

30 September 2013

Letter from the Chairman

Dear Fellow Shareholders,

The purpose of this letter is to advise shareholders of the Company's plans in relation to its flagship Blue Spec Shear Gold-Antimony Project in the context of the current environment of gold price volatility and the continuing decline in the equity and debt markets for junior resource companies.

Project development

In September 2012, Northwest released the results of a scoping study and preliminary economic assessment of the Blue Spec Shear Gold-Antimony Project. The study evaluated a standalone operation mining both the Blue Spec and Gold Spec underground mines and processing 250,000t of ore per year on site to produce a gold-enriched antimony concentrate for direct sale. The study assumed a US\$1,650 gold price.

The scoping study demonstrated the positive potential for an economically robust and technically viable project and provided a strong basis for the Company's decision to progress the project through feasibility studies.

Over the last 12 months, the Company has diligently progressed its feasibility assessment, including:

- completing extensive metallurgical testwork to confirm the project's ability to produce a marketable antimony concentrate product with high recoveries of gold and antimony into concentrate;
- advancing technical and commercial discussions with a preferred off-take partner to confirm the market demand for the proposed gold-enriched antimony concentrate product;
- finalising all environmental baseline studies for the project. No material environmental issues have been identified and WA mining proposal documentation (including environmental risk management plans) and a mine closure plan has been prepared;
- commencing geotechnical and hydrological studies;
- evaluating mine site accommodation design and construction options; and
- completing a targeted drilling program at Blue Spec and Gold Spec designed to increase the confidence level in the resource base. The drilling program met its objective of defining a substantial amount of high-grade Indicated Resources to support the early stage cash flow assumptions in the scoping study.

Market conditions

Shareholders will be aware of the gold price collapse in April this year which saw the gold price fall US\$200/oz over two days from US\$1,550/oz to US\$1,350/oz and subsequently fall as low as US\$1,210/oz.

Whilst the gold price has recovered somewhat from its lowest levels (and notwithstanding the lower Australian dollar which has improved the Australian dollar gold price), the gold price is still subject to an unprecedented level of price volatility which has contributed to a continuing decline in the equity market for gold juniors. More importantly, the present gold price level and volatility has significantly impacted the availability and terms of debt financing for junior companies like Northwest striving to secure debt capital to bring first gold projects into production.

The decline in equity and debt markets is being felt by current producers and developers alike.

Strategic refocus

In the current financial market, the Board's advice is that the Company will not be able to raise the required debt or equity capital to take the Blue Spec Shear Gold-Antimony Project forward in the development scenario evaluated in the scoping study in such a way as to ensure appropriate returns for shareholders.

As a result, the Company believes it is prudent to defer completion of the current feasibility studies to enable the Company to focus on evaluating different strategies to realise the significant value in the project. Northwest will now focus on defining and evaluating lower capital cost development options for the project and investigating opportunities to introduce a development partner to the project following recent expressions of interest by third parties.

Whilst the Board and management share in the disappointment of the decision to defer completion of the feasibility studies for the present time, the Company retains great optimism in relation to the Company's flagship project.

The Blue Spec Shear Gold-Antimony Project:

- has a robust high-grade Mineral Resource base of 415,000t @ 15.8g/t Au for 219,000oz of gold and 1.3% Sb for 5,200 of contained antimony which includes Indicated Resources of 151,000t @ 21.7g/t Au for 106,000oz of gold (refer to Northwest's ASX announcement dated 30 September 2013 for further details);
- has an updated geological model and resource estimate which is considered a robust representation of Blue Spec and Gold Spec deposits. Based on recent performance, the Company expects future infill drilling to deliver strong conversion rates of Inferred to Indicated Resources;
- has a clear concentrate production and marketing strategy and Northwest has established a positive relationship with a preferred off-take partner;
- has been substantially technically de-risked;
- has excellent high-grade exploration potential at both primary deposits and also along the largely untested Blue Spec shear; and
- is environmentally sound.

In addition, the extensive work completed in connection with the feasibility studies to date will greatly benefit the Company's evaluation of different strategies to realise the significant value in the project.

Conclusion

The Company has commenced work on evaluating the different strategies available to it. With the recently announced royalty financing facility, Northwest has a stable cash position and retains the Camel Creek Gold Project which is expected to generate solid cash flows in the medium term. The Board will also move to reduce overhead costs during this strategic evaluation phase as soon as practicable.

I thank shareholders for their ongoing patience and support in a difficult market.



Jim Colquhoun
Chairman

Cautionary statement

Certain statements in this letter, including statements regarding the future financial or operating performance of the Company or exploration potential of its projects, and estimates, projections and assumptions in respect of gold and antimony production, metal prices, operating costs, capital expenditures, Ore Reserves, Mineral Resources, anticipated grades constitute forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions related to future business, technical economic, market, political, social and other conditions that, while considered reasonable by the Company, are inherently subject to significant uncertainties and contingencies. Many known and unknown factors could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements. Shareholders are cautioned that forward looking statements are not guarantees of future performance.