

A highly active exploration company with projects in Western Australia prospective for base metals, manganese and uranium

ASX Code

ENR

Market Cap (27/7/11)

A\$79m (\$0.80/share)

Issued Capital (30/6/11)

99.3 million ordinary shares
6.9 million employee options

Cash (30/6/11)

A\$7.2M

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 / Mr. Dan Travers
Joint Company Secretary

www.enrl.com.au

Level 7, 600 Murray Street
West Perth WA 6005
P: 08 9486 9455
F: 08 6210 1578
contact@enrl.com.au

HIGHLIGHTS

PATERSON PROVINCE

Yeneena - Major ground position between the Nifty copper mine, the Woodie Woodie manganese mine and the Kintyre uranium deposit

• **BM1 Copper Discovery**

- Diamond drillhole EPT 751 intersected 10m @ 6.8% copper from 32m including 2.8m @ 12.3% copper and 156g/t silver.
- RC drilling has intersected significant copper oxide mineralisation in a number of drill holes.
- A native copper / chalcocite zone has been intersected at depth along the westernmost RC drill section.
- A total of 2250 samples from the RC and diamond drilling are currently in the laboratory with results pending.
- A ground EM survey is in progress to determine the extent of native copper / chalcocite mineralisation at the western side of BM1 Northern Area.
- A VTEM survey highlights new targets to the north and east of the BM1 Copper Discovery

• **BM2 Prospect**

- Aircore drilling confirms a 1.2km long NW trending copper anomaly along the Tabletop Fault.
- EIS co-funded diamond drilling commenced in June. Visual inspection of the drill core from BM2 has identified a 100m thick zone containing base metal-bearing sulphide veins. The base metal sulphides observed occur within thin carbonate / quartz veinlets and narrow breccia zones and appear to be predominately sphalerite with minor galena and chalcopyrite. Further drilling is planned in the September quarter.

• **T4 Prospect**

- VTEM survey defines bedrock conductors on the margin of a horst block of Palaeo-Proterozoic stratigraphy.
- Diamond drill testing to commence in September quarter



EXPLORATION

Encounter Resources Limited (“**Encounter**”) is a Western Australian (“**WA**”) based exploration and resource development company with projects in three geological regions of WA. Encounter’s portfolio covers over 4,000km² of strategically located and highly prospective exploration projects (Figure 7). The portfolio includes:

- A major ground position in the Paterson mineral province between the Nifty copper mine, Woodie Woodie manganese operation and the Kintyre uranium deposit, considered highly prospective for Proterozoic copper and silver-lead-zinc mineralisation, unconformity related uranium and carbonate hosted manganese deposits;
- Inferred Resources of 11 million pounds of near surface, calcrete style uranium in the Yilgarn Province; and
- Three projects targeting base metals in the Bangemall Basin.

PATERSON PROVINCE

YENEENA (100% Encounter)

The Yeneena project covers a 1,300km² tenement package in the Paterson Province of WA located between the Nifty copper mine, the Woodie Woodie manganese mine and the Kintyre uranium deposit (Figure 1). The project is considered highly prospective for sedimentary copper mineralisation, silver-lead-zinc mineralisation, Woodie Woodie style manganese mineralisation and unconformity related uranium mineralisation.

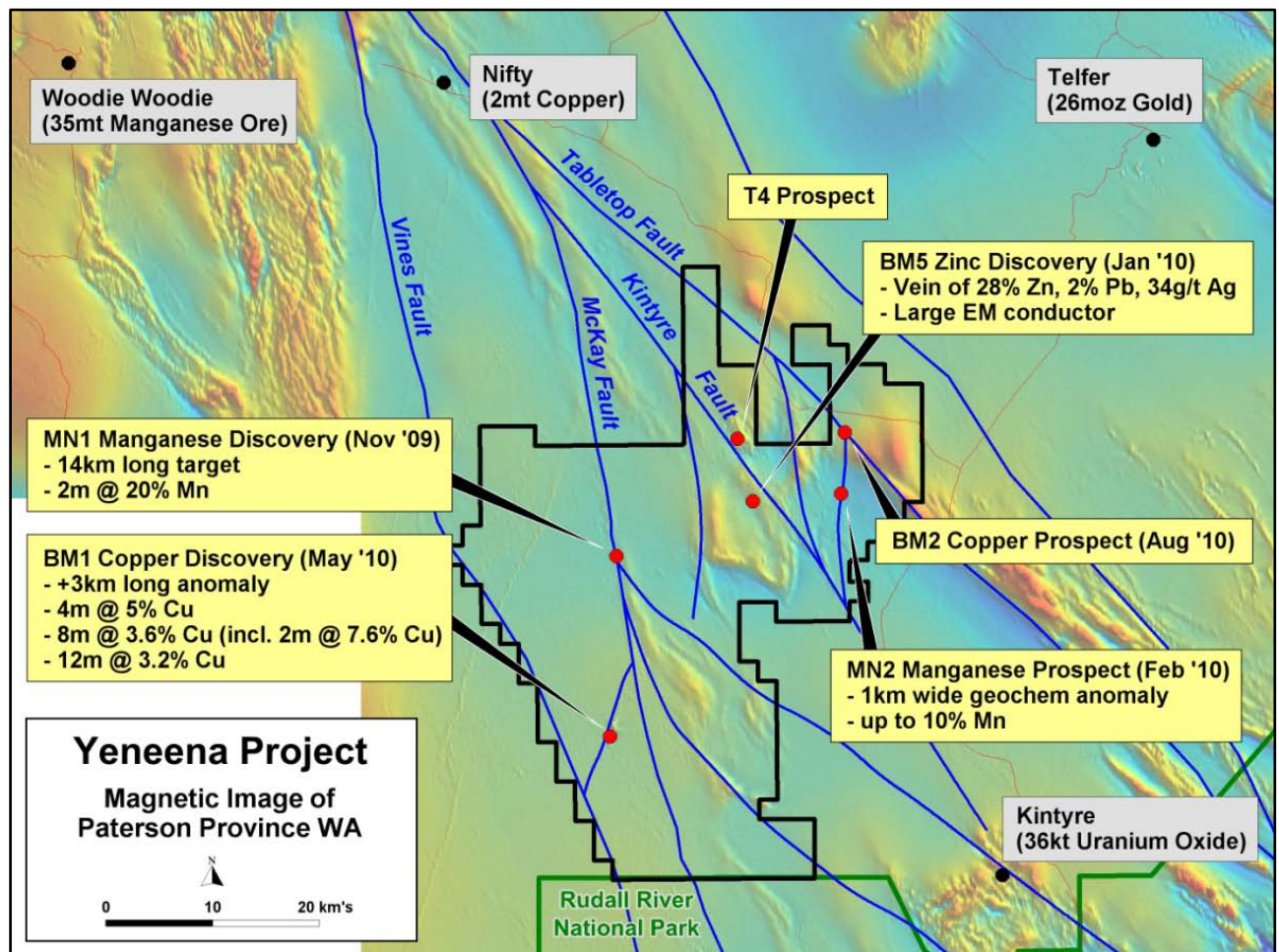



Figure 1: Yeneena targets and major structures over magnetics



The 2011 on ground exploration activities commenced during the June quarter and included:

- Five diamond drill holes at BM1
- A detailed RC drill program over the BM1 Northern Area
- Aircore drilling at the BM2 copper prospect
- EIS co-funded diamond drilling program commenced at BM2
- VTEM surveys over the BM5/T4 region and the BM1 area
- An orientation partial leach soil geochemical survey over the BM2 prospect

These activities form part of the \$5M 2011 exploration program for the Yeneena Project. Drilling activities are ongoing at the project. Currently two drilling rigs are in operation and will continue throughout the coming quarter.

BM1 Copper Discovery

The BM1 Copper Discovery (“**BM1**”) is located along the McKay Fault approximately 60km south of the Nifty copper mine (Figure 1).

The copper regolith anomaly at BM1 extends over 3.5km and remains open to the north and south.

The BM1 copper mineralisation is hosted within the Broadhurst Formation and is almost entirely overlain by 2-10 metres of transported cover. The exploration target at this prospect is for a Zambian Copper Belt style, sediment-hosted copper deposit.

High grade copper mineralisation was first discovered in aircore drilling at BM1 in June 2010. Further drilling confirmed a coherent zone of high grade, near surface copper mineralisation defined over a large area in the northern section of BM1 (“**Northern Area**”) (Figures 2 and 3).

During the quarter five diamond drill holes were completed around the Northern Area. These initial holes were designed with multiple objectives:

- test for primary copper sulphides below the oxide position
- identify key stratigraphic and structure controls to the mineralisation and
- confirm the nature and possible origin of the copper oxide mineralisation.

The diamond holes completed at BM1 have confirmed the mineralisation within the Northern Area is primarily strataform in nature and the footprint of alteration from the mineralisation event is extensive across the mineralised horizon and at depth. Extensive zones of silica and pyrite replacement and occasional disseminations of chalcopyrite mineralisation within the fresh rock are consistent with alteration expected proximal to primary copper mineralisation. The diamond drill program will continue throughout the September quarter.

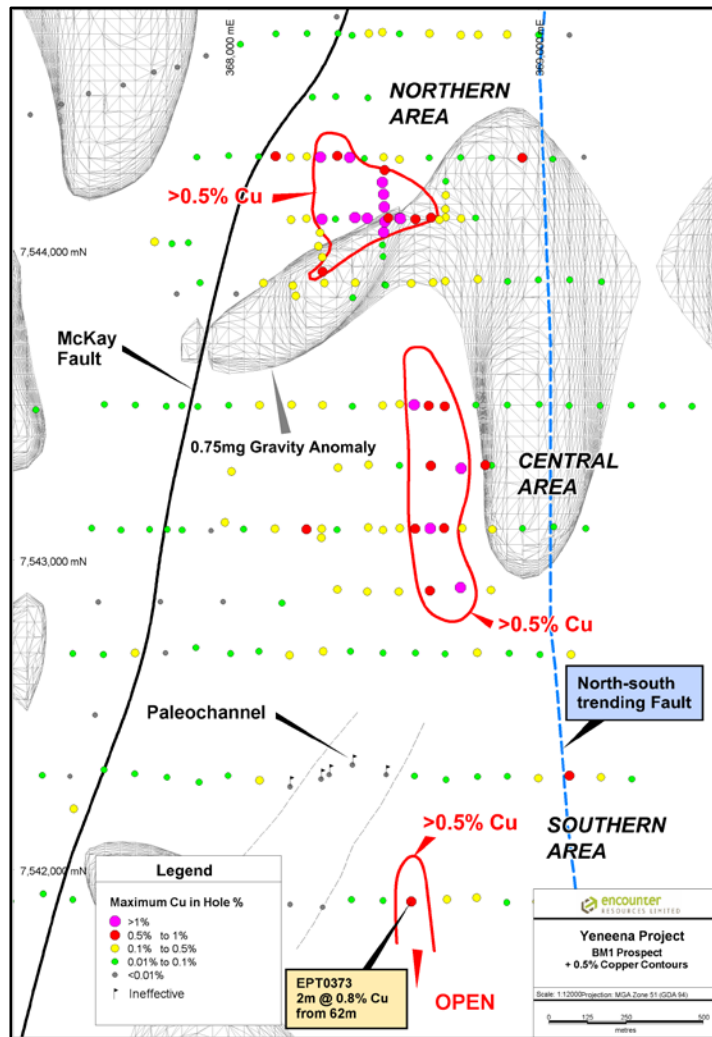


Figure 2: BM1 Discovery - Maximum Copper in Hole over 0.75mg Gravity Shell

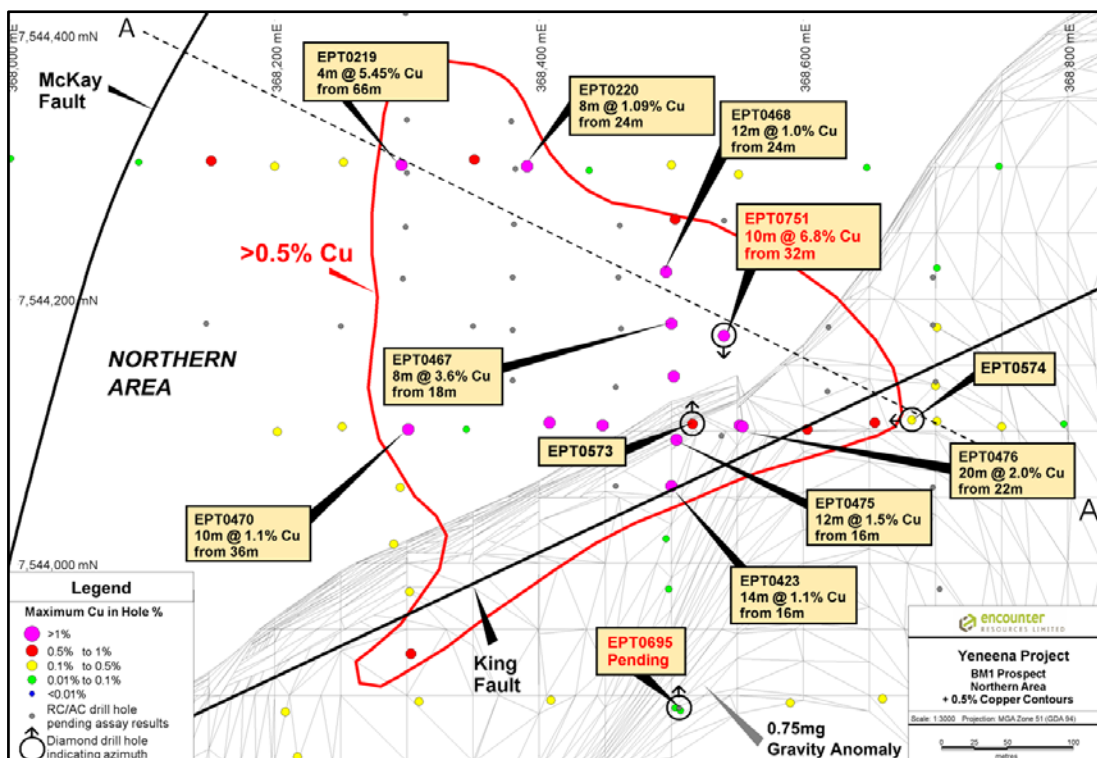


Figure 3: BM1 - Northern Area - Maximum Copper in Hole over 0.75mg Gravity Shell

Diamond drill hole EPT751 was collared within the Northern Area oxide position and drilled south to intersect the King Fault at depth (Figure 3). The hole intersected **10.1m @ 6.8% copper from 31.9m, including an interval of 2.8m @ 12.3% copper and 156 g/t silver**. The intersection in EPT751 represents the highest grade copper assay achieved to date at BM1. A 70cm zone of black shale from 34m returned an assay result of 28.8% copper and 178 g/t silver (see Photo 1). XRD analysis from the 70cm zone confirmed the dominant copper mineral is chalcocite.



Photo 1 & 2: EPT 751 32.6m to 38.8m
(Copper and Silver assay results shown along sampled intervals)

A systematic program of north-south RC drill traverses to a depth of 120m has been completed to determine the orientation and extent of the mineralised horizon intersected in EPT751.

The RC drilling program has intersected significant copper oxide mineralisation in a number of drill holes and has defined a north-west orientation to the copper mineralisation. This trend is similar to the orientation of the steep structural fabric observed within the diamond drill core from EPT 751. It appears from the early assessment of this drilling that the mineralised horizon is flat lying in the centre of the Northern Area and then dips off to the west and to the east. This observation confirms an earlier interpretation that the overall geology of the BM1 area is dominated by an open antiform that appears to plunge gently to the north.



Photo 3: EPT 762 112m to 113m

The western line of RC drilling has intersected significant copper mineralisation below the carbon oxidation front at depths between 50-95m from surface. This indicates the western limb of the antiform is dipping steeply to the west. The mineralisation along this section is dominated by chalcocite and native copper (Photo 3). The progression from malachite dominated mineralisation in the oxide zone to chalcocite and native copper in the supergene zone has provided a clear vector to a possible primary copper sulphide zone further west and at depth.

Drilling along the easternmost section has also intersected copper anomalism below the carbon oxidation front at depths from 35-80m and indicates a gentle easterly dip to the eastern limb. The anomalism along this section has provided a second possible vector to a primary copper sulphide mineralisation as this limb dips further east.

A schematic cross section has been drafted to illustrate the overall geology across the Northern Area mineralisation (Figure 4).

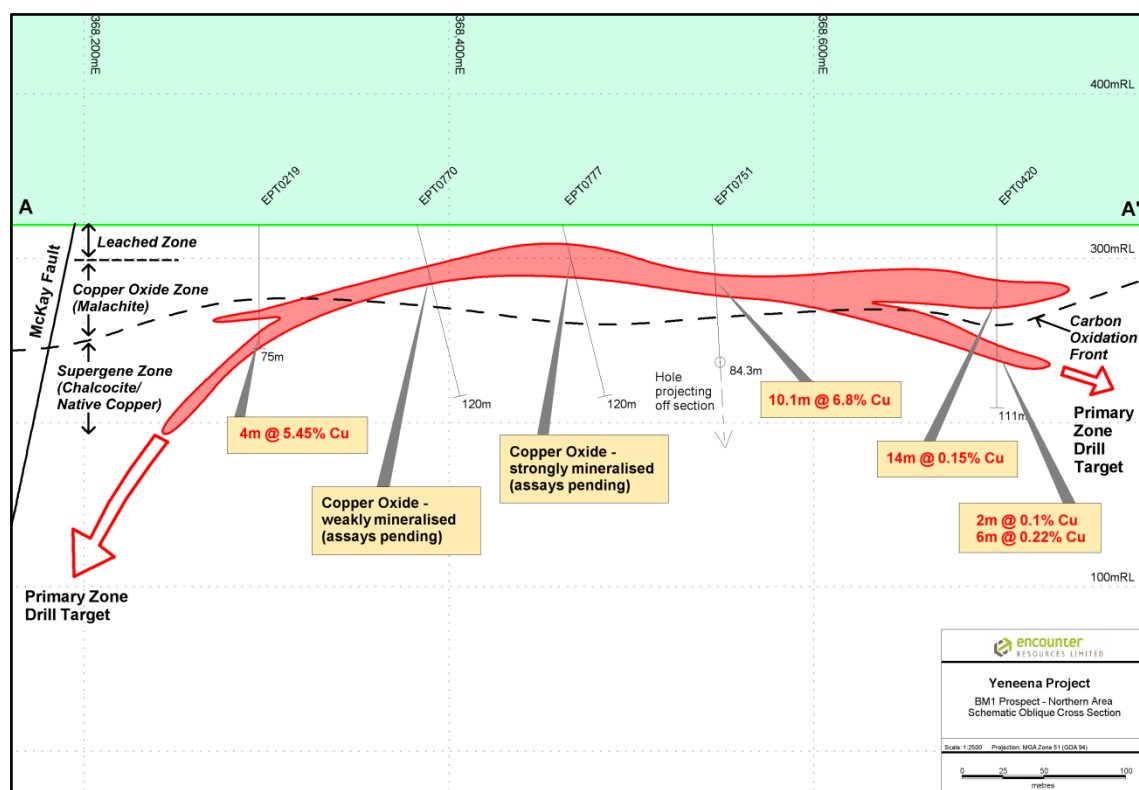


Figure 4: BM1 Schematic Oblique Section – Northern Area

2250 samples from the RC and diamond drilling programs at BM1 have been delivered to the assay laboratory in Perth and results are pending.

A detailed helicopter EM survey (“VTEM”) was completed at BM1 in June 2011. The final data from this survey was delivered in late July and is currently being reviewed and modelled. Early interpretation of this data has highlighted a series of potentially important structural controls to the copper mineralisation as well as providing greater detail on bedrock conductors. Bedrock conductors located down dip of the western and eastern mineralised limbs will be modelled and are considered high priority drill targets.

The VTEM survey has also identified two regional scale targets to the north and east of BM1 (Figure 5). These areas show similar structural and conductivity response to the main BM1 copper discovery. Initial reconnaissance aircore drilling over the BM1 North and BM1 East copper targets will be completed in the September quarter.

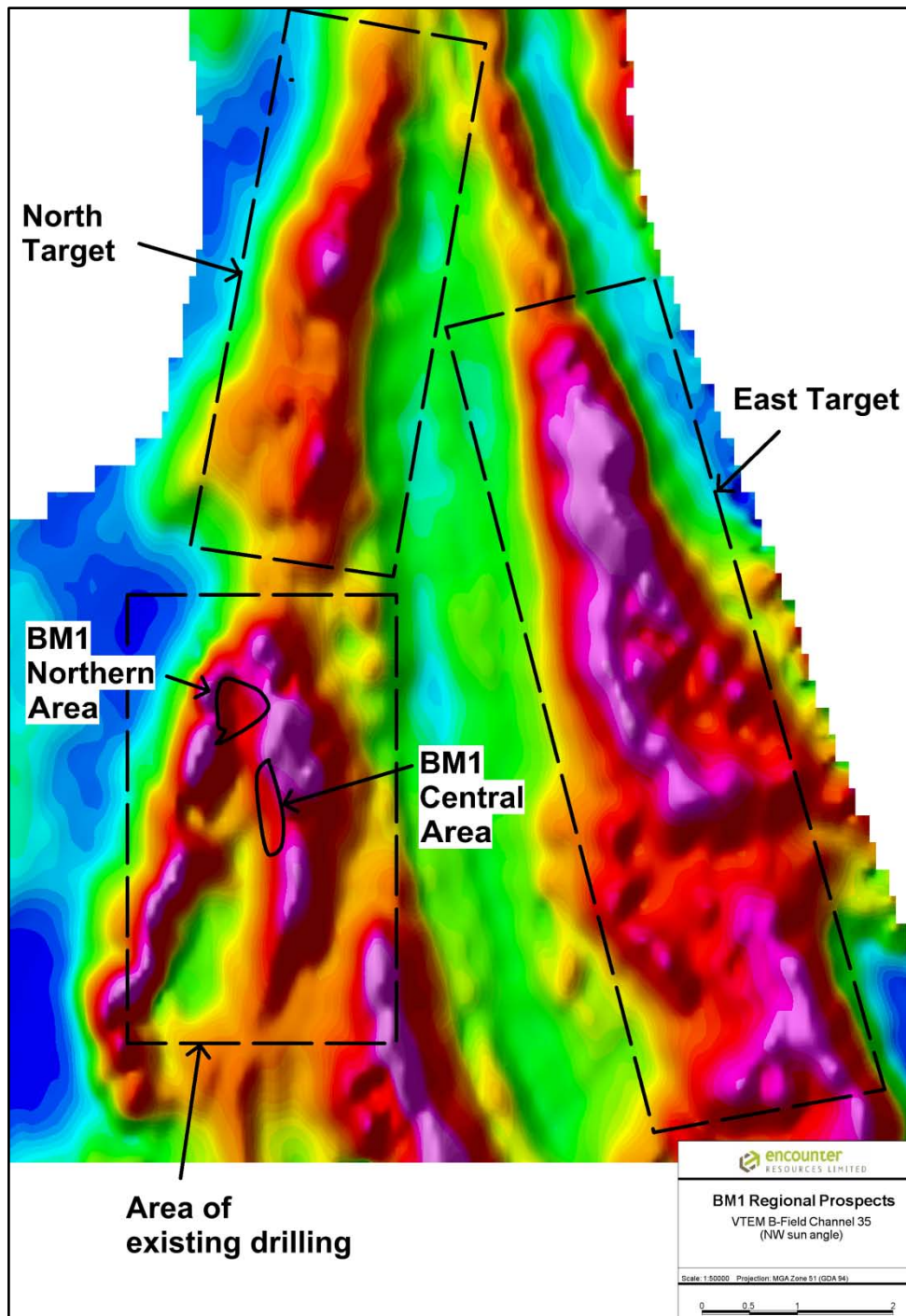


Figure 5: BM1 Regional Prospects – VTEM B-Field Channel 35 (NW sun angle)

BM2 Prospect

The BM2 prospect is located 50km south-east of the Nifty copper deposit and 34km north-east of the BM1 copper discovery at the intersection of a north-south trending, westerly dipping fault and the regionally extensive Tabletop Fault (Figure 1).

Three east-west aircore drill traverses were completed at BM2 in September 2010. These traverses outlined a broad area of regolith copper anomalism. The central line (Figure 6) included multiple thick, highly anomalous copper intersections including:

- EPT561 30m @ 0.14% Cu from 42m to end of hole incl. 2m @ 0.88% Cu
- EPT563 28m @ 0.18% Cu from 54m incl. 4m @ 0.48% Cu & 2m @ 0.41% Cu
- EPT564 36m @ 0.17% Cu from 76m to end of hole incl. 6m @ 0.37% Cu
- EPT588 20m @ 0.27% Cu from 62m incl. 4m @ 0.57% Cu

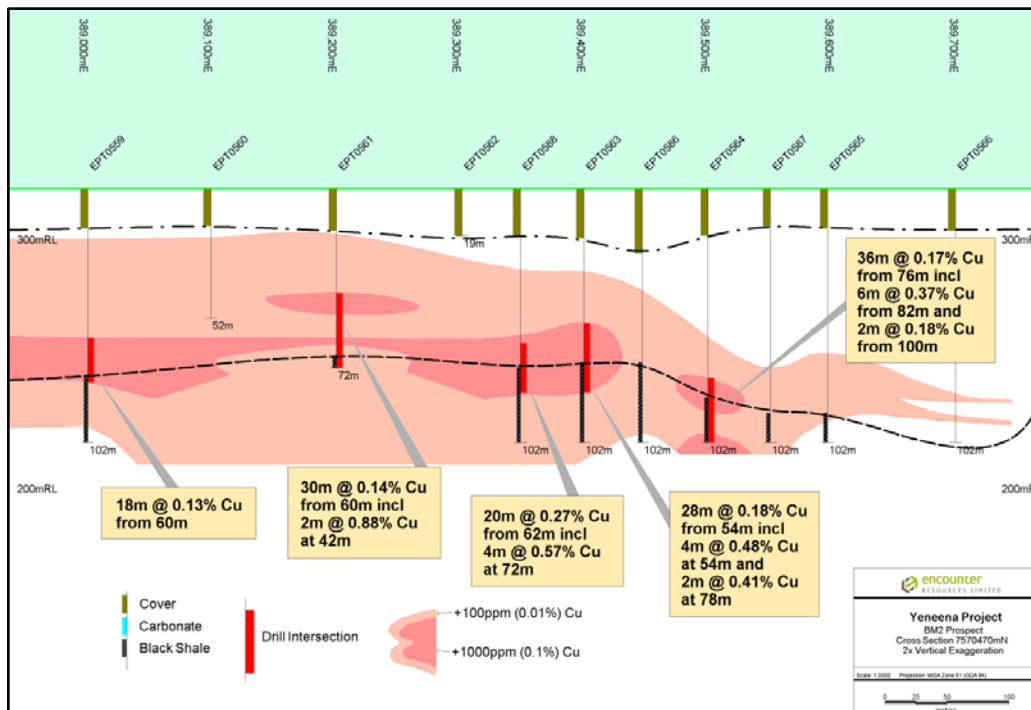


Figure 6: BM2 –Cross Section 7570470N

During the quarter a program of north-south aircore traverses was completed at BM2. This program was designed to confirm the orientation of the mineralised trend and define any higher grade zones within the extensive area of regolith anomalism.

Field XRF, and the limited analytical results received to date, have confirmed copper regolith anomalism trending parallel to the Tabletop Fault and extending over a strike length of 1.2kms. Based on the field XRF data, it is anticipated that results from this program will be similar to the results reported previously. Field XRF data for this infill program have also indicated significant regolith zinc anomalism.

The aircore drill program is currently being followed up with a two hole diamond drill program (both holes drilled on the same section). The diamond drilling will provide the first geological and structural information at BM2 at depth. The first of the two diamond drill holes is being co-funded through the WA Government EIS program.

Visual inspection of the drill core from BM2 has highlighted a 100m thick zone containing base metal bearing sulphide veins. The base metal sulphides observed occur within thin carbonate / quartz veinlets and narrow breccia zones and appear to be predominately sphalerite with minor galena and chalcopyrite (Photos 4 & 5). The quantity of base metals sulphides observed in the core is considered unlikely to represent an economic concentration however the wide extent of mineralised veining intersected in the first diamond holes at this prospect is highly encouraging. Significantly, the observed intensity of copper sulphide mineralisation in these holes is considered unlikely to be sufficient to account for the scale of the observed copper regolith anomalism at BM2. This interpretation suggests the potential primary source of the regolith copper anomalism is along strike from the current drill section.



Photo 4 and 5: EPT 799 - Examples of base metal sulphide veins at BM2

The initial two hole diamond drill program at the BM2 Prospect will be completed in July. Further drilling at the prospect is planned for the September quarter.

An orientation partial leach soil geochemical survey was completed over the BM2 prospect. This survey is designed to determine if soil surveys can be used to 'look through' areas of thick transported cover. The results of this program will be reported in the September quarter.

T4 Prospect

Encounter has confirmed the presence of a horst block of Palaeo-Proterozoic basement rocks (5.5km x 3.5km) in an area of no outcrop at the T4 Prospect which is located approximately 5kms north of the BM5 Prospect. The block was observed in three independent datasets (magnetics, gravity and AEM).

Sedimentary units on the margins of the horst block are considered highly prospective for SEDEX Cu and Pb-Zn mineralisation.

A VTEM survey was completed over the T4 region to assist in the definition of drill targets along the margin of the Rudall Complex metamorphics. The results of the airborne EM survey have been received and are currently being modelled. An initial review of the data has identified a series of basement conductors along the margin of the horst block. The conductors appear as both subparallel to interpreted dip of the stratigraphy as well as steeply discordant. These conductors will be modelled in the coming weeks and drilling of these targets will commence in the September quarter.

BANGEMALL BASIN

WANNA (E09/1297 - 85% Encounter, 15% Avoca)

The Wanna Project ("**Wanna**") is located 120kms SW of Paraburdoo on the southern margin of the Bangemall Basin, approximately 40kms WNW of Mt Augustus. The project sits along the interpreted western extension of the Augustus Rift, to the east of the Gifford Creek Complex.

Following a field reconnaissance visit to the project the drill target was significantly downgraded due to the discovery of outcropping mafic intrusives in the region of the defined gravity target. It is interpreted the mafics are of sufficient density contrast to account for the gravity anomaly and therefore the planned drilling program was cancelled and the tenement relinquished.



YILGARN DISTRICT

CALCRETE URANIUM RESOURCES

A strategic review of the calcrete uranium resource has been initiated by Encounter to consider the potential development and commercial alternatives to advance these projects. This process is continuing.

HILLVIEW (E51/1127 - 82% Encounter, 18% Avoca)

The Hillview uranium project is located 50kms south east of Meekatharra and 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 . The Inferred Resource is reported in accordance with the JORC code (2004) and guidelines.

LAKE WAY SOUTH (E53/1232 – 60% Encounter Uranium rights only, 40% Avoca)

The Lake Way South project is located approximately 10kms south of Wiluna, between Toro Energy's Lake Way and Centipede uranium deposits. An Inferred Resource for the area of the Centipede resource within the JV tenement has been calculated. This resource contains 220,000t @ 244ppm U_3O_8 for 120,000lbs of U_3O_8 . The Inferred Resource is reported in accordance with the JORC code (2004) and guidelines

BELLAH BORE EAST (E53/1158 – 82% Encounter, 18% Avoca)

The Bellah Bore East project is situated in the upper reaches of the Yeelirrie Channel. An Inferred Resource of 350,000t averaging 210ppm U_3O_8 for 160,000lb of U_3O_8 has been calculated for the Bellah Bore East prospect. The Inferred Resource is reported in accordance with the JORC code (2004) and guidelines

CORPORATE

The Company's cash balance at the end of the quarter was A\$7.2 million.

NEXT QUARTER HIGHLIGHTS

BM1

- Assay results from the completed RC and diamond drilling programs
- Diamond drill testing of the Western and Eastern mineralised limbs at depth at the Northern Area
- Drill testing of conductors defined in the ground EM survey
- Testing of the extent of the native copper mineralisation
- Initial regional aircore drilling to test copper targets to the north and east of BM1.

BM2

- Assay results from aircore and diamond drilling.
- Drilling to follow up zone of base metal mineralisation.

T4

- Initial stratigraphic drilling and testing of VTEM conductors along the south-eastern margin of the Palaeo-Proterozoic horst block

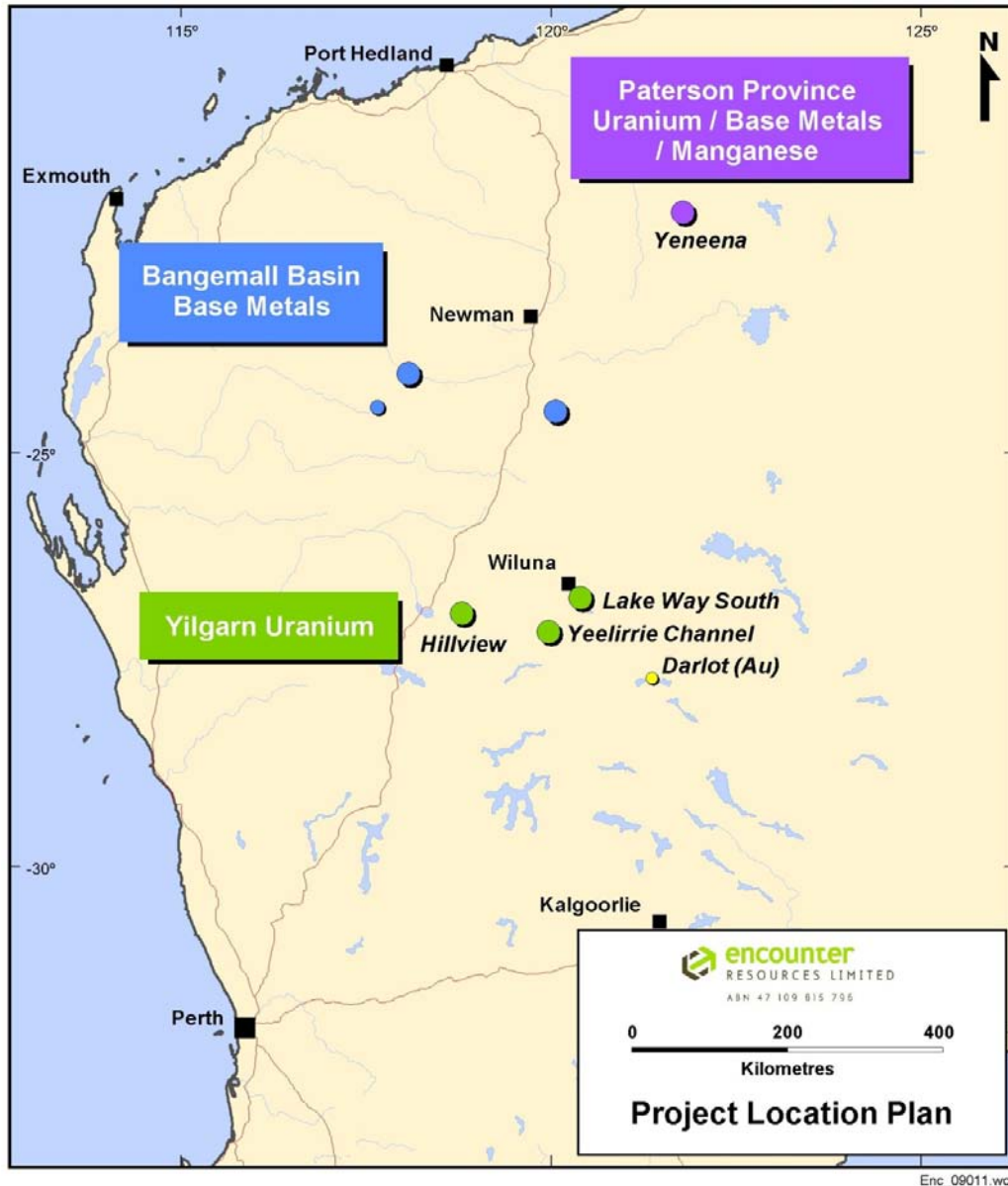


Figure 7: Encounter Resources Project Location Plan

Will Robinson
Managing Director

The information in this report that relates to Exploration Results and Mineral Resources at Lake Way South 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

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10, 17/12/10

Name of entity

Encounter Resources Limited

ABN

47 109 815 796

Quarter ended ("current quarter")

30 June 2011

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	(955)	(3,506)
(b) development	-	-
(c) production	-	-
(d) administration	(180)	(754)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	200	296
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – R&D tax concession refund	-	172
Net Operating Cash Flows	(935)	(3,792)
Cash flows related to investing activities		
1.8 Payment for purchases: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(192)	(258)
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	(192)	(258)
1.13 Total operating and investing cash flows (carried forward)	(1,127)	(4,050)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,127)	(4,050)
	Cash flows related to financing activities		
1.14	Proceeds/(refunds) from issues of shares, options, etc.	20	9,447
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 – capital raising costs	(1)	(531)
	Net financing cash flows	19	8,916
	Net increase (decrease) in cash held	(1,108)	4,866
1.20	Cash at beginning of quarter/year to date	8,349	2,375
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	7,241	7,241

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	172
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 - 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	1,800
4.2 Development	-
4.3 Production	-
4.4 Administration	175
Total	1,975

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	106	152
5.2 Deposits at call	7,135	8,197
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	7,241	8,349

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	E09/1297	Relinquished	85%	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	99,344,360	99,344,360		
7.4 Changes during quarter				
(a) Increases through issues	50,000	50,000		
(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>	50,000	-	<u>Exercise price</u> 50 cents	<u>Expiry date</u> 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
	200,000	-	30 cents	30/6/2013
	5,325,000	-	\$1.35	22/11/2014
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	25,000	-	50 cents	30/11/2012
	25,000	-	30 cents	30/6/2013
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:

(Company secretary)

Date: 28 July 2011

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.