

QUARTERLY ACTIVITIES REPORT

For the period ending 31 December 2011



NARACOOTA
Resources Ltd

Corporate Details

ASX code: NRR

Issued Shares
47,536,676

Options
5 Mill

Share Price
\$0.17

Market Capitalisation
\$8.1M

Cash (end of quarter)
\$2.4M

DIRECTORS
Steven Crabbe (MD)
Stephen Woods
John Stockley
Wayne Fernie

COMPANY SECRETARY
Daniel Hewitt

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HIGHLIGHTS

- **Maiden drill program completed at Costean 12 intersecting numerous broad zones of gold mineralisation**
- **Encouraging results from shallow RC drilling in previously undrilled area to the south of C12 include;**
 - **19m @ 1.3g/t Au in HFRC019**
 - **9m @ 1.2 g/t Au in HFRC 018**
 - **3m @ 7.1g/t Au in HFRC017**
- **C12 strike length increased to 240m+, open in all directions**
- **Drill program completed post end of quarter at the Hill 680 gold prospect; awaiting assay results**

Naracoota Resources Limited ("Naracoota" or "the Company") (ASX:NRR) is pleased to report that the Company had a productive quarter for the period ending 31 December 2011.

The main activity was the completion and analysis of the Company's maiden 2,180 metre RC drill program testing areas of interest within the confines of pre-existing programmes of works (PoWs) primarily at Costean 12.

In addition, Naracoota commenced an initial 1,000 metre drill program at the Hill 680 gold prospect on the Horseshoe Range. This was completed post the end of the quarter and the Company is awaiting assay results (gold only).

See below for details.

Costean 12

Costean 12 is a historic gold prospect which had limited shallow RAB and RC drilling conducted over it in the early 1990's returning encouraging gold results. Recent land based geophysics conducted for the first time over the area by Naracoota Resources shows that the prospect is also co-incident with a significant IP geophysical anomaly, C12 Deeps, yet to be drill tested by the Company (refer ASX announcement dated 6 October 2011).

Working within the confines of a pre-existing PoW, the Company RC drilled 17 shallow holes (to a vertical depth of approx. 50 metres) testing the mineralisation and looking to extend the known extents. The results were encouraging with most holes intersecting gold mineralisation including (refer ASX announcement dated 16 November 2011 for full details): -

Hole Id	Prospect	From (m)	To (m)	Interval (m)	Grade g/t Au
HFRC001	Costean 12	18	23	5	1.1
HFRC006	Costean 12	47	51	4	1.3
HFRC007	Costean 12	36	45	9	0.7
HFRC017	Costean 12	56	59	3	7.1
HFRC018	Costean 12	45	61	16	0.9
HFRC019	Costean 12	41	60	19	1.3
	incl	42	44	2	3.5
	and incl	57	59	2	2.7
HFRC022	Costean 12	7	9	2	3.2

The strongest mineralisation (i.e. hole 18 & 19) came from the southern extent of Costean 12 which had never been drill tested before. Naracoota's drilling extended the strike length of the gold mineralisation at Costean 12 to 240 metres where it remains open along and across strike, and down dip (see Figure 1 below).

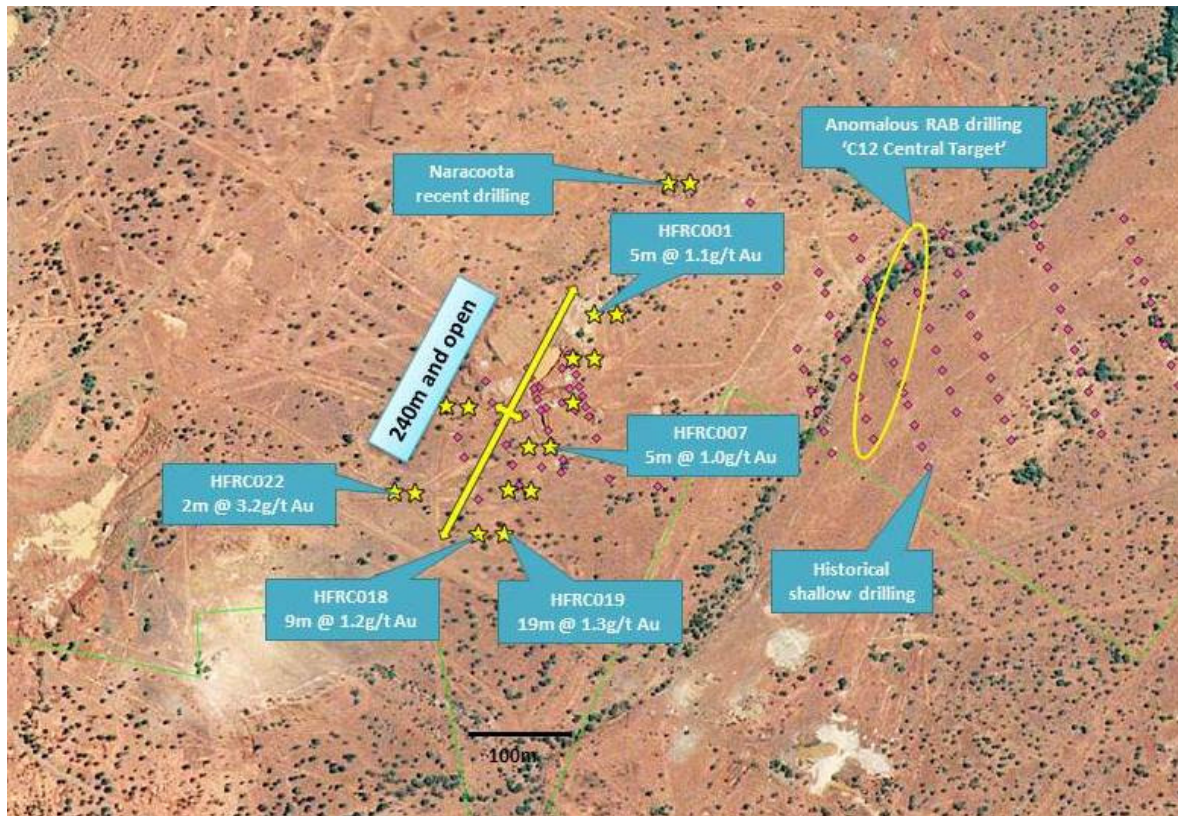


Figure 1: Drill location map at Costean 12 (yellow – recent RC drilling, red – historic RAB drilling)

The profile of the regolith encountered during the drilling at Costean 12 was deeply weathered and suggests that the mineralisation intersected may be depleted at the shallow depths tested. In order to test the mineralisation in fresh rock, the Company will conduct a program of deeper drilling, which is scheduled for the first quarter of 2012.

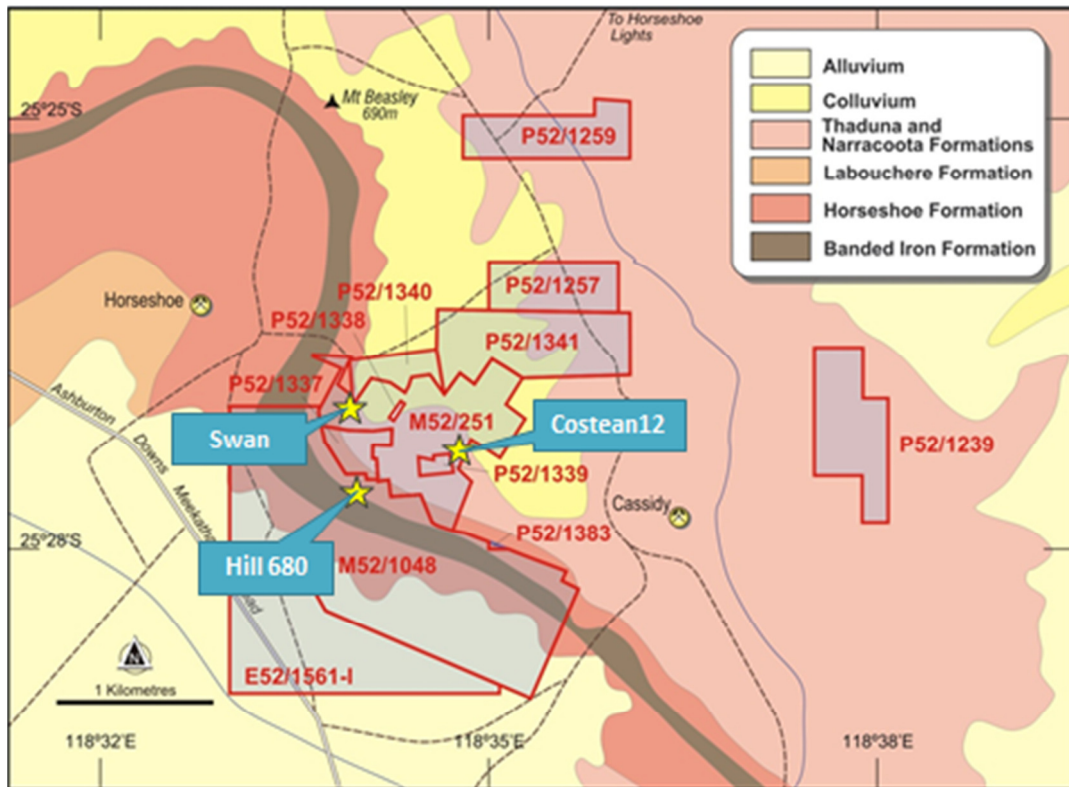


Figure 2: Prospect location map

Swan

Six (6) RC holes with a depth range of 82 to 300 metres were also drilled at Swan and Swan East to conduct initial tests of anomalies in these areas. While minor zones of anomalous gold were encountered at the Swan East geochemical anomaly, the chargeability anomaly at Swan has not been sufficiently explained and interpretation is on-going in this area.

Gold results from Swan East include 4m @ 1.73g/t Au, and numerous additional intercepts above 100ppb Au.

Hill 680

The other main activity for the quarter was the commencement of an initial planned program of approx. 1,000 metres of diamond drilling in late November at the Hill 680 gold prospect on the Horseshoe Range. As previously reported, the Company holds the gold rights only to this area (refer to M52/1048 and E52/1561 in Fig 2 above).

The program was designed to confirm and expand on known gold mineralisation which had been intersected along a 1.6km strike length across the top of the range, the host lithology of which extends for more than 4.5kms.

Much of the area has never been drill tested before with only limited historic RC drilling focussing on less than 100m of strike.

As previously reported (refer ASX announcement dated 8 December 2011) the rate of diamond drilling was much slower than expected. The Company was able to source an appropriate replacement RC rig, where a much increased rate of production saw the completion of the program in a timely and cost effective manner.

The Company is pleased to advise that the RC drill program has now been completed post the end of the quarter. All the samples are with the lab for which the Company is awaiting assay results; which are expected within the next 2 weeks.

The Company is highly encouraged by the initial observations from the drill core from the diamond holes and RC chip logging with large intersections of sandstone with abundant quartz veins/stockwork apparent with a silica-sericite-pyrite alteration halo. This observed geology is conducive for hosting gold mineralisation, noting of course that assay results are required before this can be confirmed.



Figure 3: RC drill rig on location at Hill 680

Corporate

The Company advises that co-founder, and Director Steve Woods moved to a non-executive position during the quarter in December to focus on other commercial interests. Naracoota thanks Mr Woods for his efforts to date and looks forward to his continued involvement as a non-executive Director.

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 Chris Shaw, who is a member of the Australian Institute of Geoscientists. Mr Shaw 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 Shaw consents to the inclusion of such information in this report and the context in which it appears.