

# WINDARRA MINERALS LTD.

Quarterly Report  
For the Three Months Ended December 31, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED DECEMBER 31, 2008**

February 27, 2009

*This Management Discussion and Analysis is provided for the purpose of reviewing the first quarter of fiscal 2009, and comparing results to the previous period. The MD & A should be read in conjunction with the Company's unaudited interim financial statements and corresponding notes for the periods ending December 31, 2008 and 2007. 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 minerals for over 25 years, primarily gold properties both directly and indirectly through its former subsidiary, Westward Explorations Ltd. ("Westward").

In May 2008, Windarra completed the sale of 13,000,000 shares of Westward in a private sale for gross proceeds of \$765,000. As part of the sale transaction, the proceeds were used to retire the Company's debt to Westward in the amount of \$567,579 and to purchase certain mineral property interests in the amount of \$147,000. Windarra now owns less than 1% of the outstanding shares of Westward.

The mineral properties acquired as part of the Westward disposition include Westward's interest in the Magnacon properties in Ontario and the Little Deer Lake property in Saskatchewan. Each of these properties is carried in the financial statements at their written down value of \$1.

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

In June of 2007, Windarra completed an 823 metre drill program on the Pukaskwa property, with 14 short holes testing the down-dip potential of the Middle Finger Lake zone to shallow depths. A channel sampling program was also undertaken on the Bonanza Grade zone, and infill soil sampling was undertaken on the West Aardvark grid. Results of the Middle Finger Lake zone drilling confirmed the down-dip potential of the zone in the immediate area of the Middle Finger Lake zone trench. The channel and soil sampling programs were also successful, and in combination with the diamond drilling, continue to affirm the excellent potential of the Pukaskwa property.

During the year ended September 30, 2007, the Company completed a private placement to raise \$637,000 through the sale of 288,000 flow-through shares at a price of \$0.25 per share and 2,825,000 non flow-through units at a price of \$0.20 per unit. While the Company intends to raise additional funds, market conditions, such as the price of gold, will have an impact on the ability of the Company to obtain future financing.

The Company's loss before other items and discontinued operations for the period ended December 31, 2008 was \$37,006 (2007- \$104,514). This decrease is largely due to a \$78,000 charge for stock-based compensation in the period ended December 31, 2007, as opposed to \$Nil in the current period.

## **RESULTS OF OPERATIONS**

The Company incurred \$3,547 in expenditures on its Pukaskwa claims during the period ended December 31, 2008 (year ended September 30, 2008 – \$7,513).

### **Pukaskwa Claims, Ontario**

In June 2007, the Company undertook a 14 hole drill program on its wholly-owned Pukaskwa property.

The Pukaskwa property is located 50 kilometres west of Wawa, Ontario, less than 20 km northwest of Wesdome Gold Mines Ltd.'s ("Wesdome") (formerly River Gold Ltd.) Eagle River Mine, which has produced over 700,000 ounces of gold since 1995. The property also lies less than 20 km west-southwest of three contiguous and highly prospective properties in which Windarra holds an interest. These are, from west to east, Windarra's Mishi leases (100% owned, see below); the past-producing Magnacon mine (40,000 ounces from 265,000 tons)(Windarra holds what was an original 25% interest); and the Magnacon East joint venture property (25% Windarra, 75% Wesdome). The Pukaskwa property consists of 55 contiguous unpatented mining claims which follow the east-northeast to west-southwest trending Mishibishu deformation zone for more than 12 kilometres. The deformation zone hosts many vein gold occurrences and showings, including the Mishi and Magnacon deposits, and it transects much of the length of the Mishibishu greenstone belt, an east-west trending belt of greenschist to amphibolite grade Archean volcanic and associated sedimentary rocks that are considered to be the western equivalent of the prolific Abitibi greenstone belt, west of the Kapuskasing structural zone.

Gold was identified within quartz veins that are hosted by Archean age rocks at the Pukaskwa property during exploration in the wake of the discovery of the Hemlo gold deposits in the early 1980's. The Hemlo deposits have produced approximately 20 million ounces Au since their discovery and are located only 80 kilometers to the north of the Pukaskwa property. Following significant exploration efforts in the 1980's and 1990's, when a host of gold occurrences, including the Champagne Vein and West Aardvark occurrence were discovered, little work was undertaken on the Pukaskwa property until the fall of 2004, when a new gold occurrence 0.5 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. Following the discovery, the Company undertook further prospecting programs in the vicinity of the Bonanza-Grade zone, then established a 2 km x 1 km cut grid in the area. In 2005 soil geochemical samples were collected on the grid and compiled with soil geochem data from previous programs, and in 2006 magnetometer and induced polarization (IP) geophysical surveys were run on the grid, in conjunction with an extensive trenching program. In the course of this work an exciting new occurrence known as the Middle Finger Lake zone was discovered. Because of its size potential, with good gold grades over significant widths, and extensive coincident soil geochemical and IP chargeability anomalies, the Middle Finger Lake zone became the target for the 2007 diamond drilling program.

The drill program took place in June 2007, with daily access to the drill from a base of operations in the town of Marathon. Fourteen holes and a total of 824 metres were drilled. Together, the results of the drilling, along with the channel sample intersections from the zone where exposed on surface, indicate that the Middle Finger Lake zone can yield significant intersections across a variety of mineable widths, that it has continuity from drillhole-to-drillhole, and that it has the potential to host a significant tonnage of near-surface gold mineralization on the Pukaskwa property. The Middle Finger Lake zone, and other parts of the Pukaskwa property, clearly merit further drill-testing. In particular, the westward strike extent of the Middle Finger Lake zone is an attractive and untested drill target, as is the Bonanza-Grade zone, and there are a number of other areas on the grid which require further trenching and detailed mapping. These include the geochemical anomalies eastward and northeastward from the Bonanza-Grade zone, and the chargeability *en echelon* with, and to the southwest of, the Middle Finger Lake zone.

Work for Windarra in 2008 included final news releases relating to the results of the 2007 summer drill program at the Middle Finger Lake zone on the Pukaskwa property. In addition, the soil geochemistry was re-compiled for that part of the property after receiving the analytical results for the in-fill sampling done in 2007. That work is being incorporated in the drill report, which is now largely complete. In the latter part of the year, digitizing began on the previous work done in the vicinity of the Champagne vein

(western Pukaskwa property), and on the Mishi Leases (near the Magnacon Mine), with the aim of getting the data for those areas in presentation format.

### **Mishi Properties**

In December 2007, Windarra entered into an agreement to acquire a 100% interest in two mining leases, as well as a royalty in respect to ore mined and milled from a third crown mining lease, from Messina Minerals Inc. ("Messina", as to 60%) and MacMillan Gold Corp. ("MacMillan", as to 40%). The mining leases are located in the Sault Ste. Marie Mining Division of Ontario near Wesdome Gold Mines' Mishi Pit. The royalty interest acquired from Messina and MacMillan provides for payment of \$1.00/tonne for ore from open pit mining and \$2.00/tonne for underground mining in excess of 700,000 tonnes mined and is payable to the Company by Wesdome.

Regulatory approval was received and, in consideration for this acquisition, the Company issued an aggregate of 400,000 common shares of its capital stock to Messina and MacMillan.

### **Magnacon Properties**

The Magnacon Properties consist of 19 freehold patented claims and 7 leasehold patented claims at the Magnacon Property plus one leasehold claim (replacing 40 former mining claims) at the contiguous Magnacon East Property. In 2003, the claims were converted to 20-year leases. Windarra owns a 25% interest and Wesdome owns a 75% interest and is the operator of the exploration program.

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 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 2004, 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. At September 30, 2007, the Company wrote down its interest in these claims to a nominal value.

The Company's objective has been to consolidate these properties, along with its existing gold exploration holdings, into one larger package in the Magnacon-Mishi area.

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

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

### **EXPLORATION FINANCING**

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

<b>Financings</b>	<b>Proposed Use of Proceeds</b>	<b>Actual Use of Proceeds to December 31, 2008</b>
\$100,000 – June 2006	-\$100,000 for property Exploration on the Pukaskwa Property	\$100,000 on Pukaskwa property
\$135,000 – July 2006	-\$130,000 for property exploration on the Pukaskwa Property -\$5,000 for working capital	\$130,000 on Pukaskwa property
\$637,000 – June 2007	-\$72,000 for property exploration on the Pukaskwa Property -\$565,000 for working capital	\$254,000 on Pukaskwa property

## SUMMARY OF QUARTERLY RESULTS

QUARTER ENDING	Dec. 31 2008	Sept. 30 2008	June 30 2008	Mar. 31 2008	Dec. 31 2007	Sept. 30 2007	June 30 2007	Mar. 31 2007
Income(loss) before discontinued operations and income taxes	\$ (37,006)	\$(279,264)	\$248,913	\$ 121,200	\$(192,723)	\$(538,972)	\$(104,255)	\$ (79,381)
Per share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ 0.00	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ 0.00
Income (loss) for the period	\$ (87,929)	\$(256,264)	\$1,427,318	\$ 121,200	\$(192,723)	\$(538,972)	\$(104,255)	\$ (79,381)
Earnings (loss) per share	\$ (0.00)	\$ (0.01)	\$ 0.05	\$ 0.00	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ 0.00

The loss for the first quarter 2009 is \$87,929 compared to a loss of \$192,723 for the first quarter 2008. The significant differences are a charge to stock-based compensation of \$78,000 and the inclusion of the loss from discontinued operations of \$64,595 in the period ended December 31, 2007 with no corresponding charges in the period ended December 31, 2008.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has a working capital deficiency of \$7,942 at December 31, 2008 as compared to working capital of \$17,933 at September 30, 2008. The Company's working capital situation has been fairly stable and will be determined by its ability to offset expenses against gains obtained through the continued divestment of investments. During the year ended September 30, 2007, the Company was successful in raising capital through private placement financings and the sale of investments. In June 2007, the Company completed a non-brokered private placement of 288,000 flow-through shares at a price of \$0.25 per share and 2,825,000 non flow-through units at a price of \$0.20 per unit for gross proceeds of \$637,000. Each non flow-through unit was comprised of one common share and one common share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.25 for a period of two years.

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. This matter is described more fully under "Magnacon Joint Venture Properties" in this report.

## **TRANSACTIONS WITH RELATED PARTIES**

The Company entered into the following transactions with related parties during the period ended December 31, 2008:

- a) paid or accrued corporate and administration fees of \$8,051 to Susan Tessman, Corporate Secretary of the Company;
- b) paid or accrued management fees of \$13,500 to John Pallot, President of the Company;
- c) paid or accrued geological consulting fees included in mineral property and exploration costs of \$3,145 to Charles Greig, a director of the Company;
- d) sold 274,215 common shares of Westward for total proceeds of \$50,402, resulting in a gain of \$50,402.

Included in accounts payable at December 31, 2008 is \$5,095 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**

### **Recently Adopted Accounting Policies**

Effective October 1, 2007, the Company adopted new accounting policies of the Canadian Institute of Chartered Accountants Handbook:

### **Financial Instruments – Disclosures**

The AcSB issued Section 3862, under which disclosure is required to enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3863, *Financial Instruments – Presentation*, and Section 3865, *Hedges*.



## **Financial Instruments – Presentation**

The AcSB issued CICA Handbook Section 3863, under which presentation is required to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

## **Capital Management**

The AcSB issued CICA Handbook Section 1535, under which disclosure is required to provide information about an entity's capital and how it is managed.

## **NEW ACCOUNTING POLICIES**

### **Goodwill and Intangible Assets**

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets.

Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

### **International Financial Reporting Standards (“IFRS”)**

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

## Assessing Going Concern

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

## FINANCIAL INSTRUMENTS

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

## MANAGEMENT'S REPORT OVER INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

## OUTSTANDING SHARE DATA

As at December 31, 2008 the Company had 30,699,909 shares outstanding.

At December 31, 2008, the Company had the following stock options outstanding:

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

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

<b>Number of Warrants</b>	<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
2,825,000	2,825,000	\$0.25	June 5, 2009
<b>TOTAL</b>	<b>2,825,000</b>		

#### **PROPOSED SHARE CONSOLIDATION**

At the annual general meeting in February 2009, the Company obtained shareholder approval of a special resolution to consolidate its shares on a 1 new for 10 old basis and, in conjunction, a name change to Muriwai Minerals Ltd. The share consolidation was proposed in order to allow the Company greater flexibility in future financings. Windarra currently has 30,699,909 shares outstanding and, upon completion of the consolidation, would have 3,069,990 shares outstanding. Management of the Company reserves the right not to proceed with the share consolidation or name change if it feels it would not be in the best interest of the Company to do so. The share consolidation and change of name are subject to TSX Venture Exchange 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).

**ADDITIONAL INFORMATION FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE:****First Quarter Statement of Operations**

	<b>2008</b>	<b>2007</b>
<b>EXPENSES</b>		
Amortization	\$ 119	\$ 134
Corporate and administration fees	8,051	5,400
Management and financial fees	16,200	9,977
Office and miscellaneous	2,396	2,484
Professional fees	1,120	-
Public relations	1,463	1,890
Regulatory fees and transfer agent fees	1,408	1,667
Rent	6,249	3,593
Stock-based compensation	-	78,000
Travel and related costs	-	1,369
Loss before other items from continuing operations	<u>(37,006)</u>	<u>(104,514)</u>
<b>OTHER ITEMS</b>		
Interest income	22	1,236
Unrealized gain (loss) on marketable securities	(19,083)	-
Reversal of unrealized gain on marketable securities	(82,264)	(24,850)
Gain on sale of marketable securities (Note 7)	50,402	-
Loss from continuing operations	<u>(87,929)</u>	<u>(128,128)</u>

During the quarter, the Company did not work on the Magnacon Claims as there is a dispute with the operator. It is hoped this dispute can be resolved (see note 5 to the financial statements)

**SCHEDULE OF SHARE CAPITAL  
As at February 27, 2009**

Common Shares outstanding	30,699,909
Options outstanding	1,475,000
Warrants outstanding	2,825,000
Fully diluted share capital	34,999,909

# 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 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"**

President and Chief Executive Officer

**WINDARRA MINERALS LTD.**

## BALANCE SHEETS

Unaudited

*Prepared by Management*

	December 31 2008	September 30 2008
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 28,854	\$ 20,880
Receivables	2,418	4,877
Prepaid expenses	1,800	1,800
	<u>33,072</u>	<u>27,557</u>
<b>Equipment (Note 4)</b>	1,464	1,583
<b>Mineral properties &amp; deferred exploration costs (Note 5)</b>	919,812	916,265
<b>Investment in partnership (Note 6)</b>	100	100
<b>Investments (Note 7)</b>	54,052	155,400
	<u>\$ 1,008,500</u>	<u>\$ 1,100,905</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY****Current**

Accounts payable and accrued liabilities	\$ 41,014	\$ 45,490
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**Shareholders' Equity**

Capital stock (Note 8)	23,073,226	23,073,226
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Contributed surplus (Note 8)	194,423	194,423
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Deficit	(22,300,163)	(22,212,234)
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	<u>967,486</u>	<u>1,055,415</u>
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	<u>\$ 1,008,500</u>	<u>\$ 1,100,905</u>
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**Nature and continuance of operations (Note 1)****Discontinued operations (Note 3)****Contingency (Note 14)****On behalf of the Board:***"John Pallot"*

Director

*"Gary McDonald"*

Director

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

**WINDARRA MINERALS LTD.**  
**STATEMENTS OF OPERATIONS AND DEFICIT**  
**PERIOD ENDED DECEMBER 31**  
Unaudited  
*Prepared by Management*

	<b>2008</b>	<b>2007</b>
<b>EXPENSES</b>		
Amortization	\$ 119	\$ 134
Corporate and administration fees	8,051	5,400
Management and financial fees	16,200	9,977
Office and miscellaneous	2,396	2,484
Professional fees	1,120	-
Public relations	1,463	1,890
Regulatory fees and transfer agent fees	1,408	1,667
Rent	6,249	3,593
Stock-based compensation	-	78,000
Travel and related costs	-	1,369
Loss before other items from continuing operations	(37,006)	(104,514)
<b>OTHER ITEMS</b>		
Interest income	22	1,236
Unrealized gain (loss) on investments	(19,083)	-
Reversal of unrealized gain on investments	(82,264)	(24,850)
Gain on sale of investments (Note 7)	50,402	-
Loss from continuing operations	(87,929)	(128,128)
Loss from discontinued operations (Note 3)	-	(64,595)
Loss for the period	(87,929)	(192,723)
<b>Deficit, beginning of period</b>	(22,212,234)	(23,069,365)
<b>Deficit, end of period</b>	\$ (22,300,163)	\$ (23,262,088)
<b>Basic and diluted loss per common share</b>	\$ 0.00	\$ (0.01)
<b>Weighted average number of common shares outstanding during the period</b>	30,699,909	27,331,588

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

**WINDARRA MINERALS LTD.**  
**STATEMENTS OF CASH FLOWS**  
**PERIOD ENDED DECEMBER 31**

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period from continuing operations	\$ (87,929)	(128,128)
Items not affecting cash:		
Amortization	119	134
Stock-based compensation	-	78,000
Unrealized loss on investments	19,083	-
Reversal of unrealized gain on investments	82,264	24,850
Gain on sale of investments	(50,402)	-
Changes in non-cash working capital items:		
Decrease in receivables	2,459	17,478
Decrease in accounts payable and accrued liabilities	(7,620)	(523)
Net cash used in operating activities	(42,026)	(8,189)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	-	(669)
Mineral properties and deferred exploration costs	(402)	(2,941)
Proceeds from sale of investments	50,402	-
Net cash used in investing activities	50,000	(3,610)
<b>Cash used in discontinued operations</b>	-	(28,503)
<b>Change in cash during the period</b>	7,974	(40,302)
<b>Cash, beginning of period</b>	20,880	196,086
<b>Cash, end of period</b>	\$ 28,854	\$ 155,784

**Supplemental disclosure with respect to cash flows (Note 11)**

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

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

## **2. BASIS OF PRESENTATION**

These unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. During the year ended September 30, 2008, the Company reduced its investment in Westward Explorations Ltd. (Westward) from approximately 71% to less than 1% (Note 3). The financial statements for the period ended December 31, 2008 are prepared on an unconsolidated basis. The December 31, 2007 comparative figures have not been restated. Certain of the comparative figures for Westward are presented in summary form. Financial summaries included are presented on a comparative basis showing the figures for the corresponding period in the preceding year or the preceding

## **2. BASIS OF PRESENTATION (cont'd)**

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, 2008. 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.

### **Recently Adopted Accounting Policies**

Effective October 1, 2007, the Company adopted new accounting policies of the Canadian Institute of Chartered Accountants:

#### ***Capital Management***

The AcSB issued CICA Handbook Section 1535, under which disclosure is required to provide information about an entity's capital and how it is managed.

#### ***Financial Instruments – Disclosures***

The AcSB issued Section 3862, under which disclosure is required to enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the year and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – recognition and Measurement*, Section 3863, *Financial Instruments – Presentation*, and Section 3865, *Hedges*.

## **2. BASIS OF PRESENTATION (cont'd)**

### ***Financial Instruments – Presentation***

The AcSB issued CICA Handbook Section 3863, under which presentation is required to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

### **Recent Accounting Pronouncements**

#### ***International Financial Reporting Standards ("IFRS")***

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

#### ***Assessing Going Concern***

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

### **3. DISCONTINUED OPERATIONS**

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

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

The loss from discontinued operations is as follows:

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	Three months ended December 31, 2008
Operating expenses	
Amortization	\$ 124
Corporate and administration fees	4,669
Management & financial fees	7,720
Office and miscellaneous	2,098
Professional fees	450
Public relations	1,128
Regulatory fees and transfer agent fees	1,063
Rent	3,593
Stock-based compensation	43,750
<u>Loss from discontinued operations</u>	<u>\$ 64,595</u>

**WINDARRA MINERALS LTD.**  
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 DECEMBER 31, 2008  
 Unaudited  
*Prepared by Management*

**4. EQUIPMENT**

	December 31 2008			September 30 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 7,388	\$ 5,924	\$ 1,464	\$ 7,388	\$ 5,805	\$ 1,583

**5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS**

	December 31, 2008			
	Pukaskwa Claims, Ontario	Mishi Property, Ontario	Magnacon Claims, Ontario	Total
Balance, beginning of period	\$ 868,262	\$ 48,000	\$ 3	\$ 916,265
Additions during the period				
Geology	3,145	-	-	3,145
Lease rentals	402	-	-	402
	3,547	-	-	3,547
Balance, end of period	\$ 871,809	\$ 48,000	\$ 3	\$ 919,812

	September 30, 2008			
	Pukaskwa Claims, Ontario	Mishi Property, Ontario	Magnacon Claims, Ontario	Total
Balance, beginning of year	\$ 860,749	\$ -	\$ 1	\$ 860,750
Additions during the year				
Acquisition	-	48,000	2	48,002
Assay costs	1,952	-	-	1,952
Camp costs	304	-	-	304
Geology	3,057	-	-	3,057
Lease rentals	2,200	-	-	2,200
	7,513	48,000	2	55,515
Balance, end of year	\$ 868,262	\$ 48,000	\$ 3	\$ 916,265

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

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

**Magnacon Claims, Ontario**

During the year ended September 30, 2008, the Company acquired an 11.12% interest in these claims from Westward as part of the sale of the Westward shares (Note 3). These claims are carried in the accounts at a nominal value of \$1. As a result, 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 December 31, 2008. 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 14). At September 30, 2007, the Company wrote down its interest in these claims to a nominal value.

**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 has not been required to contribute to field geology and surface drilling costs incurred during the year ended September 30, 2008. At September 30, 2007, the Company wrote down its interest in these claims to a nominal value (\$178,290 of which was included in discontinued operations).

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

**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. The Company has issued a total of 350,000 common shares at a value of \$67,875. During the year ended September 30, 2007, the Company satisfied all of the requirements of the Pukaskwa Property Agreement and exercised the option, thereby earning the 100% interest in the property from Messina.

**Little Deer Lake Claims, Saskatchewan**

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

**Tulks South, Newfoundland**

During the year ended September 30, 2002, the Company, pursuant to an assignment agreement, was granted a 2% net smelter returns royalty on Messina's share of production 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 Leases, Ontario**

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

The Company issued 400,000 common shares valued at \$48,000 in consideration for this acquisition.



## **6. INVESTMENT IN PARTNERSHIP**

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

No cash distributions were received by the Company in the years ended September 30, 2008 and 2007.

## **7. INVESTMENTS**

Investments consist of shares in publicly traded companies at market price as published in the TSX-V daily market summary. See Change of Accounting Policy – Note 2.

	December 31	September 30
	2008	2008
Fair value	\$ 54,052	\$ 155,400
Cost	\$ 25,105	\$ 25,105

At December 31, 2008, 200,000 (September 30, 2008 - 474,215) common shares of Westward have been classified as held-for-trading and are included in investments at a market value of \$48,000 (September 30, 2008 - \$142,265). Also included at December 31, 2008 are 105,042 (September 30, 2008 - 105,042) common shares of Messina with a market value of \$5,251 (September 30, 2008 - \$11,554).

**WINDARRA MINERALS LTD.**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
Unaudited  
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**8. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Amount	Contributed Surplus
		\$	\$
Authorized			
Unlimited common shares without par value			
Issued			
Balance at September 30, 2007	30,299,909	23,048,986	172,623
Issued for property acquisition	400,000	48,000	-
Share issue costs	-	(760)	-
Fair value of options granted	-	-	156,750
Discontinued operations	-	-	(134,950)
<b>Balance at December 31 and September 30, 2008</b>	<b>30,699,909</b>	<b>23,096,226</b>	<b>194,423</b>

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

At December 31 and September 30, 2008, the Company had 2,825,000 share purchase warrants outstanding and exercisable at an exercise price of \$0.25 per share until June 5, 2009. There were no warrant transactions during either period.

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

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

Following is a summary of stock options outstanding at September 30, 2008:

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

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2007	500,000	\$ 0.24
Options granted	1,475,000	\$ 0.16
Options expired	(500,000)	\$ 0.24
<u>Balance, December 31 and September 30, 2008</u>	<u>1,475,000</u>	<u>\$ 0.16</u>
<u>Number of options currently exercisable</u>	<u>1,475,000</u>	<u>\$ 0.16</u>

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

**Stock-based compensation**

During the year ended September 30, 2008, the Company granted 1,475,000 stock options which vested upon granting. Stock-based compensation expense using the Black-Scholes option pricing model was \$113,000 which was recorded as contributed surplus on the balance sheet. The weighted average fair value of the options granted was \$0.08.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

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

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

## **9. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties during the period ended December 31, 2008:

- a) paid or accrued corporate and administration fees of \$8,051 (2007 - \$10,069) to an officer of the Company, \$4,669 of which is included in loss from discontinued operations;
- b) paid or accrued management fees of \$13,500 (2007 - \$15,750) to an officer and director of the Company, \$7,000 of which is included in loss from discontinued operations;
- c) paid or accrued geological consulting fees included in mineral property and exploration costs of \$3,145 (2007 - \$1,456) to a director of the Company;
- d) sold 274,215 (2007 – nil) common shares of Westward for total proceeds of \$50,402 (2007 – \$nil), resulting in a gain of \$50,402 (2007 - \$nil).

Included in accounts payable at December 31, 2008 is \$5,095 (September 30, 2008 - \$2,731) owing to officers and directors of the Company.

As at December 31, 2008, the Company held 105,042 (September 30, 2008 - 105,042) shares of Messina with a market value of \$5,251 (September 30, 2008 - \$11,554), and 200,000 (September 30, 2008 – 474,215) shares of Westward, a former subsidiary which has a common officer and director with a market value at December 31, 2008 of \$48,000 (September 30, 2008 - \$142,265).

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

## **10. SEGMENTED INFORMATION**

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

## **11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

During the period ended December 31, 2008, the Company had the following significant non-cash transaction:

- a) accrued accounts payable of \$3,145 (2007 – \$nil) relating to deferred exploration costs;

During the year ended September 30, 2008, the Company had the following significant non-cash transactions:

- a) accrued accounts payable of \$Nil (2007 – \$1,100) relating to deferred exploration costs;
- b) issued 400,000 (2007 – 125,000) common shares at a value of \$48,000 (2007 - \$22,500) in consideration for mineral property acquisitions. (Note 5).

## **12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

### **Fair Values**

The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

#### *(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.

*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.

### **13. CAPITAL MANAGEMENT**

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

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

### **14. 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 5). 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.



**CORPORATE DATA**  
**FEBRUARY 2009**

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Gary McDonald, C.F.O./Director  
Robert Fraser, Director  
Charles Greig, Director  
Susan Tessman, Corporate Secretary

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**CAPITALIZATION**

Authorized:	Unlimited
Issued:	30,699,909
Options:	1,475,000
Warrants:	2,825,000

**LISTINGS**

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