



**Interim Consolidated Financial Report**

**For The Half-Year Ended  
31 December 2015**

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**Encounter Resources Limited**  
**ABN 47 109 815 796**

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**Directors' Report**

The Directors present their interim consolidated report of Encounter Resources Limited and its controlled entity for the half-year ended 31 December 2015.

**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:

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>

**Company Secretary**

Kevin Hart  
Dan Travers

**Review of Operations**

The consolidated net loss after income tax for the half-year was \$1,148,593 (31 December 2014: \$375,843).

At the end of the half-year the Group had \$4,809,722 (30 June 2015: \$1,372,033) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$20,150,497 (30 June 2015: \$19,703,415).

Operations during the reporting period were primarily focused on copper and base metals exploration at the Group's Yeneena Project in the Paterson Province of Western Australia. A total of \$447,082 (2014: \$1,586,843) was incurred on the Group's prospects and a further \$1,556,318 (2014: \$2,149,646) was incurred on behalf of its farm-in partners in respect of arrangements with Antofagasta plc and Hampton Hill NL.

The Company received a total of \$2,416,897 (2014: \$2,167,466) in respect of farm-in contributions pursuant to the farm-in arrangements during the six months to 31 December 2015.

**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 years.

**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 11<sup>th</sup> day of March 2016.

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

**Will Robinson**  
**Managing Director**

## AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Encounter Resources Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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



## CROWE HORWATH PERTH



### SEAN MCGURK

Partner

Signed at Perth, 11 March 2016

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the half-year ended 31 December 2015**

	Note	Consolidated	
		31 December 2015 \$	31 December 2014 \$
Other income	3	255,330	250,996
Interest income		28,396	26,928
<b>Total revenue</b>		<b>283,726</b>	277,924
Employee expenses		(717,555)	(1,017,114)
Employee expenses recharged to exploration		552,920	826,413
Equity based remuneration expense		-	(147,386)
Loss in fair value of financial assets	10	(953,216)	-
Depreciation expense	3	(2,752)	(7,352)
Corporate expenses		(55,651)	(52,559)
Administration and other expenses		(200,053)	(174,347)
Exploration costs written off and expensed	3	(56,012)	(81,422)
<b>Loss before income tax</b>		<b>(1,148,593)</b>	(375,843)
Income tax benefit/(expense)		-	-
<b>Loss for the half-year</b>		<b>(1,148,593)</b>	(375,843)
Other comprehensive Income		-	-
<b>Total comprehensive income for the period</b>		<b>(1,148,593)</b>	(375,843)
<b>Loss per share</b>			
Basic loss per share (cents)		(0.8)	(0.3)
Diluted loss per share (cents)		(0.8)	(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**  
**ABN 47 109 815 796**

**Consolidated Statement of Financial Position**  
**As At 31 December 2015**

		Consolidated	
		31 December 2015 \$	30 June 2015 \$
	Note		
<b>Current assets</b>			
Cash and cash equivalents		4,809,722	1,372,033
Trade and other receivables		20,239	852,086
Other current assets		10,956	15,018
<b>Total current assets</b>		<b>4,840,917</b>	<b>2,239,137</b>
<b>Non-current assets</b>			
Other financial assets	10	614,978	1,568,194
Property, plant and equipment		168,984	204,652
Capitalised mineral exploration and evaluation expenditure		20,150,497	19,703,415
<b>Total non-current assets</b>		<b>20,934,459</b>	<b>21,476,261</b>
<b>Total assets</b>		<b>25,775,376</b>	<b>23,715,398</b>
<b>Current liabilities</b>			
Trade and other payables	11	940,615	668,552
Employee benefits		117,346	125,754
<b>Total current liabilities</b>		<b>1,057,961</b>	<b>794,306</b>
<b>Non-current liabilities</b>			
Employee benefits		121,564	106,569
<b>Total non-current liabilities</b>		<b>121,564</b>	<b>106,569</b>
<b>Total liabilities</b>		<b>1,179,525</b>	<b>900,875</b>
<b>Net assets</b>		<b>24,595,851</b>	<b>22,814,523</b>
<b>Equity</b>			
Issued capital		34,401,834	31,471,913
Accumulated losses		(10,364,961)	(9,306,923)
Equity remuneration reserve		558,978	649,533
<b>Total equity</b>		<b>24,595,851</b>	<b>22,814,523</b>

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

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Consolidated Statement of Changes in Equity**  
**For the half-year ended 31 December 2015**

	<b>Consolidated</b>			Total \$
	Issued capital \$	Accumulated losses \$	Equity remuneration reserve \$	
<b><u>6 months ended 31 December 2014</u></b>				
Balance at the start of the financial period	31,113,384	(11,872,175)	2,767,522	22,008,731
Comprehensive loss for the financial period	-	(375,843)	-	(375,843)
Shares issued (net of costs)	358,529	-	-	358,529
Movement in equity remuneration reserve on the issue of options	-	-	147,386	147,386
Transfer to accumulated losses on expiry of options	-	2,305,022	(2,305,022)	-
<b>Balance at the end of the financial period</b>	<b>31,471,913</b>	<b>(9,942,996)</b>	<b>609,886</b>	<b>22,138,803</b>
<b><u>6 months ended 31 December 2015</u></b>				
Balance at the start of the financial period	31,471,913	(9,306,923)	649,533	22,814,523
Comprehensive loss for the financial period	-	(1,148,593)	-	(1,148,593)
Shares issued (net of costs)	2,929,921	-	-	2,929,921
Transfer to accumulated losses on expiry of options	-	90,555	(90,555)	-
<b>Balance at the end of the financial period</b>	<b>34,401,834</b>	<b>(10,364,961)</b>	<b>558,978</b>	<b>24,595,851</b>

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



**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Consolidated Statement of Cash Flows**  
**For the half-year ended 31 December 2015**

		Consolidated	
		31 December 2015	31 December 2014
Note		\$	\$
<b>Cash flows from operating activities</b>			
Interest received		24,107	26,928
Other income		-	62,239
State Government funded drilling rebate		226,695	97,614
Research and development tax refund		541,241	-
Payments to suppliers and employees		(370,886)	(467,873)
		<b>421,157</b>	<b>(281,092)</b>
<b>Net cash used in operating activities</b>			
<b>Cash flows from investing activities</b>			
Contributions received from farm-in partners	9	2,416,987	2,167,466
Payments for exploration and evaluation		(2,330,376)	(3,566,257)
Payments for plant and equipment		-	(34,088)
		<b>86,611</b>	<b>(1,432,879)</b>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		2,954,097	-
Payments for costs associated with issues of shares		(24,176)	(3,971)
		<b>2,929,921</b>	<b>(3,971)</b>
<b>Net cash used in financing activities</b>			
		<b>3,437,689</b>	<b>(1,717,942)</b>
<b>Net decrease in cash held</b>			
		<b>1,372,033</b>	<b>3,836,543</b>
<b>Cash at the beginning of the period</b>			
		<b>4,809,722</b>	<b>2,118,601</b>
<b>Cash at the end of the period</b>			

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 2015**

**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 condensed 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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report, other than the Group's accounting policy for exploration and evaluation expenditure which has been amended to reflect the Group's policy on accounting for projects subject to farm-in arrangements (amended extract below), are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2015.

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

*Adoption of new and revised accounting standards*

In the half year ended 31 December 2015, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2015. It has been determined by the Group that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2015. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies

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 11<sup>th</sup> March 2016.

**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.

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Interim Financial Statements**  
**For the half-year ended 31 December 2015**

**Note 3 Loss for the period**

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

	<b>31 December 2015 \$</b>	31 December 2014 \$
Depreciation		
Office equipment	<b>(2,752)</b>	(7,352)
Other income		
Farm-in management fees and other income	<b>255,330</b>	228,834
Gain on disposal of plant and equipment	-	22,162
	<b>255,330</b>	250,996
Exploration costs		
Previously capitalised exploration costs written off	<b>(4,687)</b>	-
Depreciation of field equipment	<b>(32,916)</b>	(50,407)
Exploration costs not capitalised	<b>(18,409)</b>	(31,015)
Exploration expenditure written off and expensed	<b>(56,012)</b>	(81,422)

**Note 4 Dividends**

No dividends were paid or proposed during the period.

The Company has no franking credits available as at 31 December 2015 or 31 December 2014.

**Note 5 Contingencies**

*(i) Contingent liabilities*

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

*(ii) Contingent assets*

There were no material contingent assets as at the reporting dates.

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Interim Financial Statements**  
**For the half-year ended 31 December 2015**

**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.

**Note 7 Issued capital**

During the current period the Company undertook the following issues of capital in respect of capital raisings:

- 10,882,858 ordinary fully paid shares (issue price 14 cents per share) and 5,441,429 unlisted options exercisable at 21 cents and expiring 30 September 2018 pursuant to a share placement;
- 2,617,836 ordinary fully paid shares (issue price 14 cents per share) pursuant to a Share Purchase Plan closing on 16 October 2015; and
- 7,600,000 ordinary fully paid shares (issue price 14 cents per share) pursuant to a share placement.

	Issue price	2015 No.	2014 No.	2015 \$	2014 \$
<i>Share movements during the period</i>					
Balance at 1 July		<b>134,543,350</b>	132,543,350	<b>31,471,913</b>	31,113,384
Shares issued in lieu of payment for drilling services	\$0.20	-	1,250,000	-	250,000
Shares issued to acquire interests in exploration assets	\$0.15	-	750,000	-	112,500
Share placement	\$0.14	<b>10,882,858</b>	-	<b>1,523,600</b>	-
Share purchase plan (SPP)	\$0.14	<b>2,617,836</b>	-	<b>366,497</b>	-
Share placement	\$0.14	<b>7,600,000</b>	-	<b>1,064,000</b>	-
Less share issue costs		-	-	<b>(24,176)</b>	(3,971)
Balance at 31 December		<b>155,644,044</b>	134,543,350	<b>34,401,834</b>	31,471,913

**Note 8 Options**

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

- Issue of 5,441,429 unlisted options exercisable at 21 cents each and expiring 30 September 2018, pursuant to a share placement.
- Cancellation of 450,000 unlisted options exercisable at 80 cents each which expired on 30 September 2015.

**Notes to the Interim Financial Statements**  
**For the half-year ended 31 December 2015**

**Note 9 Farm-in arrangements**

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

On 29<sup>th</sup> July 2015 Antofagasta Minerals Perth Pty Ltd entered into a farm-in and joint venture agreement with the Company in respect of granted tenements EL45/4091, EL45/4408, EL45/4230 and EL45/3768 that form part of the Company's wholly owned Yeneena Project. The agreement covers an area of 450km<sup>2</sup> untested exploration ground located in the north-west of the Yeneena Project.

Significant terms of the farm-in arrangement as follows:

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

During the reporting period the Group received cash of \$1,650,538 (in respect of contributions from Antofagasta Minerals Perth Pty Ltd (Antofagasta) pursuant to the farm-in agreement.

During the period the Group incurred, on behalf of its farm-in partner Antofagasta, exploration expenses of \$1,167,717.

Millennium Zinc Project – Hampton Hill NL (HHM)

Details of the Millennium Zinc Project farm-in arrangement are included in the 2015 Annual Financial Statements. As at the date of this report HHM had acquired a 10% interest in the Millennium project pursuant to the Initial Earn-in Phase, and had elected to proceed with the Second Earn-in Phase.

During the reporting period the Group received cash of \$766,359 (in respect of contributions from HHM pursuant to the farm-in agreement.

During the period the Group incurred, on behalf of its farm-in partner HHM, exploration expenses of \$485,388.

Terminated farm-in arrangements

During the period the following farm-in arrangements with 3<sup>rd</sup> parties were terminated.

Antofagasta Yeneena Farm-in – Antofagasta Minerals Perth Pty Ltd (Antofagasta earning-in)

The farm-in and joint venture arrangement with Antofagasta Minerals Perth Pty Ltd was terminated on 29<sup>th</sup> July 2015. Upon termination of the arrangement Encounter Operations retained a 100% interest in the project area, comprising exploration licences EL45/2658 and EL45/2805.

St Barbara Limited (SBM) Farm-in – Encounter Resources Ltd (earning-in)

During the period Encounter notified SBM of its withdrawal from the farm-in arrangement. Upon termination of the arrangement Encounter did not earn an interest in the project areas prior to its withdrawal.

**Encounter Resources Limited**  
**ABN 47 109 815 796**

**Notes to the Interim Financial Statements**  
**For the half-year ended 31 December 2015**

**Note 10 Other financial assets**

Movement in investments designated at fair value through profit or loss

	<b>31 December 2015 \$</b>	31 December 2014 \$
Investment in Hampton Hill Mining NL:		
Fair value of investment at the start of the period	<b>1,568,194</b>	-
Movement in fair value on investment	<b>(953,216)</b>	-
Fair value of investment at the end of the period	<b>614,978</b>	-

**Note 11 Trade and other payables**

	<b>31 December 2015 \$</b>	30 June 2015 \$
Trade and other payables	<b>457,794</b>	609,003
Unspent farm-in contributions <sup>1</sup>	<b>482,821</b>	59,549
	<b>940,615</b>	668,552

Included in trade and other payables as at 31 December 2015 is \$482,821 (30 June 2015: \$59,549) in respect of unspent farm-in contributions. See Note 9 for details of the Group's farm-in arrangements.

**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 2015 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 Consolidated Entity 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 11<sup>th</sup> day of March 2016.



**Will Robinson**  
**Managing Director**

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

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Encounter Resources Ltd and its controlled entity (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of Encounter Resources Ltd 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of Encounter Resources Ltd and its controlled entity financial position as at 31 December 2015 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Encounter Resources Ltd and its controlled entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 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.

*Independence*

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



*Conclusion*

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

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



**CROWE HORWATH PERTH**



**SEAN MCGURK**

Partner

Signed at Perth, 11 March 2016