

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

ASX Code

ENR

Market Cap (29/10/09)

A\$26.4m (\$0.335/share)

Issued Capital (30/09/09)

68.6 million ordinary shares
3.0 million employee options

Cash (30/09/09)

A\$1.7M (Note: \$3.5M capital raising completed in October 2009)

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)

- Ground electromagnetic ("EM") surveys were completed over four targets at the Yeneena project during the quarter. Multiple large scale copper drill targets were identified.
- Diamond drilling at the Yeneena project has commenced. The planned 2,200 metre program will provide an initial diamond drill test of the BM1, BM5, T2 targets. The company believes that the targets to be tested have the potential to host a major new copper position.
- The initial diamond drill program at the project is expected to be completed in November 2009.

YILGARN DISTRICT

Hillview (10 million lb U₃O₈ inferred resource)

- The strategic review of the Hillview uranium resource to consider the potential development and commercial alternatives to advance the project is progressing.

CORPORATE

- The Company's cash balance at the end of the quarter was \$1.7 million. Subsequent to the end of the quarter the company completed a private placement to raise \$3.5 million, before costs, through the issue of 10,289,535 ordinary fully paid shares in the Company at a price of \$0.34 per share.

EXPLORATION

Encounter Resources Limited (Encounter) is a Western Australian (WA) based exploration and resource development company with projects in three geological regions of WA. Encounter's portfolio covers over 4,500km² of strategically located and highly prospective exploration projects. The portfolio includes:

- A major ground position in the Paterson mineral province between the Nifty Copper Mine and the Kintyre uranium deposit, considered highly prospective for unconformity related uranium and Proterozoic copper mineralisation;
- Over 10 million pounds of near surface calcrete style uranium resources in the Yilgarn Province; and
- Five projects targeting base metals deposits in the Bangemall Basin.

PATERSON PROVINCE

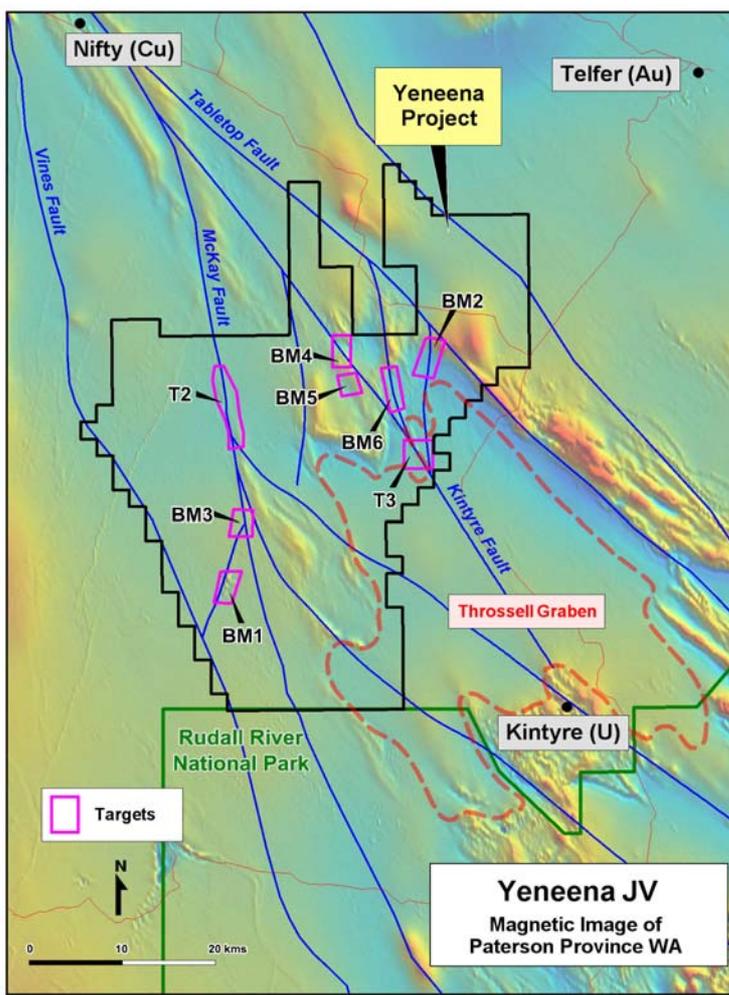
YENEENA (Encounter earning 75% from Barrick)

The Yeneena project covers a 1300km² 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 ground EM survey totalling 33 line kilometres was completed in August 2009 at the BM1, BM2 and T2 targets. The ground EM data provided greater definition of the significant and discrete bedrock conductors.

Figure 1: Yeneena targets and major structures over magnetics



Following the completion of the ground EM survey an initial diamond drill program at the BM1, BM5 and T2 targets has commenced. The 2,200m diamond drill program at the Yeneena project is being co-funded through the WA Government Exploration Incentive Scheme.

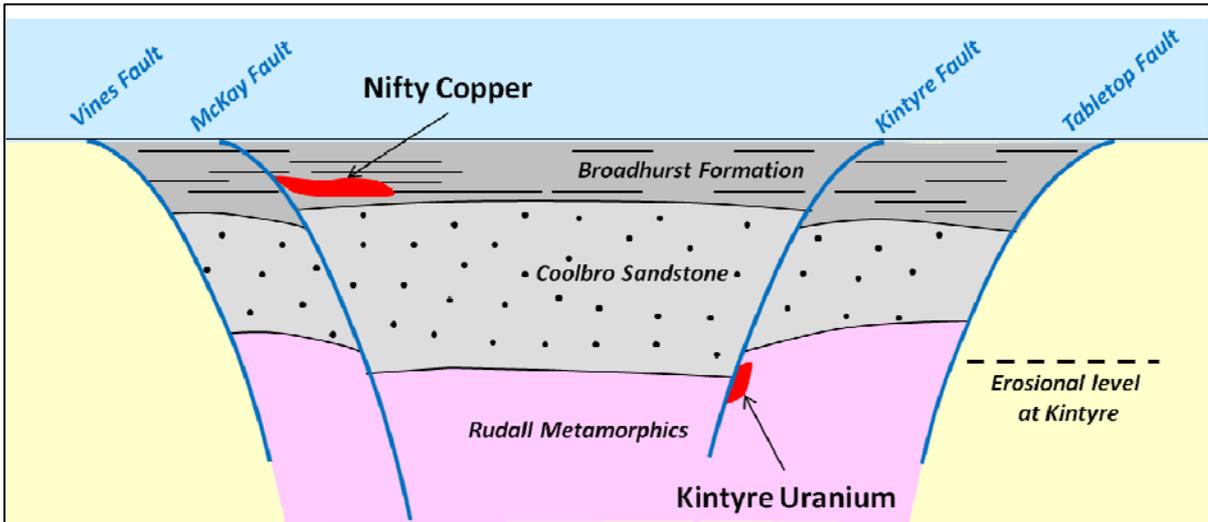


Figure 2: Schematic regional cross section Yeneena project

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).

Aircore drilling in the June quarter 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 (Figure 4). 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.

The ground EM survey at BM1 has confirmed the location of the conductive body situated down dip of the strong copper regolith anomaly. Modelling of the ground EM indicates that the conductor flattens at depth and potentially represents a synformal fold.

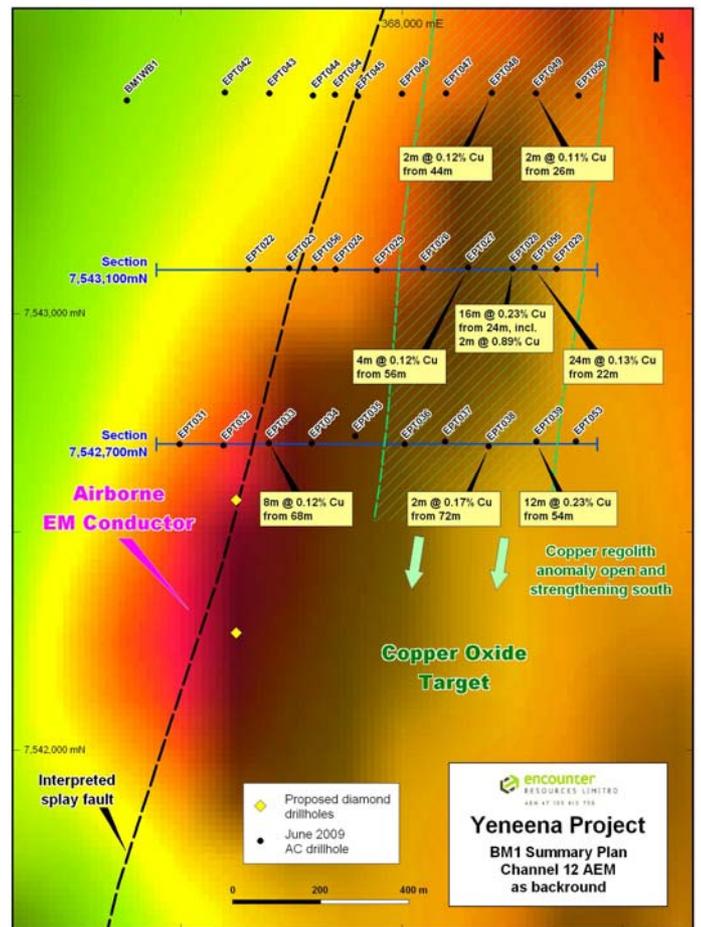


Figure 3: Exploration summary plan BM1

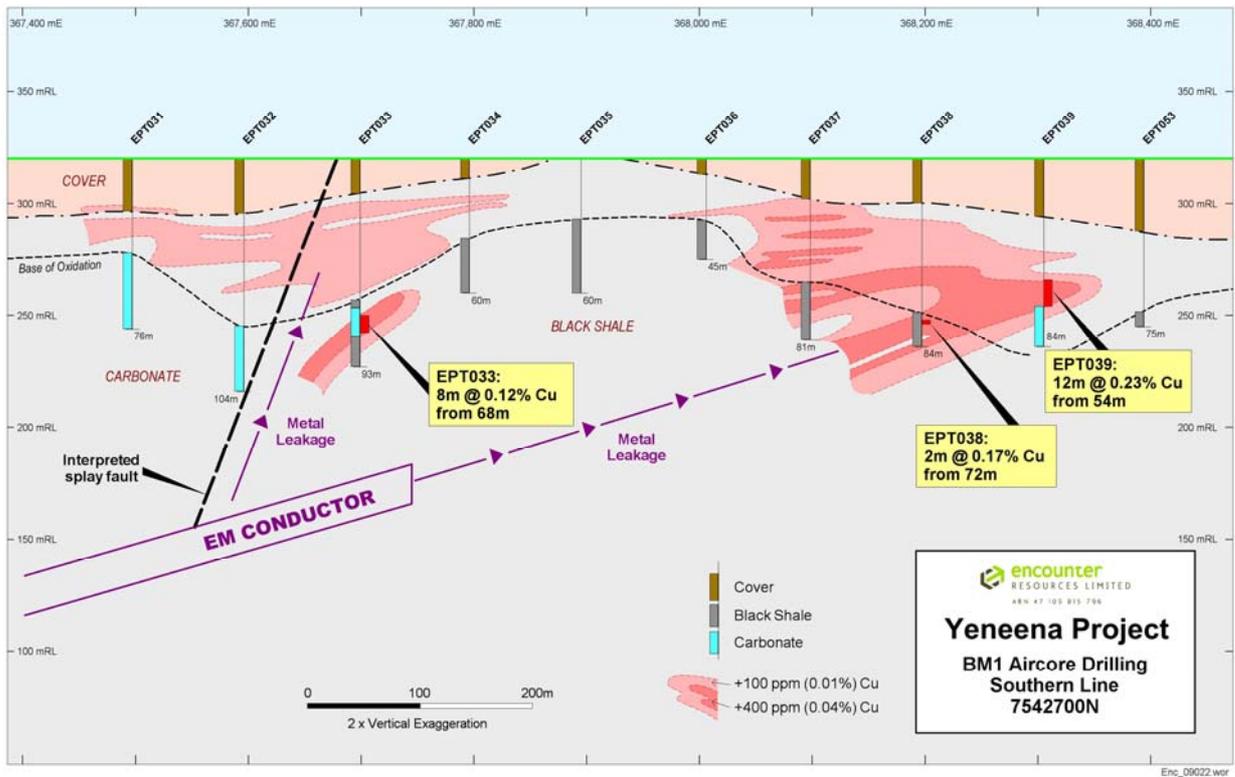


Figure 4: BM1 Aircore drill section 7542700mN

The observed geological, geochemical and geophysical features at BM1 show strong similarities to that of the 2 million metal tonne Nifty copper deposit (Figure 5). The scale and nature of the anomalism seen at BM1 indicates the potential for the area to host a major copper deposit.

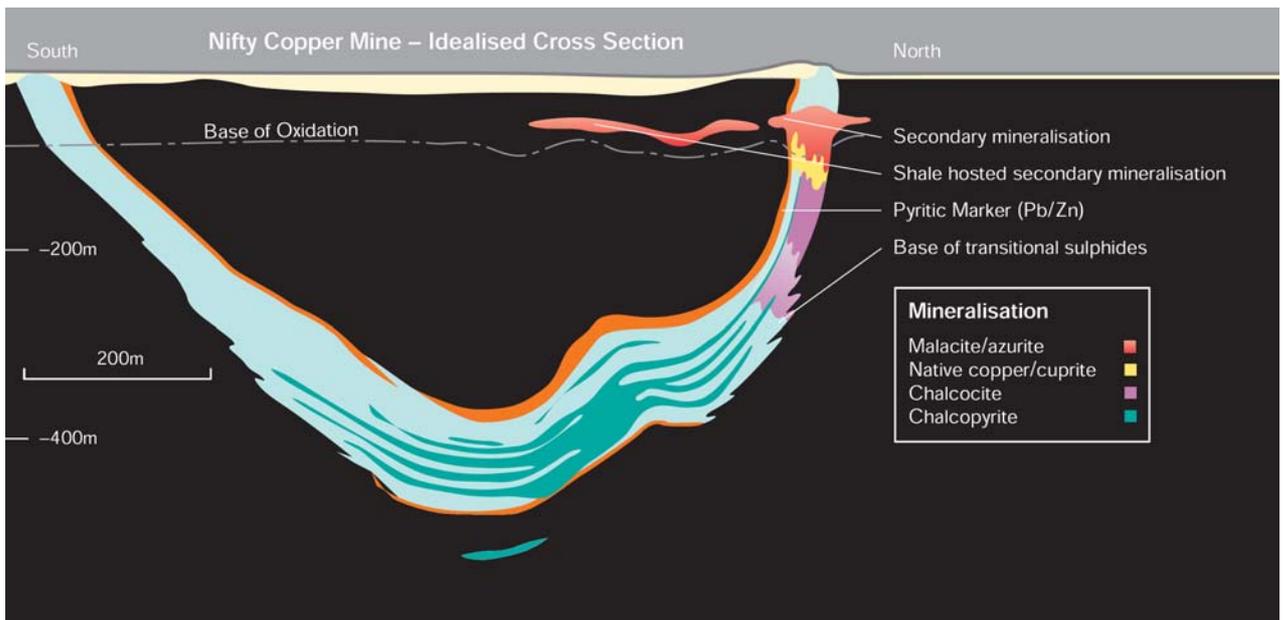


Figure 5: Idealised cross section through the Nifty copper mine (Straits Resources Annual Report 2001)

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 RC traverses were followed up by one deeper diamond drill hole.

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

Seven drill holes were completed by Encounter at the BM5 prospect in June 2009. Compilation and interpretation of the results from this drill program was undertaken during the September quarter. A strong geochemical gradient has been defined within the gossanous horizon indicating increased prospectivity towards the interpreted fault-bounded western margin of the dolomite unit. This geochemical target is coincident with an interpreted NW to NNW structural jog along this western dolomite contact. This geochemical and structural target will be tested as part of the current diamond drilling program.

T2 Target

The T2 target is located 20km north of BM1 (Figure 1). This area is extensively covered by dune sands and contains minimal outcrop in the target areas. The area was originally highlighted as a key regional structural target and later confirmed as an area of interest following the interpretation of the infill AEM survey completed in 2008.

A series of ground EM traverses were completed at the T2 target during the quarter which aimed to further delineate the airborne EM conductor and to provide additional geological information. The ground EM survey identified a 600 metre long, discrete conductive body at a depth of 100-150m. This conductor has been modelled as a northerly plunging synform located along the regionally extensive McKay Fault. Additional diamond drilling has been planned at the T2 target as a consequence of the ground EM survey results.

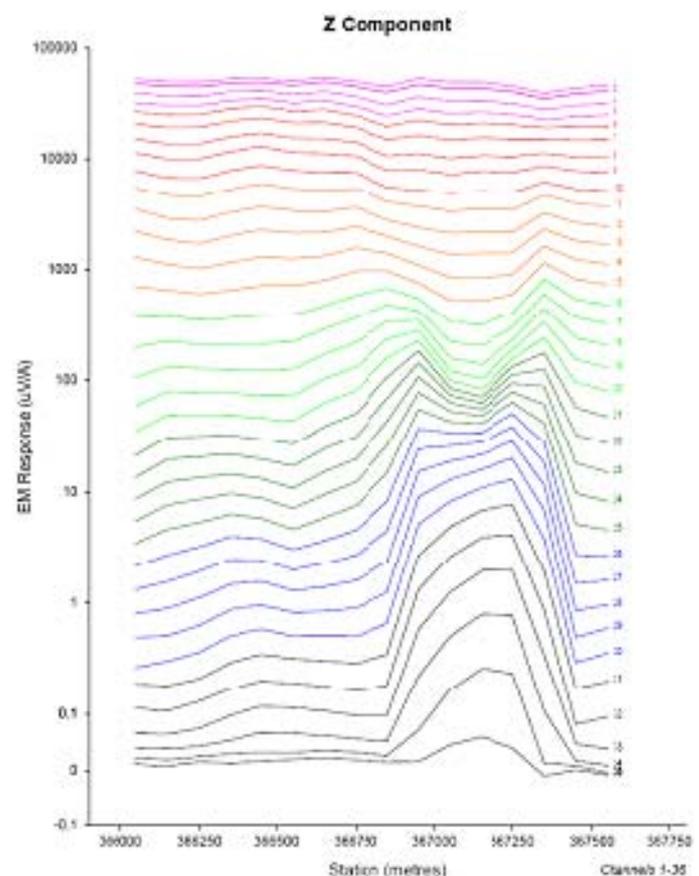


Figure 6: T2 Ground EM profile 7565700mN

BM2 Target

The BM2 target is located at the intersection of a north-south trending, westerly dipping fault and the regionally extensive Tabletop Fault (Figure 1). AEM data indicates a clear structural termination along the eastern margin of a conductive horizon against the Tabletop Fault. Ground EM data collected during the quarter at the BM2 target has further refined this structural target.

The BM2 target area is also extensively covered by dune sands however sparse historical 1km spaced drill holes define base metal regolith anomalism over an interpreted strike of 3km including up to 521ppm Copper. Further definition of regolith geochemistry is planned by way of an aircore drill program during 2010.

YILGARN DISTRICT

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

The Hillview uranium project is located 50kms south east of Meekatharra and 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 . The Inferred Resource is reported in accordance with the JORC code (2004) and guidelines.

The main mineralised zone at Hillview is 7km long by 1.4km wide with an average thickness of 3.15m. The resource is a flat lying, consistent body of near surface uranium mineralisation with minimal internal dilution.

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. This review is ongoing.

LAKE WAY SOUTH (E53/1232 – 60% Encounter, 40% Avoca Uranium rights only)

The Lake Way South project is located approximately 10kms south of Wiluna, between Toro Energy's Lake Way and Centipede uranium deposits. Toro Energy is well advanced with development of its uranium resources in WA, which gives a strategic value to the Lake Way South project.

A program of lake based aircore drilling was completed by Encounter that confirmed the Centipede resource extended approximately 200m into the Lake Way South tenement using a cutoff grade above 100ppm U_3O_8 .

Results obtained from the drilling and a compilation of historical information provided sufficient information to produce an Inferred Resource for the area of the Centipede resource within the JV tenement. This calculation defined 220,000t @ 244ppm U_3O_8 for 120,000lbs of U_3O_8 . The Inferred Resource is reported in accordance with the JORC code (2004) and guidelines.

CORPORATE

The Company's cash balance at the end of the quarter was \$1.7 million. Subsequent to the end of the quarter the company completed a private placement to raise \$3.5 million before costs through the issue of 10,289,535 ordinary fully paid shares in the Company at a price of \$0.34 per share.



Will Robinson
Managing Director

The information in this report that relates to Exploration Results and Mineral Resources at Lake Way South 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.

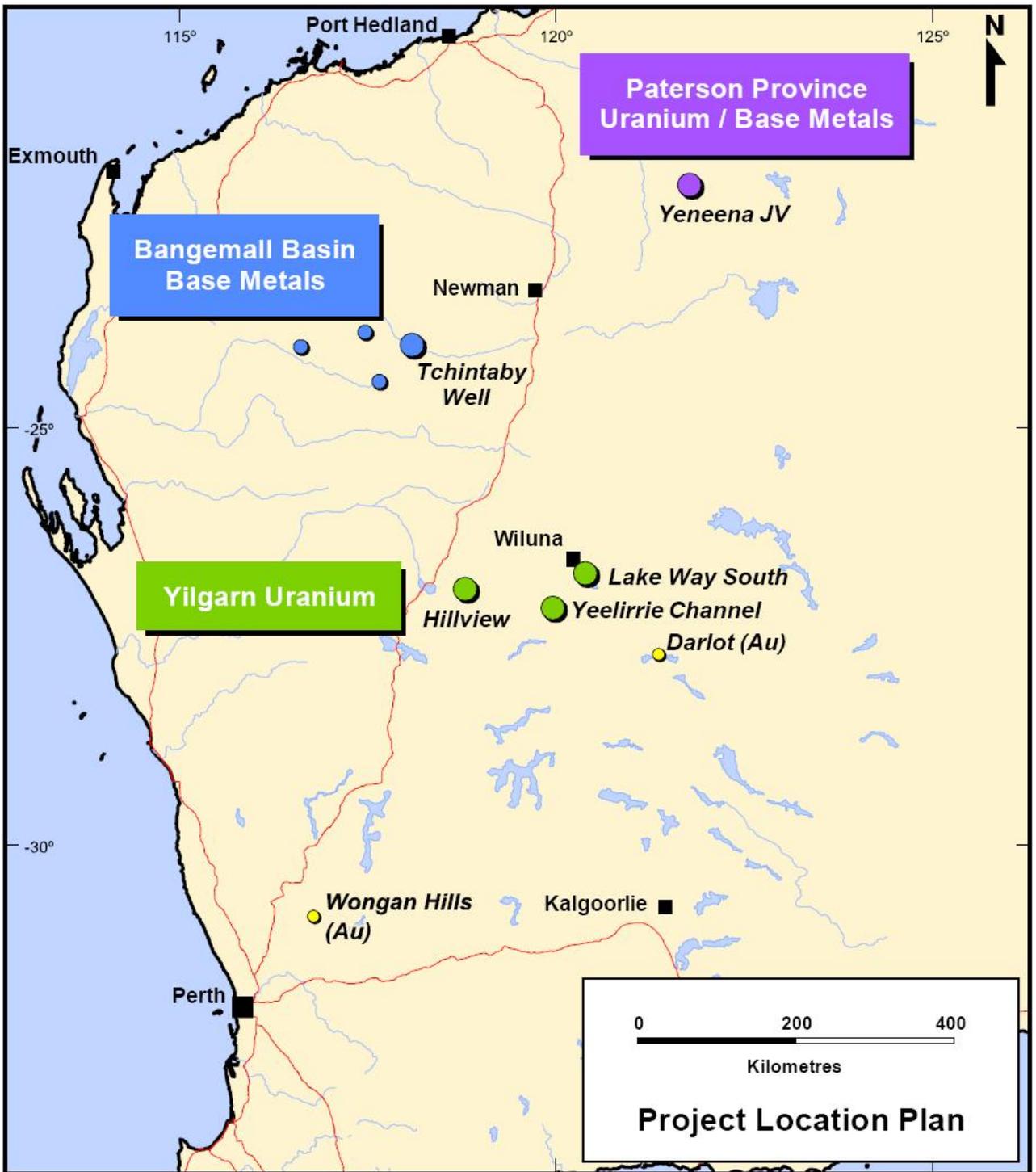


Figure 7: Encounter Resources Project Location Plan

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 September 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(565)	(565)
(b) development	-	-
(c) production	-	-
(d) administration	(176)	(176)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	15
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – R&D tax concession refund	114	114
Net Operating Cash Flows	(612)	(612)
Cash flows related to investing activities		
1.8 Payment for purchases: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1)	(1)
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	(1)	(1)
1.13 Total operating and investing cash flows (carried forward)	(613)	(613)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(613)	(613)
	Cash flows related to financing activities		
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	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(613)	(613)
1.20	Cash at beginning of quarter/year to date	2,278	2,278
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,665	1,665

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	700
4.2 Development	-
Total	700

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	146	108
5.2 Deposits at call	1,519	2,170
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,665	2,278

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	E53/1156	Relinquished	80%	0%
	E08/1794	Relinquished	100%	0%
	E36/542	Relinquished	80%	0%
6.2 Interests in mining tenements acquired or increased	E52/2385	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 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	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 +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	-	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	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: 30 October 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.