Northwest Resources Limited

ACN 107 337 379

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2011

Contents

Corporate Directory

Directors
Jim Colquhoun - Non-Executive Chairman
John Merity - Managing Director
Peter Richard - Independent 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:
PO Box R67
Royal Exchange
Sydney NSW 1223

Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664
Email: registries@registries.com.au
Web: www.registries.com.au

Auditors
PKF Chartered Accountants
1 Margaret Street
Sydney NSW 2000

Directors Report

Your directors present their report on the consolidated entity consisting of Northwest Resources Limited (**Northwest** or the **Company**) and its controlled entities (together the **Group**) for the year ended 30 June 2011.

OPERATING AND FINANCIAL REVIEW

Principal Activities

Northwest's principal activity is the continuing exploration and development of the Nullagine Gold & Antimony Project in the eastern Pilbara region of Western Australia. There was no significant change in the nature of the Company's activities during the financial year.

Results from Operations and Financial Position

Northwest's mineral projects are still at the exploration and development stage, accordingly, the Company does not yet derive any revenue from those projects. The Group's net loss for the year ended 30 June 2011 was $11,201,964.

At 30 June 2011 the Group had net assets of $10,375,257 and cash on hand of $2,878,128. The directors believe the Company maintains a sound capital structure and is in a strong position to progress its mineral properties.

Review of Operations

During the year, Northwest completed two successful drilling programs on the Blue Spec Shear and one on the Camel Creek Trend totaling 13,000m. Drilling on the Blue Spec Shear returned excellent results at Golden Spec, Orange Spec and Blue Spec deposits. The near surface and high grade gold and antimony results at Golden Spec establish a strong foundation for the underground development of the combined Golden Spec - Blue Spec deposits.

Drilling at the Federation prospect on the Camel Creek Trend confirmed the presence of gold mineralisation consistent with the HYMAP anomaly previously identified. The Company is confident that further exploration will define additional large tonnage moderate grade deposits amendable to open-pit mining to add to the Company's existing resource along the Camel Creek Trend.

Scoping studies to develop the combined Golden Spec – Blue Spec deposits continued during the year as new geological data was incorporated into planning.

Changes in State of Affairs

There was no significant change in the Group's state of affairs during the financial year.

ENVIRONMENTAL MANAGEMENT

In undertaking its mineral exploration and development activities, Northwest is subject to a number of environmental laws, principally those administered by the Western Australian Department of Mines & Petroleum. Those laws relating to the clearing of native vegetation and protection of aboriginal heritage are particularly relevant to Northwest's exploration activities.

Northwest is committed to a high standard of environmental performance with respect to its mineral exploration activities. The Group 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.

DIVIDENDS

No dividend was paid or declared during the financial year. The directors will consider an appropriate dividend policy once Northwest is generating an operating profit.

SHARE OPTIONS

At the date of this report and at the reporting date there are no unissued shares under option.

PROCEEDINGS ON BEHALF OF NORTHWEST

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of Northwest or intervene in any proceedings to which Northwest is a party for the purpose of taking responsibility on behalf of Northwest for all or any part of those proceedings.

AUDIT AND NON-AUDIT SERVICES

The Group engages PKF Chartered Accountants and Business Advisers to provide statutory audit services. Total audit fees paid during the period for audit services were $28,750.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not been any matter or circumstance that has arisen since the end of the financial year that has or may significantly affect the operation, results or state of affairs of the Group in future financial years.

DIRECTORS

The names and details of the directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Names, Qualifications, Experience and Special Responsibilities

Mr. Jim Colquhoun
Independent Non-Executive Chairman, LLB (Hons)

Mr. Colquhoun is a lawyer with over 35 years' experience advising governments, statutory authorities and public companies in several business sectors including extensive involvement with the mining sector. Mr Colquhoun held the positions of Chairman of the ACT Racing Club and Chairman of ACT TAB Limited. He has also been a director of a number of listed Australian companies.

Mr. Colquhoun was appointed to the Board on 6 July 2004. He is Chairman of the Audit and Remuneration Committees. He has no other current listed company directorships nor has he held any in the previous three years.

Mr. John Merity
Managing Director, B.A., LLB (Hons), GAICD

Mr. Merity has a broad range of management, financial and legal experience gained from 15 years in the corporate advisory and legal sectors in Australia and the UK. Mr. Merity has been the company's Managing Director since its public listing. Mr. Merity is also a non-executive director of Inverness Medical Australia Pty Ltd (a joint venture between Alere, Inc. and Proctor & Gamble).

Mr. Merity was appointed to the Board on 6 July 2004. He also acts as Company Secretary. He has no other current listed company directorships nor has he held any in the previous three years.

Mr. Peter Richard
Independent Non-Executive Director

Mr. Richard is stockbroker with over 35 years' experience in Australian capital markets. During a long career in the stock markets, Mr. Richard was a director of Jacksons Ltd, then the largest underwriter of mining and exploration floats in Australia. Mr. Richard currently provides consulting services to emerging mining and technology companies. He has previously been a director of a number of listed Australia public companies in the resources sector.

Mr. Richard was appointed to the Board on 30 June 2008. He is a member of the Audit and Remuneration Committees. In the last three years he has served as a director of Magnum Exploration NL

DIRECTORS' INDEMNITIES AND INSURANCE

The Company has signed a Deed of Access, Insurance and Indemnity with each director against liability to another person in the course of performing their duties, other than Northwest or its subsidiaries, provided that the provisions of the *Corporations Act 2001* are complied with in relation to the giving of the indemnity and the liability does not arise in respect of conduct involving a lack of good faith on the part of the director. Northwest has not, during or since the financial year, paid any insurance premiums for current or former officers or auditors.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interest of the directors in the shares and options of Northwest were:

Director	Fully paid ordinary shares	Options
Jim Colquhoun	276,666	-
John Merity	2,542,500	-
Peter Richard	-	-

DIRECTORS' MEETINGS

The number of meetings of Northwest's Board and of each Board committee held during the financial year and the number of meetings attended by each director are contained in the following table.

Directors	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	No. Eligible	No. Attended	No. Eligible	No. Attended	No. Eligible	No. Attended
James Colquhoun	11	10	2	2	1	1
John Merity	10	10	-	-	-	-
Peter Richard	11	10	2	2	1	1

Remuneration Report (Audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of Northwest.

DETAILS OF KEY MANAGEMENT PERSONNEL

Directors

Jim Colquhoun	Non-Executive Chairman
John J. Merity	Managing Director
Peter Richard	Non-Executive Director

There were no changes of Key Management Personnel after reporting date and before the date of this financial report.

REMUNERATION POLICY

The remuneration policy of Northwest has been designed:

- to attract and retain the highest calibre of executives and directors to manage the company during the critical exploration and development phases of Northwest's projects in an environment of intense competition amongst mining and exploration companies for such senior staff;
- to align the interests of executives and directors with the interests of shareholders to generate long-term growth in shareholder wealth; and
- to satisfy good remuneration governance practice by ensuring remuneration of directors and executives is: competitive and reasonable; acceptable to shareholders; aligns executive remuneration to performance; transparent and results in appropriate capital management.

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee to determine the appropriate nature and amount of remuneration of executives. The Board believes the remuneration policy to be appropriate and effective in achieving these goals during the financial year.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive director remuneration and executive director and executive remuneration is separate and distinct.

NON-EXECUTIVE DIRECTOR REMUNERATION

In respect of non-executive directors, Board policy is to determine remuneration based on time, commitment and the demands which are made on non-executive directors in the current corporate governance environment. The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was in 2004 when shareholders approved an aggregate remuneration of $150,000 per year.

Remuneration of non-executive directors is comprised of a base fee only. Non-executive directors do not receive any form of performance-based remuneration. No additional fees are paid for any Board committee on which a director sits.

EXECUTIVE DIRECTOR REMUNERATION

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals; and
- ensure total remuneration is competitive by market standards.

Executives receive a base salary (which is based on factors such as responsibilities, length of service and experience) and superannuation and are eligible to receive performance-based remuneration in the form of participation in Northwest's Performance Rights Plan.

The performance of executives is measured against criteria agreed annually with individuals and is based predominantly on the creation of shareholder value through each person's respective role.

An important part of Northwest's remuneration policy is the alignment of the interests of executives with the interests of shareholders to generate long-term growth in shareholder wealth. The Board seeks to achieve this outcome through inviting executives to participate in Northwest's Performance Rights Plan. During the financial year or up to the date of this report, no performance rights were granted to any directors or Key Management Personnel.

The Managing Director, Mr John Merity is employed under a contract dated 13 December 2009. The contract is a rolling contract which may be terminated by either party at any time by twelve months' notice.

SHAREHOLDINGS AND OPTION AND RIGHTS HOLDINGS OF KEY MANAGEMENT PERSONNEL

The interests in securities of Northwest of Key Management Personnel is set out on page 3.

LOANS, COMPENSATION SHARES AND OPTIONS

During the financial year, no loans were granted to any Key Management Personnel, nor were any shares, options or performance rights granted as compensation to any Key Management Personnel.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

2011	SHORT TERM			POST EMPLOYMENT		SHARE-BASED PAYMENTS		TOTAL	PERFORMANCE RELATED
	Salary & Fees $	Non-cash $	Bonus $	Super $	ETP $	Equity $	Options $	$	%
J Colquhoun	40,000							40,000	-
J J Merity	211,680		20,000	27,632				259,312	7.7
P Richard	35,000							35,000	-
Total	**306,680**		**20,000**	**27,632**				**334,312**	

2010	SHORT TERM			POST EMPLOYMENT		SHARE-BASED PAYMENTS		TOTAL	PERFORMANCE RELATED
	Salary & Fees $	Non-cash $	Bonus $	Super $	ETP $	Equity $	Options $	$	%
J Colquhoun	40,000	-	-	-	-	-	-	40,000	-
JJ Merity	192,500	-	-	23,100			-	215,600	-
P Richard	35,000	-	-	-	-	-	-	35,000	-
Total	**267,500**			**23,100**				**290,600**	

This Directors' Report and the Remuneration Report are made in accordance with a resolution of the directors.

John J. Merity
Managing Director

30 September 2011

PKF

Chartered Accountants
& Business Advisers

NORTHWEST RESOURCES LIMITED AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF
Chartered Accountants & Business Advisers

Jennifer Nairne

Sydney
30 September 2011

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

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	375,074	345,759
		375,074	**345,759**
Administration expenses	3	(551,859)	(538,003)
Depreciation		(54,716)	(60,632)
Employees benefit expense		(408,382)	(341,112)
Impairment of deferred exploration expenditure		(10,562,081)	(4,137,870)
Share based payments		-	(8,826)
Loss before income tax expense		(11,201,964)	(4,740,684)
Income tax expense	4	-	-
Loss after income tax expense		(11,201,964)	(4,740,684)
Loss attributable to non-controlling interests		454,862	469,922
Loss attributable to owners of Northwest Resources Ltd		(10,747,102)	(4,270,762)
Loss for the year		(11,201,964)	(4,740,684)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**(11,201,964)**	**(4,740,684)**
Basic earnings per share	18	(8.56) cents	(3.26) cents
Diluted earnings per share	18	(8.56) cents	(3.26) cents

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2011

	Note	2011 $	2010 $
Current Assets			
Cash and cash equivalents	5	2,878,128	4,882,481
Trade and other receivables	6	22,063	34,092
Other current assets	7	51,064	57,990
Financial assets	9	697,263	-
Total Current Assets		**3,648,518**	**4,974,563**
Non-Current Assets			
Trade and other receivables	8	244,175	143,384
Financial assets	9	-	697,263
Plant and equipment	10	1,318,478	1,365,847
Exploration, evaluation and development expenditure	11	5,414,715	14,574,055
Total Non-Current Assets		**6,977,368**	**16,780,549**
Total Assets		**10,625,886**	**21,755,112**
Current Liabilities			
Trade and other payables	12	161,142	103,851
Short-term provisions	13	65,049	49,841
Total Current Liabilities		**226,191**	**153,692**
Non-Current Liabilities			
Trade and other payables	14	-	5,000
Long-term provisions	15	24,438	19,199
Total Non-Current Liabilities		**24,438**	**24,199**
Total Liabilities		**250,629**	**177,891**
Net Assets		**10,375,257**	**21,577,221**
Equity			
Contributed Equity	16	29,610,816	29,610,816
Retained losses		(19,882,811)	(9,135,709)
Parent entity interest		9,728,005	20,475,107
Non-controlling interests	17	647,252	1,102,114
Total Equity		**10,375,257**	**21,577,221**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2011

	Issued Capital	Accumulated Losses	Minority Equity Interest	Total Equity
	$	$	$	$
As at 1 July 2009	29,601,990	(4,864,947)	1,572,036	26,309,079
Loss for the period	-	(4,270,762)	(469,922)	(4,740,684)
Share based payments	8,826	-	-	8,826
As at 30 June 2010	29,610,816	(9,135,709)	1,102,114	21,577,221

	Issued Capital	Accumulated Losses	Minority Equity Interest	Total Equity
	$	$	$	$
As at 1 July 2010	29,610,816	(9,135,709)	1,102,114	21,577,221
Loss for the period	-	(10,747,102)	(454,862)	(11,201,964)
Share based payments	-	-	-	-
As at 30 June 2011	29,610,816	(19,882,811)	647,252	10,375,257

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the Year Ended 30 June 2011

	Note	2011 $	2010 $
Cash flows From Operating Activities			
Payments to suppliers and employees		(878,523)	(778,904)
Payment for mineral exploration activities		(1,402,741)	(733,777)
Interest received		221,722	251,338
Interest paid		(123)	-
Receipts from customers		62,959	-
Net Cash From Operating Activities	21 (b)	(1,996,706)	(1,261,343)
Cash Flows From Investing Activities			
Payment for purchase of investments		(300)	(384)
Proceeds from sale of plant and equipment		-	-
Payments for plant and equipment		(7,347)	(26,544)
Net Cash From Investing Activities		(7,647)	(26,928)
Net Increase/(Decrease) in Cash Held		(2,004,353)	(1,288,271)
Cash at the Beginning of the Financial Year		4,882,481	6,170,752
Cash at the End of the Financial Year	21 (a)	**2,878,128**	**4,882,481**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Northwest Resources Limited (**Northwest** or the **Company**) and its subsidiaries

These general purpose financial statements were authorised for issue by the Board on 30 September 2011.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authorative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The consolidated financial statements of the Northwest group comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB). These consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Reporting Basis and Conventions

These financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

1a Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2011 and the results of all subsidiaries for the year then ended. Northwest and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholder of more than one-half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1o).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced by joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

1b Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1c Trade Receivables and Revenue Recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Other debtors are recognised at the amount receivable and are due for settlement within 30 days from the end of the month in which services were provided.

Loans granted are recognised at the amount of consideration given or the cost of services provided to be reimbursed.

1d Exploration and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

1e Financial Instruments

The Group classifies its investments in the following categories; financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Financial Assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

1f Plant and Equipment

Plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

The depreciable amount of all plant and equipment is depreciated using the straight line basis, diminishing basis or by the usage method over their useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	10–100%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

1g Trade Payables and Other Creditors

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid, together with assets ordered before the end of the financial year. The amounts are unsecured and are usually paid within 30 days of recognition.

1h Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to the Company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

1i Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

1j Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a net basis with the GST component included in operating cash flows.

1k Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

1l Exploration and evaluation expenditure

The Board of directors determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. The directors' decision is made after considering the likelihood of finding commercially viable reserves.

1m Employee benefits

Liabilities for wages and salaries, including non-monetery benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee entitlements. All other short-term employee benefits obligations are presented as payables.

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departure and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1n Share-based payment transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes valuation method, further details of which are disclosed at Note 26.

1o Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree’s net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquirer and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

1p Change in accounting policy

AASB108(28) A revised AASB 3 Business Combinations became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the group's net profit after tax.

1q Parent entity financial information

The financial information for the parent entity, Northwest Resources Limited, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements.

	2011 $	2010 $
2 REVENUE FROM OPERATING ACTIVITIES		
Interest income	312,115	345,759
Campsite Lease fees	62,959	-
	375,074	**345,759**
3 OTHER EXPENSES FROM OPERATING ACTIVITIES		
Share registry expenses	13,641	15,212
Listing fees	16,720	9,777
Insurance	19,109	20,776
Rent	60,002	73,561
Other administration expenses	497,103	479,309
	606,575	**598,635**

4 INCOME TAX	-	-

No income tax is payable by the Company or consolidated entity as they incurred losses for the year for income tax purposes.

4a The prima facie income tax benefit on loss is reconciled to the income tax benefit as follows:

Operating loss before income tax	(11,201,964)	(4,740,684)
Prima facie income tax at 30% (2010: 30%)	(3,360,589)	(1,422,205)
Non-deductible expenditure	3,179,570	1,274,339
Exploration expenditure	(420,823)	(220,133)
Deferred tax asset not brought to account	601,842	367,998
Income tax benefit	-	-

The potential deferred tax asset arising from income tax losses has not been recognised as an asset because realisation of the tax losses is not considered probable.

Deferred tax asset calculated at 30% (2010:30%) not recognised:

• Income tax losses	6,453,078	5,851,702
	6,453,078	**5,851,702**

This benefit for tax losses will only be obtained if the relevant Company derives future assessable income of a nature and an amount sufficient to enable the asset to be realized; the relevant Company continues to comply with the conditions for deductibility imposed by the law; and no changes in tax legislation adversely affect the Company in realising the asset.

	2011 $	2010 $
5 CASH AND CASH EQUIVALENTS		
Cash at bank	2,878,128	4,882,481
	2,878,128	**4,882,481**
6 TRADE AND OTHER RECEIVABLES		
Receivables	22,063	34,092
	22,063	**34,092**
7 OTHER CURRENT ASSETS		
Prepayments	37,895	34,723
Interest Receivable	13,169	23,267
	51,064	**57,990**
8 TRADE AND OTHER RECEIVABLES		
Security Deposit	10,283	9,983
Interest Receivable	233,892	133,401
	244,175	**143,384**
9 FINANCIAL ASSETS		
Loans and Receivables – Convertible Note	697,263	697,263
	697,263	**697,263**
Reconciliation of financial assets at fair value through profit and loss		
Opening balance	-	60,000
Additions	-	
Impairment	-	(60,000)
Disposed of during year	-	-
	-	**-**
Reconciliation of loans and receivables		
Opening balance	697,263	697,263
Additions	-	-
Impairment	**-**	**-**
Disposed of during year	-	-
	697,263	**697,263**

The Convertible note consists of two tranches of $347,263 and $350,000. Repayment of the principal under the first tranche of $347,263 which was due on 17 August 2011 has been extended to 30 April 2012.

	2011 $	2010 $
10 PLANT AND EQUIPMENT		
Plant and equipment	1,690,758	1,683,410
Less: Provision for depreciation	(372,280)	(317,563)
	1,318,478	**1,365,847**
Reconciliation		
Carrying amount at beginning of the year	1,365,847	1,411,694
Additions	7,347	26,544
Disposals	-	(11,759)
Depreciation	(54,716)	(60,632)
Carrying Amount at End of Year	**1,318,478**	**1,365,847**
11 EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE		
Exploration and evaluation expenditure on mining tenements	5,414,715	14,574,055
	5,414,715	**14,574,055**
Reconciliation		
Carrying amount at beginning of year	14,574,055	17,978,148
Additions	1,402,741	733,777
Written off	(10,562,081)	(4,137,870)
Carrying Amount at end of year	**5,414,715**	**14,574,055**

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the discovery of commercially viable mineral or other natural resource deposits and their successful development and commercial exploitation or sale of the respective mining areas.

12 TRADE AND OTHER PAYABLES

Trade creditors and accruals	161,142	103,851
	161,142	**103,851**

	2011 $	2010 $
13 SHORT-TERM PROVISIONS		
Employee entitlements	65,049	49,841
	65,049	**49,841**
Reconciliation		
Opening balance	49,841	64,557
Additional provisions	35,028	26,654
Amounts used	(19,820)	(41,370)
	65,049	**49,841**

14 TRADE AND OTHER PAYABLES		
Security bond	-	5,000
	-	**5,000**
Reconciliation		
Opening balance	5,000	-
Additions	-	5,000
Amounts Refunded	(5,000)	-
	-	**5,000**

15 LONG-TERM PROVISIONS		
Employee entitlements	24,438	19,199
	24,438	**19,199**
Reconciliation		
Opening balance	19,199	-
Additions	5,239	19,199
	24,438	**19,199**

	2011 $	2010 $
16 CONTRIBUTED EQUITY		
16a Issued and paid up capital	29,610,816	29,610,816
	29,610,816	**29,610,816**

	Number	$
16b Movement in issued capital		
At the beginning of the financial year	130,895,418	29,601,990
Share based payments – employees	-	8,826
At The End Of The Financial Year	**130,895,418**	**29,610,816**

16c Terms and condition of contributed equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

16d Capital risk management

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the company.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The Company does not have a defined share buy-back plan.

No dividends were paid in 2010 and no dividends are expected to be paid in 2011.

There is no current intention to incur debt funding on behalf of the Company as on-going exploration expenditure will be funded via cash reserves, equity or joint ventures with other companies.

The Company is not subject to any externally imposed capital requirements.

16e Options	2011 Number	2010 Number
Options outstanding at the end of the financial year		
Listed		-
Unlisted	-	700,000
	-	**700,000**
(i) Unlisted 30 cent options expiring 30 June 2011		
Each option entitles the holder to one share		
• Movement of options on issue		
Options outstanding at beginning of the financial year	525,000	525,000
Add: Options issued		-
Less: Options lapsed	(525,000)	-
Options outstanding at end of the financial year	**-**	**525,000**
(ii) Unlisted 25 cent options expiring 30 June 2011		
Each option entitles the holder to one share		
▪ Movement of options on issue		
Options outstanding at beginning of the financial year	175,000	175,000
Add: Options issued	-	-
Less: Options lapsed	(175,000)	-
Options outstanding at end of the financial year	**-**	**175,000**

	2011 $	2010 $
17 NON-CONTROLLING INTEREST		
Non-controlling interest comprises:		
Share capital	1,572,036	1,572,036
Accumulated losses	(924,784)	(6,930)
	647,252	**1,565,106**
18 EARNINGS PER SHARE		
Operating loss after tax attributable to ordinary equity holders of the company	(11,201,964)	(4,740,684)
Basic earnings per share – loss	(8.56cents)	(3.26cents)
Diluted earnings per share – loss	(8.56cents)	(3.26cents)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share.	130,895,418	130,895,418
Weighted average number of ordinary shares and dilutive options outstanding during the year used in the calculation of diluted earnings per share.	130,895,418	130,895,418

Basic Earnings Per Share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of Northwest by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any change in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

	2011 $	2010 $
19 REMUNERATION OF AUDITORS		
Auditors of Parent Entity – PKF Chartered Accountants & Business Advisors		
Audit or review services	28,750	25,200
	28,750	**25,200**

20 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including: interest rate risk, credit risk, price risk, liquidity risk and foreign exchange risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Board and the financial risks faced by the Group are considered minimal at this stage.

The Group and the parent hold the following financial assets:

	2011	2010
	$	$
Financial Assets		
Cash and cash equivalents	2,878,128	4,882,481
Trade and other receivables	317,302	235,466
Loans and receivables – convertible note	697,263	697,263
Derivative Instruments	-	-
	3,892,693	**5,815,210**
Financial Liabilities		
Trade and other payables	161,142	108,851
	161,142	**108,851**

20a Interest Rate Risk

The Group and parent's main interest rate risk comes from cash and cash equivalents. The convertible note does not bear any interest rate risk as it is a fixed rate instrument.

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Company's financial assets and liabilities at the balance sheet date for the period for a 10% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

			-10% change		+10% change	
	Weighted average effective interest rate	Carrying amount	Profit	Equity	Profit	Equity
2011						
Financial Assets						
Cash and cash equivalents	6.63%	2,878,128	(19,082)	(19,082)	19,082	19,082
Financial Liabilities						
Interest bearing liabilities		-	-	-	-	-
Total Increase/(Decrease)		-	(19,082)	(19,082)	19,082	19,082

2010	Weighted average effective interest rate	Carrying amount	-10% change Profit	-10% change Equity	+10% change Profit	+10% change Equity
Financial Assets						
Cash and cash equivalents	5.51%	4,882,481	(26,854)	(26,854)	26,854	26,854
Financial Liabilities						
Interest bearing liabilities		-	-	-	-	-
Total Increase/(Decrease)			(26,854)	(26,854)	26,854	26,854

20b Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures in respect of outstanding receivables and committed transactions. The parent entity is also exposed to credit risk in respect of loans to controlled entities and loans and receivables. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

20c Price risk

The Company is not exposed to commodity price risk as the operations of the Company are not yet at the production stage.

20d Liquidity risk

The company manages liquidity risk by maintaining sufficient cash reserves. All payables of the company are due within 6 months.

20e Foreign exchange risk

The company is not exposed to any foreign exchange risk.

20f Net fair value approximation

For assets and other liabilities the net fair value approximates their carrying value. The Company has no financial assets or liabilities that are readily traded on organised markets at balance date and has no financial assets where the carrying amount exceeds net fair values at balance date. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

21 CASH

21a Reconciliation of Cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2011 $	2010 $
Cash at bank	2,878,128	4,882,481
	2,878,128	**4,882,481**

		2010 $
21b Reconciliation of Net Cash Used In Operating Activities to Operating Loss after Income Tax		
Operating loss after income tax	(11,201,964)	(4,740,684)
Depreciation	54,716	60,632
Loss on sale of plant and equipment	-	11,760
Impairment of Options	-	60,000
Written off capitalised exploration expenditure	10,562,081	4,137,870
Share based payment	-	8,826
Movement in assets and liabilities		
Other assets	(3,172)	(6,219)
Receivables	(78,364)	(115,272)
Mineral exploration and evaluation	(1,402,741)	(733,776)
Provisions	20,447	4,483
Payables	52,291	51,037
Net Cash Used In Operating Activities	**(1,996,706)**	**1,261,343**

21c Non-cash Investing and Financing Activities

There were no non-cash transactions investing and financing activities during the year.

22 SEGMENT INFORMATION

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

23 FINANCE FACILITIES

No credit standby facility arrangement or loan facilities existed at 30 June 2011 (2010: nil).

24 COMMITMENTS FOR EXPENDITURE

24a Exploration Commitments

In order to maintain current rights of tenure to exploration and mining tenements, the consolidated entity has the following minimum exploration expenditure obligations.

	Consolidated	
	2011 **$**	**2010** **$**
Not later than one year	304,400	319,320
Later than one year but not later than two years	304,400	319,320
Later than two years but not later than five years	197,860	632,250
	806,660	1,270,890

25 KEY MANAGEMENT PERSONNEL NOTE

25a Key Management Personnel

Directors

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

25b Remuneration of Key Management Personnel

2011	SHORT TERM			POST EMPLOYMENT		SHARE-BASED PAYMENTS		TOTAL	PERFORMANCE RELATED
	Salary & Fees $	Non-cash $	Bonus $	Super $	ETP $	Equity $	Options $	$	%
J Colquhoun	40,000							40,000	
J Merity	211,680		20,000	27,632				259,312	
P Richard	35,000							35,000	
Total	**306,680**		**20,000**	**27,632**				**334,312**	

2010	SHORT TERM			POST EMPLOYMENT		SHARE-BASED PAYMENTS		TOTAL	PERFORMANCE RELATED
	Salary & Fees $	Non-cash $	Bonus $	Super $	ETP $	Equity $	Options $	$	%
J Colquhoun	40,000	-			-	-	-	40,000	-
J Merity	192,500	-		23,100	-	-	-	215,600	-
P Richard	35,000	-			-	-	-	35,000	-
Total	**267,500**	**-**		**23,100**	**-**	**-**	**-**	**290,600**	

25c Shareholdings of Key Management Personnel

2011	Balance 1 July 2010	Received as Compensation	Options Exercised	Net Change Other	Balance 30 June 2011
J Colquhoun	276,667	-	-	-	276,667
J Merity	2,542,500	-	-	-	2,542,500
P Richard	-	-	-	-	-

25d Options and Rights Holdings of Key Management Personnel

As at the date of this report Key Management Personnel held no options over unissued shares or rights with respect to unissued shares.

25e Compensation Shares and Options

During the financial year, no shares, options or rights were granted as compensation to any Key Management Personnel.

25f Loans to Directors

During the financial year, no loans were granted to any Directors.

26 SHARE BASED PAYMENT

The following share-based payments existed at 30 June 2011:

On 30 October 2006, 487,500 unlisted options expiring on or before 30 June 2011 exercisable at 25 cents were issued to employees of the Company. One fifth of these options vested upon being issued (30 October 2006) with the remaining options vesting in equal tranches of 97,500 options annually from 30 June 2007 to 30 June 2010. Fair value of the options was determined using a Black-Scholes option pricing model applying the following inputs: underlying share price 30 cents, risk free rate of 6% and a share price volatility of 50%.

The share-based payment expense of this issue charged to the income statement for the year ended 30 June 2011 was $nil (2010: $2,392).

At balance date, all options have lapsed.

On 30 October 2006, 1,462,500 unlisted options expiring on or before 30 June 2011 exercisable at 30 cents were issued to employees of the Company. One fifth of these options vested upon being issued (30 October 2006) with the remaining options vesting in equal tranches of 292,500 options annually from 30 June 2007 to 30 June 2010. Fair value of the options was determined using a Black-Scholes option pricing model applying the following inputs: underlying share price 30 cents, risk free rate of 6% and a share price volatility of 50%.

The share-based payment expense of this issue charged to the income statement for the year ended 30 June 2011 was $nil (2010: $6,434).

At balance date, all options have lapsed.

No options have been issued as share-based payments for 2011. The weighted average exercise price of options issued for share-based payments at 30 June 2010 was 28.75 cents.

Performance Rights Plan

On 14 January 2011, 150,000 performance rights were issued to an employee of the Company. The performance rights vest in equal tranches over two years. On exercise, each performance right entitles the holder to one ordinary share in the Company. The performance rights have not been recorded in the financial statements for the year ended 30 June 2011 as the first 75,000 performance rights vest on 14 January 2012.

27 RELATED PARTY TRANSACTIONS

	2011 $	2010 $
Consultancy fees paid to John L. Merity	150,000	87,500

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

28 INVESTMENT IN CONTROLLED ENTITIES

Controlled Entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2011 %	Equity Holding 2010 %
Nullagine (JV) Holdings Limited	British Virgin Islands	Ordinary	65	65
Nullagine (JV) Pty Limited	Australia	Ordinary	65	65
F&P Exploration Pty Limited	Australia	Ordinary	100	100

29 EVENTS OCCURRING AFTER REPORTING DATE

There has not been any matter or circumstance that has arisen since the end of the financial year that has or may significantly affect the operations, results or state of affairs of the Company in future financial years.

30 CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2011 (2010: Nil).

31 Parent entity financial information

31a Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2011 $	2010 $
Balance Sheet		
Current assets	3,643,217	4,958,148
Total assets	11,756,375	21,585,995
Current liabilities	226,091	153,593
Total liabilities	250,529	177,792
Shareholders' equity		
Issued capital	29,610,816	29,610,816
Retained earnings	(18,104,970)	(8,202,613)
	11,505,846	21,408,203
Profit or loss for the year	(9,902,357)	**(3,398,051)**
Total comprehensive income	(9,902,357)	**(3,398,051)**

31b Guarantees entered into by the parent entity

The parent entity has not entered into any financial guarantees as at 30 June 2011 or 30 June 2010.

31c Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

31d Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2011 or 30 June 2010.

32 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Management has reviewed all AASB's issued but not yet effective and determined that the AASB's relevant to Northwest Resources are:

(i) AASB 10 *Consolidation (August 2011) (*effective from 1 January 2013*)*

AASB 10 replaces AASB 127 and 3 key elements of control. According to AASB 10 an investor controls an investee if and only if the investor has all the following:

(a) power over the investee;

(b) exposure, or rights, to variable returns from its involvement with the investee; and

(c) the ability to use its power over the investee to affect the amount of the investor's returns.

The Group does not expect this standard to have any effect on the financial statements.

(ii) AASB 12 *Disclosure of Interests in Other Entities* (*August 2011*) (effective from 1 January 2013)

AASB 12 provides the disclosure requirements for entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. As such, it pulls together and replaces disclosure requirements from many existing standards.
The IASB noted:
"The global financial crisis that started in 2007 also highlighted a lack of transparency about the risks to which a reporting entity was exposed from its involvement with structured entities, including those that it had sponsored."

AASB 12 is an attempt to improve the level of disclosure around these types of arrangements and to enhance existing disclosures with regard to interests in a subsidiary, a joint arrangement and an associate.
The AASB requires an entity to disclose information that enables users of financial statements to evaluate:

(a) the nature of, and risks associated with, its interests in other entities; and

(b) the effects of those interests on its financial position, financial performance and cash flows.

This Group is currently evaluating the impact of the new standard.

(iii) AASB 13 *Fair Value Measurement* (*September 2011*) (effective from 1 January 2013)

AASB 13:

(a) defines fair value;

(b) sets out in a single IFRS a framework for measuring fair value; and

(c) requires disclosures about fair value measurements.

Fair value is defined as:
"the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price)".
The standard does not require fair value measurements in addition to those already required or permitted by other IFRSs.
The IASB note:

32 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

"That definition of fair value emphasises that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value."

The Group does not expect this Standard to have any material impact on the financial statements.

(iv) AASB 2010-4 *further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (June 2010) (*effective from 01 January 2011)

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

(v) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] (July 2011) (*effective from 1 July 2013)

This Standard makes amendments to Australian Accounting Standard AASB 124 Related Party Disclosures.

These amendments arise from a decision of the AASB to remove the individual key management personnel (KMP) disclosures from AASB 124.

The Group is currently reviewing the effect these amendments will have on disclosures.

Directors' Declaration

The directors of Northwest declare that in their opinion:

(a) the financial statements and the Remuneration Report in the Directors Report set out on pages 4 to 5, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations and *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 1; and

(c) there are reasonable grounds to believe Northwest Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made:

(a) after the directors received the declarations required to be made to them in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2011; and

(b) in accordance with a resolution of the directors,

and is signed for and on behalf of the directors by:

John Merity

John J. Merity
Managing Director

30 September 2011

PKF

Chartered Accountants
& Business Advisers

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

Report on the Financial Report

We have audited the accompanying financial report of Northwest Resources Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001.* This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Northwest Resources Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included under the heading 'Remuneration Report' in the Directors' Report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Northwest Resources Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

PKF Chartered Accounts & Business Advisers

Jennifer Nairne
Partner

30 September 2011