

QUARTERLY REPORT

For the period ending 31 December 2011



Highlights

- Camel Creek Joint Venture with Millennium Minerals signed
- Conditional acquisition of 35% interest in the Nullagine Gold & Antimony Project signed
- New Executive General Manager appointed
- Extensional RC drilling programme at Camel Creek Joint Venture deposits completed
- Diamond drilling at Blue Spec and Golden Spec commenced

Corporate Activity

Camel Creek Joint Venture with Millennium Minerals

During the quarter, Northwest and Millennium Minerals Limited (Millennium) announced a non-binding heads of agreement for a 50:50 joint venture under which Northwest's Camel Creek Trend gold deposits will be mined and processed by Millennium through its Golden Eagle treatment plant, which is currently under construction.

The joint venture will be the catalyst for the transformation of Northwest from an advanced explorer into an emerging gold producer leaving Northwest free to focus on developing its core Blue Spec Shear high grade gold-antimony deposits into one of the highest grade gold underground mining centres in Australia.

The key commercial terms of the Camel Creek Joint Venture include:

- gold production and joint venture operating costs will be shared 50:50;
- Millennium will be the manager and operator of the joint venture;
- no up-front capital contribution will be required from Northwest to the Joint Venture;
- Joint Venture mining is anticipated to commence in early 2015; and
- Northwest can add further deposits to the Joint Venture in agreement with Millennium.

Northwest and Millennium are both developing gold projects in the Nullagine goldfield located in the eastern Pilbara of WA.

Millennium has completed financing of its Nullagine Gold Project and is currently constructing the 1.5 Mtpa Golden Eagle treatment plant and associated infrastructure to produce approximately 80,000 oz of gold per year over an initial 7.5 year mine life. The plant is expected to commence production in Q3 2012. Millennium's project comprises its main Golden Eagle pit and multiple satellite pits around the Nullagine goldfield, including the Camel Creek Trend which it shares with Northwest.

Northwest's Nullagine Gold & Antimony Project comprises the high-grade Blue Spec Shear gold-antimony deposits as well as its lower grade Camel Creek Trend gold deposits. Northwest is currently advancing its Blue Spec Shear deposits through feasibility studies as a stand alone high-grade gold and antimony underground mining operation.

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.

Conditional acquisition the 35% minority interest in Nullagine Gold & Antimony Project

During the quarter, Northwest announce it had entered into a conditional agreement to acquire the 35% minority interest in the Nullagine Gold & Antimony Project. The consideration for the proposed acquisition will be the issue of 45,000,000 ordinary shares in Northwest equating to a 24.25% interest in the capital of Northwest on a fully diluted basis.

Consolidating ownership of the Nullagine Gold & Antimony Project has been a key objective of the Board and management. The acquisition, if approved by shareholders:

- will give Northwest access to 100% of future cashflows from developing the Blue Spec-Golden Spec underground mining operation and from the Camel Creek Joint Venture with Millennium Minerals; and
- will result in a simpler corporate and ownership structure that will facilitate potential off-take, debt and equity financing for the project.

The proposed acquisition will require shareholder approval under both the ASX Listing Rules and the Corporations Act. The acquisition agreement is conditional on:

- Northwest obtaining an independent expert's report stating that, in the opinion of the expert, the proposed acquisition is fair and reasonable to non-associated shareholders; and
- shareholders of Northwest passing all resolutions necessary to approve the proposed acquisition.

The consideration shares in Northwest to be issued if the acquisition is approved will be subject to a 12 month escrow period under ASX Listing Rules.

BDO Corporate Finance (NSW-VIC) Pty Limited assisted the independent directors of Northwest in structuring the price and terms of the proposed acquisition.

Northwest has appointed Grant Thornton as the independent expert to report to shareholders on the proposed acquisition and their report will include an Independent Valuation Report relating to the Nullagine Gold & Antimony Project.

Subject to Grant Thornton's independent expert report to shareholders determining that the proposed acquisition is fair and reasonable to non-associated shareholders, Northwest will convene a General Meeting of shareholders to consider the proposed acquisition. The Notice of Meeting will include an Explanatory Statement which will contain all the information necessary for shareholders to assess the proposed acquisition including the relevant interest in Northwest shares of the vendor and its related parties pre and post transaction. At the General Meeting interests associated with the vendor and its related parties will not be entitled to vote.

Northwest expects to call the General Meeting to consider the proposed acquisition in the first quarter of 2012.

Appointment of Executive General Manager

During the quarter, Northwest announced the appointment of Mr Allan King to the position of Executive General Manager. Mr King is a mining engineer, graduating from the WA School of Mines in 1982 and holds a WA 1st Class Mine Managers Certificate.

Mr King's primary responsibility will be to manage the Company's ongoing feasibility studies into the development of the high-grade Blue Spec and Golden Spec deposits as part of the Company's Nullagine Gold & Antimony Project and to take the Company through to first gold and antimony production, targeted for 2013.

Mr King has held a number of senior positions in the mining industry including roles as Chief Operating Officer with Apex Minerals (Gold - Wiluna), Resolute Mining (Gold - Ravenswood, Syama & Golden Pride), LionOre (Gold & Nickel - WA), Aditya Birla (Copper - Nifty) and Griffin Coal (Coal - Collie).

Prior to these roles Mr King was the Mining Manager at the KCGM Superpit in Kalgoorlie and the Resident Manager at both the Bounty underground gold mine (Forrestania Gold) and the St Ives gold operations in Kambalda (WMC).

Mr King has an excellent track record of driving productivity improvements and implementing best practice operating and reporting systems. He also has extensive experience with high-grade narrow vein underground gold mining and the processing of refractory ores which are directly relevant to Northwest's activities.

Exploration and Development Activity

Camel Creek Joint Venture drilling programme

During the quarter, in connection with the Camel Creek Joint Venture, Northwest completed an infill and step out drilling programme at the Junction, Roscoes Reward and Little Wonder Joint Venture deposits aimed at confirming strike and dip extensions to the current Mineral Resources defined at the three deposits, and improving the Mineral Resource categorisations through infill drilling to enable maiden Ore Reserve estimates to be prepared in the second quarter of 2012.

The program consisted of approximately 5,600m of RC drilling and assay results are expected to be available in February 2012

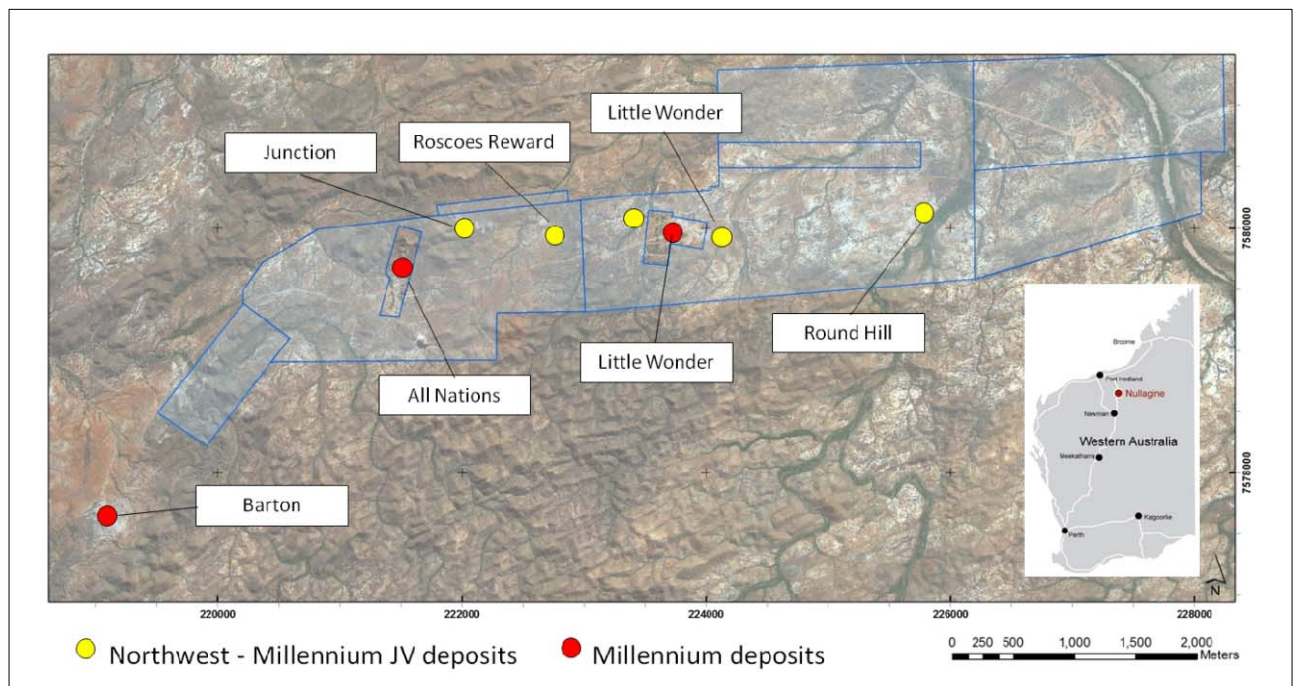


Figure 1: Location of Camel Creek Trend Joint Venture deposits

Diamond drilling at Blue Spec and Golden Spec

During the quarter, Northwest commenced a diamond drilling programme at its high grade Blue Spec and Golden Spec gold-antimony deposits. The drilling program comprises approximately 1,800m of diamond core drilling to be directed at the Blue Spec Upper Zone, the Blue Spec Remnant Zone, and Golden Spec.

The diamond drilling programme is designed to recover a total of approximately 850kg of ore zone material from the three domains which will be used for the first stage of a detailed metallurgical testwork programme to be conducted for the Company by Como Engineers Pty Ltd and Amdel Mineral Laboratories.

In addition to providing Northwest with information on gold and antimony recovery which will be used in process flow design evaluation and capital cost estimates, the metallurgical test work programme is designed to produce sample Au-Sb flotation concentrates from each of the domains. Assay analysis of the metal content of the flotation concentrates will enable Northwest to advance its ongoing discussions with parties interested in potential Au-Sb concentrate off-take and smelting arrangements with the Company.

The diamond drilling program is expected to be completed in March the metallurgical testwork programme will be undertaken concurrently with the drilling programme.

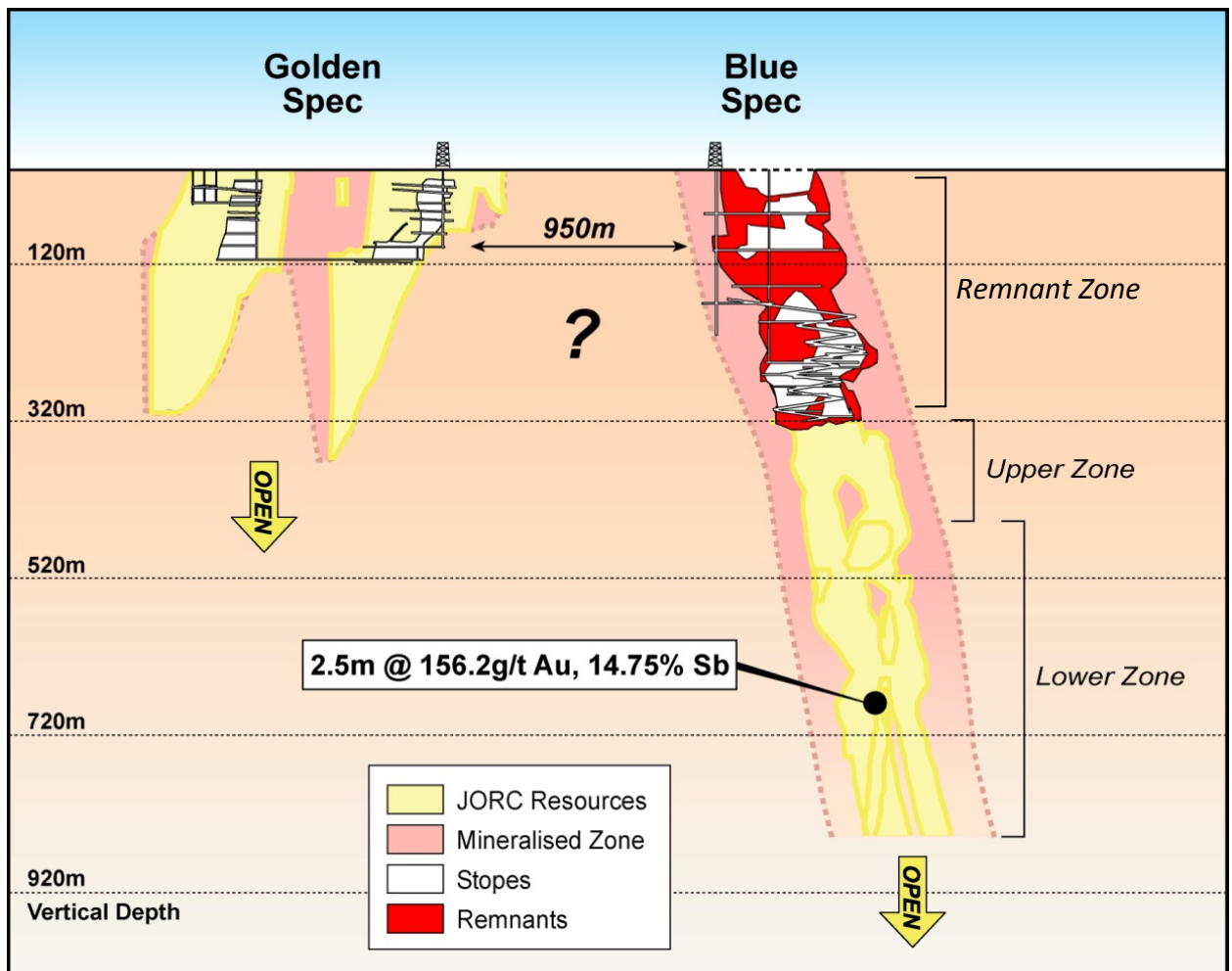


Figure 2: Blue Spec and Golden Spec gold-antimony deposits

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 2011

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for:		
(a)	exploration and evaluation	(509)	(715)
(b)	development	-	-
(c)	production	-	-
(d)	administration	(314)	(474)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	39	77
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	GST	(41)	(47)
Net Operating Cash Flows		(825)	(1,159)
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	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		-	(1)
1.13	Total operating and investing cash flows (carried forward)	-	(1)
1.14	Total operating and investing cash flows (brought forward)	(825)	(1,160)

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		(825)	(1,160)
1.20	Cash at beginning of quarter/year to date	2,537	2,872
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,712	2,537

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	83
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	120
4.2 Development	150
4.3 Production	
4.4 Administration	150
Total	420

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	162	137
5.2 Deposits at call	1,550	2,400
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: Cash at end of quarter (item 1.22)	1,712	2,537

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	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	2,000,000	-	\$0.25	28 Nov 2014
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.