



ANNUAL REPORT

for the year ended 30 June 2013

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CORPORATE DIRECTORY

Board of Directors

George Cameron-Dow	Non-Executive Director
Christian Cordier	Executive Director – Business Development
Gavin Wates	Non-Executive Director
Dr Eric Lilford	Non-Executive Director
Josh Puckridge	Company Secretary

Principal Office

Level 9, 105 St Georges Terrace
Perth, Western Australia 6000

Registered Office

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Share Registry

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Perth, Western Australia, 6000
1300 557 010 (Telephone)
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Auditors

Stantons International
Level 2, 1 Walker Avenue
West Perth, Western Australia 6005

Lawyers

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

DIRECTORS' REPORT

The Directors of Naracoota Resources Ltd ("Naracoota" or "the Company") submit their annual financial report of the Company for the year ended 30 June 2013.

Directors

The names and particulars of the Directors of the Company in office during the year and until the end of the financial year are as follows. Directors were in office for this entire year unless otherwise stated.

Mr George Cameron-Dow, Non-Executive Director (Appointed 23 October 2012)

George has held several executive and non-executive, listed and private company directorships across a variety of industries. From 2001 to 2005 he was a director of corporate advisory and investment firm Churchill Capital Services.

He is a founding director of investment advisory firm St George Capital Pty Ltd and investment fund manager Fleming SG Capital Pty Ltd. George has advised on and completed a number of corporate transactions, including ASX listings, reverse takeovers, capital raisings, underwritings, divestments and acquisitions.

Other Listed Public Company Directorships in the last 3 years:

Windward Resources Limited - Non-Executive Director;

Xceed Capital Limited – Executive Director (appointed 29/10/2007, resigned 22/03/2011); and

Calzada Limited – Non-Executive Director (appointed 16/04/2009, resigned 22/11/2010).

Mr Christian Cordier, Executive Director – Business Development (Appointed as Non-Executive Director 23 October 2012)

Christian has had considerable involvement and investments in both public and private mining and exploration companies for over 14 years. His portfolio includes joint ventures with major international mining houses, investments in listed companies in the United Kingdom, Australia and Southern Africa and private mining operations.

He has extensive experience in sourcing natural resource projects and nurturing them through the value curve by packaging and arranging venture funding, managing the permitting and exploration process, negotiating off-take agreements and the formation of a strong management team.

Other Listed Public Company Directorships in the last 3 years:

Nil

Mr Gavin Wates, Non-Executive Director (Appointed 23 October 2012)

Gavin is a corporate finance executive with a leading Australian stockbroking firm. He has been involved in the corporate finance industry for over 13 years and has extensive experience in mergers and acquisitions, equity capital markets and corporate restructures.

Gavin has worked as an investment banker in both Australia and London, is chartered accountant by training and has completed a graduate diploma of applied finance.

Other Listed Public Company Directorships in the last 3 years:

Nil

Dr Eric Lilford, Non-Executive Director (Appointed 4 April 2013)

Eric is a highly credentialed mining executive with extensive global resource investment and operating experience. He was formerly National Head of Mining for Deloitte Touche Tohmatsu and was a Partner of Deloitte in the Corporate Finance Division. He has over 24 years of operational and investment experience across the global resources sector, including mine production experience at large underground gold, platinum, copper and coal mines.

Eric's experience includes the completion of prefeasibility and bankable feasibility studies in numerous jurisdictions, mine production experience as well as, while in the employ of an investment bank, corporate advisory debt arranging and capital raisings for mining companies. Eric jointly managed the full bankable feasibility study of the Nikanor copper and cobalt project in the DRC as well as the company's listing on the LSE and was a non-executive director of Nikanor plc, a role he relinquished on emigration to Australia.

Other Listed Public Company Directorships in the last 3 years:

Atrum Coal Limited, Non-Executive Director (appointed 24 July 2012);

Managing Director (appointed 1 July 2013);

ZYL Limited – Managing Director (appointed 15 August 2010, resigned January 2012);

ZYL Limited – Non-Executive Director (appointed January 2012, resigned July 2012);

Segue Resources Limited – Non-Executive Chairman (appointed October 2011, resigned 15 February 2012); and

Segue Resources Limited – Non- Executive Director (appointed 15 August 2010).

DIRECTORS' REPORT

Directors (cont'd)

Mr Steven Crabbe, Non-Executive Director (Resigned 23 October 2012)

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.

During the past 3 years Steve has been an Executive Director of Lithex Resources Limited, an exploration company with Lithium/Tin/Tantalum projects, which listed on the ASX in May 2011 (code:LTX).

He is the founder and director of a successful mining services company.

Mr Stephen Woods, Non-Executive Director (Resigned 22 October 2012)

Steve Woods was a registered Mine 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 3 years Steve has not served as a director of any other ASX listed companies.

Mr Wayne Fernie, Non-Executive Director (Resigned 23 October 2012)

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 a 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 3 years Wayne has not served as a director of any other ASX listed companies.

Mr Josh Puckridge, Company Secretary (Appointed 24 August 2012)

Josh Puckridge has participated in a range of business and corporate advisory ventures and projects for a number of public resource companies. Prior to joining Fleming SG Capital Pty Ltd as a specialist Equity Capital Markets Advisor, Josh was a full service advisor for a national stockbroking firm, advising sophisticated investors in primary market transactions and derivative positions.

Other Listed Public Company Directorships in the last 3 years:

Discovery Resources Limited- Non-executive director and company secretary; and

Windward Resources Limited - Non-executive director and company secretary.

Executives

Mr Daniel Hewitt, Acting Chief Executive Officer and Company Secretary (Resigned 24 August 2012)

Dan Hewitt has been a senior executive in a listed environment for more than 8 years. He has a Bachelor of Laws (Bond) and Commerce (UWA), and is admitted as a Barrister and Solicitor of the Supreme Courts of Vic and WA. Dan has a post grad in Applied Finance from FINSIA and is a Fellow of that organisation.

Mr Martin Dormer, Acting Chief Executive Officer (Resigned 11 January 2013)

The Company's Exploration Manager, Mr Martin Dormer fulfilled the role of Acting Chief Executive Officer from 24 August 2012 to 11 January 2013.

DIRECTORS' REPORT

At the date of this report the following table sets out the current Directors' relevant interests in shares and options of Naracoota Resources Ltd and the changes since the 2012 Annual Report.

Director	Ordinary Shares		Options over Ordinary Shares	
	Current holding	Net increase/ (decrease)	Current holding	Net increase/ (decrease)
George Cameron-Dow	-	-	-	-
Christian Cordier	8,410,714	8,410,714	-	-
Gavin Wates	2,141,509	2,141,509	2,022,566	2,022,566
Dr Eric Lilford	-	-	-	-

During and since the end of the financial year the following share options were granted to directors as part of their remuneration by Naracoota Resources Ltd.

Director	Number of Options Granted	Number of Ordinary Shares Under Option
George Cameron-Dow (appointed 23 October 2012)	-	-
Christian Cordier (appointed 23 October 2012)	-	-
Gavin Wates (appointed 23 October 2012)	-	-
Dr Eric Lilford (appointed 4 April 2013)	-	-
Steven Crabbe (resigned 23 October 2012)	-	1,000,000
Stephen Woods (resigned 22 October 2012)	-	1,000,000
Wayne Fernie (resigned 23 October 2012)	-	1,000,000

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.

DIRECTORS' REPORT

A. Principles used to determine the nature and amount of remuneration (cont'd)

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 Directors 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 Acting Chief Executive Officer/Company Secretary as listed on pages 2 and 3.

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 2013 figures for remuneration received by the Company's directors and its executives.

	Short Term			Post-employment		Share-based payments-Equity settled		Other benefits (D&O Insurance) (ii)	Total	Percentage of total remuneration for the year that consists of options
	Salary & fees	Bonus	Other bene-fits	Super-annua-tion	Pre-scribed benefits	Shares	Options (i)			
2013	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Directors										
George Cameron-Dow (iii)	27,762	-	-	-	-	-	-	1,435	29,197	-
Christian Cordier (iv)	101,061	-	-	-	-	-	-	1,435	102,496	-
Gavin Wates (v)	25,470	-	-	2,292	-	-	-	1,435	29,197	-
Dr Eric Lilford (vi)	9,272	-	-	838	-	-	-	494	10,604	-
Steve Crabbe (vii)	3,144	-	-	283	-	-	-	651	4,078	-
Steve Woods (viii)	9,318	-	-	839	-	-	-	642	10,799	-
Wayne Fernie (ix)	12,576	-	-	1,132	-	-	-	651	14,359	-
Executives										
Martin Dormer (x)	101,688	-	-	-	-	-	10,482	-	112,170	9.3
Dan Hewitt (xi)	57,134	-	-	5,058	-	-	-	344	62,536	-
Total	347,425	-	-	10,442	-	-	10,482	7,087	375,436	

DIRECTORS' REPORT

B. Details of remuneration (cont'd)

The table below shows the 2012 figures for remuneration received by the Company's directors and its executives.

	Short Term			Post-employment		Share-based payments- Equity settled		Other benefits (D&O Insurance) (ii)	Total	Percentage of total remuneration for the year that consists of options
	Salary & fees	Bonus	Other bene-fits	Super- annua- tion	Pre- scribed benefits	Shares	Options (i)			
2012	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Directors										
Steve Crabbe	226,079	-	-	18,225	-	-	102,541	1,441	348,286	29.4
Steve Woods	122,590	-	-	9,303	-	-	102,541	1,441	235,875	43.5
Wayne Fernie	40,000	-	-	3,600	-	-	102,541	1,441	147,582	69.5
John Stockley (xi)	36,364	-	-	3,273	-	-	102,541	1,323	143,501	71.5
Executives										
Dan Hewitt	160,000	-	-	14,400	-	-	88,973	1,441	264,814	33.6
Total	585,033	-	-	48,801	-	-	499,137	7,087	1,140,058	

- (i) These amounts are accounting valuations of options issued as remuneration and are not cash payments. Refer to note 8 for details of the options issued, including models and assumptions used.
- (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.
- (iii) Mr Cameron-Dow was appointed as Non-Executive Director on 23 October 2012.
- (iv) Mr Cordier was appointed as Non-Executive Director on 23 October 2012 and subsequently as Executive Director – Business Development on 1 November 2012.
- (v) Mr Wates was appointed as Non-Executive Director on 23 October 2012.
- (vi) Dr Lilford was appointed as Non-Executive Director on 4 April 2013.
- (vii) Mr Crabbe resigned as director on 23 October 2012.
- (viii) Mr Woods resigned as director on 22 October 2012.
- (ix) Mr Fernie resigned as director on 23 October 2012.
- (x) Mr Dormer fulfilled the role of Acting Chief Executive Officer from 24 August 2012 to 11 January 2013. Fees are as paid during the period to Unearthed Elements Pty Ltd, a company in which Mr Dormer has a substantial financial interest for services provided in the normal course of business and at normal commercial rates.
- (xi) Mr Hewitt resigned as acting Chief Executive Officer and Company Secretary on 24 August 2012 and finished employment with the Company on 31 August 2012.
- (xii) Mr Stockley resigned as a director on 28 May 2012.

C. Service Agreements

The Company has an executive services agreement with Mr Christian Cordier to act in the position of Business Development Director. Mr Cordier is entitled to a monthly fee of \$12,500 (inclusive of superannuation and exclusive of GST). The agreement was effective from 1 November 2012 for an initial fixed period to 30 April 2013 and was subsequently extended to 31 July 2013 on the same terms and conditions. The arrangement is subject to review at the earlier of the Company formally deciding to pursue acquisition of a new project or 31 July 2013.

The Company has a corporate service agreement with SG Corporate Pty Ltd to provide management, administrative, financial and company secretarial services from 1 December 2012. SG Corporate Pty Ltd is owned by Mr George Cameron-Dow. The Company pays monthly fees of \$13,000 to SG Corporate Pty Ltd.

DIRECTORS' REPORT

D. Share-based Compensation

Options can be issued to directors and executives as part of their remuneration. The options are not based on performance criteria, but are issued to align the interests of directors, executives and shareholders.

The following options were granted to directors and executives respectively during the year.

Name	Option expiry date	Option grant date	No. granted during the year	No. vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
Directors							
George Cameron-Dow	-	-	-	-	-	-	-
Christian Cordier	-	-	-	-	-	-	-
Gavin Wates	-	-	-	-	-	-	-
Dr Eric Lilford	-	-	-	-	-	-	-
Steve Crabbe	-	-	-	-	-	-	-
Steve Woods	-	-	-	-	-	-	-
Wayne Fernie	-	-	-	-	-	-	-
Executives							
Martin Dormer	23 Aug 2017	23 Aug 2012	500,000	500,000	100	-	9.3
Dan Hewitt	-	-	-	-	-	-	-

Each of the above options gives the holder the right to subscribe for one share per option at an exercise price of \$0.075. The options were provided at no cost to the recipient and the fair value at grant date of each option is 2.10 cents. For details on the valuation of the options, including models and assumptions used, please refer to note 8.

No options were exercised, lapsed or expired during or since the end of the financial year. All options vested at grant date.

There was no other share-based compensation issued to key management personnel during the year.

E. Additional information

Performance income as a proportion of total compensation

No performance based bonuses have been paid to directors or executives during the year.

Directors Meetings

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

Board Member	Board Meetings held while Director	Attended	Circular Resolutions Passed	Total
George Cameron-Dow	6	6	2	8
Christian Cordier	6	4	2	6
Gavin Wates	6	5	2	7
Dr Eric Lilford	3	3	-	3
Steve Crabbe	2	2	-	2
Steve Woods	2	2	-	2
Wayne Fernie	2	2	-	2

DIRECTORS' REPORT

E. Additional information(cont'd)

Dates of Board Meetings and Circulating Resolutions

Board Meetings	Circulating Resolutions
31 July 2012	13 March 2013
23 August 2012	2 April 2013
26 October 2012	
5 December 2012	
28 March 2013	
16 April 2013	
26 April 2013	
24 May 2013	

Projects

The Company's remaining project is constituted by the following tenement:

Project	Tenement Number	Interest %
Fraser Project	P52/1213	100

DIRECTORS' REPORT

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	138,263,829

Shares Under Option

At the date of this report there are 53,036,676 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year (unlisted)	5,000,000
Movements of share options during the year and to the date of this report	
Issued at 7.5 cents, expiring 23 August 2017 (unlisted)	500,000
Issued at 9 cents, expiring 30 September 2015 (listed)	47,536,676
Total number of options outstanding at the date of this report	53,036,676

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options	Listed/unlisted
3 August 2011	2 August 2016	30	1,000,000	Unlisted
20 October 2011	19 October 2016	30	4,000,000	Unlisted
23 August 2012	23 August 2017	7.5	500,000	Unlisted
5 October 2012	30 September 2015	9	47,536,676	Listed
Total number of options outstanding at the date of this report			53,036,676	

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 19 August 2013:

Name	Number of shares	Percentage of issued capital
Fleming SG Capital Special Opportunities Pty Ltd (Fleming SG Spec Opp Fund A/C)	27,500,000	19.89
Coreks Super Pty Ltd (Coreks Super Fund A/C)	8,285,714	5.99

Range of Shares as at 19 August 2013

Range	Total Holders	Units	% Issued Capital
1 - 1,000	5	328	0.00
1,001 - 5,000	12	51,968	0.04
5,001 - 10,000	100	953,517	0.69
10,001 - 100,000	233	12,129,687	8.77
100,001 - 9,999,999	178	125,128,328	90.50
Total	528	138,263,828	100.00

DIRECTORS' REPORT

Unmarketable Parcels as at 19 August 2013

	Minimum parcel size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.02 per unit	25,000	167	1,894,926

Top 20 holders of Ordinary Shares as at 19 August 2013

Rank	Name	Units	% of Issued Capital
1	Fleming SG Capital Special Opportunities Pty Ltd (Fleming SG Spec Opp Fund A/C)	27,500,000	19.89
2	Coreks Super Pty Ltd (Coreks Super Fund A/C)	8,285,714	5.99
3	Mrs Martha Christina Steenkamp	5,376,514	3.89
4	SJ Crushing Pty Ltd	3,108,950	2.25
5	Mr Stephen Woods	2,333,333	1.69
6	MGL Corp Pty Ltd	2,200,000	1.59
7	Upsky Equity Pty Ltd (Upsky Investment A/C)	2,141,509	1.55
8	Mr Graham John Woolford	2,000,000	1.45
9	Mr Terrence Peter Williamson & Ms Jonine Maree Jancey (The Wiljan Super Fund A/C)	1,819,066	1.32
10	Nefco Nominees Pty Ltd	1,577,490	1.14
11	Mr Steven Crabbe	1,500,000	1.08
12	TT Nicholls Pty Ltd (Superannuation Fund A/C)	1,485,931	1.07
13	Mr Raymond Wright (Horseshoe)	1,250,000	0.90
14	Mr Wayne Clifton Fernie & Mrs Leslie Karen Fernie (W & L Fernie Super Fund A/C)	1,200,000	0.87
15	Mr Robert Gemelli	1,191,608	0.86
16	Bovine Holdings Pty Ltd (Greener Pastures S/Fund A/C)	1,183,118	0.86
17	Kernow Trading Pty Ltd (The Cohiba A/C)	1,050,000	0.76
18	Mr Andrew Barry & Ms Kim Barry (The Barry Super Fund T/A Nicst)	1,000,000	0.72
19	Mr David John Batman Howard & Mrs Lynne Howard (The Howard Super Fund A/C)	1,000,000	0.72
20	Mr David John Sharp & Mrs Julie Patricia Sharp (Sharp Super Fund A/C)	1,000,000	0.72
Total of Top 20 Holders of ORDINARY SHARES		68,203,233	49.32

DIRECTORS' REPORT

Review of operations

Naracoota had assembled a highly prospective tenement portfolio in the tightly held Peak Hill copper-gold district. This package included the Company's Horseshoe Range project located 7 kms south of the Horseshoe Lights VMS copper-gold deposit. The prospectivity of this region was highlighted by the large high grade copper-gold VMS DeGrussa discovery, located 65 kms to the east of the Company, and more recently the high grade Andy Well gold discovery located 75 kms to the south.

The Company's strategy was to be guided by this valuable historic data and use the latest exploration methodology and techniques to look for the source of the near surface gold mineralisation on the Horseshoe Range project. However, in the second half of the year and following the completion of a comprehensive strategic review of the Company's portfolio of exploration licences and mining leases, the Board determined these assets were best advanced by way of either a joint venture or sale.

Discussions with potential joint venture and acquisition parties followed and culminated in the sale of the Horseshoe Range Project and majority of the Fraser Range Project to Resource and Investment NL (ASX code "RNI"). The transaction was approved by shareholders on 24 May 2013 and completed on 29 May 2013.

The Company has commenced reviewing new acquisition opportunities both within Australia and overseas. This is an ongoing process and will continue to be pursued in parallel with the ongoing exploration.

Corporate highlights during the year under review include a successfully completed rights issue and share placement to raise approximately \$3.2 million before costs from the issue of 90,393,819 ordinary fully paid shares at 0.035 cents each.

The Company restructured its Board of Directors during the year and announced the appointment of Gavin Wates, George Cameron-Dow and Christian Cordier as directors on 23 October 2012. The Board was further strengthened by the appointment of Dr Eric Lilford as director on 4 April 2013.

Please refer to ASX announcements for further details on the Company's exploration and corporate activities during the course of the year.

Financial Review

The Company began the financial year with cash reserves of \$1,251,721.

During the year total exploration expenditure incurred by the Company amounted to \$239,009 (2012: \$1,669,654). 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 \$1,737,564 (2012: \$1,438,367), which includes a loss on the disposal of tenements of \$990,356 (2012: \$Nil), following the sale of its Horseshoe Range Project and part of the Fraser Range Project to Resource and Investment NL. The Company also successfully received a Research and Development based tax rebate of \$782,784 for work conducted during the 2012 financial year. This has resulted in an operating loss after income tax for the year ended 30 June 2013 of \$1,193,789 (2012: \$3,108,021 loss).

The substantial decrease in exploration expenditure is a direct result of a decrease in exploration activities due to the Company's decision that its portfolio of exploration licences and mining leases were best advanced by way of either a joint venture or sale, which resulted in the disposal of tenements as noted above.

Naracoota also achieved notable savings in administration and employment expenses following a comprehensive review of all corporate and operating costs during the year which saw the Company moving registered offices and securing fixed cost arrangements for the provision of certain corporate services.

The Company's net asset position increased from \$2,526,150 to \$4,175,336 due to the \$3.2 million (before costs) equity raising, which was offset by a decrease in capitalised tenement acquisition costs of \$1,268,161 following the sale of tenements.

As at 30 June 2013 cash and cash equivalents totalled \$3,868,047.

Summary of Financial Information as at 30 June

	2013	2012	2011
Cash and cash equivalents (\$)	3,868,047	1,251,721	4,000,012
Net assets/equity	4,175,336	2,526,150	5,138,102
Loss from ordinary activities before income tax expense (\$)	(1,193,789)	(3,108,021)	(721,657)
No of issued shares	138,263,829	47,536,676	47,536,676
Share price (\$)	0.019	0.05	0.205
Market capitalisation (Undiluted) (\$)	2,627,013	2,376,834	9,745,019

DIRECTORS' REPORT

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 year.

Significant Events after the Balance Date

No matters or circumstances besides those disclosed at note 24, have arisen since the end of the financial year 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 year under review.

Insurance of Directors and Officers

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

- a) A 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*.

Naracoota has agreed to indemnify all directors and executive officers of the Company against liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of Naracoota, except where the liability has arisen as a result of a wilful breach of duty in relation to the Company. The agreement stipulates that Naracoota will meet the full amount of any such liabilities, including costs and expenses. The Company has paid a total of \$7,087 in insurance premiums, relating to Director and Officer insurance, during the financial year.

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

DIRECTORS' REPORT

ASX Announcements

Date	Announcements	Date	Announcements
15/08/2013	Response to Query 3Y	25/10/2012	Director Final Interest Appendix 3Z
13/08/2013	Change of Director's Interest Notice	25/10/2012	Director Final Interest Appendix 3Z
26/07/2013	Quarterly Activities and Cash Flow Statement	24/10/2012	Director Final Interest Appendix 3Z
16/07/2013	Change of Director's Interest Notice	23/10/2012	Board Changes and Appendix 3B
10/07/2013	Change of Director's Interest Notice	22/10/2012	Results of Meeting
5/07/2013	Change of Director's Interest Notice	22/10/2012	Director Resignation
24/06/2013	Release of Shares from Escrow and Appendix 3B	19/10/2012	Quarterly Activities Report
20/06/2013	Change of Director's Interest Notice	19/10/2012	Quarterly Cashflow Report
30/05/2013	RNI: Share Issue	05/10/2012	Allotment of Securities and Appendix 3B
29/05/2013	Completion of Sale of Horseshoe Range Project	02/10/2012	Completion of Rights Issue
29/05/2013	RNI: Acquisition of Horseshoe Range Gold Project	25/09/2012	Dispatch of Annual Report to Shareholders
24/05/2013	Results of Meeting	25/09/2012	Appendix 3B
26/04/2013	Quarterly Activities and Cash Flow Report	21/09/2012	Dispatch of Notice of Annual General Meeting
24/04/2013	Change of Director's Interest Notice	19/09/2012	Notice of Annual General Meeting
23/04/2013	Notice of General Meeting	13/09/2012	Dispatch of Prospectus and Entitlement and Acceptance Form
09/04/2013	Initial Director's Interest Notice	03/09/2012	Revised Appendix 3B
04/04/2013	Director Appointment	31/08/2012	Entitlement Issue Prospectus
03/04/2013	RNI Expands Holding Around Horseshoe Gold Project	31/08/2012	Appendix 3B
03/04/2013	Sale of Horseshoe Range Project	30/08/2012	\$3.1 Million Capital Raising
27/02/2013	Half Year Accounts	28/08/2012	Trading Halt
18/02/2013	Settlement of Contract and Appendix 3B	24/08/2012	Management Restructure
29/01/2013	Quarterly Activities and Cash Flow Report	20/08/2012	Annual Report to shareholders
10/01/2013	Management Changes	31/07/2012	Reply to Query (appendix 3Y)
04/12/2012	Change of Registered Office	30/07/2012	Quarterly Activities Report
26/10/2012	Initial Substantial Shareholder Notice	30/07/2012	Quarterly Cashflow Report
25/10/2012	Initial Substantial Shareholder Notice	30/07/2012	Change of Director's Interest Notice
25/10/2012	Initial Director Notice of Interest Appendix 3X		

DIRECTORS' REPORT

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 three Non-Executive Directors, of which two 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 director*

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. Mr George Cameron-Dow (Non-Executive Director), is acting as the Chairman of the Company. Due to the size of the Company and Mr Cameron-Dow's experience, the Board believes that Mr Cameron-Dow 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. Due to the size of the Company, the Board is of the opinion that a Managing Director or Chief Executive Officer is not required to be appointed.

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, 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 colleagues 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.

DIRECTORS' REPORT

Corporate Governance Statement (cont'd)

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 evaluate in future annual reports how this can be met in considering future Board and key executive appointments.

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 evaluate in future annual reports how this can be met in considering future Board and key executive appointments.

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 three Non-Executive Directors and one Executive Director. Details of their skills, experience and expertise and the year 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.

DIRECTORS' REPORT

Compliance (cont'd)

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 17.

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



George Cameron-Dow
Non-Executive Director
Perth, Western Australia this 22nd day of August 2013

INDEPENDENCE DECLARATION TO THE DIRECTORS OF NARACOOTA RESOURCES LTD

Stantons International Audit and Consulting Pty Ltd
trading as

Stantons International

Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188

Fax: +61 8 9321 1204

ABN: 84 144 581 519

www.stantons.com.au

22 August 2013

Board of Directors
Naracoota Resources Limited
Level 9, 105 St Georges Tce,
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 year ended 30 June 2013, 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.

Yours sincerely

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



John 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 year ended on that date;
- (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; and
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001 for the year ended 30 June 2013.

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



George Cameron-Dow
Non-Executive Director
22 August 2013

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF NARACOOTA RESOURCES LTD

Stantons International Audit and Consulting Pty Ltd
trading as

Stantons International

Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
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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 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year 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 gives a true and fair view and 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 statements comply 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. Those 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 company's preparation of the financial report that gives a true and fair view 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 company'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.

Stantons International

Independence

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

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 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (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 4 to 8 of the directors' report for the year ended 30 June 2013. 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

Opinion

In our opinion the remuneration report of Naracoota Resources Limited for the year ended 30 June 2013 complies with section 300A 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


John P Van Dieren
Director

West Perth, Western Australia
22 August 2013

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2013

	Note	2013 \$	2012 \$
Revenue		110,245	107,621
Employee and contractors expenses		(283,806)	(1,112,238)
Depreciation expense	13	(25,600)	(40,071)
Consultants expenses		(174,206)	(109,824)
Occupancy expenses		(39,539)	(69,337)
Marketing expenses		(1,420)	(43,245)
Exploration and evaluation expenses		(239,009)	(1,669,654)
Finance costs	4	(69,479)	(45)
Loss on sale of tenements		(990,356)	-
Other expenses		(263,403)	(171,228)
Loss from continuing operations before income tax benefit/(expense)	5	(1,976,573)	(3,108,021)
Income tax credit (Research and Development rebate)	6	782,784	-
Loss from continuing operations attributable to members of the parent entity		(1,193,789)	(3,108,021)
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be subsequently reclassified to profit or loss		-	-
Total comprehensive loss for the year		(1,193,789)	(3,108,021)
Profit/(loss) attributable to owners of the Company		(1,193,789)	(3,108,021)
Total comprehensive income/(loss) attributable to owners of the Company		(1,193,789)	(3,108,021)
Loss per share:			
Basic (cents per share)	19	(1.07)	(6.54)
Diluted (cents per share)	19	(1.07)	(6.54)

The accompanying notes form part of the financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

	Note	2013 \$	2012 \$
Current assets			
Cash and cash equivalents	25 (a)	3,868,047	1,251,721
Trade and other receivables	10	13,843	3,066
Other financial assets	11	209,305	–
Total current assets		4,091,195	1,254,787
Non-current assets			
Other financial assets	12	35,000	72,000
Property, plant and equipment	13	62,367	101,439
Mining Properties	14	13,172	1,230,333
Total non-current assets		110,539	1,403,772
TOTAL ASSETS		4,201,734	2,658,559
Current liabilities			
Trade and other payables	15	26,398	121,872
Provisions	16	–	10,537
Total current liabilities		26,398	132,409
TOTAL LIABILITIES		26,398	132,409
NET ASSETS		4,175,336	2,526,150
Equity			
Issued capital	17 (a)	8,689,184	5,856,691
Reserves	17 (b)	509,619	499,137
Accumulated losses	18	(5,023,467)	(3,829,678)
TOTAL EQUITY		4,175,336	2,526,150

The accompanying notes form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2013

	Attributable to equity holders			
For the year ended 30 June 2013	Ordinary Shares \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at beginning of year	5,856,691	499,137	(3,829,678)	2,526,150
Total comprehensive income				
Loss for the year	–	–	(1,193,789)	(1,193,789)
Other comprehensive income for the year	–	–	–	–
Total comprehensive loss for the year	–	–	(1,193,789)	(1,193,789)
Transactions with owners recorded direct to equity				
Issue of shares	3,174,784	–	–	3,174,784
Issue of options	–	10,482	–	10,482
Shares issue expenses	(342,291)	–	–	(342,291)
Total transactions with owners	2,832,493	10,482	–	2,842,975
Balance as at 30 June 2013	8,689,184	509,619	(5,023,467)	4,175,336

	Attributable to equity holders			
	Ordinary Shares \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
For the year ended 30 June 2012				
Balance at beginning of year	5,859,759	–	(721,657)	5,138,102
Total comprehensive income				
Loss for the year	–	–	(3,108,021)	(3,108,021)
Other comprehensive income for the year	–	–	–	–
Total comprehensive loss for the year	–	–	(3,108,021)	(3,108,021)
Transactions with owners recorded direct to equity				
Issue of shares	–	–	–	–
Issue of options	–	499,137	–	499,137
Shares issue expenses	(3,068)	–	–	(3,068)
Total transactions with owners	(3,068)	499,137	–	496,069
Balance as at 30 June 2012	5,856,691	499,137	(3,829,678)	2,526,150

The accompanying notes form part of the financial statements

STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Payments for exploration and evaluation		(260,919)	(1,702,550)
Payments to suppliers and employees		(801,677)	(987,452)
Interest received		110,245	107,621
Research and Development rebate received		782,784	–
Net cash used in operating activities	25 (b)	(169,567)	(2,582,381)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4,400	–
Payment for tenement acquisition		(40,000)	–
Payment for investment securities		–	(35,000)
Payment for property, plant and equipment		–	(95,805)
Net cash used in investing activities		(35,600)	(130,805)
Cash flows from financing activities			
Proceeds from issues of equity securities		3,163,784	–
Payment for share issue costs		(342,291)	(35,105)
Net cash provided by/(used in) financing activities		2,821,493	(35,105)
Net increase/(decrease) in cash and cash equivalents		2,616,326	(2,748,291)
Cash and cash equivalents at the beginning of the financial year		1,251,721	4,000,012
Cash and cash equivalents at the end of the financial year	25(a)	3,868,047	1,251,721

The accompanying notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

1. General Information

Naracoota Resources 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

Level 9, 105 St Georges Terrace
Perth, Western Australia 6000

Principal place of business

Level 9, 105 St Georges Terrace
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 22 August 2013.

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

The principal accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013.

(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.

Going concern basis of preparation

Based upon the Company's existing cash resources, the ability to modify expenditure outlays if required, and the Directors' confidence of sourcing additional funds, the Directors consider there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation is considered to be appropriate for the Company's 2013 financial report.

In the event that the Company is not able to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in its financial report.

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

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

(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.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss and other comprehensive income.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

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 than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

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

(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.

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 year. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

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

(i) *Tax (cont'd)*

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 year

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

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

(o) *Property, 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 property, plant and equipment. Depreciation is calculated on a straight line or diminishing value basis so as to write off the net cost 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 year.

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

Class of fixed asset	Depreciation rate (%)
Buildings (Transportable)	20
Computer equipment	25 – 66.67
Furniture and fittings	5
Motor vehicles	25
Plant and equipment	40

(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*

Dividend and interest revenue

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 profit or loss and other comprehensive income and statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

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

(t) *New accounting standards and interpretations*

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company.

At the date of the authorisation of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', and AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 19 (2011)'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements (2011)', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7)	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132)	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'	1 January 2013	30 June 2014
AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'	1 January 2013	30 June 2014
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.	1 January 2013	30 June 2014

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

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

(t) *New accounting standards and interpretations (cont'd)*

The Company has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Company's assessment of those new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

These Standards are not expected to significantly impact the Company.

- AASB 2011-4: Amendments to Australian Accounting Standards to remove the individual key management Personnel Disclosure Requirements ((applicable for annual reporting periods commencing on or after 1 January 2013).

This standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus 29.1 to Aus 29.9.3). These amendments serve a number of purposes, including furthering the trans-Tasman conversion, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

This standard is not expected to significantly impact the Company's financial report as a whole.

- AASB 119 (September 2011) includes changes to the accounting for termination benefits.

This standard is not expected to significantly impact the Company's financial report as a whole.

- AASB 2012-2 'Amendments to Australian Accounting Standards-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7); AASB 2012-3 'Amendments to Australian Accounting Standards-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132); AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'; AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'; and Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.

These standards are not expected to impact the Company.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

3. Critical accounting estimates and judgements (cont'd)

Key estimates — impairment (cont'd)

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 year ended 30 June 2013.

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.

	2013 \$	2012 \$
4. Finance costs		
Interest paid	(979)	(45)
Net change in fair value of financial assets at fair value through profit or loss	(68,500)	-
Net finance costs recognised in profit or loss	(69,479)	(45)

5. Loss from operations

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

Depreciation of non-current assets	(25,600)	(40,071)
Operating lease rental expenses	(39,539)	(69,337)
Employee benefit expense includes:		
Post employment benefits:		
Defined contribution plans	(11,336)	(56,335)
Share-based payments:		
Equity settled share-based payments	(10,482)	(499,137)

6. Income taxes

Income tax recognised in profit or loss

Tax expense comprises:

Current tax expense	-	-
Research and Development rebate received	782,784	-
Deferred tax expense relating to the origination and reversal of temporary differences	-	-
Total tax benefit	782,784	-

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:

(Loss) from operations	(1,193,789)	(3,108,021)
Income tax benefit calculated at 30%	(358,137)	(932,406)
Research and Development rebate received	782,784	-
Effect of expenses that are not deductible in determining taxable profit	10,219	150,246
Net effect of unused tax losses and temporary differences not recognised as deferred tax assets	347,918	782,160
Income tax benefit	782,784	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

	2013 \$	2012 \$
6. Income taxes (cont'd)		
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:		
Tax losses – revenue	1,275,576	1,387,426
Tax losses – capital	–	–
Net temporary differences	142,420	(270,599)
	<u>1,417,996</u>	<u>1,116,827</u>

7. Key management personnel disclosures

(a) Details of key management personnel

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

Directors

George Cameron-Dow (Appointed 23 October 2012)

Christian Cordier (Appointed 23 October 2012)

Gavin Wates (Appointed 23 October 2012)

Dr Eric Lilford (Appointed 4 April 2013)

Steven Crabbe (Resigned 23 October 2012)

Stephen Woods (Resigned 22 October 2012)

Wayne Fernie (Resigned 23 October 2012)

Executives

Martin Dormer (Appointed 24 August 2012; resigned 11 January 2013)

Daniel Hewitt (Resigned 24 August 2012)

(b) Key management personnel compensation

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

Short-term employee benefits	347,425	585,033
Post-employment benefits	10,442	48,801
Other benefits	7,087	7,087
Share-based payment	10,482	499,137
	<u>375,436</u>	<u>1,140,058</u>

The compensation of each member of the key management personnel of the Company is set out in the Directors Remuneration report on pages 4 to 8.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

8. Share-based payments

Share options and shares

The Company has an ownership-based compensation arrangement for its employees.

Each option issued under the arrangement converts into one ordinary share of Naracoota Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Vesting dates and conditions are dependent on each arrangement as agreed to by the Directors.

The number of options granted is at the sole discretion of the Directors.

Incentive options issued to Directors (executive and non-executive) are subject to approval by shareholders and attach vesting conditions as appropriate.

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

Option series	Number	Grant date	Expiry date	Exercise price \$
2013				
Share options				
23 August 2017	500,000	23 August 2012	23 August 2017	0.075

During the year ended 30 June 2013, the Company issued 333,334 shares to a vendor as final settlement of an outstanding tenement acquisition agreement at a deemed value of 3.3 cents each. Also refer note 17(a).

Option series	Number	Grant date	Expiry date	Exercise price \$
2012				
Share options				
2 August 2016	1,000,000	3 August 2011	2 August 2016	0.30
19 October 2016	4,000,000	20 October 2011	19 October 2016	0.30

Details of options over ordinary shares in the Company provided as remuneration to each director and key management person during the year are set out below. When exercisable, each option is convertible into one ordinary share. Further information on the options are set out in note 23.

Name	Number of options granted during the year	Value of each option at grant date (cents)	Number of options vested during the year	Number of options expired during the year
Key Management Person				
Martin Dormer	500,000	2.10	500,000	–

The value of options granted during the period was calculated using the Black-Scholes Option Pricing Model. The values and inputs were as follows:

Option Series	23 August 2017
Grant date share price (cents)	4.00
Exercise price (cents)	7.50
Expected volatility	115%
Option life	60 months
Dividend yield	Nil
Risk-free interest rate	2.69%
Fair value (cents)	2.10

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

8. Share-based payments (cont'd)

The following reconciles the outstanding share options granted at the beginning and end of the financial year:

	2013		2012	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	5,000,000	0.30	–	–
Granted during the financial year	500,000	0.08	5,000,000	0.30
Expired during the financial year	–	–	–	–
Exercised during the financial year	–	–	–	–
Balance at end of the financial year (i)	5,500,000	0.28	5,000,000	0.30
Exercisable at end of financial year	5,500,000	0.28	5,000,000	0.30

(i) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 3.34 years (2012: 4.26 years).

No options were exercised, expired or lapsed during the year.

9. Remuneration of auditors

Audit and review of the financial report

	2013 \$	2012 \$
Audit and review of the financial report	17,069	30,557
	17,069	30,557

The auditor of Naracoota Resources Ltd is Stantons International.

10. Current trade and other receivables

Net goods and services tax (GST) receivable

Sundry accounts receivable

Net goods and services tax (GST) receivable	13,843	–
Sundry accounts receivable	–	3,066
	13,843	3,066

11. Current other financial assets

Equity securities – designated as at fair value through profit or loss (i)

Equity securities – designated as at fair value through profit or loss (i)	209,305	–
	209,305	–

(i) Investment of 3,805,554 ordinary fully paid shares in Resource and Investment NL.

The investment in the listed entity is classified as a Tier 1 - financial asset. Also refer to note 26(h).

12. Non-current other financial assets

Investment in unlisted entity (i)

Other receivables – bonds

Investment in unlisted entity (i)	35,000	35,000
Other receivables – bonds	–	37,000
	35,000	72,000

(i) Investment of 425,000 ordinary fully paid shares in Simba Minerals Ltd.

The investment in the unlisted entity is classified as a Tier 2 financial asset (available-for-sale) as follows:

Unlisted investment, at cost:

– Shares in other corporations, at cost

Total available-for-sale financial assets

– Shares in other corporations, at cost	35,000	35,000
Total available-for-sale financial assets	35,000	35,000

The directors have determined that the fair value of the available-for-sale financial asset carried at cost cannot be reliably measured, as variability in the range of reasonable fair value estimates is significant. Consequently, the asset is recognised at cost. There is no active market for the investment and there is no present intention to dispose of the investment.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

13. Property, plant and equipment

	Building at cost	Computer equipment at cost	Furniture & fittings at cost	Motor vehicles at cost	Plant & equipment at cost	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Balance at 1 July 2011	–	22,577	4,502	24,000	6,400	57,479
Additions	44,780	16,400	–	30,545	4,080	95,805
Balance at 1 July 2012	44,780	38,977	4,502	54,545	10,480	153,284
Disposals/write-offs	–	(14,450)	(4,502)	–	(6,400)	(25,352)
Balance at 30 June 2013	44,780	24,527	–	54,545	4,080	127,932
Accumulated depreciation and impairment						
Balance at 1 July 2011	–	(5,328)	(766)	(3,863)	(1,817)	(11,774)
Depreciation expense	(8,271)	(16,571)	(187)	(11,683)	(3,359)	(40,071)
Balance at 1 July 2012	(8,271)	(21,899)	(953)	(15,546)	(5,176)	(51,845)
Depreciation expense	(7,322)	(6,897)	(79)	(9,776)	(1,526)	(25,600)
Disposals/write-offs	–	6,694	1,032	–	4,154	11,880
Balance at 30 June 2013	(15,593)	(22,102)	–	(25,322)	(2,548)	(65,565)
Net book value						
At 30 June 2012	36,509	17,078	3,549	38,999	5,304	101,439
At 30 June 2013	29,187	2,425	–	29,223	1,532	62,367

	2013 \$	2012 \$
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
Buildings	7,322	8,271
Computer equipment	6,897	16,571
Furniture & fittings	79	187
Motor vehicles	9,776	11,683
Plant & equipment	1,526	3,359
	25,600	40,071

14. Mining properties

Balance at beginning of financial year	1,230,333	1,230,333
Capitalised tenement acquisition costs	51,000	–
Tenements sold	(1,268,161)	
Balance at end of financial year	13,172	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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

	2013 \$	2012 \$
15. Current trade and other payables		
Trade payables (i)	5,590	47,487
Net PAYG payable	–	17,217
Other	20,808	57,168
	<u>26,398</u>	<u>121,872</u>

- (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.

16. Current provisions

Other	–	10,537
	<u>–</u>	<u>10,537</u>

17. Issued capital and reserves

(a) Issued capital

138,263,829 fully paid ordinary shares
(2012: 47,536,676)

8,689,184	5,856,691
<u>8,689,184</u>	<u>5,856,691</u>

	2013		2012	
	No.	\$	No.	\$
Balance at beginning of financial year	47,536,676	5,856,691	47,536,676	5,859,759
Rights issue	47,536,676	1,663,784	–	–
Share placement	42,857,143	1,500,000	–	–
Issued in consideration for acquisition of tenements	333,334	11,000	–	–
Share issue costs	–	(342,291)	–	(3,068)
Balance at end of the financial year	<u>138,263,829</u>	<u>8,689,184</u>	<u>47,536,676</u>	<u>5,856,691</u>

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

	2013 \$	2012 \$
(b) Reserves		
Balance at beginning of financial year	499,137	–
Share-based payment expense	10,482	499,137
Balance at end of financial year	<u>509,619</u>	<u>499,137</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

17. Issued capital and reserves (cont'd)

	2013 No. of options	2012 No. of options
(c) Movements in options on issue		
Beginning of the financial year (unlisted)	5,000,000	–
Issued, exercisable at 30 cents each, expiring 2 August 2016 (unlisted)	–	1,000,000
Issued, exercisable at 30 cents each, expiring 19 October 2016 (unlisted)	–	4,000,000
Issued, exercisable at 7.5 cents each, expiring 23 August 2017 (unlisted)	500,000	–
Issued, exercisable at 9 cents each, expiring 30 September 2015 (listed)	47,536,676	–
End of the financial year	53,036,676	5,000,000

18. Accumulated losses

	2013 \$	2012 \$
Balance at beginning of financial year	(3,829,678)	(721,657)
Income/(Loss) attributable to members of the entity	(1,193,789)	(3,108,021)
Balance at end of financial year	(5,023,467)	(3,829,678)

19. Loss per share

	2013 Cents per share	2012 Cents per share
Basic income/(loss) per share (cents):		
From continuing operations	(1.07)	(6.54)
Total basic loss per share	(1.07)	(6.54)

	2013 \$	2012 \$
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:		
Loss	(1,193,789)	(3,108,021)

	2013 No.	2012 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	111,915,074	47,536,676

The rights of options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights of options are non-dilutive as the exercise prices are higher than the Company's share price at 30 June 2013 and the Company has also incurred a loss for the year.

20. Commitments

	2013 \$	2012 \$
<u>Exploration, evaluation & development (expenditure commitments)</u>		
Not longer than 1 year	6,768	248,898
Longer than 1 year and not longer than 5 years	17,263	617,373
Longer than 5 years	–	1,255,127
	24,031	2,121,398

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

21. Contingent liabilities and contingent assets

In the opinion of the Directors, there are no contingent liabilities or contingent assets as at 30 June 2013 and none were incurred in the interval between the year end and the date of this financial report.

22. 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.

23. Related party disclosures

(a) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 7 to the financial statements.

(b) Key management personnel equity holdings

Fully paid ordinary shares of Naracoota Resources Ltd

	Balance at 1 July	Grant as remuneration	Net other change	Balance at 30 June
Key management personnel	No.	No.	No.	No.
2013				
Directors				
George Cameron-Dow (i)	-	-	-	-
Christian Cordier (ii)	-	-	8,285,714	8,285,714
Gavin Wates (iii)	-	-	1,941,509	1,941,509
Dr Eric Lilford (iv)	-	-	-	-
	-	-	10,227,223	10,227,223
2012				
Directors				
Steven Crabbe (v)	5,125,000	-	23,150	5,148,150
Stephen Woods (vi)	2,333,333	-	45,000	2,378,333
Wayne Fernie (vii)	1,300,000	-	33,000	1,333,000
Executives				
Dan Hewitt (viii)	50,000	-	-	50,000
	8,808,333	-	101,150	8,909,483

(i) Mr Cameron-Dow was appointed as Non-Executive Director on 23 October 2012.

(ii) Mr Cordier was appointed as Non-Executive Director on 23 October 2012 and subsequently as Executive Director – Business Development on 1 November 2012.

(iii) Mr Wates was appointed as Non-Executive Director on 23 October 2012.

(iv) Dr Lilford was appointed as Non-Executive Director on 4 April 2013.

(v) Mr Crabbe resigned as director on 23 October 2012.

(vi) Mr Woods resigned as director on 22 October 2012.

(vii) Mr Fernie resigned as director on 23 October 2012.

(viii) Mr Hewitt resigned as acting Chief Executive Officer and Company Secretary on 24 August 2012 and finished on 31 August 2012.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

23. Related party disclosures (cont'd)

(b) Key management personnel equity holdings (cont'd)

Share options of Naracoota Resources Ltd

	Bal at 1 Jul	Granted as remuneration	Exercised	Net other change	Bal at 30 Jun	Bal vested at 30 Jun	Vested but not exercisable	Vested and exercisable	Options vested during year
Directors	No.	No.	No.	No.	No.	No.	No.	No.	No.
2013									
Directors									
George Cameron-Dow	-	-	-	-	-	-	-	-	-
Christian Cordier	-	-	-	-	-	-	-	-	-
Gavin Wates	-	-	-	1,822,566	1,822,566	1,822,566	-	1,822,566	1,822,566
Dr Eric Lilford	-	-	-	-	-	-	-	-	-
	-	-	-	1,822,566	1,822,566	1,822,566	-	1,822,566	1,822,566

	Bal at 1 Jul	Granted as remuneration	Exercised	Net other change	Bal at 30 Jun	Bal vested at 30 Jun	Vested but not exercisable	Vested and exercisable	Options vested during year
Directors	No.	No.	No.	No.	No.	No.	No.	No.	No.
2012									
Directors									
Steven Crabbe	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Stephen Woods	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Wayne Fernie	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Executives									
Dan Hewitt	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000	1,000,000
	-	4,000,000	-	-	4,000,000	4,000,000	-	4,000,000	4,000,000

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

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

(d) Other transactions with key management personnel

SG Corporate Pty Ltd, which is owned by Mr George Cameron-Dow, provided management, administrative, financial and company secretarial services amounting to \$111,000 to Naracoota from 1 December 2012. The amounts paid were as per a service agreement with SG Corporate Pty Ltd. At 30 June 2013 there are no outstanding amounts owing to SG Corporate Pty Ltd.

Up to the date of Mr Crabbe's resignation as director on 23 October 2012, the Company paid rent, outgoings and its share of office expenses amounting to \$40,839 (2012: \$127,786) to Lithex Resources Ltd, of which Mr Crabbe was also a director. The amounts paid were on arms' length commercial terms. At 30 June 2013 \$Nil (2012: \$3,918) was owing to Lithex Resources Ltd.

24. Subsequent events

Since the end of the financial year 506,554 Resource and Investment NL shares have been sold on the market for a total of \$45,887. Further sales may occur dependent on the parameters for sale of the shares as agreed by the Board.

No other matters or circumstances have arisen since 30 June 2013 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

	2013 \$	2012 \$
25. 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 year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash at bank	43,485	251,721
Term deposit	3,824,562	1,000,000
	<u>3,868,047</u>	<u>1,251,721</u>
(b) Reconciliation of loss for the year to net cash flows from operating activities		
(Loss) for the year	(1,193,789)	(3,108,021)
Depreciation of non-current assets	25,600	40,071
Equity settled share-based payments	10,482	499,137
Net change in fair value of financial assets at fair value through profit or loss	68,500	–
Loss on sale of tenements	990,356	–
Loss on sale of property, plant and equipment	9,472	–
Impairment of receivable	–	3,002
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
Decrease in assets:		
Trade and other receivables	25,823	38,235
(Decrease) in liabilities:		
Trade and other payables and provisions	(106,011)	(54,805)
Net cash used in operating activities	<u>(169,567)</u>	<u>(2,582,381)</u>

26. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

26. Financial instruments (cont'd)

(d) Interest rate risk management

The Company is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate products which also facilitate access to money.

Maturity profile of financial instruments

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

Weighted average effective interest rate	Variable interest rate	Fixed maturity dates			Non interest bearing	Total
		Less than 1 year	1-5 years	5+ years		
%	\$		\$	\$	\$	\$

2013

Financial assets:

Cash and cash equivalents	3.5%	-	3,824,562	-	-	43,485	3,868,047
Trade and other receivables/ other financial assets	-	-	-	-	-	258,148	258,148
		-	3,824,562	-	-	301,633	4,126,195

Financial liabilities:

Trade and other payables	-	-	-	-	-	-	-
	-	-	-	-	-	26,398	26,398
	-	-	-	-	-	26,398	26,398

Weighted average effective interest rate	Variable interest rate	Fixed maturity dates			Non interest bearing	Total
		Less than 1 year	1-5 years	5+ years		
%	\$		\$	\$	\$	\$

2012

Financial assets:

Cash and cash equivalents	1.1%	-	1,000,000	-	-	251,721	1,251,721
Trade and other receivables/ other financial assets	3.9%	-	17,000	20,000	-	38,066	75,066
		-	1,017,000	20,000	-	289,787	1,326,787

Financial liabilities:

Trade and other payables	-	-	-	-	-	-	-
	-	-	-	-	-	121,872	121,872
	-	-	-	-	-	121,872	121,872

(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) 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.

(g) Market price risk

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

26. Financial instruments (cont'd)

(h) 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.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. Included in Level 1 is a listed investment. The fair value of the Level 1 asset is based on the closing quoted bid price at reporting date, excluding transaction costs.

	Level 1 2013 \$	Level 1 2012 \$
Financial assets measured at fair value:		
Equity securities designated as at fair value through profit or loss:		
- Listed investments	209,305	-
	<u>209,305</u>	<u>-</u>