NARACOOTA RESOURCES LTD

ABN 77 143 142 410

Annual Report for the period ended 30 June 2011

www.naracoota.com.au

Annual Report
for the period ended 30 June 2011

Page

Corporate Directory

Board of Directors

Managing Director	Steven Crabbe
Executive Director	Stephen Woods
Non-Executive Director	Wayne Fernie
Non-Executive Director	John Stockley
Company Secretary	Daniel Hewitt

Principal Office
75 King Street
Perth, Western Australia 6000

Registered Office
75 King Street
Perth, Western Australia 6000

Postal Address
PO Box 7044
Cloisters SQ, WA 6850

Contact Details
+61 8 9200 5858 (Telephone)
+61 8 9486 4586 (Facsimile)
enquiries@naracoota.com.au
www.naracoota.com.au
ABN 77 143 142 410

Share Registry
Computershare
Level 2, 45 St George's Terrace
Perth, Western Australia, 6000
1300 557 010 (Telephone)
www.computershare.com.au

Auditors
Stantons International
Level 1, 1 Havelock Street
West Perth, Western Australia 6005

Lawyers
Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth, Western Australia 6000

Managing Director's Report

Dear Shareholder,

It gives me pleasure to present Naracoota Resources Ltd's (Naracoota or the Company) first Annual Report to you.

While the Company only listed on the Australian Stock Exchange (ASX) at the end of the financial year on 24 June 2011 under ticker code "NRR", much was achieved prior to this milestone.

Firstly, the Company has been able to consolidate for the first time a highly prospective tenement portfolio from a variety of vendors in the well regarded Peak Hill – Horseshoe Lights gold - copper district. These acquisitions settled in June 2011 as part of the ASX listing process.

Naracoota will be targeting near surface gold and deeper VMS style copper and gold deposits within its tenement package at its two flagship projects, Horseshoe Range, and Fraser Range. For example the large high grade copper - gold VMS DeGrussa discovery is located 65 kms to the east of the Company's projects, while the Horseshoe Lights copper and gold VMS deposit is located 7 kms to the north.

We are excited and guided by historic exploration which has been conducted over the area. The Horseshoe Range has been worked for alluvial and near surface gold since the late 1890's, with more modern exploration conducted in the late 1980's and early 1990's by groups like Dominion Mining and Homestake. This historic exploration indicates that there is excellent potential for economic gold and copper deposits in the area with walk up drill targets like Costean 12 and Hill 680 already identified. Shallow RAB drilling conducted by the Dominion – Goldstream JV in the late 80's/early 90's at Costean 12 returned gold results such as 4 metres at 18.9 Au g/t from 32 metres and 2 metres at 20.0 Au g/t from 30 metres. Bedrock geochem results also show a coherent annual ring of high copper values +100 ppm up to 800 ppm Cu distal to the main gold anomaly. Deeper RC drilling at Hill 680 had mineralization such as 11 m at 4.7 g/t Au which have never been followed up.

Importantly, because of the disjointed tenement ownership, and commodity prices at the time, no follow up work or substantive modern exploration was ever conducted over the area. Nor has any land based geophysics or deep drilling program ever been conducted over the projects.

We also were able to assemble during the year a quality management team with extensive experience in the acquisition, exploration and development of mineral assets. Steve Woods and I worked together at unlisted manganese producer Auvex Resources Limited, where we commercialised a manganese deposit that was recently acquired by Mineral Resources Ltd through a scheme of arrangement. The other Board members are Wayne Fernie and John Stockley, both Non-Executive Directors, who each bring additional experience in finance and geology ensuring that there is a team in place to deliver the skills and business acumen required to develop the potential of the Company's mineral projects.

The last quarter of the financial year was spent preparing Naracoota's IPO and going through the ASX listing process. The IPO closed early and oversubscribed in June raising just over $5 million in what was a difficult capital market. I believe the strong interest in Naracoota's IPO is a reflection of the quality of our projects, and the raising leaves the Company well-funded to commence a comprehensive exploration program which is underway.

I would like to thank our shareholders for their on-going support, and look forward to sharing an exciting 12 months with them as we undertake a comprehensive exploration program over Naracoota's quality projects.

Yours sincerely

S Crabbe.

Steven Crabbe
Managing Director

Directors' Report

The Directors of Naracoota Resources Ltd ("Naracoota") submit their annual financial report of the Company for the period ended 30 June 2011.

Directors

The names and particulars of the Directors of the Company in office during the period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Steven Crabbe, Managing Director (Appointed 15 April 2010)

Steve Crabbe has held senior positions in mining companies in the maintenance and production areas. He has 34 years experience in the mining and processing of iron ore, titanium minerals, alumina, gold and manganese.

Steve was the founder of Auvex Resources Ltd and as Managing Director took the company from inception to a producing manganese miner.

He is the founder and director of a successful mining services company, SJ Crushing Pty Ltd.

Steve is a Non-Executive Director of Lithex Resources Limited, an exploration company listed on the ASX with Lithium/Tin/Tantalum projects. During the past three years he has not served as a Director of any other ASX listed companies.

Stephen Woods, Executive Director (Appointed 15 April 2010)

Steve Woods was a registered Mine Manager and Field Manager for manganese explorer, Auvex Resources Ltd, for the Ant Hill & Sunday Hill Projects.

Steve has worked for the Geological Survey of Western Australia and has successfully prospected for gold at the Horseshoe region for many years.

Steve ran field programs for ASX listed companies including Image Resources Limited, Meteoric Resources Limited, Magnetic Resources Limited and Catalyst Metals Limited including RAB and RC drilling programs.

He consults to a variety of private and ASX listed companies.

During the past three years Steve has not served as a Director of any other ASX listed companies.

Wayne Fernie, Non-Executive Director (Appointed 18 October 2010)

Wayne Fernie has been involved in business management and finance for over 25 years in the investment, petroleum and mining industries.

Wayne has been involved with a successful business of his own and is a member of the National Institute of Accountants.

Wayne is currently Business Development Manager for a mining service company and is responsible for all aspects of the business including finance, legal and contracts.

During the past three years Wayne has not served as a Director of any other ASX listed companies.

John Stockley, Non-Executive Director (Appointed 4 January 2011)

John Stockley is an Honours graduate in Geology from the University of Tasmania in Australia, and has over 30 years experience in gold-base metal exploration and mining throughout the world. John has been involved in the exploration and development of gold projects in Australia, the Pacific islands, northern Asia, South America, Western and Northern Europe, and in Africa.

John is a member of the Society of Economic Geologists (SEG), and a Chartered Professional member of the Australasian Institute of Mining and Metallurgy.

John has worked for a variety of Mining Companies including Anglo American, Peko Wallsend, Renison Goldfields, Freeport Macmoran, Dominion Mining, and Troy Resources. John is the Director of Australian geological consulting company Lyndhurst Enterprises Pty Ltd. which has been operating for the past 16 years.

John served as a Director of Mount Magnet South NL to late 2008. During the past three years he has not served as a Director of any other ASX listed companies.

Directors' Report (cont'd)

Graeme Smith was a Director from 26 July 2010 until 11 October 2010.

Company Secretary

Daniel Hewitt (Appointed 23 June 2011)

Dan Hewitt is the Company Secretary and Commercial Manager. He is an experienced senior executive having spent the past 8 years as an in-house corporate advisor in an ASX listed environment. Dan has a Bachelor of Laws (Bond) and Commerce (UWA), is admitted as a Barrister and Solicitor of the Supreme Courts of Victoria and Western Australia, has a post grad in Applied Finance from FINSIA and is a Fellow of the same organisation.

Graeme Smith was Company Secretary from 15 April 2010 until 11 October 2010.

Ian Gregory was Company Secretary from 18 February 2011 until 23 June 2011.

At the date of this report the following table sets out the current Directors' relevant interests in shares and options of Naracoota Resources Ltd.

Director	Ordinary Shares		Options over Ordinary Shares	
	Current Holding	Net Increase/ (decrease)	Current Holding	Net Increase/ (decrease)
Steven Crabbe	5,133,950	5,133,950	-	-
Stephen Woods	2,333,333	2,333,333	-	-
Wayne Fernie	1,300,000	1,300,000	-	-
John Stockley	770,000	770,000	-	-

During and since the end of the period no share options were granted to directors as part of their remuneration by Naracoota Resources Ltd.

Remuneration Report (Audited)

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements
D. Share-based compensation
E. Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

A. Principles used to determine the nature and amount of remuneration

The whole Board form the Remuneration Committee. The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component with the flexibility to offer specific long term incentives based on key performance areas affecting the Company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to manage the Company.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually and determines policy recommendations by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.

- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

- The Managing Director and executives receive a superannuation guarantee contribution required by the government, which is currently 9% of base salary and do not receive any other retirement benefits.

- All remuneration paid to directors and executives is valued at the cost to the Company and expensed.

- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews the remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executive performance. Currently, this is facilitated through the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. The Company currently has no performance based remuneration component built into director and executive remuneration packages.

B. Details of remuneration

Details of remuneration of the directors and key management personnel (as defined in *AASB 124 Related Party Disclosures)* of Naracoota Resources Ltd are set out in the following table.

The key management personnel of Naracoota Resources Ltd are the Directors and the Company Secretary as listed on page 3 and 4.

Given the size and nature of operations of Naracoota Resources Ltd, there are no other employees who are required to have their remuneration disclosed in accordance with the Corporations Act 2001.

The table below shows the 2011 figures for remuneration received by the directors.

2011	Short Term			Post-employment		Equity	Other benefits	Total	Percentage of total remuneration for the period that consists of options
	Salary & fees	Bonus	Other benefits	Super-annuation	Pre-scribed benefits	Shares (i)	(D&O Insurance) (ii)		
	$	$	$	$	$	$	$	$	%
Directors									
Steve Crabbe	109,337	-	-	9,075	-	25,000	1,711	145,123	-
Steve Woods	110,806	-	-	9,327	-	25,000	1,711	146,844	-
Wayne Fernie	25,909	-	-	2,332	-	25,000	1,711	54,952	-
John Stockley	19,242	-	-	1,732	-	25,000	1,711	47,685	-
Executives									
Dan Hewitt (Company Secretary)	9,126	-	-	764	-	-	244	10,134	-
Total	**274,420**	-	-	**23,230**	-	**100,000**	**7,088**	**404,738**	-

i) These amounts are accounting valuations of shares issued as remuneration for services since incorporation and assistance with the Company's listing on the ASX and are therefore not cash payments.
ii) For accounting purposes Directors & Officers Indemnity Insurance is required to be recorded as remuneration. No director receives any cash benefits, simply the benefit of the insurance coverage.

C. Service Agreements

Steve Crabbe

The Board negotiated an agreement with Steve Crabbe as Managing Director which commenced on 17 January 2011. The remuneration package comprises $18,333 per month plus statutory superannuation. Mr Crabbe is to be reimbursed reasonable expenses incurred in carrying out his duties. The agreement may be terminated by either party without cause at any time in accordance with the relevant provisions in the service agreement.

Steve Woods

The Board negotiated an agreement with Steve Woods as Executive Director which commenced on 8 November 2010. The remuneration package comprises $13,333 per month plus statutory superannuation. Mr Woods is to be reimbursed reasonable expenses incurred in carrying out his duties. The agreement may be terminated by the Company by giving 1 month's notice in writing or by paying 1 month's salary in lieu thereof or terminated by the relevant provisions in the service agreement. The agreement may be terminated by Mr Woods by giving the Company 1 month's notice in writing.

Wayne Fernie

The Board negotiated an agreement with Wayne Fernie as Non-Executive Director which commenced on 18 October 2010. The remuneration package comprises $3,333 per month plus statutory superannuation. Mr Fernie is to be reimbursed reasonable expenses incurred in carrying out his duties. The agreement may be terminated by either party without cause at any time in accordance with the relevant provisions in the service agreement.

John Stockley

The Board negotiated an agreement with John Stockley as Non-Executive Director which commenced on 4 January 2011. The remuneration package comprises $3,333 per month plus statutory superannuation. Mr Stockley is to be reimbursed reasonable expenses incurred in carrying out his duties. The agreement may be terminated by either party without cause at any time in accordance with the relevant provisions in the service agreement.

Dan Hewitt

The Board negotiated an agreement with Dan Hewitt as Company Secretary and Corporate/Commercial Manager which commenced on 13 June 2011. The remuneration package comprises $13,333 per month plus statutory superannuation. Mr Hewitt is to be reimbursed reasonable expenses incurred in carrying out his duties. The agreement may be terminated by the Company by giving 3 months' notice in writing or by paying 3 months' salary in lieu thereof or terminated by the relevant provisions in the service agreement. The agreement may be terminated by Mr Hewitt by giving the Company 3 months' notice in writing.

D. Share-based Compensation

On 7 February 2011 the Board resolved to issue shares to Directors as remuneration for services since incorporation and assistance with the Company's listing on the ASX. The value of the shares issued to Directors are summarised in the remuneration table as disclosed on page 6. There was no other share-based compensation issued to key management personnel during the period.

E. Additional information

Performance income as a proportion of total compensation
No performance based bonuses have been paid to directors or executives during the period.

Directors Meetings

The following tables set information in relation to Board meetings held during the period.

Board Member	Board Meetings held while Director	Attended	Circular Resolutions Passed	Total
Steve Crabbe	10	10	3	13
Steve Woods	10	10	3	13
Wayne Fernie	8	8	2	10
John Stockley	5	5	1	6
Graeme Smith	2	1	1	2

Dates of Board Meetings and Circulating Resolutions

Board Meetings	Circulating Resolutions
16 April 2010	27 July 2010
13 September 2010	18 October 2010
30 September 2010	22 December 2010
14 December 2010	2 June 2011
31 January 2011	
1 February 2011	
7 February 2011	
18 February 2011	
31 March 2011	
21 April 2011	

Projects

The Projects are constituted by the following tenements:

Project	Tenement Number	Interest %
Horseshoe Project	M52/251	100%
	P52/1337	100%
	P52/1338	100%
	P52/1339	100%
	P52/1340	100%
	P52/1341	100%
	E52/1561-I	100%*
	P52/1383	100%
	M52/1048	100%*
	P52/1257	100%
	P52/1259	100%
	P52/1239	100%
Fraser Project	E52/2595	100%
	P52/1213	100%
	P52/1248	100%
Regional Licences	E52/2668	100%

*tenements held by Auvex Manganese Ltd
Company has 100% gold rights only

Applications for tenements controlled by Naracoota Resources Ltd are as follows:

Regional Licences	P52/1397	-
	P52/1398	-
	P52/1399	-
	P52/1400	-
	P52/1401	-
	P52/1402	-
	P52/1403	-
	P52/1404	-

Capital

The Naracoota Resources Ltd issued capital is as follows:

Ordinary Fully Paid Shares

At the date of this report there are the following number of Ordinary fully paid shares

	Number of shares
Ordinary fully paid shares	47,536,676

Shares Under Option

At the date of this report there are 1,000,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the period	-
Movements of share options during the period and to the date of this report	
Issued at 30 cents, expiring 2 August 2016	1,000,000
Total number of options outstanding at the date of this report	**1,000,000**

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options
3 August 2011	2 August 2016	30	1,000,000
Total number of options outstanding at the date of this report			**1,000,000**

No person entitled to exercise any option referred to above has had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Substantial Shareholders

Naracoota Resources Ltd has the following substantial shareholders as at 5 September 2011:

Name	Number of shares	Percentage of issued capital
SJ Crushing Pty Ltd (ACN 116 013 757), Steven & Janette Crabbe	5,133,950	10.80%

Range of Shares as at 5 September 2011

Range	Total Holders	Units	% Issued Capital
1 - 1,000	1	10	0.00
1,001 - 5,000	8	29,987	0.06
5,001 - 10,000	112	1,107,551	2.33
10,001 - 100,000	321	13,634,274	28.68
100,001 - 9,999,999	84	32,764,854	68.93
Total	**526**	**47,536,676**	**100.00**

Unmarketable Parcels as at 5 September 2011

	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $0.18 per unit	2,778	4	7,647

Top 20 holders of Ordinary Shares as at 5 September 2011

Rank	Name	Units	% of Issued Capital
1	SJ Crushing Pty Ltd	3,108,950	6.54
2	Mr Stephen Woods	2,333,333	4.91
3	Mr Steven David Crabbe	2,000,000	4.21
4	Mr Raymond Wright <Horseshoe>	1,250,000	2.63
5	LAM Speculative Ltd	1,200,000	2.52
6	Mr Andrew Barry + Ms Kim Barry <The Barry Super Fund T/A Nicst>	1,000,000	2.10
7	Biddlecombe Pty Ltd <Biddlecombe Pension A/C>	1,000,000	2.10
8	Zell Pty Ltd <Edwards S/F A/C>	1,000,000	2.10
9	Mr Wayne Clifton Fernie + Ms Leslie Karen Fernie <W & L Fernie Super Fund A/C>	800,000	1.68
10	Ms Kelly Jane Thompson	800,000	1.68
11	One Dog One Bone Pty Ltd	750,000	1.58
12	WD Hutchinson Nominees Pty Ltd <P&H Earthmoving S/Fund A/C>	750,000	1.58
13	Nutsville Pty Ltd <Indust Electric Co S/F A/C>	650,000	1.37
14	JP Morgan Nominees Australia Limited	615,628	1.30
15	Mrs Billie Henderson	510,000	1.07
16	Farfel Pty Ltd <Ascidian Super Fund A/C>	500,000	1.05
17	Mr Wayne Fernie	500,000	1.05
18	Ore West Ltd	500,000	1.05
19	Mr John Louis Stockley	500,000	1.05
20	Yandal Investments Pty Ltd	500,000	1.05
Total of Top 20 Holders of ORDINARY SHARES		**20,267,911**	**42.64**

Review of operations

During the period the Company focused on preparing itself for admission and listing on the Australian Securities Exchange, which took place on 24 June 2011.

The Company also entered into a number of agreements with various vendors, giving the Company the rights to interests in the tenements that make up the Horseshoe and Fraser projects, all located within Western Australia. Further details on the various acquisition agreements can be located in the Company's prospectus, available on request from Naracoota.

Naracoota will join all of these tenements into one entity as in the past they have all been owned by various prospectors and smaller gold exploration companies. As such the tenements have only been explored and tested using past methods and have not had the benefit of new techniques used for undertaking gold exploration and discovery. The Company intends to use modern exploration and geophysical techniques to identify deep copper-gold targets within the Naracoota Volcanics that underlies the tenements, and then move quickly to a deep drilling program to test these targets.

Financial Review

The Company was registered on 15 April 2010 and completed seed capital issues of 14,900,000 ordinary shares to raise $745,000 during the period ended 30 June 2010. The Company was listed on the Australian Securities Exchange following an IPO raising of $5 million in June 2011.

During the period total exploration expenditure incurred by the Company amounted to $174,096. In line with the Company's accounting policies, all exploration expenditure was expensed as incurred, while tenement acquisition costs were capitalised. Net administration expenditure incurred amounted to $547,561. This has resulted in an operating loss after income tax for the period ended 30 June 2011 of $721,657.

As at 30 June 2011 cash and cash equivalents totalled $4,000,012.

Summary of Financial Information as at 30 June 2011

	2011
Cash and cash equivalents ($)	4,000,012
Loss from ordinary activities before income tax expense ($)	(721,657)
No of issued shares	47,536,676
Share price ($)	0.205
Market capitalisation (Undiluted) ($)	9,745,019

Summary of Share Price Movement for period ended 30 June 2011

	Price	Date
Highest	$0.205	30 June 2011
Lowest	$0.20	24 June 2011
Latest	$0.18	5 September 2011

ASX Announcements

Date	Announcement Title	Date	Announcement Title
5/09/2011	IP Survey Reveals Significant Anomalies	22/06/2011	Securities Trading Policy
10/08/2011	Change of Director`s Interest Notice	22/06/2011	Statement of Commitments
4/08/2011	Appendix 3B	22/06/2011	Balance Sheet
29/07/2011	Quarterly Cash flow Report	22/06/2011	Corporate Governance Statement
29/07/2011	Quarterly Activities Report	22/06/2011	Confirmation of Settlement of Material Agreements
12/07/2011	Investor Presentation	22/06/2011	Appendix 1A - ASX Listing Application and Agreement
29/06/2011	Becoming a substantial holder	22/06/2011	Constitution
29/06/2011	Exploration Update	22/06/2011	Top 20 Holders
28/06/2011	Initial Director`s Interest Notice x 4	22/06/2011	Distribution Schedule
24/06/2011	Naracoota Lists On ASX	22/06/2011	Market Release Pre-Quotation Disclosure
23/06/2011	Details of Company Address	22/06/2011	ASX Circular Admission to Official List
23/06/2011	Company Secretary Appointment	22/06/2011	Admission to Official List
22/06/2011	Escrowed Securities	3/05/2011	Naracoota Resources Ltd - Prospectus

Compliance

Corporate Governance Statement

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The ASX document '*Corporate Governance Principles and Recommendations 2nd Edition*' published by the ASX Corporate Governance Council applies to listed entities with the aim of enhancing the credibility and transparency of Australia's capital markets. The Principles and Guidelines can be viewed at www.asx.com.au.

The Board has assessed the Company's current practice against the Guidelines and other than the matters specified below under *"If Not, Why Not" Disclosure*, all the best practice recommendations of the ASX Corporate Governance Council have been applied.

In relation to departures by the Company from the best practice recommendations, Naracoota makes the following comments:

Principle 2: Structure the Board to add value
2.1 *The majority of the Board should be independent directors*
The Board consists of two Non-Executive Directors, an Executive Director and a Managing Director. While none of the directors are independent the Board considers that the composition of the existing Board is appropriate given the scope and size of the Company's operations and the skills matrix of the existing Board members.

2.2 *The chair should be an independent directors*
The Company's Corporate Governance Plan states that, where practical, the Chairman should be a non-executive Director and if a Chairman ceases to be an independent Director then the Board will consider appointing a lead independent Director. While the Company is being established the Managing Director, Mr Steven Crabbe, is also acting as the Chairman of the Company. Due to the size of the Company and Mr Crabbe's experience, the Board believes that Mr Crabbe is the most appropriate person to act as Chairman.

2.3 *The roles of chair and chief executive officer should not be exercised by the same individual.*
The Company's Corporate Governance Plan outlines that, where practical, the Chief Executive Officer should not be the Chairman of the Company during his term as Chief Executive Officer. While the Company is being established the Managing Director, Mr Steven Crabbe, is also acting as the Chairman of the Company. Due to the size of the Company and Mr Crabbe's experience, the Board is of the opinion that Mr Crabbe has the capacity to fulfil both these rolls at the present time.

2.4 *The Board should establish a nomination committee*
Given the current size and structure of the Board, the Board as a whole serves as a nomination committee. The Board has adopted a formal Nomination Committee Charter which is available on the Company's website under the Corporate Governance Plan. The Board as a whole will identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board may also seek independent advice to assist with the identification process.

2.5 *Companies should disclose the process for evaluating the performance of the Board its committees and individual directors.*
Given the current size of the Company, Board and level of activity of the Company, the Board does not currently have a formal process for the evaluation of individual Directors or committees, but will consider the implementation of formal processes in future, particularly as the size of the Company, Board and level of activity of the Company increase.

Principal 3: Promote ethical and responsible decision-making
3.2 *Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measureable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.*
The Company's Corporate Governance Plan does not include an express policy specifically addressing diversity. Due to the current size of the Company's operations and based on the fact that the Company is in the early stages of development, the Board does not consider it necessary to have a diversity policy but will consider implementing a policy in the future.

Under the Company's Corporate Code of Conduct, employees must not harass, discriminate or support others who harass and discriminate against colleges or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender. Such harassment or discrimination may constitute an offence under legislation. Managers should understand and apply the principles of Equal Employment Opportunity.

3.3 *Companies should disclose in each annual report the measureable objectives for achieving set by the Board in accordance with the diversity policy and progress in achieving them.*
As noted above, the Company's Corporate Governance Plan does not include an express policy specifically addressing diversity. The Company will provide details of its objectives for achieving gender diversity set by the Board in its future annual reports.

3.4 *Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.*
As noted above, the Company's Corporate Governance Plan does not include an express policy specifically addressing this matter. The Company will provide details of its objectives for achieving gender diversity set by the Board in its future annual reports.

Principal 4: Safeguard integrity of financial reporting
4.1 *The Board should establish an Audit Committee*
4.2 *The audit committee should be structured so that it: consists of only non-executive directors, consists of a majority of independent directors, is chaired by an independent chair who is not chair of the Board and has at least three members*
4.3 *The audit committee should have a formal charter*
The Board considers that due to the size and complexity of the Company's affairs it does not merit the establishment of a separate audit committee. Until the situation changes the Board of Naracoota will carry out any necessary audit committee functions.

Principle 8: Remunerate fairly and responsibly
8.1 *The Board should establish a remuneration committee*
8.2 *The remuneration committee should be structured so that it:*
- *consists of a majority of independent directors*
- *is chaired by an independent director*
- *has at least three members*

The Board considers that due to the size and complexity of the Company's affairs it does not merit the establishment of a separate remuneration committee. Until the situation changes the Board of Naracoota will carry out any necessary remuneration committee functions.

Independent Professional Advice

Directors of the Company are expected to exercise considered and independent judgement on matters before them and may need to seek independent professional advice. A director with prior written approval from the Chairman may, at the Company's expense obtain independent professional advice to properly discharge their responsibilities.

Board Composition

The Board consists of two Non-executive Directors, an Executive Director and a Managing Director. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of Board meetings and the attendance of the directors are set out in the Directors' Report.

The Board will decide on the choice of any new director upon the creation of any new Board position and if any casual vacancy arises. Decisions to appoint new directors will be minuted. The Board considers that due to the size and complexity of the Company's affairs it does not merit the establishment of a separate nomination committee. Until the situation changes the Board of Naracoota will carry out any necessary nomination committee functions.

Share Trading Policy

Directors, officers and employees are prohibited from dealing in Naracoota shares when they possess inside information. The Board is to be notified promptly of any trading of shares in the Company by any Director or officer of the Company.

Additional Compliance Statements

Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure management's objectives and activities are aligned by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.

- Implementation of Board approved operating plans and Board monitoring of the progress against budgets.

Significant Changes in State of Affairs

Other than those disclosed in this annual report no significant changes in the state of affairs of the Company occurred during the financial period.

Significant Events after the Balance Date

No matters or circumstances besides those disclosed at note 22, have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or state of affairs of the Company in future financial years.

Likely Developments and Expected Results

The Company expects to maintain the present status and level of operations and hence there are no likely developments in the Company's operations.

Environmental Regulation and Performance

The Company is subject to significant environmental regulation in respect to its exploration activities.

The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it's aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the period under review.

Insurance of Directors and Officers

During or since the financial period, the Company has had premiums insuring all the directors of Naracoota Resources Ltd against costs incurred in defending conduct involving:

a) A wilful breach of duty
b) A contravention of sections 182 or 183 of the *Corporations Act 2001,*

as permitted by section 199B of the *Corporations Act 2001.*

The total amount of insurance contract premiums paid for the period is $7,088.

Dividends

No dividends were paid or declared during the financial year and no recommendation for payment of dividends has been made.

Non-Audit Services

During the period Stantons International or any of its associated entities did not provide any non-audit services to the Company.

Competent Person Statement

The information in this document that relates to exploration results is based on information compiled by Mr John Stockley, Consulting Geologist who is a Full Member of the Australian Institute of Geoscientists and a Registered Professional Geoscientist. Mr Stockley is a director of Naracoota Resources Ltd and a full time employee of Lyndhurst Enterprises Pty Ltd. Mr Stockley has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which has been undertaken to qualify as a Competent Person as defined by the 2004 edition of the "Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Stockley consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 16.

Signed in accordance with a resolution of the Directors made pursuant to s 298(2) of the Corporations Act 2001.

On behalf of the Directors

Steven Crabbe
Managing Director
Perth, Western Australia this 7th day of September 2011

Independence declaration to the Directors of Naracoota Resources Ltd

Level 1, 1 Havelock St
West Perth WA 6005
Australia
PO Box 1908
West Perth WA 6872
Australia

t: +61 8 9481 3188
f: +61 8 9321 1204

w: www.stantons.com.au
e: info@stantons.com.au

Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as
Stantons International
Chartered Accountants and Consultants

7 September 2011

Board of Directors
Naracoota Resources Limited
75 King Street,
Perth
WA 6000

Dear Directors

RE: NARACOOTA RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Naracoota Resources Limited.

As Audit Director for the audit of the financial statements of Naracoota Resources Limited for the period ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

J P Van Dieren
Director

West Perth, Western Australia

Directors' declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards and International Financial Reporting Standards as disclosed in note 2 and giving a true and fair view of the financial position and performance of the Company for the period ended on that date; and

(c) the audited remuneration disclosures set out in the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the Corporations Act and Regulations 2001.

(d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001 for the period ended 30 June 2011.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Steven Crabbe
Managing Director
7 September 2011

Independent audit report to the members of Naracoota Resources Ltd

Level 1, 1 Havelock St
West Perth WA 6005
Australia
PO Box 1908
West Perth WA 6872
Australia

t: +61 8 9481 3188
f: +61 8 9321 1204

w: www.stantons.com.au
e: info@stantons.com.au

Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as
Stantons International
Chartered Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
NARACOOTA RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Naracoota Resources Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the company, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Naracoota Resources Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the period ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 5 to 7 of the directors' report for the period ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion
In our opinion the remuneration report of Naracoota Resources Limited for the period ended 30 June 2011 complies with section 300 A of the *Corporations Act 2001.*

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

J P Van Dieren
Director

West Perth, Western Australia
7 September 2011

Statement of Comprehensive Income for the period ended 30 June 2011

	Note	15 April 2010 to 30 June 2011 $
Revenue		-
Employee and contractors expenses		(405,106)
Depreciation expense		(11,774)
Consultants expenses		(38,071)
Occupancy expenses		(14,022)
Marketing expenses		(2,600)
Exploration and evaluation expenses		(174,096)
Other expenses		(75,988)
Income/(Loss) from continuing operations before income tax expense/benefit	**4**	**(721,657)**
Income tax expense/benefit	**5**	**-**
Income/(Loss) from continuing operations attributable to members of the parent entity		**(721,657)**
Other comprehensive income for the period		-
Total comprehensive income/(loss) for the period		**(721,657)**
Profit/(Loss) per share:		
Basic (cents per share)	**17**	**(5.40)**
Diluted (cents per share)	**17**	**(5.40)**

The accompanying notes form part of the financial statements

Statement of Financial Position as at 30 June 2011

	Note	2011 $
Current assets		
Cash and cash equivalents	23(a)	4,000,012
Trade and other receivables	9	61,303
Total current assets		**4,061,315**
Non-current assets		
Other financial assets	10	20,000
Property, plant and equipment	11	45,705
Mining Properties	12	1,230,333
Total non-current assets		**1,296,038**
TOTAL ASSETS		**5,357,353**
Current liabilities		
Trade and other payables	13	202,936
Provisions	14	16,315
Total current liabilities		**219,251**
TOTAL LIABILITIES		**219,251**
NET ASSETS		**5,138,102**
Equity		
Issued capital	15	5,859,759
Accumulated losses	16	(721,657)
Total equity		**5,138,102**

The accompanying notes form part of the financial statements

Statement of Changes in Equity for the period ended 30 June 2011

For the period 15 April 2010 to 30 June 2011	Attributable to equity holders		
	Ordinary Shares $	Accumulated Losses $	Total Equity $
Balance at beginning of period	-	-	-
Total comprehensive income			
Loss for the period	-	(721,657)	(721,657)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	-	(721,657)	(721,657)
Transactions with owners recorded direct to equity			
Issue of shares	6,360,335	-	6,360,335
Shares issue expenses	(500,576)	-	(500,576)
Total transactions with owners	5,859,759	-	5,859,759
Balance as at 30 June 2011	**5,859,759**	**(721,657)**	**5,138,102**

The accompanying notes form part of the financial statements

Statement of Cash Flows for the period ended 30 June 2011

	Note	15 April 2010 to 30 June 2011 $
Cash flows from operating activities		
Payments for exploration and evaluation		(146,261)
Payments to suppliers and employees		(349,710)
Net cash used in operating activities	**23(b)**	**(495,971)**
Cash flows from investing activities		
Payment for tenement acquisition		(747,000)
Payment for property, plant and equipment		(57,479)
Net cash used in investing activities		**(804,479)**
Cash flows from financing activities		
Proceeds from issues of equity securities		5,769,000
Payment for share issue costs		(468,538)
Net cash provided by financing activities		**5,300,462**
Net increase in cash and cash equivalents		4,000,012
Cash and cash equivalents at the beginning of the financial period		**-**
Cash and cash equivalents at the end of the financial period	**23(a)**	**4,000,012**

The accompanying notes form part of the financial statements

Notes to the Financial Statements for the period ended 30 June 2011

1. General information

Naracoota Limited (the Company) is a listed public Company, incorporated in Australia.
The Company's registered office and its principal place of business are as follows:

Registered office	**Principal place of business**
75 King Street Perth, Western Australia 6000	75 King Street Perth, Western Australia 6000

2. Statement of significant accounting policies

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the financial statements of the Company.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the Company financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 7 September 2011.

The principal accounting policies set out below have been applied in preparing the financial statements for the period ended 30 June 2011.

(a) Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical cost, as modified by the measurement at fair value of certain assets, where appropriate. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits with a maturity of less than 3 months, net of outstanding bank overdrafts.

(c) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(d) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

2. Statement of significant accounting policies (cont'd)

Loans and receivables
Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(e) Financial instruments issued by the Company
Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(f) Earnings per share
Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other that ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(g) Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(h) Impairment of assets
At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2. Statement of significant accounting policies (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

2. Statement of significant accounting policies (cont'd)

(j) Intangible assets

Exploration, evaluation and development expenditure

Exploration and evaluation expenditure on areas of interest are expensed as incurred. Costs of acquisition may be expensed but will be assessed on a case by case basis and will be capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

(k) Joint ventures

Jointly controlled assets and operations

Interests in jointly controlled assets and operations are reported in the financial statements by including the entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

Jointly controlled entities

Interests in jointly controlled entities are accounted for under the equity method in the financial statements and the cost method in the Company financial statements.

(l) Operating cycle

The operating cycle of the entity coincides with the annual reporting cycle.

(m) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(n) Presentation currency

The entity operates entirely within Australia and the presentation currency is Australian dollars.

(o) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line or diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate (%)
• Computer equipment	25 – 66.67
• Furniture and fittings	5
• Motor vehicles	25
• Plant and equipment	40

2. Statement of significant accounting policies (cont'd)

(p) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(q) Revenue recognition

<u>Dividend and interest revenue</u>

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(r) Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model or binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(s) Segment reporting policy

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by the Company's chief operating decision maker which, for the Company, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position.

(t) Accounting period

Naracoota was incorporated on 15 April 2010. This is the first reporting period for the Company, being the period from incorporation to 30 June 2011, and as such, there is no comparative information included in these financial statements.

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard is not expected to impact on the Company's accounting for financial assets as it does not have any available for sale assets. There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The Company has decided not to early adopt AASB 9.

2. Statement of significant accounting policies (cont'd)

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011).

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Company will apply the amended standard from 1 July 2011. When the amendments are applied, the Company will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iii) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013).

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Credo Resources Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

3. Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Key estimates — impairment
The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

The company has capitalised significant tenement acquisition expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the areas of interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

The future recoverability of capitalised tenement acquisition expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related tenement acquisition costs through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

No impairment has been recognised for the period ended 30 June 2011.

Key estimates — share-based payments
The Company measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

4. Income/(Loss) from operations

Income/(Loss) before income tax has been arrived at after charging the following gains and (losses) from continuing operations

	2011 $
Depreciation of non-current assets	(11,774)
Operating lease rental expenses:	
Minimum lease payments	(14,022)
Employee benefit expense includes:	
Post employment benefits:	
Defined contribution plans	(23,230)
Share-based payments:	
Equity settled share-based payments	(105,000)

5. Income taxes

Income tax recognised in profit or loss
Tax expense comprises:

	2011 $
Current tax expense	-
Deferred tax expense relating to the origination and reversal of temporary differences	-
Total tax expense	-

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

	2011 $
(Loss) from operations	(721,657)
Income tax benefit calculated at 30%	(216,497)
Effect of expenses that are not deductible in determining taxable profit	44,488
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	172,009
Income tax attributable to operating loss	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Unrecognised deferred tax balances

The following deferred tax assets and (liabilities) have not been brought to account :

	2011 $
Tax losses – revenue	571,144
Tax losses – capital	-
Net temporary differences	(240,467)
	330,677

	2011 $

6. Key management personnel disclosures

(a) Details of key management personnel

The Directors and Executives of Naracoota Resources Ltd during the period were:

Directors

- Steven Crabbe
- Stephen Woods
- Wayne Fernie
- John Stockley

Executives

- Daniel Hewitt (Company Secretary)

(b) Key management personnel compensation

The aggregate compensation made to key management personnel of the Company is set out below

	2011 $
Short-term employee benefits	274,420
Post-employment benefits	23,230
Other long term benefits	7,088
Share-based payment	100,000
	404,738

The compensation of each member of the key management personnel of the Company is set out in the Directors Remuneration report on pages 5 to 7.

7. Share-based payments

Shares

The following share-based payments were made during the current reporting period:

Description	Number	Value per share $	$
Share-based payment issued during the period for services received (i)	2,100,000	0.05	105,000
Share-based payment issued during the period for tenement acquisition (ii)	2,416,666	0.20	483,333

(i) The shares were issued to directors and consultants as remuneration for services since incorporation and assistance with the Company's listing on the ASX at a deemed value of 5 cents each.

(ii) The shares were issued to vendors pursuant to various tenement acquisition agreements at a deemed value of 20 cents each.

	2011 $

8. Remuneration of auditors

	2011 $
Audit of the financial report	12,500
	12,500

The auditor of Naracoota Resources Ltd is Stantons International.

9. Current trade and other receivables

	2011 $
Net goods and services tax (GST) receivable	57,301
Other	4,002
	61,303

10. Non-current other financial assets

	2011 $
Other receivables – rental bond	20,000
	20,000

11. Property, plant and equipment

	Computer equipment at cost $	Furniture & fittings at cost $	Motor vehicles at cost $	Plant & equipment at cost $	Total $
Gross carrying amount					
Balance at beginning of financial period	-	-	-	-	-
Additions	22,577	4,502	24,000	6,400	57,479
Balance at end of financial period	22,577	4,502	24,000	6,400	57,479
Accumulated depreciation and impairment					
Balance at beginning of financial period	-	-	-	-	-
Depreciation expense	(5,328)	(766)	(3,863)	(1,817)	(11,774)
Balance at end of financial period	(5,328)	(766)	(3,863)	(1,817)	(11,774)
Net book value					
At beginning of financial period	-	-	-	-	-
At 30 June 2011	17,249	3,736	20,137	4,583	45,705

	2011 $
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the period:	
Computer equipment	5,328
Furniture & fittings	766
Motor vehicles	3,863
Plant & equipment	1,817
	11,774

12. Mining properties

Balance at beginning of financial period	-
Capitalised tenement acquisition costs	1,230,333
Balance at end of financial period	1,230,333

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

13. Current trade and other payables

Trade payables (i)	61,087
Other	141,849
	202,936

(i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest is charged at various penalty rates. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

14. Current provisions

Employee benefits	16,315
	16,315

	2011 $

15. Issued capital

	2011 $
47,536,676 fully paid ordinary shares (net of costs)	5,859,759

	2011 No.	2011 $
Fully paid ordinary shares		
Balance at beginning of financial period	-	-
Issued at incorporation	3,000,010	3,002
Issued to seed investors	14,900,000	745,000
Issued to directors and consultants	2,100,000	105,000
Issued as consideration for acquisition of tenements	2,416,666	483,333
Issued following IPO	25,120,000	5,024,000
Share issue costs	-	(500,576)
Balance at end of financial period	47,536,676	5,859,759

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

16. Accumulated losses

	2011 $
Balance at beginning of financial period	-
Income(Loss) attributable to members of the entity	(721,657)
Balance at end of financial period	(721,657)

17. Loss per share

	2011 Cents per share
Basic Income (loss) per share:	
From continuing operations	(5.40)
Total basic loss per share	(5.40)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2011 $
Loss	(721,657)

	2011 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	13,360,580

18. Commitments

	2011 $
Exploration, evaluation & development (expenditure commitments)	
Not longer than 1 year	202,748
Longer than 1 year and not longer than 5 years	145,420
Longer than 5 years	1,342,432
	1,690,600

18. Commitments for expenditure (cont'd)

Commitments relating to outstanding agreements

The Company has not yet settled the sale agreement entered into with Elizabeth Strowger (as executor/administrator of the estate of John Edward Coumbe) on 1 February 2011 to acquire the legal and beneficial interest in Prospecting Licenses P52/1257, P52/1259, P52/1239 and P52/1213 and the gold rights on Exploration License E52/1561 and Mining Lease M52/1048 held by the late Mr John Coumbe. Settlement of this agreement is conditional upon Ms Strowger being appointed as the executor and administrator of Mr Coumbe. The agreement is further outlined in the Company's Prospectus dated 21 April 2011.

The Company and Ms Strowger have entered into an undertaking pursuant to which they have each agreed to enter into a restriction agreement for the 333,334 shares to be issued to Ms Strowger when this agreement is settled. The shares will be restricted from the period of issue until the Company has been quoted on the ASX for a period of 12 months.

19. Contingent liabilities and contingent assets

In the opinion of the Directors, there are no contingent liabilities or contingent assets as at 30 June 2011 and none were incurred in the interval between the period end and the date of this financial report.

20. Segment reporting

The Company operates predominantly in the mineral exploration industry in Australia. For management purposes, the Company is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Company's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

21. Related party disclosures

(a) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 6 to the financial statements.

(b) Key management personnel equity holdings

Fully paid ordinary shares of Naracoota Resources Ltd

Key management personnel	Balance at beginning of period No.	Granted as remuneration No.	Net other change No.	Balance at end of period No.
2011				
Directors				
Steven Crabbe	-	500,000	4,625,000	5,125,000
Stephen Woods	-	500,000	1,833,333	2,333,333
Wayne Fernie	-	500,000	800,000	1,300,000
John Stockley	-	500,000	270,000	770,000
Executives				
Dan Hewitt (Company Secretary)	-	-	50,000	50,000
	-	2,000,000	7,578,333	9,578,333

Share options of Naracoota Resources

There have been no options provided as remuneration to key management personnel during the period.

(c) Loans to key management personnel and their related parties

There have been no loans to key management personnel during the period.

21. Related party disclosures (cont'd)

(d) Other transactions with key management personnel

SJ Crushing Pty Ltd, of which Mr Crabbe is a director and Mr Fernie is a manager, provided accounting and bookkeeping services amounting to $27,925 to Naracoota during the period. The amounts paid were on arms length commercial terms. At 30 June 2011 there are no outstanding amounts owing to SJ Crushing Pty Ltd.

Lyndhurst Enterprises Pty Ltd, of which Mr Stockley is a director, provided geological services amounting to $28,780 to Naracoota during the period. The amounts paid were on arms length commercial terms. At 30 June 2011 there are no outstanding amounts owing to Lyndhurst Enterprises Pty Ltd.

Engrove Pty Ltd as trustee for the Dansar Trust, of which Mr Hewitt is a director, provided company secretarial services amounting to $9,800 to Naracoota during the period. The amounts paid were on arms length commercial terms. At 30 June 2011 $9,800 was owing to Engrove Pty Ltd.

During the period the Company paid rent, outgoings and a rental bond amounting to $39,086 to and purchased assets to the value of $16,491 from Lithex Resources Ltd ("Lithex"), of which Mr Crabbe is a director. The amounts paid were on arms length commercial terms. An amount of $5,500 was paid to Lithex as settlement of a sale agreement pursuant to which the Company acquired all the legal and beneficial interest in Exploration License E52/2595 from Lithex. At 30 June 2011 $21,478 was owing to Lithex.

The Company acquired all the legal and beneficial interest held by Mr Woods in Prospecting Licenses P52/1257, P52/1239, P52/1248 and the gold rights to which he was entitled on Exploration License E52/1561 and Mining Lease M52/1048 in consideration for the issue of 333,333 ordinary shares at 20 cents each for a total value of $66,667 and a payment of $44,000 pursuant to a sale agreement between the two parties. Furthermore, the Company purchased gold nuggets to be used as marketing material from Mr Woods for $4,296. The amount paid was on arms length commercial terms. At 30 June 2011 there are no outstanding amounts owing to Mr Woods.

22. Subsequent events

On 3 August 2011, the Company granted 1,000,000 options to the Company Secretary, Mr Daniel Hewitt. The options are exercisable at $0.30 each and expire on 2 August 2016.

No other matters or circumstances have arisen since 30 June 2011 that may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

23. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2011 $
Cash and cash at bank	4,000,012
	4,000,012

23. Notes to the statement of cash flows (cont'd)

	2011 $
(b) Reconciliation of loss for the period to net cash flows from operating activities	
(Loss) for the period	(721,657)
Depreciation of non-current assets	11,774
Equity settled share-based payments	105,000
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:	
(Increase)/decrease in assets:	
Trade and other receivables	(78,301)
Increase in liabilities:	
Trade and other payables and provisions	187,213
Net cash from operating activities	(495,971)

(c) Non-cash investing and financing activities

2,416,666 ordinary shares were issued at 20 cents each for acquisition of tenements for a total value of $483,333.

24. Financial instruments

(a) Financial risk management objectives

The Company does not enter into or trade financial instruments, including derivative financial instruments. The use of financial derivatives is governed by the Company's Board of Directors.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(c) Foreign currency risk management

The Company does not transact in foreign currencies, hence no exposure to exchange rate fluctuations arise.

(d) Interest rate risk management

The Company has not been exposed to movements in market interest rates on cash and cash equivalent during the period as funds have been in operating accounts that do not earn interest.

24. Financial instruments (cont'd)

Maturity profile of financial instruments

The following table details the Company's exposure to interest rate risk.

Company	Weighted average effective interest rate	Variable interest rate	Fixed maturity dates			Non interest bearing	Total
			Less than 1 year	1-5 years	5+ years		
	%	$	$	$	$	$	$
2011							
Financial assets:							
Cash and cash equivalents	0.0%	-	-	-	-	4,000,012	4,000,012
Trade and other receivables	0.0%	-	-	20,000	-	61,303	81,303
		-	-	20,000	-	4,061,315	4,081,315
Financial liabilities:							
Trade and other payables	0.0%	-	-	-	-	202,936	202,936
		-	-	-	-	202,936	202,936

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored. The Company measures credit risk on a fair value basis.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

It is a policy of the Company that creditors are paid within 30 days.

(f) Fair value of financial instruments

The net fair value of financial assets and liabilities of the Company approximated their carrying amount.

The Company has no financial assets and liabilities where the carrying amount exceeds the net fair value at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and notes to the financial statements.

(g) Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company does not perform any sensitivity analysis and none is disclosed in the financial statements as the impact would not be material.

(h) Market price risk

Given the current level of operations and financial assets need the Company is not exposed to price risk.