

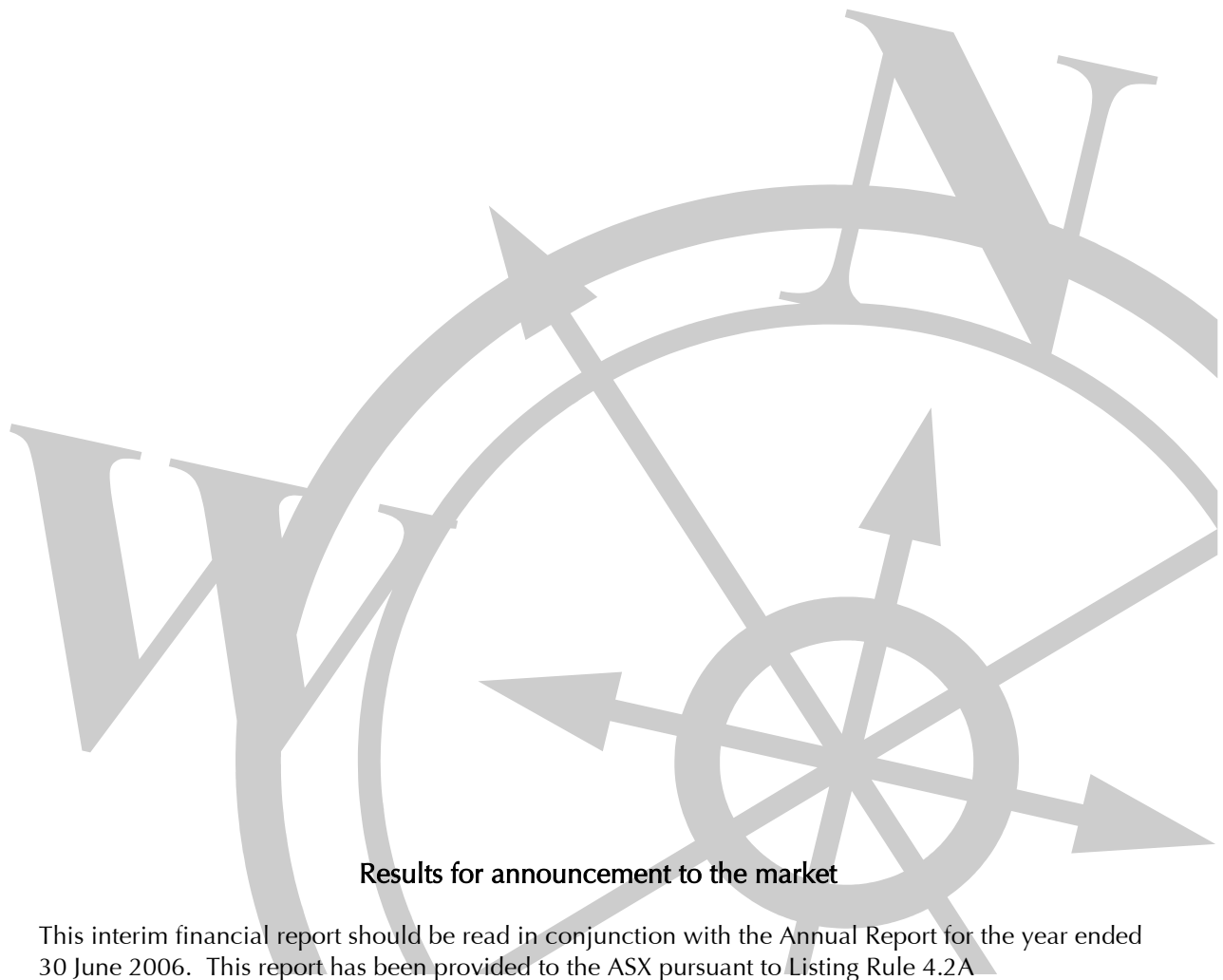


Northwest Resources Limited

ACN 107 337 379

INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2006



Results for announcement to the market

This interim financial report should be read in conjunction with the Annual Report for the year ended 30 June 2006. This report has been provided to the ASX pursuant to Listing Rule 4.2A

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Company Directory

Directors

Murray E. Black
Executive Chairman

John J. Merity
Managing Director

James R. Colquhoun
Non-Executive Independent Director

Company Secretary

John J. Merity

Exploration Manager

Christian Easterday

Registered & Corporate Office

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Darling Point NSW 2027
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Share Registry

Registries Limited
Level 2
28 Margaret Street
Sydney NSW 2000
Tel: (02) 9290 9600
Fax: (02) 9279 0664

Auditor

RSM Bird Cameron Partners
8 St Georges Terrace
Perth WA 6000

Bankers

Westpac Banking Corporation
230-260 Hannan Street
Kalgoorlie WA 6430

Lawyers

Phillips Fox
201 Elizabeth Street
Sydney NSW 2000

Australian Company Number

107 337 379

ASX Codes

Fully Paid Ordinary Shares	NWR
January 2008 Options	NWRO

Website

www.nw-resources.com.au

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 2006.

Directors

The following persons hold office as Directors of the Company at the date of this report or were Directors at a time during the half-year:

Name	
Murray E. Black	Executive Chairman
John J. Merity	Managing Director
James R. Colquhoun	Non-Executive Independent Director

Each of the above named Directors has been in office since the beginning of the interim period.

Review of Operations

During the period, the Company maintained its aggressive exploration programmes on its gold projects located in the Nullagine goldfield in WA, focusing on the Blue Spec Shear project. The Company now has an unparalleled understanding of the geology of the Nullagine goldfield which has enabled our exploration team to generate numerous high-grade gold targets on the Blue Spec Shear and the new Red Ribbon Shear and recognise for the first time the Blue Spec Shear project's potential to host over 1m ounces in high-grade gold deposits.

Maiden JORC Resource

During the period, the Company reported its maiden JORC resource from the company's two gold projects, the Blue Spec Shear project and Camel Creek project. The projects are located less than 2 hours drive from the Pilbara hub of Newman.

The diluted resource totals over 250,000 oz gold at an average grade of 9.1g/t and approximately 5,000 tonnes of antimony (Sb) and are divided between high-grade underground resources and moderate grade open pit resources.

The high-grade underground resources comprise the Blue Spec and Golden Spec deposits within the Blue Spec Shear project. These high grade deposits contain approximately 190,000 oz gold at an average undiluted grade exceeding 43g/t Au and account for over 75% of the Company's total resource.

Blue Spec and Blue Spec East

The highlight of the Company's JORC resource is the Blue Spec deposit where the undiluted inferred resource totals 155,000 oz gold grading 46.3g/t confirming Blue Spec as one of the highest-grade gold deposits in Australia.

The diluted Blue Spec resource, based on a 2m minimum mining width (the mining width achieved by Anglo American during previous production) is 151,698 tonnes grading 31.2g/t Au and 2.2% Sb for 155,736 oz Au and 3,388 tonnes Sb (166,642 oz Au Eqv). Gold ounces per vertical metre exceed 1,000 and gold equivalent ounces per vertical metre exceed 1,100.

During the period, RC drilling was directed at the area immediately to the east of the Blue Spec deposit and revealed the presence of a significant new shoot position with ore grade gold mineralization extending over 18m true width. Importantly, this shoot position is located less than 400m to the east of the Blue Spec deposit and could be developed as an extension of the Blue Spec deposit from existing underground access.

Blue Spec and Blue Spec East will be the focus of the Company's exploration efforts during 2007 with the aim of upgrading the current resource at Blue Spec to underpin development plans in the second half of the year.

Corporate Activities

During the period, the Company successfully completed a non-renounceable rights issue raising approximately \$5.5 million (before expenses) and a placement to institutional and sophisticated investors raising approximately \$3.4 million (before expenses) on the same terms as the rights issue.

Under the rights issue, shareholders were offered 1 new share for every 3 shares held at an issue price of \$0.31 per new share. Participating shareholders were also entitled to receive 1 free listed option for every 2 new shares issued under the rights issue. The listed options are exercisable at \$0.20 cents by 31 January 2008.

The issue price for new shares represented an 11% discount to the 9 day volume weighted average share price immediately prior to the announcement of the rights issue. The 9 day volume weighted average price for the Company's listed options immediately prior to the announcement of the rights issue was \$0.168.

The rights issue closed with less than a 20% shortfall in applications. Prior to the close of the rights issue, the board agreed to place any shortfall with institutional and sophisticated investors.

The funds raised through the rights issue and placement leave the Company in a strong financial position to achieve exploration success in 2007.

Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, the Directors have obtained a declaration of independence from RSM Bird Cameron Partners, the consolidated entities' auditors, as presented on page 13 of this financial report.

Signed in accordance with a resolution of the Directors.



John J. Merity
Managing Director

Dated: 16 March 2007

INCOME STATEMENT

for the half-year ended 31 December 2006

	Consolidated	
	December 2006 \$	December 2005 \$
Revenue	38,056	29,246
Administration	(213,874)	(202,230)
Borrowing costs	(767)	(2,160)
Depreciation	(5,056)	(13,047)
Employee benefits expense	(169,605)	(167,766)
Share based payments	(49,908)	-
Loss before income tax	(401,154)	(355,957)
Income tax expense	-	-
Loss after income tax	(401,154)	(355,957)
Loss attributable to minority equity interest	45	24
Loss attributable to members of Northwest Resources Limited	(401,109)	(355,933)
Overall Operations:		
Basic earnings (cents) per share – loss	(0.76)	(1.14)

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

as at 31 December 2006

	Consolidated	
	December 2006 \$	June 2006 \$
CURRENT ASSETS		
Cash and cash equivalents	7,299,700	985,406
Trade and other receivables	150,160	47,668
Other current assets	8,737	16,917
Total current assets	<u>7,458,597</u>	<u>1,049,991</u>
NON-CURRENT ASSETS		
Other financial assets	4,171	4,171
Property, plant and equipment	1,593,723	1,574,723
Exploration, evaluation and development expenditure	10,970,426	7,464,917
Total non-current assets	<u>12,568,320</u>	<u>9,043,811</u>
Total assets	<u>20,026,917</u>	<u>10,093,802</u>
CURRENT LIABILITIES		
Trade and other payables	1,127,533	390,882
Borrowings	45,243	56,073
Provisions	19,420	-
Total current liabilities	<u>1,192,196</u>	<u>446,955</u>
NON-CURRENT LIABILITIES		
Borrowings	<u>41,374</u>	<u>61,449</u>
Total non-current liabilities	<u>41,374</u>	<u>61,449</u>
Total liabilities	<u>1,233,570</u>	<u>508,404</u>
Net assets	<u>18,793,347</u>	<u>9,585,398</u>
EQUITY		
Contributed equity	18,699,249	9,090,146
Retained losses	(1,517,540)	(1,116,431)
Parent entity interest	17,181,709	7,973,715
Minority equity interest	1,611,638	1,611,683
Total equity	<u>18,793,347</u>	<u>9,585,398</u>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2006

	Issued Capital \$	Accumulated Losses \$	Minority Equity Interest \$	Total Equity \$
As at 1 July 2005	5,774,802	(314,409)	1,615,100	7,075,493
Loss for the period	-	(355,933)	(24)	(355,957)
Shares issued (net)	1,351,896	-	-	1,351,896
As at 31 December 2005	7,126,698	(670,342)	1,615,076	8,071,432

	Issued Capital \$	Accumulated Losses \$	Minority Equity Interest \$	Total Equity \$
As at 1 July 2006	9,090,146	(1,116,431)	1,611,683	9,585,398
Loss for the period	-	(401,109)	(45)	(401,154)
Shares issued (net)	9,559,195	-	-	9,559,195
Share based payments	49,908	-	-	49,908
As at 31 December 2006	18,699,249	(1,517,540)	1,611,638	18,793,347

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT

for the half-year ended 31 December 2006

	Consolidated	
	December 2006 \$	December 2005 \$
Cash flows from operating activities		
Payments to suppliers and employees	(536,478)	(369,167)
Payments for exploration, evaluation and development expenditure	(2,735,589)	(1,722,377)
Finance costs	(767)	(2,160)
Interest received	38,056	29,246
	<u>(3,234,778)</u>	<u>(2,064,458)</u>
Cash flows from investing activities		
Payments for plant and equipment	(50,611)	(3,500)
	<u>(50,611)</u>	<u>(3,500)</u>
Cash flows from financing activities		
Payments of finance lease liabilities	(30,905)	(16,404)
Proceeds from issue of shares	9,630,588	1,351,896
	<u>9,599,683</u>	<u>1,335,492</u>
Net cash provided by financing activities	<u>9,599,683</u>	<u>1,335,492</u>
Net increase/(decrease) in cash held	6,314,294	(732,466)
Cash at the beginning of the reporting period	<u>985,406</u>	<u>1,793,008</u>
Cash and cash equivalents at the end of the reporting period	<u><u>7,299,700</u></u>	<u><u>1,060,542</u></u>

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2006

1. Basis of Preparation of Half-Year Report

The interim half-year reporting period ended 31 December 2006 is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report of Northwest Resources Limited (the **Company**) for the year ended 30 June 2006 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 those of the previous financial year and corresponding interim reporting period.

(a) Basis of Accounting

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The financial report covers the consolidated entity of the Company and its controlled entities. The Company is a listed public company domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

2. Contributed Equity

	Consolidated Entity	
	December 2006	June 2006
	\$	\$
a) Paid up capital	18,699,249	9,090,146
	December 2006	
	No. of Shares	Paid up Capital
Balance at 1 July 2005	43,014,101	9,090,146
July 2006- issue of shares	4,625,000	925,000
September 2006- issue of shares	5,725,000	1,145,000
December 2006- shares issued on exercise of options	449,730	89,946
December 2006- issue of shares	25,052,297	7,766,213
Share based payments	-	49,908
Transaction costs from issue of shares	-	(366,964)
	78,866,128	18,699,249

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2006

3. Segment Information

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

4. Events Subsequent to Reporting Date

There has not been any material event subsequent to the end of the interim period and the date of this report that has not been recognised in the interim financial report.

5. Contingent Liabilities

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

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes as set out on pages 4 to 9 have been prepared in accordance with the Corporations Act 2001, and:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date.
2. In the Directors' opinion 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

Dated: 16 March 2007

RSM! Bird Cameron Partners

Chartered Accountants

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www.rsmi.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NORTHWEST RESOURCES LIMITED

Scope

The Financial Report and Directors' Responsibility

We have reviewed the accompanying half-year financial report which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and directors' declaration for Northwest Resources Limited (the consolidated entity), for the half-year ended 31 December 2006. The consolidated entity comprises both Northwest Resources Limited (the company) and the entities it controlled during the half-year.

The directors of Northwest Resources Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 2006 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.

Independence

In conducting our review, we have followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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 Northwest Resources Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 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.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



S C CUBITT
Partner

Perth, WA
Dated: 16 March 2007

RSM Bird Cameron Partners

Chartered Accountants

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

As lead audit partner for the review of the financial report of Northwest Resources Limited for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) 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.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

S C Cubitt

S C CUBITT
Partner

Perth, WA
Dated: 16 March 2007