



NORTHWEST RESOURCES LIMITED

ACN 107 337 379

Half Year Financial Report

For the period ending 31 December 2004

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 2004. This report has been provided to ASX pursuant to Listing Rule 4.2A.

www.nw-resources.com.au

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CORPORATE PARTICULARS

Directors	Murray E. Black (Executive Chairman) John J. Merity (Managing Director) James R. Colquhoun (Non-Executive Director)
Company Secretary	John J. Merity
Registered & Corporate Office	Suite 4 99 Darling Point Road Darling Point NSW 2027
Kalgoorlie Office	Cnr Harvey Road & Federal Road Kalgoorlie WA 6430
Share Registry	Registries Limited Level 2 28 Margaret Street Sydney NSW 2000
Auditor	RSM Bird Cameron Partners 8 St Georges Terrace Perth WA 6000
Bankers	Westpac Banking Corporation 230-260 Hannan Street Kalgoorlie WA 6430
Lawyers	Middletons Lawyers Level 3 10 Shelley Street Sydney NSW 2000
Australian Company Number	107 337 379
ASX Codes	Shares – NWR January 2008 Options - NWRO

DIRECTORS' REPORT

The Directors of Northwest Resources Limited (the **Company**) present their report together with the financial report of the Company and its controlled entities (together the **consolidated entity**) for the period 1 July 2004 to 31 December 2004.

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	Date of Appointment
Murray E Black (Executive Chairman)	9 December 2003
John J Merity (Managing Director)	9 December 2003
James R Colquhoun (Non-Executive Director)	9 December 2003

Review of Operations

The consolidated loss for the half year ending 31 December 2004 was \$89,983. The Company was incorporated in Western Australia on 9 December 2003 for the purpose of acquiring, exploring and developing gold prospects in Western Australia. The Company was listed on the Official List of the Australian Stock Exchange Limited (**ASX**) on 6 December 2004.

Initial public offering and acquisition of prospects

The Company issued a prospectus dated 27 September 2004 in connection with its initial public offering. The prospectus offered a maximum of 15,000,000 new shares at an issue price of \$0.20 and 7,500,000 free attaching January 2008 options to be issued on a 1:2 basis. The public offer closed heavily oversubscribed. The Company was subsequently admitted to the Official List of ASX and trading in its shares and options commenced on 6 December 2004.

Upon the Company's successful listing on ASX, the Company acquired a majority controlling interest in a number of mining and exploration leases in the Nullagine goldfield in the Pilbara area of Western Australia.

A Joint Venture Agreement between the Company and Craigside Company Limited (**Craigside**) governs the exploration and development of the Nullagine goldfield projects. Under the terms of the joint venture, the Company has day-to-day management and control of all exploration on and development of the Nullagine projects. Following agreement between the Company and Craigside to commence mining operations, the Company and Craigside shall pay all mining costs in relation to the mining operations in proportion to their respective interests in the Nullagine projects. The Company also has a right of first refusal over the remaining 35% interest in the projects.

Appointment of Exploration Manager

During the half year, the Company employed Mr Christian Easterday Msc, BSc (Hons) as its Exploration Manager. Mr Easterday has extensive experience in structural geology, geological and resource modeling, and the design and supervision of exploration and resource drilling programmes. He comes from an exploration background with Placer Dome Asia Pacific and Harmony Gold Australia Limited (formerly Hill 50 Gold NL), and has both international and Australian experience in the assessment and exploration of large gold mineralised systems.

Exploration activities

The Company commissioned an extensive heli-based electromagnetic (HOISTEM) survey of its tenement portfolio immediately following listing which was undertaken by GPX Airborne. Initial processing of the electromagnetic data acquired from the survey confirms the presence of three significant untested bedrock anomalies within the Company's project areas. The anomalies are very encouraging because each are co-incident with previously mapped TEM or localised aeromagnetic anomalies.

In addition to identifying a number of significant anomalies, the survey highlighted a number of structural and stratigraphic trends within the project areas where distinct conductivity contrasts exist. This has provided the Company with a clear picture of the sub-cropping geology in the area which will greatly assist ongoing exploration programmes.

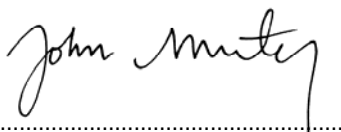
This is the first time that modern airborne electromagnetic technologies have been used to explore the Company's project areas and the initial results have proved a success. The Company's survey utilized leading edge EM technology. Similar aeromagnetic surveying used by Wedgetail Exploration NL (ASX: WTE) on its adjoining tenements has demonstrated success at identifying anomalies in the Nullagine area and subsequent drilling of these anomalies confirmed the existence of gold mineralization.

Survey results over the Camel Creek project area support the Company's view that the trend of gold mineralization on which Wedgetail Exploration NL's Golden Eagle and Middle Creek projects are located extends through the Company's Camel Creek project area. In addition, the anomaly within the Blue Spec project area is very encouraging given that the Blue Spec Shear hosts a number of significant high-grade gold deposits. The Company's tenements cover 16kms of strike over the historically significant portions of the Blue Spec Shear.

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 half year financial report.

Signed in accordance with a resolution of the Directors.



.....
John J. Merity
Managing Director

Dated: 9 March 2005

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
for the half year ended 31 December 2004

	Consolidated	
	December 2004 \$	December 2003 \$
Revenue from operating activities	18,765	-
Revenue from ordinary activities	18,765	-
Administration expenses	36,405	-
Exploration expenditure	34,427	-
Director's fees	44,000	-
Other expenses from ordinary activities	6,077	-
Loss from ordinary activities before income tax	(102,144)	-
Income tax expense relating to ordinary activities	-	-
Net loss from ordinary activities after income tax	(102,144)	-
Net loss attributable to outside equity interests	12,161	-
Net loss attributable to members of Northwest Resources Limited	(89,983)	-
Total changes in equity other than those resulting from transaction with owners as owners	(89,983)	-
Basic earnings (cents) per share	(1.78)	-
Diluted earnings (cents) per share	(1.78)	-

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2004

	Consolidated	
	December 2004	June 2004
	\$	\$
CURRENT ASSETS		
Cash assets	2,595,157	1
Receivables	21,571	-
Total current assets	<u>2,616,728</u>	-
NON-CURRENT ASSETS		
Other financial assets	5,000	-
Property, plant and equipment	1,292,308	-
Exploration, evaluation and development expenditure	<u>3,397,329</u>	-
Total non-current assets	<u>4,694,637</u>	-
Total assets	<u>7,311,365</u>	1
CURRENT LIABILITIES		
Payables	<u>71,309</u>	-
Total current liabilities	<u>71,309</u>	-
Total liabilities	<u>71,309</u>	-
Net assets	<u>7,240,056</u>	<u>1</u>
EQUITY		
Contributed equity	5,726,952	1
Accumulated losses	<u>(89,983)</u>	-
Parent entity interest	5,636,969	1
Outside equity interest	<u>1,603,087</u>	-
Total equity	<u>7,240,056</u>	<u>1</u>

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

CONSOLIDATED STATEMENT OF CASH FLOW
for the half year ended 31 December 2004

	Consolidated	
	December 2004	December 2003
	\$	\$
Cash flows from Operating Activities		
Receipts from customers	-	-
Payments to suppliers and employees	(64,843)	-
Payments for mineral exploration and mining activities	(73,663)	-
Interest received	11,709	-
Net cash used in operating activities	<u>(126,797)</u>	-
Cash flows from Investing Activities		
Payments for investments	<u>(5,000)</u>	-
Net cash used in investing activities	<u>(5,000)</u>	-
Cash flows from Financing Activities		
Proceeds from issue of shares	<u>2,726,953</u>	-
Net cash provided by Financing activities	<u>2,726,953</u>	-
Net increase in cash held	2,595,156	-
Cash at the beginning of the reporting period	<u>1</u>	-
Cash at the end of the half-year	<u>2,595,157</u>	-

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

NOTES TO THE FINANCIAL STATEMENTS for the half year ended 31 December 2004

1. Basis of Preparation

The half-year financial report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Northwest Resources Limited as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Northwest Resources Limited as at 30 June 2004. It is also recommended that the half-year financial report be considered together with any public announcements made by Northwest Resources Limited and controlled entities during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of accounting

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those of the previous financial year.

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

2. Contributed Equity

	Consolidated Entity	
	December 2004	June 2004
	\$	\$
a) Paid up capital		
30,000,001 (30 June 2004: 1) ordinary shares	5,726,952	1
b) Movements	No of Shares	Paid up Capital
Balance 1 July 2004	1	1
Shares issued pursuant to IPO – December 2004	15,000,000	3,000,000
Shares issued as vendor consideration – December 2004	15,000,000	3,000,000
Transaction costs from issue of shares	-	(273,049)
	30,000,001	5,726,952

3. Acquisition of Subsidiaries

On 1 December 2004, Northwest Resources Limited acquired a 65% interest in Elsiered Holdings Incorporated for a consideration of \$3,000,000. This consideration was in the form of 15,000,000 fully paid ordinary shares at an issue price of 20 cents each and 7,500,000 options exercisable at 20 cents each before 31 January 2008 in Northwest Resources Limited. Elsiered Holdings Incorporated's contribution to the consolidated loss for the half-year was \$34,746.

NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2004**4. Non Cash Investing and Financing Activities**

During the financial period the Company had the following non cash transaction that is not disclosed in the Statement of Cash Flows:

- a. 15,000,000 shares issued as consideration for the acquisition of a 65% shareholding in Elsiered Holdings Incorporated.

5. Segment Information

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

6. Events Subsequent to Reporting Date

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

7. Contingent Liabilities

There are no contingent liabilities at reporting date.

8. International Accounting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (**IFRS**) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The consolidated entity's Directors and management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. The Directors and Company Secretary will oversee and manage the Company's transition to IFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The Directors are of the opinion that the key differences in the consolidated entity's accounting policies which will arise from the adoption of IFRS relates to:

Exploration Expenditure

In December 2004, the Australian Accounting Standards Board released AASB 6: Exploration for and Evaluation of Mineral Resources. AASB 6 effectively grandfathers the existing policies used by Australian entities to recognise and measure exploration and evaluation assets. AASB 6 and AASB 136 : Impairment of Assets provides more detailed guidance than existing Australian Accounting Standards on testing the impairment of assets. The consolidated entity is still considering the implications of the newly released standard but it is unlikely to have a material impact.

Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling prices and value in use. This will result in a change in the consolidated entity's current accounting policy which determines the recoverable amount of an asset on the basis of future cash flows. Under the new policy, it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. It is not expected that there will be any material impact as a result of adoption of this Standard.

NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2004**8. International Accounting Standards (cont.)*****Share-based Payments***

Under AASB 2: Share-based Payments, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This Standard is not limited to options and also extends to other forms of equity-based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005.

Financial Instruments

Financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables – measured at amortised cost, held to maturity – measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measured at fair value with fair value changes taken to equity and non-trading liabilities – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at cost. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed. The AASB 139 will apply to the company from 1 July 2005 with no comparative disclosures required.

Income Taxes

Currently, the Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112 : Income Taxes, the Company will be required to adopt a balance sheet approach whereby temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit. Any initial adjustments to calculate deferred tax assets and liabilities using the new policy on 1 July 2004 will be made through opening balances of retained earnings. Deferred tax asset and liability balances can only be calculated once all other opening balance sheet accounts have been finalised.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes as set out on pages 4 to 9 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2004 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: 9 March 2005

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF NORTHWEST RESOURCES LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Northwest Resources Limited (the consolidated entity) for the half-year ended 31 December 2004. The consolidated entity comprises both Northwest Resources Limited (the Company) and the entities it controlled during the half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes the responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- Inquiries of company personnel; and
- Analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the Company, a written Auditor's Independence Declaration (a copy of which is included in the financial report).

Statement

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:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of Northwest Resources Limited's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



S C CUBITT
Partner

Perth, WA
Dated: 9 March 2005

RSM Bird Cameron Partners

Chartered Accountants

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

In relation to our review of the interim financial report of Northwest Resources Limited for the half-year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



S C CUBITT
Partner

Perth, WA
Dated: 9 March 2005