

QUARTERLY REPORT

For the period ending 31 December 2010



Highlights

- Excellent gold and antimony intersections returned from shallow drilling program completed on the high-grade Blue Spec Shear
- Shallow mineralisation intersected at the Golden Spec deposit could support open pit operations prior to underground development
- New area of high-grade gold mineralisation identified at the Orange Spec prospect
- Drilling to continue next quarter

Exploration and Development Activity

During the quarter, Northwest completed a highly successful RC drilling program on the Blue Spec Shear totalling 6,400m over 157 holes. The Blue Spec Shear is an east-west trending shear zone which outcrops over 16kms within Northwest's project area.

The primary objective of the drilling program was to test the Company's new structural model for near surface gold and antimony mineralisation at a number of targets along a 6km zone of the highly prospective Blue Spec Shear. The majority of the drill holes were directed towards the shallow component of the program, testing the uppermost 20m of the Blue Spec Shear structure. These holes were 25-30m deep, drilled on north-south sections spaced between 50-100m apart. The remaining holes were 65-130m deep and tested extensions to known mineralisation at depths of 30-100m.

The results of the drilling confirmed that gold mineralisation occurs from surface or shallow depths in several locations along the Blue Spec Shear. Furthermore the results of drill holes in areas adjacent to existing mineral resources indicate greater strike continuity than previously thought.

Golden Spec

At Golden Spec, excellent gold and antimony results were returned from very shallow drilling, including:

- 3m @ 21.10 g/t Au & 6.97% Sb from 14m (incl. 2m @ 31.10 g/t Au & 10.20% Sb) (BSS_041)
- 5m @ 14.0 g/t Au & 3.67% Sb from surface (incl. 3m @ 21.36 g/t Au & 5.95% Sb) (BSS_048)
- 2m @ 10.19 g/t Au from 14m (incl. 1m @ 18.35 g/t Au) (BSS_050)
- 4m @ 5.73 g/t Au from 16m (incl. 1m @ 18.35 g/t Au) (BSS_035)
- 2m @ 8.71 g/t Au from 22m (incl. 1m @ 13.20 g/t Au) (BSS_038)

High-grade mineralisation has been extended by approximately 130m across the main and western shoots at Golden Spec (see Figure 3). As has been previously reported, the current JORC resource at Golden Spec stands at **34,000t @ 32.3 g/t Au and 1.40% Sb for 35,000 oz gold and 500t antimony** constrained in two steeply dipping shoots. The resource does not include any remnant ore from historical upper levels at the deposit. Northwest believes that further drilling directed at this near surface zone has the potential to add additional mineral resources.

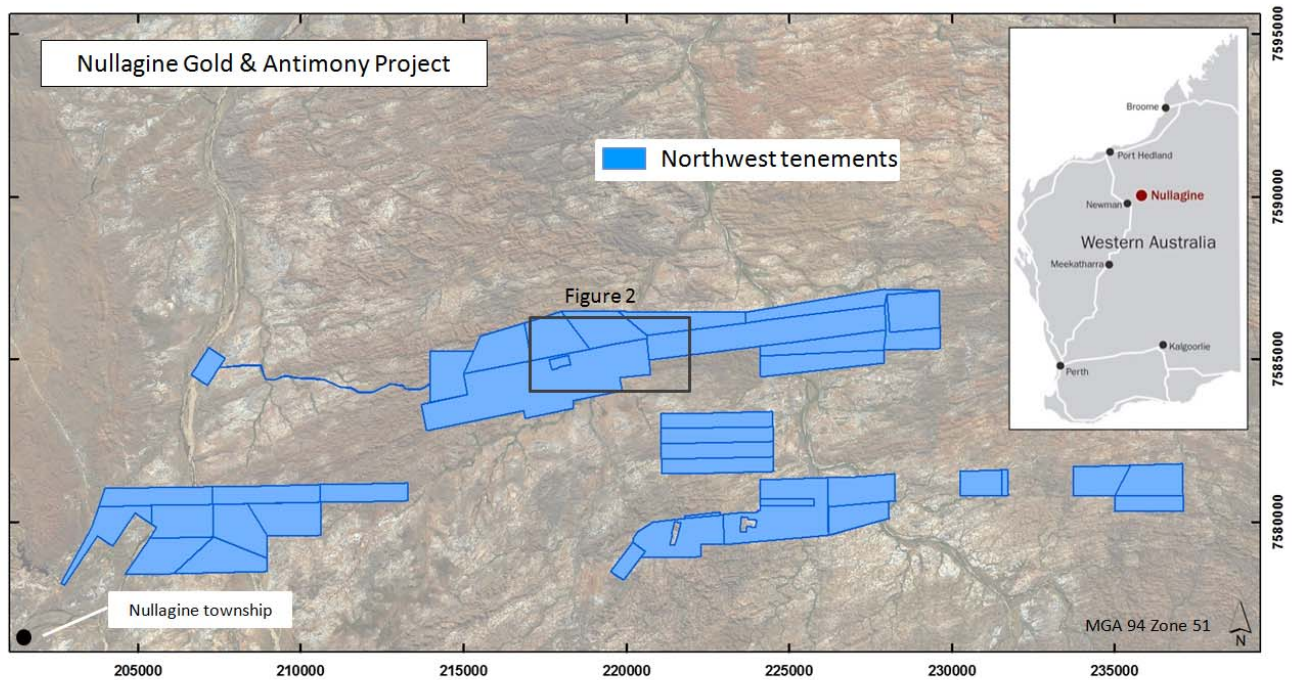


Figure 1: Location of the Nullagine Gold & Antimony Project

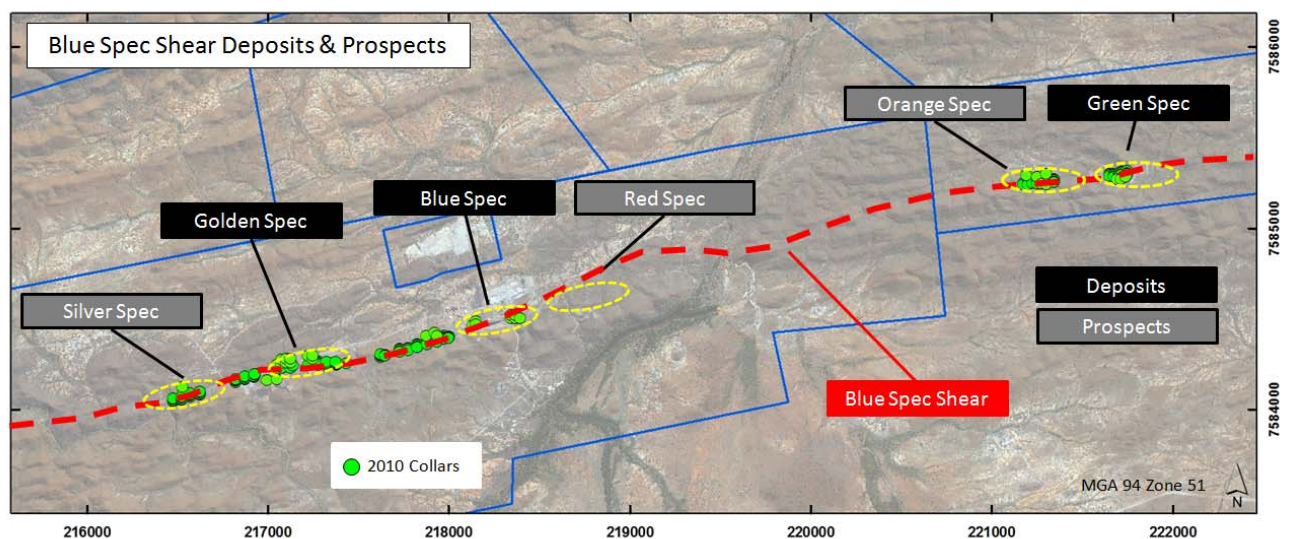


Figure 2: Blue Spec Shear deposits and prospects

Orange Spec

Orange Spec is a new zone of high-grade gold mineralisation located 300m west of Green Spec. A number of high-grade intercepts were returned including:

- 2m @ 26.30 g/t Au from 44m (BSS_192)
- 4m @ 6.0 g/t Au from 72m (incl. 1m @ 18.40 g/t Au) (BSS_184)
- 2m @ 9.30 g/t Au from 40m (incl. 1m @ 17.40 g/t Au) (BSS_185)
- 7m @ 2.81g/t Au from 33m (incl. 1m @ 10.50 g/t Au) (BSS_191)

The mineralisation is associated with quartz-carbonate veining over a strike length of 100m and at vertical depths of 40-60m. The high-grade results are not reflected in shallow drilling vertically above the mineralized zone. (See Figure 4).

Blue Spec

At Blue Spec, deep drilling returned two moderate grade gold intersections of 4m @ 4.49 g/t Au (incl. 1m @ 8.74 g/t Au) from 121m (BSS_177) and 2m @ 3.7 g/t Au (incl. 1m @ 5.13 g/t Au) from 42m (BSS_178) located approximately 50m to the west of the modelled position of the remnant ore in the historical upper levels. The position of these intersections suggest that the interpreted strike of the Blue Spec deposit at depth may be significantly extended by further drilling with positive implications for potential underground development. As previously reported by Northwest, the current JORC resource delineated at Blue Spec is **323,000t @ 24.3 g/t Au and @ 1.72% Sb for 253,000 oz gold and 5,550t antimony** over an average strike length of 120-160m.

Silver Spec

The Silver Spec prospect is located 300m west of Golden Spec and displays similarities to the Orange Spec prospect. New intercepts of 2m @ 2.59 g/t Au from 48m (BSS_153) and 3m @ 1.56 g/t Au from 12m (BSS_015) were identified adjacent to a 2007 interval of 9.0 g/t Au from 36m which had not received any follow-up work. Whilst low grade, the intersections confirm the presence of gold mineralisation and strong depth continuity and the prospect warrants further testing. (See Figure 6).

Red Spec

In connection with the recent drilling program, an independent review of 2007 drilling data from a zone of gold mineralisation located 200m east of Blue Spec (formerly named Blue Spec East) was undertaken (see Figure 7). The review confirmed the mineralisation is hosted in sub-vertical, stacked vein sets and is characterised by gold-only metal content. The mineralisation style is distinct from that at the nearby Blue Spec deposit, and the prospect has been renamed Red Spec. Northwest expects to calculate a maiden JORC resource at Red Spec to be included in the eventual updating of the Mineral Resource estimate for the project.

Full details of the drilling program are contained in Northwest's ASX announcement of 24 November 2010.

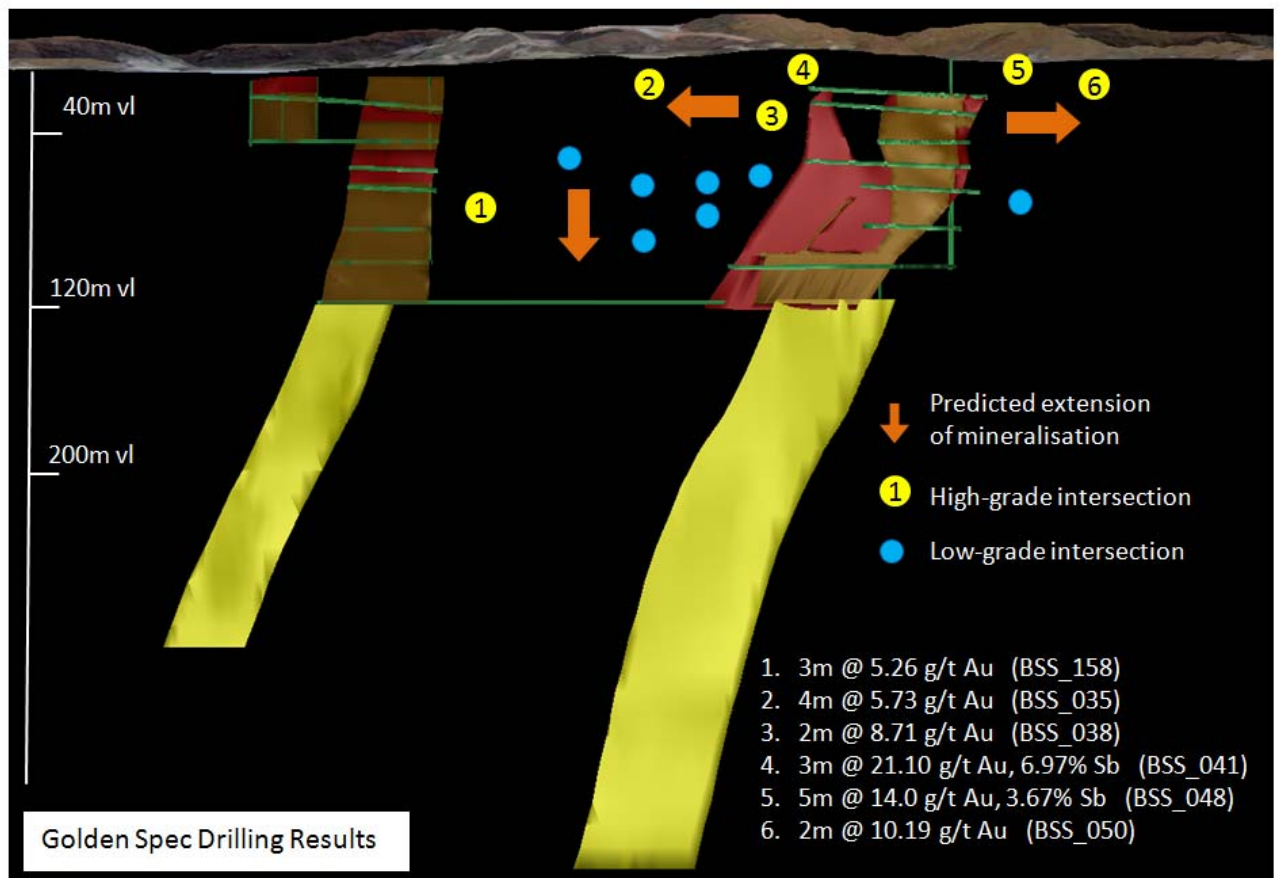


Figure 3: Golden Spec drilling results

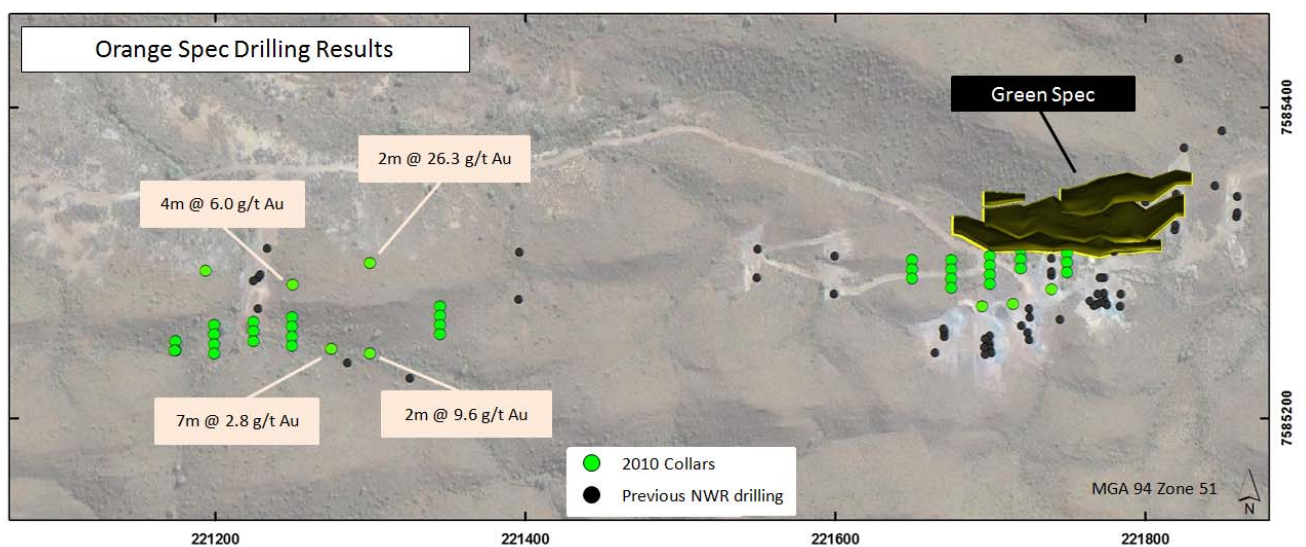


Figure 4: Orange Spec drilling results

Activities Next Quarter

Next quarter, drilling at the Nullagine Gold & Antimony Project will recommence in late February. RC drilling will focus on both the Blue Spec Shear and the Camel Creek Trend (see Figures 5 and 6).

On the Blue Spec Shear, approximately 2,000m of RC and diamond drilling will be directed at the Golden Spec deposit. This second pass programme at Golden Spec is designed to confirm the presence of substantial near surface high-grade gold and antimony mineralisation discovered in late 2010

The current JORC resource for deposits located on the shear stands at **459,000t @ 20.2g/t Au for 298,000 oz gold and 1.5% Sb for 7,150 t contained antimony metal** and if the second pass programme is successful, Northwest expects to follow up the drilling results with an increase to the JORC resource for the shear. Further confirmation of significant near surface mineralisation at Golden Spec has the potential to support open pit operations prior to progressing to the underground development of the Blue Spec and Golden Spec deposits.

On the Camel Creek Trend, approximately 2,000m of RC drilling will be directed at the Federation prospect where previous drilling by Northwest intersected 3m at 15.67 g/t Au from 16m and 1m @ 9.94 g/t Au from 15m over a 450m strike. Northwest's ongoing exploration efforts are aimed at adding large tonnage moderate grade deposits amenable to open-pit mining to its existing resource base as part of a regional development strategy designed to generate additional revenue to fund the development of the high-grade deposits presently identified along the Blue Spec Shear.

Antimony

The development of Northwest's Nullagine Gold & Antimony Project comes at a time of record antimony prices and an increasing awareness in the market of the value of antimony as a strategic metal. In June 2010, the European Commission identified antimony as one of the 14 minerals (including rare earths) critical to European industry which are facing supply challenges.

Antimony has reached a record price of **US\$13,500 per tonne**. Northwest's high-grade Blue Spec Shear hosted gold deposits contain up to 1-2% antimony. Northwest has a current JORC resource of 7,000t of antimony and there is significant potential to expand this resource.

Recent takeover activity in the Australian antimony sector together with continuing offshore interest in off-take arrangements for the Nullagine Gold & Antimony Project are very positive for Northwest.

The Company has prepared an Antimony Factsheet which is available on Northwest's website for the information of shareholders and investors generally.

The information in this report is based on information compiled by Mr. Charles Gillman, who is a Member of Australian Institute of Geoscientists. Mr. Gillman 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.

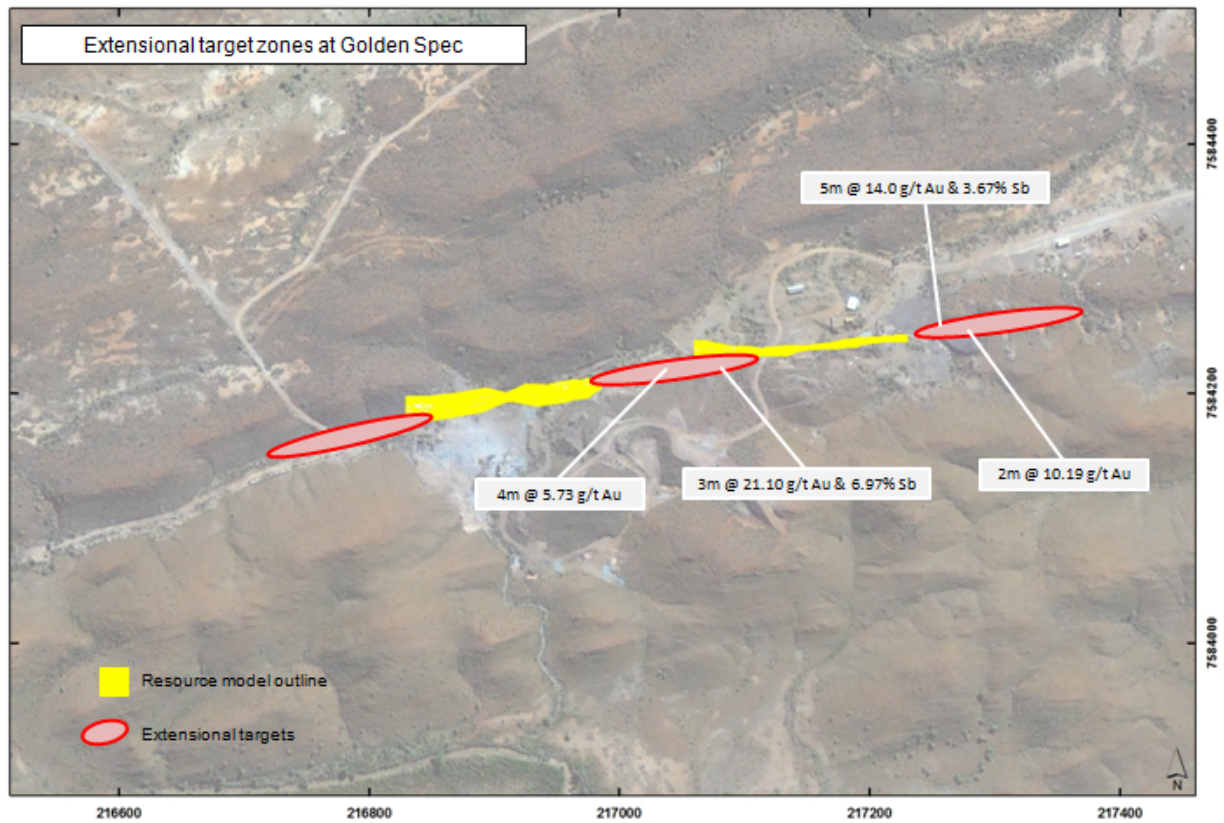


Figure 5: Golden Spec extensional zones on the Blue Spec Shear

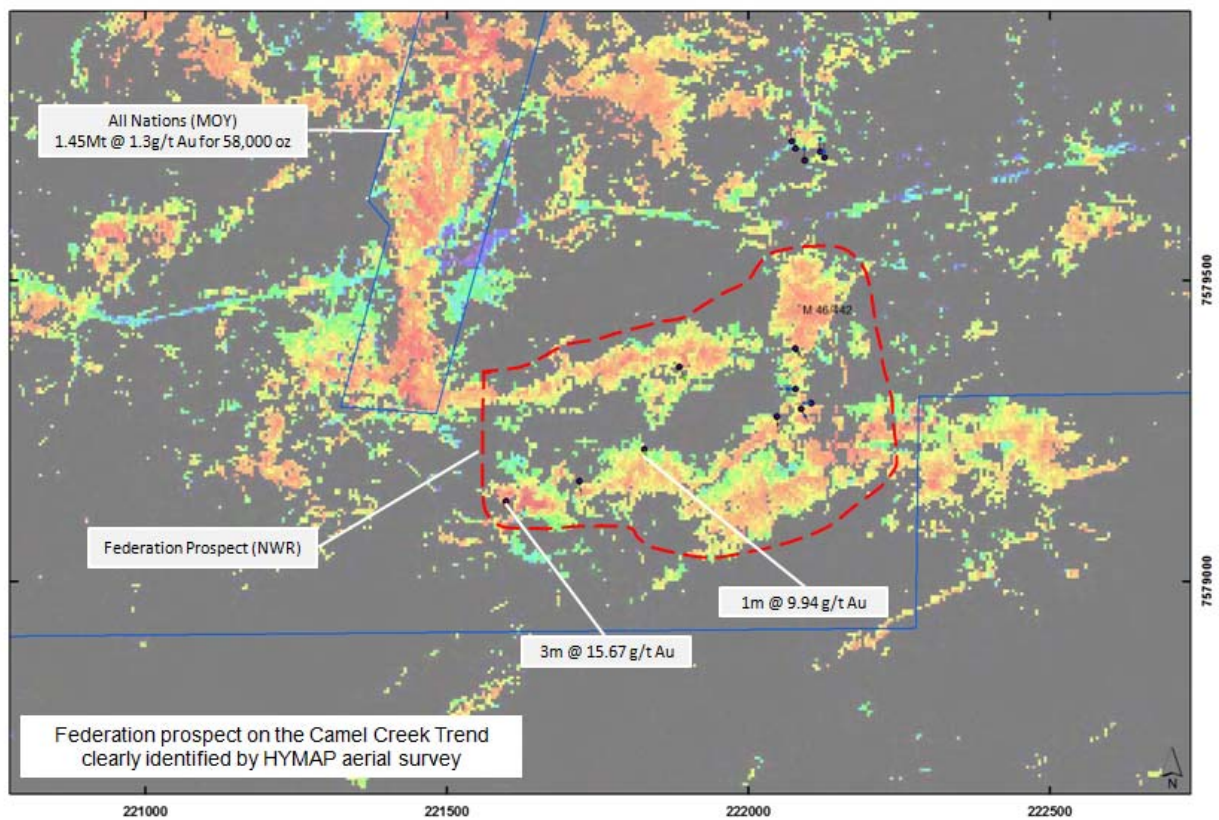


Figure 6: Federation prospect on the Camel Creek Trend

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")

31 December 2010

Consolidated statement of cash flows

| | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|--|----------------------------|---------------------------------------|
| Cash flows related to operating activities | | | |
| 1.1 | Receipts from product sales and related debtors | 36 | 62 |
| 1.2 | Payments for: | | |
| (a) | exploration and evaluation | (677) | (867) |
| (b) | development | - | - |
| (c) | production | - | - |
| (d) | administration | (273) | (482) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 58 | 136 |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes paid | - | - |
| 1.7 | GST | (47) | (45) |
| Net Operating Cash Flows | | (903) | (1,196) |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchase of: | | |
| (a) | prospects | - | - |
| (b) | equity investments | - | - |
| (c) | other fixed assets | - | (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 | (11) | - |
| 1.12 | Other (provide details if material) | - | - |
| Net investing cash flows | | (11) | (1) |
| 1.13 | Total operating and investing cash flows (carried forward) | (914) | (1,197) |
| 1.14 | Total operating and investing cash flows (brought forward) | (914) | (1,197) |

| | | | |
|---|---|--------------|--------------|
| Cash flows related to financing activities | | | |
| 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) | - | - |
| Net financing cash flows | | - | - |
| Net increase (decrease) in cash held | | (914) | (1,197) |
| 1.20 | Cash at beginning of quarter/year to date | 4,571 | 4,854 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 3,657 | 3,657 |

Payments to directors of the entity and associates of the directors

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

| | | Current quarter \$A'000 |
|------|--|------------------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 124 |
| 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

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

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

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 | 270 |
| 4.2 Development | 40 |
| 4.3 Production | - |
| 4.4 Administration | 150 |
| Total | 460 |

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 | 180 | 296 |
| 5.2 Deposits at call | 3,477 | 4,275 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: Cash at end of quarter (item 1.22) | 3,657 | 4,571 |

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 | M46/183 M46/520 | | | 100% | 0% |
| 6.2 Interests in mining tenements acquired or increased | P46/1698 P46/1699 P46/1700 P46/1701 P46/1702 | P46/1703 P46/1704 P46/1705 P46/1706 | | 0% | 100% |

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 | Preference securities | - | - | | |
| 7.2 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | - | - | | |
| 7.3 | *Ordinary securities | 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 | *Convertible debt securities | - | - | | |
| 7.6 | Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | - | - | | |
| 7.7 | Options | - | - | <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 | Debentures (totals only) | - | - | | |
| 7.12 | Unsecured notes (totals only) | - | - | | |

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: 31 January 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.