NARACOOTA
Resources Ltd

17 January 2012

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Dear Shareholder

"Pick" Profile & Update

Please find enclosed for your information a copy of the recent company profile in the December 2011 edition of the quarterly resources publication "the Pick".

It has been a busy and exciting 6 months since listing on the ASX in late June last year.

Inspired by recent high grade regional discoveries like DeGrussa and Andy Well, Naracoota's corporate strategy has been to bring a fresh outlook and the latest exploration techniques to an area in the Peak Hill region which based on historic data is highly prospective, particularly for gold. However, due to disjointed tenement holdings, and commodity price cycles, the area has not until now had any substantive exploration conducted over it in 20+ years.

With this in mind, Naracoota Resources commenced exploration with a comprehensive land based geophysical program (gradient array and follow up dipole-dipole induced polarisation) over the Company's flagship Horseshoe Project. This was the first time any detailed geophysics had been performed over the area. The results were highly encouraging with multiple subsurface anomalies trending through the project area including the very large anomaly, C12 Deeps. Importantly, the location of the body of this anomaly appears to sit within a historic bedrock geochemical copper anomaly (see ASX announcement dated 6 October 2011 for more detail). These anomalies are a high priority for the Company to drill test in the first quarter of this year.

Naracoota also conducted its maiden drill program of approx. 2,200 metres of RC drilling focusing primarily on the historic Costean 12 gold prospect within the confines of pre-existing POW's. 17 shallow holes (vertical depth of 50m) were drilled with broad zones of anomalous gold mineralisation encountered (e.g. 19 metres at 1.3 g/t Au) (see ASX announcement dated 16 November 2011 for full details). Given these results, the Company is firmly of the view that deeper drilling is required through this area to test for the source of this mineralisation. Again, this is a high priority for the first quarter of this year.

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As part of its substantive modern approach the Company has commissioned detailed aero-magnetics to be flown over the Horseshoe Project in the coming weeks. This will provide another important level of structural information which has never before been available. This data in conjunction with the ground geophysics and ongoing compilation of historic information will allow Naracoota to refine and prioritise its drill targets for the upcoming drill program down on the flats at Horseshoe Range to give the highest possible chance for success.

In the meantime, the Company is currently completing a 1,000 metre drill program at the historic Hill 680 gold prospect up on the range of the Horseshoe project. As previously reported this drilling has been slower than first anticipated but the Company is encouraged by initial observations of the drill core with large intersections of sandstone with abundant quartz veins/stockwork apparent. The observed geology is conducive for hosting gold mineralisation, noting that assay results are required before this can be confirmed which are now expected within the next 2-3 weeks.

I would like to take this opportunity to thank you for your on-going support as a shareholder. I believe we have all the right ingredients at Naracoota Resources for a very prosperous year in front of us.

Please contact us should you have any queries.

Yours faithfully

S Crabbe.

STEVE CRABBE

MANAGING DIRECTOR

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Naracoota brings modern thinking to exciting WA exploration project

Junior minerals explorer **Naracoota Resources Ltd (ASX: NRR)** is using a modern, systematic exploration approach to develop the significant prospects over its' tenement holdings in the Peak Hill region, near Meekatharra, in Western Australia.

It would be very tempting for a new company to bring in the rigs and start drilling as soon as possible when there are numerous "walk up" targets all over your project area and nuggets sticking out of the ground. Adding to this temptation is that fact that you are located in an area with a rich history of gold discoveries, in one of Australia's exploration "hot spots" being 80 km west of Sandfire's DeGrussa copper and gold discovery.

Wisely Naracoota, which listed on the ASX in late June 2011, wanted to take advantage of the latest exploration techniques as well as a database of valuable historical data prior to the commencement of any drilling.

This strategy has now opened up a range of highly prospective exploration options for the company including shallow, quick to develop targets and large geophysical anomalies at depth to follow up.

"We are not driven to be an explorer, we want to be a producer, and a significant one at that. That's why we are using the latest scientific techniques to look for large ore-bodies at depth," Naracoota's Managing Director, Steve Crabbe, recently told **The Pick**.

"We are not driven to be an explorer, we want to be a producer, and a significant one at that. That's why we are using the latest scientific techniques to look for large ore-bodies at depth."

Steve Crabbe
MANAGING DIRECTOR, NARACOOTA RESOURCES

"We are fortunate to have a wealth of historic information attached to the projects," he continued. "This allows us to fast track through the typical preliminary work required and focus on the business of substantive exploration over highly prospective targets."

A perfect example of the Naracoota strategy is demonstrated by the Company's recent activities at the historic Costean 12 prospect on the flats at the Horseshoe Range project.

A limited program of shallow RAB drilling was conducted at Costean 12 in the early 1990's by Dominion Mining which returned encouraging gold results. This makes it an obvious "walk up" target for drilling. However with most of the flats covered by cemented gravels, Naracoota chose to conduct a ground based IP survey (gradient array and follow up dipole - dipole) over this area prior to the commencement of any drilling.

The IP survey revealed a number of prospective sub-surface structural features and chargeable zones to a depth of 270 metres; including the exciting new target, C12 Deeps. C12 Deeps is a large chargeable IP anomaly which appears to sit within a historic surface bedrock geo-chemical copper anomaly, and comes nearest to surface co-incident with historic gold mineralisation at Costean 12.

Once the geophysics was completed, an initial drill program was conducted at Costean 12 within the confines of pre-existing programme of works to a vertical depth of approximately 50 metres.

According to Steve Crabbe, this initial program of drilling not only confirmed historic gold mineralisation at Costean 12 from the shallow RAB drilling 20+ years prior, but importantly it also revealed significant new zones of gold mineralisation to the south. This southern area had never been drill tested before and extended the strike length of gold mineralisation at Costean 12 to 240 metres where it remains open in all directions.

"Given the results from our initial relatively shallow drill program, combined with the recent IP survey data, we're very encouraged by the potential of this area to host significant mineralisation at depth. It's a high priority for the Company to conduct follow up deeper drilling through this area to test for the source of this near surface mineralisation," he said.

Naracoota is also using the same strategy up on the Horseshoe Range at Hill 680. Like Costean 12, Hill 680 has historic results which made it an obvious "walk up" target for drilling. While much of this area remains untested by drilling, historic RC drilling focussing on 200m of strike returned significant gold intersections. A strike length of approximately 1.6 km has been identified over the range within a host lithology which extends more than 4.5 km within the Company's tenements.

Naracoota has engaged the national government body for scientific research, CSIRO, to assist with a structural review of the Hill 680 area. A highly detailed aero-magnetic survey has also been commissioned to be conducted over the Horseshoe tenement package early next year. Meanwhile the Company has just commenced an initial program of 1,200 metres of diamond drilling beneath the historical drilling at Hill 680. This is the first time diamond drilling has ever been conducted within the tenement package and the core samples from this program will greatly assist the Company's understanding of the structure of the range.

Steve Crabbe says that Naracoota has a carefully considered approach to its exploration utilising the knowledge obtained by previous explorers, adding results obtained from modern exploration techniques and compiling it into one database of information to hopefully lead it to the source of all the mineralisation in the area.

"There is so much near surface mineralisation and encouraging historic data which has been collected over the years that we are strongly of the view it has to be coming from somewhere at depth.

"Interestingly, when we started talking to people about the Horseshoe project, many believed the area had already been comprehensively explored. However, when you actually review the work conducted, it's largely standard preliminary exploration work like mapping, shallow drill testing, and surface geo-chemical sampling programs. Due to disjointed tenement holdings, and low commodity prices at the time, explorers walked away from what today are highly encouraging preliminary results.

"In the meantime, there hasn't been a drill hole of any description put into the ground in nearly 20 years and no modern detailed geophysics ever conducted. So in some ways it's like an exciting new project in a premier historic location with all the preliminary work done for us. All this at a time when the gold price is at very attractive levels."

When you pull all of these factors together, add in the knowledge that it is the first time anyone has been able to consolidate this tenement package in a district which includes the Horseshoe Lights Mine and the large DeGrussa VMS discovery, it is no wonder that some highly knowledgeable investors have taken sizeable interests in the company.

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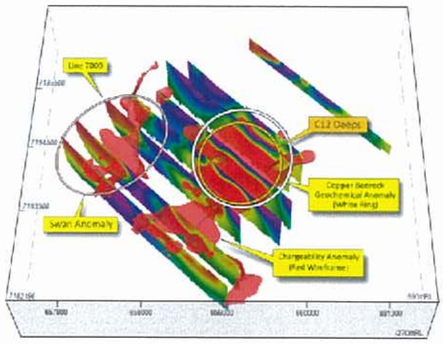

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