

A highly active exploration company advancing a suite of greenfields copper discoveries in the Paterson Province of Western Australia

ASX Code

ENR

Market Cap (31/01/13)

A\$20.6m (\$0.18/share)

Issued Capital (31/12/12)

114.2 million ordinary shares
8.1 million employee options

Cash (31/12/12)

A\$1.8M

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

YENEENA COPPER PROJECT **Paterson Province, WA**

The Yeneena Copper Project ("Yeneena") consists of a major ground position between the Nifty copper mine, the Telfer gold-copper mine and the Kintyre uranium deposit where Encounter has made a series of new copper-cobalt discoveries that demonstrate the potential for large tonnage deposits.

BM7 Copper - Cobalt Discovery

- The RC and aircore drill results from BM7 during the quarter confirm the copper-cobalt (Cu-Co) system discovered at Yeneena (BM1, BM6 & BM7) extends over 11km long and appears to strengthen to the south. The near surface regolith footprint indicates a potentially world class mineral system.
- Supergene copper anomaly at BM7 is over 3.5km long and 1.5km wide and remains open to the south and east.
- Strong end of hole (EOH) mineralisation in first pass, broad spaced aircore drilling including:
 - **9m @ 1.54% Cu and 1.0% Co from 42m to EOH**
 - **8m @ 0.52% Cu and 364ppm Co from 76m to EOH**
 - **34m @ 0.43% Cu and 238ppm Co from 32m to EOH**
 - **15m @ 0.46% Cu and 412ppm Co from 28m to EOH**
 - **6m @ 0.41% Cu and 438ppm Co from 26m to EOH**
 - **5m @ 0.62% Cu and 821ppm Co from 36m to EOH****Including:**
 - **1m @ 1.2% Cu and 0.18% Co to EOH**
- Initial reconnaissance RC drilling identified high grade copper mineralisation and thick zones of disseminated copper sulphides including:
 - **52m @ 0.55% Cu and 378ppm Co from 42m including:**
 - **8m @ 2% Cu and 0.1% Co from 58m**
 - **104m @ 0.2% Cu and 175ppm Co from 62m to EOH**
- Geophysical surveys define high grade copper sulphide targets at depth.
- Successful application for WA Government EIS co-funded drilling (\$150,000) to test deeper drill targets at BM7
- Drilling to re-commence in March / April 2013 at the end of the wet season

EXPLORATION

PATERSON PROVINCE

YENEENA COPPER - COBALT PROJECT

(100% Encounter and earning 85% in ELA45/3881)

Yeneena covers a 1,400km² tenement package in the Paterson Province of WA located between the Nifty copper mine, the Woodie Woodie manganese mine, the Telfer gold-copper mine and the Kintyre uranium deposit (Figure 1).

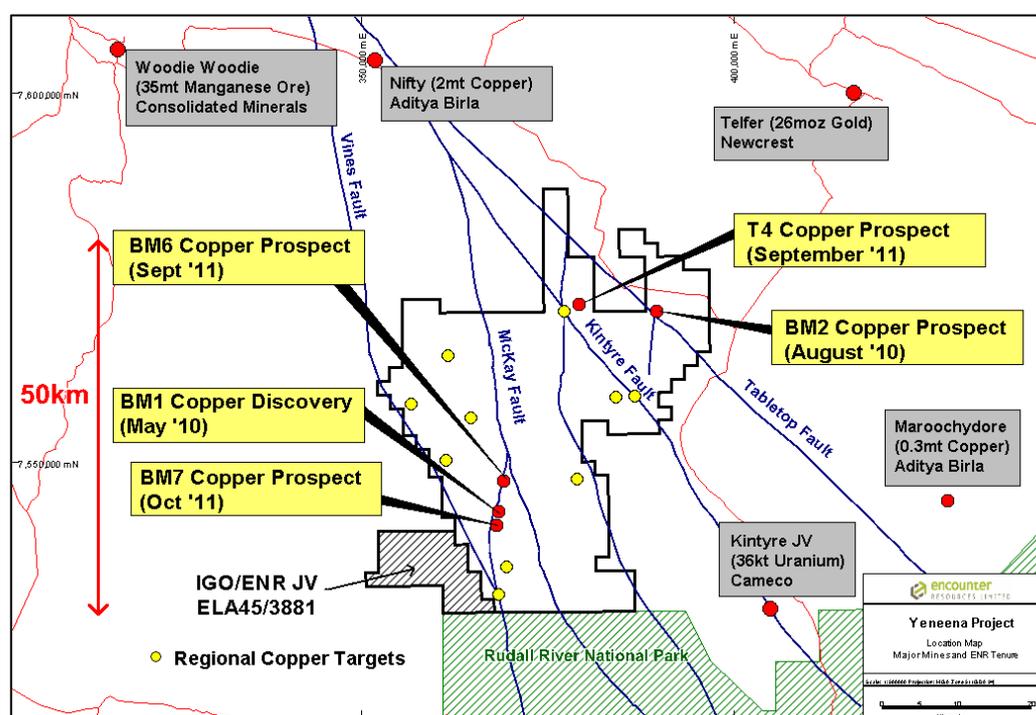


Figure 1: Yeneena project leasing and target areas with major regional faults

The BM6 to BM7 copper-cobalt system at Yeneena now extends over 11km and remains open to the south. This mineral system was first discovered by Encounter with the intersection of high grade copper oxides at BM1 in 2010 (see Figure 2).

The initial aircore drilling that led to the BM1 discovery focused on a structural target located adjacent to a shallow water bore hole drilled in the 1980's that included an intersection of 2m @ 0.3% Cu. Following the BM1 discovery Encounter immediately began reconnaissance drilling along the McKay Fault zone to the north and south to determine the scale potential of this new discovery.

The discovery of supergene copper of up to 4m @ 0.8% Cu to the north of BM1 at BM6 was encouraging. More encouraging though was the discovery of depth extensive copper sulphides to the south at BM7 in late 2011 and 2012. This major mineral system appears to become stronger and more extensive in the BM7 area. The system now has a near surface regolith footprint of a potentially world class copper system. The BM7 area, and in particular the southern area covered by the new tenement granted in August 2012, has been the focus of the majority of the exploration completed in the December 2012 quarter.

Exploration activities in the December 2012 quarter included:

- 5,000m of aircore drilling at BM7 South
- 2,400m of RC drilling at BM7 South
- BM7 IP Survey including 7 lines of Dipole-Dipole IP
- Interpretation of T4 aircore results

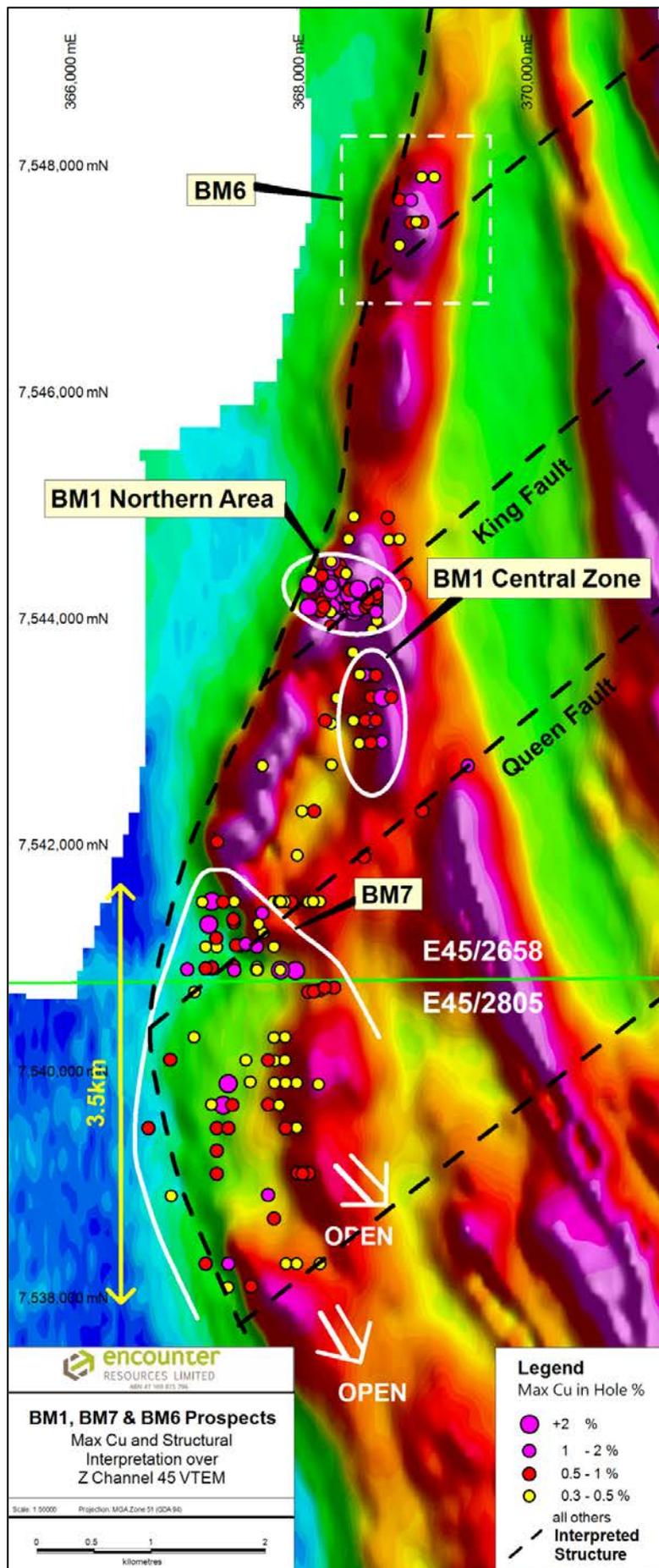


Figure 2: BM1 - BM7 prospects maximum copper in hole (>0.3%) over VTEM Channel 45



BM7 Prospect

The BM7 prospect is located 3km south of the BM1 discovery and is situated at the intersection of the north-east trending Queen fault and the regionally-extensive McKay fault (Figure 2).

The initial RC and diamond drilling at BM7 was completed during April-August 2012 on granted tenement E45/2658 and returned results including:

- 73m @ 0.4% Cu and 100ppm Co from 74m including:
 - 8m @ 1.0% Cu and 120ppm Co and 0.9m at 4.9% Cu and 350ppm Co
- 279m @ 0.1% Cu and 100ppm Co from 172m including:
 - 23m @ 0.31% Cu and 170ppm Co and 6m @ 0.7% Cu and 435ppm Co
- 34m @ 0.64% Cu and 793ppm Co from 156m including:
 - 10m @ 1.64% Cu and 1616ppm Co from 166m
- 22m @ 0.38% Cu and 185ppm Co including:
 - 2m @ 2.87% Cu and 518ppm Co
- 34m @ 0.48% Cu from 20m including:
 - 14m @ 0.83% Cu from 28m
- 18m @ 0.38% Cu and 298ppm Co from 46m including:
 - 2m @ 2.24% Cu from 50m

At this point it was clear that the BM7 mineralisation remained open to the south of E45/2658. The southernmost section of drilling on E45/2658 defined a corridor of copper mineralisation in excess of 1km wide along the tenement's southern boundary (Figure 2).

The tenement directly to the south of the initial BM7 drilling, E45/2805, was previously held as an application which prevented further drilling to the south. Tenement, E45/2805, was granted in August 2012 and a heritage survey was completed in September 2012 to facilitate a program of aircore and RC drilling.

A broad spaced aircore drill program was completed in October 2012 along the southern extension of BM7. No previous exploration had been completed in the tenement area. Seven lines of aircore drilling were drilled at a 400m line spacing with hole spacing of 100m along the lines. The purpose of this initial aircore program was to determine the southern extent of the copper - cobalt mineral system at BM7, identify zones of high grade copper regolith mineralisation and provide a focus for follow up deep RC and diamond drilling.

Significant zones of copper - cobalt mineralisation were intersected on all seven aircore lines with end of hole copper mineralisation including:

- 8m @ 0.52% Cu and 364ppm Co from 76m to EOH (end of hole)
- 34m @ 0.43% Cu and 238ppm Co from 32m to EOH
- 24m @ 0.35% Cu and 554ppm Co from 28m to EOH
- 15m @ 0.46% Cu and 412ppm Co from 28m to EOH
- 2m @ 0.61% Cu and 804ppm Co from 32m to EOH
- 9m @ 1.54% Cu and 1.0% Co from 42m to EOH including:
 - 4m @ 2.56% Cu and 1.74% Co from 44m
- 9m @ 0.38% Cu and 233ppm Co from 24m to EOH including:
 - 3m @ 0.52% Cu and 298ppm Co from 30m to EOH
- 22m @ 0.22% Cu and 108ppm Co from 20m to EOH including:
 - 2m @ 0.54% Cu from 40m to EOH
- 6m @ 0.41% Cu and 438ppm Co from 26m to EOH including:
 - 2m @ 0.49% Cu and 555ppm Co from 30m to EOH

- 5m @ 0.62% Cu and 821ppm Co from 36m to EOH including:
 - 1m @ 1.2% Cu and 0.18% Co from 40m to EOH
- 6m @ 0.43% Cu and 55ppm Co from 36m to EOH
- 13m @ 0.36% Cu and 38ppm Co from 34m to EOH
- 6m @ 0.37% Cu and 364ppm Co from 50m to EOH
- 14m @ 0.41% Cu and 74ppm Co from 38m to EOH
- 13m @ 0.47% Cu and 32ppm Co from 36m to EOH

Cross sections showing the results of these initial seven lines of aircore drilling are shown in Figures 3 to 9.

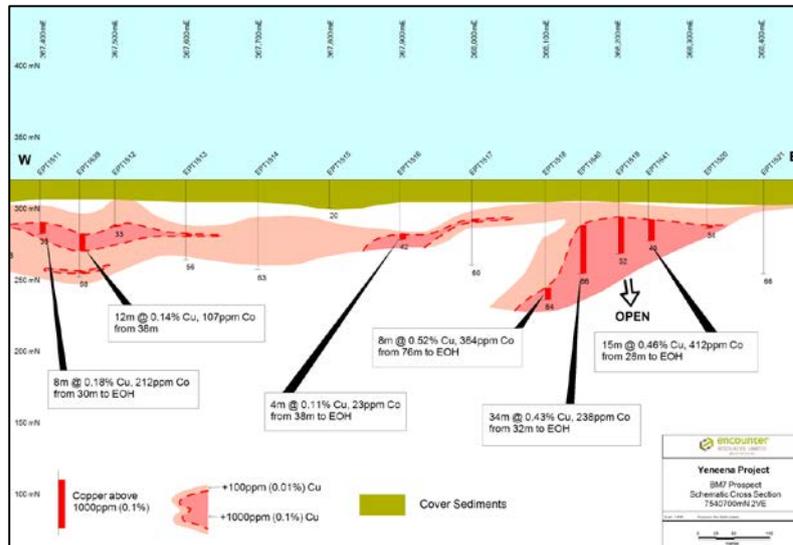


Figure 3: BM7 South Cross Section 7,540,700mN – Line 1 (2x vertical exaggeration)

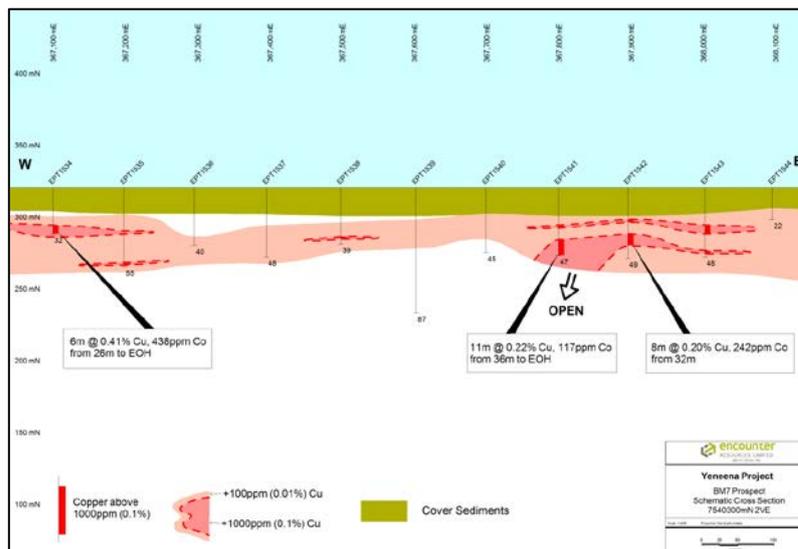


Figure 4: BM7 South Cross Section 7,540,300mN – Line 2 (2x vertical exaggeration)

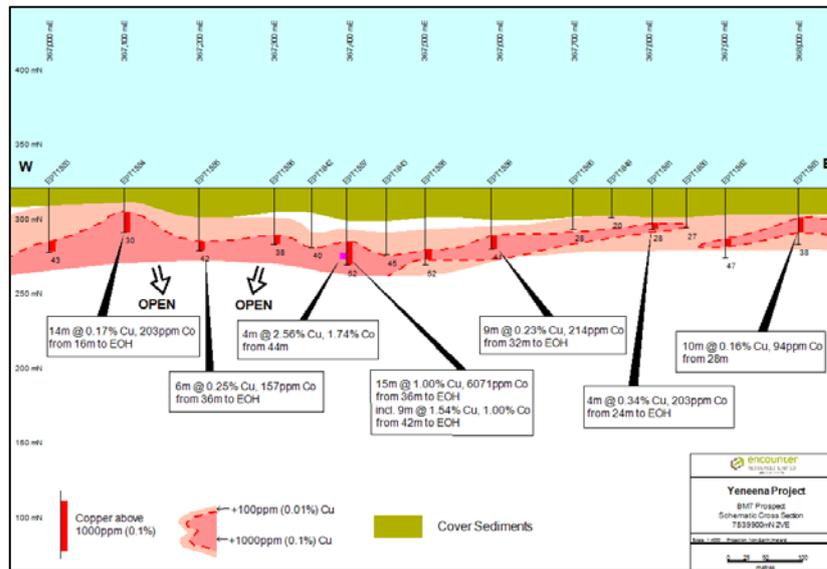


Figure 5: BM7 South Cross Section 7,539,900mN – Line 3 (2x vertical exaggeration)

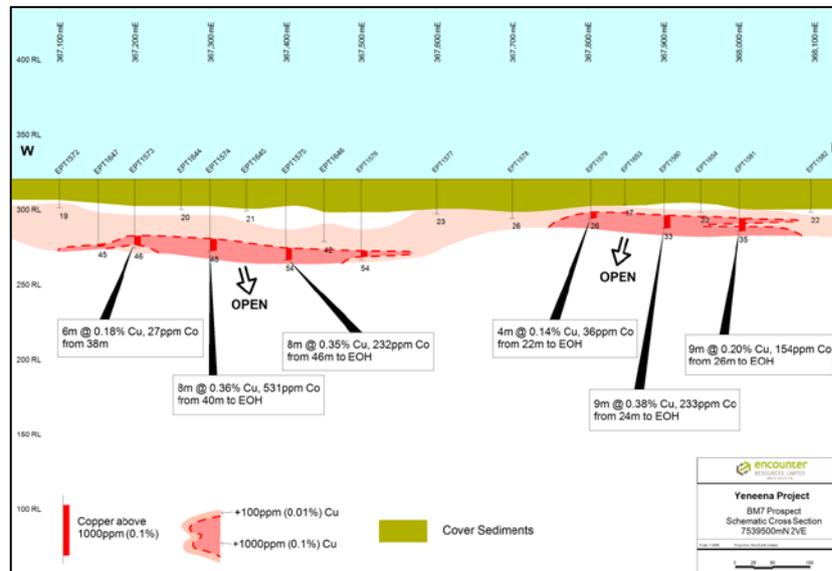


Figure 6: BM7 South Cross Section 7,539,500mN – Line 4 (2x vertical exaggeration)

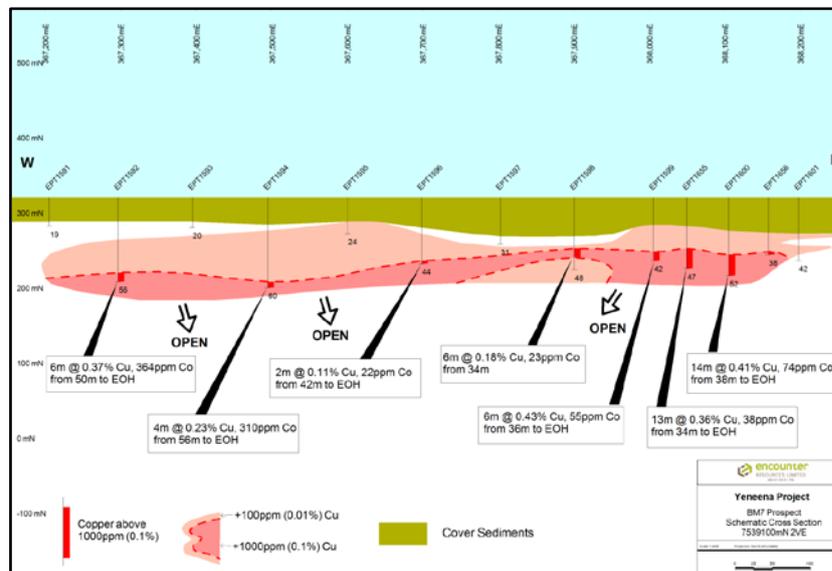


Figure 7: BM7 South Cross Section 7,539,100mN – Line 5 (2x vertical exaggeration)

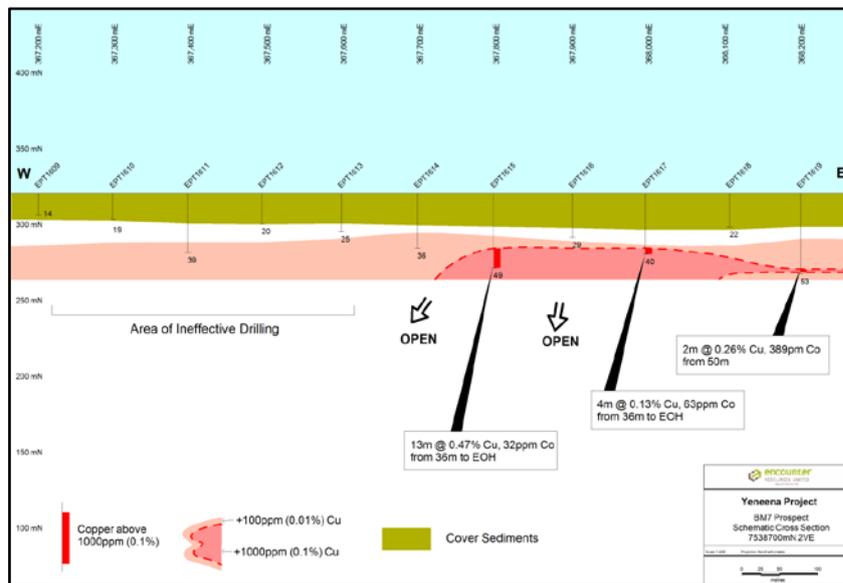


Figure 8: BM7 South Cross Section 7,538,700mN – Line 6 (2x vertical exaggeration)

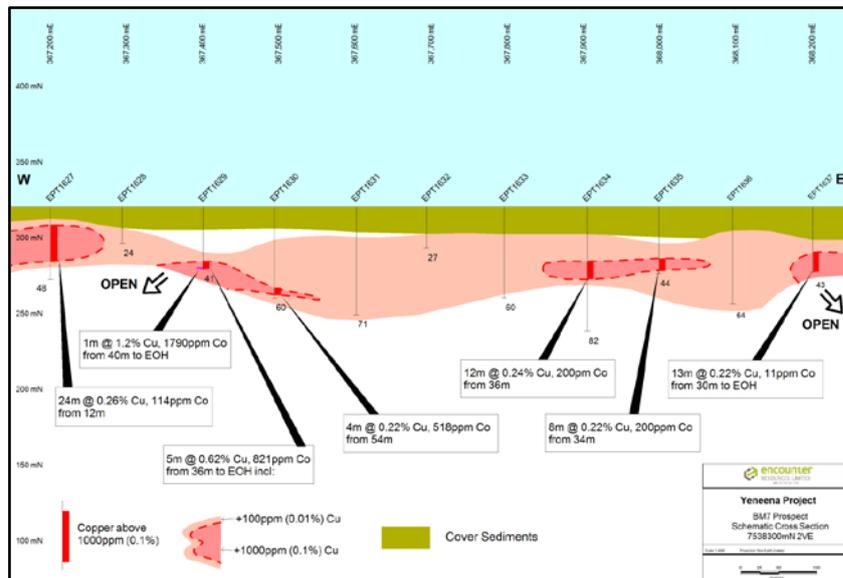


Figure 9: BM7 South Cross Section 7,538,300mN – Line 7 (2x vertical exaggeration)

The aircore drilling at BM7 delineated a 3.5km long, 1.5km wide +0.1% copper regolith anomaly that contains three higher-grade +0.5% copper cores (see Figure 10). Localized higher grades (+1% copper) exist within the regolith anomaly, with significant cobalt enrichment associated with the copper mineralisation. The average hole depth of the aircore program was approximately 40 metres.

A 19 hole (2,400m) RC program was completed at the end of the drill season in early December 2012. This program was primarily designed to test areas where the previous aircore drilling was only partially effective as holes did not penetrate through to the base of the weathered Proterozoic sediments.

The RC holes were drilled on section spacing of either 400m or 800m with hole separation between 100m and 400m on section. All RC holes were drilled at -60° to the east with average hole depth being ~130m (~110m from surface).

RC hole EPT1689 intersected a high-grade copper oxide zone with assays returning 52m @ 0.55% Cu and 378ppm Co from 42m including 8m @ 1.97% Cu and 1076ppm Co. This hole is located 200m south of aircore hole EPT 1557 that returned a high grade intersection of 9m @ 1.54% Cu and 1.0% Co from 42m to EOH. These two

intersections are interpreted to be a coherent zone of high grade supergene mineralisation that may represent the direct weathering of primary copper sulphides.

In addition, a broad copper sulphide intersection of 104m @ 0.2% Cu and 175ppm Co from 62m to EOH was drilled in EPT1679. This hole is located 100m east of EPT1689, on the eastern flank of the central +0.5% copper regolith anomaly. Importantly, this hole ended short of the target depth due to mechanical issues with the drill rig.

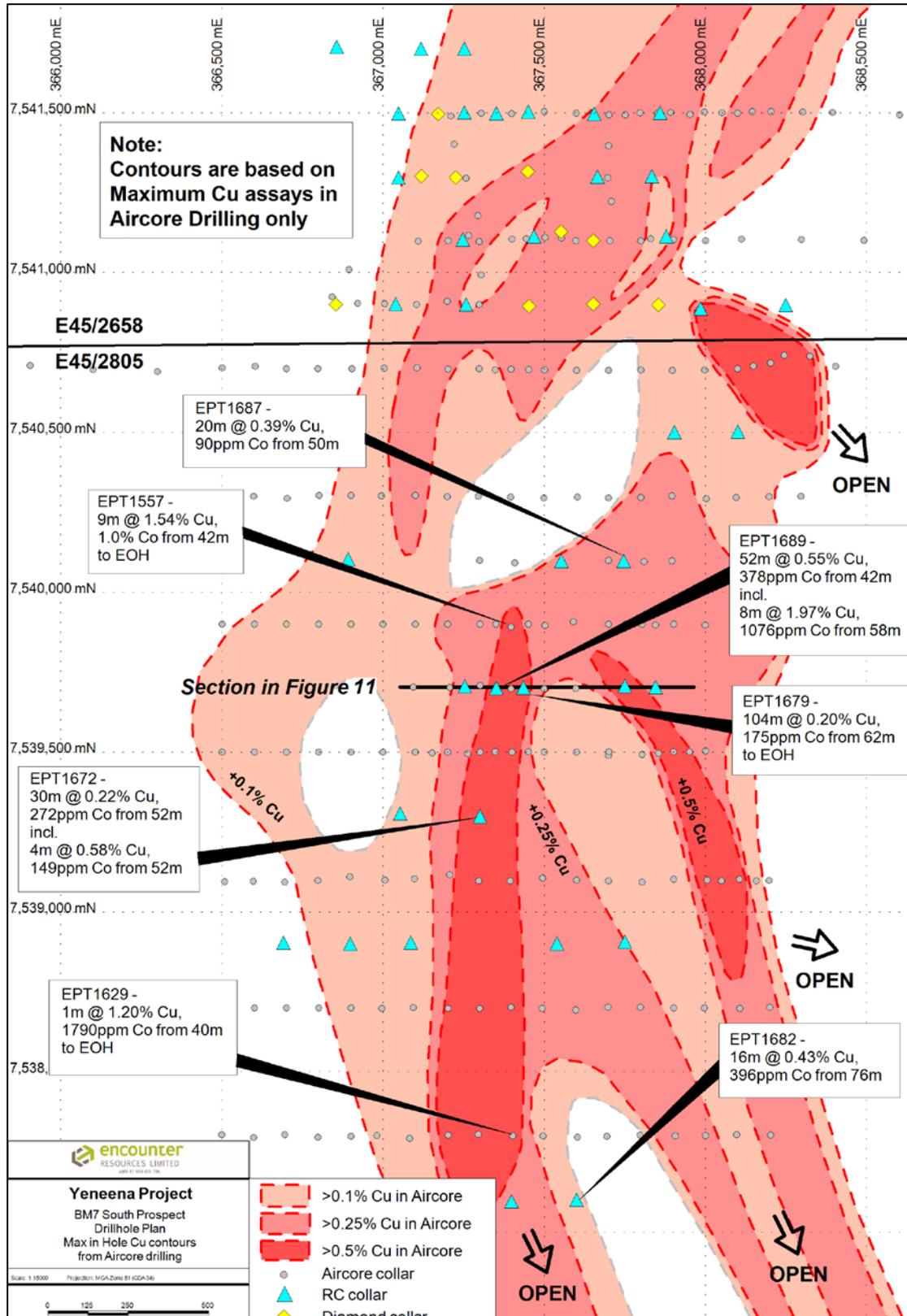


Figure 10: BM7 prospect aircore maximum in hole copper contours and drill status plan

Figure 11 shows the aforementioned RC drill holes on section and highlights that the previous aircore drilling was only partially effective at penetrating the weathered Proterozoic sediments.

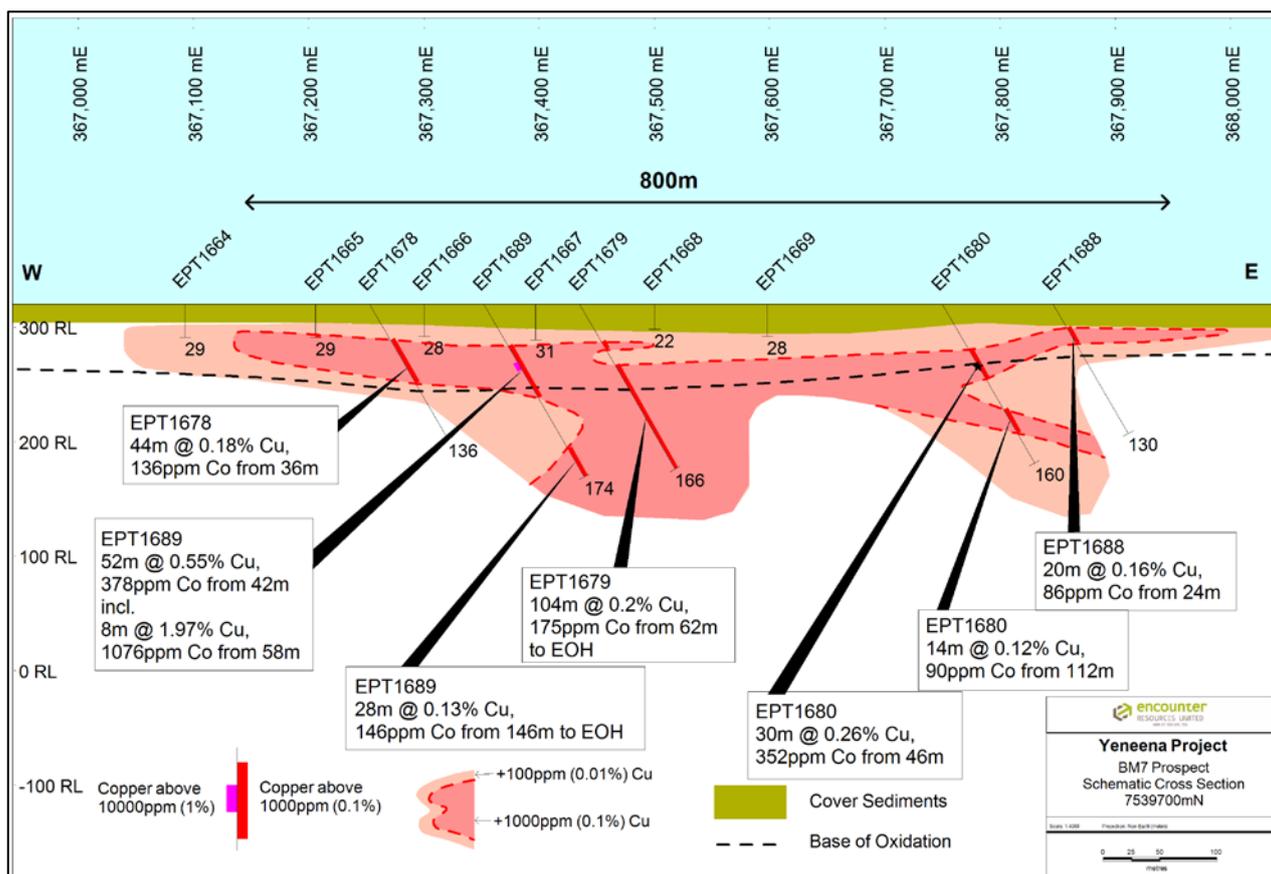


Figure 11 – Schematic cross-section of RC drilling on 7539700mN

RC drilling within areas of weak aircore regolith anomalism also returned strong supergene anomalism including 20m @ 0.39% Cu and 16m @ 0.43% Cu. It is considered likely that further RC drilling within the broad regolith anomaly will extend the higher grade supergene copper blanket.

The BM7 RC program has delivered highly encouraging results and provides a series of targets that will be tested early in the 2013 drill season.

The goal of the next round of drilling at BM7 is to focus in on areas of potential primary copper sulphide mineralisation. In mid-December 2012 an orientation IP ground geophysical survey was completed to define areas of higher chargeability that could represent more intense disseminated copper sulphides. The IP results were interpreted by our geophysical consultants and two broad corridors of chargeability identified (see Figure 12).

The eastern IP corridor is coincident with an area of conductive, pyritic black shales and although this area is prospective, the background response from the host rock swamps the signal from any potential copper sulphide target.

The western IP corridor broadly follows the orientation of the McKay fault and extends over 2.5km of strike. The detailed interpretation of the IP data is continuing and is likely to be delivered in February 2013.

The western IP corridor is also semi-coincident with an EM anomaly that is located adjacent to the interpreted coherent zone of high grade supergene copper mineralisation in drill holes EPT1689 and EPT1557.

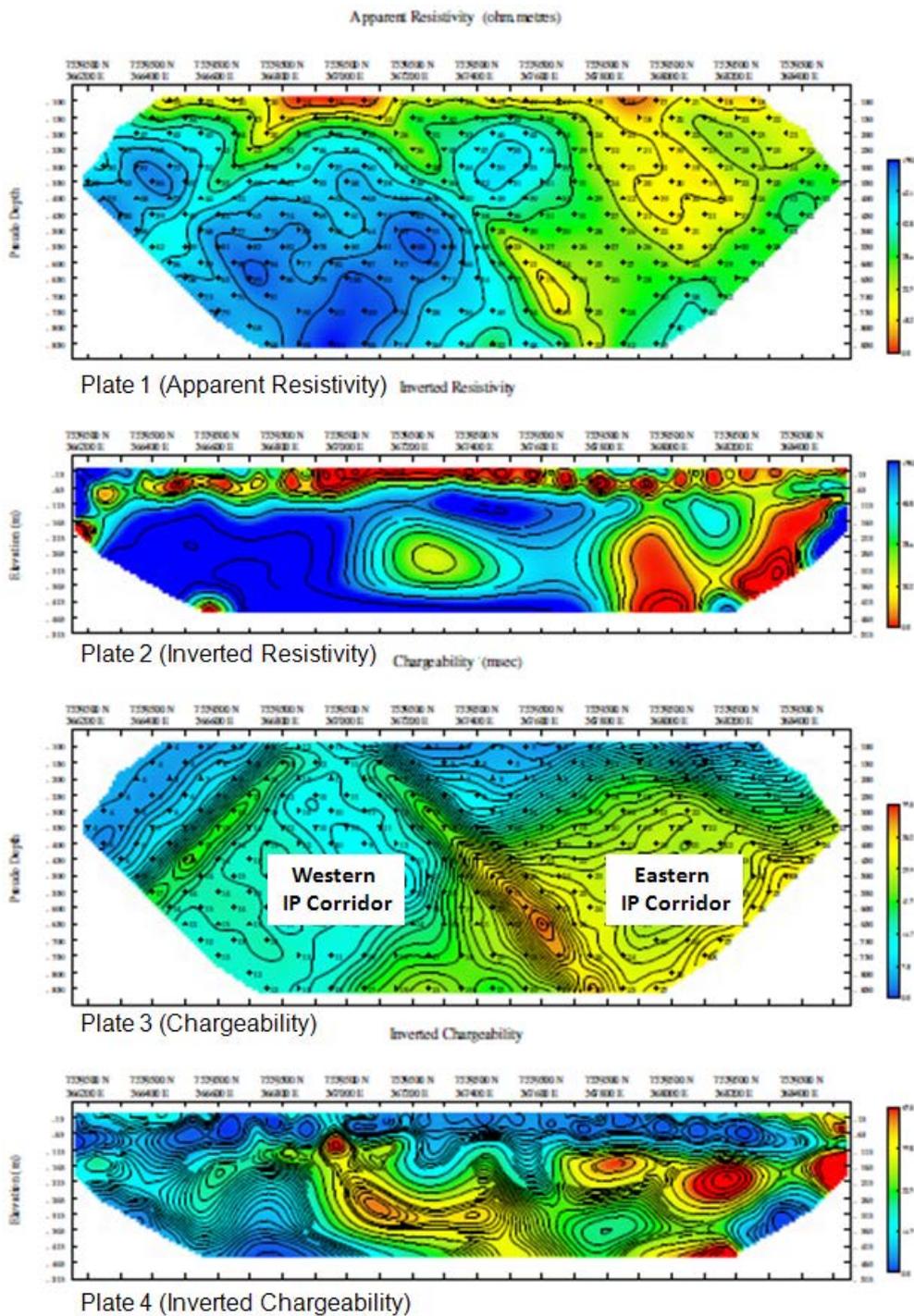


Figure 12– Preliminary data from IP orientation survey over aircore Line 4 (7,539,500mN)

Further modelling of the geophysical data will be completed in the coming weeks. The areas of higher grade supergene copper mineralisation with coincident IP or EM geophysical targets will be the priority targets for the planned deeper drill program.

The recent RC drill results also indicate the 11km long copper system that parallels the McKay Fault zone is strengthening to the south and remains open. Encounter holds the next 8 strike kms of the McKay Fault zone. Additional large scale drill targets are defined at the intersection of north-east trending structures and the McKay Fault zone to the south of BM7. This area is also a high priority for drilling in 2013 (see Figure 13).

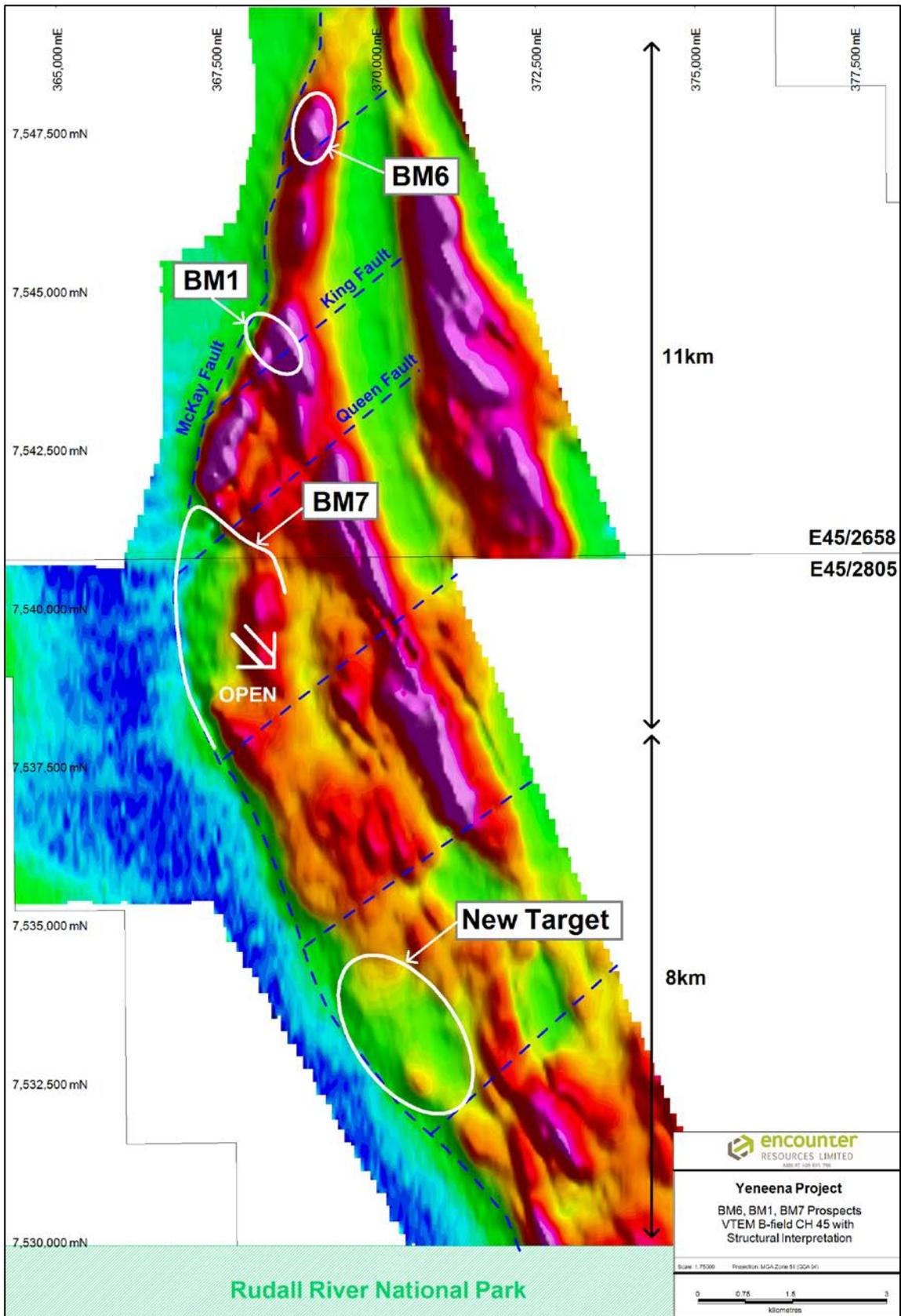


Figure 13: BM1 - BM7 prospects structural interpretation over VTEM Channel 45

T4 Prospect

Previous stratigraphic diamond drilling at the T4 prospect, an area totally covered by sand dunes, has confirmed the presence of copper sulphides within Rudall Complex metamorphic rocks. A magnetic anomaly with a strike-length of approximately 4km is present at T4.

A total of 125 shallow aircore drillholes were completed over the T4 prospect in the September 2012 quarter. Widespread low-level copper anomalism (+100ppm) was observed in a highly variable regolith profile (0 to 30m thick).

Significantly, copper anomalism commonly occurs at end-of-hole, with EPT1391 ending in 270ppm copper and 246ppm molybdenum (two orders of magnitude above background values for molybdenum), and EPT1270 ending in 441ppm copper (see Figure 14).

The regolith profile at T4 is poorly developed and is often “stripped” by erosion. This results in tight regolith footprints over primary mineralisation, with poor lateral dispersion of copper. Considering the limited regolith profile, any results above 100ppm copper are considered significant and warrant follow-up drilling.

In order to prioritise the drill targets, end of hole samples were collected for a program of hyperspectral logging and multi-element analysis. It is considered that trace element geochemistry and mineral mapping may assist in defining the most prospective areas of copper mineralisation. The next phase of drilling at T4 will be planned following the completion of this analysis.

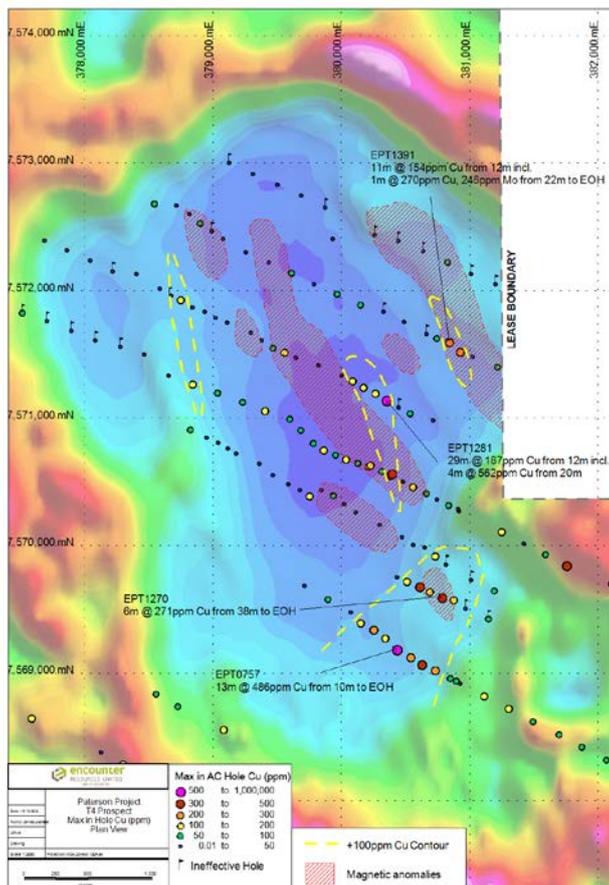


Figure 14: Electro-Magnetics ch35 overlain by maximum in-hole Cu (circles), +100ppm Cu outlines (yellow dashes) and magnetic anomalies (red shaded areas)



Yeneena Regional Targets

The success of the copper exploration program at the Yeneena project and the discovery of the potential world class BM6 to BM7 mineral system has encouraged Encounter to expand the early stage assessment activities over the untested regional copper targets.

Four untested regional scale copper targets are located to the NW of the BM6 to BM7 mineral system (see Figure 1). These targets are hosted with Broadhurst sediments and located along NE trending structures between the McKay and Vines Faults. A 1,000 line km airborne VTEM survey is planned for the first half of 2013 and will cover these four untested regional targets.

CORPORATE

As mentioned in the Chairman's address at the AGM on 30 November 2012 Encounter's quality suite of projects will require additional funding at some point in the future. The timing and form of this funding has yet to be finalised. The results and opportunities at Yeneena are on the radar of many large global resource companies. Industry participants can see the potential prospectivity and capacity for scale at Yeneena. Advanced stage exploration projects with copper mineralised systems that extend over 11km, located in first world mining jurisdictions, are few and far between. We will maintain our dialogue with these large industry participants as we make further advances into 2013.

On 30 November 2012 the Company issued 2,200,000 unlisted options to Directors and contractors, the issue to Directors was pursuant to Shareholder approval at the Company's AGM. The options are exercisable as follows:

- 1,450,000 exercisable at 30 cents each on or before 30 November 2016; and
- 750,000 exercisable at 39 cents each on or before 30 November 2017.

Cash balance at the end of the quarter was A\$1.8 million. Activities planned for the March 2013 quarter are budgeted to amount to A\$0.55 million.

NEXT QUARTER HIGHLIGHTS

Activities planned for the March 2013 quarter include:

1. Complete geophysical modelling and interpretation of BM7 South
2. Define drill targets south and east of BM7
3. Plan and prepare for commencement of 2013 drill season
4. Mobilise drill crews and commence EIS co-funded RC / diamond drilling at BM7 South
5. Plan and prepare for heritage survey within E45/2805 to the south and east of BM7
6. Finalise airborne VTEM survey over untested Yeneena regional targets

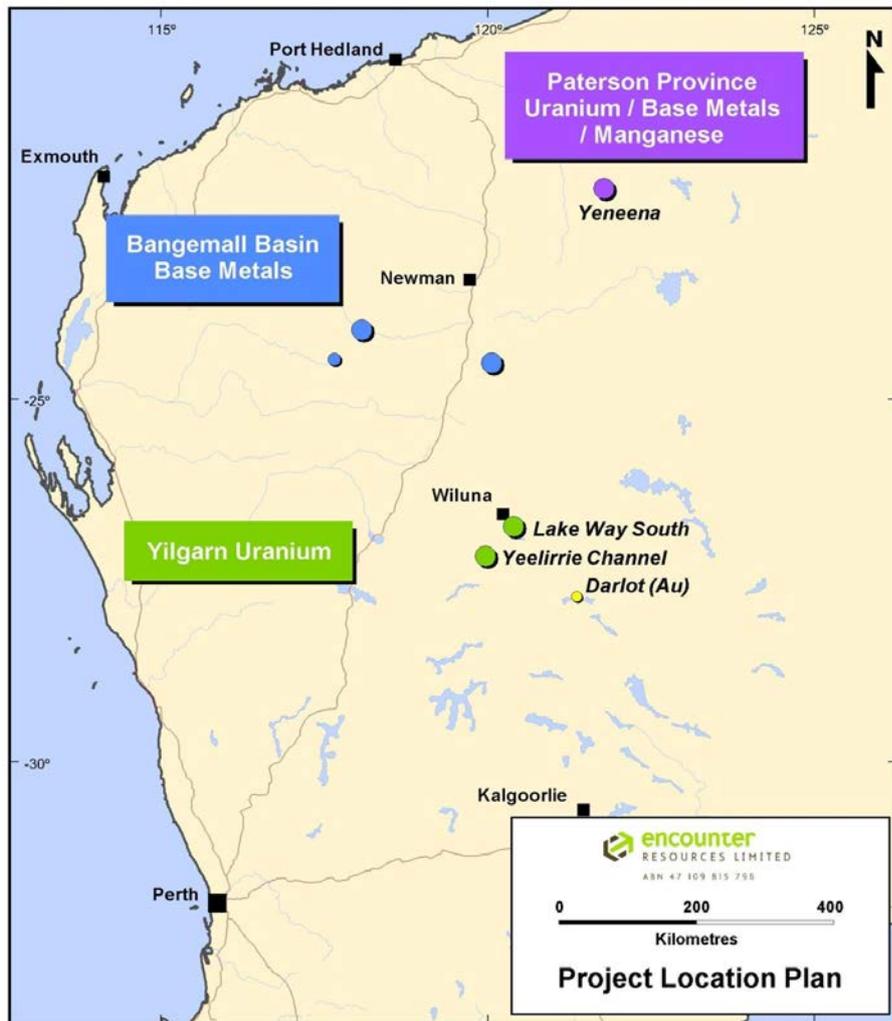


Figure 15: Tenement location map

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.

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")

31 December 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(1,204)	(3,303)
(b) development	-	-
(c) production	-	-
(d) administration	(230)	(471)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	41	161
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 - R&D tax concession refund	-	209
- Other	5	36
Net Operating Cash Flows	(1,388)	(3,368)
Cash flows related to investing activities		
1.8 Payment for purchases: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(11)
1.9 Proceeds from sale of: (a)prospects	-	20
(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
1.13 Total operating and investing cash flows (carried forward)	(1,388)	(3,359)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,388)	(3,359)
	Cash flows related to financing activities		
1.14	Proceeds/(refunds) 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 – capital raising costs	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,388)	(3,359)
1.20	Cash at beginning of quarter/year to date	3,214	5,185
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,826	1,826

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	173
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	300
4.2 Development	-
4.3 Production	-
4.4 Administration	250
Total	550

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	392	714
5.2 Deposits at call	1,434	2,500
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,826	3,214

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	E51/1127	relinquished	83%	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	114,194,360	114,194,360		
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>			<u>Exercise price</u>	<u>Expiry date</u>
	200,000	-	\$0.30	30/6/2013
	5,425,000	-	\$1.35	22/11/2014
	550,000	-	\$0.80	30/9/2015
	550,000	-	\$0.40	31/5/2016
	1,450,000	-	\$0.30	30/11/2016
	750,000	-	\$0.39	30/11/2017
7.8 Issued during quarter	1,450,000	-	\$0.30	30/11/2016
	750,000	-	\$0.39	30/11/2017
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	500,000		\$0.535	30/11/2012
	400,000		\$0.55	30/11/2012
	400,000	-	\$0.70	30/11/2012

+ 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: 31 January 2013

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.