

*A highly active exploration company focused on uranium, base metals and gold in Western Australia*

**ASX Code**

ENR

**Market Cap (29/07/09)**

A\$15m (\$0.22/share)

**Issued Capital (30/6/09)**

68.6 million ordinary shares  
3.0 million employee options

**Cash (30/6/09)**

A\$2.3M

**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

### **PATERSON PROVINCE**

**Yeneena (Major ground position between the Nifty copper mine and the Kintyre uranium deposit)**

- A review of the final Airborne Electromagnetic (AEM) data was completed during the quarter with eight priority bedrock conductors identified.
- An initial aircore drilling program was completed at the BM1 and BM5 targets in June 2009.
- At the BM1 target, the shallow drill program identified a strong copper regolith anomaly (up to 2m @ 0.89% Cu) directly up dip of a discrete late time electromagnetic (EM) conductor. The copper anomaly is open and strengthening to the south. The location and scale of this copper anomaly has strengthened the potential of the BM1 target to host a major copper position.
- A ground EM program has commenced at four of the AEM targets to further delineate the conductors in preparation for diamond drilling.
- Diamond drilling to commence in September 2009.
- The company has been successful in its application for co-funded drilling under the WA Government Exploration Incentive Scheme. The funding will contribute up to \$150,000 towards the drilling costs of the diamond drill program at the Yeneena Project.

### **YILGARN DISTRICT**

**Hillview (10 million lb U<sub>3</sub>O<sub>8</sub> inferred resource)**

- A strategic review of the Hillview uranium resource has been initiated by the company to consider the potential development and commercial alternatives to advance the project.

### **CORPORATE**

- \$2.3M in cash reserves at the end of the quarter.

## EXPLORATION

Encounter Resources Limited (Encounter) is a Western Australian (WA) based exploration and resource development company with projects in four geological regions of WA. Encounter's portfolio covers over 5,000km<sup>2</sup> of strategically located and highly prospective exploration projects (Figure 10). The portfolio includes:

- Over 10 million pounds of near surface calcrete style uranium resources in the Yilgarn District;
- Two tenements over a previously unknown greenstone belt at Darlot prospective for gold;
- Five projects targeting base metals deposits in the Bangemall Basin;
- Two multi-metal projects in the South West of WA; and
- The Yeneena joint venture (Yeneena) with Barrick Gold of Australia which encompasses a major ground position in the Proterozoic Paterson mineral province, considered highly prospective for unconformity related uranium and base metals mineralisation.

The major focus of exploration activity in 2009 will centre on the Yeneena project located in the Paterson Province.

## PATERSON PROVINCE

### YENEENA (Encounter earning 75% from Barrick)

The Yeneena project covers a 1500km<sup>2</sup> tenement package in the Paterson Province of WA located between the Nifty copper mine and the Kintyre uranium deposit (Figure 1). The project 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.

Simplified geological stratigraphy for the region comprises the Palaeo-Proterozoic Rudall Complex as the lowermost unit, overlain by the Neo-Proterozoic Coolbro Sandstone. The Broadhurst Formation sits stratigraphically above the Coolbro Sandstone and is the host to the base metals targets and the Nifty copper mine. The Kintyre uranium deposit sits directly below the unconformity between the Coolbro Sandstone and the Rudall Complex (Figure 2).

A review of the final AEM data was completed during the quarter with eight priority bedrock conductors identified. A number of these conductors are coincident with the previously defined BM1, BM2, T2 and T3 regional targets and will be the subject of follow up ground EM. The ground based EM program commenced in July 2009 and will provide greater definition of the bedrock conductors. These targets, along with the BM5 gossan, will be drill tested during the September 2009 diamond drilling program.

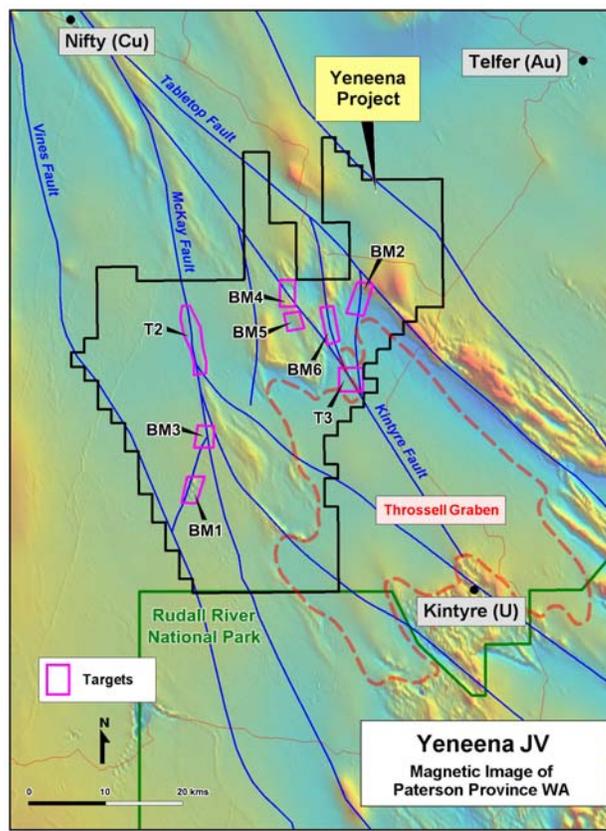


Figure 1: Yeneena targets and major structures over magnetics

The company was awarded funding from the WA Government's Co-Funded Exploration Initiative Scheme for up to \$150,000 for the Yeneena diamond drilling program.

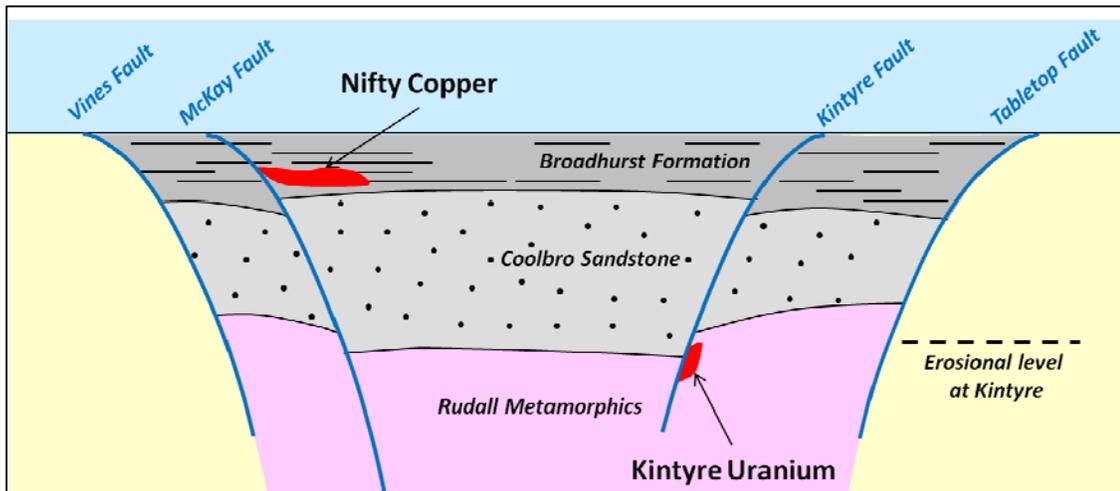


Figure 2: Schematic regional cross section Yeneena project

During the quarter Encounter's first drilling program was completed at the Yeneena project targeting the BM1 and BM5 prospects.

### BM1 Target.

The BM1 target sits within the Broadhurst Formation and is almost entirely overlain by transported cover. The target consists of a coincident magnetic and AEM anomaly located on a SSW trending splay structure to the McKay Fault (Figure 1).

During the quarter three aircore drill traverses at 400m x 100m spacing were completed across the northern and eastern (up dip) extents of the AEM conductor at the BM1 target (refer to Figure 3). This drilling successfully defined a coherent, under cover, near surface copper regolith anomaly that is open and strengthening towards the south.

The anomalism is focused along two contacts between black shale and carbonate units of the Broadhurst Formation (refer to drill sections in Figures 4 and 5). The western contact sits above the EM conductor on the interpreted splay fault and the eastern contact lies directly up dip of the modelled EM plate.

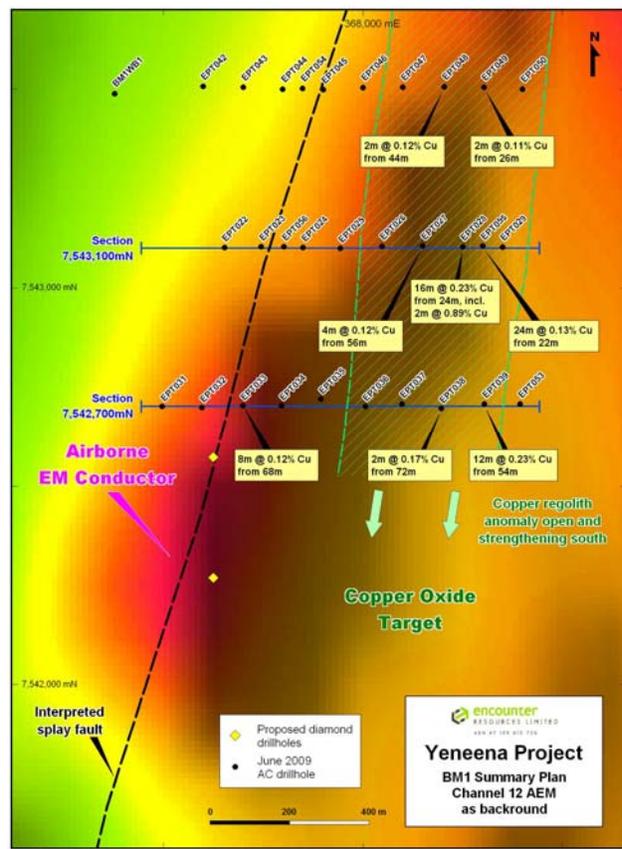


Figure 3: Exploration summary plan BM1

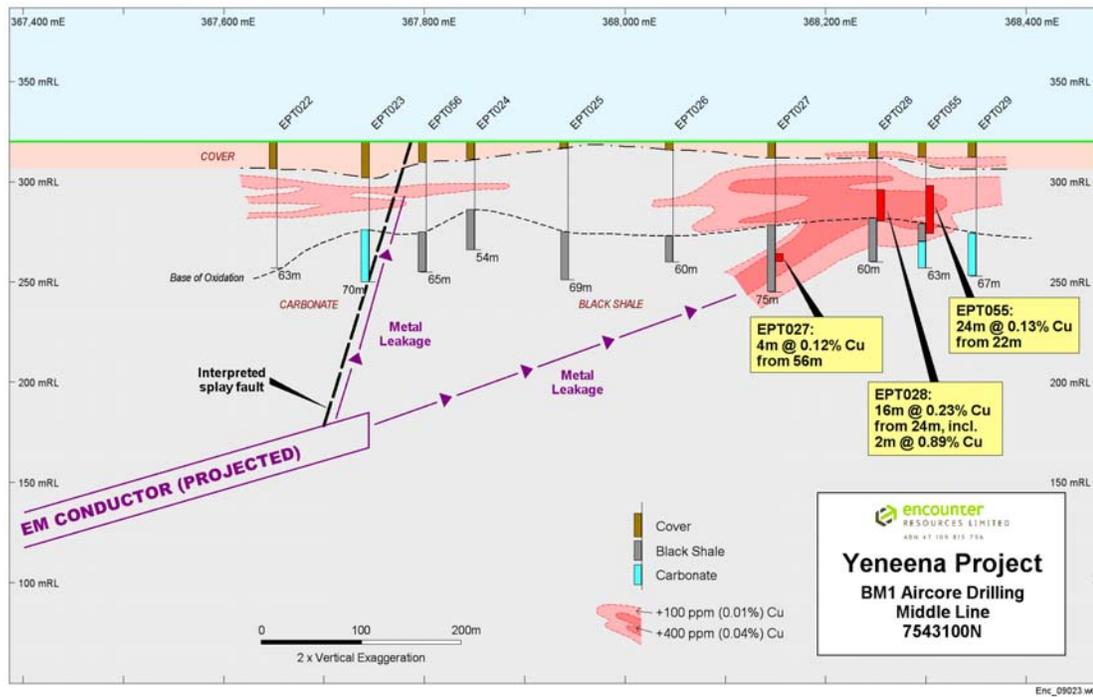


Figure 4: BM1 Aircore drill section 7543100mN

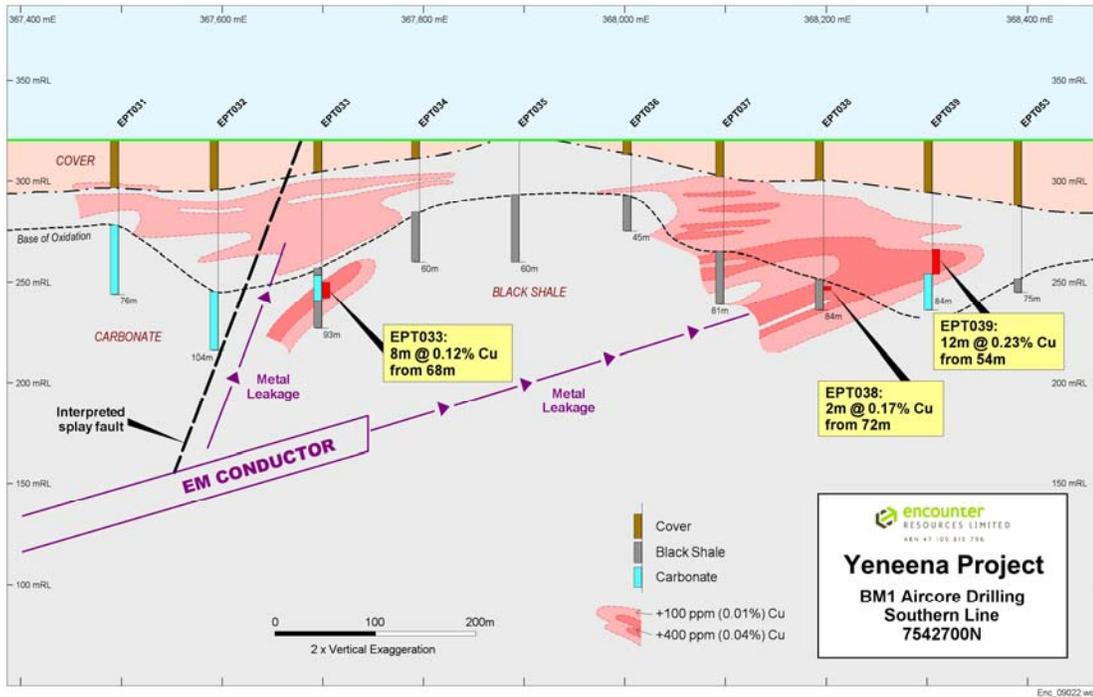


Figure 5: BM1 Aircore drill section 7542700mN

Prominent copper anomalism focused along the eastern carbonate-shale contact is interpreted to be metal leakage directly up dip of the modelled, shallow westerly dipping AEM conductor. Anomalous results include 16m @ 0.23% Cu from 24m and 12m @ 0.23% Cu from 54m. Numerous regolith intersections over 0.1% Cu and results of up to 2m @ 0.89% Cu highlight the potential of this area to host a substantial body of copper oxide mineralisation. The area to the south of the recent aircore traverses will be tested for high grade copper oxide mineralisation.

Extensive and pervasive silica, carbonate and hematite alteration together with elevated cobalt and uranium is associated with the zone of anomalous copper on the eastern contact. This association of alteration and metal anomalism shows similarities to the Zambian style “Red Bed” copper deposits.

Copper anomalism focused along the western carbonate-shale contact is coincident with a magnetic anomaly along the NNE trending splay structure from the regionally significant McKay Fault. Anomalism associated with this structure includes 8m @ 0.12% Cu from 68m in pervasively carbonate altered fresh rock. The anomaly on the western contact includes thick intersections of regolith copper such as 42m @ 243ppm Cu from 18m and is also strengthening southwards. This anomalism is interpreted to be metal leakage from the modelled AEM conductor at depth that has migrated up the interpreted steeply dipping splay structure.

The observed geological, geochemical and geophysical features at BM1 show strong similarities to that of the 2 million metal tonne Nifty copper deposit (Figure 6). The scale and nature of the anomalism seen at BM1 indicates the potential for the area to host a major copper deposit.

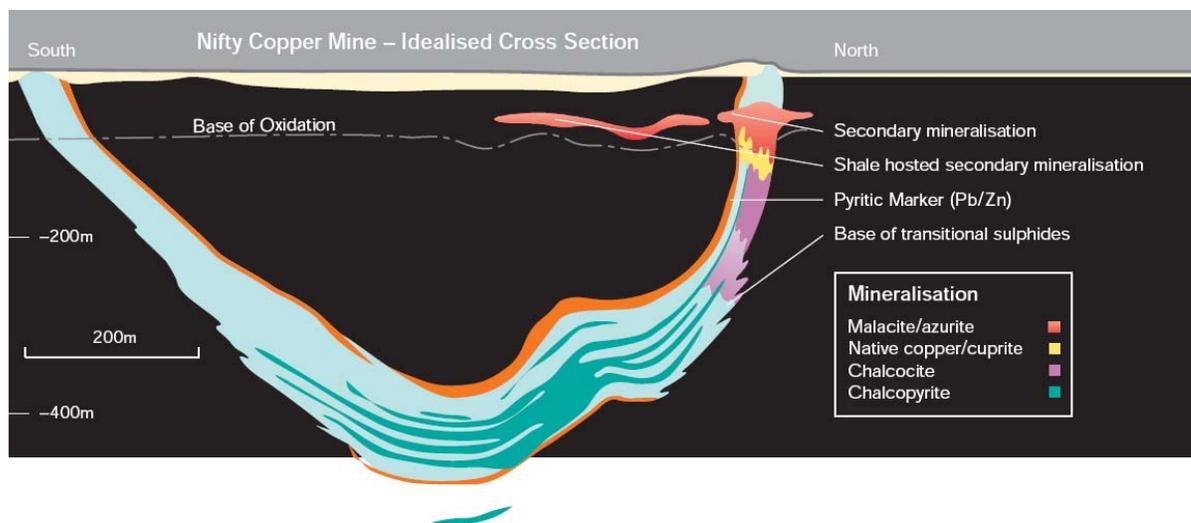


Figure 6: Idealised cross section through the Nifty copper mine (Straits Resources Annual Report 2001)

### BM5 Target.

The BM5 target is located along the regionally extensive Kintyre Fault (Figure 1). The area was initially drilled by WMC in the early 1990s, at the end of their exploration program in this area. A series of 800m spaced RC traverses were drilled across the NW trending Kintyre Fault where it separates two large zones of conductive Broadhurst Formation. These were followed up by one deeper diamond drill hole.

The early drilling program intersected a thick body of iron-manganese rich material below Permian and Recent cover over 1km long and associated with strong copper, silver, lead and zinc anomalism. The body appears to be controlled by the intersection of the underlying dolomitic unit with the Kintyre Fault (Figure 7). It is interpreted that this iron-manganese rich body represents a potentially significant base metal gossan.

Drilling during the quarter was designed to test for a geochemical vector within the interpreted gossan that could lead future drilling to a possible bedrock sulphide position.

The compilation and interpretation of the results from the seven hole drill program has recently been completed. A strong geochemical vector has been defined within the gossanous horizon indicating increased prospectivity along the western margin of the dolomite unit. The geochemical target is coincident with an interpreted NW to NNW structural jog along the western dolomite contact. This geochemical and structural target will be tested as part of the September 2009 diamond drilling program.

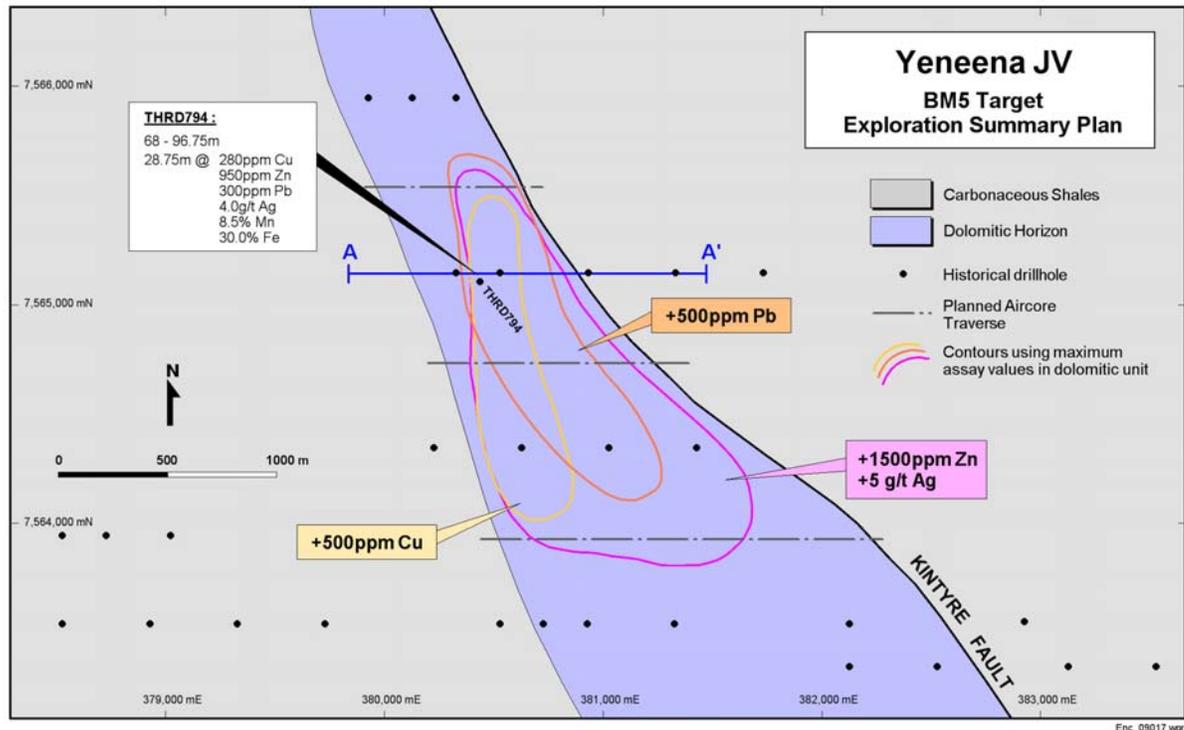


Figure 7: BM5 Exploration summary plan

## YILGARN DISTRICT

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

The Hillview uranium project contains an Inferred Resource of 27.6 million tonnes, averaging 174ppm  $U_3O_8$  for a contained 10.6 million pounds of  $U_3O_8$ .

A strategic review of the Hillview uranium resource has been initiated by the company to consider the potential development and commercial alternatives to advance the project.

Results from an initial mineralogical assessment and metallurgical leach test were received during the quarter. A standard acid and alkaline leach test was completed on a 20kg composite sample collected from four holes within the deposit. The results of the leach test using a conventional calcrete uranium circuit resulted in low dissolution of uranium. Mineralogical work indicated that the majority of the uranium present in the sample is contained within opaline silica, with no discrete uranium mineral identified. It is interpreted that the leach solutions could not dissolve the silica and therefore failed to release the uranium into solution. As the uranium-bearing opaline silica fraction is a relatively small part of the deposit, this observation suggests the possibility of beneficiating this material to produce a much higher feed to a leach circuit optimised for leaching the opaline silica material.

## LAKE DARLOT (E37/830 - 80% Encounter, 20% Avoca and E37/978 – 100% Encounter)

The Lake Darlot project comprises two tenements located to the north and the east of the Darlot gold mine on the eastern margin of the Yandal Greenstone Belt (Figure 8). These tenements have been acquired to cover a previously unrecognised greenstone belt. Interpretation of regional magnetics has identified an extensive NNW trending structural corridor that 'horsetails' as it flexes along the margin of a major granite intrusion located in the east of the project.

Initial field work has commenced on the recently granted southern tenement, E37/978. The interpreted geological setting is considered prospective for gold mineralisation and is similar to that seen at the 4 million oz Darlot gold mine. Interpretation of the regional aeromagnetics infers a southerly plunging antiform of greenstone in the centre of the tenement, terminating against the NNW structural corridor.

A series of regional soil sample traverses and rock chip samples were collected across the defined structural targets. Previously unmapped outcrops of greenstone were defined within the area of magnetic complexity. Assay results from this program are pending.

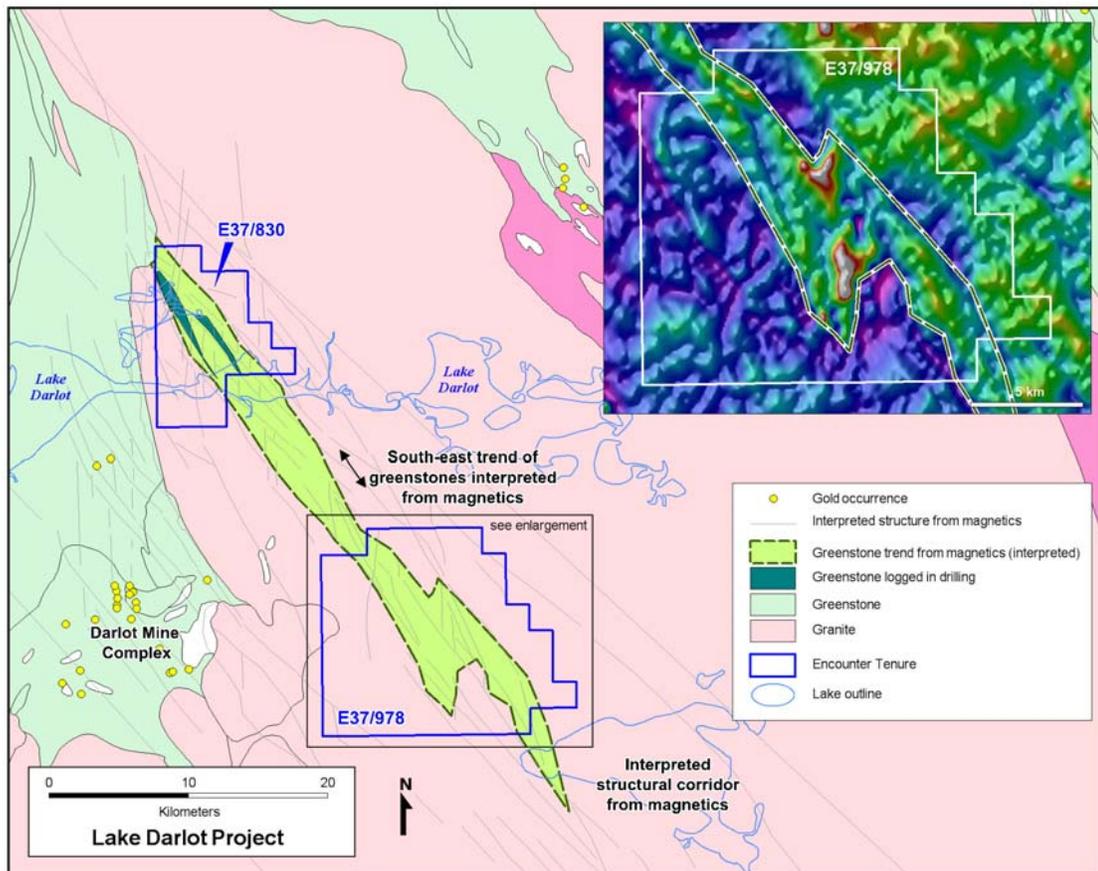


Figure 8: Darlot interpreted geology and TMI magnetics inset

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## BANGEMALL BASIN

The drill programs completed in 2008 have provided a greater understanding of the interpreted controls on base metals mineralisation in the Bangemall Basin. As a result of this work the company has acquired a new project in the basin and reduced ground holdings in areas of lower prospectivity. This program of tenement rationalisation has resulted in an overall 50% reduction of tenure in the basin to approximately 1000km<sup>2</sup> (Figure 9).

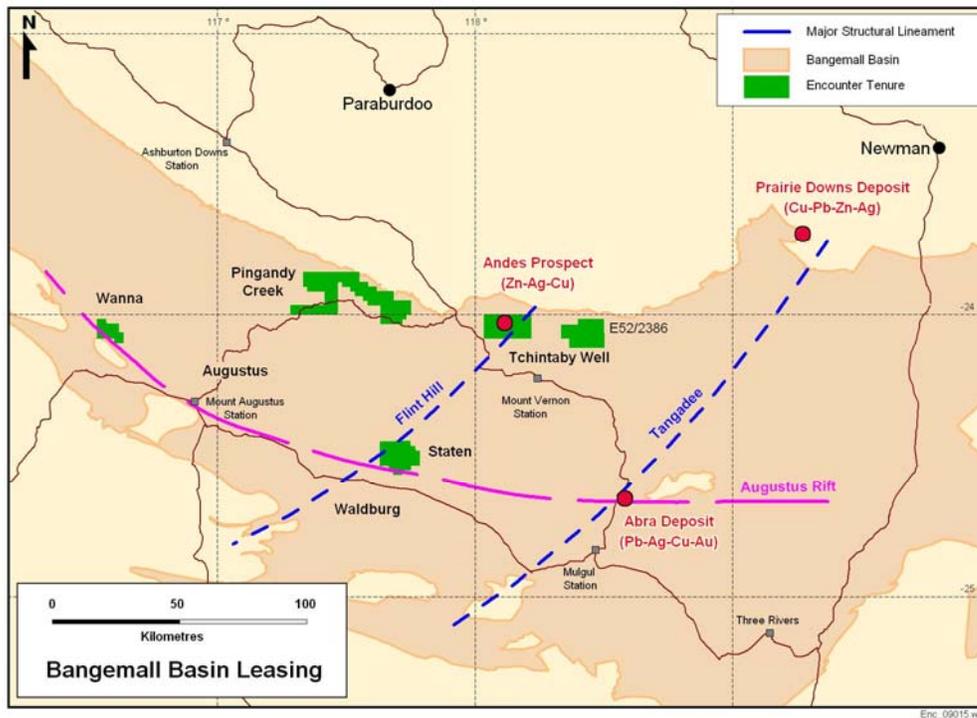


Figure 9: Bangemall Basin Project location map and tenement holding

### TCHINTABY WELL (E52/1882 - 80% Encounter, 20% Avoca) and TCHINTABY EAST (E52/2386 – 100% Encounter)

The Tchintaby project covers over 335km<sup>2</sup> and is targeted for high grade SEDEX zinc mineralisation, similar to the Century and McArthur River deposits in eastern Australia.

Initial drilling completed at the Tchintaby Well tenement discovered significant extensions to the Zn-Cu-Ag mineralised horizon but did not account for the 2g/cc (2mgal) excess mass anomaly targeted in the drill program. Samples of the drilled lithologies were submitted for density measurement. The density results will be incorporated into the forward models to determine the depth and nature of the excess mass outlined in the ground gravity survey.

The initial drilling results have identified the potential for additional SEDEX targets along the northern margin of the Bangemall Basin. A structural targeting exercise and review of the regional geochemical sampling defined a new target 30kms to the east of the Tchintaby project. This tenement, E52/2386, was granted during the quarter with initial field work to commence later in the year.

## SOUTH WEST REGION

### WONGAN HILLS AND SHACKLETON (E70/2957 and E70/2958 - 80% Encounter, 20% Avoca)

The Wongan Hills and Shackleton projects are located in the wheatbelt of WA, within 200km of Perth. The 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.

The additional laterite sampling completed at Wongan Hills has downgraded the gold potential of the project but did confirm a series of uranium anomalies of between 20-50ppm uranium in the laterite. A field visit will be completed in the September quarter to assess the higher order uranium anomalies and define a future work program.

## CORPORATE

The company's cash balance at the end of the quarter was \$2.3 million.



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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.*

*The information in this presentation that relates to Mineral Resources for the Hillview Uranium Project is based on information compiled by Mr Neil Inwood who is employed by Coffey Mining Ltd. Mr Peter Bewick from Encounter has consented to a joint sign off for the Resource, Mr Bewick taking responsibility for the quality and reliability of the drillhole database and Mr Inwood is responsible for the grade estimate and classification of the resource. Messrs Inwood and Bewick have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Messrs Inwood and Bewick consent to the inclusion in the report of the matters based on the information compiled by them, in the form and context in which it appears.*

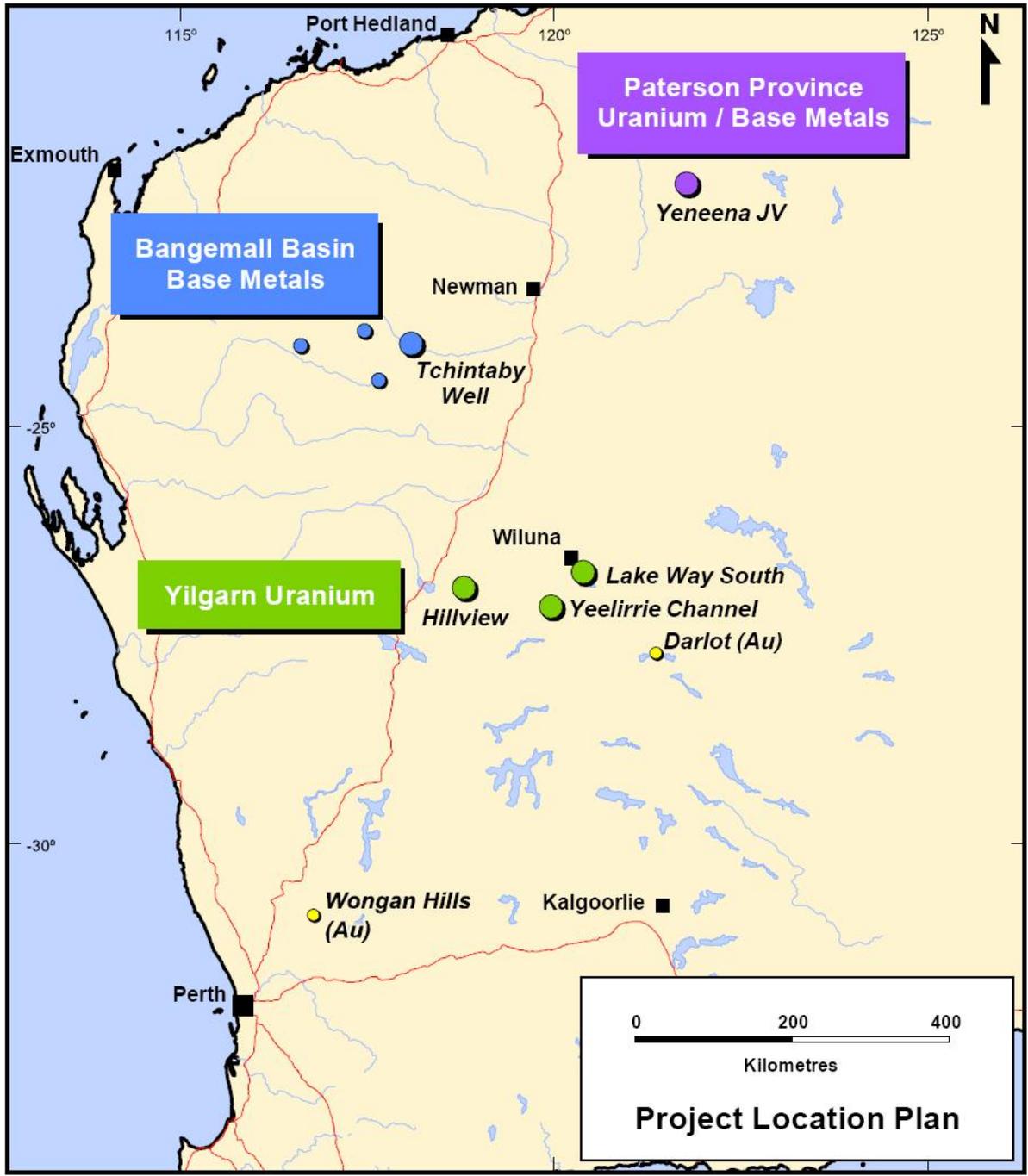


Figure 10: Encounter Resources Project Location Plan

# 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")

30 June 2009

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(323)	(2,055)
(b) development	-	-
(c) production	-	-
(d) administration	(125)	(512)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	16	181
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(432)</b>	<b>(2,386)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(3)	(37)
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>(3)</b>	<b>(37)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(435)</b>	<b>(2,423)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(435)	(2,423)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds/(refunds) 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 – capital raising costs	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(435)	(2,423)
1.20	Cash at beginning of quarter/year to date	2,713	4,701
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	2,278	2,278

**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	123
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

-

+ 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	500
4.2 Development	-
<b>Total</b>	<b>500</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	108	152
5.2 Deposits at call	2,170	2,561
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>2,278</b>	<b>2,713</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	E51/1097 E53/1010	Relinquished Relinquished	80% 60% of uranium rights	0% 0%
6.2 Interests in mining tenements acquired or increased	E52/2386	Granted tenement	0%	100%

+ 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>	68,596,900	68,596,900		
7.4 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buy-backs	-	-		
(c) Released from Escrow	-	-		
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>	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	-	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
	125,000	-	50 cents	30/11/2012
	325,000	-	30 cents	30/6/2013
	775,000	-	10 cents	28/2/2014
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-		

+ See chapter 19 for defined terms.

7.10	Expired during quarter	-	-		
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-		
7.12	<b>Unsecured notes</b> <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: 30 July 2009

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.