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Company Announcements Office
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DRILLING COMMENCES AT YEELIRRIE CHANNEL COMPLETION OF LAKE WAY SOUTH EARN IN

Highlights:

- A 200 hole program has commenced to test a series of targets within the Yeelirrie Channel Project.
- Encounter has completed its joint venture expenditure commitments and earned a 60% interest of the uranium rights on the Lake Way South tenement.

Yeelirrie Channel Project (Encounter 80%, Avoca 20%)

Encounter Resources Ltd ('Encounter') is pleased to announce the commencement of a 200 hole aircore drill program at the Yeelirrie Channel project. This program will test a series of discrete targets within the project area as well as follow up on high grade uranium mineralisation intersected at Bellah Bore East. Additional targets to be tested in this phase of drilling include Bellah Bore West and Anomaly 5, as well as follow up drilling at Middle Bore.

The initial drill program completed in May-July 2006 at **Bellah Bore East** identified a new near surface zone of high grade uranium mineralisation. The better intersections included:

EYN001 - 7m @ 100ppm U3O8 from 1m
EYN005 - 8m @ 123ppm U3O8 from surface
EYN064 - 3m @ 781ppm U3O8 from 4m including 1m @ 2,111ppm U3O8.

Mineralisation has a north to north-easterly trend. Follow up drilling plans to infill current drilling on a 200m by 100m drill grid and test for northern and southern extensions to the anomalous trends.

The initial drill campaign at Yeelirrie has confirmed Encounter's belief that there is significant potential for the discovery of high grade satellite uranium occurrences within the Yeelirrie catchment area. The next target to be drill tested for a similar satellite occurrence is at **Bellah Bore West** where an outcropping silcrete body sits coincidentally over a uranium channel radiometric anomaly.

Reconnaissance drilling at **Middle Bore** utilised existing station tracks and fence line roads to minimise environmental impact. The drilling program successfully identified a broad southwest trending tributary containing anomalous uranium mineralisation of up to 2m @ 91ppm U3O8, intersected on the southernmost drill line. Additional drill sections have been planned to define vectors to mineralisation within the newly outlined channel.

Tenements covering the Geological Survey of Western Australia (GWSA) uranium geochemical anomaly at Yeelirrie South (**Anomaly 5**) were recently granted. The anomaly is located 50km directly down stream of the Yeelirrie Deposit in an area of minimal historical uranium exploration. Systematic traverse drilling has been planned to cover the southern extension of the Yeelirrie Channel. In addition, a number of specifically targeted drill sections have been planned to cover Anomaly 5.

Lake Way South Project (Encounter 60%, Avoca 40%)

Encounter has completed its joint venture expenditure obligations and has earned a 60% interest in the uranium rights at Lake Way South from Avoca Resources Ltd. The companies will now complete a separate uranium joint venture to cover the Lake Way South Tenement (E53/1010). Avoca may elect to contribute to future exploration programs at the Lake Way South project to maintain their 40% interest in the uranium rights or revert to a 25% free carried interest through to decision to mine.

**Yours sincerely,
Encounter Resources Limited**



**Will Robinson
Managing Director**

Encounter Resources Background

Encounter was established in 2004 to assemble a portfolio of strategically located, high quality, uranium projects in Western Australia. Project targeting involved a deliberate, commodity specific program at a time when there was minimal competition in Western Australia.

As a result of this extensive preliminary planning, in conjunction with joint venture partners Avoca Resources Ltd, Encounter now controls the strike continuation of two calcrete uranium deposits in Western Australia, BHP Billiton's Yeelirrie deposit, which is the world's largest; and Nova Energy's Lake Way and Centipede deposits.

In addition to these brownfields exploration projects, Encounter has over 4000km² in tenement holdings in the Yilgarn, the Officer Basin and the Bangemall Basin prospective for calcrete and unconformity style uranium deposits.

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.