

QUARTERLY REPORT

For the period ending 30 September 2008



Exploration and Development Activity

This quarter has seen a significant and continuing deterioration in world stock prices and steep falls in commodity prices. It is the Company's view that these times offer both difficulties and opportunities for mining and exploration companies.

Northwest's management has taken prudent steps to reduce the Company's cash costs whilst focusing on executing the development strategy for the Nullagine Gold Project in the near term and also devoting efforts to the evaluation of opportunities to leverage off the Company's advanced project and relatively strong financial position.

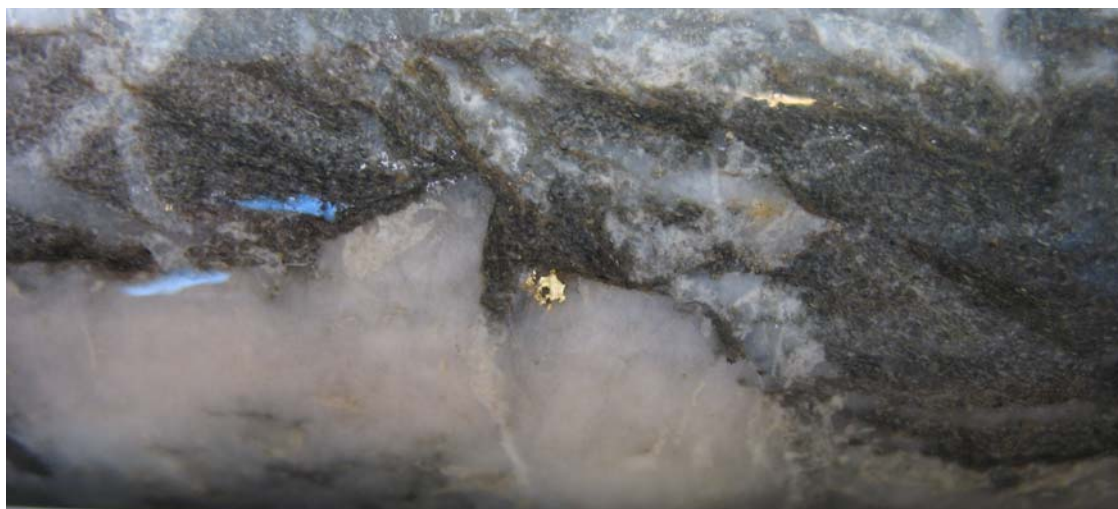
Nullagine Gold Project Development Strategy

Following initial scoping studies on the advanced Blue Spec deposit mid year, Northwest has refined its development strategy for the Nullagine Gold Project and commenced implementing key stages of the strategy.

The key elements of the development strategy are:

- 1. Seeking a mining co-venturer with relevant experience and available project resources to undertake project development.**

During the quarter, the Company held discussions with a number of parties which have expressed an interest in participating in the project's development. The Company has established a data room and conducted presentations to, and site visits with, a number of parties. Whilst the Company is positive about the progress of these discussions, there can be no assurance that any of these discussions will result in an agreement acceptable to Northwest.



Visible gold in Blue Spec core

2. **Investigating an initial development of the Upper Zone of the Blue Spec deposit (the 120m zone immediately below the existing underground) targeting high-grade production of around 30,000 oz per annum over three years.**

Northwest is working closely with its mining consultant on strategies to optimize an initial development of the Upper Zone of the Blue Spec deposit.

3. **In conjunction with developing the Upper Zone, evaluating several opportunities to expand project production by:**

- further drill testing the Lower Zone of the Blue Spec deposit (current JORC resource of 234,000t grading 17.5 g/t gold for 132,000 oz from 440-850m vertical) from underground positions;
- accessing the Remnant Zone of the deposit (target mineralisation (non-JORC) of 85–100,000t grading 14-18 g/t gold for 45-50,000 oz from surface to 180m vertical); and
- developing existing open-cut satellite resources as important secondary mill-feed sources (current JORC resources of 56,000 oz of gold and 1,000t of antimony).

The Company has commenced an evaluation and strategic review of all other gold resources and targets within 30km of the Blue Spec deposit as potential supplementary feed sources. Apart from Northwest's established resources, approximately 900,000 oz at an average grade of approximately 2g/t gold has been identified elsewhere within the Nullagine goldfield.

4. **Evaluating a proposal to increase Blue Spec development revenue by employing conventional electrowinning of antimony concentrates produced from processing the auro-stibnite ore to produce a higher value antimony metal together with increased gold recoveries.**

In contrast to the price falls seen across most metals during the quarter, the price of antimony has remained solidly above US\$6,000 per tonne this year reflecting the strong fundamentals of the antimony price.



The poly-metallic nature of the Blue Spec orebody, hosting both high-grade gold and antimony, presents a significant project advantage to Northwest.

With the price of antimony metal currently at a 20 year high of around US\$6,450 per tonne and expected to remain robust over the medium term, successful development of the Blue Spec deposit presents the opportunity to achieve significant relative cost advantages arising from by-product credits for antimony.

Antimony ingots

An Australian group specialising in hydro-metallurgical mineral processing has developed a unique process, called the Quelar Process, for gold-antimony ores and has provided an indicative proposal under which the Company would construct a small scale off-site dedicated electro-winning (EW) plant to process Blue Spec shear style ore.

The proposal indicates that:

- A electro-winning plant could be established for a relatively low capital outlay (not taking into account any potential government research and development assistance).
- The Quelar Process produces a high-quality metal product (99.9% Sb) and achieves greater overall recoveries of gold.
- The production of high quality antimony metal provides the option to produce antimony trioxide which attracts a premium over metal prices (around US\$1,000 per tonne).
- Co-production of sodium sulphate (Na₂S) from the hydrometallurgical process will potentially fully offset refining costs (currently all Na₂S which is used in the leather tanning industry in Australia is imported).
- The Quelar Process is environmentally sound as a net water consumer producing an inert residue for tailings.
- Onsite processing would comprise basic gravity gold separation to produce a “dirty concentrate” for processing through the off-site electro-winning plant resulting in both lower plant re-furbishment costs and lower on-site processing costs.

Next quarter, Northwest will commence processing representative samples of Blue Spec ore using the Quelar Process to continue metallurgical investigations.

Corporate Activity

During the quarter, the Company announced a proposal to selectively buy back 1,875,000 shares currently held by the Company's former Executive Chairman, Mr. Murray Black.

In February 2008, with shareholder approval, Mr. Black was granted a limited recourse loan to acquire through the exercise of the options, 1,875,000 shares.

Mr. Black ceased employment with Northwest in August 2008. As a consequence, the loan attaching to the 1,875,000 shares became due and payable in accordance with the terms of the loan. The limited recourse nature of the loan means, in effect, that Mr Black's liability is limited to the proceeds from the sale of the 1,875,000 shares.

The board believes that it would not be in the interests of shareholders for the buy back shares to be disposed of on market to satisfy Mr. Black's obligations under the loan. Accordingly, the Company and Mr. Black have agreed to a selective buy back of the shares for no cash or other payment.

The selective buy back agreement is conditional upon a special resolution being approved at the forthcoming Annual General Meeting, authorising Northwest to purchase the buy back shares in accordance with the terms of the selective buy back agreement and the Corporations Act.

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")

30 September 2008

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	50	50
1.2 Payments for:		
(a) exploration and evaluation	(250)	(250)
(b) development	-	-
(c) production	-	-
(d) administration	(460)	(460)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	159	159
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 GST	44	44
Net Operating Cash Flows	(457)	(457)
Cash flows related to investing activities		
1.8 Payment for purchase of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	19	19
1.10 Loans to other entities	(347)	(347)
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	(10)	(10)
Net investing cash flows	(338)	(338)
1.13 Total operating and investing cash flows (carried forward)	(795)	(795)
1.14 Total operating and investing cash flows (brought forward)	(795)	(795)

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	-	9
1.17	Repayment of borrowings	(5)	(5)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		(800)	(800)
Net increase (decrease) in cash held			
1.20	Cash at beginning of quarter/year to date	8,290	8,290
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	7490	7490

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	276
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 - 91 Payment (salary and superannuation) in lieu of notice to former Executive Chairman - 185
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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	250
4.2 Development	-
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	290	540
5.2 Deposits at call	7,200	7,750
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: Cash at end of quarter (item 1.22)	7,490	8,290

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	132,770,418	132,770,418		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-		
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: 31 October 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.