



NORTHWEST RESOURCES LIMITED

ACN 107 337 379

QUARTERLY REPORT

Quarter ending 31 December 2004

HIGHLIGHTS

- Successful IPO which closed 73% oversubscribed raising A\$3 million (before costs)
- Completion of the acquisition of the major controlling interest in a portfolio of tenements located east of Nullagine in the central Pilbara, WA which includes large areas of the two zones known to host significant gold mineralization in the area
- Admission to the official list of the ASX and successful commencement of quotation of shares and options on 6th December, 2004
- Appointment of Exploration Manager
- Extensive heli-based electromagnetic survey completed over entire tenement portfolio. Electromagnetic surveying has proved a very successful exploration tool in the area and Northwest's survey is expected to produce a number of high-quality targets

EXPLORATION AND DEVELOPMENT ACTIVITIES

Although the reporting period is short, the Company is pleased to report that it is moving progressively towards the objectives set out in its Prospectus.

Completion of Project Acquisitions

During the quarter, the Company completed its acquisition of a 65% controlling interest in a significant portfolio of tenements and gold projects located around Nullagine. Details of the Company's projects:

- Camel Creek
- Golden Spec
- Blue Spec
- Blue Spec Shear Eastern Extension

are contained in the Company's Prospectus.

Appointment of Exploration Manager

During the quarter, the Company employed Mr Christian Easterday Msc, BSc (Hons) as its Exploration Manager. Mr Easterday has extensive experience in structural geology, geological and resource modeling, and the design and supervision of exploration and resource drilling programmes. He comes from an exploration background with Placer Dome Asia Pacific and Harmony Gold Australia Limited (formerly Hill 50 Gold NL), and has both international and Australian experience in the assessment and exploration of large gold mineralised systems.

Completion of Heli-Based Electromagnetic Survey

As outlined in the Company's recent Prospectus, the Company commissioned an extensive heli-based electromagnetic (HOISTEM) survey of its tenement portfolio which was undertaken by GPX Airborne. Electromagnetic surveying has proved a very successful exploration tool in the Nullagine area and Northwest's HOISTEM survey is expected to produce a number of high-quality targets.

The survey will provide two high-resolution geophysical datasets (TMI and EM) over the Company's Nullagine projects. This data will be incorporated into the Company's 2D and 3D data environments and will aid in the construction of an integrated structural and geological model for the project areas.

Initial results from the interpretation of the HOISTEM survey will be released shortly and will form the basis of ongoing target evaluation and drilling programmes.

Exploration Work Next Quarter

Forthcoming exploration activity will concentrate on the continuation of digital data acquisition and development of the Company's exploration databases. These multiple level datasets (geophysical, geological, geochemical and drilling) will form the basis for target generation and classification, and when combined with appropriate economic parameters, will be utilised to prioritise high-quality exploration targets within the Company's projects.

The Company is focused on commencing its first drilling campaign as soon as possible following the identification of high-quality exploration targets and to facilitate this has arranged for one drilling rig to be on standby for the Company.

Further information regarding the Company's exploration programme, including drilling timetables, will be released to the market as soon as practicable.

CORPORATE ACTIVITIES

IPO

During the quarter, the Company completed its initial public offering raising of \$3 million (before costs) through the issue of 15,000,000 fully paid ordinary shares and 7,500,000 free January 2008 options. The public offer closed heavily oversubscribed. The Company was admitted to the official list of the ASX during the quarter and trading in its shares and options commenced on 6th December.

Capital and Financial Position

As at 31st December, the Company had:

- 15,000,001 tradable shares and 7,500,000 tradable January 2008 options; and
- cash on hand of \$2.59 million.

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ABOUT NORTHWEST RESOURCES

Northwest Resources is a new Australian mineral exploration company focused on a number of highly prospective gold projects in the Nullagine goldfield in the central Pilbara region of Western Australia.

The board and management of Northwest Resources (ASX: NWR) are committed to generating strong returns on investment for all shareholders by discovering and developing outstanding precious and base metal deposits in Australia.

Projects

Northwest Resources and its neighbour Wedgetail Exploration NL (ASX: WTE), are the largest ground holders around Nullagine in the central Pilbara which together with the western Pilbara is the last significant under-explored region in Western Australia.

The exploration activities of both Northwest Resources and Wedgetail Exploration to date indicate that the central Pilbara is an emerging mineral province which has the potential to become an exciting new gold producing region.

Northwest Resources has acquired the major controlling interest in a portfolio of tenements located east of Nullagine which includes large areas of the two zones known to host significant gold mineralization in the province – the Camel Creek Axis and the Blue Spec Shear.

Wedgetail Exploration has recently announced a global resource of 526,000 oz Au from its exploration activities focused on the Camel Creek Axis and the Blue Spec Shear and Northwest believes that its tenements and projects on these two zones of mineralization have comparable exploration and production potential to those of Wedgetail.

Competitive Advantages

Northwest Resources is exceptionally positioned to achieve its objectives as a result of its competitive advantages, including:

- **Tight capital structure** – Only 15,000,001 tradable shares and 7,500,000 tradable January 2008 options provide excellent leverage to future exploration success.
- **Access to drilling rigs** – Northwest has direct access to up to 3 RC/diamond drilling rigs to fast track exploration.
- **Treatment plant on site** - The proven treatment plant located on the Company's tenements will (after limited refurbishment) provide Northwest with the facility to fast track projects leading to early production and will considerably reduce future cap-ex requirements.
- **Management** - Experience and energy from a small hands on management and technical team with low administrative costs and a record of producing gold in the area.
- **Granted mining leases** - 80% of tenements are granted mining leases (no Native Title issues). All significant prospects are located on granted mining leases.
- **Infrastructure** - Proximity to sealed roads, Pilbara rail lines and deep water port at Port Hedland together with water licences and a borefield.

For more information please contact Northwest Resources' Managing Director, John Merity:

Telephone: +61 2 9327 2990
Facsimile: +61 2 9327 2980
Email: jmerity@nw-resources.com.au

The information in this report, insofar as it relates to resources and exploration activities, has been prepared by Mr Allan Younger. Mr Younger is an independent consulting geologist. Mr Younger has sufficient experience with the relevant style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to be qualified as a Recognised Mining Professional as defined in the ASX Listing Rules. Mr Younger consents to the inclusion of this information in the form and context in which it appears in this report.

Registered & Corporate Office:

Suite 4, 99 Darling Point Road
Darling Point NSW Australia 2027
Telephone: +61 2 9327 2990
Facsimile: +61 2 9327 2980
Email: info@nw-resources.com.au
Web: www.nw-resources.com.au

Kalgoorlie Office:

Cnr Harvey Road & Federal Road
Kalgoorlie WA Australia 6430
Post to: PO Box 574 Kalgoorlie WA 6430
Telephone: +61 8 9021 3033
Facsimile: +61 8 9021 6995
Email: admin@nw-resources.com.au

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

NORTHWEST RESOURCES LIMITED

ABN

99 107 337 379

Quarter ended ("current quarter")

31st December, 2004

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (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	(110)	(110)
(b) development	-	-
(c) production	-	-
(d) administration	(71)	(71)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	12	12
1.5 Interest and other costs of finance paid	-	-
1.6 GST	(14)	(14)
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(183)	(183)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(10)	(10)
(c) other fixed assets	(1)	(1)
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	(11)	(11)
1.13 Total operating and investing cash flows (carried forward)	(194)	(194)
1.13 Total operating and investing cash flows (brought forward)	(194)	(194)

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	2784	2784
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		2784	2784
Net increase (decrease) in cash held		2590	2590
1.20	Cash at beginning of quarter/year to date	-	-
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2590	2590

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	44
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors' 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	320
4.2 Development	-
Total	320

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	
5.2 Deposits at call	2,300	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2590	

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	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

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	30,000,001	15,000,001	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	30,000,000 -	15,000,000 -		
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>	19,625,000	7,500,000	<i>Exercise price</i> A\$0.20	<i>Expiry date</i> 31 st January, 2008
7.8 Issued during quarter	19,625,000	7,500,000		
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.
2. This statement does give a true and fair view of the matters disclosed.

Date: 31st January, 2005



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.