WINDARRA MINERALS LTD.

Third Quarter Report
June 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 25, 2006

This Management Discussion and Analysis is provided for the purpose of reviewing the quarter ended June 30, 2006, and comparing results to the previous period. The MD & A should be read in conjunction with the Company's unaudited consolidated financial statements and corresponding notes for the periods ending June 30, 2006 and 2005. The financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and all monetary amounts are expressed in Canadian dollars.

COMPANY OVERVIEW AND OVERALL PERFORMANCE

Windarra Minerals Ltd. ("the Company", "Windarra") has been in the business of exploring for minerals for over 25 years. The primary target has been gold properties, and exploration has been conducted both directly and indirectly through its subsidiaries, Westward Explorations Ltd. ("Westward"), and, up until 2002, Messina Minerals Inc. (formerly Mishibishu Gold Corporation).

During the first half of 2006, the Company conducted a prospecting and trenching program on its Pukaskwa property, under option from Messina Minerals. The work was following-up on its late 2004 discovery of bonanza-grade vein-gold mineralization, and on a detailed grid soil-sampling and prospecting program undertaken in the late fall of 2005. The trenching program utilized an excavator which was mobilized by helicopter to the property, and a total of 5317 square metres in 13 trenches were excavated, with a total of 2913 square metres in 13 trenches washed and cleaned. The location of the trenches was in large part determined by the location of samples located during previous prospecting programs, and by the location of gold and arsenic soil geochemical anomalies outlined during the soil sampling program. The excavator trenching was begun in late May, and sampling was completed in June; the work was supervised by Stares Contracting Corp. of Thunder Bay, Ontario. A total of approximately 84 man-days were spent in the field, and a total of 17 channel and 85 grab samples were collected. The results of the sampling were excellent, and the news was released in late July. A follow-up geophysical program, again targeting the soil geochemical anomalies, and consisting of an Induced Polarization survey and a more detailed magnetometer survey, was undertaken in July. Final results of the geophysical survey are pending, but preliminary indications are positive. Following completion of the geophysical surveys, a short geological program was undertaken, with the aim of providing further definition of targets for a diamond drilling program being contemplated for this fall.

As the Company plans further exploration on this property, during the fall it completed a financing of $335,000. During the current quarter a private placement was completed, raising a total of $100,000. In July 2006, the company completed an additional private placement raising $135,000.

The Company's loss before other items for the quarter ended June 30, 2006 was $104,436 (2005 - $171,890). This decrease is attributed to a decrease in professional and technical consulting fees relating to the Company's ongoing tax case with CRA in the amount of $69,697, partially offset by increased regulatory and public relations costs relating to financing activities in the amount of $14,347. In the quarter ended June 30, 2006, gain on sale of long-term investments was $31,440 as compared to $12,268 in the quarter ended June 30, 2005.

Included in the loss for the quarter ended June 30, 2006 of $972,829, is an income tax reassessment in the amount of $900,365. Westward's 1995 Corporate Income Tax Return was reassessed in May 2000 and Westward filed Notice of Appeal with the Tax Court of Canada at that time. In February 2006, the appeal was partially allowed, and a judgment received from the Court. As a result of this judgment, Westward has a liability at June 30, 2006 representing taxes, accrued interest and a portion of the CRA legal costs in the amount of $900,365.

The Company is taking steps to work out a settlement with CRA in order to allow Westward to continue in the acquisition and exploration of mineral properties. At this time, CRA has not taken any active steps to collect the debt and the Company has hired a consultant to facilitate a settlement. Resolution of this matter is expected in September 2006.

Management Changes

During the first quarter the Company appointed Mr. Peter Tallman to an Advisory Board directorship. Mr. Tallman is a geologist and President of Messina Minerals Inc.

RESULTS OF OPERATIONS

The Company spent $193,796 on Pukaskwa claims this quarter (2005 – $51,383).

Pukaskwa Claims, Ontario

The Company entered into an option agreement with Messina Minerals Inc. ("Messina"), a company related by way of common directors, to earn a 100% interest in the Pukaskwa property by issuing 50,000 shares (issued) upon TSX Venture acceptance and a further 300,000 common shares (175,000 issued) over a period of 30 months from the date of acceptance. The Company must maintain the claims in good standing during the option period, and, if applicable, for a period of 12 months from the date the Company elects to terminate its option under the agreement.

The Pukaskwa property is located 50 kilometres west of Wawa, Ontario, less than 20 km northwest of Wesdome Gold Ltd.'s Eagle River Mine, which has produced approximately 600,000 ounces of gold since 1995. It also lies less than 20 km west-southwest of the formerly producing Magnacon mine, and Magnacon joint venture property, in which Windarra and its 71% held subsidiary, Westward Explorations Ltd., hold an interest jointly with Wesdome. The Pukaskwa property consists of 55 contiguous unpatented mining claims which follow the east-northeast to west-southwest trending Mishibishu deformation zone for more than 12 kilometres. The deformation zone hosts many vein gold occurrences and showings, including the Mishi and Magnacon deposits, and it transects much of the length of the Mishibishu greenstone belt, an east-west trending belt of greenschist to amphibolite grade Archean volcanic and associated sedimentary rocks that are considered to be the western equivalent of the prolific Abitibi greenstone belt, west of the Kapuskasing structural zone.

Gold within quartz veins that are hosted by Archean age rocks was identified at the Pukaskwa property during exploration in the wake of the discovery of the Hemlo gold deposits in the early 1980’s. The Hemlo deposits have produced approximately 20 million ounces Au since their discovery and are located only 80 kilometers to the north at the Pukaskwa property. The age of the host rocks on the Pukaskwa property, and a number of their structural and lithological characteristics, are directly comparable to those in the Hemlo belt.

In the fall of 2004, a prospecting program focused on re-evaluating the gold potential along the 8 kilometre strike-length of the previously defined Mishibishu deformation zone. Exploration in the late 1980's had identified a host of gold occurrences, including the Champagne Vein and West Aardvark occurrences, 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 occurrence yielded values that were far in excess of previous discoveries on the property. Four samples from angular blocks of quartz vein float assayed between 12.2 and 62.0 ounces gold per ton, with assays of the sample rejects returning grades between 14.54 and 39.20 ounces gold per ton. The angular nature of the 0.5 metre scale quartz boulders suggested to prospectors that the boulders had not traveled far from source, as did the fact that the showing sits on the north flank of a large soil anomaly outlined by previous reconnaissance-scale soil geochemical work programs.

Further exploration work, mainly prospecting and hand-trenching, was carried out and in July of 2005, and the Company subsequently announced the discovery of outcropping bonanza-grade gold mineralization. A total of four samples were collected from hand-trenched outcrops of the quartz-iron carbonate veins from which the bonanza-grade boulders were sourced. The vein, which carries abundant visible gold and varies between 5 and 30 cm thickness in outcrop, was exposed over a 5-6 meter length, beyond which it is covered by overburden. The samples collected from it assayed 115.4, 25.3, 4.1 and 0.95 oz/ton Au (3955.1, 869.7, 141.4, and 32.5 g/t, respectively). A grab sample of wallrock to the vein also returned 5.2 oz/ton gold. A number of nearby quartz vein float boulders containing visible Au were also discovered, with one 120 metres to the southwest yielding 0.82 oz/ton Au, and one 100 metres to the southeast yielding 0.55 oz/ton Au.

In the late fall of 2005, a follow-up soil geochemical program was conducted. The 1,064 sample soil grid clearly outlines an east-northeast to west-southwest mineralized trend within which the discovery outcrop is included. The bonanza-grade vein strikes northeast to east-northeast, dips steeply to the northwest, and is hosted by well foliated meta-conglomerate of the Mishibishu greenstone belt. The aim of the soil sampling was to trace the bonanza-grade vein system beyond its limits in the hand trench beneath surficial cover (till, soil, and vegetation), and to identify similar targets in the immediate vicinity. Because soil geochemistry is a proven exploration tool in the district, a 2km x 1km cut grid was established, with tightly spaced control lines (50 metres) and closely-spaced sampling (12.5 metres) in the area of the grid immediately surrounding the exposed vein.

As mentioned above, the sampling clearly outlines an east-northeast to west-southwest mineralized trend, averaging approximately 100 metres in width, which encompasses the discovery outcrop. The soil geochemistry also outlines a parallel but somewhat less continuous trend to the north. Both trends, as well as other more isolated areas of anomalous soils, are defined by the presence of common highly anomalous samples (>25 ppb Au, ranging up to 1,399 ppb Au), and that they coincide with mineralization is confirmed by the local presence within them of outcropping mineralized veins. However, detailed sampling in the immediate vicinity of the bonanza-grade gold mineralization demonstrates that even soil samples collected adjacent to sub-cropping bonanza-grade veins may yield analyses which are at background levels for the Pukaskwa area (i.e., 5 ppb Au or even less). As a result, the mineralized trends themselves are obviously, and commonly, of more significance than the absolute values of individual soil geochemical samples within them, although high individual samples clearly merit close attention. The east-northeast to west-southwest mineralized trends are also part of a broader belt of anomalous gold geochemistry that is defined by historical data generated during exploration of the belt in the late 1980's and early 1990's. That data was obtained utilizing wider-spaced sampling on more reconnaissance-style grids, but the data show that the bonanza-grade occurrence and the mineralized trends outlined in the present soil sampling program lie within an east-northeast trend of anomalous Au values which has a minimum strike length of approximately seven kilometres. It is part of a regional mineralized trend known as the Mishibishu gold belt, which coincides with a belt of relatively high strain known as the Mishibishu deformation zone.

Since the bonanza-grade veins on the Pukaskwa property may contain up to several percent sulphides (pyrite, chalcopyrite, galena, sphalerite, and molybdenite), and because other Au-bearing quartz veins on the Pukaskwa property also commonly contain other sulphides (e.g., arsenopyrite), the soil geochemistry of pathfinder elements such as Cu, Pb, Zn, and As, can be used to help trace mineralized zones beneath surficial cover, and therefore the soil samples were analyzed for a multi-element exploration ICP package. The results of the multi-element soil geochemical work were very encouraging and they show that the bonanza-grade vein and the belt of elevated Au geochemistry that encompasses it are coincident with a zone of anomalous arsenic and base metals geochemistry in soils. More significantly, the results for the pathfinder elements accentuate several zones within that belt aside from the area immediately surrounding the bonanza-grade vein, and clearly suggest that these zones warrant the highest-priority follow-up. One of these zones, approximately 500 metres northeast of the bonanza-grade vein, is larger than that surrounding the vein, but equally highly anomalous. And, like the bonanza-grade zone, this newly-recognized zone is also coincident with a strongly anomalous Au-in-soil geochemical anomaly--it therefore has excellent exploration potential.

Within the context of extensive late 1980's to early 1990's era reconnaissance soil geochemical grid work on the Pukaskwa property, the new data show that the anomalies described above represent extremely attractive exploration targets. The historic data are continuous for at least 15 km of strike length and encompass the area surveyed recently by Windarra. The newly defined anomalies lie central to the broadest, most continuous, and most geochemically-enriched part of several mineralized sub-trends within the previously defined, regional-scale mineralized belt known as the Mishibishu gold belt. The Mishibishu belt appears to coincide with a zone of relatively high strain, although local geologic controls on mineralization in the zone are not currently well understood. The bonanza-grade vein, and many other vein occurrences in this trend, appear to be hosted by well foliated but relatively competent meta-conglomerate in a part of the Mishibishu belt in which finer-grained and relatively incompetent clastic rocks predominate.

At one occurrence within the soil geochemical anomalies, the well foliated host rocks contain relatively abundant disseminated sulphides (arsenopyrite and pyrite), but relatively little quartz vein material. This occurrence, which has come to be known as the "Middle Finger Lake zone", was initially recognized by following up a preliminary magnetometer survey. It represents a somewhat different and extremely exciting style of mineralization from what is typical at most gold occurrences on the property, which is that of quartz veins with free gold and very local sulphides. Because trenching over the Middle Finger lake zone returned excellent results, with both significant grades and widths of gold mineralization, Windarra undertook an Induced Polarization survey and further magnetometer work in July. The aim was to trace the zone of chargeable sulphide mineralization beneath soil and vegetation cover, and preliminary results suggest that this aim was met. Following completion of the geophysical surveys, a short geological program was undertaken, with the aim of providing further definition of targets for a diamond drilling program being contemplated for this fall.

Magnacon Joint Venture Properties

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 Wesdome Gold Mines Ltd. ("River Gold") 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. Windarra has expended approximately $17 million dollars since 1985 on the Properties. A total in excess of an estimated $70 million dollars has been spent by all parties between 1985 to 2000 on the exploration and development of the Properties.

In February 2004, Wesdome Gold proposed a $6.8 million underground exploration and development program of which Windarra's share of costs would approximate $1.7 million. This involved 1,825 metres of development, 15,000 metres of drilling, and approximately 30,000 tonnes of test mining. During the year, 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. After a review of the proposed program and budget, Windarra notified the operator of its objection to the scope of the exploration program and, accordingly, has not made any further payments to Wesdome.

During the year ended September 30, 2005, the Company received notice from the operator that the Company's interest in these claims has been diluted to 22.2% as a result of non-payment of the Company's share of exploration expenditures on the claims since January 1, 2004 in an amount of approximately $340,000. As the work program undertaken by the operator was not approved by the Company, no provision has been made in the accounts of the Company for any liability associated with unpaid exploration expenditures.

CRA Tax Case

In 1995, Windarra sold an 11.12% interest in the Magnacon Mine property to Westward. CRA questioned the valuation of the property as reported by Windarra consultants, Watts Griffis and McQuat. In May 2000, Westward's 1995 Corporate Income Tax Return was reassessed and Westward filed Notice of Appeal with the Tax Court of Canada. The appeal was partially allowed, and a judgment received from the Court in February 2006. As a result of this judgment, Westward has a liability at June 30, 2006 representing taxes, accrued interest and a portion of the CRA legal costs in the amount of $900,365.

The Company is taking steps to work out a settlement with CRA in order to allow Westward to continue in the acquisition and exploration of mineral properties. At this time, CRA has not taken any active steps to collect the debt and the Company has hired a consultant to facilitate a settlement.

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Exploration Financing

The following table sets forth the Company's use of proceeds for its recent private placements:

Financings	Proposed Use of Proceeds	Actual Use of Proceeds to June 30, 2006
$335,000- October 2005	-$245,000 for property exploration on the Pukaskwa Property -$90,000 for working capital	$ 245,000 on Pukaskwa property
$100,000 – June 2006	-$100,000 for property Exploration on the Pukaskwa Property	$85,000
$135,000 – July 2006	-$130,000 for property exploration on the Pukaskwa Property -$5,000 for working capital	N/A

SUMMARY OF QUARTERLY RESULTS

QUARTER ENDING	June 30 2006	Mar. 31 2006	Dec. 31 2005	Sept. 30 2005	June 30 2005	Mar. 31 2005	Dec.31 2004	Sept.30 2004
Net Income (Loss)	$(972,829)	$(59,078)	$(68,063)	$(57,820)	$(171,798)	$(78,423)	$170,808	$(192,715)
Earnings (Loss) Per Share	$(0.04)	$ 0.00	$ 0.00	$ (0.01)	$ (0.01)	$ 0.00	$ 0.01	$ (0.01)

The loss for the third quarter 2006 is $972,829. When adjusted for the CRA reassessment, the loss is $72,764, compared to a loss of $171,798 for the third quarter 2005. This is explained by a decrease in professional and technical consulting fees relating to the CRA case of $69,697 and an increase in gain on sale of long-term investments of $31,440, partially offset by increased administrative, regulatory and public relations costs relating to financing activities.

LIQUIDITY and CAPITAL RESOURCES

The Company's working capital deficiency of $1,063,578 includes the payable to CRA of $900,365. The Company has hired consultants to assist in negotiating a settlement with CRA in early fall. The Company's working capital situation has been determined by its ability to offset expenses against gains obtained through the continued divestment of investments as well as raising capital through private placements and the exercise of stock options. In December 2005, the Company closed a private placement pursuant to which it raised $335,000 through the sale of 300,000 non flow-through units at a price of $0.30 per unit and 700,000 flow-through units at a price of $0.35 per unit. The proceeds from the flow-through units will be utilized to fund work on the Pukaskwa property; the proceeds from the non flow-through units will be used for working capital.

During the quarter ended June 30, 2006, the Company issued 340,000 flow-through units and 60,000 non flow-through units at a price of $0.25 per unit for total proceeds of $100,000. Each flow-through unit and non flow-through unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.35 for a period of one year

In July 2006, the Company completed a private placement, issuing 520,000 flow-through units and 20,000 non-flow-through units at a price of $0.25 for total proceeds of $135,000. Each flow-through unit and non-flow-through unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.35 for a period of one year from closing.

Other than option payments and its participation in the Magnacon Joint Venture, Windarra has no ongoing property commitments. There is a bill in dispute with respect to the Magnacon Joint Venture in the approximate amount of $340,000.

OFF BALANCE SHEET ARRANGEMENTS

The Company is in a dispute with Canada Revenue Agency as discussed above.

TRANSACTIONS WITH RELATED PARTIES

The Company entered into the following transactions with related parties during the nine month period ended June 30, 2006:

a) paid or accrued corporate and administration fees of $27,323 to Susan Tessman, Corporate Secretary of the Company;
b) paid or accrued management fees of $31,500 to John Pallot, President of the Company;
c) paid or accrued geological consulting fees of $41,582 and consulting fees of $1,000 to Charles Greig, a director of the Company;
d) sold 30,000 shares of Messina for proceeds of $43,736, resulting in a gain of $37,436;
e) sold 55,500 shares of Stingray Minerals Inc., a company related by virtue of a former common director, for proceeds of $32,391, resulting in a gain of $22,591.

Included in accounts payable at June 30, 2006 is $16,374 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.

OUTSTANDING SHARE DATA

As at June 30, 2006 the Company had 25,581,909 shares outstanding, valued at $22,347,329. Subsequent to the period end the Company issued 540,000 shares pursuant to a private placement. 520,000 flow-through units and 20,000 non flow-through units were issued at $0.25.

At the end of the period the Company had the following stock options outstanding:

Date of Grant	Name	Amount	Exercise Price	Expiry Date	Type
July 29, 2004	John Pallot	600,000	$0.10	July 29, 2007	Director
July 29, 2004	Susan Tessman	140,000	$0.10	July 29, 2007	Officer
July 29, 2004	Gary McDonald	200,000	$0.10	July 29, 2007	Director
May 2, 2005	Robert Fraser	200,000	$0.20	May 2, 2008	Director
June 8, 2005	Charles Greig	200,000	$0.23	June 8, 2008	Director
October 11, 2005	Peter Tallman	100,000	$0.32	Oct. 11, 2007	Director (Adv.)
TOTAL		**1,440,000**			

At the end of the period the Company had the following warrants outstanding:

Number of Warrants	Number of Shares	Exercise Price	Expiry Date
1,000,000	1,000,000	$0.40	Oct 6, 2006
400,000	400,000	$0.35	June 5, 2007
TOTAL	**1,400,000**		

Subsequent to the end of the quarter, pursuant to the above noted private placement, 540,000 warrants exercisable at $0.35 were issued, expiring July 18, 2007.

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:

MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS
THREE MONTHS ENDED JUNE 30, 2006

	Pukaskwa Claims, Ontario	Magnacon Claims, Ontario	Three months June 30 2006
Balance, beginning of period	$ 253,422	$ 405,786	$ 659,208
Additions during the period:			
Acquisition	24,500	-	24,500
Assay costs	2,535	-	2,535
Geology	52,909	-	52,909
Camp costs	12,632	-	12,632
Equipment rental	40,185	-	40,185
Travel and helicopter	61,036	-	61,037
	193,796	-	193,797
Balance, end of period	$ 447,218	$ 405,786	$ 853,005

MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS
THREE MONTHS ENDED JUNE 30, 2005

	Pukaskwa Claims, Ontario	Magnacon Claims, Ontario	Three months June 30 2005
Balance, beginning of period	$ 34,355	$ 405,786	$ 440,141
Additions during the period:			
Acquisition	16,125	-	16,125
Assay costs	1,678	-	1,678
Geology	16,200	-	16,200
Camp costs	3,281	-	3,281
Equipment rental	535	-	535
Travel and helicopter	13,564	-	13,565
	51,383	-	51,384
Balance, end of period	$ 85,738	$ 405,786	$ 491,525

STATEMENT OF EXPENSES

THREE MONTHS ENDED JUNE 30, 2006

		Three Months Ended June 30 2006	2005
EXPENSES			
Amortization	$	365	134
Corporate and administration fees		8,881	8,132
Management and financial fees		9,600	12,118
Office and miscellaneous		4,306	7,928
Professional fees		3,639	62,994
Public relations		11,917	1,346
Regulatory fees and transfer agent fees		2,248	13,001
Rent		5,730	5,730
Stock-based compensation Note 7)		57,750	51,775
Technical consulting		-	6,703
Travel and related costs		-	2,029
Loss before other items		(104,436)	(171,890)

Schedule of Share Capital

	As of the date of this Management Discussion and Analysis
Common Shares outstanding	25,181,909
Options outstanding	1,440,000
Warrants outstanding	1,940,000
Fully diluted share capital	28,561,909

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 consolidated 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"

John Pallot
President and Chief Executive Officer

WINDARRA MINERALS LTD.
CONSOLIDATED BALANCE SHEETS

	June 30 2006	September 30 2005
ASSETS		
Current		
Cash and equivalents	$ 41,216	$ 80,374
Receivables	13,577	2,183
Prepaid expenses and deposits	6,688	1,734
	61,481	84,291
Equipment (Note 3)	3,770	4,865
Mineral properties & deferred exploration costs (Note 4)	853,005	523,131
Investment in partnership (Note 5)	100	100
Long-term investments (Note 6)	63,025	79,126
	$ 981,381	$ 691,513
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 224,694	$ 236,061
Payable to Canada Revenue Agency (Note 7)	900,365	-
	1,125,059	236,061
Shareholders' equity		
Capital stock (Note 8)	22,310,326	21,869,431
Subscriptions received (Note 8)	-	19,425
Contributed surplus (Note 8)	202,743	123,373
Deficit	(22,656,747)	(21,556,777)
	(143,678)	455,452
	$ 981,381	$ 691,513

Nature and continuance of operations (Note 1)
Contingency (Note 13)
Subsequent event (Note 14)

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

	Three Months Ended June 30		Nine Months Ended June 30	
	2006	2005	2006	2005
EXPENSES				
Amortization	$ 365	134	$ 1,095	$ 971
Corporate and administration fees	8,881	8,132	27,125	24,397
Management and financial fees	9,600	12,118	38,805	37,009
Office and miscellaneous	4,306	7,928	15,009	13,224
Professional fees	3,639	62,994	14,095	141,506
Public relations	11,917	1,346	38,533	7,012
Regulatory fees and transfer agent fees	2,248	13,001	27,257	34,164
Rent	5,730	5,730	17,190	16,740
Stock-based compensation (Note 8)	57,750	51,775	79,370	51,775
Technical consulting	-	6,703	-	42,938
Travel and related costs	-	2,029	2,154	4,944
Loss before other items and income taxes	(104,436)	(171,890)	(260,633)	(374,680)
OTHER ITEMS				
Interest income	532	92	1,001	853
Gain on sale of investments (Note 6)	31,440	-	60,027	294,414
	31,972	92	61,028	295,267
INCOME TAX REASSESSMENT (Note 7)	(900,365)	-	(900,365)	-
Loss for the period	(972,829)	(171,798)	(1,099,970)	(79,413)
Deficit, beginning of period	(21,683,918)	(21,327,159)	(21,556,777)	(21,419,544)
Deficit, end of period	$ (22,656,747)	$ (21,498,957)	$ (22,656,747)	$ (21,498,957)
Basic and diluted loss per common share	$ (0.04)	$ (0.01)	$ (0.04)	$ (0.01)
Weighted average number of common shares outstanding during the period	26,081,909	23,779,687	25,056,268	23,721,909

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

WINDARRA MINERALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30		Nine Months Ended June 30	
	2006	2005	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (972,829)	$ (171,798)	$ (1,099,970)	$ (79,413)
Items not affecting cash:				
Amortization	365	134	1,095	971
Gain on sale of investments	(31,440)	-	(60,027)	(294,414)
Stock-based compensation	57,750	51,775	79,370	51,775
Increase in payable to Canada Revenue Agency (Note 7)	900,365	-	900,365	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(7,972)	7,654	(11,394)	6,058
Decrease in prepaid expenses and deposits	553	(12)	(4,954)	(18)
Increase (decrease) in accounts payable and accrued liabilities	7,776	76,935	(43,701)	35,241
Net cash used in operating activities	(45,432)	(35,312)	(239,216)	(279,800)
CASH FLOWS FROM INVESTING ACTIVITIES				
Mineral properties and deferred exploration costs	(143,048)	(35,257)	(273,039)	(64,864)
Proceeds from sale of long-term investments	35,640	-	76,127	369,114
Purchase of equipment	-	-	-	(3,218)
Net cash provided by investing activities	(107,408)	(35,257)	(196,912)	301,032
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital stock issued for cash, net of offering costs of $18,605	91,070	-	396,970	5,500
Net cash provided by financing activities	91,070	-	396,970	5,500
Change in cash during the period	(61,770)	(70,569)	(39,158)	26,732
Cash, beginning of period	102,986	158,370	80,374	61,069
Cash, end of period	$ 41,216	$ 87,801	$ 41,216	$ 87,801

Supplemental disclosure with respect to cash flows (Note 10)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was 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 consolidated 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, to commence profitable operations in the future and to achieve a favorable settlement of the debt of the subsidiary company, Westward Explorations Ltd. (“Westward”) to the Canada Revenue Agency (Note 7).

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

	June 2006	September 2005
Working capital (deficiency)	$ (1,063,578)	$ (151,770)
Deficit	$ (22,656,747)	$ (21,556,777)

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, 2005. 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.

3. EQUIPMENT

	June 30 2006			September 30 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 13,155	$ 9,384	$ 3,771	$ 13,155	$ 8,290	$ 4,865

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	June 30, 2006		
	Pukaskwa Claims, Ontario	Magnacon Claims, Ontario	Total
Balance, beginning of period	$ 117,345	$ 405,786	$ 523,131
Additions during the period:			
Acquisition	24,500	-	24,500
Assay costs	25,848	-	25,848
Geology	130,728	-	130,728
Camp costs	31,736	-	31,736
Equipment rental	40,605	-	40,605
Travel and helicopter	76,458	-	76,458
	329,874	-	329,874
Balance, end of period	$ 447,219	$ 405,786	$ 853,005

	September 30, 2005		
	Pukaskwa Claims, Ontario	Magnacon Claims, Ontario	Total
Balance, beginning of year	$ -	$ 405,786	$ 405,786
Additions during the year:			
Acquisition	20,875	-	20,875
Assay costs	4,131	-	4,131
Geology	40,497	-	40,497
Camp costs	9,362	-	9,362
Equipment rental	1,755	-	1,755
Travel and helicopter	40,725	-	40,725
	117,345	-	117,345
Balance, end of year	$ 117,345	$ 405,786	$ 523,131

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 Claims, Ontario

The Company holds a 25% interest in certain freehold patented and leasehold patented claims situated in the Sault Ste. Marie Mining Division, Ontario. The operator on the claims has advised the Company that the Company's interest in these mineral claims has been diluted to 22.2% as a result of non-payment of the Company's share of exploration expenditures since January 1, 2004, in an amount of approximately $340,000, an amount for which no provision has been made in the accounts of the Company as at June 30, 2006. The Company has advised the operator that it disputes this claim on the basis that the exploration costs pertain to a work program that the Company has not approved (Note 12).

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. The Company was not required to contribute to field geology and surface drilling costs incurred during the year ended September 30, 2005 but will be required to contribute its proportionate share of the expenses in future work programs.

Pukaskwa Claims, Ontario

During the year ended September 30, 2004, the Company entered into an option agreement with Messina Minerals Inc. ("Messina"), a company related by way of common directors, to acquire a 100% interest in certain mineral claims in the Sault Ste. Marie Mining Division, Ontario. Under the terms of the agreement, the Company issued 100,000 common shares at a value of $24,500 during the period ended June 30, 2006 and 125,000 common shares at a value of $20,875 during the year ended September 30, 2005 and is required to issue an additional 125,000 common shares on or before May 31, 2007.

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

Tulks South, Newfoundland

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

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.

No cash distributions were received by the Company in the period ended June 30, 2006 or in the year ended September 30, 2005.

6. LONG-TERM INVESTMENTS

The Company holds the following investments:

	June 30 2006	September 30 2005
Shares of publicly traded companies, quoted market value $353,502 (September 30, 2005 - $421,720)	$ 63,025	$ 79,126

During the period ended June 30, 2006, the Company sold 55,500 (September 30, 2005 – 405,500) common shares of Stingray Minerals Inc., a company with a former common director, for proceeds of $32,391 (September 30, 2005 – $359,501), resulting in a gain of $22,591 (September 30, 2005 – $282,501) and 30,000 common shares of Messina for proceeds of $43,736, resulting in a gain of $37,436.

7. PAYABLE TO CANADA REVENUE AGENCY

In May 2000, Westward's 1995 Corporate Income Tax Return was reassessed and Westward filed Notice of Appeal with the Tax Court of Canada. The appeal was partially allowed, and a judgment received from the Court in February 2006. As a result of this judgment, the Company has a liability at June 30, 2006 representing taxes, accrued interest and a portion of the CRA legal costs in the amount of $900,365.

The Company is taking steps to work out a settlement with CRA including hiring a consultant to facilitate a settlement. At this time, CRA has not taken any active steps to collect the debt.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
		$	$
Authorized			
Unlimited common shares without par value			
Issued			
Balance at September 30, 2004	23,721,909	21,817,526	71,100
Issued for property acquisitions	125,000	20,875	-
Issued for cash	235,000	23,500	-
Fair value of stock options	-	-	59,803
Transfer fair value of options exercised	-	7,530	(7,530)
Balance at September 30, 2005	24,081,909	21,869,431	123,373
Issued for property acquisitions	100,000	24,500	-
Issued for cash	1,400,000	435,000	-
Offering costs	-	(18,605)	-
Fair value of stock options	-	-	79,370
Balance at June 30, 2006	25,581,909	22,310,326	202,743

During the quarter ended June 30, 2006, the Company issued 340,000 flow-through units and 60,000 non flow-through units at a price of $0.25 per unit. Each flow-through unit and non flow-through unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share at a

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

price of $0.35 for a period of one year. Also, during the quarter, the Company issued 24,500 common shares to Messina as part of the Pukaskwa agreement (note 4).

During the period ended March 31, 2006, the Company issued 300,000 non flow-through units at a price of $0.30 per unit and 700,000 flow-through units at a price of $0.35 per unit for total proceeds of $335,000. Each flow-through unit and non flow-through unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share of the Company at a price of $0.40 for a period of one year from closing.

At June 30, 2006, the Company has 1,400,000 share purchase warrants outstanding at an average exercise price of $0.39 per share, as follows:

Number of Warrants	Exercise Price	Expiry Date
1,000,000	$ 0.40	October 6, 2006
400,000	$ 0.35	June 5, 2007
1,400,000		

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.

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

Following is a summary of stock options outstanding at June 30, 2006:

Number of Shares	Exercise Price	Expiry Date
940,000	$ 0.10	July 29, 2007
200,000	$ 0.20	May 2, 2008
200,000	$ 0.23	June 8, 2008
100,000	$ 0.32	October 11, 2007

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, September 30, 2004	1,175,000	$	0.10
Options granted	400,000		0.22
Options expired	(235,000)		0.10
Balance, September 30, 2005	1,340,000		0.13
Options granted	100,000		0.32
Options exercised	-		
Balance, June 30, 2006	1,440,000	$	0.15
Number of options currently exercisable	1,440,000	$	0.15

Stock-based compensation

During the period ended June 30, 2006, the Company granted 100,000 (2004 – nil) stock options which vested upon granting. Stock-based compensation expense using the Black-Scholes option pricing model was $21,620 (2004 - $nil) which was also recorded as contributed surplus on the balance sheet. The weighted average fair value of the options granted was $0.22.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period ended June 30, 2006:

Risk-free interest rate	3.80%
Expected life of options	2 years
Annualized volatility	115%
Dividend rate	0.00%

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the period ended June 30, 2006:

a) paid or accrued corporate and administration fees of $27,323 (2005 - $24,397) to an officer of the Company;

b) paid or accrued management fees of $31,500 (2004 - $29,350) to an officer and director of the Company;

c) paid or accrued geological consulting fees of $41,582 and consulting fees of $1,000 (2005 – nil) to a director of the Company;

d) sold 30,000 (2005 – nil) common shares Messina for total proceeds of $43,736 (2005 - nil), resulting in a gain of $37,436 (2005 - nil). As at June 30, 2006, the Company held 237,042 (September 30, 2005 – 267,042) common shares of Messina with a market value of $324,748 (2005 – $352,495).

e) sold 55,500 (2005 – 438,599) common shares of a public company related by virtue of a former common director for total proceeds of $32,391 (2005 - $359,501), resulting in a gain of $22,591 (2005 - $267,667). As at June 30, 2006, the Company held 231 (September 30, 2005 – 55,731) common shares of this company with a market value of $194 (September 30, 2005 – $36,225).

Included in accounts payable at June 30, 2006 is $16,374 (September 30, 2005 - $3,771) 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.

10. SEGMENTED INFORMATION

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

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the quarter ended June 30, 2006, the Company issued 100,000 common shares at a value of $24,500 to Messina as part of the Pukaskwa agreement (note 4). At June 30, 2006, the Company accrued $38,421 (2005 - $nil) of deferred exploration costs. During the year ended September 30, 2005, the Company's significant non-cash transactions consisted of issuance of 125,000 common shares valued at $20,875 towards a mineral property acquisition (Note 4) and the accrual of $31,278 in deferred exploration costs.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, investment in partnership, long-term 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.

13. CONTINGENCY

During the year ended September 30, 2005, the Company received notice from the operator of the joint venture on the Magnacon claims that the Company's interest in these claims has been diluted to 22.2% as a result of non-payment of the Company's share of exploration expenditures on the claims since January 1, 2004 in an amount of approximately $340,000 (Note 4). Management is of the opinion that the work program undertaken by the operator was not approved by the Company and, accordingly, it is management's opinion that dilution, if any, of the Company's interest in the claims will be less than that claimed by the operator. It is management's opinion that ultimate resolution of this matter cannot be determined at this time, therefore no dilution of the Company's interest has been reflected in these financial statements and no provision has been made in the accounts of the Company for any liability associated with unpaid exploration expenditures.

14. SUBSEQUENT EVENTS

Subsequent to the period end, the Company completed a private placement, issuing 520,000 flow-through units and 20,000 non-flow-through units at a price of $0.25 for total proceeds of $135,000. Each flow-through unit and non-flow-through unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.35 for a period of one year from closing.

CORPORATE DATA

AUGUST 2006

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Robert Fraser, Director
Charles Greig, Director
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CAPITALIZATION

Authorized:	Unlimited
Issued:	25,581,909
Options:	1,440,000
Warrants:	1,940,000

LISTINGS

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