

NAYARIT GOLD INC.
(A DEVELOPMENT STAGE ENTITY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Prepared by Management)

JUNE 30, 2005

UNAUDITED FINANCIAL STATEMENTS: In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the period ended June 30, 2005.

NAYARIT GOLD INC.
(A DEVELOPMENT STAGE ENTITY)

INTERIM CONSOLIDATED BALANCE SHEET
(Unaudited - Prepared by Management)

	June 30,	September 30,
	<u>2005</u>	<u>2004</u>
ASSETS		
CURRENT		
Cash	\$ 1,488,749	\$ 126,548
Sundry receivable	8,638	7,582
Advances on amalgamation costs	-	22,822
Prepaid expenses	96,313	-
Deferred charges	-	<u>82,703</u>
	<u>1,593,700</u>	<u>239,655</u>
EQUIPMENT (Note 4)	1,438	1,854
INVESTMENTS IN EXPLORATION PROPERTIES (Note 5)	<u>677,242</u>	<u>259,791</u>
	<u>\$ 2,272,380</u>	<u>\$ 501,300</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	<u>\$ 169,596</u>	<u>\$ 62,624</u>
COMMITMENTS (Note 5)		
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 6)		
Common shares	2,960,400	480,001
Contributed Surplus	<u>138,600</u>	<u>-</u>
	3,099,000	480,001
DEFICIT	<u>(996,216)</u>	<u>(41,325)</u>
	<u>2,102,784</u>	<u>438,676</u>
	<u>\$ 2,272,380</u>	<u>\$ 501,300</u>

See accompanying notes to interim consolidated financial statements.

APPROVED ON BEHALF OF THE BOARD:

 [signed] Director
 Gerald Shefsky

 [signed] Director
 Robert D. Reese

NAYARIT GOLD INC.
(A DEVELOPMENT STAGE ENTITY)

INTERIM CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
(Unaudited - Prepared by Management)

	Three Months Ended		Nine	From the
	June 30,		Months	Date of
	2005	2004	Ended	Incorporation
			June 30,	November 27,
			2005	2003 to
				June 30,
				2004
REVENUE	\$ -	\$ -	\$ -	\$ -
EXPENSES				
Operating expenses (recovery)	320,634	(437)	462,335	7,304
Transaction cost of an RTO	254,780	-	254,780	-
Stock-based compensation	69,000	-	69,000	-
	<u>644,414</u>	<u>(437)</u>	<u>786,115</u>	<u>7,304</u>
NET INCOME (LOSS) FOR THE PERIOD	(644,414)	437	(786,115)	(7,304)
DEFICIT , beginning of period	<u>(183,026)</u>	<u>(7,741)</u>	<u>(41,325)</u>	<u>-</u>
	(827,440)	(7,304)	(827,440)	(7,304)
Fair value of net liabilities acquired on an RTO (Note 3)	<u>(168,776)</u>	<u>-</u>	<u>(168,776)</u>	<u>-</u>
DEFICIT , end of period	<u>\$ (996,216)</u>	<u>\$ (7,304)</u>	<u>\$ (996,216)</u>	<u>\$ (7,304)</u>
Loss per share (basic and fully-diluted)	<u>\$ (0.03)</u>	<u>\$ -</u>	<u>\$ (0.06)</u>	<u>\$ -</u>
Average number of shares	<u>20,305,094</u>	<u>8,000,001</u>	<u>12,535,032</u>	<u>3,428,572</u>

See accompanying notes to interim consolidated financial statements.

NAYARIT GOLD INC.
(A DEVELOPMENT STAGE ENTITY)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited - Prepared by Management)

	Three Months Ended		Nine	From the
	June 30,		Months	Date of
	2005	2004	Ended	Incorporation
			June 30,	November 27,
			2005	2003 to
				June 30,
				2004
OPERATING ACTIVITIES				
Net income (loss) for the period	\$ (644,414)	\$ 437	\$ (786,115)	\$ (7,304)
Amortization	138	-	416	-
Stock-based compensation	<u>69,000</u>	<u>-</u>	<u>69,000</u>	<u>-</u>
	<u>(575,276)</u>	<u>437</u>	<u>(716,699)</u>	<u>(7,304)</u>
Change in non-cash components of working capital				
Sundry receivable and prepaid expenses	(69,475)	1,493	(88,277)	(63)
Accounts payable and accrued liabilities	<u>(171,030)</u>	<u>(30,156)</u>	<u>(79,298)</u>	<u>43,693</u>
	<u>(240,505)</u>	<u>(28,663)</u>	<u>(167,575)</u>	<u>43,630</u>
	<u>(815,781)</u>	<u>(28,226)</u>	<u>(884,274)</u>	<u>36,326</u>
INVESTING ACTIVITIES				
Change in advances on amalgamation costs	103,001	-	22,822	-
Change in deferred charges	153,006	(15,000)	82,703	(40,000)
Increase in investments in exploration properties	(288,738)	(54,147)	(417,451)	-
Cash acquired on RTO	<u>8,402</u>	<u>-</u>	<u>8,402</u>	<u>(247,960)</u>
	<u>(24,329)</u>	<u>(69,147)</u>	<u>(303,524)</u>	<u>(287,960)</u>
FINANCING ACTIVITY				
Issuance of common shares	<u>2,249,999</u>	<u>-</u>	<u>2,549,999</u>	<u>480,001</u>
CHANGE IN CASH	1,409,889	(97,373)	1,362,201	228,367
CASH, beginning of period	<u>78,860</u>	<u>325,740</u>	<u>126,548</u>	<u>-</u>
CASH, end of period	<u>\$ 1,488,749</u>	<u>\$ 228,367</u>	<u>\$ 1,488,749</u>	<u>\$ 228,367</u>

See accompanying notes to interim consolidated financial statements.

NAYARIT GOLD INC.
(A DEVELOPMENT STAGE ENTITY)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Prepared by Management)

JUNE 30, 2005

1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements of Nayarit Gold Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles. Accordingly, these financial statements do not include all the disclosures required by Canadian generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included, and all such adjustments are of a normal, recurring nature. Operating results for the nine-month period ended June 30, 2005 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2005. Except as follows, the accounting policies followed by the Company are the same as those disclosed in the Company's consolidated financial statements, and notes thereto, for the year ended September 30, 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Earnings per Share

Basic earnings per share are computed by dividing the earnings available for common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed using the treasury stock method whereby the weighted average number of common shares used in the basic earnings per share calculation is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued at the beginning of the period.

(b) Asset Retirement Obligation

The Company has adopted the Canadian accounting standard for asset retirement obligations. In accordance with the new standards, the Company records the fair value of an asset retirement obligation ("ARO") as a liability in the period in which it is incurred. The associated asset retirement costs are capitalized as part of the carrying amount of the related asset. Subsequent to initial measurement of the obligations, the obligations are adjusted at the end of each reporting period to reflect the passage of time and changes in estimated future cash flows underlying the obligation. Actual costs incurred on settlement of the ARO are charged against the ARO.

(c) Income Taxes

Income taxes are calculated using the liability method of tax accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying value amount on the balance sheet are used to calculate future income tax assets and liabilities. Future income tax assets and liabilities are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

NAYARIT GOLD INC.
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Stock-based Compensation

The Company grants options to purchase common shares to employees and directors under its stock option plan. The Company has adopted the new Canadian accounting standard relating to stock-based compensation and other stock-based payments as it applies to stock-based compensation granted to employees, officers and directors. Under this standard, future awards are accounted for using the fair value of accounting for stock-based compensation. Under the fair value method, an estimate of the value of the option is determined at the time of grant using a Black-Scholes option-pricing model. The fair value of the option is recognized as an expense and contributed surplus over the vesting period of the option. Proceeds received on exercise of stock options, along with amounts previously included in contributed surplus, are credited to share capital.

(e) Financial Instruments

The Company's financial instruments consist of cash, sundry receivable, prepaid expenses, and accounts payable and accrued liabilities. The fair values of these instruments approximate their carrying value due to their short-term maturities.

The Company's financial instrument exposed to credit risk is cash. The Company places its cash with institutions of high credit worthiness.

3. REVERSE TAKE-OVER TRANSACTION

On May 2, 2005, the Company amalgamated with Canhorn Chemical Corporation ("Canhorn"). Each common share of the Company was exchanged for one common share of the amalgamated company.

As a result of the amalgamation, the Company's former shareholders own approximately 62% of the amalgamated company. On a fully diluted basis, the Company's former shareholders own approximately 73% of the amalgamated company.

In accordance with CICA EIC-10, the substance of the transaction was a capital transaction and was accounted for as a reverse take-over ("RTO"), since Nayarit Gold Inc. is identified as the acquirer. The comparative figures that are presented in the interim consolidated financial statements after the RTO are those of the legal subsidiary Nayarit Gold Inc. In accordance with reserve take-over accounting, the consolidated balance sheet is a continuation of Nayarit Gold Inc.

NAYARIT GOLD INC.
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3. REVERSE TAKE-OVER TRANSACTION (Continued)

Based on the balance sheet of Canhorn at the time of the transaction, the net asset deficiency at estimated fair market value was combined with Nayarit Gold Inc., as follows:

Cash	\$ 8,402
Receivables	<u>9,092</u>
	17,494
Liabilities assumed	<u>186,270</u>
Net liabilities assumed	<u>\$ 168,776</u>

4. EQUIPMENT

	<u>June 30,</u> <u>2005</u>			<u>December 31,</u> <u>2004</u>
	<u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net</u>	<u>Net</u>
Computers	\$ <u>2,122</u>	\$ <u>684</u>	\$ <u>1,438</u>	\$ <u>1,854</u>

5. 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>
	<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>86,955</u>	<u>244,970</u>	<u>8,644</u>	<u>340,569</u>
	<u>143,739</u>	<u>294,429</u>	<u>75,950</u>	<u>514,118</u>
	<u>\$ 143,740</u>	<u>\$ 444,887</u>	<u>\$ 97,244</u>	685,871
Less: Mexican value added tax recoverable				<u>(8,629)</u>
Balance, June 30, 2005				<u>\$ 677,242</u>

The Orion concession is subject to a 3.5% net smelter royalty which may be purchased at any time for \$250,000 and a 10% net profits interest. The La Estrella concession may be acquired for aggregate payments of U.S. \$1,450,000 over six years with an initial payment of U.S. \$25,000 (already paid) and payments on each anniversary date (year one - U.S. \$50,000 (already paid); year two - U.S. \$75,000; year three - U.S. \$100,000; year four - U.S. \$100,000; year five - U.S. \$100,000; year six - U.S. \$1,000,000). The El Magnifico concession is not subject to any royalty or other agreements.

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6. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares.

(b) Issued Common Shares

	<u>Number of Shares</u>	<u>Amount \$</u>
i) Issued common shares of Nayarit Gold Inc., pre-RTO		
Issued for cash upon incorporation	1	1
Issued for cash, private placement	<u>8,000,000</u>	<u>480,000</u>
Balance, September 30, 2004	8,000,001	480,001
Issued for cash, private placement	7,928,566	2,549,999
Fair value of warrants issued on private placement	<u>-</u>	<u>(69,600)</u>
Balance, May 2, 2005	<u>15,928,567</u>	<u>2,960,400</u>
ii) Issued common shares of Canhorn, pre-RTO		
Balance, September 30, 2003, 2004 and May 2, 2005	<u>9,479,074</u>	<u>-</u>
iii) Issued common shares		
Common shares issued on amalgamation	<u>25,407,641</u>	<u>2,960,400</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.
- (ii) The Company issued 1,500,000 Series II warrants as part of a private placement financing which closed on March 9, 2005. Each Series II warrant 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.
- (iii) The Company issued 3,214,291 Series III warrants as part of a private placement financing which closed on May 2, 2005. Each Series III warrant entitles the holder to acquire one common share for \$0.40 until April 30, 2006, and thereafter for \$0.45 until April 30, 2007. Warrants were assigned fair value of \$32,100.

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6. CAPITAL STOCK (Continued)

(c) Warrants (Continued)

- (iv) In connection with the May 2, 2005 financing, the Company issued additional warrants as follows:
- (a) 35,000 sponsor warrants, each warrant entitles the holder to acquire one common share for \$0.50 until April 30, 2007. Warrants were assigned fair value of \$300.
 - (b) 642,857 compensation warrants, each warrant entitles the holder to purchase a unit, consisting of one common share and one half Series III warrant for \$0.35 until April 30, 2007. Compensation warrants were assigned a fair value of \$14,800 with underlying 321,428 Series III warrants being assigned a value of \$7,400.

In total, the Company reserved 9,713,576 common shares for exercise of warrants.

(d) Options

On May 18, 2005, the Company granted 4,000,000 options to directors, officers and employees and 400,000 incentive stock options as part of a contract with a media-relations specialist exercisable at \$0.35 per share until May 18, 2010. The options vest as to 16.67% every three months for a period of 18 months. The Company recorded compensation expense of \$69,000 using the fair value method.

The fair value is determined using the Black-Scholes option pricing method with the following assumptions.

Expected life	5 years
Price volatility	20%
Dividend yield	0
Risk-free interest rate	2.25

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6. CAPITAL STOCK (Continued)

(d) Options (Continued)

Details of changes in stock options are as follows:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding - September 30, 2004	-	-
Granted	<u>4,400,000</u>	<u>0.35</u>
Outstanding - June 30, 2005	<u>4,400,000</u>	<u>0.35</u>

<u>Number of Options Outstanding</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Contractual Life</u>	<u>Number of Options Exercisable</u>
<u>4,400,000</u>	<u>0.35</u>	<u>5 years</u>	<u>-</u>

The weighted average value of options granted during the period is \$0.08.

(e) Contributed Surplus

Balance, September 30, 2003 and 2004	\$ -
Warrants issued	69,600
Stock options granted	<u>69,000</u>
Balance, June 30, 2005	<u>\$ 138,600</u>

7. RELATED PARTY TRANSACTIONS

On amalgamation with Canhorn (see Note 3) the amalgamated company paid Canhorn's loans payable to Great Horn Inc. ("Great Horn") in the amount of \$48,046. Great Horn is related to the Company by virtue of common management.

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JUNE 30, 2005

8. INCOME TAXES

(a) Provision for Income Taxes

The reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery, using a statutory tax rate of 36% is as follows:

	Three Months Ended		Nine Months	From the
	June 30,		Ended	Date of
	2005	2004	June 30,	Incorporation
			2005	November 27,
				2003 to
				June 30,
				2004
Loss (income) before provision for income tax	\$ <u>644,414</u>	\$ <u>(437)</u>	\$ <u>786,115</u>	\$ <u>7,304</u>
Income tax recoverable at statutory rate	\$ 231,989	\$ (157)	\$ 283,001	\$ 2,629
Increase (decrease) resulting from:				
Stock-based compensation	(24,840)	-	(24,840)	-
Non-taxable or non-deductible items	(91,720)	157	(91,720)	-
Valuation allowance	<u>(115,429)</u>	<u>-</u>	<u>(166,441)</u>	<u>(2,629)</u>
Recovery of income taxes	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

(b) Future Income Tax Assets

The Company has provided a full valuation allowance against future tax assets as at June 30, 2005 due to uncertainties in the Company's ability to utilize these future tax benefits.

(c) Tax Loss Carry-forwards

The Company has approximately \$503,000 of non-capital losses carried forward to reduce future taxable income which expire in 2015.

9. BASIC AND FULLY DILUTED LOSS PER SHARE

The 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. Fully diluted loss per share, which reflects the maximum possible dilution from the potential exercise of outstanding stock options and warrants is the same as basic loss per share. For all the periods presented, the conversion of warrants and stock options was not included in the calculation because the calculation would be anti-dilutive.