

Nayarit Gold Inc.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2007
(UNAUDITED)**

Responsibility for Consolidated Financial Statements

The accompanying unaudited interim 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, 2006 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these unaudited interim 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 unaudited interim consolidated financial statements, management is satisfied that these unaudited interim 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 and six months ended March 31, 2007 and March 31, 2006.

Nayarit Gold Inc.

(A Development Stage Company)
Consolidated Balance Sheets
(Prepared by Management)
(Unaudited)

	March 31, 2007	September 30, 2006
Assets		
Current assets		
Cash	\$ 364,658	\$ 162,595
Short-term investments	1,312,013	1,310,032
Prepaid and sundry receivables	<u>618,452</u>	<u>377,492</u>
	2,295,123	1,850,119
Property, plant and equipment (Note 3)	226,370	207,629
Mining interests (Note 4)	<u>4,143,531</u>	<u>3,245,676</u>
	<u>\$ 6,665,024</u>	<u>\$ 5,303,424</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 217,281</u>	<u>\$ 159,860</u>
Shareholders' Equity		
Share capital (Note 6(b))	8,474,504	6,510,007
Warrants (Note 6(c))	636,363	846,422
Contributed surplus	3,250,048	1,895,910
Deficit	<u>(5,913,172)</u>	<u>(4,108,775)</u>
	<u>6,447,743</u>	<u>5,143,564</u>
	<u>\$ 6,665,024</u>	<u>\$ 5,303,424</u>

Continuation of Business (Note 1)

Subsequent Events (Note 8)

Approved on behalf of the Board:

Signed "J. Trevor Eyton", 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 Loss and Other Comprehensive Loss

(Prepared by Management)

(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,		Cumulative from date of incorporation November 27,
	2007	2006	2007	2006	2003
Operating Expenses					
Stock-based compensation	\$ 413,193	\$ 194,849	\$ 846,556	\$ 424,058	\$ 2,777,515
Promotion	90,378	84,095	110,189	116,032	749,774
Management and consulting fees	80,237	97,386	144,197	143,646	649,018
Professional fees	34,203	41,839	53,383	49,145	240,174
Insurance expense	10,662	9,962	21,676	19,525	85,129
General exploration expense	19,387	-	22,275	-	77,656
Management bonus	-	-	-	-	55,000
Shareholders' information	10,897	-	10,897	-	64,405
Office and general	5,607	3,197	7,846	6,116	61,299
Traveling expenses	10,066	4,985	12,686	8,931	61,108
Transfer agent, listing and filing fees	37,730	45,745	42,214	48,825	90,288
Occupancy cost	53,129	4,088	80,654	8,248	110,207
Communications	1,050	1,807	2,690	3,815	18,369
Interest and bank charges	1,299	1,488	4,019	2,407	16,588
Foreign exchange loss	8,513	79	5,084	1,061	6,215
Amortization	16,564	19,531	34,473	19,639	67,619
	<u>792,915</u>	<u>509,051</u>	<u>1,398,839</u>	<u>851,448</u>	<u>5,130,364</u>
Loss before the under noted	<u>(792,915)</u>	<u>(509,051)</u>	<u>(1,398,839)</u>	<u>(851,448)</u>	<u>(5,130,364)</u>
Other (Expense) Income					
Transaction costs in excess of cash acquired	-	-	-	-	(249,578)
Write-off of mining interests	(417,670)	-	(417,670)	-	(417,670)
Interest income (expense)	<u>(7,578)</u>	<u>412</u>	<u>12,112</u>	<u>412</u>	<u>61,618</u>
Net Loss and Other Comprehensive Loss for the Period	<u>\$ (1,218,163)</u>	<u>\$ (508,639)</u>	<u>\$ (1,804,397)</u>	<u>\$ (851,036)</u>	<u>\$ (5,735,994)</u>
Loss Per Share - (Note 6(e))	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>	
Weighted Average Outstanding Shares - basic and diluted	<u>38,702,260</u>	<u>26,960,888</u>	<u>37,315,525</u>	<u>26,184,265</u>	

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

Nayarit Gold Inc.

(A Development Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

(Prepared by Management)

(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,		Cumulative from date of incorporation November 27, 2003
	2007	2006	2007	2006	
Share capital					
Balance at beginning of period	\$ 6,699,006	\$ 2,508,395	\$ 6,510,007	\$ 2,508,395	\$ -
Issued on incorporation	-	-	-	-	1
Private placements	1,968,050	3,042,000	1,968,050	3,042,000	8,040,050
Warrant valuation	(392,204)	(1,018,056)	(392,204)	(1,018,056)	(1,444,309)
Finder's fees	49,000	-	49,000	-	49,000
Exercise of warrants	187,500	743,801	342,536	743,801	1,577,859
Fair value of warrants exercised	41,000	84,830	74,963	84,830	280,646
Exercise of stock options	26,250	46,667	26,250	46,667	91,917
Fair value of stock options exercised	19,718	35,049	19,718	35,049	54,767
Cost of issue	<u>(123,816)</u>	<u>(54,810)</u>	<u>(123,816)</u>	<u>(54,810)</u>	<u>(175,427)</u>
Balance at end of period	<u>\$ 8,474,504</u>	<u>\$ 5,387,876</u>	<u>\$ 8,474,504</u>	<u>\$ 5,387,876</u>	<u>\$ 8,474,504</u>
Shares to be issued					
Balance at beginning of period	\$ 228,500	\$ -	\$ -	\$ -	\$ -
Changes during the period	<u>(228,500)</u>	<u>19,000</u>	<u>-</u>	<u>19,000</u>	<u>-</u>
Balance at end of period	<u>\$ -</u>	<u>\$ 19,000</u>	<u>\$ -</u>	<u>\$ 19,000</u>	<u>\$ -</u>
Warrants					
Balance at beginning of period	\$ 771,459	\$ 524,805	\$ 846,422	\$ 524,805	\$ -
Issued	392,204	1,018,056	392,204	1,018,056	1,444,309
Exercised	-	(84,830)	(74,963)	(84,830)	(280,646)
Expired	<u>(527,300)</u>	<u>-</u>	<u>(527,300)</u>	<u>-</u>	<u>(527,300)</u>
Balance at end of period	<u>\$ 636,363</u>	<u>\$ 1,458,031</u>	<u>\$ 636,363</u>	<u>\$ 1,458,031</u>	<u>\$ 636,363</u>
Contributed surplus					
Balance at beginning of period	\$ 2,329,273	\$ 808,829	\$ 1,895,910	\$ 579,620	\$ -
Stock-based compensation	413,193	194,849	846,556	424,058	2,777,515
Fair value of stock options exercised	(19,718)	(35,049)	(19,718)	(35,049)	(54,767)
Warrants expired	<u>527,300</u>	<u>-</u>	<u>527,300</u>	<u>-</u>	<u>527,300</u>
Balance at end of period	<u>\$ 3,250,048</u>	<u>\$ 968,629</u>	<u>\$ 3,250,048</u>	<u>\$ 968,629</u>	<u>\$ 3,250,048</u>
Deficit					
Balance at beginning of period	\$ (4,695,009)	\$ (1,995,306)	\$ (4,108,775)	\$ (1,652,909)	\$ -
Net loss	(1,218,163)	(508,639)	(1,804,397)	(851,036)	(5,735,994)
Fair value of net liabilities assumed on RTO	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(177,178)</u>
Balance at end of period	<u>\$ (5,913,172)</u>	<u>\$ (2,503,945)</u>	<u>\$ (5,913,172)</u>	<u>\$ (2,503,945)</u>	<u>\$ (5,913,172)</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 March 31,		Six Months Ended March 31,		Cumulative from date of incorporation November 27, 2003
	2007	2006	2007	2006	
Cash (Used In) Provided By:					
Operating Activities					
Net loss for the period	\$ (1,218,163)	\$ (508,639)	\$ (1,804,397)	\$ (851,036)	\$ (5,735,994)
Items not involving cash					
Stock-based compensation	413,193	194,849	846,556	424,058	2,777,515
Amortization	16,564	19,531	34,473	19,639	67,619
Stock options exercised in lieu of salary	-	19,000	-	19,000	19,000
Accrued interest income	-	-	-	-	(16,424)
Transaction costs	-	-	-	-	188,904
Write-off of mining interests	417,670	-	417,670	-	417,670
Change in non-cash operating working capital					
Prepays and sundry receivables	(155,132)	(81,094)	(240,960)	(135,700)	(609,360)
Accounts payable and accrued liabilities	123,355	167,530	57,421	169,345	(15,094)
	<u>(402,513)</u>	<u>(188,823)</u>	<u>(689,237)</u>	<u>(354,694)</u>	<u>(2,906,164)</u>
Financing Activities					
Issuance of private placement units, net of costs	1,893,234	2,987,190	1,893,234	2,987,190	7,910,425
Exercise of warrants	-	743,801	342,536	743,801	1,577,859
Exercise of options	26,250	46,667	26,250	46,667	72,917
Advances from Great Horn Inc.	-	-	-	-	(48,046)
	<u>1,919,484</u>	<u>3,777,658</u>	<u>2,262,020</u>	<u>3,777,658</u>	<u>9,513,155</u>
Investing Activities					
Short-term investments	(1,307,013)	-	(1,981)	-	(1,295,589)
Transaction costs	-	-	-	-	(8,402)
Advances to Canhorn Chemical Corporation	-	-	-	-	(103,002)
Deferred charges	-	-	-	-	(82,703)
Purchase of property, plant and equipment	(38,177)	(85,005)	(53,214)	(85,005)	(293,989)
Mineral property expenditures	(491,850)	(240,130)	(1,315,525)	(471,554)	(4,467,050)
Cash acquired on RTO	-	-	-	-	8,402
	<u>(1,837,040)</u>	<u>(325,135)</u>	<u>(1,370,720)</u>	<u>(556,559)</u>	<u>(6,242,333)</u>
Change in Cash During the Period	(320,069)	3,263,700	202,063	2,866,405	364,658
Cash, Beginning of Period	<u>684,727</u>	<u>423,635</u>	<u>162,595</u>	<u>820,930</u>	<u>-</u>
Cash, End of Period	<u>\$ 364,658</u>	<u>\$ 3,687,335</u>	<u>\$ 364,658</u>	<u>\$ 3,687,335</u>	<u>\$ 364,658</u>

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

Nayarit Gold Inc.

(A Development Stage Company)

Consolidated Statements of Mining Interests

(Prepared by Management)

(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,		Cumulative from date of incorporation November 27,
	2007	2006	2007	2006	2003
Orion					
Opening balance	\$ <u>695,785</u>	\$ <u>193,803</u>	\$ <u>585,582</u>	\$ <u>175,426</u>	\$ <u>-</u>
Acquisition and carrying costs	-	175	-	416	4,373
Professional and consulting fees	24,413	12,310	34,033	20,751	110,778
Drilling	10,687	-	33,159	72	257,317
General exploration	-	-	-	-	60,823
Rental and transportation	11,078	-	20,511	-	20,511
Travel and related costs	3,017	4,720	4,234	7,976	43,039
Field supplies and equipment	2,298	343	3,468	847	16,566
Road and access	-	-	13,605	2,365	33,671
Labour	586	2,347	23,990	3,070	62,375
Assays and analyses	-	2,009	26,821	2,347	100,716
Geological	-	-	-	-	22,842
Mining duties, permits, fees and taxes	3,247	1,619	3,247	1,619	8,211
Office and general	452	3,085	2,090	5,200	7,552
Communications	283	605	1,106	927	3,072
	<u>56,061</u>	<u>27,213</u>	<u>166,264</u>	<u>45,590</u>	<u>751,846</u>
Closing balance	\$ <u>751,846</u>	\$ <u>221,016</u>	\$ <u>751,846</u>	\$ <u>221,016</u>	\$ <u>751,846</u>

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Nayarit Gold Inc.

(A Development Stage Company)

Consolidated Statements of Mining Interests

(Prepared by Management)

(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,		Cumulative from date of incorporation November 27,
	2007	2006	2007	2006	2003
La Estrella					
Opening balance	<u>\$ 1,425,093</u>	<u>\$ 780,959</u>	<u>\$ 1,215,140</u>	<u>\$ 671,323</u>	<u>\$ -</u>
Acquisition and carrying costs	-	175	134,628	65,631	285,770
Professional and consulting fees	14,875	17,850	22,730	40,409	151,249
Drilling	10,687	-	33,159	410	558,052
General exploration	-	66	-	152	161,182
Travel and related costs	6,094	8,204	11,811	17,395	73,176
Field supplies and equipment	385	839	4,582	1,373	24,089
Road and access	-	-	8,225	1,419	21,593
Labour	516	3,983	1,627	8,166	55,169
Assays and analyses	-	12,985	22,164	14,717	75,801
Geological	-	-	-	-	30,028
Mining duties, permits, fees and taxes	1,586	1,580	1,586	1,580	9,479
Office and general	196	1,365	2,991	4,759	9,422
Communications	159	996	948	1,668	4,581
	<u>34,498</u>	<u>48,043</u>	<u>244,451</u>	<u>157,679</u>	<u>1,459,591</u>
Closing balance	<u>\$ 1,459,591</u>	<u>\$ 829,002</u>	<u>\$ 1,459,591</u>	<u>\$ 829,002</u>	<u>\$ 1,459,591</u>

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Nayarit Gold Inc.

(A Development Stage Company)

Consolidated Statements of Mining Interests

(Prepared by Management)

(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,		Cumulative from date of incorporation November 27,
	2007	2006	2007	2006	2003
El Magnifico					
Opening balance	\$ 468,071	\$ 305,760	\$ 437,415	\$ 247,259	\$ -
Acquisition and carrying costs	-	175	-	175	29,058
Professional and consulting fees	9,181	31,390	9,181	60,793	128,097
General exploration	-	-	-	-	95,659
Travel and related costs	8,932	13,075	8,932	21,741	67,306
Field supplies and equipment	1,105	1,176	1,389	1,821	8,936
Road and access	10,589	-	10,589	5,540	16,129
Labour	1,123	12,126	30,040	15,267	69,700
Assays and analyses	-	3,217	82	11,490	46,853
Geological	-	-	-	-	6,799
Mining duties, permits and fees	5,658	5,637	5,658	5,637	27,265
Office and general	438	1,103	1,811	3,374	5,600
Communications	260	648	260	1,210	3,955
	<u>37,286</u>	<u>68,547</u>	<u>67,942</u>	<u>127,048</u>	<u>505,357</u>
Closing balance	\$ 505,357	\$ 374,307	\$ 505,357	\$ 374,307	\$ 505,357
Bonanza I					
Opening balance	\$ 163,910	\$ 35,861	\$ 105,515	\$ -	\$ -
Acquisition and carrying costs	-	2,780	-	4,226	4,226
Professional and consulting fees	6,226	18,012	18,926	36,133	62,792
Travel and related costs	11,045	8,091	16,653	15,231	34,209
Field supplies and equipment	1,475	598	3,808	737	6,189
Labour	11,126	5,798	35,903	9,480	53,045
Assays and analyses	13,267	4,522	20,867	7,435	38,727
Road and access	-	-	4,683	-	4,683
Mining duties, permits and fees	197	-	197	-	197
Office and general	598	1,007	1,111	2,079	2,732
Communications	342	268	523	1,616	1,386
	<u>44,276</u>	<u>41,076</u>	<u>102,671</u>	<u>76,937</u>	<u>208,186</u>
Closing balance	\$ 208,186	\$ 76,937	\$ 208,186	\$ 76,937	\$ 208,186

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

Nayarit Gold Inc.

(A Development Stage Company)

Consolidated Statements of Mining Interests

(Prepared by Management)

(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,		Cumulative from date of incorporation November 27,
	2007	2006	2007	2006	2003
Reese					
Opening balance	\$ 37,735	\$ 6,423	\$ 37,735	\$ -	\$ -
Acquisition and carrying costs	-	7,674	-	10,824	15,373
Professional and consulting fees	-	4,871	-	4,871	8,422
Travel and related costs	1,791	2,438	1,791	5,213	7,173
Field supplies and equipment	109	251	109	322	998
Labour	-	1,385	-	1,388	1,538
Assays and analyses	-	316	-	316	605
Office and general	130	649	130	1,021	3,907
Mining duties, permits and fees	2,857	-	2,857	-	2,857
Communications	54	191	54	243	1,803
	<u>4,941</u>	<u>17,775</u>	<u>4,941</u>	<u>24,198</u>	<u>42,676</u>
Closing balance	\$ <u>42,676</u>	\$ <u>24,198</u>	\$ <u>42,676</u>	\$ <u>24,198</u>	\$ <u>42,676</u>
Gross					
Opening balance	\$ 557,795	\$ -	\$ 472,592	\$ -	\$ -
Professional and consulting fees	18,171	4,841	23,953	4,841	190,664
Drilling	-	-	28,241	-	56,366
Travel and related costs	10,183	3,160	25,118	3,160	135,190
Field supplies and equipment	269	1,055	3,007	1,055	29,631
Road and access	-	-	5,307	-	16,587
Labour	37,504	738	45,637	738	56,655
Assays and analyses	-	142	17,753	142	86,244
Prospecting	-	-	-	-	39,381
Mining duties, permits and fees	23,129	-	23,129	-	23,129
Office and general	235	1,262	1,795	1,262	10,152
Communications	166	243	920	243	3,453
	<u>89,657</u>	<u>11,441</u>	<u>174,860</u>	<u>11,441</u>	<u>647,452</u>
Closing balance	\$ <u>647,452</u>	\$ <u>11,441</u>	\$ <u>647,452</u>	\$ <u>11,441</u>	\$ <u>647,452</u>

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Nayarit Gold Inc.

(A Development Stage Company)

Consolidated Statements of Mining Interests

(Prepared by Management)

(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,		Cumulative from date of incorporation November 27,
	2007	2006	2007	2006	2003
El Dorado					
Opening balance	\$ 97,992	\$ -	\$ 87,210	\$ -	\$ -
Acquisition and carrying costs	-	-	-	-	20,434
Professional and consulting fees	-	-	-	-	13,021
Travel and related costs	477	-	477	-	7,442
Field supplies and equipment	11	-	11	-	5,065
Road and access	-	-	-	-	488
Labour	69	-	10,851	-	24,664
Assays and analyses	-	-	-	-	22,450
Mining duties, permits and fees	7,667	-	7,667	-	7,667
Office and general	37	-	37	-	4,669
Communications	13	-	13	-	366
	<u>8,274</u>	<u>-</u>	<u>19,056</u>	<u>-</u>	<u>106,266</u>
Closing balance	\$ <u>106,266</u>	\$ <u>-</u>	\$ <u>106,266</u>	\$ <u>-</u>	\$ <u>106,266</u>
Dorosa					
Opening balance	\$ 290,525	\$ -	\$ 115,597	\$ -	\$ -
Acquisition and carrying costs	-	-	4,437	-	118,318
Professional and consulting fees	22,282	-	54,261	-	55,229
Drilling	49,643	-	94,224	-	94,224
Rental and transportation	13,918	-	29,450	-	29,560
Travel and related costs	5,534	-	14,177	-	14,177
Field supplies and equipment	1,649	-	5,547	-	6,185
Labour	674	-	27,079	-	27,079
Assays and analyses	28,759	-	61,237	-	61,237
Office and general	3,616	-	9,586	-	9,586
Communications	1,070	-	2,075	-	2,075
Write-off	(417,670)	-	(417,670)	-	(417,670)
	<u>(290,525)</u>	<u>-</u>	<u>(115,597)</u>	<u>-</u>	<u>-</u>
Closing balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

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Nayarit Gold Inc.

(A Development Stage Company)

Consolidated Statements of Mining Interests

(Prepared by Management)

(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,		Cumulative from date of incorporation November 27,
	2007	2006	2007	2006	2003
Evaristo					
Opening balance	\$ 8,984	\$ -	\$ -	\$ -	\$ -
Professional and consulting fees	2,860	-	2,860	-	2,860
Drilling	61,527	-	61,527	-	61,527
Travel and related costs	5,375	-	5,375	-	5,375
Field supplies and equipment	164	-	164	-	164
Labour	307	-	9,291	-	9,291
Assays and analyses	14,693	-	14,693	-	14,693
Office and general	3,142	-	3,142	-	3,142
Communications	385	-	385	-	385
	<u>88,453</u>	<u>-</u>	<u>97,437</u>	<u>-</u>	<u>97,437</u>
Closing balance	\$ <u>97,437</u>	\$ <u>-</u>	\$ <u>97,437</u>	\$ <u>-</u>	\$ <u>97,437</u>
Others					
Opening balance	\$ -	\$ 2,626	\$ -	\$ -	\$ -
Activities during the period	19,387	26,035	22,275	28,661	77,656
Write-off to general exploration	(19,387)	-	(22,275)	-	(77,656)
Closing balance	\$ <u>-</u>	\$ <u>28,661</u>	\$ <u>-</u>	\$ <u>28,661</u>	\$ <u>-</u>
Advances	\$ <u>324,720</u>	\$ <u>-</u>	\$ <u>324,720</u>	\$ <u>-</u>	\$ <u>324,720</u>
TOTAL MINING INTERESTS	\$ <u>4,143,531</u>	\$ <u>1,565,562</u>	\$ <u>4,143,531</u>	\$ <u>1,565,562</u>	\$ <u>4,143,531</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

Three and Six Months Ended March 31, 2007

(Prepared by Management)

(Unaudited)

1. Nature of Business and Going Concern

Nayarit Gold Inc. (the "Company" or "Nayarit") is a Canadian mineral exploration company engaged in locating, acquiring and exploring for gold, silver 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 (2006 - 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 March 31, 2007, 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 \$5,913,172 and a current operating loss of \$1,804,397. 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.

Nayarit Gold Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

Three and Six Months Ended March 31, 2007

(Prepared by Management)

(Unaudited)

2. Basis of Presentation and Accounting Policies

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 and six month periods ended March 31, 2007 may not necessarily be indicative of the results that may be expected for the year ending September 30, 2007.

The consolidated balance sheet at September 30, 2006 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 audited consolidated financial statements for the year ended September 30, 2006, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended September 30, 2006.

Financial Instruments, Comprehensive Income and Hedges

In January 2005, the CICA issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis. The Company has adopted these new standards effective October 1, 2006.

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets are measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

Nayarit Gold Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

Three and Six Months Ended March 31, 2007

(Prepared by Management)

(Unaudited)

2. Basis of Presentation and Accounting Policies (Continued)

Financial Instruments, Comprehensive Income and Hedges (Continued)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

The Company has evaluated the impact of these new standards on its consolidated financial statements and determined that no adjustments are currently required.

Future Accounting Changes

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These new standards are effective for interim and annual financial statements for the Company's reporting period beginning on October 1, 2007.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

Nayarit Gold Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

Three and Six Months Ended March 31, 2007

(Prepared by Management)

(Unaudited)

3. Property, Plant and Equipment

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>March 31, 2007 Net</u>	<u>September 30, 2006 Net</u>
Computer equipment	\$ 22,931	\$ 4,368	\$ 18,563	\$ 10,668
Furniture and equipment	28,594	564	28,030	-
Software	101,964	61,281	40,683	56,461
Building	99,860	1,406	98,454	99,860
Land	40,640	-	40,640	40,640
	<u>\$ 293,989</u>	<u>\$ 67,619</u>	<u>\$ 226,370</u>	<u>\$ 207,629</u>

4. Mining Interests

On a quarterly basis, management of the Company reviews exploration costs to ensure mining interests include only costs and projects that are eligible for capitalization.

For a description of the mining interests, refer to Note 6 of the audited consolidated financial statements as at September 30, 2006. Specific changes to mining interests that occurred from October 1, 2006 to March 31, 2007 are as follows:

In March 2007, the Company completed its due diligence program on the Dorosa property. As a result of the due diligence work, the Company has terminated its property option agreement with Compania Minera Dorosa S.A. de C.V. Accordingly, all costs related to the property have been written off.

During the period, the Company staked the Evaristo Concession, an additional (17,436) hectares open ground adjacent to the optioned Dorosa property, and registered the staking application with the Department of Mines. The Company holds a 100% interest in this additional area with no royalty obligations.

5. Related Party Transactions

Included in accounts payable and accrued liabilities is \$8,937 (March 31, 2006 - \$17,395) owing to one officer (March 31, 2006 - an officer and a former officer) 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

Three and Six Months Ended March 31, 2007

(Prepared by Management)

(Unaudited)

6. Share Capital

(a) Authorized

Unlimited number of common shares

(b) Issued

	<u>Number of Shares</u>	<u>Amount</u>
Balance, September 30, 2006	35,815,406	\$ 6,510,007
Private placement (i)	2,811,500	1,968,050
Warrant valuation (i)	-	(392,204)
Finder's fees (i)	70,000	49,000
Exercise of warrants	1,327,857	342,536
Fair value of warrants exercised	-	74,963
Exercise of stock options	75,000	26,250
Fair value of options exercised	-	19,718
Cost of issue (i)	-	(123,816)
Balance, March 31, 2007	<u>40,099,763</u>	<u>\$ 8,474,504</u>

(i) On February 22, 2007 the Company closed a non-brokered private placement comprised of 2,811,500 Units, sold at \$0.70 per Unit for total proceed of \$1,968,050. Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share for \$1.00 until January 29, 2008. All securities issued in conjunction with the offering will be subject to a hold period, which expires four months after closing.

Finder's fees were paid on the financing consisting of a cash payment of \$37,293 and a total of 70,000 common shares of Nayarit valued at \$0.70 per share for a deemed total of \$49,000. Other costs associated with the private placement amounted to \$37,523.

The fair value of the warrants issued was determined to be \$0.279 per warrant or \$392,204 in the aggregate using the Black-Scholes pricing model. The following weighted average assumptions were used: risk-free interest rate of 4.14%, dividend yield of 0%, expected stock volatility of 107.7% and an expected life of 1 year.

Nayarit Gold Inc.

(A Development Stage Company)
Notes to Consolidated Financial Statements
Three and Six Months Ended March 31, 2007
(Prepared by Management)
(Unaudited)

6. Share Capital (Continued)**(c) Warrants**

The following is a continuity of warrants for the period ended March 31, 2007:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>
Balance, September 30, 2006	5,251,715	\$ 0.67
Issued	1,405,750	1.00
Exercised	(1,327,857)	0.26
Expired	<u>(2,028,000)</u>	<u>1.25</u>
Balance, March 31, 2007	<u>3,301,608</u>	<u>\$ 0.66</u>

The following are the warrants outstanding at March 31, 2007:

<u>Number of warrants</u>	<u>Fair value</u>	<u>Exercise price (\$)</u>	<u>Expiry date</u>
1,235,001	122,978	0.45	April 30, 2007
18,000	1,646	0.50	April 30, 2007
642,857 (i)	119,535	0.35	April 30, 2007
<u>1,405,750</u>	<u>392,204</u>	1.00	January 29, 2008
<u>3,301,608</u>	<u>\$ 636,363</u>		

(i) One unit equals one common share and one-half of a warrant that can be exercised for \$0.45 until April 30, 2007.

(d) Stock Options

The following is a continuity of options for the period ended March 31, 2007:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Balance , September 30, 2006	6,590,000	\$ 0.67
Cancelled	(715,000)	0.77
Exercised	<u>(75,000)</u>	<u>0.35</u>
Balance, March 31, 2007	<u>5,800,000</u>	<u>\$ 0.66</u>

Nayarit Gold Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

Three and Six Months Ended March 31, 2007

(Prepared by Management)

(Unaudited)

6. Share Capital (Continued)**(d) Stock Options (Continued)**

The following are the options outstanding at March 31, 2007:

<u>Options Outstanding</u>	<u>Options Exercisable</u>	<u>Fair Value</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,225,000	3,700,000	\$ 847,856	\$ 0.35	May 18, 2010
500,000	166,650	102,400	0.38	September 21, 2010
400,000	66,680	176,835	0.85	February 21, 2011
1,600,000	-	1,081,507	1.30	May 3, 2011
75,000	-	51,664	1.33	May 4, 2011
<u>5,800,000</u>	<u>3,933,330</u>	<u>\$ 2,260,262</u>		

(e) 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.

Nayarit Gold Inc.

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Notes to Consolidated Financial Statements

Three and Six Months Ended March 31, 2007

(Prepared by Management)

(Unaudited)

7. 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, 2006 consolidated financial statements. The benefits of these losses and the estimated loss for the period are not recognized in these consolidated financial statements.

8. Subsequent Events

(a) Subsequent to March 31, 2007, the Company granted 1,550,000 stock options to directors and consultants of the Company at an exercise price of \$0.98 per share expiring on May 17, 2012.

(b) 550,000 stock options with an exercise price of \$1.30 per share expiring on May 3, 2011 and 335,000 stock options with an exercise price of \$0.38 per share expiring on September 21, 2010 were cancelled. Also, total proceeds of \$272,750 were received from the exercise of 775,000 stock options at various exercise prices per share and expiry dates.

(c) Total proceeds of \$927,965 were received from the exercise of 2,203,000 warrants at various exercise prices per share with an expiry date on April 30, 2007. 14,286 warrants with an exercise price of \$0.45 per share were expired unexercised on April 30, 2007.