

**NAYARIT GOLD INC.  
(A DEVELOPMENT STAGE ENTITY)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**DECEMBER 31, 2004**

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

**NAYARIT GOLD INC.**  
**(A DEVELOPMENT STAGE ENTITY)**

**INTERIM CONSOLIDATED BALANCE SHEET**  
**(Unaudited)**

**DECEMBER 31, 2004**

**ASSETS**

	<b>December 31, <u>2004</u></b> (Unaudited)	<b>September 30, <u>2004</u></b> (Audited)
<b>CURRENT</b>		
Cash	\$ 222,251	\$ 126,548
Sundry receivable	13,888	7,582
Advances on amalgamation costs (Note 2)	53,154	22,822
Deferred charges (Note 3)	<u>119,303</u>	<u>82,703</u>
	408,596	239,655
<b>EQUIPMENT</b>		
	1,715	1,854
<b>INVESTMENTS IN EXPLORATION PROPERTIES</b> (Note 4)	<u>355,542</u>	<u>259,791</u>
	<u>\$ 765,853</u>	<u>\$ 501,300</u>

**LIABILITIES**

<b>CURRENT</b>		
Accounts payable and accrued liabilities	<u>\$ 81,283</u>	<u>\$ 62,624</u>

**SHAREHOLDERS' EQUITY**

<b>CAPITAL STOCK</b> (Note 5)	765,001	480,001
<b>CONTRIBUTED SURPLUS - WARRANTS</b> (Note 5(c)(ii))	15,000	-
<b>DEFICIT</b>	<u>(95,431)</u>	<u>(41,325)</u>
	<u>684,570</u>	<u>438,676</u>
	<u>\$ 765,853</u>	<u>\$ 501,300</u>

See accompanying notes to consolidated financial statements.

**APPROVED ON BEHALF OF THE BOARD:**

\_\_\_\_\_ [signed] \_\_\_\_\_ Director  
Gerald Shefsky

**NAYARIT GOLD INC.**  
**(A DEVELOPMENT STAGE ENTITY)**

**INTERIM CONSOLIDATED STATEMENT OF LOSS AND DEFICIT**  
**(Unaudited)**

**FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2004**

	<u>2004</u> (Unaudited)	From the Date of Incorporation November 27, 2003 to September 30, <u>2004</u> (Audited)
<b>REVENUE</b>	\$ -	\$ -
<b>EXPENSES</b>		
Operating expenses	<u>54,106</u>	<u>41,325</u>
<b>NET LOSS FOR THE PERIOD</b>	(54,106)	(41,325)
<b>DEFICIT</b> , beginning of period	<u>(41,325)</u>	<u>-</u>
<b>DEFICIT</b> , end of period	<u>\$ (95,431)</u>	<u>\$ (41,325)</u>

See accompanying notes to consolidated financial statements.

**NAYARIT GOLD INC.**  
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**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(Unaudited)**

**FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2004**

	<b><u>2004</u></b> (Unaudited)	<b>From the Date of Incorporation November 27, 2003 to September 30, <u>2004</u></b> (Audited)
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (54,106)	\$ (41,325)
Amortization	<u>139</u>	<u>268</u>
	<u>(53,967)</u>	<u>(41,057)</u>
 Change in non-cash components of working capital		
Sundry receivable	(6,306)	(7,582)
Accounts payable and accrued liabilities	<u>18,659</u>	<u>62,624</u>
	<u>12,353</u>	<u>55,042</u>
	<u>(41,614)</u>	<u>13,985</u>
 <b>INVESTING ACTIVITIES</b>		
Increase in advances on amalgamation costs	(30,332)	(22,822)
Increase in deferred charges	(36,600)	(82,703)
Purchase of equipment	-	(2,122)
Increase in investments in exploration properties	<u>(95,751)</u>	<u>(259,791)</u>
	<u>(162,683)</u>	<u>(367,438)</u>
 <b>FINANCING ACTIVITY</b>		
Issued capital stock	<u>300,000</u>	<u>480,001</u>
 <b>CHANGE IN CASH</b>		
	95,703	126,548
<b>CASH, beginning of peirod</b>	<u>126,548</u>	<u>-</u>
<b>CASH, end of period</b>	<u>\$ 222,251</u>	<u>\$ 126,548</u>

See accompanying notes to consolidated financial statements.

**NAYARIT GOLD INC.**  
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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**DECEMBER 31, 2004**

**1. SIGNIFICANT ACCOUNTING POLICY**

The interim consolidated financial statements of Nayarit Gold Inc. (the "Company") follow the same accounting policies and methods of application as the annual consolidated financial statements. The interim consolidated 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 consolidated financial statements.

**2. ADVANCES ON AMALGAMATION COSTS**

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

Canhorn is an inactive reporting issuer in Ontario with net liabilities of approximately \$133,000. Canhorn presently has issued and outstanding 9,479,066 common shares. Pursuant to the terms of the LOI, prior to the completion of the amalgamation, the Company will complete a private financing of at least \$2 million (the "Offering").

The Company 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 61.6% and the Canhorn shareholders will hold 38.4% of Amalco. On a fully diluted basis, the Company's shareholders would hold approximately 71.3% of Amalco.

The LOI further provides that the costs of the amalgamation shall be borne by the Company and that the Company will reimburse Canhorn for any expenses incurred by it related to the amalgamation prior to closing. Canhorn is not obligated to reimburse the Company for the amount of any advances made to Canhorn whether or not the amalgamation is completed. As at December 31, 2004, the Company has made \$53,154 in advances on future amalgamation costs.

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

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**DECEMBER 31, 2004**

**3. DEFERRED CHARGES**

Deferred charges represent expenditures incurred in connection with a proposed amalgamation with Canhorn. The total estimated cost of the proposed amalgamation is approximately \$283,000.

**4. INVESTMENTS IN EXPLORATION PROPERTIES**

	<u>Orion</u>	<u>La Estrella</u>	<u>El Magnifico</u>	<u>Total</u>
<u>Acquisition Costs</u>				
Balance, September 30, 2004	\$ 1	\$ 64,947	\$ 21,294	\$ 86,242
Additions	<u>-</u>	<u>85,511</u>	<u>-</u>	<u>85,511</u>
Balance, December 31, 2004	<u>1</u>	<u>150,458</u>	<u>21,294</u>	<u>171,753</u>
<u>Deferred Exploration Costs</u>				
Balance, September 30, 2004	56,784	49,459	67,306	173,549
Additions	<u>10,476</u>	<u>4,500</u>	<u>3,893</u>	<u>18,869</u>
	<u>67,260</u>	<u>53,959</u>	<u>71,199</u>	<u>192,418</u>
	<u>\$ 67,261</u>	<u>\$ 204,417</u>	<u>\$ 92,493</u>	364,171
Less: Value added tax recoverable				<u>(8,629)</u>
Balance, December 31, 2004				<u>\$ 355,542</u>

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**5. CAPITAL STOCK**

**(a) Authorized**

Unlimited number of common shares without par value.

**(b) Issued**

Common shares

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

	<u>Number of Shares</u>	<u>Amount \$</u>
Balance, September 30, 2004	8,000,001	480,001
Issued for cash, private placement	1,500,000	300,000
Fair value of warrants issued on private placement	<u>-</u>	<u>(15,000)</u>
	<u>9,500,001</u>	<u>765,001</u>

**(c) Warrants**

- (i) The Company issued 4,000,000 Series I warrants as part of a private placement financing which closed on March 31, 2004. Each Series I warrant is exercisable to purchase one common share of the Company for \$0.10 until March 31, 2006. Warrants have nominal fair value. See Note 2 - Advances on Amalgamation Costs.
- (ii) The Company issued 1,500,000 Series II warrants as part of a private placement financing which closed on December 26, 2004. Each Series II warrants is exercisable to purchase one common share of the Company for \$0.25 until December 26, 2006. Warrants were assigned fair value of \$15,000. See Note 2 - Advances on Amalgamation Costs.