

ASX : ENR

10 May 2010

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

Diamond Drilling has commenced at Yeneena

- **Diamond drilling has commenced at the BM5 prospect**
- **A detailed gravity survey has identified a significant density anomaly adjacent to the massive sulphide (0.1m @ 28.5% zinc, 2.3% lead and 33.9g/t silver) intersected at BM5 in October 2009**
- **The gravity target is coincident with the previously identified EM conductor located to the west of the vein of high grade zinc mineralisation**

The directors of Encounter Resources Ltd ("Encounter") are pleased to announce that a diamond drill program has commenced at the BM5 prospect at the Yeneena project in Western Australia. The 1,000 metre program will test coincident geophysical targets adjacent to the massive sulphide intersection made in October 2009 (see ASX announcement 28 January 2010).

Diamond drill hole EPT062 completed in October 2009 was designed to test for high grade base metal mineralisation at the basal contact of a carbonate unit beneath a southerly plunging, strongly base-metal anomalous, iron-manganese rich horizon, interpreted to represent a base metal sulphide gossan. The hole was terminated due to ground conditions before reaching the target depth. A vein of massive sulphide containing sphalerite and galena was intersected near the end of the hole in brecciated carbonate. Assay results for the interval returned **0.1m @ 28.5% zinc, 2.3% lead and 33.9g/t silver**. A downhole EM survey was completed following the drilling and an offhole EM conductor was identified approximately 60m below the end of hole.

In April 2010 a detailed ground gravity survey was completed at the BM5 target. The survey spacing was 100m x 100m in the area of the massive sulphide intersection and extended to encompass the regional area at a spacing of 200m x 400m. The results of the survey are very encouraging. The regionally extensive, north-west trending Kintyre structure is clearly defined in the gravity data (Figure 1). A discrete and significant gravity anomaly has been modeled protruding south easterly from a broad north-south block (Figure 2). This 'nose' of dense rock is located immediately to the west of the massive sulphide intersected in EPT062 and is modeled approximately 250m below surface, coincident with the previously identified EM conductor. It is interpreted that this gravity anomaly may represent a thick accumulation of base metal sulphide mineralisation.

The 2-3 hole program will test the geophysical targets identified at BM5 and will take approximately 4 weeks to complete.

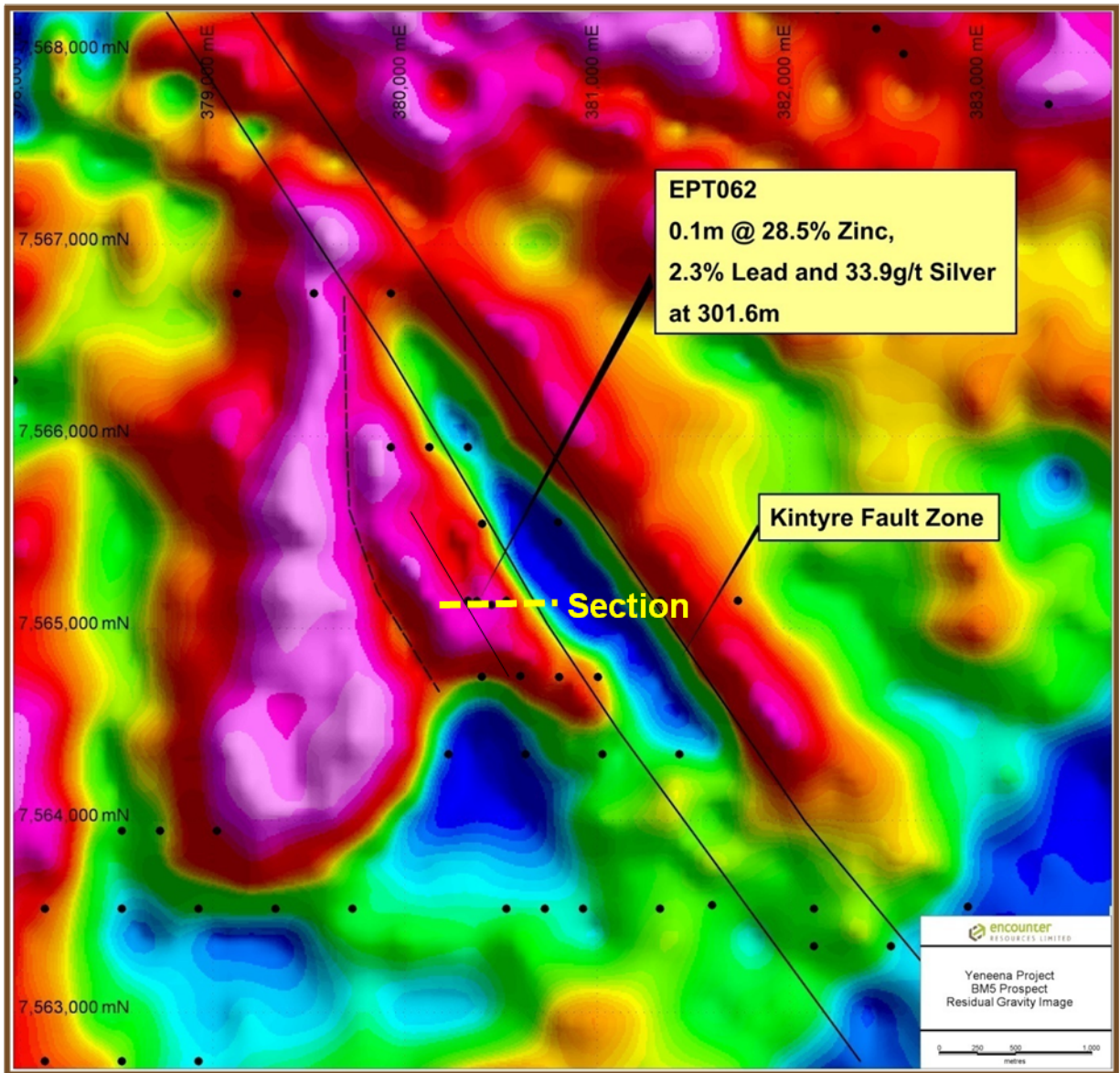


Figure 1 – BM5 Prospect residual gravity image

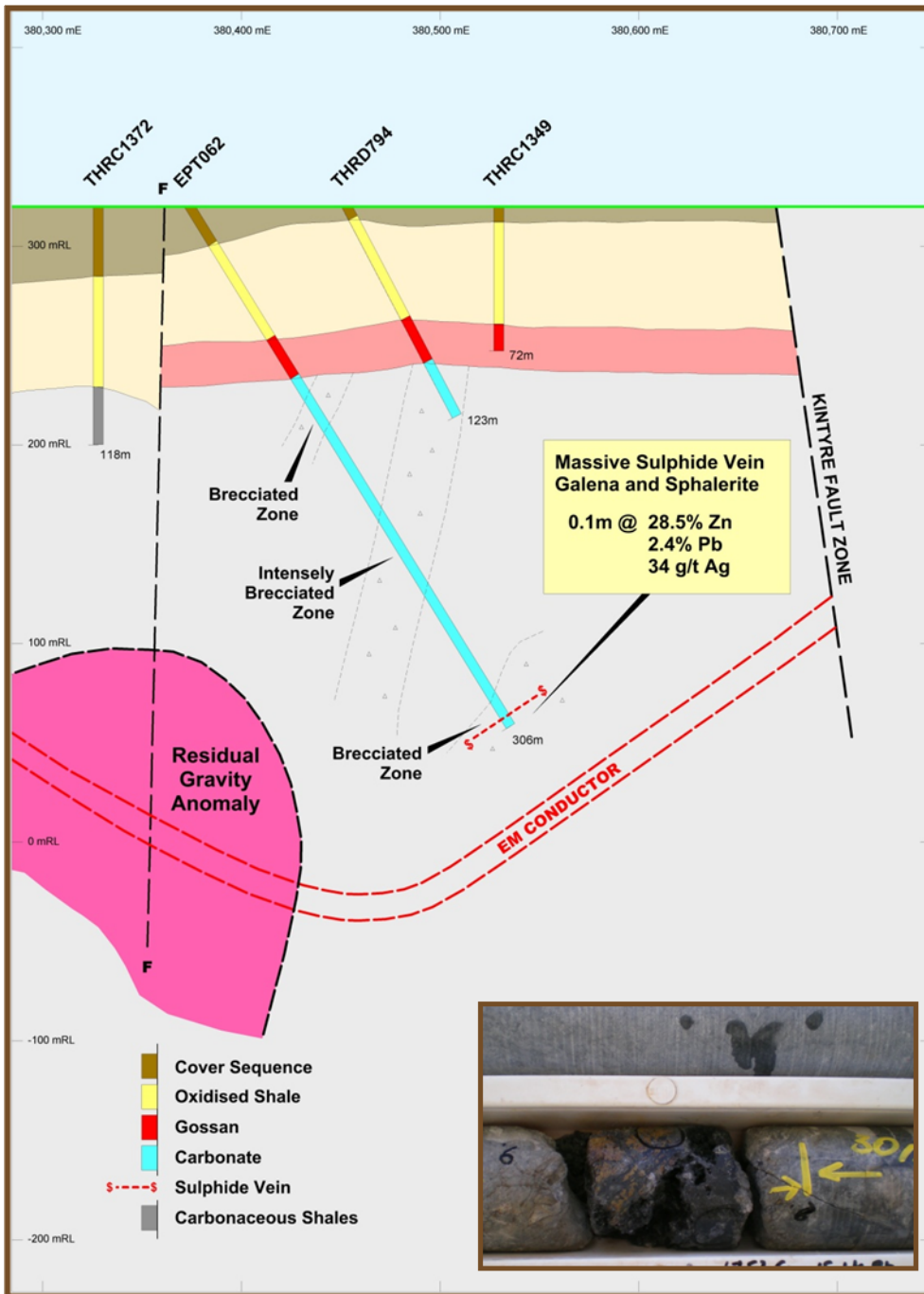


Figure 2 – BM5 drill section 7565150mN

Project Background & Location Plan

The Yeneena project covers 1,300km² 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. Encounter is earning a 75% interest in the Yeneena project from Barrick Gold of Australia.

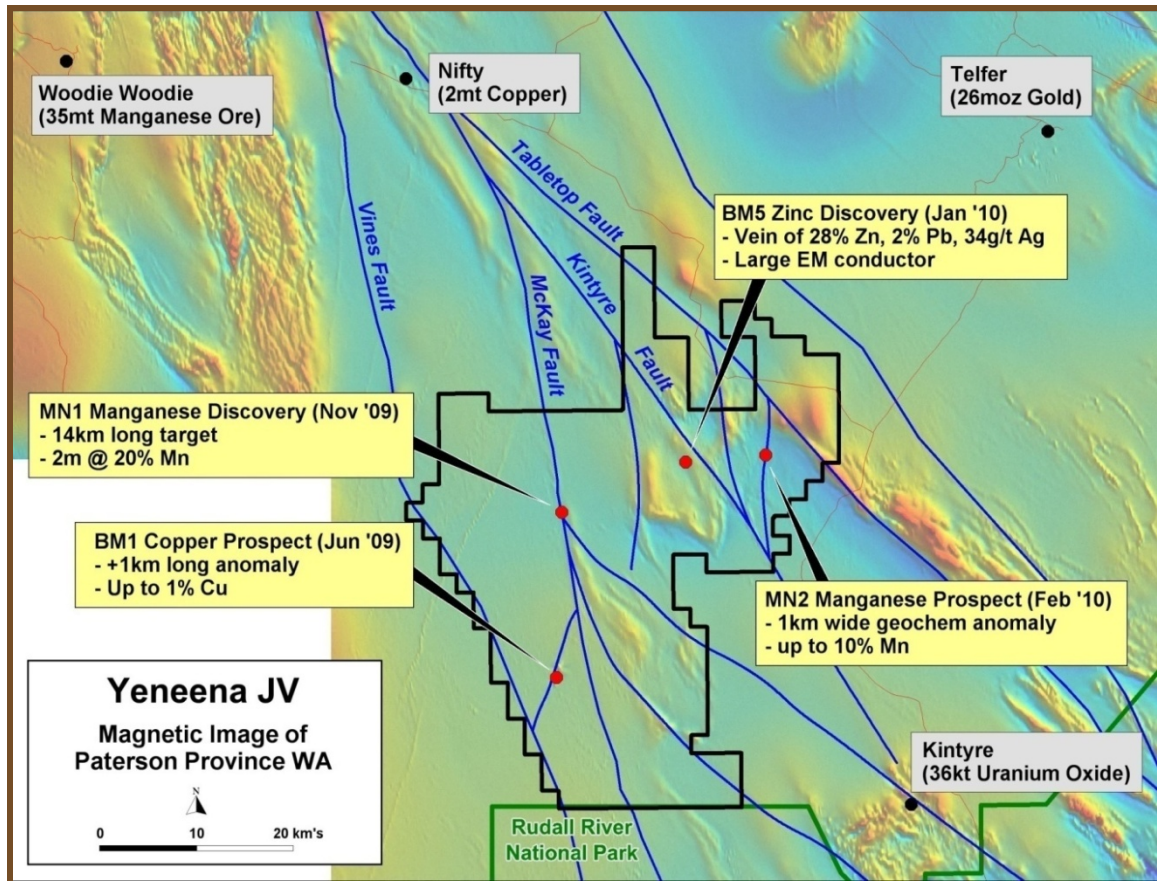


Figure 3. Yeneena Project leasing and targets areas on regional TMI magnetics

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.