



Interim Consolidated Financial Report

**For the Half-Year Ended
31 December 2020**

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Encounter Resources Limited
ABN 47 109 815 796

Directors' Report

The Directors present their interim consolidated report of Encounter Resources Limited and its controlled entity for the half-year ended 31 December 2020.

Directors

The following persons were directors of Encounter Resources Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

Paul Chapman	<i>(Non-Executive Chairman)</i>
Will Robinson	<i>(Managing Director)</i>
Peter Bewick	<i>(Exploration Director)</i>
Jonathan Hronsky	<i>(Non-Executive Director)</i>
Philip Crutchfield	<i>(Non-Executive Director)</i>

Company Secretary

Kevin Hart
Dan Travers

Principal Activities

The principal activity of the Company during the financial year was mineral exploration in Western Australia and project generation in the Northern Territory. There were no significant changes in these activities during the half-year.

Review of Operations

The consolidated net loss after income tax for the half-year was \$738,291 (31 December 2019: \$841,355).

At the end of the half-year the Group had \$7,558,271 (30 June 2020: \$1,865,502) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$14,554,121 (30 June 2020: \$13,963,789).

During the half-year the Company raised approximately \$6.3 million, before costs, from the placement of 33,157,878 shares at \$0.19 per share. The Company also issued 1,580,857 shares on the exercise of options at \$0.13 per share.

Operations during the reporting period were primarily focused on gold and base metals exploration at the Group's projects in Western Australia, and project generation in Western Australia and the Northern Territory.

Matters Subsequent to the End of the Financial Period

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Significant Changes in the State of Affairs of the Group

Other than as stated in this report there has not arisen during or since the end of the financial period any changes in the state of affairs of the Group.

Directors' Report

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is set out on the following page.

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

DATED at Perth this 5th day of March 2021.

A handwritten signature in black ink, appearing to read 'Will Robinson', with a long horizontal flourish extending to the right.

Will Robinson
Managing Director

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Auditor's Independence Declaration

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Encounter Resources Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

**Crowe Perth****Suwarti Asmono**

Partner

Signed at Perth, 5 March 2021

The title 'Partner' conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately-owned organisation and/or its subsidiaries.

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Encounter Resources Limited
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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2020

	Note	Consolidated	
		31 December 2020 \$	31 December 2019 \$
Other income	3	206,792	6,008
Interest income		2,739	18,195
Total revenue		209,531	24,203
Employee expenses		(723,414)	(616,663)
Employee expenses recharged to exploration		593,127	458,127
Equity based remuneration expense		(372,330)	(375,240)
Profit/(loss) on disposal of assets		-	19,545
Gain/(loss) in fair value of financial assets	9	-	122,996
Depreciation expense		(968)	(257)
Corporate expenses		(45,878)	(54,935)
Administration and other expenses		(222,479)	(255,303)
Exploration costs written off and expensed	3	(175,880)	(163,828)
Loss before income tax		(738,291)	(841,355)
Income tax benefit/(expense)		-	-
Loss for the half-year		(738,291)	(841,355)
Other comprehensive income		-	-
Total comprehensive loss for the period		(738,291)	(841,355)
Loss per share			
Basic loss per share (cents)		(0.3)	(0.3)
Diluted loss per share (cents)		(0.3)	(0.3)

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

Encounter Resources Limited
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Consolidated Statement of Financial Position
As At 31 December 2020

		Consolidated	
		31 December 2020	30 June 2020
		\$	\$
	Note		
Current assets			
Cash and cash equivalents		7,558,271	1,865,502
Trade and other receivables		107,042	57,888
Other current assets		108,504	147,994
Total current assets		7,773,817	2,071,384
Non-current assets			
Financial assets	9	768,723	768,723
Property, plant and equipment		80,066	85,195
Capitalised mineral exploration and evaluation expenditure	11	14,554,121	13,963,789
Total non-current assets		15,042,910	14,817,707
Total assets		23,176,727	16,889,091
Current liabilities			
Trade and other payables	10	728,175	241,014
Employee benefits		298,777	313,175
Total current liabilities		1,026,952	554,189
Total liabilities		1,026,952	554,189
Net assets		22,149,775	16,334,902
Equity			
Issued capital	7	49,935,806	43,828,235
Accumulated losses		(28,794,641)	(28,069,977)
Equity remuneration reserve		1,008,610	576,644
Total equity		22,149,775	16,334,902

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

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Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2020

	Consolidated			Total \$
	Issued capital \$	Accumulated losses \$	Equity remuneration reserve \$	
<u>6 months ended 31 December 2019</u>				
Balance at the start of the financial period	42,465,654	(27,011,196)	268,898	15,723,356
Comprehensive loss for the financial period	-	(841,355)	-	(841,355)
Shares issued (net of costs)	1,362,581	-	-	1,362,581
Movement in equity remuneration reserve in respect of options vested	-	-	375,240	375,240
Transfer to accumulated losses on expiry of options	-	56,123	(56,123)	-
Balance at the end of the financial period	43,828,235	(27,796,428)	588,015	16,619,822
<u>6 months ended 31 December 2020</u>				
Balance at the start of the financial period	43,828,235	(28,069,977)	576,644	16,334,902
Comprehensive loss for the financial period	-	(738,291)	-	(738,291)
Shares issued (net of costs)	6,064,560	-	-	6,064,560
Movement in reserves in respect of options vested	-	-	488,604	488,604
Transfer in reserves on exercise and expiry of options	43,011	13,627	(56,638)	-
Balance at the end of the financial period	49,935,806	(28,794,641)	1,008,610	22,149,775

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

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Consolidated Statement of Cash Flows
For the half-year ended 31 December 2020

	Note	Consolidated	
		31 December 2020 \$	31 December 2019 \$
Cash flows from operating activities			
Other income		105	4,528
Government cash flow assistance grants received		67,500	-
Interest received		2,739	18,195
Payments to suppliers and employees		(416,130)	(466,874)
Net cash used in operating activities		(345,786)	(444,151)
Cash flows from investing activities			
Payments for term deposit investments		-	(773,000)
Contributions received from farm-in and joint venture partners		2,135,398	278,250
Contributions received from project generation partners		70,000	-
Proceeds from State Government funded drilling rebate		101,772	-
Payments for exploration and evaluation		(2,439,680)	(1,134,096)
Proceeds from the disposal of plant and equipment		-	19,545
Payments for plant and equipment		(9,768)	(85,198)
Net cash used in investing activities		(142,278)	(1,694,499)
Cash flows from financing activities			
Proceeds from the issue of shares		6,462,497	1,383,741
Payments for costs associated with issues of shares		(281,664)	(21,160)
Net cash from financing activities		6,180,833	1,362,581
Net increase/(decrease) in cash held		5,692,769	(776,069)
Cash at the beginning of the period		1,865,502	2,480,280
Cash at the end of the period		7,558,271	1,704,211

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

Notes to the Interim Financial Statements
For the half-year ended 31 December 2020

Note 1 Basis of preparation of half-year report

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Other than as stated below, the accounting policies and methods of computation adopted in the preparation of the half-year financial report, are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 June 2020.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New or amended Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Critical accounting estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Accounting for capitalised exploration and evaluation expenditure

There is some subjectivity involved in the carrying forward as capitalised or writing off to the Statement of Profit or Loss, exploration and evaluation expenditure, however, management give due consideration to areas of interest on a regular basis and are confident that decisions to either write off or carry forward such expenditure reflect fairly the prevailing situation.

Accounting for share based payments

The values of amounts recognised in respect of share-based payments have been estimated based on the fair value of the equity instruments granted. Fair values of options issued are estimated by using an appropriate option pricing model. There are many variables and assumptions used as inputs into the models. If any of these assumptions or estimates were to change, this could have a significant effect on the amounts recognised.

Notes to the Interim Financial Statements
For the half-year ended 31 December 2020

Note 1 **Basis of preparation of half-year report (continued)**

Principles of consolidation

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

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

No retrospective change in accounting policy or material reclassification has occurred requiring the inclusion of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under AASB 101.

The half year financial report was approved by the Board of Directors on 5th March 2021.

Note 2 Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources. Reportable segments disclosed are based on aggregating operating segments, where the segments have similar characteristics. The Group's sole activity is mineral exploration and resource development wholly within Australia, therefore it has aggregated all operating segments into the one reportable segment being mineral exploration.

The reportable segment is represented by the primary statements forming these financial statements

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Notes to the Interim Financial Statements
For the half-year ended 31 December 2020

Note 3 Loss for the period

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

	31 December 2020 \$	31 December 2019 \$
Other income		
Government cash flow assistance grant income	67,500	-
Contribution to overheads from joint venture, farm-in and project generation partners	138,032	-
Sundry income	1,260	6,008
	206,792	6,008
Exploration costs		
Depreciation of field equipment	13,929	16,502
Exploration costs not capitalised	161,951	147,326
	175,880	163,828
Exploration expenditure written off and expensed		

Note 4 Dividends

No dividends were paid or proposed during the period.

The Company has no franking credits available as at 31 December 2020 or 30 June 2020.

Note 5 Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

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

Note 6 Events occurring after the reporting date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Encounter Resources Limited
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Notes to the Interim Financial Statements
For the half-year ended 31 December 2020

Note 7 Issued capital

During the 6 month period to 31 December 2020 the Company issued 33,157,878 ordinary fully paid shares at 19 cents per share pursuant to a share placement, and issued 1,580,857 shares on the exercise of options.

During the 6 month period to 31 December 2019 the Company issued 18,449,876 ordinary fully paid shares at 7.5 cents per share pursuant to a share placement.

	Issue price	2020 No.	2019 No.	2020 \$	2019 \$
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Share movements during the period

Balance at 1 July		280,824,968	262,375,092	43,828,235	42,465,654
Share placement	\$0.075	-	18,449,876	-	1,383,741
Share placement	\$0.190	33,157,878	-	6,299,997	-
Shares issued on the exercise of options	\$0.130	1,580,857	-	205,511	-
Less share issue costs		-	-	(397,937)	(21,160)
Balance at 31 December		315,563,703	280,824,968	49,935,806	43,828,235

Note 8 Options

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

	31 December 2020 No.	31 December 2019 No.
Options on issue at the start of the financial period	13,950,000	9,725,000
Options issued ¹	4,850,000	5,300,000
Options exercised ²	(1,850,000)	-
Options cancelled on expiry of the exercise period	-	(750,000)
Options on issue at the end of the financial period	16,950,000	14,275,000

¹Details of the options issued and Black-Scholes valuation inputs are as follows:

No of Options	Exercise price	Grant and vesting date	Expiry date	Volatility	Risk free rate	Value of Options
900,000	\$0.22	1 Jul 2020	30 Jun 2024	108%	0.41%	\$87,370
1,500,000	\$0.228	30 Oct 2020	30 Oct 2021	112%	0.69%	\$116,274
2,450,000	\$0.26	27 Nov 2020	26 Nov 2024	110%	0.69%	\$284,960

²Included in the options exercised during the period were 600,000 options exercised pursuant to the cash less exercise provisions included in the terms and conditions. A total of 269,143 shares were foregone in consideration for the cash less exercise of options.

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Notes to the Interim Financial Statements
For the half-year ended 31 December 2020

Note 9 Financial assets

Movement in investments at fair value through profit or loss

	31 December 2020 \$	31 December 2019 \$
<hr/>		

Investment in Hampton Hill Mining NL:

Fair value of investment at the start of the period	768,723	491,982
Movement in fair value of investment	-	122,996
<hr/>		
Fair value of investment at the end of the period ¹	768,723	614,978

¹ The investment in Hampton Hill Mining NL (HHM) is measured by reference to the quoted price of HHM's shares on the Australian Securities Exchange as at 18 February 2020, being the last date that HHM's shares traded. The Company considers that it is appropriate to continue to use this share price to determine the carrying value of its investment in HHM as it is not aware of any matters in the interim period that have adversely affected the underlying assets and liabilities of HHM.

Note 10 Trade and other payables

Included in trade and other payables at 31 December 2020 is an amount of \$194,853 in respect of unspent funds provided by cash call contributions from farm-in and joint venture partners (30 Jun 2020: \$nil).

Note 11 Capitalised mineral exploration and evaluation expenditure

During the half-year ended 31 December 2020 the Group capitalised a total of \$590,332 (2019: \$635,487) net of drilling grants (EIS) invoiced of \$30,000 (2019: \$nil).

Encounter Resources Limited
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Directors' Declaration

The Directors of Encounter Resources Limited ("the Consolidated Entity") declare that:

- (a) the interim financial statements and notes set out on pages 6 to 14 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standard AASB 134 – *Interim Financial Reporting*, and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 31 December 2020 and of the performance for the half-year ended on that date of the Consolidated Entity.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed at Perth this 5th day of March 2021.



Will Robinson
Managing Director

Independent Auditor's Review Report

To the members of Encounter Resources Limited and its controlled entities

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Encounter Resources Limited and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Encounter Resources Limited and its controlled entities does not comply with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

The title 'Partner' conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately-owned organisation and/or its subsidiaries.

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Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Crowe Perth

Crowe Perth



Suwarti Asmono
Partner

Signed at Perth, 5 March 2021