

# QUARTERLY REPORT

For the period ending 30 September 2011



## Highlights

- Significant increase to the JORC mineral resource estimate for the Golden Spec deposit.
- Maiden JORC mineral resource for the Red Spec deposit.

## Exploration and Development Activity

During the quarter Northwest Resources Limited (**Northwest**) announced increased and new Mineral Resource estimates for the Company's core Blue Spec Shear high grade gold-antimony deposits within the Company's Nullagine Gold & Antimony Project.

The increased and new Mineral Resource estimates take the Nullagine Gold & Antimony Project global resource to 402,000 ounces of gold and 9,000 tonnes of antimony.

### Golden Spec

Northwest released a new reported Mineral Resource estimate for the Golden Spec deposit, which increased in size by 113% to 75,000 ounces of gold and 2,300 tonnes of antimony (refer to Table 1). Within the mineral resource are high grade zones estimated to contain 49,000 ounces of gold grading 18 g/t and 1,750 tonnes of antimony (Sb) grading 2.1%.

The Mineral Resource estimate was completed by CSA Global Pty Ltd (**CSA Global**) in consultation with Northwest geologists. The deposit comprises two steeply dipping lodes (East and West) within an east-west trending shear zone. The two lodes are each around 50-150m in strike length and are around 1.5-2.5m in thickness.

Table 1: Golden Spec Mineral Resource estimate

Category	Tonnes	g/t Au	Contained Au (oz)	% Sb	Contained Sb (t)
Indicated	109,000	4.9	17,300	0.54	590
Inferred	164,000	10.9	57,300	1.04	1,700
<b>Total</b>	<b>274,000</b>	<b>8.5</b>	<b>74,600</b>	<b>0.84</b>	<b>2,290</b>

*1g/t Au cut-off. Differences may occur due to rounding errors.*

The difference in grade between the 2007 Mineral Resource estimate and the current Mineral Resource estimate is attributable to the inclusion of new near-surface lower grade material. It is important to note that within the current Mineral Resource there are high grade zones estimated to contain 49,000 ounces of gold grading 18 g/t and 1,750 tonnes of antimony grading 2.1%. A clear trend at both Golden Spec and Blue Spec is increasing grade with depth and Northwest anticipates that further drilling from underground will increase the overall grade of Golden Spec. Figure 2 shows the modelled resource blocks and grade distribution in the Golden Spec deposit.

Northwest believes that there is significant potential to further increase the size of Golden Spec through further drilling as the deposit is open to the east and at depth (the Blue Spec deposit has been defined to a depth of 850m).

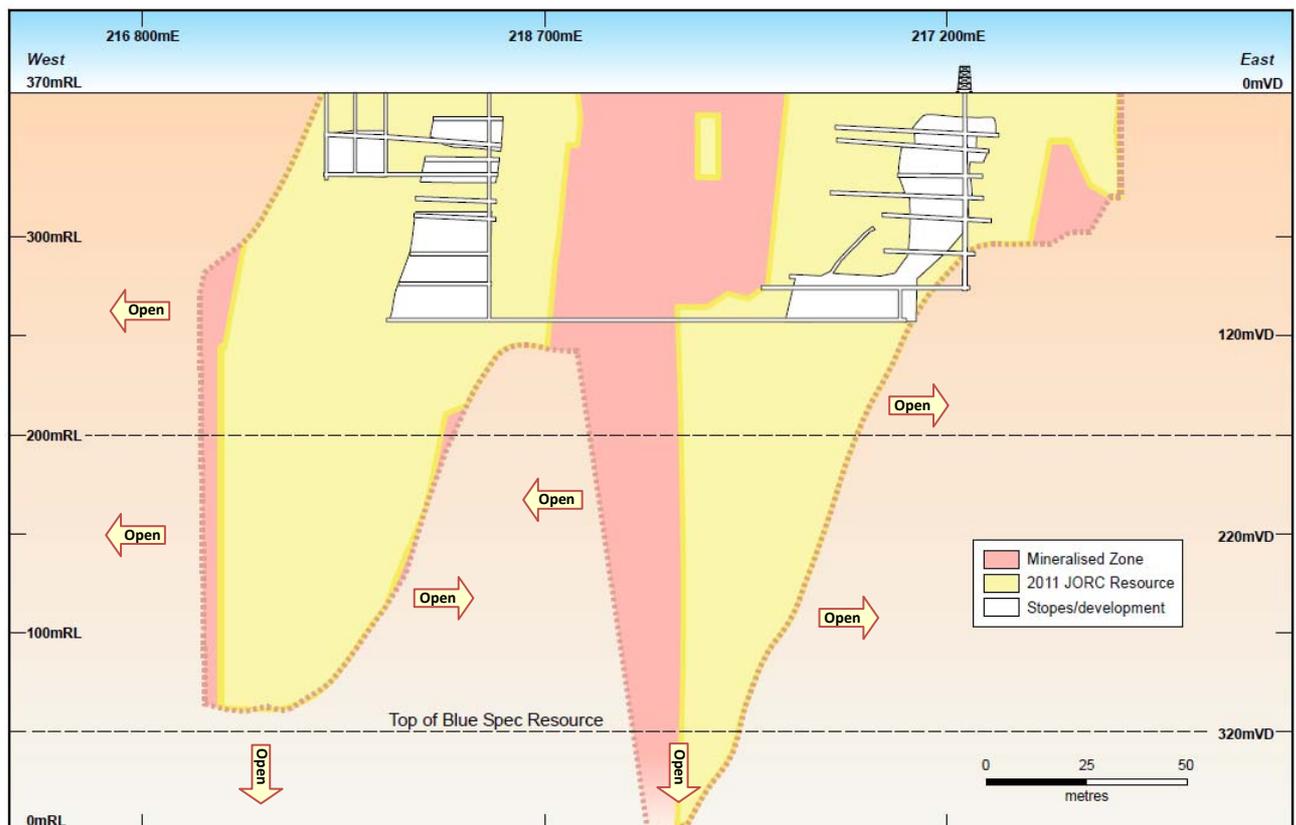


Figure 1: Golden Spec long section

Full details relating to the new Golden Spec Minerals Resource estimate are contained in Northwest's announcement of 8 August 2011 ([click here to see a copy of the announcement](#)).

## Red Spec

Northwest also released a maiden Mineral Resource estimate for the Red Spec deposit of 18,000 ounces gold (refer to Table 2). Red Spec lies 150m east of the Blue Spec deposit.

The Mineral Resource estimate was completed by CSA Global in consultation with Northwest geologists. The geological interpretation of Red Spec is based upon substantial drilling and field reconnaissance work by CSA Global. The mineralisation at Red Spec is controlled by a sub-vertical brittle, 2 to 3m wide ductile shear zone with lateral displacement and secondary tensile splay structures.

Table 2: Red Spec Mineral Resource estimate

Category	Tonnes	g/t Au	Contained Au (oz)	% Sb	Contained Sb (t)
Indicated	160,000	1.8	9,500	0.01	160
Inferred	130,000	2.0	8,400	0.01	130
<b>Total</b>	<b>290,000</b>	<b>1.9</b>	<b>17,900</b>	<b>0.01</b>	<b>290</b>

0.5g/t Au cut-off. Differences may occur due to rounding errors.

The Golden Spec and Red Spec deposits display different types of mineralisation along the same host structure. The Golden Spec deposit is located on a section of the Blue Spec Shear that is dominated by one major structure, with little evidence of splay structures. By comparison, the Red Spec deposit is located on a section of the Blue Spec Shear that has splayed into several structures. Due to structural and chemical controls, the Golden Spec deposit has been more endowed with high-grade gold and antimony mineralisation hosted in a single quartz reef, while the Red Spec deposit has been endowed with lower grade gold mineralisation in stacked vein sets.

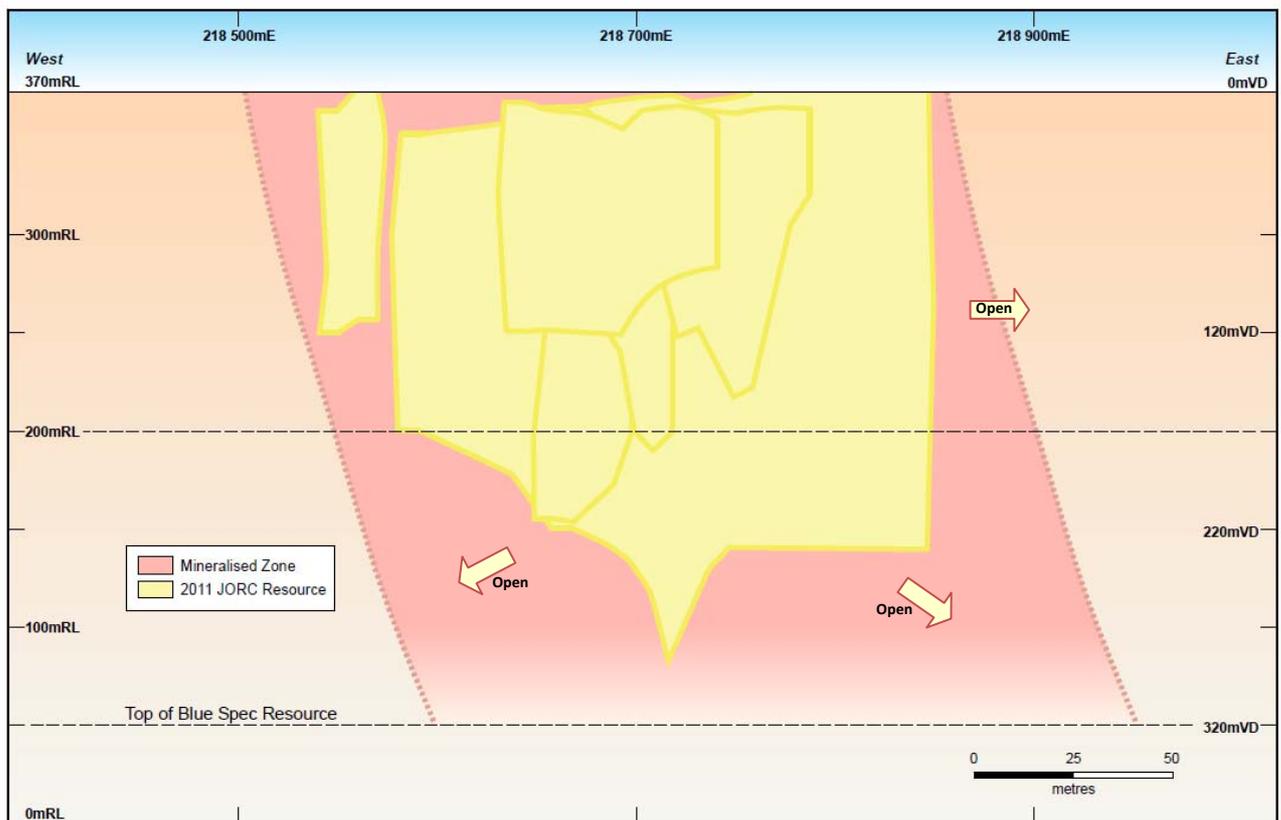


Figure 2: Red Spec long section

Full details relating to the new Red Spec Minerals Resource estimate are contained in Northwest’s announcement of 8 August 2011 ([click here to see a copy of the announcement](#)).

## Activities Next Quarter

### Development studies on combined Blue Spec-Golden Spec underground mine

Northwest is driving forward the development of its core Blue Spec Shear high grade gold-antimony deposits into potentially one of the highest grade gold underground mining centres in Australia.

In the next quarter, Northwest will prepare a metallurgical testwork programme in conjunction with its engineering consultants to evaluate the alternative processing options available to the Company. In connection with one option being evaluated, Northwest will also commence discussions with potential off-take partners for a antimony concentrate containing elevated gold levels to confirm product requirements, pricing and credits for gold in concentrate.

As part of the metallurgical testwork programme, planning for drilling programmes in the new year at both Blue Spec and Golden Spec will also commence.

Northwest will also progress a number of critical environmental surveys as part of the WA mining approval process to identify, evaluate and manage potential environmental impacts relating to the proposed mining operations at a combined Blue Spec-Golden Spec underground mine. This process is well advanced and Northwest expects to complete permitting of the project in the third quarter of 2012.

### Camel Creek Trend

After the end of the quarter, Northwest announced a 50:50 joint venture with Millennium Minerals Limited (**Millennium**) under which Northwest's moderate grade Camel Creek Trend gold deposits will be mined and processed by Millennium from early 2015.

The Camel Creek Trend open pit deposits do not form part of Northwest's Blue Spec Shear development plans given their difference in mineralisation style to the Blue Spec Shear deposits, however they are a natural fit with Millennium's project, sharing the same geology and mineralisation style as Millennium's satellite deposits located along the Camel Creek Trend.

Full details of the joint venture are contained in Northwest's announcement of 19 October 2011 ([click here to see a copy of the announcement](#)).

As part of the joint venture, Northwest and Millennium will undertake an infill and step out drilling programme at Northwest's Camel Creek Trend deposits (Junction, Little Wonder, Round Hill and Roscoe's Reward) to test extensions to each of the deposits which will commence in November.

### **Competent Person Statements - Mineral Resources**

Information in this report relating to Golden Spec has been estimated and compiled by Mr. Wawan Hermawan (MAusIMM) of CSA Global Pty Limited who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Hermawan consents to the inclusion in this statement of the information in the form and context in which it appears.

Information in this report relating to Red Spec has been estimated and compiled by Mr. David Williams (MAusIMM) of CSA Global Pty Limited who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Williams consents to the inclusion in this statement of the information in the form and context in which it appears.

### **Competent Person Statement - Exploration**

Information in this report relating to exploration is based on information compiled by Mr. Charles Gillman (MAIG) who is a full-time employee of Northwest Resources Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Gillman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

### **Forward Looking Statements**

This announcement may include forward looking statements. These forward looking statements are based on Northwest's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Northwest which could cause actual results to differ materially from such statements. Northwest makes no undertaking to subsequently update or revise the forward looking statements made in this announcement to reflect events or circumstances after the date of this announcement.

## ASX Listing Rules Appendix 5B

### Mining exploration entity quarterly cash flow report

Name of entity

Northwest Resources Limited

ABN

95 107 337 379

Quarter ended ("current quarter")

30 September 2011

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(206)	(206)
(b) development	-	-
(c) production	-	-
(d) administration	(160)	(160)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	38	38
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 GST	(6)	(6)
<b>Net Operating Cash Flows</b>	<b>(334)</b>	<b>(334)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchase of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1)	(1)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(1)</b>	<b>(1)</b>
1.13 Total operating and investing cash flows (carried forward)	(1)	(1)
1.14 Total operating and investing cash flows (brought forward)	(335)	(335)

<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
<b>Net financing cash flows</b>		-	-
<b>Net increase (decrease) in cash held</b>		(336)	(336)
1.20	Cash at beginning of quarter/year to date	2,872	2,872
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>2,537</b>	<b>2,537</b>

### Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

		<b>Current quarter \$A'000</b>
1.23	Aggregate amount of payments to the parties included in item 1.2	89
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Executive directors' salaries and Non-Executive director's fees
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### Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil
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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil
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## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	150
4.3 Production	
4.4 Administration	140
<b>Total</b>	<b>390</b>

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	137	122
5.2 Deposits at call	2,400	2,750
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: Cash at end of quarter (item 1.22)</b>	<b>2,537</b>	<b>2,872</b>

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b>	-	-		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3	<b>+Ordinary securities</b>	130,895,418	130,895,418		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-		
7.5	<b>+Convertible debt securities</b>	-	-		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
7.7	<b>Options</b>			<i>Exercise price</i>	<i>Expiry date</i>
		-	-	-	-
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	<b>Debentures (totals only)</b>	-	-		
7.12	<b>Unsecured notes (totals only)</b>	-	-		

## Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX.
2. This statement does give a true and fair view of the matters disclosed.

Date: 28 October 2011



**John J. Merity**  
Managing Director

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3. **Issued and quoted securities:** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4. The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
5. **Accounting Standards:** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.