

26 October 2020

Dear Shareholders,

ANNUAL GENERAL MEETING – NOTICE AND PROXY FORM

Encounter Resources Limited's (**Encounter or the Company**) 2020 Annual General Meeting is scheduled to be held at The Epworth Room, Trinity on Hampden, 230 Hampden Road, Crawley, Western Australia on 27 November 2020 at 10.00am (AWST) (**Meeting**).

Whilst Encounter intends to proceed with a physical Meeting as proposed, depending on the status of the evolving COVID-19 situation and Government restrictions on public gatherings in place at the time of the Meeting, the Directors may make a decision prior to the Meeting that Shareholders will not be able to attend the Meeting in person.

Accordingly, the Directors **strongly encourage all shareholders to lodge a directed proxy form prior to the Meeting and appoint the Chair as their proxy.**

The Australian government is implementing a wide range of measures to contain or delay the spread of COVID-19. If it becomes necessary or appropriate to make alternative arrangements to those set out in the Company's Notice of Meeting, the Company will notify Shareholders accordingly via the Company's website at www.enrl.com.au and the ASX Company's Announcement Platform at asx.com.au (ASX:ENR). Any Shareholders who plan to physically attend the Meeting should closely monitor these platforms for any updates from the Company in regard to attending the Meeting in person and alternative arrangements.

If Shareholders do not attend the Meeting in person, they will be able to participate by:

- (a) voting their Shares prior to the Meeting by lodging the enclosed proxy form attached to the Notice by no later than 10.00am (AWST) on Wednesday 25 November 2020, as per the instructions on the proxy form; and
- (b) lodging questions in advance of the Meeting by emailing the questions to the Chairman at contact@enrl.com.au by no later than 20 November 2020.

If, in response to Government restrictions on public gatherings, the Company puts in place alternative teleconference or online meeting facilities, detailed instructions on how to access such facilities, will be made available to Shareholders on the Company's website at www.enrl.com.au and the ASX Company's Announcement Platform at asx.com.au (ASX: ENR) prior to the Meeting.

In accordance with subsection 5(1)(f) of the *Corporations (Coronavirus Economic Response) Determination (No. 3) 2020*, the Company will not be dispatching physical copies of the Notice of Meeting and the accompanying Explanatory Statement (**Notice**). Instead, a copy of the Notice will be available electronically under the "ASX announcements" section of the Company's website at <https://www.encounterresources.com.au/investors/>.

As you have not elected to receive notices by email, a copy of your personalised proxy form is enclosed for your convenience.

If you have any difficulties obtaining a copy of the Notice, please contact the Company Secretary on (08) 9316 9100.

Sincerely,

Will Robinson
Managing Director



NOTICE OF ANNUAL GENERAL MEETING

&

EXPLANATORY STATEMENT

To be held

At 10.00am (WST), Friday, 27 November 2020

at

The Epworth Room, Trinity on Hampden,
230 Hampden Road, Crawley WA 6009

6 October 2020

Dear Fellow Encounter Shareholder,

Please find enclosed the Notice of Annual General Meeting for the Shareholders' Meeting to be held at The Epworth Room, Trinity on Hampden, 230 Hampden Road, Crawley WA 6009 at 10.00am (WST) on Friday, 27 November 2020.

Trinity on Hampden offers limited complimentary parking for attendees. Please ensure you display a valid parking permit (issued by Trinity reception) at all times. Free parking is also available on Hampden Road up to a maximum of three hours.

The purpose of the Meeting is to conduct the annual business of the Company, being consideration of the annual financial statements, the remuneration report and in addition seek shareholder approval in accordance with the Corporations Act 2001 and the Listing Rules of the ASX to a number of Resolutions, which are set out in the attached Notice of Meeting paper.

Your Directors seek your support and look forward to your attendance at the meeting.

Yours sincerely

Paul Chapman
Chairman

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Encounter Resources Limited will be convened at 10.00am WST on Friday, 27 November 2020 at The Epworth Room, Trinity on Hampden, 230 Hampden Road, Crawley WA 6009.

AGENDA

1. Discussion of Financial Statements and Reports

To discuss the Financial Report, the Directors' Report and Auditor's Report for the year ended 30 June 2020.

2. Adoption of the Remuneration Report

To consider and, if thought fit, to pass the following Resolution as an **advisory resolution**:

"That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2020."

Voting Prohibition Statement

The Company will disregard any votes cast on Agenda Item 2 by, or on behalf of, a Restricted Voter. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed Resolution; and*
- (b) it is not cast on behalf of a Restricted Voter.*

Further, a Restricted Voter who is appointed as a proxy will not vote on Agenda Item 2 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 2. Shareholders may also choose to direct the Chair to vote against Agenda Item 2, or to abstain from voting.*

3. Re-election of Director – Paul Chapman

To consider and, if thought fit, to approve the following Resolution, with or without amendment, as an **ordinary resolution**:

"That, Mr Paul Chapman, being a Director of the Company, who retires in accordance with the Company's Constitution and ASX Listing Rule 14.4, and being eligible, offers himself for re-election, be re-elected as a Director."

4. Approval of Additional 10% Placement Capacity

To consider and, if thought fit, to approve the following Resolution, with or without amendment, as a **special resolution**:

"That, for the purpose of ASX Listing Rule 7.1A and all other purposes, approval is given for the allotment and issue of Equity Securities totalling up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 4 by, or on behalf of, a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity), or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or*
- (b) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or*
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and*
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.*

ENCOUNTER RESOURCES LIMITED

ABN 47 109 815 796

NOTICE OF ANNUAL GENERAL MEETING

AGENDA (CONTINUED)

5. **Approval to Replace Company Constitution**

To consider and, if thought fit, to approve the following Resolution, with or without amendment, as a **special resolution**:

“That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the Chair of the Meeting for identification purposes, with effect from the close of this Meeting.”

6. **Approval of the Grant of Options in Lieu of Director Fees to Director – Mr Paul Chapman**

To consider and, if thought fit, to approve the following Resolution, with or without amendment, as an **ordinary resolution**:

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for the issue of up to 400,000 Fee Options to Mr Paul Chapman (or his nominee) to subscribe for ordinary shares in the Company, in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 6 by, or on behalf of, Mr Paul Chapman and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity), or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 6 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 6. Shareholders may also choose to direct the Chair to vote against Agenda Item 6, or to abstain from voting.

7. **Approval of the Grant of Options in Lieu of Director Fees to Director – Mr Philip Crutchfield**

To consider and, if thought fit, to approve the following Resolution, with or without amendment, as an **ordinary resolution**:

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for the issue of up to 400,000 Fee Options to Mr Philip Crutchfield (or his nominee) to subscribe for ordinary shares in the Company, in accordance with the terms and conditions set out in the Explanatory Statement.”

NOTICE OF ANNUAL GENERAL MEETING

AGENDA (CONTINUED)

7. Approval of the Grant of Options in Lieu of Director Fees to Director – Mr Philip Crutchfield (Continued)

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 7 by, or on behalf of, Mr Philip Crutchfield and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity), or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 7 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 7. Shareholders may also choose to direct the Chair to vote against Agenda Item 7, or to abstain from voting.

8. Approval of the Grant of Incentive Options to Director – Mr Will Robinson

To consider and, if thought fit, to approve the following Resolution, with or without amendment, as an **ordinary resolution**:

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for the issue of up to 400,000 Incentive Options to Mr Will Robinson (or his nominee) to subscribe for ordinary shares in the Company, in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 8 by, or on behalf of, Mr Will Robinson and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity), or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

NOTICE OF ANNUAL GENERAL MEETING

AGENDA (CONTINUED)

8. Approval of the Grant of Incentive Options to Director – Mr Will Robinson (Continued)

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 8 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 8. Shareholders may also choose to direct the Chair to vote against Agenda Item 8, or to abstain from voting.

9. Approval of the Grant of Incentive Options to Director – Mr Peter Bewick

To consider and, if thought fit, to approve the following Resolution, with or without amendment, as an **ordinary resolution**:

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for the issue of up to 400,000 Incentive Options to Mr Peter Bewick (or his nominee) to subscribe for ordinary shares in the Company, in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 9 by, or on behalf of, Mr Peter Bewick and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity), or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 9 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 9. Shareholders may also choose to direct the Chair to vote against Agenda Item 9, or to abstain from voting.

NOTICE OF ANNUAL GENERAL MEETING

AGENDA (CONTINUED)

10. Approval of the Grant of Incentive Options to Director – Mr Philip Crutchfield

To consider and, if thought fit, to approve the following Resolution, with or without amendment, as an **ordinary resolution**:

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for the issue of up to 170,000 Incentive Options to Philip Crutchfield (or his nominee) to subscribe for ordinary shares in the Company, in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 10 by, or on behalf of, Mr Philip Crutchfield and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity), or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or*
- (b) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or*
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and*
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.*

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 10 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 10. Shareholders may also choose to direct the Chair to vote against Agenda Item 10, or to abstain from voting.*

11. Approval of the Grant of Incentive Options to Director – Mr Paul Chapman

To consider and, if thought fit, to approve the following Resolution, with or without amendment, as an **ordinary resolution**:

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for the issue of up to 170,000 Incentive Options to Mr Paul Chapman (or his nominee) to subscribe for ordinary shares in the Company, in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 11 by, or on behalf of, Mr Paul Chapman and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity), or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or*
- (b) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or*

NOTICE OF ANNUAL GENERAL MEETING

AGENDA (CONTINUED)

11. Approval of the Grant of Incentive Options to Director – Mr Paul Chapman (Continued)

- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
- (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 11 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 11. Shareholders may also choose to direct the Chair to vote against Agenda Item 11, or to abstain from voting.

12. Approval of the Grant of Incentive Options to Director – Dr Jon Hronsky

To consider and, if thought fit, to approve the following Resolution, with or without amendment, as an **ordinary resolution**:

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for the issue of up to 170,000 Incentive Options to Dr Jon Hronsky (or his nominee) to subscribe for ordinary shares in the Company, in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Agenda Item 12 by, or on behalf of, Dr Jon Hronsky and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity), or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement

A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 12 unless:

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 12. Shareholders may also choose to direct the Chair to vote against Agenda Item 12, or to abstain from voting.

NOTICE OF ANNUAL GENERAL MEETING

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act. Details of the definitions and abbreviations used in this Notice are set out in the Glossary to the Explanatory Statement.

VOTING

All Resolutions shall be conducted by poll.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

You may still attend the Meeting and vote in person even if you have appointed a proxy. If you have previously submitted a Proxy Form, your attendance will not revoke your proxy appointment unless you actually vote at the Meeting for which the proxy is proposed to be used, in which case, the proxy's appointment is deemed to be revoked with respect to voting on that Resolution.

Please bring your personalised Proxy Form with you as it will help you to register your attendance at the Meeting. If you do not bring your Proxy Form with you, you can still attend the Meeting but representatives from the Company will need to verify your identity.

COVID-19 HEALTH RESTRICTIONS

The Company is continuously monitoring the ongoing COVID-19 pandemic and is directing particular attention to public health concerns and government limits on gatherings of people. The health and safety of shareholders, personnel and stakeholders remains the highest priority for the Company. In the event that restrictions on public gathering change, the Company will consider the circumstances and any necessary update as regards the meeting arrangements will be provided to shareholders on the Company's website at www.enrl.com.au and the ASX Company's Announcement Platform at asx.com.au (ASX:ENR). This may include the inability of shareholders to physically attend the Meeting.

Accordingly, the Directors strongly encourage all shareholders to lodge a directed proxy form prior to the Meeting and appoint the Chair as their proxy.

NOTICE OF ANNUAL GENERAL MEETING

GENERAL NOTES

1. With respect to Agenda Item 2, the vote on this item is advisory only and does not bind the Directors of the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.
2. The Explanatory Statement to Shareholders attached to this Notice of Annual General Meeting is hereby incorporated into and forms part of this Notice of General Meeting.
3. The Directors have determined in accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that, for the purposes of voting at the meeting, shares will be taken to be held by the registered holders at 5.00pm (WST) on 25 November 2020.

BY ORDER OF THE BOARD



Kevin Hart
COMPANY SECRETARY

Dated this 6th day of October 2020

EXPLANATORY STATEMENT

The purpose of the Explanatory Statement is to provide Shareholders with information concerning all of the Agenda Items in the Notice of Annual General Meeting.

Certain abbreviations and other defined terms are used throughout this Explanatory Statement. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations are set out in the Glossary to the Explanatory Statement.

1. Discussion of Financial Statements & Reports

The Company's financial reports for the financial year ended 30 June 2020, together with the Directors' reports and the auditor's report are placed before the Annual General Meeting thereby giving Shareholders the opportunity to discuss those documents and to ask questions. The auditor will be attending the Annual General Meeting and will be available to answer any questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent audit report;
- the accounting policies adopted by the Company in relation to the preparation of accounts; and
- the independence of the auditor in relation to the conduct of the audit.

Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

2. Adoption of Remuneration Report

Section 250R(2) of the Corporations Act requires the Company to present to its Shareholders the Remuneration Report, as disclosed in the Company's Annual Report.

The Resolution is advisory only and does not bind the Directors or the Company. The Annual Report (together with the Remuneration Report) is available on the Company's website (www.enrl.com.au).

Under the Corporations Act, if at least 25% of the votes cast on the Resolution to Agenda Item 2 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's next Annual General Meeting, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the general meeting (**Spill Meeting**) within 90 days of the Company's Annual General Meeting. All of the Directors who were in office when the Company's Directors' report was approved, other than the Managing Director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The proportion of votes cast in a poll against the adoption of the 2019 Remuneration Report was less than 25% of the total votes cast. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to the Directors and sets out the Company's remuneration arrangements for each of the Directors and senior management of the Company for the financial year ended 30 June 2020. The Remuneration Report is part of the Directors' Report contained in the annual financial report of the Company for the financial year ended 30 June 2020.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

The Board considers that its current practices of setting executive and non-executive remuneration are within normal industry expectations, and provides an effective balance between the need to attract and retain the services of the highly skilled key management personnel that the Company requires. As such the Directors recommend that Shareholders vote in favour of the Resolution to Agenda Item 2.

EXPLANATORY STATEMENT

2. Adoption of Remuneration Report (Continued)

Voting

Note that a voting exclusion applies to Agenda Item 2 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

By appointing the Chair as proxy, and not providing voting directions, you are considered to have expressly authorised the Chair to exercise your proxy, even though the Resolution may be connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolution.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

**3. Re-Election of Director – Mr Paul Chapman
as an Ordinary Resolution**

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.

During the last 3 years, Mr Chapman has been a director of Avanco Resources Limited until its successful takeover by Oz Minerals Limited in August 2018, and Non-Executive Chairman of Black Cat Syndicate Limited and Dreadnought Resources Limited.

Term of Office

Mr Chapman was appointed as a Director of the Company on 7 October 2005.

Independence

The Board of Encounter Resources Limited considers Mr Chapman to be an Independent Director.

Special Responsibilities

Mr Chapman is the Chairman of the Company and a member of the Company's Audit Committee.

Directors' Recommendation

The Board (excluding Mr Chapman) recommends that Shareholders vote in favour of the re-election of Mr Paul Chapman as a Director pursuant to Agenda Item 3.

EXPLANATORY STATEMENT

4. Approval of Additional 10% Placement Capacity
as a Special Resolution

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of the period.

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital without shareholder approval over a 12 month period after the Annual General Meeting at which a resolution for the purposes of Listing Rule 7.1A is passed by special resolution (**Additional 10% Placement Capacity**). The Additional 10% Placement Capacity is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An entity will be eligible to seek approval under Listing Rule 7.1A if: (a) the entity has a market capitalisation of \$300 million or less; and (b) the entity is not included in the S&P ASX 300 Index. The Company's market capitalisation as at 2 October 2020 was \$56.2m and therefore the Board considers that it is an eligible entity for the purposes of Listing Rule 7.1A.

The number of Equity Securities to be issued under the Additional 10% Placement Capacity will be determined in accordance with the formula set out in Listing Rule 7.1A.2.

$$(A \times D) - E$$

Where,

A = Has the same meaning as in Listing Rule 7.1

D = 10%

E = The number of equity securities issued or agreed to be issued under Listing Rule 7.1A2 in the 12 months before the issue date or date of agreement to issue that are not issued with the approval of holders of ordinary securities under Listing Rule 7.1 or 7.4.

The Company is putting Agenda Item 4 to Shareholders to seek approval to issue additional Equity Securities under the Additional 10% Placement Capacity.

This Resolution does not mean that the Company will necessarily utilise the 10% Additional Placement Capacity. Rather, capital markets have recently been in a state of fluctuation and the Directors acknowledge that they may need to act quickly to raise funds when favourable markets emerge. The Company's failure to raise capital, if and when needed, could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities. Under these circumstances, the Additional 10% Placement Capacity will provide flexibility for the Company to issue additional securities, in the event that the Directors determine that the issue of the additional securities is in the interests of the Shareholders and the Company in achieving its objectives.

Listing Rule 7.1A

The effect of Agenda Item 4 will be to permit the Company to issue the Equity Securities under Listing Rule 7.1A during the Additional Placement Period (as defined below) without using the Company's 15% placement capacity under Listing Rule 7.1.

Equity Securities issued under the Additional 10% Placement Capacity must be in the same class as an existing quoted class of Equity Securities of the Company. As at the date of this Notice the Company has quoted securities in the form of Shares on issue.

As at the date of this Notice, the Company has 280,824,968 Shares on issue and therefore, subject to Shareholder approval being obtained under Agenda Item 4, up to 28,082,496 Equity Securities will be permitted to be issued in accordance with Listing Rule 7.1A. Shareholders should note that the calculation of the number of Equity Securities permitted to be issued under the Additional 10% Placement Capacity is a moving calculation and will be based on the formula set out in Listing Rule 7.1A at the time of issue of the Equity Securities. The table on the page below demonstrates various examples as to the number of Equity Securities that may be issued under the Additional 10% Placement Capacity.

The resolution the subject of Agenda Item 4 is a special resolution, requiring approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) in order to be passed.

EXPLANATORY STATEMENT

4. Approval of Additional 10% Placement Capacity (Continued)

Specific information required by Listing Rule 7.3A

The following information in relation to the Shares to be issued is provided to Shareholders for the purposes of Listing Rule 7.3A:

- (a) The Equity Securities issued under the Additional 10% Placement Capacity will be issued at an issue price (being for a cash consideration per security) which is not less than 75% of the volume weighted average price for the Company's Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:
- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the entity and the recipient of the securities; or
 - (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If the Resolution the subject of Agenda Item 4 is approved by Shareholders and the Company issues Equity Securities under the Additional 10% Placement Capacity, the existing Shareholders' economic and voting interests in the Company will be diluted. There is also a risk that:
- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date of the Equity Securities.

The table below shows the dilution of existing Shareholders of the issue of the maximum number of Equity Securities under the Additional 10% Placement Capacity using different variables for the number of ordinary securities for variable "A" (as defined in Listing Rule 7.1A) and the market price of Shares. It is noted that variable "A" is based on the number of ordinary securities the Company has on issue at the time of the proposed issue of Equity Securities.

Variable 'A'	Number of Shares issued and funds raised under the Additional 10% Placement Capacity and dilution effect	Dilution		
		\$0.10 Issue Price at half the current market price	\$0.20 Issue Price at current market price	\$0.40 Issue Price at double the current market price
Current Variable A 280,824,968 Shares	Shares issued	28,082,496	28,082,496	28,082,496
	Funds raised	\$2,808,250	\$5,616,500	\$11,232,999
	Dilution	10%	10%	10%
50% increase in current Variable A 421,237,452 Shares	Shares issued	42,123,745	42,123,745	42,123,745
	Funds raised	\$4,212,375	\$8,424,749	\$16,849,498
	Dilution	10%	10%	10%
100% increase in current variable A 561,649,936 Shares	Shares issued	56,164,993	56,164,993	56,164,993
	Funds raised	\$5,616,500	\$11,232,999	\$22,465,997
	Dilution	10%	10%	10%

ENCOUNTER RESOURCES LIMITED

ABN 47 109 815 796

EXPLANATORY STATEMENT

4. Approval of Additional 10% Placement Capacity (Continued)

Specific information required by Listing Rule 7.3A

The table shows:

- (i) examples of where variable "A" is at its current level, and where variable "A" has increased by 50% and by 100%;
- (ii) examples of where the issue price of ordinary securities is the current market price as at close of trade on 2 October 2020 (current market price), where the issue price is halved, and where it is doubled; and
- (iii) the dilutionary effect will always be 10% if the maximum number of Equity Securities that may be issued under the Additional 10% Placement Capacity are issued.

Note: this table assumes:

- (i) No Options are exercised before the date of the issue of the Equity Securities;
 - (ii) The Company issues the maximum number of Equity Securities under the Additional 10% Placement Capacity and the Equity Securities issued consist only of Shares;
 - (iii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholders' holding at the date of the Annual General Meeting;
 - (iv) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (c) Approval of the Additional 10% Placement Capacity will be valid from the date of the Annual General Meeting and will expire on the earlier of:
- (i) the date that is 12 months after the date of the Annual General Meeting;
 - (ii) the time and date of the Company's next annual general meeting; and
 - (iii) the time and date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(Additional Placement Period).

The Company must issue the Equity Securities under the Additional 10% Placement Capacity for cash consideration. Pursuant to Listing Rule 7.3A.3, if Equity Securities are issued under the Additional 10% Placement Capacity, the Company intends to use the funds to advance its exploration programs, assess and acquire exploration assets and for general working capital purposes.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 upon issue of any Equity Securities.

Technical information required by Listing Rule 14.1A

If Agenda Item 4 is passed, the Company will be able to issue additional Equity Securities up to the combined 25% of its issued share capital over a 12 month period after the Annual General Meeting under ASX Listing Rules 7.1 and 7.1A without any Shareholder approval.

If Agenda Item 4 is not passed the Company will not be able to access the additional 10% capacity to issue equity securities without Shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing Equity Securities without Shareholder approval set out in Listing Rule 7.1.

ENCOUNTER RESOURCES LIMITED

ABN 47 109 815 796

EXPLANATORY STATEMENT

4. Approval of Additional 10% Placement Capacity (Continued)

Specific information required by Listing Rule 7.3A (Continued)

- (d) The Company's allocation policy for the issue of Equity Securities under the Additional 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s), if one were to occur. Securities allotted pursuant to the allocation policy will be determined following consideration of a number of factors including, but not limited to, the following matters:
- (i) the ability of the Company to raise funds at the time of the proposed issue of Equity Securities;
 - (ii) the dilutionary effect of the proposed of the issue of the Equity Securities on existing Shareholders at the time of proposed issued of Equity Securities;
 - (iii) the financial situation and solvency of the Company; and
 - (iv) advice from its professional advisers, including corporate, financial and broking advisers (if applicable).

At the date of this Notice, the Company has not formed an intention as to whether the securities will be offered to existing security holders, or to any class or group of existing security holders, or whether the securities will be offered exclusively to new investors that have not previously been security holders of the Company. The Company will give consideration before making any placement of securities under Listing Rule 7.1A whether the raising of any funds under such placement could be carried out in whole, or in part, by an entitlement offer to existing security holders.

The allottees under the Additional 10% Placement Capacity have not been determined as at the date of this Notice but will not include related parties (or their associates) of the Company.

- (e) The Company previously obtained approval from its Shareholders pursuant to Listing Rule 7.1A at its 2019 Annual General Meeting on 25 November 2019 and the Company has issued nil securities pursuant to that Listing Rule 7.1A approval.

During the 12 month period prior to the date of the 2020 Annual General Meeting, the Company otherwise issued a total of Nil new Shares and 6,200,000 new Options, being a total of 6,200,000 New Equity Securities.

The total amount of 6,200,000 New Equity Securities issued represents approximately 2.2% of the total number of Shares on issue in the Company on 25 November 2019, being 280,824,968.

ENCOUNTER RESOURCES LIMITED

ABN 47 109 815 796

EXPLANATORY STATEMENT

4. Approval of Additional 10% Placement Capacity (Continued)

Information relating to issues of Equity Securities by the Company in the 12 months prior to the date of the 2020 Annual General Meeting is as follows:

Date of Appendix 3B or Appendix 3G	Number of Equity Securities	Class of Equity Securities and summary of terms	Names of recipients or basis on which recipients determined	Issue price of Equity Securities and discount to Market Price ¹ on the trading day prior to the issue	If issued for cash – the total consideration, what it was spent on and the intended use of any remaining funds If issued for non-cash consideration – a description of the consideration and the current value of the consideration
26 November 2019 (Appendix 3B)	5,300,000 unlisted Options	Note 3	900,000 Options issued to certain employees of the Company pursuant to the terms of the Company's Employee Share Option Plan. 4,400,000 Options issued to Directors following Shareholder approval at the 2019 annual general meeting.	Nil issue price. Market price on the trading day prior to the issue was 13.5 cents per Share.	Options issued to employees of the Company for no cash consideration. At the date of this Notice of Meeting the Options have a fair value of \$Nil based on the underlying market value of the Company's Shares at 2 October 2020.
1 July 2020 (Appendix 3G)	900,000 unlisted Options	Note 4	Options issued to certain employees of the Company pursuant to the terms of the Company's Employee Share Option Plan.	Nil issue price. Market price on the trading day prior to the issue was 15.0 cents per Share).	Options issued to employees of the Company for no cash consideration. At the date of this Notice of Meeting the Options have a fair value of \$Nil based on the underlying market value of the Company's Shares at 2 October 2020.

Notes:

1. Market Price means the closing price of ordinary fully paid Shares on ASX (excluding special crossings, overnight sales and exchange traded option exercises).
2. Ordinary fully paid Shares (ENR), terms of which are set out in the Company's constitution.
3. 5,300,000 unlisted Options exercisable at 20 cents each on or before 31 October 2023.
4. 900,000 unlisted exercisable at 22 cents each on or before 30 June 2024.

- (f) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not determined its allocation policy for the issue of Equity Securities under the Additional 10% Placement Capacity. The Company has not approached, and has not yet determined to approach, any particular existing security holders or an identifiable class of existing security holders to participate in an offer under the Additional 10% Placement Capacity, and therefore no Shareholder will be excluded from voting on Agenda Item 4.

Directors' Recommendation

The Board recommends Shareholders vote in favour of Agenda Item 4.

EXPLANATORY STATEMENT

5. Approval to Replace Company Constitution
as a Special Resolution

5.1 Background

On 28 November 2018, ASX released a consultation paper, “Simplifying, clarifying and enhancing the integrity and efficiency of the ASX Listing Rules”, outlining various changes to the ASX Listing Rules taking effect as of 1 December 2019.

Following the changes made on 1 December 2019, ASX requires that listed entities, including the Company, with restricted securities currently on issue or who may issue restricted securities at some future time, amend their constitutions to align with the proposed modified ASX escrow regime set out in section 5.2 of the Explanatory Statement set out below.

Agenda Item 5 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

This will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in 2004, and provided to ASX on admission to the ASX Official List in March 2006.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- (i) updating the name of the Constitution to that adopted in 2004;
- (ii) updating references to bodies or legislation which have been renamed (eg references to the Australian Settlement and Transfer Corporation Pty Ltd, ASTC Settlement Rules and ASTC Transfer); and
- (iii) expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments will not have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary (+61 8 9316 9100). Shareholders are invited to contact the Company if they have any queries or concerns.

5.2 Summary of Material Proposed Changes

Restricted Securities (Clause 2.12)

The Proposed Constitution complies with the changes to ASX Listing Rule 15.12. Under this change, ASX will require certain more significant holders of restricted securities and their controllers (such as related parties, promoters, substantial holders, service providers and their associates) to execute a formal escrow agreement in the form Appendix 9A, as is currently the case. However, for less significant holdings (such as non-related parties and non-promoters), ASX will instead permit the Company to issue restriction notices to holders of restricted securities in the form of a new Appendix 9C advising them of the restriction rather than requiring signed restriction agreements.

Minimum Shareholding (Clause 3)

Clause 3 of the Constitution outlines how the Company can manage shareholdings which represent an “unmarketable parcel” of shares, being a shareholding that is less than \$500 based on the closing price of the Company’s Shares on ASX as at the relevant time.

The Proposed Constitution is in line with the requirements for dealing with “unmarketable parcels” outlined in the Corporations Act such that where the Company elects to undertake a sale of unmarketable parcels, the Company is only required to give one notice to holders of an unmarketable parcel to elect to retain their shareholding before the unmarketable parcel can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

Clause 3 of the Proposed Constitution continues to outline in detail the process that the Company must follow for dealing with unmarketable parcels.

EXPLANATORY STATEMENT

5. Approval to Replace Company Constitution (Continued)

5.2 Summary of Material Proposed Changes (Continued)

Fee for Registration of Off-Market Transfers (Clause 8.4(c))

On 24 January 2011, ASX amended ASX Listing Rule 8.14 with the effect that the Company may now charge a “reasonable fee” for registering paper-based transfers, sometimes referred to as “off-market transfers”.

Clause 8.4 of the Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

Direct Voting (Clause 13, Specifically Clauses 13.35 – 13.40)

The Proposed Constitution includes a new provision which allows Shareholders to exercise their voting rights through direct voting (in addition to exercising their existing rights to appoint a proxy). Direct voting is a mechanism by which Shareholders can vote directly on resolutions which are to be determined by poll. Votes cast by direct vote by a Shareholder are taken to have been cast on the poll as if the Shareholder had cast the votes on the poll at the meeting. In order for direct voting to be available, Directors must elect that votes can be cast via direct vote for all or any resolutions and determine the manner appropriate for the casting of direct votes. If such a determination is made by the Directors, the notice of meeting will include information on the application of direct voting.

Rotation of Directors (Clause 14.2)

The Proposed Constitution amends the provision relating to the rotation of Directors at the Company’s Annual General Meeting each year to align with the Company’s obligations under the Listing Rules and to prevent certain Directors needing to be re-elected within the three year period permitted by the Listing Rules just to comply with the Company’s Constitution.

Remuneration of Non-Executive Directors (Clause 14.7)

The Proposed Constitution amends the provision relating to the amounts that may be paid to Non-Executive Directors to clarify what may be paid to Non-Executive Directors and what may be included in those amounts.

The amendment also sets an initial limit in the Constitution of \$300,000 as a total amount payable to Non-Executive Directors. While the Board has no present intention to pay its Non-Executive Directors this amount, the Board believes it provides the Company with adequate coverage under the Constitution if the circumstances of the Company change and more Non-Executive Directors are appointed or their roles change such that additional fees are deemed appropriate.

This initial limit of fees payable to Non-Executive Directors is consistent with that approved by Shareholders at the 2019 Annual General Meeting.

Partial (Proportional) Takeover Provisions (New Clause 36)

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder’s shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

Information required by Section 648G of the Corporations Act

Effect of Proposed Proportional Takeover Provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

EXPLANATORY STATEMENT

5. **Approval to Replace Company Constitution (Continued)**

5.2 **Summary of Material Proposed Changes (Continued)**

Reasons for Proportional Takeover Provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle and assist in ensuring that any partial bid is appropriately priced.

Knowledge of Any Acquisition Proposals

As at the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages of proportional takeover provisions

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (i) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (ii) assisting in preventing Shareholders from being locked in as a minority;
- (iii) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (iv) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (i) proportional takeover bids may be discouraged;
- (ii) lost opportunity to sell a portion of their Shares at a premium; and
- (iii) the likelihood of a proportional takeover bid succeeding may be reduced.

Recommendation of the Board

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Agenda Item 5.

6. **Information Relating to the Proposed Issue of Options to Directors – Agenda Items 6 to 12**
each as Ordinary Resolutions

Agenda Items 6 to 12 seek Shareholder approval in accordance with Listing Rule 10.11 and Chapter 2E of the Corporations Act for the issue of the Fee Options, to certain Directors of the Company, and the Incentive Options to all of the Directors of the Company, as applicable (**Participating Directors**).

Options to be issued in lieu of payment of Director fees

The Company has recently offered non-executive Directors an annual election to receive cash remuneration or an equivalent amount in unlisted Options. This annual election relates to the remuneration period from 1 December to 30 November of the relevant year. Both Mr Paul Chapman and Mr Philip Crutchfield have elected to receive unlisted Options in lieu of receiving cash remuneration for their services as non-executive Directors with respect to the year 1 December 2020 to 30 November 2021, being the Fee Options (**Fee Options Directors**).

EXPLANATORY STATEMENT

6. Information Relating to the Proposed Issue of Options to Directors – Agenda Items 6 to 12 (Continued)

Technical information required by Listing Rule 14.1A

If Agenda Items 6 and 7 are passed, the Company will be able to issue the Fee Options pursuant to ASX Listing Rule 10.11 to the Fee Options Directors.

If Agenda Items 6 and 7 are not passed, the Company will not proceed with the issue of the Fee Options, and Mr Paul Chapman and Mr Philip Crutchfield will each receive cash remuneration amounting to \$50,000 per annum for their services as Non-Executive Directors for the period 1 December 2020 to 30 November 2021.

Incentive Options

Agenda Items 8 to 12 seek Shareholder approval to allow the Company to issue unlisted Options, being the Incentive Options, to the Participating Directors, being all of the Directors of the Company.

The number of Incentive Options to be granted to each of the Participating Directors has been determined based upon a consideration of:

- (a) the remuneration / fees of the Participating Directors;
- (b) the Directors' wish to ensure that the remuneration / fees offered is competitive with market standards. The Directors have considered the proposed number of Incentive Options to be granted will ensure that the Participating Directors' overall remuneration / fees is in line with market standards; and
- (c) incentives to attract and ensure continuity of service of Directors who have appropriate knowledge and expertise.

The grant of the Incentive Options are considered an appropriate remuneration strategy to align the interests of the individual with those of the Company's strategic plan focusing on optimizing performance with the benefits flowing through to enhanced Shareholder returns, whilst also protecting the Company's cash reserves so that they can be directed towards the Company's operations.

Technical information required by Listing Rule 14.1A

If Agenda Items 8 to 12 are passed, the Company will be able to issue the Incentive Options pursuant to ASX Listing Rule 10.11 to each of the Participating Directors, as incentive-based remuneration.

If Agenda Items 8 to 12 are not passed, the Company will not proceed with the issue of the Incentive Options as applicable to the Agenda item not passed, and the Board may elect to implement alternative remuneration practices, which may be increased cash-based remuneration packages for all Directors, including for executive Directors, alternative short-term incentive arrangements which may be cash or equity based.

Listing Rule 10.11

Listing Rule 10.11 provides that, unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities (including options) to, inter alia, a related party of the company, such as a director, without the Company obtaining the approval of its Shareholders. If Shareholder approval is given under Listing Rule 10.11, Listing Rule 7.2, Exception 14 provides that Shareholder approval is not required under Listing Rule 7.1.

The issue of the Fee Options and the Incentive Options falls within Listing Rule 10.11.1 as the Participating Directors are related parties of the Company by virtue of being Directors of the Company and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of the Company's Shareholders under Listing Rule 10.11.

Agenda Items 6 to 12 seek the required Shareholder approval to issue the Fee Options and Incentive Options under and for the purposes of Listing Rule 10.11.

EXPLANATORY STATEMENT

6. Information Relating to the Proposed Issue of Options to Directors – Agenda Items 6 to 12 (Continued)

Corporations Act - Chapter 2E

Pursuant to Chapter 2E of the Corporations Act, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The proposed issue of the Options constitutes giving a financial benefit, and Messrs Chapman, Robinson, Bewick, Hronsky and Crutchfield are related parties of the Company by virtue of being current Directors.

Relevantly, there is an exception if the company first obtains the approval of its shareholders in a general meeting in circumstances where certain requirements specified in Chapter 2E in relation to the convening of that meeting have been met or where the financial benefit constitutes objectively reasonable remuneration.

Further, section 195(1) provides that a director of a public company who has a material personal interest in a matter that is being considered at a directors' meeting must not be present while the matters are being considered at the meeting or vote on the matter. However, section 195(4) provides that if there are then not enough directors to form a quorum for a directors' meeting, one or more of the directors (including those who have a material personal interest in that matter) may call a general meeting and the general meeting may pass a resolution to deal with the matter.

The Board believes that the issue of the Options to the Directors constitute reasonable remuneration and an appropriate incentive to the Directors. However, in the interests of good governance and in the current market conditions, the Board believes it is appropriate to give Shareholders the right to vote on these Resolutions under the Chapter 2E of the Corporations Act, and section 195(4) of the Corporations Act, approval regime. Accordingly, the Directors have determined the Shareholders should have the opportunity to vote on the giving of the financial benefit pursuant to section 208 and 195(4) of the Corporations Act under each of Agenda Items 6 to 12.

The following information is provided to Shareholders to allow them to assess the proposed Resolutions:

(a) The related party to whom the proposed Resolution would permit the financial benefit to be given and nature of financial benefit.

Subject to Shareholder approval, the Fee Options in lieu of Director fees and Incentive Options will be granted to the following:

<i>Director</i>	<i>Number of Options</i>	<i>Expiry Date</i>	<i>Exercise Price</i>
<i>Fee Options:</i>			
Mr Paul Chapman (or nominee)	400,000 ¹	4 Years from Grant Date	150% of 5 day VWAP prior to Issue Date
Mr Philip Crutchfield (or nominee)	400,000 ¹		
<i>Incentive Options:</i>			
Mr Will Robinson (or nominee)	400,000	4 years from Grant Date	150% of 5 day VWAP prior to Issue Date
Mr Peter Bewick (or nominee)	400,000		
Mr Philip Crutchfield (or nominee)	170,000		
Mr Paul Chapman (or nominee)	170,000		
Dr Jon Hronsky (or nominee)	170,000		

EXPLANATORY STATEMENT

6. Information Relating to the Proposed Issue of Options to Directors – Agenda Items 6 to 12 (Continued)

The Fee Options will have an expiry date as disclosed in the table above and will be issued in accordance with terms and conditions as set out in Schedule 1 of this Explanatory Statement. The Incentive Options will have an expiry date as disclosed in the table above and will be issued in accordance with terms and conditions as set out in Schedule 2 of this Explanatory Statement.

¹ Options are proposed to be issued in lieu of Director fees for the period from 1 December 2020 to 30 November 2021.

The Directors of the Company consider the indicative theoretical value attributable to the Options at a valuation date of 2 October 2020 to be as follows, notwithstanding that the Options will not be issued until after 27 November 2020 being the date of the Annual General Meeting of the Shareholders of the Company.

Fee Options:

<i>Director</i>	<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>	<i>Indicative Value</i>
Paul Chapman	400,000	\$0.30	30 Sept 2024	\$50,340
Philip Crutchfield	400,000	\$0.30	30 Sept 2024	\$50,340

Incentive Options:

<i>Director</i>	<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>	<i>Indicative Value</i>
Will Robinson	400,000	\$0.30	30 Sept 2024	\$50,340
Peter Bewick	400,000	\$0.30	30 Sept 2024	\$50,340
Philip Crutchfield	170,000	\$0.30	30 Sept 2024	\$21,394
Paul Chapman	170,000	\$0.30	30 Sept 2024	\$21,394
Jon Hronsky	170,000	\$0.30	30 Sept 2024	\$21,394

(a) The related party to whom the proposed Resolution would permit the financial benefit to be given and nature of financial benefit (Continued)

The Black and Scholes option valuation methodology was used as a basis for the calculations using the following assumptions:

- (i) The 5 day volume weighted average price of a fully paid Share as at the valuation date of 2 October 2020 was \$0.194.
- (ii) The risk free interest rate used was 0.69% (based on the 5 year Reserve Bank treasury bond rates respectively as at 1 October 2020).
- (iii) A volatility factor of 107% was used to value the options as determined using the daily closing share prices for the last 12 months.
- (iv) The Black and Scholes option pricing model assumes that the Options the subject of the valuation can be sold on a secondary market. The terms and conditions of the proposed Options state that the Options shall not be listed for official quotation on ASX.
- (v) Any change in the variables applied in the Black and Scholes calculation between the date of the valuation and the date the Options are granted would have an impact on their value.

EXPLANATORY STATEMENT

6. Information Relating to the Proposed Issue of Options to Directors – Agenda Items 6 to 12 (Continued)

(b) Directors' Recommendations

Each Director has a material personal interest in the outcome of Agenda Items 6 to 12 on the basis that all Directors (or their nominees) are to be issued either Fee Options or Incentive Options should the Resolutions to Agenda Items 6 to 12 be passed. For this reason, the Directors do not believe that it is appropriate to make a recommendation on Agenda Items 6 to 12.

Agenda Items 6,7, 10, 11 and 12 propose the issue of either Fee Options or Incentive Options to Non-Executive Directors, which is not consistent with the Recommendations of the ASX Corporate Governance Council (Principle 8) 4th Edition. The Executive Directors consider that the proposed issue of Fee Options and Incentive Options to Non-Executive Directors will align their interests with those of existing security holders in general, but are not likely to lead to bias in their decision making or compromise their objectivity.

(c) Directors' Interest

Mr Chapman has a material personal interest in the outcome of the Resolutions the subject of Agenda Items 6 and 11 as the recipient of Fee Options and Incentive Options.

Mr Crutchfield has a material personal interest in the outcome of the Resolutions the subject of Agenda Items 7 and 10 as the recipient of Fee Options and Incentive Options.

Mr Robinson has a material personal interest in the outcome of the Resolution the subject of Agenda Item 8 as the recipient of Incentive Options.

Mr Bewick has a material personal interest in the outcome of the Resolution the subject of Agenda Item 9 as the recipient of Incentive Options.

Dr Hronsky has a material personal interest in the outcome of the Resolution the subject of Agenda Item 12 as the recipient of Incentive Options.

A voting exclusion and a voting prohibition apply to each Director in respect of voting at this Annual General Meeting in respect of the Resolutions in which they have a direct material personal interest.

(d) Terms and Conditions of Options

Options to be issued in lieu of payment of Director fees

The terms and conditions of the Fee Options proposed to be granted to the Fee Options Directors are included at Schedule 1 of this Explanatory Statement.

Options to be issued to Directors as incentives

The terms and conditions of the Incentive Options proposed to be granted to the Participating Directors are included at Schedule 2 of this Explanatory Statement.

The Options will also have the following specific terms:

1. the key terms, as set out in section 6(a) of this Explanatory Statement above; and
2. the benefit of the cashless exercise facility on the terms and conditions set out in Schedules 1 and 2 of this Explanatory Statement, as applicable to the Fee Options and the Incentive Options respectively.

EXPLANATORY STATEMENT

6. Information Relating to the Proposed Issue of Options to Directors – Agenda Items 6 to 12 (Continued)

(e) Other information reasonably required by the members to make a decision and that is known to the Company or any of its Directors

Options to be issued in lieu of payment of Director fees

Mr Chapman and Mr Crutchfield have elected to receive Options in lieu of receipt of cash-based director fees for their services as Directors of the Company, being the Fee Options. The number of Fee Options proposed to be issued has been determined by reference to a Black-Scholes option valuation undertaken at 1 October 2020 using model inputs stated in section 6(a) of the Explanatory Statement.

Options to be issued to Directors as incentives

The Incentive Options form part of the Company's long term incentive for employees and are to be granted in addition to the total fixed remuneration/fees set out below. The exercise price of the Incentive Options is linked to improved Share price performance. Importantly, this provides ongoing incentive to increase Shareholder value over time and the exercise price reflects levels in excess of the current market price of the Company's Shares.

The number of Incentive Options to be issued to the Directors has been determined based on the reasons outlined in the Director's recommendation to Shareholders at section 6(b) of the Explanatory Statement. The number of Incentive Options has also been determined having regard to less tangible factors such as alignment of interests to the Company. The Incentive Options shall be granted for nil consideration to the Directors (or their respective nominees) and will be issued within one month of the date of the meeting.

Exercise of the Options is allowable immediately after issue, but only likely to occur if there is sustained upward movement in the Company's Share price.

If the Options proposed to be granted to the Directors (or their respective nominees) under Agenda Items 6 to 12 are exercised, the Company's issued Share capital would increase by a maximum of 2,110,000 Shares to a total of issued Share capital of 282,934,968 Shares (assuming no other Shares are issued or outstanding Options are exercised), and will represent a maximum of approximately 0.75% of the total issued capital of the Company on a fully diluted basis. The maximum dilution stated is calculated based on all of the Options being exercised by payment of the exercise price in full.

Should any of the Directors elect to utilise the cashless exercise provisions, pursuant to Rule 1.10 of the terms in both Schedules 1 and 2 to the Explanatory Statement, this would result in a lesser number of Shares to be issued, and a reduction in the funds receivable by the Company, on the exercise of the Incentive Options.

As at 2 October 2020 the issued capital of the Company comprised the following Shares and Options:

280,824,968	<i>Ordinary fully paid shares.</i>
-------------	------------------------------------

<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
1,850,000	13 cents	24 November 2020
750,000	17.5 cents	24 November 2021
675,000	10.5 cents	1 November 2021
725,000	10 cents	31 May 2022
3,150,000	9 cents	30 November 2022
1,500,000	12 cents	30 November 2023
5,300,000	20 cents	31 October 2023
900,000	22 cents	30 June 2024

EXPLANATORY STATEMENT

6. Information Relating to the Proposed Issue of Options to Directors – Agenda Items 6 to 12 (Continued)

(e) Other information reasonably required by the members to make a decision and that is known to the Company or any of its Directors (cont'd)

The following table sets out the current relevant interests in Shares and Options of the Directors:

<i>Director</i>	<i>Relevant Interest in Shares</i>	<i>Relevant Interest in Options</i>
Paul Chapman	9,422,500	1,000,000
Will Robinson	25,169,098	700,000
Peter Bewick	7,200,000	5,200,000
Jon Hronsky	200,000	1,800,000
Philip Crutchfield	2,514,241	1,700,000

Details of the nature and amount of each major element of the emoluments of the Directors for the financial year ended 30 June 2020, as detailed in the 2020 Annual Financial Statements is as follows:

<i>Director</i>	<i>Short Term Remuneration</i>	<i>Superannuation</i>	<i>Value of Options</i>	<i>Total</i>
	\$	\$	\$	\$
Paul Chapman ¹	23,333	2,217	70,800	96,350
Will Robinson	277,942	25,122	49,560	352,624
Peter Bewick	280,814	25,395	49,560	355,769
Jon Hronsky	50,000	4,750	21,240	75,990
Philip Crutchfield ¹	4,167	396	120,360	124,923

^{1.} Mr Chapman's and Mr Crutchfield's Options issued in the 2020 financial year include an amount of \$49,560 each in respect of Options issued in lieu of cash director fees.

If the market price of the Company's Shares is in excess of the exercise price of the Options it is likely that the Options will be exercised. A benefit would accrue on the exercise of the Options by the payment of the amount determined under this Notice and the sale of the Shares for an amount in excess of these amounts.

In the 12 months preceding the date of this Notice the highest and lowest market prices of the Company's Shares were as follows:

	Date	Price of Company's Shares on ASX
Highest price	25 October 2019	23.5 cents
Lowest Price	24 March 2020	6.5 cents

The closing market price of the Company's Shares on the day before the date of this Notice was:

Date	Closing price of Company's Shares on ASX
5 October 2020	22.5 cents

The Directors do not consider there are opportunity costs to the Company or benefits foregone by the Company in issuing the Options. For accounting purposes, the Options will be recognized as an expense.

All Shares issued pursuant to the exercise of Options under Agenda Items 6 to 12 will rank pari passu with the existing Shares on issue.

EXPLANATORY STATEMENT

6. Information Relating to the Proposed Issue of Options to Directors – Agenda Items 6 to 12 (Continued)

There is no other information known to the Directors that is reasonably required by Shareholders to allow them to make a decision whether or not it is in the Company's best interests to pass the Resolutions of Agenda Items 6 to 12.

Information requirements pursuant to Listing Rule 10.13

In addition, the following information is provided in accordance with the notice requirements of Listing Rule 10.13:

- (a) the Options will be granted to :
- (i) Mr Paul Chapman;
 - (ii) Mr Will Robinson;
 - (iii) Mr Peter Bewick;
 - (iv) Dr Jon Hronsky; and
 - (v) Mr Philip Crutchfield,
- or their respective nominees.
- (b) each of the Participating Directors are related parties of the Company due to their directorship pursuant to Listing Rule 10.11.1;
- (c) the maximum number of equity securities to be granted is 2,110,000 Options, as follows:

Agenda Item 6	400,000 Fee Options
Agenda Item 7	400,000 Fee Options
Agenda Item 8	400,000 Incentive Options
Agenda Item 9	400,000 Incentive Options
Agenda Item 10	170,000 Incentive Options
Agenda Item 11	170,000 Incentive Options
Agenda Item 12	170,000 Incentive Options

- (d) each of the Participating Directors has a material personal interest in Agenda Items 6 to 12 in the manner described at section 6(c) of the Explanatory Statement above;
- (e) details of the terms of the Options are as noted in section 6(d) of the Explanatory Statement above and as per Schedule 1 of the Explanatory Statement with respect to the Fee Options, and Schedule 2 of the Explanatory Statement with respect to the Incentive Options;
- (f) the Options will be granted within 1 month after the date of the Annual General Meeting;
- (g) the Options will be granted for nil consideration and there is no issue price. The purpose of the issue of the Fee Options is to provide consideration in lieu of payment of director fees to the Fee Options Directors. The purpose of the issue of the Incentive Options is to provide part of the Company's long term incentive for employees and are to be granted in addition to the total fixed remuneration set out in section 6(e) of the Explanatory Statement above. As such, no funds will be raised by the grant of the Options;
- (h) the Fee Options and the Incentive Options are intended to remunerate and incentivize each Participating Director, as applicable. Each Participating Directors' remuneration package is set out in section 6(e) of the Explanatory Statement above;
- (i) voting exclusions apply to Agenda Items 6 to 12 and are set out in the Notice of Meeting.

EXPLANATORY STATEMENT

Glossary

Annual General Meeting means the annual general meeting of the Company.

Accounting Standards has the meaning given to that term in the Corporations Act.

Additional 10% Placement Capacity has the meaning set out in section 5 of the Explanatory Statement.

Additional Placement Period has the meaning set out in section 5(c) of the Explanatory Statement.

Annual General Meeting or Meeting means the annual general meeting the subject of the Notice.

Annual Report means the annual report of the Company for the year ended 30 June 2020.

ASX means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors.

Closely Related Party has the meaning given to that term in the Corporations Act.

Company means Encounter Resources Limited ACN 47 109 815 796.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Equity Securities has the meaning as in the Listing Rules.

Explanatory Statement means this Explanatory Statement accompanying the Notice.

Fee Options means the Options to be issued to Mr Paul Chapman and Mr Philip Crutchfield pursuant to Agenda Items 6 and 7 respectively, and on the terms provided in Schedule 1 to this Explanatory Statement.

Incentive Options means the Options to be issued to Mr Will Robinson, Mr Peter Bewick, Mr Philip Crutchfield, Mr Paul Chapman, and Dr Jon Hronsky pursuant to Agenda Items 8, 9, 10, 11, and 12 respectively, and on the terms provided in Schedule 2 to this Explanatory Statement.

Key Management Personnel has the meaning given to that term in the Accounting Standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of the ASX.

Market Value means the value of Shares as determined by the volume weighted average trading price of Shares sold on the ASX over the last 5 trading days immediately before the relevant date.

Marketable Parcel means a marketable parcel as defined by the procedures of the ASX Operating Rules (refer ASX Listing Rules Chapter 19)

New Equity Securities means all securities issued in the 12 months prior to 27 November 2020.

Notice or Notice of Meeting means the notice of annual general meeting accompanying this Explanatory Statement.

Option means an option to acquire a Share.

Optionholder means a holder of an option over unissued shares in the Company.

Plan means the Encounter Resources Limited Employee Share Option Plan.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2020.

Restricted Voter means Key Management Personnel and their Closely Related Parties.

Resolution means a resolution the subject of this Notice.

Share means an ordinary fully paid share in the capital of the Company;

Shareholder means a holder of a Share.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

WST means Australian Western Standard Time.

EXPLANATORY STATEMENT

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS TO BE ISSUED IN LIEU OF DIRECTOR FEES

The following is a summary of the key terms and conditions of the Options to be issued to Participating Directors (**Optionholder**) pursuant to Agenda Items 6 and 7:

1. General
 - 1.1 No monies will be payable for the grant of the Options. Options are issued in lieu of cash director fees for the period 1 December 2020 to 30 November 2021.
 - 1.2 A certificate will be issued for the Options.
 - 1.3 The Options will not be listed for Official Quotation.
 - 1.4 The Options are transferable subject to approval of the Board.
 - 1.5 Each Option shall carry the right to subscribe for one Share upon exercise of the Option.
 - 1.6 The Options shall expire at 5.00pm WST on the Expiry date.
 - 1.7 Subject to clauses 1.6, 2 and 3, the Options may be exercised by the Optionholder at any time, but subject to the prior satisfaction of the Exercise Conditions (if any).
 - 1.8 The Board may, at its discretion, by notice to the Optionholder adjust or vary the terms of an Option, subject to the requirements of the Listing Rules. No adjustment or variation will be made without the consent of the Optionholder if such adjustment or variation would have a materially prejudicial effect upon the Optionholder (in respect of their outstanding Options).
 - 1.9 Options may only be exercised by delivery to the Company Secretary (at a time when the Options may be exercised) of:
 - (a) the certificate for the Options or, if the certificate for the Options has been lost or destroyed, a declaration to that effect, accompanied by an indemnity in favour of the Company against any loss, costs or expenses which might be incurred by the Company as a consequence of its relying on the declaration that the certificate has been lost or destroyed;
 - (b) a notice, in the required form, addressed to the Company and signed by the Optionholder stating that the Optionholder exercises the Options and specifying the number of Options which are exercised; and
 - (c) subject to clause 1.10, payment to the Company of an amount equal to the Exercise Price multiplied by the number of Options which are being exercised unless there is no exercise price payable in respect of the Options to be exercised. Unless clause 1.10 applies, the notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque) by the Expiry Date and subject to the Options the subject of the notice vesting in accordance with any Exercise Conditions stipulated in these terms and conditions.
 - 1.10 In lieu of paying the aggregate Exercise Price to purchase Shares under clause 1.9(c), the Optionholder may, at the Board's sole and absolute discretion, elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula (a Cashless Exercise):

$$A = \frac{B(C - D)}{C}$$

where:

A = the number of Shares (rounded down to the nearest whole number) to be issued to the Optionholder;
B = the number of Shares otherwise issuable upon the exercise of the Options or portion of the Options being exercised;
C = the Market Value of one Share determined as of the date of delivery to the Company Secretary; and
D = the Exercise Price.

- 1.11 Options may be exercised in one or more parcels of any size, provided that the number of Shares issued upon exercise of the number of Options in any parcel is not less than a Marketable Parcel. An exercise of only some Options shall not affect the rights of the Optionholder to the balance of the Options held by the Optionholder.
- 1.12 The Company shall allot the resultant Shares and deliver the holding statements within 10 Business Days of the exercise of the Option.

EXPLANATORY STATEMENT

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS TO BE ISSUED IN LIEU OF DIRECTOR FEES (CONTINUED)

- 1.13 Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
- 1.14 The Company shall, in accordance with the Listing Rules, make application to have Shares allotted pursuant to an exercise of Options listed for Official Quotation, if the Company is listed on the ASX at the time.
2. Lapse of Options
- 2.1 Unless clause 2.2 applies, the Options will lapse immediately and all rights in respect of the Options will be lost when the Expiry Date has passed.
- 2.2 If the term of an Option would otherwise expire outside a Trading Window applicable to the Eligible Participant or the Optionholder, then the term of such Option shall be extended to the close of business on the 10th Business Day during the next Trading Window applicable to the Eligible Participant or the Optionholder.
3. Change in Control Event
- (a) The Company shall give written notice of any proposed Change of Control Event to the Optionholder. Upon the giving of any such notice the Optionholder shall be entitled to exercise, at any time within the 14-day period following the giving of such notice, all or a portion of those Options granted to the Optionholder which are then vested and exercisable in accordance with their terms, as well as any unvested Options which shall become vested and exercisable in connection with the completion of such Change of Control Event. Unless the Board determines otherwise (in its sole and absolute discretion), upon the expiration of such 14 day period, all rights of the Optionholder to exercise any outstanding Options, whether vested or unvested, shall terminate and all such Options shall immediately lapse, expire and cease to have any further force or effect, subject to the completion of the relevant Change of Control Event.
4. Participation Rights
- 4.1 The Optionholder is not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless:
- (a) the Optionholder has become entitled to exercise the Options under clauses 1.6, 2 or 3; and
- (b) the Optionholder does so before the record date for the determination of entitlements to the new issue of securities and participates as a result of being a holder of Shares.
- The Company must give the Optionholder, in accordance with the Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue.
- 4.2 In the event of a bonus issue of Shares being made pro-rata to shareholders (Bonus Issue), the number of Shares issued to an Optionholder on exercise of each Option will include the number of Shares that would have been issued to the Optionholder if the Option had been exercised prior to the record date for the Bonus Issue (Bonus Shares). No adjustment will be made to the Exercise Price. The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank pari passu in all respects with the other Shares of that class on issue at the date of issue of the Bonus Shares.
- 4.3 If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares the Exercise Price shall be reduced according to the formula specified in the Listing Rules.
- 4.4 If, prior to the expiry of any Options, there is a reorganisation (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, then the rights of a Participant (including the number of Options to which each Optionholder is entitled and the Exercise Price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- 4.5 If, prior to the expiry of any Options, a resolution for a members' voluntary winding up of the Company is proposed (other than the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to Optionholder of the proposed resolution. Subject to the Exercise Conditions, the Optionholder may, during the period referred to in the notice, exercise their Options.
- 4.6 The Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.

EXPLANATORY STATEMENT

SCHEDULE 2 – TERMS AND CONDITIONS OF INCENTIVE OPTIONS

The following is a summary of the key terms and conditions of the Options to be issued to Participating Directors (**Optionholder**) pursuant to Agenda Items 8 to 12:

1. General

- 1.1 No monies will be payable for the grant of the Options.
- 1.2 A certificate will be issued for the Options.
- 1.3 The Options will not be listed for Official Quotation.
- 1.4 The Options are transferable subject to the approval of the Board.
- 1.5 Each Option shall carry the right to subscribe for one Share upon exercise of the Option.
- 1.6 The Options shall expire at 5.00pm WST on the Expiry date.
- 1.7 Subject to clauses 1.6, 2 and 3, the Options may be exercised by the Optionholder at any time, but subject to the prior satisfaction of the Exercise Conditions (if any).
- 1.8 The Board may, at its discretion, by notice to the Optionholder adjust or vary the terms of an Option, subject to the requirements of the Listing Rules. No adjustment or variation will be made without the consent of the Optionholder if such adjustment or variation would have a materially prejudicial effect upon the Optionholder (in respect of their outstanding Options).
- 1.9 Options may only be exercised by delivery to the Company Secretary (at a time when the Options may be exercised) of:
 - (a) the certificate for the Options or, if the certificate for the Options has been lost or destroyed, a declaration to that effect, accompanied by an indemnity in favour of the Company against any loss, costs or expenses which might be incurred by the Company as a consequence of its relying on the declaration that the certificate has been lost or destroyed;
 - (b) a notice, in the required form, addressed to the Company and signed by the Optionholder stating that the Optionholder exercises the Options and specifying the number of Options which are exercised; and
 - (c) subject to clause 1.10, payment to the Company of an amount equal to the Exercise Price multiplied by the number of Options which are being exercised unless there is no exercise price payable in respect of the Options to be exercised. Unless clause 1.10 applies, the notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque) by the Expiry Date and subject to the Options the subject of the notice vesting in accordance with any Exercise Conditions stipulated in these terms and conditions.
- 1.10 In lieu of paying the aggregate Exercise Price to purchase Shares under clause 1.9(c), the Optionholder may, at the Board's sole and absolute discretion, elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula (a Cashless Exercise):

$$A = \frac{B(C - D)}{C}$$

where:

A = the number of Shares (rounded down to the nearest whole number) to be issued to the Optionholder;
B = the number of Shares otherwise issuable upon the exercise of the Options or portion of the Options being exercised;
C = the Market Value of one Share determined as of the date of delivery to the Company Secretary; and
D = the Exercise Price.

- 1.11 Options may be exercised in one or more parcels of any size, provided that the number of Shares issued upon exercise of the number of Options in any parcel is not less than a Marketable Parcel. An exercise of only some Options shall not affect the rights of the Optionholder to the balance of the Options held by the Optionholder.
- 1.12 The Company shall allot the resultant Shares and deliver the holding statements within 10 Business Days of the exercise of the Option.

EXPLANATORY STATEMENT

SCHEDULE 2 – TERMS AND CONDITIONS OF INCENTIVE OPTIONS (CONTINUED)

- 1.13 Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
- 1.14 The Company shall, in accordance with the Listing Rules, make application to have Shares allotted pursuant to an exercise of Options listed for Official Quotation, if the Company is listed on the ASX at the time.
2. Lapse of Options
- 2.1 Unless clause 2.2, 2.3 or 2.4 applies, the Options will lapse immediately and all rights in respect of the Options will be lost:
- (a) if the Eligible Participant ceases to be an employee or director of, or to render services to, a member of the Group for any reason whatsoever (including without limitation resignation or termination for cause) and the Exercise Conditions have not been met; or
 - (b) the Exercise Conditions are unable to be met; or
 - (c) the Expiry Date has passed; or
 - (d) the deadline provided for in clause 2.4 has passed, whichever is earlier.
- 2.2 If the term of an Option would otherwise expire outside a Trading Window applicable to the Eligible Participant or the Optionholder, then the term of such Option shall be extended to the close of business on the 10th Business Day during the next Trading Window applicable to the Eligible Participant or the Optionholder.
- 2.3 If the Eligible Participant dies, becomes Permanently Disabled, resigns employment on the basis of retirement from the workforce or is made redundant by the relevant member of the Group, prior to the Expiry Date of any Options granted to the Optionholder (**Ceasing Event**) the following provisions apply.
- (a) the Optionholder or the Optionholder's legal personal representative, where relevant, may exercise those Options which at that date:
 - (i) have become exercisable;
 - (ii) have not already been exercised; and
 - (iii) have not lapsed, in accordance with clause 2.3(c);
 - (b) at the absolute discretion of the Board, the Board may resolve that the Optionholder, or the Optionholder's legal personal representative, where relevant, may exercise those Options which at that date:
 - (i) have not become exercisable; and
 - (ii) have not lapsed,in accordance with clause 2.3(c) and, if the Board exercises that discretion, those unexercisable Options will not lapse other than as provided in clause 2.3(c);
 - (c) the Optionholder or the Optionholder's legal personal representative (as the case may be) must exercise the Options referred to in clause 2.3(a) and, where permitted, clause 2.3(c), not later than the first to occur of:
 - (i) the Expiry Date of the Options in question; and
 - (ii) the date which is 6 months after the Ceasing Event provided that in the case of Options referred to in clause 2.3(b), all Exercise Conditions have been met at that time (unless the Board decides to waive any relevant Exercise Conditions, in its absolute discretion); and
 - (d) Options which have not been exercised by the end of the period specified in clause 2.3(c) lapse immediately at the end of that period and all rights in respect of those Options will thereupon be lost.
- 2.4 Where the Eligible Participant ceases to be an employee or director of, or to render services to, a member of the Group, for any reason whatsoever (including without limitation resignation or termination for cause), prior to the Expiry Date in relation to the Options (**Ceasing Date**) and the Exercise Conditions have been met, the Optionholder will be entitled to exercise options for a period of up to 1 month after the Ceasing Date, after which the Options will lapse immediately and all rights in respect of those Options will be lost.

EXPLANATORY STATEMENT

SCHEDULE 2 – TERMS AND CONDITIONS OF INCENTIVE OPTIONS (CONTINUED)

3. Change in Control Event

- (a) On the occurrence of a Change of Control Event, the Board may in its sole and absolute discretion determine that unvested Options will vest despite the non-satisfaction of any Exercise Conditions and become exercisable in accordance with clause 3(b), with such vesting deemed to have taken place immediately prior to the effective date of the Change of Control Event, regardless of whether or not the employment, engagement or office of the Eligible Participant is terminated or ceases in connection with the Change of Control Event.
- (b) Whether or not the Board determines to accelerate the vesting of any Options, the Company shall give written notice of any proposed Change of Control Event to the Optionholder. Upon the giving of any such notice the Optionholder shall be entitled to exercise, at any time within the 14-day period following the giving of such notice, all or a portion of those Options granted to the Optionholder which are then vested and exercisable in accordance with their terms, as well as any unvested Options which shall become vested and exercisable in connection with the completion of such Change of Control Event. Unless the Board determines otherwise (in its sole and absolute discretion), upon the expiration of such 14 day period, all rights of the Optionholder to exercise any outstanding Options, whether vested or unvested, shall terminate and all such Options shall immediately lapse, expire and cease to have any further force or effect, subject to the completion of the relevant Change of Control Event.

4. Participation Rights

- 4.1 The Optionholder is not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless:
 - (a) the Optionholder has become entitled to exercise the Options under clauses 1.6, 2 or 3; and
 - (b) the Optionholder does so before the record date for the determination of entitlements to the new issue of securities and participates as a result of being a holder of Shares.

The Company must give the Optionholder, in accordance with the Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue.
- 4.2 In the event of a bonus issue of Shares being made pro-rata to shareholders (Bonus Issue), the number of Shares issued to an Optionholder on exercise of each Option will include the number of Shares that would have been issued to the Optionholder if the Option had been exercised prior to the record date for the Bonus Issue (Bonus Shares). No adjustment will be made to the Exercise Price. The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank pari passu in all respects with the other Shares of that class on issue at the date of issue of the Bonus Shares.
- 4.3 If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares the Exercise Price shall be reduced according to the formula specified in the Listing Rules.
- 4.4 If, prior to the expiry of any Options, there is a reorganisation (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, then the rights of a Participant (including the number of Options to which each Optionholder is entitled and the Exercise Price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- 4.5 If, prior to the expiry of any Options, a resolution for a members' voluntary winding up of the Company is proposed (other than the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to Optionholder of the proposed resolution. Subject to the Exercise Conditions, the Optionholder may, during the period referred to in the notice, exercise their Options.
- 4.6 The Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.