

18 June 2010

ASX : ENR

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

Manganese Drilling Update

- **Significant manganese (+15%Mn) intersected on three of four drill traverses**
- **Area of known high grade manganese extended to 2.5km and remains open**
- **Assay results from five drill traverses remain pending**
- **Deeper RC drilling to commence this week**

The directors of Encounter Resources Ltd ("Encounter") are pleased to announce that a broad spaced aircore drill program at the MN1 prospect has intersected significant manganese (+15% Mn) on three of four initial drill traverses completed over a 2.5km length. Assays results from five remaining drill traverses at the prospect are expected to be available in early July. The project is located 70km from the Woodie Woodie manganese mine in Western Australia ("WA").

The broadly spaced aircore drilling has intersected high grade manganese on the most northern line of the program ("the Northern Zone"). These intersections are located 2.5km north of the previously reported manganese intersections ("the Southern Zone") and hence significantly extend the area of known manganese mineralisation at the MN1 prospect.

Southern Zone

The recent drilling at MN1 commenced in the Southern Zone and intersected manganese in the area of the previous drill intersections (2m @ 20%Mn and 3m @ 16%Mn). The new intersections include 1m @ 17.7% Mn from 26m and 1m @ 15.4% Mn from 27m. The cluster of significant manganese intersections received to date is broadly coincident with a residual gravity anomaly at the Southern Zone (Figure 1). The shallow manganese mineralisation remains open along strike and assay results from the drill lines completed to the north and south are expected in early July. In addition, a deeper RC drill program to test for a potential hydrothermal ore system below the identified manganese mineralisation is scheduled to commence this week.

Northern Zone

The most northern drill traverse at the MN1 prospect intersected near surface high grade manganese over a residual gravity feature identified in the December 2009 gravity survey (Figure 1). Drill hole EPT159 intersected 1m @ 21.2% Mn from 9 metres depth. The hole terminated in hard, massive silicified carbonate at a depth of 15 metres. Drilling has not accounted for or tested the identified residual gravity feature which will also be tested in the RC drill program commencing this week.

The discovery of high grade manganese over a length of 2.5km along the regionally significant McKay Fault (Figure 1) is encouraging. There is also high grade manganese up to 1km west of the fault. The drill results received to date have expanded the area of manganese prospectivity at the MN1 target. This initial drill program has only focused on the southern 3km of the 14km long target zone.

A 10-15 hole RC program will be completed at MN1 in the coming weeks with assay results expected in late July. A ground based electromagnetic (“EM”) orientation survey will also be completed in July over the manganese mineralisation identified.

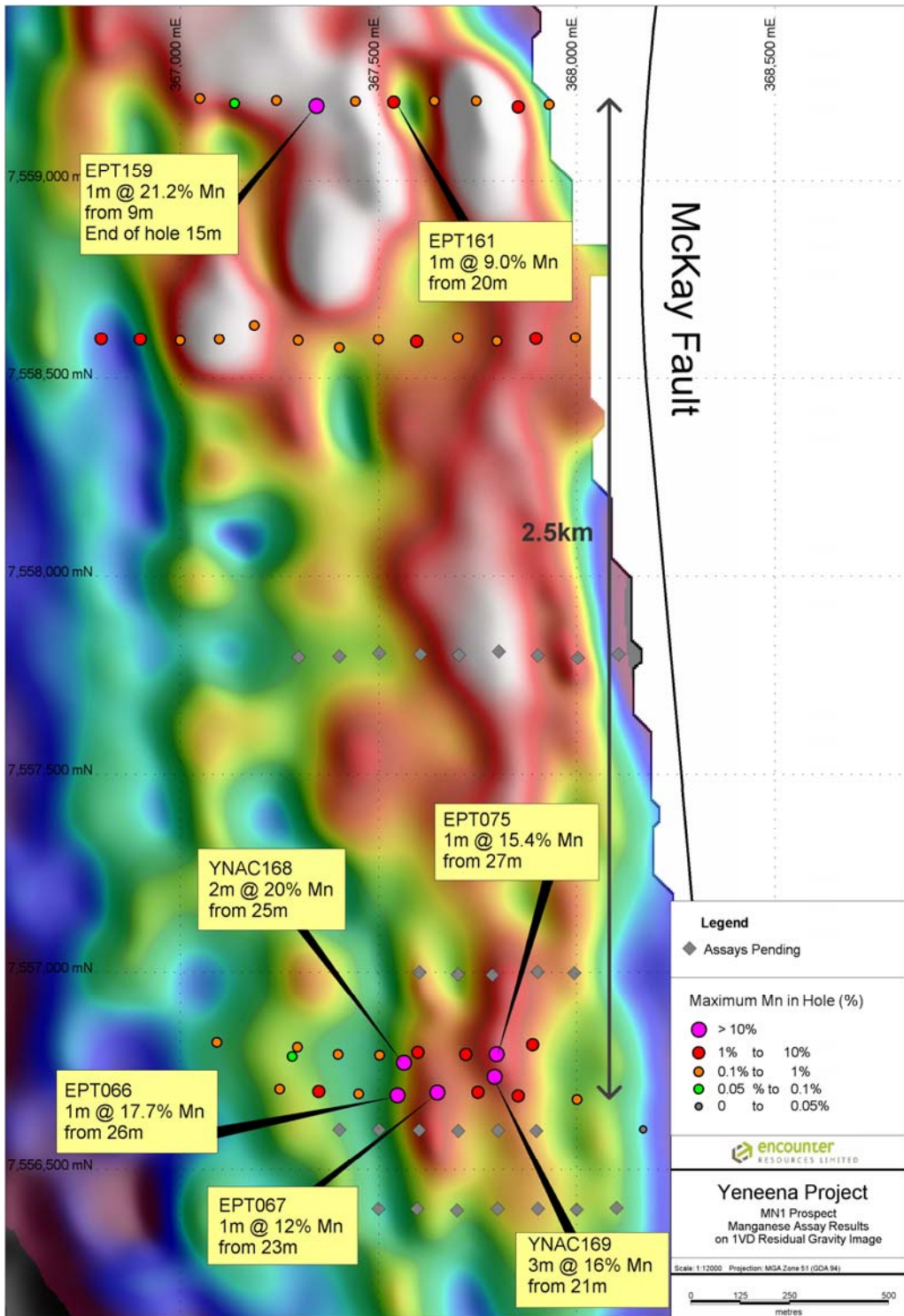


Figure 1. MN1 Prospect manganese assay results on 1VD residual gravity image

Project Background & Location Plan

The Yeneena project covers 1300km² of the Paterson Province in Western Australia and is located 40km SE of the Nifty copper mine, 30km NW of the Kintyre uranium deposit and 70km SE of the Woodie Woodie manganese mine. The targets identified are located adjacent to major regional faults and have been identified through electromagnetics, geochemistry and structural targeting. The base metals targets are hosted within sediments of the Broadhurst Formation in a similar geological setting to the Nifty copper deposit (total resource of 148.3mt @ 1.3% Cu – Straits Resources Ltd, 2001). Encounter controls 100% ownership of the project.

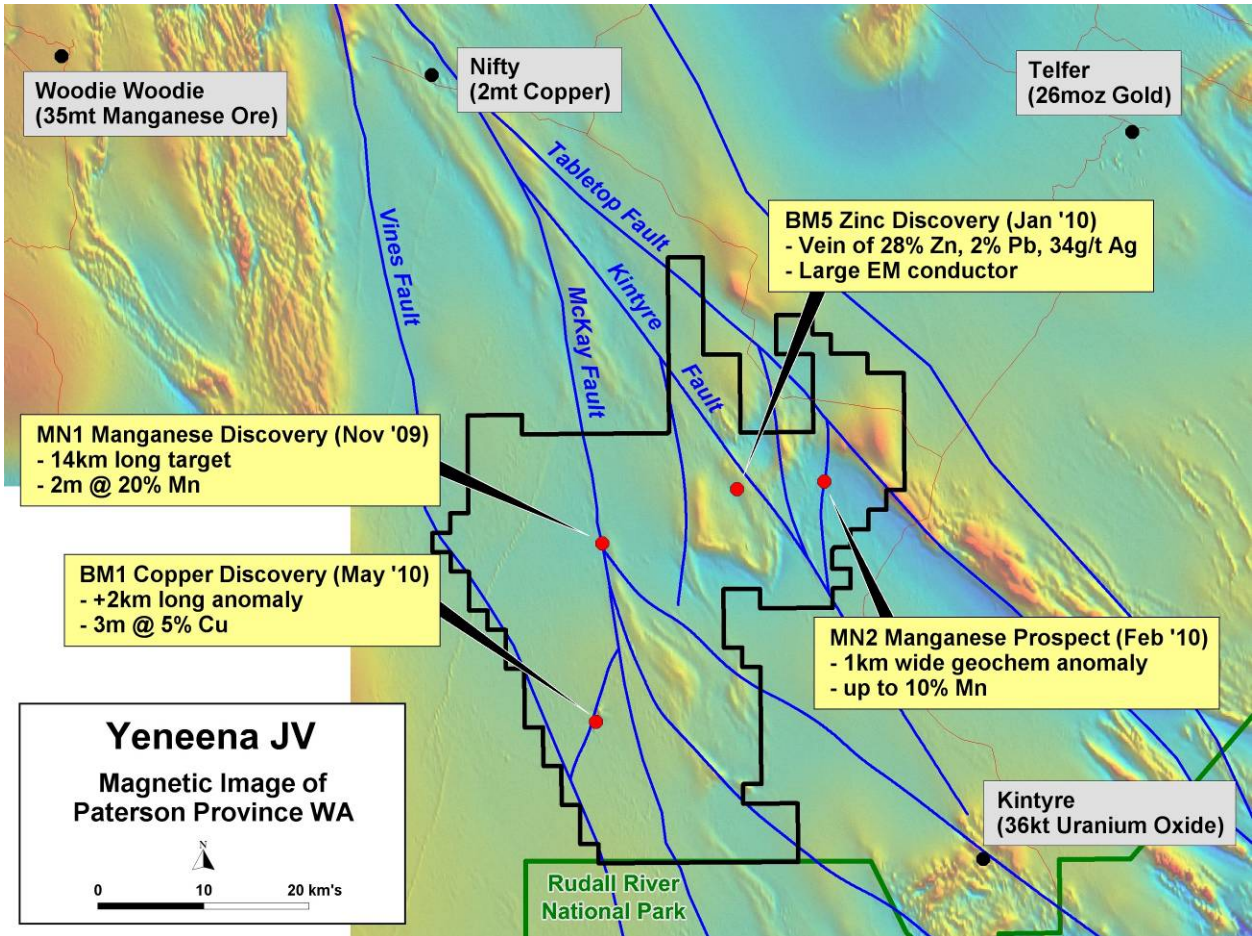


Figure 2. Yeneena Project leasing and targets areas on regional TMI magnetics

Table 1. Drill hole information MN1

Drill Hole ID	Northing(m)	Easting(m)	RL	Dip	Azimuth	Total Depth
EPT 066	7556691	367547	320m	-90 ⁰	000	32m
EPT 067	7556698	367648	320m	-90 ⁰	000	29m
EPT 075	7556795	367797	320m	-90 ⁰	000	34m
EPT 159	7559192	367343	320m	-90 ⁰	000	15m
EPT 161	7559202	367538	320m	-90 ⁰	000	34m

Drill hole coordinates GDA94 zone 51 datum and determined via handheld GPS (+/-5m)

Table 2. Assay results from EPT 066, EPT 067, EPT075, EPT0159 and EPT 161

Drill Hole ID	From(m)	To(m)	Width	Mn%	Intersection	Comment
EPT 066	26	27	1	17.7	1m @ 17.7% Mn	Contact between manganiferous clays and brown silicified chert
EPT 067	23	24	1	12.0	1m @ 12.0% Mn	Black manganese rich saprolite, significant iron cementation
EPT 075	27	28	1	15.4	1m @ 15.4% Mn	Contact between black manganiferous clays and grey silicified chert
EPT 159	9	10	1	21.2	1m @ 21.2% Mn	Black silicified carbonate with earthy MnO throughout
EPT 161	20	21	1	9.0	1m @ 9.0% Mn	Black manganiferous clay, silicified

For further information please contact:

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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 the information compiled by him, in the form and context in which it appears.