

NAVASOTA RESOURCES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2004

**BEAUCHAMP & COMPANY
CHARTERED ACCOUNTANTS
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AUDITORS' REPORT

To the Shareholders of
Navasota Resources Ltd.

We have audited the consolidated balance sheets, and consolidated statements of oil and gas properties, mineral property interests, and deferred exploration expenditures of Navasota Resources Ltd. as at April 30, 2004 and 2003 and the consolidated statements of operations and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at April 30, 2004 and 2003 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 3, 2004

"BEAUCHAMP & COMPANY"
Chartered Accountants

**NAVASOTA RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
AS AT APRIL 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 721,772	\$ 21,629
Amounts receivable	6,441	4,538
Prepaid expenses	3,084	194
Reclamation bonds	15,000	5,000
	746,297	31,361
Office Equipment (Note 4)	12,966	16,365
Mineral Property Interests (Statement) (Note 5)	22,462	154,466
Deferred Exploration Expenditures (Statement)	100,191	121,392
	\$ 881,916	\$ 323,584

LIABILITIES

Current Liabilities		
Accounts payable and accruals	\$ 58,943	\$ 29,946
Promissory notes payable (Note 6)	-	50,000
Mineral property interest costs payable (Note 7)	-	21,509
Exploration funds held in trust (Note 5 (c))	50,000	-
	108,943	101,455

SHAREHOLDERS' EQUITY

Share Capital (Note 8)	13,544,956	12,407,853
Contributed Surplus (Note 8)	93,184	-
Deficit	(12,865,167)	(12,185,724)
	772,973	222,129
	\$ 881,916	\$ 323,584

Contingencies (Note 10)

Approved By The Directors:

"JAMES T. GILLIS" Director

"CHRISTOPHER J. WILD" Director

See accompanying notes.

NAVASOTA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED APRIL 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Administrative Expenses		
Amortization	\$ 3,955	\$ 4,981
Consulting fees (Note 11 a))	29,185	24,150
Interest and bank charges	11,062	4,881
Management fees (Note 11 a))	36,000	36,000
Office	5,912	9,024
Professional fees (Note 11 a))	68,191	79,702
Rent (Note 11 a))	16,408	12,763
Site investigation	797	1,252
Stock-based compensation (Note 8c))	93,184	-
Telephone and utilities	7,218	6,276
Transfer agent and regulatory fees	22,187	21,725
Travel and promotion	97,946	48,263
Wages and benefits	28,336	27,712
Net Loss Before Undernoted Items	(420,381)	(276,729)
Other Income (Expense)		
Write off of mineral property interests	(581,918)	(744,674)
Gain on sale of marketable securities	59,475	-
Interest income	4,111	1,053
Loss on foreign exchange	-	(1,833)
Direct cost of oil and gas properties	-	(1,279)
Net Loss Before Income Taxes	(938,713)	(1,023,462)
Future Income Tax Recovery (Note 8 b))	272,538	-
Net Loss	(666,175)	(1,023,462)
Deficit, Beginning Of Year	(12,185,724)	(11,151,826)
Share Issuance Costs	(13,268)	(10,436)
Deficit, End Of Year	\$ (12,865,167)	\$ (12,185,724)
Loss Per Share (Note 1)	\$ (0.04)	\$ (0.08)
Weighted Average Common Shares Outstanding	17,461,283	13,515,982

See accompanying notes.

NAVASOTA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Cash Provided By (Used For):		
Operating Activities		
Net loss	\$ (666,175)	\$ (1,023,462)
Items not requiring (providing) cash:		
Amortization	3,955	4,981
Stock-based compensation	93,184	-
Write off of mineral property interests	581,918	744,674
Loss on foreign exchange	-	1,864
Gain on sale of marketable securities	(59,475)	-
Future income tax recovery	(272,538)	-
Net change in non-cash working capital items	28,898	36,097
Cash used for operating activities	(290,233)	(235,846)
Investing Activities		
Proceeds from sale of marketable securities	149,475	-
(Acquisition) Redemption of reclamation bonds	(10,000)	36,497
Acquisition of office equipment	(556)	(9,088)
Oil and gas expenditures paid	-	(32,715)
Mineral property interest costs paid	(101,821)	(119,115)
Deferred exploration expenditures paid	(369,095)	(347,654)
Cash used for investing activities	(331,997)	(472,075)
Financing Activities		
Advances secured for exploration activities	50,000	-
Advances from related company	-	9,601
Issuance of promissory notes	125,000	50,000
Repayment of promissory notes	(175,000)	-
Payment of share issuance costs	(13,268)	(10,436)
Issuance of share capital for cash	1,335,641	656,668
Cash provided by financing activities	1,322,373	705,833
Increase (Decrease) In Cash	700,143	(2,088)
Cash And Cash Equivalents, Beginning Of Year	21,629	23,717
Cash And Cash Equivalents, End Of Year	\$ 721,772	\$ 21,629
Supplemental Information		
Interest paid included in net loss	\$ 11,372	\$ 4,326
Issuance of share capital for non-cash consideration:		
Mineral property interest costs	\$ 52,500	\$ 42,000
In settlement of obligations	21,500	43,000
	\$ 74,000	\$ 85,000
Receipt of marketable securities of other companies pursuant to the terms of mineral property interest agreements. 100,000 common shares (2003 - NIL)	\$ 90,000	\$ -

See accompanying notes.

NAVASOTA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OIL AND GAS PROPERTIES
AS AT APRIL 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
U.S. PROPERTIES - WILLISTON BASIN, MONTANA		
Balance, beginning of year	\$ -	\$ 3,316,893
Sale of residual equipment	-	(111,079)
Write off on abandonment of property	-	(3,205,814)
Balance, end of year	-	-
Accumulated depletion, beginning of year	-	3,205,814
Write off on abandonment of property	-	(3,205,814)
Accumulated depletion, end of year	-	-
	\$ -	\$ -

See accompanying notes.

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

	<u>2003</u>	<u>Written Off On</u>		<u>Option</u>	<u>2004</u>
		<u>Additions</u>	<u>Abandonment</u>	<u>Proceeds</u>	
				<u>Received</u>	
Turner Lake Bathurst Inlet, Nunavut 100% interest	\$ 110,322	\$ -	\$ -	\$ (90,000)	\$ 20,322
Gold Creek Kamloops Mining Division of B.C. 100% interest	400	1,740	-	-	2,140
Yellow Moose Omineca Mining Division of B.C. 100% interest	1,284	-	(1,284)	-	-
Cassi-Ore Laird Mining Division of B.C. 100% option interest	42,460	152,581	(195,041)	-	-
	<u>\$ 154,466</u>	<u>\$ 154,321</u>	<u>\$ (196,325)</u>	<u>\$ (90,000)</u>	<u>\$ 22,462</u>

See accompanying notes.

NAVASOTA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF DEFERRED
EXPLORATION EXPENDITURES
AS AT APRIL 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Fran (St. James)		
Balance, beginning of year	\$ -	\$ 314,401
Assays and geochemical	-	4,180
Board and lodging	-	247
Core splitting	-	3,385
Drilling	-	61,908
Equipment rental	-	18,992
Geological	-	17,626
Maps and reports	-	10,528
Reclamation	-	5,000
Supplies	-	145
Travel	-	6,113
Write off on abandonment	-	(442,525)
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Balance, end of year	-	-
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Hebner Lake		
Balance, beginning of year	-	420
Write off on abandonment	-	(420)
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Balance, end of year	-	-
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Turner Lake		
Balance, beginning of year	62,214	5,593
Air and helicopter	(722)	23,749
Assays and geochemical	-	1,858
Board and lodging	-	4,314
Equipment rental	-	2,437
Geological	-	19,212
Maps and reports	275	2,467
Permits, fees and licenses	530	(55)
Supplies	-	129
Travel	-	2,510
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Balance, end of year	62,297	62,214
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See accompanying notes.

NAVASOTA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF DEFERRED
EXPLORATION EXPENDITURES
AS AT APRIL 30, 2004 AND 2003

(Cont'd)

	<u>2004</u>	<u>2003</u>
Tas		
Balance, beginning of year	-	-
Assays and geochemical	-	8,504
Board and lodging	-	4,786
Core splitting	-	2,800
Drilling	-	69,808
Equipment rental	-	1,880
Geological	-	23,425
Maps and reports	-	5,492
Supplies	-	251
Travel	-	1,312
Write off on abandonment	-	(118,258)
Balance, end of year	-	-
Gold Creek		
Balance, beginning of year	37,885	-
Assays and geochemical	-	5,036
Equipment rental	-	2,070
Geological	-	1,030
Grid establishment	-	22,100
Maps and reports	9	2,835
Recording fees	-	625
Soil sampling	-	4,125
Supplies	-	64
Balance, end of year	37,894	37,885
Yellow Moose		
Balance, beginning of year	1,868	-
Geological	-	800
Travel	-	1,068
Write off on abandonment	(1,868)	-
Balance, end of year	-	1,868

See accompanying notes.

**NAVASOTA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF DEFERRED
EXPLORATION EXPENDITURES
AS AT APRIL 30, 2004 AND 2003**

(Cont'd)

	<u>2004</u>	<u>2003</u>
Cassi-Ore		
Balance, beginning of year	19,425	-
Assays and geochemical	18,363	-
Consulting	11,975	-
Drilling	187,906	-
Equipment rental	18,219	-
Geological	85,823	11,450
Maps and reports	25,199	5,909
Supplies	1,858	419
Travel and lodging	14,957	1,647
Write off on abandonment	(383,725)	-
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Balance, end of year	-	19,425
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	\$ 100,191	\$ 121,392
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See accompanying notes.

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2004

1. Nature Of Operations And Significant Accounting Policies

The Company was incorporated under the Company Act (British Columbia) on March 7, 1980 as Nirvana Oil and Gas Ltd. and on October 6, 1986 changed its name to Nirvana Industries Ltd. On February 22, 1989 the Company changed its name from Nirvana Industries Ltd. to Consolidated Nirvana Industries Ltd. On June 2, 1995 the Company then changed its name to Navasota Resources Ltd. The common shares of the Company are listed for trading on the TSX Venture Exchange ("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 consolidated financial statements are presented on a going concern basis, which assume that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates.

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

Basis Of Consolidation

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

Measurement Uncertainty

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

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2004

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 consolidated financial statements of future changes in such estimates could be material.

Foreign Currency Translation

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

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

Mineral Property Interests And Deferred Exploration Expenditures

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

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

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

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2004

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

Environmental Expenditures

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

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

Flow-Through Common Shares

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

Income Taxes

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

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 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.

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2004

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

Stock-Based Compensation

- The Company records compensation expense associated with stock options granted using a fair value method and records the expense as the options vest with the recipients. The adoption of this accounting policy has been applied prospectively to all stock options granted subsequent to May 1, 2003. During the year ended April 30, 2003, the Company followed the policy of disclosing on a pro-forma basis the effect of accounting for stock options granted to employees and directors on a fair value basis. The proceeds received by the Company on the exercise of stock options are credited to share capital.

2. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, 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.

3. Cash And Cash Equivalents

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

The Company raised \$724,450 (2003 - \$602,500) from the private placement of flow-through shares and the exercise of flow-through share purchase warrants. These funds are expected to be used for exploration of Canadian mineral property interests. As of April 30, 2004, the unspent balance of these commitments was Cdn\$722,866.

4. Office Equipment

		<u>2004</u>		<u>2003</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	\$ 9,205	\$ 3,490	\$ 4,985
Office equipment	20%	21,680	12,204	9,476	11,380
		<u>\$ 34,375</u>	<u>\$ 21,409</u>	<u>\$ 12,966</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 year of disposal no amortization is claimed.

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2004

5. 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 had 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 31st 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 similar officers, 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 7). Such further share allotments and issuances have been made six, twelve and eighteen months from the date of the initial payment and share issuance.

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 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 was to be 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:

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2004

5. Mineral Property Interests (Cont'd)

(b) Hebner Lake (Cont'd)

- making payments of \$15,000, \$15,000, and \$25,000 on the 26th days of September 2002, 2003 and 2004 respectively; and
- issuing 50,000 common shares on the 26th 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 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. On December 15, 2003, the Company announced that it abandoned its interest in the Gela Lake and Baillie Bay mineral property interests.

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

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

This option agreement between the parties received regulatory acceptance on September 18, 2003. Pursuant to a Purchase and Sale Agreement dated July 27, 2004, Trade Winds may acquire a 100% undivided interest in the Turner Lake property from the Company for the consideration of the initial \$50,000 advance and the initial 100,000 common share issuance already made, plus a further \$250,000 cash payment, the issuance of 300,000 common shares and a 1% NSR on commercial production.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Mineral Property Interests (Cont'd)

(d) 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.

(e) Yellow Moose Epithermal

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

(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.

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

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

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

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2004

5. Mineral Property Interests (Cont'd)

(f) Cassi-Ore (Cont'd)

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

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

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

6. 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.

7. 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. This balance was unsecured and non-interest bearing. During the year ended April 30, 2004, the final amount was repaid via the issuance of 50,000 shares of the Company to Cassidy. (See note 5 (a)).

8. Share Capital

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

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2004

8. 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			14,416,204	12,407,853
Issued during the year ended April 30, 2004 :				
Cash	Warrants exercised	\$0.25	250,668	62,667
Obligation	Property payment	\$0.35	150,000	52,500
None	Rounding correction	\$0.00	19	-
Cash	Warrants exercised	\$0.25	1,400,694	350,173
Cash	Private placement	\$0.30	1,636,669	491,001
Cash	Private placement	\$0.25	1,727,200	431,800
Obligation	Property payment	\$0.43	50,000	21,500
Tax effect of renounced expenditures			-	(272,538)
Balance, April 30, 2004			19,631,454	\$ 13,544,956

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

The private placement is comprised of:

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

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2004

8. 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.

c) Stock Options

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The term of the stock options granted are fixed by the board of directors and are not to exceed five years. The exercise prices of the stock options are determined by the board of directors, but shall not be less than the closing price of the Company's common shares on the day preceding the day on which the directors grant the stock options, less any discount permitted by the TSX. The stock options vest immediately on the date of grant unless otherwise required by the TSX, 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.

	Number Of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Options outstanding and exercisable, April 30, 2002	923,000	\$ 0.16	4.13
Granted	513,952	\$ 0.16	
Exercised	-	-	
Expired/Cancelled	(30,000)	(\$ 0.30)	
Options outstanding and exercisable, April 30, 2003	1,406,952	\$ 0.16	3.74
Granted	1,220,000	\$ 0.20	
Exercised	-	-	
Expired/Cancelled	(734,976)	(\$ 0.16)	
Options outstanding, April 30, 2004	1,891,976	\$ 0.18	3.82
Options exercisable, April 30, 2004	1,791,976		

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2004

8. Share Capital (Cont'd)

c) Stock Options (Cont'd)

As at April 30, 2004 the Company has the following stock options outstanding:

Exercise Price Per Share	Expiry Date	April 30, 2003	Granted	Exercised	Expired/Cancelled	April 30, 2004
\$0.32	Mar. 10, 2004	30,000	-	-	(30,000)	-
\$0.19	Feb. 28, 2006	-	100,000	-	-	100,000
\$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>1,220,000</u>	<u>-</u>	<u>(734,976)</u>	<u>1,891,976</u>

During March, 2004 the Company granted an option to a consultant to purchase up to 100,000 shares of the Company at \$0.19 per share to February 28, 2006. The option shall vest in the consultant in four quarterly stages commencing June 1, 2004.

During the year ended April 30, 2004, the Company recorded stock-based compensation expense of \$93,184. The fair value of stock options included in the pro-forma information below and in the expense recorded in the current year has been estimated using the Black-Scholes Option Pricing Model based on the following assumptions: a risk-free interest rate of 2.93% (2003 - 3.98%); an expected life of 3.9 years (2003 - 5 years); an expected volatility of 32.91% (2003 - 51.65%); and no expectation for the payment of dividends.

The pro-forma effect on net loss and loss per share for the year ended April 30, 2003 is as follows:

Net loss for the year		Loss per share	
As reported	\$(1,023,462)	As reported	\$ (0.08)
Compensation expense	<u>(61,500)</u>	Pro-forma	\$ (0.08)
Pro-forma net loss	<u>\$(1,084,962)</u>		

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

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2004

8. Share Capital (Cont'd)

d) Share Purchase Warrants

As at April 30, 2004 the Company has the following share purchase warrants outstanding:

Exercise Price Per Share	Expiry Date	April 30, 2003	Issued	Exercised	Expired/Cancelled	April 30, 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	Sept. 2, 2005	-	<u>3,363,869</u>	-	-	<u>3,363,869</u>
		<u>5,953,719</u>	<u>3,363,869</u>	<u>(1,651,362)</u>	<u>(3,277,353)</u>	<u>4,388,873</u>

e) Subsequent Issuances

None.

9. 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 \$1,062,265 which expire in various years to 2010 as follows:

2007	\$ 315,611
2008	235,379
2009	229,784
<u>2010</u>	<u>281,491</u>
	<u>\$1,062,265</u>

In addition, the Company has undeducted resource related expenses of approximately \$7,140,000 (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.

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2004

9. Income Taxes (Cont'd)

	Year Ended April 30, 2004	Year Ended April 30, 2003
Net loss before income taxes	\$ (666,175)	\$(1,023,462)
Tax rate	<u>37.62%</u>	<u>37.62%</u>
Calculated income tax recovery	(250,615)	(385,026)
Increase in valuation allowance	<u>250,615</u>	<u>385,026</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

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

	2004	2003
Future income tax assets		
Temporary differences in assets	\$ 2,662,028	2,579,107
Non-capital loss carry forwards	<u>399,624</u>	<u>553,274</u>
	3,061,652	3,132,381
Valuation allowance for future income tax assets	<u>(3,061,652)</u>	<u>(3,132,381)</u>
	<u>\$ -</u>	<u>\$ -</u>

10. Contingencies

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

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

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

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

NAVASOTA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2004

10. Contingencies (Cont'd)

- b) Subsequent to April 30, 2004, the Company received a writ of summons in the Supreme Court of British Columbia. The plaintiff's claim is against the Company and another named defendant for pre-contractual misrepresentation that induced the plaintiff to enter into a contract for the purchase of shares in the Company. The plaintiff claims unspecified damages and costs against the Company and the other named defendant for breach of contract, negligent misrepresentation and alternatively, fraudulent misrepresentation. The Company disputes all claims against it, and management is of the opinion that the outcome of any claims cannot be determined, and that the extent of the claims cannot be reasonably estimated. No amounts in respect of these claims are accrued in the consolidated financial statements.

11. Related Party Transactions

- a) The following related party transactions occurred during the years ended April 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Deferred professional fees paid or accrued to a company controlled by a now former director of the Company	\$ 34,400	\$ 38,725
Professional fees paid or accrued to a director of the Company	30,000	-
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 after his appointment to the Company's board	15,000	-
Rent paid to a company controlled by a director of the Company	16,944	12,373

- b) • 733,334 common shares of the non-brokered private placement which closed during the year ended April 30, 2004 were issued to directors of the Company.
- 123,334 common shares of the \$0.30 non-brokered private placement which closed during the year ended April 30, 2003 were issued to directors of the Company.
- 120,000 common shares issued on the exercise of \$0.25 share purchase warrants were exercised by directors of the Company during the year ended April 30, 2004.

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

**NAVASOTA RESOURCES LTD.
SCHEDULE B - SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED APRIL 30, 2004**

1. See attached consolidated financial statements for the year ended April 30, 2004.
2. See Note 11 to attached 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
01/03/04	Grandich Publications LLC	No	100,000	\$0.19	28/02/06

4. a) Authorized share capital as at April 30, 2004:

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

b) Recorded value for shares issued and outstanding: \$13,544,956

c) Options, warrants and convertible securities outstanding as at April 30, 2004:

Options:

Exercise Price Per Share	Expiry Date	April 30, 2003	Granted	Exercised	Expired/ Cancelled	Apr. 30, 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
\$0.19	Feb. 28, 2006	-	100,000	-	-	100,000
		1,406,952	1,220,000	-	(734,976)	1,891,976

Warrants:

Exercise Price Per Share	Expiry Date	April 30, 2003	Issued	Exercised	Expired/ Cancelled	Apr. 30, 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)	(3,277,353)	4,388,873

d) Shares in escrow or subject to pooling as at April 30, 2004: Nil

5. List of Directors and Officers as at August 3, 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 YEAR ENDED APRIL 30, 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 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.

“TURNER LAKE” Project

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

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

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

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

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

“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 Navasota's 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.

A program of geological mapping, prospecting, and follow-up soil and rock geochemistry is in progress with initial results expected shortly. Additional soil geochemistry, and mapping and possible geophysical surveys, are planned for the Energite area and south toward the recently discovered gold-in-soil anomaly. Trenching and, if warranted, diamond drilling will test significant anomalies later in the fall.

Legal proceedings

See note 10 to the attached consolidated financial statements for the year ended April 30, 2004.

Investor Relations

Navasota engaged Freeform Communications Inc. and its principal, Robert Ferguson, as Navasota's investor relations consultant by investor relations agreement concluded February 19, 2004. The investor relations agreement was drawn for an initial probationary term of three months. The investor relations agreement has received the acceptance of the TSX Venture Exchange ("TSXV"). On July 1, 2004 Navasota gave 30 days notice to terminate the Agreement.

On March 1, 2004 Navasota 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. The Consulting Agreement has received the acceptance of the TSXV.

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, commencing June 1, 2004. 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.

Three month period ended April 30, 2004 compared to three month period ended April 30, 2003

The increase in travel and promotion during the three month period ended April 30, 2004 (\$97,946) compared to (\$48,263) for the three month period ended April 30, 2003 is due to an increase in investor relations and promotional activities and the hiring of investor relations consultants.

Liquidity and Capital Resources

During the quarter ended April 30, 2004 Navasota financed its operations primarily through the proceeds of the private placement closed in September 2003. Navasota's working capital as at April 30, 2004 was \$637,354, as compared to working capital deficiency of \$70,094 as at April 30, 2003.

The current accounts payable for the year ended April 30, 2004 were \$58,943 as compared to \$29,946 for the year ended April 30, 2003.