

31 July 2006

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

Dear Sir/Madam

Fourth Quarter Activities and Cash flow Report

Please find attached the June 2006 Quarterly Report .

Yours faithfully

ENCOUNTER RESOURCES LIMITED



Kevin Hart
Company Secretary

HIGHLIGHTS

- Encounter Resources Limited (ENR) completed its maiden drilling program at the Yeelirrie Channel Project.
- Reconnaissance aircore drilling Bellah Bore East within the Yeelirrie Channel Project discovered a new zone of near surface uranium mineralisation. Drill hole EYN001 intersected 7m @ 100ppm U₃O₈ from 1m and EYN005 intersected and 8m @ 123ppm U₃O₈ from surface.
- Follow up drilling at Bellah Bore East in early July 2006 intersected high grade uranium mineralisation of 3m @ 781ppm U₃O₈ from 4m including 1m @ 2111ppm U₃O₈ in EYN064.
- Delineation drilling at Bellah Bore East will be completed in the second half along with initial reconnaissance drilling over the Yeelirrie South Geochemical Anomaly and Bellah Bore West.
- A ground gravity survey is planned for early August for the Lake View Project. Reconnaissance lines at 1km spacing have been designed to model the base of the channel sequence while a series of detailed gravity lines will cover a discrete magnetic anomaly in the east of the project.
- A heritage survey was completed at the Throssell Project with no sites identified within the area of proposed work. The initial drilling program will commence in the second half of the year.

CONTACT DETAILS:

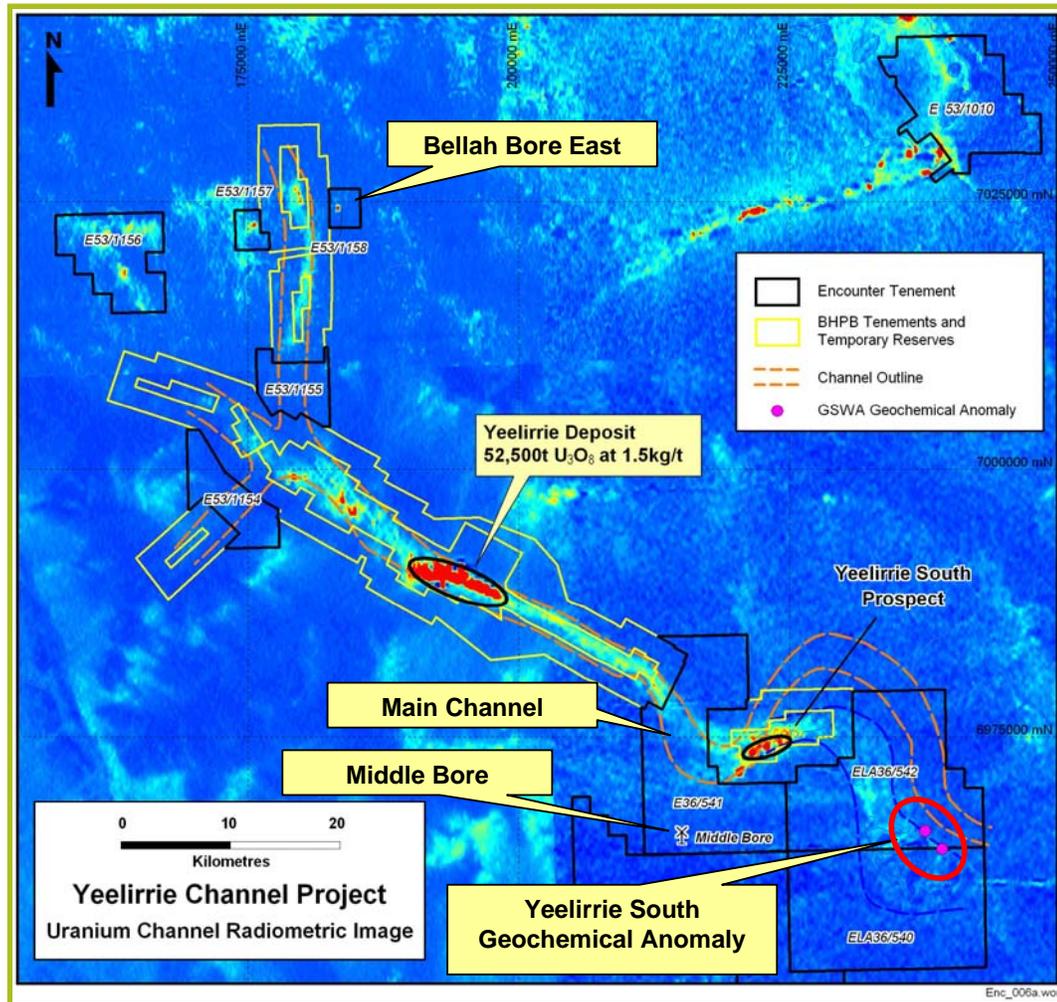
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EXPLORATION

YEELIRRIE CHANNEL (80% Encounter, 20% Avoca)

An aircore drill program was completed within the Yeelirrie Channel Project during the quarter. The program was Encounter's maiden drill program since listing on the ASX in March 2006.

Figure 1. Uranium Channel Radiometric image and Leasing plan – Yeelirrie Channel.



Middle Bore (E36/541)

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 regional reconnaissance aircore traverses were drilled down fence lines and tracks to determine if a southerly trending channel exists within the Middle Bore region.

Two east-west drill sections located 3.5km apart successfully defined a southerly trending, broad channel position that trends to the east of Middle Bore. Anomalous levels of uranium mineralisation were identified in the southern of these two sections with EYS066 returning 2m @ 77ppm from 10m. Additional drilling is planned to test this

newly defined channel between the two recently completed drill sections and to test the southern continuation of the channel.

Bellah Bore East (E53/1158)

The work program 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 remained open along strike and to the west.

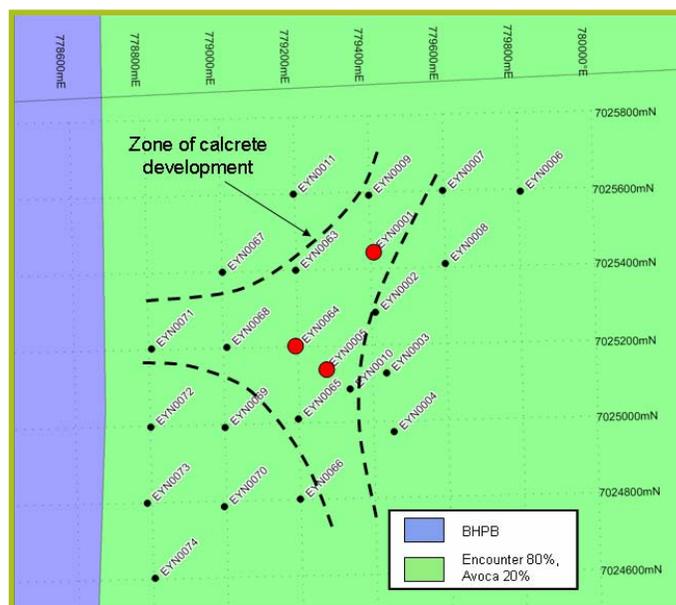
EYN001 - 7m @ 100ppm U_3O_8 from 1m, including 2m @ 165ppm U_3O_8 from 5m
EYN005 - 8m @ 123ppm U_3O_8 from 0m, including 3m @ 204ppm U_3O_8 from 0m

Since the end of the quarter an 18 hole aircore drilling program has been completed to test the immediate area to the north, south and west of the uranium mineralisation intersected in EYN001 and EYN005.

The 200m by 200m drilling program has defined a zone of near surface silicified calcrete and associated low grade uranium mineralisation that is open to the north, south and west (see Figure 2). Drill hole EYN064, located roughly in the centre of this calcareous zone, has intersected **3m @ 781ppm U_3O_8 from 4m including 1m @ 2,111ppm U_3O_8 .**

Encounter now plans to complete an infill drilling program to delineate the area of high grade mineralisation and to extend drilling to the north and south to test for additional zones of high grade uranium mineralisation. This drilling will be completed in conjunction with the testing of the Yeelirrie South geochemical anomaly and Bellah Bore West which is planned for later in the September quarter.

Figure 2. Drillhole location plan - Bellah Bore East Prospect



Bellah Bore West (E53/1157)

Following the success at Bellah Bore East a reconnaissance drilling program has been planned to test the radiometric anomaly to the west of Bellah Bore. A field reconnaissance visit was completed during the June quarter. The area of the anomaly is marked at surface by an area of silcrete outcrop. No historical drilling has taken place in the area of this anomaly.

Yeelirrie South Geochemical Anomaly (ELA36/540 & 542)

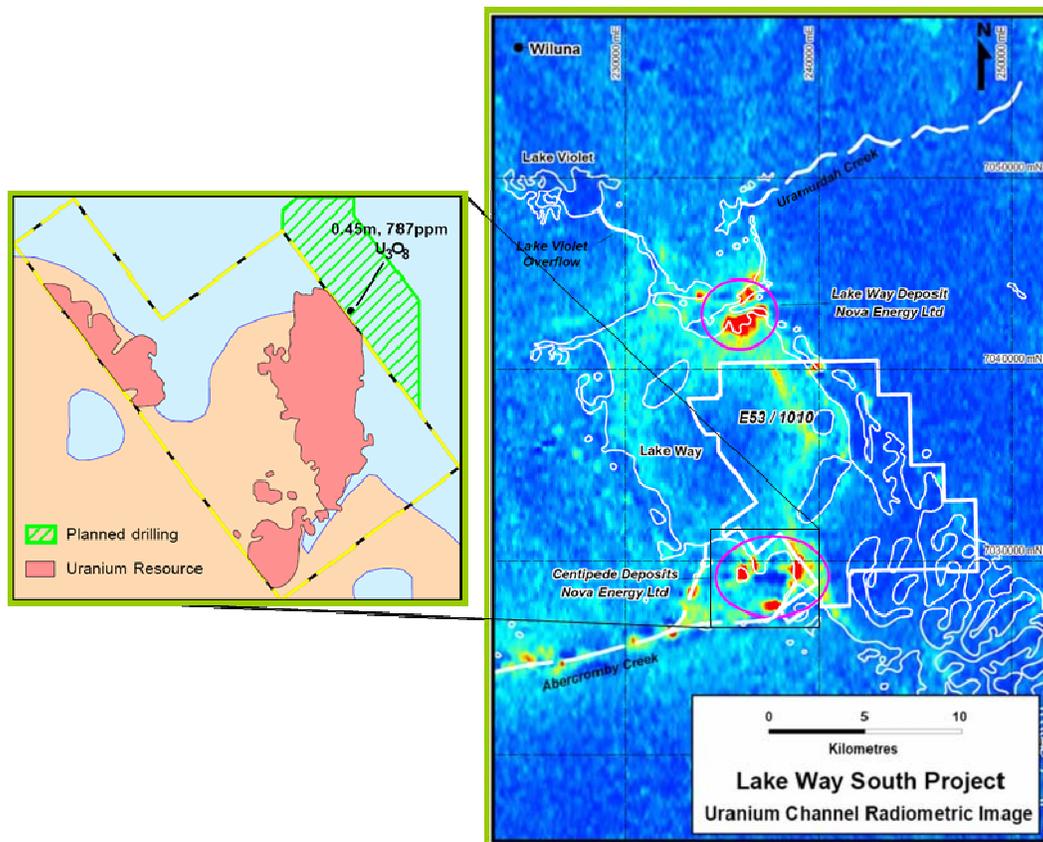
Tenement application E36/540 and E36/542 that host the Yeelirrie South Geochemical Anomaly remain pending with grant date expected in August 2006.

LAKE WAY SOUTH (E53/1010) (Encounter earning 60% of the uranium rights from Avoca)

A field visit during the quarter was successful in confirming the location of an intense radiometric anomaly on the north eastern margin of the lake. This anomaly is of similar amplitude to the surface radiometric anomalies over the uranium mineralisation at the Centipede and Lake Way deposits. Testing of this anomaly will be completed during the upcoming aircore drill program.

The availability of a suitable lake drill rig and the surface conditions of Lake Way have delayed the planned commencement of the 120 hole aircore drilling program. A rig has been secured for October 2006 with initial drilling to focus on the interpreted northern extension of Nova Energy's Centipede resource.

Figure 3. Uranium Channel Radiometric image and Leasing plan – Lake Way South (insert - Nova Energy's Centipede resource outlines and ENR planned drilling)



LEONORA REGIONAL PROJECTS (80% Encounter, 20% Avoca)

Lake View (E29/577)

A ground gravity survey is planned for early August for the Lake View project located 60km west of Leonora. The aim of the program is to use the gravity to define the base of the palaeochannel and map the morphology of the channel within the area of the tenement. This data will be used to focus follow up drilling. The reconnaissance gravity lines will be spaced at 1km with 100m between stations.

A secondary target will also be evaluated in the program. A discrete magnetic anomaly in the east of the project will be covered in detail to determine the nature and near surface weathering characteristics of the magnetic body.

OFFICER BASIN PROJECTS (80% Encounter, 20% Avoca)

Throssell (E38/1786)

A heritage survey was completed at the Throssell project located 300km north east of Laverton. No sites were identified within the area of planned activity. Initial drilling at Throssell will be completed in the second half of the year.

BANGEMALL BASIN PROJECTS (80% Encounter, 20% Avoca)

Tchintaby Well (E52/1882)

The company applied for an additional exploration licence to the south of the Tchintaby Well project within the Bangemall Basin. Previous explorers in the region have identified a broad zone of zinc / silver mineralisation within a shallowly dip shale horizon. The low grade mineralisation has been drilled to a depth of 200m with the down dip extension of the shoot open to the south. The base metals potential of the Tchintaby Well project will be reviewed by an external consultant once all available data has been compiled.

WA REGIONAL PROJECTS (80% Encounter, 20% Avoca)

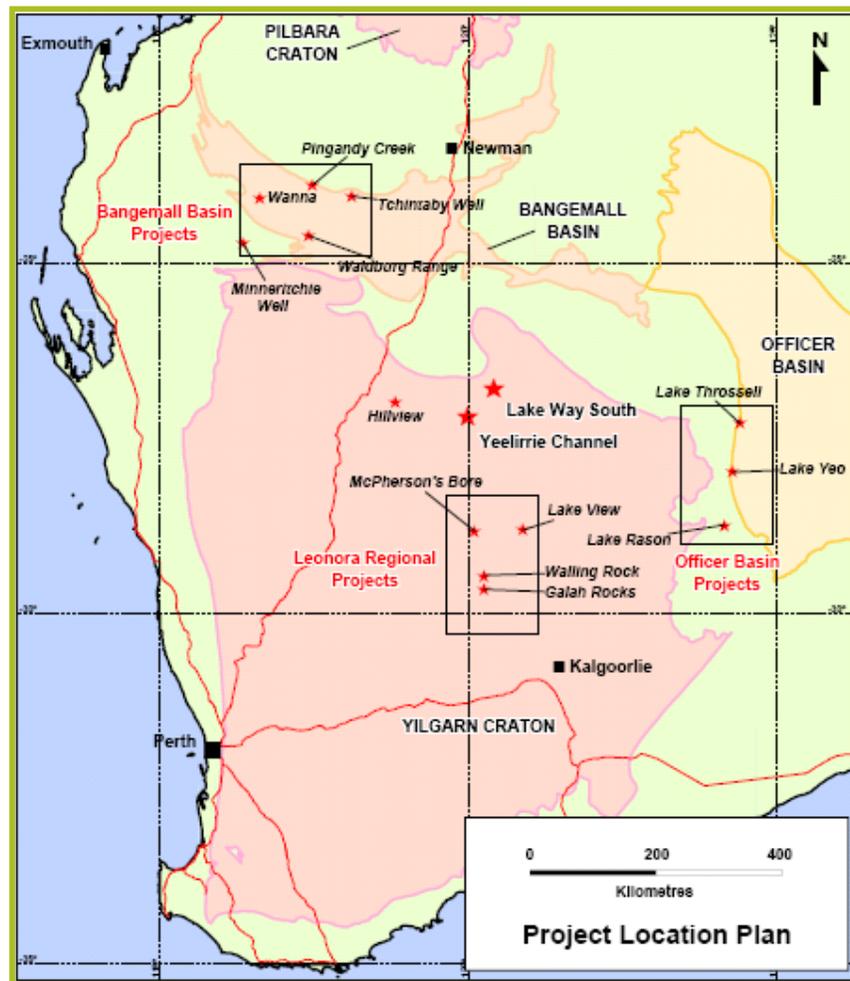
Hillview (ELA51/1127)

A field reconnaissance visit to the Hillview project was completed in the quarter. The tenement is expected to be granted in the December 2006 quarter with drilling to commence shortly after grant.

Meekatharra Projects (E51/1096 and 1097)

Exploration Licences 51/1096 and 51/1097 were granted during the quarter. These two tenements are located to the north west of Meekatharra and cover two discrete high amplitude airborne radiometric anomalies. A field validation trip to the region is planned for the coming quarter.

Figure 4. Project Location Plan



CORPORATE

The company's cash balance at the end of the quarter was \$4.2 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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Encounter Resources Limited

ABN

47 109 815 796

Quarter ended ("current quarter")

30th June 2006

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(240)	(436)
(b) development		
(c) production		
(d) administration	(128)	(258)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	63	65
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (Corporate Advisory Services 12 months prepaid)		(120)
	(305)	(749)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects investments		
(b)equity		
(c) other fixed assets	(72)	(93)
1.9 Proceeds from sale of: (a)prospects investments		
(b)equity		
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
	(72)	(93)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(377)	(842)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(377)	(842)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	5,500
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	-	(4)
1.18	Dividends paid		
1.19	Other (Share Issue Costs)	(26)	(466)
	Net financing cash flows	(26)	5,030
	Net increase (decrease) in cash held	(403)	4,187
1.20	Cash at beginning of quarter/year to date	4,612	22
1.21	Exchange rate adjustments to item 1.20		
		4,209	4,209
1.22	Cash at end of quarter		

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	126
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Remuneration of Directors

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

Amount available \$A'000	Amount used \$A'000

+ See chapter 19 for defined terms.

3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		\$A'000	
4.1	Exploration and evaluation	350	
4.2	Development		
Total		350	

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	87	112
5.2 Deposits at call	4,122	4,500
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	4,209	4,612

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	E51/1096	EL Granted	0%	80%
	E51/1097	EL Granted	0%	80%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	59,996,900	28,500,000		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	100,000 100,000	0 0	<i>Exercise price</i> 20 cents 45 cents	<i>Expiry date</i> 23/3/2011 15/5/2011
7.8 Issued during quarter	100,000	0	45 cents	15/5/2011
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 31. July 2006.....
(Company secretary)

Print name: Kevin Hart

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.