

ASX Code

ENR

Market Cap (1/10/07)

A\$34m (\$0.50/share)

Issued Capital (1/10/07)

68.5 million ordinary shares
0.45 million employee options

Cash (1/10/07)

A\$6.3m

Board of Directors & Management

Mr. Paul Chapman
Non-Executive Chairman

Mr. Will Robinson
Managing Director

Mr. Peter Bewick
Exploration Director

Dr. Jon Hronsky
Non-Executive Director

Mr. Kevin Hart
Company Secretary

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HIGHLIGHTS

URANIUM

Hillview

Drilling has successfully outlined a laterally continuous and coherent envelope of near surface mineralisation that is interpreted to be in excess of 3km long and up to 1km wide. This mineralisation is up to 10m thick with results typically within 10 metres of surface. Results include:

- 10 m @ 209ppm U₃O₈ including 6m @ 270ppm U₃O₈
- 4m @ 287ppm U₃O₈ including 3m @ 324ppm U₃O₈

The area targeted is 15km long with only a small section tested. The scale and consistency of the calcrete style mineralisation at Hillview suggest that this project has the potential to host a large tonnage near surface uranium deposit.

McPherson's Bore

Drilling results have shown significant uranium concentrations within 1m of surface over an extensive area. It is interpreted that this mineralisation potentially represents a uranium leakage anomaly from a nearby buried source area. The near surface uranium mineralisation is hosted in lake clays and extends over 1.7 kms of strike, with results including:

- 1m @ 448ppm U₃O₈ from surface
- 1m @ 283ppm U₃O₈ from surface
- 1m @ 271ppm U₃O₈ from surface

BASE METALS / UNCONFORMITY URANIUM

Yeneena – Earn in Agreement with Barrick

Encounter signed an agreement with Barrick Gold of Australia to earn a 75% interest in the 1500km² Yeneena Project in Western Australia. The Yeneena project is situated in the world class Proterozoic Paterson mineral province which hosts the Nifty copper mine and Rio Tinto's Kintyre uranium project. The project area is prospective for unconformity related uranium mineralisation, SEDEX lead-zinc mineralisation and Nifty/Isa style copper mineralisation.

Tchintaby Well

Geophysical modelling has outlined a significant residual gravity anomaly (Laksa anomaly) downplunge of an 8km by 5km area of laterally extensive Zn-Cu-Ag mineralisation identified by a previous explorer. Typical holes within the mineralised area returned intersections of 10-15m thickness, grading 0.5-1% Zn, 500-1000ppm Cu and 5-15g/t Ag.

EXPLORATION

Encounter controls a portfolio comprising over 9,000km² of strategically located and highly prospective exploration projects in Western Australia. The portfolio includes:

- a suite of calcrete style uranium projects located in the Yilgarn and the Gascoyne;
- six projects targeting base metals and unconformity style uranium deposits in the Bangemall Basin and;
- an earn in agreement with Barrick Gold of Australia which encompasses a major ground position in the world class Proterozoic Paterson mineral province considered highly prospective for unconformity related uranium mineralisation and base metals.

Progress in the September quarter is summarised below.

URANIUM

HILLVIEW (E51/1127) - 80% Encounter, 20% Avoca

The Hillview project is located 50km south east of Meekatharra. Broad spaced reconnaissance drilling at Hillview, by Western Mining Corporation in the 1970s, identified a 15km long zone of near surface uranium mineralisation. Historical drill sections were between 1.6kms and 2kms apart with holes intersecting between 100-300ppm eU₃O₈* on every traverse along the defined 15km trend.

Three sections were drilled by Encounter across the main trend as part of the initial aircore program to test the large scale anomaly. These lines centred around the main homestead and utilised existing tracks and fence lines for drill rig access. The drilling successfully outlined a laterally continuous and coherent envelope of near surface mineralisation that is interpreted to be in excess of 3km long and up to 1km wide. This mineralisation is up to 10m thick with results typically within 10 metres of surface.

Better results received include:

- 5m @ 210ppm U₃O₈ including 1m @ 341ppm U₃O₈
- 4m @ 241ppm U₃O₈ including 2m @ 306ppm U₃O₈
- 4m @ 220ppm U₃O₈ including 2m @ 294ppm U₃O₈
- 5m @ 221ppm U₃O₈
- 10m @ 209ppm U₃O₈ including 6m @ 270ppm U₃O₈
- 4m @ 287ppm U₃O₈ including 3m @ 324ppm U₃O₈
- 7m @ 170ppm U₃O₈ including 1m @ 259ppm U₃O₈

Five additional drill traverses are planned for the December quarter to test the southern and eastern extent of the Hillview mineralisation (see Figure 1)

Cross section A-A' through the Hillview mineralisation is shown in Figure 2.

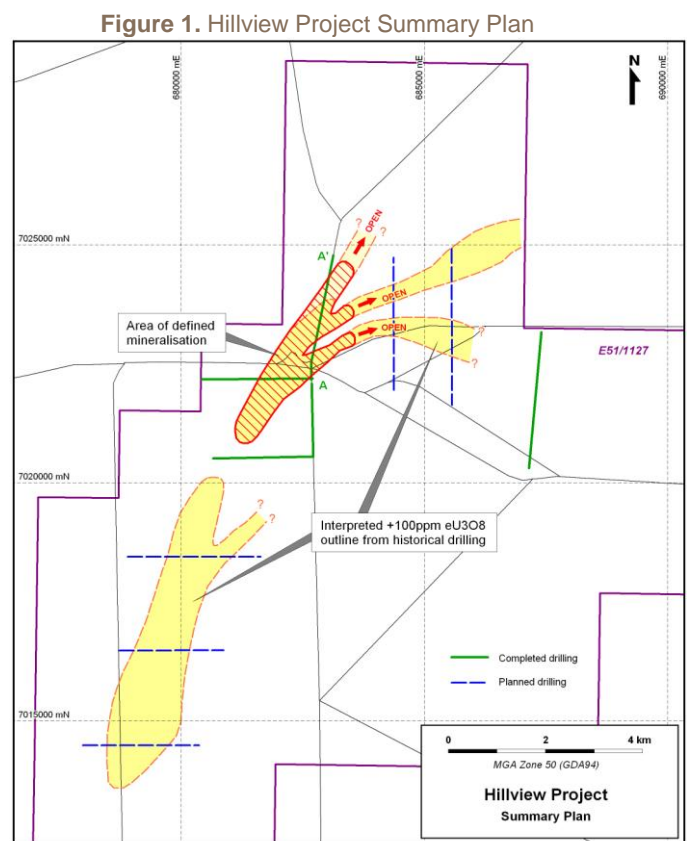
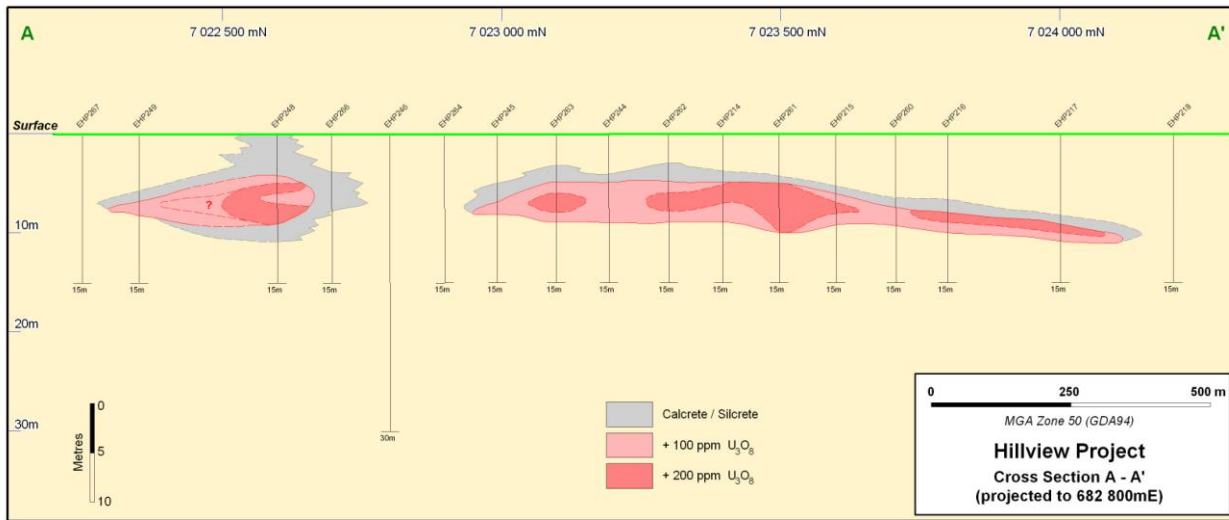




Figure 2. Hillview Project – Cross Section



McPHERSON’S BORE (E29/587) - 80% Encounter, 20% Avoca

The McPherson’s Bore Project is located 120km west of Leonora and is located within the Lake Raeside drainage system. The project covers a coincident uranium channel radiometric anomaly and a GSWA uranium stream sediment anomaly.

A broad spaced auger drill program completed in May 2007 identified a 4km long uranium geochemical anomaly associated with a near surface zone of calcrete and calcareous sediments at the project.

A follow up aircore drill program designed to test the area of the uranium geochemical anomaly was completed in the September quarter.

Near surface uranium mineralisation is hosted in lake clays and extends over 1.7 kms of strike , with results including:

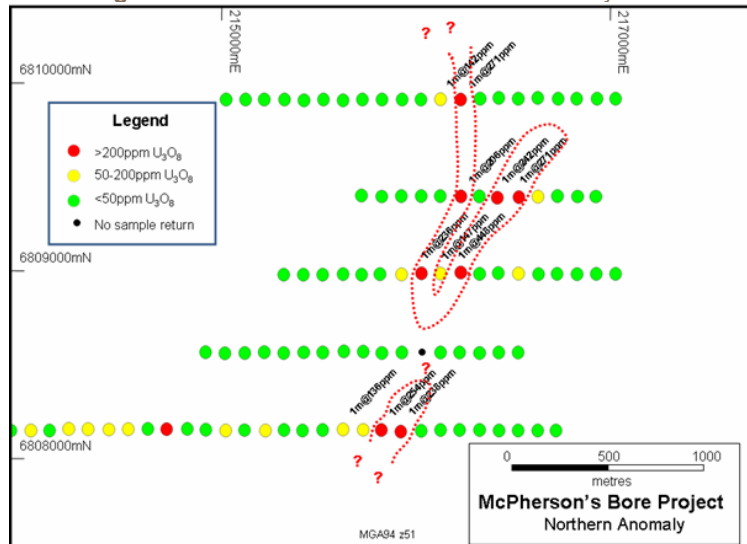
- 1m @ 448ppm U₃O₈ from surface
- 1m @ 283ppm U₃O₈ from surface
- 1m @ 271ppm U₃O₈ from surface

The mineralisation remains open to the north (see Figure3). It is interpreted that this mineralisation potentially represents a significant uranium leakage anomaly from a nearby buried source area.

Based on these results, the following activities are now planned:

- complete a series of sample pits to confirm the continuity of the mineralisation and to allow in-situ sampling of the mineralised horizon;
- drilling to determine the extent of mineralisation to the north; and
- drilling to locate the potential source of the surface mineralisation.

Figure 3. McPherson’s Bore – Northern Anomaly



A second mineralised horizon has also been defined along the western margin of the drilling that is not associated with the primary airborne radiometric anomaly. This mineralisation is located at around 3m depth with assays typically between 50-100ppm U₃O₈ over 2-3m and remains open to the north, south and west.

Additional ground has been acquired to the north and south of the McPherson's Bore Project to cover the possibility of additional buried mineralisation within the defined trend.

Table 1. McPherson's Bore Northern Anomaly (*datum MGA94 z50*)

Hole #	Northing	Easting	From(m)	To(m)	Width(m)	U ₃ O ₈ ppm
EMB 098	6,809,900	216,100	0	1	1	142
EMB 099	6,809,900	216,200	0	1	1	271
EMB 116	6,809,000	216,100	0	1	1	147
EMB 026	6,808,200	215,600	0	1	1	136
EMB 006	6,809,400	216,200	0	1	1	206
EMB 008	6,809,400	216,400	0	1	1	242
EMB 009	6,809,400	216,500	0	1	1	271
EMB 115	6,809,000	216,000	0	1	1	236
EMB 117	6,809,000	216,200	0	1	1	448
EMB 028	6,808,200	215,800	0	1	1	254
EMB 029	6,808,200	215,900	0	1	1	283

STONE TANK (E09/1296) - 80% Encounter, 20% Avoca

The Stone Tank Project is located on the northern margin of the Gascoyne Province approximately 265km east of Carnarvon. The project tenement was pegged to cover a 7km long uranium channel airborne radiometric anomaly with coincident mapped calcrete.

During the initial field reconnaissance visit to the project, surface uranium mineralisation, in the form of carnotite, was identified at two sample locations 4kms apart. This work confirmed uranium enrichment within the calcrete at surface. A drill program has been designed to test the primary target zone at the water table.

During the September quarter a heritage survey was completed and clearance was received for the initial drill program. The first drill test at the project was completed in October 2007 with assays pending.

YALGAR (E51/1137) - 80% Encounter, 20% Avoca

The Yalgar Project is located 120kms north west of Meekatharra within the upper reaches of the Murchinson River drainage system. The project was pegged over an extensive but subtle airborne radiometric anomaly in an area of extensive sheetwash sediments. Minor calcrete occurrences have been noted in shallow pits throughout the project. The initial two traverses in a program of reconnaissance drilling were completed in October 2007 to assess the uranium prospectivity of the target area. Assay results are pending.

LAKE DARLOT (E37/830) - 80% Encounter, 20% Avoca

The Lake Darlot Project is located downstream of the drainage systems that host the Lake Maitland and Yeelirrie deposits. Local parts of the lake surface are highly anomalous in the regional radiometric data.

A series of shallow auger holes were drilled to determine the nature and source of the airborne radiometric anomalies. Modest levels of uranium anomalism were identified associated with the radiometric highs returning up to 87ppm U₃O₈ over 0.8 metres, within 2 metres of surface. Highly anomalous levels of strontium (up to 2.88% Sr) were noted and appear to be associated with the higher

uranium grades. The significance of the uranium and strontium anomalism will be assessed through an aircore drilling program in 2008.

LAKE WAY SOUTH and YEELIRRIE CHANNEL RESOURCE CALCULATION

The program to complete the initial resource calculation at Bellah Bore East, Centipede Extension and Lake Way Satellite continued through the quarter. All relevant geological, assay and survey data has been compiled.

BASE METALS / UNCONFORMITY URANIUM

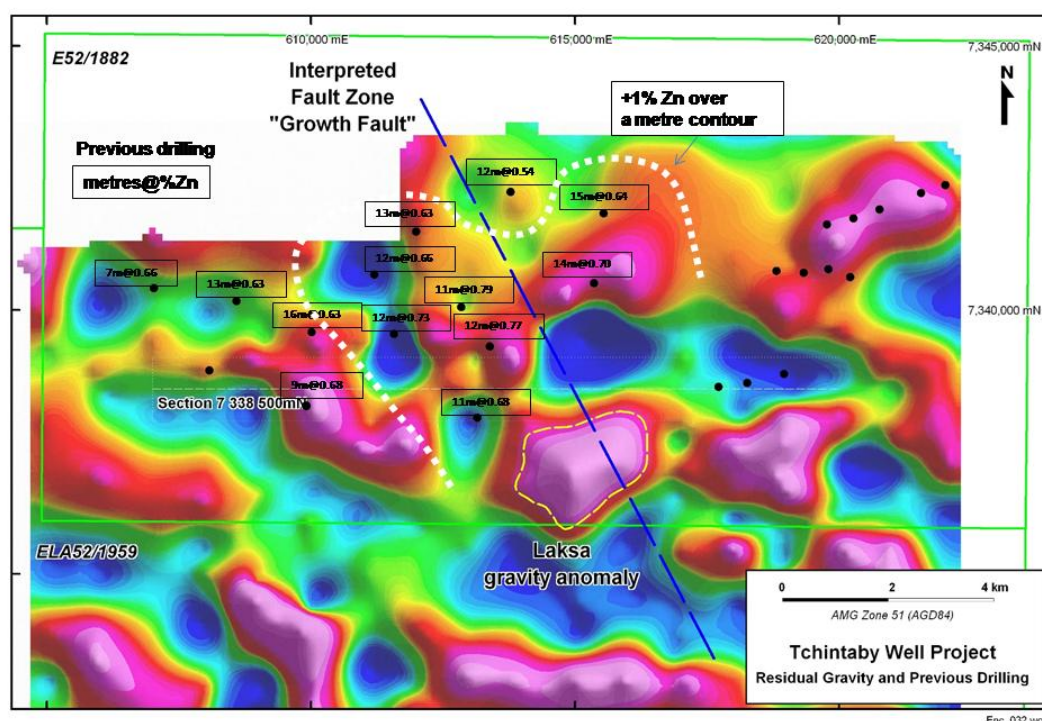
TCHINTABY WELL (E52/1882 and ELA52/1959) - 80% Encounter, 20% Avoca

Drilling in the mid 1990s by CRA Exploration intersected an extensive area of low grade Zn-Cu-Ag mineralisation extending laterally over 8km by 5km. A total of 29 holes were drilled by CRA tracing the mineralised horizon to a maximum depth of 200m below surface with the shoot remaining open to the south. Typical holes within the mineralised area returned intersections of 10-15m thickness, grading 0.5-1% Zn, 500-1000ppm Cu and 5-15g/t Ag.

Interpretation of the 1km by 500m ground gravity data has defined a distinct SSE trending gravity gradient. It is interpreted that this gradient is related to a major basement structure that has been the focus of mineralising fluids at Tchintaby. Significantly, the best part of the known mineralisation defined by CRA also defines a SSE trend. The target at Tchintaby is high grade Zn mineralisation proximal to this structure, downdip to the SSE of the existing low grade halo defined by CRA.

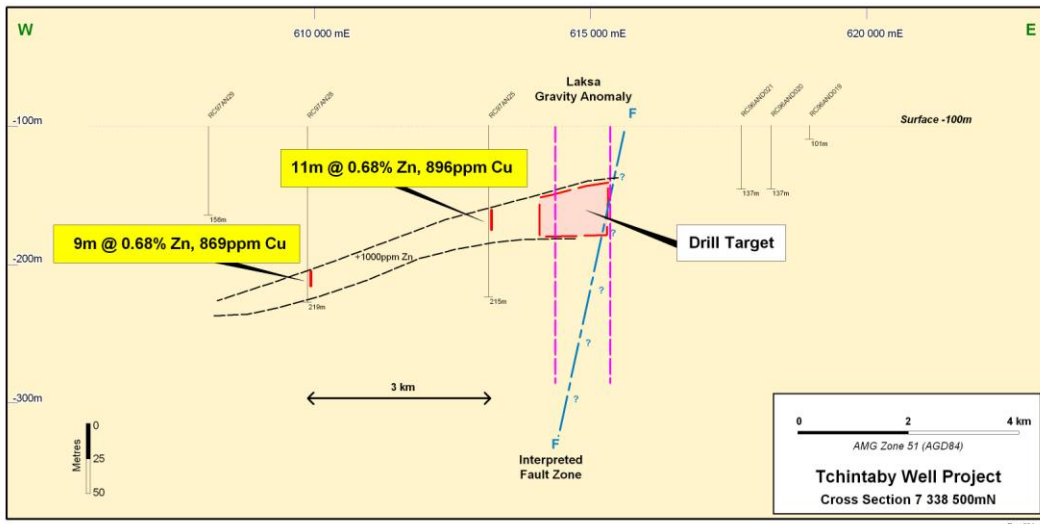
During the September quarter a residual gravity calculation was completed to define any near surface mass anomalies that may represent areas of sulphide concentration. The residual gravity image has outlined a 1km by 1km gravity high (Laksa anomaly) along the interpreted SSE trend to the immediate south of the past drilling (see Figure 4). Further geophysical work will be completed before a drilling program commences to test the defined target. Figure 5 is an interpreted cross section through the target zone at 7 338 500mN.

Figure 4. Tchintaby Well – Residual gravity and drilling



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Figure 5. Tchintaby Well – Cross Section



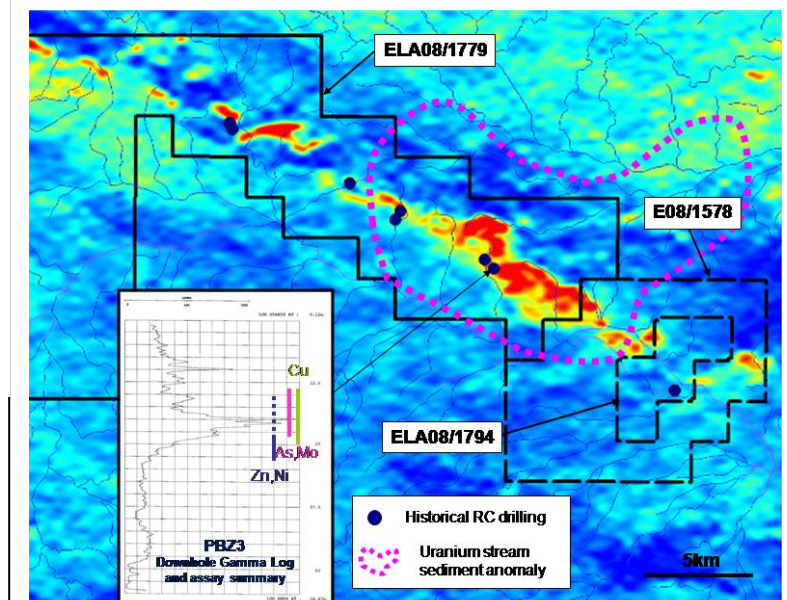
PINGANDY CREEK (E08/1779) - 80% Encounter, 20% Avoca

The Pingandy Creek Project was granted during the September quarter. The Pingandy Creek Project encompasses a regional base metals and uranium geochemical anomaly. A series of shallow drill holes were completed by Pasminco in the 1990s that extended over 30km of strike. The drilling intersected a sphalerite and chalcopyrite mineralised sequence at the base of the Jilawarra Formation and returned 3m @ 1.25% Zn (including 1m @ 2.88% Zn) within the Pingandy Creek Project.

The targeted horizon hosts a 9km long uranium channel radiometric anomaly and coincident GSWA regional, multi-element (U-As-Mo-Sb) stream sediment anomaly within the Pingandy Project. Downhole gamma logs of two of the percussion holes drilled by Pasminco indicate highly anomalous radiometric responses of greater than 10 times background associated with significant Zn, Cu, As, Mo and Ni anomalism. Base metal anomalism is found within the alteration halo of a number of unconformity uranium deposits and the coincident radiometric anomalism at Pingandy Creek is considered to be highly encouraging. No uranium analyses were completed on the historic RC drill holes.

The main radiometric anomaly at the project extends over the eastern boundary of E08/1779 with an additional 1.5kms of the radiometric anomaly extending into E08/1578 held by an independent prospector. During the quarter Encounter expanded the project area by securing an option over E08/1578 (see Figure 6).

Figure 6. Pingandy Creek Uranium Channel Radiometric Image and Exploration Summary





BASE METALS

CROSSLAND HILL (E51/1096) and GIDGIE BORE (E51/1097) - 80% Encounter, 20% Avoca


The Crossland Hill and Gidgie Bore Projects are located approximately 60kms north west of Meekatharra. The geology of the area consists of extensive granitic and gneissic outcrop. Interpretation of the surface uranium channel radiometrics indicates the area contains a broad zone of metasomatic alteration and elevated uranium anomalism within the two projects.

During the quarter a series of regional rock chip traverses were completed at both projects. Results from the rock chip sampling program identified several areas of base metals anomalism that lie within an interpreted major structural trend that cross cuts the projects. A geochemical review and targeting program will be completed with a program of ground geophysics planned for 2008.

LAKE IRWIN (E38/1784) - 80% Encounter, 20% Avoca

The Lake Irwin Project is located 95 km north east of Leonora. A series of shallow auger holes were drilled at the project to determine the nature and source of a north-south trending airborne radiometric anomaly located in the east of the project.

Drilling results at Lake Irwin did not identify any significant near surface uranium mineralisation. However, multi element geochemical analysis was completed on all holes with some base metals and gold anomalism noted. Plotting of these results identified broadly coincident Zn and Cu anomalism within the lake sediments of up to 1.7m at 485ppm Zn and 405ppm Cu at the bottom of a 3.2m auger hole. In addition a broad zone of greater than 5ppb Au was defined within the surficial lake sediment. Additional drilling is required to determine the significance of the base metals and gold anomalism.



BUSINESS DEVELOPMENT

YENEENA JOINT VENTURE – BARRICK GOLD OF AUSTRALIA

In September 2007, Encounter executed the Yeneena Joint Venture Agreement with Barrick Gold of Australia. The agreement allows Encounter to earn a 75% interest in a 1500km² tenement package in the Paterson Province of WA. The project area is considered highly prospective for unconformity related uranium mineralisation, SEDEX lead-zinc mineralisation and Nifty/Isa style copper mineralisation.

The project area captures the northern margin of area of anomalously thick Yeneena Group sedimentary rocks. This margin replicates the geological setting seen on the southern margin some 40kms to the south, where the Kintyre uranium deposits are located. The Yeneena sediments are also host to the Nifty copper deposit which is located 45km north west of the project.

The Kintyre uranium deposits lie within Lower Proterozoic metamorphic rocks of the Rudall Complex. Younger Proterozoic sandstones of the Yeneena Group overlie these rocks and are interpreted to be the source of uranium. The contact between the older Rudall Complex rocks and the younger Yeneena Group rocks is known as an “unconformity”. Such unconformities are critical in the formation of 'unconformity style' uranium ores such as at Kintyre and in the Athabasca Basin of Canada.

A localised, anomalously thick basin of Yeneena Group sedimentary rocks occurs between the Yeneena project and the area of the Kintyre uranium deposits. The structures at the margins of this basin are considered to be important in controlling uranium mineralisation (see Figure 7).

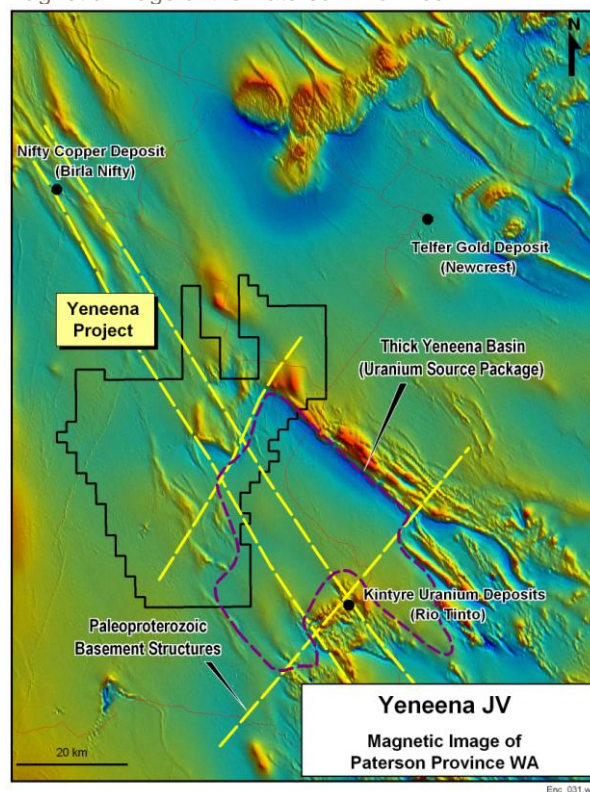
Within the Yeneena project, the favourable unconformity position is preserved and interpreted to be present beneath a thin veneer of Yeneena Group sandstones. The area is largely under sand cover with limited outcrop.

The overlying sandstones are also considered prospective for base metals with the Nifty copper mine hosted in the same stratigraphy, 45km to the north west of the Yeneena project.

Planned activities include for the Yeneena Project the upcoming year include:

- Access discussions with the Western Desert Lands Aboriginal Corporation
- Re-logging and assaying of gold exploration drill holes completed by Barrick
- Interpretation of the EM survey to be completed over the project area by Geoscience Australia as part of the Onshore Energy Security Program
- Field reconnaissance

Figure 7. Yeneena JV
Magnetic Image of the Paterson Province



CORPORATE

The company's cash balance at the end of the quarter was \$6.3 million.



Will Robinson
Managing Director

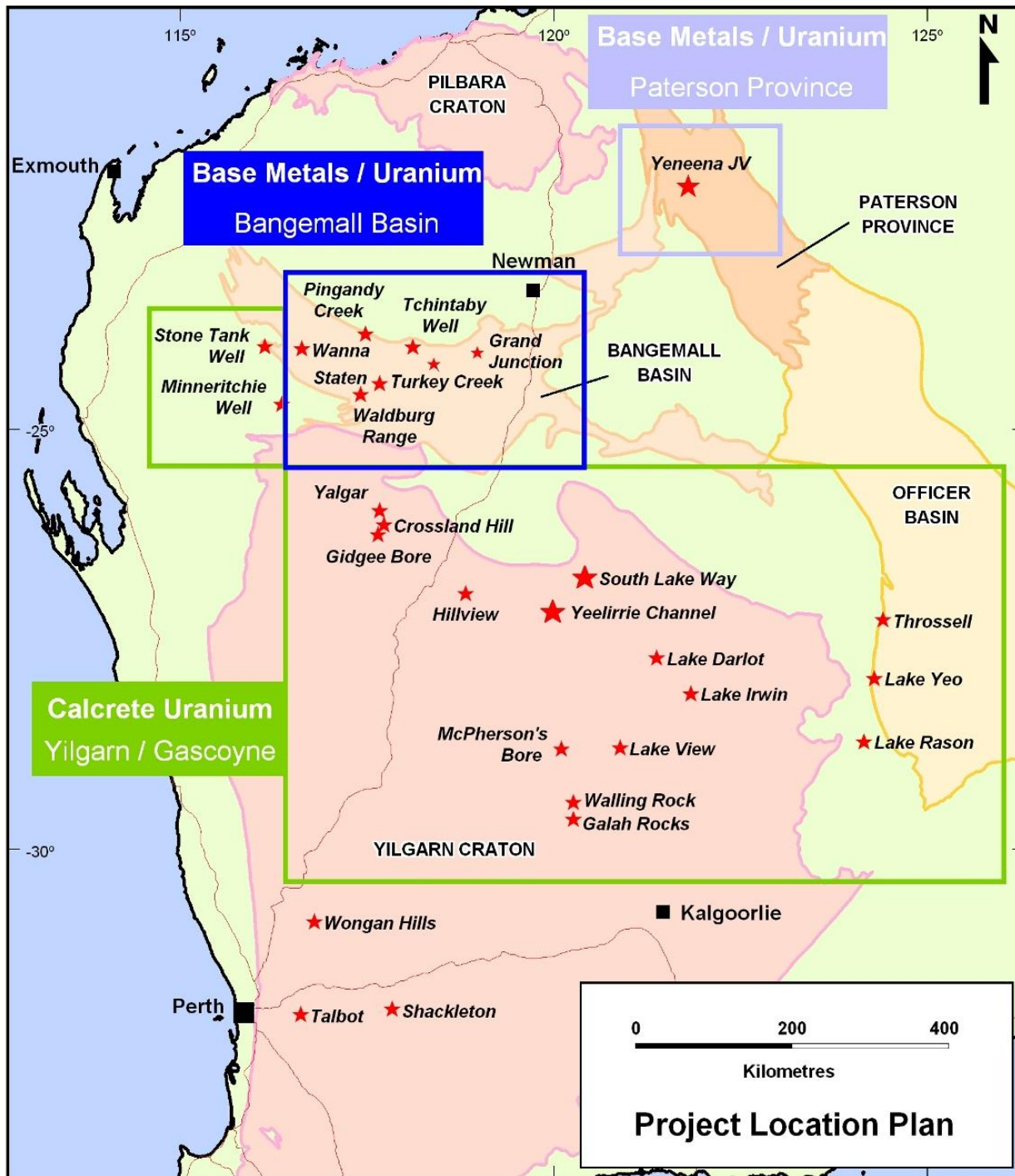
The information in this report that relates to Exploration Results is based on information compiled by Mr Peter Bewick who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Bewick is a full time employee of Encounter Resources Ltd and has sufficient experience which is relevant to 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.

** Historical uranium mineralisation grades are annotated with a sub-prefix 'e' because they have been reported as uranium equivalent grades derived from down-hole gamma ray logging results and should be regarded as approximations only. Gamma logging or "total count gamma logging" (the method used by Western Mining Corporation Limited at Hillview) is a common method used to estimate uranium grade where the radiation contribution from thorium and potassium is very small. Sandstone and calcrete hosted deposits are usually of this type. Gamma logging does not account for energy derived from thorium and potassium (as does spectral gamma logging) and thus the result is expressed as an equivalent value or eU₃O₈.*

The gamma radiation from potassium, uranium and thorium is dominated by gamma rays at specific energy levels. These energy levels are sufficiently well separated such that they can be measured independently of each other. They are typically measured as narrow energy bands that contain the specific energy levels. Bands are used because the measuring systems do not have the resolution to target a specific energy wavelength. There is some scattering of higher energy gamma radiation, e.g. thorium, into lower energy radiation, e.g. uranium and potassium. This scattered radiation can be calculated from suitable calibration procedures and removed from the lower energy level measurements. This method is commonly termed spectral gamma logging.

The downhole gamma logging system used by Western Mining Corporation Limited on this project was the ELMAC 2000.

Figure 8. Encounter Resources Project Location Plan



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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")

30 September 2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 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	(486)	(486)
(b) development	-	-
(c) production	-	-
(d) administration	(87)	(87)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	110	110
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(463)	(463)
Cash flows related to investing activities		
1.8 Payment for purchases: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(9)	(9)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(9)	(9)
1.13 Total operating and investing cash flows (carried forward)	(472)	(472)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(472)	(472)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Share Issue Costs)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(472)	(472)
1.20	Cash at beginning of quarter/year to date	6,771	6,775
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	6,303	6,303

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	112
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

-

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

-

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	-
Total	500

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	108	9
5.2 Deposits at call	6,195	6,766
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	6,303	6,775

+ See chapter 19 for defined terms.

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	Interests in mining tenements acquired or increased	E08/1779 E70/2956	0% 0%	80% 80%

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	-	-		
7.2				
	-	-		
7.3	68,596,900	39,100,000		
7.4				
	-	-		
7.5	-	-		
7.6				
	-	-		

+ See chapter 19 for defined terms.

7.7	Options <i>(description and conversion factor)</i>	100,000	-	<i>Exercise price</i> 20 cents	<i>Expiry date</i> 23/3/2011
		100,000	-	45 cents	15/5/2011
		250,000	-	52.5 cents	7/12/2011
		50,000	-	57 cents	6/7/2012
		50,000	-	50 cents	9/8/2012
7.8	Issued during quarter	50,000	-	57 cents	6/7/2012
		50,000	-	50 cents	9/8/2012
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>	-	-		

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:
(Company secretary)



Date: 29th October 2007

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.

+ See chapter 19 for defined terms.

- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Cash Flow Statements* 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.

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+ See chapter 19 for defined terms.