

ASX Code

ENR

Market Cap (30/1/08)

A\$27m (\$0.40/share)

Issued Capital (30/1/08)

68.5 million ordinary shares
2.0 million employee options

Cash (31/12/07)

A\$5.8m

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
Company Secretary

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HIGHLIGHTS

URANIUM

Hillview

A second phase of aircore drilling was completed at the Hillview calcrete uranium project during the December quarter. A total of 160 holes were completed in the program along five drill lines within the 15km target area. The drilling has intersected favourable geology and anomalous radiometrics. The company will provide an exploration target statement for the Hillview project once the assay results from the second phase of drilling are received.

South West Projects

The Wongan Hills and Shackelton projects were granted during the quarter. These projects were secured in March 2006 following the release of the CRC-LEME laterite dataset for the south west of WA. These two projects cover the standout laterite geochemical uranium clusters within this extensive dataset. Initial field visits conducted during the quarter, confirmed significant uranium enrichment in the laterite at both projects. Work has commenced on an infill laterite sampling program to delineate and better define the areas of near surface uranium anomalism.

BASE METALS / UNCONFORMITY URANIUM

Tchintaby Well

The Tchintaby Well project, located in the Bangemall Basin of WA, encompasses a series of gravity anomalies identified by Encounter immediately downplunge of a broad area of low grade Zn-Cu-Ag mineralisation defined by CRA in the 1990s that extends over a 8km by 5km area. During the quarter 3D modelling of the ground gravity data was completed. The Laksa and Rendang anomalies have been modelled as flat lying bodies at depths of 150 to 250 metres, with thicknesses and densities consistent with that of a large scale body of SEDEX zinc mineralisation. These targets are scheduled for drill testing in June/July 2008

Yeneena – Earn in Agreement with Barrick

The Yeneena project covers 1500km² of the Paterson Province of WA which hosts Rio Tinto's Kintyre uranium deposit and the Nifty copper mine. A review of the historical gold exploration drilling at the project completed by Barrick has identified over 5000 drill pulps from 235 holes for re-analysis. These samples have not been analysed for uranium and only partially analysed for base metals. The samples will be analysed for a multi-element sample suite that will target both unconformity uranium and base metals in the coming quarter.

EXPLORATION

Encounter controls a portfolio comprising 8,500km² of strategically located and highly prospective exploration projects in Western Australia. The portfolio includes:

- a suite of calcrete style uranium projects located in the Yilgarn and the Gascoyne;
- six projects targeting base metals and unconformity style uranium deposits in the Bangemall Basin and;
- an earn in agreement with Barrick Gold of Australia which encompasses a major ground position in the world class Proterozoic Paterson mineral province considered highly prospective for unconformity related uranium mineralisation and base metals.

Progress in the December quarter is summarised below.

URANIUM

HILLVIEW (E51/1127) - 80% Encounter, 20% Avoca

The Hillview project is located 50km south east of Meekatharra. Three aircore sections were drilled in the September quarter by Encounter as an initial test of a large scale anomaly. These lines centred around the main homestead and utilised existing tracks and fence lines for drill rig access. The drilling successfully outlined a laterally continuous and coherent envelope of near surface mineralisation that is interpreted to be in excess of 3km long and up to 1km wide. This mineralisation is up to 10m thick with results typically within 10 metres of surface.

Better results from Phase 1 include:

- 10m @ 209ppm U₃O₈ including 6m @ 270ppm U₃O₈
- 4m @ 270ppm U₃O₈ including 3m @ 324ppm U₃O₈
- 5m @ 221ppm U₃O₈
- 10m @ 209ppm U₃O₈ including 6m @ 270ppm U₃O₈
- 4m @ 287ppm U₃O₈ including 3m @ 324ppm U₃O₈
- 7m @ 170ppm U₃O₈ including 1m @ 259ppm U₃O₈

A second phase of aircore drilling was completed at Hillview during the December quarter. A total of 160 holes were drilled along the five sections noted in blue on Figure 1. These section now take the total strike length of the Hillview drilling to in excess of 12kms.

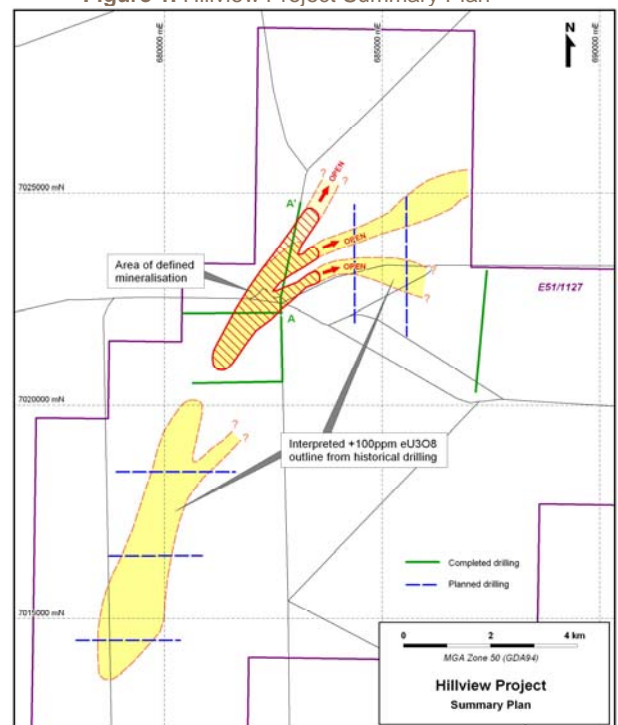
Geological logging and radiometric screening of the drill piles indicates a well developed calcrete profile and elevated radiometric anomalism. The company will provide an exploration target statement for the Hillview project once the assay results from the second phase of drilling are received.

A third phase of drilling is planned for April 2008 to infill the area of mineralisation and provide sufficient information to facilitate a resource calculation at Hillview.

McPHERSON'S BORE (E29/587) 80% Encounter, 20% Avoca

The McPherson's Bore Project is located 120km west of Leonora. An aircore drill program completed in the September quarter defined near surface uranium mineralisation hosted in lake clays and extending over 1.7 kms of strike. Results include 1m @ 448ppm U₃O₈ from surface and 1m @ 283ppm U₃O₈ from surface.

Figure 1. Hillview Project Summary Plan



Approvals have now been received to complete the proposed trenching and a regional aircore drill program at McPherson's Bore. The trenching will allow for the confirmation of the continuity of the mineralisation and to allow in-situ sampling of the mineralised horizon. The additional drilling is planned to determine the extent of mineralisation to the north and to locate the potential source of the surface mineralisation. This trenching and follow up drill program is scheduled for the June quarter of 2008.

STONE TANK (E09/1296) - 80% Encounter, 20% Avoca

The Stone Tank project is located on the northern margin of the Gascoyne Province approximately 265km east of Carnarvon. The project tenement covers a 7km long uranium channel airborne radiometric anomaly with coincident mapped calcrete.

A total of 64 reverse circulation and aircore holes were drilled at the project during the quarter and have intersected a basement of structurally complex foliated to schistose pegmatitic and granitic rocks. Near surface calcrete and silcrete has developed to thicknesses up to 12m along a north west trending ridge, parallel with Durlacher Creek. Calcrete is the likely host for uranium mineralisation at Stone Tank with the possibility of uranium-rare earth element anomalism within the basement sequence. Assays results from the program remain outstanding.

YALGAR (E51/1137) - 80% Encounter, 20% Avoca

The Yalgarr Project is located 120kms north west of Meekatharra within the upper reaches of the Murchinson River drainage system. The project was pegged over an extensive but subtle airborne radiometric anomaly in an area of sheetwash sediments. Minor calcrete occurrences have been noted in shallow pits throughout the project.

Initial exploration comprising reconnaissance aircore drilling (66 holes) along two traverses, 8kms apart, was completed in October 2007. Carbonated sandy and loamy sediments and variably developed calcrete (3 to 8m thick) were intersected in this drilling.

Assay results are pending. The assay results will allow exploration to focus on specific areas of uranium anomalous calcrete and carbonated sediments.

BELLAH BORE EAST (E53/1158) - Encounter 80%, Avoca 20%

Resource modelling of the satellite uranium discovery at Bellah Bore East within the Yeelirrie Channel Projects was completed during the quarter. An Inferred Mineral Resource of 350,000t averaging 210 parts per million U_3O_8 for a contained U_3O_8 content of 160,000lb of U_3O_8 has been estimated in accordance with the JORC Code (2004).

Table 1. Bellah Bore East Resource Summary

Tonnes	U_3O_8 ppm	Contained U_3O_8 tonnes	Contained U_3O_8 pounds
350,000	210	73.5	160,000

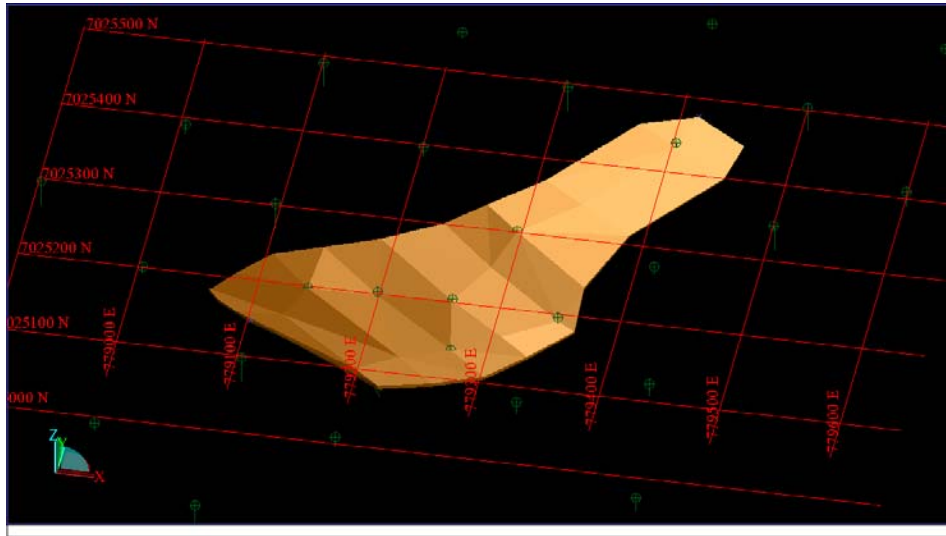
The numbers in this table are rounded to reflect the accuracy of the estimation process and as a consequence exhibit rounding errors. Both Contained U_3O_8 tonnes and Contained U_3O_8 pounds are based on contained metal content and at this stage do not consider any mining, metallurgical or economic parameters.

The estimate is based on a cut off of 100ppm U_3O_8 over a minimum downhole distance of 1m. Shallow aircore drilling has been completed on a nominal 150m by 150m grid. All grade values used in the calculation are based on chemical analysis of representative drill samples. A specific gravity of 2.1 was used in the calculation which is an assumed figure based on a literature search of similar deposits found in Western Australia and Namibia.

The mineralised zone varies in vertical thickness from 1m to 6m. The main uranium mineral identified in drilling is carnotite which is a common mineral found in Surficial style deposit in Western Australia. All mineralised intervals in the modelled area are within 10m of surface and, therefore, are potentially easily mined.

Figure 2 is an oblique view of the Bellah Bore resource area looking to the NNE showing the location of the drill hole collars used in the estimation. Additional drilling is required determine the extent of the higher grade core of the mineralisation centred on EYN064 (3m@781ppm U_3O_8 including 1m@2111ppm U_3O_8). The assay interval of 1m@2111ppm U_3O_8 in EYN064 was treated as an outlier in the resource model and cut to 500ppm U_3O_8 . If further drilling can extend the high grade area it is anticipated that the resource grade will increase.

Figure 2. Bellah Bore East Inferred Resource outline



LAKE WAY SOUTH (E53/1010, E53/1232) - Encounter 60% of Uranium rights

During the quarter additional historical exploration has been identified in the Lake Way South project that may influence the resource calculation. This data is currently being compiled and will be added to the drillhole database prior to completion of the resource calculation process.

SOUTH WEST PROJECTS (E70/2956 to E70/2958) - 80% Encounter, 20% Avoca

The Wongan Hills and Shackleton projects were granted during the quarter. These projects were secured in March 2006 following the release of the CRC-LEME laterite dataset for the South West Yilgarn. These two projects cover the standout laterite geochemical uranium sample clusters within this extensive dataset. Regional (9km spaced) laterite samples collected as part of the CRC-LEME sampling program have returned results of up to 50ppm U_3O_8 . Initial field visits were conducted during the quarter confirming uranium enrichment in the laterite at both projects.

Work has commenced on an infill laterite sampling program to delineate the areas of strong uranium geochemical anomalism. The sample clusters that are covered by the Wongan Hills and Shackleton tenements are highly anomalous. Infill laterite sampling will be completed at 1km spacing down existing roads and tracks in order to define the areas of highest uranium anomalism and provide focus for follow up geochemical and geophysical programs. This infill sampling program will be completed in the March quarter.

BASE METALS / UNCONFORMITY URANIUM

TCHINTABY WELL (E52/1882 and ELA52/1959) - 80% Encounter, 20% Avoca

Drilling in the mid 1990s by CRA Exploration intersected an extensive area of low grade Zn-Cu-Ag mineralisation extending laterally over an area 8km by 5km. A total of 29 holes were drilled by CRA tracing the mineralised horizon to a maximum depth of 200m below surface with the shoot remaining open to the south. Typical holes within the mineralised area returned intersections of 10-15m thickness, grading 0.5-1% Zn, 500-1000ppm Cu and 5-15g/t Ag. The target at Tchintaby is high grade SEDEX zinc mineralisation downdip to the south east of the existing low grade halo defined by CRA.

During the December quarter 3D gravity modelling of the area to the immediate south of the past drilling was completed. Terrain corrections applied to the data have eliminated a number of peripheral features and further enhanced a series of significant mass anomalies. In total, six areas of excess mass have been defined in the Bouguer Gravity image adjacent to the regionally extensive Flint Hill Lineament (see Figure 3). The Flint Hill Lineament is a regional extensive structure that can be traced over 100kms and is interpreted to mirror the location of a long lived basement structure. Some 50km east of this lineament lies the sub-parallel Tangadee Lineament which is associated with the Abra base metal deposit.

It appears the low grade Zn-Cu-Ag mineralisation drilled by CRA at the Andes Prospect is associated with a cluster of gravity features in the north of the project.

Figure 4. Tchintaby Well – Historical drill collar on 1vd bouguer gravity

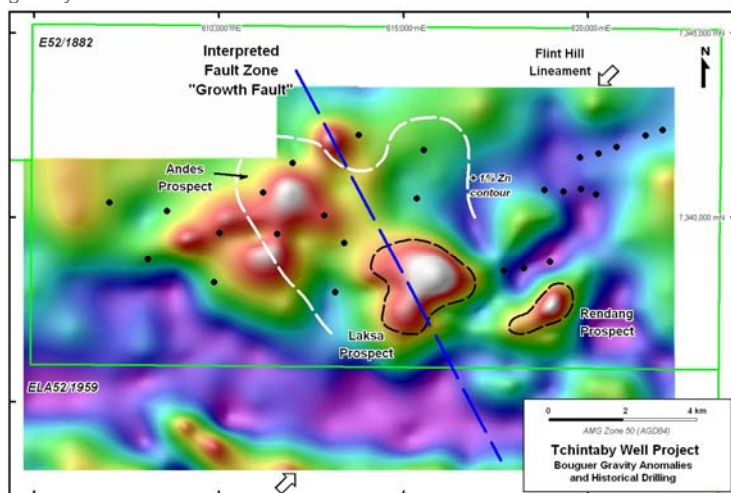
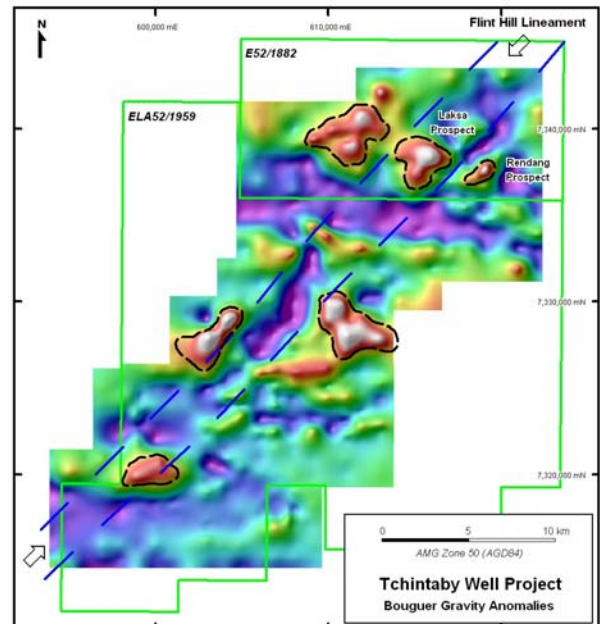


Figure 3. Tchintaby Well – Regional 1vd bouguer gravity and structural interpretation



Significantly, the holes drilled by CRA do not appear to have tested the highest amplitude gravity features.

Plate modelling of the two gravity features directly south of the Andes Prospect, Laksa and Randang, has resolved that the mass anomalies sit directly downplunge of the low grade base metals mineralisation at depths between 150m to 250m from surface. The flat lying bodies have been modelled as stratabound features with thicknesses and densities consistent with that of a large scale body of SEDEX zinc mineralisation.

These drill targets are scheduled for testing in June/July 2008 following the completion of a heritage survey.

PINGANDY CREEK

(E08/1779 - 80% Encounter, 20% Avoca and E08/1578 Encounter Option to earn 100%)

The Pingandy Creek Project encompasses a regional base metals and uranium geochemical anomaly. A series of shallow drill holes were completed by Pasminco in the 1990s that extend over 30km of strike. The drilling intersected a sphalerite and chalcopyrite mineralised sequence at the base of the Jillawarra Formation and returned up to 3m @ 1.25% Zn (including 1m @ 2.88% Zn).

A program commenced during the quarter to test the effectiveness of Hyperspectral mapping in the Bangemall terrain. Hyperspectral imaging utilises multi channel spectral mapping to identify mineral and alteration assemblages that can be used to define areas of mineral prospectivity. In order to calibrate the interpretation, hyperspectral data from the Ranger, Narbelek and Rum Jungle uranium deposits in the Northern Territory was acquired and interpreted to identify the style of alteration seen in unconformity uranium deposits.

The initial interpretation of the Pingandy Creek dataset will be available in the March quarter.

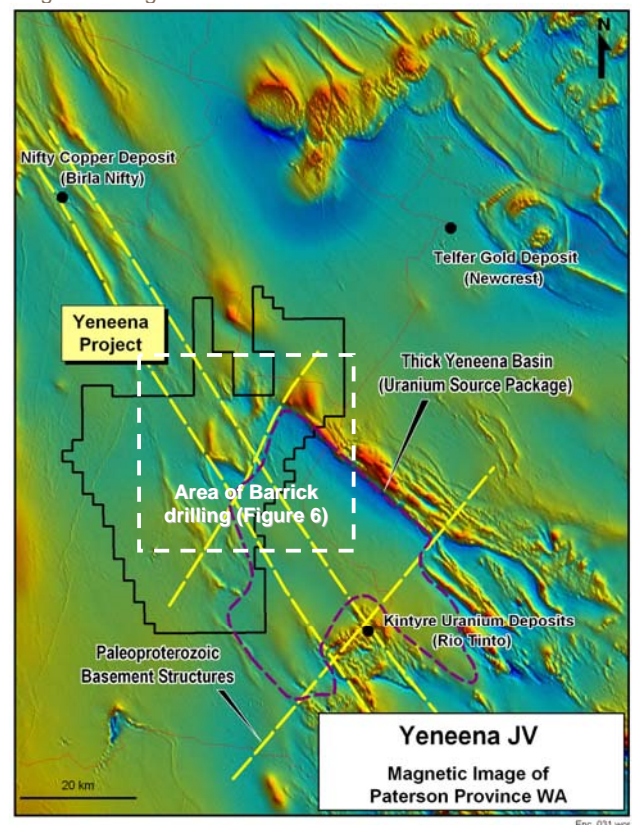
YENEENA JOINT VENTURE (Encounter earning 75% from Barrick)

The Yeneena JV cover a 1500km² tenement package in the Paterson Province of WA that is considered highly prospective for unconformity related uranium mineralisation, SEDEX lead-zinc mineralisation and Nifty/Isa style copper mineralisation. Encounter is earning a 75% interest in the tenements from Barrick Gold of Australia through the expenditure of \$3M over 5 years.

The project area captures the northern margin of an area of anomalously thick Yeneena Group sedimentary rocks. This margin replicates the geological setting seen on the southern margin some 40kms to the south, where the Kintyre uranium deposits are located (Figure 5).

Within the Yeneena project, the favourable unconformity position is preserved and interpreted to be present beneath a thin veneer of Yeneena Group sandstones. The area is largely under sand cover with limited outcrop. The overlying sandstones are also considered prospective for base metals with the Nifty copper mine hosted in the same stratigraphy, 45km to the north west of the Yeneena project.

Figure 5. Yeneena JV
Magnetic Image of the Paterson Province



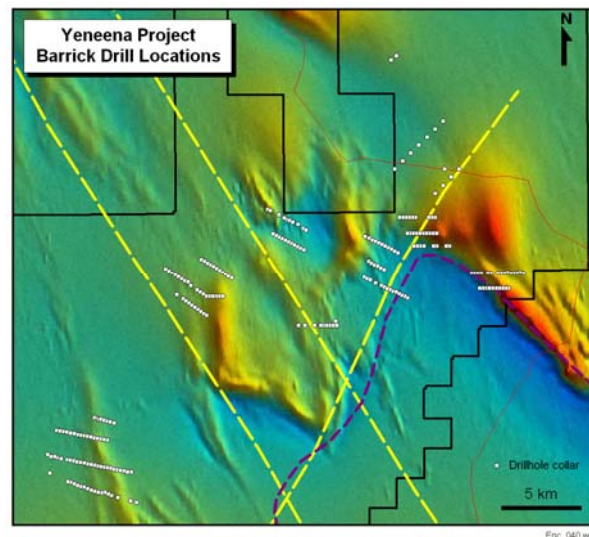
During the quarter efforts have focused on the assimilation of historical exploration data into the Encounter database and the evaluation of that data.

Encounter has access to over 5000 drill pulps and chips trays from 235 drill holes from across the project. These have not been analysed for uranium and only partially analysed for base metals. In the coming quarter all pulps will be submitted for re-analysis for a multi-element sample suite that will target uranium and base metals.

In addition to the re-sampling, a program of end-of-hole hyperspectral logging will be completed in an attempt to identify areas with the characteristic style of hanging-wall alteration associated with unconformity-hosted uranium deposits elsewhere in the world.

Figure 6 shows the location of the drilling completed by Barrick that will be re-analysed and hyperspectrally logged in the March quarter.

Figure 6. Yeneena JV – Historical Barrick drill hole locations to be assayed from uranium and base metals



BASE METALS

CROSSLAND HILL (E51/1097) and GIDGIE BORE (E51/1096) - 80% Encounter, 20% Avoca

The Crossland Hill and Gidgie Bore projects are located approximately 60kms north west of Meekatharra. The geology of the area consists of extensive granitic and gneissic outcrop. Interpretation of the surface uranium channel radiometrics indicates the area contains a broad zone of metasomatic alteration and elevated uranium anomalism.

A geochemical review of multi element data and targeting program was completed by GCXplore Pty Ltd on 474 rock and regolith samples. Elevated Pb, Zn and anomalous Ag (up to 10ppm) were found across 2km spaced sample lines in the south of E51/1096. The southern portion of the Gidgee Bore project has been targeted for follow up detailed soil sampling to define areas for potential geophysical follow up.

LAKE IRWIN (E38/1784) - 80% Encounter, 20% Avoca

The Lake Irwin Project is located 95 km north east of Leonora. Results from the first phase of auger drilling included Zn and Cu anomalism within the lake sediments of up to 1.7m at 485ppm Zn and 405ppm Cu at the bottom of a 3.2m auger hole. A 400m wide gold anomaly of over 10ppb Au in wind blown sands and lake sediment situated along the northern most section of drilling will also be targeted in this second drill campaign.

Approvals have been received for a second round of auger drill to follow up the base metals and gold anomalism reported in the previous quarter. A program of 140 holes will be drilled in the March quarter to cover the 4km long area of interest at 1km spaced drill sections.

CORPORATE

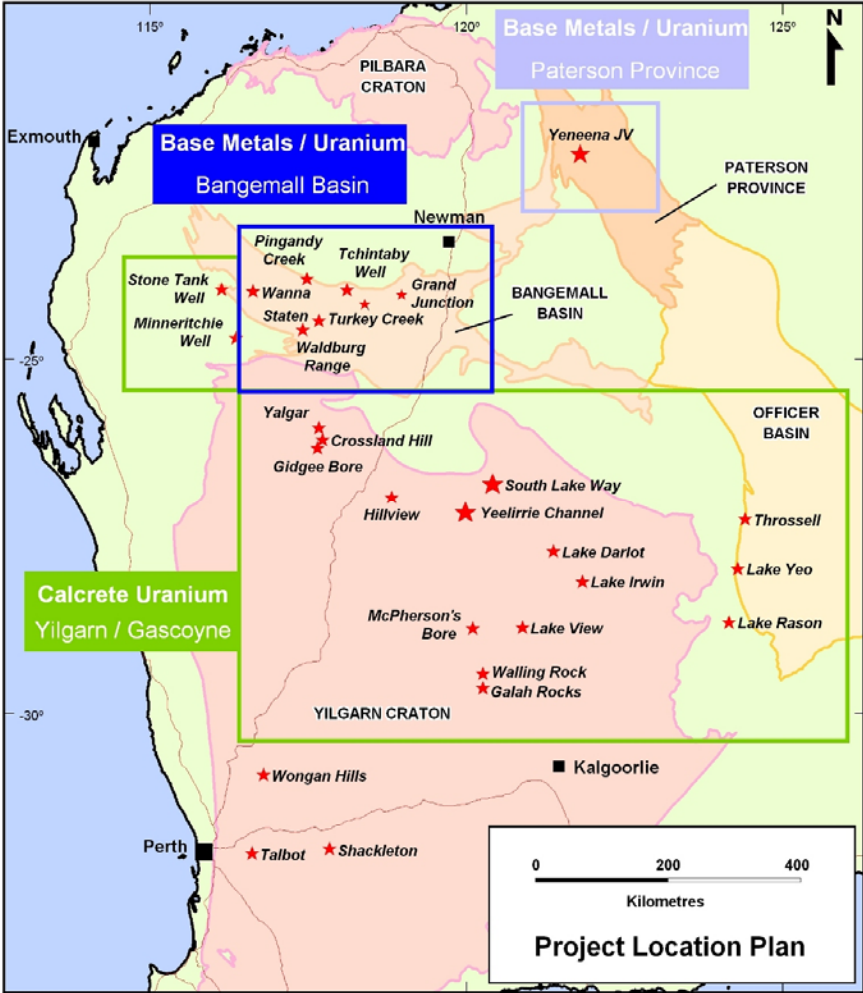
The company's cash balance at the end of the quarter was \$5.8 million.



Will Robinson
 Managing Director

The information in this report that relates to Exploration Results and Mineral Resources 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 7. Encounter Resources Project Location Plan



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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 December 2007

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	(430)	(916)
(b) development	-	-
(c) production	-	-
(d) administration	(131)	(218)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	96	206
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(465)	(928)
Cash flows related to investing activities		
1.8 Payment for purchases: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(3)	(12)
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	(3)	(12)
1.13 Total operating and investing cash flows (carried forward)	(468)	(940)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(468)	(940)
	Cash flows related to financing activities		
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)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(468)	(940)
1.20	Cash at beginning of quarter/year to date	6,303	6,775
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	5,835	5,835

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	116
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	450
4.2 Development	-
Total	450

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	224	108
5.2 Deposits at call	5,611	6,195
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	5,835	6,303

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	E36/569	Registered Holder	80%	0%
6.2 Interests in mining tenements acquired or increased	E70/2957	Registered Holder	0%	80%
	E70/2958	Registered Holder	0%	80%
	E52/2031	Registered Holder	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 Preference securities <i>(description)</i>	-	-		
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3 +Ordinary securities	68,596,900	39,100,000		
7.4 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted	-	-		
7.7 Options <i>(description and conversion factor)</i>	100,000	-	<i>Exercise price</i> 20 cents	<i>Expiry date</i> 23/3/2011
	100,000	-	45 cents	15/5/2011
	250,000	-	52.5 cents	7/12/2011
	50,000	-	57 cents	6/7/2012
	50,000	-	50 cents	9/8/2012
	500,000	-	53.5 cents	30/11/2012
	400,000	-	55 cents	30/11/2012
	400,000	-	70 cents	30/11/2012
	150,000	-	50 cents	30/11/2012
7.8 Issued during quarter	500,000	-	53.5 cents	30/11/2012
	400,000	-	55 cents	30/11/2012
	400,000	-	70 cents	30/11/2012
	150,000	-	50 cents	30/11/2012
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		

+ See chapter 19 for defined terms.

7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

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: 31 January 2008

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.