



Northwest Resources Limited

ACN 107 337 379

INTERIM FINANCIAL REPORT

For the half year ended 31 December 2011



This interim financial report should be read in conjunction with the Annual Report for the year ended 30 June 2011. This report has been provided to the ASX pursuant to Listing Rule 4.2A.

Contents

Corporate Directory	2
Directors' Report	3
Auditor's Independence Declaration	7
Financial Report	
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Consolidated Cash Flow Statement	11
Notes to the Financial Statements	12
Directors' Declaration	14
Auditor's Review Report	15

Corporate Directory

Directors

James Colquhoun, Non-Executive Chairman

John Merity, Managing Director

Peter Richard, Non-Executive Director

Company Secretary

John Merity

Principal and Registered Office

Suite 8, Level 2

325 Pitt Street

Sydney NSW 2000

Telephone: (02) 9267 7661

Facsimile: (02) 9267 7601

Email: info@nw-resources.com.au

Web: www.nw-resources.com.au

Exploration Office

Suite 6

72 Canning Highway

Victoria Park WA 6100

Telephone: (08) 9361 0300

Facsimile: (08) 9361 2658

Share Registry

Registries Limited

Level 7, 207 Kent Street

Sydney NSW 2000

Postal address:

GPO Box 3993

Sydney NSW 2001

Telephone: (02) 9290 9600

Facsimile: (02) 9279 0664

Email: callcentre@registries.com.au

Web: www.registries.com.au

Auditors

PKF Chartered Accountants

1 Margaret Street

Sydney NSW 2000

Directors Report

The Directors of Northwest Resources Limited (the **Company** or **Northwest**) present their report together with the interim financial report of the Company and its controlled entities (together the **consolidated entity**) for the half year ended 31 December 2011.

Directors

The names of the directors of the Company who have held office at any time during or since the end of the half year are:

James Colquhoun - Non-Executive Chairman
John Merity - Managing Director
Peter Richard - Non-Executive Director

Principal Activities

The principal activity of the consolidated entity during the half year was the development of the Company's Nullagine gold project in Western Australia. There was no significant change in the nature of these activities during the half year.

Operating Results

The Company's projects are still at the exploration and development stage, accordingly, the consolidated entity does not yet derive any revenue from those projects. Exploration expenditure incurred by the Company during the half year was \$623,803. The consolidated entity's net loss for the half year was \$1,597,408.

Review of Operations

The Company has taken a number of important steps towards the development of its flagship Nullagine Gold & Antimony Project during the half year.

The Company has moved to consolidate 100% ownership of the Project and attracted an outstanding Executive General Manager to manage the Company's ongoing feasibility studies into the development of the high-grade Blue Spec and Golden Spec deposits and to take the Company through to first gold and antimony production, targeted for 2013.

The Company has executed its plans to develop and mine its Camel Creek Trend gold deposits through its joint venture with Millennium Minerals Limited.

Northwest has also developed a new processing and marketing strategy for its high-grade gold-antimony deposits on the Blue Spec Shear which presents the Company with a clear development path to establish underground mining operations at Blue Spec and Golden Spec in 2013.

Consolidation of 100% ownership of the Nullagine Gold & Antimony Project

The Company has conditionally agreed to acquire the remaining 35% minority interest in the Nullagine Gold & Antimony Project which it does not own. Consolidating ownership of the Nullagine Gold & Antimony Project has been a key objective of the Board and management.

The acquisition, if approved by shareholders:

- will give Northwest access to 100% of future cashflows from developing the Blue Spec-Golden Spec underground mining operation and from the Camel Creek Joint Venture with Millennium Minerals; and
- will result in a simpler corporate and ownership structure that will facilitate potential off-take, debt and equity financing for the project.

The consideration for the proposed acquisition of the 35% project interest will be the issue of 45,000,000 ordinary shares in Northwest at a deemed issue price of \$0.126 per share equating to a 25.47% interest in the undiluted share capital of Northwest.

The proposed acquisition will require shareholder approval under both the ASX Listing Rules and the Corporations Act. The acquisition agreement is conditional on:

- Northwest obtaining an independent expert's report stating that, in the opinion of the expert, the proposed acquisition is fair and reasonable to non-associated shareholders; and
- shareholders of Northwest passing all resolutions necessary to approve the proposed acquisition.

BDO Corporate Finance (NSW-VIC) Pty Limited assisted the independent directors of Northwest in structuring the price and terms of the proposed acquisition. Northwest has appointed Grant Thornton as the independent expert to report to shareholders on the proposed acquisition and their report will include an Independent Valuation Report relating to the Nullagine Gold & Antimony Project.

Northwest expects to call the General Meeting to consider the proposed acquisition in the first quarter of 2012.

Appointment of Executive General Manager

Northwest has appointed Mr Allan King to the position of Executive General Manager. Mr King is a mining engineer, graduating from the WA School of Mines in 1982 and holds a WA 1st Class Mine Managers Certificate.

Mr King's primary responsibility will be to manage the Company's ongoing feasibility studies into the development of the high-grade Blue Spec and Golden Spec deposits as part of the Company's Nullagine Gold & Antimony Project and to take the Company through to first gold and antimony production, targeted for 2013.

Mr King has held a number of senior positions in the mining industry including roles as Chief Operating Officer with Apex Minerals (Gold - Wiluna), Resolute Mining (Gold – Ravenswood, Syama & Golden Pride), LionOre (Gold & Nickel – WA), Aditya Birla (Copper - Nifty) and Griffin Coal (Coal – Collie).

Prior to these roles Mr King was the Mining Manager at the KCGM Superpit in Kalgoorlie and the Resident Manager at both the Bounty underground gold mine (Forrestantia Gold) and the St Ives gold operations in Kambalda (WMC).

Mr King has an excellent track record of driving productivity improvements and implementing best practice operating and reporting systems. He also has extensive experience with high-grade narrow vein underground gold mining and the processing of refractory ores which are directly relevant to Northwest's activities.

Camel Creek Joint Venture with Millennium Minerals

The Company has executed its plans to develop and mine its Camel Creek Trend gold deposits through its joint venture with Millennium Minerals Limited (**Millennium**).

Under the 50:50 joint venture which was recently finalised, Northwest's Camel Creek Trend gold deposits will be mined and processed by Millennium through its Golden Eagle treatment plant, which is currently under construction

The joint venture will be the catalyst for the transformation of Northwest from an advanced explorer into an emerging gold producer leaving Northwest free to focus on developing its core Blue Spec Shear high grade gold-antimony deposits into one of the highest grade gold underground mining centres in Australia.

The key commercial terms of the Camel Creek Joint Venture include:

- gold production and joint venture operating costs will be shared 50:50;
- Millennium will be the manager and operator of the joint venture;
- no up-front capital contribution will be required from Northwest to the Joint Venture;
- Joint Venture mining is currently anticipated to commence in early 2015; and
- Northwest can add further deposits to the Joint Venture in agreement with Millennium.

Following the announcement of the 50:50 joint venture, Millennium funded an infill and step out drilling programme at the Junction, Roscoes Reward and Little Wonder joint venture deposits aimed at confirming strike and dip extensions to the current Mineral Resources defined at the three deposits, and improving the Mineral Resource categorisations through infill drilling to enable maiden Ore Reserve estimates to be prepared in the second quarter of 2012.

New processing and marketing strategy for the Blue Spec Shear

The dynamics of the antimony market have changed dramatically in recent years due to falling Chinese production resulting from mine depletion. Increasing demand for antimony concentrates have resulted in significantly improved smelter terms and has driven Northwest's decision to produce a high value gold-antimony concentrate for sale as opposed to producing gold and antimony metal as was done in the past.

Northwest currently plans to bypass leaching altogether and utilise a simple gravity / floatation process to produce a highly gold enriched gold-antimony marketable concentrate for sale. Floatation is a requirement for refractory ores and the process is common and relatively uncomplicated. Removing a CIL circuit from on-site processing results in lower capital and operating costs plus has additional environmental advantages as no cyanide is used.

The Company commenced a diamond drilling programme designed to recover a total of approximately 850kg of ore zone material from Golden Spec and the Blue Spec Upper Zone and Remnant Zone. This material will be used for a detailed metallurgical testwork programme.

The metallurgical test work programme is designed to produce sample Au-Sb floatation concentrates from each of the domains. Assay analysis of the metal content of the floatation concentrates will enable Northwest to advance its ongoing discussions with parties interested in potential Au-Sb concentrate off-take and smelting arrangements with the Company. In addition results from the testwork programme will be used in process flow design evaluation and capital cost estimation.

Changes in State of Affairs

No significant changes occurred in the consolidated entity's state of affairs during the half year.

Environmental Management

In undertaking its mineral exploration and development activities, the Company is subject to a number of environmental laws, principally those administered by the Western Australian Department of Environment. Those laws relating to the clearing of native vegetation and protection of aboriginal heritage are particularly relevant to the Company's exploration activities. The Company is committed to a high standard of environmental performance with respect to its mineral exploration activities. The Company has not received any fines or prosecutions under any environmental or heritage laws or regulations nor incurred any reportable environmental incidents during the financial year with respect to its activities.

Corporate Governance

The Company considers that effective corporate governance improves company performance, enhances corporate social responsibility and benefits all stakeholders. Accordingly, the Company has established a number of policies to ensure that these intentions are met and that all shareholders are fully informed about the affairs of the Company. A statement setting out the Company's corporate governance policies and compliance with the Principles of Good Corporate Governance and Best Practice Recommendations released by the ASX Corporate Governance Council is contained in the Company's 2011 Annual Report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included within this financial report.

This Directors' Report is made in accordance with a resolution of the directors.



John J. Merity
Managing Director

14 March 2012

AUDITOR'S INDEPENDENCE DECLARATION**Auditor's independence declaration to the directors of Northwest Resources Limited**

In accordance with section 307C of the *Corporations Act 2001* as lead audit partner for the review of Northwest Resources Limited for the financial half-year ended 31 December 2011, to the best of my knowledge and belief there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- no contraventions of any applicable code of professional conduct in relation to the review.



PKF

Chartered Accountants & Business Advisers


Jennifer Nairne

Sydney

15 March 2012

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au

PKF | ABN 83 236 985 726

Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

DX 10173 | Sydney Stock Exchange | New South Wales

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2011

	Consolidated	
	December 2011 \$	December 2010 \$
Revenue	71,461	234,044
Administration	(388,220)	(305,776)
Employee benefits expense	(349,494)	(221,448)
Impairment of Deferred Exploration Expenditure	-	(556,584)
Impairment of Convertible Note	(931,155)	-
	<hr/>	<hr/>
Income/(loss) before income tax	(1,597,408)	(849,764)
Income tax expense	-	-
	<hr/>	<hr/>
Total comprehensive income/(loss) for the half-year	(1,597,408)	(849,764)
	<hr/>	<hr/>
Profit/(loss) is attributable to:		
Owners of Northwest Resources Limited	(1,593,659)	(743,281)
Non-controlling interest	(3,749)	(106,483)
	<hr/>	<hr/>
	(1,597,408)	(849,764)
	<hr/>	<hr/>
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:		
Basic earnings (cents) per share – (loss)	(1.22)	(0.65)
Diluted earnings (cents) per share – (loss)	(1.22)	(0.65)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2011

	Consolidated	
	Notes	
	December 2011 \$	June 2011 \$
CURRENT ASSETS		
Cash and cash equivalents	1,716,990	2,878,128
Trade and other receivables	186,569	22,063
Other current assets	39,978	51,064
Financial assets	-	697,263
Total current assets	<u>1,943,537</u>	<u>3,648,518</u>
NON-CURRENT ASSETS		
Trade and other receivables	10,283	244,175
Property, plant and equipment	1,295,603	1,318,478
Exploration, evaluation and development expenditure	6,038,518	5,414,715
Total non-current assets	<u>7,344,404</u>	<u>6,977,368</u>
Total assets	<u>9,287,941</u>	<u>10,625,886</u>
CURRENT LIABILITIES		
Trade and other payables	273,866	161,142
Short-term Provisions	57,603	65,049
Total current liabilities	<u>331,469</u>	<u>226,191</u>
NON-CURRENT LIABILITIES		
Trade and other payables	-	-
Long-term Provisions	26,203	24,438
Total Non-Current Liabilities	<u>26,203</u>	<u>24,438</u>
Total Liabilities	<u>357,672</u>	<u>250,629</u>
Net assets	<u>8,930,269</u>	<u>10,375,257</u>
EQUITY		
Contributed equity	2 29,763,236	29,610,816
Retained losses	(21,476,470)	(19,882,811)
Parent entity interest	8,286,766	9,728,005
Minority equity interest	643,503	647,252
Total equity	<u>8,930,269</u>	<u>10,375,257</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2011

	Contributed Equity	Retained Earnings	Non- controlling Interest	Total Equity
	\$	\$	\$	\$
As at 1 July 2010	29,610,816	(9,135,709)	1,102,114	21,577,221
Loss for the period	-	(743,281)	(106,483)	(849,764)
As at 31 December 2010	29,610,816	(9,878,990)	995,631	20,727,457

	Contributed Equity	Retained Earnings	Non- controlling Interest	Total Equity
	\$	\$	\$	\$
As at 1 July 2011	29,610,816	(19,882,811)	647,252	10,375,257
Loss for the period	-	(1,593,659)	(3,749)	(1,597,408)
Share based payments	152,420	-	-	152,420
As at 31 December 2011	29,763,236	(21,476,470)	643,503	8,930,269

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2011

	Consolidated	
	December 2011 \$	December 2010 \$
Cash flows from operating activities		
Receipts from customers	-	61,958
Payments to suppliers and employees	(493,983)	(462,453)
Payments for exploration, evaluation and development expenditure	(743,153)	(942,882)
Finance costs	(604)	-
Interest received	77,761	126,255
	<u>(1,159,979)</u>	<u>(1,217,122)</u>
Net cash inflow/(outflow) from operating activities		
Cash flows from investing activities		
Proceeds/(payments) for plant and equipment	(1,159)	(3,509)
	<u>(1,159)</u>	<u>(3,509)</u>
Net cash inflow/(outflow) from investing activities		
Net increase/(decrease) in cash held	(1,161,138)	(1,220,631)
Cash at the beginning of the half-year	2,878,128	4,882,481
	<u>1,716,990</u>	<u>3,661,850</u>
Cash and cash equivalents at the end of the half-year		

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Basis of Preparation of Half Year Report

This general purpose financial report for the interim half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by the Company and controlled entities during the interim reporting period in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. Contributed Equity

	Consolidated Entity	
	December 2011	June 2011
	\$	\$
a) Paid up capital	29,763,236	29,610,816
b) Movements	December 2011	
	No. of Shares	Paid up Capital
Balance at 1 July 2011	130,895,418	29,610,816
Share based payments	-	152,420
Balance at 31 December 2011	130,895,418	29,763,236

3. Segment Information

The consolidated entity operates in only one industry segment, being mineral exploration and only one geographical segment, being Australia.

4. Loss for the Half Year

The loss for the half-year includes the following items that may be unusual because of their nature, size or incidence.

	Half-Year	
	December 2011	December 2010
	\$	\$
Revenue		
Other revenue	-	62,958
Expenses		
Impairment of convertible note	(931,155)	-
Share based payments	(152,420)	-
	(1,083,575)	62,958

5. Events Subsequent to Reporting Date

John Merity was issued 5,000,000 performance rights on 24 January 2012.

6. Contingencies

Since the last annual reporting date, there has been no material change of contingent assets or liabilities.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



John J. Merity
Managing Director

14 March 2012



Chartered Accountants
& Business Advisers

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF NORTHWEST RESOURCES LIMITED**

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying consolidated half-year financial report of Northwest Resources Limited, which comprises the statements of financial position as at 31 December 2011, the statements of comprehensive income, statements of changes in equity and statements of cash flow for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises Northwest Resources Limited (the company) and the entities it controlled at 31 December 2011 or from time to time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Northwest Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Northwest Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the consolidated entity is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard *AASB 134 Interim Financial Reporting and Corporations Regulations 2001*.



PKF
Chartered Accountants & Business Advisers



Jennifer Nairne
Partner

Sydney
15 March 2012