

2 July 2006

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

Dear Sir/Madam

Please find attached an ASX Release in respect of the discovery of a new zone of uranium mineralisation identified within the Yeelirrie Channel Project.

Yours faithfully
ENCOUNTER RESOURCES LIMITED



Kevin Hart
Company Secretary

ASX : ENR

ENCOUNTER IDENTIFIES NEW ZONE OF URANIUM MINERALISATION

Highlights

- Encounters' maiden drill program has identified a new, near surface zone of uranium mineralisation within the Yeelirrie Channel Project (80% Encounter, 20% Avoca).
- Significant intersects:
 - 8m @ 123ppm U₃O₈ from surface, including 3m @ 204ppm U₃O₈ from surface
 - 7m @ 100ppm U₃O₈ from 1m, including 2m @ 165ppm U₃O₈ from 5m
- Follow up drill program to commence in early July.

Encounter Resources Ltd (ASX:ENR) is pleased to announce the discovery of a new zone of near surface uranium mineralisation at the company's Bellah Bore East Prospect, part of the Yeelirrie Channel Project located 50km south west of Wiluna in Western Australia (figure 1).

This is Encounter's maiden drill program since listing on the ASX in March 2006. The drilling at Bellah Bore East was designed to evaluate a discrete, high amplitude airborne radiometric anomaly. A field examination in the area of the airborne anomaly identified visible uranium mineralisation within an outcrop of silicified calcrete.

In early June, five reconnaissance aircore holes (EYN001-5) were drilled at Bellah Bore East to determine the nature and depth extent of the outcropping uranium mineralisation. Drill holes EYN001 and EYN005 intersected a highly anomalous, near surface zone of uraniferous silicified calcrete that remains open along strike and to the west.

"We are encouraged by these initial results and by the identification of a new zone of mineralisation in this highly endowed district. Bellah Bore East is located at the northern end of the Yeelirrie drainage system, 40 km upstream from BHP Billiton's world class Yeelirrie uranium deposit." Encounter Managing Director Will Robinson said.

ENCOUNTER RESOURCES
Date: 3 July 2006



As a result of this initial drilling program Encounter has scheduled a follow up aircore drilling program which will commence in early July at Bellah Bore East. This program will target the area immediately to the north, south and west of the uranium mineralisation identified in EYN 001 and EYN 005

Encounter also has applied for a new Exploration Licence to cover the interpreted north east strike continuation of the Bellah Bore East mineralisation.

ENDS

For further information:

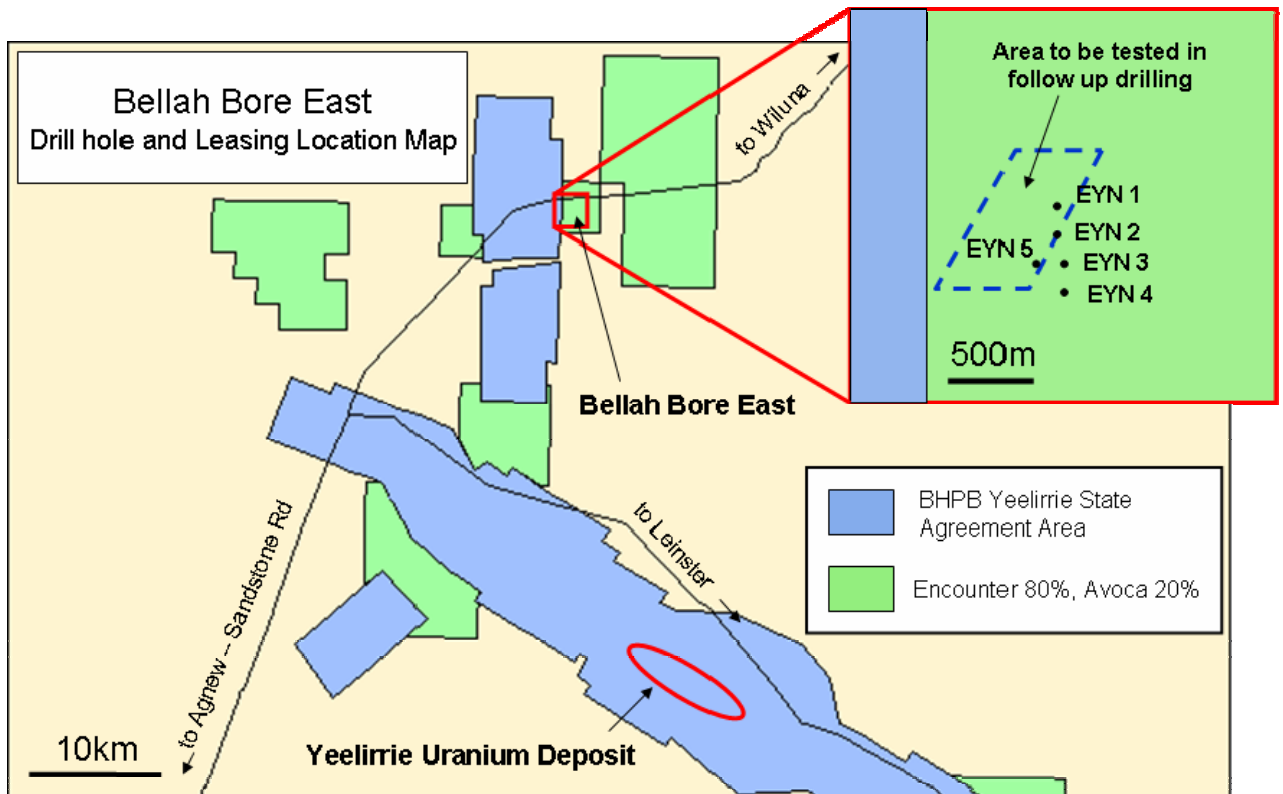
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Table 1 Drill hole collar locations and Assay Results

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

Figure 1 Drill hole and tenement location plan - 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.

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, scientifically based 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 two major projects, Encounter has tenement holdings in the Yilgarn, the Bangemall Basin prospective for both calcrete and Jabiluka style uranium deposits; and the Officer Basin with three large scale playa lake uranium targets containing significant radiometric anomalies.