

Company Announcement

Date: 20 April 2006
To: Companies Announcement Office, ASX
Number of pages: 5

QUARTERLY ACTIVITY REPORT For the period ending 31 March 2006

HIGHLIGHTS:

- Encounter Resources Limited (ENR) was admitted to the official list and its securities were quoted on the Australian Stock Exchange on 24 March 2006 following the completion of a heavily over subscribed \$5 million capital raising.
- The first phase of drilling at the Bellah Bore East and Middle Bore projects within the Yeelirrie Channel will commence in May 2006.
- Lake Way drilling is scheduled to commence in June 2006 once the lake surface conditions permit drill rig access.
- A recent compilation of historical exploration results within the WA regional tenements has identified an extensive zone of low grade uranium mineralisation at the company's Hillview Project. The review identified a series of holes to the east of the main channel that contain near surface mineralisation including 0.46m @ 970ppm eU₃O₈. These holes indicate the potential for a higher grade tributary at the Hillview Project.
- The company applied for three new exploration licences in the south west of WA following a review of the recently released south west Yilgarn Laterite geochemical dataset. Encounter holds tenure over 6000km² of prospective ground in WA. More than half of this ground holding is now granted.
- The company held \$4.6 million in cash reserves at the end of the quarter.

EXPLORATION:

Lake Way South (Encounter earning 60% of the uranium rights from Avoca)

A review of previous uranium exploration on the margins of Lake Way has identified mineralisation of potentially economic significance adjacent to the south west margin of E53/1010. The two most northern holes drilled on the mineralised trend indicate the trend remains open to the north onto the Lake Way South tenement. The eastern of these two holes is located within the bounds of E53/1010 and contains an intersection of 0.45m @ 787ppm U_3O_8 .

A 120 hole aircore drilling program has been designed for the Lake Way South project. The program will test the area adjacent to Nova Energy Ltd's Centipede resource as well as complete a series of regional sections in the north and east of the tenement (Figure 1).

There has been above average rainfall at Lake Way associated with cyclone activity in northern WA. The initial drill program will commence once surface conditions on Lake Way permit drill rig access.

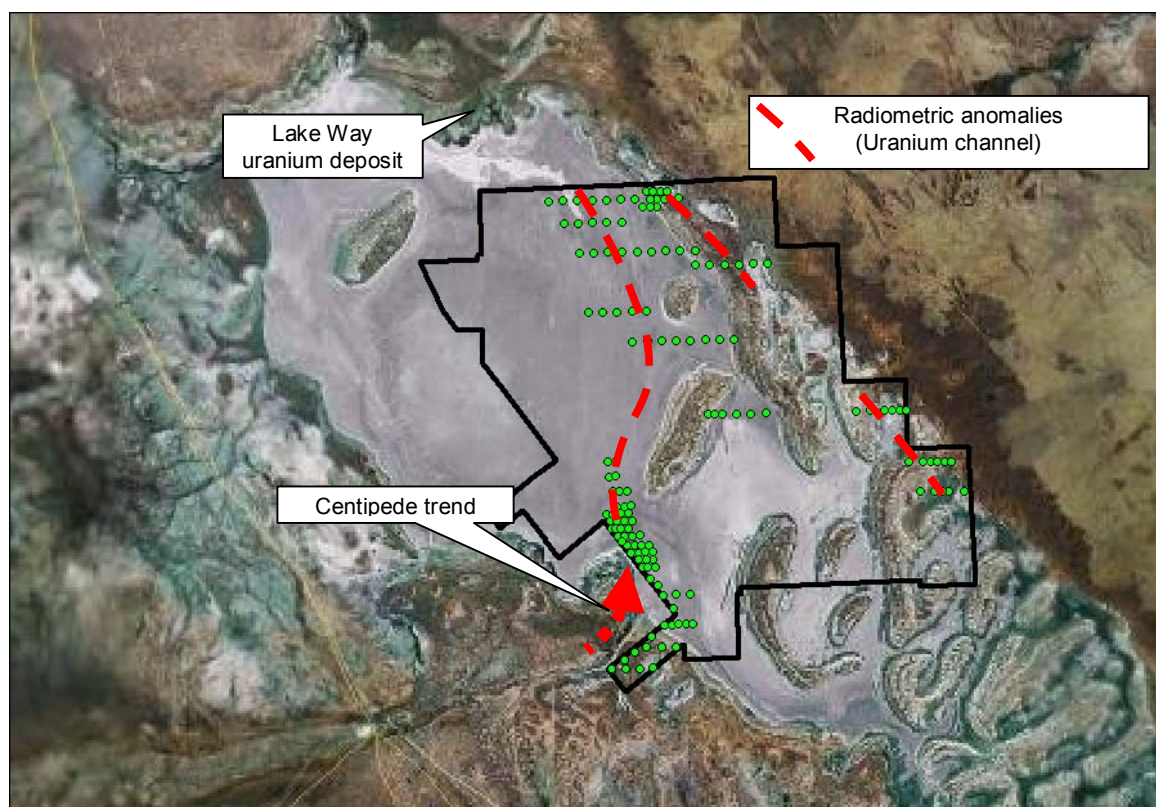


Figure 1: Proposed aircore drill program at Lake Way

Yeelirrie Channel (80% Encounter, 20% Avoca)

There are numerous areas of interest in the 1,030 km² held by Encounter in the Yeelirrie Channel (Figure 2). These targets will be systematically tested over the next 24 months with the initial phase of drilling scheduled to commence in May 2006.

Middle Bore

Hydrological sampling of the Yeelirrie drainage system by WMC in the 1970s highlighted an anomalous result of 175ppb uranium at Middle Bore. This result indicates the potential for a subsidiary channel to the south of the main Yeelirrie Channel. A series of broad spaced drill

traverses have been designed to test for the presence of a mineralised channel in the Middle Bore area.

Main Channel

The review of the historical WMC claim boundary drilling within the main Yeelirrie Channel is progressing. This compilation work will continue during the June quarter with drilling follow up likely to commence in the September quarter.

Bellah Bore East

A field reconnaissance visit has identified outcropping calcrete in a broad area of alluvial cover at Bellah Bore East. The calcrete outcrop is located within the bounds of the discrete uranium channel radiometric anomaly that defines the target. A traverse of drill holes is planned to test the extent of the calcrete body and determine the uranium potential of the target zone.

Yeelirrie South Geochemical Anomaly

It is anticipated that Exploration Licences 36/540 and 36/542 will be granted in the June quarter. Once the tenements are granted Encounter will conduct a reconnaissance aircore drill program to test the anomalous uranium geochemical anomaly defined at Yeelirrie South.

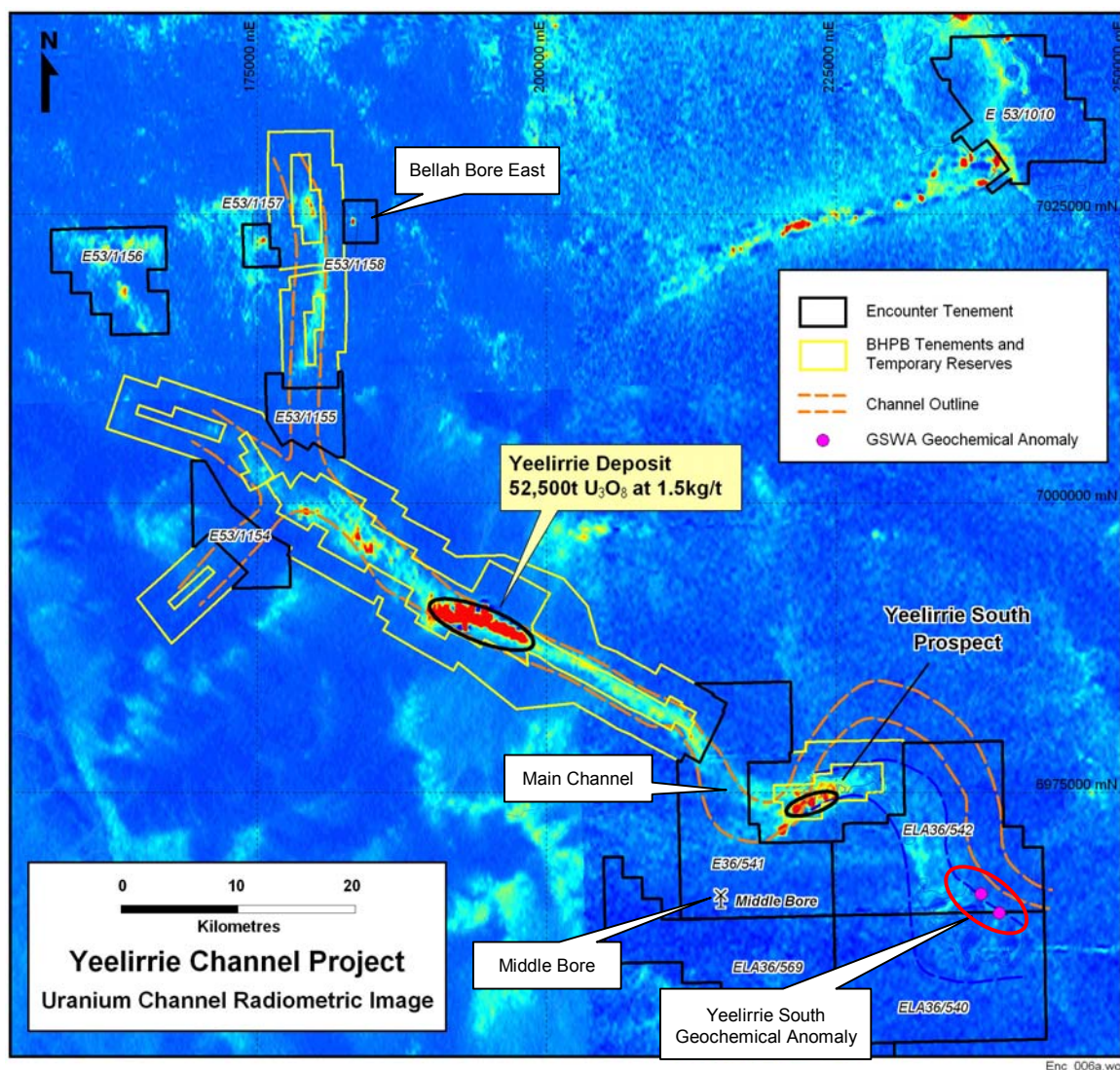


Figure 2: Uranium channel radiometrics and initial drill targets at Yeelirrie.

Leonora Regional Projects (80% Encounter, 20% Avoca)

Three of the tenements that make up the Leonora regional projects were granted during the quarter. A detailed radiometric survey was recently acquired from a previous explorer to assist with target selection process. A review of this data will be completed during the June quarter with field work expected to commence in the September quarter.

Officer Basin Projects (80% Encounter, 20% Avoca)

Exploration Licences 38/1786 (Throssel) and 38/1787 (Lake Rason) were granted during the quarter. A heritage survey at Throssel is planned for the June quarter with field work to commence shortly thereafter.

Bangemall Basin Projects (80% Encounter, 20% Avoca)

Exploration Licence 09/1296 (Stone Tank Well) was applied for over an 8km long uranium series radiometric anomaly, located 180kms south west of Paraburdoo. The radiometric anomaly is coincident with an area of calcrete development within a tributary of the Lyons River.

WA Regional (80% Encounter, 20% Avoca)

Hillview

A historical data review of the Hillview project, located 50kms south east of Meekatharra, led Encounter to expand the area covered by its original exploration licence application.

Exploration along the main channel by WMC in the 1970's identified a 15km long, near surface zone of low grade uranium mineralisation associated with a calcrete valley fill body. Typical holes within the low grade zone are between 0.5m and 2m thick at grades between 100-200ppm $eU_3O_8^*$.

The review has identified a series of higher grade holes over an isolated lobe of calcrete to the east of the main channel. Three holes, drilled on the eastern end of a drill section returned:

4.88m @ 352ppm $eU_3O_8^*$ including 0.46m @ 970ppm from 0.3m
4.42m @ 349ppm $eU_3O_8^*$ including 0.45m @ 865ppm from 0.3m
4.87m @ 309ppm $eU_3O_8^*$ including 0.3m @ 1,001ppm from surface.

** all quoted assays are estimated U_3O_8 values determined from down hole gamma logging.
This project will need to be re-drilled in order to confirm the grade of the uranium mineralisation.*

Drill holes in the area of the eastern lobe are between 200m and 400m apart, with sections spacing at 1.5km. Mineralisation contained within this potential tributary to the main channel remains open to the east.

Upon granting of the tenement, which is expected in the second half of 2006, exploration will focus on the eastern lobe to confirm the historical drilling and to test for extensions to this zone of uranium mineralisation.

South-West Regional Projects

Encounter applied for three new exploration licences over multi-element uranium anomalies following the release by CRCLEME of the south west Yilgarn laterite geochemical dataset.

CORPORATE:

- Encounter Resources Limited was admitted to the official list and its securities were quoted on the Australian Stock Exchange on 24 March 2006 following the completion of a heavily over subscribed \$5 million capital raising.
- The company's cash balance at the end of the quarter was \$4.6 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.