



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

**BEAUCHAMP & COMPANY  
CHARTERED ACCOUNTANTS  
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**NOTICE TO READER**

We have compiled the interim consolidated balance sheet of Navasota Resources Ltd. as at January 31, 2004 and the interim consolidated statements of operations and deficit, cash flows, mineral property interests, and deferred exploration expenditures for the three and 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.

Vancouver, B.C.  
March 22, 2004

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

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
**AS AT JANUARY 31, 2004 AND APRIL 30, 2003**  
(Unaudited - See Notice to Reader)

	<b>Jan. 31,</b> <b>2004</b>	<b>(Note 11)</b> <b>Apr. 30,</b> <b>2003</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 660,113	\$ 21,629
Marketable securities (Note 1)	90,000	-
Amounts receivable	11,810	4,538
Prepaid expenses	3,490	194
Reclamation bonds	15,000	5,000
	780,413	31,361
<b>Office Equipment (Note 3)</b>	13,929	16,365
<b>Mineral Property Interests (Statement) (Note 4)</b>	22,462	154,466
<b>Deferred Exploration Expenditures (Statement)</b>	100,191	121,392
	\$ 916,995	\$ 323,584

**LIABILITIES**

<b>Current Liabilities</b>		
Accounts payable and accruals	\$ 40,764	\$ 29,946
Promissory notes payable (Note 5)	-	50,000
Mineral property interest costs payable (Note 6)	-	21,509
Exploration funds held in trust (Note 4 (c))	50,000	-
	90,764	101,455

**SHAREHOLDERS' EQUITY**

<b>Share Capital (Note 7)</b>	13,817,493	12,407,853
<b>Deficit</b>	(12,991,262)	(12,185,724)
	826,231	222,129
	\$ 916,995	\$ 323,584

**Contingency (Note 9)**

**Approved By The Directors:**

"JAMES T GILLIS" Director

"CHRISTOPHER J. WILD" Director

See accompanying notes.

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

	<b>Three Months Ended <u>2004</u></b>	<b>Three Months Ended <u>2003</u></b>	<b>Nine Months Ended <u>2004</u></b>	<b>Nine Months Ended <u>2003</u></b>
<b>Administrative Expenses</b>				
Amortization	\$ 987	\$ 1,394	\$ 2,961	\$ 3,641
Consulting fees (Note 10a))	6,000	19,000	11,000	19,150
Interest and bank charges (recovery)	132	2,373	(82)	2,737
Management fees (Note 10 a))	9,000	9,000	27,000	27,000
Office	1,409	966	4,169	7,167
Professional fees (Note 10 a))	22,645	2,306	43,337	30,604
Rent (Note 10 a))	3,707	4,242	12,167	8,021
Site investigation	797	590	797	1,146
Telephone and utilities	1,652	1,216	5,545	4,915
Transfer agent and regulatory fees	4,469	2,316	17,337	15,283
Travel and promotion (recovery)	(7,433)	9,685	69,387	30,915
Wages and benefits	4,733	6,309	19,394	20,274
<b>Net Loss Before Undernoted Items</b>	(48,098)	(59,397)	(213,012)	(170,853)
<b>Other Income (Expense)</b>				
Write off of mineral property interests	(578,766)	(2,161)	(581,918)	(603,677)
Interest income	2,143	630	2,660	1,050
Gain on foreign exchange	-	-	-	31
Direct costs of oil and gas properties	-	-	-	(1,279)
<b>Net Loss</b>	(624,721)	(60,928)	(792,270)	(774,728)
<b>Deficit, Beginning Of Period</b>	(12,366,541)	(11,876,062)	(12,185,724)	(11,151,826)
<b>Security Issuance Costs</b>	-	-	(13,268)	(10,436)
<b>Deficit, End Of Period</b>	\$(12,991,262)	\$(11,936,990)	\$(12,991,262)	\$(11,936,990)
<b>Loss Per Share (Note 1)</b>	\$ (0.03)	\$ (0.01)	\$ (0.05)	\$ (0.06)
<b>Weighted Average Shares Outstanding</b>	19,631,454	14,069,537	16,908,036	13,300,694

See accompanying notes.

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

	<b>Three Months Ended <u>2004</u></b>	<b>Three Months Ended <u>2003</u></b>	<b>Nine Months Ended <u>2004</u></b>	<b>Nine Months Ended <u>2003</u></b>
<b>Cash Provided By (Used For):</b>				
<b>Operating Activities</b>				
Net loss	\$ (624,721)	\$ (60,928)	\$ (792,270)	\$ (774,728)
Items not requiring cash:				
Amortization	987	1,394	2,961	3,641
Write off of mineral property interests	578,766	2,161	581,918	603,677
Net change in non-cash working capital items	2,004	22,293	4,944	37,525
Cash used for operating activities	(42,964)	(35,080)	(202,447)	(129,885)
<b>Investing Activities</b>				
Acquisition of reclamation bond	-	-	(10,000)	-
Advances from related company	-	-	-	9,601
Acquisition of office equipment	-	(1,803)	(525)	(8,455)
Mineral property interest costs paid	-	-	(101,821)	(118,655)
Deferred exploration expenditures paid	(96,425)	(15,797)	(369,095)	(316,299)
Cash used for investing activities	(96,425)	(17,600)	(481,441)	(433,808)
<b>Financing Activities</b>				
Advances secured for exploration activities	-	-	50,000	-
Issuance of promissory notes	-	-	125,000	-
Repayment of promissory notes	-	-	(175,000)	-
Payment of security issuance costs	-	-	(13,268)	(10,436)
Issuance of share capital for cash	97,500	7,500	1,335,640	615,001
Cash provided by financing activities	97,500	7,500	1,322,372	604,565
<b>(Decrease) Increase In Cash</b>	(41,889)	(45,180)	638,484	40,872
<b>Cash, Beginning Of Period</b>	702,002	109,769	21,629	23,717
<b>Cash, End Of Period</b>	\$ 660,113	\$ 64,589	\$ 660,113	\$ 64,589
<b>Supplemental Information</b>				
Interest (recovered) included in net loss	\$ -	\$ 2,263	\$ (607)	\$ 2,263
Issuance of share capital for non-cash consideration:				
Mineral property interest costs	\$ -	\$ -	\$ 52,500	\$ -
In settlement of obligations	-	-	21,500	21,500
	\$ -	\$ -	\$ 74,000	\$ 21,500
<b>Cash And Cash Equivalents</b>				
Cash	\$ 360,113	\$ 64,589	\$ 360,113	\$ 64,589
Guaranteed investment certificate	300,000	-	300,000	-
	\$ 660,113	\$ 64,589	\$ 660,113	\$ 64,589

See accompanying notes.

**NAVASOTA RESOURCES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF MINERAL PROPERTY INTERESTS**  
**AS AT JANUARY 31, 2004 AND APRIL 30, 2003**  
**(Unaudited - See Notice to Reader)**

	(Note 11) Apr. 30 <u>2003</u>	<u>Written Off On</u>		<u>Option</u> <u>Proceeds</u> <u>Received</u>	<u>Jan. 31,</u> <u>2004</u>
		<u>Additions</u>	<u>Abandonment</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.**  
**INTERIM CONSOLIDATED STATEMENTS OF DEFERRED**  
**EXPLORATION EXPENDITURES**  
**FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2004 AND 2003**  
(Unaudited - See Notice to Reader)

	<b>Three Months Ended <u>2004</u></b>	<b>Three Months Ended <u>2003</u></b>	<b>Nine Months Ended <u>2004</u></b>	<b>Nine Months Ended <u>2003</u></b>
<b>Fran (St. James)</b>				
Balance, beginning of period	\$ -	\$ -	\$ -	\$ 314,401
Assays and geochemical	-	-	-	4,180
Board and lodging	-	-	-	247
Core splitting	-	-	-	3,385
Drilling	-	-	-	61,908
Equipment rental	-	2,349	-	18,992
Geological	-	(700)	-	16,875
Maps and reports	-	512	-	10,431
Supplies	-	-	-	145
Travel	-	-	-	6,113
Write off on abandonment	-	(2,161)	-	(436,677)
Balance, end of period	-	-	-	-
<b>Hebner Lake</b>				
Balance, beginning of period	-	-	-	420
Write off on abandonment	-	-	-	(420)
Balance, end of period	-	-	-	-
<b>Turner Lake</b>				
Balance, beginning of period	62,297	50,755	62,214	5,593
Air and helicopter	-	-	(722)	17,782
Assays and geochemical	-	-	-	1,858
Board and lodging	-	-	-	4,314
Equipment rental	-	-	-	2,437
Geological	-	-	-	17,587
Maps and reports	-	1,722	275	322
Permits, fees and licenses	-	-	530	(55)
Supplies	-	-	-	129
Travel	-	-	-	2,510
Balance, end of period	62,297	52,477	62,297	52,477

See accompanying notes.

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

(Cont'd)

	<b>Three Months Ended <u>2004</u></b>	<b>Three Months Ended <u>2003</u></b>	<b>Nine Months Ended <u>2004</u></b>	<b>Nine Months Ended <u>2003</u></b>
<b>Tas</b>				
Balance, beginning of period	-	106,063	-	-
Assays and geochemical	-	284	-	8,504
Board and lodging	-	-	-	4,786
Core splitting	-	-	-	2,800
Drilling	-	-	-	69,808
Equipment rental	-	1,105	-	1,880
Geological	-	5,575	-	23,925
Maps and reports	-	1,934	-	2,030
Supplies	-	-	-	251
Travel	-	335	-	1,312
Balance, end of period	-	115,296	-	115,296
<b>Gold Creek</b>				
Balance, beginning of period	37,894	28,959	37,885	-
Assays and geochemical	-	291	-	5,036
Equipment rental	-	1,645	-	2,070
Geological	-	1,030	-	1,030
Grid establishment	-	-	-	22,100
Maps and reports	-	2,763	9	2,763
Recording fees	-	-	-	625
Soil sampling	-	1,000	-	2,000
Supplies	-	-	-	64
Balance, end of period	37,894	35,688	37,894	35,688
<b>Yellow Moose</b>				
Balance, beginning of period	-	-	1,868	-
Geological	-	800	-	800
Travel	-	1,068	-	1,068
Write-off on abandonment	-	-	(1,868)	-
Balance, end of period	-	1,868	-	1,868

See accompanying notes.

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

(Cont'd)

	<b>Three Months Ended <u>2004</u></b>	<b>Three Months Ended <u>2003</u></b>	<b>Nine Months Ended <u>2004</u></b>	<b>Nine Months Ended <u>2003</u></b>
Cassi-Ore				
Balance, beginning of period	303,540	-	19,425	-
Assays and geochemical	404	-	18,363	-
Consulting	7,192	-	11,975	-
Drilling	57,841	-	187,906	-
Equipment rental	69	-	18,219	-
Geological	(6,420)	-	85,823	-
Maps and reports	18,640	-	25,199	-
Supplies	-	-	1,858	-
Travel and lodging	2,459	-	14,957	-
Write-off on abandonment	(383,725)	-	(383,725)	-
Balance, end of period	-	-	-	-
	\$ 100,191	\$ 205,329	\$ 100,191	\$ 205,329

See accompanying notes.

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

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

The Company was incorporated on March 7, 1980 as Nirvana Oil and Gas Ltd. and on October 6, 1986 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 ("TSX").

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

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

**Basis Of Consolidation**

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

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

**Measurement Uncertainty**

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

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

**Measurement Uncertainty (Cont'd)**

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

**Foreign Currency Translation**

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

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

**Marketable Securities**

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

<u>Name Of Issuer</u>	<u>Class Of Security</u>	<u>Quantity</u>	<u>Cost Of Securities Jan. 31, 2004</u>	<u>Market Value Of Securities Jan. 31, 2004</u>	<u>Market Value Of Securities Apr. 30, 2003</u>
Trade Winds Ventures Inc.	Common shares	100,000	\$ 90,000	\$ 85,000	\$ N/A

**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

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

**Mineral Property Interest And Deferred Exploration Expenditures (Cont'd)**

maintaining its mineral property interests in good standing.

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

**Environmental Expenditures**

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

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

**Flow-Through Common Shares**

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

**Income Taxes**

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

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

**Income Taxes (Cont'd)**

benefit that is likely to be realized.

**Loss Per Share**

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

**Stock-Based Compensation**

- The Company grants stock options to executive officers and directors, employees and consultants pursuant to an approved stock option plan. Effective May 1, 2002, the Company adopted the recommendations of the new Canadian Institute of Chartered Accountants' Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method. The standard encourages the use of a fair value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. Awards that a company has the ability to settle in stock are recorded as equity.

The Company has elected to adopt the intrinsic value method, which recognizes compensation cost for awards to employees only when the market price exceeds the exercise price at date of grant, but requires pro-forma disclosure of loss and loss per share as if the fair value method had been adopted. Any consideration paid by the option holders to purchase shares is credited to share capital. There is no effect on the interim consolidated financial statements of either the current period or prior period presented.

**2. Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, marketable securities, amounts receivable, accounts payable and accruals, and funds held in trust. 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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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2004**  
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<b>3. Office Equipment</b>	<b>January 31, 2004</b>				<b>(Note 11)</b>
	<b>Rate</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Apr. 30, 2003</b>
					<b>Net Book Value</b>
Computer equipment	30%	\$ 12,695	\$ 8,831	\$ 3,864	\$ 4,985
Office equipment	20%	<u>21,649</u>	<u>11,584</u>	<u>10,065</u>	<u>11,380</u>
		<u>\$ 34,344</u>	<u>\$ 20,415</u>	<u>\$ 13,929</u>	<u>\$ 16,365</u>

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

**4. Mineral Property Interests**

**(a) Fran (St. James)**

In August 2001, the Company acquired, for the sum of \$22,000, the right and option to acquire an undivided 50% proportionate interest in the Fran (St. James) Property located in north central British Columbia.

Taking an assignment of the interest from a private B.C. mineral resource company, the Company may exercise the option to acquire an undivided 50% proportionate interest in the property by:

- making payments of \$20,000 (paid), \$40,000, \$80,000, and \$160,000 on the 31<sup>st</sup> days of January, 2002, 2003, 2004, and 2005 respectively; and
- making aggregate expenditures upon the exploration and development of the property totalling \$100,000 (incurred) by January 31, 2003.

Furthermore, as the Company exercised the above option and acquired an undivided 50% right, title and interest in and to the property, it exercised the option to acquire an additional 10% undivided proportionate interest in the property by making further expenditures upon exploration and development of the property exceeding \$200,000.

In April, 2002, the Company purchased Cassidy Gold Corp.'s ("Cassidy"), a company with a similar director and officer, remaining 40% proportionate interest, right and option to acquire the property. Consequently, the Company had the right and option to acquire an undivided 100% proportionate interest in the property. Terms of the acquisition concluded between the Company and Cassidy required the Company to make an immediate payment of \$30,000 (paid) and to issue 50,000 of its common shares to Cassidy (issued). The Company was also required to allot and issue three additional blocks of 50,000 of its common shares to Cassidy (accrued and issued) (see note 6). Such further share allotments and issuances have been made six, twelve and eighteen months from the date of the initial payment and share issuance.

**NAVASOTA RESOURCES LTD.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. Mineral Property Interests (Cont'd)**

**(a) Fran (St. James) (Cont'd)**

During the year ended April 30, 2003, management of the Company determined to abandon this mineral property interest and therefore wrote off all of its costs in its year end consolidated statement of operations.

**(b) Hebner Lake**

In November 2001, the Company acquired from Cassidy the right and option to acquire an undivided 50.1% proportionate interest in the Hebner Lake Property located north of Thompson, Manitoba. The property consisted of five claim blocks covering 12.8 square kilometres. Consideration for the acquisition of the property is 100,000 common shares of the Company (50,000 were issued). The Company could have exercised the option to acquire an undivided 50.1% proportionate interest in the property by:

- making payments of \$15,000, \$15,000, and \$25,000 on the 26<sup>th</sup> days of September 2002, 2003 and 2004 respectively; and
- issuing 50,000 common shares on the 26<sup>th</sup> days of September 2002, 2003, and 2004 respectively; and
- making aggregate expenditures upon the exploration and development of the property totalling \$100,000 by November 5, 2002.

During the year ended April 30, 2003, management of the Company determined to abandon this mineral property interest and therefore wrote off all of its costs in its year end consolidated statement of operations.

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

In the Fall of 2001, the Company as to 50% and Cassidy 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.

During the period ended January 31, 2004, the Company entered into an option agreement with Trade Winds Ventures Inc. ("Trade Winds") whereby Trade Winds has the right to acquire a 50 per cent interest in the Turner Lake property by:

- paying \$25,000 (received) on or before August 1, 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 days of regulatory acceptance (the "Effective Date");
- funding not less than \$350,000 of exploration and development work on or before the commencement of the 2003 work program;

**NAVASOTA RESOURCES LTD.**  
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**4. Mineral Property Interests (Cont'd)**

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

- allotting an additional 100,000 of its common shares and funding not less than \$650,000 of exploration and development work on or before the first anniversary of the Effective Date;
- 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 the second anniversary of the Effective Date; and
- 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 the third anniversary of the Effective Date.

This option agreement between the parties received regulatory acceptance on September 18, 2003. On December 15, 2003, the Company announced that it abandoned its interest in the Gela Lake and Baillie Bay mineral property interests, and intends to focus its exploration on the Turner Lake property interest.

**(d) Yellow Moose Epithermal**

During the year ended April 30, 2003, the Company acquired a 100% interest by staking the Yellow Moose (YM 1-14) mineral claims which are located approximately 140 kilometres southwest of Vanderhoof, B.C. During the period ended January 31, 2004 management of the Company determined to abandon this mineral property interest and has therefore written off all of its costs in its interim consolidated statement of operations.

**(e) 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.

**(f) 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.

As consideration for earning an option to acquire a 55% interest in the Cassi-Ore Property, the Company issued to the Vendor 100,000 common shares of the Company upon receipt of TSX acceptance of this transaction, which acceptance was obtained on February 21, 2003 (the "Approval Date"). On or before the first anniversary of the Approval Date, the Company was to issue to the Vendor a further 100,000 common shares of the Company and

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

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

expend a minimum of \$250,000 in exploration and development on the Cassi-Ore Property. On or before the second anniversary of the Approval Date, the Company was required to issue to the Vendor 100,000 common shares of the Company and to further expend a minimum of \$500,000 on exploration and development on the Cassi-Ore Property. The Company was required to issue to the Vendor 100,000 common shares of the Company and to further complete a minimum of \$1,000,000 in exploration and development work on the Cassi-Ore Property on or before the third anniversary of the Approval Date. On or before the fourth anniversary of the Approval Date, the Company is required to issue to the Vendor 200,000 common shares of the Company and further expend a minimum of \$1,250,000 in exploration and development work on the Cassi-Ore Property.

The Company had a right to earn an additional 15% interest in the Cassi-Ore Property by completing and providing to the Vendor a positive Bankable Feasibility Study in compliance with the requirements of National Instrument 43-101 on or before the sixth anniversary of the Approval Date (the "Feasibility Date"). The Vendor had the option upon completion of the Bankable Feasibility Study, exercisable for a period of 120 days from the Feasibility Date, to buy back a 10% interest in the Cassi-Ore Property from the Company by paying to the Company an amount equal to 133.34% of the expenditures made by the Company in acquiring the additional 15% interest in the Cassi-Ore Property.

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 has been 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 would make the following cash payments and share allotments and issuances to the Vendor:

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

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

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

On or before the 5 <sup>th</sup> Anniversary of the Effective Date	650,000	150,000
On or before November 30, 2008	650,000	150,000
On or before the 6 <sup>th</sup> Anniversary of the Effective Date	1,600,000	500,000
Total	\$ 6,500,000	2,000,000

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

During the period ended January 31, 2004 management of the Company determined to abandon this mineral property interest and has therefore written off all of its costs in its interim consolidated statement of operations.

**5. Promissory Notes Payable**

The Company received an advance of \$50,000 in February, 2003, and as security, issued a promissory note bearing interest at the rate of 10% per annum, due August 24, 2003. The Company also received advances of \$125,000 during the quarter ended October 31, 2003 and as security, issued non-interest bearing promissory notes which are due on demand. \$25,000 of these amounts were received from a company controlled by a director of the Company. During the quarter ended October 31, 2003, these advances were repaid.

**6. Mineral Property Interest Costs Payable**

The amount payable represented either mineral property interest proceeds due to, or payments made on behalf of the Company by, Cassidy Gold Corp. ("Cassidy"). This balance was unsecured and non-interest bearing. During the period ended January 31, 2004, this amount was repaid via the issuance of 50,000 shares of the Company to Cassidy. (See note 4 (a)).

**7. Share Capital**

- a) Authorized  
100,000,000 common shares without par value

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**7. 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>
Balance, April 30, 2002			12,244,533	\$ 11,666,185
Issued during the year ended April 30, 2003:				
Cash	Private placement	\$0.40	750,000	300,000
Cash	Private placement	\$0.30	1,025,004	307,501
Obligation	Property payments	\$0.43	100,000	43,000
Obligation	Property payment	\$0.42	100,000	42,000
Cash	Warrants exercised	\$0.25	196,667	49,167
Balance, April 30, 2003 (Note 11)			14,416,204	12,407,853
Issued during the period ended January 31, 2004 :				
Cash	Private placement	\$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	491,000
Cash	Private placement	\$0.25	1,727,200	431,800
Obligation	Property payment	\$0.43	50,000	21,500
Balance, January 31, 2004			19,631,454	\$ 13,817,493

During the year ended April 30, 2003, the Company closed a non-brokered private placement of a total of 750,000 units to 26 investors at a price of \$0.40 per unit, to raise a total of \$300,000. Each unit consists of one flow-through share as well as a non-transferable share purchase warrant entitling the holder to purchase one flow-through share at a price of \$0.50 over a term of two years.

During the year ended April, 30, 2003, the Company closed a non-brokered private placement of a total of 1,025,004 units to 29 investors at a price of \$0.30 per unit, to raise a total of \$307,501. 1,008,337 of the units are flow-through units. All units consist of one share as well as a non-transferable share purchase warrant entitling the holder to purchase one share at a price of \$0.50 over a term of two years.

During the period ended January 31, 2004, the Company closed a non-brokered private placement offering of units for gross proceeds of \$922,800.

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.

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

b) Common Shares Issued (Cont'd)

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. \$97,500 of the proceeds from this private placement were deposited to the Company's treasury in November, 2003.

c) Stock Options

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

<b>Exercise Price Per Share</b>	<b>Expiry Date</b>	<b>(Note 11) April 30, 2003</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/ Cancelled</b>	<b>Jan. 31, 2004</b>
\$0.32	Mar. 10, 2004	30,000	-	-	-	30,000
\$0.15	Aug. 15, 2006	863,000	-	-	(448,000)	415,000
\$0.16	Dec. 23, 2007	513,952	-	-	(256,976)	256,976
\$0.20	Dec. 3, 2008	-	1,120,000	-	-	1,120,000
		<u>1,406,952</u>	<u>1,120,000</u>	<u>-</u>	<u>(704,976)</u>	<u>1,821,976</u>

d) Share Purchase Warrants

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

<b>Exercise Price Per Share</b>	<b>Expiry Date</b>	<b>(Note 11) April 30, 2003</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired/ Cancelled</b>	<b>Jan. 31, 2004</b>
\$0.25	June 4, 2003	1,033,338	-	(250,668)	(782,670)	-
\$0.25	Oct. 15, 2003	1,978,710	-	(1,400,694)	(578,016)	-
\$0.45	Dec. 20, 2003	1,166,667	-	-	(1,166,667)	-
\$0.50	Apr. 18, 2004	750,000	-	-	-	750,000
\$0.50	Aug. 16, 2004	1,025,004	-	-	-	1,025,004
\$0.35	Sept. 2, 2005	-	3,363,869	-	-	3,363,869
		<u>5,953,719</u>	<u>3,363,869</u>	<u>(1,651,362)</u>	<u>(2,527,353)</u>	<u>5,138,873</u>

e) Subsequent Issuances

None.

**NAVASOTA RESOURCES LTD.**  
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**8. Income Taxes**

No provision for recovery of income taxes was made in 2004 and 2003 because of the uncertainty as to the utilization of the losses for income tax purposes. The Company has accumulated losses for tax purposes of approximately \$1,688,751 which expire in various years to 2011 as follows:

2006	\$ 312,348
2007	411,690
2008	235,379
2009	229,784
2010	281,491
2011	218,059
	<u>\$1,688,751</u>

In addition, the Company has undeducted resource related expenses of \$7,140,000(April 30, 2003 - \$7,075,000) available for deduction against future Canadian taxable income. These expenses have no expiration date. Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

	<b>Three Months Ended <u>2004</u></b>	<b>Three Months Ended <u>2003</u></b>	<b>Nine Months Ended <u>2004</u></b>	<b>Nine Months Ended <u>2003</u></b>
Net loss before income taxes	\$ (624,721)	\$ (60,928)	\$ (792,270)	\$ (774,728)
Tax rate	<u>37.62%</u>	<u>39.62%</u>	<u>37.62%</u>	<u>39.62%</u>
Calculated income tax recovery	(235,020)	(24,140)	(298,052)	(306,947)
Increase in valuation allowance	<u>235,020</u>	<u>24,140</u>	<u>298,052</u>	<u>306,947</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>Jan. 31, <u>2004</u></b>	<b>(Note 11) Apr. 30, <u>2003</u></b>
Future income tax assets		
Temporary differences in assets	\$ 2,663,144	2,579,107
Non-capital loss carry forwards	<u>635,308</u>	<u>553,274</u>
	3,298,452	3,132,381
Valuation allowance for future income tax assets	<u>(3,298,452)</u>	<u>(3,132,381)</u>
	<u>\$ -</u>	<u>\$ -</u>

**NAVASOTA RESOURCES LTD.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**9. Contingency**

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. The reinstatement was affirmed on appeal.

There is currently no date set for trial, and the Company's motion to dismiss for lack of personal jurisdiction is still pending before the Court. If the Company prevails on its pending motion, all claims against it will be dismissed.

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

**10. Related Party Transactions**

a) The following related party transactions occurred during the three and nine months ended January 31, 2004 and 2003:

	<b>Three Months Ended <u>2004</u></b>	<b>Three Months Ended <u>2003</u></b>	<b>Nine Months Ended <u>2004</u></b>	<b>Nine Months Ended <u>2003</u></b>
Deferred professional fees paid or accrued to a company controlled by a now former director of the Company	\$ -	\$ 2,500	\$ 34,400	\$ 32,425
Professional fees paid or accrued to a director of the Company	12,000	-	12,000	-
Professional fees paid to a company controlled by a now former officer of the Company	-	-	-	900
Management fees paid to a company controlled by a director of the Company	6,000	-	6,000	-
Rent paid to a company controlled by a director of the Company	4,242	4,242	12,702	8,131

**NAVASOTA RESOURCES LTD.**  
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**10. Related Party Transactions (Cont'd)**

- b) • 733,334 common shares of the non-brokered private placement which closed during the nine months ended January 31, 2004 were issued to a director of the Company.
- 123,334 common shares of the \$0.30 non-brokered private placement which closed during the nine months ended January 31, 2003 were issued to directors of the Company.

**11. Comparative Figures**

The comparative figures disclosed as at April 30, 2003 in these interim consolidated financial statements were subject to an audit engagement.

**BC FORM 51-901F**

**Securities Act**

**QUARTERLY REPORT**

***ISSUER DETAILS***

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT
NAVASOTA RESOURCES LTD.	JANUARY 31, 2004	Y M D [ 04 ] [ 03 ] [ 22 ]

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ISSUER'S ADDRESS  
#207 – 141 VICTORIA STREET

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CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
KAMLOOPS	BC	V2C 1Z5	[ 250 ] [ 374-9296 ]	[ 250 ] [ 374-7377 ]

---

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
DEBBIE M. SILVER	Administrator	[ 250 ] [ 374-7377 ]

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***CERTIFICATE***

The three schedules required to complete this Quarterly Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Quarterly Report will be provided to any shareholder who requests it.

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DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
<i>James T. Gillis</i>	JAMES T. GILLIS	Y M D [ 04 ] [ 03 ] [ 22 ]

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DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
<i>Christopher J. Wild</i>	CHRISTOPHER J. WILD	Y M D [ 04 ] [ 03 ] [ 22 ]

**NAVASOTA RESOURCES LTD.**  
**SCHEDULE B - SUPPLEMENTARY INFORMATION**  
**FOR THE QUARTER ENDED JANUARY 31, 2004**

1. See attached interim consolidated financial statements for the quarter ended January 31, 2004.
2. See Note 10 to attached interim consolidated financial statements.
3.
  - a) Securities issued during the quarter: None.
  - b) Options granted during the quarter:

Agreement Date	Name of Optionee	Insider Yes / No	Number of Shares	Exercise Price	Expiry Date
03/12/03	William Sanesh	Yes	400,000	\$0.20	03/12/08
03/12/03	Christopher J. Wild	Yes	350,000	\$0.20	03/12/08
03/12/03	James T. Gillis	Yes	350,000	\$0.20	03/12/08
03/12/03	Debbie M. Silver	No	20,000	\$0.20	03/12/08

4.
  - a) Authorized share capital as at January 31, 2004:

Class	Authorized	Issued
Common	100,000,000	19,631,454

- b) Recorded value for shares issued and outstanding: \$13,817,493
  - c) Options, warrants and convertible securities outstanding as at January 31, 2004:

Options:

Exercise Price Per Share	Expiry Date	April 30, 2003	Granted	Exercised	Expired/ Cancelled	Jan. 31, 2004
\$0.32	Mar. 10, 2004	30,000	-	-	-	30,000
\$0.15	Aug. 15, 2006	863,000	-	-	(448,000)	415,000
\$0.16	Dec. 23, 2007	513,952	-	-	(256,976)	256,976
\$0.20	Dec. 3, 2008	-	1,120,000	-	-	1,120,000
		1,406,952	1,120,000	-	(704,976)	1,821,976

Subsequent to the end of quarter, Peter Grandich has been granted stock options to purchase up to 100,000 shares of Navasota at \$0.19 for a term of two years, currently subject to TSX Venture Exchange ("TSXV") approval.

Warrants:

Exercise Price Per Share	Expiry Date	April 30, 2003	Issued	Exercised	Expired/ Cancelled	Jan. 31, 2004
\$0.25	June 4, 2003	1,033,338	-	(250,668)	(782,670)	-
\$0.25	Oct. 15, 2003	1,978,710	-	(1,400,694)	(578,016)	-
\$0.45	Dec. 20, 2003	1,166,667	-	-	(1,166,667)	-
\$0.50	Apr. 18, 2004	750,000	-	-	-	750,000
\$0.50	Aug. 16, 2004	1,025,004	-	-	-	1,025,004
\$0.35	Sep. 2, 2005	-	3,363,869	-	-	3,363,869
		5,953,719	3,363,869	(1,651,362)	(2,527,353)	5,138,873

d) Shares in escrow or subject to pooling as at January 31, 2004: Nil

5. List of Directors and Officers as at March 22, 2004:

- Director, Officer, Christopher J. Wild, P.Eng., President
- Director, Officer, William Sanesh, Chairman of the Board, CEO
- Director, Officer, James T. Gillis, Corporate Secretary, CFO
- Director, Patrick Desmond
- Director, Richard Kosolofski

**NAVASOTA RESOURCES LTD.**  
**SCHEDULE C - MANAGEMENT DISCUSSION**  
**FOR THE QUARTER ENDED JANUARY 31, 2004**

NAVASOTA RESOURCES LTD. ("Navasota"), a development stage mineral exploration company, is engaged in the evaluation and development of resource properties. Navasota is dependent upon management's ability to continue to procure adequate financing to investigate new exploration opportunities. Navasota has raised sufficient capital to advance its mineral properties and to meet its obligations as they become due and is not aware of any contingent liabilities, legal proceedings, defaults or breaches, except as disclosed in its interim consolidated financial statements. Regulatory consent has been obtained for all significant transactions. There are no material deviations between the intended use of proceeds of announced private placements and the actual use of those funds.

**"Cassi-Ore Gold" (formerly "Taurus") Project – option to earn 100% interest dropped**

Navasota had signed Mineral Property Option Agreements with International Taurus Resources Inc. on their Taurus Project located approximately 7 kilometres due east of Cassiar in northern British Columbia. A drill program designed to enhance this project failed to provide enough encouragement for Navasota's management to justify the large payment requirements due to the Vendor. Therefore, the project was returned to the vendor. All costs in its interim consolidated statement of operations were written off.

**"GOLD CREEK" Property**

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

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

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

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

To date, 7700m of grid has been established, 264 soil samples and 13 rock samples assayed. The rock samples are float (loose rocks moved from their original position) and assayed up to 0.54 g/t gold. Boulders of quartz vein material up to 75cm in diameter were noted during prospecting. Navasota recently completed additional soil sampling and limited hand trenching on a gold-in-soil geochemical anomaly which currently covers an area over 500 X 500 metres and remains open in several directions on the Gold Creek Property.

Soil geochemistry is indicating the area of intersection between the north-west fault and the north-south thrust and adjacent Eagle Bay Assemblage as a target for further exploration.

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

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

Additional mapping, prospecting, trenching and drilling, if warranted, will be carried out in the spring and early summer this year.

#### **“TURNER LAKE” Property – 100% NAVASOTA**

The “**Turner Lake**” Property is approximately 10 kilometres west of Bathurst Inlet and covers several gold-bearing zones. The main zone trends over 500 metres length and 2 - 15 metres width of arsenopyrite-pyrrhotite-gold bearing quartz stockwork with coarse visible gold common in both quartz veins and along shears in host rock. Mineralization occurs along a classic Archean Fe-enriched metasedimentary/ Mg- Komatiite contact. Previous operator Chevron Minerals, just prior to exiting all mineral exploration, proposed but did not complete an underground bulk sampling program on the Main Zone.

Qualified person Christopher J. Wild, P. Eng. has completed a National Instrument 43-101 report on Turner Lake for Navasota. His report includes the proposed exploration budget for the next drill program.

In October 2003, Navasota entered into a binding Letter of Intent with Trade Winds Ventures Inc. (“Trade Winds”) whereby Trade Winds can acquire a 50% interest in the Turner Lake gold property.

#### **Legal proceedings**

Navasota is one of nine named defendants in litigation pending in the District Court of Travis County, Texas. The plaintiffs seek non monetary relief against Navasota and other named defendants in the form of a declaratory judgment and a petition for an accounting. The plaintiffs also seek damages against Navasota and other named defendants for alleged tortious interference with plaintiff’s 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 Navasota was not named party until August 1999 and was never served with the original complaint.

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

There is currently no date set for trial, and Navasota’s motion to dismiss for lack of personal jurisdiction is still pending before the Court. If Navasota prevails on its pending motion, all claims against it will be dismissed.

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

## **Investor Relations**

Subsequent to the end of quarter, Navasota engaged Freeform Communications Inc. and its principal, Robert Ferguson, as Navasota's investor relations consultant. By investor relations agreement concluded February 19, 2004, Freeform becomes Navasota's investor relations consultant and is invested with the responsibility of co-ordinating Navasota's public and investor relations activities. The investor relations agreement is drawn for an initial probationary term of three months.

Freeform is a British Columbia limited company, all of the shares of which are owned by its principal, Mr. Ferguson. Freeform operates out of its offices at No. 705-1080 Howe St., Vancouver, B.C. Prior to forming Freeform to commence business as an investor relations consultant, Mr. Ferguson was the president of Columbia River Resources Inc., a U.S. publicly traded mineral exploration and development company with interests in West Africa.

Beyond its engagement as Navasota's investor relations consultant, neither Freeform nor its principal, Mr. Ferguson, have any interest in Navasota's securities, either directly or indirectly.

The investor relations agreement is subject to and has been submitted for acceptance of the TSXV.

Subsequent to the end of quarter, Navasota also engaged Grandich Publications LLC, and its principal, Peter Grandich, as a Consultant providing Investor Relations services. Pursuant to the terms of the Consulting Agreement concluded between Grandich Publications LLC, a New Jersey company, and Navasota, Peter Grandich, as principal of Grandich Publications LLC, will assist Navasota with the development and implementation of a public and investor relations and communications program and assist Navasota with the development and enhancement of its public and market image. The Consulting Agreement is drawn for an initial term of one year.

Peter Grandich operates his investor relations and consulting business through Grandich Publications LLC, a New Jersey limited liability company conducting business at 358 Sweetmans Land, Perrineville, New Jersey, USA. Prior to commencing business as an investor relations consultant, Peter Grandich was a long time stockbroker working, most recently, for First Montauk Securities in Red Bank, New Jersey. Throughout his eighteen-year career, Peter Grandich has been continually involved with the securities industry.

Concurrently with his engagement as a consultant, Peter Grandich has been granted a Stock Option Agreement entitling him to purchase up to 100,000 shares of Navasota at a price of \$0.19 per share for a term of two years. In compliance with the requirements of Policy 4.4 of the TSXV, the stock option vests in four equal quarterly stages. Additionally, any shares acquired upon exercise of the Stock Option are prohibited from resale for a four-month period. Beyond its engagement as consultant providing investor relations services and his Stock Option Agreement, neither Grandich Publications LLC nor Peter Grandich has any relationship with or interest in Navasota or its securities.

The Consultants Agreement is subject to and has been submitted for acceptance of the TSXV.