Pinnacle Mines Ltd.

FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) AS OF APRIL 15, 2009 TO ACCOMPANY THE AUDITED FINANCIAL STATEMENTS OF PINNACLE MINES LTD FOR THE YEAR ENDED DECEMBER 31, 2008.

This discussion and analysis should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2008 and the notes thereto.

This MD&A contains certain forward looking statements based on the best beliefs, and reasonable assumptions of the management of Pinnacle Mines Ltd. There are many risks and uncertainties attached to the mineral exploration business. Given these risks and uncertainties, the reader should not place undo reliance on these forward looking statements. See additional comments and discussion under Risks and Uncertainties in this MD&A.

Overall Performance

Pinnacle Mines Ltd. (the "Company" or "Pinnacle") is an exploration stage company located at Suite 350-885 Dunsmuir Street, Vancouver, BC, engaged in the acquisition, exploration and development of mineral properties in British Columbia, Canada and Oaxaca, Mexico. The Company is a reporting issuer in BC and Alberta. On June 30, 2003 Broadlands Resources Ltd. consolidated its share capital and changed its name to Pinnacle Mines Ltd. The Company is now subject to the Business Corporations Act of BC. The Company is a Tier 2 issuer on the TSX Venture Exchange, trading under the symbol PNL.

The issued capital of the Company as of April 15, 2009 is 91,576,147 common shares. The authorized capital of the Company is an unlimited number of common shares.

The Strategic Plan of the Company is to achieve cash flow from a mining operation or operations as quickly as possible and this cash flow will be used to carry on with resource exploration and project development. In this regard, the Company's Business Plan is to acquire properties of merit and take them through the exploration phase and hopefully through feasibility and on to construction and operations. The Company will also consider joint venturing its own properties so that some of the risk and cost associated with this work is carried by others.

Selected Annual Information for the Year ended December 31st, 2008

Year Ended	December 31, 2008	December 31, 2007	December 31, 2006
Financial results:			
Net loss for the year	(2,811,635)	(1,613,687)	(1,463,311)
Basic and diluted loss per share	(0.07)	(0.07)	(0.08)
Balance sheet data:			
Cash and short term deposits	2,434,012	2,506,890	3,731,412
Mineral properties	9,885,663	6,104,241	4,340,703
Total assets	12,554,837	9,415,124	8,441,755
Future income tax liability	925,000	-	-
Shareholders equity	11,127,429	8,971,833	8,290,723
Cash flow data:			
Exploration expenditures	2,764,241	2,182,959	1,955,140
Common share proceeds (gross)	3,418,000	2,094,501	4,286,465

The Company did not have any sales, discontinued operations, extraordinary items, cash dividends or long-term liabilities in the period under review. Material factors affecting operations and mineral property expenditures are described elsewhere in this MD&A.

Pinnacle started 2008 with a positive cash position of $2,220,087 and by the end of the year this position had increased to $2,395,763. During the year there was a net decrease of $696,354 in working capital. This decrease came about as a result of a reduction in short term investments and receivables. The Company completed one partially brokered private placement and one non-brokered private placement during the year. In general, overall operating costs decreased in 2008 over 2007 by almost half. General and Administrative expenditures decreased to $842,827 in 2008 from $1,596,819 in 2007. Expenditures in consulting services, management services, investor relations, stock based compensation and travel were down significantly which reflected in overall expenditures, reduced use of consultants and more awareness of travel requirements. The value of stock based compensation was down from $355,795 in 2007 to $27,032 in 2008. This reflects a decrease in the issuance of stock options and shares for services rendered. Please refer to the Consolidated Statements of Operations and Deficit in the consolidated financial statement for 2008 and 2007 years ended December 31 for details.

Mineral exploration costs formed the bulk of the Company's expenditures in the period. These costs are set out in the following table:

Exploration expenditures			
Year Ended	December 31, 2008	December 31, 2007	December 31, 2006
Exploration expenditures			
Geochemistry	$ 39,868	$ 23,303	$ 3,476
Drilling and metallurgy	1,685,411	1,176,607	1,450,347
Environmental permitting	6,272	25,145	-
Geological and engineering	473,734	319,373	206,204
Helicopter	495	127,545	77,759
General administration	188,472	158,005	62,941
Geologic mapping and imagery	21,831	6,280	18,760
Geophysics	69,839	-	-
Maintenance	2,763	64,265	20,201
Field supplies	36,819	38,680	66,461
Resource estimation	102,397	33,570	59,660
Shipping	26,624	-	45,525
Reclamation	15,484	3,913	-
Travel and accomodation	94,232	206,273	108,145
Trenching and underground	-	-	28,335
Recovery of expenses	-	-	(192,674)
Net expenditures	$ 2,764,241	$ 2,182,959	$ 1,955,140

Significant exploration was performed and property payments were completed. Exploration expenditures were much higher at the Silver Coin in 2008 than in 2007. Expenditures on other properties in Canada and Mexico were reduced to a minimum.

Primarily, the Company focused its exploration efforts at the Silver Coin during the year. The Company spent approximately $1.7 million on a major drilling program at the Silver Coin completing a total of 88 drill holes. Part of the reason for this focus was the limited success in Mexico at the La Calavera project and also the requirement to complete our flow-through funding requirements at Silver Coin. There was some cleanup work completed at La Calavera and also some work initiated at the Rio Minas property. In addition a number of property submittals were investigated in North America although none was acquired.

In May 2007 the Company signed a joint venture and option agreement with Chesapeake Gold Corp. to earn up to a 70% interest in the La Calavera and Rio Minas properties in Oaxaca State, Mexico. To earn the full 70% interest the Company must spend US$6,000,000, pay US$1,300,000 and issue an aggregate of 500,000 shares over a period of 6 years. Exploration work was started at the La Calavera and Rio Minas properties early in May of 2007. In that year some geological mapping was completed as well as geophysical work. Drilling targets were determined and 14 holes were drilled starting in December of 2007 and continuing into 2008. An IP survey and a geochemical soil survey were completed in 2008 at the Rio Minas. The Company continues to maintain a small operations office in Oaxaca City. See below for further details.

At the Silver Coin property the Company drilled 15 holes in 2007 and in 2008 completed a further 88 holes along with surveying, mapping and some trenching. During these years Pinnacle spent a total of $2.5 million in the Stewart area. We believe that the Silver Coin area holds great promise and the resource can be further expanded with additional drilling. All drill results of merit have been posted on our website and issued to the public in news releases. The Company is presently having the resource estimation recalculated.

At Surprise Creek, early in 2007, a drilling contractor was identified and a contract signed to drill starting in July. Four holes were completed for just under 2000 meters of drilling. The results were encouraging in that the general geology is becoming better understood and future drilling, if any, will reflect this knowledge. No work was carried out on the property in 2008 and none is expected in 2009.

Additional details can be found below under Results of Operations.

Results of Operations

Note: All of the property reviews and technical information located below can be viewed in more detail on SEDAR at www.sedar.com and on the Company's website at www.pinnaclemines.com.

Canada

Silver Coin:

The Silver Coin gold-silver-base metal property, optioned from Mountain Boy Minerals Ltd. ("Mountain Boy"), is located about 24 kilometers north of Stewart, British Columbia in the Skeena Mining Division. The property covers an area of Lower Jurassic-age, intensely altered intermediate volcanic rocks. Detail regional mapping conducted by government geologists indicates that the area was a regional paleotopographic high with a stratovolcano centered on the nearby Mount Dilworth. The rocks are cut by a variety of intrusive rocks of both Early Jurassic and Eocene age.

The property contains approximately 1500 hectares in one Crown granted claim, nine Reverted Crown granted claims, ten – two post claims and six modified grid claims.

During the third quarter of 2004 the Company entered into an option agreement with Mountain Boy to acquire a 51% interest in its 100% owned Silver Coin and FR claims and its 55% owned Dauntless claims by spending $1.75 million on exploration over a three year period. In addition the Company can earn another 9% in the properties by bringing one to commercial production.

During the fourth quarter of 2004, the Company entered into an agreement with Tenajon Resources Corp. ("Tenajon") to acquire a 60% interest in its Kansas property, by incurring exploration expenditures totaling $1 million over a four year period, making a $50,000 cash payment and issuing 77,000 common shares. The Company can increase its ownership in the Kansas property to 70% by completing a feasibility study within four years of earning its 60% interest. The letter agreement was signed on Oct. 23, 2004 and the companies agreed to complete a full option agreement within six months. A full joint venture agreement between Tenajon and Pinnacle was completed in May of 2005. In 2005 the Company incorporated the Kansas Claim joint venture between Pinnacle and Tenajon into the Mountain Boy/ Pinnacle joint venture.

The Kansas property is a crown grant and is 19.5 hectares in size. The property is surrounded by the Silver Coin property. A technical report by Westmin Resources Limited in 1995 calculated the uncut gold reserves on the Kansas at 1,774,000 tons grading 2.20 g/t (124,889 ounces of gold).

This calculation was completed prior to National Instrument 43-101, is historic in nature and has not been reclassified to current categories; however management believes that the results and calculations were generated using accepted and proven geologic and engineering practices and are reliable and relevant.

On April 15, 2008 the Company entered into a binding letter agreement whereby the Company purchased Tenajon's wholly owned subsidiary, 0781639 B.C. Ltd. which holds an undivided 40% ownership interest in the Kansas property and a 100% ownership interest in the Summit Lake property.

On closing, the Company issued to Tenajon 13,500,000 common shares at a value of $2,430,000 and has reimbursed Tenajon $15,000 for reclamation deposits and $185,000 for other expenses incurred by Tenajon. The Company was also granted an option to purchase the 3% net smelter royalty held by Tenajon on the Summit Lake property by paying $115,000 which the Company declined.

The 2006 Program at Silver Coin

Initially 3,500 meters of drilling, as well as several kilometers of trenching, and over 1,000 soil samples were planned for the 2006 exploration season. However part way through the summer the Company completed a private placement of $1,950,000. As a result of the new funding the drilling program was expanded and over 8,000 meters of drilling was completed. Mr. Alex Walus, P. Geol., Pinnacle's senior geologist, supervised the exploration program on behalf of the Company. Pinnacle was still in an earn-in mode in 2005 and Mountain Boy was in charge of the exploration program. Mr. Ed Kruchkowski, of Mountain Boy, was the project manager. The 2006 drilling was designed to extend and better define the known mineralization in an area that contains the Perseverance zone, the Snowball zone, the Kansas and Kansas West zones and the 35 zone. Enough drilling was completed in 2005 to start constructing a mineral resource estimate according to 43-101 standards.

Results of some of the holes drilled in 2006 can be found on our website.

The 2007 Program at Silver Coin

A great deal was accomplished in 2007 on the Silver Coin project. An updated resource calculation was completed by MineFill Services Inc. and the new estimate was released. It has since been filed on SEDAR.

This latest mineral resource significantly increased and improved on the last resource estimate published in March 2006, which only referred to inferred resources. MineFill was able to upgrade roughly 40 percent of the resources from inferred to measured and indicated. The new resource estimate includes 947,988 ounces of gold in the inferred category and 423,002 ounces of gold in the measured and indicated category.

This updated resource includes 182 surface diamond drill holes completed in 2005 and 2006 under the supervision of the Company's geologists and 417 historical drill holes of which 288 were drilled from underground. The resource is based on drilling along 700 meters of strike length within a mineralized zone that has been identified over a distance of at least 2500 meters that remains open to the south, east and north. Trenching to the north along the mineralized structure has returned values up to 22 g/t gold.

A program of 29 holes was proposed by Pinnacle to better define and expand the in-pit resource estimate outside the Kansas claim, specifically to the north of that claim. None of the drilling was to be carried out on the Kansas claim. The program was agreed to by Mountain Boy and the drill program started in mid September. The drilling continued until late in October when snow stopped the program. A total of 16 holes of the 29 hole program were completed. Assay results were not particularly exciting however the resource will increase somewhat because of the drilling.

Due to large snowfall, the 2007 drill program on Silver Coin was shut down after completing 16 of 29 planned holes. The remaining 13 holes are scheduled to be completed next year. Holes 210, 214 and 215 did not record any significant gold values. Results of the drilling in 2007 can be found on our website.

2008 Exploration Program

Initially Pinnacle designed a program to consist of 75 holes totaling 12,000 meters and was intended to increase resources and upgrade the resources already defined. The actual drilling program started in late June and was completed by early September. A total of 88 holes were completed for over 12,200 metres.

The results from the program continue to build on the size and significance of earlier Silver Coin drill results. Drilled widths of up to 54.87 meters grading 4.45 gpt gold and 77.72 meters grading 2.41 gpt gold are included in the results. Much higher grades were intersected over narrower widths such as: 4.57 meters grading 15.57 gpt gold; 1.52 meters grading 15.01 gpt gold; 3.05 meters grading 20.47 gpt gold; 15.24 meters grading 4.43 gpt gold; 6.09 meters grading 9.0 gpt gold; 12.19 meters grading 12.66 gpt gold; 42.37 meters grading 6.26 gpt gold (including 12.19 meters grading 18.16 gpt gold); 45.72 meters grading 3.78 gpt gold; 27.43 meters grading 5.40 gpt gold, etc. A body of andesite containing a network of mineralized quartz veins and veinlets, as well as disseminated gold-sphalerite mineralization forms an open-ended, N-S-elongate body approximately 700 meters along strike and 200 meters in depth.

Long sections constructed from the drill hole geochemical database indicate that the deposit is open at depth and along strike to the north. Thus, further drilling along strike to the north is planned for the 2009 field season coincident with pre-feasibility studies on the known body of mineralization.

The location of Silver Coin is ideal for the construction of a potential open pit mining operation. The road to the Granduc deposit passes through the property, linking Silver Coin with the deep water port at Stewart, B.C. The deposit is 13 kilometers north of the Silbak-Premier mine, which produced approximately 1.8-2.0M ounces of gold. An NI43-101 compliant resource calculation carried out for Silver Coin in 2007 by MineFill Services (which did not include the latest 88 holes or holes drilled during 2007). This study calculated (at a 0.75 gpt gold cut-off), a combined measured-indicated-inferred resource of 25.65M tons of mineralized rock grading 2.3 gpt gold-equivalent (gold, including the base metal credits), or 1.66 gpt gold without credits. This equates to approximately 1.5M ounces of gold. At a higher cut-off (1.5 gpt gold) the resource consists of 8.2M tons grading 5.03 gpt gold equivalent, or 1.09 M ounces of gold.

The 2008 season started with Hole 222 and ended at Hole 310. Approximately 1.26 kilometers of diamond drilling was completed this season. A chronological breakdown of all diamond drill results can be found on the Company's web site. Gold is the primary metal on the Silver Coin property. To give the reader an idea of the overall significance and magnitude of the property's potential value, the results in 2008 include only 4 holes which were assayed with less than .5 g/t

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gold and are listed as "No Significant Results" although these holes did contain mineralization and/or base metal values.

With the completion of the latest drill program the project is moving towards the pre-feasibility stage of development. Snowden Engineering has begun work on an updated 43-101 compliant resource calculation, Eagle Mapping has delivered detailed topographic coverage for mine-planning purposes, and F.W. Wright Consulting Inc. is continuing with metallurgical studies (initial flotation recoveries averaged 94% for gold in test work completed to date).

Other Work

In addition to the drill program, environmental base line studies have been suggested and a limited program of metallurgical testing is also underway. Both Mountain Boy and the Company must agree on the proposals before extensive metallurgical work can begin. The Company has, on its own, hired an environmental consulting firm to prepare a plan for remediation work at the site. The Company has received notice from the Ministry of Mines that the reclamation bond has been increased by $20,000.

The Company has also carried out at its own cost the basic metallurgical analysis. Pinnacle believes that this limited work has to be completed now so that all future exploration and development programs can be better designed. Our partner Mountain Boy is not participating in this program.

In December 2005 Pinnacle had its first resource estimate on the Silver Coin completed by Minefill Services of Seattle. MineFill was retained to complete an initial independent resource estimate and a National Instrument 43-101 Compliant Report including a resource calculation. In addition Minefill plotted sections, performed a polygonal resource and also developed a 3-D model of the geology and mineralization. The Minefill inferred resource contains an estimated 500,000 ounces of gold, and 2.11 million ounces of silver. The inferred resource consists of 11.3 million tonnes grading 1.60 g/t Au, 6.64 g/t Ag, 0.06% Cu, 0.19% Pb, and 0.41% Zn and has been calculated in accordance with CIMM (2000) standards, at a geometric cutoff. Within this resource, a higher grade envelope containing 2.5 million tonnes at 2.69 g/t Au, 10.09 g/t Ag, 0.06% Cu, 0.33% Pb, and 0.58% Zn has been identified for a total of 170,543 ounces of gold and 660,504 ounces of silver. Mineralization is open along the strike and down dip. Of the total calculated inferred resource of 499,775 ounces gold and 2,110,693 ounces silver, the Kansas claim has 377,394 ounces of gold and 1,545,595 ounces of silver. Of the higher grade envelope the Kansas claim contains 146,418 ounces of gold and 490,048 ounces of silver.

An updated resource calculated in 2007 includes an additional 182 surface diamond drill holes completed in 2005 and 2006 under the supervision of Pinnacle geologists and 417 historical drill holes of which 288 were drilled from underground. The resource is based on drilling along 700 meters of strike length within a mineralized zone that has been identified over a distance of at least 2500 meters that remains open to the south, east and north. Trenching to the north along the mineralized structure has returned values up to 22 g/t gold.

The current resource estimate is located primarily within the Kansas claim and the immediate surrounding area including the Big Missouri claim (51% Pinnacle-49% Mountain Boy), as drilling was concentrated in these areas. In 1991 the Facecut zone, located on the Big Missouri, produced 102,539 tonnes at an average grade of 8.9 g/t Au and 55.50 g/t Ag. Work during 2005 and 2006 has extended this high grade mineralization (Facecut Zone) at least 200 meters north of the stoped area. DDH-2005-89 intersected 11.59 meters of 9.89 g/t gold approximately 100 meters north of the mined area. Future drilling will concentrate on this area to the north.

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Updated Mineral Resource Estimate for Silver Coin

(Above a Cutoff Grade of 0.75 g/t Au-eq.)

Class	Tonnes	Au	Ag	Zn	Au	Au-Eq (oz)
		g/t	g/t	%	(oz)	(Au, Ag only)
Measured	1,073,891	3.481	14.191	0.432	120,181	129,513
Indicated	8,633,606	1.091	10.567	0.288	302,822	358,689
M+I	**9,707,497**	**1.355**	**10.968**	**0.304**	**423,002**	**488,202**
Inferred	**15,947,629**	**1.849**	**5.377**	**0.273**	**947,988**	**1,000,499**

* Au-eq values calculated from $525/oz for Au, $10/oz for Ag.

* Metallurgical recoveries and net smelter returns are assumed to be 100%.

The inferred total has been almost doubled plus we have added an additional 423,002 to the measured and indicated categories.

In addition to the above results, MineFill report the following resources at a range of cutoff value

Updated Mineral Resource Estimate for Silver Coin

Cutoff Grade	Tonnes	Au	Ag	Zn	Au	Au-Eq (oz)
Au-Eq		g/t	g/t	%	(oz)	(Au, Ag only)
0.25	76,599,380	0.717	3.781	0.155	1,765,689	1,943,044
0.5	41,636,771	1.161	5.54	0.217	1,554,100	1,695,353
0.75	25,655,126	1.662	7.492	0.285	1,370,803	1,488,505
1	16,760,494	2.259	9.629	0.363	1,217,231	1,316,059
1.25	11,426,111	2.982	12.059	0.451	1,095,408	1,179,784
1.5	8,245,680	3.809	14.919	0.535	1,009,735	1,085,067

The new resource was classified in accordance with CIMM (2000) standards.

The updated resource includes a high grade core of 8.25 million tonnes grading over 5.0 g/t Au-equivalent (3.8 g/t Au, 14.9 g/t Ag, 0.04% Cu and 0.54% Zn) containing just over 1 million ounces of gold.

Resources on the Kansas claim, at a 0.75 g/t Au-equivalent cutoff include 7.225 million tonnes measured and indicated grading 1.532 g/t Au, 9.998 g/t Ag, 0.013% Cu and 0.329% Zn, and 10.256 million tones inferred grading 2.146 g/t Au, 5.572 g/t Ag, 0.009% Cu and 0.26% Zn. Contained metal on the Kansas claims include 355,924 ounces of measured and indicated gold and 2.322 million ounces of silver, and 707,605 ounces of inferred gold and 1.837 million ounces of silver.

A comprehensive program of data verification was undertaken by MineFill Services prior to the building of a block model in SURPAC. The mineral resource estimate was then generated by ordinary kriging using uncapped gold, silver and zinc values.

The Qualified Person for this release is Dr David Stone, P.Eng., P.E. of MineFill Services, Inc., Vancouver, B.C.

The Company has started its own resource calculation as well which will be compared to the results that Snowden has produced. Our calculations will be completed in the second quarter of 2008.

Surprise Creek Property

The Company acquired 40 claims units in 2003 in the Stewart area by staking an area covering several old reverted crown grants in the Bear River pass near Surprise Creek. Renamed the El Dorado, this property has had very little exploration in the last 30 years and sporadic work efforts since the early 1900s. The property is now roughly 25,000 hectares in size within one claim block. The property follows the contact zone between the Mt. Dilworth rhyolite and overlying Salmon River sedimentary formations, the same stratigraphic sequence that is host to numerous gold deposits including Eskay Creek, Snip and Premier-Big Missouri mines. The rhyolite horizon was traced along the entire north-south length of the Surprise Creek claim group.

In July of 2006 some surface reconnaissance was carried out on the property by corporate geologists. As well it was planned to drill two long holes from two locations to confirm the rock types at depth. In August one drill pad site was prepared and the second was to be constructed. Unfortunately the weather turned very bad and further work at the site was not possible and as a consequence the second pad never got constructed and the drill program was cancelled for 2006. It was planned to carry out this work in 2007.

Early in 2007 a drilling contractor was identified and a contract signed to drill at Surprise Creek starting in July. This work started in late July and was completed in the latter part of August. Four holes were complete for just under 2000 meters of drilling. At this time assays have been received on all four holes. The results were encouraging in that the general geology is becoming better understood and future drilling, if any, will reflect this knowledge. A report is being written which will include a recommendation for the specific exploration program to follow. The Company is still gathering geological information on the area and the drilling program is part of that process.

A 2008 Exploration Program

No work was carried out on the Surprise Creek Property in 2008. The property is in good standing for a number of years because of the work that was performed in the past.

MEXICO

Oaxaca State Properties

In September 2006, the Company announced that it had reached an agreement with Chesapeake Gold Corp. (“Chesapeake”) to purchase up to a 70% interest in its wholly-owned La Calavera and Rio Minas copper-silver-gold properties in Oaxaca, Mexico. Both the La Calavera and Rio Minas properties occur within a hundred kilometer long NW trending structural belt which host several skarn prospects and other advanced exploration projects. Regional reconnaissance has delineated an extensive zone of intrusions along this belt that have affected the limestone rocks generating numerous skarn occurrences over an area of more than 100 square kilometers around Rio Minas. At Rio Minas, the skarn zones are associated with a large circular feature about 5 kilometers in diameter and are believed to represent the surface expression of a major intrusive stock underlying the calcareous rocks.

The Company commenced work on the La Calavera property in the Sierra Madre Sur, 52 kilometers southeast of Oaxaca City in the community of San Baltazar Guelavila. The large property consists of two concessions totaling 8,267 hectares adjacent to the Cobre Grande property controlled by Linear Metals Corporation. The target at La Calavera is a copper-zinc skarn that lies on the flank of a granodiorite stock. The Company completed the cutting of lines and the IP survey which covered the "El Manguito" showing. Permitting for drilling was completed for 15 core holes. The drilling contractor Cabo Drilling moved its drills on site early in November 2007 and drilling commenced in January 2008.

By the end of February 2008 the Company had completed five holes before the program was halted. The Company's initial drill program on the property was slated for 14 holes, each 300-400 meters in depth. Targets for all holes had been identified based on geophysical and geochemical data compiled in September. Assays have been received on all holes, none of which are exciting. On February 21, 2008, a US$430,000 option payment was due to be paid by Chesapeake to the original concession (claim) holders located at the town of San Baltazar. Unfortunately there was a problem between the claim holders who are part of the town and the town itself. As a consequence the Chesapeake payment was refused and the situation is uncertain at this time. The Company has decided that because of the poor drill results and the problems within the community to quit the project and focus on Rio Minas. The Company returned the property to Chesapeake.

The Company commenced work on the Rio Minas property in late 2007 which is located approximately 37 km southeast of the La Calavera property. The property is controlled by a different town and we do not expect to have the same problems as we had at La Calavera. The property consists of two concessions totaling 19,510 hectares in steep terrain. The target is silver-rich, polymetalic skarn adjacent to a granodiorite intrusive. Five skarn zones have been identified. Past sampling of road cuts and outcrops have revealed one zone that contains 63 meters of 0.90% copper with significant silver credits.

At Rio Minas, the skarn zones are associated with a large circular feature about 5 kilometers in diameter and are believed to represent the surface expression of a major intrusive stock underlying the calcareous rocks. A geochemical survey was conducted. An area that measures approximately 4 kilometers by 2.5 kilometers was soil sampled. An Ip program is planned. Once this work is done and mapping is completed a drill program is planned. Soil sampling to date has revealed a number of "highs" in silver and copper. In addition rock sampling of a road that crosses the property has picked up some very high values including one 27 meter long cut that grades 25.9 gpt Silver and 0.54% copper, another 63 meter section grading 75.1 gpt of silver and 0.90% copper as well as another cut 57 meters long grading 35 gpt silver and 0.54% copper.

Subsequent to December 31, 2008, Chesapeake has given notice to the Company that it has terminated its underlying option agreement with the La Calavera property owner. Chesapeake has also advised the Company that the US$400,000 owing by March 31, 2009 is not due and the Company and Chesapeake will renegotiate and/or enter into a new option agreement with respect to the Rio Minas property.

As of December 31, 2008, all costs relating to the La Calavera property have been written off to operations.

Pinnacle Mines Ltd.

Summary of Quarterly Results (Unaudited)

2008 Quarterly Results:	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Revenue	$ -	$ -	$ -	$ -
Net loss	(2,724,007)	(194,317)	(263,473)	370,162
Basic and diluted loss per share	(0.02)	(0.01)	(0.01)	(0.01)
Total assets	12,554,837	12,621,789	12,796,004	9,209,620
Working capital (deficiency)	2,024,021	479,316	2,013,300	2,047,438
2007 Quarterly Results:				
Revenue	-	-	-	-
Net loss (gain)	(497,904)	(355,928)	(431,176)	(328,679)
Basic and diluted loss per share	(0.02)	(0.02)	(0.02)	(0.02)
Total assets	9,415,124	7,756,918	7,907,285	8,321,589
Working capital (deficiency)	2,720,375	2,247,158	2,832,315	3,519,178

No exercise or conversion is assumed during the years in which a net loss is incurred, as the effect is anti-dilutive.

Revenue and Net Loss

In general, overall operating costs decreased in 2008 over 2007 by almost half. General and Administrative expenditures decreased substantially to $842,827 in 2008 from $1,596,819 in 2007. Expenditures in consulting services, management services, investor relations, stock based compensation and travel were down significantly which reflected in overall expenditures, reduced use of consultants and more awareness of travel requirements. The value of stock based compensation was down from $355,795 in 2007 to $27,032 in 2008.

The Company started 2008 with a working capital of $2,720,375 and by the end of the year this position had decreased to $2,024,021. During the year there was a net decrease of $696,354. This decrease came about as a result of a reduction in short term investments and receivables. The Company completed one partially brokered private placement and one non-brokered private placement during the year. In general, overall operating costs decreased in 2008 over 2007 by almost half.

Fourth Quarter Review

In addition to the regular operating costs of running the Company, mineral property interests were written down by $2,582,819 significantly increasing the fourth quarter loss.

In December 2008, the Company closed a non-brokered private placement consisting of 45,000,000 units at a price of $0.055 per unit for gross proceeds of $2,475,000. Each unit entitles the holder to one common share and one share purchase warrant which is exercisable into one additional common share for a period of two years at a price of $0.07 during the first year and $0.15 during the second year. The Company paid a finder's fee of $198,000 of which $44,000 was paid in cash and $154,000 was paid in 2,800,000 common shares.

Changes in Management and Board

During fiscal 2008 the Company continued to expand its operations and management team. In December 2008 Robert Wolfe was appointed as a director and Herrick Lau was appointed Chief Financial Officer of the Company. The appointment of Herrick Lau follows the departure of Mr. Gerald Sneddon as acting CFO who remains as a director of the Company.

In March 2009 Herrick Lau was appointed as a director of the Company. The appointment of Herrick Lau follows the departure of Mr. Gerald Sneddon as a director of the Company. Mr. Sneddon will remain as an advisor to the Company.

The Company's Board of Directors now consists of: Paul Saxton, Lawrence Dick, Herrick Lau, Susan Li and Robert Wolfe.

Liquidity, Capital Resources and Solvency

The following table summarizes the Company's cash on hand, working capital and cash flow:

As at	December 31, 2008	December 31, 2007
Cash and equivalents	$ 2,395,763	$ 2,220,087
Working capital	2,024,021	2,720,375

Year ended	December 31, 2008	December 31, 2007
Cash used in operating activities	(645,554)	(1,180,562)
Cash used in investing activities	(2,402,700)	(2,081,577)
Cash provided by financing activities	3,223,930	1,899,499
Change in cash	$ 175,676	$ (1,362,640)

The Company is dependent on the sale of treasury shares to finance its exploration activities, property acquisition payments and general and administrative costs. The Company may have to raise additional funds in 2009 to continue its drilling program. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

The Company had no loans payable at the end of the year.

Capital Resources

The Company's capital resources are sufficient to continue its pace of mineral exploration and development. However as noted above the Company will need to raise additional funds during 2009 either by way of debt or equity financing. The Company has a commitment to explore the Silver Coin, Surprise Creek and Mexican properties. All properties have sufficient time associated with spending commitments that the Company can reduce its expenditures and still meet its obligations for a period of time.

Oustanding Share Data

The Company has an authorized share capital of an unlimited number of common shares of which 91,576,147 shares were issued and outstanding at the end of 2008 compared to 25,123,647 at the end of 2007.

The Company has outstanding a total of 49,481,250 full share equivalent warrants outstanding as of December 31, 2008 ranging in price from $0.07 to $1.00 per share.

Full share equivalent warrants outstanding and exercisable at December 31, 2008:

Description	Number Of Full Share Equivalent Warrants		Price Per Share	Expiry Date
			$	
Warrants	2,000,000		1.00	April 9, 2009
Warrants	30,000		1.00	April 9, 2009
Warrants	2,357,500		0.30	April 3, 2009
Warrants	46,875		0.30	April 3, 2009
Warrants	46,875		0.30	August 11, 2009
Warrants	45,000,000	*	0.07	December 18, 2010
	49,481,250			

* Price for second year ending December 18, 2010 is $0.15

As of the date of the MD&A, 2,030,000 warrants with an exercisable price of $1.00 per share have expired and 2,404,375 warrants with an exercisable price of $0.30 per share have expired as well.

The Company has no shares remaining in escrow at year end.

The Company has a stock option plan in place and at the end of the year a total of 1,030,000 exercisable options were outstanding at prices ranging from $0.20 to $0.95 per share. The weighted average exercise price is $0.45 per share. The maximum number of shares subject to the plan, in the aggregate may not exceed 10% of the Company's issued shares. The Company uses the Black-Sholes option pricing model to estimate the fair value of the options.

The options outstanding and exercisable at December 31, 2008 are as follows:

Range of Exercise Prices	Outstanding Options			Exercisable Options	
	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Exercisable	Weighted Average Exercise Price
$0.20-$0.39	95,000	$ 0.24	1.90	85,000	$ 0.24
$0.40-$0.59	780,000	0.41	3.54	780,000	0.41
$0.60-$0.95	155,000	0.80	0.93	155,000	0.80
	1,030,000	$ 0.45	3.00	1,020,000	$ 0.45

As of the date of the MD&A, 90,000 options exercisable at $0.70 per share have expired.

See Note 9 in the audited consolidated financial statement for details.

Related Party Transactions

During 2008, the Company incurred fees of $75,834 with directors for management consulting services. The Company makes use of the expertise and knowledge of the directors and pays directors fees that are commensurate with industry standards. Included in payables is an amount of $10,686 owed to two directors and officers of the Company. The Company shares office space with Lincoln Gold Corp. and during the year was reimbursed a total of $78,308 for rent and office expenses. Two of the companies have one director in common. Included in receivables is an amount of $43,281 owed by Lincoln Gold Corp.

These transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the related parties, and were recorded at the exchange amount.

Proposed Transactions

As happens within the mineral exploration and mining development industry, the Company is continually reviewing potential merger, acquisition, investment and joint venture transactions including other opportunities that could add to shareholder value. At present there are no transactions contemplated by the Company that would affect the financial condition, results of operations and cash flow of the Company.

Additional Disclosure for Venture Issuers without Significant Revenue

The Company has expensed the following material cost components:

	Period ended Dec. 31, 2008	Period ended Dec. 31, 2007
Consulting Fees	$ 88,484	$ 127,002
Management Services	$ 75,834	$ 205,294
Investor Relations	$ 92,047	$ 197,778
Professional Fees	$ 138,393	$ 158,294
Office	$ 120,139	$ 117,079
Salaries and Benefits	$ 124,739	$ 87,728

Consulting fees of $88,484 and $127,002 incurred and expensed in the period ended December 31, 2008 and 2007, respectively, were paid to various consultants of the Company. In the period ended December 31, 2008 and 2007, management services of $75,834 and $205,294 were paid to management of the Company and professional fees of $138,393 and $158,294, respectively, were paid to legal counsel and auditor of the Company. The transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the related parties, and were recorded at the exchange amount. Investor relations incurred and expensed in the period ended December 31, 2008 were mainly due to the listing and regular corporate filings. Office and salaries and benefits are basic administrative expenses in the Statements of Operations included in the audited consolidated financial statements for the period ended December 31, 2008.

Changes in Accounting Policies

The Company adopted the following new accounting policies effective January 1, 2008:

(a) **Financial instruments**
The AcSB issued CICA Handbook Section 3862, *Financial Instruments - Disclosures*, which requires an increased emphasis on disclosing the nature and the extent of risk arising from financial statements and how the entity manages those risks. This section, together with Section 3863, *"Financial Instruments – Presentation"*, replaced Section 3861, *"Financial Instruments – Disclosure and Presentation"*. Section 3863, *Financial Instruments - Presentation* establishes standards for presentation of financial instruments and non-financial derivatives. Other than the additional disclosure in Note 17, the adoption of these Sections has had no significant impact on the Company's financial statements.

(b) **Capital disclosures**
The AcSB issued CICA Handbook Section 1535, *Capital Disclosures*, which establishes standards for 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. Other than the additional disclosure in Note 16, the adoption of this section has had no significant impact on the Company's financial statements.

Recent accounting pronouncements

(a) Goodwill and intangible assets
The Company will adopt the new standard *Goodwill and Intangible Assets* (Section 3064) for its fiscal year beginning January 1, 2009. This Section replaces Section 3062, *Goodwill and Other Intangible Assets,* and Section 3450, *Research and Development Costs*. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in *Section 3062*. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

(b) Business combinations, non-controlling interest and consolidated financial statements
In January 2009, the CICA issued Handbook Section 1582 *Business Combinations,* 1601 *Consolidated Financial Statements* and 1602 *Non-controlling Interests* which replace CICA Handbook Sections 1581 *Business Combinations* and 1600 *Consolidated Financial Statements.* Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

(c) International financial reporting standards ("IFRS")
In addition to the above new accounting pronouncements the Canadian Accounting Standards Board ("AcSB") in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Financial instruments

The Company's financial instruments consist of cash, short-term investments, receivables, prepaids, payables and accruals and future income tax liability. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying values of these financial instruments approximate their cost, unless otherwise noted.

Investor Relations

Investor Relations are very important to the Company as it competes with many hundreds of other companies for the same investor interest and investment capital. Consequently the Company uses outside consultants as well as internal means to promote itself.

On March 25, 2009, the Company entered into a consulting agreement with 664991 BC Ltd. (the "Contractor") whereby the Contractor has agreed to provide investor relations services to the Company for a 6-month period commencing on March 1, 2009. In return, the Company will pay the Contractor a monthly fee of $2,500 plus taxes and the Company will reimburse the Contractor all reasonable expenses.

In addition the Company attends at least two mining finance shows each year, including the Prospectors and Developers Association of Canada annual conference in Toronto every March. Occasionally the Company will expand its attendance to three or four shows a year.

Financing Activities

In April 2008, the Company closed a partially brokered private placement consisting of 4,715,000 units at a price of $0.20 per unit for gross proceeds of $943,000. Each unit entitles the holder to one common share and one-half share purchase warrant with one whole warrant being exercisable into one additional common share for a period of one year at a price of $0.30 per share. The Company paid an agent fee of $52,500 and granted 350,000 agent compensation options with a value of $24,602. Each agent's option is exercisable into one additional unit at a price of $0.20 per unit for one year. The Company also paid finders' fees of $17,100 in cash and 80,250 compensation options with a value of $5,641 with each compensation option exercisable into one additional unit at a price of $0.20 for one year. The agents' compensation options were valued using the Black-Scholes pricing model with an expected volatility of 108%, and expected term of one year, a risk free interest rate of 2.85% and a dividend yield of 0%.

In April and August 2008, the Company issued 93,750 units each pursuant to a financial advisory agreement relating to the acquisition of the Kansas and Summit Lake properties (Note 7). The units have the same terms and conditions as the units issued in the April 2008 private placement.

In December 2008, the Company closed a non-brokered private placement consisting of 45,000,000 units at a price of $0.055 per unit for gross proceeds of $2,475,000. Each unit entitles the holder to one common share and one share purchase warrant which is exercisable into one additional common share for a period of two years at a price of $0.07 during the first year and $0.15 during the second year. The Company paid a finder's fee of $198,000 of which $44,000 was paid in cash and $154,000 was paid in 2,800,000 common shares.

Risks and Uncertainties

Junior companies involved in mineral exploration are exposed to a business that is inherently speculative in nature, immensely competitive and is generally risky in nature for many and varied reasons. Time and money invested in exploration and development will not necessarily mean a discovery of significant value.

Metals prices are completely independent of the efforts of any one junior mining company and are very volatile which can lead to funding uncertainties and mineral discovery irregularities. In addition, the cost of doing business varies from place to place and regulations imposed by different governments can lead to exploration uncertainties.

The Company explores in Canada and Mexico. In Mexico, the Company has to deal with government policies that are different than in Canada. However laws and regulations in Mexico are well defined. Like Canada the inherent difficulties associated with acquiring land and exploring on it will continue.

The Company has limited financial resources and only has limited means to raise funds through the issue of stock. If the Company is able to find, explore and develop a mineral resource there is still no certainty that additional funds will be available to advance the project even further. Failure to obtain more financing could lead to a loss of prospective properties.

Off Balance Sheet Arrangements

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the company.

Trends

Trends in the industry can materially affect how well any junior exploration company is performing. In general base metal prices recently have weakened and as a result worldwide exploration has been negatively affected. The demand for metal in Europe and North America has declined. Under current adverse economic condition, the Company realized its increasing difficulties in its ability to continue to raise the financing necessary to complete the exploration and development of those projects and the existence of economically recoverable reserves within its projects. Thus, the exploration for and development of industrial mineral deposits are becoming very speculative. However use of metals in China and India may have a positive impact on overall world demand. This overall trend may continue for some time.

Outlook

The outlook for metals continues to decline and this is reflected in our Company's reduced financial strength. Metal requirements are continuing to decrease around the world and commodity prices have fallen dramatically for nearly all base metals. This is a far different situation that has prevailed in the last four to five years. The prospect for financing of all our projects has been affected negatively and this will diminish the Company scope of exploration programs in Canada and Mexico. However the Company will continue its exploration activities at the Silver Coin project with the aim of improving the quality of resources and producing a feasibility study. We continue to look at and evaluate exploration opportunities in other parts of North America. Additional funding will be required to carry out this work which may be more difficult to achieve.

Cautionary Statement

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration plans and our other future plans and objectives are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, (i) estimates of exploration investment and scope of exploration programs, and (ii) estimates of stock-based compensation expense. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statement. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date of statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change. Forward-looking statements are subject to risks, uncertainties and other actors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks.