

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2006**  
**(UNAUDITED – See Notice to Reader)**

## **NOTICE TO READER**

We have compiled the interim consolidated balance sheet of Navasota Resources Ltd., as at January 31, 2006 and the consolidated interim statements of operations, deficit, cash flows, mineral property interests and deferred exploration expenditures for the nine 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.

Kamloops, BC  
March 20, 2006

**BRUCE D. MARTIN LTD.**  
Chartered Accountant

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
**AS AT JANUARY 31, 2006 AND APRIL 30, 2005**  
**(UNAUDITED – See Notice to Reader)**

	<u>January 31, 2006</u>	<u>(Note 12)</u> <u>April 30 2005</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 3)	\$ 23,755	\$ 245,761
Marketable securities (Note 1)	225,000	225,000
Amounts receivable	1,504	19,149
Prepaid expenses	3,698	509
Reclamation bonds	5,000	5,000
	258,957	495,419
<b>Office Equipment (Note 4)</b>	10,963	9,688
<b>Mineral Property Interests (Statement) (Note 5)</b>	2,140	45,890
<b>Deferred Exploration Expenditures (Statement)</b>	529,609	597,327
	\$ 801,669	\$ 1,148,324
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 99,611	\$ 130,675
Due to Related Parties	74,604	-
	174,215	130,675
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 6)</b>	13,990,106	13,563,706
<b>Share Subscriptions</b>	-	150,900
<b>Contributed Surplus</b>	182,924	173,424
<b>Deficit</b>	(13,545,576)	(12,870,381)
	627,454	1,017,649
	\$ 801,669	\$ 1,148,324

**Contingencies (Note 8)**

**Approved By The Directors:**

Christopher J. Wild Director  
Christopher J. Wild

James T. Gillis Director  
James T. Gillis

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2006 AND 2005**  
**(UNAUDITED – See Notice to Reader)**

	<u>Three Months</u> <u>Ended</u> <u>January 31</u> <u>2006</u>	<u>Three Months</u> <u>Ended</u> <u>January 31</u> <u>2005</u>	<u>Nine Months</u> <u>Ended</u> <u>January 31</u> <u>2006</u>	<u>Nine Months</u> <u>Ended</u> <u>January 31</u> <u>2005</u>
<b>Administrative Expenses</b>				
Amortization	\$ 717	\$ 796	\$ 2,150	\$ 2,390
Consulting fees (Note 9 (a))	-	15,370	7,600	49,770
Interest, bank charges and foreign exchange	(84)	25,119	3,766	29,560
Investor relations	-	-	-	15,369
Management fees (Note 9 (a))	9,000	9,000	27,000	27,000
Office	(22)	1,525	7,563	7,541
Professional fees	31,124	9,527	107,272	58,080
Property investigation	-	-	55	-
Rent (Note 9 (a))	952	4,368	9,384	13,080
Stock-based compensation (Note 6(c))	-	-	9,500	-
Telephone and utilities	1,019	1,243	3,217	4,098
Transfer agent and regulatory fees	4,093	1,567	14,879	9,169
Travel and promotion	3,150	4,940	18,329	19,165
Wages and benefits	10,028	8,958	37,869	22,820
<b>Net Loss Before Under noted Items</b>	(59,977)	(82,413)	(248,584)	(258,042)
<b>Other Income (Expense)</b>				
Gain on sale of mineral property	-	-	-	517,381
Interest income	191	1,413	357	6,603
Loss on abandonment of mineral property interests	(426,968)	-	(426,968)	-
Gain on settlement of debt	-	-	-	25,695
<b>Net Loss</b>	(486,754)	(81,000)	(675,195)	291,637
<b>Deficit, Beginning Of Year</b>	(12,870,381)	(12,492,530)	(12,870,381)	(12,865,167)
<b>Share Issuance Costs</b>	-			
<b>Deficit, End Of Period</b>	<u>\$ (13,357,135)</u>	<u>\$ (12,573,530)</u>	<u>\$ (13,545,576)</u>	<u>\$ (12,573,530)</u>
<b>Earnings (Loss) Per Share (Note 1)</b>	\$ (0.021)	\$ (0.004)	\$ (0.030)	\$ 0.015
<b>Fully Diluted Earnings Per Share</b>	\$ N/A	\$ N/A	\$ N/A	\$ 0.012
<b>Weighted Average Common Shares Outstanding</b>	23,532,411	19,631,454	22,662,715	19,631,454

**NAVASOTA RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2006 AND 2005**  
**(UNAUDITED)**

	<u>Three Months Ended 2006</u>	<u>Three Months Ended 2005</u>	<u>Nine Months Ended 2006</u>	<u>Nine Months Ended 2005</u>
<b>Cash Provided By (Used For):</b>				
<b>Operating Activities</b>				
Net (loss) income	\$ (486,754)	\$ (81,000)	\$ (675,195)	\$ 291,637
Items not requiring (providing) cash:				
Amortization	717	796	2,150	2,390
Stock-based compensation	-	-	9,500	-
Gain on settlement of debt	-	-	-	(25,695)
Gain on sale of mineral property	-	-	-	(517,381)
Net change in non-cash working capital items	426,968	-	426,968	-
Loss on abandonment of mineral property interests	(27,125)	176,265	59,709	4,770
Cash provided from (used by) operating activities	(86,194)	96,061	(176,868)	(244,279)
<b>Investing Activities</b>				
Reclamation bond proceeds received (paid)	-	-	-	10,000
Acquisition of office equipment	-	-	(3,425)	(505)
Proceeds from sale of mineral property interest	-	-	-	250,000
Mineral property interest costs paid	-	-	-	(25,000)
Deferred exploration expenditures paid	(7,800)	(492,904)	(315,500)	(532,511)
Cash provided by (used for) investing activities	(7,800)	(492,904)	(318,925)	(298,016)
<b>Financing Activities</b>				
Receipt of share subscriptions	49,500	-	74,800	-
Shares issued for cash	-	-	198,600	-
Exercise of options	-	-	2,100	-
Cash provided by financing activities	49,500	-	275,500	-
<b>(Decrease) Increase in Cash</b>	(44,494)	(396,843)	(220,293)	(542,295)
<b>Cash &amp; Cash Equivalents, Beginning Of Period</b>	68,249	576,320	244,048	721,772
<b>Cash &amp; Cash Equivalents, End of Period</b>	\$ 23,755	\$ 179,477	\$ 23,755	\$ 179,477
<b>Cash and cash equivalents</b>				
<b>Cash</b>	23,755	79,477	23,755	79,477
<b>Guaranteed investment certificate</b>	-	100,000	-	100,000
	\$ 23,755	\$ 179,477	\$ 23,755	\$ 179,477

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF MINERAL PROPERTY INTERESTS**  
**(UNAUDITED – See Notice to Reader)**

**AS AT JANUARY 31, 2006 AND APRIL 30, 2005**

	<b>APRIL 30, 2005 (Note 12)</b>	<b>Additions</b>	<b>Written Off On Abandonment</b>	<b>Sale Proceeds Applied</b>	<b>JANUARY 31, 2006</b>
Turner Lake (Note 5(a))	\$ 1	\$ -	\$ -	\$ -	\$ 1
Gold Creek, Kamloops Mining Division of BC 100% interest	2,139				2,139
Stenlund, Marathon, Ontario 100% option interest	43,750		43,750		
	\$ 45,890	\$ -	\$ 43,750	\$ -	\$ 2,140

**AS AT JANUARY 31, 2005 AND APRIL 30, 2004**

	<b>APRIL 30, 2004 (Note 12)</b>	<b>Additions</b>	<b>Written Off On Abandonment</b>	<b>Sale Proceeds Applied</b>	<b>JANUARY 31, 2005</b>
Turner Lake (Note 5(a))	\$ 20,323	\$ -	\$ -	\$ (20,322)	\$ 1
Gold Creek, Kamloops Mining Division of BC 100% interest	2,139				2,139
Stenlund, Marathon, Ontario 100% option interest		25,000			25,000
	\$ 22,462	\$ 25,000	\$ -	\$ (20,322)	\$ 27,140

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF DEFERRED**  
**EXPLORATION EXPENDITURES**  
**FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2006 AND 2005**  
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	<u>Three</u> <u>Months</u> <u>Ended</u> <u>2006</u>	<u>Three</u> <u>Months</u> <u>Ended</u> <u>2005</u>	<u>Nine</u> <u>Months</u> <u>Ended</u> <u>2006</u>	<u>Nine</u> <u>Months</u> <u>Ended</u> <u>2005</u>
<b>Turner Lake</b>				
Balance, beginning of period	\$ -	62,297	\$ -	\$ 62,297
Proceeds applied against costs	-	(62,297)		(62,297)
Balance, end of period		-	-	-
<b>Gold Creek</b>				
Balance, beginning of period	190,282	79,530	185,422	37,894
Assays and geochemical		13,556		24,809
Camp		1,275		3,725
Consultant			1,424	
Drilling		82,722		82,722
Equipment rental		1,418		4,811
Geological		7,695		27,960
Grid Establishment				1,320
Surveys and maps				1,687
Supplies		12		1,280
Sustaining costs			3,436	
Travel		1,306		1,306
Balance, end of period	190,282	187,514	190,282	187,514
<b>Stenlund</b>				
Balance, beginning of period	383,218	2,121	383,218	20,815
Assays and geochemical		20,815		
Drafting and computers				343
Drilling		309,463		309,463
Geological		26,118		27,277
Maps and reports		5,884		5,884
Supervision		1,510		2,114
Supplies		2,098		2,113
Travel and accommodation		14,365		14,365
Write off on abandonment	(383,218)		(383,218)	
Balance, end of period		382,374		382,374

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF DEFERRED**  
**EXPLORATION EXPENDITURES**  
**FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2006 AND 2005**  
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	<u>Three</u> <u>Months</u> <u>Ended</u> <u>2006</u>	<u>Three</u> <u>Months</u> <u>Ended</u> <u>2005</u>	<u>Nine</u> <u>Months</u> <u>Ended</u> <u>2006</u>	<u>Nine</u> <u>Months</u> <u>Ended</u> <u>2005</u>
<b>Missamana</b>				
Balance, beginning of period	331,527	430	28,687	
Assays			24,671	
Camp			43,606	
Consulting	7,800		49,464	400
Communications			792	
Wages and Technical			18,303	
Maps and Reports			749	30
Drilling			310,669	
Field Supplies			7,474	
Fuel			12,030	
Vehicle			1,395	
Contribution by Mano River Resources Inc.			(158,513)	
Balance, end of period	339,327	430	339,327	430
<b>Totals</b>	<b>\$ 529,609</b>	<b>\$ 570,318</b>	<b>\$ 529,609</b>	<b>\$ 570,318</b>

**NAVASOTA RESOURCES LTD.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**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 January 31, 2006 and April 30, 2005 and the results of its operations for the periods ended January 31, 2006 and 2005.

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**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:

Name of Issuer	Class of Security	Quantity	Adjusted Cost January 31, 2006	Market Value January 31, 2006	Market Value April 30, 2005
Trade Winds Ventures Inc.	Common shares	300,000	\$ 225,000	\$ 156,000	\$ 198,000

As of March 14, 2006, the estimated market value of these common shares was \$123,000.

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**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.

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**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 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.

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**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 January 31, 2006, the unspent balance of these commitments was \$180,920 (April 30, 2005 - \$185,780).

**4. Office Equipment**

				<b>JANUARY 31 2006</b>	<b>APRIL 30, 2005</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	\$ 10,802	\$ 1,893	\$ 2,443
Office equipment	20%	25,791	16,721	9,070	7,245
		\$ 38,486	\$ 27,523	\$ 10,963	\$ 9,688

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;

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- 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.

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) 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

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

**(d) 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) (received);
- 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**

On November 15, 2005 the company transitioned its’ authorised share capital to an unlimited number of shares with no par value from the previously authorised 100,000,000 common shares without par value.

**(b) Common Shares Issued**

<u>Type Of Issue</u>	<u>Consideration</u>	<u>Price Per Share</u>	<u>Number Of Shares</u>	<u>Amount</u>
Balance, April 30, 2004			19,631,454	\$13,544,956
Issued during year ended April 30, 2005:				
Obligation	Property payment	\$ 0.125	150,000	18,750
Balance, April 30, 2005			19,781,454	13,563,706
Issued during the period		\$ 0.10	3,000,000	300,000
Issued during the period		\$ 0.11	1,130,000	124,300
Options Exercised		\$ 0.15	14,000	2,100
Balance, January 31, 2006			23,925,454	\$13,990,106

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**(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 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, 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
Granted	100,000	\$ 0.15	
Exercised	(14,000)	\$ 0.15	
Expired	(100,000)	\$ 0.15	
Options exercisable, January 31, 2006	1,621,000	\$ 0.18	3.33

As at January 31, 2006 the Company has the following stock options outstanding:

Exercise Price Per Share	Expiry Date	April 30, 2005	Granted	Exercised	Expired	January 31, 2006
\$0.15	Aug. 15, 2006	115,000				115,000
\$0.20	Dec. 3, 2008	720,000				720,000
\$0.15	April 5, 2010	800,000		(14,000)		786,000
\$0.15	May 3, 2010		100,000		(100,000)	
		1,635,000	100,000	(14,000)	(100,000)	1,621,000

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During the period ended January 31, 2006, the Company recorded stock-based compensation expense of \$9,500 (2004 - nil). The fair value of stock options included in the expense recorded during the period ended January 31, 2006 was estimated using the Black-Scholes Option Pricing Model based on the following assumptions: a risk-free interest rate of 3.53%, an expected life of 5 years; an expected volatility of 135.70% 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 January 31, 2006 the Company has the following share purchase warrants outstanding:

<b>Exercise Price Per Share</b>	<b>Expiry Date</b>	<b>April 30, 2005</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/Cancelled</b>	<b>January 31, 2006</b>
\$0.35	Sept. 2, 2005	3,363,869	-	-	(3,363,869)	-
\$0.15	June 3, 2007	-	1,500,000	-		1,500,000
\$0.15	Dec. 2006	-	565,000	-		565,000
		3,343,849	2,065,000	-	(3,363,869)	2,065,000

**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 \$1,956,517 (April 30, 2005 - \$1,674,041) which expire in various years to 2015 as follows:

2006	\$292,782
2007	\$311,317
2008	\$235,379
2009	\$180,251
2010	\$227,176
2011	\$237,345
2015	\$186,024
2016	\$282,476

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

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	<b>Three months Ended 2006</b>	<b>Three months Ended 2005</b>	<b>Nine months Ended 2006</b>	<b>Nine months Ended 2005</b>
Net loss before income taxes	\$ (486,754)	\$ (81,000)	\$ (675,195)	\$ 291,637
Tax rate	<u>35.62%</u>	<u>35.62%</u>	<u>35.62%</u>	<u>35.62%</u>
Calculated income tax recovery	(173,381)	28,852	(240,504)	103,881
increase in valuation allowance	<u>173,381</u>	<u>(28,852)</u>	<u>240,504</u>	<u>(103,881)</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>	<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:

	<b>Quarter Ended January 31, 2006</b>	<b>Year Ended April 30, 2005 (Note 12)</b>
Future income tax assets		
Temporary differences in assets	\$ 2,110,504	\$ 2,221,972
Non-capital loss carry forwards	<u>696,911</u>	<u>596,294</u>
	2,807,415	2,818,266
Valuation allowance for future income tax assets	<u>(2,807,415)</u>	<u>(2,818,266)</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 judgment 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 been set for April 26, 2006 and the Company has filed an appeal 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 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

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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 periods ended January 31, 2006 and 2005:

	<b>Three Months 2006</b>	<b>Three Months 2005</b>	<b>Nine Months 2006</b>	<b>Nine Months 2005</b>
Deferred consulting fees paid or accrued to a director of the Company	-	\$800	-	\$1,600
Consulting fees paid or accrued to a director of the Company	\$7,809	\$17,200	\$39,918	\$34,400
Management fees paid to a company controlled by a director of the Company	\$9,000	\$9,000	\$27,000	\$18,000
Rent paid to a company controlled by a director of the Company	\$400	\$4,470	\$3,800	\$8,712
Rent paid to a company with common management	\$912	-	\$2,979	-

- (b) 130,000 common shares were issued to a director and a senior officer as part of a private placement during the period ended January 31, 2006.
- (c) 14,000 shares were issued to a director on exercise of an option during the period ended January 31, 2006.

**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 May 1, 2010 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.

**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.

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Details of identifiable assets by geographic segments are as follows:

	<b>Total Assets</b>	<b>Deferred Exploration Expenditures</b>	<b>Mineral Property Interests</b>	<b>Other Assets</b>
<b>April 30, 2005</b>				
Canada	\$ 1,119,637	\$ 568,640	\$ 45,890	\$ 505,107
Africa	28,687	28,687	-	-
	<u>\$ 1,148,324</u>	<u>\$ 597,327</u>	<u>\$ 45,890</u>	<u>\$ 505,107</u>
<b>January 31, 2006</b>				
Canada	\$ 462,342	\$ 190,282	\$ 2,140	\$ 269,920
Africa	339,327	339,327	-	-
	<u>\$ 801,669</u>	<u>\$ 529,609</u>	<u>\$ 2,140</u>	<u>-</u>

**12. Comparative Figures**

The comparative figures disclosed as at April 30, 2005 and April 30, 2004 in these interim consolidated financial statements were subject to an audit engagement.