

NAVASOTA RESOURCES LTD.

FINANCIAL STATEMENTS

APRIL 30, 2006

BEAUCHAMP & COMPANY
CHARTERED ACCOUNTANTS
#205 - 788 BEATTY STREET
VANCOUVER, B.C. V6B 2M1
PHONE: 604-688-2850
FAX: 604-688-2777

AUDITORS' REPORT

To the Shareholders of
Navasota Resources Ltd.

We have audited the balance sheets, statements of mineral property interests, and deferred exploration expenditures of Navasota Resources Ltd. as at April 30, 2006 and 2005 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at April 30, 2006 and 2005 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 11, 2006

"BEAUCHAMP & COMPANY"
Chartered Accountants

**NAVASOTA RESOURCES LTD.
BALANCE SHEETS
AS AT APRIL 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 357,113	\$ 245,761
Marketable securities (Note 1)	189,000	225,000
Amounts receivable	2,747	19,149
Prepaid expenses	3,321	509
Reclamation bonds	5,000	5,000
	557,181	495,419
Office Equipment (Note 4)	10,588	9,688
Mineral Property Interests (Statement) (Note 5)	5,076	45,890
Deferred Exploration Expenditures (Statement)	529,461	597,327
	\$ 1,102,306	\$ 1,148,324

LIABILITIES

Current Liabilities		
Accounts payable and accrued liabilities	\$ 172,727	\$ 130,675
Due to related parties (Note 9(c))	110,309	-
	283,036	130,675

SHAREHOLDERS' EQUITY

Share Capital (Note 6 (b))	13,991,510	13,563,706
Share Subscriptions (Note 6(e))	349,750	150,900
Contributed Surplus (Note 6(c))	200,072	173,424
Deficit	(13,722,062)	(12,870,381)
	819,270	1,017,649
	\$ 1,102,306	\$ 1,148,324

Contingencies (Note 8)

Approved By The Directors:

“Christopher J. Wild” Director

“James T. Gillis” Director

See accompanying notes.

NAVASOTA RESOURCES LTD.
STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Administrative Expenses		
Amortization	\$ 2,525	\$ 3,964
Consulting fees (Note 9 (a))	20,000	66,370
Interest, bank charges and foreign exchange	3,954	55,682
Investor relations	-	15,389
Management fees (Note 9 (a))	36,000	36,000
Office	9,037	9,155
Professional fees (Note 9(a))	138,594	105,480
Rent (Note 9 (a))	11,476	17,448
Site investigation	11,305	143
Stock-based compensation (Note 6(c))	28,052	80,240
Telephone	4,154	5,507
Transfer agent and regulatory fees	12,252	15,372
Travel and promotion	22,192	33,421
Wages and benefits	54,899	36,372
Net Loss Before Undernoted Items	(354,440)	(480,543)
Other Income (Expense)		
Interest income	842	7,253
Write down of marketable securities	(36,000)	(75,000)
Gain on sale of mineral property interest (Note 5(a))	-	517,381
Write off of mineral property interest	(426,968)	-
Gain on settlement of debt	-	25,695
Legal settlement (Note 8 (b))	(20,000)	-
Net Loss Before Income Taxes	(836,566)	(5,214)
Future Income Taxes	-	-
Net Loss	(836,566)	(5,214)
Deficit, Beginning Of Year	(12,870,381)	(12,865,167)
Share Issuance Costs	(15,115)	-
Deficit, End Of Year	\$ (13,722,062)	\$ (12,870,381)
Earnings (Loss) Per Share (Note 1)	\$ (0.04)	\$ (0.00)
Weighted Average Common Shares Outstanding	23,045,548	19,643,783

See accompanying notes.

**NAVASOTA RESOURCES LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Cash Provided By (Used For):		
Operating Activities		
Net loss	\$ (836,566)	\$ (5,214)
Items not requiring (providing) cash:		
Amortization	2,525	3,964
Stock-based compensation	28,052	80,240
Write down of marketable securities	36,000	75,000
Gain on sale of mineral property interest	-	(517,381)
Write off of mineral property interest	426,968	-
Gain on settlement of debt	-	(25,695)
Net change in non-cash working capital items	52,923	75,173
Cash used for operating activities	(290,098)	(313,913)
Investing Activities		
Redemption of reclamation bonds	-	10,000
Acquisition of office equipment	(3,425)	(686)
Proceeds from sale of mineral property interest	-	250,000
Mineral property interest costs paid	(2,936)	(25,000)
Proceeds received for exploration expenditures	158,513	-
Deferred exploration expenditures paid	(447,483)	(547,312)
Cash used for investing activities	(295,331)	(312,998)
Financing Activities		
Advances received from related parties	81,646	-
Payment of share issuance costs	(10,115)	-
Receipt of share subscriptions	625,250	150,900
Cash provided by financing activities	696,781	150,900
Increase (Decrease) In Cash	111,352	(476,011)
Cash And Cash Equivalents, Beginning Of Year	245,761	721,772
Cash And Cash Equivalents, End Of Year	\$ 357,113	\$ 245,761
Supplemental Information		
Interest paid included in net loss	\$ -	\$ 241
Issuance of share capital for non-cash consideration:		
Mineral property interest costs	\$ -	\$ 18,750
Receipt of marketable securities of other companies pursuant to the terms of mineral property interest agreements:		
NIL (2005 - 300,000) common shares	\$ -	\$ 300,000

See accompanying notes.

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

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

See accompanying notes.

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

	<u>2004</u>	<u>Written Off On</u>		<u>Option</u>	<u>2005</u>
		<u>Additions</u>	<u>Abandonment</u>	<u>Proceeds</u>	
				<u>Applied</u>	
Turner Lake Bathurst Inlet, Nunavut 100% interest	\$ 20,322	\$ -	\$ -	\$ (20,322)	-
Gold Creek Kamloops Mining Division of B.C. 100% interest	2,140	-	-	-	2,140
Stenlund Marathon, Ontario 100% option interest	-	43,750	-	-	43,750
	\$ 22,462	\$ 43,750	\$ -	\$ (20,322)	\$ 45,890

See accompanying notes.

**NAVASOTA RESOURCES LTD.
STATEMENTS OF DEFERRED
EXPLORATION EXPENDITURES
AS AT APRIL 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Turner Lake		
Balance, beginning of year	\$ -	\$ 62,297
Proceeds applied against costs	-	(62,297)
Balance, end of year	-	-
Gold Creek		
Balance, beginning of year	185,422	37,894
Assays and geochemical	-	26,192
Board and lodging	-	4,150
Drilling	-	82,722
Equipment rental	-	4,811
Geological (Note 9(a))	1,377	30,400
Grid establishment	-	1,320
Maps and reports	46	1,687
Supplies	-	1,280
Travel	-	1,306
Proceeds applied against costs	-	(6,340)
Balance, end of year	186,845	185,422
Stenlund		
Balance, beginning of year	383,218	-
Assays and geochemical	-	20,815
Drafting and computers	-	343
Drilling	-	309,463
Geological	-	25,173
Maps and reports	-	8,832
Supervision	-	2,114
Supplies	-	2,113
Travel and accommodation	-	14,365
Write-off on abandonment	(383,218)	-
Balance, end of year	-	383,218

See accompanying notes.

**NAVASOTA RESOURCES LTD.
STATEMENTS OF DEFERRED
EXPLORATION EXPENDITURES
AS AT APRIL 30, 2006 AND 2005**

(CONT'D)

	<u>2006</u>	<u>2005</u>
Missamana		
Balance, beginning of year	28,687	-
Assays and geochemical	24,671	-
Camp	29,563	12,784
Communications	717	-
Consulting (Note 9(a))	39,977	400
Drilling	307,148	-
Field supplies	4,466	-
Fuel	12,031	-
Maps and reports	12,579	15,503
Technical and field staff	18,303	-
Vehicle	22,987	-
Contribution by Mano River Resources Inc.	(158,513)	-
	<hr/>	<hr/>
Balance, end of year	342,616	28,687
	<hr/>	<hr/>
	\$ 529,461	\$ 597,327
	<hr/>	<hr/>

See accompanying notes.

NAVASOTA RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2006

1. Nature Of Operations And Significant Accounting Policies

The Company was incorporated under the Company Act (British Columbia) on March 7, 1980 as Nirvana Oil & Gas Ltd., and on October 6, 1986 changed its name to Nirvana Industries Ltd. On February 22, 1989 the Company changed its name from Nirvana Industries Ltd. to Consolidated Nirvana Industries Ltd. On June 2, 1995 the Company then changed its name to Navasota Resources Ltd. The common shares of the Company are listed for trading on the TSX Venture Exchange ("TSXV").

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

Prior Year Consolidation

- The financial statements for the year ended April 30, 2005 included the accounts of the Company and its inactive wholly-owned subsidiary, Nirvana Valve Systems Inc. (a U.S. company) up to the date of cessation of consolidation. The date of cessation occurred in the year ended April 30, 2005, and no transactions were reported in the financial statements of the Company for the year ended April 30, 2005.

Measurement Uncertainty

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

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

NAVASOTA RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2006

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

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 Company's statements of operations.

Marketable Securities

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

<u>Name Of Issuer</u>	<u>Class Of Security</u>	<u>Quantity</u>	<u>Adjusted Cost Of Securities 2006</u>	<u>Market Value Of Securities 2006</u>	<u>Market Value Of Securities 2005</u>
Trade Winds Ventures Inc.	Common shares	300,000	\$ 189,000	\$ 189,000	\$ 198,000

As of August 11, 2006, the estimated market value of these common shares was \$124,500.

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 mineral property interests 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. Option payments received in excess of costs incurred are disclosed as revenue in the Company's statement of operations.

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

NAVASOTA RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2006

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

Mineral Property Interests And Deferred Exploration Expenditures (Cont'd)

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 probability of 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.

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

Environmental Expenditures

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

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

Flow-Through Common Shares

- The Company adopted the accounting pronouncement relating to flow-through shares effective for all flow-through share agreements dated after March 19, 2004. Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising from the related resource expenditures. When resource expenditures are renounced to the investors, and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate) thereby reducing share capital. The Company records the initial share issuances by crediting share capital for the full value of the cash consideration received.

NAVASOTA RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2006

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

Income Taxes

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

Earnings (Loss) Per Share

- Earnings (loss) per share data is computed by dividing net income (loss) by the weighted average number of common shares and common share equivalents outstanding during the year. Shares issuable upon the exercise of share purchase warrants and stock options were excluded from the computation of loss per share because their effect would be anti-dilutive. The Company calculates loss per share using the treasury stock method. Under the treasury stock method only instruments with exercise amounts less than market prices impact the diluted calculations.

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 proceeds received by the Company on the exercise of stock options are credited to share capital.

2. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities (note 1), amounts receivable, accounts payable and accrued liabilities and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The carrying values of the financial instruments approximate their fair values, due to the relatively short period to maturity of these instruments. The amounts due to related parties are not susceptible to fair market valuation as these liabilities are unsecured, non-interest bearing and due on demand.

3. Cash And Cash Equivalents

Cash equivalents consist of temporary investments in commercial 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 Company's statement of operations. Amounts receivable are inclusive of accrued interest as receipt of these amounts is also considered to be certain and measurable.

NAVASOTA RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2006

3. Cash And Cash Equivalents (Cont'd)

During the year ended April 30, 2004, the Company raised \$724,450 from the private placement of flow-through shares and the exercise of flow-through share purchase warrants. These funds were expected to be used for exploration of Canadian mineral property interests. As of April 30, 2005, the unspent balance of these commitments was \$185,780.

4. Office Equipment

			<u>2006</u>	<u>Net Book</u>	<u>2005</u>
	<u>Rate</u>	<u>Cost</u>	<u>Amortization</u>	<u>Value</u>	<u>Net Book</u>
					<u>Value</u>
Computer equipment	30%	\$ 12,695	\$ 10,985	\$ 1,710	\$ 2,443
Office equipment	20%	<u>25,791</u>	<u>16,913</u>	<u>8,878</u>	<u>7,245</u>
		<u>\$ 38,486</u>	<u>\$ 27,898</u>	<u>\$ 10,588</u>	<u>\$ 9,688</u>

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

5. Mineral Property Interests

(a) Turner Lake, Gela Lake, & Baillie Bay

In the Fall of 2001, the Company as to 50% and Cassidy Gold Corp. ("Cassidy"), a company with a similar director and similar officers, as to 50%, staked three mineral exploration property interests, known as Turner Lake, Gela Lake & Baillie Bay, located near Bathurst Inlet, Nunavut. The property interests 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 property interests for \$100,000 in cash. On December 15, 2003, the Company announced that it abandoned its interest in the Gela Lake and Baillie Bay mineral property interests.

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

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

NAVASOTA RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2006

5. Mineral Property Interests (Cont'd)

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

This option agreement between the parties was replaced by a Purchase and Sale Agreement dated July 23, 2004. Pursuant to this agreement, Trade Winds acquired a 100% interest in the Turner Lake mineral property interest from the Company for the consideration of the initial \$50,000 advance and the initial 100,000 common share issuance already made, plus a further \$250,000 cash payment, the issuance of 300,000 common shares (note 1) and a 1% NSR on commercial production. This agreement received regulatory acceptance on August 5, 2004.

(b) Gold Creek

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

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

- making a cash payment to the Company of US\$5,000 (received) upon conducting due diligence within a period of two months from the date of signing the Agreement; and
- making a cash payment to the Company of US\$25,000 on the second anniversary of the date of signing the Agreement.

If Goldrange exercises the option, the Company will have the right to earn back a 40% interest in the Gold Creek property interest by giving notice to Goldrange of its intent to do so within 90 days, and by making a cash payment in an amount equal to 200% of 40% of the qualifying expenditures made by Goldrange. Goldrange Resources, Inc. is a public mineral exploration company based in Bellingham, Washington. During the year ended April 30, 2006, the Company appointed a director who is also a director of Goldrange.

(c) Stenlund

During the year ended April 30, 2005, the Company entered into an option and joint venture agreement with Teck Cominco Limited ("Teck"), to acquire a 100% interest in the Stenlund property interest. The Stenlund property interest consisted of thirty-seven contiguous claims totalling 592 hectares, 10 kilometres southeast of Marathon, Ontario. The Company could have earned a 100% interest in the Stenlund property interest by completing staged exploration expenditures of \$2,000,000 by December 31, 2007, paying \$25,000 on signing (paid), and issuing 150,000 common shares by March 31, 2005 (issued). During the year ended April 30, 2006, management of the Company determined to abandon this mineral property interest and therefore wrote off all of its costs in its statement of operations for the year then ended.

NAVASOTA RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2006

5. Mineral Property Interests (Cont'd)

(d) Missamana And Gueliban Licenses

During the year ended April 30, 2005, the Company entered into a Letter of Agreement with Mano River Resources Inc. ("Mano") to acquire up to a 60% interest in the Missamana and Gueliban exploration licenses (the "Licenses") covering 498 square kilometres located in Guinea, West Africa. The Licenses were issued September 28, 2004, and are valid for a period of two years. Starting from this date, the titleholder is required to undertake in conformance with the mining regulations in force, its programs of work with an approved budget of US\$810,000 per license.

Pursuant to the Letter of Agreement, the Company may earn an initial 51% interest in the Licenses by:

- spending US\$125,000 over the first twelve months which Mano will match (Phase 1) (received);
- spending US\$1,375,000 over a twenty-four month period following the completion of Phase 1 (Phase 2).

The Company may, at its option, acquire a further 9% by:

- spending a further US\$500,000 over a twelve month period following the completion of Phase 2 (Phase 3).

The Company shall be the operator of the Phase 1 and Phase 2 programs.

6. Share Capital

(a) Authorized

Unlimited (2005 - 100,000,000) common shares without par value

(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>
			19,631,454	\$ 13,544,956
Balance, April 30, 2004				
Issued during the year ended April 30, 2005:				
Obligation	Property payment	\$0.125	150,000	18,750
			19,781,454	13,563,706
Balance, April 30, 2005				
Issued during the year ended April 30, 2006:				
Cash	Private placement	\$0.10	3,000,000	300,000
Cash	Options exercised	\$0.15	14,000	2,100
Value	Contributed surplus allocated on option exercise			1,404
Cash	Private placement	\$0.11	1,130,000	124,300
			23,925,454	\$ 13,991,510
Balance, April 30, 2006				

NAVASOTA RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2006

6. Share Capital (Cont'd)

(b) Common Shares Issued (Cont'd)

During the year ended April 30, 2006, the Company completed a private placement of 3,000,000 units at a price of \$0.10 per unit for gross proceeds of \$300,000. Each unit consists of one common share of the Company and one half of one non-transferable share purchase warrant with each whole share purchase warrant exercisable for a common share at \$0.15 per share to May 25, 2007. The common shares and any warrant shares issued upon exercise of the warrants will be subject to a four month hold period commencing on the closing date of the private placement.

During the year ended April 30, 2006, the Company completed a private placement of 1,130,000 units at a price of \$0.11 per unit for gross proceeds of \$124,300. Each unit consists of one common share of the Company and one half of one non-transferable share purchase warrant with each whole share purchase warrant exercisable for a common share at \$0.15 per share to December 2, 2006. The common shares and any warrant shares issued upon exercise of the warrants will be subject to a four month hold period commencing on the closing date of the private placement.

(c) Stock Options

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The term of the stock options granted are fixed by the board of directors and are not to exceed five years. The exercise prices of the stock options are determined by the board of directors, but shall not be less than the closing price of the Company's common shares on the day preceding the day on which the directors grant the stock options, less any discount permitted by the TSXV, but shall not be less than \$0.10 per share. The stock options vest immediately on the date of grant unless otherwise required by the TSXV, however, a four month hold period applies to all shares issued under each stock option, commencing on the date of grant. Other terms and conditions are as follows: all stock options are non-transferable; no more than 5% of the issued shares may be granted to any one individual in any 12 month period; no more than 2% of the issued shares may be granted to a consultant, or an employee performing investor relations activities, in any 12 month period; disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the holder is an insider, (ii) any grant of stock options to insiders, within a 12 month period, exceeding 5% of the Company's issued shares; and stock options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Company's common shares. Options granted shall expire within thirty days after the optionee ceases to be a director, officer, consultant, or employee of the Company.

NAVASOTA RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2006

6. Share Capital (Cont'd)

(c) Stock Options (Cont'd)

	Number Of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Options outstanding and exercisable, April 30, 2004	1,891,976	\$ 0.18	3.82
Granted	800,000	\$ 0.15	
Exercised	-	-	
Expired/Cancelled	(1,056,976)	(\$0.18)	
Options outstanding and exercisable, April 30, 2005	1,635,000	\$ 0.17	4.09
Granted	300,000	\$0.13	
Exercised	(14,000)	(\$0.15)	
Expired/Cancelled	(100,000)	(\$0.15)	
Options outstanding, April 30, 2006	1,821,000	\$ 0.16	3.29
Options exercisable, April 30, 2006	1,821,000		

As at April 30, 2006 the Company has the following stock options outstanding:

Exercise Price Per Share	Expiry Date	Apr. 30, 2005	Granted	Exercised	Expired/ Cancelled	Apr. 30, 2006
\$0.15	Aug. 15, 2006	115,000	-	-	-	115,000
\$0.20	Dec. 3, 2008	720,000	-	-	-	720,000
\$0.15	Apr. 5, 2010	800,000	-	(14,000)	-	786,000
\$0.15	May 3, 2010	-	100,000	-	(100,000)	-
\$0.10	Apr. 19, 2011	-	200,000	-	-	200,000
		<u>1,635,000</u>	<u>300,000</u>	<u>(14,000)</u>	<u>(100,000)</u>	<u>1,821,000</u>

During the year ended April 30, 2006 the Company granted an option to its chief financial officer to purchase up to 100,000 shares of the Company at \$0.15 per share to May 3, 2010. These stock options subsequently expired upon the resignation of the director in January, 2006.

During the year ended April 30, 2006 the Company granted an option to a director to purchase up to 200,000 shares of the Company at \$0.10 per share to April 19, 2011.

During the year ended April 30, 2006, the Company recorded stock-based compensation expense of \$28,052 (2005 - \$80,240). The fair value of stock options included in the expense recorded during the years ended April 30, 2006 and 2005 was estimated using the Black-Scholes Option Pricing Model based on the following assumptions: risk-free interest rates of 2.95% to 4.08% (2005 - 3.54%), an expected life of 5 (2005 - 5) years; an expected volatility of 89.87% to 97.40% (2005 - 115.58%) and no expectation for the payment of dividends.

NAVASOTA RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2006

6. Share Capital (Cont'd)

(c) Stock Options (Cont'd)

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

(d) Share Purchase Warrants

As at April 30, 2006 the Company has the following share purchase warrants outstanding:

Exercise Price Per Share	Expiry Date	Apr. 30, 2005	Issued	Exercised	Expired	Apr. 30, 2006
\$0.35	Sept. 2, 2005	3,363,869	-	-	(3,363,869)	-
\$0.15	Dec. 2, 2006	-	565,000	-	-	565,000
\$0.15	May 25, 2007	-	1,500,000	-	-	1,500,000
		<u>3,363,869</u>	<u>2,065,000</u>	<u>-</u>	<u>(3,363,869)</u>	<u>2,065,000</u>

(e) Subsequent Issuances

Share subscriptions represent proceeds received by the Company to April 30, 2006 in respect of a non-brokered private placement for 5,697,500 units at a price of \$0.10 per unit which closed subsequent to year end. Each unit consists of one common share and one non-transferable share purchase warrant, with each share purchase warrant entitling the holder to purchase one additional common share at an exercise price of \$0.15 per share for a period of two years from the closing date of the placement. Shares acquired by the placees are subject to a hold period and may not be traded until September 12, 2006. In conjunction with this private placement, the Company paid cash of \$7,000 and issued 100,000 warrants to purchase 100,000 common shares at \$0.10 per share to May 12, 2008 as a finders fee.

7. Income Taxes

No provision for recovery of income taxes was made in 2006 and 2005 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 \$1,731,443 (2005 - \$1,670,195) which expire in various years to 2016 as follows:

2007	\$ 311,317
2008	235,379
2009	180,251
2010	227,176
2011	237,345
2015	185,945
2016	354,030

NAVASOTA RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2006

7. Income Taxes (Cont'd)

As at April 30, 2006, the Company has undeducted resource related expenses of approximately \$7,080,000 (2005 - \$6,760,000) available for deduction against future Canadian taxable income. These expenses have no expiration date. In addition, the Company has undeducted share issuance costs and undeducted eligible capital expenditures totalling \$41,584 (2005 - \$39,743) which are also available for deduction against future Canadian taxable income. Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

	Year Ended <u>2006</u>	Year Ended <u>2005</u>
Net loss before income taxes	\$ (836,566)	\$ (5,214)
Tax rate	<u>34.12%</u>	<u>35.62%</u>
Calculated income tax recovery	(285,436)	(1,857)
Increase in valuation allowance	<u>285,436</u>	<u>1,857</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:

	<u>2006</u>	<u>2005</u>
Future income tax assets		
Temporary differences in assets	\$ 2,286,114	\$ 2,221,972
Non-capital loss carry forwards	<u>590,768</u>	<u>594,924</u>
	2,876,882	2,816,896
Valuation allowance for future income tax assets	<u>(2,876,882)</u>	<u>(2,816,896)</u>
	<u>\$ -</u>	<u>\$ -</u>

8. Contingencies

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

An amended complaint, which named the Company as a party for the first time, was purportedly served on the Company by service on the Secretary of State's office in Texas, in August 1999. The Company disputed all claims against it, but did not formally respond to the amended complaint because it disputed that it was subject to jurisdiction in the State of Texas. On June 30, 2006 the Austin Court of Appeals affirmed that the trial court has personal jurisdiction over the Company. Accordingly, the Company may be litigating this case in Texas. The trial date for this case is currently set for October 30, 2006.

NAVASOTA RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2006

8. Contingencies (Cont'd)

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

- (b) During the year ended April 30, 2005, the Company received a writ of summons in the Supreme Court of British Columbia. The plaintiff's claim is against the Company and another named defendant for pre-contractual misrepresentation that induced the plaintiff to enter into a contract for the purchase of shares in the Company. The plaintiff claims unspecified damages and costs against the Company and the other named defendant for breach of contract, negligent misrepresentation and alternatively, fraudulent misrepresentation. The Company disputes all claims against it, and management is of the opinion that the outcome of any claims cannot be determined, and that the extent of the claims cannot be reasonably estimated. \$20,000 in respect of these claims are accrued in the financial statements, based on negotiations which have occurred subsequent to year end.

9. Related Party Transactions

- (a) The following related party transactions occurred during the years ended April 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Professional fees paid to a former director and to a company controlled by this former director of the Company	\$ 10,877	\$ 660
Deferred geological consulting fees paid or accrued to a director of the Company	27,477	5,900
Consulting fees paid or accrued to a director of the Company	20,000	66,100
Management fees paid to a company controlled by a director of the Company	36,000	36,000
Rent paid to a company controlled by a director of the Company	1,800	-
Rent paid to a company controlled by a now former director of the Company	4,384	17,448
Rent paid to a company with similar directors and management in common	5,011	-

- (b) The following common shares were issued to related parties during the years ended April 30, 2006 and 2005:

- 130,000 common shares of the non-brokered private placement which closed on May 25, 2005 were issued to directors and officers of the Company.
- 14,000 common shares of the \$0.15 stock options which were exercised during the year ended April 30, 2006 were issued to a director of the Company.

NAVASOTA RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2006

9. Related Party Transactions (Cont'd)

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

10. Commitments

The Company had a management services agreement with a company controlled by a director of the Company requiring payments of \$3,000 per month plus taxes. As at April 30, 2006 the agreement was in effect until April 30, 2010 unless sooner terminated in accordance with the provisions of the agreement. Subsequent to year end the agreement was renegotiated to \$3,500 per month plus taxes, with similar terms, and was extended to June 30, 2011. The Company had a geological services agreement with a director of the Company requiring payments of \$6,000 per month plus taxes. The agreement was in effect until November 30, 2008, and during the year ended April 30, 2006 was terminated in accordance with the provisions of the agreement.

11. Segmented Information

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

Details of identifiable assets by geographic segments are as follows:

	Total Assets	Deferred Exploration Expenditures	Mineral Property Interests	Other Assets
April 30, 2005				
Canada	\$ 1,119,637	\$ 568,640	\$ 45,890	\$ 505,107
Africa	28,687	28,687	-	-
	\$ 1,148,324	\$ 597,327	\$ 45,890	\$ 505,107
April 30, 2006				
Canada	\$ 759,690	\$ 186,845	\$ 5,076	\$ 567,769
Africa	342,616	342,616	-	-
	\$ 1,102,306	\$ 529,461	\$ 5,076	\$ 567,769