

# **WINDARRA MINERALS LTD.**

**Second Quarter Report  
March 31, 2007**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

May 28, 2007

*This Management Discussion and Analysis is provided for the purpose of reviewing the period ended March 31, 2007, 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 March 31, 2007 and 2006. 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 subsidiary, Westward Explorations Ltd. ("Westward") and up until 2002, Messina Minerals Inc. (formerly Mishibishu Gold Corporation).

The focus of the past several years' work on the Pukaskwa property, in the West Aardvark area, has yielded excellent results, and the targets which have been generated and systematically evaluated at surface are ready for drill-testing. They represent targets with excellent potential at depth as well as along strike. Furthermore, work in the past year has also identified other areas on the West Aardvark grid which require further trenching and detailed mapping, and it is considered likely that this work would also be followed by drill-testing.

Windarra is planning 1,500 metres of diamond drilling at the Pukaskwa Property, with the focus primarily on two of the most attractive targets, the Middle Finger Lake and Bonanza Grade zones, neither of which has been drill-tested. Both zones boast excellent results from trench-, grab-, and soil-sampling. The Company has contracted Cartwright Drilling Inc. to perform the drill program, which is expected to commence shortly.

During the previous year the Company completed three private placements raising a total of \$570,000. While the Company intends to raise additional funds in the new year, market conditions such as the price of gold and stock market trends will have an impact on the ability of the Company to obtain future financing.

The Company's loss before other items for the period ended March 31, 2007 was \$112,068 (2006 - \$156,197). This decrease is largely due to there being no charge for stock-based compensation in the current period as opposed to \$21,620 in the period ending March 31, 2006.

During the year ended September 30, 2006, the Company recorded an income tax reassessment in the amount of \$920,754. 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. During the period ended March 31, 2007, the Company filed and had approved a Proposal under the Bankruptcy Act. Under the terms of the Proposal, Westward will pay a total of \$812,500 in settlement of accounts payable of \$122,871 and amounts totaling \$999,434 owed to Canada Revenue Agency. Initial payments of \$162,500 have been made and the remaining \$650,000 is to be paid in annual instalments of \$130,000 due no later than March 31<sup>st</sup> of each year from 2008 to 2012.

## **RESULTS OF OPERATIONS**

The Company spent \$15,403 on Pukaskwa claims during the period ended March 31, 2007 (2006 – \$7,870).

### ***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 (issued) over a period of 30 months from the date of acceptance.

The Pukaskwa property is located 50 kilometres west of Wawa, Ontario, less than 20 km northwest of Wesdome Gold Mines Ltd.'s (formerly River Gold Ltd.) 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 of the Pukaskwa property. The age of the Pukaskwa property host rocks, 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 8 kilometre strike-length of the previously defined gold-bearing Mishibishu deformation zone underlying the Pukaskwa property. Previous exploration in the late 1980's had identified a host of gold occurrences, including the Champagne Vein

and West Aardvark occurrence. However, a new gold occurrence 0.5 kilometres southwest of the West Aardvark occurrence and 5 kilometres east of the Champagne vein was discovered which yielded values 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, 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, a follow-up soil geochemical program was conducted. Geochemical anomalies on the 1,064 sample soil grid clearly outlines an east-northeast to west-southwest mineralized trends which encompass the discovery outcrop. 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, chalcopryrite, 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, which has recently been compiled by Windarra, are continuous for at least 15 km of strike length and they encompass the grid area sampled more recently. 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 bounds of the recently defined 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 local magnetometer high. It represents a somewhat different and very exciting style of mineralization from the more typical relatively sulphide-poor, free gold-bearing quartz veins at most of the gold occurrences on the property. Because trenching over the Middle Finger Lake zone returned excellent results, with both significant widths and excellent grades of gold mineralization, Windarra undertook the Induced Polarization survey and further magnetometer work in July of this year. The main goal of the geophysical work was to trace the zone of chargeable sulphide mineralization beneath soil and vegetation cover, with the further goal of identifying new areas of exploration interest on the West Aardvark grid. Both goals were met.

The Induced Polarization survey showed clearly that the Middle Finger Lake zone, and the Au-As soil geochemical anomaly which surrounds it, is coincident with a well-defined, 50-75m wide zone of high chargeability (35mV/V). The anomalous zone trends east-northeast to west-southwest, and can be traced over a strike length of 900 meters. It remains open to the southeast, in the vicinity of Aardvark Lake. On its western end, across a prominent north-northeast trending linear feature outlined well by the geophysical surveys, the zone appears to be truncated, or at least to lose some strength.

A similar but somewhat more subdued and discontinuous chargeability anomaly occurs southwest of, and overlaps with, the western end of the Middle Finger Lake zone anomaly, occurring between it and the Au veins at the Bonanza-grade zone. This anomaly, although less prominent than the chargeability anomaly at the Middle Finger Lake zone, has a strike length of 1.4 kilometres, and remains open to the west. And, like the chargeability high at the Middle Finger Lake zone, it is also coincident, in part, with an extensive Au-As soil geochemical anomaly--it represents an extensive and exciting exploration target, much of which remains untested. Where it has been tested, such as at the East and West Duddy trenches, and at the Upper Cedar trench, mineralization was at least locally similar style to that at the Middle Finger Lake zone. At the Upper Cedar trench, Middle Finger Lake style mineralization yielded up to 9 g/t Au across one metre in chip samples, with supportive values averaging approximately 300 ppb Au across several metres of wallrock. At the Duddy trenches, mineralization consists predominantly of quartz vein-type, and although many of the grab samples collected have yielded significant grades, commonly between 5 and 15 g/t Au, and ranging up to 27 g/t Au, the veins do not approach the tenor of the veins at the Bonanza-grade zone. The immediately adjacent area is still considered to have excellent exploration potential, however, as the soil geochemistry suggests that the trenches may be located on the southern margin of the zone of greatest potential.

The Bonanza-grade zone itself has little geophysical expression in terms of chargeability, resistivity, or magnetics. However, it is ready for drill-testing, and the surrounding area, particularly to the east and northeast, still has great exploration potential, in particular because of the presence of the elevated and extensive soil geochemical anomaly and the proximity of the veins with their consistently spectacular grades.

Following completion of the geophysical surveys, a short trench mapping program was undertaken on the West Aardvark grid, mainly with the aim of providing further definition of targets for a diamond drilling program. Results of the mapping program are detailed in a report by O'Neill et al. (2006), and they help to provide a better geologic understanding of gold mineralization on the property. In addition, the mapping, together with some new soil geochemical work, has helped to extend the known mineralized zones, and has helped outline several new targets. As mentioned previously, gold at the Pukaskwa property occurs in association with quartz, arsenopyrite, pyrite, chalcopyrite, galena and sphalerite, and it occurs in two main styles, which together provide excellent exploration targets. The first and most obvious style of mineralization, that of classic quartz veins bearing free and sulphide-associated gold, occurs within both conglomeratic and finer-grained clastic rocks. In this style, alteration selvages, typically chloritic, are negligible. The Bonanza-grade zone, which yields multi-ounce gold values, is the most obvious example of this style of mineralization; it is hosted by competent conglomeratic rocks. A second style of mineralization is best exemplified at the Middle Finger Lake zone. There, quartz veining occurs only very locally, as quartz stringer veins, and the mineralization is characterized by the presence of layers of disseminated to semi-massive arsenopyrite within a zone of heavy chlorite alteration several metres or more thick. A well-developed foliation is typical of the host rocks, which are fine-grained argillaceous rocks, and channel samples average over 5 g/t gold across nearly 6 metres. The fact that both styles of mineralization occur locally in several of the trenches mapped strongly suggests the potential for the coincidence of the two styles, with Bonanza grade-type veins occurring within an envelope of Middle Finger Lake-style mineralization. Such a coincidence represents the true exploration upside of the Pukaskwa property, an upside which definitely merits further testing in the form of diamond drilling, excavator trenching, and detailed soil geochemistry.

In summary, a great deal was accomplished on the Pukaskwa property during 2006. The focus of the past several years on the West Aardvark area has yielded excellent results, and the targets generated in that area, such as at the Middle Finger Lake and Bonanza-grade zones, are ready for drill-testing. Furthermore, work in the past year has also identified areas which require further trenching and detailed mapping, which should most likely be followed by drill-testing. Such areas include the geochemical anomalies eastward and northeastward from the Bonanza-grade zone, and the chargeability anomaly *en echelon* with, and to the southwest of, the Middle Finger Lake zone. Windarra is planning 1,500 metres of diamond drilling at the Pukaskwa Property, with the focus primarily on two of the most attractive targets, the Middle Finger Lake and Bonanza Grade zones, neither of which has been drill-tested. The Company has contracted Cartwright Drilling Inc. to perform the drill program, which is expected to commence shortly.

### ***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 Gold Mines Ltd. (formerly River Gold Mines Ltd.) (“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.

### ***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 had a liability at December 31, 2006 representing taxes, accrued interest and a portion of the CRA legal costs in the amount of \$920,754.

Westward engaged the services of consultants Campbell Saunders to facilitate a settlement of this matter and a Notice of Intention to Make a Proposal pursuant to provisions of the Bankruptcy and Insolvency Act

was filed on behalf of the Company in October 2006 and was accepted by Westward's creditors during the current period.

Under the terms of the Proposal, Westward will pay a total of \$812,500 in settlement of all its debts including all amounts owed to CRA. An initial payment of \$12,500 was made this quarter and a further \$150,000 was paid in subsequent to the end of the period. The remaining \$650,000 is to be paid in annual instalments of \$130,000 due no later than March 31<sup>st</sup> of each year from 2008 to 2012.

## 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 March 31, 2007
\$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	\$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

## SUMMARY OF QUARTERLY RESULTS

QUARTER ENDING	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006	June 30 2006	Mar. 31 2006	Dec. 31 2005	Sept. 30 2005	June 30 2005
Loss for the period	\$ (79,381)	\$ (46,559)	\$ (33,060)	\$(72,464)	\$(59,078)	\$(68,063)	\$(57,820)	\$(171,798)
Earnings (Loss) Per Share	\$ 0.00	\$ 0.00	\$ 0.00	\$(0.04)	\$ 0.00	\$ 0.00	\$ (0.01)	\$ (0.01)

The loss before other items for the second quarter 2007 is \$67,935 compared to a loss of \$87,883 for the second quarter 2006. The main reason for the decrease in administrative costs was an \$18,031 decrease in public relations expense.

## LIQUIDITY AND CAPITAL RESOURCES

Working capital deficiency has decreased to \$331,603 at March 31, 2007 from \$1,102,526 at December 31, 2006 due largely to the reclassification of \$829,806 as long-term debt as a result of approval of the proposal to the creditors. The Company's working capital situation has been determined by its ability to offset expenses against gains obtained through the continued divestment of investments. During the year ended September 30, 2006, the Company was successful in raising capital through private placement financings and the sale of investments. The Company completed three private placements pursuant to which it raised total proceeds of \$570,000.

Subsequent to the period end, the Company announced a non-brokered private placement of up to 2,775,000 non flow-through units at a price of \$0.20 per unit and up to 300,000 flow-through shares at a price of \$0.25 per share. Each non flow-through unit will be 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. Proceeds of the placement will be applied to a drill program on the Company's Pukaskwa property and for working capital purposes.

Other than 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 March 31, 2007:

- a) paid or accrued corporate and administration fees of \$18,021 to Susan Tessman, Corporate Secretary of the Company;
- b) paid or accrued management fees of \$21,000 to John Pallot, President of the Company;
- c) paid or accrued geological consulting fees included in mineral property and exploration costs of \$3,871 to Charlie Greig, a director of the Company.
- d) sold 95,000 common shares of Messina Minerals Inc. for total proceeds of \$125,528, resulting in a gain of \$105,578. As at March 31, 2007, the Company held 115,042 common shares of Messina with a market value of \$216,050.

Included in accounts payable at March 31, 2007 is \$27,742 owing to officers and directors of 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.

## **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company's Chief Executive Officer and Chief Financial Officer (the "Certifying Officers") are responsible for the establishment and maintenance of a system of disclosure controls and procedures. This system is designed to provide reasonable assurance that information required to be disclosed by the Company under various securities legislation or the rules of regulatory agencies is appropriately reported within the time periods specified.

The Certifying Officers evaluate the system periodically throughout the year. They have concluded that the Company's disclosure controls are effective in providing reasonable assurance that material

information relating to the Company is accumulated, reviewed by management and reported within the time periods specified.

The Certifying Officers are also responsible for the establishment of a system of internal controls over financial reporting. This system is designed to provide reasonable assurance regarding the reliability and timeliness of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principals.

Ultimate responsibility for financial reporting rests with the Board of Directors. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and is composed of a majority of independent outside directors. It meets periodically with management and the external auditors to review accounting, auditing and internal control matters and regularly reports its findings and recommendations to the Board of Directors.

## OUTSTANDING SHARE DATA

As at March 31, 2007, the Company had 26,121,909 shares outstanding.

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
Oct. 11, 2005	Peter Tallman	100,000	\$0.32	Oct. 11, 2007	Director (Advisory)
<b>TOTAL</b>		<b>1,440,000</b>			

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

Number of Warrants	Number of Shares	Exercise Price	Expiry Date
400,000	400,000	\$0.35	June 5, 2007
540,000	540,000	\$0.35	July 18, 2007
<b>TOTAL</b>	<b>940,000</b>		

## 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:****MINERAL PROPERTIES AND DEFERRED DEVELOPMENT COSTS****THREE MONTHS ENDED**

	March 31, 2007		
	Pukaskwa Claims, Ontario	Magnacon Claims, Ontario	Total
Balance, beginning of period	\$ 573,530	\$ 405,786	\$ 979,316
Additions during the period			
Geology	3,871	-	3,871
Camp costs	6,464	-	6,464
Equipment rental	755	-	755
Travel and helicopter	4,313	-	4,313
	15,403	-	15,403
Balance, end of period	\$ 588,933	\$ 405,786	\$ 994,719

	March 31, 2006		
	Pukaskwa Claims, Ontario	Magnacon Claims, Ontario	Total
Balance, beginning of period	\$ 245,552	\$ 405,786	\$ 651,338
Additions during the period			
Assay costs	906	-	906
Geology	6,300	-	6,300
Camp costs	664	-	664
	7,870	-	7,870
Balance, end of period	\$ 253,422	\$ 405,786	\$ 659,208

During the period, 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 4 to the financial statements)

## SECOND QUARTER OPERATING EXPENSES

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
<b>EXPENSES</b>		
Amortization	\$ 256	\$ 365
Corporate and administration fees	8,550	8,934
Management and financial fees	12,430	14,705
Office and miscellaneous	3,952	8,360
Part XII.6 tax	1,532	-
Professional fees	10,625	9,646
Public relations	427	18,458
Regulatory fees and transfer agent fees	21,534	21,685
Rent	7,001	5,730
Travel and related costs	1,628	-
		-
<b>Loss before other items</b>	<b>\$ (67,935)</b>	<b>\$ (87,883)</b>

### SCHEDULE OF SHARE CAPITAL

As at the date of this Management Discussion & Analysis

Common Shares outstanding	26,246,909
Options outstanding	1,440,000
Warrants outstanding	940,000
Fully diluted share capital	31,251,818

## **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.**  
**CONSOLIDATED BALANCE SHEETS**  
 Unaudited  
*Prepared by Management*

	<b>March 31 2007</b>	<b>September 30 2006</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	\$ 13,149	\$ 10,413
Receivables	18,343	45,156
Prepaid expenses and deposits	2,396	2,386
	<u>33,888</u>	<u>57,955</u>
<b>Equipment (Note 3)</b>	2,894	3,405
<b>Mineral properties &amp; deferred exploration costs (Note 4)</b>	994,719	979,316
<b>Investment in partnership (Note 5)</b>	100	100
<b>Marketable securities (Note 6)</b>	209,352	50,755
	<u>211,005</u>	<u>1,033,331</u>
	<u>\$ 1,240,953</u>	<u>\$ 1,091,531</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 85,491	\$ 234,179
Payable to Canada Revenue Agency (Note 7)	-	920,754
Current portion of long-term debt	280,000	-
	<u>365,491</u>	<u>1,154,933</u>
<b>Long-term debt (Note 8)</b>	829,806	-
	<u>1,195,297</u>	<u>1,154,933</u>
<b>Shareholders' equity</b>		
Capital stock (Note 9)	22,351,051	22,351,051
Contributed surplus (Note 9)	202,743	202,743
Deficit	(22,508,138)	(22,617,196)
	<u>45,656</u>	<u>(63,402)</u>
	<u>\$ 1,240,953</u>	<u>\$ 1,091,531</u>

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

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**Contingency (Note 14)**

**Subsequent event (Note 15)**

**On behalf of the Board:**

*"John Pallot"*

Director

*"Gary McDonald"*

Director

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

**WINDARRA MINERALS LTD.****CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

Unaudited

*Prepared by Management*

	Three Months Ended		Six Months Ended	
	March 31		March 31	
	2007	2006	2007	2006
<b>EXPENSES</b>				
Amortization	\$ 256	\$ 365	\$ 511	\$ 730
Corporate and administration fees	8,550	8,934	18,020	18,244
Management and financial fees	12,430	14,705	24,305	29,205
Office and miscellaneous	3,952	8,360	10,140	10,703
Part XII.6 tax	1,532	-	1,532	-
Professional fees	10,625	9,646	13,025	10,456
Public relations	427	18,458	4,607	26,616
Regulatory fees and transfer agent fees	21,534	21,685	24,461	25,009
Rent	7,001	5,730	13,577	11,460
Stock-based compensation (Note 9)	-	-	-	21,620
Travel and related costs	1,628	-	1,890	2,154
<b>Loss before other items</b>	<b>(67,935)</b>	<b>(87,883)</b>	<b>(112,068)</b>	<b>(156,197)</b>
<b>OTHER ITEMS</b>				
Interest income	103	218	201	469
Unrealized loss on marketable securities	57,759	-	55,900	-
Reversal of unrealized gain on marketable securities	(64,350)	-	(108,750)	-
Gain on sale of marketable securities (Note 6)	73,723	28,587	117,458	28,587
Canada Revenue Agency judgment costs (Note 7)	(78,681)	-	(78,681)	-
	<b>(11,446)</b>	<b>28,805</b>	<b>(13,872)</b>	<b>29,056</b>
<b>Loss for the period</b>	<b>(79,381)</b>	<b>(59,078)</b>	<b>(125,940)</b>	<b>(127,141)</b>
<b>Deficit, beginning of period</b>	<b>(22,428,757)</b>	<b>(21,624,840)</b>	<b>(22,617,196)</b>	<b>(21,556,777)</b>
Fair value adjustment on marketable securities	-	-	234,998	-
	<b>(22,428,757)</b>	<b>(21,624,840)</b>	<b>(22,382,198)</b>	<b>(21,556,777)</b>
<b>Deficit, end of period</b>	<b>\$ (22,508,138)</b>	<b>\$ (21,683,918)</b>	<b>\$ (22,508,138)</b>	<b>\$ (21,683,918)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding during the period</b>	<b>26,121,909</b>	<b>25,081,909</b>	<b>26,121,909</b>	<b>25,043,447</b>

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

**WINDARRA MINERALS LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Unaudited  
*Prepared by Management*

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>March 31</b>		<b>March 31</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (79,381)	\$ (59,078)	\$ (125,940)	\$ (127,141)
Items not affecting cash:				
Amortization	256	365	511	730
Unrealized loss on marketable securities	(57,759)	-	(55,900)	-
Reversal of unrealized gain on marketable securities	64,350	-	108,750	-
Gain on sale of investments	(73,723)	(28,587)	(117,458)	(28,587)
Stock-based compensation	-	-	-	21,620
Canada Revenue Agency judgment costs	78,681	-	78,681	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(11,889)	4,278	18,628	(3,422)
(Increase) decrease in prepaid expenses and deposits	8,168	(5,507)	(10)	(5,507)
Increase (decrease) in accounts payable and accrued liabilities	(16,871)	8,573	(20,201)	(51,477)
Net cash used in operating activities	(88,168)	(79,956)	(112,939)	(193,784)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Mineral properties and deferred exploration costs	3,170	(1,784)	(25,333)	(129,991)
Proceeds from sale of long-term investments	87,373	40,487	141,008	40,487
Net cash provided by investing activities	90,543	38,703	115,675	(89,504)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Capital stock issued for cash	-	-	-	313,400
Share issue costs	-	-	-	(7,500)
Net cash provided by financing activities	-	-	-	305,900
<b>Change in cash during the period</b>	<b>2,375</b>	<b>(41,253)</b>	<b>2,736</b>	<b>22,612</b>
<b>Cash, beginning of period</b>	<b>10,774</b>	<b>144,239</b>	<b>10,413</b>	<b>80,374</b>
<b>Cash, end of period</b>	<b>\$ 13,149</b>	<b>\$ 102,986</b>	<b>\$ 13,149</b>	<b>\$ 102,986</b>

**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 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 fulfill the provisions of subsidiary company's bankruptcy proposal approved by the courts. (See Note 8.)

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

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	March 2007	September 2006
Working capital (deficiency)	\$ (331,603)	\$ (1,096,978)
Deficit	\$ (22,508,138)	\$ (22,617,196)

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## **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, 2006. 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.

Certain comparative figures have been reclassified to conform with the current period's presentation.

### **Changes in accounting policies**

Effective October 1, 2006, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861 Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet either at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are

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

recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

As a result of the adoption of these new standards, the Company has classified its marketable securities as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other liabilities, which are measured at amortized cost.

As a result of the application of Section 3855, the Company's deficit position as at October 1, 2006 was reduced by \$234,998 to reflect the opening fair value of marketable securities.

**3. EQUIPMENT**

	March 31 2007			September 30 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 13,155	\$ 10,261	\$ 2,894	\$ 13,155	\$ 9,750	\$ 3,405

**WINDARRA MINERALS LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2007  
Unaudited  
Prepared by Management

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

	March 31, 2007		
	Pukaskwa Claims, Ontario	Magnacon Claims, Ontario	Total
Balance, beginning of period	\$ 573,530	\$ 405,786	\$ 979,316
Additions during the period			
Acquisition	-	-	-
Assay costs	-	-	-
Geology	3,871	-	3,871
Camp costs	6,464	-	6,464
Equipment rental	755	-	755
Travel and helicopter	4,313	-	4,313
	15,403	-	15,403
Balance, end of period	\$ 588,933	\$ 405,786	\$ 994,719

	September 30, 2006		
	Pukaskwa Claims, Ontario	Magnacon Claims, Ontario	Total
Balance, beginning of year	\$ 117,345	\$ 405,786	\$ 523,131
Additions during the year			
Acquisition	24,500	-	24,500
Assay costs	29,651	-	29,651
Camp costs	36,342	-	36,342
Equipment rental	40,605	-	40,605
Geology	219,816	-	219,816
Travel and helicopter	105,271	-	105,271
	456,185	-	456,185
Balance, end of year	\$ 573,530	\$ 405,786	\$ 979,316

**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 March 31, 2007. 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).

**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 period ended March 31, 2007, 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 has issued 225,000 common shares at a value of \$45,375 and is required to issue an additional 125,000 common shares on or before May 31, 2007 (issued).

**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 March 31, 2007 nor in the year ended September 30, 2006.

**6. MARKETABLE SECURITIES**

Marketable securities consist of shares in publicly traded companies shown on the balance sheet at March 31, 2007 at market price as published in the TSX daily market summary (September 30, 2006 – shown at cost). See Change of Accounting Policy – Note 2.

	March 31 2007	September 30 2006
Fair value	\$ 209,352	\$ 285,752
Cost	\$ 27,205	\$ 50,755

During the period ended March 31, 2007, the Company sold 95,000 shares of Messina for proceeds of \$125,528, resulting in a gain of \$105,578 and sold 60,000 shares of Nikos Explorations Ltd. for proceeds of \$15,481, resulting in a gain of \$11,881.

During the year ended September 30, 2006, the Company sold 55,500 common shares of Stingray Minerals Inc., a company with a former common director, for proceeds of \$32,391, resulting in a gain of \$22,591. The Company also sold 57,000 common shares of Messina for proceeds of \$79,752, resulting in a gain of \$67,782 and sold 110,000 common shares of Nikos Explorations Ltd. for proceeds of \$35,166, resulting in a gain of \$28,565.

**7. PAYABLE TO CANADA REVENUE AGENCY**

Westward's 1995 Corporate Income Tax Return was reassessed in May 2000 and the Company filed Notice of Appeal with the Tax Court of Canada at that time. 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 March 31, 2007 representing taxes, and accrued interest of \$920,995 (September 30, 2006 - \$920,764) and a portion of the CRA legal costs in the amount of \$78,439. Interest has been calculated at the CRA prescribed interest rate. As of March 31, 2007, this amount is shown under long-term debt. (See Note 8.)

**8. LONG-TERM DEBT**

The Company filed a Notice of Intention to Make a Proposal pursuant to provisions of the Bankruptcy and Insolvency Act in October 2006. In March 2007, the Company obtained approval from the courts of an amended proposal whereby claims of General Creditors carried in the accounts at \$1,122,306 will be discharged by payments totalling \$812,500 paid out as follows:

- a) \$12,500 upon filing of the proposal (paid);
- b) \$150,000 no later than thirty days from implementation date (paid subsequent to period end);
- c) 130,000 no later than March 31, 2008;
- d) 130,000 no later than March 31, 2009;
- e) 130,000 no later than March 31, 2010;
- f) 130,000 no later than March 31, 2011;
- g) 130,000 no later than March 31, 2012.

At March 31, 2007, the remaining amount owing to the General Creditors is shown on the balance sheet as follows:

Long-term debt	\$	829,806
Current portion of long-term debt		280,000
	\$	<u>1,109,806</u>

**WINDARRA MINERALS LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2007  
Unaudited  
*Prepared by Management*

**9. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Amount \$	Contributed Surplus \$
Authorized			
Unlimited common shares without par value			
Issued			
Balance at September 30, 2005	24,081,909	21,869,431	123,373
Issued for property acquisitions	100,000	24,500	-
Issued for cash	1,940,000	570,000	-
Offering costs	-	(19,880)	-
Fair value of stock options	-	-	79,370
Tax benefits renounced to flow-through subscribers	-	(93,000)	-
Balance at March 31, 2007 and September 30, 2006	26,121,909	22,351,051	202,743

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

There were no capital stock transactions during the period ended March 31, 2007. During the year ended September 30, 2006, the Company completed private placements as follows:

- October 7, 2005 - issued 300,000 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. Subsequent to the year end, these share purchase warrants expired.
- June 5, 2006 - issued 60,000 units and 340,000 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 consisted 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.
- July 18, 2006 – issued 20,000 units and 520,000 flow-through units at a price of \$0.25 per unit for total proceeds of \$135,000. 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 at a price of \$0.35 per share for a period of one year.

During the year ended September 30, 2006, the Company issued 100,000 common shares to Messina as part of the Pukaskwa agreement (Note 4) at a value of \$24,500.

At March 31, 2007, the Company had 940,000 share purchase warrants outstanding and exercisable at an average exercise price of \$0.35 per share, as follows:

Number of Warrants	Exercise Price	Expiry Date
400,000	\$0.35	June 5, 2007
540,000	\$0.35	July 18, 2007
940,000		

**WINDARRA MINERALS LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2007  
Unaudited  
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**9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd)**

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted average Exercise price
Balance, September 30, 2005	-	\$ -
Granted	1,940,000	\$ 0.38
Balance, September 30, 2006	1,940,000	\$ 0.38
Expired	(1,000,000)	\$ 0.40
Balance, March 31, 2007	940,000	\$ 0.35

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 March 31, 2007:

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
1,440,000		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2005	1,340,000	\$ 0.13
Options granted	100,000	0.32
Balance, September 30, 2006 and March 31, 2007	1,440,000	0.15
Number of options currently exercisable	1,440,000	\$ 0.15

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

**Stock-based compensation**

During the year ended September 30, 2006, the Company granted 100,000 (2005 – 400,000) stock options which vested upon granting. Stock-based compensation expense using the Black-Scholes option pricing model was \$21,620 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 year ended September 30, 2006:

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

Westward granted 875,000 stock options during fiscal 2006 resulting in compensation expensed and contributed surplus of \$57,750 which is reflected in the consolidated financial statements.

**10. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties during the period ended March 31, 2007:

- a) paid or accrued corporate and administration fees of \$18,021 (2006 - \$18,442) to an officer of the Company;
- b) paid or accrued management fees of \$21,000 (2006 - \$21,000) to an officer and director of the Company;
- c) paid or accrued geological consulting fees included in mineral property and exploration costs of \$3,871 (2006 - \$Nil) and consulting fees of \$Nil (2006 – \$35,569) to a director of the Company;

**10. RELATED PARTY TRANSACTIONS (cont'd)**

- d) sold 95,000 (2006 – 10,000) common shares of Messina for total proceeds of \$125,528, resulting in a gain of \$105,578. As at March 31, 2007, the Company held 115,042 (September 30, 2006 – 210,042) common shares of Messina with a market value of \$195,571 (September 30, 2006 – \$252,050).

Included in accounts payable at March 31, 2007 is \$27,742 (September 30, 2006 - \$34,926) 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.

**11. SEGMENTED INFORMATION**

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

**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

At March 31, 2007, the Company had accrued amounts payable of \$2,400 (2006 – \$6,086) relating to deferred exploration costs. Also during the period, the Company increased marketable securities by \$234,998 with a corresponding reduction in the deficit by the same amount (See note 2).

During the year ended September 30, 2006, the Company issued 100,000 (2005 – 125,000) common shares at a value of \$24,500 (2005 - \$20,875) to Messina as part of the Pukaskwa agreement (Note 4). At September 30, 2006, the Company had accrued amounts payable of \$22,600 (2005 - \$31,278) relating to deferred exploration costs.

**13. FINANCIAL INSTRUMENTS**

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

**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 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.

**15. SUBSEQUENT EVENT**

Subsequent to the period end, the Company announced a non-brokered private placement of up to 2,775,000 non flow-through units at a price of \$0.20 per unit and up to 300,000 flow-through shares at a price of \$0.25 per share. Each non flow-through unit will be 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.

## Form 52-109F2 – Certification of Interim Filings

I, John Pallot, President and CEO of Windarra Minerals Ltd., certify that:

1. I have reviewed the interim filings (as this term is identified in Multilateral Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings*) of Windarra Minerals Ltd., (the issuer) for the period ending March 31, 2007.
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared;
  - b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

May 29, 2007

*"John Pallot"*

---

John Pallot  
President and CEO

## Form 52-109F2 – Certification of Interim Filings

I, Gary McDonald, CFO of Windarra Minerals Ltd., certify that:

1. I have reviewed the interim filings (as this term is identified in Multilateral Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings*) of Windarra Minerals Ltd., (the issuer) for the period ending March 31, 2007.
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - a. designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared;
  - b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

May 29, 2007

*"Gary McDonald"*

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Gary McDonald  
CFO

## CORPORATE DATA

MAY 2007

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### SOLICITORS

Lee Tupper  
Tupper Jonsson & Yeadon  
1710-1177 W. Hastings St.  
Vancouver, BC V6E 2L3

### REGISTRAR & TRANSFER AGENT

Computershare Trust Company of Canada  
3rd Floor, 510 Burrard Street  
Vancouver, BC V6C 3B9

### AUDITORS

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

### DIRECTORS AND OFFICERS

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

### INVESTOR CONTACTS

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

### CAPITALIZATION

Authorized:	Unlimited
Issued:	26,246,909
Options:	1,440,000
Warrants:	940,000

### LISTINGS

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