

QUARTERLY REPORT

For the period ending 30 June 2007



Highlights

- Encouraging intersections from Northwest's ongoing deep drilling programme at the Blue Spec gold deposit have resulted in the deposit achieving key internal benchmarks related to resource continuity and growth potential
- The success of the programme gives the company increased confidence that the targeted revised JORC compliant resource estimate of at least 300,000 oz gold and 7,000 tonnes of contained antimony to underpin a high-grade, low cost underground mining operation over an initial 5 year mine life is achievable
- Following the announcement of a revised JORC resource, expected by October, Northwest will commence Scoping Studies which the company believes will demonstrate the robust project economics of the Blue Spec deposit which have already been indicated by preliminary economic benchmarking
- Ongoing exploration along the Blue Spec Shear at Blue Spec East continues to yield positive results

Exploration and Development Activity

Northwest's activities during the quarter were focused on developing the high-grade Blue Spec gold deposit, the most advanced resource within Northwest's Blue Spec Shear gold project, to establish Northwest as a future, sustainable, high-grade gold producer within the shortest possible timeframe.

The Blue Spec Shear gold project is located in the Nullagine Goldfield, less than 2 hour's drive from the Pilbara hub of Newman and is one of the highest grade gold projects in Australia. The project has a current JORC resource of 190,000 oz gold grading 43.3 g/t.

The Blue Spec deposit

The Blue Spec deposit was mined to the 320m vertical level before Anglo American ceased operations in the late 1970's. Ore from the Golden Spec underground deposit, 1km to the west of the Blue Spec deposit was also mined and processed between 1989 and 1991.

The strike length of the Blue Spec ore body has varied from 120m to 160m. Mineralization is hosted in quartz veins that average 1.5m to 3m in width but which are known to blow out to over 8m in certain zones. These widths will allow mechanized underground cut and fill mining of the deposit allowing maximum ore extraction and minimum dilution. High grade gold mineralization is variously associated with the presence of stibnite (the sulphide form of the metal antimony).

Northwest's current JORC resource at Blue Spec is located between the 320m and 470m vertical levels and has a metal profile exceeding 1,000 ounces of gold per vertical metre and 1,100 gold equivalent (gold and antimony) ounces per vertical metre.

The undiluted JORC resource at Blue spec is 103,000 tonnes at 46.3g/t gold and 3.2% antimony for 155,000 oz gold and 3,300 tonnes of contained antimony. The diluted JORC resource, based on a 2m minimum mining width (the mining width achieved by Anglo American during previous production) is 152,000 tonnes at 31.2 g/t Au and 2.2% antimony for 156,000 oz gold and 3,400 tonnes of contained antimony.

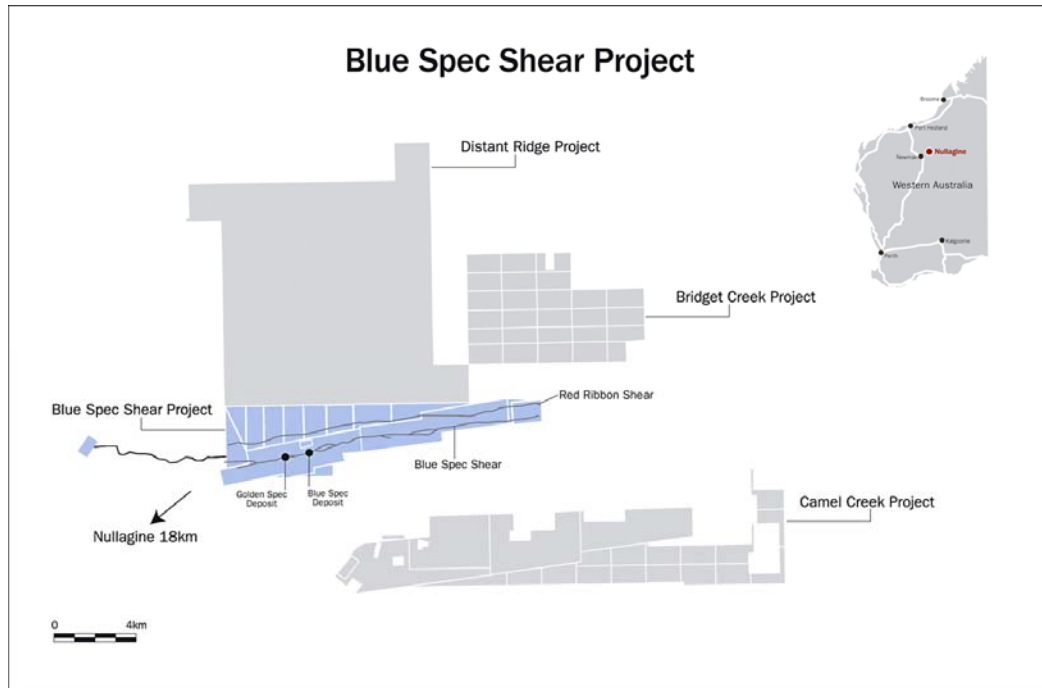


Figure 1. The Blue Spec Shear gold project together with Northwest's Nullagine Goldfield tenements

Significant underground infrastructure exists at the deposit, including a three compartment shaft and decline constructed by Anglo American which when refurbished will allow direct access to Blue Spec's current resources.

Northwest has a proven treatment plant adjacent to the deposit which was installed by Minproc in the late 1980's. It is complete and currently configured for a throughput of around 40,000 tpa. The existing crushing and grinding units of the plant have a capacity of around 100,000 tpa allowing the production profile to be significantly expanded without the need for extensive redesign. The treatment plant achieved recoveries of 89-91% for gold and 60% for antimony during its' 19 months of operation between 1989 and 1991. These recoveries are in line with industry averages.

Ongoing resource drilling programme

Northwest's ongoing resource drilling programme aims to achieve two objectives:

1. Double the depth extent of the current resource which extends over 150m from a vertical depth of 320m to 470m; and
2. Up-grade the majority of Northwest's current resource for the Blue Spec deposit from inferred into a measured/indicated classification.

Northwest is targeting a revised JORC compliant resource estimate at the Blue Spec deposit of at least 300,000 oz gold and 7,000 tonnes of contained antimony to underpin a high-grade, low cost underground mining operation over an initial 5 year mine life.

Deep diamond drilling targeting the 470m to 620m vertical level at Blue Spec has now intersected significant gold and antimony mineralization down to the 590m vertical depth level. Drilling also identified significant extensions to the eastern zone of the current JORC resource which will have a positive impact on the planned JORC resource revision.

Significant results from the ongoing Blue Spec resource drilling programme include:

Hole ID	Width (m)	Au (g/t)	Sb (%)	Down hole depth (m)
BSD0022	4.60	65.4	4.96	401
BSD0028	3.64	23.3	-	424
BSD0027	1.15	62.7	0.43	470
BSD0035	1.60	30.7	4.17	532
BSD0035_W1	7.0	3.0	-	587
BSD0035_W2	2.7	11.3	0.77	608
BSD0035_W1	11.5	13.4	0.49	609
BSD0035_W2	1.0	10.0	-	620

The results demonstrate the continuity of high-grade mineralization at depth. The Blue Spec orebody is characterised by a well defined vein morphology, hosted within a localised structural setting along the Blue Spec Shear.

The remarkable plunge continuity over its known depth extent is related to key connection points within the fault network that hosts the deposit. These same connection points have dictated the location of Blue Spec main high-grade shoot locations from surface to the bottom level of development as evidenced in detailed underground mapping. It is this strong depth continuity that has allowed accurate targeting of the depth extensions to the Blue Spec gold deposit.

Recent drilling has successfully targeted the depth extensions of a central “link zone” within the Blue Spec orebody. This “link zone” was successfully mined in the upper levels of the deposit and contained consistently greater than average widths, sometimes up to 8m true width. The “link zone” has not been modelled into the currently defined resource at Blue Spec. The confirmation of the “link zone” at depth is also expected to positively impact on the planned JORC resource revision for Blue Spec.

Ongoing deep drilling has also intersected a parallel fault zone some 40m to the north of the Blue Spec deposit that has returned 4.0m grading 2.2g/t gold from a depth of 495m down-hole. A significant increase in the level of vein intensity and sulphide content in this zone encouraged Northwest to undertake assaying of samples over this zone. Analysis of Northwest’s other diamond holes that pass through this zone indicates that both deformation and alteration are intensifying with depth along this structure.

The presence of a second gold-bearing structure some 40m to the north of the Blue Spec orebody indicates the potential for the discovery of blind ore shoot positions within close proximity to Blue Spec. Nearby resource potential which can be developed in conjunction with the Blue Spec deposit will contribute strongly to the average ounces per vertical metre at Blue Spec which already exceeds 1,000.

Blue Spec exploration and development next quarter

The deep drilling intersections achieved to date in the resource drilling programme have enabled the Blue Spec deposit to achieve key internal benchmarks related to resource continuity and growth potential. As a result, Northwest has now committed to accelerating the development schedule for the Blue Spec deposit.

During the quarter, Northwest committed significant additional diamond rig capacity to the Blue Spec resource drilling programme by commencing day and night shift diamond drilling. The company has also secured a second diamond drilling rig to commence on site in August which will see drilling advance rates triple the rate used to complete the stage 1 resource assessment.

Northwest's resource drilling programme next quarter will initially be directed at completing nine intercepts into the Blue Spec 470m to 620m vertical zone to finalise a revised JORC compliant resource estimate. Six intersections have been completed to date. The programme is expected to be completed in September/October 2007 with the revised JORC resource announced as soon as possible thereafter. A long section showing the proposed drill hole locations is set out below.

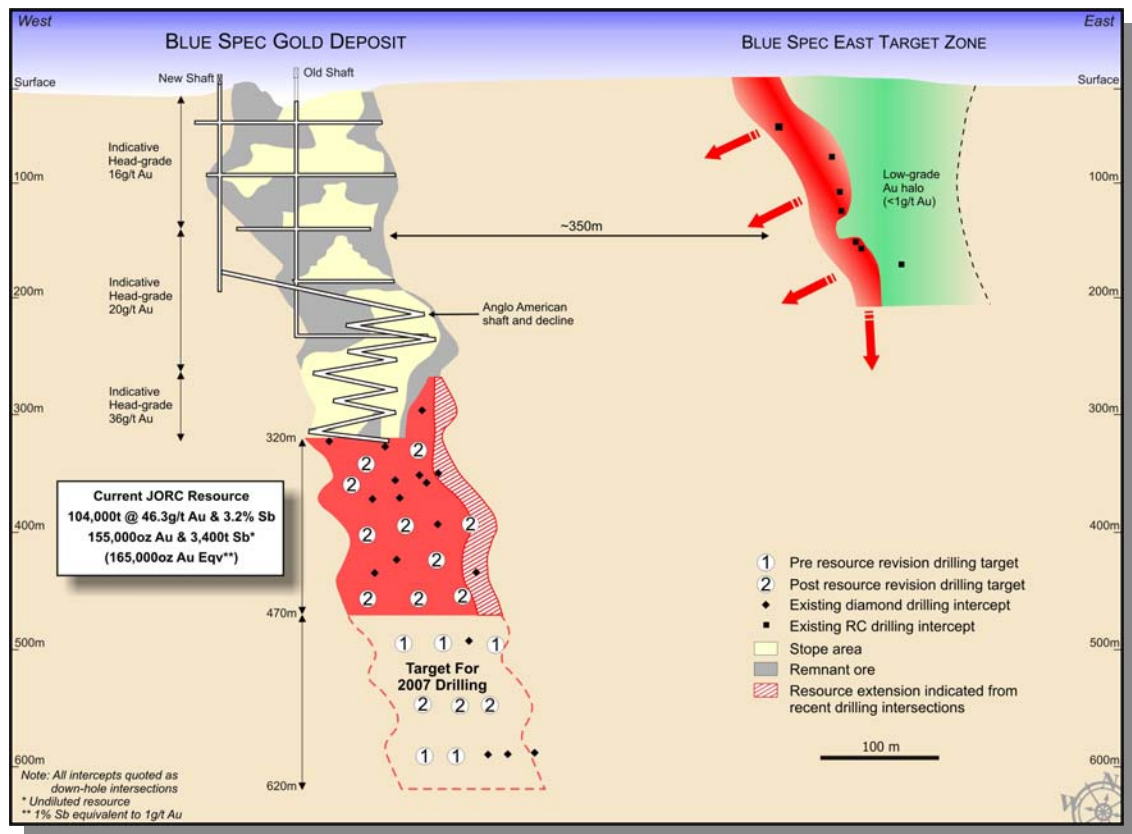


Figure 2. Long section of the Blue Spec deposit showing the proposed locations of resource drilling programme diamond holes

Following the announcement of a revised JORC resource estimate later in the year, Northwest will undertake a comprehensive Scoping Study on re-commencing mining operations at Blue Spec. It is expected the study will take 4-5 months to complete and will address the following key areas:

- The optimal mine design and estimated underground development costs
- The optimal mining method and estimated mining costs
- Estimated capital expenditure to refurbish the treatment plant and expand its capacity based on assumed mining rates
- Estimated capital expenditure to refurbish the shaft and decline access

- Requirements for additional infrastructure and site facilities and estimated costs
- Metallurgical test work and optimal process design
- Regulatory approval and lead-time item planning

Northwest is confident of determining relatively well constrained operating and capital costs from the Scoping Study as a result of the company's extensive exploration and resource development. Decisions with respect to mine design, mining method and metallurgical issues will also benefit from historical mining activities and production records.

During the Scoping Study period, Northwest will continue an aggressive resource drilling programme comprising around 13 deep diamond intercepts into the Blue Spec resource to upgrade the categorisation of the revised JORC compliant resource. The aim of this programme is to convert at least the 320m to 470m vertical level of the revised JORC resource into the indicated and measured category to allow conversion to reserves and to facilitate feasibility studies. It is expected that this programme will be completed in January 2008.

Exploration along the Blue Spec Shear

The high-grade Blue Spec deposit is the most advanced resource within Northwest's Blue Spec Shear gold project which also boasts excellent brown field and green field exploration potential.

Northwest's development plan for the Blue Spec Shear gold project seeks to re-establish initial high-grade gold and antimony production from the Blue Spec deposit to generate strong early cash flow whilst continuing successful exploration along the Blue Spec Shear to achieve substantial resource growth and project longevity.

A focus of exploration is the Blue Spec East target. This target 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.

Northwest has completed detailed structural mapping and compiled a number of innovative geological datasets over the Blue Spec East area as part of the development of Northwest's predictive targeting model for gold mineralization along the Blue Spec Shear. Significant alteration zones identified by structural mapping in the Blue Spec East area strongly correlated with results from other complimentary datasets. This correlation, together with sophisticated down-hole vectoring techniques, enabled Northwest to successfully target the new shoot position.

During the quarter, a follow-up drilling programme directed at Blue Spec East was undertaken comprising 11 angled RC drill holes for 1,941m. A single diamond hole was also completed to gain structural orientations to assist interpretation of the RC drilling results. Significant intersections included:

Hole ID	Width (m)	Au (g/t)	Down hole depth (m)
BSP0264	4.0	4.5	23
BSP0264	10	2.3	92
BSP0264	18.0	4.2	121
BSP0279	6.0	2.7	148

The results of the programme in combination with down-hole structural orientation data have indicated that mineralisation at Blue Spec East dips steeply towards the north and is influenced by the location of a secondary splay fault. The results suggest that this secondary mineralised structure may play a role in controlling the location and plunge orientation of higher-grade mineralisation at Blue Spec East.

At present, drilling intersections within the higher grade zone at Blue Spec East are interpreted to range between 2-5m in true width. Further drilling on the western extent of the identified higher grade mineralisation will be required to further quantify the average true width.

Drilling indicates that the higher grade zone at Blue Spec East lies to the west of the current drilling coverage. Further drilling planned for next quarter will utilise this additional information to more accurately target the location of the potential high-grade shoot location.

Northwest believes further testing of the prospect is warranted as any nearby resource potential which can be developed in conjunction with the Blue Spec deposit will contribute strongly to the Blue Spec project's economics.

Antimony

High-grade gold mineralization along the Blue Spec Shear is variously associated with the presence of stibnite (the sulphide form of the metal antimony). In production, as part of the process for extracting gold from the auro-stibnite (gold-antimony) ore, antimony concentrate can be produced.

As a result of increasing demand and historically low stockpiles of antimony, the price for antimony metal is currently just below a 20 year high at US\$5,475. The metal's trading range has been strongly above US\$5,000/t since February 2006.

A recent study by Roskill Information Services comparing the future supply situation with forecast demand indicated a near balance in supply and demand for antimony. As a result Roskill expects antimony prices to rise to US\$6,000/t during 2007 and to remain at or around this level to 2010.

The production of antimony concentrate as a by-product of gold production has the potential to be a valuable source of additional revenue for the Blue Spec Shear gold project. A high quality antimony concentrate (low in impurities) can be produced from Blue Spec Shear ore. Northwest is targeting a JORC resource of around 7,000 tonnes of antimony concentrate with a market value of around US\$1,800/t from the Blue Spec deposit alone.

There is currently robust demand for antimony concentrate from a number of Chinese and Indian smelters as a result of historically low stockpiles of antimony concentrates. Northwest has had preliminary discussions with a number of parties interested in securing rights with respect to Northwest's prospective antimony by-production from the Blue Spec Shear Project. These discussions will be advanced following the completion of Northwest's Scoping Study.

Corporate Activity

During the quarter, Northwest undertook no significant corporate actions.

The information in this report is based on information compiled by Mr. Christian Easterday, who is a Member of Australian Institute of Geoscientists. Mr. Easterday is a full-time employee of Northwest Resources Limited 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. Easterday consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

ASX Listing Rules Appendix 5B

Mining exploration entity quarterly cash flow report

Name of entity

Northwest Resources Limited

ABN

99 107 337 379

Quarter ended ("current quarter")

30 June 2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 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	(1,319)	(4,523)
(b) development	-	-
(c) production	-	-
(d) administration	(200)	(751)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	54	149
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 GST	28	19
Net Operating Cash Flows	(1,437)	(6,106)
Cash flows related to investing activities		
1.8 Payment for purchase of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(19)	(32)
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	(19)	(32)
1.13 Total operating and investing cash flows (carried forward)	(1,456)	(6,138)
1.14 Total operating and investing cash flows (brought forward)	(1,456)	(6,138)

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	(38)	10,630
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	7
1.17	Repayment of borrowings	(18)	(72)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		(56)	10,565
Net increase (decrease) in cash held		(1,512)	4,427
1.20	Cash at beginning of quarter/year to date	6,919	980
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	5,407	5,407

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	82
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

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	1,620
4.2 Development	-
Total	1,620

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	5,407	6,919
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: Cash at end of quarter (item 1.22)	5,407	6,919

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 <i>(description)</i>	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3 *Ordinary securities	82,958,931	82,958,931		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	8,038 -	8,038 -	20 cents	20 cents
7.5 *Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
7.7 Options <i>(description and conversion factor)</i>	49,811,487	49,811,487	<i>Exercise price</i> 20 cents	<i>Expiry date</i> 31 January 2008
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	8,038	8,038		
7.10 Expired during quarter	-	-		
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

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 July 2007



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.