



Interim Consolidated Financial Report

**For The Half-Year Ended
31 December 2016**

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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 2016.

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 \$383,137 (31 December 2015: \$1,148,593).

At the end of the half-year the Group had \$2,142,516 (30 June 2016: \$3,684,391) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$17,470,874 (30 June 2016: \$16,156,627).

Operations during the reporting period were primarily focused on copper zinc and gold exploration at the Group's Yeneena and Telfer Projects in the Paterson Province of Western Australia. A total of \$1,445,294 (2015: \$447,082) was incurred on the Group's projects and a further \$332,203 (2015: \$1,556,318) was incurred on behalf of its farm-in partners.

The Company received a total of \$283,736 (2015: \$2,416,897) in respect of farm-in contributions pursuant to the farm-in arrangements during the six months to 31 December 2016.

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 3rd day of March 2017.

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 2016, 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****CYRUS PATELL**

Partner

Signed at Perth, 3rd March 2017

Encounter Resources Limited
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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2016

	Note	Consolidated	
		31 December 2016 \$	31 December 2015 \$
Other income	3	87,299	255,330
Interest income		22,774	28,396
Total revenue		110,073	283,726
Employee expenses		(700,913)	(717,555)
Employee expenses recharged to exploration		507,990	552,920
Equity based remuneration expense		(86,709)	-
Gain/(loss) in fair value of financial assets	10	153,745	(953,216)
Depreciation expense	3	(7,060)	(2,752)
Corporate expenses		(46,542)	(55,651)
Administration and other expenses		(194,269)	(200,053)
Exploration costs written off and expensed	3	(119,452)	(56,012)
Loss before income tax		(383,137)	(1,148,593)
Income tax benefit/(expense)		-	-
Loss for the half-year		(383,137)	(1,148,593)
Other comprehensive Income		-	-
Total comprehensive income for the period		(383,137)	(1,148,593)
Loss per share			
Basic loss per share (cents)		(0.3)	(0.8)
Diluted loss per share (cents)		(0.3)	(0.8)

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

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Consolidated Statement of Financial Position
As At 31 December 2016

		Consolidated	
		31 December 2016 \$	30 June 2016 \$
	Note		
Current assets			
Cash and cash equivalents		2,142,516	3,684,391
Trade and other receivables		171,887	307,282
Other current assets		9,268	9,453
Total current assets		2,323,671	4,001,126
Non-current assets			
Other financial assets	10	922,467	768,723
Property, plant and equipment		103,511	133,693
Capitalised mineral exploration and evaluation expenditure		17,470,874	16,156,627
Total non-current assets		18,496,852	17,059,043
Total assets		20,820,523	21,060,169
Current liabilities			
Trade and other payables	11	897,011	856,018
Employee benefits		113,795	123,688
Total current liabilities		1,010,806	979,706
Non-current liabilities			
Employee benefits		124,245	118,063
Total non-current liabilities		124,245	118,063
Total liabilities		1,135,051	1,097,769
Net assets		19,685,472	19,962,400
Equity			
Issued capital		34,421,334	34,401,834
Accumulated losses		(15,157,675)	(14,963,883)
Equity remuneration reserve		421,813	524,449
Total equity		19,685,472	19,962,400

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 2016

	Consolidated			
	Issued capital \$	Accumulated losses \$	Equity remuneration reserve \$	Total \$
<u>6 months ended 31 December 2015</u>				
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)	-
Balance at the end of the financial period	34,401,834	(10,364,961)	558,978	24,595,851
<u>6 months ended 31 December 2016</u>				
Balance at the start of the financial period	34,401,834	(14,963,883)	524,449	19,962,400
Comprehensive loss for the financial period	-	(383,137)	-	(383,137)
Shares issued (net of costs)	19,500	-	-	19,500
Movement in equity remuneration reserve in respect of options vested	-	-	86,709	86,709
Transfer to accumulated losses on expiry of options	-	189,345	(189,345)	-
Balance at the end of the financial period	34,421,334	(15,157,675)	421,813	19,685,472

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 2016

	Note	Consolidated	
		31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities			
Interest received		22,774	24,107
State Government funded drilling rebate		201,806	226,695
Research and development tax refund		194,218	541,241
Payments to suppliers and employees		(438,160)	(370,886)
		(19,362)	421,157
Net cash used in operating activities			
Cash flows from investing activities			
Contributions received from farm-in partners	9	283,736	2,416,987
Payments for exploration and evaluation		(1,802,499)	(2,330,376)
Payments for plant and equipment		(2,000)	-
		(1,520,763)	86,611
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from the issue of shares		-	2,954,097
Payments for costs associated with issues of shares		(1,750)	(24,176)
		(1,750)	2,929,921
Net cash used in financing activities			
		(1,541,875)	3,437,689
Net decrease in cash held			
		3,684,391	1,372,033
Cash at the beginning of the period			
		2,142,516	4,809,722
Cash at the end of the period			

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 2016

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, are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2016.

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 2016, 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 2016. 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 2016. 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 3rd March 2017.

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 2016

Note 3 Loss for the period

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

	31 December 2016 \$	31 December 2015 \$
Depreciation		
Office equipment	(7,060)	(2,752)
Other income		
Farm-in management fees	87,099	255,330
Other income	200	-
	87,299	255,330
Exploration costs		
Previously capitalised exploration costs written off	(536)	(4,687)
Depreciation of field equipment	(25,122)	(32,916)
Exploration costs not capitalised	(93,794)	(18,409)
Exploration expenditure written off and expensed	(119,452)	(56,012)

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 2016.

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.

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Notes to the Interim Financial Statements
For the half-year ended 31 December 2016

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 6 month period to 31 December 2016 the Company issued 250,000 ordinary fully paid shares (Consideration Shares) in part consideration for the acquisition of the East Thomson's Dome gold prospect in the Paterson Province of Western Australia. This has been included within the balance of capitalised exploration expenditure at the period end.

	Issue price	2016 No.	2015 No.	2016 \$	2015 \$
<i>Share movements during the period</i>					
Balance at 1 July		155,644,044	134,543,350	34,401,834	31,471,913
Share placement	\$0.14	-	10,882,858	-	1,523,600
Share purchase plan (SPP)	\$0.14	-	2,617,836	-	366,497
Share placement	\$0.14	-	7,600,000	-	1,064,000
Consideration shares	\$0.085	250,000	-	21,250	-
Less share issue costs		-	-	(1,750)	(24,176)
Balance at 31 December		155,894,044	155,644,044	(34,421,334)	34,401,834

Note 8 Options

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

	31 December 2016 No.	31 December 2015 No.
Options on issue at the start of the financial period	12,286,429	7,370,000
Options issued ¹	2,775,000	5,441,429
Options cancelled on expiry of the exercise period	(1,450,000)	(450,000)
Options cancelled on cessation of employment	(700,000)	-
	12,911,429	12,361,429

¹ Options issued during the period include the following unlisted options issued to employees:

- 2,025,000 options exercisable at 13 cents each expiring 24 November 2020; and
- 750,000 options exercisable at 17.5 cents each expiring 24 November 2021.

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Notes to the Interim Financial Statements
For the half-year ended 31 December 2016

Note 9 Farm-in arrangements

Millennium Zinc Project – Hampton Hill NL (HHM)

Details of the Millennium Zinc Project farm-in arrangement are included in the 2016 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 \$283,736 (2015: \$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 \$332,203 (2015: \$485,388).

Terminated farm-in arrangements

During the period the following farm-in arrangements with third parties were terminated.

Lookout Rocks 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 in September 2016. Upon termination of the arrangement Encounter Operations retained a 100% unencumbered interest in the project area, comprising exploration licences E45/3768, E45/4091, E45/4230 and E45/4408.

Note 10 Other financial assets

Movement in investments designated at fair value through profit or loss

	31 December 2016 \$	31 December 2015 \$
Investment in Hampton Hill Mining NL:		
Fair value of investment at the start of the period	768,723	1,568,194
Movement in fair value on investment	153,744	(953,216)
Fair value of investment at the end of the period	922,467	614,978

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Notes to the Interim Financial Statements
For the half-year ended 31 December 2016

Note 11 Trade and other payables

	31 December 2016 \$	30 June 2016 \$
Trade and other payables	897,011	751,171
Unspent farm-in contributions ¹	-	104,847
	897,011	856,018

Included in trade and other payables as at 31 December 2016 is \$Nil (30 June 2016: \$104,847) 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 2016 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 3rd day of March 2017.



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 2016, the consolidated statement of profit or loss and other 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 2016 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 2016 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



CYRUS PATELL

Partner

Signed at Perth, 3rd March 2017