Annual General Meeting;
2. Non-Executive Directors' fees are payable in the form of cash and superannuation benefits;
3. Non-Executive superannuation benefits are limited to statutory superannuation entitlements; and
4. Participation in equity based remuneration schemes by Non-Executive Directors is subject to consideration and approval by the Company's shareholders.

The maximum Non-Executive Directors fees, payable in aggregate are currently set at \$200,000 per annum.

### 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.

## Remuneration Report (Audited) continued

### Incentive Plans

The Company provides long term incentives to Directors and Employees pursuant to the Encounter Resources Employee Share Option Plan, which was last approved by shareholders at the Annual General Meeting held on 30 November 2012.

The Board, acting in remuneration matters:

1. Ensures that incentive plans are designed around appropriate and realistic performance targets and provide rewards when those targets are achieved;
2. Reviews and approves existing incentive plans established for employees; and
3. Approves the administration of the incentive plans, including receiving recommendations for, and the consideration and approval of grants pursuant to such incentive plans.

### Engagement of Non-Executive Directors

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

1. A Non-Executive Director may resign from his/her position and thus terminate their contract on written notice to the Company; and
2. A Non-Executive Director may, following resolution of the Company's shareholders, be removed before the expiration of their period of office (if applicable). Payment is made in lieu of any notice period if termination is initiated by the Company, except where termination is initiated for serious misconduct.

In consideration of the services provided by Dr Jon Hronsky as Non-Executive Director the Company will pay him \$50,000 plus statutory superannuation per annum.

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

Messrs Chapman and Hronsky are also entitled to fees for other amounts as the Board determines where they perform special duties or otherwise perform extra services or make special exertions on behalf of the Company. There were no such fees paid during the financial year ended 30 June 2014.

### Engagement of Executive Directors

The Company has entered into executive service agreements with Mr Will Robinson and Mr Peter Bewick on the following material terms and conditions:

Mr Robinson's current service agreement with the Company, in respect of his engagement as Managing Director, is effective from 23 January 2013. Mr Robinson will receive a base salary of \$290,000 per annum plus statutory superannuation.

Mr Bewick's current service agreement with the Company, in respect of his engagement as Exploration Director, is effective from on 23 January 2013. Mr Bewick will receive a base salary of \$270,000 per annum plus statutory superannuation.

Messrs Robinson and Bewick may also receive an annual short term performance based bonus which may be calculated as a percentage of their current base salary, the performance criteria, assessment and timing of which is negotiated annually with the Non-Executive Directors.

Messrs Robinson and Bewick may, subject to shareholder approval, participate in the Encounter Resources Employee Share Option Plan and other long term incentive plans adopted by the Board.

# Directors' Report continued

## Remuneration Report (Audited) continued

### 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:

	2014 \$	2013 \$	2012 \$	2011 \$	2010 \$
Loss for the year attributable to shareholders	<b>(484,481)</b>	(1,566,249)	(758,706)	(4,933,106)	(918,288)
Closing share price at 30 June	<b>\$0.20</b>	\$0.16	\$0.18	\$0.93	\$0.25

As an exploration company the Board does not consider the loss attributable to shareholders as one of the performance indicators when implementing Short Term Incentive Payments. In addition to technical exploration success, the Board considers the effective management of safety, environmental and operational matters and successful management of the farm-in arrangement securing project funding with Antofagasta Minerals Perth Pty Ltd, the acquisition and consolidation of Yeneena landholdings, as more appropriate indicators of management performance for the 2014 financial period.

### 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



## Remuneration Report (Audited) continued

### Remuneration Disclosures continued

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

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

	Short Term		Post Employment	Other Long Term	Total	Value of Options as Proportion of Remuneration %
	Base Salary \$	Short Term Incentive \$	Superannuation Contributions \$	Value of Options \$		
<i>30 June 2013</i>						
Paul Chapman	60,000	–	5,400	–	65,400	–
Will Robinson	290,000	–	26,100	–	316,100	–
Peter Bewick	261,692	–	23,552	154,206	439,450	35.1
Jon Hronsky	50,000	–	4,500	50,300	104,800	48.0
<b>Total</b>	<b>661,692</b>	<b>–</b>	<b>59,552</b>	<b>204,506</b>	<b>925,750</b>	

### 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	
	2013/14 financial year	2012/13 financial year
Will Robinson	\$14,500	\$nil
Peter Bewick	\$13,500	\$nil

Performance indicators for the 2013/14 financial year included corporate management, project and operational performance (including safety and environmental management and results of exploration activity) and share price performance.

# Directors' Report continued

## Remuneration Report (Audited) continued

### Options Granted as Remuneration

During the financial year ended 30 June 2014 there were no options 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 Key Management Personnel during the financial year.

### Exercise of Options Granted as Remuneration

During the year, no ordinary shares were issued in respect of the exercise of options previously granted as remuneration to Directors or Key Management Personnel of the Company.

### Equity instrument disclosures relating to key management personnel

#### Option holdings

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

<b>2014</b>	<i>Balance at start of the year</i>	<i>Received during the year as remuneration</i>	<i>Other changes during the year<sup>1</sup></i>	<i>Balance at the end of the year</i>	<i>Vested and exercisable at the end of the year</i>
<i>Names – Directors</i>					
P Chapman	–	–	–	–	–
W Robinson	–	–	–	–	–
P Bewick	5,000,000	–	–	5,000,000	5,000,000
J Hronsky	1,300,000	–	–	1,300,000	1,300,000

<b>2013</b>	<i>Balance at start of the year</i>	<i>Received during the year as remuneration</i>	<i>Other changes during the year<sup>1</sup></i>	<i>Balance at the end of the year</i>	<i>Vested and exercisable at the end of the year</i>
<i>Names – Directors</i>					
P Chapman	–	–	–	–	–
W Robinson	–	–	–	–	–
P Bewick	4,300,000	1,500,000	(800,000)	5,000,000	5,000,000
J Hronsky	1,300,000	500,000	(500,000)	1,300,000	1,300,000

<sup>1</sup> Options lapsing unexercised at the end of the exercise period.

## Remuneration Report (Audited) continued

### Equity instrument disclosures relating to key management personnel continued

#### Share holdings

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

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

<i>2013</i>		<i>Balance at start of the year</i>	<i>Received during the year on exercise of options</i>	<i>Other changes during the year</i>	<i>Balance at the end of the year</i>
<i>Names – Directors</i>					
P Chapman	5,394,900	–	205,100	5,600,000	
W Robinson	22,096,900	–	71,428	22,168,328	
P Bewick	4,975,000	–	127,000	5,102,000	
J Hronsky	–	–	–	–	

#### Loans made to key management personnel

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

#### Other transactions with key management personnel

There were no other transactions with key management personnel.

#### End of Remuneration Report

#### Officers' Indemnities and Insurance

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

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

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

# Directors' Report continued

## 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.

## Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the Annual Report.

## 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:

	2014 \$	2013 \$
Audit and review of the Company's financial statements	33,000	28,500
Other services	—	—
Total	33,000	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.

## 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 18th day of September 2014.



**W Robinson**  
Managing Director

#### AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Encounter Resources Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



CROWE HORWATH PERTH



SEAN MCGURK  
Partner

Signed at Perth, 18 September 2014

# Consolidated Statement of Comprehensive Income

For the financial year ended 30 June 2014

		Consolidated	
	Note	2014 \$	2013 \$
Revenue	5	477,366	308,841
<b>Total revenue</b>		<b>477,366</b>	<b>308,841</b>
Employee expenses		(1,676,334)	(1,415,203)
Employee expenses recharged to exploration		1,316,785	1,199,237
Equity based remuneration expense	18	(71,760)	(273,039)
Non-Executive Director's fees		(110,000)	(110,000)
Depreciation expense	6	(9,740)	(12,844)
Corporate expenses		(61,432)	(69,402)
Administration and Other expenses		(357,247)	(523,004)
Exploration costs written off and expensed	6	(255,804)	(907,172)
<b>Loss before income tax</b>		<b>(748,166)</b>	<b>(1,802,586)</b>
Income tax benefit/(expense)	7	263,685	236,337
<b>Loss after tax</b>	18	<b>(484,481)</b>	<b>(1,566,249)</b>
Other comprehensive income		–	–
Total comprehensive income for the year		<b>(484,481)</b>	<b>(1,566,249)</b>
		<b>Cents</b>	<b>Cents</b>
Earnings per share for loss attributable to the ordinary equity holders of the Company			
Basic earnings/(loss) per share	28	<b>(0.4)</b>	<b>(1.3)</b>
Diluted earnings/(loss) per share	28	<b>(0.4)</b>	<b>(1.3)</b>

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Financial Position

As at 30 June 2014

		Consolidated	
	Note	2014 \$	2013 \$
<b>Current assets</b>			
Cash and cash equivalents	8	3,836,543	4,806,657
Trade and other receivables	9(a)	58,494	265,643
Other current assets	9(b)	93,640	78,427
<b>Total current assets</b>		<b>3,988,677</b>	<b>5,150,727</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	304,989	279,940
Capitalised mineral exploration and evaluation expenditure	12	19,085,687	17,774,406
<b>Total non-current assets</b>		<b>19,390,676</b>	<b>18,054,346</b>
<b>Total assets</b>		<b>23,379,353</b>	<b>23,205,073</b>
<b>Current liabilities</b>			
Trade and other payables	14	1,207,619	717,037
Employee benefits	15(a)	77,397	66,584
<b>Total current liabilities</b>		<b>1,285,016</b>	<b>783,621</b>
<b>Non-current liabilities</b>			
Employee benefits	15(b)	85,606	–
<b>Total non-current liabilities</b>		<b>85,606</b>	<b>–</b>
<b>Total liabilities</b>		<b>1,370,622</b>	<b>783,621</b>
<b>Net assets</b>		<b>22,008,731</b>	<b>22,421,452</b>
<b>Equity</b>			
Issued capital	16	31,113,384	31,113,384
Accumulated losses	18	(11,872,175)	(11,429,023)
Equity remuneration reserve	18	2,767,522	2,737,091
<b>Total equity</b>		<b>22,008,731</b>	<b>22,421,452</b>

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

# Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2014

	Consolidated			
	Issued capital \$	Accumulated losses \$	Equity remuneration reserve \$	Total \$
<b>2013</b>				
Balance at the start of the financial year	27,320,545	(10,178,761)	2,780,039	19,921,823
Comprehensive income for the financial year	–	(1,566,249)	–	(1,566,249)
Movement in equity remuneration reserve	–	315,987	(42,948)	273,039
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Shares issued	3,792,839	–	–	3,792,839
Balance at the end of the financial year	31,113,384	(11,429,023)	2,737,091	22,421,452
<b>2014</b>				
Balance at the start of the financial year	31,113,384	(11,429,023)	2,737,091	22,421,452
Comprehensive income for the financial year	–	(484,481)	–	(484,481)
Movement in equity remuneration reserve in respect of options vested	–	–	71,760	71,760
Transfer to accumulated losses on cancellation of vested options	–	41,329	(41,329)	–
Balance at the end of the financial year	31,113,384	(11,872,175)	2,767,522	22,008,731

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 2014

		Consolidated	
	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Sundry income		9,809	6,385
State Government funded drilling rebate		175,925	133,699
R&D tax concession tax refund		500,022	209,250
Interest received		134,768	190,211
Payments to suppliers and employees		(819,553)	(908,268)
<b>Net cash from/(used in) operating activities</b>	27	<b>971</b>	<b>(368,723)</b>
<b>Cash flows from investing activities</b>			
Contributions received from farm-in partners		3,725,847	1,378,711
Proceeds from sale of exploration assets		–	20,000
Payments for exploration and evaluation		(4,564,128)	(5,172,631)
Payments for plant and equipment		(132,804)	(28,875)
<b>Net cash used in investing activities</b>		<b>(971,085)</b>	<b>(3,802,795)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		–	3,853,286
Payments for share issue costs		–	(60,448)
<b>Net cash provided by financing activities</b>		<b>–</b>	<b>3,792,838</b>
<b>Net increase/(decrease) in cash held</b>		<b>(970,114)</b>	<b>(378,680)</b>
<b>Cash at the beginning of the financial year</b>		<b>4,806,657</b>	<b>5,185,337</b>
<b>Cash at the end of the financial year</b>	8(a)	<b>3,836,543</b>	<b>4,806,657</b>

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

# Notes to the Financial Statements

For the financial year ended 30 June 2014

## 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 18th September 2014.

#### **Statement of Compliance**

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

#### **Adoption of New and Revised Standards –**

##### **Changes in accounting policies on initial application of accounting standards**

In the year ended 30 June 2014, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 July 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the Group.

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

#### **Reporting basis and conventions**

These financial statements have been prepared under the historical cost convention, and on an accrual basis.

#### **Critical accounting estimates**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

#### **Principles of consolidation**

The financial statements of subsidiary companies are included in the consolidated financial statements from the date control commences until the date control ceases. The financial statements of subsidiary companies are prepared for the same reporting period as the parent company, using consistent accounting policies.

Inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation. Investments in subsidiary companies are accounted for at cost in the individual financial statements of the Company.

## Note 1 Summary of significant accounting policies continued

### (b) Segment reporting

Operating segments are identified and segment information disclosed, where appropriate, on the basis of internal reports reviewed by the Company's board of directors, being the Group's Chief Operating Decision Maker, as defined by AASB 8. Adoption of AASB 8 by the Group has not resulted in a redefinition of previously reported operating segments.

### (c) Revenue recognition and receivables

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

#### *Interest income*

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

### (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.

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.

### (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 24). 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.

# Notes to the Financial Statements continued

For the financial year ended 30 June 2014

## Note 1 Summary of significant accounting policies continued

### (f) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (h) Government grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets is deducted from the carrying value of the asset.

### (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:

<u>Asset Class</u>	<u>Depreciation Rate</u>
Field Equipment and Vehicles	33%
Office Equipment	33%
Leasehold Improvements	Over the term of the lease

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(f)). Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

## Note 1 Summary of significant accounting policies continued

### (k) Mineral exploration and evaluation expenditure

Mineral exploration and evaluation expenditure is written off as incurred or accumulated in respect of each identifiable area of interest and capitalised. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Immediate restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure. Exploration activities resulting in future obligations in respect of restoration costs result in a provision to be made by capitalising the estimated costs, on a discounted cash basis, of restoration and depreciating over the useful life of the asset. The unwinding of the effect of the discounting on the provision is recorded as a finance cost in the income statement.

#### *Farm-in arrangements (in the exploration and evaluation phase)*

For exploration and evaluation asset acquisitions (farm-in arrangements) in which the Group has made arrangements to fund a portion of the selling partner's (farmor's) exploration and/or future development expenditures (carried interests), these expenditures are reflected in the financial statements as and when the exploration and development work progresses.

#### *Farm-out arrangements (in the exploration and evaluation phase)*

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained.

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

### (l) Joint ventures and joint operations

#### *Joint ventures*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

#### *Joint operations*

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

Details of these interests are shown in Note 13.

# Notes to the Financial Statements continued

For the financial year ended 30 June 2014

## Note 1 Summary of significant accounting policies continued

### (m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

### (n) Employee benefits

#### *Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future salaries, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Share based payments*

Share based compensation payments are made available to Directors and employees.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. A discount is applied, where appropriate, to reflect the non-marketability and non-transferability of unlisted options, as the Black-Scholes option pricing model does not incorporate these factors into its valuation.

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

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

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

### (o) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Note 1 Summary of significant accounting policies continued

### (p) Earnings per share

#### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (q) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as a part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flow.

### (r) Comparative figures

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

### (s) Investments and other financial assets

#### *Recognition*

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

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

#### *(i) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are 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.

# Notes to the Financial Statements continued

For the financial year ended 30 June 2014

## Note 1 Summary of significant accounting policies continued

### (s) Investments and other financial assets

#### *(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.

### (t) Fair value estimation

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

#### *Investments in equity and debt securities*

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

#### *Trade and other receivables*

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



## Note 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.

The Group does not have any direct contact with foreign exchange or equity risks other than their effect on the general economy.

# Notes to the Financial Statements continued

For the financial year ended 30 June 2014

## 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 16 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 Revenue

### *Operating activities*

	2014 \$	Consolidated 2013 \$
Contribution to overheads from farm-in partner	332,789	92,245
Gain on sale of exploration assets	–	20,000
Interest receivable	134,768	189,287
Other income	9,809	7,309
	<b>477,366</b>	<b>308,841</b>

## Note 6 Loss for the year

*Loss before income tax includes the following specific expenses:*

Depreciation:

Office equipment	9,740	12,844
Total exploration costs not capitalised and written off	<b>255,804</b>	<b>907,172</b>

	2014 \$	Consolidated 2013 \$
<b>Note 7 Income tax</b>		
<b>(a) Income tax expense</b>		
<i>Current income tax:</i>		
Current income tax charge (benefit)	(598,861)	(1,353,650)
Current income tax not recognised	598,861	1,353,650
R&D tax refund receivable	(263,685)	(236,237)
<i>Deferred income tax:</i>		
Relating to origination and reversal of timing differences	(150,457)	(309,673)
Deferred income tax benefit not recognised	150,457	309,673
Income tax expense/(benefit) reported in the income statement	(263,685)	(236,237)
The Group intends to submit a claim to the Australian Taxation Office for a Research and Development tax concession in respect of qualifying transactions which occurred during the year ended 30 June 2014.		
<b>(b) Reconciliation of income tax expense to prima facie tax payable</b>		
Loss from continuing operations before income tax expense	(748,166)	(1,802,586)
Tax at the Australian rate of 30% (2013: 30%)	(224,450)	(540,776)
<i>Tax effect of permanent differences:</i>		
Non-deductible share based payment	21,528	81,912
R&D tax refund receivable	(263,685)	(236,237)
Exploration costs written off	76,741	170,573
Capital raising costs claimed	(41,396)	(41,396)
Net deferred tax asset benefit not brought to account	167,577	329,687
Tax (benefit)/expense	(263,685)	(236,237)
<b>(c) Deferred tax – Balance Sheet</b>		
<i>Liabilities</i>		
Prepaid expenses	(28,092)	(23,528)
Capitalised exploration expenditure	(5,725,706)	(5,332,322)
	(5,753,798)	(5,355,850)
<i>Assets</i>		
Revenue losses available to offset against future taxable income	8,273,990	7,760,496
Employee provisions	48,901	19,975
Accrued expenses	56,727	9,346
Deductible equity raising costs	64,790	106,185
	8,444,408	7,896,003
Net deferred tax asset not recognised	2,690,610	2,540,153

# Notes to the Financial Statements continued

For the financial year ended 30 June 2014

	2014 \$	Consolidated 2013 \$
<b>Note 7 Income tax</b> continued		
<b>(d) Deferred tax – Income Statement</b>		
<i>Liabilities</i>		
Prepaid expenses	(4,564)	(130)
Capitalised exploration expenditure	(393,384)	(766,493)
<i>Assets</i>		
Deductible equity raising costs	(41,395)	(23,262)
Accruals	47,380	(6,949)
Increase in tax losses carried forward	513,494	1,139,150
Employee provisions	28,926	7,467
Deferred tax benefit/(expense) not recognised	<b>150,457</b>	<b>349,783</b>

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 \$27,579,967 (2013: \$25,868,320) were incurred by Australian entities.

	2014 \$	Consolidated 2013 \$
<b>Note 8 Current assets – Cash and cash equivalents</b>		
Cash at bank and on hand	1,836,543	1,306,657
Deposits at call	2,000,000	3,500,000
	<b>3,836,543</b>	<b>4,806,657</b>
<b>(a) Reconciliation to cash at the end of the year</b>		
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	<b>3,836,543</b>	<b>4,806,657</b>
<b>(b) Deposits at call</b>		
The term deposits are bearing fixed interest rates of 3.6% (2013: 4.15%). These deposits have an average maturity of 8 months.		
<b>(c) Cash balances not available for use</b>		
Included in cash and cash equivalents above are amounts pledged as guarantees for the following:		
Environmental bond guarantee (Note 23)	34,000	34,000
Office lease bond guarantee (Note 23)	22,629	22,629
Corporate credit card security deposit	147,520	144,102
	<b>204,149</b>	<b>200,731</b>

Cash assets include an amount of \$320,081 in respect of unspent farm-in contributions received (Note 14).

## Note 9 Current assets – Receivables

### (a) Trade and other receivables

	2014 \$	Consolidated 2013 \$
R&D tax concession receivable	–	236,337
Other receivables	6,166	9,282
Recoverable joint venture expenses	9,296	8,943
GST recoverable	43,032	11,081
	<b>58,494</b>	<b>265,643</b>

### (b) Other current assets

Prepaid tenement costs	93,640	78,427
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Details of fair value and exposure to interest risk are included at Note 19.

## Note 10 Non-current assets – Investment in controlled entities

### (a) Investment in controlled entities

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

	2014 \$	Company 2013 \$
Encounter Operations Pty Ltd	2	2
Hamelin Resources Pty Ltd	1	1
Encounter Yeneena Pty Ltd	2	2

Subsidiary Company	Country of Incorporation	Ownership Interest	
		2014 %	2013 %
Encounter Operations Pty Ltd	Australia	100%	100%
Hamelin Resources Pty Ltd	Australia	100%	100%
Encounter Yeneena Pty Ltd	Australia	100%	Nil

- Encounter Operations Pty Ltd was incorporated in Western Australia on 27 November 2006.
- Hamelin Resources Pty Ltd was incorporated in Western Australia on 24 November 2009.
- Encounter Yeneena Pty Ltd was incorporated in Western Australia on 23 May 2013.

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

### (b) Loans to controlled entities

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

	2014 \$	Company 2013 \$
Encounter Operations Pty Ltd	18,082,774	17,308,795
Hamelin Resources Pty Ltd	237	126
Encounter Yeneena Pty Ltd	110	100

The loan to Encounter Operations Pty Ltd, to fund exploration activity is non interest bearing. The Directors of Encounter Resources Limited do not intend to call for repayment within 12 months.

# Notes to the Financial Statements continued

For the financial year ended 30 June 2014

	2014 \$	Consolidated 2013 \$
<b>Note 11 Non-current assets – Property, plant and equipment</b>		
<i>Field equipment</i>		
At cost	905,819	776,767
Accumulated depreciation	(623,068)	(525,052)
	<b>282,751</b>	<b>251,715</b>
<i>Office equipment</i>		
At cost	109,035	105,281
Accumulated depreciation	(86,797)	(77,056)
	<b>22,238</b>	<b>28,225</b>
<i>Leasehold improvements</i>		
At cost	22,137	22,137
Accumulated depreciation	(22,137)	(22,137)
	–	–
	<b>304,989</b>	<b>279,940</b>
<b>Reconciliation</b>		
<i>Field equipment</i>		
Net book value at start of the year	251,715	352,573
Additions	129,052	16,818
Depreciation	(98,016)	(117,676)
Net book value at end of the year	<b>282,751</b>	<b>251,715</b>
<i>Office equipment</i>		
Net book value at start of the year	28,225	29,012
Additions	3,753	12,057
Depreciation	(9,740)	(12,844)
Net book value at end of the year	<b>22,238</b>	<b>28,225</b>

No items of property, plant and equipment have been pledged as security by the Group.

## Note 12 Non-current assets – Capitalised mineral exploration and evaluation expenditure

*In the exploration and evaluation phase*

Cost carried forward in respect of:

Incurred at cost by Encounter Resources Limited on assets not governed by joint venture agreements (i)

2014	Consolidated	2013
\$		\$
<b>136,216</b>		113,721
<b>18,769,875</b>		17,482,009
<b>179,596</b>		178,676
<b>19,085,687</b>		17,774,406

Costs capitalised by Encounter Operations Pty Ltd in respect of the Yeneena Project (ii)

Capitalised share of exploration assets under JV Agreements (iii)

Cost carried forward

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

- (i) Exploration and evaluation expenditure recognised on exploration assets held solely by Encounter Resources Limited.
- (ii) Exploration and evaluation expenditure recognised incurred by Encounter Operations Pty Ltd on tenements at the Yeneena Project.
- (iii) Exploration and evaluation expenditure recognised on tenements under joint venture agreements with Avoca Resources Limited. This amount includes Encounter Resources Limited's proportionate share of exploration assets held by the respective joint venture entities.

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

	2014	Consolidated	2013
	\$		\$
Capitalised exploration costs at the start of the period	<b>17,774,406</b>		15,219,430
Total exploration costs for the period (iv)	<b>1,743,010</b>		3,595,847
Exploration costs funded by EIS grant	<b>(175,925)</b>		(133,699)
Total exploration costs written off and expensed for the period	<b>(255,804)</b>		(907,172)
Capitalised exploration costs at the end of the period	<b>19,085,687</b>		17,774,406

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

During the financial period, the Company's farm-in partner Antofagasta Minerals Perth Pty Ltd (see Note 13b) incurred costs of \$3,436,990 in respect of exploration and evaluation costs on the Company's assets in addition to the amounts stated above.

# Notes to the Financial Statements continued

For the financial year ended 30 June 2014

## Note 13 Interest in joint ventures and farm-in arrangements

### *(a) Joint Venture Agreements – Joint Operations*

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

Assets employed by these joint ventures and the Group's expenditure in respect of them is brought to account initially as capitalised exploration and evaluation expenditure (Refer Note 12) 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.

### *Regional Uranium Joint Venture Agreement*

Under a Joint Venture and Exploration Agreement dated 1 April 2005 the Company and Avoca Resources Limited ("Avoca") agreed to establish an unincorporated joint venture for the purposes of identifying, acquiring, evaluating and developing or selling mining tenements with potential uranium deposits within Western Australia.

On 5 June 2013 the Regional Uranium Joint Venture Agreement was terminated. All exploration costs capitalised by the joint venture arrangement have been previously written off.

### *Lake Way Uranium Joint Venture Agreement – Joint Operation*

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

Included in the assets and liabilities of the Group were the items below which represented the Group's interest in the assets and liabilities employed in joint operations.

### *Joint Operations – Financial Results and Carrying Values*

The total amount of the Group's capitalised exploration and evaluation expenditure capitalised and employed under joint venture agreements at the reporting date is \$179,596 (2013: \$178,676 (Note 12)). During the reporting period the Group recognised an expense of \$nil (2013: \$543,115) being its share of the exploration expenditure written off by the joint venture entities during the period.

### *(b) Farm-in Arrangements*

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

#### *Antofagasta plc – Antofagasta Earning-in*

Antofagasta PLC and Antofagasta Minerals Perth Pty Ltd has entered into a farm-in and joint venture agreement with the Company in respect of granted tenements applications EL45/2658 and EL45/2805 that form part of the Company's wholly owned Yeneena Project. The agreement covers an area of 433km<sup>2</sup> and comprises the southern extents of the Yeneena Project that incorporate the BM1, BM7 and BM8 copper prospects. Significant terms of the farm-in arrangement as follows:

- 5 year initial earn-in phase under which Antofagasta may acquire a 51% joint venture interest by expenditure of US\$20 million and may withdraw at any time subject to a meeting a minimum spend of US\$3 million;
- A second earn-in phase, should Encounter not elect to contribute to exploration costs under the joint venture, under which Antofagasta may acquire a further 19% interest by completion of a pre-feasibility study within 4 years of Encounter electing not to contribute;
- If Antofagasta completes a pre-feasibility study during the second earn-in phase it must pay Encounter US\$15 million or contribute US\$15 million in lieu of Encounter's contribution to its proportionate share of feasibility study costs;



## Note 13 Interest in joint ventures and farm-in arrangements continued

### (b) Farm-in Arrangements continued

- If a decision to mine is made subsequent to the completion of a feasibility study and Encounter elects not to proceed, Antofagasta may acquire Encounter's interest at 90% of an agreed value determined by independent expert valuation.
- Amounts set out in the Earn-in and Joint Venture Agreement are in United States dollars, provided that the Australia dollar to United States dollar exchange rate published by the Reserve Bank of Australia is between 1.15 and 0.95 (the "Acceptable Range"). If the Exchange Rate is outside the Acceptable Range on the date cash payment is due, the Exchange Rate will be set at 1.05 United States dollar for each 1 Australian dollar.

#### St Barbara Limited (SBM) – ENR Earning-in

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

Significant terms of the farm-in arrangement as follows:

- 4 year initial earn-in phase under which ENR may acquire a 51% joint venture interest by expenditure of \$500,000, and may withdraw at any time subject to a meeting statutory minimum required spends;
- 2 year second phase, should SBM not elect to contribute to joint venture exploration costs, under which ENR may acquire a further 19% interest by sole funding expenditure of a further \$500,000;
- If SBM elects not to contribute at the end of the second phase standard industry dilution formulas will apply down to a 5% interest. If SBM's interest dilutes below 5% it will automatically revert to a 1.5% net smelter royalty.

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

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

Significant terms of the farm-in arrangement as follows:

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

## Note 14 Current liabilities – Trade and other payables

	2014 \$	Consolidated 2013 \$
Unspent farm-in contributions (Note 8)	320,081	364,013
Trade payables and accruals	823,874	318,811
Other payables	63,664	34,213
	<b>1,207,619</b>	<b>717,037</b>

Liabilities are not secured over the assets of the Group. Details of fair value and exposure to interest risk are included at Note 19.

# Notes to the Financial Statements continued

For the financial year ended 30 June 2014

	2014 \$	Consolidated 2013 \$
<b>Note 15 Employee benefits</b>		
<b>(a) Current liabilities</b>		
Liability for annual leave	<b>77,397</b>	66,584
<b>(b) Non-current liabilities</b>		
Liability for long service leave	<b>85,606</b>	–

## Note 16 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	2014 No.	2013 No.	2014 \$	2013 \$
<b>(b) Share capital</b>					
Issued share capital		<b>132,543,350</b>	132,543,350	<b>31,113,384</b>	31,113,384
<b>(c) Share movements during the year</b>					
Balance at the start of the financial year		<b>132,543,350</b>	114,194,360	<b>31,113,384</b>	27,320,545
Share placement	\$0.21	–	9,241,931	–	1,940,806
Share placement	\$0.21	–	2,380,952	–	500,000
Share purchase plan	\$0.21	–	6,726,107	–	1,412,482
Less share issue costs		–	–	–	(60,449)
Balance at the end of the financial year		<b>132,543,350</b>	132,543,350	<b>31,113,384</b>	31,113,384

### (d) Option plan

Information relating to the Encounter Resources Limited Directors, Officers and Employees Option Plan is set out in Note 17.

## Note 17 Options and share based payments

The establishment of the Encounter Resources Limited Directors, Officers and Employees Option Plan ("the Plan") was last approved by a resolution at the Annual General Meeting of shareholders of the Company on 30 November 2012. All eligible Directors, executive officers and employees of Encounter Resources Limited who have been continuously employed by the Company are eligible to participate in the Plan.

The Plan allows the Company to issue free options to eligible persons. The options can be granted free of charge and are exercisable at a fixed price in accordance with the Plan.

### (a) Options issued during the year

During the financial year the Company granted 945,000 options over unissued shares (2013: 2,950,000).

### (b) Options exercised during the year

During the financial year the Company issued no shares on the exercise of unlisted employee options (2013: Nil).

### (c) Options cancelled during the year

During the year 250,000 options (2013: nil) were cancelled upon termination of employment. No options were cancelled on expiry of exercise period (2013: 1,550,000).

### (d) Options on issue at the balance date

The number of options outstanding over unissued ordinary shares at 30 June 2014 is 10,170,000 (2013: 9,475,000). The terms of these options are as follows:

Number of options outstanding	Exercise price	Expiry date
5,375,000	\$1.35	22 November 2014
500,000	80 cents	30 September 2015
500,000	40 cents	31 May 2016
1,450,000	30 cents	30 November 2016
650,000	39 cents	30 November 2017
750,000	21 cents	31 May 2017
200,000	31 cents	31 January 2018
745,000	22 cents	31 May 2018
<b>10,170,000</b>		

### (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)

	2014		2013	
	No.	WAEP (cents)	No.	WAEP (cents)
Options outstanding at the start of the year	9,475,000	93.6	8,075,000	109.4
Options granted during the year	945,000	23.9	2,950,000	30.0
Options exercised during the year	–	–	–	–
Options expiring unexercised during the year	(250,000)	59.4	(1,550,000)	55.2
Options outstanding at the end of the year	10,170,000	87.8	9,475,000	93.6

### Weighted average contractual life

The weighted average contractual life for un-exercised options is 18.1 months (2013: 27.5 months).

# Notes to the Financial Statements continued

For the financial year ended 30 June 2014

## Note 17 Options and share based payments continued

*(e) Subsequent to the balance date continued*

### **Basis and assumptions used in the valuation of options.**

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

Date granted	Number of options granted	Exercise price (cents)	Expiry date	Risk free interest rate used	Volatility applied	Option valuation
17 February 2014	200,000	31	31 January 2018	3%	98.5%	\$19,558
27 June 2014	745,000	22	31 May 2018	2.99%	96.4%	\$52,202

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

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

## Note 18 Reserves and accumulated losses

	Consolidated			
	2014	Equity remuneration reserve (i)	2014	2013
	Accumulated losses	reserves (i)	Accumulated losses	Equity remuneration reserve (i)
	\$	\$	\$	\$
Balance at the beginning of the year	(11,429,023)	2,737,091	(10,178,761)	2,780,039
Loss for the period	(484,481)	–	(1,566,249)	–
Movement in equity remuneration reserve				
in respect of options issued	–	71,760	–	273,039
Transfer to accumulated losses on cancellation of options	41,329	(41,329)	315,987	(315,987)
Balance at the end of the year	(11,872,175)	2,767,522	(11,429,023)	2,737,091

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

## Note 19 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 12.

### **Interest rate risk**

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

	Carrying amount (\$)	
	2014	2013
<b>Fixed rate instruments</b>		
Financial assets	–	–
<b>Variable rate instruments</b>		
Financial assets	3,836,543	4,806,657

## Note 19 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 \$
2014				
Variable rate instruments	38,365	(38,365)	38,365	(38,365)
2013				
Variable rate instruments	48,066	(48,066)	48,066	(48,066)

### 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 or less \$	6-12 months \$	1-2 years \$	2-5 years \$	More than 5 years \$
2014							
Trade and other payables	954,866	954,866	954,866	–	–	–	–
	954,866	954,866	954,866	–	–	–	–
2013							
Trade and other payables	651,670	651,670	651,670	–	–	–	–
	651,670	651,670	651,670	–	–	–	–

### 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:

	2014		Consolidated		2013	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Cash and cash equivalents	3,836,543	3,836,543	4,806,657	4,806,657		
Trade and other payables	(954,866)	(954,866)	(651,670)	(651,670)		
	2,881,677	2,881,677	4,154,987	4,154,987		

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

# Notes to the Financial Statements continued

For the financial year ended 30 June 2014

## Note 20 Dividends

No dividends were paid or proposed during the financial year ended 30 June 2014 or 30 June 2013.

The Company has no franking credits available as at 30 June 2014 or 30 June 2013.

## Note 21 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:

	2014 \$	2013 \$
Total short-term employment benefits	691,958	661,692
Total share based payments	–	204,506
Total post-employment benefits	64,006	59,552
	<b>755,964</b>	<b>925,750</b>

## Note 22 Remuneration of auditors

Audit and review of the Company's financial statements

33,000

28,500

Other services

–

–

Total

**33,000**

**28,500**

## Note 23 Contingencies

### *(i) Contingent liabilities*

There were no material contingent liabilities not provided for in the financial statements of the Group as at 30 June 2014 or 30 June 2013 other than:

#### *Yeneena Project Gold Claw-back*

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

#### *Native Title and Aboriginal Heritage*

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

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

#### *Bank guarantees*

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

- \$22,629 in relation to the lease over the Company's office premises at Level 7, 600 Murray Street, West Perth; and
- \$34,000 environmental bond over tenement E51/1127. The tenement was relinquished in the 2013 financial year and the Company is in the process of cancelling the guarantee.

### *(ii) Contingent assets*

There were no material contingent assets as at 30 June 2014 or 30 June 2013.

# Notes to the Financial Statements continued

For the financial year ended 30 June 2014

## Note 24 Commitments

### (a) Exploration

The Group has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Group's exploration programmes and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Group have not been provided for in the financial statements and which cover the following twelve month period amount to \$1,371,000 (2013: \$1,249,000).

These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements. This commitment does not include the expenditure commitments which are the responsibility of the joint venture partners.

### (b) Operating Lease Commitments

There are no operating lease commitments as at 30 June 2014 or 30 June 2013. The Company's lease on the premises at Level 7, 600 Murray Street, West Perth is on a month by month basis.

### (c) Contractual Commitment

There are no material contractual commitments as at 30 June 2014 or 30 June 2013 not otherwise disclosed in the Financial Statements.

## Note 25 Related party transactions

Transactions with Directors during the year are disclosed at Note 21 – Key Management Personnel.

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

	2014 \$	2013 \$
Regional Uranium JV	–	7,927
Lake Way Uranium JV	920	3,899

Details of the Company's interests under the joint venture agreements are provided at Note 13.

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

Regional Uranium JV	–	–
Lake Way Uranium JV	23,240	22,358

## Note 26 Events occurring after the balance sheet date

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

	2014 \$	Consolidated 2013 \$
Loss from ordinary activities after income tax	(484,481)	(1,566,249)
Share of management fee to JV not capitalised	138	1,774
Depreciation	9,740	12,844
Exploration cost written off	255,804	907,172
Share based payments expense	71,760	273,039
Gain on sale of exploration assets	–	(20,000)
Contribution to overheads from farm-in partner	(332,789)	(92,245)
EIS grant funding offset against capitalised exploration	175,925	133,699
<i>Movement in assets and liabilities:</i>		
(Increase)/decrease in R&D tax refundable	236,337	(27,087)
(Increase)/decrease in prepaid expenses	–	–
(Increase)/decrease in receivables	(4,793)	20,789
Increase/(decrease) in payables	73,330	(12,459)
Net cash outflow from operating activities	971	(368,723)

## Note 28 Earnings per share

### (a) Basic earnings per share

	2014 Cents	Consolidated 2013 Cents
Loss attributable to ordinary equity holders of the Company	(0.4)	(1.3)

### (b) Diluted earnings per share

Loss attributable to ordinary equity holders of the Company	(0.4)	(1.3)
---	-------	-------

### (c) Loss used in calculation of basic and diluted loss per share

	\$	\$
Consolidated loss after tax from continuing operations	(484,481)	(1,566,249)

### (d) Weighted average number of shares used as the denominator

	No.	No.
Weighted average number of shares used as the denominator in calculating basic and dilutive loss per share	132,543,350	117,007,416

At 30 June 2014 the Company has on issue 10,170,000 (2013: 9,475,000) unlisted options over ordinary shares that are not considered to be dilutive.

# Notes to the Financial Statements continued

For the financial year ended 30 June 2014

	2014 \$	Company 2013 \$
<b>Note 29 Parent entity information</b>		
<i>Financial position</i>		
<b>Assets</b>		
Current assets	3,983,107	4,894,955
Non-current assets	18,703,922	17,881,203
Total Assets	22,687,029	22,776,158
<b>Liabilities</b>		
Current liabilities	1,370,623	783,621
Total Liabilities	1,370,623	783,621
<b>NET ASSETS</b>	<b>21,316,406</b>	<b>21,992,537</b>
<b>Equity</b>		
Issued Capital	31,113,384	31,113,384
Equity remuneration reserve	2,767,522	2,737,091
Accumulated losses	(12,564,500)	(11,857,938)
<b>TOTAL EQUITY</b>	<b>21,316,406</b>	<b>21,992,537</b>
<i>Financial performance</i>		
Loss for the year	(747,891)	(1,803,335)
Other comprehensive income	-	-
Total comprehensive income	(747,891)	(1,803,335)

#### *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 23.

#### *Commitments*

For full details of commitments see Note 24.

# Directors' Declaration

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

- (a) the financial statements and notes set out on pages 36 to 64 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) give a true and fair view of the financial position as at 30 June 2014 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 2014.

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

Signed at Perth this 18th day of September 2014.



**W Robinson**  
Managing Director

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

### Report on the Financial Report

We have audited the accompanying financial report of Encounter Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

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

*Auditor's Opinion*

In our opinion:

- (a) the financial report of Encounter Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 28 to 33 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion, the Remuneration Report of Encounter Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.



CROWE HORWATH PERTH



SEAN MCGURK  
Partner

Signed at Perth, 18 September 2014

# ASX Additional Information

Pursuant to the Listing Requirements of the Australian Securities Exchange, the shareholder information set out below was applicable as at 29 September 2014.

## A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of shareholders	Securities held
1 – 1,000	104	50,213
1,001 – 5,000	248	781,137
5,001 – 10,000	170	1,412,792
10,001 – 100,000	460	16,755,493
More than 100,000	169	113,543,715
<b>Totals</b>	<b>1,151</b>	<b>132,543,350</b>

There are 153 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:

Shareholder Name	Issued Ordinary Shares	
	Number of shares	Percentage of shares
William Michael Robinson	22,168,328	16.73%
Eye Investment Fund Limited	11,247,698	8.49%
Antofagasta Investment Company Limited	9,241,931	7.49%

## C. Twenty Largest Shareholders

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

Shareholder Name	Listed Ordinary Shares	
	Number of shares	Percentage of Shares
William Michael Robinson	16,216,900	12.24%
HSBC Custody Nominees Australia Limited	11,368,313	8.54%
Citicorp Nominees Pty Ltd	10,020,624	7.56%
Sundin Pty Ltd	5,580,000	4.21%
Stone Poneys Nominees Pty Ltd <Chapman Investment Fund>	4,650,000	3.51%
Solvista Pty Ltd	4,650,000	3.51%
HSBC Custody Nominees Australia Limited	3,850,000	2.90%
HSBC Custody Nominees Australia Limited	3,014,382	2.27%
Jorge Bernhard	2,107,375	1.59%
Samantha Hogg	1,850,000	1.40%
Domain Investment Holdings	1,770,923	1.34%
Willstreet Pty Ltd	1,700,000	1.28%
J C O'Sullivan Pty Ltd	1,400,000	1.06%
Charles Robinson	1,200,000	0.91%
Thirty-fifth Celebrations Pty Ltd	1,071,428	0.81%
James Wallace Hope	1,000,000	0.75%
Tetramin Pty Ltd	1,000,000	0.75%
Stone Poneys Nominees Pty Ltd <Chapman Super Fund>	927,500	0.70%
Kiki Super Fund	914,442	0.69%
Hakuna Matata Inv Pty Ltd	900,000	0.68%
<b>Total</b>	<b>75,191,887</b>	<b>56.74%</b>

## D. Voting Rights

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

## E. Restricted Securities

There are no restricted securities.

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