



Northwest Resources Limited

ACN 107 337 379

QUARTERLY REPORT

Quarter ending 31 December 2006

Highlights

- Announcement of Northwest's maiden JORC resource of over 250,000 ounces of gold at an average grade of 9.1g/t and approximately 5,000 tonnes of antimony from Nullagine gold projects.
- Highlight of the resource is the Blue Spec gold deposit resource of 155,000 oz gold grading 46.3g/t and 3,400t of antimony.
- Drilling has identified a significant new shoot position at Blue Spec East less than 400m east of the Blue Spec deposit.
- Approximately 15,000m of RC and diamond drilling completed at the first new targets generated by Northwest's predictive targeting model over the Blue Spec Shear.
- A rights issue to raise \$5.5 million was fully subscribed and an additional placement of \$3.4 million was completed putting Northwest in a very strong financial position for 2007
- Delta Securities and DJ Carmichael Stockbrokers commenced research coverage of Northwest.

Exploration & Development Activities

Maiden JORC resource

During the quarter, Northwest reported its maiden JORC resource from the company's two gold projects, the Blue Spec Shear project and Camel Creek project, both located in the Nullagine goldfield in WA. The projects are located less than 2 hours drive from the Pilbara hub of Newman.

The diluted resource totals over 250,000 oz gold at an average grade of 9.1g/t and approximately 5,000 tonnes of antimony (Sb) and are divided between high grade underground resources and moderate grade open pit resources.

The high grade underground resources comprise the Blue Spec and Golden Spec deposits within the Blue Spec Shear project. These high grade deposits contain approximately 190,000 oz gold at an average undiluted grade exceeding 43 g/t Au and account for over 75% of Northwest's total resource.

The moderate grade open pit resources comprise the Green Spec deposit within the Blue Spec Shear project and the Junction, Round Hill, Little Wonder and Roscoe's Reward deposits within the Camel Creek project. These deposits contain approximately 55,000 oz gold at an average grade of 2.5 g/t Au.

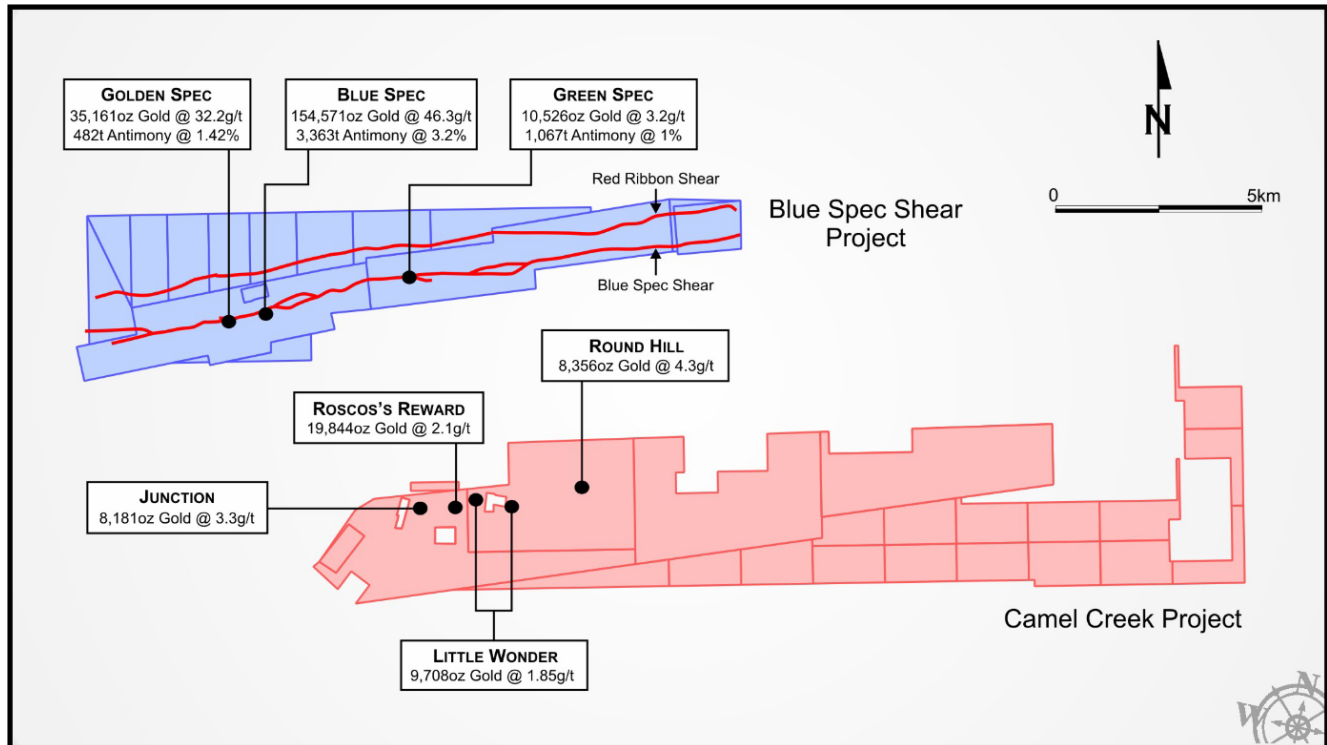


Fig 1. Resource locations within Northwest's projects

In the past two years Northwest has completed over 50,000m of RC and diamond drilling, collected over 9,000 surface samples and recorded 20,000 mapping points. As a result of accumulating this data Northwest now has an unparalleled understanding of the geology of the Nullagine region which has enabled our exploration team to generate numerous high grade gold targets on the Blue Spec Shear and the new Red Ribbon Shear and recognise for the first time the Blue Spec Shear project's potential to host over 1m ounces in high grade gold deposits.

Blue Spec resource

The highlight of Northwest's JORC resource is the Blue Spec deposit where the undiluted inferred resource totals 155,000 oz gold grading 46.3g/t confirming Blue Spec as one of the highest-grade gold deposits in Australia and the potential of the Blue Spec Shear to host some of the highest grade gold deposits in Australia.

The diluted Blue Spec resource, based on a 2m minimum mining width (the mining width achieved by Anglo American during previous production) is 151,698 tonnes grading 31.20 g/t Au and 2.2% Sb for 155,736 oz Au and 3,388 tonnes Sb (166,642 oz Au Eqv).

Gold ounces per vertical metre exceed 1,000 and gold equivalent ounces per vertical metre exceed 1,100.

The deposit displays a sharp cut-off grade between ore and waste, mostly defined by material grading in excess of 20g/t. This feature in parallel with a diluted grade of 31.2g/t will underpin a very high conversion rate of resources to reserve.

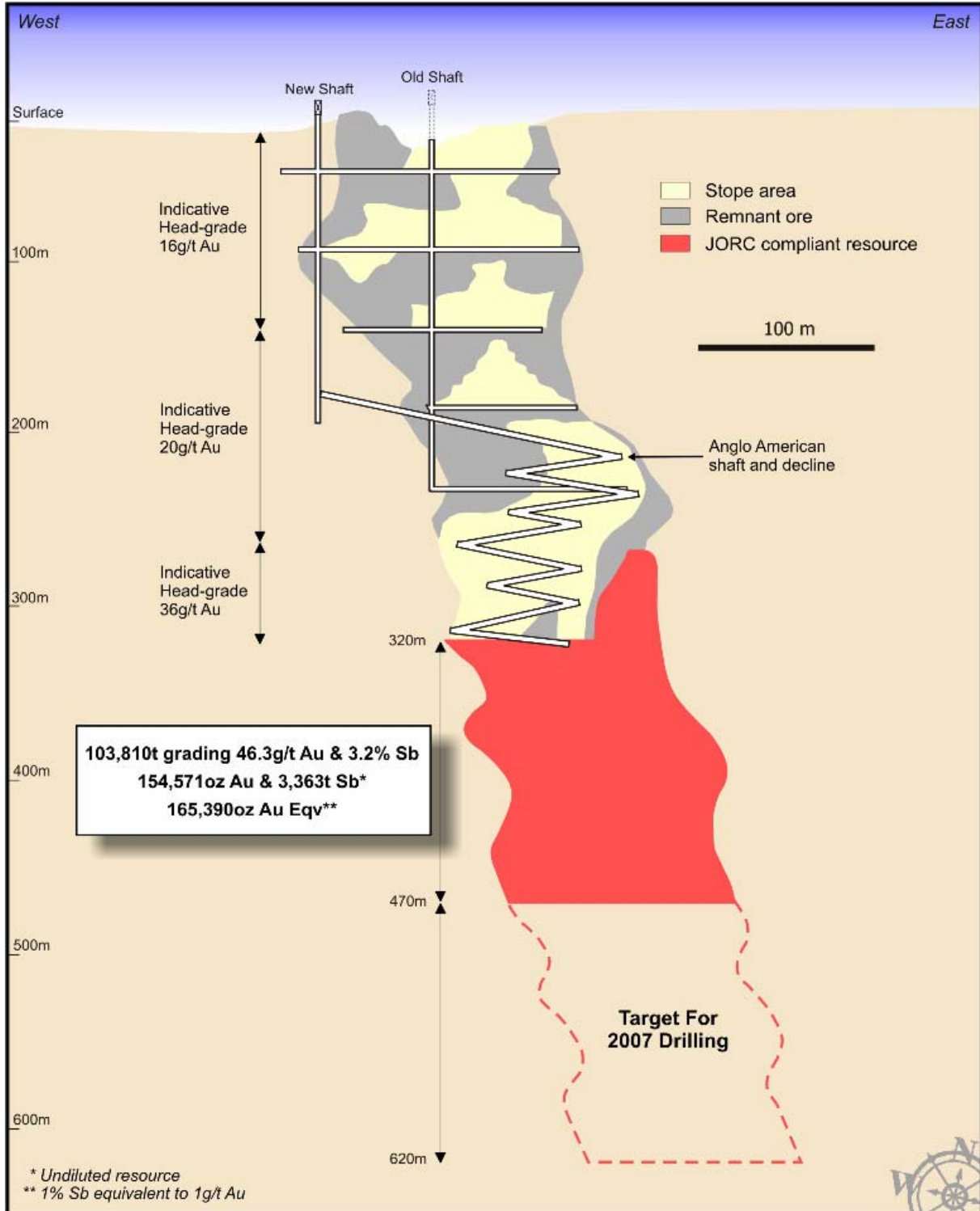


Fig 2. Blue Spec long section showing current resource envelope and target zone for 2007 extensional drilling

Three diamond holes were directed at the eastern zone of the ore body between the 320m to 470m levels at Blue Spec in November/December as part of a programme to infill the Blue Spec resource and test for eastern extensions to the established resource envelope. The results demonstrate strong grade, depth and width continuity while also confirming significant high-grade strike extensions to the eastern zone of the ore body.

The upper levels of the Blue Spec deposit contained a central “link zone” containing significantly greater widths of up to 8m which was successfully mined by Anglo American. Drilling in 2007 will target the depth extension of this “link zone”, which if successful, will substantially increase the size of the currently defined resource.

Drilling has only tested the immediate 150m extension below lowest workings. Given the outstanding continuity of the mineralisation at Blue Spec, Northwest is confident that continuing extensional drilling to test the deposit at depth will deliver further significant increases to the current resource.

Northwest will target the 470m to 620m zone in early 2007 with diamond drilling and is confident of delineating a total resource well in excess of 300,000 oz Au at Blue Spec.

Antimony (Sb) credits within the defined resource have a current market value exceeding US\$6 million based on an antimony concentrate value of around US\$1,800 per tonne (the current market price for antimony metal remains well over US\$5,000 per tonne). The presence of antimony does not give rise to any significant metallurgical issues.

Significant underground infrastructure exists at the deposit, including a three compartment shaft and decline constructed by Anglo American.

Northwest has a treatment plant adjacent to the deposit which is currently configured for a throughput of around 40,000 tpa. However, the existing crushing units at the plant have a capacity of around 100,000 tpa. Northwest’s treatment plant which achieved recoveries of 89-91% for gold and 60% for antimony during its’ 19 months of operations between 1989 and 1991. These recoveries are in line with industry averages.



Fig. 3. Northwest's treatment plant

Blue Spec East

During the quarter, RC drilling was directed at the area immediately to the east of the Blue Spec deposit and revealed the presence of a significant new shoot position with ore grade gold mineralization extending over 35m (18m true width). Importantly, this shoot position 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.

Only two holes have tested the shoot position at depth, recording:

- **10m @ 2.1 g/t gold** (from 137m down-hole)
- **25m grading 4.3 g/t gold** (from 149m down-hole) including 11m grading 7.5 g/t gold

Almost no modern exploration has been undertaken within the vicinity of the Blue Spec underground mine. Recently 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.

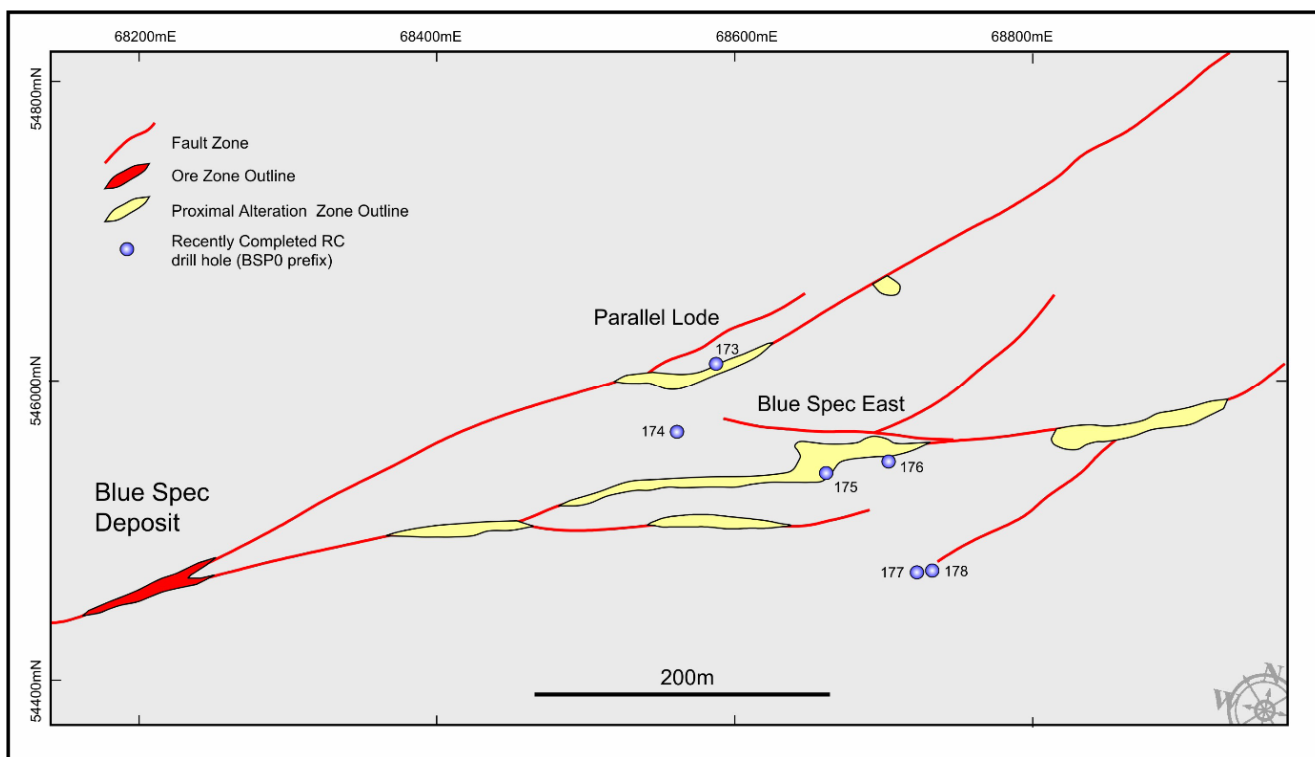


Fig 4 Surface plan of the eastern extent of the Blue Spec gold deposit area

A detailed 3 dimensional key-hole model of the Blue Spec and Blue Spec East area is being constructed to aid in targeting shoot positions along this extent of the Blue Spec shear zone. The model incorporates very detailed surface and down-hole structural, lithological and alteration data sets that once combined will provide a very powerful visualisation and forward targeting tool.

Northwest recognizes the Blue Spec and Blue Spec East (within 400m of one another) zone of the Blue Spec Shear as potentially a much larger high-grade gold systems hosting multiple shoot positions. Using such advanced targeting methods is critical to quantifying and unlocking this larger potential.

Limited drilling of the up-dip position of the Blue Spec East target has confirmed the presence of a near surface low grade gold halo, a feature which Northwest is recognising as an indication of the potential for high grade gold mineralization at depth.

Follow-up drilling planned for early 2007 will target this new shoot, and if successful, has the potential to add significant economic potential to the future development of the Blue Spec underground deposit.

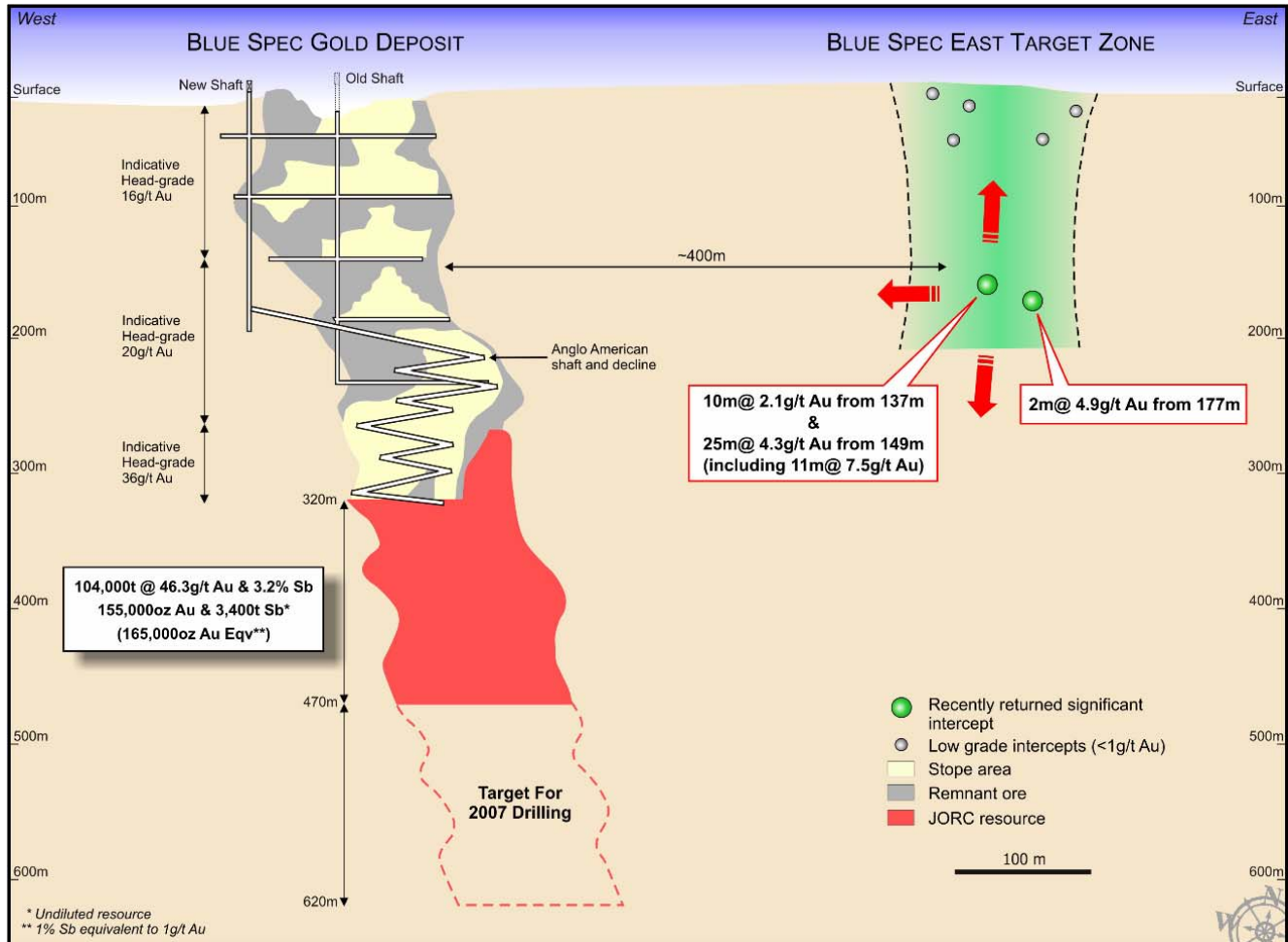


Fig 5. Long section showing location of Blue Spec East target relative to the Blue Spec deposit.

RC drilling programme completed in late 2006

Northwest completed 15,000m of RC drilling from the company's proposed 18,000m RC programme by late December 2006. The RC drilling programme was directed at a series of exciting new gold targets identified along both the Blue Spec Shear and the newly discovered Red Ribbon Shear. The aim of this programme is to confirm Northwest's theory that the Blue Spec Shear and the Red Ribbon Shear host multiple high-grade and near surface gold deposits.

This drilling programme represented the culmination of 18 months of technical assessment and modeling by Northwest's exploration team and will be the first systematic and comprehensive drilling programme ever undertaken within the project area outside the immediate vicinity of the Blue Spec and Golden Spec deposits.

Northwest expects shortly to receive all outstanding assays from the RC drilling programme completed late last year. As a result, final interpretation of the programme will be delayed until a complete picture of the programme emerges. The outcome of his work will be announced to the market in the coming weeks.

Exploration Activities Next Quarter

Exploration and resource development activity will continue at pace during 2007 as Northwest aims to significantly reduce the timeframes required to transition its Nullagine gold projects into production.

Resource definition drilling during 2007 is currently planned to comprise over 6,000m of diamond core and approximately 10,000m of RC drilling. The majority of this drilling will focus on the definition of additional resources at Blue Spec and the recently discovered Blue Spec East zone. Resource drilling will also be directed towards a number of high priority targets identified in late 2006 as they are progressed.

The Blue Spec and Blue Spec East zone (within 400m of one another) of the Blue Spec Shear has the potential to be one of Australia's more significantly endowed high-grade gold systems. Northwest's resource drilling programme aims to rapidly identify and delineate the full potential of this larger Blue Spec deposit setting.

Exploration activity this year will maintain the significant forward momentum generated during 2006 and will focus on numerous high priority targets identified in late 2006. Approximately 15,000m of RC drilling, over 10,000 surface geochemical samples and over 6 months of intensive structural mapping is planned.

Exploration RC drilling will focus on assessing large target settings along the Blue Spec and Red Ribbon Shears. Other newly identified large target settings within Northwest's Camel Creek project will also be assessed for open cut resource potential.

Corporate Activities

Successful rights issue and placement raises \$8.9 million

In November 2006, Northwest announced a non-renounceable rights issue to shareholders to raise approximately \$5.51 million (before expenses). Delta Securities is acting as the Lead Broker to the rights issue.

Under the rights issue, eligible shareholders were offered 1 new share for every 3 shares held at an issue price of \$0.31 per new share. Participating shareholders were also entitled to receive 1 free listed option for every 2 new shares issued under the rights issue. The listed options are exercisable at \$0.20 cents by 31 January 2008.

The issue price for new shares represented an 11% discount to the 9 day volume weighted average share price immediately prior to the announcement of the rights issue. The 9 day volume weighted average price for the company's listed options immediately prior to the announcement of the rights issue was \$0.168.

The rights issue closed with less than a 20% shortfall in applications. Prior to the close of the rights issue, the board agreed to place any shortfall with institutional and sophisticated clients of Delta Securities, Macquarie Equities, Findlay & Co, DJ Carmichael and Austock.

Subsequently, the board agreed to issue an additional 11.16 million shares to clients of the Australian stockbrokers who participated in the shortfall of the rights issue to raise approximately \$3.46 million (before expenses). The issue was undertaken to satisfy the overwhelming demand for shortfall shares from these stockbrokers. The terms of the placement were the same as the terms offered to shareholders under the rights issue.

Under the placement, Northwest issued approximately 7.12 million shares pursuant to the company's 15% placement authority. The issue of the balance of the placement shares and the attaching options is subject to shareholder approval at a general meeting of Northwest which will be held on 9 February 2007.

The funds raised through the rights issue and placement and will enable Northwest to pursue its aggressive exploration and development programmes at the company's Nullagine gold projects.

Research coverage

During the quarter, Delta Securities and DJ Carmichael Stockbrokers commenced coverage of Northwest. Their initial reports can be found on Northwest's website under "Investor Relations".

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.

Appendix 5B

Mining exploration entity quarterly report

Name of entity

Northwest Resources Limited

ABN

99 107 337 379

Quarter ended ("current quarter")

31 December 2006

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	-	-
1.2	Payments for (a) exploration and evaluation	(1,497)	(2,904)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(167)	(367)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	25	38
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	GST	13	(62)
Net Operating Cash Flows		(1,626)	(3,295)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(4)
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		-	(4)
1.13	Total operating and investing cash flows (carried forward)	(1,626)	(3,299)
1.13	Total operating and investing cash flows (brought forward)	(1,626)	(3,299)

	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	7,822	9,472
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	5	7
1.17	Repayment of borrowings	(18)	(35)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	7,809	9,444
	Net increase (decrease) in cash held	6,183	6,145
1.20	Cash at beginning of quarter/year to date	942	980
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	7,145	7,125

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	53
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	999
4.2 Development	-
Total	999

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	7,125	942
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	7,125	942

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	P46/1607-1611	Prospecting licence applications lodged with Department	Nil	100%

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	78,866,128	63,866,128	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	449,730 25,052,297 -	449,730 25,052,297 -	20 cents 31 cents	20 cents 31 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>	46,755,903	34,630,903 - - -	<i>Exercise price</i> 20 cents	<i>Expiry date</i> 31 January 2008
7.8 Issued during quarter	12,526,087	12,526,087	20 cents	31 January 2008
7.9 Exercised during quarter	449,730	-	20 cents	31 January 2008
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 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.