

**NAVASOTA RESOURCES LTD.**

**FINANCIAL STATEMENTS**

**APRIL 30, 2007**

**BEAUCHAMP & COMPANY**  
**CHARTERED ACCOUNTANTS**  
**#205 – 788 BEATTY STREET**  
**VANCOUVER, B.C. V6B 2M1**  
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**AUDITORS' REPORT**

To the Shareholders of  
Navasota Resources Ltd.

We have audited the balance sheets, statements of mineral property interests, and deferred exploration expenditures of Navasota Resources Ltd. as at April 30, 2007 and 2006 and the 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 financial statements present fairly, in all material respects, the financial position of the company as at April 30, 2007 and 2006 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 17, 2007

***"BEAUCHAMP & COMPANY"***  
Chartered Accountants

**NAVASOTA RESOURCES LTD.**  
**BALANCE SHEETS**  
**AS AT APRIL 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 3)	\$ 1,071,529	\$ 357,113
Marketable securities (Note 1)	-	189,000
Amounts receivable	3,230	2,747
Prepaid expenses	3,597	3,321
Reclamation bonds	5,000	5,000
	1,083,356	557,181
<b>Office Equipment</b> (Note 4)	8,299	10,588
<b>Advances On Share Option</b> (Note 5)	181,896	-
<b>Mineral Property Interests</b> (Statement) (Note 6)	1	5,076
<b>Deferred Exploration Expenditures</b> (Statement)	376,275	529,461
<b>Deferred Financing Costs</b> (Note 1)	24,448	-
	\$ 1,674,275	\$ 1,102,306
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 227,753	\$ 172,727
Due to related parties (Note 11 (c))	-	110,309
	227,753	283,036
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 7 (b))	14,649,010	13,991,510
<b>Share Subscriptions</b> (Note 7 (e))	885,500	349,750
<b>Contributed Surplus</b> (Note 8)	269,823	200,072
<b>Deficit</b>	(14,357,811)	(13,722,062)
	1,446,522	819,270
	\$ 1,674,275	\$ 1,102,306

**Contingencies** (Note 10)  
**Commitments** (Note 12)

**Approved By The Directors:**

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*Christopher J. Wild* Director  
Christopher J. Wild

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*James T. Gillis* Director  
James T. Gillis

**NAVASOTA RESOURCES LTD.**  
**STATEMENTS OF OPERATIONS AND DEFICIT**  
**FOR THE YEARS ENDED APRIL 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>Administrative Expenses</b>		
Amortization	\$ 2,289	\$ 2,525
Consulting fees (Note 11(a))	7,404	20,000
Interest, bank charges and foreign exchange	2,464	3,954
Investor relations	24,188	-
Management fees (Note 11(a))	41,000	36,000
Office	3,664	9,037
Professional fees	110,425	138,594
Property Investigation	1,000	11,305
Rent (Note 11(a))	7,268	11,476
Stock-based compensation (Note 8)	63,328	28,052
Telephone and utilities	3,543	4,154
Transfer agent and regulatory fees	15,649	12,252
Travel and promotion (Note 11(a))	18,931	22,192
Wages and benefits	52,446	54,899
<b>Net Loss Before Undernoted Items</b>	<b>(353,599)</b>	<b>(354,440)</b>
<b>Other Income (Expense)</b>		
Legal settlement (Note 10)	(46,069)	(20,000)
Loss on abandonment of mineral property interest	-	(426,968)
Write down of mineral property interest (Note 6 (a))	(191,919)	-
Loss on disposal of marketable securities	(29,998)	-
Write down of marketable securities	-	(36,000)
Interest income	10,214	842
<b>Net Loss</b>	<b>(611,371)</b>	<b>(836,566)</b>
<b>Deficit, Beginning Of Year</b>	<b>(13,722,062)</b>	<b>(12,870,381)</b>
<b>Share Issuance Costs</b>	<b>(24,378)</b>	<b>(15,115)</b>
<b>Deficit, End Of Year</b>	<b>\$(14,357,811)</b>	<b>\$(13,722,062)</b>
<b>Basic And Diluted Loss Per Common Share (Note 1)</b>	<b>\$(0.02)</b>	<b>\$(0.04)</b>
<b>Weighted Average Common Shares Outstanding</b>	<b>29,275,680</b>	<b>23,045,548</b>

**NAVASOTA RESOURCES LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED APRIL 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>Cash Provided By (Used For):</b>		
<b>Operating Activities</b>		
Net loss	\$ (611,371)	\$ (836,566)
Items not requiring (providing) cash:		
Loss on disposal of marketable securities	29,998	-
Amortization	2,289	2,525
Stock-based compensation	63,328	28,052
Loss on abandonment of mineral property interest	-	426,968
Write down of mineral property interest	191,919	
Write down of marketable securities	-	36,000
Net change in non-cash working capital items	(62,457)	52,923
Cash used for operating activities	(386,294)	(290,098)
<b>Investing Activities</b>		
Proceeds from sale of marketable securities	159,002	-
Acquisition of office equipment	-	(3,425)
Advances on share option	(66,772)	-
Proceeds from sale of mineral property interests	-	158,513
Mineral property interest costs paid	-	(2,936)
Deferred exploration expenditures paid	(78,501)	(447,483)
Cash provided by (used for) investing activities	13,729	(295,331)
<b>Financing Activities</b>		
Deferred financing costs paid	(6,668)	
Advances (paid to) received from related parties	(81,646)	81,646
Receipt of share subscriptions	1,193,250	625,250
Share issuance costs paid	(17,955)	(10,115)
Cash provided by financing activities	1,086,981	696,781
<b>Increase In Cash</b>	714,416	111,352
<b>Cash, And Cash Equivalents, Beginning Of Year</b>	357,113	245,761
<b>Cash, And Cash Equivalents, End Of Year</b>	\$ 1,071,529	\$ 357,113

**Supplemental Information**

Interest paid during the year	\$ 7,593	\$ -
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During the year ended April 30, 2007, the Company issued 100,000 agents warrants as a finder's fee in connection with a private placement financing. The finder's fee was included in the share issuance costs in the amount of \$6,423 using the Black-Scholes Pricing Model.

**NAVASOTA RESOURCES LTD.**  
**STATEMENTS OF MINERAL PROPERTY INTERESTS**  
**AS AT APRIL 30, 2007 AND 2006**

	<u>2006</u>	<u>Write Down For Valuation</u>	<u>2007</u>
Gold Creek, Kamloops Mining Division of BC 100% interest	\$ 5,076	\$ (5,075)	\$ 1
	<u>\$ 5,076</u>	<u>\$ (5,075)</u>	<u>\$ 1</u>

**NAVASOTA RESOURCES LTD.**  
**STATEMENTS OF MINERAL PROPERTY INTERESTS**  
**AS AT APRIL 30, 2006 AND 2005**

	<u>2005</u>	<u>Additions</u>	<u>Written Off On Abandonment</u>	<u>2006</u>
Gold Creek, Kamloops Mining Division of BC 100% interest	\$ 2,140	\$ 2,936	\$ -	\$ 5,076
Stenlund, Marathon, Ontario 100% option interest	43,750	-	(43,750)	-
	<u>\$ 45,890</u>	<u>\$ 2,936</u>	<u>\$ (43,750)</u>	<u>\$ 5,076</u>

**NAVASOTA RESOURCES LTD.  
STATEMENTS OF DEFERRED  
EXPLORATION EXPENDITURES  
AS AT APRIL 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>Gold Creek</b>		
Balance, beginning of year	\$186,845	\$185,422
Consulting and wages	-	1,377
Maps and reports	-	46
Write down for valuation	(186,845)	-
Balance, end of year	-	186,845
<b>Stenlund</b>		
Balance, beginning of year	-	383,218
Write off on abandonment	-	(383,218)
Balance, end of year	-	-
<b>Missamana</b>		
Balance, beginning of year	342,616	28,687
Assays and geochemical	-	24,671
Camp	144	29,563
Consulting and wages (Note 9 (a))	6,015	39,977
Drilling	-	307,148
Field supplies	-	5,183
Maps and reports	-	12,579
Technical and field staff	21,026	18,303
Travel and accommodations	3,604	12,031
Vehicle	2,870	22,987
Contribution by Mano River Resources Inc.	-	(158,513)
Balance, end of year	376,275	342,616
<b>Totals</b>	<b>\$376,275</b>	<b>\$ 529,461</b>

**NAVASOTA RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2007**

**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 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 value of its assets may decline materially from current estimates.

**Use Of Estimates**

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

Items involving substantial measurement uncertainty are the carrying costs of mineral property interest 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 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 exchange rate in effect on the dates they occur.

The resulting foreign exchange gains and/or losses are included in the Company's statements of operations.

**NAVASOTA RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2007**

**1. Nature Of Operations And Significant Accounting Policies** *(continued)*

**Marketable Securities**

<u>Name of Issuer</u>	<u>Class Of Security</u>	<u>Quantity</u>	<u>Adjusted Cost 2007</u>	<u>Adjusted Cost 2006</u>
Trade Winds Ventures Inc.	Common Shares	300,000	\$ -	\$ 189,000

During the year ended April 30, 2007, the Company sold these shares for cash proceeds of \$159,002.

**Mineral Property Interests And Deferred Exploration Expenditures**

The cost of mineral property interests and their related direct exploration expenditures are deferred until the property interests are placed into production, sold or abandoned. These deferred expenditures will be amortized on a unit-of-production basis over the estimated useful life of the mineral property interests following the commencement of production, or written-off if the property interests 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. Option payments received in excess of costs incurred are disclosed as revenue in the Company's statement of operations.

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 related 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 interest's estimated current fair market value is also based upon its review of other mineral property interest transactions in the same geographic area.

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 property interests, these procedures do not guarantee the Company's title. Property interest title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects and non-compliance with regulatory requirements.

**NAVASOTA RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2007**

**1. Nature Of Operations And Significant Accounting Policies** *(continued)*

**Asset Retirement Obligations**

The Company recognizes the fair value of liabilities for asset retirement obligations in the year in which they occur and/or in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenditures using a systematic and rational method and is also adjusted to reflect period-to-period changes in the liability resulting from passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. The Company has not recorded any asset retirement obligations as at April 30, 2007.

**Flow-Through Common Shares**

The Company applies the accounting pronouncement of CICA Handbook EIC 146 in respect of its accounting for all flow-through renunciations. 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 resources 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 financial statements carrying values and their respective income tax basis (temporary differences) and on unclaimed losses carry forward. Future income tax assets and liabilities are measured using the substantially enacted tax rates expected to be in effect when the temporary differences are likely to reverse or when losses are expected to be utilized. 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.

**Loss Per Share**

Loss per share data is computed by dividing loss for the year 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. The Company calculates loss per share using the treasury stock method. Under the treasury stock method only instruments with exercise amounts less than market prices impact the diluted calculations.

**NAVASOTA RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2007**

**1. Nature Of Operations And Significant Accounting Policies** *(continued)*

**Stock-Based Compensation**

The Company applies the fair value method of accounting for stock options awards granted to employees and directors, as recommended by CICA Handbook Section 3870 on stock-based compensation and other stock-based payments.

The fair value of stock options and share purchase warrants are determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the options. The fair value of direct awards of share capital is determined by the quoted market price of the Company's common shares.

**Deferred Financing Costs**

Costs for legal and regulatory filing fees relating to the private placement financing that closed on May 7, 2007, were deferred as at April 30, 2007. These costs will be recorded as share issuance costs when the related common shares are issued.

**2. Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, marketable securities (note 1), amounts receivable, advances on share option, accounts payable and accrued liabilities, and amounts due to related parties. 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 the majority of these instruments. The amounts due to parties are not susceptible to fair market valuation as these liabilities are unsecured, non-interest bearing and due on demand.

**3. Cash And Cash Equivalents**

Cash equivalents consist of temporary investments in commercial papers that are highly liquid and readily convertible to known amounts of cash within 90 days. All cash equivalents are carried at their current market values, with any adjustments from cost recorded as interest income in the Company's statement of operations. Amounts receivable are inclusive of accrued interest as receipt of these amounts is also considered to be certain and measurable.

**4. Office Equipment**

	<u>2007</u>			<u>2006</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	\$11,498	\$1,197	\$ 1,710
Office equipment	20%	25,791	18,689	7,102	8,878
		<u>\$38,486</u>	<u>\$30,187</u>	<u>\$8,299</u>	<u>\$10,588</u>

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

**NAVASOTA RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2007**

**5. Advances On Share Option**

During the year ended April 30, 2007, the Company entered into an Option Agreement with Société AMIG Mining International S.A.R.L. (“AMIG”) and its shareholders to earn and acquire up to 100% of the issued share capital of AMIG. AMIG is a Guinean corporation and its shareholders are residents of Conakry, Guinea, West Africa.

AMIG is the legal and recorded holder of one mineral exploration permit for two mining research licenses granted by the Ministry of Mines and Geology of the Republic of Guinea on May 10, 2006; covering two contiguous areas aggregating 1,064 kilometres, located in the prefectures of Télemélé and Gaoual (the Project), for the exploration of bauxite. The exploration permit is valid for three years to May 10, 2009.

Under the terms of the Option Agreement, the Company has been granted an option to acquire an initial 45% of the issued share capital of AMIG by incurring a minimum aggregate US\$2,000,000 in exploration expenditures on the Project and by paying US\$350,000 (US\$100,000 paid) to the AMIG shareholders, within a period of three years.

Once the Company has exercised such options and thereby acquired 45% of the issued share capital of AMIG, the Company has the further option to elect to earn and acquire an additional 6% of the issued share capital of AMIG. To exercise such further option, the Company must incur all exploration and development expenditures necessary to complete and deliver to AMIG a bankable feasibility study in respect of the Project and must issue 1,000,000 of its common shares to the shareholders of AMIG.

Additionally, at any time after it has acquired 45% of the issued share capital of AMIG, the Company may elect to acquire all remaining issued shares of AMIG by paying US\$15,000,000 and issuing 15,000,000 of its common shares to the shareholders of AMIG.

Costs incurred to April 30, 2007 are comprised of:

Deposit on share option	\$111,010
TSXV filing fees	23,800
Legal	11,886
Exploration expenditures	35,200
	<u>\$181,896</u>

**6. Mineral Property Interests**

**(a) Gold Creek**

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

During the year ended April 30, 2005, the Company concluded a Letter Agreement (the “Agreement”), subsequently amended, with Goldrange Resources, Inc. (“Goldrange”) whereby Goldrange had 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 (received) upon conducting due diligence within a period of two months from the date of signing the Agreement;
- making a cash payment to the Company of US\$25,000 on the second anniversary of the date of signing the Agreement.

**NAVASOTA RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2007**

**6. Mineral Property Interests** *(continued)*

**(a) Gold Creek** *(continued)*

If Goldrange exercised the option, the Company would have had the right to earn back a 40% interest in 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 is a public mineral exploration company based in Bellingham, Washington. During the year ended April 30, 2006, the Company appointed a director who is also a director of Goldrange. Goldrange provided notice of its intention to terminate its Agreement with the Company on February 1, 2007. Management decided to write down this mineral property interest to a nominal value and therefore recorded this charge in its statement of operations for the year ended April 30, 2007.

**(b) Stenlund**

During the year ended April 30, 2005, the Company entered into an Option and Joint Venture agreement with Teck Cominco ("Teck"), to acquire a 100% interest in the Stenlund property interest. The Stenlund property interest consisted of thirty-seven contiguous claims totalling 592 hectares, 10 kilometres southeast of Marathon, Ontario. The Company could have earned 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). During the year ended April 30, 2006, management of the Company determined to abandon this mineral property interest and therefore, wrote off all of its costs in the statement of operations for the year then ended.

**(c) 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 "licences") covering 498 square kilometres located in Guinea, West Africa. The Licences were issued September 28, 2004 and are valid for a period of two years. These licenses were re-issued July 11, 2006 and are again 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 licence.

Pursuant to the Letter of Agreement, the Company may earn an initial 51% interest in the Licences 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. Subsequent to year end, the Company announced that it has terminated its interest in the Missamana and Gueliban exploration licences and will write off all of its costs in its statement of operations for the quarter ended July 31, 2007.

**NAVASOTA RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2007**

**7. Share Capital**

**(a) Authorized**

Unlimited common shares without par value.

**(b) Issued**

<u>Consideration</u>	<u>Type Of Issue</u>	<u>Price Per Share</u>	<u>Number Of Shares</u>	<u>Amount</u>
Balance, April 30, 2005			19,781,454	\$13,563,706
Cash	Private Placement	\$0.10	3,000,000	300,000
Cash	Private Placement	\$0.11	1,130,000	124,300
Cash	Options exercised	\$0.15	14,000	2,100
Value	Contributed surplus allocated on option exercise		-	1,404
Balance, April 30, 2006			23,925,454	13,991,510
Cash	Private Placement	\$0.10	5,697,500	569,750
Cash	Warrants Exercised	\$0.15	585,000	87,750
Balance, April 30, 2007			30,207,954	\$14,649,010

During the year ended April 30, 2007, the Company completed a private placement of 5,697,500 units at a price of \$0.10 per unit for gross proceeds of \$567,750. Each unit consists of one common share of the Company and one non-transferable share purchase warrant exercisable for a common share at \$0.15 per share to May 13, 2008. In conjunction with this private placement, the Company paid cash of \$7,000 and issued 100,000 warrants to purchase 100,000 common shares at \$0.10 per share to May 12, 2008 as a finder's fee.

During the year ended April 30, 2006, the Company completed a private placement of 3,000,000 units at a price of \$0.10 per unit for gross proceeds of \$300,000. Each unit consists of one common share of the Company and one half of one non-transferable share purchase warrant with each whole share purchase warrant exercisable for a common share at \$0.15 per share to May 25, 2007.

During the year ended April 30, 2006, the Company completed a private placement of 1,130,000 units at a price of \$0.11 per unit for gross proceeds of \$124,300. Each units consists of one common share of the Company and one half of one non-transferable share purchase warrant with each whole share purchase warrant exercisable for a common share at \$0.15 per share to December 2, 2006.

**NAVASOTA RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2007**

**7. Share Capital (continued)**

**(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 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 TSVX, 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 TSVX, 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 director, officer, consultant, or employee of the Company.

	<b>Number Of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Life (Years)</b>
Options outstanding, April 30, 2005	1,635,000	\$0.17	4.09
Granted	300,000	\$0.12	
Exercised	(14,000)	(\$0.15)	
Expired	(100,000)	(\$0.15)	
Options outstanding, April 30, 2006	1,821,000	\$0.16	3.29
Granted	924,000	\$0.12	
Expired\ Cancelled	(145,000)	(\$0.15)	
Options outstanding, April 30, 2007	2,600,000		3.02
Options exercisable, April 30, 2007	2,525,000		

As at April 30, 2007, the Company has the following stock options outstanding:

<b>Exercise Price Per Share</b>	<b>Expiry Date</b>	<b>April 30, 2006</b>	<b>Granted</b>	<b>Exercised</b>	<b>Cancelled/ Expired</b>	<b>April 30, 2007</b>
\$0.15	Aug. 15, 2006	115,000	-	-	(115,000)	-
\$0.10	Aug. 16, 2007	-	50,000	-	-	50,000
\$0.14	Jan. 31, 2008	-	100,000	-	-	100,000
\$0.20	Dec. 3, 2008	720,000	-	-	-	720,000
\$0.15	Apr. 5, 2010	786,000	-	-	(30,000)	756,000
\$0.10	Apr. 19, 2011	200,000	-	-	-	200,000
\$0.12	Sept. 7, 2011	-	714,000	-	-	714,000
\$0.23	Apr. 11, 2012	-	60,000	-	-	60,000
		1,821,000	924,000	-	(145,000)	2,600,000

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**7. Share Capital (continued)**

**(d) Share Purchase Warrants**

As at April 30, 2007, the Company has the following share purchase warrants outstanding:

<b>Exercise Price Per Share</b>	<b>Expiry Date</b>	<b>April 30, 2006</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired/ Cancelled</b>	<b>April 30, 2007</b>
\$0.15	May 25, 2007	1,500,000	-	(530,000)		970,000
\$0.15	December 2, 2007	565,000	-	(5,000)	-	560,000
\$0.15	May 12, 2008	-	5,797,500	(50,000)	-	5,747,500
		<u>2,065,000</u>	<u>5,797,500</u>	<u>(585,000)</u>	<u>-</u>	<u>7,277,500</u>

On November 30, 2006, the Company extended the expiry date of share purchase warrants to purchase up to 565,000 common shares at an exercise price of \$0.15 per share. The expiry date of the share purchase warrants was December 2, 2006. The Company extended such expiry date to December 2, 2007.

**(e) Subsequent Issuances**

As at April 30, 2007, share subscription represents proceeds received by the Company in respect of a non-brokered private placement for 6,088,000 units at a price of \$0.20 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 on additional common share at an exercise price of \$0.30 for a period of two years from the closing date of the placement. Shares acquired by the placees are subject to a hold period and may not be traded until September 8, 2007. In conjunction with this private placement, the Company paid cash of \$21,820 and issued 80,000 units (on the same terms as the units comprising the offering) as a finders' fee.

The Company received cash proceeds of \$210,375 upon the exercised of 1,402,500 share purchase warrants. The Company also received cash proceeds of \$10,500 upon the exercise of 75,000 stock options.

The issued share capital of the Company as at August 17, 2007 is 37,853,454 common shares.

**8. Contributed Surplus**

During the years ended April 30, 2007 and 2006, the Company executed a number of transactions involving share purchase options granted to consultants and key personnel along with agents' warrants issued during the private placement financings. The Company recorded contributed surplus arising from these transactions as follows:

Balance, April 30, 2005		\$ 173,424
Stock-based compensation	a)	28,052
Stock option exercised – option valuation		(1,404)
Balance, April 30, 2006		<u>200,072</u>
Value assigned to agents' warrants	b)	6,423
Stock-based compensation	c)	63,328
Balance, April 30, 2007		<u>\$ 269,823</u>

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**8. Contributed Surplus** *(continued)*

- a) The Company recorded stock-based compensation expense of \$ 28,052 on the grant of 300,000 stock options issued to consultants, employees, officers and directors of the Company during the year ended April 30, 2006.
- b) During the year ended April 30, 2007, the Company assigned a value of \$ 6,423 the warrants issued to the agent as part of a private placement financing.
- c) During the year ended April 30, 2007, the Company recorded stock-based compensation expense of \$ 63,328 for the grant of 849,000 vested stock options. The options were granted to consultants, employees, officers, and directors of the Company.

Option pricing methods require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options. The Company determined the fair value of the granted stock options on the date of the grant using the Black-Scholes option pricing model; using the following weighted-average assumptions:

	<u>2007</u>	<u>2006</u>
Expected dividend yield (%)	NIL	NIL
Risk-free interest rate (%)	4.01 - 4.11	2.95 - 4.08
Expected life (years)	1 - 5	3.50
Expected volatility	74.91 – 85.95	89.87 – 97.40

**9. Income Taxes**

No provision for recovery of income taxes was made in 2007 and 2006 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 \$1,758,546 (2006 - \$1,731,443) which expire in various years to 2027 as follows:

2008	\$ 235,379
2009	180,251
2010	227,176
2011	237,345
2015	185,945
2016	354,030
2027	338,420

As at April 30, 2007, the Company has undeducted resource related expenses of approximately \$7,110,000 (2006 - \$7,080,000) available for deduction against future Canadian taxable income. These expenses have no expiration date. In addition, the Company has undeducted share issuance costs and undeducted eligible capital expenditures totalling \$46,637 (2006 - \$41,584) which are also available for deduction against future Canadian taxable income. 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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**9. Income Taxes** *(continued)*

	<u>2007</u>	<u>2006</u>
Net loss before income taxes	\$(611,371)	\$(836,566)
Tax rate	31.12%	34.12%
Calculated income tax recovery	(190,259)	(285,436)
Increase in valuation allowance	190,259	285,436
Income tax expense	\$ -	\$ -

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

	<u>2007</u>	<u>2006</u>
Future income tax assets		
Temporary differences in assets	\$ 2,103,443	\$ 2,286,114
Non-capital loss carry forwards	545,149	590,768
Net-capital loss carry forwards	178,282	156,428
	2,826,874	3,033,310
Valuation allowance for future income tax assets	(2,826,874)	(3,033,310)
	\$ -	\$ -

**10. Contingencies**

The Company is a named defendant in a litigation pending in the District Court of Travis County, Texas. The plaintiffs sought non-monetary relief against the Company and other named defendants in the form of a declaratory judgment and a petition of accounting. The plaintiffs also sought damages against the Company and other named defendants for alleged tortious interference with plaintiffs' purported contractual relations with third parties. These claimed damages were for alleged lost profits in an unspecified amount. The plaintiffs also sought 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 disputed all claims against it, but did not formally respond to the amended complaint because it disputed that it was 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 was reinstated and the case is pending in the above disclosed Judicial District Court. On June 30, 2006, the Austin Court of Appeals affirmed that the trial court has personal jurisdiction over the Company.

A mediation agreement was signed April 24, 2007 for settlement of US\$40,000 plus mediation, dismissal, and other costs and attorney's fees. Although all claims in the case have been settled, there is one issue that needs to be finalized before the dismissal documents can be entered. However, this remaining issue does not involve the Company, and all claims against the Company have been released with prejudice.

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**11. Related Party Transactions**

(a) The following related party transactions occurred during the years ended April 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Consulting fees paid or accrued to a director of the Company	\$ 15,425	\$ 47,477
Management fees paid to a company controlled by a director of the Company	\$ 41,000	\$ 36,000
Corporate development fees paid to a company controlled by a director of the Company	\$ 11,000	\$ -
Rent paid to a company controlled by a director of the Company	\$ -	\$ 1,800
Rent paid to a company controlled by a now former director of the Company	\$ -	\$ 4,384
Rent paid to a company with common management	\$ 5,968	\$ 5,011
Professional fees paid to a former director and to a company controlled by this former director of the Company	\$ -	\$ 10,877

(b) The following common shares were issued to related parties during the years ended April 30, 2007 and 2006:

- 60,000 common shares of the \$0.15 warrants which were exercised during the year ended April 30, 2007 were issued to a company controlled by a director of the Company.
- 130,000 common shares of the non-brokered private placement which closed on May 25, 2005 were issued to Directors and Officers of the Company
- 14,000 common shares of the \$0.15 stock options which were exercised during the year ended April 30, 2006 were issued to a director of the Company.

(c) The balance due to related parties as at April 30, 2006 represented unpaid shared administrative costs owing to companies with similar directors and management in common. The balance also included deferred exploration expenditures incurred and paid for on behalf of the Company by Cassidy Gold Corp. These balances were unsecured, non-interest bearing, and due on demand. During the year ended April 30, 2007, all of these balances were paid in full.

**12. 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 was in effect until April 30, 2010 unless sooner terminated in accordance with the provisions of the agreement. In July 2006, the agreement was renegotiated to \$3,500 per month plus taxes, with similar terms, and was extended to June 30, 2011. Subsequent to April 30, 2007, the agreement was renegotiated to \$4,500 per month plus taxes, with similar terms, and was extended to April 30, 2012.

Effective February 1, 2007, the Company entered into a three month period, which may be extended on a month-to-month basis thereafter, investor relations agreement requiring payments of \$7,500 per month plus taxes unless sooner terminated in accordance with the provisions of the agreement. This agreement was subsequently terminated effective August 5, 2007.

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**13. 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:

	<u>Total Assets</u>	<u>Deferred Exploration Expenditures</u>	<u>Mineral Property Interests</u>	<u>Other Assets</u>
<b>April 30, 2007</b>				
Canada	\$1,116,105	\$ -	\$ 1	\$1,116,104
Africa	558,170	376,275	-	181,895
	<u>\$1,674,275</u>	<u>\$ 376,275</u>	<u>\$ 1</u>	<u>\$1,297,999</u>
<b>April 30, 2006</b>				
Canada	\$ 759,690	\$186,845	\$5,076	\$567,769
Africa	342,616	342,616	-	-
	<u>\$1,102,306</u>	<u>\$529,461</u>	<u>\$5,076</u>	<u>\$567,769</u>