

QUARTERLY REPORT

For the period ending 31 December 2008



Exploration and Development Activity

The Company's primary focus remains the advanced Nullagine Gold Project in Western Australia's eastern Pilbara. The encouraging outlook for the price of gold in 2009, together with the quality of the exploration and development work undertaken at the project over the last three years, confirms the Company's belief in the intrinsic value of the project.

The Company's current global JORC resource for the Nullagine Gold Project totals 1.33 Mt grading 8.3 g/t gold for 353,000 oz and 7,300 tonnes of antimony grading 1.02%. The global resource comprises:

- The advanced Blue Spec deposit (323,000t grading 24.3 g/t gold for 253,000 oz and 5,550t of antimony grading 1.72%).
- A series of satellite deposits within development distance of Blue Spec (738,000t grading 3.9g/t gold for 92,000 oz of gold and 1,550t of antimony grading 1.13%).

In addition, it is significant to note that approximately 900,000 oz, at an average grade of approximately 2g/t gold, has been identified elsewhere within the under-explored Nullagine goldfield. Northwest's strong financial position will ensure Northwest has the ability to lead any regional consolidation.

Mining co-venturer discussions

As previously advised, the Company has determined to seek an industry partner to progress the development of the Blue Spec deposit. The Company believes that the involvement of such a partner will minimize development and production risk to the Company whilst enabling it to benefit from development success.

The Company is progressing confidential discussions with parties which were provided with access to its data room and site visits late last year. The Company has subsequently received a number of further expressions of interest in the Nullagine Gold Project and is currently making arrangements for them to access project data.

The directors are encouraged by the level of interest shown in the Company's trophy asset. However, the Company cannot predict if or when any of these expressions of interest may lead to firm proposal being put to the Company. Furthermore, there can be no assurance that any of these discussions will result in a proposal acceptable to Northwest.

Exploration and development work next quarter

Exploration

The Company is currently planning its exploration programme for the first half of 2009 which will initially focus on a number of prospective targets identified by Northwest's innovative airborne HYMAP survey carried out over the entire Mosquito Creek basin which hosts the Nullagine goldfield.

From a rigorous study of existing gold resources, involving the spectral analysis of thousands of drill samples, Northwest has been able to determine a definitive alteration foot printing model for the goldfield.

Using the same response signal recognised around the existing resources, Northwest believes it is able to utilise the HYMAP dataset to remotely detect gold bearing alteration systems within the goldfield. The application of spectral alteration mapping (HYMAP) is unique to the Nullagine goldfield and gives Northwest a competitive exploration advantage.

Development

In connection with the Companies scoping studies into development of the Nullagine Gold Project, the Company has received proposals for metallurgical test work on the auro-stibnite ore from the high-grade Blue Spec deposit. It is anticipated that the company will advance this work during the quarter.

Corporate Activity

New mineral opportunities

The continuing decline in the outlook for the world economy, in particular for natural resources, continues to offer significant project opportunities to well resourced mining and exploration companies.

The Company is seeking to take advantage of the current market conditions by actively evaluating a number of potentially attractive new opportunities and projects both in Australia and overseas to add value for shareholders.

Cash

As at 31 December 2008, the Company has cash at hand of \$6.9 million and no debt. Northwest's management has taken prudent steps to reduce the Company's cash costs and continues to closely monitor all expenditure.

ASX Listing Rules Appendix 5B

Mining exploration entity quarterly cash flow report

Name of entity

Northwest Resources Limited

ABN

95 107 337 379

Quarter ended ("current quarter")

31 December 2008

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	(17)	33
1.2	Payments for:		
	(a) exploration and evaluation	(319)	(569)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(229)	(689)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	159
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	GST	(2)	42
Net Operating Cash Flows		(567)	(1,024)
Cash flows related to investing activities			
1.8	Payment for purchase of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(4)	(4)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	19
1.10	Loans to other entities	-	(347)
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	(10)
Net investing cash flows		(4)	(342)
1.13	Total operating and investing cash flows (carried forward)	(571)	(1,366)
1.14	Total operating and investing cash flows (brought forward)	(571)	(1,366)

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(4)	(9)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		(575)	(1,375)
Net increase (decrease) in cash held			
1.20	Cash at beginning of quarter/year to date	7,490	8,290
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	6,915	6,915

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	66
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 and Non-Executive director's fees

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	175
4.2 Development	75
Total	250

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	(285)	290
5.2 Deposits at call	7,200	7,200
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: Cash at end of quarter (item 1.22)	6,915	7,490

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	130,895,418	130,895,418		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- (1,875,000)	- (1,875,000)		
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>	-	-	<i>Exercise price</i> -	<i>Expiry date</i> -
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-		
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: 30 January 2009



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.