

A highly active exploration company focused on uranium, gold and base metals in Western Australia

ASX Code

ENR

Market Cap (29/01/09)

A\$4.5m (\$0.066/share)

Issued Capital (31/12/08)

68.6 million ordinary shares
2.3 million employee options

Cash (31/12/08)

A\$3.1M

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

PATERSON PROVINCE

Yeneena JV

- A 1000 line km Tempest Airborne Electro-Magnetic ("AEM") survey defines high quality uranium and copper targets close to the Kintyre uranium deposit and the Nifty copper mine
- Interpreted unconformity related EM conductor defined along the regionally extensive McKay Fault at the 'U2' target.
- AEM survey reveals bedrock conductor adjacent to historical copper mineralisation of 25m @ 0.14% Cu from 25m at 'BM1' target. Three historical drill holes to the north of the AEM anomaly at 'BM1' contain highly anomalous uranium mineralisation including 102m @ 48ppm U₃O₈ from 27m to end of hole.
- Removal of the policy prohibiting uranium mining in Western Australia by the State Government in October 2008 is accelerating uranium exploration in the world class Paterson Mineral Province

YILGARN

Darlot

- A 52 hole aircore drill program was completed at the Darlot gold project during the quarter. This program has extended the newly identified belt of greenstone lithologies to 8km. Assays received to date show significant silver, tungsten and cobalt mineralisation along the northern line of aircore drilling of up to 39g/t silver, 1200ppm cobalt and 800ppm tungsten.

BANGEMALL BASIN

Tchintaby Well

- Assay results from the 1500 metre RC drill program completed in September 2008 were received during the quarter and significantly increased the area of low grade zinc-copper-silver mineralisation. Initial interpretation indicates the drilling did not test the large scale gravity features identified at Laksa and Rendang.

CORPORATE

- \$3.1M in cash reserves at the end of the quarter.
- The company remains highly active advancing its exploration portfolio. The major focus of exploration activity in 2009 will centre on the Yeneena JV located in the Paterson Province.

EXPLORATION

Encounter Resources Limited (Encounter) is a Western Australian (WA) based exploration and resource development company with projects in four geological regions of WA. Encounter's portfolio covers over 7,000km² of strategically located and highly prospective exploration projects (Figure 9). The portfolio includes:

- a suite of projects located in the Yilgarn Province prospective for calcrete style uranium, base metals and gold;
- five projects targeting base metals deposits in the Bangemall Basin;
- two multi-metal projects in the South West of WA; and
- a joint venture with Barrick Gold of Australia which encompasses a major ground position in the Proterozoic Paterson mineral province considered highly prospective for unconformity related uranium and base metals mineralisation.

The major focus of exploration activity in 2009 will centre on the Yeneena JV located in the Paterson Province.

PATERSON PROVINCE

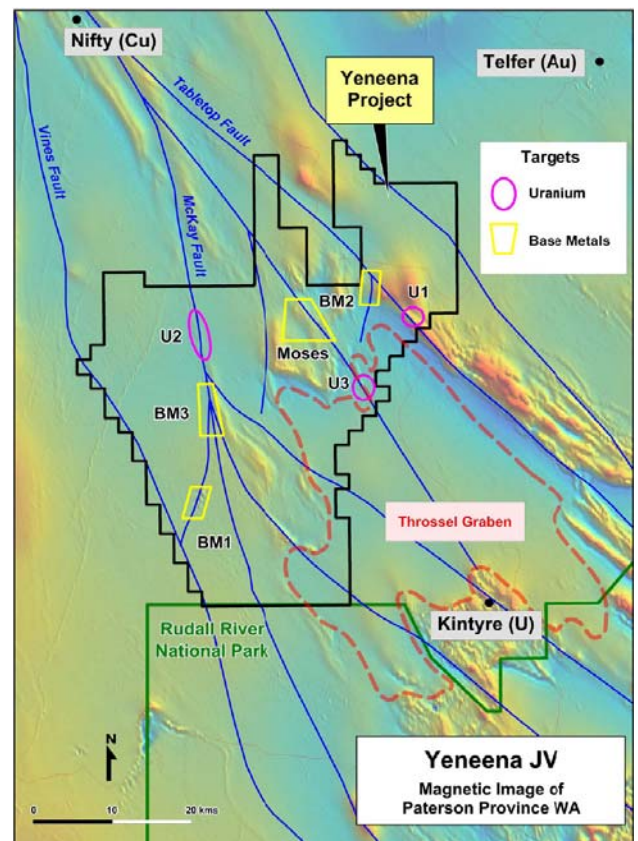
YENEENA JOINT VENTURE (Encounter earning 75% from Barrick)

The Yeneena JV cover a 1500km² tenement package in the Paterson Province of WA that is considered highly prospective for unconformity related uranium mineralisation, SEDEX lead-zinc mineralisation and Nifty/Isa style copper mineralisation. Encounter is earning a 75% interest in the tenements from Barrick Gold of Australia through the expenditure of \$3M over 5 years.

During 2008 Geoscience Australia ("GA") completed a 30,000 line km AEM survey over a large portion of the Paterson Province. This survey was funded by the Federal Government's Onshore Energy Initiative. The survey lines were flown in an east-west orientation at 1km or 2km line spacing. Encounter contracted Fugro Airborne to fly an additional 1000 line kms within the Yeneena JV to infill line spacing to 500m. The preliminary data from this infill survey has been received. The remaining GA survey line data will be released in the coming months.

Simplified geological stratigraphy for the region comprises the Palaeo-Proterozoic Rudall complex as the lowermost unit, overlain by the Neo-Proterozoic Coolbro Sandstone. The Broadhurst formation sits stratigraphically above the Coolbro and is the host to the base metals targets and the Nifty Copper Mine. The Kintyre uranium deposit sits directly below the unconformity between the Coolbro and the Rudall and this position is the primary target for unconformity uranium mineralisation.

Figure 1: Yeneena JV targets and major structures over 1VD magnetics



The preliminary AEM data indicates that the survey has been highly successful at seeing well into the basement and has minimal interference from any surface conductive units. Initial interpretation of the AEM lines flown by Encounter has highlighted a number of discrete basement conductors that are considered extremely prospective for unconformity uranium or sedimentary hosted copper mineralisation. Metal anomalism in the regolith defined by the 2008 drill pulp re-analysis program supports a number of these new AEM targets.

The AEM survey has opened up a new unexplored exploration space at a relatively shallow depth in a region that hosts three major mineral deposits. The survey has defined a number of new, significant uranium and copper drill targets in the extensive project area (refer to Figure 1). Descriptions of three priority targets; U2, BM1 and BM2, are included below.

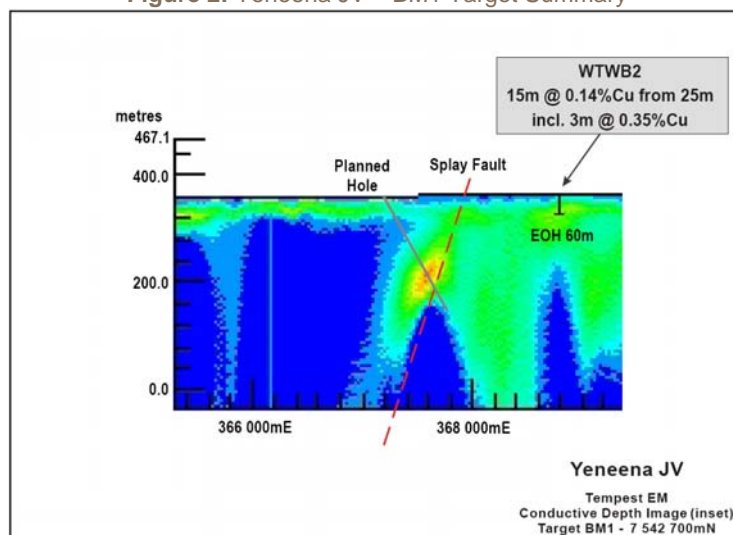
U2 Target. The U2 target consists of a discrete AEM and uranium channel radiometric anomaly located along a section of the regionally extensive McKay Fault. The bedrock AEM anomaly is located at a depth of approximately 200m, near the interpreted unconformity between the Coolbro sandstone and the Rudall Complex. A regionally significant uranium channel radiometric anomaly sits 4km to the south of the AEM anomaly in an area of outcropping Coolbro sandstone, adjacent to the McKay Fault. Recently acquired geochemistry from historical drilling 5kms to the south of U2 revealed near surface uranium anomalism that is open and increasing in intensity to the north towards U2. Field validation of the radiometric anomaly is scheduled for March/April 2009 with drilling of the AEM to follow.

BM1 Target. The BM1 target consists of a near-coincident magnetic and AEM anomaly located on a NNE trending splay structure to the McKay Fault (refer to Figure 1). A section of three RC holes drilled by CRA in the mid 1980s, 1km to the north of the AEM anomaly, targeted the magnetic feature and intersected copper anomalism up to 1000ppm Cu. Anomalous uranium was also intersected in all three holes returning intersections of;

- WTP 1 - 102m @ 48ppm U_3O_8 from 27m to EOH,
- WTP 2 - 63m @ 42ppm U_3O_8 from 42m to EOH and
- WTP 3 - 40m @ 56ppm U_3O_8 from 66m to EOH including 4m @ 117ppm U_3O_8 from 82m.

A water bore hole (WTWB2) drilled on section and 600m to the east of the AEM anomaly returned highly anomalous copper results of 15m @ 0.14% Cu from 25m, including 3m @ 0.35%Cu (refer to Figure 2).

Figure 2: Yeneena JV – BM1 Target Summary



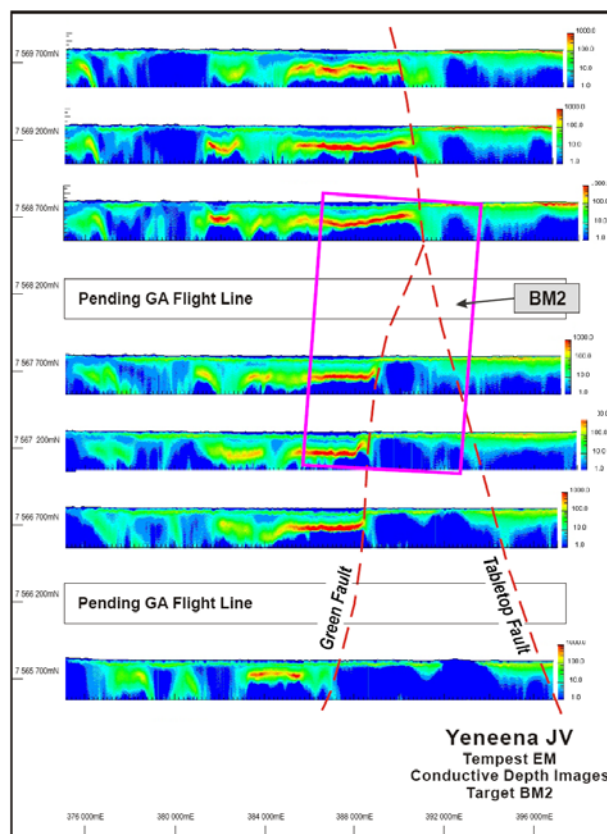
The coincidence of this extensive copper and uranium anomalism is considered extremely significant and indicates the potential for a large scale mineralised system at the BM1 target.

Modelling of the AEM conductor is currently underway and drilling will target the defined plate.

BM2 Target. A series of the newly acquired AEM lines outline an anomalously conductive horizon, interpreted as a shale unit within the Broadhurst Formation. The primary target at BM2 is the intersection between an interpreted north-south trending, westerly dipping fault, here named the Green Fault and the Tabletop Fault (refer to Figure 3). The stacked AEM profiles clearly show the structural termination of the eastern margin of the conductive horizon and an unusual steep geometry of the AEM anomaly against the Green Fault. The unusual steep geometry is interpreted to be related to conductive copper mineralisation developed along the Green Fault. The intersection of the Green Fault and the conductive unit is estimated to be at a depth of 150m and is the primary target for Red Bed style copper mineralisation.

The target is supported by copper regolith anomalism up to 500ppm Cu intersected in broad spaced aircore drill lines. This geochemical anomaly is interpreted to represent a surface leakage anomaly from a metal source at depth. The portion of this extensive target showing the strongest AEM and geochemical anomalism will be targeted for drilling.

Figure 3: Yeneena JV – BM2 Stacked AEM Conductivity Depth Images



The compilation of historical exploration information, the re-analysis of the Barrick aircore drill pulps and the recent AEM survey has defined a number of drill ready unconformity uranium and sedimentary copper targets in the Yeneena JV project. The Yeneena JV is a priority exploration project for Encounter in 2009 and the proposed exploration program will see the company complete its first drill program in this world class mineral province in the coming field season.

YILGARN

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

The Hillview uranium project contains an Inferred Resource of 27.6 million tonnes, averaging 174ppm U_3O_8 for a contained 10.6 million pounds of U_3O_8 . Resource outlines and average grades of uranium intersections within the resource are shown below in Figure 4 and 5.

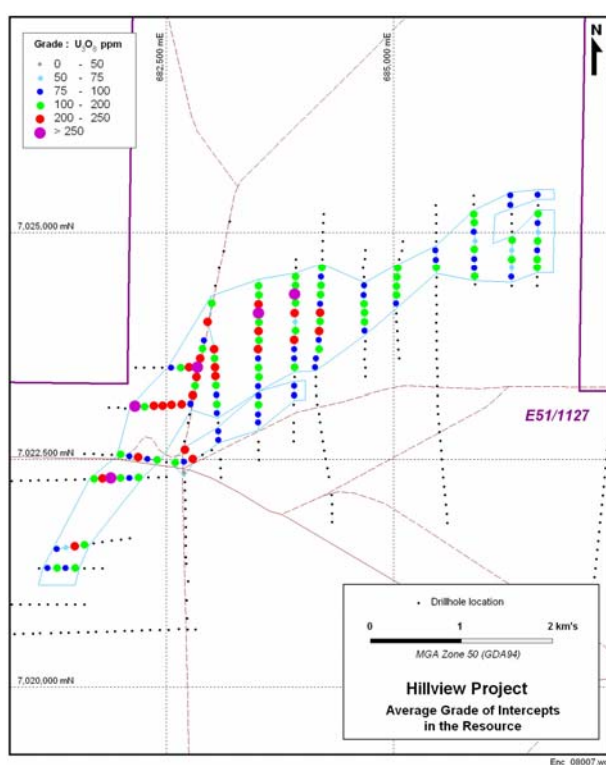


Figure 4. Hillview project – Resource outlines

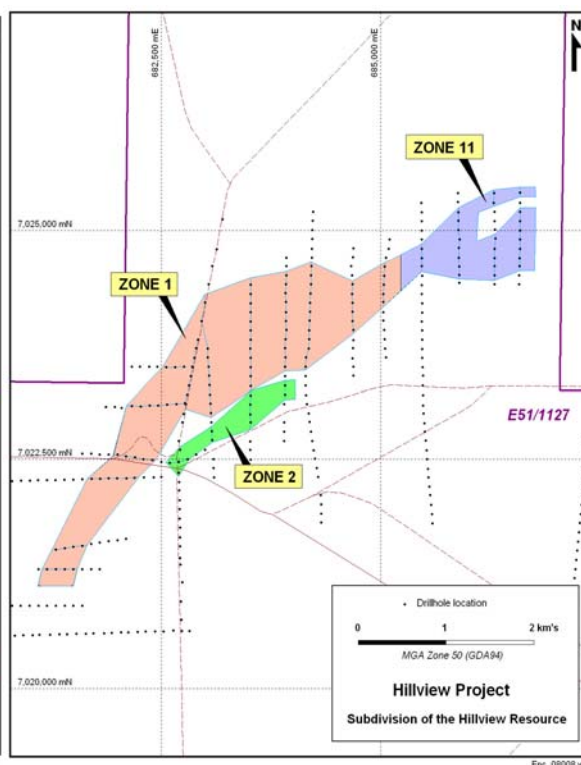


Figure 5. Hillview project – Average grade of drillholes

Results from an initial metallurgical test at Hillview determined the mineralogy of the host to the uranium mineralisation to be a matrix of calcium carbonate and opaline silica. The preliminary leach work was designed on the assumption that the majority of the uranium was contained within the $CaCO_3$ fraction. This assumption appears incorrect and the silica fraction is now being targeted as the main host to the mineralisation. Additional leach tests are now progressing to test this hypothesis.

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

The Lake Darlot Project is located 15kms north of the Darlot Gold Mine on the Eastern margin of the Yandal Greenstone Belt (see Figure 6). Interpretation of the regional magnetics has identified an extensive NNW trending structural corridor that 'horsetails' as it flexes along the margin of a major granite intrusion located in the east of the project.

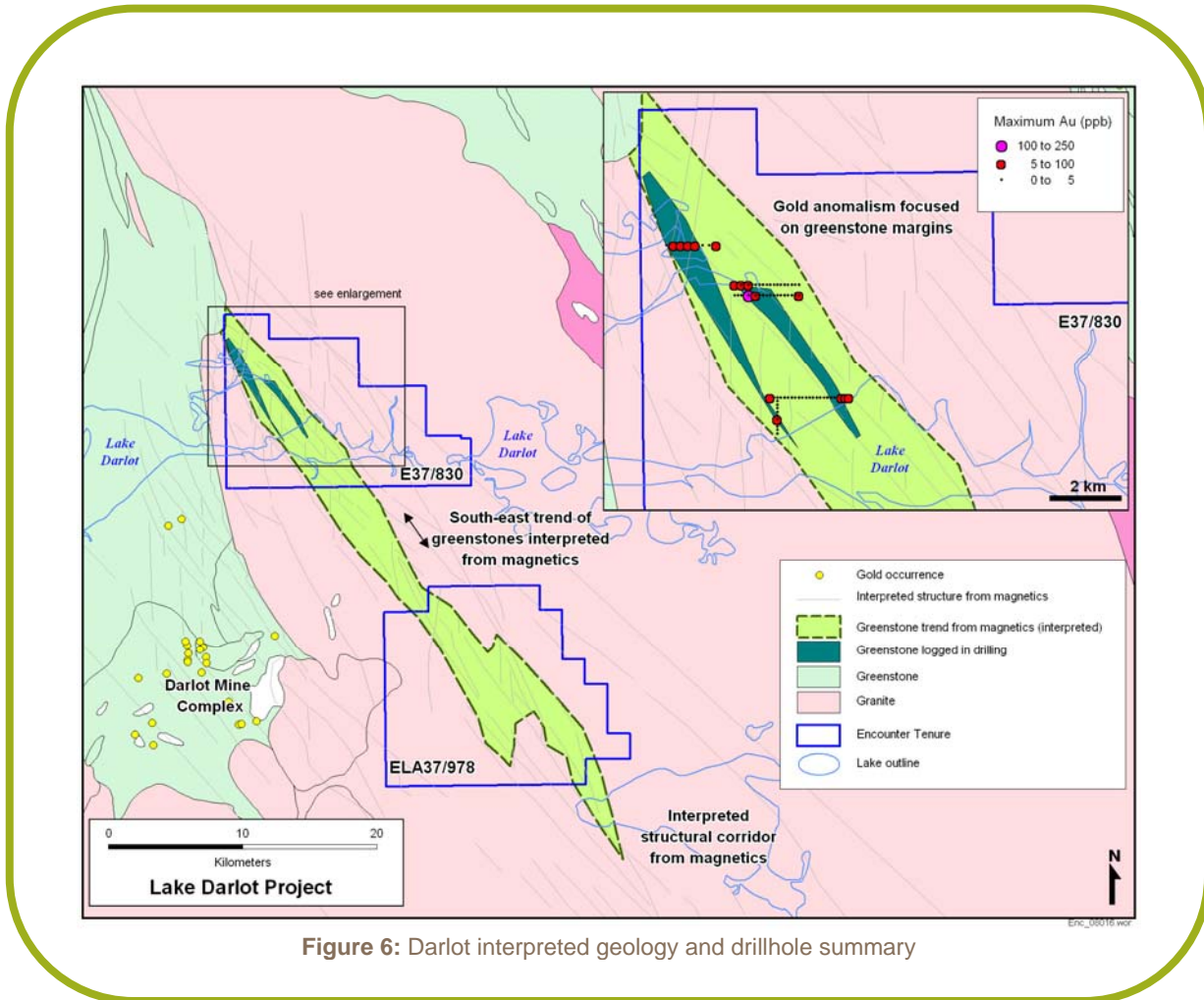


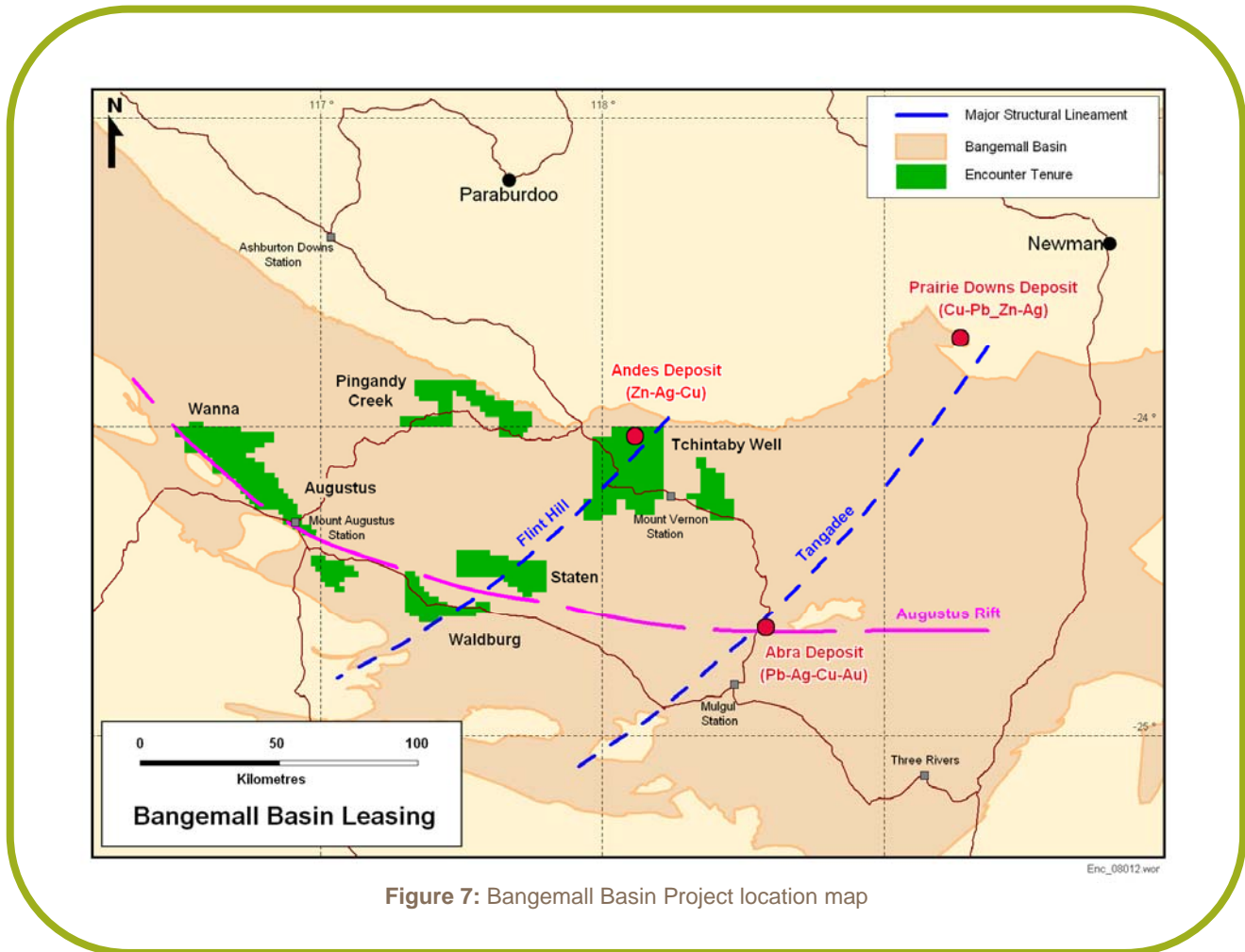
Figure 6: Darlot interpreted geology and drillhole summary

A second phase of aircore drilling was completed during the quarter, to test the strike extent of the anomalous gold identified in March 2008. This phase of drilling has closed drill hole spacing to approximately 1km x 200m across the interpreted greenstone belt. This newly identified greenstone belt has now been defined by drilling over 8kms and is interpreted from magnetics to extend for 30km sub-parallel to the margin of the greenstone belt that hosts the Darlot Gold mine.

Multi-element analysis from the northern line of aircore drilling and gold results from all holes have been received. Gold results show low level anomalism although significant Ag-Co-W mineralisation was intersected including results up to 39g/t Ag, 1210ppm Co and 820ppm W. This association of metals indicates a highly oxidising source fluid very effective at mobilising metals within the crust. The identification of such a highly oxidised mineralising fluids along this belt is an encouraging development. Multi-element analyses from the remaining five lines of drilling remain pending.

BANGEMALL BASIN

Encounter Resources controls a large and strategic project position of over 2000km² in the prospective Proterozoic Bangemall Basin of Western Australia (refer to Figure 7).



PINGANDY CREEK

(E08/1779 - 80% Encounter, 20% Avoca, E08/1794 100% Encounter and E08/1578 Encounter Option to earn 100%)

The Pingandy Creek Project is located 80km south of Paraburdoo and covers an area of 425km² along the northern margin of the Bangemall Basin.

A ground gravity survey identified a series of subtle density anomalies downplunge of historical low grade Zn-Cu-Pb drill intersections. Four of the five gravity anomalies were drill tested in the September quarter with eleven RC drill holes. Assay results received in the December quarter have confirmed extensions to the area of low grade base metal mineralisation. The assay results and field observations indicate that the gravity anomalies at Pingandy Creek are created by the density contrast between the host shale unit and the dolerite sills that have intruded the mineralised horizon.

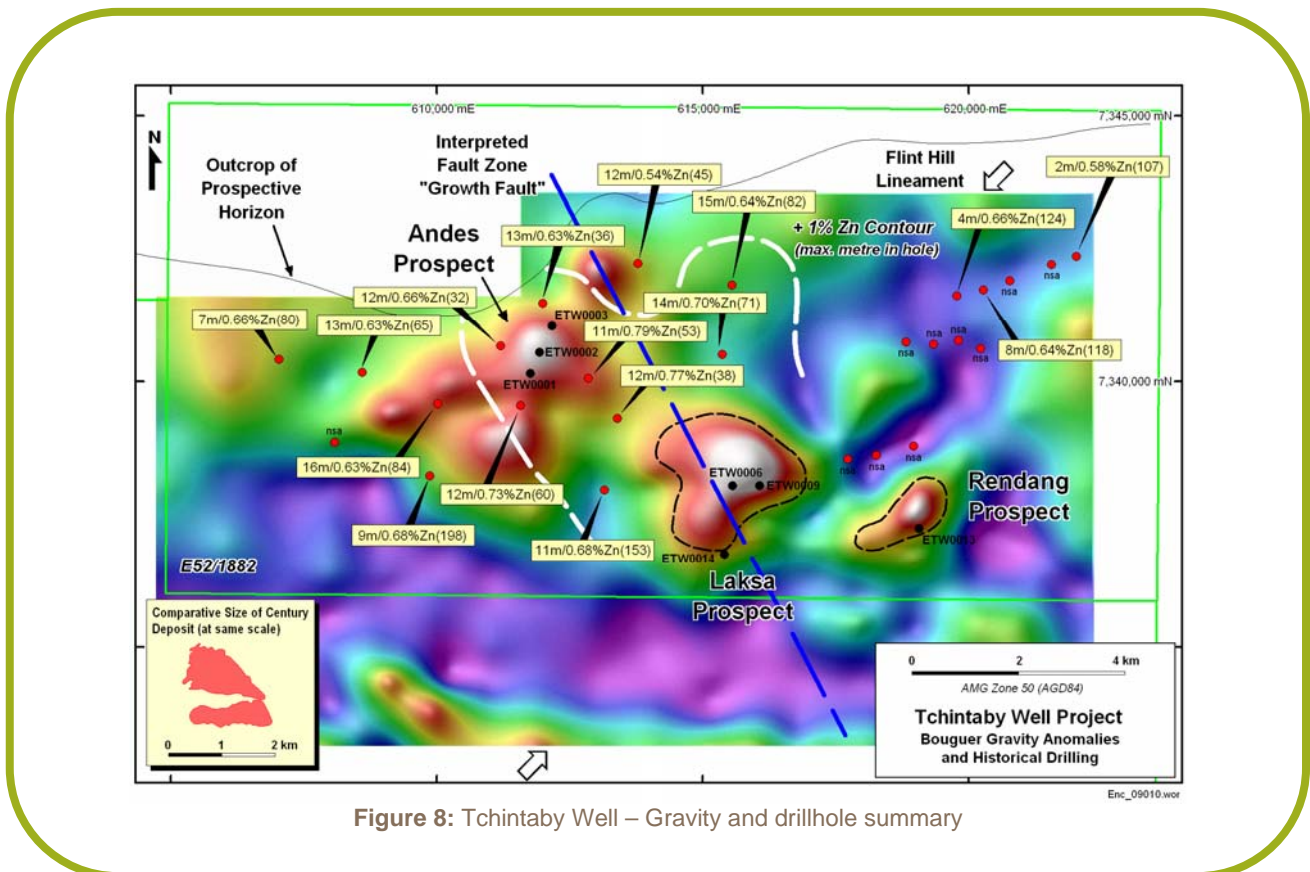
TCHINTABY WELL (E52/1882 and ELA52/1959) - 80% Encounter, 20% Avoca

The Tchintaby Well Project covers over 580km² and is being targeted for high grade SEDEX zinc mineralisation, similar to the Century and McArthur River deposits in Eastern Australia.

An initial drill program of seven vertical RC holes was completed in September at the Andes, Laksa and Rendang prospects (refer to Figure 8). This program was constrained by available access and a number of key holes remain to be drilled. Assay results received in the December quarter from the initial holes have confirmed a significant extension to the area of base metal mineralisation with assay results including;

Hole #	Prospect	Northing	Easting	From	Thickness	Zn(ppm)	Cu(ppm)
ETW 1	Andes	7340300	611827	26	7	4057	472
ETW 2	Andes	7340702	612072	35	9	6338	870
ETW 3	Andes	7341170	612280	33	13	7488	854
ETW 6	Laksa	7338200	615750	164	11	7327	1022
ETW 9	Laksa	7338200	616200	164	9	6806	999
ETW 13	Rendang	7337400	619200	197	12	7062	1053
ETW 14	Laksa	7336750	615400	273	10	6050	833

The drilling completed by Encounter intersected similar mineralisation grades and thicknesses to that of the previous explorers. The horizon of low grade Zn-Cu-Ag mineralisation has been extended to the south east by a further 4 km. The initial assessment of the drill samples indicates that the drilling did not intersect the targeted density anomalies and hence the gravity targets at Laksa and Rendang remain untested. Samples from the various lithologies intersected in the recent drilling will be submitted to the laboratory to calculate the in-situ density of the individual units. These measurements will then be incorporated into the density models to determine the depth and nature of the excess mass outlined in the ground gravity survey.



SOUTH WEST REGION

WONGAN HILLS AND SHACKLETON (E70/2957 and E70/2958) - 80% Encounter, 20% Avoca

The Wongan Hills and Shackleton Projects are located within the wheatbelt of WA, within 200kms from Perth. The projects were secured in March 2006 following the release of the CRC-LEME laterite dataset for the South West Yilgarn. These two projects cover the standout laterite geochemical uranium sample clusters within this extensive dataset.

Laterite sampling at Wongan Hills by Encounter returned anomalous gold values up to 38ppb with supporting tellurium and molybdenum. Additional laterite sampling was completed at Wongan Hills to validate the higher gold values, to determine the boundaries of the extensive anomaly and extend analysis into background. The results from this sampling were recently received and have outlined additional areas of gold anomalism. A program to prioritise and determine the significance of the gold targets identified will commence in the current quarter.

CORPORATE

The company's cash balance at the end of the quarter was \$3.1 million.

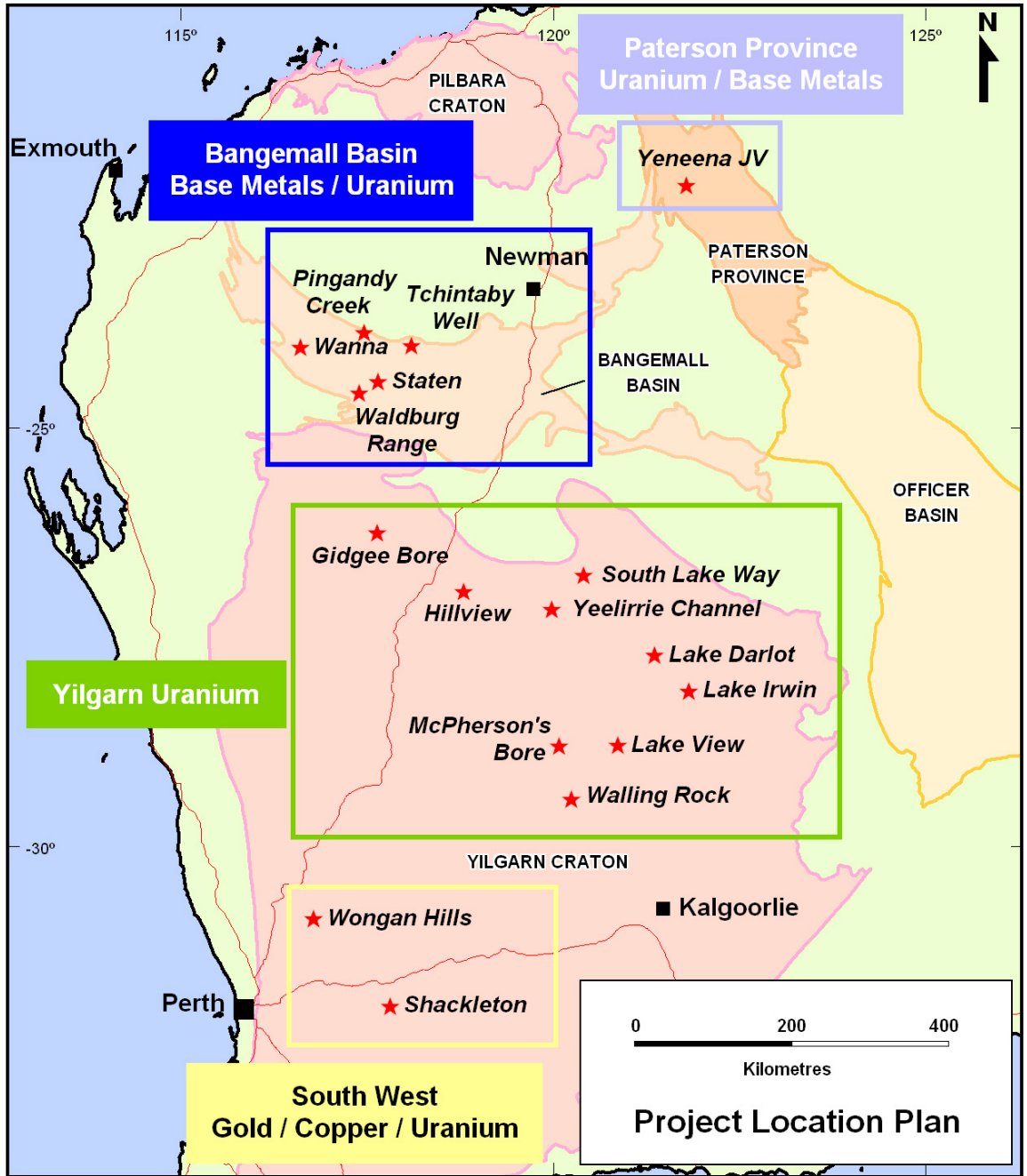
The company's remains highly active and is focused on advancing its exploration portfolio. Exploration activities over the past 12 months have highlighted a suite of priority targets for 2009. The company's exploration plan for 2009 will centre on the Yeneena JV located in the Paterson Province where the company has define drill ready targets in a region that hosts three world class mineral deposits.



Will Robinson
Managing Director

The information in this report that relates to Exploration Results and Mineral Resources 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.

The information in this presentation that relates to Mineral Resources for the Hillview Uranium Project is based on information compiled by Mr Neil Inwood who is employed by Coffey Mining Ltd. Mr Peter Bewick from Encounter has consented to a joint sign off for the Resource, Mr Bewick taking responsibility for the quality and reliability of the drillhole database and Mr Inwood is responsible for the grade estimate and classification of the resource. Messrs Inwood and Bewick have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Messrs Inwood and Bewick consent to the inclusion in the report of the matters based on the information compiled by them, in the form and context in which it appears.



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Figure 9: Encounter Resources Project Location Plan

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")

31 December 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 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	(884)	(1,466)
(b) development	-	-
(c) production	-	-
(d) administration	(133)	(256)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	62	135
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(955)	(1,587)
Cash flows related to investing activities		
1.8 Payment for purchases: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(9)	(33)
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)	(33)
1.13 Total operating and investing cash flows (carried forward)	(964)	(1,620)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(964)	(1,620)
	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	(964)	(1,620)
1.20	Cash at beginning of quarter/year to date	4,045	4,701
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,081	3,081

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	136
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	300
4.2 Development	-
Total	300

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	142	127
5.2 Deposits at call	2,939	3,918
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,081	4,045

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	E53/1154	Tenement relinquished	80%	0%
	E53/1155	Tenement relinquished	80%	0%
	E53/1157	Tenement relinquished	80%	0%
	E52/2077	Tenement relinquished	80%	0%
	E51/1137	Tenement relinquished	80%	0%
	E09/1197	Tenement relinquished	80%	0%
6.2 Interests in mining tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

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	68,596,900	68,596,900		
7.4 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buy-backs	-	-		
(c) Released from Escrow	-	-		
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	-	<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
	500,000	-	53.5 cents	30/11/2012
	400,000	-	55 cents	30/11/2012
	400,000	-	70 cents	30/11/2012
	150,000	-	50 cents	30/11/2012
	350,000	-	30 cents	30/6/2013
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		

+ See chapter 19 for defined terms.

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:



Date: 29 January 2009

(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 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.