

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2004**  
**(Unaudited - See Notice to Reader)**

**BEAUCHAMP & COMPANY  
CHARTERED ACCOUNTANTS  
#205 - 788 BEATTY STREET  
VANCOUVER, B.C. V6B 2M1  
PHONE: 604-688-2850 FAX: 604-688-2777**

**NOTICE TO READER**

We have compiled the interim consolidated balance sheet of Navasota Resources Ltd. as at October 31, 2004 and the interim consolidated statements of operations and deficit, cash flows, mineral property interests, and deferred exploration expenditures for the three and six months then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Vancouver, B.C.  
December 10, 2004

***“BEAUCHAMP & COMPANY”***  
Chartered Accountants

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED BALANCE SHEET**  
**AS AT OCTOBER 31, 2004 AND APRIL 30, 2004**  
(Unaudited - See Notice to Reader)

	<b>Oct. 31,</b> <b>2004</b>	<b>(Note 11)</b> <b>Apr. 30,</b> <b>2004</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 3)	\$ 576,320	\$ 721,772
Marketable securities (Note 1)	300,000	-
Amounts receivable	9,248	6,441
Prepaid expenses	168,851	3,084
Reclamation bonds	5,000	15,000
	1,059,419	746,297
<b>Office Equipment (Note 4)</b>	11,876	12,966
<b>Mineral Property Interests (Statement) (Note 5)</b>	27,140	22,462
<b>Deferred Exploration Expenditures (Statement)</b>	82,081	100,191
	\$ 1,180,516	\$ 881,916

**LIABILITIES**

<b>Current Liabilities</b>		
Accounts payable and accruals	\$ 34,906	\$ 58,943
Exploration funds held in trust (Note 5 (a))	-	50,000
	34,906	108,943

**SHAREHOLDERS' EQUITY**

<b>Share Capital (Note 6)</b>	13,544,956	13,544,956
<b>Contributed Surplus (Note 6©))</b>	93,184	93,184
<b>Deficit</b>	(12,492,530)	(12,865,167)
	1,145,610	772,973
	\$ 1,180,516	\$ 881,916

**Contingencies (Note 8)**

**Approved By The Directors:**

"JAMES T. GILLIS" Director

"CHRISTOPHER J. WILD" Director

See accompanying notes.

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2004 AND 2003**  
**(Unaudited - See Notice to Reader)**

	<b>Three Months Ended <u>2004</u></b>	<b>Three Months Ended <u>2003</u></b>	<b>Six Months Ended <u>2004</u></b>	<b>Six Months Ended <u>2003</u></b>
<b>Administrative Expenses</b>				
Amortization	\$ 796	\$ 987	\$ 1,595	\$ 1,974
Consulting fees (Note 9(a))	17,200	-	34,400	5,000
Interest and bank charges (recovery)	4,334	(1,745)	4,441	(214)
Investor relations	1,317	-	15,369	-
Management fees(Note 9(a))	9,000	9,000	18,000	18,000
Office	4,322	2,228	6,016	2,760
Professional fees	26,204	13,694	48,553	20,692
Rent (Note 9 a))	4,470	4,218	8,712	8,460
Telephone and utilities	1,341	2,279	2,854	3,893
Transfer agent and regulatory fees	6,618	16,297	7,602	17,982
Travel and promotion	7,769	59,259	14,225	76,820
Wages and benefits	8,698	7,684	13,862	14,661
<b>Net Loss Before Undernoted Items</b>	(92,069)	(113,901)	(175,629)	(170,028)
<b>Other Income (Expense)</b>				
Gain on sale of mineral property interest	517,381	-	517,381	-
Gain on settlement of debt	-	-	25,695	-
Interest income	2,843	517	5,190	517
Write off of mineral property interests (Note 5©))	-	-	-	(3,152)
<b>Net Income (Loss)</b>	428,155	(113,384)	372,637	(172,663)
<b>Deficit, Beginning Of Period</b>	(12,920,685)	(12,245,003)	(12,865,167)	(12,185,724)
<b>Security Issuance Costs</b>	-	(8,154)	-	(8,154)
<b>Deficit, End Of Period</b>	\$(12,492,530)	\$(12,366,541)	\$(12,492,530)	\$(12,366,541)
<hr/>				
<b>Earnings (Loss) Per Share (Note 1)</b>	\$ 0.022	\$ (0.007)	\$ 0.019	\$ (0.011)
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<b>Fully Diluted Earnings Per Share</b>	\$ 0.017	\$ N/A	\$ 0.015	\$ N/A
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<b>Weighted Average Common Shares Outstanding</b>	19,631,454	16,048,916	19,631,454	15,546,329
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See accompanying notes.

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2004 AND 2003**  
**(Unaudited - See Notice to Reader)**

	<b>Three Months Ended <u>2004</u></b>	<b>Three Months Ended <u>2003</u></b>	<b>Six Months Ended <u>2004</u></b>	<b>Six Months Ended <u>2003</u></b>
<b>Cash Provided By (Used For):</b>				
<b>Operating Activities</b>				
Net income (loss)	\$ 428,155	\$ (113,384)	\$ 372,637	\$ (172,663)
Items not requiring (providing) cash:				
Amortization	796	987	1,595	1,974
Gain on sale of mineral property interest	(517,381)	-	(517,381)	-
Gain on settlement of debt	-	-	(25,695)	-
Write off of mineral property interests	-	-	-	3,152
Net change in non-cash working capital items	(186,630)	(634)	(171,496)	2,940
Cash used for operating activities	(275,060)	(113,031)	(340,340)	(164,597)
<b>Investing Activities</b>				
Reclamation bond proceeds received (paid)	10,000	(10,000)	10,000	(10,000)
Acquisition of office equipment	-	-	(505)	(525)
Proceeds received on sale of mineral property interest	250,000	-	250,000	-
Mineral property interest costs paid	(25,000)	-	(25,000)	(101,821)
Deferred exploration expenditures paid	(38,468)	(225,550)	(39,607)	(272,670)
Cash provided by (used for) investing activities	196,532	(235,550)	194,888	(385,016)
<b>Financing Activities</b>				
Advances secured for exploration activities	-	50,000	-	50,000
Issuance of promissory notes	-	-	-	125,000
Repayment of promissory notes	-	(175,000)	-	(175,000)
Payment of security issuance costs	-	(8,154)	-	(8,154)
Issuance of share capital for cash	-	1,175,473	-	1,238,140
Cash provided by financing activities	-	1,042,319	-	1,229,986
<b>(Decrease) Increase In Cash Cash And Cash Equivalents, Beginning Of Period</b>	(78,528)	693,738	(145,452)	680,373
<b>Cash And Cash Equivalents, End Of Period</b>	\$ 576,320	\$ 702,002	\$ 576,320	\$ 702,002
<b>Supplemental Information</b>				
Interest paid (recovered) included in net income (loss)	\$ 230	\$ (2,151)	\$ 241	\$ (607)
Issuance of share capital for non-cash consideration:				
Mineral property interest costs	\$ -	\$ -	\$ -	\$ 52,500
In settlement of obligations	-	21,500	-	21,500
	\$ -	\$ 21,500	\$ -	\$ 74,000
<b>Cash And Cash Equivalents</b>				
Cash	\$ 176,320	\$ 302,002	\$ 176,320	\$ 302,002
Guaranteed investment certificate	400,000	400,000	400,000	400,000
	\$ 576,320	\$ 702,002	\$ 576,320	\$ 702,002

See accompanying notes.

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF MINERAL PROPERTY INTERESTS**  
**AS AT OCTOBER 31, 2004 AND APRIL 30, 2004**  
**(Unaudited - See Notice to Reader)**

	(Note 11) Apr. 30 <u>2004</u>	<u>Written Off On</u> <u>Additions Abandonment</u>		<u>Sale</u> <u>Proceeds</u> <u>Applied</u>	Oct. 31, <u>2004</u>
Turner Lake, Gela Lake, & Baillie Bay Bathurst Inlet, Nunavut 100% interest	\$ 20,322 \$	-	\$ -	\$ (20,322) \$	-
Gold Creek Kamloops Mining Division of B.C. 100% interest	2,140	-	-	-	2,140
Stenlund Marathon, Ontario 100% option interest	-	25,000	-	-	25,000
	<u>\$ 22,462 \$</u>	<u>\$ 25,000 \$</u>	<u>-</u>	<u>\$ (20,322) \$</u>	<u>27,140</u>

See accompanying notes.

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF MINERAL PROPERTY INTERESTS**  
**AS AT OCTOBER 31, 2003 AND APRIL 30, 2003**  
**(Unaudited - See Notice to Reader)**

	<u>Apr. 30</u> <u>2003</u>	<u>Written Off On</u>		<u>Option</u> <u>Proceeds</u> <u>Received</u>	<u>Oct. 31,</u> <u>2003</u>
		<u>Additions</u>	<u>Abandonment</u>		
Turner Lake, Gela Lake, & Baillie Bay Bathurst Inlet, Nunavut 100% interest	\$ 110,322	\$ -	\$ -	\$ (90,000)	\$ 20,322
Gold Creek Kamloops Mining Division of B.C. 100% interest	400	1,740	-	-	2,140
Yellow Moose Omineca Mining Division of B.C. 100% interest	1,284	-	(1,284)	-	-
Cassi-Ore Laird Mining Division of B.C. 100% option interest	42,460	152,581	-	-	195,041
	<u>\$ 154,466</u>	<u>\$ 154,321</u>	<u>\$ (1,284)</u>	<u>\$ (90,000)</u>	<u>\$ 217,503</u>

See accompanying notes.

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF DEFERRED**  
**EXPLORATION EXPENDITURES**  
**FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2004 AND 2003**  
**(Unaudited - See Notice to Reader)**

	<b>Three Months Ended <u>2004</u></b>	<b>Three Months Ended <u>2003</u></b>	<b>Six Months Ended <u>2004</u></b>	<b>Six Months Ended <u>2003</u></b>
<b>Turner Lake, Gela Lake &amp; Baillie Bay</b>				
Balance, beginning of period	\$ 62,297	\$ 62,794	\$ 62,297	\$ 62,214
Air and helicopter	-	(722)	-	(722)
Maps and reports	-	225	-	275
Permits, fees and licenses	-	-	-	530
Proceeds applied against costs	(62,297)	-	(62,297)	-
Balance, end of period	-	62,297	-	62,297
<b>Gold Creek</b>				
Balance, beginning of period	42,093	37,894	37,894	37,885
Assays and geochemical	11,253	-	11,253	-
Board and lodging	2,450	-	2,450	-
Equipment rental	2,663	-	3,393	-
Geological	17,235	-	20,265	-
Grid establishment	1,320	-	1,320	-
Maps and reports	1,248	-	1,687	9
Supplies	1,268	-	1,268	-
Balance, end of period	79,530	37,894	79,530	37,894
<b>Yellow Moose</b>				
Balance, beginning of period	-	-	-	1,868
Write-off on abandonment	-	-	-	(1,868)
Balance, end of period	-	-	-	-
<b>Cassi-Ore</b>				
Balance, beginning of period	-	77,236	-	19,425
Assays and geochemical	-	16,891	-	16,891
Consulting	-	4,263	-	6,263
Drilling	-	130,064	-	130,064
Equipment rental	-	12,187	-	20,827
Geological	-	49,175	-	92,444
Maps and reports	-	3,840	-	6,848
Supplies	-	598	-	1,492
Travel	-	9,286	-	9,286
Balance, end of period	-	303,540	-	303,540

See accompanying notes.

**NAVASOTA RESOURCES LTD.**  
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**EXPLORATION EXPENDITURES**  
**FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2004 AND 2003**  
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	<b>Three Months Ended <u>2004</u></b>	<b>Three Months Ended <u>2003</u></b>	<b>Six Months Ended <u>2004</u></b>	<b>Six Months Ended <u>2003</u></b>
<b>Stenlund</b>				
Balance, beginning of period	\$ -	\$ -	\$ -	\$ -
Drafting and computers	343	-	343	-
Geological	1,159	-	1,159	-
Sundry	15	-	15	-
Supervision	604	-	604	-
Balance, end of period	2,121	-	2,121	-
<b>Missamana</b>				
Balance, beginning of period	-	-	-	-
Consulting	400	-	400	-
Maps and reports	30	-	30	-
Balance, end of period	430	-	430	-
	\$ 82,081	\$ 403,731	\$ 82,081	\$ 403,731

See accompanying notes.

**NAVASOTA RESOURCES LTD.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2004**  
**(Unaudited - See Notice to Reader)**

**1. Nature Of Operations And Significant Accounting Policies**

The Company was incorporated under the Company Act (British Columbia) on March 7, 1980 as Nirvana Oil and Gas Ltd. and on October 6, 1986 changed its name to Nirvana Industries Ltd. On February 22, 1989 the Company changed its name from Nirvana Industries Ltd. to Consolidated Nirvana Industries Ltd. On June 2, 1995 the Company then changed its name to Navasota Resources Ltd. The common shares of the Company are listed for trading on the TSX Venture Exchange (“TSXV”).

The Company’s major activities are the acquisition and exploration of mineral property interests and the production therefrom. The recoverability of amounts shown for mineral property interests and deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves. The Company does not generate sufficient cash flow from operations to adequately fund its exploration activities and has therefore relied principally upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations and exploration activities to the extent such instruments are issuable under terms acceptable to the Company. Accordingly, the Company’s interim consolidated financial statements are presented on a going concern basis, which assume that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates.

Although the Company had taken steps to verify title to mineral property interests in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

**Basis Of Consolidation**

- The interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Nirvana Valve Systems Inc. ( a U.S. company). The acquisition was accounted for by the purchase method. All significant inter-company balances and transactions were eliminated on consolidation.

The interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements include all adjustments consisting of normal recurring accruals that management believes are necessary for a fair presentation of the Company’s financial position as at October 31, 2004 and April 30, 2004 and the results of its operations for the periods ended October 31, 2004 and 2003.

**NAVASOTA RESOURCES LTD.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. Nature Of Operations And Significant Accounting Policies (Cont'd)**

**Measurement Uncertainty**

- The preparation of interim consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the interim consolidated financial statements, as well as the reported amounts of revenues earned and expenses incurred during the periods.

The amounts recorded for and the provision for legal claims and future site restoration and abandonment costs are based on estimates. By their nature, these estimates are subject to measurement uncertainty, and the impact on the interim consolidated financial statements of future changes in such estimates could be material.

**Foreign Currency Translation**

- Accounts in United States currency have been translated into Canadian currency as follows:
  - monetary items are translated at the rate of exchange prevailing at the balance sheet date;
  - non-monetary items are translated at the rates of exchange prevailing at the dates the assets were acquired or liabilities were incurred;
  - revenues and expenses are translated at the average rate of exchange for the periods.

The resulting foreign exchange gains and/or losses are included in the interim consolidated statements of operations.

**Marketable Securities**

The following portfolio investments are recorded at the lower of cost and market value:

<u>Name Of Issuer</u>	<u>Class Of Security</u>	<u>Quantity</u>	<u>Adjusted Cost Of Securities Oct. 31, 2004</u>	<u>Market Value Of Securities Oct. 31, 2004</u>	<u>Market Value Of Securities Apr. 30, 2004</u>
Trade Winds Ventures Inc.	Common shares	300,000	\$ 300,000	\$ 405,000	\$ -

The above common shares are subject to 75,000 share per month hold periods which expire commencing January 23, 2005.

**NAVASOTA RESOURCES LTD.**  
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**1. Nature Of Operations And Significant Accounting Policies (Cont'd)**

**Mineral Property Interests And Deferred Exploration Expenditures**

- The cost of mineral property interests and their related direct exploration expenditures are deferred until the properties are placed into production, sold or abandoned. These deferred exploration expenditures will be amortized on a unit-of-production basis over the estimated useful life of the properties following the commencement of production, or written-off if the properties are sold, allowed to lapse or abandoned. Mineral property interest option payments are recorded when receivable and are charged against the related mineral property interests' costs.

Cost includes the cash consideration and the fair market value of common shares issued on the acquisition of mineral property interests. The recorded costs of mineral property interests and deferred exploration expenditures represent costs incurred, and are not intended to reflect present or future values. The Company does not accrue the estimated future costs of maintaining its mineral property interests in good standing.

The Company reviews capitalized costs on its mineral property interests on a periodic basis, or annually, and will recognize an impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future profitability or profitable revenues from the interests or from sale of the interests. Management's assessment of the interests' estimated current fair market value is also based upon its review of other property transactions in the same geographic area.

**Environmental Expenditures**

- The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against operations over the estimated remaining life of the related business operation, net of expected recoveries.

**Flow-Through Common Shares**

- Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act of Canada ("the Act"). The Act provides that, where the share issuance proceeds are used for exploration and development expenditures, the related income tax deductions may be renounced to subscribers. Accordingly, these expenditures provide no tax deduction to the Company. The Company records these share issuances by crediting share capital for the full value of the cash consideration received. On the date that the

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**1. Nature Of Operations And Significant Accounting Policies (Cont'd)**

**Flow-Through Common Shares (Cont'd)**

Company renounces the tax deductions associated with the expenditures, it records a charge for the future tax liabilities against share capital.

**Income Taxes**

- The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the interim consolidated financial statements carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is likely to be realized.

**Earnings (Loss) Per Share**

- Earnings (loss) per share data is computed by dividing net income (loss) by the weighted average number of common shares and common share equivalents outstanding during the period. Shares issuable upon the exercise of share purchase warrants and stock options were excluded from the computation of loss per share because their effect would be anti-dilutive.

**Stock-Based Compensation**

- The Company records compensation expense associated with stock options granted using a fair value method and records the expense as the options vest with the recipients. The adoption of this accounting policy has been applied prospectively to all stock options granted subsequent to May 1, 2003. The proceeds received by the Company on the exercise of stock options are credited to share capital.

**2. Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, marketable securities (note 1), amounts receivable, and accounts payable and accruals. 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 carrying values of the financial instruments approximate their fair values, due to the relatively short period to maturity of these instruments.

**3. Cash And Cash Equivalents**

Cash equivalents consist of temporary investments in commercial paper that are highly liquid and readily convertible to known amounts of cash. All cash equivalents are carried at their current market values, with any adjustments from cost recorded as interest income in the interim consolidated statement of operations. Amounts receivable are inclusive of accrued interest as receipt of these amounts is also considered to be certain and measurable.

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**3. Cash And Cash Equivalents (Cont'd)**

During the year ended April 30, 2004, the Company raised \$724,450 from the private placement of flow-through shares and the exercise of flow-through share purchase warrants. These funds are expected to be used for exploration of Canadian mineral property interests. As of October 31, 2004 (April 30, 2004), the unspent balance of these commitments was Cdn\$511,978 (April 30, 2004 - \$722,866).

**4. Office Equipment** (Note 11)

		<b>Oct. 31, 2004</b>			<b>Apr. 30, 2004</b>
	<b>Rate</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Computer equipment	30%	\$ 12,695	\$ 9,729	\$ 2,966	\$ 3,490
Office equipment	20%	22,185	13,275	8,910	9,476
		\$ 34,880	\$ 23,004	\$ 11,876	\$ 12,966

Office equipment is recorded at cost and is amortized using the declining balance method at the rates disclosed above. In the period of disposal no amortization is claimed.

**5. Mineral Property Interests**

**(a) Turner Lake, Gela Lake, & Baillie Bay**

In the Fall of 2001, the Company as to 50% and Cassidy Gold Corp. ("Cassidy"), a company with a similar director and similar officers, as to 50%, staked three mineral exploration properties, known as Turner Lake, Gela Lake & Baillie Bay, located near Bathurst Inlet, Nunavut. The properties were staked to cover a total of approximately 106 square kilometres. During the year ended April 30, 2003, the Company purchased Cassidy's 50% interest in these properties for \$100,000 in cash. On December 15, 2003, the Company announced that it abandoned its interest in the Gela Lake and Baillie Bay mineral property interests.

During the year ended April 30, 2004, the Company entered into an option agreement with Trade Winds Ventures Inc. ("Trade Winds") whereby Trade Winds had the right to acquire a 50 per cent interest in the Turner Lake property by:

- paying \$25,000 (received) on or before August 31, 2003 (to be applied to the first program of exploration and development work);
- issuing 100,000 of its common shares (received) and paying \$25,000 (received) (to be applied to the first program of exploration and development work) within ten and five days respectively of final regulatory acceptance;
- allotting an additional 100,000 of its common shares and funding not less than \$350,000 of exploration and development work on or before July 31, 2004;
- allotting an additional 100,000 of its common shares and funding not less than \$650,000 of exploration and development work on or before July 31, 2005;
- allotting an additional 100,000 of its common shares and funding not less than \$1,000,000 of exploration and development work on or before July 31, 2006; and
- funding not less than \$1,000,000 of exploration and development work on or before July 31, 2007.

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**5. Mineral Property Interests (Cont'd)**

**(a) Turner Lake, Gela Lake, & Baillie Bay (Cont'd)**

This option agreement between the parties has been replaced by a Purchase and Sale Agreement dated July 23, 2004. Pursuant to this agreement, Trade Winds has acquired a 100% interest in the Turner Lake property from the Company for the consideration of the initial \$50,000 advance and the initial 100,000 common share issuance already made, plus a further \$250,000 cash payment, the issuance of 300,000 common shares (note 1) and a 1% NSR on commercial production. This agreement received regulatory acceptance on August 5, 2004.

**(b) Gold Creek**

During the year ended April 30, 2003, the Company acquired a 100% interest by staking what is now a 58 unit property known as Gold Creek. The property is road accessible, and is located approximately 20 kilometres northeast of Barriere, B.C.

**(c) Yellow Moose Epithermal**

During the year ended April 30, 2003, the Company acquired a 100% interest by staking the Yellow Moose (YM 1-14) mineral claims which are located approximately 140 kilometres southwest of Vanderhoof, B.C. During the period ended October 31, 2003 management of the Company determined to abandon this mineral property interest and therefore wrote off all of its costs in its interim consolidated statement of operations.

**(d) Cassi-Ore**

The Company entered into a mineral property option agreement (the "Option Agreement") dated February 27, 2003 with International Taurus Resources Inc. (The "Vendor"), pursuant to which the Company was granted an option to earn and acquire up to a 70% undivided interest in the Taurus group of 46 mineral claims situated in the Liard Mining Division and located 10 km east of Cassiar, British Columbia (the "Cassi-Ore Property"). Ten of the claims comprising the Cassi-Ore Property are subject to a 2.5% net smelter return royalty in favour of Sable Resources Ltd.

The Company concluded a new Mineral Property Option Agreement dated July 15, 2003 with the Vendor designed to supersede and replace the Option Agreement. Pursuant to the new Mineral Property Option Agreement, the Company was granted an option to earn and acquire a 100% undivided interest in the Cassi-Ore Property subject only to the previously disclosed 2.5% net smelter return royalty.

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**5. Mineral Property Interests (Cont'd)**

**(d) Cassi-Ore (Cont'd)**

In order to maintain and exercise its option, the Company was to make the following cash payments and share allotments and issuances to the Vendor:

<u>Date</u>	<u>Payment</u>	<u>Common Share Issuance</u>
Upon the Effective Date*	\$ 100,000	150,000
On or before November 30, 2003	150,000	200,000
On or before the 1 <sup>st</sup> Anniversary of the Effective Date	175,000	100,000
On or before November 30, 2004	175,000	100,000
On or before the 2 <sup>nd</sup> Anniversary of the Effective Date	400,000	100,000
On or before November 30, 2005	400,000	100,000
On or before the 3 <sup>rd</sup> Anniversary of the Effective Date	500,000	100,000
On or before November 30, 2006	500,000	100,000
On or before the 4 <sup>th</sup> Anniversary of the Effective Date	600,000	125,000
On or before November 30, 2007	600,000	125,000
On or before the 5 <sup>th</sup> Anniversary of the Effective Date	650,000	150,000
On or before November 30, 2008	650,000	150,000
On or before the 6 <sup>th</sup> Anniversary of the Effective Date	1,600,000	500,000
<b>Total</b>	<b>\$ 6,500,000</b>	<b>2,000,000</b>

\* Date upon which the TSXV grants its acceptance respecting the new Mineral Property Option Agreement, which acceptance was obtained on July 23, 2003.

During the year ended April 30, 2004 management of the Company determined to abandon this mineral property interest and therefore wrote off all of its costs in its consolidated statement of operations for the year ended April 30, 2004.

**(e) Stenlund**

During the period ended October 31, 2004, the Company entered into an option and joint venture agreement with Teck Cominco Limited ("Teck"), to acquire a 100% interest in the Stenlund property interest. The Stenlund property interest consists of thirty-seven contiguous claims totalling 592 hectares, 10 kilometres southeast of Marathon, Ontario. The Company may earn a 100% interest in the Stenlund property interest by completing staged exploration expenditures of \$2,000,000 by December 31, 2007, paying \$25,000 on signing (paid), and issuing 150,000 common shares on March 1, 2005 only in the event that the Company has delivered an acceptable National Instrument 43-101 compliant Technical Report to the TSXV. Once the Company has exercised the option, Teck may elect to either earn back 55% by incurring \$3,000,000 of expenditures over 3 years, or retain a 2% Net Smelter Returns royalty. Upon completion of the earn-back, Teck may elect to increase its interest to 65% by completing a Feasibility Study. The Stenlund property interest is subject

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**5. Mineral Property Interests (Cont'd)**

**(e) Stenlund (Cont'd)**

to an underlying 50% Net Profits Interest in favour of a third party, and Teck will be the operator of the joint venture.

**(f) Missamana And Gueliban Licenses**

During the period ended October 31, 2004, the Company entered into a Letter of Agreement with Mano River Resources Inc. ("Mano") to acquire up to a 60% interest in the Missamana and Gueliban exploration licenses covering 498 square kilometres located in Guinea, West Africa.

Pursuant to the Letter of Agreement, the Company may earn an initial 51% interest in the licenses by:

- spending US\$125,000 over the first twelve months which Mano will match (Phase 1);
- spending US\$1,375,000 over a twenty-four month period following the completion of Phase 1 (Phase 2).

The Company may, at its option, acquire a further 9% by:

- spending a further US\$500,000 over a twelve month period following the completion of Phase 2 (Phase 3).

The Company shall be the operator of the Phase 1 and Phase 2 programs.

**6. Share Capital**

**a) Authorized**

100,000,000 common shares without par value

**b) Common Shares Issued**

<u>Consideration</u>	<u>Type Of Issue</u>	<u>Price Per Share</u>	<u>Number Of Shares</u>	<u>Amount</u>
			14,416,204	\$ 12,407,853
Issued during the year ended April 30, 2004 (Note 11) :				
Cash	Warrants exercised	\$0.25	250,668	62,667
Obligation	Property payment	\$0.35	150,000	52,500
None	Rounding correction	\$0.00	19	-
Cash	Warrants exercised	\$0.25	1,400,694	350,173
Cash	Private placement	\$0.30	1,636,669	491,001
Cash	Private placement	\$0.25	1,727,200	431,800
Obligation	Property payment	\$0.43	50,000	21,500
Tax effect of renounced expenditures			-	(272,538)
Balance, April 30, 2004 and Oct. 31, 2004			19,631,454	\$ 13,544,956

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**6. Share Capital (Cont'd)**

**b) Common Shares Issued (Cont'd)**

During the year ended April 30, 2004, the Company closed a non-brokered private placement offering of units for gross proceeds of \$922,801.

The private placement is comprised of:

- (a) 1,636,669 Flow-Through Units (the "FT Units") at \$0.30 per FT Unit; and
- (b) 1,727,200 Non Flow-Through Units (the "NFT Units") at \$0.25 per NFT Unit.

Each FT Unit consists of one flow-through common share of the Company and one flow-through share purchase warrant (an FT "Warrant"). Each FT Warrant will entitle the holder thereof to acquire one flow-through common share of the Company at a price of \$0.35 per common share for a period of 24 months from the closing of the private placement. Each NFT Unit consists of one common share and one share purchase warrant which will entitle the holder thereof to acquire one common share of the Company at a price of \$0.35 per common share for a period of 24 months from the closing of the private placement.

**c) Stock Options**

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The term of the stock options granted are fixed by the board of directors and are not to exceed five years. The exercise prices of the stock options are determined by the board of directors, but shall not be less than the closing price of the Company's common shares on the day preceding the day on which the directors grant the stock options, less any discount permitted by the TSXV. The stock options vest immediately on the date of grant unless otherwise required by the TSXV, however, a four month hold period applies to all shares issued under each stock option, commencing on the date of grant. Other terms and conditions are as follows: all stock options are non-transferable; no more than 5% of the issued shares may be granted to any one individual in any 12 month period; no more than 2% of the issued shares may be granted to a consultant, or an employee performing investor relations activities, in any 12 month period; disinterested shareholder approval must be obtained for (I) any reduction in the exercise price of an outstanding option, if the holder is an insider, (ii) any grant of stock options to insiders, within a 12 month period, exceeding 5% of the Company's issued shares; and stock options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Company's common shares.

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**6. Share Capital (Cont'd)**

**c) Stock Options (Cont'd)**

	Number Of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Options outstanding and exercisable, April 30, 2003	1,406,952	\$ 0.16	
Granted	1,220,000	\$ 0.20	
Exercised	-	-	
Expired/Cancelled	(734,976)	(\$ 0.16)	
Options outstanding, April 30, 2004 (Note 11)	1,891,976	\$ 0.18	3.82
Options outstanding, October 31, 2004	1,791,976	\$ 0.18	3.42
Options exercisable, October 31, 2004	1,791,976		

As at October 31, 2004 the Company has the following stock options outstanding:

Exercise Price Per Share	Expiry Date	(Note 11) April 30, 2004	Granted	Exercised	Expired/ Cancelled	Oct. 31, 2004
\$0.19	Feb. 28, 2006	100,000	-	-	(100,000)	-
\$0.15	Aug. 15, 2006	415,000	-	-	-	415,000
\$0.16	Dec. 23, 2007	256,976	-	-	-	256,976
\$0.20	Dec. 3, 2008	1,120,000	-	-	-	1,120,000
		<u>1,891,976</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>1,791,976</u>

During March, 2004 the Company granted an option to a consultant to purchase up to 100,000 shares of the Company at \$0.19 per share to February 28, 2006. The option was to vest to the consultant in four quarterly stages commencing June 1, 2004. During the period ended October 31, 2004, the consultant's agreement was terminated and the option expired.

During the year ended April 30, 2004, the Company recorded stock-based compensation expense of \$93,184. The fair value of stock options included in the expense recorded during the year ended April 30, 2004 was estimated using the Black-Scholes Option Pricing Model based on the following assumptions: a risk-free interest rate of 2.93%; an expected life of 3.9 years; an expected volatility of 32.91%; and no expectation for the payment of dividends.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock and expected life of the option. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

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**6. Share Capital (Cont'd)**

**d) Share Purchase Warrants**

As at October 31, 2004 the Company has the following share purchase warrants outstanding:

<b>Exercise Price Per Share</b>	<b>Expiry Date</b>	<b>(Note 11) April 30, 2004</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>Oct. 31, 2004</b>
\$0.50	Aug. 16, 2004	1,025,004	-	-	(1,025,004)	-
\$0.35	Sept. 2, 2005	<u>3,363,869</u>	-	-	-	<u>3,363,869</u>
		<u>4,388,873</u>	-	-	<u>(1,025,004)</u>	<u>3,363,869</u>

**e) Subsequent Issuances**

None.

**7. Income Taxes**

No provision for recovery of income taxes was made in 2004 and 2003 because of the uncertainty as to the utilization of the losses for income tax purposes. The Company has accumulated losses for tax purposes of approximately \$1,266,225 (April 30, 2004 - \$1,062,265) which expire in various years to 2010 as follows:

2007	\$ 289,916
2008	235,379
2009	229,784
2010	281,491
<u>2012</u>	<u>229,655</u>
	<u>\$1,266,225</u>

In addition, the Company has undeducted resource related expenses of approximately \$6,570,000 (April 30, 2004 - \$7,140,000) available for deduction against future Canadian taxable income. These expenses have no expiration date. Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

	<b>Three Months Ended 2004</b>	<b>Three Months Ended 2003</b>	<b>Six Months Ended 2004</b>	<b>Six Months Ended 2003</b>
Net income (loss) before income taxes	\$ 428,155	\$ (113,384)	\$ 372,637	\$ (172,663)
Tax rate	<u>37.62%</u>	<u>37.62%</u>	<u>37.62%</u>	<u>37.62%</u>
Calculated income tax recovery	161,072	(42,655)	140,186	(64,956)
(Decrease) Increase in valuation allowance	<u>(161,072)</u>	<u>42,655</u>	<u>(140,186)</u>	<u>64,956</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**7. Income Taxes (Cont'd)**

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	<b>Oct. 31,</b>	<b>(Note 11)</b>
	<b><u>2004</u></b>	<b><u>Apr. 30,</u></b>
		<b><u>2004</u></b>
Future income tax assets		
Temporary differences in assets	\$ 2,448,774	2,662,028
Non-capital loss carry forwards	<u>476,354</u>	<u>399,624</u>
	2,925,128	3,061,652
Valuation allowance for future income tax assets	<u>(2,925,128)</u>	<u>(3,061,652)</u>
	<u>\$ -</u>	<u>\$ -</u>

**8. Contingencies**

- a) The Company is one of nine named defendants in litigation pending in the District Court of Travis County, Texas. The plaintiffs seek non monetary relief against the Company and other named defendants in the form of a declaratory judgement and a petition for an accounting. The plaintiffs also seek damages against the Company and other named defendants for alleged tortious interference with plaintiffs' purported contractual relations with third parties. These claimed damages are for alleged lost profits in an unspecified amount. The plaintiffs' also seek exemplary damages, costs and attorneys' fees against all defendants. The case was filed in 1997, but the Company was not a named party until August 1999 and was never served with the original complaint.

An amended complaint, which named the Company as a party for the first time, was purportedly served on the Company by service on the Secretary of State's office in Texas, in August 1999. The Company disputes all claims against it, but has not yet formally responded to the amended complaint because it disputes that it is subject to jurisdiction in the State of Texas. In September 1999, the Company filed a motion to dismiss all claims against it based on the Court's lack of personal jurisdiction over the Company. The entire case was dismissed in 2002, however, it has been since reinstated.

Since the reinstatement, a trial date has not been set but discovery has been served on the Company concerning its motion to dismiss for lack of personal jurisdiction.

The Company disputes all claims against it, and management is of the opinion that the outcome of any claims cannot be determined, and that the extent of the claims cannot be reasonably estimated. No amounts in respect of these claims are accrued in the interim consolidated financial statements.

- b) During the period ended October 31, 2004, the Company received a writ of summons in the Supreme Court of British Columbia. The plaintiff's claim is against the Company and another named defendant for pre-contractual misrepresentation that induced the plaintiff to enter into a contract for the purchase of shares in the Company. The plaintiff claims unspecified damages and costs against the Company and the other named defendant for breach of contract, negligent misrepresentation and alternatively, fraudulent misrepresentation. The Company disputes all claims against it, and management is of the opinion that the outcome of any claims cannot be determined, and that the extent of the claims cannot be reasonably estimated. No amounts in respect of these claims are accrued in the interim consolidated financial statements.

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**9. Related Party Transactions**

- a) The following related party transactions occurred during the three and six months ended October 31, 2004 and 2003:

	<b>Three Months Ended <u>2004</u></b>	<b>Three Months Ended <u>2003</u></b>	<b>Six Months Ended <u>2004</u></b>	<b>Six Months Ended <u>2003</u></b>
Deferred professional fees paid or accrued to a company controlled by a now former director of the Company	\$ -	\$ 23,300	\$ -	\$ 40,900
Deferred professional fees paid or accrued to a director of the Company	800	-	1,600	-
Consulting fees paid or accrued to a director of the Company	17,200	-	34,400	-
Management fees paid to a company controlled by a director of the Company before and after his appointment to the Company's board	9,000	9,000	18,000	18,000
Professional fees paid to a company controlled by a former officer of the Company	-	-	-	900
Rent paid to a company controlled by a director of the Company	4,470	4,218	8,712	8,460

- b) The following common shares were issued to related parties during the six months ended October 31, 2004 and 2003:

- 733,334 common shares of the non-brokered private placement which closed during the six months ended October 31, 2003 were issued to directors of the Company.
- 120,000 common shares of the \$0.25 share purchase warrants which were exercised during the six months ended October 31, 2003 were issued to directors of the Company.

**10. Commitments**

The Company has a management services agreement with a company controlled by a director of the Company requiring payments of \$3,000 per month plus taxes. The agreement is in effect until April 30, 2005 unless sooner terminated in accordance with the provisions of the agreement. The Company has a geological services agreement with a director of the Company requiring payments of \$6,000 per month plus taxes. The agreement is in effect until November 30, 2008 unless sooner terminated in accordance with the provisions of the agreement.

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**11. Comparative Figures**

The comparative figures disclosed as at April 30, 2004 in these interim consolidated financial statements were subject to an audit engagement.

**NAVASOTA RESOURCES LTD.**  
**("Navasota")**

**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SIX MONTH PERIOD ENDED OCTOBER 31, 2004**

The following discussion and analysis, prepared as of December 10, 2004, should be read together with the interim consolidated unaudited financial statements for the six month period ended October 31, 2004 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited financial statements for the year ended April 30, 2004 and April 30, 2003, and the Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to Navasota is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Description of Business**

Navasota is a development stage mineral exploration company engaged in the evaluation and development of resource properties. It currently holds a 100%, undivided interest in the Gold Creek Property. The 58-unit road accessible property is located approximately 20 kilometres northeast of Barriere, BC. Navasota has located a gold-in-soil geochemical anomaly which extends over 500 metres and remains open in three directions on the Gold Creek Property. The Gold Creek Property has excellent road access 70 km north of Kamloops, B.C. and 25 km northwest of Inmet's past-producing Samatosum Mine. On September 28, 2004 Navasota entered into an Option and Joint Venture Agreement with Teck Cominco Limited, to acquire a 100% interest in the Stenlund Gold Property, 25 kilometres west of the prolific Hemlo Gold Camp in northern Ontario. The Stenlund Property consists of 37 contiguous claim units totalling 592 hectares, 10 kilometres southeast of Marathon, Ontario. Navasota has also signed a Letter of Agreement with Mano River Resources Inc. (Mano), to acquire up to a 60% interest in the Missamana and Gueliban gold properties in Guinea, West Africa. The properties cover 498 square kilometres of highly prospective Proterozoic Birimian Terrane, which hosts the majority of the large gold mines in West Africa. The property is centred 30 km east of Kankan, a major regional centre in Guinea and 700 km east of Conakry, the capital city of Guinea.

Navasota trades on the TSX Venture Exchange under the symbol "NAV".

### **Performance Summary**

The following is a summary of significant events and transactions that occurred during the period:

1. On September 28, 2004 Navasota entered into an Option and Joint Venture Agreement with Teck Cominco Limited, to acquire a 100% interest in the Stenlund Gold Property, 25 kilometres west of the prolific Hemlo Gold Camp in northern Ontario. The Stenlund Property consists of 37 contiguous claim units totalling 592 hectares, 10 kilometres southeast of Marathon, Ontario. The Stenlund Property lies within the Hemlo-Heron Bay Shear Zone, a regional-scale deformation zone which also hosts the Hemlo deposit. The David Bell and Williams Mines, 50% owned by Teck Cominco and 50% by Homestake Canada Inc. (a subsidiary of Barrick Gold Corporation), produced a total of 536,000 ounces of gold in 2003.
2. On October 6, 2004 Navasota announced that it has signed a Letter of Agreement with Mano River Resources Inc. (Mano), to acquire up to a 60% interest in the Missamana and Gueliban gold properties in Guinea, West Africa. The properties cover 498 square kilometres of highly prospective Proterozoic Birimian Terrane, which hosts the majority of the large gold mines in West Africa. The property is centred 30 km east of Kankan, a major regional centre in Guinea and 700 km east of Conakry, the capital city of Guinea.

## Results of Operations

Navasota has incurred a gain of \$92,069 for the three month period ended October 31, 2004. Some significant expenses are as follows:

- Consulting fees \$17,200 (2003 – Nil)
- Management fees \$9,000 (2003 - \$9,000)
- Professional fees \$26,204 (2003 - \$13,694)

As in previous years, Navasota did not earn any income.

During the three month period ended October 31, 2004 consulting fees were significantly higher compared to 2003 due to the payment of a director on a monthly basis as a consultant. Professional fees increased due to the Stenlund and Missamana/Gueliban property acquisitions.

### **“TURNER LAKE” Project**

On July 27, 2004 Navasota announced that it had entered into a Purchase and Sale Agreement (“PSA”) with Trade Winds Ventures Inc. – TWD:TSX-Venture (“Trade Winds”), to sell its 100 percent undivided interest in its Turner Lake gold property to Trade Winds. The Turner Lake Property is located approximately 20 km. northwest of the community of Bathurst Inlet, Nunavut.

Pursuant to an agreement dated August 28, 2003 (the “Option Agreement”), Navasota granted an option to Trade Winds to acquire a 50% interest in and to the Turner Lake Property, subject to staged issuance of stock to Navasota totalling 400,000 shares, together with an exploration commitment of \$3,000,000 to be completed by July, 2007. A total of \$50,000 was advanced for exploration expenses, and 100,000 common shares of Trade Winds were issued pursuant to the terms of the Option Agreement.

The Option Agreement has been replaced by the PSA whereby Trade Winds shall acquire a 100% undivided interest in the Turner Lake property, subject to a 1% Net Smelter Return Royalty (“NSR”) on any commercial production payable to Navasota. Under the terms of the PSA, Trade Winds shall make a cash payment of \$250,000 and issue 300,000 shares in addition to granting the NSR to Navasota. Trade Winds, at its sole option at any time up to the date which is one year from the date that Commercial Production commences on the Turner Lake Property, may acquire the NSR from Navasota for the sum of \$1,500,000 in cash.

The PSA has received regulatory acceptance. Shares issued pursuant to the PSA are subject to a minimum four month hold period expiring November 28, 2004. Navasota and Trade Winds have agreed that, in addition to any hold periods imposed by the TSXV and any statutory hold periods applicable, the Shares will be subject to voluntary pooling restrictions (the “Restrictions”) from the closing date and it will not sell, transfer, assign or otherwise deal with the Shares except as follows:

- (a) 75,000 of the Shares will be released from the Restrictions on the date which is five months from the closing date;
- (b) 75,000 of the Shares will be released from the Restrictions on the date which is six months from the closing date;
- (c) 75,000 of the Shares will be released from the Restrictions on the date which is seven months from the closing date; and
- (d) 75,000 of the Shares will be released from the Restrictions on the date which is eight months from the closing date. The Vendor further acknowledges and agrees that the certificates representing the Shares will be endorsed with a legend setting out the above Restrictions.

### **“GOLD CREEK” Property in British Columbia**

Navasota has acquired by staking a 100%, undivided interest the Gold Creek Property. The 58-unit road accessible property is located approximately 20 kilometres northeast of Barriere, BC. Navasota has located a gold-in-soil geochemical anomaly which extends over 500 metres and remains open in three directions on the Gold Creek Property. The Gold Creek Property has excellent road access 70 km north of Kamloops, B.C. and 25 km northwest of Inmet’s past-producing Samatosum Mine.

The Gold Creek Property covers a zone of extensive episodic quartz stockworks and veins exposed in a creek gully for approximately 50 metres. Pyrite with traces of galena and sphalerite were observed within quartz veins hosted in meta-volcanoclastics of the Eagle Bay Formation.

The Gold Creek Property was acquired due to anomalous concentrations of gold in soil samples taken along the logging road, and in grab samples of the quartz stockwork and veins. Airphoto interpretation indicates the presence of a regional east-west trending structure, intercepted by a northwest trending structure in the area of the quartz veining and stockworks.

The claim group covers the headwaters of Slate Creek and extends north to Birk Creek, covering the Energite showing. The Energite consists of high-grade lead - zinc - silver mineralization with local gold and copper associated with massive sulphides and quartz veins. Historical (1936-54) production from one adit is 36 tons of hand-cobbed ore which yielded 3732g Ag, 1581kg Cu, 1341kg Pb and 651kg Zn. (MINFILE, BCMEM) Both the Energite showing and the newly discovered gold soil anomaly lie in close proximity to the thrust contact between Eagle Bay Assemblage and Fennell Formation rocks of the Kootenay terrane, in a region known to host massive sulphide deposits.

To date, 7700m of grid has been established, 264 soil samples and 13 rock samples assayed. The rock samples are float (loose rocks moved from their original position) and assayed up to 0.54 g/t gold. Boulders of quartz vein material up to 75cm in diameter were noted during prospecting. Navasota recently completed additional soil sampling and limited hand trenching on a gold-in-soil geochemical anomaly which currently covers an area over 500 X 500 metres and remains open in several directions on the Gold Creek Property. Soil geochemistry is indicating the area of intersection between the north-west fault and the north-south thrust and adjacent Eagle Bay Assemblage as a target for further exploration.

Navasota also recently (2003) conducted a magnetometer survey over part of the 500 X 500 metre gold-in-soil anomaly on the Gold Creek Property. The MP-2 magnetometer survey covered approximately 2.2 line km, focusing on the gold-in-soil anomaly. Interpretation of magnetic profiles outlined a series of north-west trending features similar in orientation to an airphoto-interpreted structure discussed in Navasota's November 19, 2002 news release.

Based on the proximity of the recently discovered gold-in-soil anomaly and geophysical data to an interpreted geological setting, a conceptual model for gold mineralization has been developed. In summary, the regional north-south trending Eagle Bay Assemblage/Fennell Formation, post-Permian thrust was crosscut by a +300 metre wide panel of north-west trending, sub-vertical dipping structures. Hydrothermal fluids driven by the Cretaceous, Baldy Batholith or related intrusives exploited the thrust depositing quartz and/or sulphides in several pulses. The area where the north-west structural panel crosses the thrust, greater concentrations of gold were deposited, favouring the Eagle Bay Assemblage.

On September 14, 2004 Navasota Resources Ltd. announced positive results of a limited geochemical and geological program on its 100% owned Gold Creek Property, 90 kilometres north of Kamloops. The Gold Creek Property consists of 3 claims covering 1450 hectares along the prospective Fennell Formation (Slide Mountain Terrane) and Eagle Bay Group contact. The follow-up mapping and sampling program was concentrated adjacent to the previously established Slate Creek grid in the south-central portion of the property and around the Enargite Showing, 4 kilometres to the north.

A total of 25 soil samples were collected from two lines extending 200 metres north of the existing Slate Creek Grid. Six samples returned gold values of greater than 100 parts per billion (ppb), further defining a north-northwest trending gold-in-soils anomaly. A chip sample from an exposed quartz vein assayed 665 ppb over 0.7 metres. A grab sample collected from the Enargite adit assayed 6.14 grams per tonne gold, 640 g/t silver, 29.0% lead and 12.1% zinc. Enargite produced 36 tonnes of ore in 1954 and 1972, yielding 3732 grams of silver, 1581 kilograms of copper, 1341 kilograms of lead, and 651 kilograms of zinc. No gold was reported.

A program of approximately 35 kilometres of line cutting, soil sampling, and geological mapping is planned to cover from the Enargite area in the northwest portion of the property, south almost 4 kilometres to the Slate Creek Grid. Trenching and diamond drilling will follow.

### **"STENLUND" Property in Northern Ontario**

On September 28, 2004 Navasota announced that it had entered into an Option and Joint Venture Agreement with Teck Cominco Limited, to acquire a 100% interest in the Stenlund Gold Property, 25 kilometres west of the prolific Hemlo Gold Camp in northern Ontario. The Stenlund Property consists of 37 contiguous claim units totalling 592 hectares, 10 kilometres southeast of Marathon, Ontario.

The Stenlund Property lies within the Hemlo-Heron Bay Shear Zone, a regional-scale deformation zone which also hosts the Hemlo deposit. The David Bell and Williams Mines, 50% owned by Teck Cominco and 50% by Homestake Canada Inc. (a subsidiary of Barrick Gold Corporation), produced a total of 536,000 ounces of gold in 2003.

The Stenlund Property hosts two significant gold zones: the Porphyry Zone and the 109 Zone. The Porphyry Zone has been aggressively explored resulting in several high-grade but erratic intersections. Zone 109 was discovered in 1998,

returning one interval of 9.3 g/t gold over 7.3 metres across a series of K-feldspar-altered quartz-carbonate veins hosted in felsic fragmental rocks and quartz-feldspar porphyry within a zone of intense deformation (see Table 1).

**Table 1: Significant Previous Intersections  
Zone 109**

Hole No.	Length (m)	Au-g/t	Ag-g/t
ST98-09	4.4	4.6	146.0
and	3.0	12.6	365.0
ST98-11	3.9	13.6	247.0
	4.2	5.3	154.0
	7.3	9.3	184.0
ST98-13	1.0	7.7	110.0
	3.4	5.9	87.0
ST98-14	1.2	6.2	140.0
ST99-16	4.4	2.7	44.0
ST99-17	1.3	5.2	106.0
	3.0	2.0	28.0

Previous work included 67 diamond drill holes totalling 15,675 metres completed between 1983-86, mostly in and around the Porphyry Zone. Between 1997 and 2002, Teck Cominco completed 34 diamond drill holes totalling 15,119 metres, including 20 drill holes in the 109 Zone area.

At present the zone is defined by drill holes on sections spaced at 100 metres. Diamond drilling planned for this fall will attempt to extend the zone by determining the structural controls on the mineralization and to further define grade and continuity within the zone.

*Principal Terms of the Stenlund Option and Joint Venture Agreement*

Navasota may earn a 100% interest in the property by completing staged exploration expenditures of \$2,000,000 by December 2007 and issuing 150,000 common shares to Teck Cominco on signing and a further 150,000 shares on March 1, 2005. A total of \$300,000 must be spent on exploration on or before December 2004, a further \$400,000 on or before December 2005, a further \$600,000 on or before December 2006, and a further \$700,000 on or before December 2007. Once Navasota has exercised the option, Teck Cominco may elect to earn back 55% by incurring \$3,000,000 of expenditures over 3 years or retain a 2% Net Smelter Returns royalty. Upon completion of the earn-back, Teck Cominco may elect to increase its interest to 65% by completing a Feasibility Study. The property is subject to an underlying 50% Net Profits Interest in favour of a third party.

On October 20, 2004 Navasota and Teck Cominco Limited re-negotiated the compensation payable by Navasota pursuant to the terms of the Option and Joint Venture Agreement (the "Agreement"). Specifically, Navasota will pay \$25,000 cash to Teck Cominco upon execution of the Agreement in the stead of issuing 150,000 common shares. Further, Navasota will issue the 150,000 common shares due on March 1, 2005 only in the event that it has delivered to the TSX Venture Exchange a N.I. 43 -101 compliant Technical Report in respect of the Stenlund Property, and upon such Technical Report being accepted for filing by the exchange.

On November 23, 2004 Navasota announced that diamond drilling had commenced on its Stenlund Gold Property, 25 kilometres west of the prolific Hemlo Gold Camp in northern Ontario.

Navasota and Teck Cominco are planning a 2400-metre diamond drill program to further define the grade and continuity of Zone 109. Previous intersections through Zone 109 returned values of up to 9.3 g/t gold over 7.3 metres. Teck Cominco is operator for this program.

**Missamana/Gueliban Gold Project in Guinea, West Africa**

On October 6, 2004 Navasota announced that it had signed a Letter of Agreement with Mano River Resources Inc. ("Mano"), to acquire up to a 60% interest in the Missamana and Gueliban gold properties in Guinea, West Africa.

The properties cover 498 square kilometres of highly prospective Proterozoic Birimian Terrane, which hosts the majority of the large gold mines in West Africa. The property is centred 30 km east of Kankan, a major regional centre in Guinea and 700 km east of Conakry, the capital city of Guinea.

The Missamana prospect was the focus of mining activity for thousands of artisanal miners in the late 1980s, following the discovery of gold-bearing quartz veins close to surface. Recent exploration at Missamana and Gueliban by Mano during 1996 and 1997 under the supervision of independent technical consultants ACA Howe International, included soil geochemistry, trenching, airborne geophysics, and 4,000 metres of reverse-circulation drilling. Most of the trenching and drilling were completed on the Missamana Prospect, and forms the basis for an indicated resource of 1,063,400 tonnes grading 1.77 grams per tonnes gold equating to 60,520 ounces.

Other prospective target areas include the Brouni and Kerkour zones on the Missamana permit and the Madou, Diamona, and Gueliban East zones on the Gueliban Permit. Target areas have been defined by the presence of artisanal workings, anomalous soil geochemistry, and airborne magnetic and radiometric highs.

#### *Principal Terms of the Missamana/Gueliban Property Letter of Agreement*

Pursuant to a Letter of Agreement between Navasota and Mano, Navasota may earn an initial 51% interest in the properties by:

- spending US\$125,000 over the first 12 months which Mano will match (Phase 1).
- spending US\$1,375,000 over a 24 months period following the completion of Phase 1 (Phase 2).

Navasota may, at its option, acquire a further 9% by spending a further UD\$500,000 over a 12 month period following the completion of Phase 2 (Phase 3).

Navasota shall be the operator of the Phase 1 and Phase 2 programs.

#### **Liquidity**

Navasota does not currently own or have an interest in any producing resource properties and has not yet derived any revenues from the sale of resource products in the last three financial years. Navasota's exploration activities have been funded through the issuance of common shares pursuant to private placements and the exercise of stock options and warrants, and Navasota expects that it will continue to be able to utilize this source of financing until it develops cash flow from its operations. There can be no assurance, however, that Navasota will be able to obtain required financing in the future on acceptable terms, or at all. In the near term, Navasota plans to continue its exploration activities on its currently held properties.

	Three month period Ended Oct 31, 2004	Three month period Ended Oct 31, 2003
Working capital (deficiency)	\$1,024,513	\$814,802
Net income (loss)	\$428,155	(\$113,384)

#### **Capital Resources**

During the three month period ended October 31, 2004 Navasota did not issue any securities.

Navasota has sufficient funds to meet its anticipated general and administrative expenses for the balance of the next fiscal year. Navasota may from time to time choose to raise money in the capital markets if favourable conditions are present. It is anticipated that additional financing will be required for further exploration programs on Navasota's properties during the next fiscal year.

#### **Related Party Transactions**

During the three months ended October 31, 2004, Navasota paid or accrued Nil professional fees paid to a company controlled by a now former director (2003 - \$23,300), management fees of \$9,000 (2003 - Nil) to a company controlled by a director of Navasota, consulting and professional fees of \$17,200 (2003 - Nil) to a senior officer and director of Navasota, professional fees to a director of Navasota of \$800 (2003 - Nil), and rent of \$4,470 (2003 - \$4,218) to a company controlled by a director of Navasota.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**Financial Instruments**

Navasota's financial instruments consist of cash, receivables, and prepaid expenses. Unless otherwise noted, it is management's opinion that Navasota is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments is approximately equal to their carrying values, unless otherwise noted. As at August 31, 2004 all cash and cash equivalents are held in Canadian dollars. Navasota does not use derivative instruments or foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

**Investor Relations**

Investor relations duties are carried out by directors, officers and employees of Navasota as part of their routine duties.

**Subsequent Events**

On November 23, 2004 Navasota announced the resignation of William S. Sanesh as a director of the company.