

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

ASX Code

ENR

Market Cap (24/10/11)

A\$53.6m (\$0.54/share)

Issued Capital (30/9/11)

99.3 million ordinary shares

6.9 million employee options

Cash (30/9/11)

A\$5.1M

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 / Mr. Dan Travers
Joint Company Secretary

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HIGHLIGHTS**PATERSON PROVINCE**

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

- **BM1 Northern Area**
 - RC drilling assays received during the quarter expanded the footprint of the BM1 Northern Area to over 500m in strike. Significant results include **26m @ 1.8% Cu from 24m (oxide)** and **10m @ 1.1% Cu from 68m (supergene)**.
 - Primary copper sulphides intersected at depth, adjacent to an intensely brecciated, steep dipping deformation zone on the western margin of the Northern Area.
 - Diamond drilling targeting primary copper sulphide positions is progressing, with two diamond rigs on site.
- **BM7 Prospect**
 - New large scale (+2.4km long) copper regolith anomaly identified in aircore drilling 2km south of BM1.
 - Regolith anomaly correlates with major north-east trending regional structure (Queen Fault) identified by VTEM flown in June 2011.
 - Aircore assay results expected within four weeks.
- **BM6 Prospect**
 - Aircore drilling identified an 800m long copper regolith anomaly adjacent to the regionally significant McKay fault, 3.5km north of BM1.
 - First batch of aircore assays received, with results grading up to 1.4% Cu.
- **T4 Prospect**
 - Stratigraphic diamond hole intersects up to 0.8% copper and 15 g/t silver in altered metamorphics (Rudall Complex).
 - Soil sampling program completed with multiple Cu-Ag anomalies revealed.
 - Infill soil sampling is underway to further define drill targets.

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 mine, the Telfer Gold mine and the Kintyre uranium deposit. This ground is 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 discovered by Encounter in the Yilgarn Province.
- 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, the Telfer Gold 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.

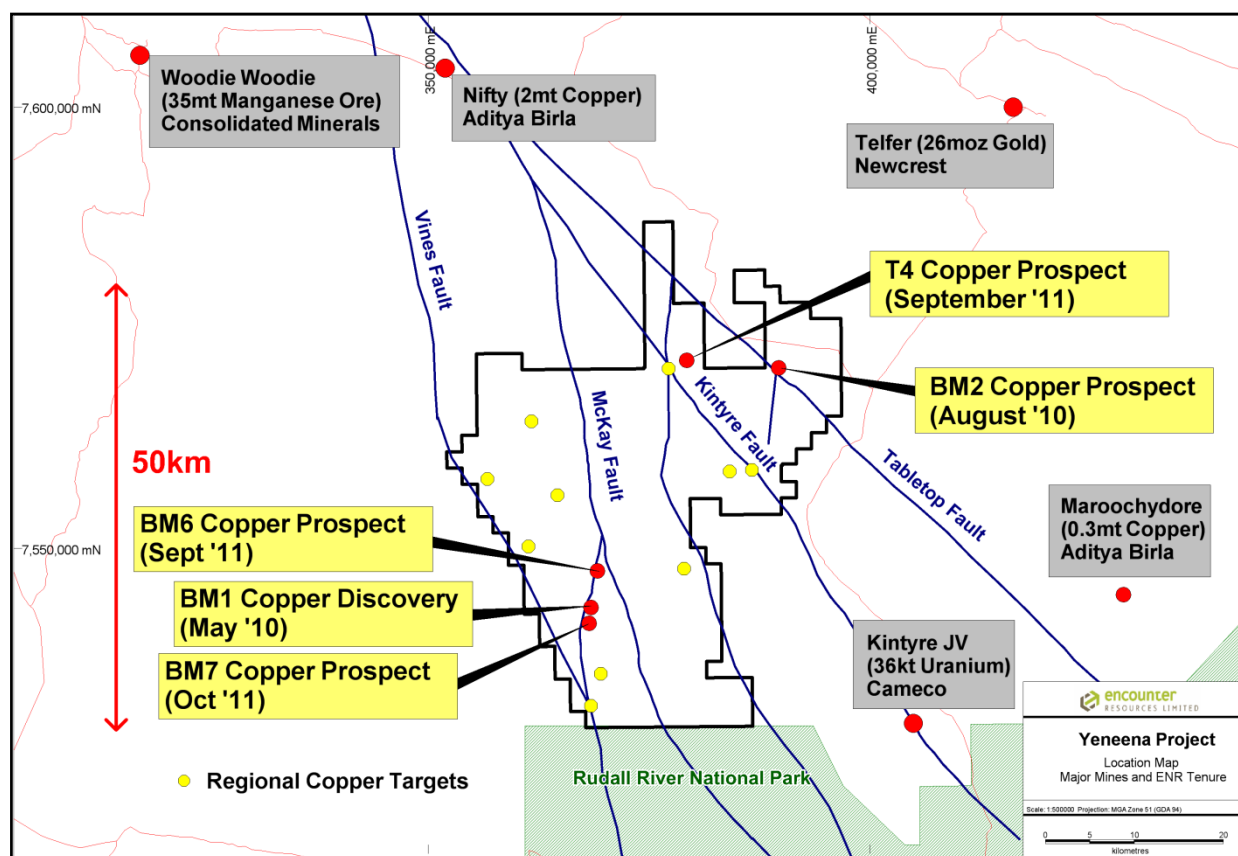


Figure 1: Yeneena Project leasing and target areas with major regional faults



On ground exploration activities during the September 2011 quarter included:

- Completion of WA Government EIS co-funded diamond drilling at BM2 prospect
- Two diamond drill holes at T4 prospect
- Diamond drilling at BM1
- Aircore drilling at BM1 regional targets (BM6 and BM7 prospects)
- Ground EM surveys at BM1
- A partial leach soil geochemical survey at the T4 prospect

These activities form part of the \$5M 2011 exploration program for the Yeneena Project. Drilling activities are ongoing at the project. Currently two diamond drill rigs are in operation and will continue until the end of the field season in late November 2011.

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 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 aircore ("**AC**") and reverse-circulation ("**RC**") 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**") (Figure 2).

During the quarter, aircore drilling identified two additional zones of copper mineralisation located 3.5km north and 2km south of the initial BM1 copper discovery. These were named **BM6** and **BM7** respectively (see ASX announcement 17 October 2011).

Diamond drilling identified an intense, steep dipping fault breccia zone on the western margin of the BM1 Northern Area containing primary copper sulphides. Minor chalcopyrite and bornite minerals are present in intense quartz-carbonate veining within the hydrothermally altered breccia. Further copper sulphides were identified at depth, also hosted by quartz-carbonate veins in a variably-silicified interbedded shale and carbonate unit. Drill core has been submitted for chemical analysis with results expected in November 2011.

Although not an economic interesection, the identification of primary copper sulphides in diamond drilling on this western fault breccia zone at BM1 is an important milestone. Significantly it confirms that that copper system at BM1 is alive to a vertical depth of at least 500m.

Diamond drilling continues at the BM1 Northern Area, targeting a major sediment-hosted copper sulphide position in close proximity to the identified fault breccia zone.

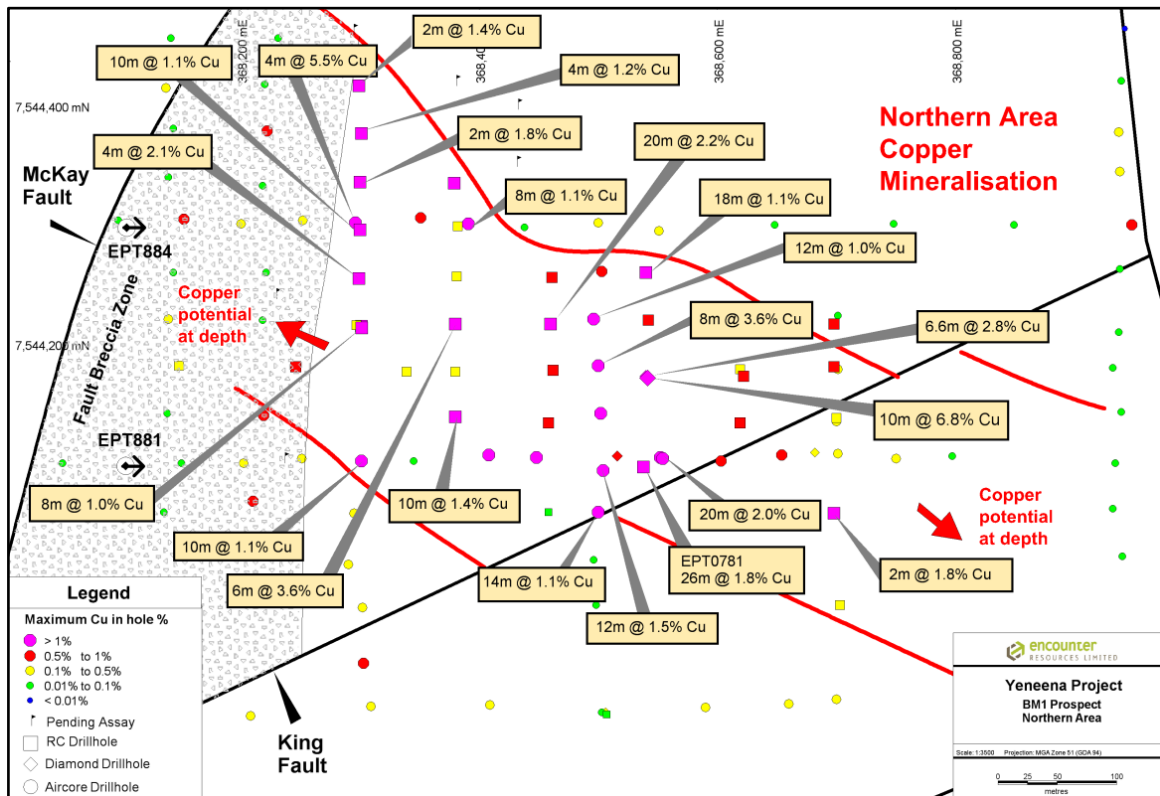


Figure 2: Drillhole location plan BM1 Northern Area

BM6 Prospect

The BM6 prospect is located 3km north of BM1, adjacent to the regionally significant McKay fault (Figure 3). Initial assays from reconnaissance aircore drilling were received during the quarter, grading up to 1.4% Cu (Figure 4), with many assays still pending (see ASX announcement 17 October 2011). Geological interpretation is in progress and will be completed once all assays have been compiled. The copper anomaly at BM6 is currently 800m long, and is open to the north and south.

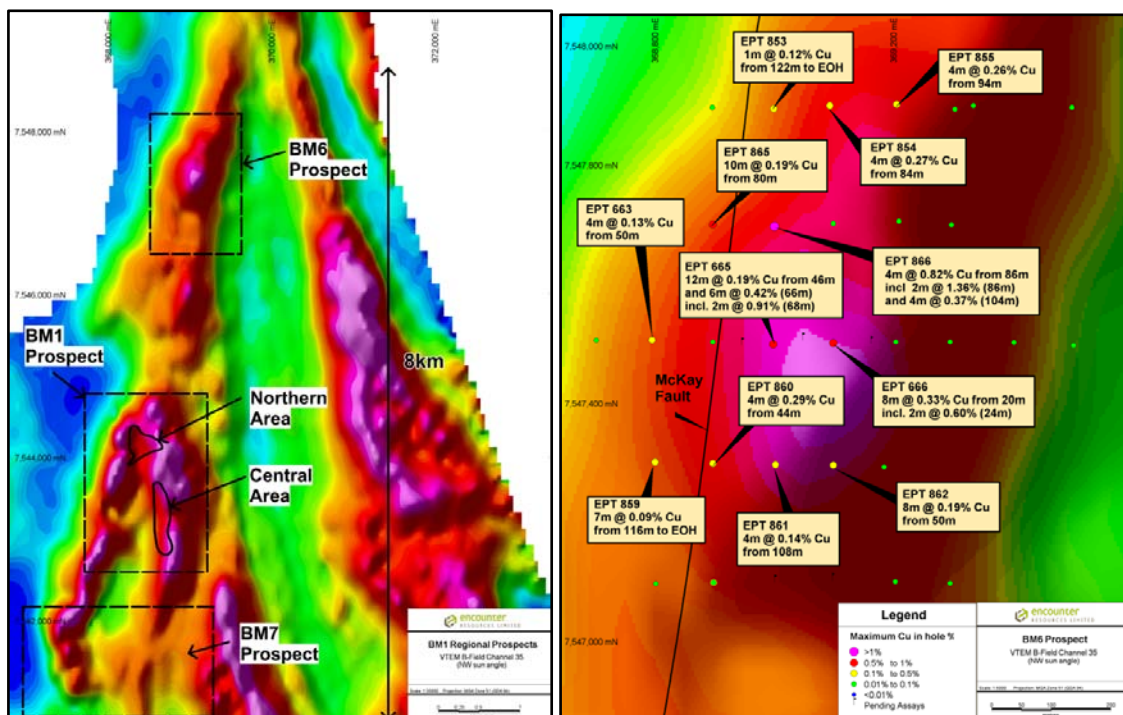


Figure 3: Prospect location plan BM1, BM6, BM7.

Figure 4: BM6 Prospect drill status plan

BM7 Prospect

The BM7 Prospect is located 2km south of BM1 at the junction of the McKay fault and the recently recognised Queen fault. Reconnaissance aircore drilling delineated a 2.4km long copper regolith anomaly striking north-east parallel with a north-east trending structure (Queen fault) interpreted from the VTEM survey flown in June 2011.

Aircore drilling has intersected thick zones of anomalous copper (+0.1% Cu, determined from handheld XRF Niton readings) in the regolith profile. The anomaly broadens and thickens towards the junction with the McKay fault in the SW (Figure 5).

It is becoming increasingly clear that these north-east structures splaying off the McKay fault are highly significant in the concentration of sediment-hosted copper mineralisation in the region.

** Results from a Handheld XRF are considered indicative and industry standard chemical analysis is required to confirm the extent and the grade of the copper anomalism.*

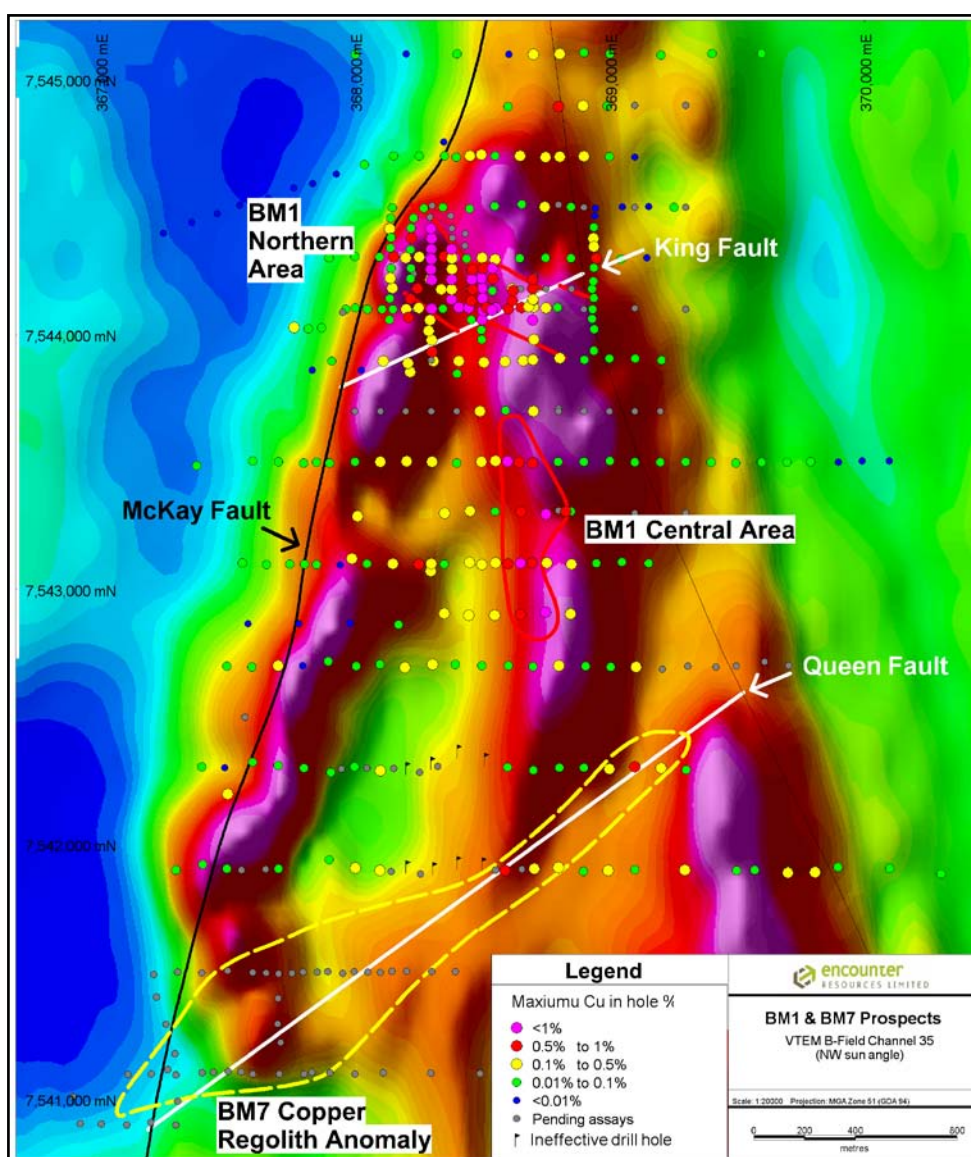


Figure 5: BM7 drill status plan

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).

During the quarter two diamond drill holes were completed at the BM2 prospect targeting a potential primary copper sulphide position beneath the existing 1.2km long copper regolith anomaly. 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 1 & 2). Assays for these two holes are expected to be received in November 2011.

The quantity of base metals sulphides observed in the core is considered unlikely to represent an economic intersection, 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 at depth in these holes is considered unlikely to be sufficient to account for the scale of the observed shallow 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 1 and 2: EPT0799 - Examples of base metal sulphide veins at BM2

An orientation partial leach soil geochemical survey was completed over the BM2 prospect at the commencement of the 2011 field program. It was designed to determine if soil surveys can be used to 'look through' areas of thick transported cover. The results were encouraging, and highlighted an east-northeast copper anomaly that is consistent with the copper anomaly defined by aircore drilling. This surface sampling development has positive implications for the prioritisation and testing of sand covered regional targets at the Yeneena project.

T4 Prospect

The T4 prospect is located in the north of the Yeneena project, about 30km NE of BM1 (Figure 1). During the quarter two stratigraphic diamond drill holes were completed at T4. Drillhole EPT801 was located within the interpreted Palaeo-Proterozoic geological block (Figure 6). This block is interpreted to represent uplifted Rudall Complex metamorphic rocks and was targeted because such settings are conceptually highly prospective for the formation of large mineral systems.

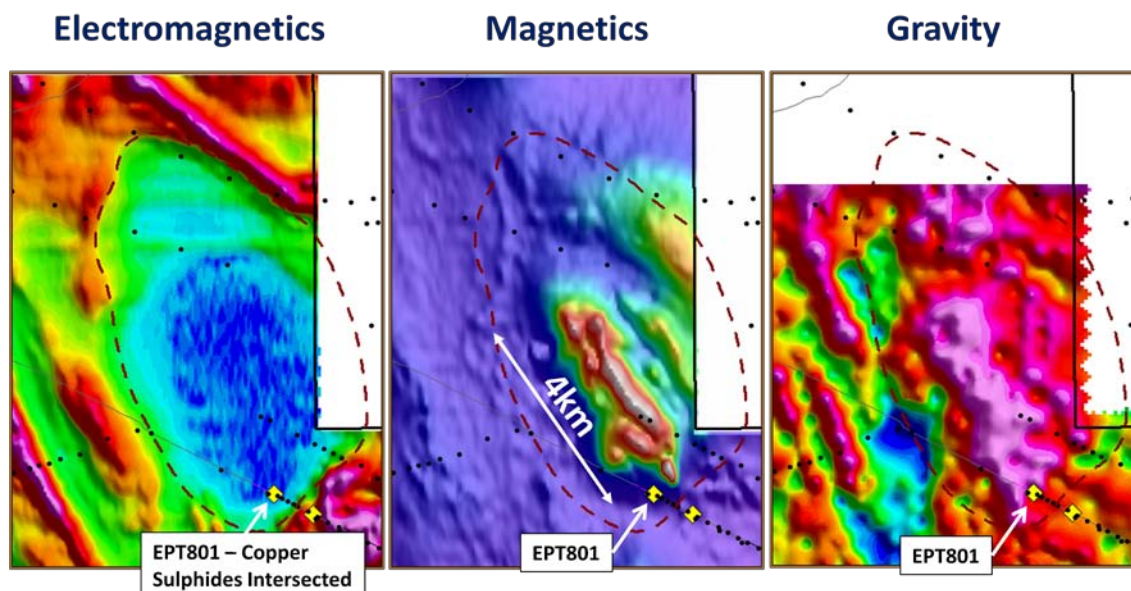


Figure 6 – Electro-Magnetics ch45, TMI Magnetics and Bouguer Gravity overlain by outline of palaeoproterozoic block (dashed line).

EPT0801 intersected gneissic rocks and confirmed the geological interpretation of the presence of Rudall Complex rocks. Importantly, these gneissic rocks were overprinted by later, extensive and locally very intense potassic alteration (K-feldspar and biotite). Several narrow zones of disseminated copper sulphides (chalcopyrite and bornite) were visually identified with assays returning up to 0.8% Cu and 15 g/t Ag (see Photo 3). The presence of copper sulphide minerals in the first stratigraphic diamond drill program within a large, covered and almost unexplored area is a significant development that provides an additional major copper target at the Yeneena Project.

The diamond drill holes at T4 were drilled at the southern end of a 4km long coincident magnetic and gravity anomaly (Figure 6). Further diamond drilling is planned to test the magnetic anomaly at the centre of the T4 block.

A surface geochemical sampling program in the sand dune swales at T4 was also completed during the quarter. Results highlighted multiple Cu-Ag anomalies on the margins of the T4 block. Further infill soil sampling is underway to assist in confirming orientations of anomalies in preparation for the next phase of drilling.

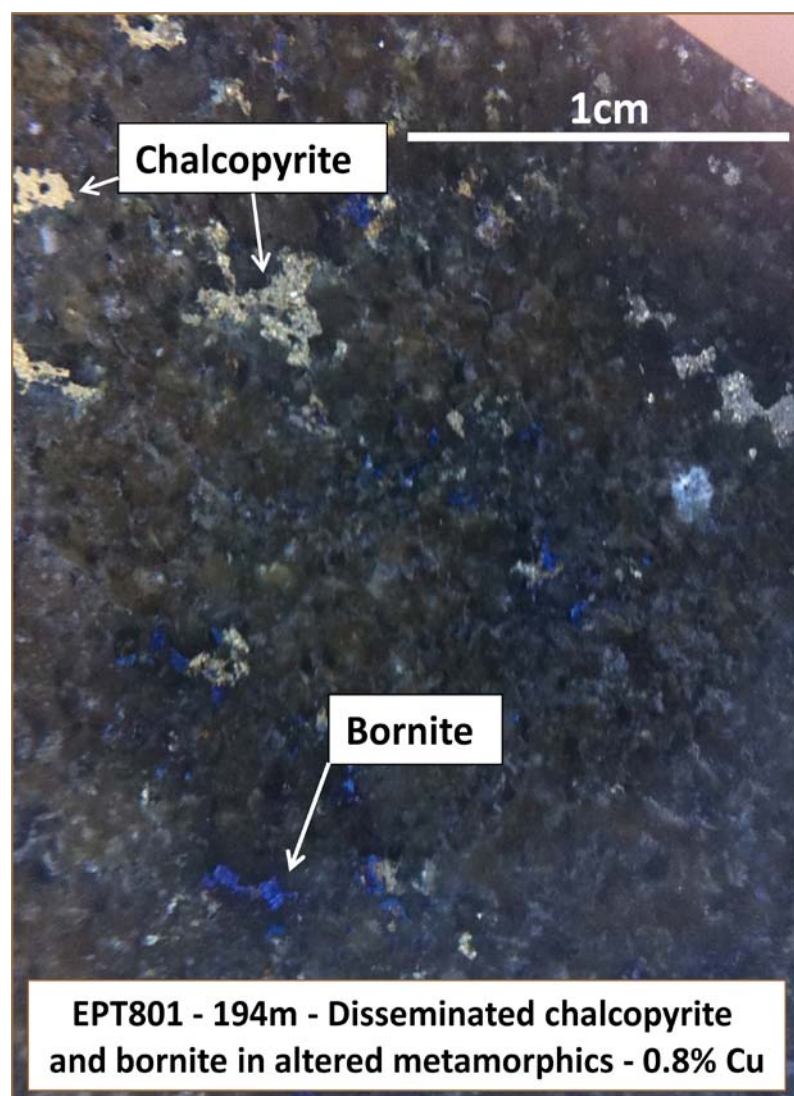


Photo 3: EPT0801 (T4) 194.4m. Disseminated chalcopyrite and bornite in altered metamorphic rocks.

YILGARN DISTRICT

CALCRETE URANIUM RESOURCES

A strategic review of the calcrete uranium resource initiated by Encounter to consider the potential development and commercial alternatives to advance these projects continued during the quarter.

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\$5.1 million.

NEXT QUARTER HIGHLIGHTS

- BM1
 - Assay results from the ongoing diamond drilling program
 - Diamond drill testing of primary copper targets at the Northern Area
 - Diamond drill testing of EM conductor on McKay fault
- BM7
 - Assay results from the completed aircore drilling program
 - Initial diamond drilling of possible copper sulphide gossans
- BM6
 - Assay results from the completed aircore drilling program
- T4
 - Infill soil sampling to refine drill target

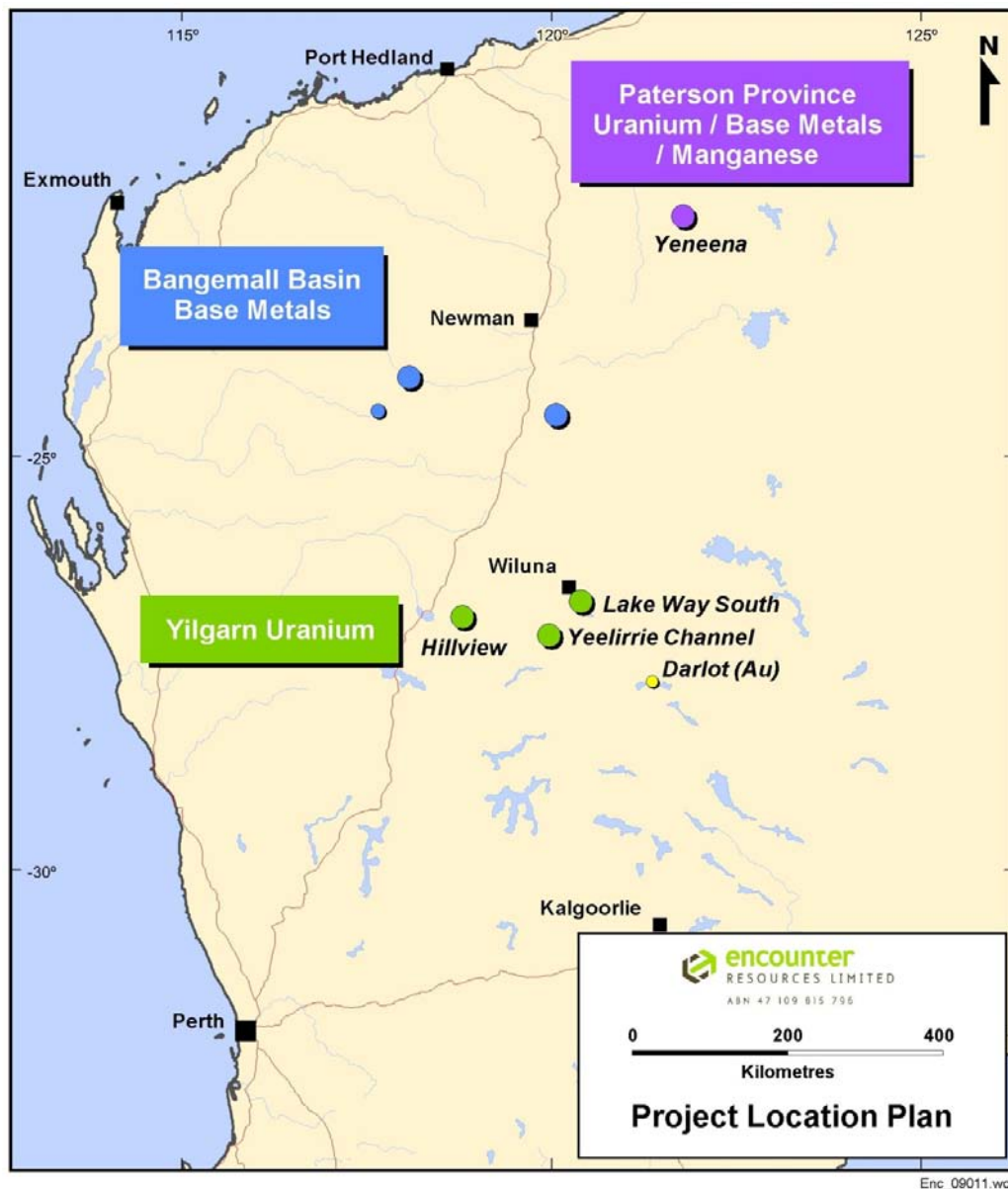


Figure 7: Encounter Resources Project Location Plan

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 September 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(1,995)	(1,995)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(178)	(178)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	73	73
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – R&D tax concession refund	11	11
Net Operating Cash Flows		(2,089)	(2,089)
Cash flows related to investing activities			
1.8	Payment for purchases: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(14)	(14)
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		(14)	(14)
1.13	Total operating and investing cash flows (carried forward)	(2,103)	(2,103)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(2,103)	(2,103)
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	(2,103)	(2,103)
1.20	Cash at beginning of quarter/year to date	7,241	7,241
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	5,138	5,138

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	303	106
5.2 Deposits at call	4,835	7,135
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	5,138	7,241

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	E36/769	Granted	0%	100%

+ 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 (description)	-	-		
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	-	-		
(b) Decreases through returns of capital, buy-backs	-	-		
(c) Released from Escrow	-	-		
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)	50,000 500,000 400,000 400,000 200,000 5,475,000	- - - - - -	<u>Exercise price</u> 50 cents 53.5 cents 55 cents 70 cents 30 cents \$1.35	<u>Expiry date</u> 9/8/2012 30/11/2012 30/11/2012 30/11/2012 30/6/2013 22/11/2014
7.8 Issued during quarter	150,000	-	\$1.35	22/11/2014
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		

+ See chapter 19 for defined terms.

7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

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: 25 October 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.