



# WINDARRA MINERALS LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATION AT JUNE 30, 2004

AUGUST 23, 2004

This Management Discussion and Analysis is provided for the purpose of reviewing the third quarter of 2004 and comparing results to the previous period. The MD & A should be read in conjunction with the Company's unaudited financial statements and corresponding notes for the period ending June 30, 2004 and 2003, as well as the audited financial statements for the year ended September 30, 2003. The financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and all monetary amounts are expressed in Canadian dollars.

### OVERALL PERFORMANCE

Windarra Minerals Ltd. has been in the business of exploring minerals, primarily gold properties, both directly and indirectly through its subsidiary, Westward Explorations Ltd. and up until 2002, Messina Minerals Inc. (formerly Mishibishu Gold Corporation). During fiscal 2002, the Company reduced its investment in Mishibishu from 46.35% to 3.44%. For comparative purposes the Company re-stated its financial statements for fiscal 2001 to reflect the discontinued operations.

The Company's focus in the last two years is maintaining its interest in the Magnacon Joint Venture where development, drilling and test mining is underway with the object of establishing new reserves at year-end.

### Management Changes

During the quarter, Ms. Susan Tessman was appointed Corporate Secretary, upon June Ballant's resignation and appointment as Assistant Secretary. Ms. Tessman formerly was an officer of the Company several years ago, and has served as an officer of various public companies over the past 10 years. She is self-employed and provides regulatory compliance and administrative services to the Company.

### Mineral Exploration Activities

Windarra owns a 25% joint venture interest in the Magnacon Property and River Gold Mines Ltd. owns a 75% interest and is the operator of the Joint Venture. The Magnacon Property is the site of the former producing Magnacon Mine, which produced 34,000 ounces of gold between early 1989 and July 1990.

In June of 2003, the Company engaged the services of Peter Tallman, P.Geo, to conduct a comprehensive review of the Magnacon Project and commissioned a technical report. P. Tallman reported as follows:

"At mine closure in 1990, an inferred mineral resource (conforms to NI43-101) totaling 1,270,000 tons grading 0.18 oz/ton gold containing 223,000 ounces gold remained in blocks adjacent the Magnacon Mine workings which required further development to access and extract (Muscocho Explorations, 1990).

Table 1: 1990 Muscocho Explorations Ltd Estimate of Resources at Closure

	Proven	Probable	Possible	Inferred
Tons	92,000	39,000	119,000	1,115,000
oz Au/t	0.23	0.22	0.21	0.17



## WINDARRA MINERALS LTD.

River Gold Mines Ltd. began an underground exploration and development program at the Magnacon Mine during late 2003. This work program was planned to confirm the existing inferred mineral resource calculated by Muscocho (1990).

As at December 31, 2003, River Gold reported expenditures to date of \$3,107,421. Windarra was not required to contribute to the first \$2M, hence Windarra's share of the expenses was \$358,534 which has been paid to River Gold.

In February 2004, River Gold proposed a \$6.8 million underground exploration and development program of which Windarra's share of costs would approximate \$1.7 million. This involves 1,825 metres of development, 15,000 metres of drilling, and approximately 30,000 tonnes of test mining. After a review of the proposed program and budget, Windarra has notified the operator of its objection to the scope of the exploration program. During the period, Windarra engaged the services of Peter Tallman, P. Geo, an independent geological consultant, to visit the property and review the budget and program, and to prepare a report to the Board.

The Company has decided to reverse the amount of \$380,485 which was previously recorded as its share of the expenses for the quarter ended March 2004 and contest the 2004 program and budget. River Gold has notified Windarra that after July 31, 2004, it will face dilution for non-payment, which is disputed by the Company. The Companies are continuing to discuss options to resolve the dispute.

### CCRA Tax Case

In 1995, Westward Explorations Ltd. purchased an 11.12% interest in the Magnacon Mine property from its parent, Windarra Minerals Ltd. CCRA has questioned the valuation of the property as reported by Windarra consultants, Watts Griffis and McQuat in 1995. In preparation and as a result of a discovery hearing held in February 2004, the Company completed extensive research and retrieval of historical documents as well as reviews with consultants who worked on the valuation. The final hearing in Tax Court is scheduled for October 4, 2004, and the possibility of an out of court settlement remains.

### SELECTED FINANCIAL INFORMATION

	Three months ended June 30, 2004	Three months ended June 30, 2003	Nine months ended June 30, 2004	Nine months ended June 30, 2003
Net income (loss)	(\$43,996)	\$375,726	\$81,416	\$281,029
Income (Loss) Per Share	(\$0.01)	\$0.02	\$0.01	\$0.01
Exploration Expenditures	(\$376,255)	\$ -	\$323,497	\$-

### RESULTS OF OPERATIONS

Windarra's consolidated expenses before other items for the 9 month period ended June 30, 2004 are \$45,613 lower than the same period last year despite higher legal fees in connection with Westward's dispute with CCRA, which is due for hearing in October. Corporate administration fees are \$40,367 lower and rent is \$5,158 lower compared to the same period the previous year due to management's cost cutting measures. Higher management fees are offset by lower business development and technical consulting fees. Management expects the same level of expenditure for the balance of the year except for legal fees which could dramatically increase if Westward goes to court with the CCRA dispute.



## WINDARRA MINERALS LTD.

“Other items” this period which consisted mainly of an \$184,973 gain on sale of investment and \$50,220 recovery of bad debt, was higher than total expenses resulting in an \$81,416 income for the period. In comparison, “Other items” for last year, which included a one time non-recurring \$423,610 oil and gas partnership income and a \$50,000 gain on mineral property, was \$245,226 greater than this year, resulting in a net income of \$281,029.

### SUMMARY OF QUARTERLY RESULTS

QUARTER ENDING	June 30, 2004	Mar. 31, 2004	Dec. 31, 2003	Sept. 30, 2003	June 30, 2003	Mar. 31, 2003	Dec. 31, 2002	Sept. 30, 2002
Net Income (Loss)	(\$43,996)	\$51,898	\$73,514	(\$38,657)	\$375,726	\$97,364	\$2,667	(\$97,698)
Earnings (Loss) Per Share	(\$0.01)	\$ 0.01	\$ 0.01	(\$ 0.01)	\$ 0.01	\$ 0.01	\$ 0.00	(\$ 0.01)

### LIQUIDITY and CAPITAL RESOURCES

The Company had a consolidated working capital deficiency of \$46,595 at June 30, 2004, compared to working capital deficiency of \$288,365 last quarter. The change in working capital was affected by a reversal of \$407,120 payable to River Gold representing the Company’s share of the current exploration program on the Magnacon properties which the company has disputed.

Windarra has been generating cash flow from the sale of investments and will continue to optimize its investments by systematically selling in a favourable mining market.

Windarra is evaluating exploration opportunities in its region of interest and is presently in discussions with various parties for financing, although general market conditions and the price of gold will have an impact on the Company’s ability to raise financing in the future.

### OFF BALANCE SHEET ARRANGEMENTS

The Company is in a dispute with Canada Customs and Revenue Agency as per Note 11 “Contingencies” in the attached financial statements. Management has retained Thorsteinssons, tax lawyers, to resolve its dispute with CCRA. In December 2003, the court ordered a status hearing and the Company expects to schedule a hearing with the Tax Court in 2004. During the period, the Company and its lawyers appeared at a discovery hearing held February 25, 2004. The case is scheduled for hearing on October 4, 2004.

Other than its participation in the Magnacon Joint Venture, Windarra has no ongoing property commitments.

### TRANSACTIONS WITH RELATED PARTIES

During the period the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$25,000 to John Pallot, President of the Company.
- b) Paid or accrued accounting fees included in office expenses of \$2,500 to June Ballant, in her former position as Corporate Secretary of the Company.
- c) Paid or accrued corporate administration fees of \$6,859 to Susan Tessman, Corporate Secretary of the Company.



## **WINDARRA MINERALS LTD.**

During the period, the Company received 434,231 common shares of Stingray Resources Inc. at a value of \$0.20 per share in settlement of \$86,846 of receivables of which \$50,220 was previously written-off. The Company and Stingray have directors and officers in common.

Included in receivables at June 30, 2004 is \$5,019 owing by companies with management in common.

Included in accounts payable at June 30, 2004 is \$2,761 amounts owing by directors, former directors and companies with management in common.

### **OUTSTANDING SHARE DATA**

As at June 30, 2004 the Company has 23,721,909 common shares issued, with a market capitalization of \$1,423,314. At the end of the quarter there were no incentive stock options or warrants outstanding.

### **SUBSEQUENT EVENTS**

Subsequent to the end of the quarter, the Company granted 1,175,000 stock options to certain directors and officers exercisable at \$0.10 for a period of 3 years. The options are subject to regulatory approval.

### **ADDITIONAL INFORMATION**

Additional information on Windarra Minerals Ltd. can be found by visiting the Company's website at [www.windarra.com](http://www.windarra.com) and by viewing regulatory filings on SEDAR at [www.sedar.com](http://www.sedar.com).



## WINDARRA MINERALS LTD.

### NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

*"John Pallot"*

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John Pallot  
President and Chief Executive Officer



# WINDARRA MINERALS LTD.

## CONSOLIDATED BALANCE SHEETS

Unaudited

Prepared by Management

	June 30 2004 (Unaudited)	September 30 2003
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	\$ 110,549	\$ 75,795
Term deposits	-	332,000
Receivables	15,782	47,324
Prepaid expenses and deposits	<u>867</u>	<u>8,443</u>
	127,198	463,562
<b>Equipment</b> (Note 3)	3,295	2,681
<b>Mineral properties and deferred exploration costs</b> (Note 4)	405,790	82,293
<b>Investment in partnership</b> (Note 5)	100	100
<b>Long-term investment</b> (Note 6)	<u>156,736</u>	<u>104,691</u>
	\$ 693,119	\$ 653,327
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 77,842	\$ 122,077
Due to related party (Note 9)	<u>2,761</u>	<u>150</u>
	80,603	122,227
<b>Long-term payable</b> (Note 7)	<u>21,819</u>	<u>21,819</u>
	<u>102,422</u>	<u>144,046</u>
<b>Shareholders' equity</b>		
Capital stock (Note 8)	21,817,526	21,817,526
Deficit	<u>(21,226,829)</u>	<u>(21,308,245)</u>
	<u>590,697</u>	<u>509,281</u>
	\$ 693,119	\$ 653,327

**Nature and continuance of operations** (Note 1)

**Contingencies** (Note 11)

**On behalf of the Board:**

\_\_\_\_\_  
"John Pallot" Director      \_\_\_\_\_  
"Gary McDonald" Director

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



# WINDARRA MINERALS LTD.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Unaudited

*Prepared by Management*

	<u>3 months ended June 30</u>		<u>9 months ended June 30</u>	
	2004	2003	2004	2003
<b>EXPENSES</b>				
Amortization	\$ 257	\$ 242	\$ 758	\$ 786
Business development	-	-	-	13,000
Corporate and administration fee	6,859	16,362	6,859	47,226
Management and financial consulting	17,161	16,500	56,363	42,000
Office and miscellaneous	9,071	7,352	21,724	24,647
Professional fees	13,973	(1)	30,751	28,188
Public relations	1,782	1,403	7,726	4,894
Regulatory and transfer agent fees	1,762	2,795	22,307	23,359
Rent	5,372	7,564	12,306	17,464
Technical consulting fees	-	-	-	2,800
Travel and related costs	120	-	2,649	2,692
	<u>56,357</u>	<u>52,217</u>	<u>161,443</u>	<u>207,056</u>
<b>Loss from operations</b>	<u>(56,357)</u>	<u>(52,217)</u>	<u>(161,443)</u>	<u>(207,056)</u>
<b>OTHER ITEMS</b>				
Rent and management income	-	3,094	-	9,813
Interest income	93	1,239	7,666	4,662
Oil and gas partnership income	-	423,610	-	423,610
Gain on appropriation of mineral property	-	-	-	50,000
Gain on sale of investment	12,268	-	184,973	-
Recovery of bad debt	-	-	50,220	-
	<u>12,361</u>	<u>427,943</u>	<u>242,859</u>	<u>488,085</u>
<b>Net Income (loss) for the period</b>	(43,996)	375,726	81,416	281,029
<b>Deficit, beginning of period</b>	<u>(21,182,833)</u>	<u>(21,645,314)</u>	<u>(21,308,245)</u>	<u>(21,550,617)</u>
<b>Deficit, end of period</b>	<u>\$ (21,226,829)</u>	<u>\$(21,269,588)</u>	<u>\$(21,226,829)</u>	<u>\$(21,269,588)</u>
<b>Basic and diluted earnings (loss) per share</b>				
	<u>\$ (0.01)</u>	<u>\$ .02</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>
<b>Weighted average number of shares outstanding during the period</b>				
	<u>23,721,909</u>	<u>23,721,909</u>	<u>23,721,909</u>	<u>23,721,909</u>

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



# WINDARRA MINERALS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
Unaudited  
Prepared by Management

	3 months ended June 30 2004	3 months ended June 30 2003	9 months ended June 30 2004	9 months ended June 30 2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income (loss) for the period	\$ (45,496)	\$ 375,726	\$ 81,416	\$ 281,029
Items not affecting cash:				
Amortization	257	242	758	786
Gain on sale of investment	(12,268)	-	(184,973)	-
Recovery of bad debt	-	-	(50,220)	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	53,132	(4,970)	(5,084)	90,828
(Increase) decrease in prepaid expenses		(2,200)	7,576	(2,250)
Increase (decrease) in accounts payable and accrued liabilities	<u>(387,059)</u>	<u>(20,428)</u>	<u>(41,624)</u>	<u>(17,214)</u>
Net cash provided by (used in) operating activities	<u>(391,434)</u>	<u>348,370</u>	<u>(192,151)</u>	<u>353,179</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of equipment	(720)	-	(1,372)	-
Proceeds from sale of investment	12,432	-	219,774	-
Redemption (purchase) of term deposits	332,000	38,000	332,000	(302,000)
Deferred exploration	376,255	(1,881)	(323,497)	(1,881)
Advance partnership distribution	<u>(332,000)</u>	<u>(423,610)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>387,967</u>	<u>(387,491)</u>	<u>226,905</u>	<u>(303,881)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Loan (repayment)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Net cash used in financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
<b>Change in cash and equivalents during the period</b>	<b>(3,467)</b>	<b>(39,121)</b>	<b>34,754</b>	<b>(702)</b>
<b>Cash and equivalents, beginning of period</b>	<b><u>114,016</u></b>	<b><u>75,821</u></b>	<b><u>75,795</u></b>	<b><u>37,402</u></b>
<b>Cash and equivalents, end of period</b>	<b>\$ 110,549</b>	<b>\$ 36,700</b>	<b>\$ 110,549</b>	<b>\$ 36,700</b>

Significant non-cash transaction of the Company during the period ended June 30, 2004:  
The Company received 434,231 shares of Stingray in settlement of \$86,846 debt.

There were no significant non-cash transactions during the period ended June 30, 2003.

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





# WINDARRA MINERALS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Unaudited

*Prepared by Management*

### 1. NATURE AND CONTINUANCE OF OPERATIONS

Windarra Minerals Ltd. ("the Company", "Windarra") was incorporated under the laws of British Columbia and its principal business activities include the acquiring and developing of mineral properties.

The Company is in the process of exploring and developing 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 development stage as it has not yet earned significant revenues.

	Jun 30 2004	Sep 30 2003
Working capital	\$ 46,595	\$ 341,335
Deficit	\$ (21,226,829)	\$ (21,308,245)

### 2. BASIS OF PRESENTATION

These unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year or the preceding period. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Company's audited financial statements as at and for the year ended September 30, 2003. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

These consolidated financial statements include the accounts of the Company and its approximate 72% interest in Westward Explorations Ltd. ("Westward"). All inter-company accounts and balances have been eliminated upon consolidation.

### 3. EQUIPMENT

	June 30, 2004			September 30 2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 9,937	\$ 6,642	\$ 3,295	\$ 8,565	\$ 5,884	\$ 2,681



# WINDARRA MINERALS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Unaudited

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### 4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	Little Deer Lake Claims, Saskatchewan	Magnacon Claims, Ontario	Magnacon East Claims, Ontario	9 months June 30 2004
Balance, beginning of period	\$ 1	\$ 77,339	\$ 4,953	\$ 82,293
Additions during the period:				
Dewatering	-	15,776	-	15,776
Drilling	-	4,439	-	4,439
Geological consulting	-	4,230	-	4,230
Hydro, heating & power	-	59,645	-	59,645
Pumps & other equipment	-	25,082	-	25,082
Joint venture management Fees	-	86,519	-	86,519
Surface exploration	-	(6,373)	-	(6,373)
Underground exploration	-	134,179	-	134,179
	<u>-</u>	<u>323,497</u>	<u>-</u>	<u>323,497</u>
Balance, end of period	\$ 1	\$ 400,836	\$ 4,953	\$ 405,790

	Little Deer Lake Claims, Saskatchewan	Magnacon Claims, Ontario	Magnacon East Block Claims, Ontario	FYE Sep 30 2003
Balance, beginning of period	\$ 1	\$ 2	\$ 2	\$ 5
Additions during the period:				
Geology	-	5,996	4,188	10,184
Travel and transportation	-	1,227	763	1,990
Joint venture management fees	-	5,049	-	5,049
Surface exploration	-	4,795	-	4,795
Underground exploration	-	60,270	-	60,270
	<u>-</u>	<u>77,337</u>	<u>4,951</u>	<u>82,288</u>
Balance, end of period	\$ 1	\$ 77,339	\$ 4,953	\$ 82,293



# WINDARRA MINERALS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Unaudited

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

#### **Magnacon claims, Ontario**

The Magnacon Joint Venture 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 owns a 25% joint venture interest and River Gold Mines Ltd. ("River Gold") owns a 75% interest and is the operator of the Joint Venture.

During the period, the Company spent \$323,497 in exploration on the property. The Company has reversed \$380,485 in exploration costs previously accrued for the period January to March 2004 which pertain to a program that the Company has not approved. The operator has advised the Company that it will face dilution for non-payment which is disputed by the Company.

#### **Magnacon East Block Claims, Ontario**

The Company holds a 25% joint venture 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.

#### **Little Deer Lake Claims, Saskatchewan**

The Company holds a 20% joint venture interest in certain claims in the La Ronge Mining Division, Saskatchewan. The Company previously wrote-down the related mineral property and deferred exploration costs to a nominal value. The claims are in good standing for 20 years, and no work is planned for this property for this year.

#### **Gain on mineral properties**

During the year ended September 30, 2003, the Company received a net settlement amount of \$50,000 relating to the Company's former interest in the Shuttleworth claims, which were previously expropriated by the Province of British Columbia. The Company's settlement was \$100,000 of which \$50,000 was paid to a company related by virtue of a common director for its proportional interest in the claim.

### 5. 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.

During the year ended September 30, 2003, the Company received a cash distribution of \$412,459 from the general partnership, which represents the aggregate amount of cash the Company expects to receive from this investment.



# WINDARRA MINERALS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 6. LONG-TERM INVESTMENTS

The Company holds the following investments:

	June 30 2004	Sep 30 2003
Shares of publicly traded companies, quoted market value \$ 467,738 (Sep 30, 2003 - \$186,248), at cost	\$ 156,736	\$ 104,691

During the period the company sold common shares in various companies for total proceeds of \$219,776, which resulted in a gain of \$184,973.

During the period, the Company received 434,231 common shares of Stingray Resources Inc. at a value of \$0.20 per share in settlement of \$86,846 of receivables of which \$50,220 was previously written-off. The Company and Stingray have directors and officers in common.

### 7. LONG-TERM PAYABLES

The long-term payable is non-interest bearing, unsecured and payment will not be sought within one year. The fair value is not determinable as there are no specific repayment terms.

### 8. CAPITAL STOCK

	Number of Shares	Amount
Authorized 100,000,000 common shares without par value		
Issued Balance at June 30, 2004 and September 30, 2003	23,721,909	\$ 21,817,526

#### Stock options

The Company follows the policies of the TSX-V 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. 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 five years.



# WINDARRA MINERALS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Unaudited

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### 8. CAPITAL STOCK (cont...)

#### Stock options (cont...)

During the period, 25,000 stock options at \$0.11 expired.

There are no stock options outstanding at June 30, 2004.

Subsequent to the period, the Company granted 1,175,000 incentive stock options to directors and officers, exercisable at a price of \$0.10 per common share for a period of three years.

### 9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$25,000 (2003 - \$16,500) to a director or an officer of the Company.
- b) Paid or accrued accounting fees included in office expenses of \$2,500 (2003 - \$18,000) to a director or an officer of the Company.
- c) Paid or accrued corporate administration fees of \$6,859 (2003 - \$3,600) to a director or officer of Windarra, a company controlled by a director of Westward.

During the period, the Company received 434,231 common shares of Stingray Resources Inc. at a value of \$0.20 per share in settlement of \$86,846 of receivables of which \$50,220 was previously written-off. The Company and Stingray have directors and officers in common.

Included in receivables at June 30, 2004 is \$5,019 (2003 - \$109,782) owing by companies with management in common.

Included in accounts payable at June 30, 2004 is \$2,761 (2003 - \$264) amounts owing by directors, former directors and companies with management in common.

During the fiscal year ended September 30, 2003 the Company received \$100,000 from the settlement of expropriated mineral property of which \$50,000 was paid to a company related by virtue of a common director for its proportional interest in the claim.

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.



# WINDARRA MINERALS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Unaudited

*Prepared by Management*

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### 10. SEGMENTED INFORMATION

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

### 11. CONTINGENCIES

- a) During the year ended September 30, 1999, the Canadian Customs and Revenue Agency reviewed the Company's 1995 Corporate Income Tax Return filings regarding the sale of certain mineral properties. The review resulted in a reassessment of approximately \$800,500 in taxes, plus accrued interest owing by the Company.

Management is of the opinion that the reassessment is without merit and has filed a Notice of Appeal with the Tax Courts of Canada. It is management's opinion that the ultimate resolution with respect to these reassessments cannot be determined at this time, therefore, no provision has been made in these financial statements.

The Company expects to schedule a hearing with the Tax Court in October 2004.

- c) During the year ended September 30, 2002, the former President signed an agreement on behalf of the Company between APR Energy Pte. Ltd. ("APR"), APR Coal and Energy Ltd. ("APR Coal"), the former President and his business partner, to form and capitalize a coal trading company based in Singapore. The agreement stipulated that the initial capitalization would be \$4,000,000 Singapore Dollars of which the Company would contribute 10%. Management maintains that it did not authorize nor ratify the signing of this agreement and has notified the parties accordingly. APR and APR Coal have agreed to takeover the Company's position and the former President has also indemnified the Company from any liabilities arising out of this agreement.

### 12. SUBSEQUENT EVENTS

Subsequent to the period, the Company granted 1,175,000 incentive stock options to directors and officers, exercisable at a price of \$0.10 per common share for a period of three years.



# WINDARRA MINERALS LTD.

## CORPORATE DATA

AUGUST 23, 2004

### HEAD OFFICE

2300 - 1066 West Hastings St.  
Vancouver, BC V6E 3X2  
Tel: (604) 688-1508  
Fax: (604) 601-8253

Email: [info@windarra.com](mailto:info@windarra.com)  
Website: [www.windarra.com](http://www.windarra.com)

### REGISTERED OFFICE & SOLICITOR

Attention: Jay Sujir  
Anfield Sujir Kennedy & Durno  
1600 – 609 Granville Street  
Vancouver, BC V7Y 1C3

### REGISTRAR & TRANSFER AGENT

Computershare Trust Company of Canada  
4<sup>th</sup> Floor, 510 Burrard Street  
Vancouver, BC V6C 3B9

### AUDITORS

Davidson & Company  
1200 – 609 Granville Street  
Vancouver, BC V7Y 1G6

### DIRECTORS AND OFFICERS

John Pallot, President/Director  
Gary McDonald, Director  
Steven Brunelle, Director  
Susan Tessman, Corporate Secretary  
June Ballant, Assistant Corporate Secretary

### INVESTOR CONTACTS

John Pallot  
Tel: (604) 688-1508  
Fax: (604) 601-8253  
Email: [jpallot@windarra.com](mailto:jpallot@windarra.com)

### CAPITALIZATION

Authorized:	100,000,000
Issued:	23,721,909
Escrow:	Nil
Options:	1,175,000
Warrants:	Nil

### LISTINGS

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