

# QUARTERLY REPORT

For the period ending 31 March 2008



## Highlights

- Shortly following the end of the quarter, Northwest announced the results of its updated mineral resource for the Blue Spec deposit.
- The Blue Spec gold resource increased by 63% to 253,000 oz gold and the antimony resource increased by 67% to 5,550 t antimony.
- The updated Blue Spec resource now stands at 323,000 t grading 24.3 g/t gold for 253,000 oz and 5,550 tonnes of antimony grading 1.72%
- The global resource for the Company's Nullagine project areas in Western Australia's Eastern Pilbara region totals 1.33 Mt grading 8.3 g/t gold for 353,000 oz and 7,300 tonnes of antimony grading 1.02%.
- The exercise of 49.8 million listed options at \$0.20 per option which expired on 31 January 2008 raised approximately \$9.9 million ensuring the Company's strong financial position.

## Exploration and Development Activity

Northwest's activities during the quarter remained focused on developing the high-grade Blue Spec gold deposit, the most advanced resource within Northwest's Blue Spec Shear gold project.

### Updated JORC Resource for the Blue Spec Deposit

Shortly after the end of the quarter, Northwest released its updated resource estimate for the Blue Spec deposit. The resource increased to 323,000 t grading 24.3 g/t gold for 253,000 oz and 5,550 tonnes of antimony grading 1.72% within a global resource for the Company's Nullagine project areas in Western Australia's Eastern Pilbara region totalling 1.33 Mt grading 8.3 g/t gold for 353,000 oz and 7,300 tonnes of antimony grading 1.02%.

The Blue Spec resource, comprising indicated and inferred material, is divided into two zones, the Upper Zone and Lower Zone, based on contained metal and drilling density.

The updated mineral resource estimate for the Blue Spec deposit includes the results from all diamond drilling completed to the end of January 2008 and was estimated in accordance with the guidelines of the *Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004)*.

## Blue Spec updated gold resource

	Indicated			Inferred			Total		
	Tonnes ('000)	Au Grade (g/t)	Oz ('000)	Tonnes ('000)	Au Grade (g/t)	Oz ('000)	Tonnes ('000)	Au Grade (g/t)	Oz ('000)
Upper Zone	16	52.3	27	73	40.4	94	89	42.5	121
Lower Zone	-	-	-	234	17.5	132	234	17.5	132
<b>Total</b>	<b>16</b>	<b>52.3</b>	<b>27</b>	<b>307</b>	<b>22.9</b>	<b>226</b>	<b>323</b>	<b>24.4</b>	<b>253</b>

## Blue Spec updated antimony resource

	Indicated			Inferred			Total		
	Tonnes ('000)	Sb Grade (%)	Sb (tonnes)	Tonnes ('000)	Sb Grade (%)	Sb (tonnes)	Tonnes ('000)	Sb Grade (%)	Sb (tonnes)
Upper Zone	16	4.86	800	73	2.12	1,500	89	2.62	2,350
Lower Zone	-	-	-	234	1.38	3,200	234	1.38	3,200
<b>Total</b>	<b>16</b>		<b>800</b>	<b>307</b>	<b>1.56</b>	<b>4,700</b>	<b>323</b>	<b>1.72</b>	<b>5,500</b>

The Blue Spec resource has been extended to a vertical depth of 850m, representing a 530m resource extension below the existing underground (320m base of development). The resource extension is shown on the following page - *Blue Spec Resource (Cross Section View)*.

### The Upper Zone

The Upper Zone (320 – 440m vertical depth extent) contains greater than 1,000 ounces per vertical metre (opvm) of gold over 120m immediately below the existing underground. Approximately 65% of this zone exceeds 1,100 opvm of gold. Preliminary economic assessment indicates that this level of ounces per vertical metre, if extended into the Lower Zone, would provide a strong foundation for feasibility studies on developing the deposit.

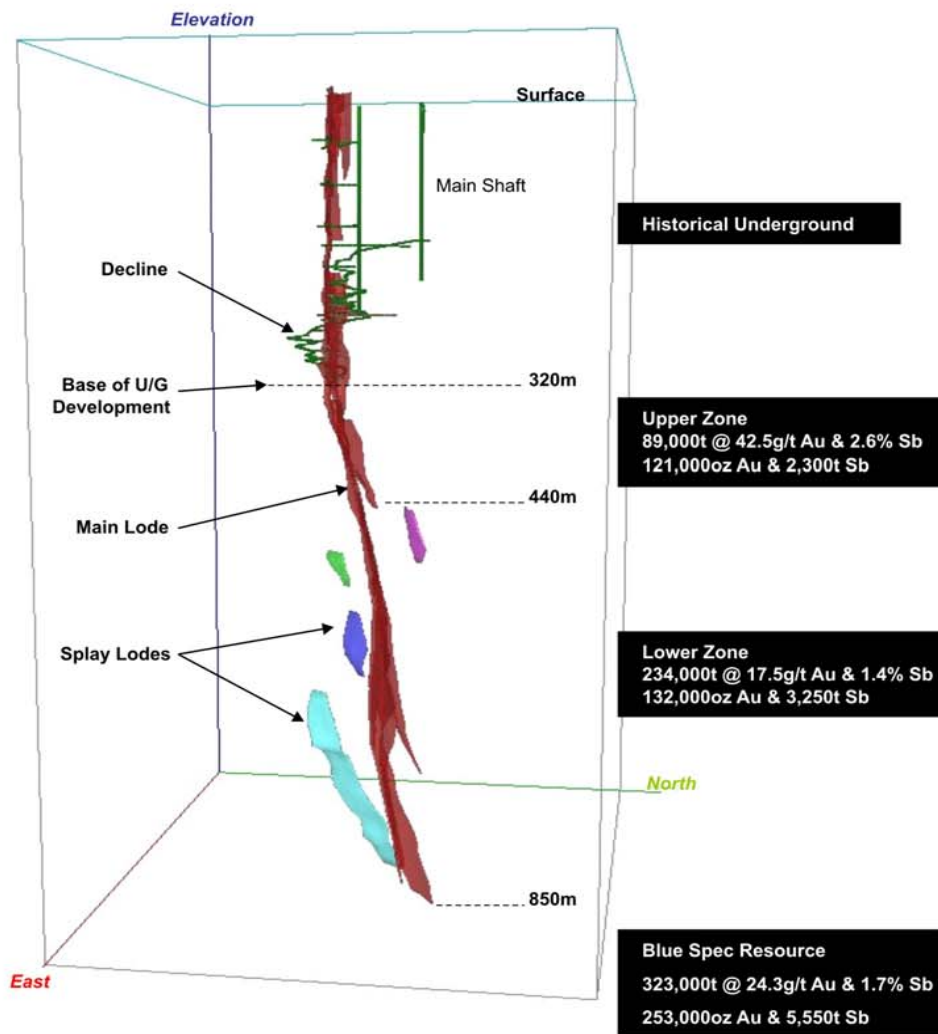
A relatively high number of drill holes and supporting data (drive mapping and channel samples at base of underground) underpin this resource estimate. This Upper Zone is directly accessible via the existing underground decline.

### The Lower Zone

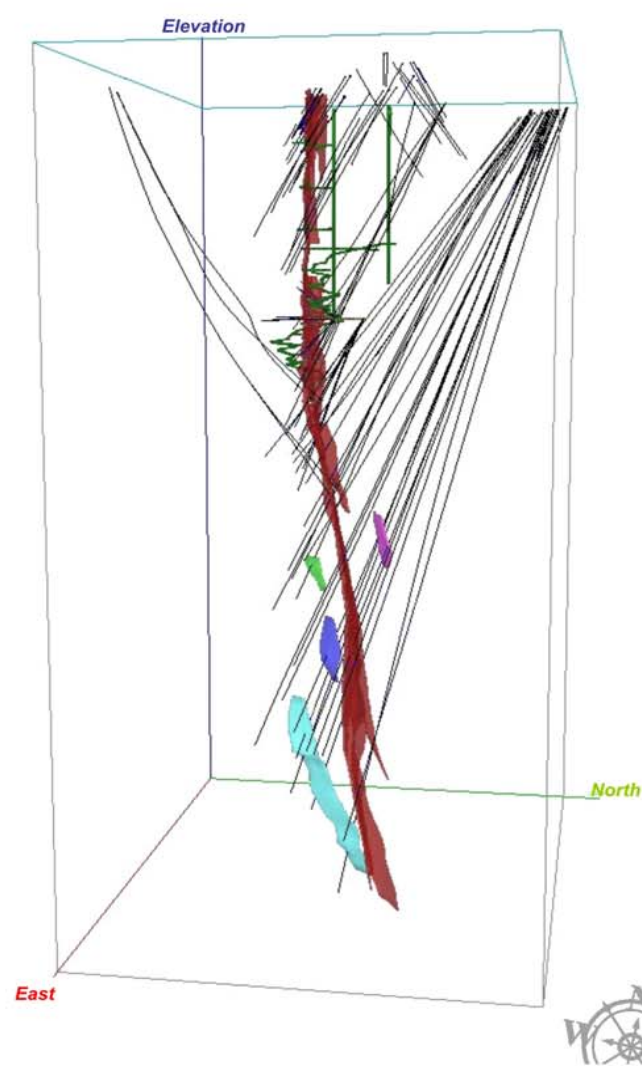
The Lower Zone (440 – 850 vertical depth extent) contains approximately 320 opvm of gold over a depth extent of 410m. The resource estimation within the Lower Zone has been adversely affected by a combination of lower grade significant intercepts as well as a relatively low number of drill holes compared to the Upper Zone. The use of domain constraints within the block model resource estimation contributed to a down-grading of the Lower Zone resource to 234,000 tonnes grading 17.5g/t gold and 1.38% Sb (131,000 ounces of gold and 3,250 tonnes of antimony metal).

## Blue Spec Resource (Cross Section View)

### Depth Extent of Resource



### Drilling Density



The amount of drilling Northwest has been able to direct at the Lower Resource has been constrained by the significant time required to complete deep intersections from surface. As a result of the current low drill density, the Directors believe that there remains some uncertainty associated with accurate grade estimation in the Lower Zone of the resource.

Northwest has identified several areas within the Lower Zone which could have potential for higher grade mineralisation if subjected to additional drill testing. This could contribute to an upgrade of the resource estimation within the Lower Zone.

## Splay Lodes

Additional resources contained within splay lodes (additional to the Blue Spec Main Lode) were defined within both zones of the resource. Aside from representing an incremental addition to the Main Lode resource material, the splay lodes have highlighted the potential for additional discoveries in proximity to the Blue Spec resource. Of particular importance is the potential for near-surface splay lode positions within development distance of the Blue Spec underground.

## Remnant Mineralisation Potential

Northwest has also identified a significant amount of remnant mineralisation potential within the historical upper levels of the Blue Spec underground (referred to as the Remnant Zone). This is thought to reflect a combination of poor development in the historical upper levels of the underground and a poor understanding of the ore body morphology with depth.

A target mineralization of approximately 45-50,000 ounces gold has been estimated for the remnant mineralisation in the Remnant Zone.

Zone	Target Mineralisation		
	Tonnes	Grade	Au Oz
Remnant Zone	86,000 – 100,000	14g/t - 18g/t	45,000 – 50,000

The quantification of mineralization (non-JORC) in four pillars in the Remnant Zone has been completed by previous owners from historical surface drilling. The pillars are estimated to contain 14-16,000 oz of gold mineralisation with pillar grades averaging 16g/t gold. The Remnant Zone target mineralisation is based on a projection of additional potentially recoverable remnant mineralisation present in the historical underground. The Remnant Zone target mineralisation should not be misunderstood or misconstrued as a mineral resource as defined by the JORC Code. It is uncertain if further exploration will result in the determination of a mineral resource.

## Blue Spec exploration

Depth extensional drilling at the Blue Spec deposit returned during the quarter confirmed the depth continuation of the Blue Spec deposit. Importantly, known mineralisation has now been recorded to a depth of approximately 800m vertical, representing a 330m extension to the current resource at Blue Spec.

The results from the western main lode, which were incorporated into the Blue Spec JORC resource, included:

0.83m grading 22.4g/t gold & 5.75% Sb	from 782.81m down-hole
1.95m grading 17.5g/t gold & 0.8% Sb	from 572.0m down-hole
0.90m grading 14.0g/t gold	from 739.75m down-hole

The completed holes intersected margin positions within the recently discovered splay lodes, lying immediately north and south of the established eastern and western main lodes at Blue Spec. The assay results accord with expected grades and widths from the margin positions intersected.

## Blue Spec development

An infill diamond drilling programme was commenced at the Blue Spec deposit during the quarter. The programme was directed at the 320m to 470m vertical zone at Blue Spec and was designed to provide an approximate 30m x 30m drilling density within this upper zone.

The objectives of the infill drilling programme were:

- to convert at least the 320m to 470m vertical level of the revised JORC resource into the measured/indicated category to facilitate a reserve calculation subject to positive scoping and pre-feasibility study results; and
- to identify additional resource potential in the upper zone, which if successful, will increase the size of the resource within this zone and the metal profile which currently exceeds 1,000 oz per vertical metre.

During the quarter, Northwest also appointed Red Rock Engineering principal consultant Stephen Miller to lead scoping studies into the development of the Blue Spec deposit.

Mr Miller brings to Northwest considerable operating and consulting experience of high-grade narrow vein underground gold mining from his involvement with a number of such operations in Australia. Most recently he has undertaken consulting roles with Tanami Gold (Coyote Project) and St. Barbara Mining (Gwalia Deeps Project).

## Corporate Activity

Northwest's listed options, exercisable at \$0.20 per option, expired on 31 January 2008.

As previously announced, Northwest had secured the underwriting of up to \$8 million from the exercise of up to 40 million listed options (representing approximately 80% of the listed options on issue) in December 2007.

Option holders exercised approximately 23.17 million options at \$0.20 per option raising approximately \$4.6 million. The balance of approximately 26.67 million listed options on issue which were not exercised were subscribed for by the underwriters in accordance with the underwriting arrangements.

Following the underwriting of the exercise of the listed options, Northwest has approximately 132.77 million shares on issue.

*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")

31 March 2008

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(1,573)	(4,283)
(b) development	-	-
(c) production	-	-
(d) administration	(251)	(760)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	76	193
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 GST	86	(16)
<b>Net Operating Cash Flows</b>	<b>(1,662)</b>	<b>(4,866)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchase of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(18)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	1
(c) other fixed assets	-	27
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>10</b>
1.13 Total operating and investing cash flows (carried forward)	(1,662)	(4,856)
1.14 Total operating and investing cash flows (brought forward)	(1,662)	(4,856)

<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	8,770	8,973
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	9
1.17	Repayment of borrowings	(7)	(61)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
<b>Net financing cash flows</b>		<b>8,762</b>	<b>8,921</b>
<b>Net increase (decrease) in cash held</b>		<b>7,101</b>	<b>4,065</b>
1.20	Cash at beginning of quarter/year to date	2,371	5,407
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>9,472</b>	<b>9,472</b>

### Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

		<b>Current quarter \$A'000</b>
1.23	Aggregate amount of payments to the parties included in item 1.2	138
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-Executive director's fees and 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	560
4.2 Development	-
<b>Total</b>	<b>560</b>

## 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	222	621
5.2 Deposits at call	9,250	1,750
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: Cash at end of quarter (item 1.22)</b>	<b>9,472</b>	<b>2,371</b>

## 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	<b>Preference securities</b> <i>(description)</i>	-	-		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3	<b>+Ordinary securities</b>	132,770,418	132,770,418		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	49,656,321	49,656,321		
7.5	<b>+Convertible debt securities</b> <i>(description)</i>	-	-		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
7.7	<b>Options</b> <i>(description and conversion factor)</i>	-	-	<i>Exercise price</i> -	<i>Expiry date</i> -
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	49,656,321	49,656,321		
7.10	Expired during quarter	-	-		
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-		
7.12	<b>Unsecured notes</b> <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: 30 April 2008



**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.