INTERIM FINANCIAL REPORT

For the half year ended 31 December 2013

This interim financial report should be read in conjunction with the Annual Report for the year ended 30 June 2013. This report has been provided to the ASX pursuant to Listing Rule 4.2A.

Contents

Corporate Directory

Directors
Jim Colquhoun - Non-Executive Chairman
John Merity - Managing Director
Peter Richard - Independent Non-Executive Director

Company Secretary
John Merity

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BDO
1 Margaret Street
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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 2013.

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 ongoing development of the Company's two gold projects located in the Nullagine Goldfield in Western Australia's Pilbara region, the Blue Spec Shear Gold-Antimony Project and the Camel Creek Gold Project.

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 $682,226. The consolidated entity's net loss for the half year was $1,161,198.

REVIEW OF OPERATIONS

During the half year, Northwest's focus continued to be on the Blue Spec Shear Gold-Antimony Project. Northwest reported an updated Mineral Resource estimate for the Blue Spec and Gold Spec gold deposits, the material deposits within the project in September 2013. The updated resource totals 415,000 @ 16.3g/t Au and 1.3% Sb for 219,000oz gold and 5,300 tonnes of antimony.

The updated Mineral Resource estimate was prepared in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) and incorporated 11 diamond drill holes at Blue Spec and 14 diamond holes at Gold Spec completed since resource estimates were previously released by Northwest.

The geological and structural model for the deposits was also revised as part of the updated estimation process.

Whilst the updated Mineral Resource estimates represent a negative resource revision compared to the 2008 Blue Spec and 2010 Gold Spec resource estimates, a number of positive outcomes were achieved:

- The updated Mineral Resource estimate for Blue Spec and Gold Spec has delivered a substantial increase in Indicated Resources to approximately 50% of total resources (up from approximately 12% in the previous combined resource estimate).
- The Indicated Resources have been defined over a significant vertical extent immediately below the historical workings (see Figures 2 and 4 below).
- The grade of the Indicated Resources at Blue Spec (29.1g/t Au and 2.2% Sb) is very similar to the head grade reported by Anglo-American during production immediately above the Indicated zone of 31.1g/t Au and 2.9% Sb providing further confidence in the grade estimation.
- The average grade of the updated Indicated and Inferred Resources at Gold Spec (15.2g/t Au and 1.2% Sb) represents a significant increase in grade over the previous resource estimate.
- The grade distribution within the updated resource block models shows very high-grade zones of mineralisation within each deposit of 40-100g/t Au (see Figures 1 and 3 below) which are open along strike and at depth. The potential strike extensions of these very high-grade zones represent excellent exploration opportunities.

Notwithstanding the positive outcomes from the updated Mineral Resource for the project, as announced to shareholders September 2013, in the current financial market the Board believes it 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 which was being evaluated in the Company's feasibility study in such a way as to ensure appropriate returns for shareholders.

Directors Report (continued)

As a result, the Company believes it is prudent to defer completion of the feasibility study to enable the Company to focus on evaluating different strategies to realise the significant value in the project. Northwest is now focusing on defining and evaluating lower capital cost development options for the project and investigating opportunities to introduce a development partner to the project.

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.

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 polices 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 2013 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 interim financial report.

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

John J. Merity
Managing Director

14 March 2014

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DECLARATION OF INDEPENDENCE BY GRANT SAXON TO THE DIRECTORS OF NORTHWEST RESOURCES LIMITED

As lead auditor for the review of Northwest Resources Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Northwest Resources Limited and the entities it controlled during the period.

Grant Saxon
Partner

BDO East Coast Partnership

Sydney, 14 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2013

	Note	Consolidated December 2013 $	Consolidated December 2012 $
Other income		27,201	65,371
Administration expense		(724,352)	(437,577)
Employee benefits expense		(285,931)	(229,631)
Finance costs		(179,397)	(323)
Loss before income tax benefit		(1,162,479)	(602,160)
Income tax benefit		1,281	-
Loss after income tax benefit for the half-year	6	(1,161,198)	(602,160)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		(1,161,198)	(602,160)
Loss is attributable to:			
Owners of Northwest Resources Limited		(1,161,198)	(602,160)
Non-controlling interest		-	-
		(1,161,198)	(602,160)
Earnings per share for loss attributable to the ordinary equity holders of the company:		Cents	Cents
Basic earnings per share		(0.56)	(0.42)
Diluted earnings per share		(0.56)	(0.42)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	Consolidated December 2013 $	Consolidated June 2013 $
CURRENT ASSETS			
Cash and cash equivalents		838,779	312,571
Trade and other receivables		53,041	1,352,534
Other current assets		2,518	8,516
Total current assets		894,338	1,673,621
NON-CURRENT ASSETS			
Trade and other receivables		14,478	14,478
Property, plant and equipment		1,207,336	1,226,386
Exploration, evaluation and development expenditure		12,838,708	12,156,482
Total non-current assets		14,060,522	13,397,346
Total assets		14,954,860	15,070,967
CURRENT LIABILITIES			
Trade and other payables		247,443	1,805,775
Short-term provisions		103,492	107,856
Total current liabilities		350,935	1,913,631
NON-CURRENT LIABILITIES			
Borrowings	7	2,010,901	-
Long-term provisions		58,819	55,577
Total non-current liabilities		2,069,720	55,577
Total liabilities		2,420,655	1,969,208
Net assets		**12,534,205**	**13,101,759**
EQUITY			
Contributed equity	5	34,101,912	33,508,268
Accumulated losses		(21,567,707)	(20,406,509)
Parent entity interest		12,534,205	13,101,759
Total equity		**12,534,205**	**13,101,759**

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 2013

	Contributed equity $	Accumulated losses $	Total Equity $
As at 1 July 2012	30,483,281	(21,069,461)	9,413,820
Loss after income tax benefit for the half-year	-	(602,160)	(602,160)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	(602,160)	(602,160)
Transactions with owners in their capacity as owners:			
Share based payments	74,478	-	74,478
Contributions of equity, net of transaction costs	2,932,647	-	2,932,647
As at 31 December 2012	**33,490,406**	**(21,671,621)**	**11,818,785**

	Contributed Equity $	Accumulated losses $	Total Equity $
As at 1 July 2013	33,508,268	(20,406,509)	13,101,761
Loss after income tax benefit for the half-year	-	(1,161,198)	(1,161,200)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	(1,161,198)	(1,161,200)
Transactions with owners in their capacity as owners:			
Share based payments	11,794	-	11,794
Selective share buyback ($nil cost)	-	-	-
Contributions of equity, net of transaction costs	581,850	-	581,850
As at 31 December 2013	**34,101,912**	**(21,567,707)**	**12,534,205**

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 2013

	Consolidated	
	December 2013 $	December 2012 $
Cash flows from operating activities		
Payments to suppliers and employees	(1,132,877)	(631,309)
Payments for exploration, evaluation and development expenditure	(1,442,849)	(743,153)
Finance costs	(98,496)	(323)
Interest received	12,911	24,511
Tax refunded	1,276,713	-
Net cash used in operating activities	(1,384,598)	(1,541,427)
Cash flows from investing activities		
Proceeds on sale of financial assets	-	689,087
Payments for plant and equipment	(1,044)	(3,001)
Net cash (used in)/provided by investing activities	(1,044)	686,086
Cash flows from financing activities		
Proceeds from borrowings	1,930,000	-
Proceeds from issue of shares	-	3,156,000
Transaction costs on capital raising	(18,150)	(171,853)
Net cash provided by financing activities	1,911,850	2,984,147
Net increase in cash and cash equivalents	526,208	2,128,806
Cash and equivalents at the beginning of the half-year	312,571	2,878,128
Cash and cash equivalents at the end of the half-year	**838,779**	**2,411,591**

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 2013 has been prepared in accordance with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

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 2013 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.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income
The consolidated entity has applied AASB 2011-9 amendments from 1 January 2013. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation.

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 January 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements
The consolidated entity has applied AASB 11 from 1 January 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 January 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

Notes to the Financial Statements

Basis of Preparation of Half Year Report (continued)

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 January 2013. The standard does not prescribe when to use fair value. Instead it provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The consolidated entity has applied AASB 119 and its consequential amendments from 1 January 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

Going concern

The Company made an operating loss of $1,161,198 (2012: $602,160) and its net cash outflow from operations was $1,384,598 (2012: $1,541,427) for the half-year ended 31 December 2013. These conditions give rise to a material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern.

The ongoing viability of the Company and the recoverability of its non-current assets are dependent on the Company securing equity or debt financing, or introducing a development partner to its projects to fund further development, or the disposal of assets.

The half year financial report has been prepared on a going concern basis, as the Directors believe that adequate funding will be raised through one or a combination of equity or debt financing, introducing a development partner and or the sale of assets to enable the Company to pay its debts as and when they become due for a period of at least 12 months from approval of this report.

The Directors are currently exploring potential corporate and asset level transactions following recent expressions of interest by third parties. In the event the Company is delayed in raising development funding the Company may need to reduce its rate of expenditure or raise additional working capital to ensure that it can continue to meet its obligations as they fall due.

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amount different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amounts of liabilities that might result should the Company be unable to continue as a going concern and meet its debt as and when they fall due.

2. Segment Information

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

3. Events Subsequent to Reporting Date

There were no material events subsequent to reporting date.

4. Contingencies

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

Notes to the Financial Statements

5. Contributed Equity

	Consolidated	
	December 2013 $	June 2013 $
a) Paid up capital	34,101,912	33,508,268

b) Movements	December 2013 No. of Shares	December 2013 Paid up Capital
Balance at 1 July 2013	202,345,418	33,508,268
Share based payments	-	11,794
Share Issue, net of transaction costs	12,000,000	581,850
Selective share buy-back	(2,500,000)	-
Balance at 31 December 2013	211,845,418	34,101,912

6. 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 2013 $	December 2012 $
Expenses		
Share based payments	11,794	22,978
	11,794	22,978

7. Non-Current Liabilities - Borrowings

	Consolidated	
	December 2013 $	June 2013 $
Borrowings – royalty finance facility	2,010,901	-
	2,010,901	-

On 23 September 2013, Northwest secured a $1.93 million royalty financing facility relating to the Camel Creek Gold Project. The royalty is a 15% gross revenue royalty over Northwest's entitlement to gold and other minerals extracted from the Camel Creek Gold Project. Future royalty payments will be credited against the loan amount and accrued interest. The royalty will continue after the loan is repaid. The loan is secured by mortgages over Northwest's tenements. These will be released on repayment of the loan. There is no obligation to make loan or interest repayments prior to the royalty becoming payable.

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 2013 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 2014

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Northwest Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Northwest Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 internal 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 half-year 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 2013 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.

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 review 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 Northwest Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 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*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future securing of equity or debt financing, or the introduction of a development partner to its projects to fund further development, or the disposal of assets.

These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

BDO

Grant Saxon
Partner

Sydney, 14 March 2014