



Northwest

ASX RELEASE

13 September 2012

Positive Scoping Study for the Blue Spec Shear Gold-Antimony Project

Northwest Resources Limited (ASX: NWR, “Northwest” or “the Company”) is pleased to report the results of its scoping study and preliminary economic assessment of the Company’s wholly owned Blue Spec Shear Gold-Antimony Project which shows the strong potential for the project to be a low cap-ex, low cost and high margin start-up gold operation.

The study brings together the recently released mining study, the results of the second phase of metallurgical testwork, capital and operating cost estimates and the Company’s analysis of the antimony concentrate market. The key financial parameters of the study are set out in Table 3 below.

Based on the positive study results, the Company now has the confidence to carry out an infill diamond drilling programme from surface at the Blue Spec & Gold Spec deposits directed at increasing the geological confidence level of the current Inferred Mineral Resources to Indicated to enable a maiden Ore Reserve estimate for the project to be prepared to complete the definitive feasibility study (DFS) for the project.

The Company is evaluating funding options to complete the infill drilling programme and finalise the DFS and all project permitting to achieve the Company’s target of first underground production from the Blue Spec Shear Gold-Antimony Project in 2013.

Scoping Study

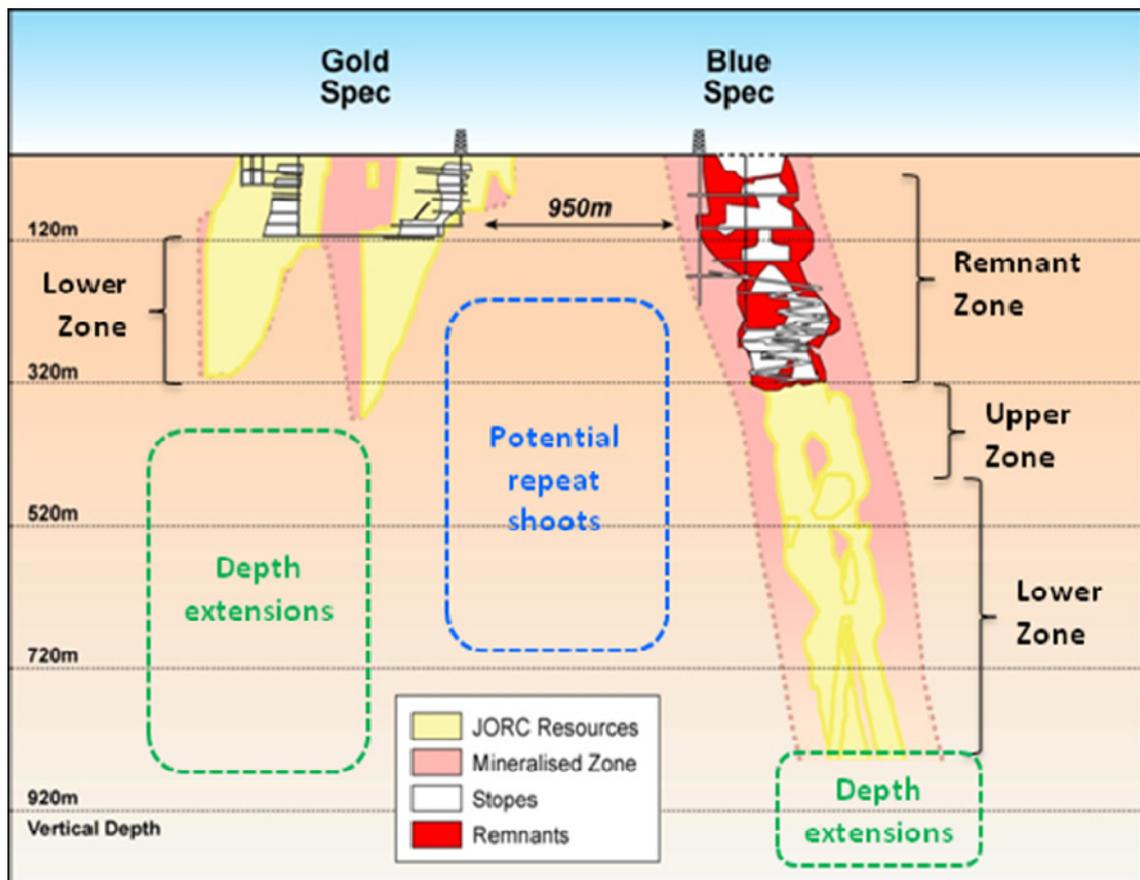
The scoping study is based on a proposed standalone operation under which:

- the high-grade Blue Spec and Golden Spec deposits would be developed concurrently by way of industry standard 5.0m x 5.5m, 1 in 7 declines (see Figures 10 & 11 in the Appendix);
- mechanised narrow vein mining adopting a modified cut and fill method would be utilised;
- a conservative percentage of the estimated recoverable remnant mineralisation left in the historical levels of Blue Spec (surface to 320m VD) (the **Blue Spec Remnants**) would be mined before the Blue Spec Mineral Resources are developed; and

- ore mined from Blue Spec and Gold Spec would be processed on site to produce a gold enriched antimony concentrate for direct sale as well as gold dore.

The scoping study used the current Mineral Resource estimates for Blue Spec and Gold Spec and the low range tonnage and grade estimate for the Blue Spec Remnants Exploration Target as the base case scenario. The study does not rely upon further increases to the resource base at Blue Spec and Gold Spec through depth extensions to the current Mineral Resources which are open at depth or new discoveries between Blue Spec and Gold Spec and along the 14kms of the shear zone within the project tenement package.

Figure 1: Blue Spec and Gold Spec long section looking north



Production targets used in the scoping study

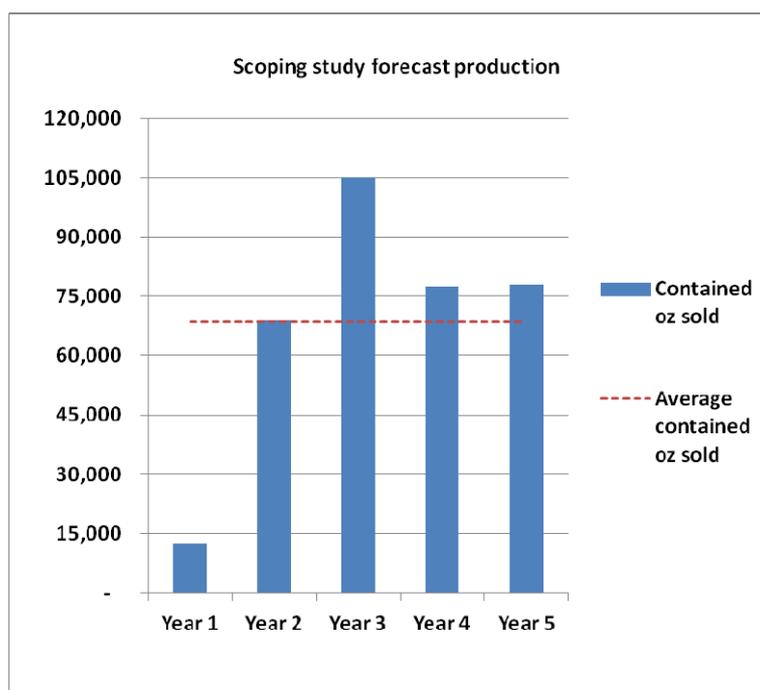
The production targets for mining and processing set out in Tables 1 & 2 below are drawn from an optimisation of Northwest's recently released mining study (ASX Release dated 24 July 2012) and the second phase of metallurgical testwork on samples from Blue Spec, Gold Spec and Blue Spec Remnants.

Table 1: Mining physicals - Production targets

Total ore mined:	986,500t
Average mined grade (diluted):	11.8g/t gold (Au) 1.02% antimony (Sb)
Total contained metal mined:	374,000oz Au 10,000t Sb
Initial life of mine:	5 years

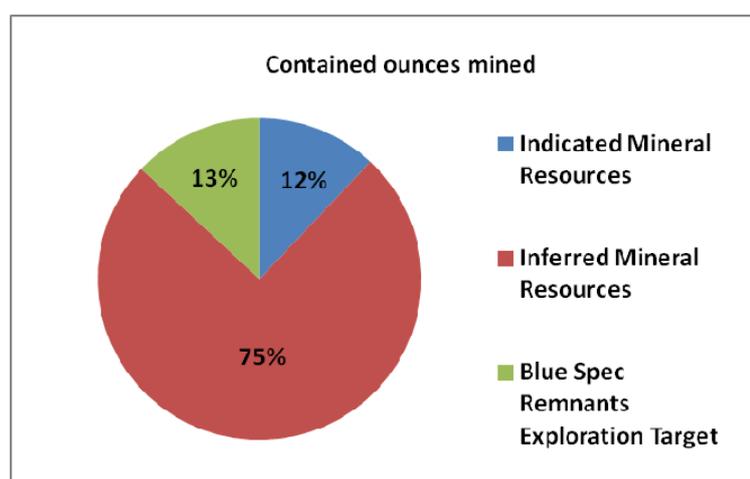
Table 2: Processing - Production targets

Total ore processed:	986,500t
Average milled head grade:	11.8g/t Au 1.02% Sb
Nominal mill capacity:	250,000 tpa
Average metallurgical recovery:	92% Au 95% Sb
Total Sb concentrate production:	25,000t
Sb concentrate average grade:	337g/t Au (10.8oz/t) 38% Sb
Total metal production (in Sb concentrate):	274,500oz Au 9,500t Sb
Total metal production (Dore):	69,500oz Au
Average annualised metal production:	68,500oz Au p.a. 1,900t Sb p.a.

Figure 2: Forecast production by contained oz sold

The Mineral Resource estimates for Blue Spec and Gold Spec and the tonnage and grade estimate for the Blue Spec Remnants which were used in the scoping study are contained in Tables 6 & 7 in the Appendix to this release. The proportions of the scoping study production targets for total contained ounces of gold which are based on Indicated and Inferred Mineral Resources and the low range estimate for the Blue Spec Remnants Exploration Target are graphically represented in Figure 3 below.

Figure 3: Total contained ounces



Preliminary economic assessment

The scoping study and preliminary economic assessment rely on certain key assumptions appropriate at this level of study which are discussed below together with a sensitivity analysis on the forecast NPV and IRR. There are also a number of risks inherent in a project at this stage of development and study which are also discussed below. Shareholders and potential investors are cautioned to place the outcomes of the scoping study in the context of these assumptions, sensitivities and risks.

Table 3: Preliminary economic assessment - Forecast

	AUD
C1 Cash Costs per oz sold ⁽¹⁾ :	\$400 (incl. Sb credits)
Total Cash Costs per oz sold ⁽²⁾ :	\$833 (incl. Sb credits)
Cumulative cash:	\$220 million (pre-tax)
NPV (@ 12%):	\$137 million
IRR:	62%
Maximum negative cash exposure:	\$(57) million
Cash break-even:	Month 25 months (cash flow positive in Month 12)
Metal prices:	USD \$1,650 per oz gold USD \$12,500 per tonne antimony
Exchange rate:	1 AUD = 1.03 USD

(1) C1 Cash Costs represent costs for mining, processing, site administration and Sb concentrate freight & selling costs. It includes the net proceeds of Sb by-product credits. It does not include capital costs for underground development or the cost of royalties.

(2) Total Cash Costs reflect C1 Cash Costs plus all capital development costs and royalties.

The maximum negative cash exposure reflects the aggregate of the capital plant & equipment cost estimate and the net cash operating costs during the first year ramp-up phase until the project become cash flow positive in month 12. Capital plant & equipment cost estimates and operating cost estimates used in the preliminary economic assessment are set out in Tables 4 & 5 below.

It is important to note that the preliminary economic assessment reported above was based on production targets which comprise Inferred Mineral Resource estimates and an estimate of recoverable mineralisation in the Blue Spec Remnants which is an Exploration Target and not a Mineral Resource as defined under the JORC Code.

Inferred Mineral Resources have a low level of geological confidence and it is uncertain whether further exploration will result in the determination of Indicated or Measured Mineral Resources and the realisation of Northwest's production targets based on the Inferred Mineral Resources. The Blue Spec Remnants is an Exploration Target which is conceptual in nature. There has been insufficient exploration to determine a Mineral Resource for the Blue Spec Remnants and it is uncertain if further exploration will result in the determination of a Mineral Resource and the realisation of the production targets based on the Blue Spec Remnants.

Accordingly, the preliminary economic assessment should not be construed as confirming the economic viability of the project at this stage. Economic viability will only be conclusively demonstrated after the preparation of a maiden Ore Reserve estimate for the project. Shareholders and potential investors are cautioned that the forecast financial results are not guarantees of future economic performance.

Capital and operating costs

Capital plant & equipment costs and processing costs are based on costs estimated by Como Engineering Pty Limited for a 250,000 tpa plant designed to produce an antimony concentrate.

Table 4: Capital plant & equipment cost estimates

	AUD million
Processing plant:	\$30
Site buildings:	\$1.0
TSF:	\$1.5
Surface works:	\$0.50
Mining equipment:	\$1.0
Total:	\$34

No capital expenditure relating to the accommodation village has been included in the plant & equipment estimate as it is assumed that a 120 man accommodation village will be leased and village lease costs have been included within "site administration" under operating costs.

Table 5: Operating cost estimates

	Total Cost (AUD million)	Cost per tonne (AUD per tonne ore)
Mining:	\$101	\$102
Processing:	\$58	\$59
Site Administration:	\$26	\$27
Conc. Freight/Selling:	\$15	\$15
Antimony credits:	\$(63)	\$(64)
Total C1 Cash Costs:	\$137	\$139
Royalties:	\$38	\$38
Capital P&E:	\$34	\$34
Capital Development:	\$77	\$78
Total Cash Costs:	\$286	\$289

The C1 Cash Costs and Total Cash Costs estimates are comparable to the cost structures of other WA high-grade narrow vein gold projects and confirm Northwest's belief that the combined Blue Spec-Gold Spec operation can be a low cost and high margin gold operation. Further increases to the resource base at Blue Spec and Gold Spec will have a significant positive impact on project economics.

Background to scoping study

Scoping studies and economic evaluation based on Inferred Mineral Resources are not unusual for ore bodies of the nature of Blue Spec and Gold Spec (steeply dipping, narrow, high grade deposits) where the cost of drilling required to bring the Mineral Resources to the highest JORC Code confidence levels of Measured and Indicated increases dramatically with depth and when a high level of confidence in the continuity of ore can be demonstrated.

Both Blue Spec and Gold Spec have extensive production histories and Northwest has invested significant efforts to collecting and digitising all available historical data relating to the mines.

Northwest has also completed over 13,000m of RC and 15,000m of diamond drilling at Blue Spec and Gold Spec. The drilling programmes to date have successfully focussed on confirming the continuity of the structures and grade at both Blue Spec and Gold Spec at depth, rather than density of drilling data to enable the estimate of a Measured and Indicated Mineral Resource / Ore Reserve. Mineral Resources at Blue Spec have been defined over 500m below historical levels and over 200m below the lowest levels of Gold Spec.

The style of ore bodies at Blue Spec and Gold Spec, their previous mining history, Northwest's drilling programmes and the well understood structural controls and mineralisation of the deposits provided the Company with the confidence in the ore bodies to undertake the detailed underground development design and mine planning incorporated in the mining study which provided the production targets on which the scoping study's economic analysis is based.

In ore bodies such as Blue Spec and Gold Spec the key risks associated with converting the Inferred Mineral Resources to Measured and Indicated Mineral Resources is the ability to reach a sufficient level of geological confidence in respect to grade variability within the ore body based on available data.

Northwest is confident in the integrity of its structural model for Blue Spec and Gold Spec and considers that the issue of grade variability, which exists in all high-grade ore bodies, can be managed by achieving sufficient drill density data from the proposed surface diamond drilling programme. Accordingly, Northwest considers that the risk that the Inferred Mineral Resources at Blue Spec and Gold Spec will not convert to Indicated Mineral Resources with additional infill drilling is low. In ore bodies of the nature of Blue Spec and Gold Spec, Measured Mineral Resources will typically only be defined as part of the grade control stage of mining operations.

The key risks associated with achieving the production targets based on the Blue Spec Remnants tonnage and grade estimate include the risks typically associated with extracting remnant mineralisation including geotechnical issues, oxidisation and accessibility. Northwest considers that the conservative factoring down of estimated tonnage and grades in the Blue Spec Remnants outlined in the Appendix to this release means that the risk of not achieving the production targets based on the Blue Spec Remnants low range tonnage and grade estimate is relatively low.

Key assumptions used in the scoping study

- The current Mineral Resource estimates for Blue Spec and Gold Spec and the low range tonnage and grade estimate for the Blue Spec Remnants Exploration Target used as the base case scenario for mine planning and production scheduling are realised in a mining scenario.
- A life of mine gold price of USD\$1,650 per oz and an antimony price of USD\$12,500 per tonne. Both prices reflect current market prices for the metals.
- Capital plant & equipment costs of \$34.0 million and total cash operating costs of \$289/t. The capital cost and processing cost estimates are based on estimates prepared by Como Engineers Pty Limited for a 250,000 tpa plant and associated infrastructure. Other operating costs are based on current industry averages for comparable projects.
- Average metallurgical recovery of 93% for gold (73% recovery of gold to Sb concentrate with an additional 19% of gold to Dore) and 95.0% for antimony to Sb concentrate. These recovery levels are based on flotation testwork results conducted by Amdel Laboratories.
- An average off-take Sb concentrate price of \$17,530 per tonne (after all selling costs). This price is based on analysis of the antimony concentrate market.

Sensitivity analysis on the preliminary economic assessment

Northwest has undertaken sensitivity analysis on the forecast financial results which are graphically represented below. The sensitivity analysis indicates that the project NPV and IRR are most sensitive to variations in the gold price. The project NPV and IRR are relatively insensitive to metallurgical recovery, antimony revenue and capital and operating costs which is consistent with expectations for a project of the size and nature of the Blue Spec Shear Gold-Antimony Project.

Figure 4: NPV sensitivity to key revenue and costs variables

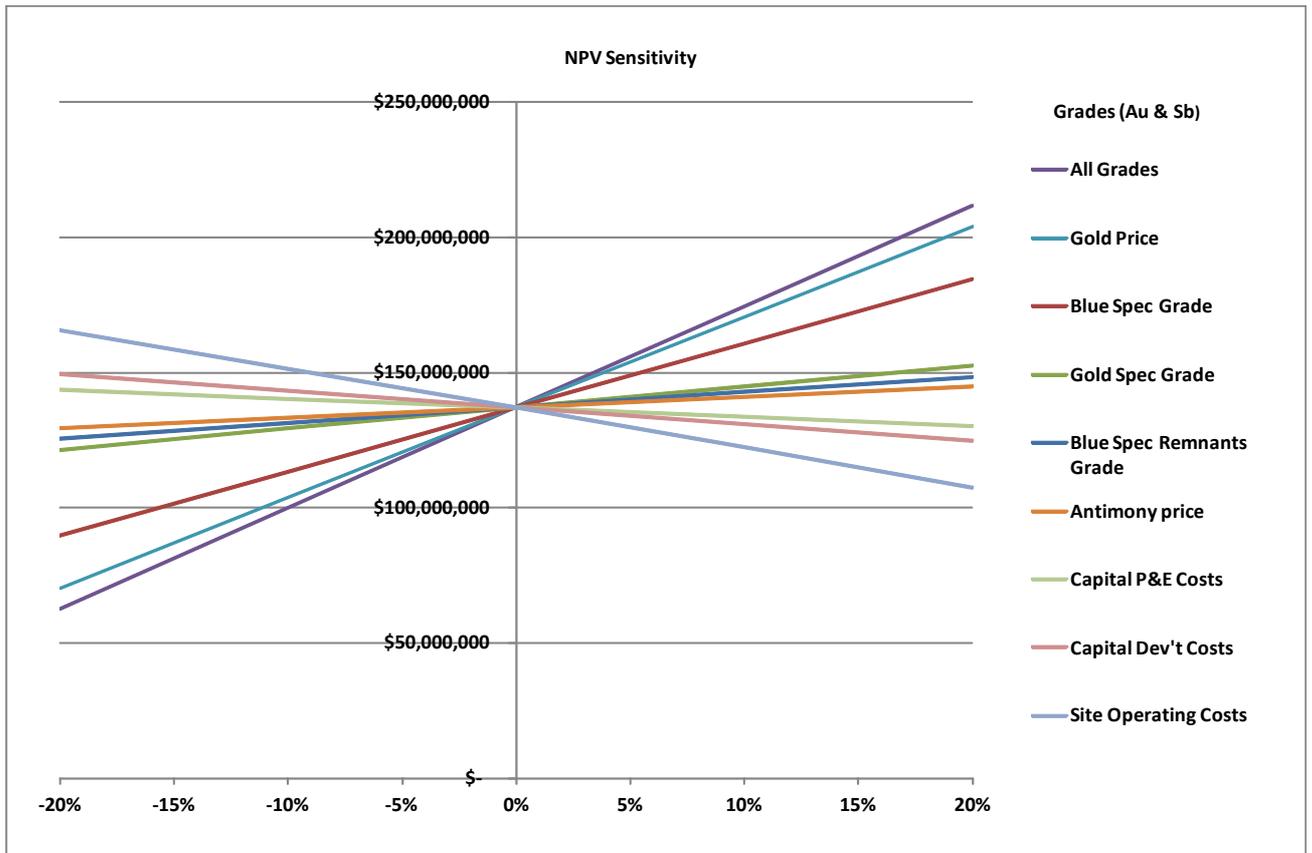


Figure 5: NPV & IRR at various gold prices

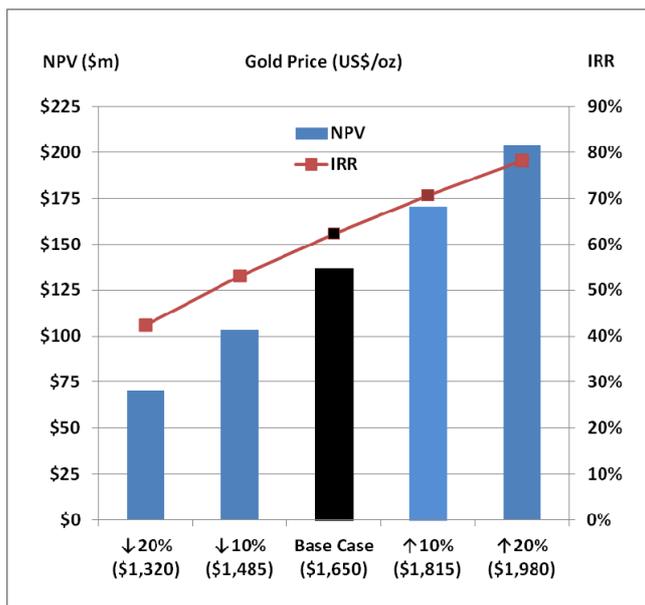


Figure 6: NPV & IRR at various antimony prices

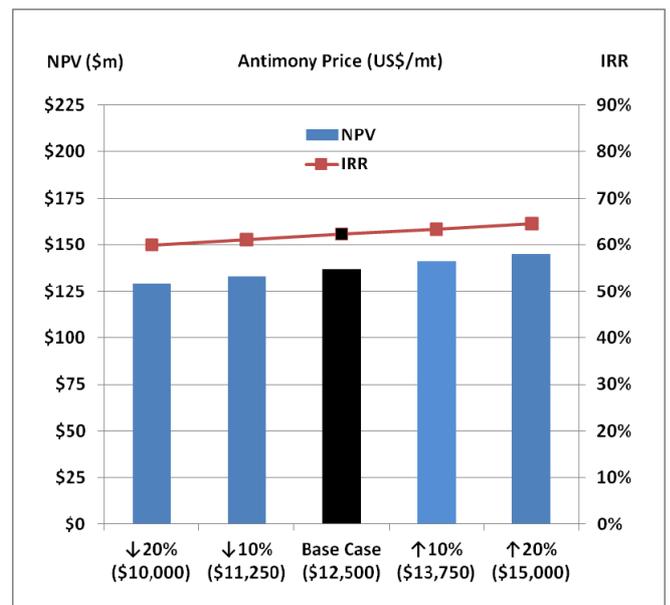


Figure 7: NPV & IRR at various gold recovery levels

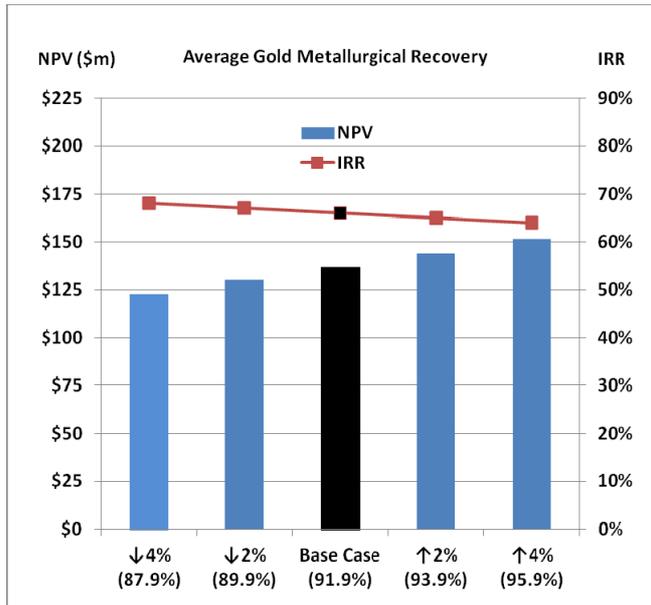
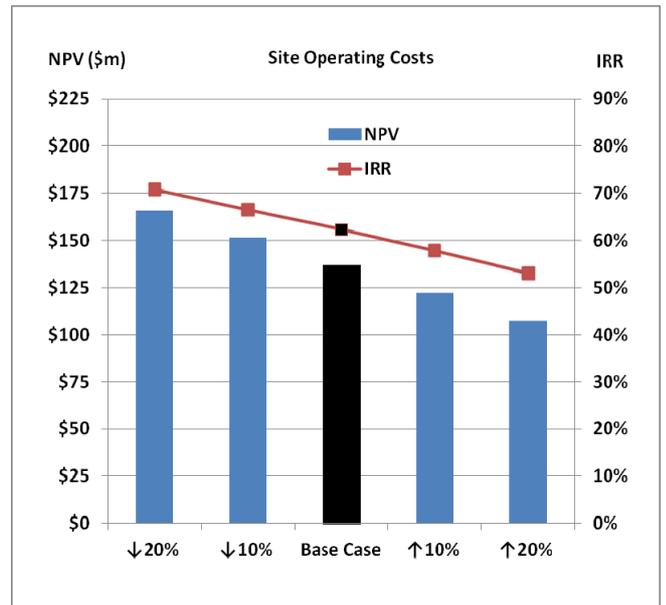
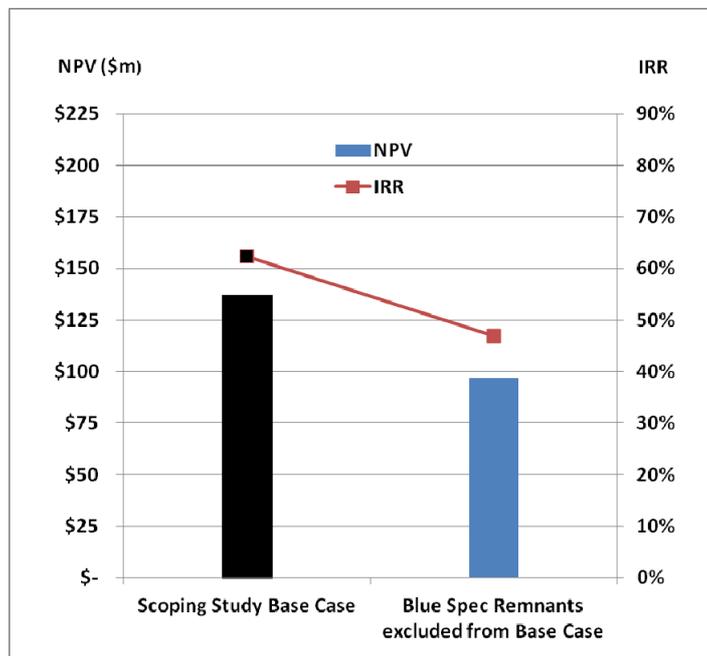


Figure 8: NPV & IRR at various site operating costs



In Figure 6, site operating costs comprise all mining costs except capital development, all processing and site administration.

Figure 9: NPV & IRR excluding the Blue Spec Remnants



Key risks for realising the scoping study results

- The scoping study and preliminary economic assessment relies on production targets that are based not on Ore Reserve estimates but largely on Inferred Mineral Resources and an estimate of recoverable mineralisation in the Blue Spec Remnants which is an Exploration Target and not a Mineral Resource as defined under the JORC Code. Inferred Mineral Resources have a low level of geological confidence and Exploration Targets are conceptual in nature.
- The gold price and antimony price fall significantly below the current market levels assumed in the economic analysis.
- Actual capital and operating costs for the project are higher than the estimated costs as a result of continuing cost inflation in the mining sector.
- Metallurgical recoveries assumed in the economic analysis which have been achieved in the testwork programme are not achieved in operation.
- Northwest is unable to secure an off-take contract for the sale of gold-enriched antimony concentrate production from the project on payment terms assumed in the economic analysis.

-END-

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Competent Person Statement

The information in this announcement relating to production targets and economic analysis is based on information compiled by Mr. Allan King (AusIMM). Mr. King is a full-time employee of the Company 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. King consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

Forward Looking Statements

Certain statements in this announcement, including statements regarding the future financial or operating performance of the Company or exploration potential of its projects, and estimates, projections and assumptions in respect of gold and antimony production, metal prices, operating costs, capital expenditures, mineral reserves, mineral resources, anticipated grades and recovery rates and mineralisation targets constitute forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions related to future business, technical economic, market, political, social and other conditions that, while considered reasonable by the Company, are inherently subject to significant uncertainties and contingencies. Many known and unknown factors could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements. Readers of this announcement are cautioned that forward looking statements are not guarantees of future performance.

APPENDIX

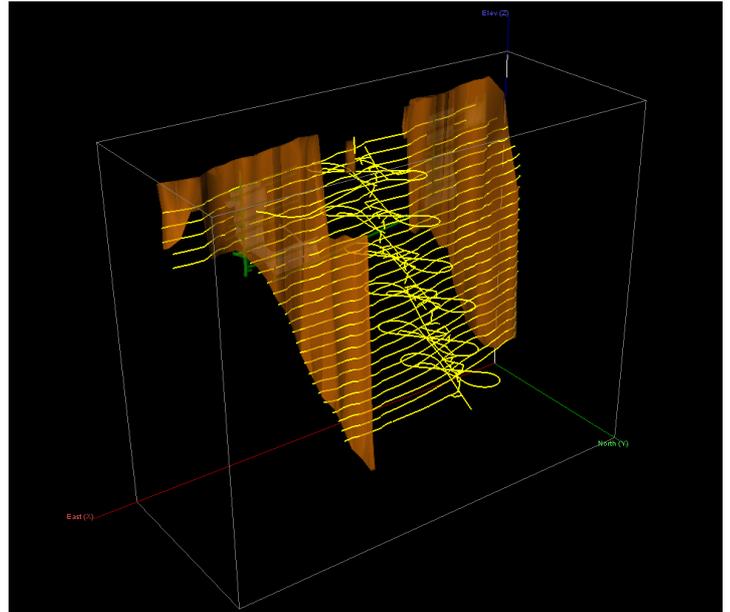
Decline designs for Blue Spec and Gold Spec

Standard 5.0m x 5.5m & 1 in 7 declines have been designed for primary access to both Blue Spec and Gold Spec. Further information on the base case mining scenario evaluated in Northwest's mining study is contained in the mining study ASX Release dated 24 July 2012.

Figure 10: Blue Spec decline looking east



Figure 11: Gold Spec decline looking south



Blue Spec and Gold Spec Mineral Resource estimates and Blue Spec Remnants Exploration Target estimate

The Mineral Resource estimates for Blue Spec and Gold Spec and the tonnage and grade estimate for the Blue Spec Remnants are set out in Tables 6 & 7 below.

Table 6: Mineral Resource estimate for Blue Spec and Gold Spec

Deposit	Category	Tonnes	Grade Au g/t	Contained Au oz	Grade Sb %	Contained Sb tonnes
Blue Spec 3.0g/t Au cut-off	Indicated	16,000	52.3	26,900	4.9	800
	Inferred	307,000	22.9	226,000	1.6	4,800
	Total	323,000	24.3	252,900	1.7	5,600
Gold Spec 0.5g/t Au cut-off	Indicated	148,000	3.8	18,100	0.4	600
	Inferred	175,000	10.2	57,400	1.0	1,700
	Total	323,000	7.3	75,500	0.7	2,300
Total Blue Spec & Gold Spec		646,000	15.8	328,400	1.2	7,900

Differences may occur due to rounding

Table 7: Blue Spec Remnants Exploration Target

Exploration Target	Tonnage Range	Grade Au g/t Range	Contained Au oz Range	Grade Sb % Range	Contained Sb tonnes Range
Blue Spec Remnants	156,000 - 205,000	10 - 18	52,000 - 118,000	1.7 - 2.0	2,600 - 4,100

The Blue Spec Remnants is an Exploration Target and the tonnage and grade estimate for the Blue Spec Remnants is not a Mineral Resource estimate under the JORC Code. The tonnage estimate for the Blue Spec Remnants is based on a physical, structural, pre-mined model created from the geological information available and then depleted for actual historical mining.

The depletion will tend to err on the side of conservatism due to the way it has been estimated. It has been confirmed that there are at least three sub-parallel structures in the area which overlap. Depleting the pre-mined model used survey long sections and it is often unclear which structure has been mined from this information. Therefore, where the structures overlapped in the range of a stope confirmed to be mined by the survey long section, all structures were depleted indiscriminately by a process termed “cookie cutting” and this tends to underestimate the ore remaining as in most, if not all cases, only one structure was mined.

In addition, the tonnage estimates for the Blue Spec Remnants were further factored down in order to allow for deterioration of ground conditions and additional mining losses around old stopes. Further downward adjustments were made to the estimate of tonnes and grade to allow for dilution and the fact that the previous mining “high graded” their efforts in an attempt to maximise cash.

The grade estimate for Blue Spec Remnants is based on the continuity of grade throughout the previous mining cycles (which has been further confirmed by resource drilling below the old workings and the drilling to obtain the metallurgical test sample in the remnant zone) plus the continuity of the structures. The grade estimate for the remnant zone is well below the Mineral Resource grade estimate for Blue Spec.

It is important to note that the tonnage and grade estimate for the Blue Spec Remnants on which the Mining Study production targets are partly derived are conceptual in nature. There has been insufficient exploration to determine a Mineral Resource for the Blue Spec Remnants and it is uncertain if further exploration will result in the determination of a Mineral Resource and the realisation of the production targets based on the Blue Spec Remnants.