



**NAVASOTA**  
RESOURCES LTD.

("Navasota")

**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**QUARTER ENDED JULY 31 2009**

The following discussion and analysis, prepared as of September 25, 2009 should be read together with the interim financial statements for the quarter ended July 31, 2009 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated. The reader should also refer to the annual audited financial statements for the years ended April 30, 2009 and April 30, 2008, and the Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. Additional information related to Navasota is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Description of Business**

Navasota is an exploration stage mineral property interest company engaged in the evaluation and exploration of mineral property interests. Navasota trades on the TSX Venture Exchange under the symbol "NAV".

On February 28, 2007 Navasota signed an option agreement with La Société AMIG Mining International S.A.R.L. ("AMIG") and its shareholders to earn and acquire up to 100% of the issued share capital of AMIG. AMIG is a Guinean corporation and its shareholders are residents of Conakry, Guinea, West Africa. Effective March 26, 2009 AMIG changed its name to Société AMIG Navasota Mining International S.A.R.L.

AMIG is the legal and recorded holder of one mineral exploration permit for two mining research licenses granted by the Ministry of Mines and Geology of the Republic of Guinea on May 10, 2006. The permit covered two contiguous areas aggregating 1,064 square kilometres, located in the prefectures of Télemélé and Gaoual (the "Project") for the exploration of bauxite. The permit was initially valid for three years and has since, in accordance with Article 30 of the mining code of the Republic of Guinea, been renewed with the permitted area being reduced by approximately 50%, resulting in a new permit comprising two licenses covering 536 kilometres. The new permit is in good standing until March 26, 2011.

### **Management & Directors**

**JAMES T. GILLIS, DIRECTOR, PRESIDENT & CHIEF EXECUTIVE OFFICER** – Mr. Gillis has been the President of James T. Gillis Management Co. Inc. since 1985, a private company which provides management services to public companies. He is the President and CEO of Cassidy Gold Corp., Island Arc Exploration Corp. and Africa West Minerals Corp., and a director of Providence Capital Corp. and Metrobridge Networks International Inc.

**CHRISTOPHER J. WILD, P.ENG., DIRECTOR, VICE PRESIDENT EXPLORATION & CHIEF OPERATING OFFICER** – Mr. Wild is currently a director and Vice-President Exploration of Cassidy Gold Corp. and Island Arc Exploration Corp., and a director of Africa West Minerals Corp., Providence Capital Corp. and Rockgate Capital Corp. Mr. Wild served as chief mine geologist for both the Mount Polley Mine, east of Williams Lake, BC, and the Goldstream Mine, north of Revelstoke, BC, prior to opening his own geological consulting business.

**ANDRIYKO HERCHAK, C.A., DIRECTOR** –Mr. Herchak is the Chief Financial Officer of Hathor Exploration Limited, an exploration company with a major uranium discovery in the Athabasca Basin. Prior to joining Hathor, Mr. Herchak held several senior financial positions with publicly traded entities, including six years at Intrawest Corporation and with FACS Records Income Trust. Mr. Herchak is a Chartered Accountant who also worked with the international accounting firm of Deloitte & Touche and holds a Bachelor of Commerce degree from the University of British Columbia. Mr. Herchak brings solid experience in finance and business matters, public reporting and corporate governance.

**RICHARD KOSOLOFSKI, DIRECTOR** – Mr. Kosolofski is President of Mainline Roofing Co. Ltd., principle partner in Trine Investments, and owner/operator of commercial buildings throughout central interior of British Columbia.

**STEVE BAJIC, DIRECTOR** - Since 1996, Mr. Bajic has been president of Hexagon Ventures Inc. a private company offering financial and business services to public and private companies. He is Vice-President Investor Relations of Cassidy Gold Corp. and CFO and a Director of Providence Capital Corp. Mr. Bajic is also President, CEO and a Director of Sieger Capital Management Ltd. a Capital Pool Company listed on the TSX-Venture Exchange.

**DEBBIE M. SILVER, CORPORATE SECRETARY AND CHIEF FINANCIAL OFFICER** - Ms. Silver was appointed Corporate Secretary and Chief Financial Officer of Navasota on October 29, 2008. She was a legal assistant from 1979 until 2002, involved in corporate, mining and securities law, and has been a public company administrator since 1997. She is currently the Corporate Secretary and Chief Financial Officer of Cassidy Gold Corp. and Africa West Minerals Corp., and a director, Corporate Secretary and CFO of Island Arc Exploration Corp.

## Performance Summary

### *Koba Bauxite Project, Guinea, West Africa*

On January 23, 2009 Navasota reported initial bauxite resources for the Koba Bauxite Project located in the Boke Bauxite Belt of northwestern Guinea, West Africa. **Total Indicated resources are estimated at 343,183,000 tonnes averaging 42.78% Al<sub>2</sub>O<sub>3</sub>, 2.85% SiO<sub>2</sub>, and 27.83% Fe<sub>2</sub>O<sub>3</sub>, and an additional 63,342,000 tonnes averaging 43.81% Al<sub>2</sub>O<sub>3</sub>, 2.74% SiO<sub>2</sub>, and 26.76% Fe<sub>2</sub>O<sub>3</sub> classified as Inferred resources.** Scott Wilson Roscoe Postle Associates Inc. (SWRPA), part of the Scott Wilson Mining Group, completed the resource study, which conforms to Canadian National Instrument 43-101, Standards of Disclosure for Mineral Projects.

Mineral resources were estimated using cut-off grades of >35% Al<sub>2</sub>O<sub>3</sub>, <35% Fe<sub>2</sub>O<sub>3</sub>, <6% SiO<sub>2</sub>, <5% TiO<sub>2</sub>, <0.2% CaO, <0.2% MgO, and Al<sub>2</sub>O<sub>3</sub>/SiO<sub>2</sub> >10. A minimum mining thickness of 2 metres and a maximum stripping ratio of 3:1, waste: ore were also used in the estimation process. Resources are classified as Indicated based on hole spacings of 150 metres. Inferred resources are based on drill hole spacings up to 300 metres. CIM definitions were followed for the Mineral Resource estimate.

Resource estimation utilized much of the drill hole database of 36,759 metres in 2,147 drill holes in two phases of aircore drilling over 26 bauxitic plateaus. Only results available prior to October 31, 2008 were included. As a result, only 58% of the holes from Kouraidendeli Plateau, 82% from Nomo, and 0% from Sapi are included in the estimate. No resources are included from the Central Plateaus as the density of drilling is currently insufficient to establish continuity of the bauxite intervals. In addition, no estimates have been made for the plateaus located in the north part of the Gaoual Permit as assay results are pending.

Once outstanding results become available, mineral resource estimates will be updated and preliminary economic assessments initiated.

Phase 1 drilling was designed to confirm the presence of bauxite mineralization on 26 target “plateaus” identified through Aster satellite imagery analyses. This initial phase of drilling totalled 10,666 metres and consisted of 558 shallow holes at 300 and 600-metre hole spacings. Phase 2 drilling, totalling 26,093 metres in 1,589 holes, reduced the drill spacing to 150-metres on 12 plateaus previously covered by Phase 1 drilling. Phase 2 drilling allowed SWRPA to determine the continuity of bauxite mineralization, grade and thickness variability; necessary parameters for resource modelling.

#### *Technical Studies Initiated*

An average bulk density of 2.346 was derived from 10 representative samples collected from freshly dug pits on Nomo and Madina Diang plateaus. This bulk density value is higher than typically encountered in Guinea due to the relatively high iron content of the bauxite. Coffey Mining has supervised the collection of additional samples for bulk density and metallurgical studies. The program consists of excavating a series of pits on several plateaus to collect a broad suite of samples representing the different varieties of bauxite comprising the Koba resource.

Navasota retained SWRPA to perform a high-level preliminary environmental and social review of the Koba Bauxite Project in Guinea. This process included a review of existing data, site visit, and report identifying both social and environmental issues to be addressed prior to project development. A SWRPA team has now completed the data review and site visit.

On May 7, 2009 Navasota announced that it has entered into a Memorandum of Understanding with the Ministry of Mines, Energy and Hydraulic of the Republic of Guinea allowing for the sale of Navasota’s Koba Project mineral resources located in the Boke Bauxite Belt.

Navasota will work together with the Ministry to identify acceptable, potential purchasers for its bauxite resources and endeavour to complete a sale in a timely manner. The Ministry shall provide all requisite approvals for the sale and, in consideration for such approval, Navasota will pay 50% of net proceeds to the Ministry. Any disposition of the claims shall be subject to acceptance of the TSX Venture Exchange and, if required, approvals by Navasota shareholders.

In accordance with Guinean mining law, Navasota’s mineral claims have now been reduced in area by 50% resulting in two new claims that have been renewed by the Ministry for a period expiring on the 26<sup>th</sup> of March, 2011.

Navasota’s new, southern, 406 square kilometre Téliélé claim includes all of the bauxite resources outlined in the Scott Wilson Roscoe Postle Associates Inc. resource study, which conforms to Canadian National Instrument 43-101, Standards of Disclosure for Mineral Projects. This study showed total indicated resources of 343,183,000 tonnes averaging 42.78 per cent Al<sub>2</sub>O<sub>3</sub>, 2.85 per cent SiO<sub>2</sub> and 27.83 per cent Fe<sub>2</sub>O<sub>3</sub>, with an additional 63,342,000 tonnes averaging 43.81 per cent Al<sub>2</sub>O<sub>3</sub>, 2.74 per cent SiO<sub>2</sub> and 26.76 per cent Fe<sub>2</sub>O<sub>3</sub> classified as inferred resources (see Navasota news release dated January 23, 2009).

The new northern Gaoual claim covers a 130 square kilometre area that has been partially drilled by Navasota. Samples from this property are now located at the SGS Lakefield Research Limited laboratories in Ontario awaiting analysis.

#### **Qualified Person**

Christopher J. Wild, P.Eng., a director of the Company and its Vice President Exploration and Chief Operating Officer, is a Qualified Person as defined by National Instrument 43-101 and has reviewed and approved the exploration information and technical disclosure in this MD&A.

## Results of Operations

Navasota's focus continues to be the exploration of properties and consequently, no operating income is shown or expected. During the quarter ended April 30, 2008, overall expenses increased relative to the same period of the prior year due to an increase in the exploration activity of Navasota.

## Summary of Quarterly Results

|                                     | Jul 31/09   | Apr 30/09   | Jan 31/09   | Oct 31/08   | Jul 31/08   | Apr 30/08   | Jan 31/08   | Oct 31/07   |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total assets                        | \$6,291,322 | \$6,409,498 | \$5,777,803 | \$5,945,233 | \$5,960,995 | \$2,849,214 | \$2,381,275 | \$1,464,286 |
| Mineral properties & deferred costs | \$5,209,379 | \$5,565,492 | 5,252,301   | 4,887,052   | 3,931,777   | 2,250,848   | 1,372,771   | 811,905     |
| Working capital                     | \$334,946   | \$587,073   | 372,873     | 572,963     | 1,565,967   | (113,340)   | 790,774     | 591,141     |
| Shareholders' equity                | \$6,248,593 | \$6,362,770 | 5,667,704   | 5,506,477   | 5,548,138   | 2,389,102   | 2,220,425   | 1,432,480   |
| Revenues                            | \$16        | \$429       | 2,097       | 8,591       | 5,526       | 4,672       | 3,818       | 7,574       |
| Net income (loss)                   | \$(167,004) | \$(222,992) | (248,689)   | (20,313)    | (915,008)   | (100,178)   | (107,127)   | (123,064)   |
| Earnings (loss) per share           | \$(0.01)    | \$(0.01)    | (0.01)      | (0.01)      | (0.02)      | (0.01)      | 0.00        | 0.00        |

The significant changes in key financial data from August 1, 2007 to July 31, 2009 can be attributed to an increase in fundraising through private placements and to a significant increase in exploration activity. The increase has slowed in the past quarter and is expected to continue to be slower in the immediate quarters due to changes in the capital market making it more difficult to raise exploration funding. The variance in working capital on April 30, 2008 was due to accruals.

## Liquidity

Navasota does not currently own or have an interest in any producing resource properties and has not yet derived any revenues from the sale of resource products in the last three financial years. Navasota's exploration activities have been funded through the issuance of common shares pursuant to private placements and the exercise of stock options and warrants, and Navasota expects that it will continue to be able to utilize this source of financing until it develops cash flow from its operations. There can be no assurance, however, that Navasota will be able to obtain required financing in the future on acceptable terms, or at all. In the near term, Navasota plans to continue its exploration activities on its currently held properties.

|                                      | July 31/09 | July 31/08  |
|--------------------------------------|------------|-------------|
| Working Capital Surplus (Deficiency) | \$334,946  | \$1,565,967 |
| Net Loss                             | \$167,004  | \$915,008   |

## Capital Resources

During the quarter ended July 31, 2009 no shares were issued. Navasota does not have sufficient funds to meet its anticipated general and administrative expenses for the balance of this fiscal year. Navasota may from time to time choose to raise money in the capital markets if favourable conditions are present. It is anticipated that additional financing will be required for general and administrative expenses and for further exploration programs on Navasota's properties during the next fiscal year.

## Related Party Transactions

The following related party transactions occurred during the quarters ended July 31, 2009 and July 31, 2008:

|  | Jul 31/09 | Jul 31/08 |
|--|-----------|-----------|
| Consulting/exploration fees paid to a company controlled by a director of Navasota | \$-       | \$7,526   |
| Management fees paid to a company controlled by a director of Navasota             | \$22,500  | \$13,500  |
| Rent paid to a company with common management                                      | \$2,333   | \$1,860   |
| Corporate development fees paid to a company controlled by a director Navasota     | \$3,000   | \$3,000   |

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events that affect amounts reported in the financial statements. Actual results could differ from these estimates. Significant accounting estimates used in the preparation of Navasota's financial statements are:

(a) **Carrying value of mineral property interests**

The amounts shown for mineral property interests represent acquisition holding and exploration costs, and do not necessarily represent present or future recoverable values. The recoverability of these amounts is dependent upon the confirmation of economically recoverable reserves, the ability of Navasota to obtain the necessary financing to successfully complete their development and to meet the requirements from time to time, of lenders, including shareholders, who are providing this financing and upon future profitable production.

Navasota reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their fair value.

(b) **Carrying value of other capital assets**

Navasota reviews the carrying values of its other capital assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carry value of those assets exceeds their fair value.

(c) **Asset retirement obligations**

Navasota recognized the fair value of liabilities for asset retirement obligations in the period in which they occur and/or in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenditures using a systematic and rational method and is also adjusted to reflect year-to-year changes in the liability resulting from passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow.

### Changes in Accounting Policies

New accounting pronouncements issued by the Canadian Institute of Chartered Accountants ("CICA") and which Navasota intends to adopt in these financial statements or, if required, adopt in the preparation of its future financial statements are:

(a) **Comprehensive Income**

Navasota has adopted new CICA Handbook Section 1530, which introduces new standards for reporting and disclosure of comprehensive income. Comprehensive income is the change in equity (net assets) of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Commencing with the current fiscal year, a statement of other comprehensive income will be included with the consolidated financial statements, which will include unrealized gains and losses of financial instruments that are not required to be included in operations. There is currently no impact on these financial statements of this standard.

(b) **Financial Instruments**

Navasota has also adopted the new accounting recommendations of the CICA for the recognition, measurement and disclosure of financial instruments and hedges.

(c) **Capital disclosures**

In December 2006, the CICA issued Section 1535 of the CICA Handbook, Capital Disclosures, which applies to fiscal years beginning on or after October 1, 2007. This section establishes standards for disclosing information about an entity's capital and how it is managed. Navasota will implement these disclosures in the first quarter of the 2009 fiscal year.

(d) **Goodwill and intangible assets**

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this section is not currently expected to affect Navasota.

(e) **Business combinations**

The proposed amended recommendations of the CICA for accounting for business combinations will apply to Navasota's business combinations, if any, with an acquisition date subsequent to the effective date. Whether Navasota would be materially affected by the proposed amended recommendations would depend upon the specific facts of the business combinations, if any. Generally, the proposed recommendations will shift from a parent company conceptual view of consolidation theory (which results in the parent company recording the book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent company recording the fair values attributable to non-controlling interests). Adoption of this section is not expected to affect Navasota.

(f) **Convergence with International Financial Reporting Standards**

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, evolving and being converged with International Financial Reporting Standards (IFRS) over a transitional period currently expected to be complete by 2011. The International Accounting Standards Board currently has projects underway that should result in new pronouncements. This Canadian convergence initiative is currently very much in its infancy. Consequently Navasota has not yet assessed the impact of the ultimate adoption of IFRS on Navasota.

## **Changes in Accounting Policies**

Navasota has not changed its accounting policies for the quarter ended July 31, 2009.

## Off-Balance Sheet Arrangement

Navasota does not have any off-balance sheet arrangements which may affect its current or future operations or conditions.

## Financial Instruments

Navasota's financial instruments consist of cash, marketable securities, receivables, and prepaid expenses. Unless otherwise noted, it is management's opinion that Navasota is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments is approximately equal to their carrying values, unless otherwise noted. As at July 31, 2009 \$313,330, of cash and cash equivalents are held in Canadian dollars and \$15,591 of cash and cash equivalents are held in US dollars. Navasota does not use derivative instruments or foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

## Disclosure of Outstanding Share Data

|  | Sept 25/09 | Apr 30/09  |
|--|------------|------------|
| Authorized common shares without par value | unlimited  | unlimited  |
| Issued                                     | 60,649,287 | 60,649,287 |
| Options Outstanding                        | 5,800,000  | 5,600,000  |
| Warrants Outstanding                       | 2,870,000  | 2,870,000  |

## Investor Relations

Pursuant to the terms of the Marketing Consulting Agreement concluded between Stevenson & Associates IR, a Vancouver company, and Navasota, Stevenson assists Navasota with strategic planning, marketing, corporate communications, public relations and corporate finance services for a monthly fee of \$4,000. The agreement has received the acceptance of the TSX Venture Exchange.

## Risk factors

Exploration-stage mineral property interest companies face a variety of risks and, while unable to eliminate all of them, Navasota aims at managing and reducing such risks as much as possible. Few exploration projects successfully achieve development stage, due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. Navasota closely monitors its activities and those factors that could impact them, and employs experienced consultants to assist in its risk management and to make timely adequate decisions.

Environmental laws and regulations could also impact the viability of a project. Navasota has ensured that it has complied with these regulations, but there can be changes in legislation outside Navasota's control that could also add a risk factor to a project.

Operating in a specific country has legal, political, and currency, risks that must be carefully considered to ensure their level is commensurate to Navasota's assessment of the project. Although the military takeover following the death of the President of Guinea last December appears to have been calmly accepted, the National Council for Democracy and Development's assumption of power, and their ongoing review of all mining contracts, has increased uncertainty in the mining community.

## **Forward Looking Statements**

This discussion includes certain forward looking statements with respect to various issues including upcoming events. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur. Although Navasota believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future results and actual results may differ materially from those in forward looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration success, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future results and actual results or developments may differ materially from those projected in the forward-looking statements. Forward looking statements are based on the beliefs, estimates and opinions of Navasota’s management on the date the statements are made. Mineral exploration is subject to a high degree of risk, which even a combination of experience, knowledge, and careful evaluation may fail to overcome. Exploration activities seldom result in the discovery of a commercially viable mineral resource. Exploration activities are also expensive. Navasota will therefore require additional financing to carry on its business, and such financing may not be available when it is needed. Unless otherwise required by applicable securities laws, Navasota expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management’s beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise.