

CANHORN CHEMICAL CORPORATION

**INTERIM FINANCIAL STATEMENTS
(Unaudited)**

MARCH 31, 2005

**(An audit firm has not reviewed or audited these
interim financial statements)**

CANHORN CHEMICAL CORPORATION

INTERIM BALANCE SHEET

(Unaudited)

MARCH 31, 2005

ASSETS

	March 31, <u>2005</u> (Unaudited)	December 31, <u>2004</u> (Audited)
CURRENT		
Cash	\$ 8,401	\$ 5,172
Prepaid expenses and sundry receivable	<u>9,657</u>	<u>3,496</u>
	18,058	8,668
INVESTMENTS IN SHARES OF OTHER COMPANIES	6	6
INVESTMENT IN RESOURCE PROPERTIES	<u>3</u>	<u>3</u>
	<u>\$ 18,067</u>	<u>\$ 8,677</u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 23,671	\$ 12,246
Loan payable to a shareholder (Note 3)	48,046	48,046
Due to related party (Note 3)	16,253	26,504
Advances on amalgamation costs (Note 2)	<u>103,001</u>	<u>54,865</u>
	<u>190,971</u>	<u>141,661</u>

CAPITAL DEFICIENCY

CAPITAL STOCK (Note 4)	11,039,932	11,039,932
DEFICIT	<u>(11,212,836)</u>	<u>(11,172,916)</u>
	<u>(172,904)</u>	<u>(132,984)</u>
	<u>\$ 18,067</u>	<u>\$ 8,677</u>

See accompanying notes to interim financial statements.

APPROVED ON BEHALF OF THE BOARD:

[signed] Director
Herman Becker-Fluegel

[signed] Director
Michael D. Coulter

CANHORN CHEMICAL CORPORATION
INTERIM STATEMENT OF LOSS AND DEFICIT
(Unaudited)
FOR THE THREE MONTH PERIOD ENDED MARCH 31

	<u>2005</u>	<u>2004</u>
REVENUE	\$ -	\$ -
EXPENSES		
Administration	<u>39,920</u>	<u>4,755</u>
NET LOSS FOR THE PERIOD	(39,920)	(4,755)
DEFICIT , beginning of period	<u>(11,172,916)</u>	<u>(11,087,150)</u>
DEFICIT , end of period	\$ <u>(11,212,836)</u>	\$ <u>(11,091,905)</u>
Loss per share (Note 4(d))	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

See accompanying notes to interim financial statements.

CANHORN CHEMICAL CORPORATION
INTERIM STATEMENT OF CASH FLOWS
(Unaudited)
FOR THE THREE MONTH PERIOD ENDED MARCH 31

	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES		
Net loss for the period	\$ (39,920)	\$ (4,755)
Change in non-cash components of working capital		
Prepaid expenses and sundry receivable	(6,161)	(2,785)
Accounts payable and accrued liabilities	<u>11,425</u>	<u>5,899</u>
	<u>5,264</u>	<u>3,114</u>
	<u>(34,656)</u>	<u>(1,641)</u>
FINANCING ACTIVITIES		
Increase (decrease) in advances on amalgamation costs	48,136	(13,281)
Increase (decrease) in due to related party	<u>(10,251)</u>	<u>10,710</u>
	<u>37,885</u>	<u>(2,571)</u>
CHANGE IN CASH	3,229	(4,212)
CASH, beginning of peirod	<u>5,172</u>	<u>4,838</u>
CASH, end of period	<u>\$ 8,401</u>	<u>\$ 626</u>

See accompanying notes to interim financial statements.

CANHORN CHEMICAL CORPORATION
NOTES TO INTERIM FINANCIAL STATEMENTS
(Unaudited)
MARCH 31, 2005

1. SIGNIFICANT ACCOUNTING POLICY

The interim financial statements of Canhorn Chemical Corporation (the "Company") follow the same accounting policies and methods of application as the annual financial statements. The interim financial statements do not contain all disclosures as required by Canadian generally accepted accounting principles and accordingly should be read in conjunction with the Company's annual audited financial statements.

2. ADVANCES ON AMALGAMATION COSTS

On April 12, 2004, the Company entered into a Letter of Interest ("LOI") with Nayarit Gold Inc. ("Nayarit") whereby the companies have agreed to amalgamate, subject to shareholder and regulatory approvals. Each common share of the Company and each common share of Nayarit will be exchanged for one common share of the amalgamated entity ("Amalco").

Nayarit is a private Ontario company with interests in three contiguous mineral exploration concessions located in the State of Nayarit, Mexico. Nayarit presently has issued 9,500,001 common shares and: i) 4 million warrants ("Series I warrants") exercisable at \$0.10 until March 31, 2006 to purchase one common share of Nayarit. ii) 1.5 million warrants ("Series II warrants") exercisable at \$0.25 until December 26, 2006 to purchase one common share of Nayarit.

Nayarit has negotiated additional private financing, which is expected to close prior to or in conjunction with the completion of the amalgamation, as follows: a private placement of 5,715,000 units at \$0.35 per unit for gross proceeds of \$2 million (the "Offering"), each unit consisting of one common share and one-half common share purchase warrant (a "Series III warrant"), each Series III warrant entitles the holder to acquire one common share for \$0.40 in the first year, or \$0.45 in the second year following closing.

At completion of the amalgamation, Amalco will have the following securities issued and outstanding: 24,694,067 common shares; 4,000,000 Series I warrants to purchase one common share exercisable at \$0.10 until March 31, 2006; 1,500,000 Series II warrants to purchase one common share exercisable at \$0.25 until December 26, 2006; and 2,857,500 Series III warrants to purchase one common share exercisable at \$0.40 in the first year, and \$0.45 in the second year following closing. The Company's existing shareholders will hold 38.4% and the Nayarit shareholders will hold 61.6% of Amalco. On a fully diluted basis, the Company's shareholders would hold approximately 28.7% of Amalco.

The LOI further provides that the costs of the amalgamation shall be borne by Nayarit and that Nayarit will reimburse Canhorn for any expenses incurred by it related to the amalgamation prior to closing. Canhorn is not obligated to reimburse Nayarit for the amount of any advances made to Canhorn whether or not the amalgamation is completed. As at March 31, 2005, Nayarit has made \$103,001 in advances on future amalgamation costs.

The proposed amalgamation with Nayarit is subject to a number of conditions, including shareholder and regulatory approval, completion of the Offering by Nayarit for a minimum of \$2 million, satisfactory completion of due diligence reviews and entering into a definitive amalgamation agreement.

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MARCH 31

3. RELATED PARTY TRANSACTIONS

- (a) Great Horn Inc. ("Great Horn") is related to the Company by virtue of common management and is a significant influence investor in the Company.

As at March 31, 2005, the Company had loans payable to Great Horn in the amount of \$48,046 (December 31, 2004 - \$48,046). The balance is non-interest bearing and due on demand.

- (b) As at March 31, 2005 the Company was indebted to a company owned by the Secretary and a director of the Company in the amount of approximately \$16,253 (December 31, 2004 - \$26,504). These balances represent amounts charged to the Company for administrative, accounting and secretarial services and rent provided during the period. These services were measured at the exchange amount, being the amount agreed to by both parties.

4. CAPITAL STOCK

- (a) **Authorized**

Unlimited number of common shares without par value.
 Unlimited number of preference shares, issuable in series.

- (b) **Issued**

Common shares

The Company's issued and outstanding common shares are as follows:

	Number of Common Shares	\$
Balance at December 31, 2004 and March 31, 2005	9,479,066	11,039,392

- (c) **Stock Option Plan**

The Company has an incentive stock option plan which governs the granting, to a maximum of 1,000,000 options to acquire common shares, and the exercise of options issued to directors, officers and employees of the Company. During the period there were no options outstanding under the stock option plan.

- (d) **Loss per Share**

Loss per share is calculated using the weighted average number of shares outstanding during the year which was 9,479,066 (2004 - 9,479,066).