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Yeneena Exploration Update

BM7 Prospect

- **Tenement granted over southern extension of BM7**
- **2.5km section of geophysical anomaly to be drill tested subject to completion of heritage survey**

T4 Prospect

- **5,700m aircore drilling program completed**
- **Preliminary XRF data identifies four corridors of copper anomalism**

The directors of Encounter Resources Ltd ("**Encounter**" or "**the Company**") are pleased to provide an update on exploration activities at the Yeneena project in the Paterson Province of Western Australia.

BM7 Prospect:

Exploration License E45/2805 has been granted. This tenement covers an area of 210km^2 and importantly hosts a 12km segment of the McKay Fault Zone running south from BM7.

Drilling by Encounter has identified an 8km long copper regolith anomaly along the McKay Fault extending from BM6 in the north to BM7 in the south. Recent RC and diamond drilling at BM7 has intersected copper mineralisation at BM7 over an area 1km wide at the north boundary of E45/2805 (Figure 1).

The copper mineralisation at BM7 is focused at the intersection of the McKay Fault and a series of north east trending faults. This intersection is coincident with a 3km long geophysical anomaly (conductivity low) that is interpreted to represent a broad zone of silicification and dolomitisation (Figure 2).

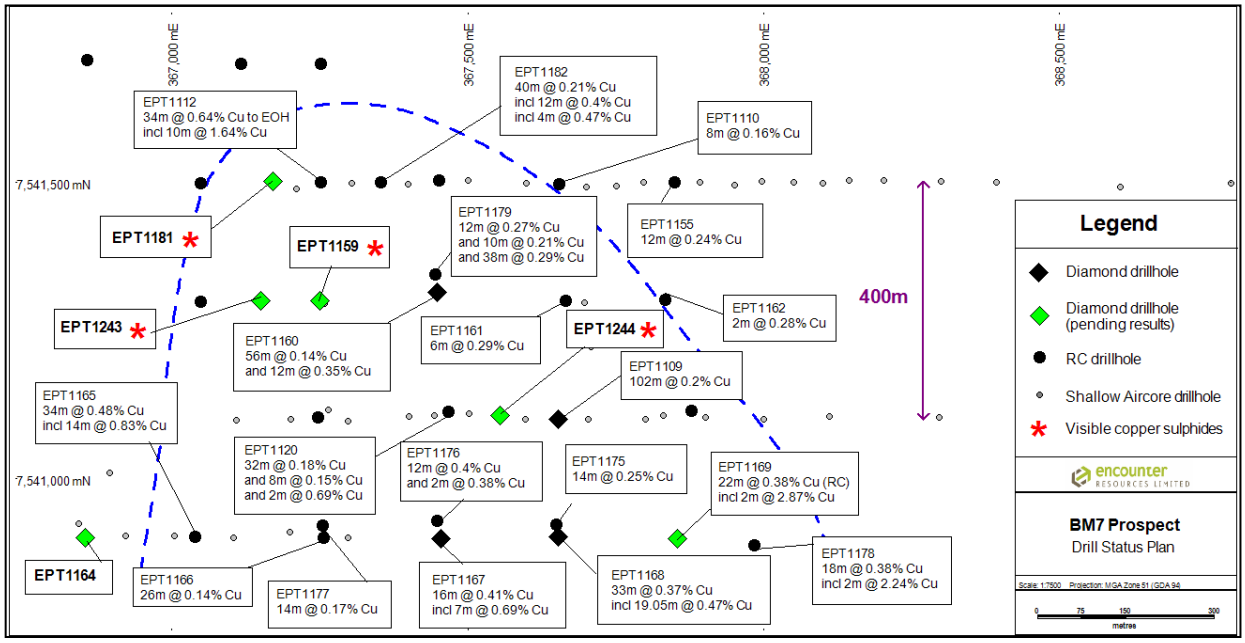

Figure 1: BM7 prospect drill status plan

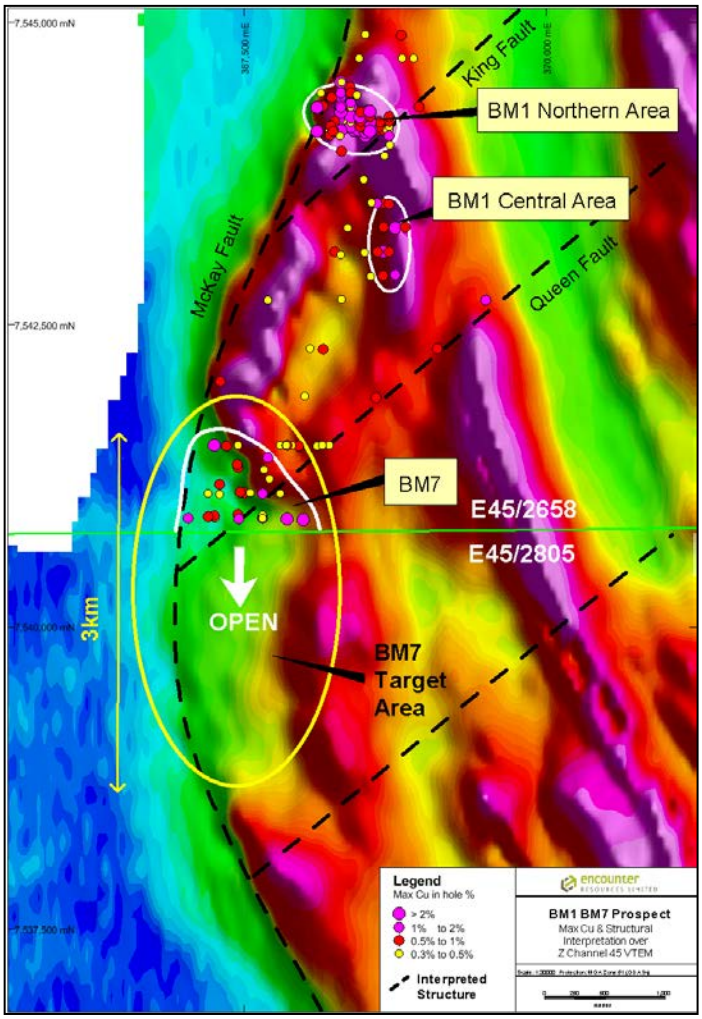

Figure 2: BM1 - BM7 prospects Maximum copper in hole (>0.3%) over VTEM Channel 45

The close spatial relationship between the area of copper mineralisation at BM7 and the geophysical anomaly infers the remaining untested portion of the geophysical anomaly may significantly extend the copper mineralisation identified at BM7.

BM7 Next Steps
Core cutting and sampling is continuing with two diamond holes remaining to be cut and sampled and three holes currently in the laboratory awaiting analyses.

A heritage survey is planned for E45/2805 to facilitate drilling of the next 2.5km of the geophysical anomaly at BM7. It is anticipated that the survey will be completed in September-October 2012 and drilling will commence shortly thereafter in the cleared areas.

T4 Prospect Update
Previous stratigraphic diamond drilling at the T4 prospect, an area totally covered by sand dunes, has confirmed the presence of copper sulphides in association with magnetite alteration within Rudall Complex metamorphic rocks. A magnetic anomaly with a strike-length of approximately 4km is present at T4. It is interpreted that this large anomaly represents magnetite alteration associated with copper mineralisation.

Assays have been received from the two diamond drill holes drilled at T4. The analysis confirms that zones of elevated copper anomalism (300-1000ppm copper) are associated with more intense magnetite alteration. Magnetic susceptibility testing of the holes is in progress to allow analysis of the original airborne magnetic modeling to ensure drilling intersected the main geophysical anomaly.

A track mounted aircore rig has completed a 160 hole (5700m) drill program at the T4 prospect. Broad spaced drill lines where designed across the southern half of the Rudall Complex Inlier to identify zones of stronger copper mineralisation and to test a series of geochemical targets around the margin of the Inlier identified at T4.

This drilling confirmed a shallow cover sequence and strongly stripped regolith profile. The majority of holes drilled over the main geophysical anomalies intersected 7-10m of cover and then progressed directly into 10-15m of saprolitic metamorphic rock. Due to the strongly stripped nature of the regolith profile at T4 any oxide or supergene dispersion from a primary copper sulphide horizon is likely to be narrow. It is therefore considered that any coherent copper anomalism identified in this broad spaced program is potentially significant.

Initial handheld XRF analysis of the aircore samples has defined four corridors of copper anomalism that extend from 1-2km in strike length. The copper corridors appear to be structurally controlled and are located adjacent to the area of magnetic anomalism. Importantly it appears none of the three stratigraphic diamond holes completed at T4 have crossed any of these four corridors. Following the receipt of geochemical analysis of samples from the aircore drilling further shallow drilling and/or geophysical surveys are planned to define targets for follow up RC or diamond drilling at T4.

Project Background & Location Plan

The Yeneena project covers 1400km^2 of the Paterson Province in Western Australia and is located 40km SE of the Nifty copper mine and 30km NW of the Kintyre uranium deposit (Figure 4). The targets identified are located adjacent to major regional faults and have been identified through electromagnetics, geochemistry and structural targeting. The 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).

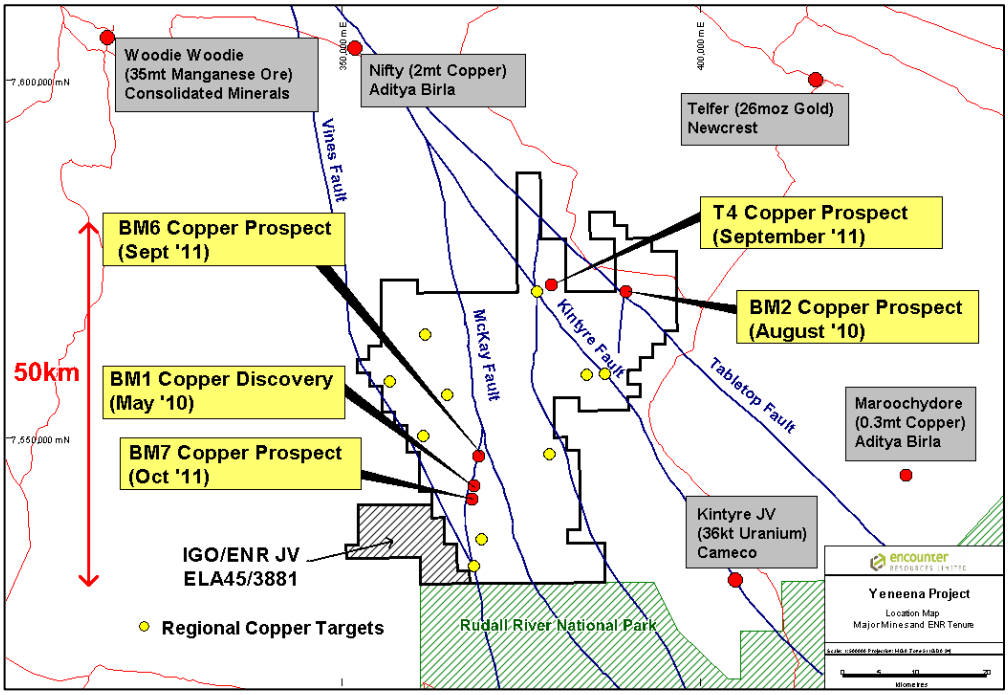

Figure 3: Yeneena Project leasing and target areas

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 appear