

QUARTERLY ACTIVITIES REPORT

For the period ending 30 September 2012



NARACOOTA
Resources Ltd

HIGHLIGHTS

- **\$3.1m Capital Raising through share placement and rights issue.**
- **CSIRO Structural Study - completed**
- **Mars Project – Walk up drill targets.**
- **Management Restructure**

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

CORPORATE

Capital Raise

During the quarter NRR announced a share placement and non-renounceable rights issue to raise approximately \$3.1m with Paterson’s Securities Limited acting as Lead Manager and Underwriter to the offer. The capital raising incorporated

- Placement of approximately 42.8 million ordinary shares at 3.5 cents each to raise \$1.5m.
- A non-renounceable rights issue of one (1) new share for every one (1) share held at the record date at 3.5 cents per share to raise \$1.6 million. All participants in the Rights Issue are to receive one (1) attaching option for every share subscribed that will be exercisable at 9c on or before 30 September 2015.

The funds raised are intended to be used predominantly for the continued exploration activity at the company’s existing projects and to provide ongoing working capital, including for the evaluation of additional projects that the board identifies as having potential to add value to shareholders.

At the end of the capital raise, Fleming SG Capital Special Opportunities Fund will emerge as a substantial shareholder in the Company with an approximate 19.9% holding. Fleming SG Capital is a well regarded investment manager that actively invests in ASX small cap companies. Fleming SG Capital is a joint venture between St George Capital Pty Ltd and Fleming Asset Management Botswana, a major African based fund with assets under management in excess of \$1 billion.

Corporate Details

ASX code: NRR

Issued Shares
47,536,676

Options
5.5 Mill

Share Price
\$0.038

Market Capitalisation
\$2.02M

Cash (end of quarter)
\$0.85M

DIRECTORS

Steven Crabbe
Stephen Woods
Wayne Fernie

COMPANY SECRETARY

Josh Puckridge

CONTACT DETAILS

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Proposed Board Changes

Following completion of the capital raise, it is also proposed that Directors Stephen Crabbe, Wayne Fernie and Stephen Woods will step down from the board to focus on their outside work commitments and other business operations. Naracoota will therefore emerge with a new board which is intended to comprise George Cameron-Dow, Christian Cordier and Gavin Wates.

Management Restructure

During the quarter NRR announced that Acting CEO and Company Secretary Mr Daniel Hewitt had completed his duties.

The Company's Exploration Manager, Mr Martin Dormer has been appointed Acting CEO while the Board considers a permanent option.

Mr Josh Puckridge has been appointed the Company Secretary.

TECHNICAL

CSIRO Structural Study

As previously reported, CSIRO were commissioned to conduct a study into the structural controls on gold mineralisation at the Horseshoe Range, which includes Mars, Hill680, Costean 12, Swan, Datum Post, Brilliant, and Hidden Valley Prospects. Historical maps and datasets were combined with recently acquired drill hole information, as well as magnetic datasets into one 3D Leapfrog model. Historic structural datasets from surface and adit mapping were digitised and compared with available structural logging from drill core both in 3D and as stereograms.

During the quarter, field investigations were carried out with CSIRO personnel traversing and carrying out structural mapping of significant portions of the Horseshoe Range, particularly with respect to locations with gold workings. This study is in its final stages with all data acquisition activities completed and CSIRO expected to submit their final report early in the December Quarter. This study will be instrumental in optimising collar locations and drill angles of further drilling expected to take place in the vicinity of Hill 680 and Brilliant.

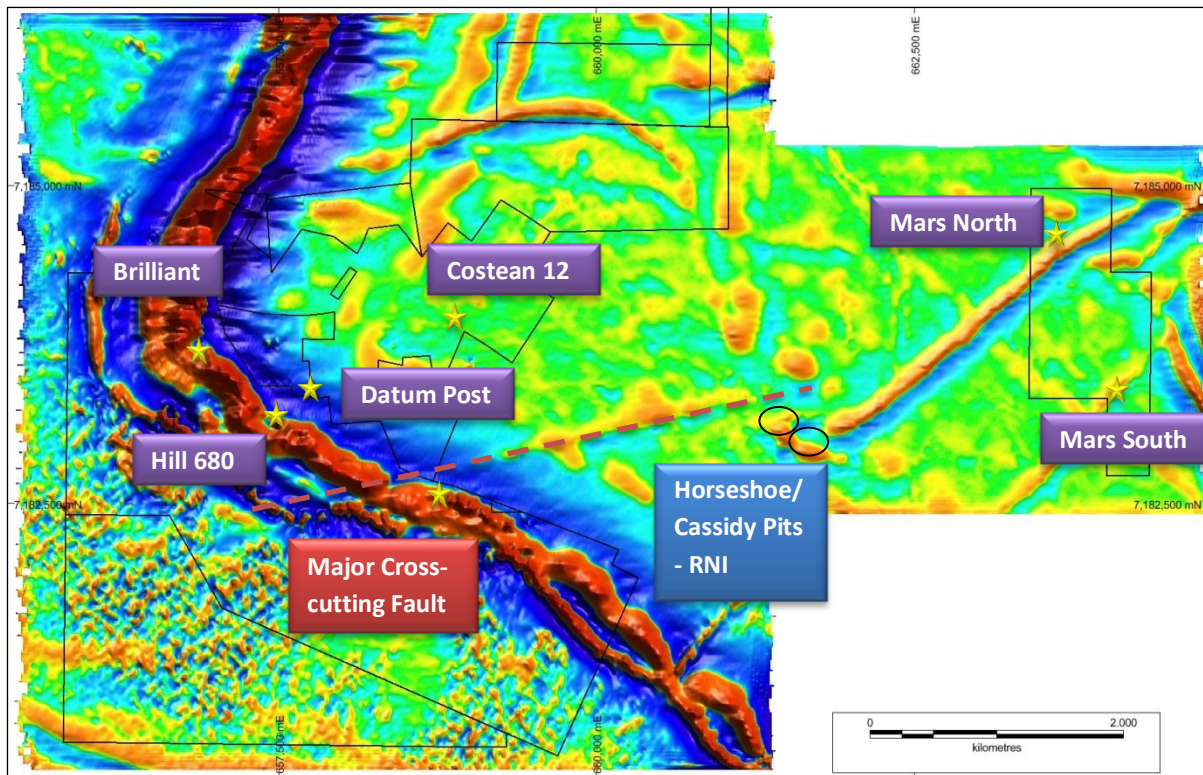


Figure 1: First Vertical Derivative (1VD) of the magnetic data (TMI) from 30m line spaced airborne geophysical survey. Red is highly magnetic, and blue indicates a low magnetic response. The most obvious feature is the highly magnetic Horseshoe Range, then more importantly cross-cutting faults, and shear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

Mars South (P52/1239)

The Mars South Prospect is situated 4km east of Costean 12, and just 2km east of RNI's Horseshoe-Cassidy open cut mines (not currently operating) in the southern portion of tenement P52/1239. RNI's Horseshoe-Cassidy includes over 162,000 Au ounces in an inferred resource. The RNI Horseshoe-Cassidy mine is mineralised in a series of sheeted veins within the Narracoota Volcanics as similarly occurs at NRR's Mars South Prospect.

Results of historic drilling by Afmeco Pty Ltd are highly encouraging with several significant and high grade gold intersections apparent from the first two phases of RAB drilling, and later from follow-up RC drilling, also by Afmeco. RC Drill Hole AQRC007 intersected **12m @ 5.00 g/t Au from 14m** including **6m @ 8.8 g/t Au from 14m**. In most cases intersections were in close proximity to the Narracoota Volcanic contact and the Thaduna Sediments. During this drilling campaign it was assumed that mineralisation was associated with veining and a cherty horizon that separates the Narracoota Volcanics from the sediments. Drill orientations were thus targeting this north westerly trend.

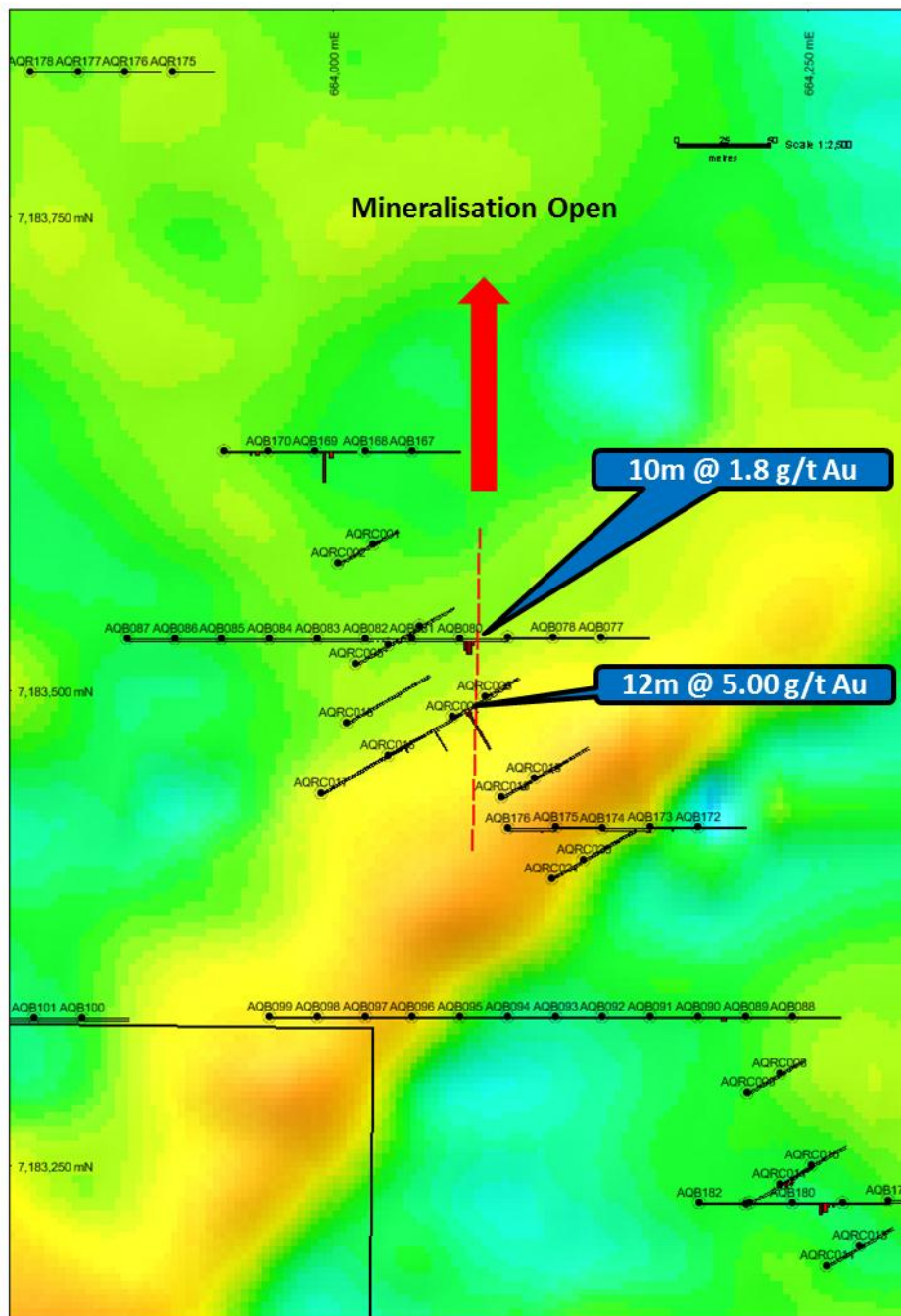


Figure 2: Historic drilling by Afmeco Pty Ltd targeting north westerly, contact mineralisation. This leaves a north-south structural orientation open for drill targeting.

The detailed 30m line spaced aeromagnetic survey flown earlier in 2012 by NRR has shown several structural trends, predominantly a strongly magnetic ENE, north west dipping feature that occurs in close proximity to mineralised drill intersections at Mars South. It was thought, and still may be, that this feature represents a mineralised structure. More recent interpretation, however, shows that mineralisation in AQR007 lines up in an open north-south orientation, with a steep westerly dip, with the **10m @ 1.80 g/t Au** from 4m in AQB080 (Afmeco Pty Ltd). Should this be the case then the system is open to the south and north and is a target warranting immediate drill testing.

| Historic (Afmeco) Significant Drill Intercepts | | | | | |
|--|------------|------|-----|----------|--------|
| Prospect | Drill-hole | From | to | interval | Au ppm |
| Mars South | AQRC007 | 14 | 26 | 12 | 5.00 |
| Mars South | AQRC007 | 14 | 20 | 6 | 8.88 |
| Mars South | AQRC016 | 52 | 56 | 4 | 3.14 |
| Mars South | AQRC016 | 55 | 56 | 1 | 11.80 |
| Mars South | AQRC017 | 100 | 103 | 3 | 1.50 |
| Mars South | AQRC017 | 100 | 101 | 1 | 3.31 |
| Mars South | AQB080 | 4 | 14 | 10 | 1.80 |
| Mars South | AQB080 | 4 | 8 | 4 | 3.26 |

Next Steps

Naracoota is further encouraged by the results of magnetic modelling, the CSIRO structural study, and recent interpretation and modelling of historic drilling data. NRR is currently reviewing drill contracts offered by drilling companies and is planning for a round of RC drilling at Horseshoe. NRR has also been actively reviewing several other prospective projects that meet the companies selection criteria.

ENDS

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Forward Looking Statement

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

Competent Persons Statement

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