

ASX Code

ENR

Market Cap (1/7/07)

A\$39m (\$0.57/share)

Issued Capital (1/7/07)

68.5 million ordinary shares
0.45 million employee options

Cash (1/7/07)

A\$6.8m

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

Company Secretary

www.enrl.com.au

Level 1, 46 Parliament Place
West Perth WA 6005
P: 08 9486 9455
F: 08 6210 1578
contact@enrl.com.au

HIGHLIGHTS

URANIUM

McPherson's Bore

A reconnaissance auger drilling program during May identified a 4km long uranium geochemical anomaly. A program of 163 aircore holes has recently been completed with assay and downhole radiometric logging results due by the end of July.

Hillview

A program of 80 aircore holes was completed at Hillview targeting an area of near surface uranium mineralisation outlined by previous explorers. Preliminary assessment of the holes drilled indicates a well developed calcrete profile and elevated radiometric anomalism within the area defined by the previous drilling. Results from this program are expected in August.

Stone Tank

Surface sampling of the 7km long zone of outcropping calcrete body has returned elevated uranium oxide values. Samples from three separate locations returned assay between 67 and 105ppm U₃O₈ and has identified visible uranium mineralisation at two of these locations. Drilling is expected to commence in the October quarter following the completion of a heritage survey.

Lake Way South and Yeelirrie Channel

Geological and survey data is currently being compiled in order to complete an inferred resource calculation at **Bellah Bore East, Centipede North and Lake Way NE**. The three areas, identified by Encounter in the past 12 months, are considered potential satellite production sites to a future processing facility in the Yeelirrie/Lake Way/Centipede area.

BASE METALS

Tchintaby Well

A review of the historical drilling and geophysics at Tchintaby has identified multiple large scale targets that are prospective for zinc mineralisation. A detailed review of the local geology and a program of surface sampling will commence in the September quarter.

EXPLORATION

Encounter now controls a portfolio comprising over 7,000 square kilometres of strategically located and highly prospective exploration projects in Western Australia. The portfolio includes nineteen calcrete style uranium projects located in the Yilgarn, the Gascoyne and the Officer Basin, six projects targeting base metals and unconformity style uranium deposits in the Bangemall Basin and a diamond target in the central Yilgarn. Progress in the June quarter is summarised below.

URANIUM

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

The McPherson's Bore project is located 120km west of Leonora and is one of six targets in the North Eastern Goldfields to be tested utilising a lake auger rig.

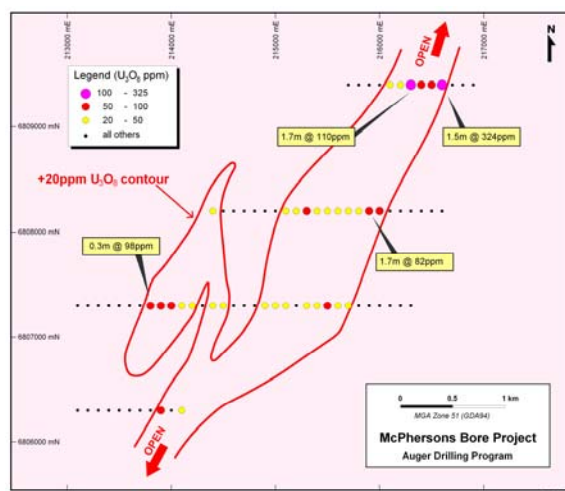
Four broad spaced auger drill traverses were completed at McPherson's Bore to test a coincident regional stream sediment and airborne uranium channel radiometric anomaly. The drilling identified a 4km long uranium geochemical anomaly associated with a near surface zone of calcrete and calcareous sediments (see Figure 1).

Auger drill holes range from 0.3 to 4.7 metres deep with holes terminating at the top of the hard calcrete horizon. A significant number of the anomalous holes did not exceed 1m as the auger rig could not penetrate the calcrete horizon. Assays over 50ppm were recorded on every drill line with the highest grades recorded on the most northern line with grades to 324ppm U_3O_8 over 1.5 metres at end of hole in EMB0010.

A follow up aircore program was designed to test the area of the uranium geochemical anomaly identified. The aircore rig secured for this program is capable of penetrating the calcrete horizon to test the primary target zone at the water table, which is expected to be within 10m of the surface.

A total of 163 of the 256 planned aircore holes were completed in late June with the remainder to be completed pending results of the initial program. The holes were cased for downhole radiometric logging and sampled at 1m intervals for geochemical analysis. Both the downhole and the analytical results from this phase of drilling are expected by the end of July.

Figure 1. McPherson's Bore reconnaissance auger drilling program (best in hole – ppm U_3O_8)



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

Historical uranium exploration 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 $eU_3O_8^*$ on every traverse within the defined 15km trend. The planned program by Encounter will focus on the identification of higher grade zones within and adjacent to the broad mineralised trend. Evidence of these higher grade zones can be found at Hillview East where three adjacent historical holes intersected mineralisation of 4-5m thick at +300ppm $eU_3O_8^*$ including narrow zones of up to 0.46m @ 970ppm $eU_3O_8^*$.

In early July, an initial 80 holes were completed at Hillview along existing station tracks and fencelines. Preliminary assessment of the holes drilled indicates a well developed calcrete profile and elevated radiometric anomalism within the area defined by the previous drilling. Downhole radiometric logging and chemical assays will be completed with results expected by mid August.

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

A series of eight surface samples taken at the Stone Tank project in the Gascoyne Province has noted elevated uranium grades associated with the extensive area of calcrete outcrop.

The six calcrete surface samples taken returned grades between 39 and 105ppm U_3O_8 with visible carnotite mineralisation noted in three of these samples.

Calcrete and calcareous sediments extend over the entire area of the 7km long airborne radiometric anomaly. The sampling completed indicates uranium enrichment within the calcrete at surface and a program of aircore drilling is now planned to test the primary target area at the water table. A bore located within the central part of the radiometric anomaly indicates water depth is approximately 8m below the surface. A heritage survey is planned in the coming months with drilling to commence shortly thereafter.

Figure 2. Stone Tank Project – Summary Plan

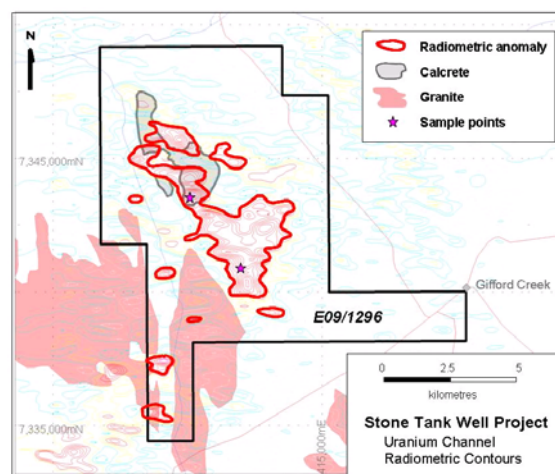


Table 1. Stone Tank Project – Results of surface sampling program

Sample	Location	Northing	Easting	U_3O_8 (ppm)	Comment
E017	Burt Well	7342675	410550	88	Calcrete hill north of windmill
E018	Granite	7267805	434221	4	Granitic outcrop
E019	Burt Well	7342690	410550	105	Calcrete hill north of windmill
E020	Eastern lobe	7341665	411930	39	Silicified calcrete outcrop
E021	Southern Star	7340970	411970	93	Calcrete with carnotite in fractures (green)
E022	Southern Star	7340965	411975	78	Calcrete with carnotite in fractures (green)
E023	Northern Star	7343570	408955	67	Calcrete with carnotite in fractures (yellow)
E024	Southern Mill	7337484	409110	29	Iron stained gneiss

YEELIRRIE CHANNEL (E36/540-542 and 569, E53/1154-1158) - 80% Encounter, 20% Avoca

A review of the reconnaissance drilling at the Yeelirrie Channel has defined a number of targets that require follow up drilling.

Altona Gap

Encounter Resources controls the 4km gap between BHPB's mineral claims at Yeelirrie and their South Yeelirrie prospect. A single line of aircore holes was drilled in the area between BHPB tenure that is referred as the Altona Gap prospect. The line of holes was drilled to a depth of 10m and it appears that the drilling failed to test the entire calcrete profile. Uranium assays from this drilling indicated an increase in grade at the bottom of hole which supports the need to extend the holes.



Southern Main Channel

The main palaeochannel that hosts the Yeelirrie deposit trends southwards through Encounter's tenements E36/540 and E36/542. Drilling completed to date at Anomaly 5 targeted a geochemical anomaly to the west of the main channel. A series of holes is planned to test the main channel for both near surface calcrete hosted mineralisation and uranium mineralisation associated with the base of the channel.

Bluff Point

At the northern end of the Yeelirrie channel the main drainage system splits into three major tributaries. The southern of these contains a 5km long calcrete body that was drilled by WMC and is known to contain uranium mineralisation. The northern 500m section of this calcrete body lies within Encounter's E53/1154 which covers a 4km gap between the BHPB mineral claims. A line of drilling is planned to test the area of calcrete outcrop that extends onto E53/1154.

WALLING ROCK (E30/299) and GALAH ROCKS (E30/300) - 80% Encounter, 20% Avoca

A single line of auger drilling at Walling Rock, 70kms south of McPherson's Bore, has intersected uranium mineralisation within lake sediments of up to 1.6m @ 136ppm U_3O_8 . Of the 19 holes drilled, 7 contained intersections in excess of 50ppm U_3O_8 . The line drilled was designed to test an airborne radiometric anomaly located 1km south of a series of historical drillholes drilled by Esso in the 1970s. Re-interpretation of the historic drilling, along with the new data from the recent auger drilling, has outlined a zone of uranium anomalism within lake sediments that extends over 5km along the eastern margin of a salt lake. A follow up program of auger drilling at 1km section spacing is planned.

At Galah Rocks, a further 25kms south, the results of the auger drilling returned only subtle uranium anomalism along the western margin of the lake.

LAKEVIEW (E29/577) - 80% Encounter, 20% Avoca

A series of five 1km spaced aircore traverses were drilled to test for near surface uranium mineralisation associated with an interpreted palaeochannel position to the south of Lake Raeside. In addition two holes were drilled to test the base of the palaeochannel for 'roll-front' style uranium mineralisation. The results from this drilling did not identify any significant uranium mineralisation. The focus of the program will now move to the main radiometric anomaly on the lake where previous explorers reported the discovery of near surface uranium mineralisation within lake sediments.

THROSSELL (E38/1786) - 80% Encounter, 20% Avoca

Assay results from the shallow reconnaissance aircore drilling at Throssell did not identify any significant uranium mineralisation associated with the thick valley fill calcrete body.

LAKE WAY SOUTH and YEELIRRIE CHANNEL RESOURCE CALCULATION

Geological and survey data is currently being compiled in order to complete an inferred resource calculation at Bellah Bore East, Centipede North and Lake Way NE. The three areas, identified by Encounter in the past 12 months, are considered potential satellite production sites to a future processing facility in the Yeelirrie/Lake Way/Centipede area.



BASE METALS

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

A review of the historical drilling and geophysical data has resulted in the identification a number of significant base metals targets at Tchintaby.

Drilling in the mid 1990s at the Andes prospect by CRA Exploration intersected an area of low grade Zn-Cu-Ag mineralisation extending 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. Examples of mineralised holes are tabled below:

Table 2. Andes Prospect – Examples of mineralised holes

Hole #	Northing	Easting	From	To	Zn(ppm)	Cu(ppm)	Ag(g/t)
RC94AN03	7339308	613388	38	50	7722	965	9.25
RC97AN23	7339547	611570	60	72	7262	979	7.5
RC97AN26	7340506	615360	70	85	6865	882	7

Datum AMG z50

Interpretation of the 1km by 1km 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 also defines a SSE trend. The target at the Andes South prospect is high grade Zn mineralisation proximal to this structure, downdip to the SSE of the existing low grade halo defined by CRA.

Preliminary geological investigations indicate that the prospective horizon that hosts the Andes prospect may be laterally extensive at depth throughout the Tchintaby project area.

In the coming quarter a program of field mapping and surface sampling will commence which will assist in the re-interpretation of the local geology and provide information for the planning of additional geophysical and drilling programs.

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

Results received from the initial program of reconnaissance rock chip sampling generated two areas of base metals anomalism at Crossland Hill and Gidgee Bore. The two anomalies are located along major structure mapped by the GSWA and are evident in the regional magnetics data. A second sampling program was completed during the quarter, targeting the areas defined in the initial survey. Results from the second phase of sampling are due shortly

DIAMONDS

LAKEVIEW (E29/577) - 80% Encounter, 20% Avoca

During the quarter a drilling program commenced to test an interpreted kimberlite target at Lakeview. The coincident circular gravity and magnetic anomaly is located within dunes on the margin of Lake Raeside in a region where De Beers and others has identified a number of kimberlitic bodies and diamond indicator minerals. A north south line of 100m spaced holes was planned to test the modelled 400m wide, sub-vertical pipe-like intrusion.

Due to the unconsolidated nature of the surface sediment the drillers were unable to secure a stable collar for the holes and as a result the holes did not reach the target depth. A surface diamond rig is currently being sourced to complete the planned program.



CORPORATE

During the quarter Dr Jon Hronsky was appointed to the board as a non-executive director. Dr Hronsky has more than 23 years of experience in the mineral exploration industry, primarily focused on project generation, technical innovation and exploration strategy development. Jon was most recently Manager-Strategy & Generative Services for BHP Billiton Mineral Exploration. Prior to that, Jon was Global Geoscience Leader for WMC Resources Ltd.

On 2nd April 2007 the company announced that it had completed a private placement to raise \$4.3 million before costs through the issue of 8,600,000 ordinary fully paid shares in the Company at a price of A\$0.50 per share.

The company's cash balance at the end of the quarter was \$6.8 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.

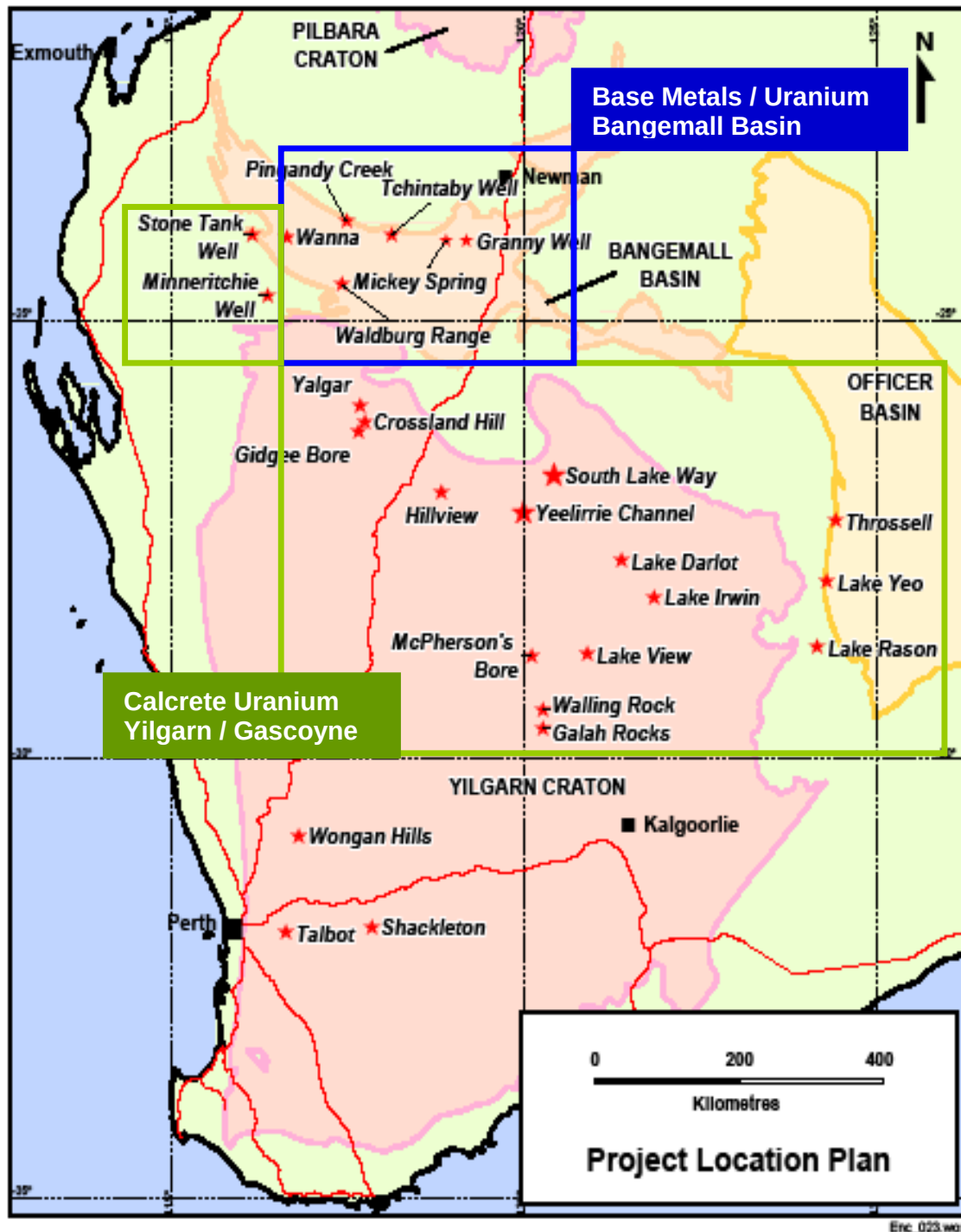
** Historical uranium mineralisation grades are annotated with a sub-prefix 'e' because they have been reported as uranium equivalent grades derived from down-hole gamma ray logging results and should be regarded as approximations only. Gamma logging or "total count gamma logging" (the method used by 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 3. Encounter Resources Project Location Plan



Enc_023.wor

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 June 2007

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	(488)	(1,420)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(70)	(463)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	122	283
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
Net Operating Cash Flows		(436)	(1,600)
Cash flows related to investing activities			
1.8	Payment for purchases: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(11)	(39)
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		(11)	(39)
1.13	Total operating and investing cash flows (carried forward)	(447)	(1,639)

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	4,300	4,300
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)	(99)	(99)
Net financing cash flows		4,201	4,201
Net increase (decrease) in cash held		3,754	2,562
1.20	Cash at beginning of quarter/year to date	3,017	4,209
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	6,771	6,771

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	109
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

-

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	5	92
5.2 Deposits at call	6,766	2,925
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	6,771	3,017

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	E09/1297	EL Granted	0%	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 Preference securities (description)	-	-		
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	39,100,000		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	8,600,000	8,600,000		
7.5 +Convertible debt securities (description)	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
7.7 Options (description and conversion factor)	100,000 100,000 250,000	- - -	Exercise price 20 cents 45 cents 52.5 cents	Expiry date 23/3/2011 15/5/2011 7/12/2011
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
7.11 Debentures (totals only)	-	-		
7.12 Unsecured notes (totals only)	-	-		

+ See chapter 19 for defined terms.

Compliance statement

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

Sign here:
(Company secretary)



Date: 23 July 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.
- 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.