

NAVASOTA RESOURCES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2005

**BEAUCHAMP & COMPANY
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AUDITORS' REPORT

To the Shareholders of
Navasota Resources Ltd.

We have audited the consolidated balance sheets, statements of mineral property interests, and deferred exploration expenditures of Navasota Resources Ltd. as at April 30, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at April 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.
August 5, 2005

"BEAUCHAMP & COMPANY"
Chartered Accountants

**NAVASOTA RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
AS AT APRIL 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 245,761	\$ 721,772
Marketable securities (Note 1)	225,000	-
Amounts receivable	19,149	6,441
Prepaid expenses	509	3,084
Reclamation bonds	5,000	15,000
	495,419	746,297
Office Equipment (Note 4)	9,688	12,966
Mineral Property Interests (Statement) (Note 5)	45,890	22,462
Deferred Exploration Expenditures (Statement)	597,327	100,191
	\$ 1,148,324	\$ 881,916

LIABILITIES

Current Liabilities		
Accounts payable and accrued liabilities	\$ 130,675	\$ 58,943
Exploration funds held in trust (Note 5 (a))	-	50,000
	130,675	108,943

SHAREHOLDERS' EQUITY

Share Capital (Note 6)	13,563,706	13,544,956
Share Subscriptions (Note 6(e))	150,900	-
Contributed Surplus (Note 6(c))	173,424	93,184
Deficit	(12,870,381)	(12,865,167)
	1,017,649	772,973
	\$ 1,148,324	\$ 881,916

Contingencies (Note 8)

Approved By The Directors:

"JAMES T. GILLIS" Director

"CHRISTOPHER J. WILD" Director

See accompanying notes.

NAVASOTA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED APRIL 30, 2005 AND 2004

	<u>2005</u>	<u>(Note 12)</u> <u>2004</u>
Administrative Expenses		
Amortization	\$ 3,964	\$ 3,955
Consulting fees (Note 9 (a))	66,370	29,185
Interest and bank charges	55,682	11,062
Investor relations	15,389	41,550
Management fees (Note 9 (a))	36,000	36,000
Office	9,155	5,912
Professional fees	105,480	68,191
Rent (Note 9 (a))	17,448	16,408
Site investigation	143	797
Stock-based compensation (Note 6(c))	80,240	93,184
Telephone and utilities	5,507	7,218
Transfer agent and regulatory fees	15,372	22,187
Travel and promotion	33,421	56,396
Wages and benefits	36,372	28,336
Net Loss Before Undernoted Items	(480,543)	(420,381)
Other Income (Expense)		
Interest income	7,253	4,111
Gain on sale of marketable securities	-	59,475
Write down of marketable securities	(75,000)	-
Gain on sale of mineral property interest (Note 5(a))	517,381	-
Write off of mineral property interests	-	(581,918)
Gain on settlement of debt	25,695	-
Net Loss Before Income Taxes	(5,214)	(938,713)
Future Income Tax Recovery (Note 6 (b))	-	272,538
Net Loss	(5,214)	(666,175)
Deficit, Beginning Of Year	(12,865,167)	(12,185,724)
Share Issuance Costs	-	(13,268)
Deficit, End Of Year	\$ (12,870,381)	\$ (12,865,167)
Earnings (Loss) Per Share (Note 1)	\$ (0.00)	\$ (0.04)
Weighted Average Common Shares Outstanding	19,643,783	17,461,283

See accompanying notes.

NAVASOTA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Cash Provided By (Used For):		
Operating Activities		
Net loss	\$ (5,214)	\$ (666,175)
Items not requiring (providing) cash:		
Amortization	3,964	3,955
Stock-based compensation	80,240	93,184
Gain on sale of marketable securities	-	(59,475)
Write down of marketable securities	75,000	-
Gain on sale of mineral property interest	(517,381)	-
Write off of mineral property interests	-	581,918
Gain on settlement of debt	(25,695)	-
Future income tax recovery	-	(272,538)
Net change in non-cash working capital items	75,173	28,898
Cash used for operating activities	(313,913)	(290,233)
Investing Activities		
Proceeds from sale of marketable securities	-	149,475
Redemption (Acquisition) of reclamation bonds	10,000	(10,000)
Acquisition of office equipment	(686)	(556)
Proceeds from sale of mineral property interest	250,000	-
Mineral property interest costs paid	(25,000)	(101,821)
Deferred exploration expenditures paid	(547,312)	(369,095)
Cash used for investing activities	(312,998)	(331,997)
Financing Activities		
Advances secured for exploration activities	-	50,000
Issuance of promissory notes	-	125,000
Repayment of promissory notes	-	(175,000)
Payment of share issuance costs	-	(13,268)
Receipt of share subscriptions	150,900	-
Issuance of share capital for cash	-	1,335,641
Cash provided by financing activities	150,900	1,322,373
(Decrease) Increase In Cash	(476,011)	700,143
Cash And Cash Equivalents, Beginning Of Year	721,772	21,629
Cash And Cash Equivalents, End Of Year	\$ 245,761	\$ 721,772
Supplemental Information		
Interest paid included in net income (loss)	\$ -	\$ 11,372
Issuance of share capital for non-cash consideration:		
Mineral property interest costs	\$ 18,750	\$ 52,500
In settlement of obligations	-	21,500
	\$ 18,750	\$ 74,000
Receipt of marketable securities of other companies pursuant to the terms of mineral property interest agreements:		
300,000 (2004 - 100,000) common shares	\$ 300,000	\$ 90,000

See accompanying notes.

NAVASOTA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF MINERAL PROPERTY INTERESTS
AS AT APRIL 30, 2005 AND 2004

	<u>2004</u>	<u>Written Off On</u>		<u>Sale</u>	
		<u>Additions</u>	<u>Abandonment</u>	<u>Proceeds</u>	<u>2005</u>
				<u>Applied</u>	
Turner Lake 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	-	43,750	-	-	43,750
	\$ 22,462	\$ 43,750	\$ -	\$ (20,322)	\$ 45,890

See accompanying notes.

NAVASOTA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF MINERAL PROPERTY INTERESTS
AS AT APRIL 30, 2004 AND 2003

	<u>2003</u>	<u>Written Off On</u>		<u>Option</u>	<u>2004</u>
		<u>Additions</u>	<u>Abandonment</u>	<u>Proceeds</u>	
				<u>Received</u>	
Turner Lake 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>\$ (196,325)</u>	<u>\$ (90,000)</u>	<u>\$ 22,462</u>

See accompanying notes.

NAVASOTA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF DEFERRED
EXPLORATION EXPENDITURES
AS AT APRIL 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Turner Lake		
Balance, beginning of year	\$ 62,297	\$ 62,214
Air and helicopter	-	(722)
Maps and reports	-	275
Permits, fees and licenses	-	530
Proceeds applied against costs	(62,297)	-
Balance, end of year	-	62,297
Gold Creek		
Balance, beginning of year	37,894	37,885
Assays and geochemical	26,192	-
Board and lodging	4,150	-
Drilling	82,722	-
Equipment rental	4,811	-
Geological	30,400	-
Grid establishment	1,320	-
Maps and reports	1,687	9
Supplies	1,280	-
Travel	1,306	-
Proceeds applied against costs	(6,340)	-
Balance, end of year	185,422	37,894
Yellow Moose		
Balance, beginning of year	-	1,868
Write-off on abandonment	-	(1,868)
Balance, end of year	-	-
Cassi-Ore		
Balance, beginning of year	-	19,425
Assays and geochemical	-	18,363
Consulting	-	11,975
Drilling	-	187,906
Equipment rental	-	18,219
Geological	-	85,823
Maps and reports	-	25,199
Supplies	-	1,858
Travel and lodging	-	14,957
Write-off on abandonment	-	(383,725)
Balance, end of year	-	-

See accompanying notes.

**NAVASOTA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF DEFERRED
EXPLORATION EXPENDITURES
AS AT APRIL 30, 2005 AND 2004**

(CONT'D)

	<u>2005</u>	<u>2004</u>
Stenlund		
Balance, beginning of year	-	-
Assays and geochemical	20,815	-
Drafting and computers	343	-
Drilling	309,463	-
Geological	25,173	-
Maps and reports	8,832	-
Supervision	2,114	-
Supplies	2,113	-
Travel and accommodation	14,365	-
Balance, end of year	383,218	-
Missamana		
Balance, beginning of year	-	-
Consulting	400	-
Maps and reports	15,503	-
Travel and accommodation	12,784	-
Balance, end of year	28,687	-
	\$ 597,327	\$ 100,191

See accompanying notes.

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2005

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 & 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 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 consolidated financial statements include the accounts of the Company and its inactive wholly-owned subsidiary, Nirvana Valve Systems Inc. (a U.S. company) up to the date of cessation of consolidation which occurred in the year ended April 30, 2005. The acquisition was accounted for by the purchase method. All significant inter-company balances and transactions were eliminated on consolidation.

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. The 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 April 30, 2005 and 2004 and the results of its operations for the years ended April 30, 2005 and 2004.

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2005

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

Measurement Uncertainty

- The preparation of 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 consolidated financial statements, as well as the reported amounts of revenues earned and expenses incurred during the years.

The Company's current investments in marketable securities are items that, due to expected market volume and price fluctuations, may yield net realizable values that are materially different from their current book values at any point in time. Other items involving substantial measurement uncertainty are the carrying costs of mineral property interests and their related deferred exploration expenditures and the provision for legal claims and future site restoration and abandonment costs and the determination of stock-based compensation. By their nature, these estimates are subject to measurement uncertainty, and the impact on the 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 years.

The resulting foreign exchange gains and/or losses are included in the 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 2005</u>	<u>Market Value Of Securities 2005</u>	<u>Market Value Of Securities 2004</u>
Trade Winds Ventures Inc.	Common shares	300,000	\$ 225,000	\$ 198,000	\$ -

As of August 5, 2005, the estimated market value of these common shares was \$147,000.

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2005

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

- On May 1, 2004, the Company adopted the new standard of accounting for asset retirement obligations whereby the Company estimates the fair value of site restoration and clean-up costs on acquisition of mineral property interests and reflects this amount in the cost of the mineral property interest acquired. The new standard requires the recognition of a liability for obligations associated with the retirement of assets when the liability is incurred. A liability is recognized initially at fair value if a reasonable estimate of the fair value can be made, and the resulting amount would be capitalized as part of the asset. The liability is accreted over time through periodic charges to operations or mineral property interest costs. In subsequent years, the Company adjusts the carrying amounts of the assets and the liabilities for changes in estimates of the amount or timing of underlying future cash flows.

It is reasonably possible that the Company's estimates of its ultimate reclamation and site restoration liability could change as a result of changes in regulations or cost estimates. The effect of changes in estimated costs is recognized on a prospective basis.

Flow-Through Common Shares

- The Company has adopted the new accounting pronouncement relating to flow-through shares effective for all flow-through share agreements dated after March 19, 2004. Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising from the related

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2005

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

Flow-Through Common Shares (Cont'd)

resource expenditures. When resource expenditures are renounced to the investors, and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate) thereby reducing share capital. The Company records the initial share issuances by crediting share capital for the full value of the cash consideration received.

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 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 year 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 year. 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 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 carrying values of the financial instruments approximate their fair values, due to the relatively short period to maturity of these instruments.

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2005

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 consolidated statement of operations. Amounts receivable are inclusive of accrued interest as receipt of these amounts is also considered to be certain and measurable.

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 April 30, 2005, the unspent balance of these commitments was \$185,780 (2004 - \$722,866).

4. Office Equipment

		<u>2005</u>		<u>2004</u>	
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	30%	\$ 12,695	\$ 10,252	\$ 2,443	\$ 3,490
Office equipment	20%	22,367	15,122	7,245	9,476
		<u>\$ 35,062</u>	<u>\$ 25,374</u>	<u>\$ 9,688</u>	<u>\$ 12,966</u>

Office equipment is recorded at cost and is amortized using the declining balance method at the rates disclosed above. In the year 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 % 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;

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2005

5. Mineral Property Interests (Cont'd)

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

- 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.

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.

During the year ended April 30, 2005, the Company concluded an Option and Joint Venture Agreement (the "Agreement") with Goldrange Resources, Inc. ("Goldrange") whereby Goldrange will have the option to earn a 100% interest in the Gold Creek property interest, subject to a 2% NSR to be retained by the Company under the following terms:

- making a cash payment to the Company of US\$5,000 upon conducting due diligence within a period of two months from the date of signing the Agreement;
- making a cash payment of US\$10,000 to the Company on the first anniversary of the date of signing the Agreement; and
- making a cash payment to the Company of US\$15,000 on the second anniversary of the date of signing the Agreement.

If Goldrange exercises the option, the Company will have the right to earn back a 40% interest in the Gold Creek property interest by giving notice to Goldrange of its intent to do so within 90 days, and by making a cash payment in an amount equal to 200% of 40% of the qualifying expenditures made by Goldrange. Goldrange Resources, Inc. is a private mineral exploration company based in Bellingham, Washington.

(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 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 then ended.

NAVASOTA RESOURCES LTD.
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APRIL 30, 2005

5. Mineral Property Interests (Cont'd)

(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.

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 st Anniversary of the Effective Date	175,000	100,000
On or before November 30, 2004	175,000	100,000
On or before the 2 nd Anniversary of the Effective Date	400,000	100,000
On or before November 30, 2005	400,000	100,000
On or before the 3 rd Anniversary of the Effective Date	500,000	100,000
On or before November 30, 2006	500,000	100,000
On or before the 4 th Anniversary of the Effective Date	600,000	125,000
On or before November 30, 2007	600,000	125,000
On or before the 5 th Anniversary of the Effective Date	650,000	150,000
On or before November 30, 2008	650,000	150,000
On or before the 6 th Anniversary of the Effective Date	1,600,000	500,000
Total	\$ 6,500,000	2,000,000

* 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 then ended.

NAVASOTA RESOURCES LTD.
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APRIL 30, 2005

5. Mineral Property Interests (Cont'd)

(e) Stenlund

During the year ended April 30, 2005, 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 by March 31, 2005 (issued). Once the Company has exercised the option, Teck may elect to either earn back 55% in the property interest by incurring \$3,000,000 of expenditures over 3 years, or elect to 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 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 year ended April 30, 2005, 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 (the "Licenses") covering 498 square kilometres located in Guinea, West Africa. The Licenses were issued September 28, 2004, and are valid for a period of two years. Starting from this date, the titleholder is required to undertake in conformance with the mining regulations in force, its programs of work with an approved budget of US\$810,000 per license.

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

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2005

6. Share Capital (Cont'd)

(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
Balance, April 30, 2003				
Issued during the year ended April 30, 2004:				
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			19,631,454	13,544,956
Issued during the year ended April 30, 2005:				
Obligation	Property payment	\$0.125	150,000	18,750
Balance, April 30, 2005			19,781,454	\$ 13,563,706

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, but shall not be less than \$0.10 per share. 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

NAVASOTA RESOURCES LTD.
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6. Share Capital (Cont'd)

(c) Stock Options (Cont'd)

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. Options granted shall expire within thirty days after the optionee ceases to be a director, officer, consultant, or employee of the Company.

	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	1,891,976	\$ 0.18	3.82
Cancelled	(1,056,976)	(\$0.18)	
Granted	800,000	\$0.15	
Options outstanding, April 30, 2005	1,635,000	\$ 0.17	4.09
Options exercisable, April 30, 2005	1,635,000		

As at April 30, 2005 the Company has the following stock options outstanding:

Exercise Price Per Share	Expiry Date	2004	Granted	Exercised	Expired/ Cancelled	2005
\$0.19	Feb. 28, 2006	100,000	-	-	(100,000)	-
\$0.15	Aug. 15, 2006	415,000	-	-	(300,000)	115,000
\$0.16	Dec. 23, 2007	256,976	-	-	(256,976)	-
\$0.20	Dec. 3, 2008	1,120,000	-	-	(400,000)	720,000
\$0.15	April 5, 2010	-	800,000	-	-	800,000
		<u>1,891,976</u>	<u>800,000</u>	<u>-</u>	<u>(1,056,976)</u>	<u>1,635,000</u>

During the year ended April 30, 2005, 956,976 stock options were cancelled upon the resignation of a director in November, 2004.

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 year ended April 30, 2005, the consultant's agreement was terminated and the option expired.

Subsequent to April 30, 2005, the Company granted an option to its chief financial officer to purchase up to 100,000 shares of the Company at \$0.15 per share to May 3, 2010.

NAVASOTA RESOURCES LTD.
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6. Share Capital (Cont'd)

(c) Stock Options (Cont'd)

During the year ended April 30, 2005, the Company recorded stock-based compensation expense of \$80,240 (2004 - \$93,184). The fair value of stock options included in the expense recorded during the years ended April 30, 2005 and 2004 was estimated using the Black-Scholes Option Pricing Model based on the following assumptions: a risk-free interest rate of 3.54% (2004 - 2.93%), an expected life of 5 (2004 - 5) years; an expected volatility of 115.58% (2004 - 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.

(d) Share Purchase Warrants

As at April 30, 2005 the Company has the following share purchase warrants outstanding:

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

(e) Subsequent Issuances

Share subscriptions represent proceeds received by the Company to April 30, 2005 in respect of a non-brokered private placement for 3,000,000 units at a price of \$0.10 per unit which closed subsequent to year end. Each unit consists of one common share and one-half of one non-transferable share purchase warrant, with each whole share purchase warrant entitling the holder to purchase one additional common share at an exercise price of \$0.15 per share for a period of two years from the closing date of the placement. Shares acquired by the places are subject to a hold period and may not be traded until September 26, 2005.

7. Income Taxes

No provision for recovery of income taxes was made in 2005 and 2004 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 \$1,674,041 (2004 - \$1,482,735) which expire in various years to 2015 as follows:

2006	\$ 292,782
2007	311,317
2008	235,379
2009	180,251
2010	226,786
2011	236,220
2015	191,306

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2005

7. Income Taxes (Cont'd)

In addition, the Company has undeducted resource related expenses of approximately \$6,760,000 (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.

	Year Ended <u>2005</u>	Year Ended <u>2004</u>
Net loss before income taxes	\$ (5,214)	\$ (666,175)
Tax rate	<u>35.62%</u>	<u>37.62%</u>
Calculated income tax recovery	(1,857)	(250,615)
Increase in valuation allowance	1,857	250,615
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2005</u>	<u>2004</u>
Future income tax assets		
Temporary differences in assets	\$ 2,221,972	2,662,028
Non-capital loss carry forwards	<u>596,294</u>	<u>557,805</u>
	2,818,266	3,219,833
Valuation allowance for future income tax assets	<u>(2,818,266)</u>	<u>(3,219,833)</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.

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2005

8. Contingencies (Cont'd)

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 consolidated financial statements.

- (b) During the year ended April 30, 2005, 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 consolidated financial statements.

9. Related Party Transactions

- (a) The following related party transactions occurred during the years ended April 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Deferred professional fees paid or accrued to a company controlled by a now former director of the Company	\$ -	\$ 34,400
Deferred consulting fees paid or accrued to a director of the Company	5,900	6,000
Consulting fees paid or accrued to a director of the Company	66,100	24,000
Management fees paid to a company controlled by a director of the Company before and after his appointment to the Company's board	36,000	36,000
Rent paid to a company controlled by a now former director of the Company	17,448	16,944

- (b) The following common shares were issued to related parties during the years ended April 30, 2005 and 2004:

- 733,334 common shares of the non-brokered private placement which closed during the year ended April 30, 2004 were issued to directors of the Company.
- 120,000 common shares of the \$0.25 share purchase warrants which were exercised during the year ended April 30, 2004 were issued to directors of the Company.

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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. Subsequent to year end this agreement, with similar terms, was extended to April 30, 2010. 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.

11. Segmented Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by management, in deciding how to allocate resources, and in assessing performance. All of the Company's operations are within the mining sector. Due to the geographic and political diversity, the Company's mining operations are decentralized whereby mining managers are responsible for business results and regional corporate offices provide support to the mining programs in addressing local and regional issues. The Company's operations are therefore segmented on a geographic basis. The Company's mineral property interests are all located in Canada and Africa.

Details of identifiable assets by geographic segments are as follows:

	Total Assets	Deferred Exploration Expenditures	Mineral Property Interests	Other Assets
April 30, 2005				
Canada	\$ 1,119,637	\$ 568,640	\$ 45,890	\$ 505,107
Africa	28,687	28,687	-	-
	\$ 1,148,324	\$ 597,327	\$ 45,890	\$ 505,107
April 30, 2004				
Canada	\$ 881,916	\$ 100,191	\$ 22,462	\$ 759,263
Africa	-	-	-	-
	\$ 881,916	\$ 100,191	\$ 22,462	\$ 759,263

12. Comparative Figures

Certain of the comparative figures disclosed for the year ended April 30, 2004 in the consolidated financial statement of operations have been reclassified to conform with the consolidated financial statement presentation adopted for in the current year.