

QUARTERLY REPORT

For the period ending 31 December 2007



Highlights

- The resource drilling programme at the Blue Spec deposit aimed at achieving a revised JORC compliant resource estimate of at least 300,000 oz gold and 7,000 tonnes of contained antimony was completed during the quarter.
- Discovery of an additional splay lode structure at Blue Spec demonstrates the potential of the Blue Spec resource inventory to significantly grow at depth.
- The development schedule for the Blue Spec deposit has been accelerated as a result of the continuing success of the extensional diamond drilling programme and the identification of several areas of additional high-grade resource potential in splay lodes within development distance of the primary lodes.
- An underwriting of the exercise of up to \$8 million of Northwest's listed options expiring in January 2008 was agreed during the quarter and places the Company in a strong financial position to achieve its ambitious development objectives for the Blue Spec Shear Gold Project this year.

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, to establish Northwest as a future, sustainable, high-grade gold producer within the shortest possible timeframe.

Blue Spec resource extension drilling

The extensional diamond drilling programme completed during the quarter was aimed at extending the current JORC resource to approximately 620 vertical metres and at least doubling the currently defined resource as well as providing higher confidence in the understanding of high-grade gold distribution within the deposit.

The programme returned further positive results confirming not only strong continuation of high-grade gold mineralisation below the currently defined resource but more importantly additional high-grade splay lodes which have the potential to significantly grow the size of the Blue Spec resource at depth.

Significant intersections returned during the quarter were designed to test the strike extents of the primary Eastern and Western Lodes of Blue Spec at approximately 500m vertical depth and have returned results in accordance with expected grades and widths from the margin positions targeted:

Hole ID	Width (m)	Au (g/t)	Down hole depth (m)
BSD0018_W1	1.0	19.1	476
BSD0018_W2	6.5	6.6	477
<i>incl</i>	<i>2.6</i>	<i>12.0</i>	
BSD0033_W1	1.0	19.1	520
BSD0018_W2	1.8	12.6	555

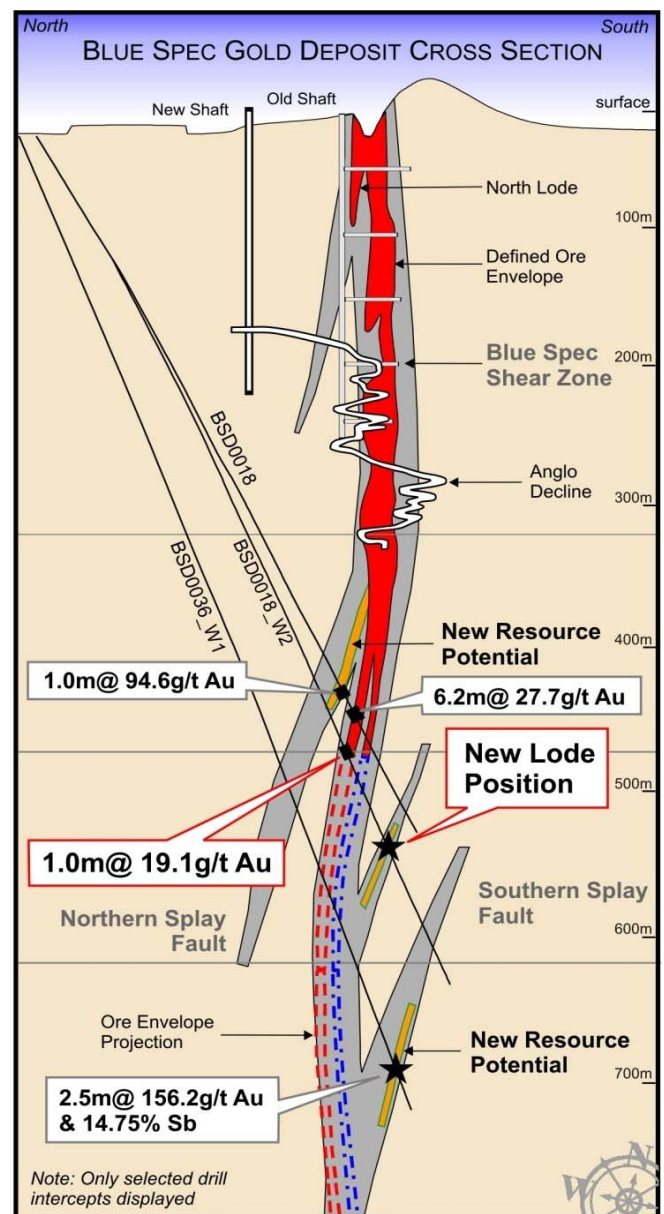
The recent results provide confidence in the interpreted strike extents of mineralisation on both the western and eastern lodes within the depth extensional target at approximately 500m vertical.

BSD0018 wedge 2 intersected a **new lode position** in a subsidiary fault zone immediately south of the Western Lode. This intersection recorded 1.8m @ 12.6 g/t Au in association with a massive quart-carbonate-pyrite vein displaying visible gold.

The discovery of a third high-grade splay lode at Blue Spec, together with the recent discoveries of the Southern Lode (2.5m @156.2 g/t Au) and Northern Lode (1.0m @ 94.6 g/t Au) announced in September have two significant implications for the Blue Spec deposit.

First, these new lodes contained in splay faults off the primary Eastern and Western Lodes of Blue Spec confirm Northwest’s view that Blue Spec has demonstrated potential to develop into a much larger deposit than previously envisaged. The proximity of the new lodes to the main Eastern and Western Lodes of Blue Spec will enable Northwest to develop the splay lodes in conjunction with the main lodes significantly increasing the average ounces per vertical metre at Blue Spec which already exceeds 1,000.

Secondly, analysis of all extensional diamond drilling during 2007 and Northwest’s current resource model has indicated a direct correlation exists between very high-grade gold distribution within the primary Eastern and Western Lodes and the location of the intersecting subsidiary fault zones. This important secondary ore control is interpreted to be responsible for the distribution of +30 g/t gold grades and is reflected in high-grade underground stoping directions as well as the spatial distribution of grade in extensional drilling intercepts.



Note: Only selected drill intercepts displayed

Blue Spec development

During the quarter, Northwest announced that the Company would take immediate steps to plan for the development of the Blue Spec deposit. This marks an important milestone for Northwest in its aggressive drive towards joining the ranks of Australian gold producers.

The board reached this decision based on:

- The success of resource and extensional drilling during 2007 targeting the 470-620 vertical metre zone which has confirmed the strong continuation of high-grade gold mineralisation below the currently defined resource.
- Northwest's expectation that the revised JORC compliant resource at Blue Spec to be announced towards the end of the first quarter 2008 will reach 300,000 ounces gold.
- Northwest's improved understanding of gold grade distribution within Blue Spec arising from the location of subsidiary fault zones intersecting the primary Eastern and Western Lodes at Blue Spec.

Northwest's development plan for the Blue Spec deposit in 2008 will include the announcement of the revised JORC resource estimate for Blue Spec and commencement of the resource to reserve conversion drilling programme of upper resource zone (320 – 470m vertical).

Pre-feasibility studies on the Blue Spec deposit will commence in January 2008 and preparations for the studies have begun. The studies will address the key areas of:

- regulatory approvals for all identified lead-time items;
- underground mine design and evaluation of mining methods;
- capital expenditure estimates and infrastructure requirements; and
- metallurgical and processing design.
- subject to environmental and work safety authorizations, commencement of de-watering and refurbishment of the Blue Spec underground.

Exploration and development next quarter

Next quarter, Northwest's focus will continue on the accelerated development of the Blue Spec deposit.

Northwest's resource drilling programme aimed at significant depth extensions to the existing JORC resource at Blue Spec has been completed and will enable our exploration team to prepare a revised JORC compliant resource estimate for Blue Spec.

Northwest's anticipates that the revised JORC compliant resource at Blue Spec will be announced towards the end of the first quarter and Northwest is highly confident of defining in excess of 300,000 ounces gold.

Northwest continues to face significantly increased assay turn-around times as a result of massively increased demand for services being experienced by laboratories across Australia. These delays have been factored into the timing of the release of the revised JORC resource at this stage.

Northwest has commenced a significant infill diamond drilling programme aimed converting the current Blue Spec JORC resource of 155,000 oz gold grading 46.3 g/t and 3,400 t of antimony grading 3.2% over the 320m to 470m vertical level into the measured and indicated category to facilitate scoping and feasibility studies and ultimately into a mining reserve. Two diamond rigs have been mobilised on site since mid-January undertaking this programme.

Northwest is also moving to identify a well-credentialed technical team of consultants to undertake various aspects of this work during 2008, including a lead consultant with specialised high-grade underground mining experience. Further announcements will be released during the quarter.

Corporate Activity

During the quarter, Northwest entered into underwriting agreements to underwrite the receipt of up to \$8 million from the exercise of up to 40 million listed options (representing approximately 80% of the listed options on issue). The underwriting has been arranged with The New Zealand Guardian Trust and the Amalgamated Dairies Charitable Trust.

Following the underwriting of the exercise, Northwest will have approximately 130 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 December 2007

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	(1,346)	(2,710)
(b) development	-	-
(c) production	-	-
(d) administration	(243)	(509)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	(24)	117
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 GST	(36)	(102)
Net Operating Cash Flows	(1,649)	(3,204)
Cash flows related to investing activities		
1.8 Payment for purchase of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(18)	(18)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	1	1
(c) other fixed assets	27	27
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	10	10
1.13 Total operating and investing cash flows (carried forward)	(1,639)	(3,194)
1.14 Total operating and investing cash flows (brought forward)	(1,639)	(3,194)

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	203	203
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	9
1.17	Repayment of borrowings	(43)	(54)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		160	158
Net increase (decrease) in cash held		(1,479)	(3,036)
1.20	Cash at beginning of quarter/year to date	3,850	5,407
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,371	2,371

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	84
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	1,440
4.2 Development	-
Total	1,440

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	621	1,600
5.2 Deposits at call	1,750	2,250
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: Cash at end of quarter (item 1.22)	2,371	3,850

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	83,114,097	83,114,097		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- 185,166	- 185,166		
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>	49,626,321	49,626,321	<i>Exercise price</i> 20 cents	<i>Expiry date</i> 31 January 2008
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	185,166	185,166		
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 January 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.