encounter RESOURCES LIMITED
ABN 47 109 815 796

QUARTERLY REPORT MARCH 2012

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

ASX Code

ENR

Market Cap (19/04/12)

A$46.8m ($0.41/share)

Issued Capital (31/3/12)

114.2 million ordinary shares
7.5 million employee options

Cash (31/3/12)

A$7.0M

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 PROJECT – Paterson Province, WA (100%)

The Yeneena 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 discoveries in 2010 & 2011 that have demonstrated the potential for large tonnage copper deposits.

Encounter plans to drill 25,000 metres at Yeneena during 2012 as part of the $5M exploration program. The program is focused on the discovery of high grade copper sulphide mineralisation in areas where base metal sulphides were first identified in late 2011.

The 2012 exploration program at Yeneena has commenced following the summer/wet season. The program will include:

1. RC and diamond drilling of the BM2 copper prospect to define high grade copper sulphide mineralisation (WA Govt. EIS co-funded)
2. Diamond drilling of the co-incident magnetic, gravity and geochemical anomaly at T4
3. RC and diamond drilling at BM7 to define vectors to high grade copper sulphide mineralisation adjacent to EPT1109 (274m @ 0.12% Cu and 174ppm Co)
4. Diamond drilling of the Western Breccia Zone at BM1
5. VTEM airborne survey over the BM7 South, BM2 and MN1 regions
6. Ground geophysical and geochemical surveys over regional targets
7. Initial aircore reconnaissance drilling of regional targets

The program has commenced with diamond drilling at the T4 prospect and RC drilling at the BM2 prospect. An update following receipt of the first batch of assay results will be provided in May 2012.

CORPORATE

- During the quarter the Company completed a private placement to raise A$5.94 million, before costs, through the issue of 14,850,000 ordinary fully paid ordinary shares at a price of A$0.40 per share.
- The Company's cash balance at the end of the quarter was A$7.0 million.

EXPLORATION

PATERSON PROVINCE

YENEENA (100% Encounter)

Yeneena covers a 1,300km^2 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). Yeneena is highly prospective for different styles of mineralisation including: sediment-hosted copper; silver-lead-zinc; Woodie Woodie style manganese and unconformity related uranium.

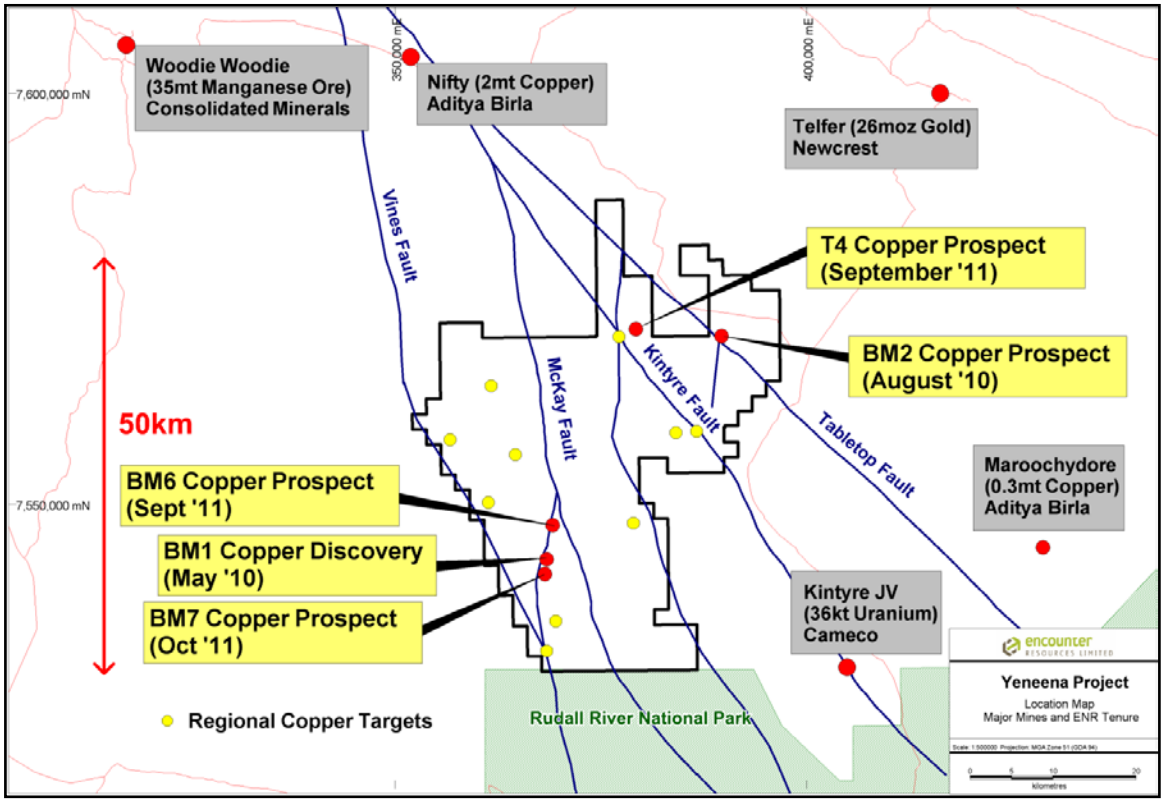


Figure 1: Yeneena project leasing and target areas with major regional faults

Exploration activities in the March 2012 quarter focused on the compilation of exploration results from the 2011 field season and planning and mobilisation for the 2012 exploration campaign.

A total of 37,000m of drilling was completed in 2011, along with extensive airborne geophysical surveys and geochemical programs. This work culminated in the discovery of copper sulphide mineralisation at three separate targets at Yeneena. The 2012 drill campaign has commenced and is directed at converting these discoveries into large scale, high-grade copper sulphide opportunities.

BM1 Region (includes BM1, BM6 and BM7)

Aircore ("**AC"**) drilling in the BM1 region, approximately 60km south of the Nifty copper mine, has defined copper oxide mineralisation over an 8km section of the McKay fault zone from BM6 in the north to the BM7 prospect in the south. Copper mineralisation appears to be concentrated at the intersection of north-east trending late structures and the McKay fault zone (Figure 2). Diamond drilling has focused on these key structural intersections, interpreted to be foci for the ore bearing fluids that generate large scale sediment-hosted copper deposits. Mineralisation in this region is hosted within the Broadhurst sediments and is almost entirely overlain by 2-10m of transported cover.

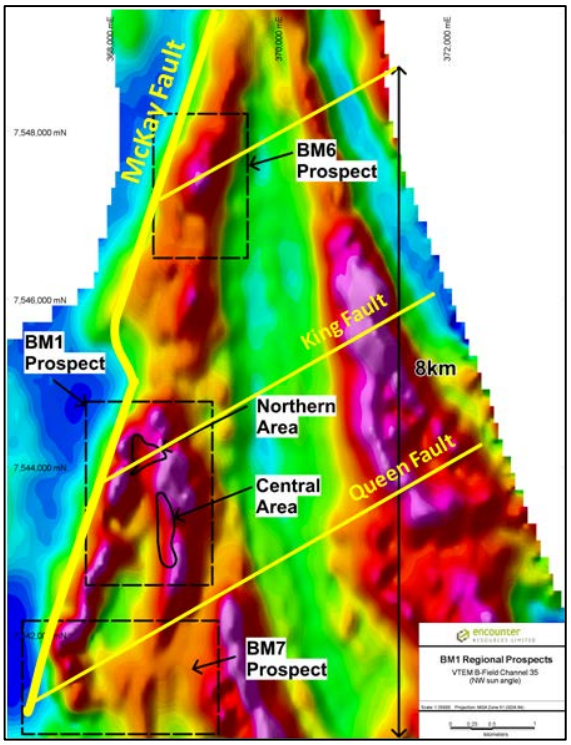


Figure 2: Prospect location plan BM1, BM6 and BM7

BM1

Aircore and reverse-circulation ("**RC**") drilling has defined two zones of coherent near surface copper oxide mineralisation named the Northern and Central Areas. This mineralisation lies adjacent to the intersection of the King and McKay faults (Figure 2). At the Northern Area the flat lying copper oxide mineralisation extends over an area 500m by 250m and is interpreted to be the weathered remnants of a primary copper sulphide position.

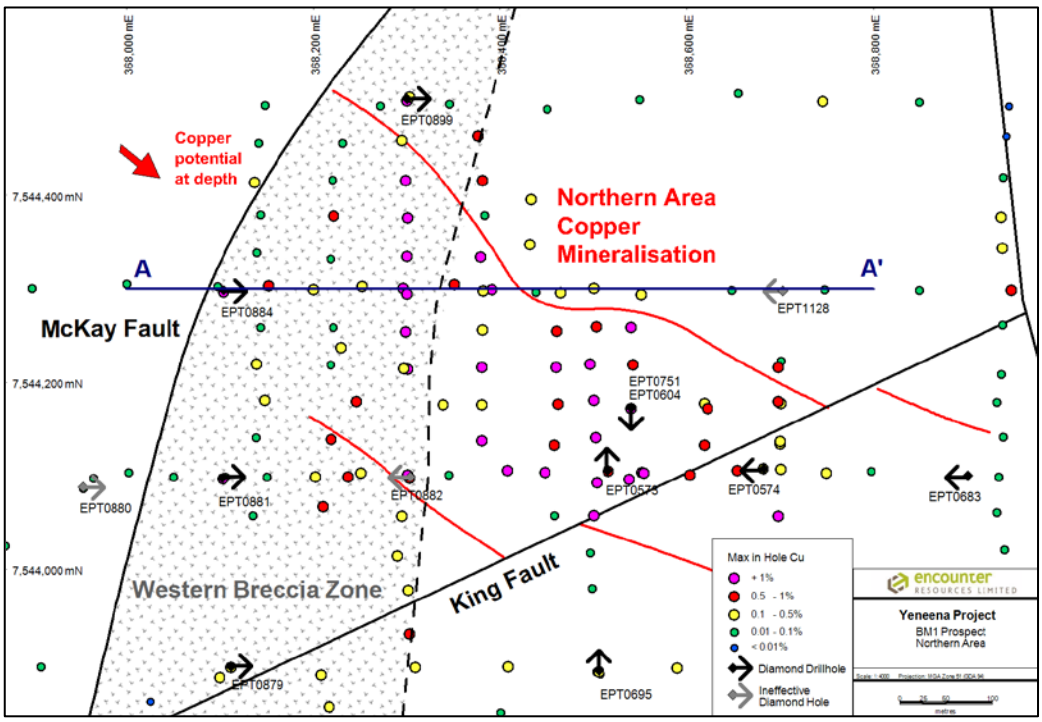


Figure 3: Drillhole location plan BM1 Northern Area

Diamond drilling in late 2011 focused along a steep dipping fault breccia zone identified on the western margin of BM1 Northern Area (Figure 3). The fault breccia is interpreted to be a major, long lived, fluid conduit and source of the near surface copper mineralisation hosted within the flat lying sediments adjacent to the deformation zone. Four diamond drill holes were completed along a 600m strike length of the defined deformation zone to a depth of between 450-600m below surface. Copper sulphide mineralisation of varying intensity was intersected in each hole and was generally associated with bands of intense quartz-carbonate veining along lithological boundaries.

Just prior to the completion of the 2011 field campaign a fifth diamond hole, EPT1128, was in progress and at a downhole depth of 534m (Figure 4). Visual inspection noted a strengthening of copper sulphide mineralisation in the last few trays of drill core with copper mineralisation confirmed utilising a handheld XRF in the final metre. Drilling of this hole will recommence at the completion of the current T4 and BM2 programs.

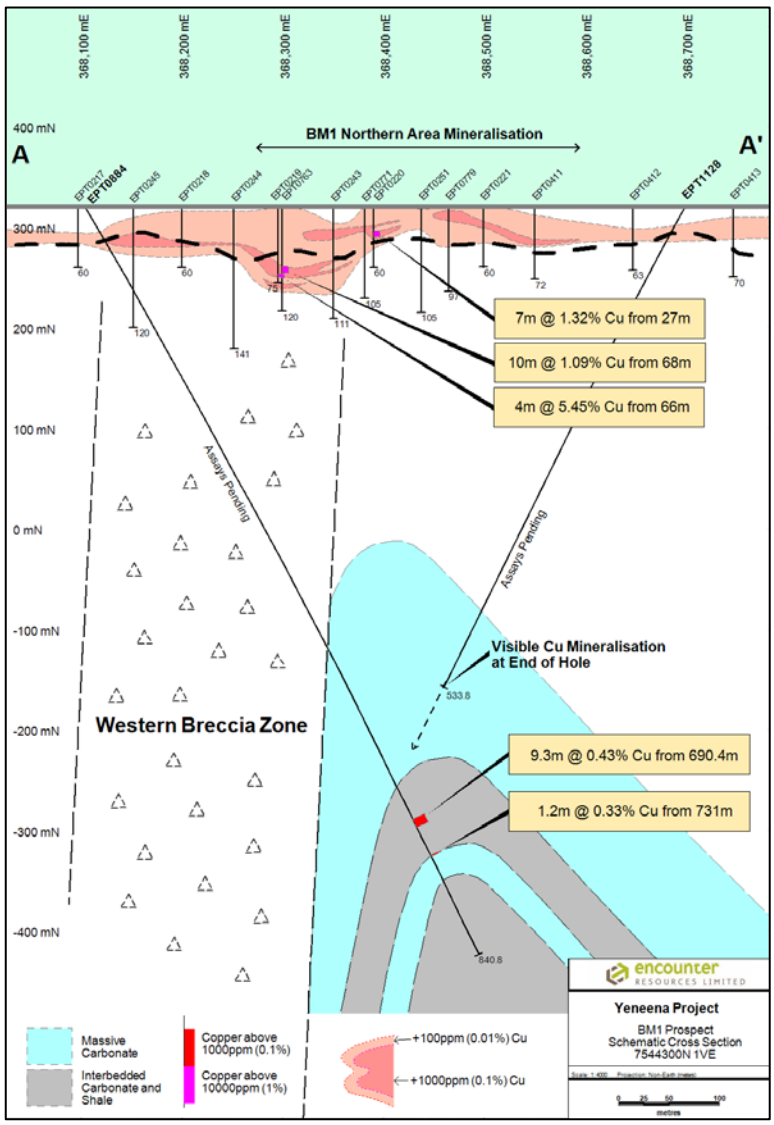


Figure 4: BM1 cross section 7544300mN

The discovery of a zone of silver mineralisation intersected in EPT880 (13m @ 26g/t silver) will also be followed up with a program of RC drilling in the June 2012 quarter. This hole is the westernmost hole drilled at BM1 with the mineralisation remaining open to the north, south and west.

BM7 Prospect

The BM7 prospect is located 3km south of the BM1 discovery and situated at the intersection of the north-east trending Queen fault and the regionally extensive McKay fault. Aircore drilling has defined a zone of copper oxide mineralisation that extends over 3.5km along the Queen fault and remains open both along strike and to the south (Figure 5).

Copper oxide mineralisation at BM7 is best developed at the intersection of the McKay and Queen faults where copper oxide anomalism in excess of 0.1% copper extends over an area approximately 1km by 750m.

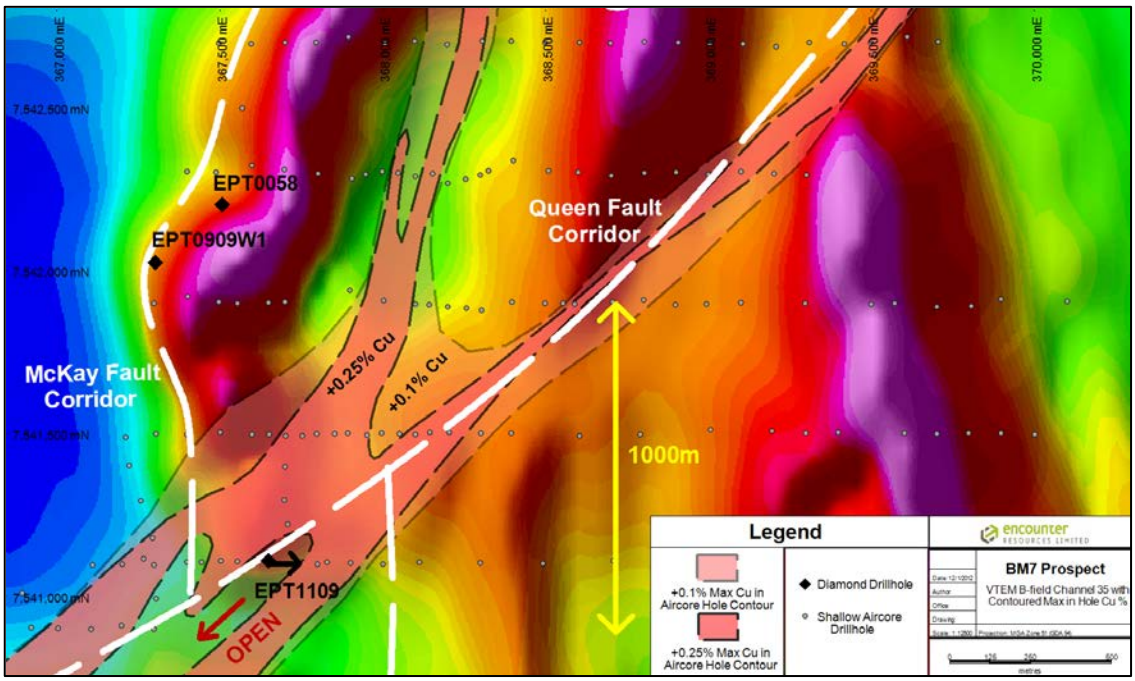


Figure 5: BM1 and BM7 prospects shown with a gridded image of maximum copper in hole

Diamond hole EPT1109 completed in December 2011, was the first hole drilled beneath the large scale copper oxide anomaly at BM7. The hole was collared along the south eastern limb of the anomaly and targeted the position interpreted as the down dip continuation of a disseminated sulphide gossan that was intersected in AC hole EPT1029 (Figure 6). The diamond hole intersected an extensive hydrothermal stockwork system containing broad zones of finely disseminated, locally blebby and stringer copper sulphide mineralisation. Assay results from the sulphide zone confirm highly anomalous copper and cobalt and include multiple bands of stronger mineralisation, including 102m @ 0.19%Cu and 243ppm cobalt. Mineralisation is hosted in both carbonate and shale rock types. Chalcopyrite is the dominant copper sulphide mineral.

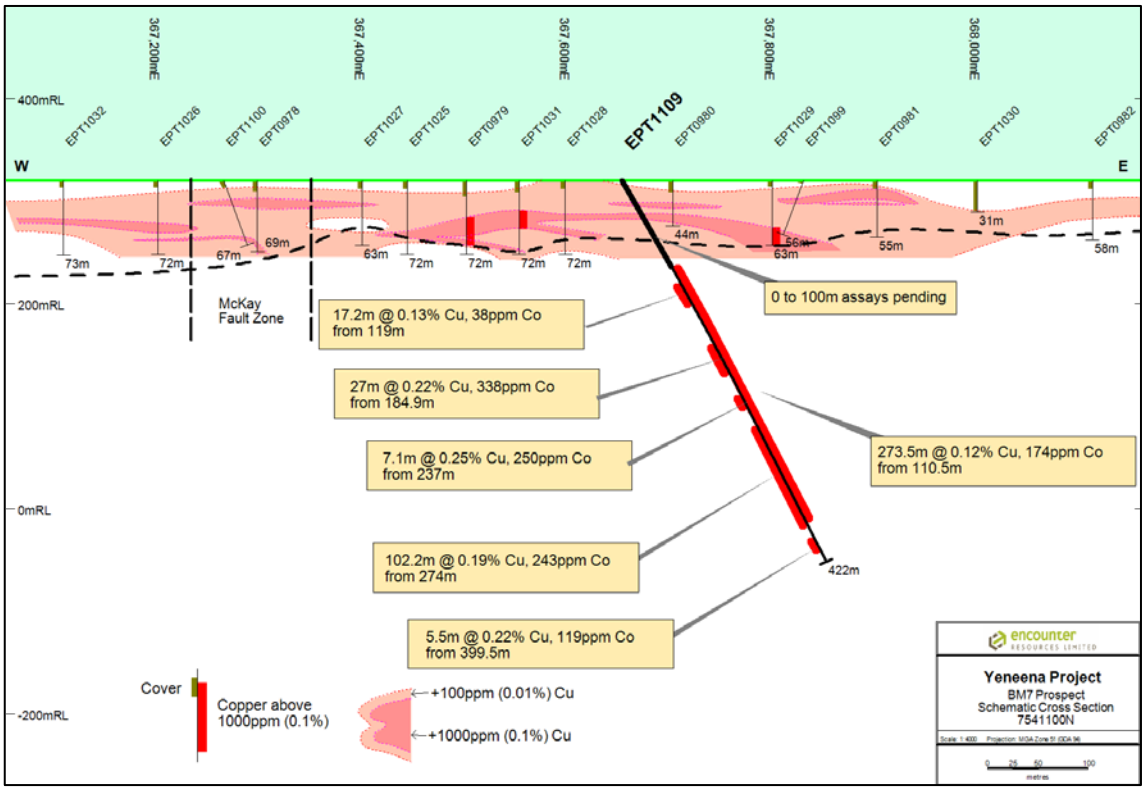


Figure 6: BM7 Cross Section 7541100mN

These results indicate the presence of a large-scale, depth-extensive, copper sulphide system at BM7. The observed coincidence of copper and cobalt mineralisation is a common association in Proterozoic sediment-hosted copper deposits, such as those in the Zambian Copper Belt. This mineralisation intersected in EPT1109 is similar in style and intensity to what would be expected on the margin of a major sediment-hosted copper deposit.

The next round of drilling at BM7 is scheduled to commence in late April 2012. This program will be a broad spaced pattern of RC holes to define vectors to higher grade copper sulphide mineralisation. The initial program is planned to commence with a pattern of RC drill holes to a depth of approximately 250m that will be extended by follow up diamond drilling.

In addition RC drilling will test for extensions to the mineralisation intersected in diamond hole, EPT909W1. This hole is located 600m north west of the BM7 copper oxide anomaly and was designed to test a discrete, westerly dipping electromagnetic conductive horizon modelled along the McKay fault, in an area of little near surface geochemical response.

A zone of fine disseminated copper sulphide mineralisation was noted in the EPT909W1 and assay results confirm highly anomalous copper and cobalt mineralisation beneath the interpreted conductor (Figure 7).

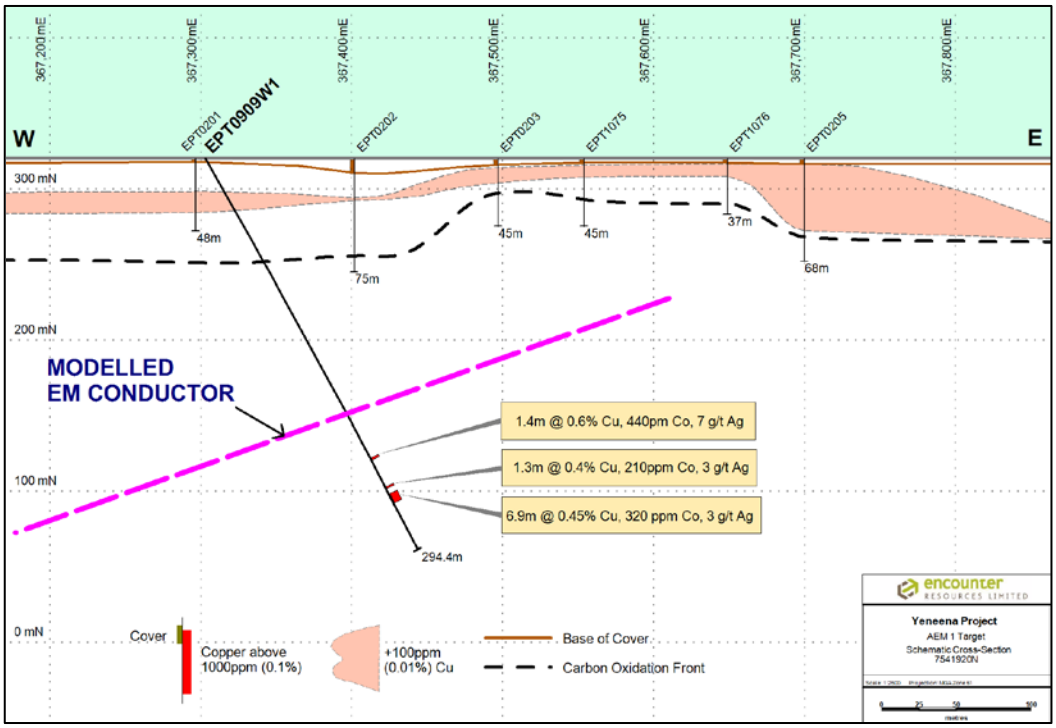


Figure 7: BM7 Cross Section 7541920mN

BM2 Prospect

The BM2 prospect is located on the regionally extensive Tabletop Fault. This structure is known to be metallogenically important and is closely associated with the position of the Nifty Copper deposit, 50km along strike to the north-west (Figure 1). The prospect was first aircore drilled in August 2010 and later followed up with a more extensive aircore drill program in 2011. A broad zone of copper anomalism (+0.25% Cu) was identified within the regolith over a strike extent of 800m (Figure 8). The identification of this significant base metal anomaly was made in an area of no outcrop, with up to 20m of transported overburden. This greenfields base metal discovery was the second significant under cover discovery made by Encounter at the Yeneena project and followed the identification of high grade copper mineralisation at BM1.

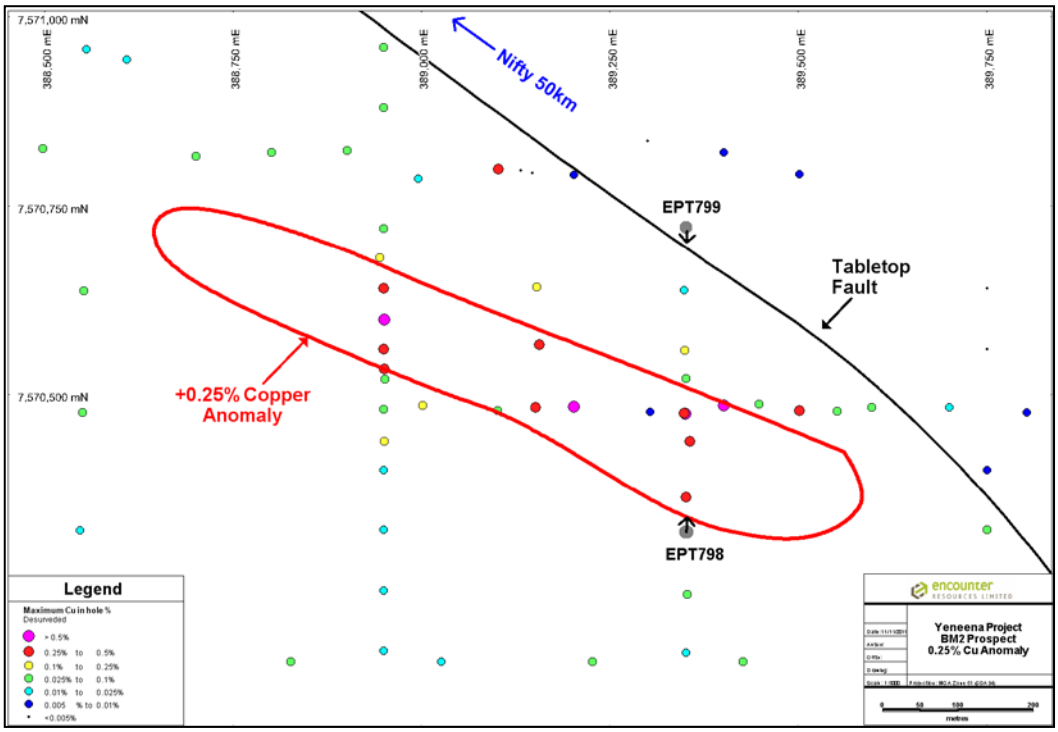


Figure 8: Drillhole location plan BM2

Two diamond drill holes completed in August 2011 at BM2 represent the first deep drilling at the prospect. These holes were co-funded through the Western Australian Government Exploration Incentive Scheme. The purpose of the holes was to test for the source of the 800m long copper anomaly defined in aircore drilling and to gain a basic understanding of the geology and structure at depth (Figure 9). Assay results from the two diamond holes drilled on section 389350mE confirm extensive thicknesses of zinc mineralisation in both holes with the mineralisation open along strike and at depth. Results include:

EPT798 - 188m @ 0.35% Zn from 213.3m to EOH incl. 44.7m @ 0.74% Zn

EPT799 - 173.6m @ 0.30% Zn from 375m incl. 26.5m @ 0.51% Zn; and
23.9m @ 0.37% Zn from 608m to EOH

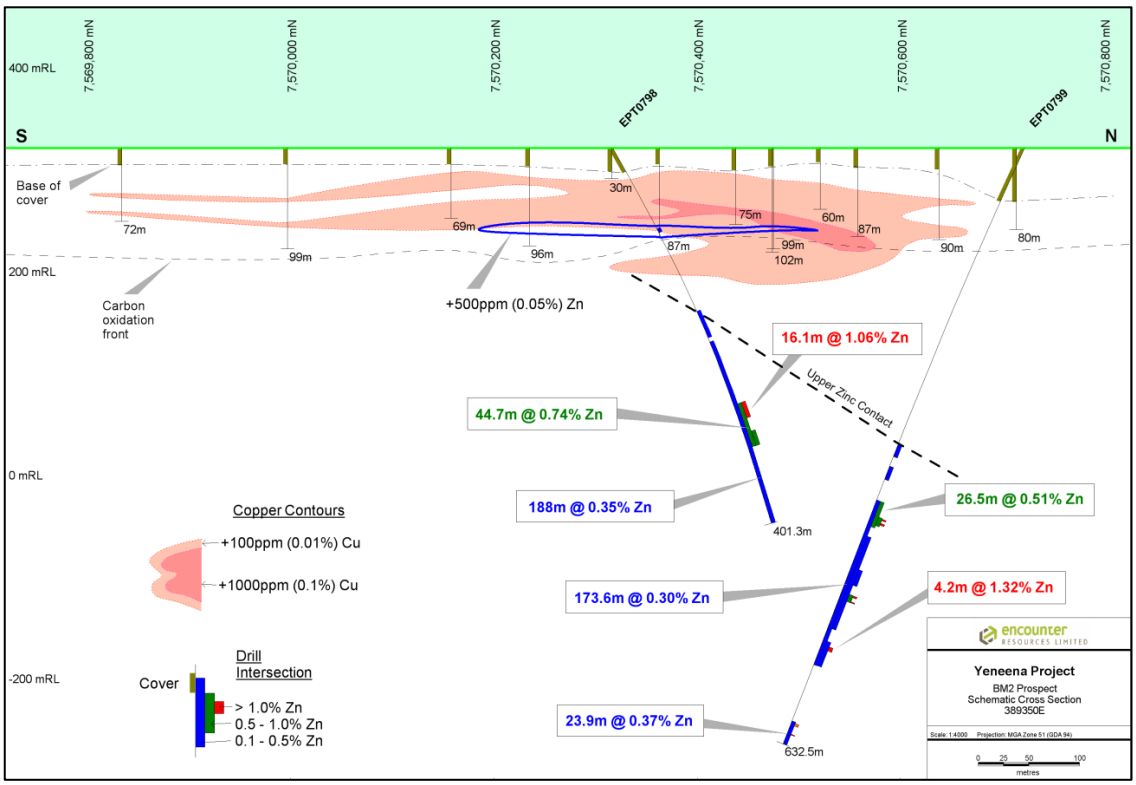


Figure 9: BM2 Cross Section 389350mE

The zinc mineralisation intersected in the diamond drilling appears stratabound in nature with the 'Upper Zinc Contact' coinciding with a marked change in lithogeochemical indicators. The lower contact of this mineralised unit remains untested with zinc anomalism extending to the bottom of both holes.

The wide extent of mineralised veining intersected in the first diamond holes at BM2 is highly encouraging and supports the potential for a large scale base metals deposit.

Significantly, the minor levels of copper anomalism observed in fresh rock at depth in these holes is considered insufficient to account for the scale and intensity of the 800m long near surface copper oxide anomalism at BM2. This interpretation suggests the potential primary source of the oxide copper anomalism is along strike from the current drill section and that the copper anomalism observed within the regolith on this section represents secondary dispersion from this primary source.

It is noted that in many ore-systems it is not uncommon for zinc mineralisation to occur distal to a central zone of copper mineralisation.

The Company was successful in its merit based application for a second round of WA Government co-funded diamond drilling at BM2. This funding will contribute up to $150,000 towards the cost of drilling that will target the primary source of the copper oxide anomalism and define potential vectors to higher grade zinc mineralisation. This 2,500m RC / diamond drill program is in progress.

T4 Prospect

The T4 prospect is located at the north of Yeneena, about 30km north-east of the BM1 copper discovery (Figure 1). The geology of the T4 area is dominated by an 8km by 5km dome-shaped uplifted block of Palaeo-Proterozoic Rudall Complex metamorphics. Base metal mineralisation is being targeted along structures internal to the basement block and along the margins of the dome. This area has significant scale potential and is totally sand-covered. There has been minimal prior exploration in the T4 region.

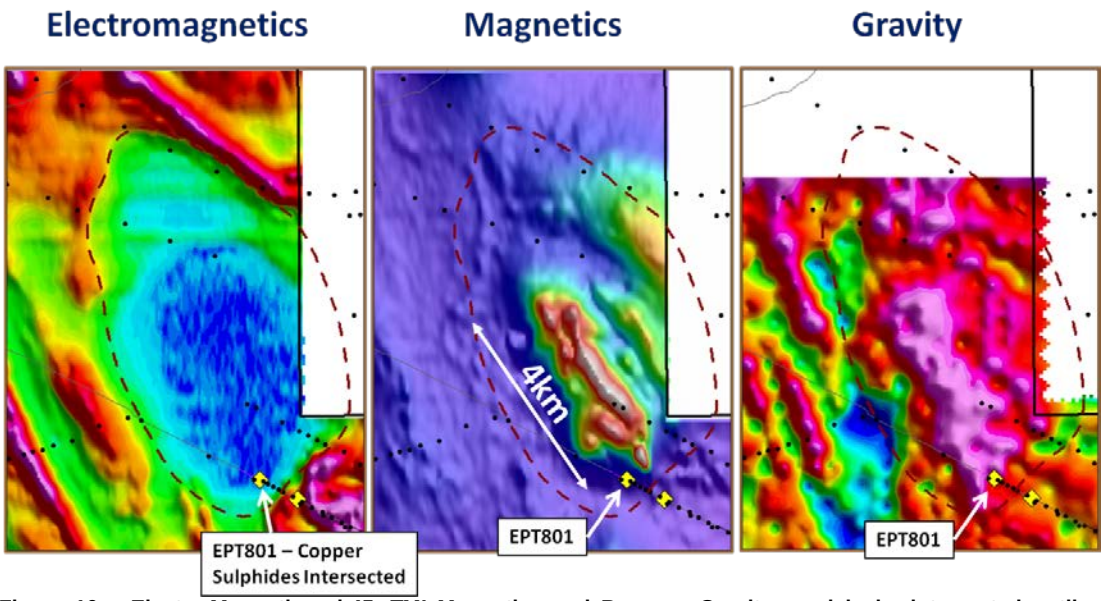


Figure 10 – Electro-Magnetics ch45, TMI Magnetics and Bouguer Gravity overlain by interpreted outline of Palaeoproterozic block (dashed line). Diamond drill holes shown as yellow diamonds.

During 2011, two stratigraphic diamond drill holes were drilled into the southeast corner of this interpreted basement block to provide a sample for age dating and for structural and stratigraphic information. EPT801 was collared on an existing track within the interpreted Rudall Complex geology and drilled to the west-northwest.

Core samples from EPT801 were submitted to the GEMOC research facility at Macquarie University for U-Pb age analysis. The results confirmed that the age of the peak metamorphic event in these rocks is 1780 ± 9Ma and the age of the igneous protolith is at least 1980Ma. These results confirmed that the copper target at T4 is hosted within Rudall Complex metamorphic basement rocks.

Importantly, EPT801 also intersected narrow zones of disseminated sulphide mineralisation including an intersection of 0.9m @ 0.84% copper and 8g/t silver, within a broader zone of copper-silver anomalism. These results confirmed the presence of a copper mineralising event in the T4 region. This is considered to be a highly significant result as EPT801 was a stratigraphic hole that was not specifically targeted to intersect mineralisation but drilled on an existing track to confirm our geological model.

In April 2011, an orientation partial leach geochemical survey was completed over the BM2 region and successfully outlined copper mineralisation below 10-15m of sand cover. Following the confirmation that this technique could be successfully applied at Yeneena, a reconnaissance partial leach geochemical survey was completed at the T4 prospect in October 2011.

Results from this reconnaissance T4 partial leach survey were encouraging and as a result a second phase of sampling was completed in December 2011. Final results from that survey have highlighted four anomalies (Figure 11 & 12; Anomalies A to D).

Significantly, a copper-silver geochemical anomaly (Anomaly A) has been defined across two sample lines to the north of EPT801. Anomaly A lies coincident with a +4km long magnetic and gravity geophysical anomaly that have both now been modelled (Figure 1). The magnetic anomaly dips steeply to the east-northeast and the gravity anomaly has been modelled as a broad flat lying, near surface +0.5 Mgal density anomaly. It is interpreted that the magnetic anomaly may represent magnetite alteration along a steep dipping structure and the gravity anomaly represents disseminated sulphide mineralisation produced through the alteration of the basement rocks. If this interpretation is proven correct and the sulphide alteration is associated with the copper-silver mineralisation event, it implies significant scale potential for this prospect.

Diamond drilling at T4 is in progress and will focus on confirming the source of the magnetic and gravity anomaly at Anomaly A and determining their association with the copper-silver mineralisation intersected in EPT801. Further geochemical sampling will be completed at Anomaly D and aircore drilling of Anomalies B and C will be completed in 2012.

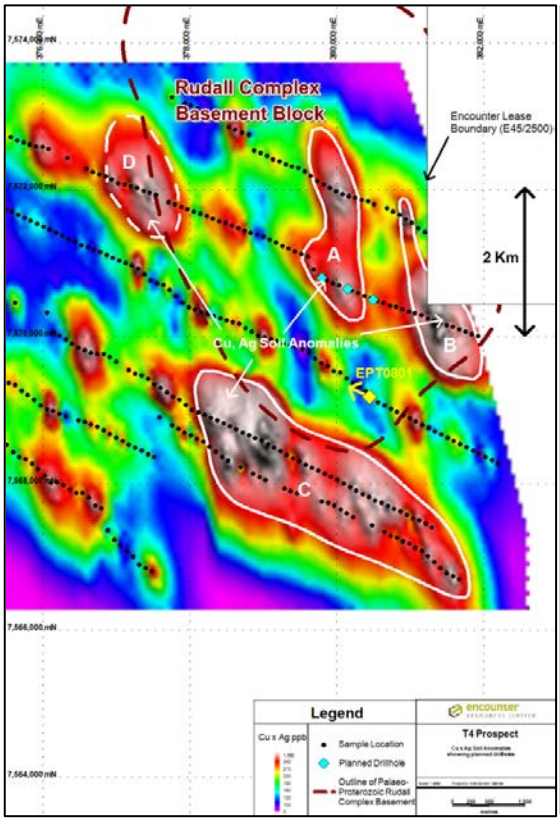


Figure 11: Copper – Silver partial leach geochemical anomalies at T4.

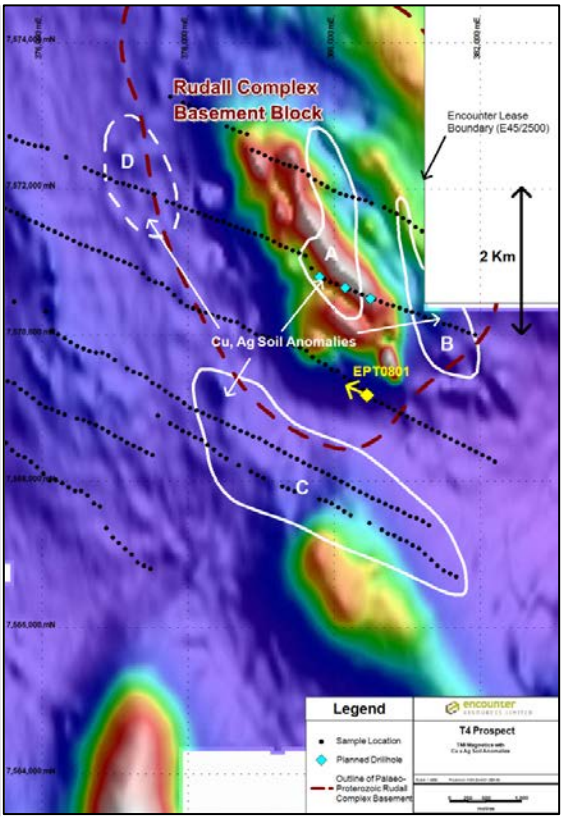


Figure 12: Copper – Silver anomalies on TMI magnetics

CORPORATE

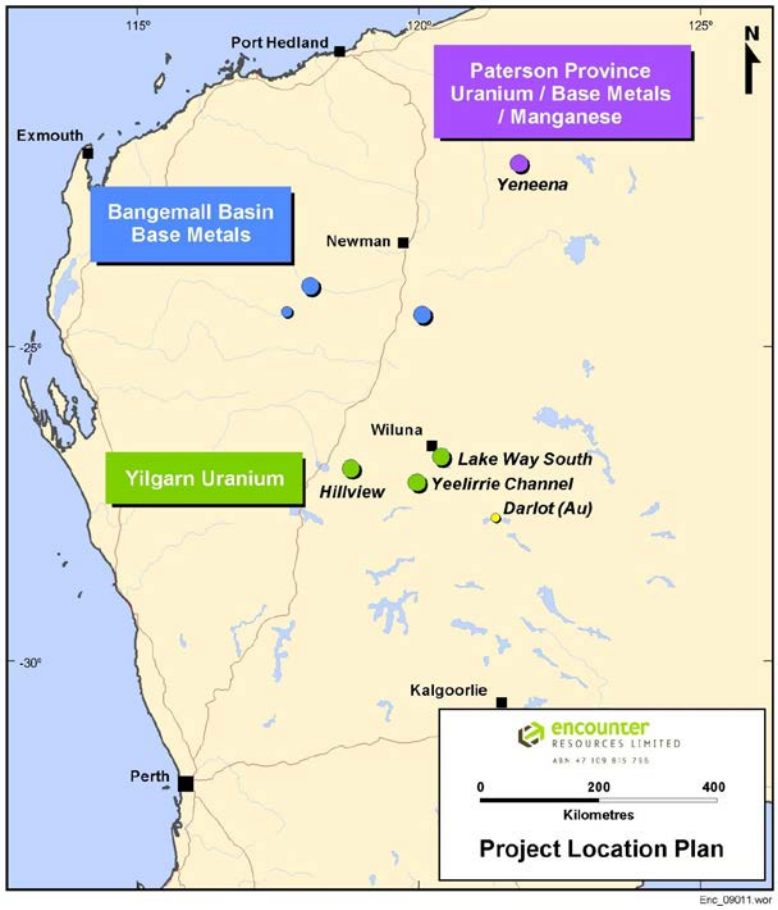
During the quarter the Company completed a private placement to raise A$5.94 million, before costs, through the issue of 14,850,000 fully paid ordinary shares in the Company at a price of A$0.40 per share.

The Company's cash balance at the end of the quarter was A$7.0 million.

NEXT QUARTER HIGHLIGHTS

Activities planned for the June 2012 quarter include:

1. RC / diamond drill program at BM2 which is being co-funded through the WA Government Exploration Incentive Scheme.
2. Diamond drilling at the T4 prospect.
3. RC / diamond drilling at the BM7 prospect
4. RC / diamond drilling at BM1
5. VTEM airborne EM survey over the BM7 South, BM2 and MN1 targets.



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.

Rule 5.3

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	Quarter ended ("current quarter")
47 109 815 796	31 March 2012

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (9 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(1,457)	(5,439)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(215)	(605)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	26	216
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – R&D tax concession refund, drilling grant	-	22
	Net Operating Cash Flows	(1,646)	(5,806)
	Cash flows related to investing activities		
1.8	Payment for purchases: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(32)	(105)
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	(32)	(105)
1.13	Total operating and investing cash flows (carried forward)	(1,678)	(5,911)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,678)	(5,911)
	Cash flows related to financing activities		
1.14	Proceeds/(refunds) from issues of shares, options, etc.	5,940	5,940
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	(267)	(267)
	Net financing cash flows	5,673	5,673
	Net increase (decrease) in cash held	3,995	(238)
1.20	Cash at beginning of quarter/year to date	3,008	7,241
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	7,003	7,003

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

-

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	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	2,000
4.2	Development	-
4.3	Production	-
4.4	Administration	175
	Total	**2,175**

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	876	891
5.2	Deposits at call	6,127	2,117
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	7,003	3,008

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	E51/1465	Relinquished	100%	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** *(description)*	-	-		
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 Escow	14,850,000 - -	14,850,000 - -		
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)*	50,000 500,000 400,000 400,000 200,000 5,425,000 550,000	- - - - - - -	*Exercise price* $0.50 $0.535 $0.55 $0.70 $0.30 $1.35 $0.80	*Expiry date* 9/8/2012 30/11/2012 30/11/2012 30/11/2012 30/6/2013 22/11/2014 30/9/2015
7.8	Issued during quarter	100,000	-	$0.80	30/9/2015
7.9	Exercised during quarter	-	-		
7.10	Expired during quarter	50,000	-	$1.35	22/11/2014

+ 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: Date: 19 April 2012

(Company secretary)

Print name: Kevin Hart

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Cash Flow Statements* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.