WINDARRA MINERALS

Annual Report
For the Fiscal Year ended September 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

January 16, 2012

This Management Discussion and Analysis (MD&A) is provided for the purpose of reviewing the fourth quarter of fiscal 2011, 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, 2011 and 2010. The financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and all monetary amounts are expressed in Canadian dollars.

FORWARD LOOKING STATEMENTS

All statements in this report that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent the Company's intentions, plans, expectations and beliefs and are subject to risks, uncertainties and other factors of which many are beyond its control. These factors could cause actual results to differ materially from such forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.

COMPANY OVERVIEW AND OVERALL PERFORMANCE

Financial

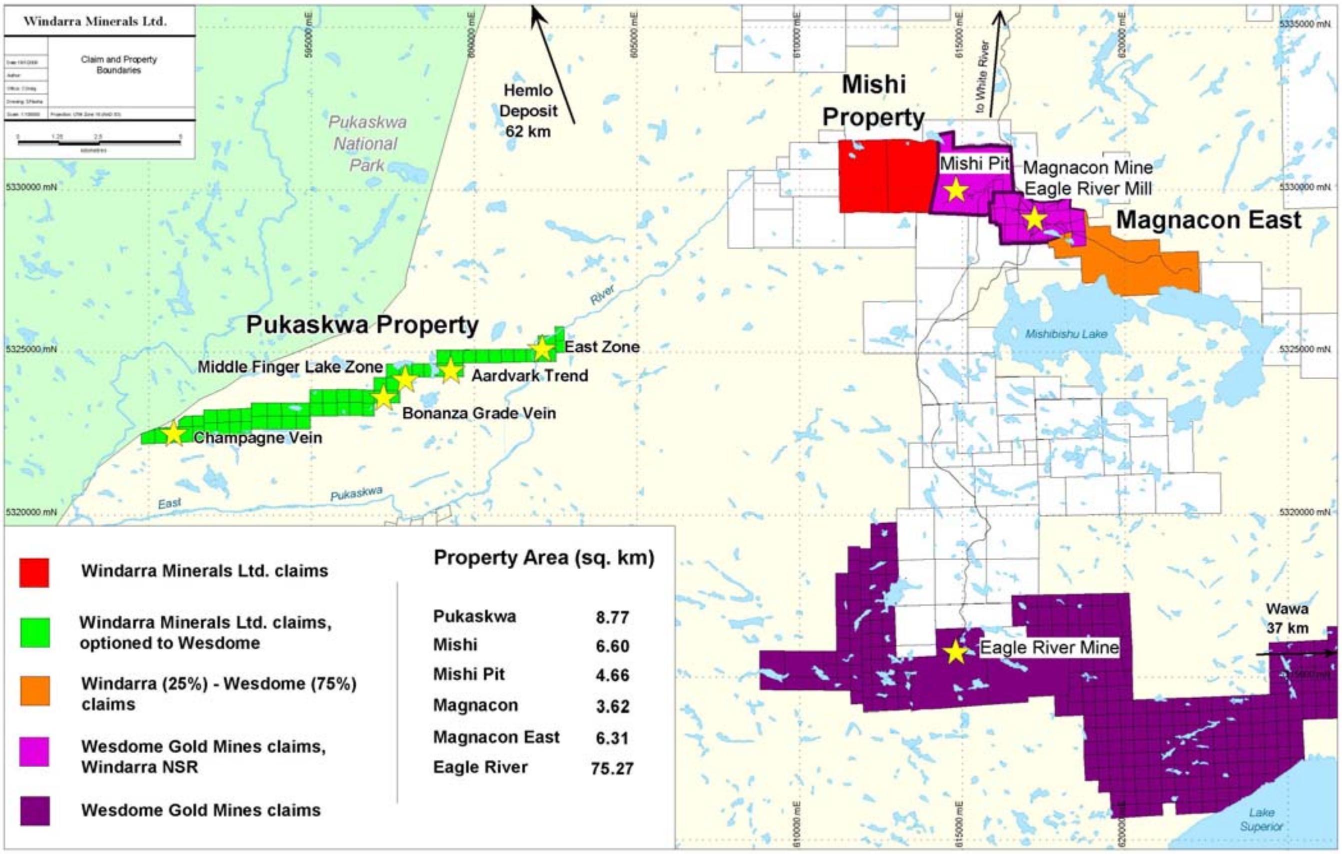
The Company closed a brokered private placement during the fiscal year for total gross proceeds of $908,900, through the issuance of 3,044,500 flow-through shares at a price of $0.20 and 2 million non-flow-through shares at a price of $0.15.

Flow-through funds raised were used for continued exploration on the Company's Mishi gold prospect properties.

The Company's loss before other items for the year ended September 30, 2011 was $491,327 (2010 – $250,795). This increase is mainly due to a charge to stock-based compensation during the current year with no corresponding charge in fiscal 2010.

RESULTS OF OPERATIONS

During the year ended September 30, 2011, the Company incurred $897,747 (2010 – $32,611) in expenditures on its Mishi property.



Mishi Leases and Mishi Open Pit

The Company owns a 100% interest in the two mining leases known as the Mishi Leases, as well as a royalty in respect to ore mined and milled from a third crown mining lease. Like the Pukaskwa property, the leases are located in the Sault Ste. Marie Mining Division, and in this case they are contiguous to the west with the lease on which Wesdome Gold Mines' Mishi Open Pit is located. The royalty interest provides for payment to the Company of $1.00 per tonne for milled ore extracted from open pit mining and $2.00 per tonne for milled ore mined from underground in excess of a cumulative total of 700,000 tonnes milled.

The Mishi deposit, which lies less than one km east of the boundary with the Mishi Leases, and only two kilometres west of Wesdome's Eagle River/Magnacon mill, has produced over 15,000 ounces of gold from over 135,000 tonnes of milled open pit ore at a recovered grade of 3.57 g/t Au. Because Wesdome's Mishi deposit lies only a short distance east of Windarra's Mishi Leases, and because the geology and mineralization bear strong similarities to that of the Mishi deposit, the "deposit model" employed by Windarra in exploring the leases is quite naturally based on the characteristics of Wesdome's Mishi deposit.

Wesdome recently announced a significant upgrade in the estimated resources for the Mishi deposit. This NI43-101 compliant estimate details Measured and Indicated Resources which total 5.7 million tonnes at 2.4 g/t Au, for a total of 438,000 ounces that are contained in eight easterly-plunging ore lenses (at a 1.0 g/t Au cut-off). Ninety percent of the resources are shallow and therefore open-pittable, with planned open pits reaching depths of 110 metres. Additional Inferred Resources total 1.2 million tonnes at 3.6 g/t Au for another 140,000 contained ounces, and according to Wesdome there is good potential to delineate further resources with additional drilling, as the deposit remains open both to depth and along strike.

Like the Mishi deposit, the Mishi Leases lie astride a flexure in the regional "Mishibishu deformation zone," which parallels a contact between mafic volcanic and sedimentary rocks. At the Mishi deposit, mineralization occurs mainly as disseminated pyrite in sericitic alteration zones, sometimes accompanied by smokey quartz veinlets. Mineralization of a similar style on the Mishi Leases has yielded significant results in a number of areas, both in diamond drillholes and in trenches, and would be best characterized geophysically by IP chargeability highs.

A drill program began on the property the second week of February 2011, and the drilling, which totaled 3,112 meters in 25 holes, was completed in April. The drilling intersected bulk tonnage-style gold mineralization similar to that at the Mishi Pit (see News Release dated June 2, 2011 for significant intersections). Two of the more significant intercepts are 32.0 m averaging 1.03 g/t Au, which includes 12.4 m at 2.29 g/t Au (hole M11-13), and 20.1 m averaging 1.03 g/t Au (hole M11-18). These intersections were from widely separate zones, with the former representing a new discovery, and the latter from the KK Zone, which has yielded a considerable number of significant intersections from previous drilling and channel sampling, and has excellent potential for developing a sizeable tonnage of mineralized material.

Drill targets for the 2011 program were located in four areas within the 3 km long Mishi Leases property. The targets were based in part on encouraging results returned from geophysical and soil geochemical surveys completed in late 2010 (see News Release dated Feb. 9, 2011). Other targets were outlined from a compilation of exploration results, largely from the 1980's and 1990's, in which approximately 40 holes were drilled across the property. The earlier programs returned very encouraging results, including drill intercepts and trench channel samples of both narrower high-grade mineralization and broad lower-grade “bulk-mineable”-style mineralized material.

The most encouraging results from the 2011 drilling were from holes M11-18 to 25, which targeted mineralization in the KK Zone on the western part of the property (see Mishi Drill Results Figures 1 and 2 on the Company’s website). The KK Zone had been drilled previously and this year’s drilling was designed to test continuity of mineralization along trend and down-dip. All eight holes intersected multiple zones of gold mineralization, with the most significant intervals being: 1.03 g/t Au over 20.1 m (hole M11-18), 0.77 g/t Au over 12.0 m (hole M11-20), 0.54 g/t Au over 20.9 m (hole M11-22), and 0.61 g/t Au over 20.6 m (hole M11-25). The results of drilling at the KK zone demonstrate that mineralization is continuous across broad widths and they have confirmed the near surface bulk-tonnage potential of the zone, which remains open both down-dip and along strike.

Drilling in the central part of the property yielded significant assays in hole M11-17 (Mishi Drill Plan Figure 1 on the Company’s website), which returned 2.96 g/t Au across 5.8 m from a zone that correlates well with a previous drill intersection averaging 2.49 g/t Au across 10.4 m 50 m to the northeast. Farther east, hole M11-13 was drilled beneath a trench across mineralization, intersecting a zone that averaged 1.03 g/t Au over an impressive 32.0 m and containing a higher grade section that assayed 2.29 g/t Au over 12.4 m. This new zone remains open in both directions along trend as well as down-dip.

Gold mineralization on the Mishi Leases is found in stacked, foliation-parallel, alteration zones of silica and sericite that host centimeter- to decimeter-scale quartz veins with small amounts of pyrite, pyrrhotite and rare arsenopyrite. The predominant host rocks are schistose and locally sheared metasedimentary rocks and mafic to intermediate tuff Rocks are metamorphosed to greenschist facies and are locally cut by post-mineral diabase dykes.

Future Work

The Company is planning further work at the Mishi Leases property. Detailed geological mapping and potential stripping and trenching are being considered in the vicinity of the KK zone, and infill soil geochemical sampling may be undertaken to help trace known mineralized zones and define new targets. Following these efforts, the Company intends to conduct further drilling, to test any new targets and to expand the known zones.

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 two highly prospective properties in which Windarra holds an interest. These are the Mishi leases (100% owned, see below) and the Magnacon East joint venture property (25% Windarra, 75% Wesdome), which lie on either side of Wesdome's Mishi-Magnacon complex. 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 discovery, and Hemlo is located only 80 kilometers north of the Pukaskwa property. Following significant exploration efforts in the 1980's and 1990's, when a host of gold occurrences were discovered, including the Champagne Vein and West Aardvark, little work was undertaken on the Pukaskwa property. In the fall of 2004, however, a new gold occurrence 0.5 kilometres 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.

Subsequent to the discovery of the Bonanza-Grade zone, Windarra's work, including a small drill program in 2007, led to a decision by Wesdome to option the Pukaskwa property in 2009. Wesdome undertook a 26 hole, 4,100 meter drill program on the property in the winter of 2009/2010. The purpose of the drilling was to examine the size potential and continuity of the Middle Finger Lake Zone ("MFLZ") and the Bonanza Showing. A total of 20 holes on 3 sections spaced 50m apart traced the MFLZ down-dip and down-plunge at 25m intervals to a depth of 250m. Although mineralization typical of the zone nearer to surface was intersected, the grades and widths proved sub-economic. Drilling results did not demonstrate reasonable continuity of the strong grades and widths identified by previous shallow drilling above depths of 50m. In addition, a total of 6 holes tested the Bonanza Showing down-dip and down-plunge of the high grade surface showing. The holes followed the projection of zone at 25m centres to a depth of 175m. The narrow quartz vein carrying coarse free gold at surface was not encountered in the drill holes. This year, Wesdome has been compiling historic work on the Champagne Vein, but has not announced any further exploration plans at this time, and no final decision on the Pukaskwa option has yet been taken. Wesdome can earn a 60% interest in the property by incurring mineral exploration expenditures of $3.0 million prior to June 30, 2014.

Magnacon Area, Ontario

Magnacon East Block Claims, Ontario

The Company holds a 25% interest in certain claims in the Magnacon East Property in the Sault Ste. Marie mining division, Ontario.

Magnacon Royalty Interest, Ontario

The Company has a 1% net smelter returns royalty ("NSR") on production from certain mineral claims owned by Wesdome Gold Mines Ltd. ("Wesdome") in the Sault Ste. Marie mining division of Ontario.

Milling Rights - Magnacon

The Company is entitled to have Wesdome mill up to 50,000 tonnes annually of its ore from any source at a cost equal to the production cost of such milling plus $2.00 per tonne of ore milled.

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 its former subsidiary Westward Explorations Ltd. as part of the sale of the Westward shares. These claims are carried in the accounts at a nominal value of $1. Subsequent to the fiscal year end, the Company purchased Cameco Corporation's ("Cameco") 50% interest in the 1,403 ha Little Deer Lake property, for $25,000. This increased Windarra's interest in the property to 70%, while AREVA Resources Canada Inc. and Cameco each retain a 15% interest. The property lies within the southern La Ronge gold belt of northern Saskatchewan, approximately 60 kilometres north of the town of La Ronge, along Highway 102. It also lies next to the past-producing mine, which was owned by Cameco Corporation and Uranerz Exploration and Mining Limited. The mine opened in January 1995 with published reserves of 499,000 ounces of gold, but was closed in 1997 after production of only 190,000 ounces. The Little Deer Lake project saw considerable exploration work by Cameco and Windarra dating back to 1979 and the Company believes that significant untested exploration potential remains. The first step in Windarra's renewed interest will be to compile the available historical exploration data for the property, in order to provide a basis for further evaluation.

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.

Investment in Partnership

In 2003 the Company along with two other parties, formed a general partnership for the purpose of acquiring an interest in an Alberta Limited Partnership. In July 2010, the Company sold its interest in the partnership for proceeds of $249,096.

SELECTED ANNUAL INFORMATION

This discussion should be read in conjunction with the Company's annual audited financial statements dated September 30, 2011.

	Year ended September 30 2011	Year ended September 30 2010	Year ended September 30 2009
	$	$	$
Income (loss) from continuing operations Before income taxes	(488,112)	7,873	444,407
Per share	(0.01)	0.00	0.01
Income for the year	(336,112)	7,873	444,407
Basic and diluted earnings per share	(0.01)	0.00	0.01
Total Assets	2,253,556	1,714,605	1,533,656
Mineral properties and deferred exploration costs	1,839,110	941,363	908,752

September 30, 2011 compared to September 30, 2010

The Company's income for the year ended September 30, 2011 is not comparable to the previous fiscal year. With the exception of stock-based compensation of $242,000, administrative expenses have stayed relatively stable. However, in the year ended September 30, 2011, income from other items totalled $3,215 as compared to $258,668 in fiscal 2010 which included a gain on disposal of investment in partnership of $249,096.

During the year ended September 30, 2011, the Company's total assets increased by $538,951 as compared to September 30, 2010. Cash decreased by $383,299 as a result of exploration expenditures and administrative costs exceeding funds raised. The Company had working capital of $365,304 at September 30, 2011 as compared to working capital of $721,535 at September 30, 2010.

September 30, 2010 compared to September 30, 2009

The Company's income for the year ended September 30, 2010 is not comparable to the previous fiscal year. Administrative expenses have stayed relatively stable, however, other items have included significant items in both years. During the year ended September 30, 2010, other items totalled $258,668 which included a gain on disposal of investment in partnership of $249,096. During the year ended September 30, 2009, other items totalled $649,768 which included a gain on disposal of the Magnacon property of $703,559.

During the year ended September 30, 2010, the Company's total assets increased by $180,949 as compared to September 30, 2009. Cash increased by $145,297 mainly as a result of the sale of the investment in partnership. The Company had working capital of $721,535 at September 30, 2010 as compared to working capital of $577,502 at September 30, 2009.

SUMMARY OF QUARTERLY RESULTS

QUARTER ENDING	Sept. 30 2011 $	June 30 2011 $	Mar. 31 2011 $	Dec. 31 2011 $	Sept. 30 2010 $	June 30 2010 $	Mar.31 2010 $	Dec.31 2009 $
Income (loss) before income taxes	(66,987)	(113,617)	(71,392)	(236,116)	175,876	(49,596)	(73,220)	(45,187)
Per share	(0.00)	(0.00)	(0.00)	(0.01)	0.01	(0.00)	(0.00)	(0.00)
Income (loss) for the quarter	(66,987)	(113,617)	(71,392)	(236,116)	175,876	(49,596)	(73,220)	(45,187)
Basic and diluted earnings (loss) per share	(0.00)	(0.00)	(0.00)	(0.01)	0.01	(0.00)	(0.00)	(0.00)

The Company showed a loss for the fourth quarter ended September 30, 2011 of $66,987 compared to a gain of $175,876 for the fourth quarter of fiscal 2010. The difference is primarily due to the gain on sale of partnership interest in the amount of $249,096 in the fourth quarter 2010 with no corresponding gain in the fourth quarter 2011. Administrative expenses were down in the fourth quarter of fiscal 2011 due to reduced rent expenses and a reduction in legal expenses as the Company did not undertake any mineral property acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $365,304 at September 30, 2011 as compared to working capital of $721,535 at September 30, 2010. The Company has continued to maintain a positive working capital position as a result of the completion of a private placement in December 2010. 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.

OFF BALANCE SHEET ARRANGEMENTS

The Company is not party to any off balance sheet arrangements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in the financial statements and this MD&A is the responsibility of management. In the preparation of these statements estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

TRANSACTIONS WITH RELATED PARTIES

The Company entered into the following transactions with related parties during the year ended September 30, 2011:

a) paid or accrued corporate and administration fees of $32,525 to Susan Tessman, Corporate Secretary of the Company (2010 - $32,250);

b) paid or accrued management fees of $69,050 to John Pallot, President and director of the Company (2010 - $69,000);

c) paid or accrued geological consulting fees of $152,778 (2010 - $12,525) to Charles Greig, a director of the Company, $144,429 (2010 - $5,581) of which is included in mineral property and exploration costs;

d) paid directors' fees in the amount of $4,500 (2010 - $nil).

Included in accounts payable at September 30, 2011 is $749 (2010 - $9,999) 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 February 2008, the Canadian Accounting Standards Board ("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 may require the restatement for comparative purposes of amounts reported for the year ended September 30, 2011. In order to assess the impact of the transition to IFRS on the Company's financial statements, the Company has the following plan:

Training - The CFO and the Company's financial consultant have attended several IFRS seminars given by the Institute of Chartered Accountants of B.C. and the Company's auditors. The objective of the training was to become aware of the timing of IFRS, comparing Canadian GAAP to IFRS and IFRS as it applies specifically to the mining industry.

Accounting policies – A review of the IFRS conversion process has been performed which highlighted key differences between GAAP and IFRS. A further detailed review was concluded in the fourth quarter of fiscal 2011 to conclude its actions and to assist in the conversion process and the preparation of IFRS financial statements. The following is a list of IFRS standards that may have a potential impact on the financial statements of the Company and are considered most relevant to the Company's conversion process.

First Time Adoption (IFRS 1) – First-time adoption provides guidance to entities adopting IFRS for the first time. The key principle of IFRS 1 is full retrospective application of all IFRS in force at the closing balance sheet date in an entity's first IFRS financial statements. However, there are a number of exemptions that reduce the burden of retrospective application that will have to be reviewed by the Company.

Exploration for and Evaluation of Mineral Resources (IFRS 6, IAS 16, IAS 38) - IFRS allows the costs of exploration for and evaluation ("E&E") of mineral resources to either be expensed as incurred or capitalized, in accordance with the entity's selected accounting policy. At the moment, the Company's policy is to capitalize the exploration expenses, unless the Company has not obtained the legal rights of the property or has already written off the property. IFRS requires that E&E costs be classified as either tangible or intangible assets, a segregation not being done under Canadian GAAP.

Impairment of Assets (IAS 36, IFRIC 10) - Like IFRS, Canadian GAAP requires impairment testing when there is an indicator of impairment, except that under IFRS, the Company must assess if there is an indicator each reporting date. Unlike IFRS, the estimates of future cash flows used in assessing whether an impairment loss exists are not discounted under Canada GAAP. This might trigger more impairment testing under IFRS. Unlike IFRS, Canadian GAAP always recognizes impairment losses in the statement of earnings because the revaluations of long-lived assets are not permitted.

Share-based Compensation (IFRS 2) – Share-based compensation is not expected to significantly impact the Company's financial statements. For stock options that vest over time, the Company recognizes stock–based compensation using the Black-Scholes valuation model and will employ the graded vesting method.

Information systems – The accounting processes of the Company are simple as it is in the exploration stage and no major challenges are expected at this point to operate the accounting system under IFRS. Some spreadsheets will be adopted to support the changes made in accounting policies.

Conclusion - Based on the Company's review and management's assessment of IFRS, the Company does not anticipate the conversion to IFRS will have a significant impact on the Company's reported financial amounts and/or its business processes; however, the financial statement disclosure will be greatly expanded. The Company also expects to meet all reporting deadlines in its conversion to IFRS and will report any difficulties in meeting these deadlines.

FINANCIAL INSTRUMENTS

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 value of cash is determined using level one of the fair value hierarchy. The fair values of receivables and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments. Using level one of the fair value hierarchy, 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.

(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.

OUTSTANDING SHARE DATA

As at September 30, 2011, the Company had 36,847,409 common shares outstanding. During the fiscal year, the Company issued 3,044,500 flow-through shares at a price of $0.20 and 2 million non-flow-through shares at a price of $0.15 as part of a private placement.

At September 30, 2011, the Company had the following stock options outstanding:

Date of Grant	Amount	Exercise Price	Expiry Date	Type
May 18, 2010	300,000	$0.15	May 18, 2013	Consultant
Dec 29, 2010	1,475,000	$0.18	Dec. 29, 2015	Directors/Officers/Consultants
June 11, 2011	500,000	$0.18	June 10, 2016	Directors/Officers
TOTAL	**2,275,000**			

During the fiscal year, 975,000 options exercisable at $0.15 expired, 500,000 options exercisable at $0.17 expired and 1,975,000 options exercisable at $0.18 for a period of five years were granted to various directors, officers and consultants.

The Company has 1,103,000 warrants outstanding, exercisable at $0.20 until September 21, 2012.

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 2011	2010
EXPENSES		
Amortization	$ 59	$ 84
Corporate and administration fees	7,900	7,875
Management and financial consulting fees	18,601	19,185
Office and miscellaneous	3,218	3,086
Professional fees	25,000	33,705
Property investigation costs	3,600	6,944
Public relations	1,708	3,899
Regulatory fees and transfer agent fees	1,147	1,254
Rent	1,919	7,020
Stock-based compensation	-	-
Loss before other items	(63,152)	(83,052)
OTHER ITEMS		
Interest income	175	10,295
Gain on disposal of investment in partnership	-	249,096
Unrealized loss on investments	(4,010)	(463)
	(3,835)	258,928
Income (loss) and comprehensive income (loss) for the period	$ (66,987)	$ 175,876

SCHEDULE OF SHARE CAPITAL

As at the date of this Management Discussion & Analysis

Common Shares outstanding	36,847,409
Options outstanding	2,275,000
Warrants	1,103,000
Fully diluted share capital	40,225,409

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Windarra Minerals Ltd.

We have audited the accompanying financial statements of Windarra Minerals Ltd. which comprise the balance sheets as at September 30, 2011 and 2010 and the statements of operations and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Windarra Minerals Ltd. as at September 30, 2011 and 2010 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 11, 2012

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	2011	2010
ASSETS		
Current		
Cash	$ 368,532	$ 751,831
Receivables	33,864	8,389
Prepaid expenses	1,800	2,194
	404,196	762,414
Equipment (Note 3)	542	775
Mineral properties and deferred exploration costs (Note 4)	1,839,110	941,363
Investments (Note 6)	9,708	10,053
	$ 2,253,556	$ 1,714,605
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 38,892	$ 40,879
Shareholders' Equity		
Capital stock (Note 7)	23,860,507	23,234,457
Contributed surplus (Note 7)	450,223	199,223
Deficit	(22,096,066)	(21,759,954)
	2,214,664	1,673,726
	$ 2,253,556	$ 1,714,605

Nature of operations and going concern (Note 1)
Subsequent event (Note 14)

On behalf of the Board:

John Pallot Director *Gary McDonald* Director

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

	2011	2010
EXPENSES		
Amortization	$ 233	$ 333
Corporate and administration fees	37,025	32,250
Management and financial fees	82,020	79,025
Office and miscellaneous	14,595	12,494
Professional fees	37,733	46,414
Property investigation costs	17,349	13,929
Public relations	17,987	20,887
Regulatory fees and transfer agent fees	20,274	17,850
Rent	19,578	26,864
Stock-based compensation	242,000	-
Travel and related costs	2,533	749
Loss before other items and income taxes	(491,327)	(250,795)
OTHER ITEMS		
Interest income	3,560	11,879
Gain on disposal of investment in partnership (Note 5)	-	249,096
Unrealized loss on investments	(345)	(2,307)
	3,215	258,668
Income (loss) before income taxes	(488,112)	7,873
INCOME TAXES		
Future income tax recovery (Note 10)	152,000	-
Income (loss) and comprehensive income (loss) for the year	(336,112)	7,873
Deficit, beginning of year	(21,759,954)	(21,767,827)
Deficit, end of year	$ (22,096,066)	$ (21,759,954)
Basic and diluted earnings per common share	$ (0.01)	$ 0.00
Weighted average number of common shares outstanding during the year	35,686,483	30,727,106

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

		2011		2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(336,112)	$	7,873
Items not affecting cash:				
Amortization		233		333
Fair value of property investigation cost warrants		9,000		4,800
Stock-based compensation		242,000		-
Gain on disposal of investment in partnership		-		(249,096)
Unrealized loss on investments		345		2,307
Future income tax recovery		(152,000)		-
Changes in non-cash working capital items:				
Increase in receivables		(25,475)		(5,387)
Decrease (increase) in prepaid expenses and deposits		394		(394)
Decrease in accounts payable and accrued liabilities		(1,987)		(2,843)
Net cash used in operating activities		(263,602)		(242,407)
CASH FLOWS FROM INVESTING ACTIVITIES				
Mineral properties and deferred exploration costs		(897,747)		(22,623)
Proceeds on disposal of investment in partnership		-		249,096
Net cash provided by (used in) investing activities		(897,747)		226,473
CASH FLOWS FROM FINANCING ACTIVITIES				
Shares issued for cash		908,900		165,450
Share issue costs		(130,850)		(4,219)
Net cash provided by financing activities		778,050		161,231
Change in cash during the year		(383,299)		145,297
Cash, beginning of year		751,831		606,534
Cash, end of year	$	368,532	$	751,831

Supplemental disclosure with respect to cash flows (Note 11)

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.

The Company estimates that it will not require additional working capital during the upcoming year.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Financial instruments – disclosures

The Company discloses the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:
Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.
See Note 12 for relevant disclosures.

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 mineral properties, 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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. For the years presented, this calculation was anti-dilutive. Earnings per share is calculated using the weighted-average number of common shares outstanding during the year.

Recent Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("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 is under evaluation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Recent Accounting Pronouncements (cont'd)

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 its fiscal year beginning on October 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

3. EQUIPMENT

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 7,388	$ 6,846	$ 542	$ 7,388	$ 6,613	$ 775

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	Pukaskwa Claims, Ontario	Mishi Property, Ontario	Other Properties	2011 Total
Balance, beginning of year	$ 851,600	$ 89,761	$ 2	$ 941,363
Additions during the year:				
Assay costs	-	58,393	-	58,393
Camp costs	-	192,274	-	192,274
Drilling	-	319,040	-	319,040
Equipment rental	-	2,419	-	2,419
Geology	-	144,429	-	144,429
Lease rentals	-	2,389	-	2,389
Linecutting	-	64,070	-	64,070
Surveys	-	103,948	-	103,948
Travel and helicopter	-	10,786	-	10,786
	-	897,747	-	897,747
Balance, end of year	$ 851,600	$ 987,508	$ 2	$ 1,839,110

	Pukaskwa Claims, Ontario	Mishi Property, Ontario	Other Properties	2010 Total
Balance, beginning of year	$ 851,600	$ 57,150	$ 2	$ 908,752
Additions during the year:				
Equipment rental	-	4,751	-	4,751
Geology	-	5,581	-	5,581
Lease rentals	-	2,279	-	2,279
Line cutting	-	20,000	-	20,000
	-	32,611	-	32,611
Balance, end of year	$ 851,600	$ 89,761	$ 2	$ 941,363

4. 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 Royalty Interest, Ontario

The Company has a 1% net smelter returns royalty (“NSR”) on production from certain mineral claims owned by Wesdome Gold Mines Ltd. (“Wesdome”) in the Sault Ste. Marie mining division of Ontario.

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 year ended September 30, 2010 nor the period ended September 30, 2011.

Milling Rights - Magnacon

The Company is entitled to have Wesdome mill up to 50,000 tonnes annually of its ore from any source at a cost equal to the production cost of such milling plus $2.00 per tonne of ore milled.

4. 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. 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% NSR on the share of production of Messina Minerals Inc. (“Messina”), a company related by way of common directors, 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

The Company owns a 100% interest in two mining leases in the Sault Ste. Marie Division in Ontario known as the Mishi leases as well as a royalty in respect of ore mined and milled from a third lease owned by Wesdome. The royalty interest provides for payment to the Company of $1.00 per tonne for milled ore extracted from open pit mining and $2.00 per tonne for milled ore mined from underground in excess of a cumulative total of 700,000 tonnes milled.

5. INVESTMENT IN PARTNERSHIP

During the year ended September 30, 2010, the Company disposed of its investment in 1999 Investment Co. Limited Partnership, an Alberta limited partnership, for proceeds of $249,096.

No cash distributions were received by the Company from the partnership in the year ended September 30, 2010.

6. INVESTMENTS

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

	2011	2010
Fair value	$ 9,708	$ 10,053
Cost	$ 25,105	$ 25,105

Included in investments at September 30, 2011 and 2010, are 105,042 common shares of Messina with a market value of $7,878 (2010 - $8,403).

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
		$	$
Authorized			
Unlimited common shares without par value			
Issued			
Balance at September 30, 2009	30,699,909	23,073,226	194,423
Issued for cash	1,103,000	165,450	-
Share issue costs	-	(4,219)	-
Fair value of options granted	-	-	4,800
Balance at September 30, 2010	31,802,909	23,234,457	199,223
Issued for cash	5,044,500	908,900	-
Share issue costs	-	(130,850)	-
Fair value of options granted	-	-	251,000
Tax benefits renounced to flow-through subscribers	-	(152,000)	-
Balance at September 30, 2011	36,847,409	23,860,507	450,223

During the year ended September 30, 2011, the Company closed a brokered private placement consisting of 3,044,500 flow-through shares at a price of $0.20 per share and 2,000,000 non-flow-through shares at a price of $0.15 per share for total net proceeds of $778,050.

During the year ended September 30, 2010, the Company issued 1,103,000 units at a price of $0.15 per unit for total proceeds of $165,450 pursuant to a private placement. Each unit consisted of one flow-through common share and one share purchase warrant exercisable into one common share at a price of $0.20 for a period of two years.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2009	-	
Issued and exercisable	1,103,000	$ 0.20
Balance, September 30, 2011 and 2010	1,103,000	$ 0.20

At September 30, 2011 and 2010, the Company had 1,103,000 common share purchase warrants outstanding, exercisable into one common share at a price of $0.20 until September 21, 2012.

Stock options

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. Stock options expire 90 days subsequent to termination.

Following is a summary of stock options outstanding at September 30, 2011:

Number of Shares	Exercise Price	Expiry Date
300,000	$ 0.15	May 18, 2013
1,475,000	$ 0.18	December 29, 2015
500,000	$ 0.18	June 10, 2016
2,275,000		

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

Stock options (cont'd)

Stock option transactions for the year are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2009	1,475,000	$ 0.16
Options issued	300,000	$ 0.15
Balance, September 30, 2010	1,775,000	$ 0.16
Options expired	(1,475,000)	$ 0.16
Options issued	1,975,000	$ 0.18
Balance, September 30, 2011	2,275,000	$ 0.18
Number of options currently exercisable	2,155,000	$ 0.18

Stock-based compensation

During the year ended September 30, 2011, the Company issued 1,475,000 stock options with a fair value of $0.12 per option and 500,000 stock options with a fair value of $0.13 per option for a total value of $242,000 to directors, officers and consultants which was expensed to stock-based compensation during the year. The options are exercisable at a price of $0.18 per share for a period of five years.

During the year ended September 30, 2010, the Company issued 300,000 stock options to a consultant. The options are exercisable at a price of $0.15 per share for a period of three years with 60,000 options vested on issuance, and 60,000 vesting each six months thereafter during the term of the agreement. During the year ended September 30, 2011, 120,000 (2010 – 60,000) options vested with an average fair value of $0.075 per option for a total value of $9,000 (2010 - $4,800) which was expensed as property investigation costs. The agreement may be terminated by either party on one month's notice.

The fair value of stock options issued was estimated on the grant date using the Black-Sholes option-pricing model. The weighted average assumptions used in the calculation of fair value are as follows for the years ended:

	2011	2010
Risk-free interest rate	2.36%	2.15%
Expected life of options	5 years	3 years
Annualized volatility	104%	110%
Dividend rate	0%	0%

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the period ended September 30, 2011:

e) paid or accrued corporate and administration fees of $32,525 to an officer of the Company (2010 - $32,250);

f) paid or accrued management fees of $69,050 to an officer and director of the Company (2010 - $69,000);

g) paid or accrued geological consulting fees of $152,778 (2010 - $12,525) to a director of the Company, $144,429 (2010 - $5,581) of which is included in mineral property and exploration costs);

h) paid directors' fees in the amount of $4,500 (2010 - $nil) included in corporate and administration fees.

Included in accounts payable at September 30, 2011 is $749 (2010 - $9,999) owing to officers and directors of the Company.

As at September 30, 2011 and 2010, the Company held 105,042 shares of Messina with a market value of $7,878 (2010 - $8,403).

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.

9. SEGMENTED INFORMATION

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

10. INCOME TAXES

	2011	2010
Income (loss) for the year before taxes	$ (488,112)	$ 7,873
Expected income tax expense (recovery)	(132,000)	$ 2,000
Deductible (non-deductible) items	62,000	(385,000)
Partnership income subject to tax	-	383,000
Recognized benefits of non-capital losses and other	(82,000)	-
Total income tax recovery	$ (152,000)	$ -

	2011	2010
Future income tax assets:		
Non-capital loss carryforwards	$ 65,000	$ -
Capital loss carryforward	1,775,000	1,790,000
Financing costs	27,000	1,000
Capital assets	-	1,000
Investments	7,000	-
Resource expenditures	1,775,000	1,897,000
	3,649,000	3,696,000
Net future income tax assets before valuation allowance	(3,649,000)	(3,696,000)
Net future income tax assets	$ -	$ -

10. INCOME TAXES (cont')

Partnership income accounted for on a cost basis is $Nil (2010 - $Nil), whereas allocated partnership income for income tax purposes is $nil (2010 - $1,327,823).

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 $14,199,000 (2010 - $14,319,000) 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, 2011, the Company agreed to renounce deductions for Canadian exploration expenditures in the amount of $608,900 (2010 - $165,450) which was incurred on its resource properties in connection with the flow-through shares issued in December 2010.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended September 30, 2011, the Company expensed $9,000 which is included in property investigation costs relating to the fair value of 120,000 stock options which vested during the year.

During the year ended September 30, 2010, the Company had the following significant non-cash transactions:

a) incurred accounts payable for deferred exploration costs of $9,988; and,
b) issued 300,000 stock options with a fair value of $24,000, $4,800 of which has been included in property investigation costs.

The Company did not pay cash for interest expense or income taxes for the years ended September 30, 2011 and 2010.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables, investments, 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 value of cash is determined using level one of the fair value hierarchy. The fair values of receivables and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments. Using level one of the fair value hierarchy, 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.

12. 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. Cash is held in significant financial institutions.

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.

13. CAPITAL MANAGEMENT

The Company defines its capital that it manages as cash, term deposits and equity, consisting of issued common shares, stock options and warrants. 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. The Company does not have any externally imposed capital requirements.

14. SUBSEQUENT EVENT

Subsequent to the year ended September 30, 2011, the Company purchased an additional 50% interest in the Little Deer Lake claims in northern Saskatchewan for $25,000, thereby increasing its interest to 70%. (Note 4)

CORPORATE DATA

JANUARY 2012

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Robert Fraser, Director
Charles Greig, Director
Susan Tessman, Corporate Secretary

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CAPITALIZATION

Authorized:	Unlimited
Issued:	36,847,409
Options:	2,275,000
Warrants	1,103,000

LISTINGS

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