WINDARRA
MINERALS

Annual Report
For the Year Ended September 30, 2009

January 18, 2010

This Management Discussion and Analysis (MD&A) is provided for the purpose of reviewing the fourth quarter of fiscal 2009, as well as the fiscal year, and comparing results to the previous period. The MD&A should be read in conjunction with the Company's audited financial statements and corresponding notes for the fiscal years ending September 30, 2009 and 2008. The financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and all monetary amounts are expressed in Canadian dollars.

COMPANY OVERVIEW AND OVERALL PERFORMANCE

During the 2009 fiscal year, Windarra completed an agreement with Wesdome Gold Mines Ltd. selling Windarra's 22.72% interest in the Magnacon Property in Ontario as well as granting an option to Wesdome to earn-in up to a 60% undivided working interest in the Company's Pukaskwa Claims. Windarra received $750,000 in cash for the Magnacon Property and a 1% net smelter royalty. Windarra is also entitled to have Wesdome mill up to a maximum of 50,000 metric tonnes of ore per year from properties owned by Windarra at a cost equal to the production cost of such milling plus $2.00 per tonne of ore milled. Wesdome paid Windarra an initial cash payment of $25,000 for the Pukaskwa Claims option and agreed to expend an aggregate of $3,000,000 in exploration and development expenses on the claims over a five year period commencing on the execution of the option agreement. Once Wesdome has earned the 60% interest, Wesdome and Windarra will be deemed to have formed a joint venture. Further, Wesdome has withdrawn and cancelled the notice of dispute over the unpaid exploration expenditures referred to below in the discussion of the Magnacon Properties.

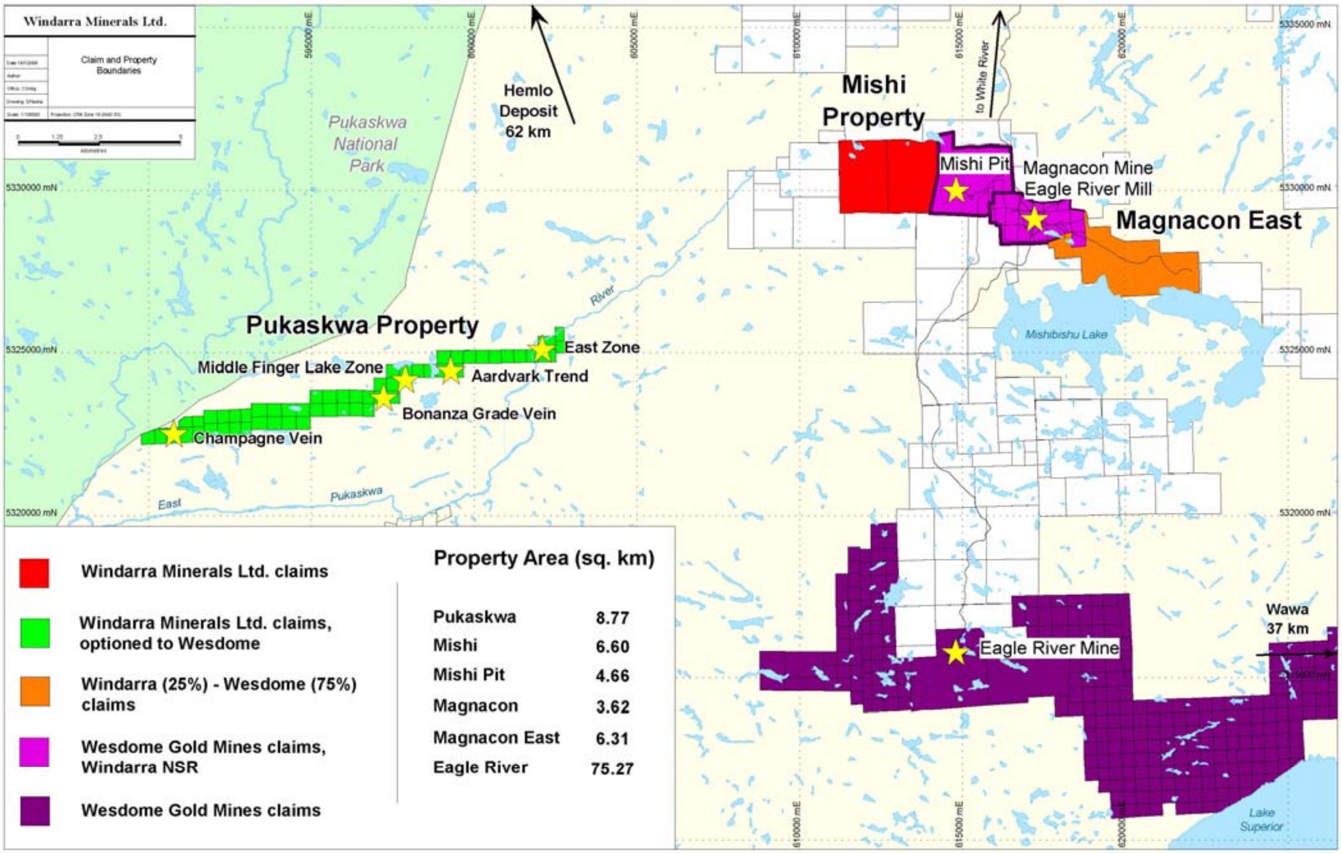
Wesdome commenced drilling on the Pukaskwa property in November 2009.

In February 2008, the Company completed an agreement to acquire a 100% interest in two mining leases (the Mishi Leases) and a royalty in respect to ore mined and milled from a third crown mining lease in the Sault Ste. Marie Division in Ontario near Wesdome Gold Mines' Mishi Pit. The royalty interest provides for payment of $1.00 per tonne for ore from open pit mining and $2.00 per tonne for underground mining in excess of 700,000 tonnes mined.

The Company's loss before other items, discontinued operations and income taxes for the year ended September 30, 2009 was $205,361 (2008 - $296,169). This increase is largely due to a $113,000 charge for stock-based compensation in the 2008 fiscal year with no corresponding cost in the current fiscal year.

RESULTS OF OPERATIONS

During the year ended September 30, 2009, the Company incurred $9,150 in expenditures on its Mishi property and $8,338 (2008 – $7,513) in expenditures on its Pukaskwa claims.



Pukaskwa Claims, Ontario

The Pukaskwa property is located 50 kilometres west of Wawa, Ontario, less than 20 km northwest of Wesdome Gold Mines Ltd.'s ("Wesdome") Eagle River Mine, which has produced over 700,000 ounces of gold since 1995. The property also lies less than 20 km west-southwest of three contiguous and highly prospective properties in which Windarra holds an interest. These are, from west to east, Windarra's Mishi leases (100% owned, see below); and the Magnacon East joint venture property (25% Windarra, 75% Wesdome). The Pukaskwa property consists of 55 contiguous unpatented mining claims which follow the east-northeast to west-southwest trending Mishibishu deformation zone for more than 12 kilometres. The deformation zone hosts many vein gold occurrences and showings, including the Mishi and Magnacon deposits, and it transects much of the length of the Mishibishu greenstone belt, an east-west trending belt of greenschist to amphibolite grade Archean volcanic and associated sedimentary rocks that are considered to be the western equivalent of the prolific Abitibi greenstone belt, west of the Kapuskasing structural zone.

Gold was identified within quartz veins that are hosted by Archean age rocks at the Pukaskwa property during exploration in the wake of the discovery of the Hemlo gold deposits in the early 1980's. The mines at Hemlo have produced over 20 million ounces of gold from a single deposit since its discovery; it is located only 80 kilometers to the north of the Pukaskwa property. Following significant exploration efforts in the 1980's and 1990's, when a host of gold occurrences, including the Champagne Vein and West Aardvark occurrence were discovered, little work was undertaken on the Pukaskwa property until the fall of 2004, when a new gold occurrence 0.5 kilometre southwest of the West Aardvark occurrence and 5 kilometres east of the Champagne vein was discovered. The new discovery, now known as the Bonanza-Grade zone, yielded values far in excess of previous discoveries on the property, and the new discovery renewed interest in the property.

Windarra optioned the Pukaskwa property to Wesdome Gold Mines during 2009 and in November 2009 Wesdome announced the commencement of a drilling program on the property. Wesdome can earn a 60% interest in the property by incurring mineral exploration expenditures of $3.0 million prior to June 30, 2014. The current program will consist of a total of 3,000 metres of drilling in about 25 drill holes. Drilling will focus on the Middle Finger Lake zone (MFLZ), to better establish its size potential and continuity, and will provide for preliminary drill testing of the Bonanza zone. Results of the program are expected in early 2010.

Highlights of limited shallow drilling on the MFLZ (a total of 14 holes and 2000 meters) include the following intersections. Complete results, surface plans and drill sections are documented in a Press Release dated October 26, 2007 and available on Windarra's website (www.windarra.com).

Middle Finger Lake Zone Highlights

- 4.16 g Au/tonne over 6.55 metres inc. 8.78 g Au/tonne over 2.80 metres,
- 3.41 g Au/tonne over 9.04 metres inc. 9.37 g Au/tonne over 3.24 metres,
- 1.07 g Au/tonne over 20.50 metres inc. 4.48 g Au/tonne over 2.70 metres,
- 3.14 g Au/tonne over 13.15 metres inc. 7.25 g Au/tonne over 3.90 metres, and
- 1.49 g Au/tonne over 16.10 metres inc. 7.40 g Au/tonne over 2.96 metres

The MFLZ mineralization consists of a broad halo of semi-massive to disseminated sulphides that is cored by local quartz-tourmaline veining. The sulphides include arsenopyrite, pyrrhotite, pyrite, chalcopyrite, sphalerite and galena. The zone is shallowly-dipping and is hosted by metasedimentary rocks of the Mishibishu greenstone belt. Its broad widths and close correlation with extensive soil geochemical and induced polarization (IP) anomalies suggest to Wesdome that this may be a very large mineralized system. The MFLZ was first discovered by prospectors following-up ground magnetometer anomalies, and subsequently exposed by trenching of soil geochemistical highs in an overburden-covered area in 2006.

The Bonanza zone, located about 500 metres southwest of the MFLZ, was also first discovered by prospectors, in this case in 2004, and was also trenched in 2006. It is a narrow sugary-textured quartz vein containing abundant visible gold, and it can be traced for approximately 30 metres along strike before disappearing under overburden. It is up to 1 foot thick in surface exposures and channel sampling of the vein has returned common multi-ounce values (see press release dated July 25, 2006; www.windarra.com). The Bonanza vein has never been drilled and Wesdome is hopeful that it may widen at depth, as was the case with the No. 2 zone at its nearby Eagle River mine.

Mishi Leases

The Company owns a 100% interest in two mining leases, as well as a royalty in respect to ore mined and milled from a third crown mining lease. The leases are located in the Sault Ste. Marie Mining Division of Ontario near Wesdome Gold Mines' Mishi Pit. The royalty interest provides for payment of $1.00/tonne for ore from open pit mining and $2.00/tonne for underground mining in excess of 700,000 tonnes mined and is payable to the Company by Wesdome. A compilation of previous work on the Mishi property is largely complete and plans for future exploration are being formulated.

Magnacon Properties

The Magnacon Properties consist of 19 freehold patented claims and 7 leasehold patented claims at the Magnacon Property plus one leasehold claim (replacing 40 former mining claims) at the contiguous Magnacon East Property. In 2003, the claims were converted to 20-year leases. Windarra owned a 25% interest and Wesdome owned a 75% interest and is the operator of the exploration program. During the year, the Company sold the interest in the Magnacon Claims (See Company Overview and Overall Performance above), retaining a 1% NSR royalty. The Company retains a 25% interest in the Magnacon East Property.

Little Deer Lake Claims, Saskatchewan

During the year ended September 30, 2008, the Company purchased a 20% interest in certain mineral claims in the La Ronge Mining Division, Saskatchewan from Westward as part of the sale of the Westward shares. These claims are carried in the accounts at a nominal value of $1.

The Company is engaged in the acquisition of mineral properties and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable ore deposits. The Company will seek to counter these risks to the extent possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

SELECTED ANNUAL INFORMATION

This discussion should be read in conjunction with the Company's annual audited financial statements dated September 30, 2009.

		Year ended September 30 2009		Year ended September 30 2008		Year ended September 30 2007
Income (loss) from continuing operations before income taxes	$	444,407	$	(227,095)	$	(411,694)
Per share	$	0.01	$	(0.01)	$	(0.02)
Income (loss) for the year	$	444,407	$	857,131	$	(687,167)
Basic and diluted earnings (loss) per share	$	0.01	$	0.03	$	(0.03)
Total Assets	$	1,533,656	$	1,100,905	$	1,173,457
Mineral properties and deferred exploration costs	$	908,752	$	916,265	$	860,750

September 30, 2009 compared to September 30, 2008

The Company's income for the year ended September 30, 2009 is not comparable to the previous fiscal year. During the year ended September 30, 2008, the Company included a loss from Westward operations prior to disposition of $117,179 and a gain on sale of discontinued operations in the amount of $1,178,405. The expenses for the year ended September 30, 2009 were $90,808 lower than the previous year as the Company had no stock-based compensation expense in the current year (2008 – $113,000). Income from other items increased by $580,694 mainly due to a gain on sale of mineral properties in the amount of $703,559.

During the year ended September 30, 2009, the Company's total assets increased by $432,751 as compared to September 30, 2008. Cash increased by $585,654 mainly as a result of the sale of the Magnacon property which had been written down to $1. The Company also sold its investment in the common shares of Westward which had been written down to $C 1 for $88,834. The Company had working capital of $577,502 at September 30, 2009 as compared to a working capital deficiency of $17,933 at September 30, 2008.

September 30, 2008 compared to September 30, 2007

The Company's income for the year ended September 30, 2008 is not comparable to the year ended September 30, 2007 due to the inclusion of the gain on sale of discontinued operations in the amount of $1,178,405. The expenses for the year ended September 30, 2008 are $150,613 higher than the previous year due to increases in management and financial consulting fees of $13,278 and professional fees of $14,868 as a result of the Westward transaction. As well, the Company had stock-based compensation of $113,000 in the year ended September 30, 2008 (2007 – $Nil).

During the year ended September 30, 2008, the Company's total assets have remained relatively stable as compared to September 30, 2007 in spite of the disposal of Westward. There has been a reduction of cash on hand of $169,945 as well as an increase in mineral properties and deferred exploration costs in the amount of $55,515. The Company also has shown a significant increase in its investments as a result of holding 474,215 common shares of Westward with a market value of $142,265. The Company has a working capital deficiency of $17,933 at September 30, 2008 as compared to working capital of $29,679 at September 30, 2007.

SUMMARY OF QUARTERLY RESULTS

QUARTER ENDING	Sept. 30 2009	June 30 2009	Mar. 31 2009	Dec. 31 2008	Sept. 30 2008	June 30 2008	Mar. 31 2008	Dec. 31 2007
Income(loss) from continuing operations before income taxes	$(66,988)	$668,959	$(69,635)	$(87,929)	$(279,264)	$ 248,913	$ (68,616)	$(128,128)
Per share	$ (0.00)	$ 0.02	$ (0.00)	$ (0.00)	$ (0.01)	$ 0.01	$ (0.00)	$ (0.00)
Income (loss) for the quarter	$(66,988)	$668,959	$(69,635)	$(87,829)	$(256,264)	$1,427,318	$(121,200)	$(192,723)
Earnings (loss) per share	$ (0.00)	$ 0.02	$ (0.00)	$ (0.00)	$ (0.02)	$ 0.05	$ (0.00)	$ (0.01)

The Company showed a loss for the fourth quarter 2009 of $66,988 compared to a loss of $256,264 for the fourth quarter 2008. The main difference is the recognition of an unrealized loss on investments in the fourth quarter 2008 in the amount of $202,892 with a corresponding loss of only $2,055 in the fourth quarter 2009. Also, the Company recorded a future income tax recovery of $23,000 in fourth quarter 2008 with no corresponding recovery in fourth quarter 2009.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $577,502 at September 30, 2009 as compared to a working capital deficiency of $17,933 at September 30, 2008. The Company's working capital situation has improved with the sale of mineral properties and investments. Management is of the opinion that the Company has sufficient cash to sustain its current level of activity for the foreseeable future. However, if it decides to undertake new exploration projects, additional funds will have to be raised.

Windarra has no ongoing property commitments.

TRANSACTIONS WITH RELATED PARTIES

The Company entered into the following transactions with related parties during the year ended September 30, 2009:

a) paid or accrued corporate and administration fees of $30,776 to Susan Tessman, Corporate Secretary of the Company;

b) paid or accrued management fees of $58,000 to John Pallot, President of the Company;

c) paid or accrued geological consulting fees included in mineral property and exploration costs of $14,614 to Charles Greig, a director of the Company;

d) sold 474,215 common shares of Westward, a company with a common director – John Pallot, for total proceeds of $88,834, resulting in a gain of $88,833.

Included in accounts payable at September 30, 2009 is $2,145 owing to officers and directors of the Company.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

CHANGE IN ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be October 1, 2011 and will require the restatement for comparative purposes of amounts reported for the year ended September 30, 2011. The impact of these new standards on the Company's financial statements is currently being evaluated by management.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, investments, investment in partnership, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

MANAGEMENT'S REPORT OVER INTERNAL CONTROL OVER FINANCIAL REPORTING

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under Multilateral Instrument ("MI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in MI 52-109.

OUTSTANDING SHARE DATA

As at September 30, 2009 the Company had 30,699,909 common shares outstanding.

At September 30, 2009, the Company had the following stock options outstanding:

Date of Grant	Amount	Exercise Price	Expiry Date	Type
Nov. 2, 2007	950,000	$0.15	Nov. 2, 2010	Director
Nov. 13, 2007	25,000	$0.15	Nov. 13, 2010	Consultant
May 22, 2008	500,000	$0.17	May 22, 2011	Director
TOTAL	**1,475,000**	$0.16		

During the fiscal year, 2,825,000 warrants exercisable at $0.25 expired, leaving no warrants outstanding.

Management has decided not to proceed with the share consolidation and name change approved at the Company's last annual general meeting.

ADDITIONAL INFORMATION

Additional information on Windarra Minerals Ltd. can be found by visiting the Company's website at www.windarra.com and by viewing regulatory filings on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE:

Fourth Quarter Statement of Operations

	Three Months Ended September 30 2009	2008
EXPENSES		
Amortization	$ 119	$ 134
Corporate and administration fees	7,575	7,625
Management and financial consulting fees	21,468	18,762
Office and miscellaneous	3,103	3,313
Professional fees	26,983	37,968
Public relations	2,494	1,310
Regulatory fees and transfer agent fees	1,194	1,180
Rent	6,499	6,249
Loss before other items, discontinued operations and income taxes	(69,435)	(76,541)
OTHER ITEMS		
Interest income	392	169
Reversal of unrealized loss on investments	2,055	(202,892)
	2,447	(202,723)
Loss from continuing operations before income taxes	$ 66,988	$ 279,264

SCHEDULE OF SHARE CAPITAL

As at the date of this Management Discussion & Analysis

Common Shares outstanding	30,699,909
Options outstanding	1,475,000
Fully diluted share capital	32,174,909

DAVIDSON & COMPANY LLP Chartered Accountants A Partnership of Incorporated Professionals

AUDITORS' REPORT

To the Shareholders of
Windarra Minerals Ltd.

We have audited the balance sheets of Windarra Minerals Ltd. as at September 30, 2009 and 2008 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

'DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

January 13, 2010

NEXIA INTERNATIONAL

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WINDARRA MINERALS LTD.
BALANCE SHEETS
AS AT SEPTEMBER 30

	2009	2008
ASSETS		
Current		
Cash	$ 606,534	$ 20,880
Receivables	3,002	4,877
Prepaid expenses	1,800	1,800
	611,336	27,557
Equipment (Note 4)	1,108	1,583
Mineral properties and deferred exploration costs (Note 5)	908,752	916,265
Investment in partnership (Note 6)	100	100
Investments (Note 7)	12,360	155,400
	$ 1,533,656	$ 1,100,905
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 33,834	$ 45,490
Shareholders' Equity		
Capital stock (Note 8)	23,073,226	23,073,226
Contributed surplus (Note 8)	194,423	194,423
Deficit	(21,767,827)	(22,212,234)
	1,499,822	1,055,415
	$ 1,533,656	$ 1,100,905

Nature of operations and going concern (Note 1)
Discontinued operations (Note 3)
Contingency (Note 15)

On behalf of the Board:

"John Pallot" Director *"Gary McDonald"* Director

The accompanying notes are an integral part of these financial statements.

WINDARRA MINERALS LTD.
STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED SEPTEMBER 30

	2009	2008
EXPENSES		
Amortization	$ 475	$ 535
Corporate and administration fees	30,776	26,050
Management and financial fees	69,860	48,099
Office and miscellaneous	10,993	10,642
Professional fees	41,220	52,198
Public relations	10,092	6,212
Regulatory fees and transfer agent fees	18,857	18,932
Rent	23,088	17,473
Stock-based compensation (Note 8)	-	113,000
Travel and related costs	-	3,028
Loss from before other items, discontinued operations and income taxes	(205,361)	(296,169)
OTHER ITEMS		
Interest income	414	2,421
Gain on sale of mineral property (Note 5)	703,559	-
Unrealized gain (loss) on investments	(774)	66,653
Reversal of previously unrealized gain on investments	(142,264)	-
Realized gain on sale of investments (Note 7)	88,833	-
	649,768	69,074
Income (loss) from continuing operations	444,407	(227,095)
Gain on sale of discontinued operations (Note 3)	-	1,178,405
Loss from discontinued operations (Note 3)	-	(117,179)
Income before income taxes	444,407	834,131
INCOME TAXES		
Future income tax recovery (Note 11)	-	23,000
Net income and comprehensive income for the year	444,407	857,131
Deficit, beginning of year	(22,212,234)	(23,069,365)
Deficit, end of year	$ (21,767,827)	$ (22,212,234)
Basic and diluted earnings per common share	$ 0.01	$ 0.03
Weighted average number of common shares outstanding during the year	30,699,909	30,538,160

The accompanying notes are an integral part of these financial statements.

WINDARRA MINERALS LTD.
STATEMENTS OF CASH FLOWS
YEAR ENDED SEPTEMBER 30

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the year from continuing operations	$ 444,407	$ (204,095)
Items not affecting cash:		
Amortization	475	535
Stock-based compensation	-	113,000
Gain on sale of mineral property	(703,559)	-
Unrealized loss (gain) on investments	774	(66,653)
Reversal of previously unrealized gain on investments	142,264	-
Realized gain on sale of investments	(88,833)	-
Future income tax recovery	-	(23,000)
Changes in non-cash working capital items:		
Decrease in receivables	1,875	14,276
Increase in prepaid expenses	-	(600)
Increase (decrease) in accounts payable and accrued liabilities	(11,656)	7,715
Net cash used in operating activities	(214,253)	(158,822)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of discontinued operations, net of cash disposed	-	48,340
Proceeds on sale of mineral properties, net of costs	703,561	-
Purchase of equipment	-	(668)
Mineral properties and deferred exploration costs	(17,488)	(8,616)
Mineral properties and deferred exploration recoveries	25,000	-
Proceeds from sale of investments	88,834	-
Net cash provided by investing activities	799,907	39,056
CASH FLOWS FROM FINANCING ACTIVITY		
Share issue costs	-	(760)
Net cash used in financing activity	-	(760)
Cash used in discontinued operations	-	(54,680)
Change in cash during the year	585,654	(175,206)
Cash, beginning of year	20,880	196,086
Cash, end of year	$ 606,534	$ 20,880

Supplemental disclosure with respect to cash flows (Note 12)

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is incorporated under the laws of British Columbia and its principal business activities include the acquisition and exploration of mineral properties.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production. The Company is considered to be in the exploration stage as it has not yet earned significant revenues.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

These financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

During the year ended September 30, 2008, the Company reduced its investment in Westward Explorations Ltd. ("Westward") from approximately 71% to less than 1% (Note 3). The financial statements for the year ended September 30, 2008 include the operations and cash flows of Westward to March 31, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Key areas where management has made complex or subjective judgements include: carrying value of mineral properties and deferred exploration costs, stock-based compensation and future income taxes.

Financial instruments

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measures in the balance sheet either at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash and investments as held-for-trading. Receivables are classified as loans and receivables. Investment in partnership is classified as held-to-maturity. Accounts payable and accrued liabilities are classified as other liabilities.

Equipment

Equipment, consisting of computer equipment, is recorded at cost less accumulated amortization. Amortization is being provided for using the declining balance method at the rate of 30% per annum.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Mineral properties and deferred exploration costs

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition and exploration of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven and probable reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral exploration interests is based on cash paid, the assigned value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Asset retirement obligations

The Company's asset retirement obligation policy requires recognition of a legal liability for obligations relating to retirement of equipment, and arising from the acquisition, construction, development or normal operation of those assets. Such asset retirement cost must be recognized at fair value in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life.

Investment in partnership

The Company's investment in a partnership is accounted for by the cost basis of accounting.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Capital stock is reduced and future income tax liability increased by the estimated tax benefits transferred to shareholders. Upon renunciation of flow-through expenditures, a portion of the future income tax assets that were not recognized in previous years due to the recording of a valuation allowance are recognized as a recovery of income taxes on the statement of operations.

Stock-based compensation

The Company uses the fair value method of accounting for all stock-based compensation and estimates the fair value using the Black-Scholes option pricing model. Any consideration paid by the option holders to purchase shares is credited to capital stock.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Earnings per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

Earnings per share is calculated using the weighted-average number of common shares outstanding during the year.

Recently Adopted Accounting Policies

Effective October 1, 2008, the Company adopted new accounting policies of the Canadian Institute of Chartered Accountants:

Assessing Going Concern

Section 1400 requires management to assess and disclose an entity's ability to continue as a going concern (Note 1).

Recent Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be October 1, 2011 and will require the restatement for comparative purposes of amounts reported for the year ended September 30, 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Recent Accounting Pronouncements

Business Combinations

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections will be applicable for the Company's interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

3. DISCONTINUED OPERATIONS

On April 3, 2008, the Company filed notice of intention to sell up to 13,474,215 common shares in Westward, a company related by virtue of a common director, by way of a private sale. The sale of 13,000,000 common shares for gross proceeds of $765,000 was completed May 5, 2008. Concurrent with this sale, $567,579 was applied to repay the Company's loan from Westward and $147,000 was applied to purchase mineral properties from Westward, yielding net proceeds of $50,421. The two mineral properties purchased had been previously written down by Westward to $1 each and the difference is considered a transaction cost and has been deducted from the gain on sale of discontinued operations.

As a result of these transactions, financial information for periods subsequent to March 31, 2008 is presented on an unconsolidated basis. The remaining investment in Westward of 474,215 common shares was included in investments and has been disposed of during the current year. The Company continues to be related to Westward by virtue of a common director.

The loss from discontinued operations for the six months ended March 31, 2008 was as follows:

Operating expenses	
Amortization	$ 249
Corporate and administration fees	9,394
Management and financial consulting fees	14,180
Office and miscellaneous	3,853
Professional fees	13,850
Public relations	2,223
Regulatory fees and transfer agent fees	21,729
Rent	7,233
Stock-based compensation	43,750
Travel and related costs	718
Loss from discontinued operations	$ 117,179

3. DISCONTINUED OPERATIONS (cont'd)

Net assets (liabilities) of discontinued operations are summarized as follows:

		March 31 2008
Current assets	$	9,931
Long-term assets		1,746
Current liabilities		(304,904)
Long-term liabilities		(699,806)
Net liabilities	$	(993,033)

As at March 31, 2008, $567,579 was owed by the Company to Westward.

4. EQUIPMENT

	2009						2008					
		Cost		**Accumulated Amortization**		**Net Book Value**		**Cost**		**Accumulated Amortization**		**Net Book Value**
Computer equipment	$	7,388	$	6,280	$	1,108	$	7,388	$	5,805	$	1,583

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

2009	Pukaskwa Claims, Ontario	Mishi Property, Ontario	Other Properties	Total
Balance, beginning of year	$ 868,262	$ 48,000	$ 3	$ 916,265
Additions during the period				
Geology	5,820	8,828	-	14,648
Lease rentals	2,518	322	-	2,840
	8,338	9,150	-	17,488
Option agreement earn-in	(25,000)	-	-	(25,000)
Sale of mineral property interest	-	-	(1)	-
Balance, end of year	$ 851,600	$ 57,150	$ 2	$ 908,752

2008	Pukaskwa Claims, Ontario	Mishi Leases, Ontario	Other Properties	Total
Balance, beginning of year	$ 860,749	$ -	$ 1	$ 860,750
Additions during the year				
Acquisition	-	48,000	2	48,002
Assay costs	1,952	-	-	1,952
Camp costs	304	-	-	304
Geology	3,057	-	-	3,057
Lease rentals	2,200	-	-	2,200
	7,513	48,000	2	55,515
Balance, end of year	$ 868,262	$ 48,000	$ 3	$ 916,265

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd)

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Magnacon Claims, Ontario

During the year ended September 30, 2009, the Company sold its interest in the Magnacon claims in Ontario for proceeds of $750,000 in cash and a 1% net smelter royalty. Upon production, the Company will also be entitled to have the purchaser mill up to a maximum of 50,000 metric tonnes of ore per year from the claims at a cost equal to the production cost of such milling plus $2.00 per tonne of ore milled. Under the terms of the sale agreement, the previous joint venture agreement between the purchaser and the Company no longer applies to the Magnacon Claims and all claims by the purchaser have been released and discharged (Note 15).

During the year ended September 30, 2008, the Company acquired Westward's 11.12% interest in these claims as part of the sale of the Westward shares (Note 3). These claims were carried in the accounts at a nominal value of $1. As a result, prior to the sale above, the Company held a 25% interest in the Magnacon claims.

Magnacon East Block Claims, Ontario

The Company holds a 25% interest in certain claims in the Sault Ste. Marie Mining Division, Ontario. The Company previously wrote-down related mineral property and deferred exploration costs to a nominal value of $1. The Company has not been required to contribute to field geology and surface drilling costs incurred during the years ended September 30, 2009 nor the year ended September 30, 2008.

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd)

Pukaskwa Claims, Ontario

During the year ended September 30, 2009, the Company granted an option to earn-in up to a 60% undivided working interest in its Pukaskwa Claims. In return, the optionee made an initial cash payment of $25,000 and has agreed to expend an aggregate of $3,000,000 in exploration and development expenses on the claims over a five year period ending June 30, 2014. Once the optionee has earned the 60% interest, the optionee and the Company will be deemed to have formed a joint venture.

Little Deer Lake Claims, Saskatchewan

During the year ended September 30, 2008, the Company purchased a 20% interest in certain mineral claims in the La Ronge Mining Division, Saskatchewan from Westward as part of the sale of the Westward shares (Note 3).These claims are carried in the accounts at a nominal value of $1.

Tulks South, Newfoundland

During the year ended September 30, 2002, the Company, pursuant to an assignment agreement, was granted a 2% net smelter returns royalty on the share of production of Messina Minerals Inc. ("Messina") from the Tulks South massive sulphide property in Newfoundland. Messina has the right to buy back the Company's royalty at any time prior to commercial production for $2,000,000.

Mishi Property, Ontario

During the year ended September 30, 2008, the Company acquired a 100% interest in certain mining leases and a royalty interest in the Sault Ste. Marie Division in Ontario. The royalty interest provides for payment of $1.00 per tonne for ore from open pit mining and $2.00 per tonne for underground mining in excess of 700,000 tonnes mined. The Company issued 400,000 common shares valued at $48,000 in consideration for this acquisition.

6. INVESTMENT IN PARTNERSHIP

During the year ended September 30, 2003, the Company, with two other companies, formed a general partnership which acquired an interest in the 1999 Investment Co. Limited Partnership, an Alberta limited partnership.

No cash distributions were received by the Company in the years ended September 30, 2009 and 2008.

7. INVESTMENTS

Investments consist of shares in publicly traded companies valued at the market price as published in the TSX-V daily market summary.

	2009	2008
Fair value	$ 12,360	$ 155,400
Cost	$ 25,105	$ 25,106

Included in investments at September 30, 2009, are 105,042 (2008 - 105,042) common shares of Messina with a market value of $10,504 (2008 - $11,554). During the year ended September 30, 2009, the Company disposed of 474,215 common shares in Westward. At September 30, 2008, these shares were classified as held-for-trading and were included in investments at market value of $142,265.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
		$	$
Authorized			
Unlimited common shares without par value			
Issued			
Balance at September 30, 2007	30,299,909	23,048,986	172,623
Issued for property acquisition	400,000	48,000	-
Share issue costs	-	(760)	-
Fair value of options granted	-	-	156,750
Discontinued operations	-	-	(134,950)
Tax benefits renounced to flow-through subscribers	-	(23,000)	-
Balance at September 30, 2009 and 2008	30,699,909	23,073,226	194,423

During the year ended September 30, 2008, the Company issued 400,000 common shares as part of the Mishi lease acquisition (Note 5) at a value of $48,000.

At September 30, 2009, the Company had no share purchase warrants outstanding. At September 30, 2008, the Company had 2,825,000 share purchase warrants outstanding at an exercise price of $0.25 per share which expired during fiscal 2009.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd)

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

Following is a summary of stock options outstanding at September 30, 2009:

Number of Shares	Exercise Price	Expiry Date
950,000	$ 0.15	November 2, 2010
25,000	$ 0.15	November 13, 2010
500,000	$ 0.17	May 22, 2011
1,475,000		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2007	500,000	$ 0.24
Options granted	1,475,000	$ 0.16
Options expired	(500,000)	$ 0.24
Balance, September 30, 2009 and 2008	1,475,000	$ 0.16
Number of options currently exercisable	1,475,000	$ 0.16

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd)

Stock-based compensation

No stock options were granted during the year ended September 30, 2009. During the year ended September 30, 2008, the Company granted 1,475,000 stock options which vested upon granting. Stock-based compensation expense using the Black-Scholes option pricing model was $113,000 which was recorded as contributed surplus on the balance sheet. The weighted average fair value of the options granted was $0.08.

For the year ended September 30, 2008, the following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

Risk-free interest rate	3.82%
Expected life of options	3 years
Annualized volatility	75%
Dividend rate	0.00%

Westward granted 875,000 stock options during the period ended March 31, 2008 resulting in compensation expensed and contributed surplus of $43,750 which is reflected in the financial statements for September 30, 2008 as part of loss from discontinued operations.

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended September 30, 2009:

a) paid or accrued corporate and administration fees of $30,776 to an officer of the Company (2008 - $33,311, $9,261 of which is included in loss from discontinued operations);

b) paid or accrued management fees of $58,000 to an officer and director of the Company (2008 - $49,975, $10,725 of which is included in loss from discontinued operations);

c) paid or accrued geological consulting fees included in mineral property and exploration costs of $14,614 (2008 - $3,427) to a director of the Company;

d) sold 474,215 (2008 – nil) common shares of Westward for total proceeds of $88,834 (2008 – $nil), resulting in a gain of $88,833 (2008 - $nil);

e) issued nil (2008 - 200,000) common shares at a value of $nil (2008 – $24,000) in consideration for mineral property acquisitions; and

f) paid directors fees in the amount of $nil (2008 - $500).

Included in accounts payable at September 30, 2009 is $2,145 (2008 - $2,731) owing to officers and directors of the Company.

As at September 30, 2009, the Company held 105,042 (2008 - 105,042) shares of Messina, with a market value of $10,504 (2008 - $11,554), and nil (2008 – 474,215) shares of Westward, a former subsidiary which has a common officer and director, with a market value at September 30, 2009 of $nil (2008 - $142,265).

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

10. SEGMENTED INFORMATION

The Company primarily operates in Canada in one industry segment being the acquisition and exploration of mineral properties.

11. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates with the reported income taxes is as follows:

The significant components of the Company's future income tax assets are as follows:

	2009	2008
Income for the year before taxes	$ 444,407	$ 834,131
Expected income tax expense (recovery)	$ 134,000	$ 266,000
Other	(571,000)	(362,000)
Partnership income subject to tax	500,000	10,000
Unrecognized (recognized) benefits of non-capital losses	(63,000)	63,000
Total income tax recovery	$ -	$ (23,000)

	2009	2008
Future income tax assets:		
Non-capital loss carryforwards	$ -	$ 54,000
Capital loss carryforward	518,000	532,000
Financing costs	1,000	3,000
Capital assets	7,000	7,000
Investments	7,000	7,000
Investment in partnership	1,139,000	983,000
Resource expenditures	2,111,000	2,708,000
	3,783,000	4,294,000
Net future income tax assets before valuation allowance	(3,783,000)	(4,294,000)
Net future income tax assets	$ -	$ -

Partnership income accounted for on a cost basis is $Nil (2008 - $Nil) whereas allocated partnership income for income tax purposes is $1,660,711 (2008 - $32,330).

11. INCOME TAXES cont'd

Subject to certain restrictions, the Company also has resource deductions available to reduce taxable income in future years. The Company also has capital losses totalling $4,148,000 which can be carried forward indefinitely.

Future tax benefits which may arise as a result of these capital losses and resource expenditures have been offset by a valuation allowance and have not been recognized in these financial statements.

During the year ended September 30, 2008, the Company renounced exploration expenditures of $72,000 which resulted in a future income tax recovery of $23,000 and a corresponding charge against capital stock.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended September 30, 2009, the Company had no significant non-cash transactions.

During the year ended September 30, 2008, the Company issued 400,000 common shares at a value of $48,000 in consideration for mineral property acquisitions. (Note 5)

The Company did not pay any cash for interest expense or income taxes for the years ended September 30, 2009 and 2008.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables, investments, investment in partnership, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

Fair Values

The fair values of cash, receivables and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments. Investments are adjusted to quoted market value at each reporting period.

(a) *Financial Risk Management*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Fair Values (cont'd)

(b) *Financial Instrument Risk Exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

Credit Risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's receivables consist primarily of sales tax receivables due from federal government agencies.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

15. CONTINGENCY

During the year ended September 30, 2009, the Company sold the Magnacon Claims to the joint venture operator. As a result, the operator has granted the Company release and discharge from all previous claims with respect to the joint venture agreement (Note 5).

CORPORATE DATA

JANUARY 2010

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CAPITALIZATION

Authorized:	Unlimited
Issued:	30,699,909
Options:	1,475,000

LISTINGS

TSX Venture Exchange
Trading Symbol: WRA
Cusip No.: 973151 10 3