



# Northwest Resources Limited

ACN 107 337 379

## INTERIM FINANCIAL REPORT

For the half year ended 31 December 2010



This interim financial report should be read in conjunction with the Annual Report for the year ended 30 June 2010. This report has been provided to the ASX pursuant to Listing Rule 4.2A.

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# Corporate Directory

## **Directors**

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

## **Company Secretary**

John Merity

## **Principal and Registered Office**

Suite 8, Level 2  
325 Pitt Street  
Sydney NSW 2000

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Facsimile: (02) 9267 7601  
Email: [info@nw-resources.com.au](mailto:info@nw-resources.com.au)  
Web: [www.nw-resources.com.au](http://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:  
GPO Box 3993  
Sydney NSW 2001

Telephone: (02) 9290 9600  
Facsimile: (02) 9279 0664  
Email: [callcentre@registries.com.au](mailto:callcentre@registries.com.au)  
Web: [www.registries.com.au](http://www.registries.com.au)

## **Auditors**

PKF Chartered Accountants  
1 Margaret Street  
Sydney NSW 2000

# Directors Report

The Directors of Northwest Resources Limited (the **Company**) present their report together with the interim financial report of the Company and its controlled entities (together the **consolidated entity**) for the half year ended 31 December 2010.

## Directors

The names of the directors of the Company who have held office at any time during or since the end of the half year are:

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

## Principal Activities

The principal activity of the consolidated entity during the half year was the development of the Company's Nullagine Gold & Antimony Project in Western Australia. There was no significant change in the nature of these activities during the half year.

## Operating Results

The Company's projects are still at the exploration and development stage, accordingly, the consolidated entity does not yet derive any revenue from those projects. Exploration expenditure incurred by the Company during the half year was \$942,882. The consolidated entity's net loss for the half year was \$849,764.

## Review of Operations

The Company's activities during the half year were directed at continuing the development of the Company's Nullagine Gold & Antimony Project.

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 drilling program returned excellent results proving that gold and antimony 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.

The results of the drilling program together with the Company's new structural interpretation for the shear suggests significant potential for the presence of near-surface gold and antimony mineralisation which could support open pit operations prior to progressing to the underground development of the Blue Spec and Golden Spec deposits.

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\$15,000 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.

## Changes in State of Affairs

No significant changes occurred in the consolidated entity's state of affairs during the half year.

## Environmental Management

In undertaking its mineral exploration and development activities, the Company is subject to a number of environmental laws, principally those administered by the Western Australian Department of Environment. Those laws relating to the clearing of native vegetation and protection of aboriginal heritage are particularly relevant to the Company's exploration activities. The Company is committed to a high standard of environmental performance with respect to its mineral exploration activities. The Company 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.

## Corporate Governance

The Company considers that effective corporate governance improves company performance, enhances corporate social responsibility and benefits all stakeholders. A statement setting out the Company's corporate governance policies and compliance with the Principles of Good Corporate Governance and Best Practice Recommendations released by the ASX Corporate Governance Council is contained in the Company's 2010 Annual Report and copies of Northwest's corporate governance policies are available on the Company's website.

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included within this financial report.

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



**John J. Merity**  
*Managing Director*

16 March 2011



Chartered Accountants  
& Business Advisers

**AUDITOR'S INDEPENDENCE DECLARATION**  
**TO THE BOARD OF DIRECTORS OF**  
**NORTHWEST RESOURCES LIMITED**

As lead auditor for the review of the financial report of Northwest Resources Limited and its controlled entities for the half-year ended 31 December 2010, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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



PKF  
Chartered Accountants & Business Advisers

  
Jennifer Nairne

Sydney  
16 March 2011

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# Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2010

	Consolidated	
	December 2010 \$	December 2009 \$
<b>Revenue</b>	234,044	170,294
Administration	(305,776)	(276,594)
Employee benefits expense	(221,448)	(164,302)
Impairment of Deferred Exploration Expenditure	(556,584)	(1,343,165)
Impairment of Options	-	(60,000)
Income/(loss) before income tax	(849,764)	(1,673,767)
Income tax expense	-	-
<b>Total comprehensive income/(loss) for the half-year</b>	(849,764)	(1,673,767)
Profit/(loss) is attributable to:		
Owners of Northwest Resources Limited	(743,281)	(1,670,231)
Non-controlling interest	(106,483)	(3,536)
	(849,764)	(1,673,767)
<b>Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:</b>		
Basic earnings (cents) per share – (loss)	(0.65)	(1.28)
Diluted earnings (cents) per share – (loss)	(0.65)	(1.28)

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Financial Position

As at 31 December 2010

	Consolidated	
	Notes	
	December 2010 \$	June 2010 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	3,661,850	4,882,481
Trade and other receivables	83,348	34,092
Other current assets	70,228	57,990
Total current assets	3,815,426	4,974,563
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	193,194	143,384
Other financial assets	697,263	697,263
Property, plant and equipment	1,341,950	1,365,847
Exploration, evaluation and development expenditure	14,960,353	14,574,055
Total non-current assets	17,192,760	16,780,549
Total assets	21,008,186	21,755,112
<b>CURRENT LIABILITIES</b>		
Trade and other payables	199,704	103,851
Short-term Provisions	58,291	49,841
Total current liabilities	257,995	153,692
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables	-	5,000
Long-term Provisions	22,734	19,199
Total Non-Current Liabilities	22,734	24,199
Total Liabilities	280,729	177,891
<b>Net assets</b>	<b>20,727,457</b>	<b>21,577,221</b>
<b>EQUITY</b>		
Contributed equity	29,610,816	29,610,816
Retained losses	(9,878,990)	(9,135,709)
Parent entity interest	19,731,826	20,475,107
Minority equity interest	995,631	1,102,114
<b>Total equity</b>	<b>20,727,457</b>	<b>21,577,221</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.



# Consolidated Statement of Changes in Equity

For the half year ended 31 December 2010

	Contributed Equity	Retained Earnings	Non- controlling Interest	Total Equity
	\$	\$	\$	\$
<b>As at 1 July 2009</b>	29,601,990	(4,864,947)	1,572,036	26,309,079
Loss for the period	-	(1,670,231)	(3,536)	(1,673,767)
<b>As at 31 December 2009</b>	<b>29,601,990</b>	<b>(6,535,178)</b>	<b>1,568,500</b>	<b>25,635,312</b>

	Contributed Equity	Retained Earnings	Non- controlling Interest	Total Equity
	\$	\$	\$	\$
<b>As at 1 July 2010</b>	29,610,816	(9,135,709)	1,102,114	21,577,221
Loss for the period	-	(743,281)	(106,483)	(849,764)
<b>As at 31 December 2010</b>	<b>29,610,816</b>	<b>(9,878,990)</b>	<b>995,631</b>	<b>20,727,457</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Cash Flows

For the half year ended 31 December 2010

	Consolidated	
	December 2010 \$	December 2009 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	61,958	-
Payments to suppliers and employees	(462,453)	(393,313)
Payments for exploration, evaluation and development expenditure	(942,882)	(370,470)
Finance costs	-	-
Interest received	126,255	113,499
Net cash inflow/(outflow) from operating activities	(1,217,122)	(650,284)
<b>Cash flows from investing activities</b>		
Proceeds/(payments) for plant and equipment	(3,509)	(9,984)
Net cash inflow/(outflow) from investing activities	(3,509)	(9,984)
Net increase/(decrease) in cash held	(1,220,631)	(660,268)
Cash at the beginning of the half-year	4,882,481	6,170,752
<b>Cash and cash equivalents at the end of the half-year</b>	<b>3,661,850</b>	<b>5,510,484</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

# Notes to the Financial Statements

## 1. Basis of Preparation of Half Year Report

This general purpose financial report for the interim half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by the Company and controlled entities during the interim reporting period in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

## 2. Contributed Equity

	<b>Consolidated Entity</b>	
	<b>December 2010</b>	<b>June 2010</b>
	<b>\$</b>	<b>\$</b>
a) Paid up capital	29,601,990	29,601,990
	<b>December 2010</b>	
	<b>No. of Shares</b>	<b>Paid up Capital</b>
b) Movements		
Balance at 1 July 2009	130,895,418	29,601,990
Balance at 31 December 2010	130,895,418	29,601,990

## 3. Segment Information

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

## 4. Loss for the Half Year

The loss for the half-year includes the following items that may be unusual because of their nature, size or incidence.

	<b>Half-Year</b>	
	<b>December 2010</b>	<b>December 2009</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Other revenue	62,958	-
	62,958	-

## 5. Events Subsequent to Reporting Date

There were no material events subsequent to reporting date.

## 6. Contingencies

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

## DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes set out on pages 6 to 10 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



**John J. Merity**  
*Managing Director*

16 March 2011



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT

### TO THE MEMBERS OF NORTHWEST RESOURCES LIMITED

#### REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying consolidated half-year financial report of Northwest Resources Limited, which comprises the statements of financial position as at 31 December 2010, the statements of comprehensive income, statements of changes in equity and statements of cash flow for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises Northwest Resources Limited (the company) and the entities it controlled at 31 December 2010 or from time to time during the half-year ended on that date.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Northwest Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Northwest Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

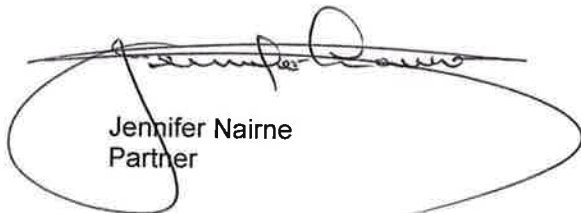
### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the consolidated entity is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PKF  
Chartered Accountants & Business Advisers



Jennifer Nairne  
Partner

Sydney  
16 March 2011