

## HIGHLIGHTS

### Yeelirrie Channel

- Drilling at Bellah Bore East defined an area of near surface uranium mineralisation approximately 500m by 150m and between 2m to 10m thick. December quarter results include:
  - 8m @ 215ppm U<sub>3</sub>O<sub>8</sub> from surface including **2m @ 410ppm** U<sub>3</sub>O<sub>8</sub> from 1m
  - 10m @ 166ppm U<sub>3</sub>O<sub>8</sub> from surface including **2m @ 410ppm** U<sub>3</sub>O<sub>8</sub> from 1m
- Drilling at the Yeelirrie South Anomaly 5 was completed in January with assays pending.

### Lake Way South.

- A specialist lake rig has been scheduled for February 2007 to test for an extension of the adjacent Centipede uranium resource. A drill program undertaken during the December quarter by Nova Energy Limited at their Centipede project intersected near surface uranium mineralisation in a drill hole approximately 10m from Encounter's Lake Way South project boundary. Three mineralised horizons of **0.52m @ 1990ppm** eU<sub>3</sub>O<sub>8</sub> and **1.3m @ 420ppm** eU<sub>3</sub>O<sub>8</sub>, **0.58m @ 630ppm** eU<sub>3</sub>O<sub>8</sub> were intersected in that hole.

### Regional Auger Geochemical Program

- Heritage surveys with two claimant groups covering a total of seven projects were completed in the quarter and cleared for drilling.
- A planned regional reconnaissance auger drilling program will commence in late January. The program will test a series of airborne radiometric anomalies and provide information that will assist in the future prioritisation of field activities.

### Hillview and Yalgar Projects (Meekatharra)

- Exploration Licences covering the Hillview and Yalgar targets were granted during the quarter. The Hillview project is located 50km south east of Meekatharra where historic uranium exploration in the early 1970s identified a 15km long zone of >100ppm uranium within a valley fill calcrete.

#### CONTACT DETAILS:

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

## EXPLORATION

Encounter Resources Ltd is accelerating its exploration activities throughout its extensive project portfolio comprising over 5000 square kilometres of some of the most prospective uranium exploration ground in Western Australia. Progress in the December quarter is summarised below.

### YEELIRRIE CHANNEL (80% Encounter, 20% Avoca)

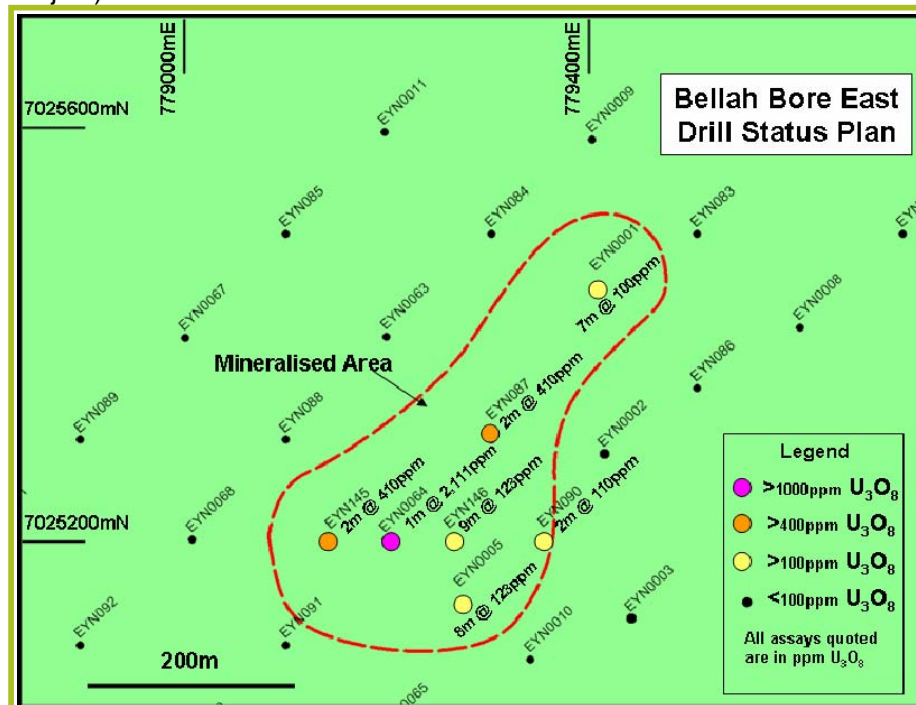
The 200 hole aircore drilling program that commenced in October 2006 was suspended in mid October following heavy rains. Drilling at Bellah Bore East, Bellah Bore West and Middle Bore was completed prior to the rain. The drill program planned for Anomaly 5 within the Yeelirrie South project was completed in January 2007 with assays pending.

### Bellah Bore East (E53/1158)

The 32 hole program at Bellah Bore East was designed to test for strike repetitions and the continuity of near surface uranium mineralisation reported previously (see ASX announcements 3 July 2006 and 24 July 2006). Assay results and downhole radiometric logging of this phase of drilling has confirmed continuity of uranium mineralisation. The program did not define any significant extension to the zone of mineralisation at Bellah Bore East. Holes that contained an anomalous radiometric response were submitted for chemical analysis. Assay results from these holes are detailed in Table 1.

Hole ID	Northing	Easting	Dip	Azi	From (m)	To (m)	Width (m)	U <sub>3</sub> O <sub>8</sub> (ppm)	V (ppm)
EYN 87	7,025,300	779,300	-90	360	0	10	10	166	38
				incl.	1	3	2	410	89
EYN 90	7,025,200	779,350	-90	360	4	6	2	110	19
EYN 145	7,025,200	779,140	-60	090	0	8	8	215	34
				incl.	1	3	2	410	89
EYN 146	7,025,200	779,260	-60	270	0	9	9	123	17

**Figure 1.** Drill status plan and assay summary - Bellah Bore East Prospect (Yeelirrie Channel Project)



---

The drilling at Bellah Bore East has defined an area of near surface uranium mineralisation approximately 500m by 150m and between 2m to 10m thick. With the size potential of the drilled area now defined, exploration efforts will progress onto other target areas within the Yeelirrie Channel project.

Encounter is encouraged by the results at Bellah Bore East as it has confirmed the initial hypothesis that satellite uranium occurrences are still to be found within the Yeelirrie Channel.

#### **Bellah Bore West (E53/1157) and Youno Downs (E53/1156)**

Results from Bellah Bore West and Youno Downs confirm the near surface radiometric anomalism within these areas is related to weak metasomatic alteration of the subcropping granitic bodies. Coincident low level, rare earth element and uranium anomalism was found within the most altered portions of the granites with broad zones of anomalism up to 25ppm uranium within the bedrock. These results indicate the uranium source rocks in the north of the Yeelirrie Channel are significantly enriched in respect to the regional signature of between 5-10ppm uranium.

#### **Middle Bore (E36/541 & E36/569)**

Follow up drilling at Middle Bore to assess anomalous results identified within a broad southwest trending tributary returned similar low level uranium anomalism. Results include 2m @ 93ppm  $U_3O_8$  and 2m @ 88ppm  $U_3O_8$ . Although these results are of interest, the potential of the area to host substantial uranium resource has been downgraded. The spacing between drill lines of approximately 3km leaves the potential for small, higher grade pods of mineralisation to be found.

#### **Anomaly 5 (E36/540 & E36/542)**

Drilling over the Geological Survey of Western Australia (GWSA) uranium geochemical anomaly at Yeelirrie South (Anomaly 5) was completed in mid January. The program includes a series of systematic traverses across the southern extension of the Yeelirrie Channel and a number of specifically targeted drill sections over Anomaly 5. Samples from this drilling have been submitted for chemical analysis.

#### **LAKE WAY SOUTH (Encounter 60%, Avoca 40% of the uranium rights only)**

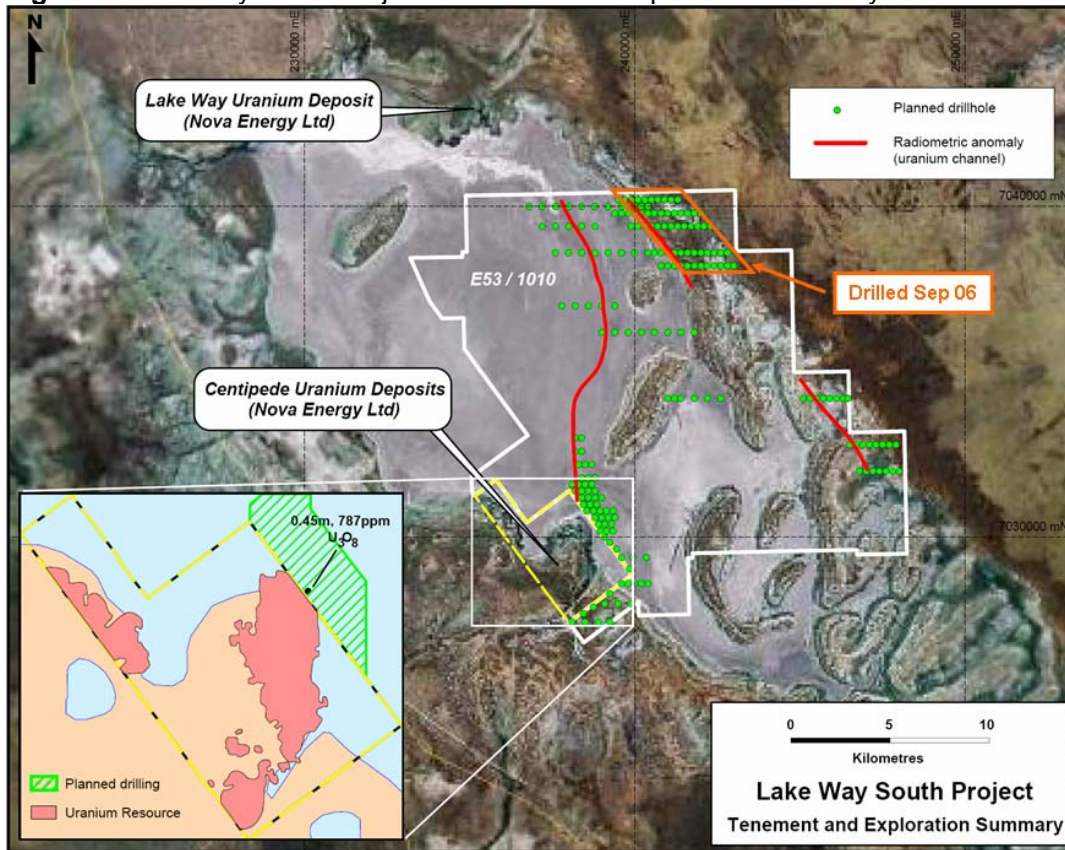
A specialist lake rig has been scheduled for February 2007 to complete the lake aircore drill program at Lake Way. The immediate focus of the lake drilling is to test the northern extension of the Nova Energy Limited Centipede uranium resource that has been modelled up to the south west boundary of Encounter's Lake Way South project (E53/1010).

Results reported by Nova Energy Ltd during the December quarter (see Nova Energy Ltd ASX announcement 12 October 2006) confirmed the intersection of high grade uranium mineralisation approximately 10m from the south west boundary of E53/1010. Nova Energy reported drill hole NVCT0298 (7030034N 238786E – AMG84) intersected three mineralized intervals of 0.52m @ 1990ppm  $eU_3O_8^*$  from 1.01m, 1.3m @ 420ppm  $eU_3O_8^*$  from 2.37m and 0.58m @ 630ppm  $eU_3O_8^*$  from 4.65m.

*\*  $eU_3O_8$  refers to the equivalent  $U_3O_8$  grade as calculated from the down hole radiometric gamma logging probe.*

Encounter's drilling program will include a series of regional drill lines across the 12kms of radiometric anomalism located on E53/1010 that links Nova Energy's Lake Way and Centipede uranium resources.

**Figure 2. Lake Way South Project Tenement and Exploration Summary**



**LEONORA REGIONAL PROJECTS, MELROSE PROJECTS and LAKE RASON PROJECT (80% Encounter, 20% Avoca)**

**Regional Auger Program**

Regional heritage surveys were completed with two claimant groups during the quarter with seven project areas cleared for drilling. A reconnaissance drilling program will be completed over 6 separate project areas (Lake Darlot, Lake Irwin, Lake Rason, McPherson's Bore, Galah Rocks, Walling Rock projects). This program of over 350 auger holes has been designed to test a suite of airborne radiometric anomalies within the projects. The aim of this program is to confirm the source of the radiometric anomalism and to provide information that will assist in the future prioritisation of these regional projects. The auger program will commence in late January and is expected to be completed by early March.

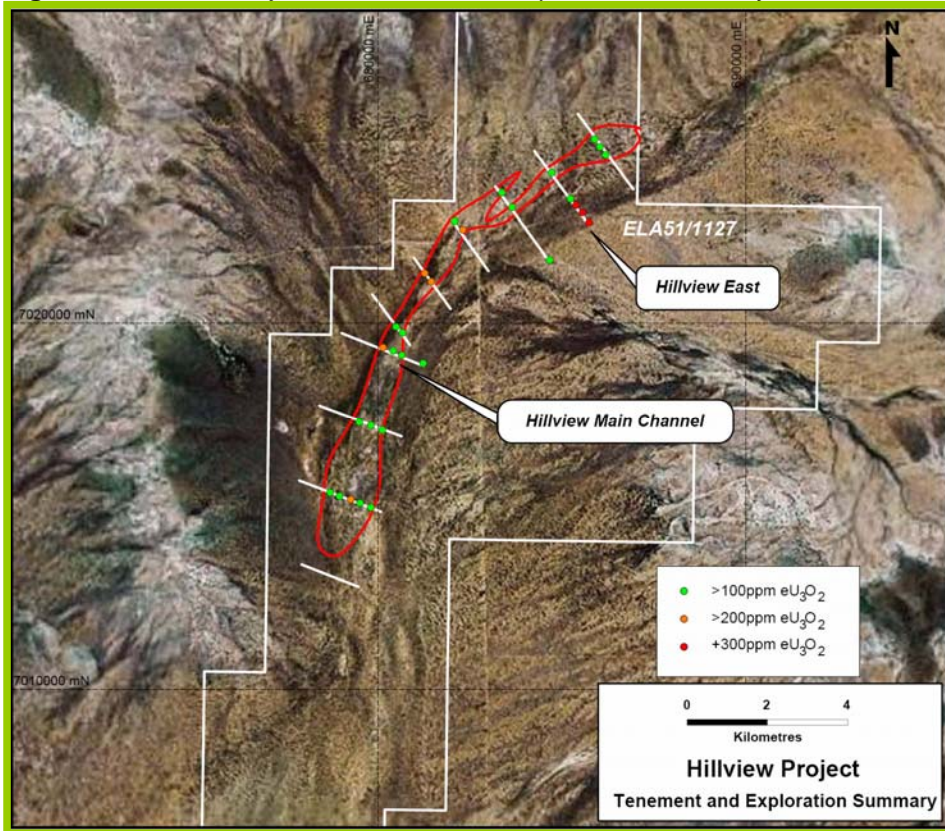
**MEEKATHARRA PROJECTS (80% Encounter, 20% Avoca)**

**Hillview and Yalgar Projects**

Exploration Licences covering the Hillview and Yalgar targets were granted during the quarter. A series of broad spaced drill lines is planned for both projects. This program will commence once a heritage survey is completed and approvals received.

At Hillview historical uranium exploration by Western Mining Corporation in the 1970s identified a 15km long zone of near surface uranium mineralisation. Drill sections were between 1.6kms and 2kms apart with >100ppm intersected 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 were 3 adjacent holes intersected mineralisation of 4-5m thick at >300ppm eU<sub>3</sub>O<sub>8</sub>\* including narrow zones of up to 0.46m @ 970ppm eU<sub>3</sub>O<sub>8</sub>\*.

**Figure 3. Hillview Project Tenement and Exploration Summary**



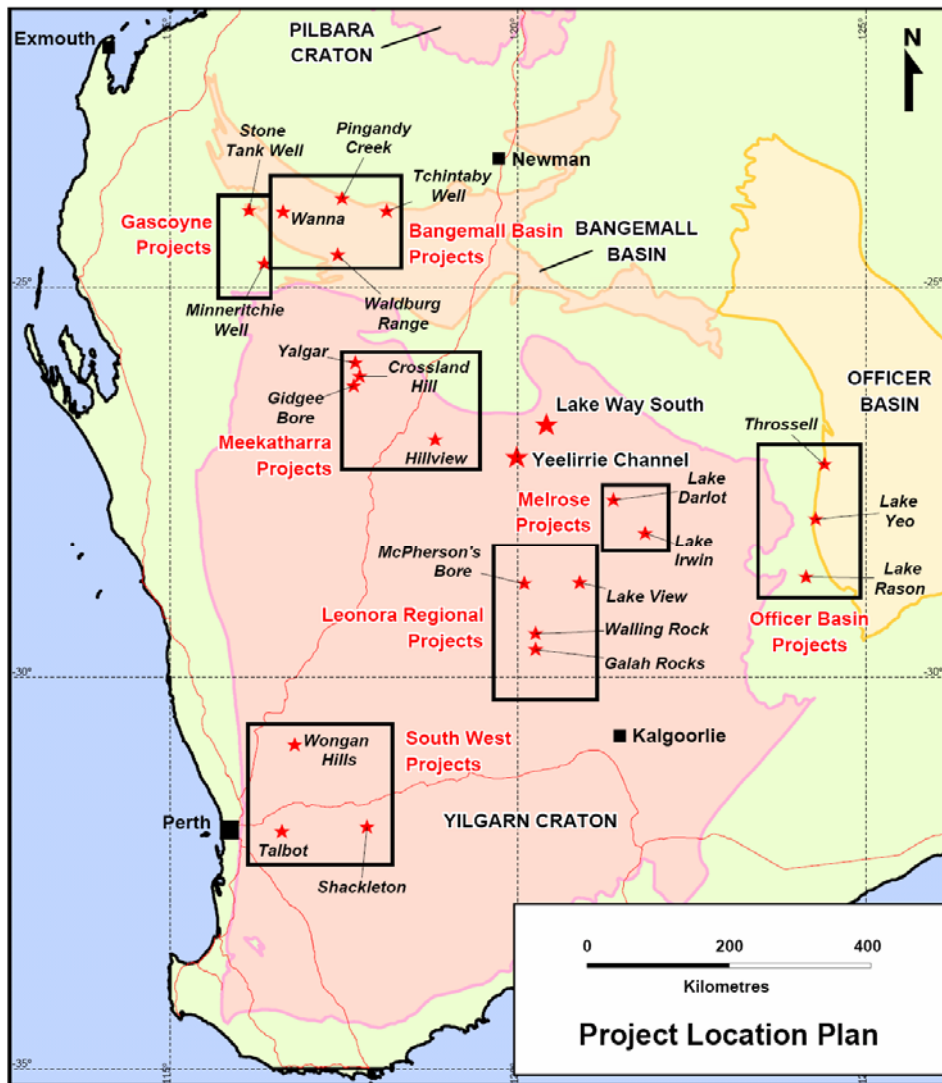
## CORPORATE

The company's cash balance at the end of the quarter was \$3.4 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.*

**Figure 4. Encounter Resources Project Location Plan**



# 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")

31<sup>st</sup> December 2006

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(426)	(620)
(b) development	-	-
(c) production	-	-
(d) administration	(129)	(275)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	66	124
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(489)</b>	<b>(771)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(24)
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)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>(24)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(489)</b>	<b>(795)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(489)	(795)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds 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 (Share Issue Costs)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(489)	(795)
1.20	Cash at beginning of quarter/year to date	3,903	4,209
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	3,414	3,414

**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	106
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

-
---

+ 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	400
4.2 Development	-
<b>Total</b>	<b>400</b>

### 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	16	7
5.2 Deposits at call	3,398	3,896
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3,414</b>	<b>3,903</b>

### 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	E51/1127	EL Granted	0%	80%
	E51/1137	EL Granted	0%	80%

+ 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 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	59,996,900	30,500,000		
7.4 Changes during quarter (a) Released from Escrow (b) Decreases through returns of capital, buy-backs		2,000,000		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	100,000	-	20 cents	23/3/2011
	100,000	-	45 cents	15/5/2011
	250,000	-	52.5 cents	7/12/2011
7.8 Issued during quarter	250,000	-	52.5 cents	7/12/2011
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ 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 January 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.

=====

---

+ See chapter 19 for defined terms.