

ASX : ENR

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Company Announcements Office
Australian Stock Exchange
4th Floor
20 Bridge Street
Sydney NSW 2000

YEELIRRIE CHANNEL EXPLORATION UPDATE

Highlights

- Drilling confirms continuity of near surface uranium mineralisation at Bellah Bore East. Results include;
 - 8m @ 215ppm U₃O₈ from 0m incl. **2m @ 410ppm** U₃O₈ from 1m
 - 10m @ 166ppm U₃O₈ from 0m incl. **2m @ 410ppm** U₃O₈ from 1m
- Aircore drilling program re-commences at Yeelirrie South (Anomaly 5).
- Lake aircore drilling program at Lake Way to commence in February.
- Regional reconnaissance auger program testing 6 projects to commence in late January.

Encounter Resources Ltd is pleased to provide an update on drilling operations at the Yeelirrie Channel project and to outline upcoming drilling activities.

The 32 hole program at **Bellah Bore East** was designed to test for strike repetitions and the continuity of near surface uranium mineralisation reported previously (see ASX announcements 3 July 2006 and 24 July 2006). Assay results and downhole radiometric logging of this phase of drilling has confirmed continuity of uranium mineralisation. The program did not define any significant extension to the zone of mineralisation at Bellah Bore East. Holes that contained an anomalous radiometric response were submitted for chemical analysis. Assay results from these holes are detailed in Table 1.

The drilling at Bellah Bore East has defined an area of near surface uranium mineralisation approximately 500m by 150m and between 2m to 10m thick. With the size potential of the drilled area now defined, exploration efforts will progress onto other target areas within the Yeelirrie Channel project.

Encounter is encouraged by the initial results at Bellah Bore East as it has confirmed the initial hypothesis that satellite uranium occurrences are still to be found within the Yeelirrie Channel.

Drilling recommenced this week at **Yeelirrie South** to complete the 200 hole program that was suspended last year following heavy rains. This phase of the program will test a 15km section of the main channel approximately 40kms down stream of BHPB's Yeelirrie uranium deposit. The majority of this program comprises broad spaced reconnaissance holes with a small number of detailed sections planned over the GSWA regional geochemical anomaly (Anomaly 5).

A specialist lake rig has been secured for February 2007 to complete the lake aircore drill program at **Lake Way**. The immediate focus of the lake drilling is to test the northern extension of the Nova Energy's Centipede uranium resource that has been modelled up to the south west boundary of the Lake Way tenement. A series of regional drill lines are also planned across the 12kms of radiometric anomalism that links Nova's Centipede and Lake Way uranium resources.

In addition to the planned aircore programs at Yeelirrie South and Lake Way a **regional auger drilling program** is due to commence in January. This program will see the completion of over 350 auger holes that have been designed to test a suite of airborne radiometric anomalies across 6 separate project areas (Lake Darlot, Lake Irwin, Lake Rason, McPherson's Bore, Galah Rocks, Walling Rock projects). The aim of this program is to confirm the source of the radiometric anomalism and to provide information that will assist in the future prioritisation of these regional projects.

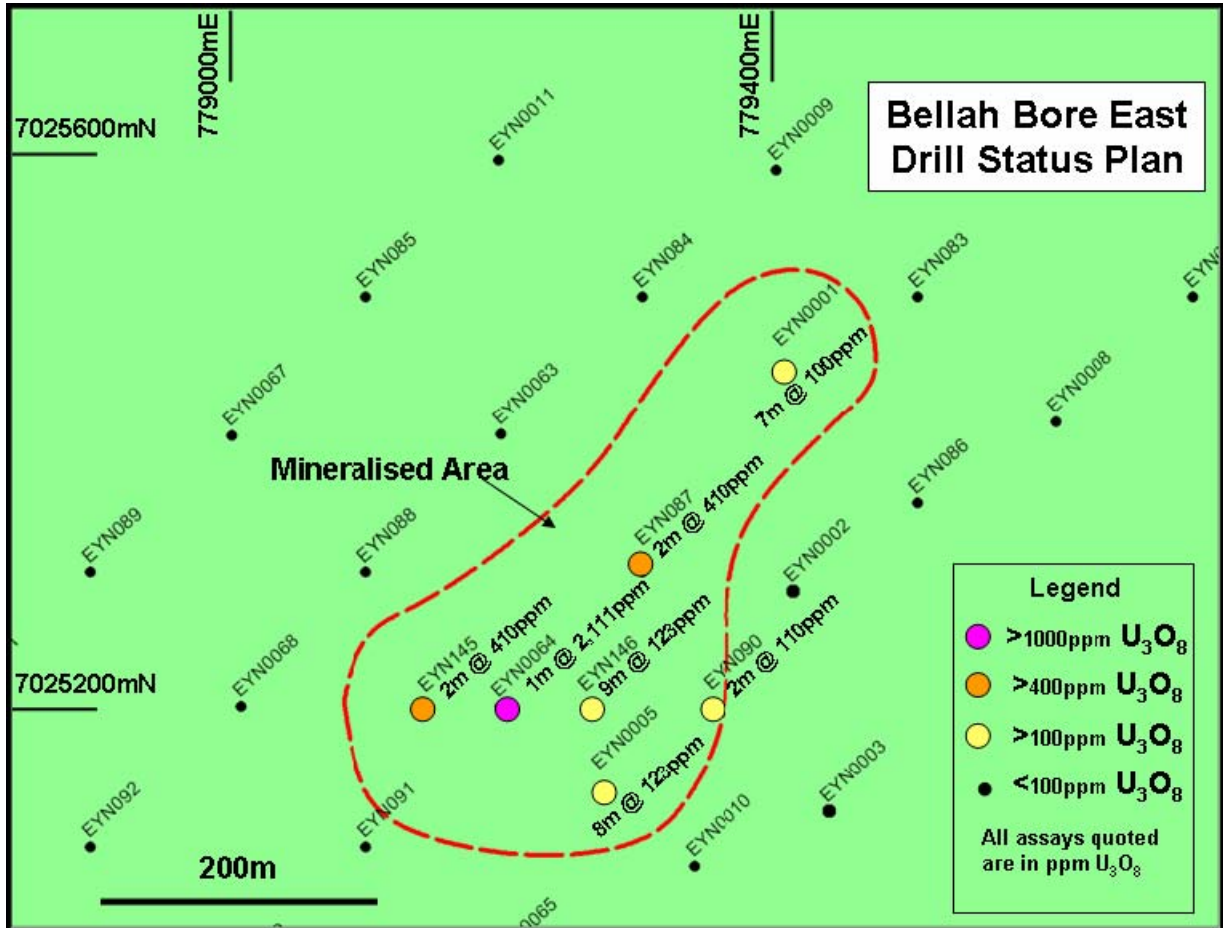
Table 1 Drill hole collar locations and assay results (recent results)

Hole #	Northing	Easting	Dip	Azi	From (m)	To (m)	Width (m)	U ₃ O ₈ (ppm)	V (ppm)
EYN 87	7,025,300	779,300	-90	360	0	10	10	166	38
				incl.	1	3	2	410	89
EYN 90	7,025,200	779,350	-90	360	4	6	2	110	19
EYN 145	7,025,200	779,140	-60	090	0	8	8	215	34
				incl.	1	3	2	410	89
EYN 146	7,025,200	779,260	-60	270	0	9	9	123	17

Table 2 Drill hole collar locations and assay results (reported previously)

Hole #	Northing	Easting	Dip	Azi	From (m)	To (m)	Width (m)	U ₃ O ₈ (ppm)	V (ppm)
EYN 1	7,025,450	779,400	-90	360	1	8	7	100	17
				incl.	5	7	2	165	12
EYN 5	7,025,140	779,220	-90	360	0	8	8	123	49
				incl.	0	3	3	204	66
EYN 64	7,025,200	779,140	-90	360	4	7	3	781	130
				incl.	5	6	1	2111	320

Figure 1 Drill status plan and assay summary - Bellah Bore East Prospect (Yeelirrie Channel Project)



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

For further information please contact:

Mr Will Robinson
 Managing Director
 Encounter Resources Ltd
 Tel: 08 9486 9455
 Mob: 0408 939 958

Encounter Resources Background

Encounter was established in 2004 to assemble a portfolio of strategically located, high quality, uranium projects in Western Australia. Project targeting involved a deliberate, commodity specific program at a time when there was minimal competition in Western Australia.

As a result of this extensive preliminary planning, in conjunction with joint venture partners Avoca Resources Ltd, Encounter now controls the strike continuation of two calcrete uranium deposits in Western Australia, BHP Billiton's Yeelirrie deposit, which is the world's largest; and Nova Energy's Lake Way and Centipede deposits.

In addition to these brownfields exploration projects, Encounter has over 4000km² in tenement holdings in the Yilgarn, the Officer Basin and the Bangemall Basin prospective for calcrete and unconformity style uranium deposits.