

HIGHLIGHTS

Lake Way South

- The initial seventy aircore holes have been completed at Lake Way South project. This program was designed to test series of subtle radiometric anomalies that are located off the lake and to the east of the primary radiometric target. Results from the drilling were encouraging and have defined a 1.2km long zone of near surface uranium anomalism. Assays results include 2m @ 210ppm U₃O₈ and 194ppm vanadium from 7m.
- A suitable drilling rig to test the priority lake targets including the drill program to test the northern extension of the Centipede resource is currently being sourced.
- Encounter completed the earn-in phase of the Lake Way South JV and now holds a 60% interest in the uranium rights with Avoca Resources Ltd holding 40%.

Yeelirrie Channel

- Follow up drilling at Bellah Bore East (Yeelirrie Channel) was recently completed. Downhole radiometric logging and assay results are expected in November.
- Reconnaissance aircore drilling over the Yeelirrie South Geochemical Anomaly (Anomaly 5) and follow up drilling at Middle Bore has commenced.

Lakeview (Leonora Regional)

- A regional ground gravity survey at the Lakeview Project successfully defined the palaeochannel position south of the current surface drainage. A heritage clearance program has commenced with drilling anticipated to commence in early 2007.
- In addition, a high quality diamonds target has been identified in a detailed gravity survey that was completed over a bipolar magnetic anomaly.

Minneritchie Well (Gascoyne)

- Reconnaissance rock chip sampling of a series of radiometric anomalies at Minneritchie Well in the Gascoyne District returned assays of up to 165ppm uranium within a haematite altered metasediment

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EXPLORATION

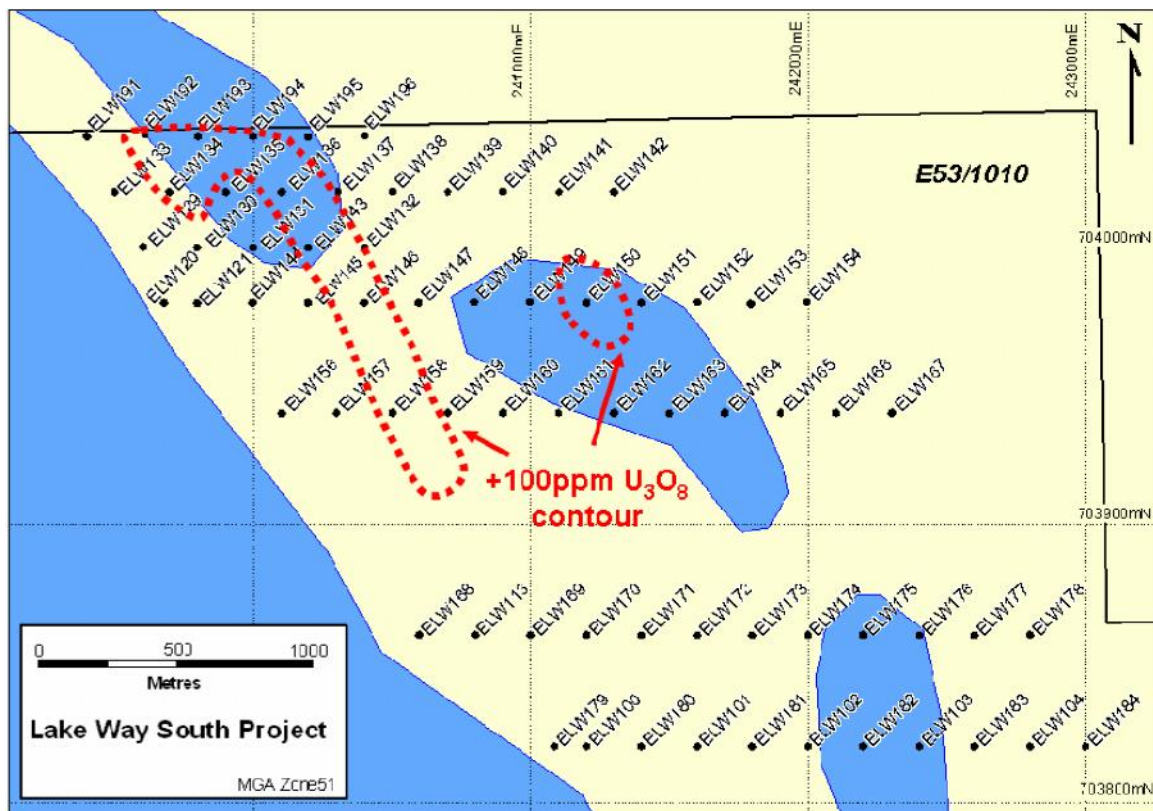
Encounter Resources Ltd has an extensive uranium exploration portfolio secured as a result of a deliberate, commodity specific targeting program that commenced in 2004. Encounter is accelerating its exploration activities with progress in the September quarter summarised below.

LAKE WAY SOUTH (Encounter 60%, Avoca 40% of the uranium rights only)

A seventy hole aircore drill program was completed along the north eastern margin of Lake Way. The program was designed to test a series of subtle radiometric anomalies that are located to the east of the primary radiometric target. The results from this drilling have defined a 1.2km long zone of near surface anomalism within lake sediments. Assays from within this zone include:

- ELW 146 2m @ 210ppm U_3O_8 and 194ppm V from 7m
- ELW 143 1m @ 118ppm U_3O_8 and 101ppm V from 1m
- ELW 134 1m @ 159ppm U_3O_8 and 122ppm V from 6m
- ELW 136 2m @ 103ppm U_3O_8 and 114ppm V from 0m
- ELW 193 2m @ 127ppm U_3O_8 and 122ppm V from 0m
- ELW 192 1m @ 147ppm U_3O_8 and 107ppm V from 5m

Figure 1. Drill status plan and results summary – Lake Way South (NE lake margin)



In addition, weak uranium mineralisation was identified within a lower calcrete horizon which was intersected at the western end of the two most northern traverses adjacent to the lake. It is interpreted that this calcrete horizon forms part of a broader channel environment that extends under the current lake surface.

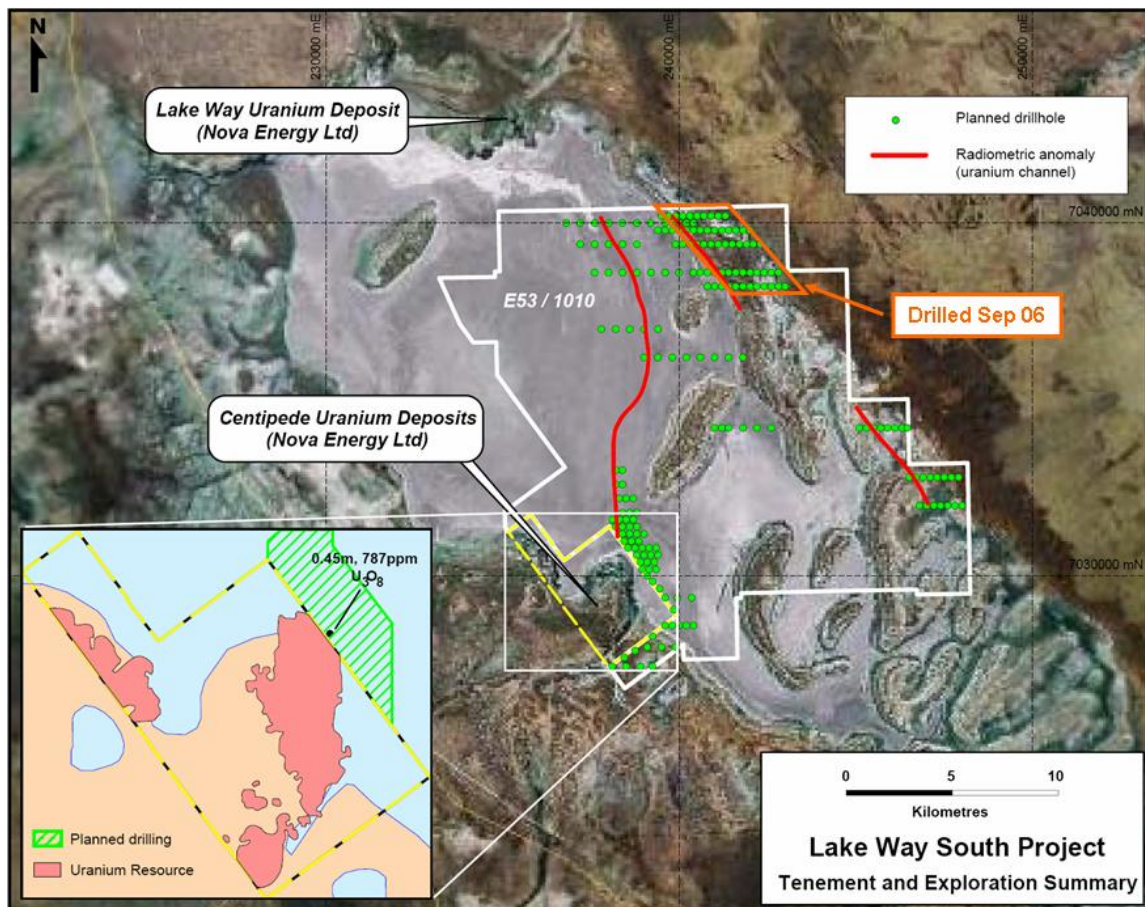
Drilling on the lake was not possible with the rig used in this most recent drill phase due to lake surface conditions. A specialist lake rig is currently being sourced.

The initial phase of drilling at Lake Way has provided encouraging results. The mineralisation identified by Encounter along the north eastern shoreline is situated over 5kms south west of the Lake Way uranium resource boundary and opens up the potential for additional mineralised positions outside of the known deposits in the area.

Drilling of the lake targets to the north of the Centipede resource and the regional sections across Lake Way remain priorities for Encounter.

Encounter completed the earn-in phase of the Lake Way South Joint Venture and now holds a 60% interest in the uranium rights with Avoca Resources Ltd holding 40%.

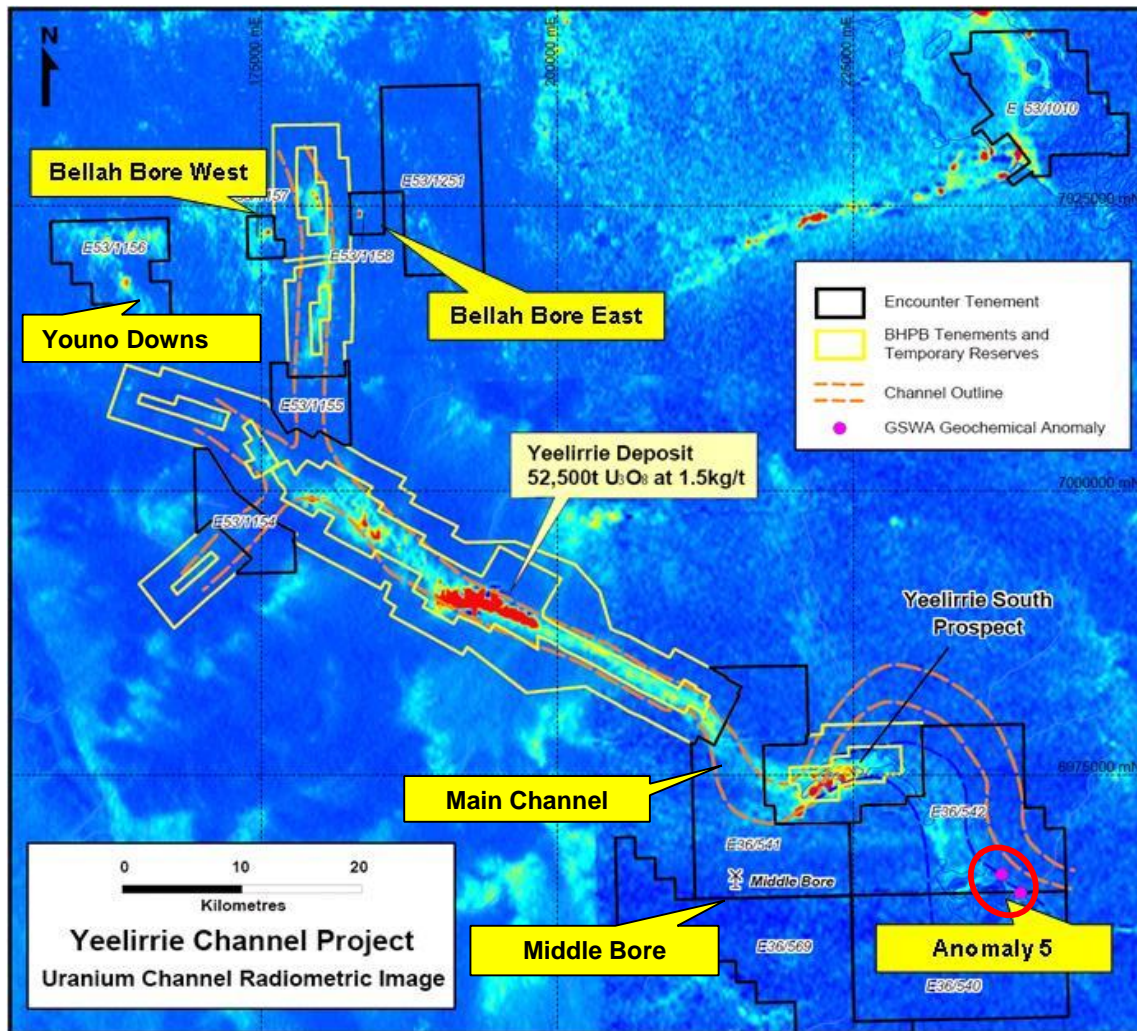
Figure 2. Uranium channel radiometric image and leasing plan – Lake Way South
(insert - Nova Energy's Centipede resource outlines and ENR planned drilling)



YEELIRRIE CHANNEL (80% Encounter, 20% Avoca)

A 200 hole drill program has commenced at the Yeelirrie Channel Project. This program is designed to follow up near surface uranium mineralisation intersected at Bellah Bore East and Middle Bore as well as completing initial drill testing of the Yeelirrie South Geochemical anomaly (Anomaly 5) and the Bellah Bore West and Youno Downs radiometric anomalies.

Figure 3. Uranium channel radiometric image and leasing plan – Yeelirrie Channel.



Middle Bore (E36/541 & E36/569)

A follow up phase of drilling has commenced to test the newly defined tributary to the Main Yeelirrie channel at Middle Bore. Anomalous uranium mineralisation in EYS066 (2m @ 91ppm U₃O₈ from 10m) drilled 6kms south of the Yeelirrie main channel indicates the potential for a satellite mineralised position in the Middle Bore area. Three drill sections will test the area between the initial broad spaced reconnaissance drill lines and the southern continuation of the channel within the recently granted E36/569.

Bellah Bore East (E53/1158)

A third phase of drilling at Bellah Bore East was designed to test the interpreted extensions of the near surface uranium mineralisation intersected in EYN064 (including 1m @ 2,111ppm U₃O₈ from 4m) and to complete infill drilling over the area of defined anomalism.

A total of thirty aircore holes have been completed in the current phase of drilling and have extended drill coverage to an area 1km north and south of EYN064. Initial assessment of the holes indicates the calcrete zone does not extend outside the previously defined zone of mineralisation.

In addition to the aircore drilling, two RC holes were completed to assess the potential of a bedrock mineralised position beneath the calcrete zone. Downhole radiometric logging and assays results are expected in November.

Bellah Bore West (E53/1157) and Youno Downs (E53/1156)

A series of shallow reconnaissance drill traverses have been completed over the Bellah Bore West and Youno Downs radiometric anomalies. The areas of radiometric anomalism appear to be coincident with zones of hydrothermal alteration of the granitic basement. Multi element assay results are pending.

Yeelirrie South Geochemical Anomaly (ELA36/540 & 542)

Tenement application E36/540 and E36/542 that host the Yeelirrie South Geochemical Anomaly (Anomaly 5) were granted during the quarter. Five regional reconnaissance traverses will test 10 strike kilometres of the interpreted channel position that is located approximately 40kms directly down stream of the BHPB's Yeelirrie uranium deposit. Results from this drill program will be reported in the December quarter.

GASCOYNE PROJECTS (80% Encounter, 20% Avoca)

Minneritchie Well (E09/1197)

A program of rock chip sampling was completed during a reconnaissance field trip to the Minneritchie Well project. Sampling was focused in two areas of radiometric anomalism located in the southern half of the tenement. A total of 11 samples were taken of various outcropping lithologies. At both locations the most intense radiometric area corresponded with narrow zones of outcropping haematite altered metasediment. Sampling of the metasediment returned assays of up to 165ppm uranium within a broad zone of shearing and alteration.

Sample #	Prospect	Northing	Easting	U (ppm)	Comment
E011	Tim's Gossan	7267805	434221	155	Haematite altered metasediment
E012	Tim's Gossan	7267805	434221	165	Haematite altered metasediment
E013	Nth of M Well	7266350	432580	15	Mg micaceous gneiss
E014	Tim's Gossan	7268150	434045	5	Cg micaceous pegmatite with opaques
E015	Nth of M Well	7266370	432590	100	Micaceous, haematite veined gneiss
E016	Nth of M Well	7266365	432590	13	f-mg micaceous gneiss
E017	Nth of M Well	7266375	432560	150	Iron rich, weakly magnetic gneiss
E018	Nth of M Well	7266365	432590	110	Iron rich, weakly magnetic gneiss
E019	Nth of M Well	7266400	432560	0	Tourmaline rich gneiss
E020	Nth of M Well	7265935	432635	10	Soil
E021	Tim's Gossan	7267815	434150	115	Haematite altered metasediment

A regional geochemical program to define initial drill targets will be completed in early 2007.

LEONORA REGIONAL PROJECTS (80% Encounter, 20% Avoca)

Lakeview (E29/577)

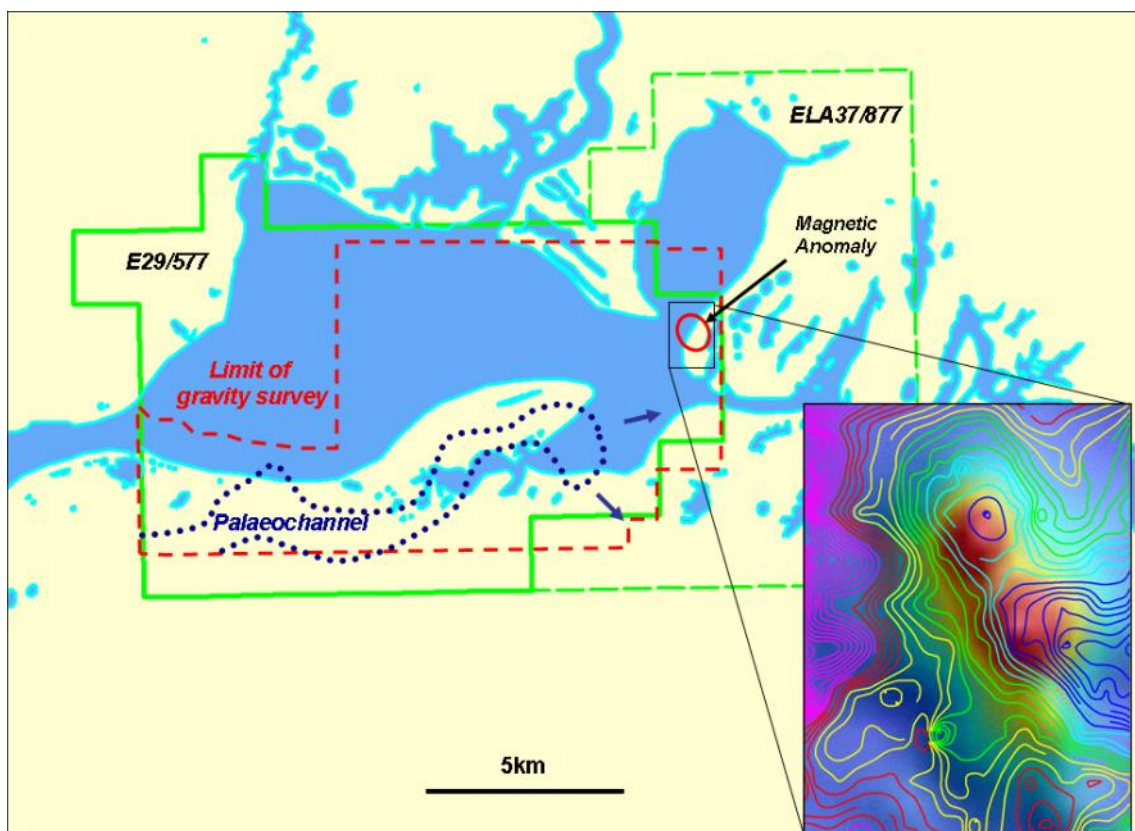
A ground gravity survey has been completed at Lakeview. A series of 1km spaced north-south lines were designed to define the base of the palaeochannel and map the morphology of the channel within the area of the tenement. The program clearly defined the deeper section of the palaeochannel is situated to the south of the lake margin. A series of aircore drill traverses will now be completed in early 2007 across the defined palaeochannel.

A detailed gravity survey was also completed over a discrete magnetic anomaly in the east of the project. Exploration by De Beers and others has identified a number of kimberlitic bodies and diamond indicator minerals within the region. The survey successfully defined a circular gravity low over the magnetic body that is likely to be associated with increase weathering of the magnetic body. The gravity and magnetic data has been modelled and the body appears to be a sub-vertical pipe-like intrusion. A detailed magnetic survey will be completed to assist in the definition of a drill target.

Although diamonds are not the core focus of Encounter, this target is considered to be a high quality opportunity. Together with our joint venture partner, Avoca Resources Ltd., we will review our options to progress the diamonds target once the magnetic survey is completed.

Figure 4. Leasing and gravity summary plan– Lakeview Project

Figure 4 Insert. 1VD gravity contours over regional TMI magnetics (cool colours = gravity low, warm colours = gravity high).



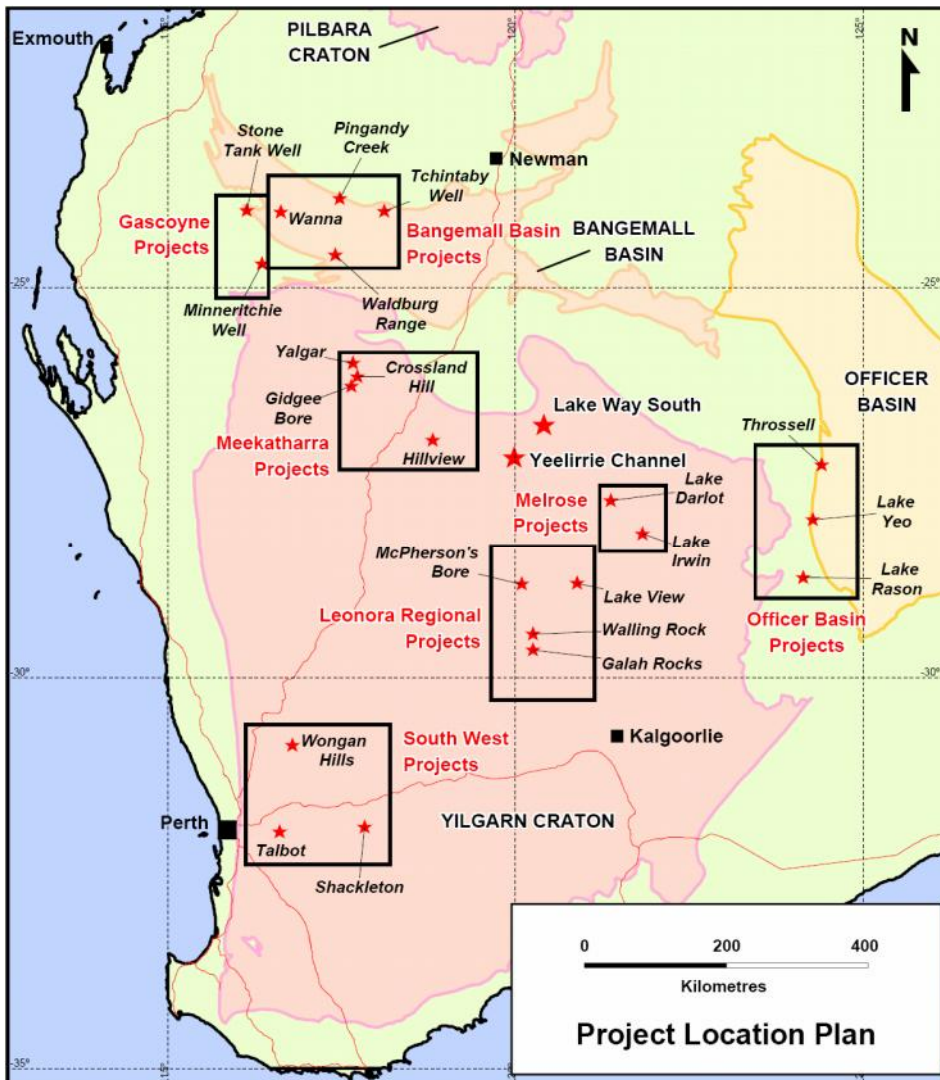
CORPORATE

The company's cash balance at the end of the quarter was \$3.9 million.

Will Robinson
Managing Director

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.

Figure 5. Project Location Plan



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Encounter Resources Limited

ABN

47 109 815 796

Quarter ended ("current quarter")

30th September 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(194)	(194)
(b) development	-	-
(c) production	-	-
(d) administration	(146)	(146)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	58	58
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(282)	(282)
Cash flows related to investing activities		
1.8 Payment for purchases: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(24)	(24)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(24)	(24)
1.13 Total operating and investing cash flows (carried forward)	(306)	(306)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(306)	(306)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Share Issue Costs)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(306)	(306)
1.20	Cash at beginning of quarter/year to date	4,209	4,209
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,903	3,903

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	97
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Remuneration of Directors

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

-

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	350
4.2 Development	-
Total	350

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	7	87
5.2 Deposits at call	3,896	4,122
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,903	4,209

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-		-	-
6.2 Interests in mining tenements acquired or increased	E36/540	EL Granted	0%	80%
	E36/542	EL Granted	0%	80%
	E36/569	EL Granted	0%	80%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

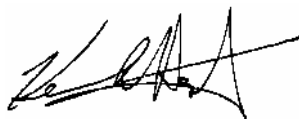
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	59,996,900	28,500,000		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	100,000 100,000	- -	<i>Exercise price</i> 20 cents 45 cents	<i>Expiry date</i> 23/3/2011 15/5/2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 31 October 2006

Print name: Kevin Hart

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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