

Nayarit Gold Inc.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005

Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements for Nayarit Gold Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the September 30, 2005 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these consolidated financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

Auditors' involvement

The auditors of Nayarit Gold Inc. have not performed a review of the unaudited consolidated financial statements for the three months ended December 31, 2005 and December 31, 2004.

Nayarit Gold Inc.

(A Development Stage Company)

Consolidated Balance Sheets (Prepared by Management)

	December 31, 2005 (Unaudited)	September 30, 2005 (Audited)
Assets		
Current assets		
Cash	\$ 423,635	\$ 820,930
Prepaid and sundry receivables	<u>179,272</u>	<u>124,666</u>
	602,907	945,596
Equipment (Note 2)	1,330	1,438
Mining interests (Note 3)	<u>1,325,432</u>	<u>1,094,008</u>
	<u>\$ 1,929,669</u>	<u>\$ 2,041,042</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 82,946</u>	<u>\$ 81,131</u>
Shareholders' Equity		
Share capital (Note 5(b))	2,508,395	2,508,395
Warrants (Note 5(c))	524,805	524,805
Contributed surplus (Note 5(e))	808,829	579,620
Deficit	<u>(1,995,306)</u>	<u>(1,652,909)</u>
	<u>1,846,723</u>	<u>1,959,911</u>
	<u>\$ 1,929,669</u>	<u>\$ 2,041,042</u>

Approved on behalf of the Board:

Signed "John A. Ryan", Director

Signed "Gerald Shefsky", Director

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Nayarit Gold Inc.

(A Development Stage Company)

Consolidated Statements of Operations and Deficit (Prepared by Management) (Unaudited)

	Three months ended December 31, 2005	Three months ended December 31, 2004	Cumulative from date of incorporation November 27, 2003
Operating expenses			
Stock-based compensation	\$ 229,209	\$ -	\$ 808,829
Management and consulting fees	46,260	22,848	296,384
Promotion	31,937	-	256,619
Professional fees	7,306	19,666	70,826
Traveling expenses	3,946	5,671	34,401
Insurance expense	9,563	-	30,000
Office and general	2,919	4,079	25,384
Transfer agent, listing and filing fees	3,080	-	16,976
Occupancy costs	4,160	1,607	16,530
Communications	2,008	-	7,154
Interest and bank charges	919	358	4,219
Foreign exchange (gain) loss	982	(36)	2,097
Amortization	108	139	792
	<u>342,397</u>	<u>54,332</u>	<u>1,570,211</u>
Loss before the under noted	<u>(342,397)</u>	<u>(54,332)</u>	<u>(1,570,211)</u>
Other (expense) income			
Transaction costs in excess of cash acquired	-	-	(249,578)
Interest income	-	226	1,661
	<u>-</u>	<u>226</u>	<u>1,661</u>
Net loss for the period	(342,397)	(54,106)	(1,818,128)
Deficit, beginning of period	(1,652,909)	(41,325)	-
Fair value of net liabilities assumed on RTO	<u>-</u>	<u>-</u>	<u>(177,178)</u>
Deficit, end of period	<u>\$ (1,995,306)</u>	<u>\$ (95,431)</u>	<u>\$ (1,995,306)</u>
Loss per share - (Note 5(f))	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.12)</u>
Weighted average outstanding shares	<u>25,407,641</u>	<u>8,000,001</u>	<u>15,423,436</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Nayarit Gold Inc.

(A Development Stage Company)

Consolidated Statements of Cash Flows (Prepared by Management) (Unaudited)

	Three months ended December 31, 2005	Three months ended December 31, 2004	Cumulative from date of incorporation November 27, 2003
Operating activities			
Net loss for the period	\$ (342,397)	\$ (54,106)	\$ (1,818,128)
Items not involving cash			
Amortization	108	139	792
Stock-based compensation	229,209	-	808,829
Transaction costs	-	-	188,904
Change in non-cash operating working capital			
Prepays and sundry receivables	(54,606)	(6,306)	(170,180)
Accounts payable and accrued liabilities	<u>1,815</u>	<u>18,659</u>	<u>(92,827)</u>
	<u>(165,871)</u>	<u>(41,614)</u>	<u>(1,082,610)</u>
Financing activities			
Issuance of private placement units	-	300,000	3,030,001
Advances from Great Horn Inc.	<u>-</u>	<u>-</u>	<u>(48,046)</u>
	<u>-</u>	<u>300,000</u>	<u>2,981,955</u>
Investing activities			
Transaction costs	-	-	(8,402)
Advances to Canhorn Chemical Corporation	-	(30,332)	(103,002)
Deferred charges	-	(36,600)	(82,703)
Purchase of equipment	-	-	(2,122)
Mineral property expenditures	(231,424)	(95,751)	(1,287,883)
Cash acquired on RTO	<u>-</u>	<u>-</u>	<u>8,402</u>
	<u>(231,424)</u>	<u>(162,683)</u>	<u>(1,475,710)</u>
Change in cash during the period	(397,295)	95,703	423,635
Cash, beginning of period	<u>820,930</u>	<u>126,548</u>	<u>-</u>
Cash, end of period	<u>\$ 423,635</u>	<u>\$ 222,251</u>	<u>\$ 423,635</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Nayarit Gold Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements (Prepared by Management)

For the Three Months Ended December 31, 2005

(Unaudited)

1. Nature of business, accounting policies and going concern

Nayarit Gold Inc. (the "Company" or "Nayarit") is a Canadian mineral exploration company engaged in locating, acquiring and exploring for gold and base metals primarily in Mexico. The Company was incorporated pursuant to the laws of Ontario on November 27, 2003. To date, the Company has not earned significant revenue and is considered to be in the development stage.

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Mexico (2004 - Same). As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements for loss for the period also represent segment amounts. At December 31, 2005 all of the Company's mineral properties are located in Mexico and substantially all cash is on deposit with Canadian chartered banks.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company's mining assets are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty.

The Company has an accumulated deficit of \$1,995,306 and a current operating loss of \$342,397. The Company's ability to continue to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and its ability to obtain third party financing. These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used.

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended December 31, 2005 may not necessarily be indicative of the results that may be expected for the year ending September 30, 2006.

The balance sheet at September 30, 2005 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for complete consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual consolidated financial statements for the year ended September 30, 2005. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual consolidated financial statements for the year ended September 30, 2005.

Nayarit Gold Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements (Prepared by Management)**For the Three Months Ended December 31, 2005****(Unaudited)****2. Equipment**

	Cost	Accumulated amortization	December 31, 2005 Net	September 30, 2005 Net
Computer equipment	\$ <u>2,122</u>	\$ <u>(792)</u>	\$ <u>1,330</u>	\$ <u>1,438</u>

3. Mining interests

Refer to Supplement I of the December 31, 2005 unaudited consolidated financial statements for a breakdown of material costs.

Property	Balance September 30, 2005	Additions	Balance December 31, 2005
Orión (a)	\$ 175,426	\$ 18,377	\$ 193,803
La Estrella (a)	671,323	109,636	780,959
El Magnifico (a)	247,259	58,501	305,760
Bonanza I (b)	-	35,861	35,861
Reese (b)	-	6,423	6,423
Project generation (c)	-	<u>2,626</u>	<u>2,626</u>
	<u>\$ 1,094,008</u>	<u>\$ 231,424</u>	<u>\$ 1,325,432</u>

(a) For a description of these properties, refer to Note 5 of the audited consolidated financial statements for the year ended September 30, 2005.

(b) The Company acquired the 200 hectare (494 acre) Bonanza I concession in November 2005 under the Mexican government's lottery system for disposing of forfeited concessions. The Bonanza I concession lies within the boundaries of the El Magnifico concession. The 3,165 hectare (7,821 acre) Reese concession was staked in November 2005, contiguous with the southeast quadrant of the El Magnifico concession. Nayarit holds a 100% interest in both of these concessions, whose acquisition increases the Corporation's land holdings within the Orión Gold Project to 11,689 hectares (28,885 acres).

(c) Project generation relates to expenses incurred with respect to mineral properties that the Company considers for acquisition. Upon completion of the acquisition of the mineral properties, the costs are allocated to specific projects in mineral properties. Should the properties not be acquired the cost will be written off in the period the acquisition prospect is abandoned.

4. Related party transactions

Included in accounts payable and accrued liabilities is \$31,428 (2004 - \$11,205) owing to officers of the Company for management fees and expenses incurred on behalf of the Company. The above related party transactions have occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Nayarit Gold Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements (Prepared by Management)**For the Three Months Ended December 31, 2005****(Unaudited)****5. Share capital****(a) Authorized**

Unlimited number of common shares

(b) Issued

	<u>Number of shares</u>	<u>Amount</u>
Balance, September 30, 2005 (audited) and December 31, 2005 (unaudited)	<u>25,407,641</u>	\$ <u>2,508,395</u>

(c) Warrants

The following is a continuity of warrants for the period ended December 31, 2005:

	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
Balance, September 30, 2005 (audited) and December 31, 2005 (unaudited)	<u>9,392,148</u>	\$ <u>0.26</u>

The following are the warrants outstanding at December 31, 2005:

<u>Number of warrants</u>	<u>Black scholes value</u>	<u>Exercise price</u>	<u>Expiry date</u>
4,000,000	\$ -	\$ 0.10	March 31, 2006
1,500,000	82,000	0.25	December 26, 2006
3,214,291	320,070	0.40 - 0.45	April 30, 2007
35,000	3,200	0.50	April 30, 2007
<u>642,857</u>	<u>119,535</u>	0.35	April 30, 2007
<u>9,392,148</u>	\$ <u>524,805</u>		

(d) Stock options

The following is a continuity of options for the period ended December 31, 2005:

	<u>Number of options</u>	<u>Weighted average exercise price</u>
Balance , September 30, 2005 (audited)	4,950,000	\$ 0.35
Cancelled (i)	<u>(316,667)</u>	<u>0.35</u>
Balance, December 31, 2005 (unaudited)	<u>4,633,333</u>	\$ <u>0.36</u>

Nayarit Gold Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements (Prepared by Management)**For the Three Months Ended December 31, 2005****(Unaudited)****5. Share capital (continued)****(d) Stock options (continued)**

The following are the options outstanding at December 31, 2005:

<u>Options outstanding</u>	<u>Options exercisable</u>	<u>Value</u>	<u>Exercise price</u>	<u>Expiry date</u>
3,833,333	1,366,913	\$ 767,809	\$ 0.35	May 18, 2010 (i)
<u>800,000</u>	<u>-</u>	<u>38,720</u>	0.38	September 21, 2010
<u><u>4,633,333</u></u>	<u><u>1,366,913</u></u>	<u><u>\$ 806,529</u></u>		

(i) On December 8, 2005, one of the directors resigned from the Company. The director has until March 8, 2006 to exercise 133,333 vested stock options at an exercise price of \$0.35.

(e) Contributed surplus

The following is a continuity of contributed surplus for the period ended December 31, 2005:

	Contributed Surplus
Balance, September 30, 2005 (audited)	\$ 579,620
Vesting of stock options	<u>229,209</u>
Balance, December 31, 2005 (unaudited)	<u><u>\$ 808,829</u></u>

(f) Loss per share (LPS)

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for stock options and warrants. The effect of potential issuances of shares under stock options and warrants would be anti-dilutive, and accordingly basic and diluted LPS are the same.

6. Income taxes

The estimated taxable income for the period is \$nil. Based upon the level of historical taxable income, it cannot be reasonably determined if the Company will realize the benefits from future income tax assets or the amounts owing from future income tax liabilities. Consequently, the future recovery or loss arising from differences in tax values and accounting values have been reduced by an equivalent estimated taxable temporary difference valuation allowance. This estimated taxable temporary difference valuation allowance will be adjusted in the period that it can be determined that it is more likely than not that some or all of the future tax assets or future tax liabilities will be realized.

For further information about the Company's losses for tax purposes, refer to the audited September 30, 2005 consolidated financial statements. The benefits of these losses and the estimated loss for the period are not recognized in these consolidated financial statements.

Nayarit Gold Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements (Prepared by Management)

For the Three Months Ended December 31, 2005

(Unaudited)

7. Subsequent events

Subsequent to December 31, 2005, a total of 489,286 shares were issued to warrant holders exercising warrants from earlier private placements. 425,000 warrants were exercised for total proceeds to the Corporation of \$42,500 and 64,286 warrants were exercised for total proceeds of another \$25,714.

Nayarit Gold Inc.

(A Development Stage Company)

Supplement I to the Consolidated Financial Statements (Prepared by Management)**For the Three Months Ended December 31, 2005****(Unaudited)****Mining interest activities**

	Three months ended December 31, 2005	Three months ended December 31, 2004
Orión		
Acquisition costs	\$ 241	\$ -
Assays and analyses	338	-
Office and general	841	5,384
Professional and consulting fees	8,441	5,092
Drilling	72	-
Field supplies	138	-
Field equipment	366	-
Travel	2,118	-
Meals	514	-
Hotels	624	-
Casual labour	723	-
Maps, copies and publications	475	-
Communications	322	-
Road and access	2,365	-
Software	153	-
Computer	610	-
Donations	36	-
	<u>\$ 18,377</u>	<u>\$ 10,476</u>

	Three months ended December 31, 2005	Three months ended December 31, 2004
La Estrella		
Acquisition costs	\$ 65,456	\$ 85,511
Assays and analyses	1,732	-
Office and general	827	-
Professional and consulting fees	22,559	4,500
Drilling	410	-
Field supplies	168	-
Field equipment	366	-
Travel	5,695	-
Meals	1,496	-
Hotels	2,000	-
Casual labour	4,183	-
Maps, copies and publications	1,212	-
General exploration	86	-
Communications	672	-
Road and access	1,419	-
Software	264	-
Computer	1,054	-
Donations	37	-
	<u>\$ 109,636</u>	<u>\$ 90,011</u>

Nayarit Gold Inc.

(A Development Stage Company)

Supplement I to the Consolidated Financial Statements (Prepared by Management)**For the Three Months Ended December 31, 2005****(Unaudited)****Mining interest activities (continued)**

	Three months ended December 31, 2005	Three months ended December 31, 2004
EI Magnifico		
Assays and analyses	\$ 8,273	\$ -
Office and general	1,185	-
Professional and consulting fees	29,403	3,893
Field supplies	279	-
Field equipment	366	-
Travel	6,304	-
Meals	1,249	-
Hotels	1,113	-
Casual labour	3,141	-
Maps, copies and publications	524	-
Communications	562	-
Road and access	5,540	-
Software	104	-
Computer	416	-
Donations	42	-
	<u>\$ 58,501</u>	<u>\$ 3,893</u>

	Three months ended December 31, 2005	Three months ended December 31, 2004
Bonanza I		
Acquisition costs	\$ 1,446	\$ -
Assays and analyses	2,913	-
Office and general	675	-
Professional and consulting fees	18,121	-
Field supplies	139	-
Travel	3,444	-
Meals	1,425	-
Hotels	2,271	-
Casual labour	3,682	-
Maps, copies and publications	371	-
Communications	464	-
Software	174	-
Computer	693	-
Donations	43	-
	<u>\$ 35,861</u>	<u>\$ -</u>

Nayarit Gold Inc.

(A Development Stage Company)

Supplement I to the Consolidated Financial Statements (Prepared by Management)**For the Three Months Ended December 31, 2005****(Unaudited)****Mining interest activities (continued)**

	Three months ended December 31, 2005	Three months ended December 31, 2004
Reese		
Acquisition costs	\$ 3,150	\$ -
Office and general	304	-
Field supplies	71	-
Travel	2,338	-
Meals	271	-
Hotels	166	-
Casual labour	3	-
Communications	52	-
Donations	68	-
	<u>\$ 6,423</u>	<u>\$ -</u>