QUARTERLY ACTIVITIES REPORT

For the period ending 30 June 2012

NARACOOTA Resources Ltd

Corporate Details

ASX code: NRR

Issued Shares
47,536,676

Options
5 Mill

Share Price
$0.055

Market Capitalisation
$2.6M

Cash (end of quarter)
$1.25M

DIRECTORS
Steven Crabbe
Stephen Woods
Wayne Fernie

COMPANY SECRETARY
Daniel Hewitt

CONTACT DETAILS
75 King Street
Perth WA 6000
PO Box 7044
CLOISTERS SQUARE
WA 6850
T: (08) 9200 5858

www.naracoota.com.au

ABN 77 143 142 410

HIGHLIGHTS

- **Aero-magnetic survey reveals highly prospective new structural targets**
- **Co-incident structures with Datum Post and Mars prospects**
- **CSIRO structural study confirms prospectivity of Horseshoe Range**
- **Awarded two (2) grants from WA State Government totalling up to $125,000 to co-fund drilling of prospective targets**

Naracoota Resources Limited ("Naracoota" or "the Company") (ASX:NRR) is pleased to report its activities for the quarter ending 30 June 2012.

Aero-Magnetic Survey

The Company conducted a detailed 30 metre line spacing aero-magnetic survey over its Horseshoe Range project during the quarter.

The Company is encouraged by the survey results which clearly show significant prospective features running through the Horseshoe project area (see Figure 1). Numerous faults are evident in the magnetic data, including a significant feature that runs continuously through the Horseshoe project to the Horseshoe/Cassidy pits that produced 91,800ozs Au and has remaining resources of 162,900 oz. Au (RNI announcement dated 9/01/2012 and DMP open file records). Importantly, some of these features have been identified for the first time by this detailed survey data and have never been tested for gold mineralisation.

The interpretation is ongoing but the data clearly highlights two areas of interest which are co-incident with historic mineralisation namely at Datum Post and Mars prospects.

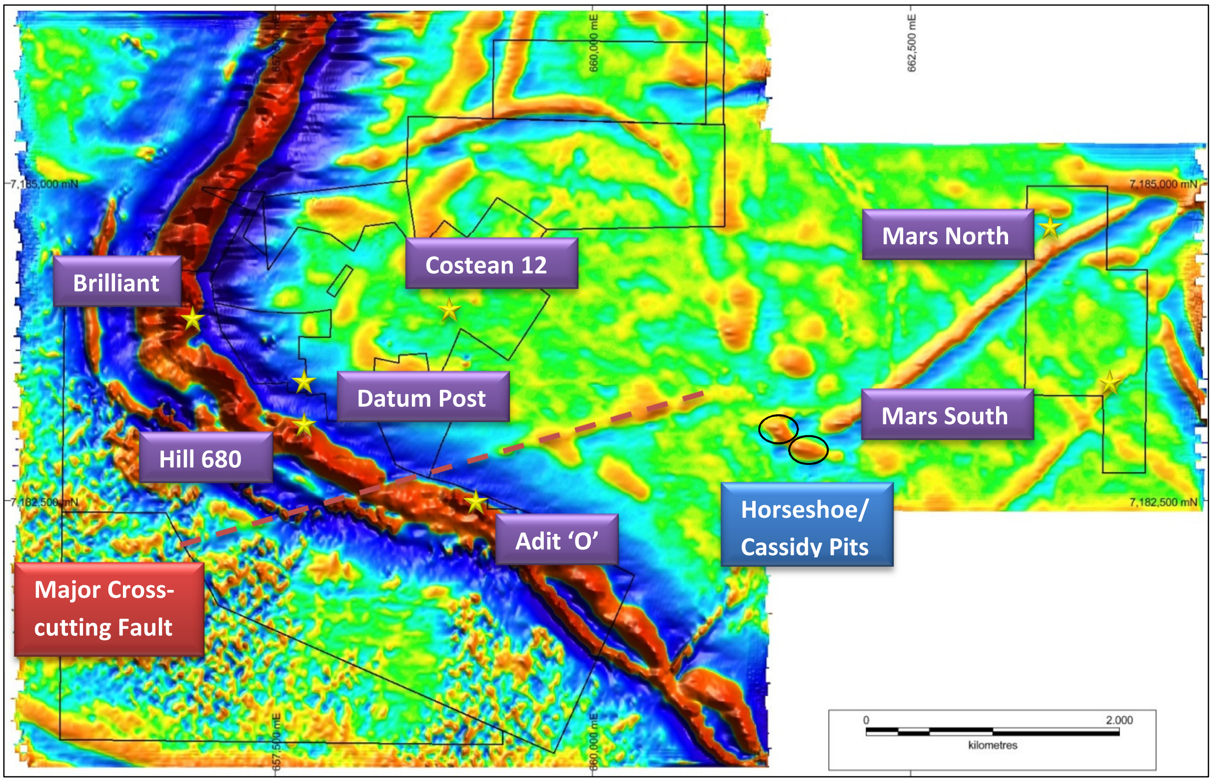

Figure 1: First Vertical Derivative (1VD) of the magnetic data (TMI) from 30m line spaced airborne geophysical survey. Red is highly magnetic, and blue indicates a low magnetic response. The most obvious feature is the highly magnetic Horseshoe Range, then more importantly cross-cutting faults, and shear zones.

Datum Post

The Datum Post prospect consists of an area of outcropping mineralised quartz veins that has had limited historical exploration. Rock chip samples collected in 1986/87 indicated that the veins carry high grade gold mineralisation, and these results were repeated in early Naracoota sampling of the area (refer ASX announcement 19/09/11). Drill testing of the prospect was limited to seven RC holes for 615.5m, comprising two lines 400m apart. Mineralisation within the drilling ranged up to 6.3g/t Au over 1m in hole MBRC7. Figure 2 below outlines the historical sampling results from the limited outcrop, and the location of the seven RC drill holes.

Beneath the Datum Post prospect surface mineralisation, an entirely new magnetic body has been revealed by the modelling of the magnetic data. The relationship between the mineralisation observed at Datum Post and the buried magnetic body (Figure 3) is yet to be determined. Encouragingly, the magnetic body identified in the modelling sits beneath and has similar dimensions in plain view to the defined mineralised corridor at the prospect.

Drill planning for the Datum Post prospect will be refined to incorporate testing this newly identified magnetic body.

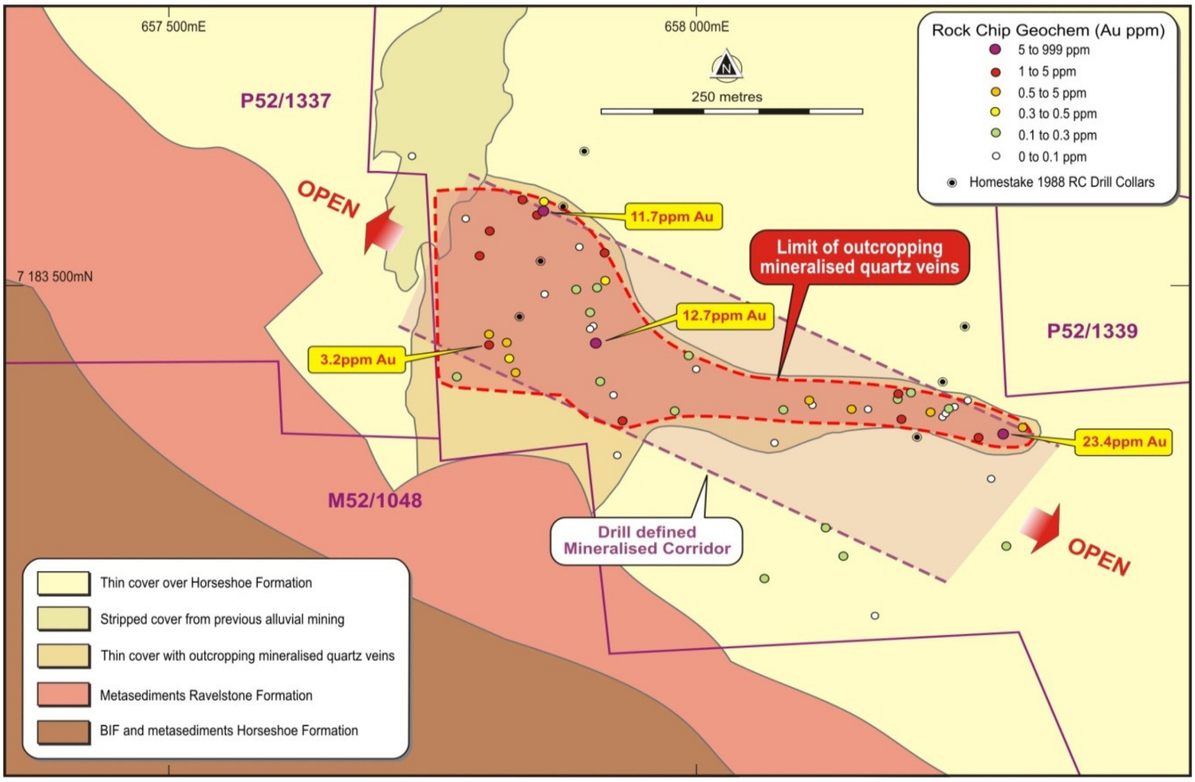

Figure 2: Datum Post Prospect with rock chip sampling illustrating the extent of outcropping mineralisation.

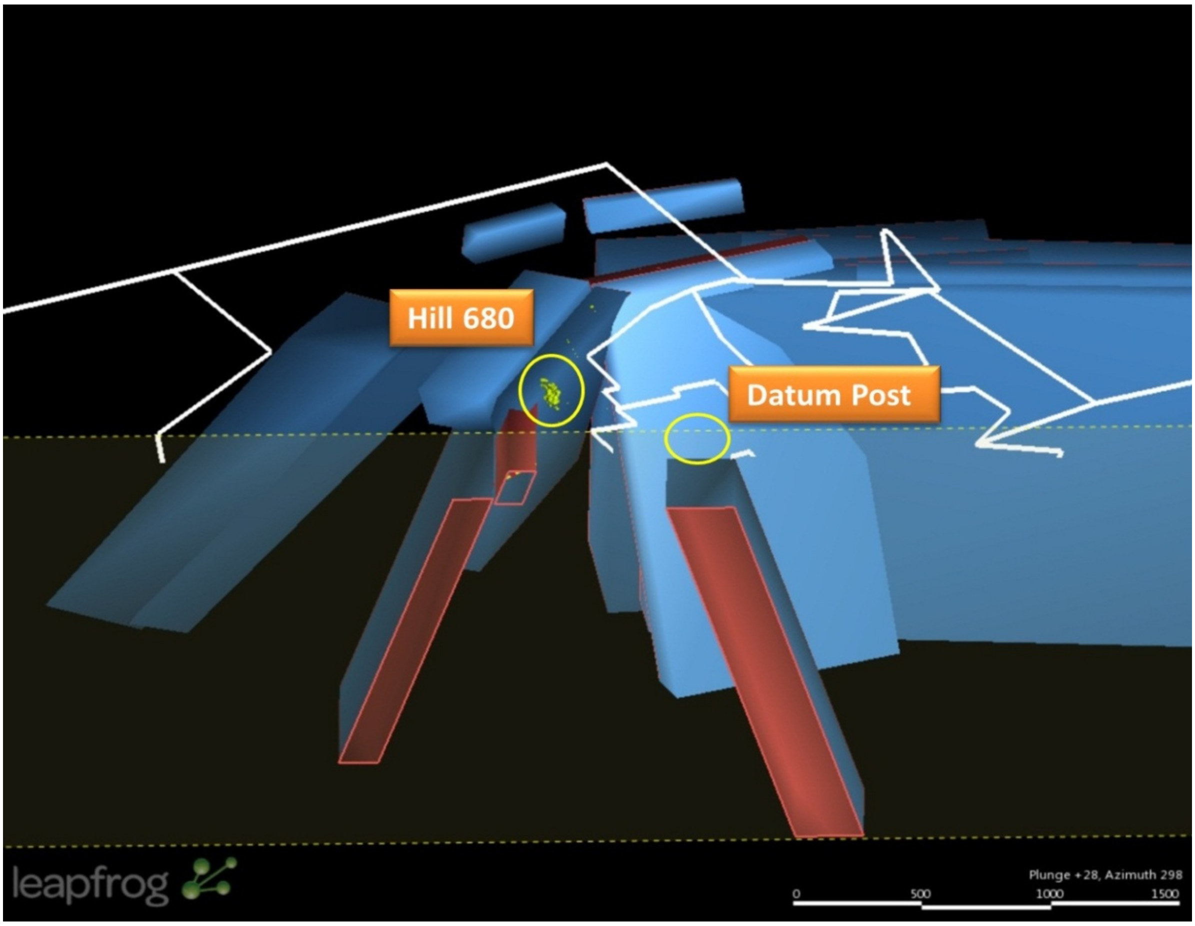

Figure 3: Slice through 3D modelled magnetic bodies of the Horseshoe Range looking towards the west-north-west (298°). Note the relationship between Hill 680 mineralisation and the related magnetic body. Datum Post also sits atop a buried magnetic body that has never been tested with drilling.

Mars

The Mars Project is situated to the east of the Horseshoe Range, by about 5km, and 2km east of the Horseshoe-Cassidy Mine held by RNI and includes over 162,000 Au ounces in an inferred resource. The Horseshoe-Cassidy mine is mineralised in a series of sheeted veins within the Narracoota Volcanics as similarly occurs at the Mars South Prospect.

Afmeco Pty Ltd and Barack Pty Ltd carried out RAB drilling targeting the north-north westerly trending contact of the Narracoota Volcanics which was revealed by significant BLEG (bulk leach extractable gold) soil anomalies. Several intersections of gold warranted follow up RC drilling which was subsequently carried out yielding 6m @ 8.8 g/t Au from 14m in drill hole AQRC007.

At Mars South, the magnetic modelling shows distinct NE-SW trending bodies which possibly represent mineralised shears cross cutting the stratigraphy. If this trend is the dominant control of the mineralisation encountered at Mars South, then previous drilling has been relatively ineffective as a test in this location.

Proposed RC drilling is to be carried out in the near future to test this association between mineralisation and structure.

CSIRO Structural Study

As previously reported, the Company has engaged CSIRO to conduct a staged structural study over the Horseshoe Project to assist in understanding the controls on mineralisation and predicting areas of new mineralisation.

As part of the study, CSIRO combined Naracoota's drilling of the Hill 680 prospect with historical data and created a 3D model of the mineralisation which was received during the quarter. The model indicates that the mineralisation is open along strike to the NW and SE, open at depth, and that there are multiple mineralised zones. Modelling also indicates that there may be a plunge component to the mineralisation. Features noted in the CSIRO report related to the mineralisation at Hill 680 are seen repeating along the Horseshoe Range, and as such present further targets for drilling. Hill 680 is the only zone of mineralisation along the Horseshoe Range which has had sufficient drilling for 3D modelling.

The addition of the magnetic data to the on-going structural study will refine locations of repetitions of the controls on the known mineralisation and create additional targets. CSIRO completed a field trip to site after the end of the quarter and will provide a report on the structural observations made during this trip shortly. This will in turn assist in refining programs for upcoming drilling.

Drilling Grants

The Company was awarded two (2) grants during the quarter totalling up to $125,000 to co-fund upcoming drill programmes at the Company's Horseshoe Range project from the WA State Government.

The WA State Government awarded these grants under its Exploration Incentive Scheme (EIS). The EIS aims to encourage exploration in Western Australia for the long-term sustainability of the State's resources sector and is funded by Royalty for Regions. Naracoota was awarded the grants after submitting comprehensive proposals in support of the drill programmes via a competitive grant application process. The grants may be used to co-fund up to 50% of the direct costs of drilling.

The first grant provides up to $60,000 in co-funding to drill test at depth geophysical anomalies recently discovered by the Company, including C12 Deeps and Datum Post.

C12 Deeps is a large chargeable geophysical anomaly which was identified in a detailed IP survey conducted by the Company in the second half of 2011. Importantly, the location of the IP anomaly appears to be co-incident to both near surface gold mineralisation at Costean 12 and a historic bedrock geochemical copper ring anomaly. More recently, a strong magnetic feature has been identified beneath Datum Post at depth in a detailed aero-magnetic survey the Company commissioned. Again, Naracoota is encouraged by the co-incident historic exploration at this location including near surface high grade gold mineralisation in limited historic drilling and rock chip sampling in this area.

The second grant provides up to $65,000 in co-funding to drill test on the Horseshoe Range including the Hill 680 and the Brilliant gold prospects at depth.

The Hill 680 prospect has returned high grade gold mineralisation (e.g. 17 m @ 3.71 Au g/t including 2m @ 21.7g/t Au) from drilling conducted by the Company at the start of the year to depths of approximately 150 metres where it remains open. The Brilliant prospect consists of the most extensive underground workings along the Horseshoe Range where bonanza grade quartz veins were mined in the late 1890's.

Next Steps

Naracoota is further encouraged by results received from the magnetic modelling and CSIRO structural study which together have greatly increased the knowledge base of the mineralisation and geological structures at Horseshoe Range, and Mars Projects. Drill planning and negotiations with contractors is currently underway for follow up RC drilling likely to take place late next quarter.

Open intersections at Mars Prospect, Costean 12, Hill 680 and Brilliant will be targeted following completion of site preparation requirements.

ENDS

Contact:

Daniel Hewitt
Acting CEO & Company Secretary
Naracoota Resources Ltd
T: (08) 9200 5858

Forward Looking Statement

This report may contain forward looking statements that are subject to risk factors which are based on Naracoota Resources' expectations relating to future events. Forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside the control of Naracoota Resources, which could cause actual results to differ materially from such statements. Naracoota Resources makes no undertaking to update or revise the forward-looking statements made in this report to reflect events or circumstances after the date of this release.

Competent Persons Statement

Information in this report relating to exploration results is based on information compiled by Naracoota Resources' Exploration Manager, Mr Martin Dormer, who is a member of the Australian Institute of Mining and Metallurgy. Mr Dormer has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person under the 2004 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Dormer consents to the inclusion of such information in this report and the context in which it appears.