



NAYARIT GOLD INC.

We Initiate Coverage on Nayarit Gold Inc. with a **SPECULATIVE BUY** rating.

Nayarit Gold has been actively exploring its Orion District, reporting some very encouraging Phase One drill results. Nayarit's new management is actively taking the company forward.



Source: www.BigCharts.com

INITIAL REPORT
December 11, 2007

ANALYST: Kipley J. Lytel, CFA

NYG: TSX-V

INDUSTRY: MINING

RATING: SPECULATIVE BUY

NYG FACTS

Recent Price
\$0.39

Shares O/S
45 mil.

Shares O/S FD
50 mil.

52 Week Range
\$0.38-\$1.21

Year End
September 30

KEY STATISTICS (\$ CDN)

Target Price	NA	Cash and Cash Equivalents	\$2,143,749
Recent Price	0.39	Operating Cash Flows*	(\$292,651)
Average Daily Volume	52,500 (50-day)	Net working Capital	\$2,574,333
Market Capitalization	\$16.9 million	Shareholder's Equity	\$7,361,007
P/E Multiple	n/m	Gross Margin	n/a
P/R Multiple	n/m	Operating Margin	n/a
P/B Multiple	2.6	Net Margin	n/a
PEG Ratio	n/m	Cash Burn Rate	\$361,212 per month

*Excludes exploration expenditures which are capitalized and thus are reflected in Cash Flows from Investing Activities



INVESTMENT HIGHLIGHTS

Investment Merits

Promising Phase One drill program results

Nayarit has published very encouraging drill results from its Phase One drill program at Minas de Animas structure on its Orion Gold District. Several holes intersected high grade gold and silver mineralization, including 29.19 g/t gold equivalent over 5.42m, 10.03 g/t gold equivalent over 6.32m, 9.99 g/t gold equivalent over 9.2m, 4.45 g/t gold equivalent over 4.2m, and 3.28 g/t gold equivalent over 16.48m:

Drill Hole #	True Width (m)	Gold (g/t)	Silver (g/t)	Gold Equiv. (g/t)	Silver Equiv. (g/t)
OR-07-30	16.48	1.30	99.07	3.28	164.00
OR-07-30 Zone A	1.60	2.51	48.50	3.48	174.00
OR-07-30 Zone B	10.70	3.57	287.60	9.32	466.10
OR-07-30 Zone C	1.90	6.14	335.00	12.84	642.00
OR-07-30 Zone D	3.20	1.17	158.40	4.34	216.90
OR-07-31	6.32	3.03	350.16	10.03	501.66
OR-07-32	5.42	9.59	980.15	29.19	1459.65
OR-07-34	4.20	1.67	138.90	4.45	222.40
OR-07-36	9.20	7.97	100.90	9.99	499.40

Source: SEDAR filings.

Nayarit believes that the Orion Gold District has the potential to develop into a profitable underground gold mine. In general, we believe that gold grades at the 9-10 grams or more per tonne across mineralized sections averaging 3-4 meters or more in width, offer very good potential. Of significance as well was the reported hole OR-07-32, which returned values of 1.68 g/t Au and 171.20 g/t Ag over 61.50 metres.

New experienced management team

In June 2007, Nayarit appointed Mr. Colin P. Sutherland as the new President and CEO. Mr. Sutherland had served as Chief Financial Officer of Gammon Lake Resources Inc. (TSX: "GAM"; AMEX: "GRS"), and Mexgold Resources Inc. (TSXV: "MGR"). During his three years at Gammon Lake Resources Inc., Mr. Sutherland was an instrumental part of the management team which placed the Ocampo Mine (gold and silver - Chihuahua State, México) into production, and completed the successful merger with Mexgold Resources Inc. During his tenure there, Gammon Lake's market capitalization grew from \$300 million to over \$2 billion.

At the same time, Nayarit appointed a new director – Mr. R. Glen MacMullin. Later, in July 2007, Mr. Donald F. Flemming joined the Board of Directors, previously a Director of Mexgold Resources Inc. During Mr. Flemming's tenure with Mexgold Resources Inc. the company's market capitalization grew from \$150 million to in excess of \$400 million, and Mexgold was successfully sold to Gammon Gold Inc. (TSX:GAM, AMEX:GRS) in August, 2006.



CCM RESEARCH

TRUE INVESTMENT INTELLIGENCE

The new management team has already proven that they mean business, with initiating the Phase One drill program and reporting positive results.

In addition, Nayarit's Board of Directors includes Senator J. Trevor Eyton, who in 2002 was awarded Mexico's *Agua Azteca* - the highest award given to foreigners by the government of Mexico. Senator Eyton is the co-founder and co-chairman of the *Canada/Mexico Retreat*, a volunteer organization formed in 1990 involving senior business and government people for the purpose of promoting two-way trade and investment. Having a high-ranking person on the Board may prove helpful when negotiating with the Mexican government or local authorities in Nayarit.

Large area available for exploration

Nayarit's concessions span over 100,000 hectares and the company has identified six priority targets. As Nayarit progresses with its exploration program, it will keep looking for new targets and the large area may provide many new promising locations. The Orion Project is located at the edge of the prolific Sierra Madre Occidental geologic region, where many successful gold mines have been put into production.



Active exploration program

With the arrival of new management, Nayarit has intensified its exploration activities. Management points out that the company went "from no drill samples to drilling five targets other than Orion District". The Company previously drilled 29 holes on the La Estrella and Lazaro Cardenas areas. In the summer, the Company re-prioritized the drilling program and started drilling on the six main targets as part of its Phase One program. The Phase One drill program started in July and already reported some very encouraging results. Phase Two diamond drill program is expected to begin in early 2008, aimed at delineating targets identified in Phase One and extend and to better define the district potential, while also to reach a resource calculation in 2008.

Commodity prices have risen in recent years

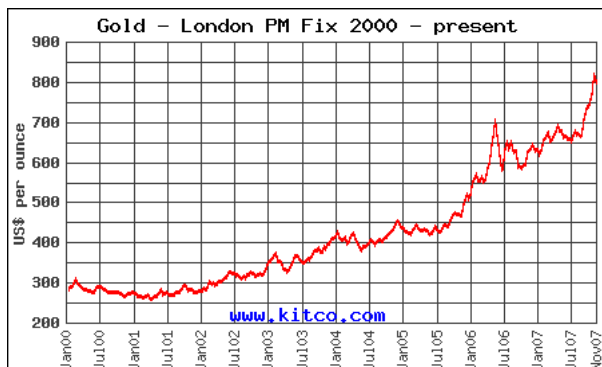
Prices of gold and silver have risen in recent years. Analysts' opinions differ regarding future prospect of these commodities, but the prices are not likely to experience significant declines.



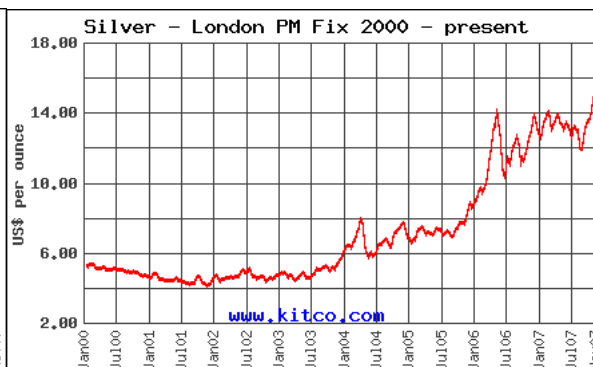
CCM RESEARCH

TRUE INVESTMENT INTELLIGENCE

Gold



Silver



Source: www.kitco.com

May be able to produce gold at a cost of approximately US\$350 per ounce

With the current gold price around US\$800 per ounce, the cost of US\$350 looks very good, leaving enough headroom for price fluctuations. However, because Nayarit is in early exploration stage, the cost estimate may prove irrelevant and real costs may be significantly different when/if the company begins commercial production.

Risks

Nayarit has no revenues and has accumulated large deficit

Because Nayarit is in development stage and is only exploring its properties to identify minable resources, it has not realized any revenues from mining to date. Thus, the company has been reporting losses and as of June 30, 2007, had accumulated \$6.7 million in deficit. Moreover, Nayarit is not expected to generate any revenues in the immediate future and thus will continue reporting losses.

Nayarit will need to raise funds to continue its exploration activities and begin commercial production

As of June 30, 2007, Nayarit had \$2.1 million in cash and equivalents on its balance sheet. At the same time, its average monthly cash burn rate in Q3-FY07 (as measured by operating and investing cash outflows) was \$361 thousand. At this rate, the company should run out of its cash already by the end of 2007. Moreover, Nayarit estimates that it will take around \$3-4 million to get just the resource estimate. Thus, the company will need to raise funds and there is no certainty that the company will be able to do so or that it will be able to obtain financing on favorable terms.

Nayarit has no proven or probable reserves

Nayarit is in early stage of exploring its properties and thus it has no proven or probable reserves or any other estimates of the quantity of minable ore. Thus, there is no assurance that the company will be able to identify economical volumes of minable ore or that it will be able to extract the minerals at a profit.



Commodity prices tend to be volatile

Commodity prices have historically exhibited volatility. Thus, there is no assurance that the upward trend will continue. Moreover, while the long-term trend may be in the upward direction, short-term fluctuations may still hurt a mining company.

Likelihood for Dilution

As the company will need to raise cash, it is likely to go about it by issuing shares, warrants and options. As of June 30, 2007, there were 43.1 million shares outstanding, plus 5.7 million options and 1.4 million warrants. The options and warrants can increase the number of shares outstanding by as much as 17%, if exercised. However, most options and warrants are currently out of the money: warrants' exercise price is \$1.00, and 2.6 million options are exercisable at \$0.35 and \$0.38, with the rest having exercised prices of \$0.85 and higher. Nonetheless, options and warrants that Nayarit may issue in the future may be in the money and thus dilutive.

Exchange rate volatility

Nayarit's properties are located in Mexico, while its reporting currency is the Canadian dollar. Moreover, commodity prices are set in US dollars, which has exhibited a strong downward trend recently and is expected to remain weak in the near future. While commodity prices adjust for the weak US dollar, this adjustment may not be exact, thus affecting the company's profitability in its domestic currency.

COMPANY OVERVIEW

Nayarit Gold Inc. is a Canadian junior gold and silver exploration company, initially formed as a private company in November of 2003 and gone public in May 2005. Nayarit controls over 100,000 hectares of mining concessions in the State of Nayarit, Mexico.

BUSINESS STRATEGY

Nayarit Gold's goal is to develop its properties into gold & silver producing mines and to attain profitability.



According to Nayarit, "Management's strategy is to build Nayarit Gold Inc. into a profitable resource company and maximize shareholder value through exploration of its high quality mining properties in the State of Nayarit, Mexico." The short-term objective is to move toward a resource calculation.



NAYARIT GOLD'S PROPERTIES

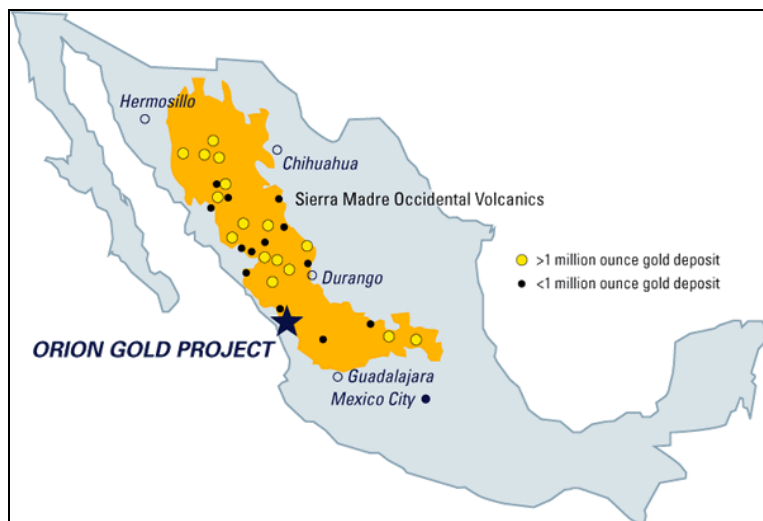
Currently all Nayarit's properties are located in the state of Nayarit in Mexico. The property encompasses eight concessions: seven in the Orion district with a total surface of over 100,000 hectares.

Orion Gold Project

The Orion Gold Project consists of seven mineral concessions, covering a total area of over 100,000 hectares centered approximately 100 km north-northwest of the city of Tepic, the capital of Nayarit State. Nayarit Gold's exploration work on the Orion Gold Project, including diamond drilling of several gold-mineralized zones as well as surface and underground mapping and sampling throughout much of area, commenced in the quarter ended June 30, 2005 and has been underway more or less continuously since that time.



Nayarit Gold's Orion Gold Project is situated on the western edge of the Sierra Madre Occidental metallogenic province, a large Tertiary-aged volcanic terrain which extends southeast from the U.S./Mexico border for 1300 kilometers with a width of 200 to 300 kilometers. The Sierra Madre Occidental metallogenic province is one of the world's largest¹ epithermal precious metal terrains and hosts most of Mexico's gold and silver deposits:



Source: Nayarit Gold.

¹ Source: Nayarit Gold.



CCM RESEARCH

TRUE INVESTMENT INTELLIGENCE

The seven concessions on the project are Orion, La Estrella, El Magnifico, Bonanza I, Reese, Gross, and El Dorado:

Concession	Area (ha)	Nayarit Gold Ownership	Status
Orion	528	100%*	Titled
La Estrella	146	Option to acquire 100%**	Titled
El Magnifico	7,650	100%	Titled
Bonanza I	200	100%	Titled
Reese	3,104	100%	Titled
Gross	67,165	100%	Titled
El Dorado	23,002	100%	Titled
<i>Total</i>	<i>101,795</i>		

* Future production from the Orion concession is subject to a 3.5% net smelter return royalty, which may be purchased at any time by paying USD250,000 and granting a 10% net profits interest.

** The La Estrella option agreement provides that the concession may be acquired for aggregate payments of USD1,450,000 over six years, with an initial payment of USD25,000 and annual payments on each anniversary of 28 November 2003 (year one – USD50,000; year two – USD75,000; year three – USD100,000; year four – USD100,000; year five – USD100,000; year six – USD1,000,000). The La Estrella option payments up to and including that for year three, due by 28 November 2006, have all been paid.

Source: SEDAR filings

Based on the work to date, the Orion Gold District has the potential to develop into a profitable underground gold mine. Oxidized heap-leachable material is limited to the upper 10-30 meters. The main target is the thick panel of high-grade sulphide ore.

The most intensely explored structural zone in Nayarit's Orion Gold Project is the Orion Main Zone (OMZ), which lies mostly within the La Estrella concession, close to the boundary with the Orion concession.

Recent Exploration Activities

Work during the last reported quarter (Q3-FY07, ended on June 30, 2007) consisted of preparation of access roads and drill pads, in addition to infill sampling and mapping of several areas to help in planning and prioritizing future work, particularly on the Bonanza, Animas, Lázaro Cárdenas and El Carmen areas. A minimum 7,000 meter diamond drilling program was designed to carry out first phase drill testing of the vein systems known in these areas from the ongoing mapping and sampling work. A contractor was engaged to carry it out, to begin in the fourth quarter. An independently prepared 43-101 Technical Report describing the Orion – La Estrella zone of the Orion Gold Project was filed at www.sedar.com during the quarter, updating the work results there to the end of the first diamond drilling program. An updated 43-101 Technical Report is in preparation that will include the results of the second OMZ drill program. This update is expected to be published in early 2008.





CCM RESEARCH

TRUE INVESTMENT INTELLIGENCE

Phase one diamond drill results from Minas de Animas were published by the company in late November 2007. Minas de Animas represents one of six high priority targets identified by the company. The "Minas de Animas" structure is more than 2.0 km south east of OMZ, and 2.3 km south of the Bonanza 1 workings and has been traced over a strike length of more than 850m on surface. Nayarit drilled seven holes on the structure, with follow-up holes planned for its Phase Two program commencing in 2008. The summary of five holes is shown in the table below (holes OR-07-33 and OR-07-35 did not yield significant results):

Drill Hole #	True Width (m)	Gold (g/t)	Silver (g/t)	Gold Equiv. (g/t)	Silver Equiv. (g/t)
OR-07-30	16.48	1.30	99.07	3.28	164.00
OR-07-30 Zone A	1.60	2.51	48.50	3.48	174.00
OR-07-30 Zone B	10.70	3.57	287.60	9.32	466.10
OR-07-30 Zone C	1.90	6.14	335.00	12.84	642.00
OR-07-30 Zone D	3.20	1.17	158.40	4.34	216.90
OR-07-31	6.32	3.03	350.16	10.03	501.66
OR-07-32	5.42	9.59	980.15	29.19	1459.65
OR-07-34	4.20	1.67	138.90	4.45	222.40
OR-07-36	9.20	7.97	100.90	9.99	499.40

Source: SEDAR filings

Nayarit President & CEO, Mr. Colin Sutherland commented: "These are extremely significant results and it continues to add confidence to the Minas de Animas structures. This zone has now been intercepted by several drill holes and we are very confident that we will prove up a mineable target for the area. Further, our drilling efforts continue to show that mineralization is still open to the west and east and down dip, and we expect a Phase Two program will extend and give better definition to the zone. Drilling results continue to confirm our belief that the Orion District can grow significantly and provide the opportunity to increase the size and scope of the project." (Please visit www.nayaritgold.com/PDFs/press_2007112) Nayarit is awaiting assay results from other exploration targets identified from its Phase One drill program on the Orion District. Drilling continues on other high priority targets and the company plans to complete its Phase One drilling program by the end of 2007.

Proposed Phase Two Work Program

Though the primary objective is to move to a resource calculation, contingent upon positive results, an aggressive Phase Two diamond drilling program is contemplated to start in early 2008 to follow-up and delineate targets identified in Phase One. Phase Two will consist of infill diamond drilling on the Orion Gold District targets and reverse circulation drilling of significantly anomalous additional targets identified during the regional program.

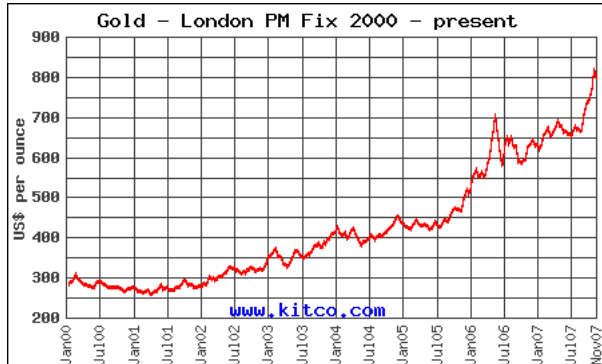


MARKET FOR GOLD & SILVER

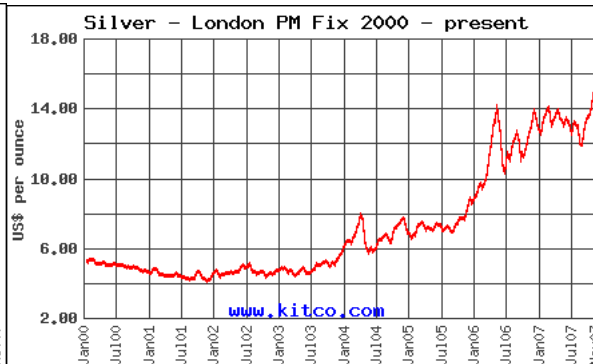
Gold & Silver prices

In the past several years, gold and silver have exhibited a steady increase in price. Some of the dollar price growth and volatility in the recent months is attributed to the falling US dollar and its exchange rate fluctuations against other major currencies. However, the long-term real growth trend is evident:

Gold



Silver



Source: www.kitco.com.

Gold & Silver Outlook

Gold and silver price forecasts for 2008-2009 vary significantly between analysts and periods in which these forecasts were prepared. Forecasting has been made very difficult, if not impossible, by the US dollar exchange rate fluctuations, making analysts revisit their estimates after each major iteration in the USD/EUR rate. Below is a table with a selection of several recent forecasts from various sources that shows the variation in forecasts and the general trend:

Source	2008	2009	2010	...	2015	Long-term
Gold, \$/oz						
J.P.Morgan (1)	725				1400	
BMO Capital Markets (2)	800	800				600
Citigroup (3)		800	820			700
Redburn Partners (4)						1500
Median	762.5	800	---		---	700

- Sources: 1. <http://www.marketoracle.co.uk/Article1565.html>;
 2. <http://www.metalmarts.org.uk/2007/10/23/bmo-increases-gold-price-forecasts/>;
 3. <http://www.mineweb.net/mineweb/view/mineweb/en/page33?oid=38036&sn=Detail>;
 4. http://www.gata.org/files/RedburnPartnersGoldReport_11-12-2007.pdf;

As we can see, gold is forecast to generally keep its current level in the immediate future, while long-term forecasts are downtrend, although some analysts have a lot of optimism forecasting a near-doubling of the price of gold in the long run. We must reiterate that because gold and other metals are priced in US dollars, all forecasts must also factor in the expected dollar value (unless the price forecasts are done in real terms). Thus, price forecasts carry the uncertainty not only of the metals' real future value, but also that of the US dollar.



NAYARIT GOLD'S FINANCIALS

Nayarit Gold is still in the development stage and as such has not started earning revenues to date. Moreover, it is not expected to report any revenues in the near future as its exploration programs are still ongoing.

Income Statement

As we mentioned, Nayarit has not reported any revenues yet and thus is in losses.

Amounts in \$CAD	For The Quarter Ended Jun-30		YoY change	For the fiscal year ended Sep-30		YoY change
	2006	2007		2005	2006	
Operating Expenses						
Stock-based compensation	118,486	506,300	327%	579,620	1,351,339	133%
Promotion	171,429	4,857	-97%	224,142	414,903	85%
Management and consulting fees	56,712	117,318	107%	228,300	254,697	12%
Professional fees	25,464	16,842	-34%	49,214	123,271	150%
Insurance expense	12,962	12,641	-2%	20,437	43,016	110%
General exploration expense	0	21,294	n/m	0	55,381	n/m
Management bonus	55,000	0	-100%	0	55,000	n/m
Shareholders' information	0	4,517	n/m	0	53,508	n/m
Office and general	15,628	8,773	-44%	19,995	30,988	55%
Traveling expenses	5,470	24,644	351%	29,503	17,967	-39%
Transfer agent, listing and filing fees	28,763	7,392	-74%	13,896	34,178	146%
Occupancy cost	4,087	52,364	1181%	10,120	17,183	70%
Communications	1,357	822	-39%	4,125	10,533	155%
Interest and bank charges	2,569	1,529	-40%	2,798	9,269	231%
Foreign exchange loss	8,189	8,077	-1%	2,489	15	-99%
Amortization	16,439	21,238	29%	416	32,462	7703%
Total Operating Expenses	522,555	808,608	55%	1,185,055	2,503,710	111%
Loss before the under noted	-522,555	-808,608	n/m	-1,185,055	-2,503,710	n/m
Other (Expense) Income						
Transaction costs in excess of cash acquired	0	0	---	-249,578	0	-100%
Write-off of mining interests	0	-2,974	n/m	0	0	---
Interest income (expense)	26,743	17,831	-33%	227	47,844	20977%
Net Loss and Other Comprehensive Loss for the Period	-495,812	-793,751	n/m	-1,434,406	-2,455,866	n/m
Loss Per Share	(0.01)	(0.02)	n/m	(0.09)	(0.08)	n/m
Weighted Average Outstanding Shares	35,469	42,026	18%	15,423	30,929	101%

Source: SEDAR filings



CCM RESEARCH

TRUE INVESTMENT INTELLIGENCE

Nayarit's main expense items are Stock-based compensation and Management and consulting fees, accounting for 63% and 15% of total operating expenses in Q3-FY07, respectively. These items also experienced strong growth year-over-year. The company does not elaborate on the nature of the Stock-based compensation or the details of increases in the expenses, but the reason most probably lies in the arrival of new management, intensified corporate activity and the preparations for the Phase One drill program which subsequently commenced.

Exploration expenditures are capitalized under Canadian GAAP and thus are reflected on the Balance sheet, rather than on the Income statement.

Balance Sheet

Nayarit's balance sheet is dominated, quite logically, by Mining interests, which represented 61% of total assets on June 30, 2007. Cash and short-term investments accounted for 28% of total assets on the same date. At the same time, the company had very little liabilities, with most assets financed by the stockholders' equity.

Amounts in \$CAD	For The Quarter Ended Jun-30		YoY change	For the fiscal year ended Sep-30		YoY change
	2006	2007		2006	2007	
ASSETS						
Current						
Cash	2,847,123	481,736	-83%	820,930	162,595	-80%
Short-term investments	0	1,662,013	n/m	0	1,310,032	n/m
Prepaid and sundry receivables	427,878	617,456	44%	124,666	377,492	203%
Total Current Assets	3,275,001	2,761,205	-16%	945,596	1,850,119	96%
Property, plant and equipment	63,513	205,349	223%	1,438	207,629	14339%
Mining interests	2,301,236	4,581,325	99%	1,094,008	3,245,676	197%
Total assets	5,639,750	7,547,879	34%	2,041,042	5,303,424	160%
LIABILITIES						
Accounts payable and accrued liabilities	195,963	186,872	-5%	81,131	159,860	97%
SHAREHOLDERS' EQUITY						
Share capital	6,019,251	10,124,397	68%	2,508,395	6,510,007	160%
Warrants	1,337,178	392,204	-71%	524,805	846,422	61%
Contributed surplus	1,087,115	3,551,329	227%	579,620	1,895,910	227%
Deficit	-2,999,757	-6,706,923	124%	-1,652,909	-4,108,775	149%
Total shareholders' equity	5,443,787	7,361,007	35%	1,959,911	5,143,564	162%
Total liabilities & shareholders' equity	5,639,750	7,547,879	34%	2,041,042	5,303,424	160%

Source: SEDAR filings



CCM RESEARCH

TRUE INVESTMENT INTELLIGENCE

As the Balance sheet shows, the value of Mining interests had doubled since June 30, 2006, as Nayarit added new concessions and performed exploration activities on its properties. Below is the outline of the mining properties in terms of their capitalization progress:

Amounts in \$CAD	For the quarter ended Jun-30		YoY change	For the fiscal year ended Sep-30		YoY change
	2006	2007		2005	2006	
Property						
Orion	304,473	767,874	152%	175,426	585,582	234%
La Estrella	1,162,042	1,472,002	27%	671,323	1,215,140	81%
El Magnifico	407,124	537,223	32%	247,259	437,415	77%
Bonanza I	86,359	256,673	197%	0	105,515	n/m
Reese	36,846	47,529	29%	0	37,735	n/m
Gross	227,920	845,825	271%	0	472,592	n/m
El Dorado	34,289	125,269	265%	0	87,210	n/m
Dorosa	0	0	n/m	0	115,597	n/m
Evaristo	0	120,349	n/m	0	0	n/m
Others	42,187	0	-100%	0	0	n/m
Advances	0	408,581	n/m	0	188,890	n/m
Total	2,301,240	4,581,325	99%	1,094,008	3,245,676	197%

Source: SEDAR filings

As we can see, Nayarit's main project – La Estrella – is also the biggest in value, as the company actively continues exploring it. We can also see that many new properties were added in FY06 and later, with only three concessions – Orion, La Estrella and El Magnifico – present prior to FY06. As we already mentioned, the Dorosa property was eventually returned to the owner due to lack of positive drill results and thus it had been removed from the company's balance sheet as of June 30, 2007.

Statement of Cash Flows

Obviously for a development stage company, Nayarit's cash flows are characterized by operating and investing cash outflows, compensated by financing inflows from issuance of shares and exercise of warrants and options.

Amounts in \$CAD	Three Months Ended Jun-30		Fiscal year ended Sep-30	
	2006	2007	2005	2006
Operating activities				
Net loss for the period	-495,812	-793,751	-1,434,406	-2,455,866
Items not involving cash				
Stock-based compensation	118,486	506,300	579,620	1,351,339
Amortization	16,439	21,238	416	32,462
Stock options exercised in lieu of salary	0	0		19,000
Accrued interest income	0	0		-16,424
Transaction costs	0	0	188,904	
Write-off of mining interests	0	2,974		
Change in non-cash operating working				
Prepays and sundry receivables	-167,512	996	-107,992	-252,826
Accounts payable and accrued liabilities	-54,513	-30,408	-157,266	22,127
Total CFO	-582,912	-292,651	-930,724	-1,300,188



CCM RESEARCH

TRUE INVESTMENT INTELLIGENCE

Investing Activities				
Short-term investments	0	-350,000		-1,293,608
Transaction costs	0	0	-8,402	
Advances to Canhorn Chemical Corporation	0	0	-80,180	
Deferred charges	0	0		
Purchase of property, plant and equipment	-13,148	-217		-238,653
Mineral property expenditures	-735,674	-440,768	-796,668	-2,095,066
Cash acquired on RTO	0	0	8,402	
Total CFI	-748,822	-790,985	-876,848	-3,627,327
Financing Activities				
Issuance of private placement units, net of costs	0	0	2,550,000	2,987,190
Exercise of warrants	491,522	927,964	0	1,235,323
Exercise of options	0	272,750	0	46,667
Advances from Great Horn Inc.	0	0	-48,046	0
Total CFF	491,522	1,200,714	2,501,954	4,269,180
Change in Cash During the Period	-840,212	117,078	694,382	-658,335
Operating + Investing cash burn per month	-443,911	-361,212	-150,631	-410,626

Source: SEDAR filings

Most of the financing in Q3-FY07 has come from the exercise of warrants, while stock-based compensation helped offset the net loss in the operating cash flow. The nine months ended June 30, 2007, also saw the issuance of private placement units for the amount of almost \$1.9 million.

Average monthly cash burn rate (CFO+CFI) appears to be growing: in FY05, Nayarit was burning on average \$151 thousand per month, while the same indicator more than doubled in FY06 reaching \$411 thousand. Q3-FY07 burn rate was \$361 thousand versus \$444 thousand one year ago, the decrease probably coming from much larger stock-based compensation amount in Q3-FY07, rather than less activity. Average monthly cash burn rate throughout the nine months ended June 30, 2007, was \$349 thousand.

Options and warrants

As of June 30, 2007, there were 5.7 million options and 1.4 million warrants outstanding, representing 17% of outstanding shares. However, most options and warrants are currently out of the money: warrants' exercise price is \$1.00, and 2.6 million options are exercisable at \$0.35 and \$0.38, with the rest having exercised prices of \$0.85 and higher.

Subsequent to the quarter's end, Nayarit granted 150,000 stock options to directors and consultants of the company at an exercise price of \$0.90 per share, expiring on August 12, 2007, plus 210,000 incentive stock options expiring on September 5, 2012. 115,000 options were exercised for gross proceeds of \$43,700.



STOCK PRICE BEHAVIOR



Source: www.bigcharts.com

Nayarit's stock has shown some volatility in the past twelve months. April and May 2007 saw a sharp increase in the stock price above the \$1.00 mark, coupled with significant trading activity. Eventually the market cooled off, with the price averaging around \$0.60 throughout the autumn, falling further to its present level very recently.

Between November 28, 2006 and November 28, 2007, Nayarit's stock has fallen from \$0.94 to \$0.38 per share, a decrease of 60%, or compounded daily decrease of 0.37%. Average daily volatility for Nayarit's stock during the past year was 6.1%.

According to BigCharts.com, the 50-day average trading volume of Nayarit's stock was 52,500, or just 0.12% of company's shares outstanding on June 30, 2007.



CONCLUSIONS

Nayarit has published some very encouraging Phase One drill program results recently, suggesting that there is high likelihood of eventually developing a high-grade mining operation at its Minas de Animas location. Moreover, the company has concession on more than 100,000 hectares of land in Mexico, at the edge of the prolific gold-bearing Sierra Madre region. The sheer size of holdings increases the probability of identifying additional targets beside the six that have been already identified. In addition, Nayarit has a new management team that was brought in during summer and started actively pushing the company forward in terms of exploration activities and public relations. This new management team led by the company's President and CEO, Mr. Colin P. Sutherland, appears to be more than capable to finish what they've started and make the company profitable.

We must note however, that Nayarit has no proven or probable reserves and does not possess the cash to generate such resource estimates. Thus, there is no assurance that the company will eventually have an economically viable minable ore body or that it will be able to raise the funding to continue exploration and begin commercial production. That said, given these circumstances the Company is committed to moving toward a resource calculation. We therefore have rated the company as a Speculative Buy, with the Speculative prefix due to the high uncertainty regarding reserves and future financing.

SWOT Analysis

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none">• Active exploration on priority projects• Experienced Management that has a history of building mines• Active expansion of project portfolio in a vast district• Very promising drill results (i.e. 29.19 g/t Au equiv over 5.42m)• Operations in a relatively politically stable country• Reputable Board of Directors	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none">• No proven or probable reserves• No revenues• Financing will be required to continue exploration and begin production;• Little cash on hand.
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none">• Current metal prices are at high levels and are expected to remain strong in the short-to-medium term, while are not expected to fall significantly in the long term• Current stock price• Junior exploration space has been relatively undervalued given the strength of metal pricing• Large area under concession	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none">• Metal prices are very volatile• USD weakness may affect metal markets• The mining industry is highly competitive



APPENDICES

Recent Events
Management
Disclaimer



RECENT DEVELOPMENTS

November 27, 2007: Nayarit Gold announces summary of drill results from Minas de Animas structure in Orion District

Nayarit Gold announced the results of its Phase One diamond drilling program on the Minas de Animas structure. Minas de Animas represents one of six high priority targets identified by the company. The company drilled seven holes on the structure, with follow-up holes planned for its Phase Two program commencing in 2008.

The company has been encouraged with the results encountered to date with several holes intersecting high grade gold and silver mineralization as stated below, including 29.19 g/t gold equivalent over 5.42m, 10.03 g/t gold equivalent over 6.32m, 9.99 g/t gold equivalent over 9.2m, 4.45 g/t gold equivalent over 4.2m, and 3.28 g/t gold equivalent over 16.48m..

November 15, 2007: Nayarit Gold encounters high grade gold and silver intercept in Orion District

Nayarit Gold announced additional high grade gold and silver assay results obtained in the Phase One - 7,000 meter diamond drilling program in the Orion District in Nayarit State, Mexico. The company is awaiting assay results from other exploration targets identified from its Phase One drill program on the Orion District. Drilling continues on other high priority targets. The company is targeting completion of its Phase One drilling program by the end of 2007.

October 24, 2007: Nayarit Gold encounters another high grade gold and silver intercept in Orion District

Nayarit Gold announced additional high grade gold and silver assay results obtained in the Phase One - 7,000 meter diamond drilling program in the Orion District in Nayarit State, Mexico. Hole OR-07-36 was the seventh hole drilled to test the "Minas de Animas" structure. The Company is awaiting assay results from the last three holes from its Phase One drill program on the "Minas de Animas" structure. The drill rigs have been moved to other high priority targets identified by the Company for Phase One testing.

October 10, 2007: Nayarit Gold encounters 9.59 g/t gold and 980.15 g/t silver, or 29.19 g/t gold equivalent over true width of 5.42m

Nayarit Gold announced additional high grade gold and silver assay results, obtained in the third and fourth holes in its Phase One - 7,000 meter diamond drilling program in the Orion District in Nayarit State, Mexico. Holes OR-07-32 and OR-07-33 were the third and fourth of seven holes drilled to test the "Minas de Animas" structure. High grade gold-silver mineralization in drill hole OR-07-32 extends from sample No. 725473 to 725483, which span the drill hole depth from 175.5 to 185.5m, with gold and silver mineralization continuing to persist to sample 90524 at a depth of 237.0m.

September 25, 2007: Nayarit Gold encounters additional high grade gold and silver at Orion District

Nayarit Gold announced additional high grade gold and silver assay results, obtained in the second hole in its Phase One - 7,000 meter diamond drilling program in the Orion District in Nayarit State, Mexico. Hole OR-07-31 was the second of seven holes to be drilled to test the "Minas de Animas" structure. Six of these holes have been completed, with assays from four holes still pending from ALS Chemex. The seventh hole is nearing the expected vein intercept. A second drill rig has begun testing the vein system on the Lazaro Cardenas structure, located 25km southwest of the Animas project.



September 14, 2007: Nayarit Gold Inc. Announces Grant of Incentive Stock Options

The board of directors granted a total of 210,000 options under the Incentive Stock Option Plan previously approved by its shareholders. Of these, 130,000 options were granted to the company's Vice President of Exploration, William J. Warren Jr., and the balance to other consultants and employees of the company. The options are exercisable at \$0.60 per share and expire on September 5, 2012.

September 6, 2007: Nayarit Gold announces appointment of William J. Warren, Jr. as Vice President of Exploration

Nayarit Gold appointed Mr. William J. Warren, Jr. as Vice President of Exploration. Mr. Warren is a professional Geologist and holds a Master of Science degree in Geophysics from the Colorado School of Mines. Mr. Warren has over 20 years experience in mineral exploration, and has worked on precious and base metals projects internationally.

August 16, 2007: Nayarit Gold encounters high grade gold and silver at Orion District

Nayarit Gold announced that drill results received from its Phase One - 7,000 meter exploration program in the Orion district has encountered high grade gold and silver. The company has received drill results from 24 samples on the first phase of its drill program on the "Minas de Animas" structure. Drilling continues at "Minas de Animas" as part of the six hole, 1,940 metre drill program for this area. Further results are expected over the coming weeks.

August 10, 2007: Nayarit Gold Inc. Announces Appointment of National Media Associates

Nayarit Gold Inc. announced that it had retained the Los Angeles area firm of National Media Associates ("NMA") to conduct media awareness and investor relations programs on behalf of the company. Headed by Mr. George Duggan, NMA is a long-term media relations specialist in the natural resource and gold exploration sectors.

July 24, 2007: Nayarit Gold announces Drilling has Commenced On High Grade Minas de Animas Gold/Silver structure

Nayarit Gold announce that drilling had commenced on the "Minas de Animas" structure in its Orion district in the state of Nayarit, Mexico. "We identified Minas de Animas as our number one exploration target for our 7,000-metre program, and we are pleased to have commenced on schedule" stated Colin Sutherland, President & CEO. "We will remain aggressive with our drill program, with the second drill arriving later this month."

July 10, 2007: Nayarit Gold announces appointment of Mr. Donald F. Flemming to the Board of Directors

Nayarit Gold announced that Mr. Donald F. Flemming had joined the Board of Directors of Nayarit Gold Inc. Mr. Flemming is a prominent businessman in Nova Scotia, and was previously a Director of Mexgold Resources Inc. During Mr. Flemming's tenure with Mexgold Resources Inc. the Company's market capitalization grew from \$150 million to in excess of \$400 million, and Mexgold was successfully sold to Gammon Gold Inc. (TSX:GAM, AMEX:GRS) in August, 2006.



MANAGEMENT

Colin P. Sutherland, CA – President & CEO, Director

Mr. Sutherland has over 10 years of business of professional experience. Mr. Sutherland was previously a Director and Chief Financial Officer of Gammon Gold Inc. and Mexgold Resources Inc. During his tenure, Gammon's market capitalization grew from \$300 million to in excess of \$2 billion, and successfully took the Company from an exploration stage company to commercial production. Mr. Sutherland has extensive experience in the financial markets, and successfully raised in excess of US\$400 million for the development and construction of the Gammon assets. Mr. Sutherland is a Chartered Accountant and a graduate of Saint Francis Xavier University.

Dennis Waddington – Chief Financial Officer

Mr. Waddington is a consultant with over 30 years of business and professional experience in mineral exploration and related fields. Prior to commencing his consulting practice, he was in management and field operations with public and private companies active in the minerals industry in Canada and overseas. He is a Professional Geoscientist (P.Geo.) who holds a M.Sc. in Geology from the University of Toronto as well as an MBA from the Schulich School of Business at York University.

William J. Warren, Jr. – Vice-President, Exploration

Mr. Warren has over 20 years of experience in a broad spectrum of exploration projects and is a seasoned field geologist. Primarily a precious metals geologist, he has also worked in base and specialty metals, industrial minerals, clays, geothermal, oil and gas, and coal. Mr. Warren is a Professional Geologist and has extensive experience in project supervision and administration, project generation and property evaluation. He holds a B.Sc. in Geology from Auburn University, a M.Sc. in Geophysics from the Colorado School of Mines, and has military experience as a Captain in the U.S. Army. Mr. Warren has been consulting to Nayarit Gold since June of 2006.

Paul F. Saxton, P.Eng. – Chairman

Paul Saxton holds a degree in engineering and an MBA. Mr. Saxton is the President of Lincoln Gold Corporation, a junior resource company, and has extensive experience in operational and executive roles in the resource sector.

The Honourable J. Trevor Eyton, O.C. – Director

Senator Eyton is a Member of the Senate of Canada and a director of Brookfield Asset Management Inc. and Coca-Cola Enterprises Inc. He is also Chairman of Canada's Sports Hall of Fame and a Governor of the Canadian Olympic Foundation and Junior Achievement of Canada. In 2002 he was awarded Mexico's Aguila Azteca - the highest award given to foreigners by the government of Mexico. Senator Eyton is also the co-founder and co-chairman of the Canada/Mexico Retreat, a volunteer organization formed in 1990 involving senior business and government people for the purpose of promoting two-way trade and investment.

R. Glen MacMullin, CA – Director

Mr. MacMullin is currently a Managing Director with Xavier Sussex, LLC, a private investment firm he co-founded in 2004. Prior to 2004, he was Director and Chief Operating Officer with DB Advisors, LLC, a \$6 billion hedge fund group based in New York and wholly owned by Deutsche Bank AG. He previously served in various positions with Deutsche Bank Offshore in the Cayman Islands including Head of Investment Funds. Mr. MacMullin began his career in public accounting with Coopers & Lybrand in Ottawa, Canada and KPMG in the Cayman Islands. He holds a Bachelor of Business Administration degree from Saint Francis Xavier University and is a member of the Canadian Institute of Chartered Accountants.



CCM RESEARCH

TRUE INVESTMENT INTELLIGENCE

Dale M. Hendrick, P. Eng. – Director

Mr. Hendrick is a senior geological consultant with extensive experience in precious metals, base metals, uranium, coal and natural gas exploration, development, production and financing. Following a 28-year career with Kerr Addison Mines and the Noranda Group where he attained senior executive positions, he formed Dale M. Hendrick & Associates, through which he has provided consulting services to mining companies around the world, including Mexico. He also serves on the board of a number of publicly listed mining companies which presently include Cline Mining Corporation, Gammon Lake Resources Inc., Mexgold Resources Inc. and Radisson Mining Resources Inc.

Don Flemming – Director

Mr. Flemming is a prominent businessman in Atlantic Canada. Mr. Flemming has extensive financial markets experience, and was previously a Director of Mexgold Resources Inc. where during his tenure the Company grew its market capitalization from \$150 million to in excess of \$450 million.

COMPANY CONTACT INFORMATION

Head Office:

36 Toronto Street
Suite 850
Toronto, Ontario
M5C 2C5
Canada

Telephone: (647) 477-6264

Fax: (647) 477-6265

Website: www.nayaritgold.com

Email: info@nayaritgold.com



CCM RESEARCH

TRUE INVESTMENT INTELLIGENCE

ANALYST CERTIFICATION

I, Kipley J. Lytel, the Research Analyst responsible for the preparation of this Research Report hereby certify that:

- (1) the views and opinions expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report
- (2) the compensation payable to the Research Analyst, is not, has not, and will not, directly or indirectly, be related to the specific views and opinions expressed by the Research Analyst in this Research Report.
- (3) I have no ownership in, nor any affiliations with the company in this research report.

Kipley J. Lytel, CFA, is a member of CFA Institute

DISCLAIMER

The qualified professional analyst submits information, opinions, estimates or ratings contained in this report solely for information purposes. The information used and statements of fact made have been obtained from sources considered reliable but no guarantees, nor representations, are made as to the completeness or accuracy of the same. No representations whatsoever are being made by Cronus Capital Markets, Inc.

Cronus Capital Markets, Inc. accepts no liability whatsoever for any direct or consequential loss or damage arising from any use of this report or its content. Such information and the opinions expressed are subject to change without notice. This report or study is not intended as an offering or a solicitation of an offer to buy or sell the securities mentioned or discussed. Cronus Capital Markets does not provide any investment banking, market making, or trading services for any company.

Cronus Capital Markets, Inc., through its CCM Consulting division, entered into a one year \$45,000.00 contract with the Company to assist with strategies related to the increase of share liquidity and general market presence.

CCM Research, a division of Cronus Capital Markets, Inc., will produce research (one component of the overall program) related to the company on an annual basis. We do not inform any company in advance to the nature, or conclusions of our analysts' reports, nor can a company withdraw from coverage before the expiration of the one year term. All reports are solely the product of the analyst, and CCM Research acts only as a facilitator; and after the reports are completed, publishes and distributes them to the investment community.

CCM Research also subscribes to the principles contained in the Analyst/Corporate Issuer Guidelines jointly promulgated by the CFA Institute and the National Investor Relations Institute, described at: <http://www.cfainstitute.org> and <http://www.niri.org>.



RESEARCH METHOD

In arriving at an investment rating, we use the following analytical measures:

- 1) Potentials and opportunities: competitive advantage, market potentials, patents, properties, reserves.
- 2) Risk factors: regulatory approvals, R&D results, ability to raise capital, going concern issues, competition.
- 3) Evaluation of the stocks fair value given the company's potentials and risks.

RESEARCH PROCEDURES, STANDARDS & ETHICS

- 1) Analysts are independent contractors and not employed by Cronus Capital Markets, Inc.
- 2) Analysts are pre-qualified, primarily by their level of expertise, as established by the CFA Institute or a similar overseas program, or by several years of experience providing analytics for recognized Wall/Bay Street institutions.
- 3) The analyst is responsible for providing research under stated procedures and is not responsible to the company in any way.
- 4) Analysts are paid in advance of their initial reports to avoid any pecuniary interest in the outcome.
- 5) Regardless of the outcome of the report, if it is professionally produced, and the analyst engages in timely communication with their covered companies, the analyst remains on the queue for future assignments.
- 6) Definitions of ratings are available to the public and to the analysts. No rating is to be issued that is labeled a recommendation. No analyst may recommend the purchase or the sale of any equity.
- 7) Analysts are asked to professionally arrive at an expected fair value of the company six, 12, 18 months out, and then to divide that by the number of shares calculated or reasonably expected to be outstanding on that future date. That number, no matter what it is, is the target valuation.
(NOT ALL REPORTS HAVE TARGET VALUATION)
- 8) Reports must be publicly-accessible, at no charge, and a link provided to the public for any summaries or announcements published and distributed via any means. (see: www.ccmopportunitybase.com)
- 9) Full disclosures regarding compensation must accompany every communication.
- 10) Once the analyst has completed his or her report, and he or she affirms that the report is his or her sole work product, it is sent to the company with any and all ratings and target valuations extracted for errors and omissions review, then subsequently released for publication and distribution.



RESEARCH RATING SYSTEM

STRONG BUY	(5)
BUY	(4)
SPECULATIVE BUY	(3)
HOLD	(2)
SELL	(1)
AVOID	(1)
SUSPENDED	(0)

STRONG BUY (5)

Company's stock price appears to be substantially undervalued relative to its future growth potential.

BUY (4)

Shares appear to be undervalued in light of several factors.

***SPECULATIVE BUY (3)**

Shares appear to offer potential gains though risk is considerably higher. Such a company may have "going concern" problems, or company's future prospects may hinge on critical assumptions, such as (but not limited to) the company's ability to compete effectively in the marketplace, achieve most or all of its stated business goals, maintain sufficient financial liquidity and resources (from daily cash flow to capital for expansion) and the avoidance of legal or other pitfalls.

HOLD (2)

Shares appear to be fairly valued and while there is no incentive to add such shares, there are similarly no current known compelling factors that would warrant selling absent a subsequent trading drop in value.

SELL (1)

At present, shares appear to be overvalued.

AVOID (1)

At present, shares appear to be significantly overvalued

SUSPENDED (0)

Company has been suspended due to inability or unwillingness to provide continued access to the company by the assigned analyst, a violation of AIMR's proposed Issuer Standards.

***What does "speculative" mean in a rating?**

Companies with meager or no historical data or that are at the development stage, are generally considered highly SPECULATIVE. Such companies may even have "going concern" problems and an analyst recommendation should be considered only as a part of a total investigative process by anyone considering purchase. A speculative buy opinion generally refers to future valuations only if the company is able to achieve most or all of its business goals and avoid most or all of the possible risks, including raising sufficient capital and effectively competing in its marketplace.



TYPES OF RESEARCH COVERAGE

Comprehensive Research Report: Should be of 40 or more pages. Should include industry analysis, financial forecasting, valuation analysis, rating, and price target. Use the template provided

Basic Research Report: Should be 20 or more pages, does not include financial forecasting and price target. There is no separate section for industry analysis or valuation. However, the analyst should refer to major industry parameters in the competitive landscape section. Basic research should include rating. Use the template provided

Update Reports: Update reports are quarterly after the company files its financial statements with the relevant authorities. An update report will be about 12 pages containing an overview of the company, recent developments in the company, and an analysis of recent financial statements.

Research Note: A research note is one or two pages and is written when some significant developments take place that could have major effects on the company's performance. Some significant developments could be:

- Change in the company's business strategy
- Approval or denial of a major license or patent
- Earnings pre-announcement
- Addition or termination of a major contract
- New regulations that can have significant impacts on the industry