



# Northwest Resources Limited

ACN 107 337 379

## QUARTERLY REPORT

Quarter ending 30 September 2005

### Highlights

- Commencement of a 25,000m reverse circulation drilling programme bringing total metres to be drilled this calendar year to over 35,000m.
- Depth and strike extensions identified at each of the Company's four economic Camel Creek Project Area deposits. These deposits will form the basis of Northwest's initial resource inventory.
- Exciting Green Stripe prospect identified within the Blue Spec Shear Project Area with high-grade gold-antimony mineralisation.
- Doubling of the Company's landholding in the Nullagine goldfield which will provide Northwest with a foundation for future success by ensuring a pipeline of quality gold and antimony exploration opportunities.

### Exploration and Development Activities

Since listing, Northwest has accelerated its exploration programme over its Camel Creek and Blue Spec Shear Projects Areas. This decision was prompted by the success of Northwest's initial 10,000m reverse circulation (RC) drilling campaign in May/June which identified four shallow, economically exploitable gold deposits and also the exciting results of Northwest's major helicopter-borne electromagnetic survey which identified a large-scale geological footprint and first order fault segment flexure, each of which are very significant for locating large ore deposit settings.

Commencing in late July, Northwest embarked on an ambitious 25,000m RC drilling programme. The programme comprises resource definition, extensional and scope drilling over numerous near-surface, high-value, prospects and targets within the Camel Creek and Blue Spec Shear Project Areas.

During the quarter, over 70% of Northwest's expenditure went to in ground exploration.

#### Exploration Approach

Northwest's exploration approach is balanced by an innovative three component approach that differentiates the Company from its peers. These include:

- significant investment in generative activities that aim to dramatically increase the company's probability of exploration success through the collection and analysis of specialised footprint and fingerprint datasets;
- use of next generation 3D targeting software adopted from the oil and gas industry to provide unrivalled targeting capability; and

- focus on staged economic evaluation throughout the exploration and development process to ensure high resource/reserve conversion rates and efficient use of exploration funds.

The Company believes that this approach, in combination with a focus on aggressive drilling and high in-ground expenditure, will reap significant reward by increasing exploration effectiveness and preparing the Company for future successes within the shortest possible timeframes.

### CAMEL CREEK PROJECT AREA

Resource definition and extensional drilling completed in the quarter focused on the central corridor section of Northwest's Camel Creek Project Area which lies less than 6kms from Northwest's CIP treatment plant and mining camp.

#### Round Hill Deposit

Definition and extensional drilling in the current programme has confirmed the high-grade, shoot style mineralisation at Round Hill and also identified new ore grade shear-hosted mineralisation at Round Hill East and West.

Round Hill	Round Hill East & West
<b>14m grading 11.69 g/t gold</b> (from 10m down-hole)	<b>6m grading 9.26 g/t gold</b> (from 41m down-hole)
<b>5m grading 11.28 g/t gold</b> (from 18m down-hole)	<b>4m grading 6.17 g/t gold</b> (from 22m down-hole)
<b>4m grading 6.47 g/t gold</b> (from 8m down-hole)	<b>8m grading 2.90 g/t gold</b> (from 4m down-hole)
<b>5m grading 4.85 g/t gold</b> (from 31m down-hole)	

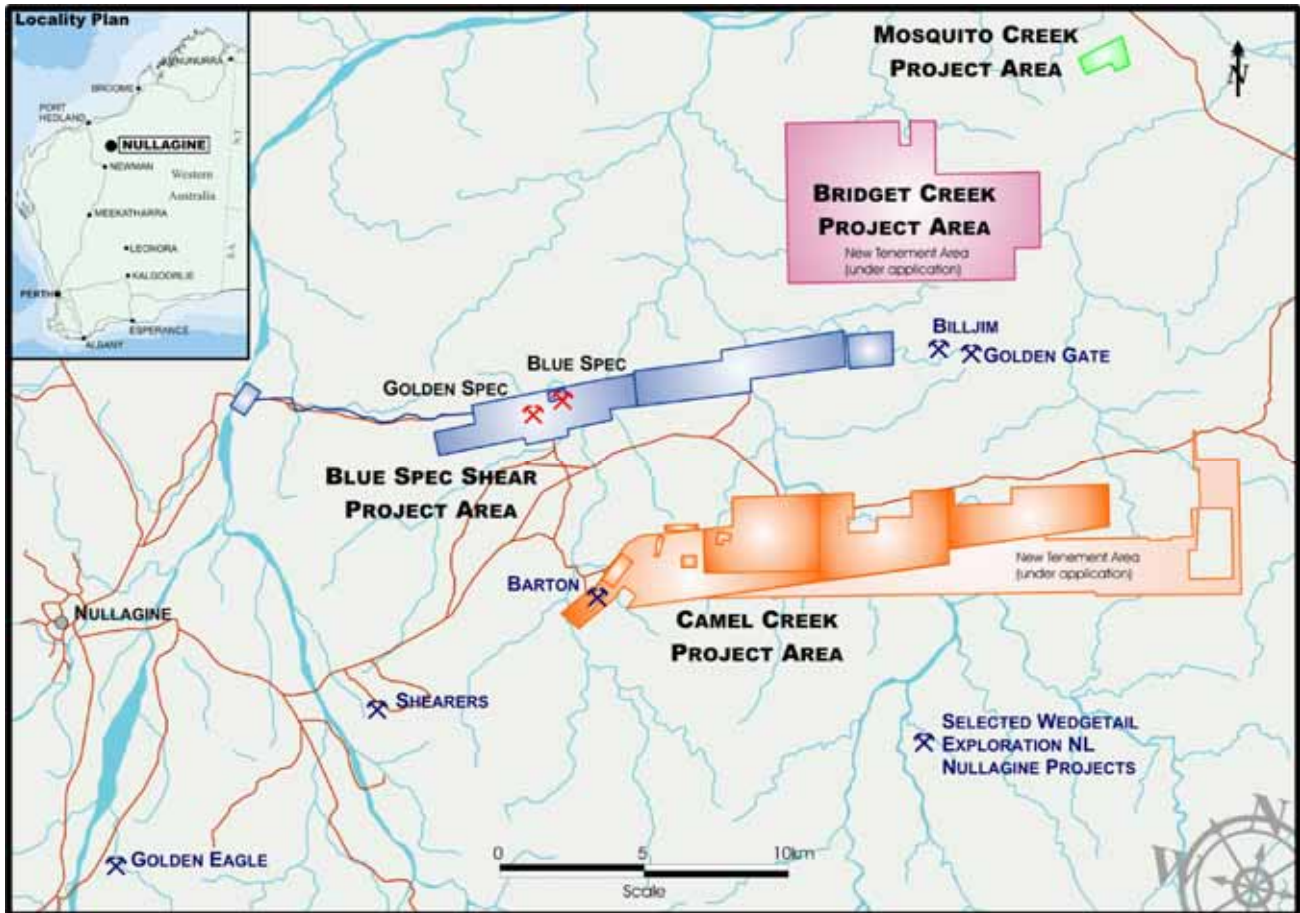
A tight pattern of shallow RC drilling was directed at the main area of mineralisation, which had recorded several shallow significant intersections during the first drilling programme, including: **14m grading 8.92 g/t** (from 10m down-hole) and **6m grading 40.12 g/t** (from 30m down-hole). Drilling has confirmed continuity and further highlighted the shallow nature of the gently NE plunging high-grade shoots.

Extensional drilling at Round Hill has also identified two adjacent areas with strong resource potential at Round Hill East and Round Hill West. Significant intercepts include:

- **6m grading 9.26 g/t gold** (from 41m down-hole)
- **4m grading 6.17 g/t gold** (from 22m down-hole)
- **8m grading 2.90 g/t gold** (from 4m down-hole)

Importantly, these results were recorded along identified NW-trending fault zones, interpreted as potential ore controls where they intersect the main areas of mineralisation at Round Hill.

Follow-up drilling will be directed at this deposit prior to the completion of the current drilling programme.



*Four project areas comprising Northwest's Nullagine Gold Project*

### Little Wonder Deposit

Drilling results during the quarter have confirmed the continuity of shallow ore grade gold mineralisation over good widths and significant strike length at this deposit which will add to Northwest's growing open pit resource inventory.

#### Little Wonder West

**24m grading 1.81 g/t gold**  
(from 7m down-hole)

**16m grading 1.95 g/t gold**  
(from 17m down-hole)

**16m grading 2.36 g/t gold**  
(from 18m down-hole)

**8m grading 2.52 g/t gold**  
(from 27m down-hole)

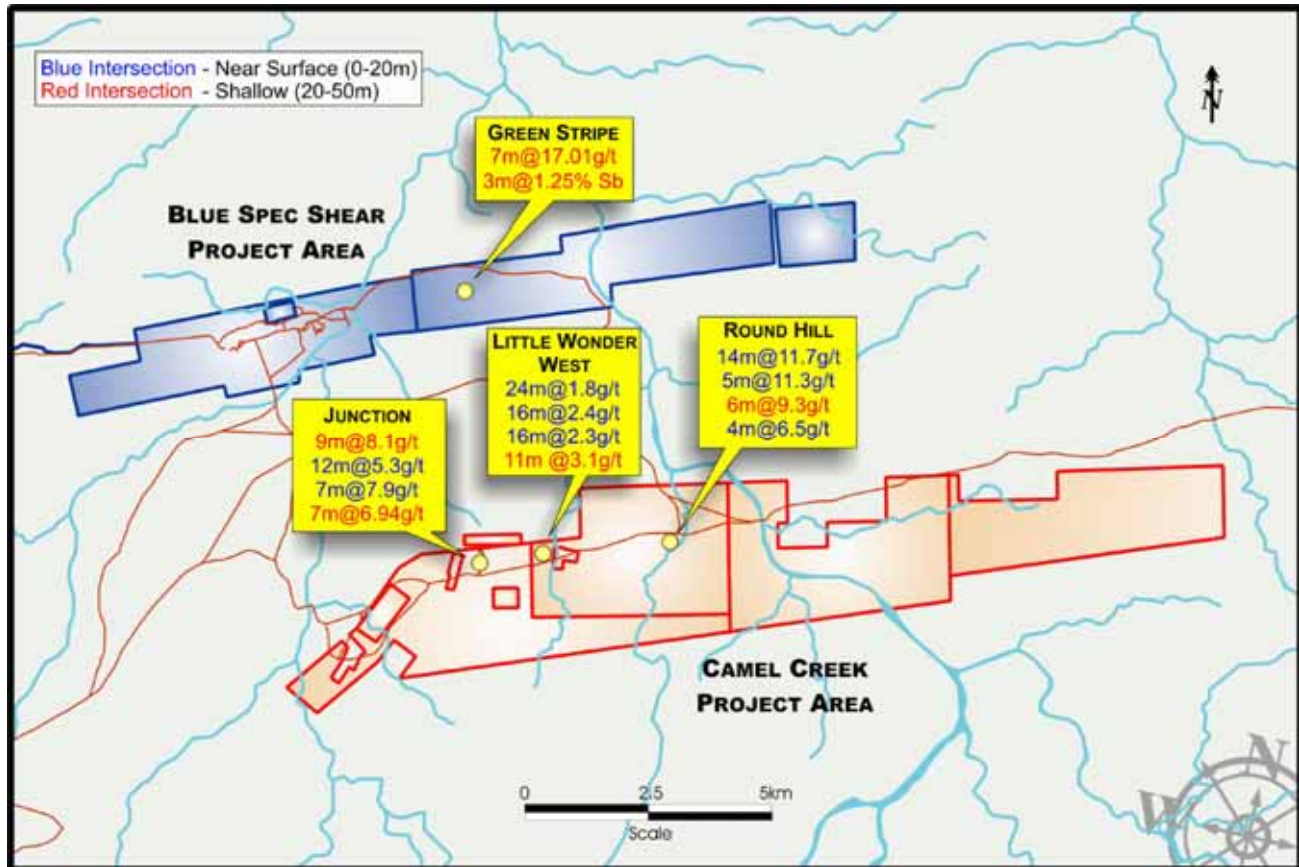
**16m grading 2.30 g/t gold**  
(from 14m down-hole)

**10m grading 2.01 g/t gold**  
(from 36m down-hole)

**11m grading 3.10 g/t gold**  
(from 29m down-hole)

Results from Northwest's first drilling programme in May recorded several significant intersections hosted within two closely spaced lodes including **11m grading 4.28g/t** (from 22m down-hole) and **12m grading 2.58g/t** (from 24m down-hole). The results from current drilling indicate that the two closely-spaced lodes merge with depth.

The shallow depth, grade, widths and strike length of the gold mineralisation at Little Wonder West, together with Northwest's economic evaluation of the May drilling results, confirm Northwest's view that Little Wonder West is proving to be an economically exploitable open pit resource.



*Significant drilling results from current 25,000m RC drilling programme*

### BLUE SPEC SHEAR PROJECT AREA

Northwest has the dominant tenement position on the Blue Spec Shear with tenement coverage of over 16kms along the mineralized shear which hosts Northwest's historic Blue Spec and Golden Spec high-grade gold-antimony underground deposits in the west and Wedgetail Exploration NL's Golden Gate gold deposit in the east.

Outside of the historic Blue Spec/Golden Spec mining area the Blue Spec Shear is effectively untested within Northwest's leases. Production from the Blue Spec mine has consistently averaged over 25 g/t gold and +1.5% antimony. At Golden Spec production ranged between 12 – 20 g/t gold with similar antimony grades.

### Green Stripe Prospect

Northwest has returned an exciting shallow high-grade gold-antimony intersection from its Green Stripe prospect during the quarter. The significance of this result for Northwest lies in the presence of high levels of antimony associated with high-grade gold mineralisation.

The presence of antimony mineralisation at Green Stripe, together with the structural style, architectural position and high gold grade at the prospect suggests striking similarities to the historic high-grade gold-antimony Blue Spec underground deposit less than 4kms to the west.

Green Stripe
<p><b>7m grading 17.01 g/t gold</b></p> <p><b>includes 3m grading 37.23 g/t gold and 1.52% antimony (Sb)</b> (from 23m down-hole)</p> <p><b>4m grading 1.3% antimony (Sb)</b> (from surface)</p>

Follow-up drilling will be directed at this prospect prior to the completion of the current drilling programme.

### Antimony

Northwest's Blue Spec Shear Project Area is recognised as one of the most significant sources of antimony in Australia. At its current market price, antimony is an extremely attractive target. The separation of gold and antimony from Blue Spec style ore does not present any significant metallurgical issues, as demonstrated by the gold recovery rates from the most recent processing of Blue Spec Shear style ore which ranged between 89-91% for gold.

Antimony has a variety of industrial uses including flame retardants, batteries, anti-friction alloys, tracer bullets and is increasingly in demand for use in semi-conductor technology for making infrared detectors and diodes.

The price of antimony (sold on the LME) has increased 150% since 2001 to a 2005 price of over US\$3,600 per tonne. At an antimony price of US\$3,600 per tonne and a gold price of US\$440 per oz, 1% antimony per tonne is the equivalent of 2.5g/t gold.

The price outlook for antimony is very positive. World demand continues to be strong, underpinned by substantial growth in demand for flame retardants (a major consumer of antimony concentrate). Antimony trioxide sales are projected to increase 6.8% annually over the next three years.

In addition, China, the world's largest supplier of antimony has suffered production cutbacks recently and new supplies of antimony are not meeting demand.

Based on recorded historic production from the Blue Spec Shear, it is estimated that at least 1.5% contained antimony metal concentrate is capable of being produced from every tonne of gold bearing ore treated.

This estimate of recoverable antimony is however considered very conservative. During much of the period over which gold has been produced from the Blue Spec Shear, antimony production was not recorded due to its low price. The most recent drilling on the shear, at the Blue Spec and Golden Spec mines, intercepted antimony grades averaging between 5 and 10%.

As a by-product of gold production, Northwest can produce antimony at a minimal cost. Northwest's CIP treatment plant, located within the Blue Spec Shear project Area, was specifically designed to separate and capture antimony from the production process by employing pressure oxidation of the sulphide concentrate during cyanidization. The plant's recovery rate during previous production ranged between 89-91% for gold.

### **ACQUISITION OF NEW PROJECT AREAS**

A core element of Northwest's growth strategy is to substantially increase its landholding in the Nullagine goldfield to provide additional exploration opportunities and project security.

Consistent with this strategy, during the quarter Northwest more than doubled its landholding in the goldfield by successfully applying for 42 prospecting licences in two tenement blocks covering an area of 6,561ha in the eastern part of the Nullagine goldfield which, when granted, will more than double the Company's landholding in a region where no remaining land is available.

The new project areas are named Bridget Creek and Camel Creek South respectively. Generative work will commence over the Bridget Creek Project Area in the next quarter.

### **EXPLORATION ACTIVITIES NEXT QUARTER**

Next quarter, Northwest will complete its current drilling programme and then commence resource modeling and economic evaluation to produce the Company's initial JORC compliant resources inventory.

Northwest continues to use staged economic evaluation of all prospects to maintain a high resource/reserve conversion rate. Throughout the programme, Northwest will have access to two drilling rigs to execute this ambitious programme.

#### **Flex Target**

The south-western section of the Camel Creek Project Area, referred to as the Flex Target, is a first-order fault segment flexure where mineralised fluid corridors are known to be very near. The area is considered to have the potential to host a large ore deposit target.

Northwest has completed an extensive surface soil geochemistry programme over the Flex Target and will complete a detailed structural mapping programme next quarter. Information from these programmes will be used to plan a drilling campaign over the area early next year.

---

## **Corporate Activities**

### **Barton Royalty**

During the quarter, Northwest finalised the terms of a royalty of \$2 per tonne on all ore mined and treated over an area of approximately 102ha contiguous with Wedgetail Exploration NL's Barton project. The royalty reflects an agreement entered into by the previous owners of the relevant Northwest and Wedgetail Exploration tenements.

An optimization study released by Wedgetail Exploration in July 2005 announced that its Barton project contained 50,000 economic ounces from 630,000 resource tonnes. A significant part of Northwest's royalty area lies directly along strike between the two ore bodies, Barton and Barton South, which comprise the Barton project.

Wedgetail Exploration has stated that strong potential exists to expand its Barton project and any extensions of the Barton and Barton South ore bodies, to the south and north respectively, will be subject to the royalty.

The company undertook no other significant corporate activities during the quarter.

### Share Capital

As at 30 September 2005, the Company had:

- 30,025,001 issued shares (of which 15,000,00 are escrowed until December 2006); and
- 19,600,000 January 2008 options (of which 12,125,000 are escrowed until December 2006)

*The information in this report, insofar as it relates to resources and exploration activities, has been prepared by Mr Christian Easterday, MSc, BSc, M.Aus.I.Geoscientists, a qualified geologist and full-time employee of Northwest Resources Limited. Mr Easterday 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 Easterday 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](mailto:info@nw-resources.com.au)  
Web: [www.nw-resources.com.au](http://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](mailto:admin@nw-resources.com.au)

# Appendix 5B

## Mining exploration entity quarterly report

Name of entity

<b>NORTHWEST RESOURCES LIMITED</b>
------------------------------------

ABN

<b>99 107 337 379</b>
-----------------------

Quarter ended ("current quarter")

<b>30 September 2005</b>
--------------------------

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(933)	(933)
(b) development	-	-
(c) production	-	-
(d) administration	(66)	(66)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	18	18
1.5 Interest and other costs of finance paid	-	-
1.6 GST	(63)	(63)
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(1,044)</b>	<b>(1,044)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	(10)
(c) other fixed assets	(34)	(34)
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)	-	-
<b>Net investing cash flows</b>	<b>(34)</b>	<b>(34)</b>
1.13 Total operating and investing cash flows (carried forward)	(1,078)	(1,078)
1.13 Total operating and investing cash flows (brought forward)	(1,078)	(1,078)

<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	35	35
1.17	Repayment of borrowings	(9)	(9)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
<b>Net financing cash flows</b>		<b>26</b>	<b>26</b>
<b>Net increase (decrease) in cash held</b>		<b>(1,052)</b>	<b>(1,052)</b>
1.20	Cash at beginning of quarter/year to date	1,787	1,787
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>735</b>	<b>735</b>

**Payments to directors of the entity and associates of the directors  
Payments to related entities of the entity and associates of the related entities**

		<b>Current quarter \$A'000</b>
1.23	Aggregate amount of payments to the parties included in item 1.2	35
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	275
4.2 Development	-
<b>Total</b>	275

## 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	735	1,787
5.2 Deposits at call	-	2,027
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	735	1,787

## 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	-	-	-

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.2	Interests in mining tenements acquired or increased	<p><b>Camel Creek (South) Project</b>            PLA 46/1529            PLA 46/1530            PLA 46/1542            PLA 46/1543            PLA 46/1544            PLA 46/1545            PLA 46/1546            PLA 46/1547            PLA 46/1548            PLA 46/1549            PLA 46/1550            PLA 46/1551            PLA 46/1552            PLA 46/1553            PLA 46/1554            PLA 46/1555</p> <p><b>Bridget Creek Project</b>            PLA 46/1514            PLA 46/1515            PLA 46/1516            PLA 46/1517            PLA 46/1518            PLA 46/1519            PLA 46/1520            PLA 46/1521            PLA 46/1522            PLA 46/1523            PLA 46/1524            PLA 46/1525            PLA 46/1526            PLA 46/1527            PLA 46/1528            PLA 46/1531            PLA 46/1532            PLA 46/1533            PLA 46/1534            PLA 46/1535</p>	<p>Prospecting licence applications lodged with Department</p>	<p>Nil</p>	<p>100%</p>

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.2	Interests in mining tenements acquired or increased	<b>Bridget Creek Project (cont.)</b>	Nil	100%
	(Continued)			
	PLA 46/1536	Prospecting licence applications lodged with Department		
	PLA 46/1537			
	PLA 46/1538			
	PLA 46/1539			
	PLA 46/1540			
	PLA 46/1541			
	PLA 46/1532			
	PLA 46/1533			
	PLA 46/1534			
	PLA 46/1535			
	PLA 46/1536			
	PLA 46/1537			
	PLA 46/1538			
	PLA 46/1539			
	PLA 46/1540			
	PLA 46/1541			

### 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	-	-		
	<b>Preference securities</b>			
	<i>(description)</i>			
7.2	-	-		
	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	30,025,001	15,025,001	N/A	N/A
	<b>+Ordinary securities</b>			
7.4				
	Changes during quarter			
	(a) Increases through issues			
	-	-	-	-
	(b) Decreases through returns of capital, buy-backs			
	-	-		

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
7.7 <b>Options</b> <i>(description and conversion factor)</i>	19,600,000	7,475,000	<i>Exercise price</i> 20 cents	<i>Expiry date</i> 31 <sup>st</sup> January, 2008
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-		
7.11 <b>Debentures</b> <i>(totals only)</i>	-	-		
7.12 <b>Unsecured notes</b> <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: 28 October 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.