

ASX : ENR

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Company Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
Sydney NSW 2000

BM2 - Second Copper System Identified at Yeneena

- **Shallow drilling has confirmed a mineralised copper system at BM2**
- **Extensive copper regolith enrichment continuous over a large area**
- **BM2 is located on the Tabletop Fault 35km north-east of the BM1 Copper Discovery**
- **BM1 deep drilling update; RC pre-collars complete, diamond drilling in progress**

The directors of Encounter Resources Ltd (“Encounter”) are pleased to announce that shallow, broad spaced aircore drilling at BM2 has confirmed a second copper system at the Yeneena project in WA. The drilling completed at the BM2 Prospect intersected broad and continuous zones of copper oxide mineralisation at a key structural location. The BM2 Prospect is located on the regionally significant Tabletop Fault, 50km south-east of the Nifty copper deposit and 35km north-east of the BM1 Copper Discovery (Figure 1).

Three east-west drill traverses, spaced 320 metres apart, were completed at BM2 in October 2010 following up the anomalous copper intersections made in the nine aircore hole program completed in June 2010 (see ASX announcement 6 August 2010). Thirty aircore holes were drilled to a depth of approximately 80-100m and copper anomalism was intersected on all three drill traverses. The central line included multiple thick, highly anomalous copper intersections including:

- EPT561 30m @ 0.14% Cu from 42m to **end of hole** including **2m @ 0.88% Cu**
- EPT563 28m @ 0.18% Cu from 54m including **4m @ 0.48% Cu & 2m @ 0.41% Cu**
- EPT564 36m @ 0.17% Cu from 76m to **end of hole** including **6m @ 0.37% Cu**
- EPT588 20m @ 0.27% Cu from 62m including **4m @ 0.57% Cu**

There is extensive copper regolith enrichment at BM2 and the lateral dispersion of copper anomalism is continuous over a large area. The copper mineralisation appears to be bounded by the Tabletop Fault to the east and remains open to the west. Several of the shallow holes terminated in anomalous copper.

“We have only completed very broad spaced shallow drilling at BM2 however the grade and continuity of the initial results are similar to the early results we obtained at BM1. The BM2 results are indicative of the presence of a significant copper system and support the view that the Yeneena project has the potential to host multiple copper deposits under sand cover” said Managing Director, Will Robinson

The company completed a ground gravity survey at BM2 last week to assist in the definition of local structures and potential drill targets. The results of the survey are currently being modelled. A larger aircore program, followed by a deep drill program will be completed at BM2 in 2011.

The discovery of a second copper system under transported cover validates Encounter's base metals targeting methodology in the Yeneena. This exploration success supports an aggressive 2011 regional exploration program to be completed in parallel with the planned expanded drilling program at the BM1 Copper Discovery.

BM1 Deep Drilling Update

Three RC pre-collars have been completed at the BM1 Copper discovery. Diamond drilling is currently in progress to extend these holes to the target depths. The company plans to complete these diamond holes to depths that will maximize the geological understanding of the copper system at depth.

Table 1. BM2 Drill hole information for intersections of >0.1% Cu

Drill Hole ID	Northing (m)	Easting (m)	RL(m)	EOH (m)	From(m)	To(m)	Interval (m)	Copper (%)
EPT 559	7570485	389002	320	102	60	78	18	0.13
EPT 561	7570484	389202	320	72	42	72*	30	0.14
				incl.	42	44	2	0.88
EPT 563	7570485	389401	320	102	54	82	28	0.18
				incl.	54	58	4	0.48
				incl.	78	80	2	0.41
EPT 564	7570479	389501	320	102	76	102*	36	0.17
				incl.	82	88	6	0.37
				incl.	100	102*	2	0.18
EPT 588	7570474	389350	320	102	62	82	20	0.27
				incl.	72	76	4	0.57
EPT 315#	7570799	389102	320	108	70	108*	38	0.05
				incl.	94	96	2	0.28
				incl.	106	108*	2	0.24

Drill hole coordinates GDA94 zone 51 datum and determined via handheld GPS (+/-5m)

*All holes are drilled vertical; EOH = End of hole depth; m=metre; * end of hole interval, # reported 6 August 2010*

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Project Background & Location Plan

The BM2 prospect is one of several high quality prospects within the 100% owned Yeneena project. The Yeneena project covers 1300km² of the Paterson Province in Western Australia and is located 40km SE of the Nifty copper mine and 30km NW of the Kintyre uranium deposit. The targets identified are located adjacent to major regional faults and have been identified through electromagnetics, geochemistry and structural targeting. The targets are hosted within sediments of the Broadhurst Formation in a similar geological setting to the Nifty copper deposit (total resource of 148.3mt @ 1.3% Cu – Straits Resources Ltd, 2001).

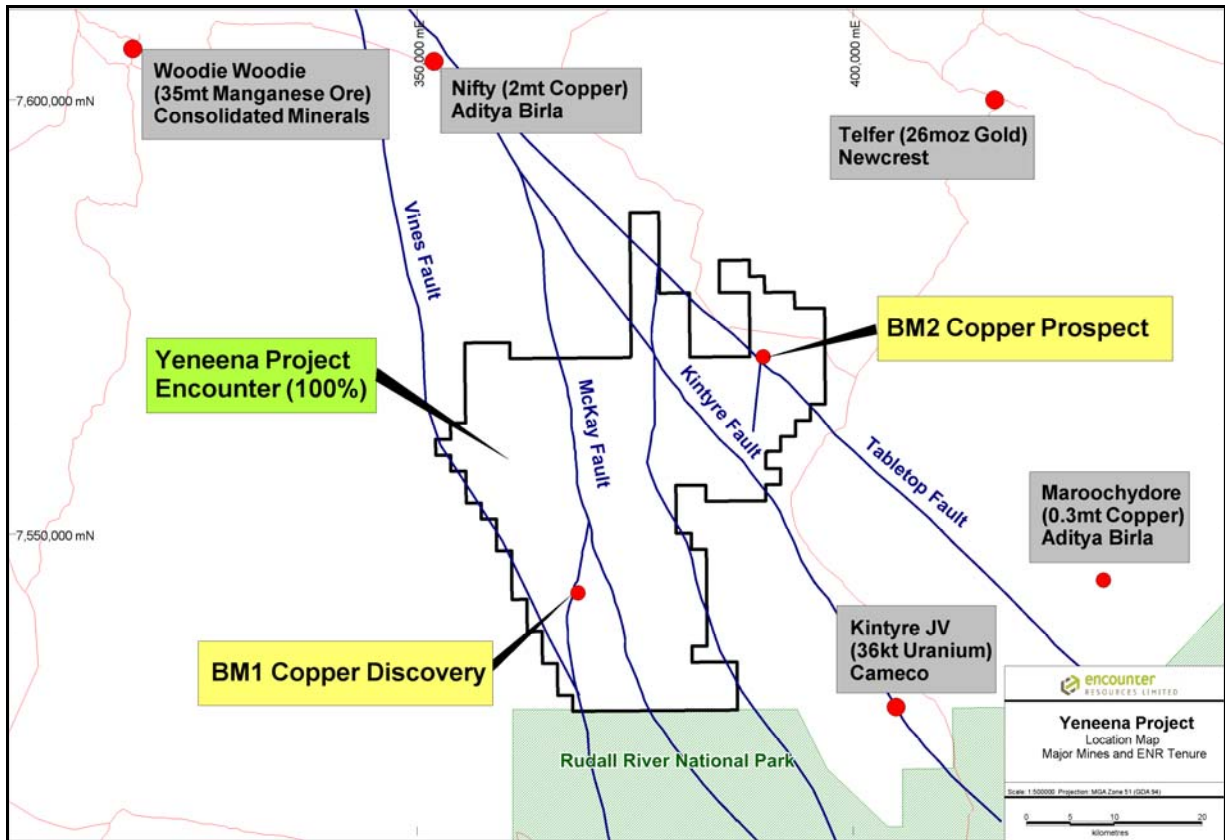


Figure 1. Yeneena Project Location Map

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 the information compiled by him, in the form and context in which it appears.