

Pinnacle Mines Ltd.
(A development stage enterprise)

Interim Consolidated Financial Statements

For the first quarter ended

March 31, 2008

(unaudited – prepared by management)

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NOTICE TO READER

These unaudited interim consolidated financial statements for the first financial quarter ended March 31, 2008 have not been reviewed by our auditors, Grant Thornton, Chartered Accountants. They have been prepared by Pinnacle Mines Ltd.'s management in accordance with accounting principles generally accepted in Canada, consistent with previous quarters and years. These unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2007.

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Management's Responsibility for Financial Reporting

To the Shareholders of
Pinnacle Mines Ltd.
(a development stage enterprise)

The accompanying unaudited interim consolidated financial statements of Pinnacle Mines Ltd. (a development stage enterprise) have been prepared in accordance with Canadian generally accepted accounting principles consistent with previous quarters and years.

Management is responsible for the integrity of the consolidated financial statements. Systems of internal control are designed and maintained by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes. Our auditors have provided information regarding areas where our internal controls could be improved and we have undertaken to implement improvements where practicable.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee of the Board. This committee meets with management to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board of Directors for approval.

"Andrew W. Bowering"
Andrew W. Bowering
Director

"Paul F. Saxton"
Paul F. Saxton
Director

Vancouver, Canada
May 30, 2008

Pinnacle Mines Ltd.
(A development stage enterprise)
Consolidated Balance Sheets
 Unaudited – prepared by management

	March 31, 2008	December 31, 2007
Assets		
Current		
Cash and cash equivalents	\$ 1,863,587	\$ 2,220,087
Investments held in the short term (Note 3)	238,994	286,803
Receivables (Note 4)	384,870	610,963
Prepays	27,684	45,813
	<u>2,515,135</u>	<u>3,163,666</u>
Environmental reclamation deposits (Note 5)	40,000	40,000
Mineral property interests (Note 6)	6,555,274	6,104,241
Equipment (Note 7)	99,211	107,217
	<u>\$ 9,209,620</u>	<u>\$ 9,415,124</u>
Liabilities		
Current		
Payables and accruals	\$ 467,697	\$ 443,291
Shareholders' Equity		
Share capital (Note 8)	22,940,149	23,547,649
Share subscription receivable	20,000	-
Contributed surplus (Note 8)	1,289,672	1,269,878
Accumulated other comprehensive loss (Note 9)	(208,363)	(175,997)
Deficit	<u>(15,299,535)</u>	<u>(15,669,697)</u>
	<u>8,741,923</u>	<u>8,971,833</u>
	<u>\$ 9,209,620</u>	<u>\$ 9,415,124</u>

Nature of operations and going concern (Note 1)
 Commitments (Note 11)
 Subsequent events (Note 15)

Approved on Behalf of the Board

"Andrew W. Bowering" Director
 Andrew W. Bowering

"Paul F. Saxton" Director
 Paul F. Saxton

See accompanying notes to the consolidated financial statements.

Pinnacle Mines Ltd.
(A development stage enterprise)
Consolidated Statements of Operations, Deficit and
Comprehensive Loss
Unaudited – prepared by management

Three Month Period Ended March 31	2008	2007
General and administrative expenses		
Amortization	\$ 8,005	\$ 4,428
Consulting services (Note 12)	29,246	48,840
Foreign exchange (gain) loss	4,098	15,564
Management services (Note 12)	23,334	45,000
Investor relations	40,427	68,298
Professional fees		
Accounting and audit	(7,488)	(1,894)
Legal	56,166	7,566
Office (Note 12)	23,417	30,699
Rent (Note 12)	17,830	10,902
Salaries and benefits	33,019	10,398
Shareholder services	9,658	6,653
Stock-based compensation (Note 8)	19,794	50,066
Travel	18,165	21,434
	<u>275,671</u>	<u>317,954</u>
Loss before undernoted income (expenses)	<u>(275,671)</u>	<u>(317,954)</u>
Property investigations	-	(30,250)
Loss on sale of investments held in the short term	(4,353)	-
Interest and miscellaneous income	186	19,525
	<u>(4,167)</u>	<u>(10,725)</u>
Net loss before income taxes	<u>(279,838)</u>	<u>(328,679)</u>
Future income tax recovery	650,000	-
Net loss and comprehensive loss for the period	<u>\$ 370,162</u>	<u>\$ (328,679)</u>
Loss per share, basic and diluted	<u>\$ 0.01</u>	<u>\$ (0.02)</u>
Weighted average common shares outstanding	<u>25,217,054</u>	<u>20,671,980</u>
Deficit, beginning of period	\$ (15,669,697)	\$ (14,056,010)
Net loss	<u>370,162</u>	<u>(328,679)</u>
Deficit, end of period	<u>\$ (15,299,535)</u>	<u>\$ (14,384,689)</u>
Net loss	\$ (1,799,586)	\$ (328,679)
Other comprehensive loss		
Unrealized loss on available-for-sale investments	<u>(32,366)</u>	<u>53,284</u>
Comprehensive loss	<u>\$ (1,831,952)</u>	<u>\$ (275,395)</u>

See accompanying notes to the consolidated financial statements.

Pinnacle Mines Ltd.
(A development stage enterprise)
Consolidated Statements of Cash Flows
Unaudited – prepared by management

Three Month Period Ended March 31	2008	2007
Cash derived from (used in)		
Operating activities		
Net loss for the period	\$ 370,162	\$ (328,679)
Amortization	8,005	4,428
Loss on sale of investments held in short term	4,353	-
Stock-based compensation	19,794	50,066
Future income taxes	(650,000)	-
Change in non-cash operating working capital (Note 10)	301,271	95,458
	<u>53,585</u>	<u>(178,727)</u>
Financing activities		
Share subscription received	20,000	-
	<u>20,000</u>	<u>-</u>
Investing activities		
Mineral property expenditures		
Exploration expenditures	(408,533)	(165,155)
Acquisition costs	-	(4,000)
Proceeds on sale of investments held in short term	11,090	-
Purchase of equipment	-	(38,149)
Change in working capital related to investing transactions	(32,642)	(21,698)
	<u>(430,085)</u>	<u>(229,002)</u>
Net (decrease) increase in cash and cash equivalents	(356,500)	(407,729)
Cash and cash equivalents		
Beginning of period	2,220,087	3,582,727
End of period	<u>\$ 1,863,587</u>	<u>\$ 3,174,998</u>
Cash and cash equivalents comprises:		
Cash	\$ 1,813,587	\$ 1,231,476
Cashable guaranteed investment certificates	50,000	1,943,522
	<u>\$ 1,863,587</u>	<u>\$ 3,174,998</u>
Non-cash investing and financing transactions not included in cash flows:		
Shares issued for acquisition of mineral property	\$ 42,500	\$ 127,500

See accompanying notes to the consolidated financial statements.

Pinnacle Mines Ltd.
(A development stage enterprise)
Notes to the Consolidated Financial Statements
Unaudited – prepared by management
For the Period Ended March 31, 2008

1. Nature of operations and going concern

Pinnacle Mines Ltd. (the company) was incorporated under the laws of the Province of British Columbia. The company's shares are traded on the TSX Venture Exchange ("TSXV"). The company's business is to acquire, explore and develop interests in mining projects.

On September 29, 2006 the company incorporated a wholly owned subsidiary in Mexico, Minera Pinnacle de Mexico, S.A. de C.V., ("Pinnacle Mexico") to carry out its operations in Mexico.

These unaudited interim consolidated financial statements have been prepared on the going concern basis, which assumes that the company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The company incurred a net loss of \$279,838 for the three month period ended March 31, 2008 and has an accumulated deficit of \$15,949,535 at March 31, 2008. The recoverability of the amounts shown for mineral property interests in the company's unaudited interim consolidated balance sheet are dependent upon the existence of economically recoverable reserves, the ability of the company to arrange appropriate financing to complete the development of its properties, the receipt of necessary permitting and upon achieving future profitable production or receiving proceeds from the disposition of the properties. The timing of such events occurring, if at all, is not yet determinable.

These unaudited interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the company is unable to raise sufficient capital to fund its operations and continue explorations of its mineral properties.

2. Basis of presentation and adoption of accounting policies

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the presentation of interim financial information. These financial statements do not include all disclosures required for annual financial statements and therefore should be read in conjunction with the most recent audited annual consolidated financial statements of the company for the year ended December 31, 2007 (the "Annual Financial Statements"). The financial statements follow the same accounting policies and methods of their application as the Annual Financial Statements except for new accounting policies adapted for fiscal 2008 as described below.

Accounting Changes

- (i) Handbook Section 1535, Capital Disclosures, requires additional disclosure about capital. The standard is applicable to all entities, regardless of whether they have financial instruments.

Entities are required to disclose information about its objectives, policies and processes for managing capital, as well as its compliance with any externally imposed capital requirements, where they may exist.

Pinnacle Mines Ltd.
(A development stage enterprise)
Notes to the Consolidated Financial Statements
Unaudited – prepared by management
For the Period Ended March 31, 2008

2. Summary of significant accounting policies (Continued)

This section is applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, with earlier adoption encouraged. The company will adopt this Section in fiscal 2008.

(ii) Handbook Section 3862, Financial Instruments – Disclosures

Section 3862 replaces the disclosure requirements of previous Section 3861 *Financial Instruments – Disclosure and Presentation*. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

(iii) Handbook Section 3863, Financial Instruments – Presentation

Section 3863 is consistent with previous Section 3861. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

(iv) EIC-166 – Accounting Policy Choice for Transaction Costs

Handbook Paragraph 3855.57 requires that when an entity acquires a financial asset or incurs a financial liability classified other than as held for trading, it adopts an accounting policy for transaction costs of either:

- (a) recognizing all transaction costs in net income; or
- (b) adding transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability to its initial carrying amount.

The accounting treatment from this abstract is that the same accounting policy choice should be made for all similar financial instruments classified as other than held for trading, but that a different accounting policy choice might be made for financial instruments that are not similar.

This Abstract applies retrospectively to transaction costs accounted for in accordance with Section 3855 in financial statements issued for interim and annual periods ending on or after September 30, 2007, with earlier adoption encouraged.

The impact that this Abstract will have on the company's financial position and results of operations is not known.

Pinnacle Mines Ltd.
(A development stage enterprise)
Notes to the Consolidated Financial Statements
Unaudited – prepared by management
For the Period Ended March 31, 2008

3. Investments held in the short term

Investments held in the short term are classified as available-for-sale.

	<u>Shares</u>	<u>Cost</u>	<u>Fair Value</u>
March 31, 2008			
Mountain Boy Minerals Ltd.	955,975	\$ <u>447,357</u>	\$ <u>238,994</u>
December 31, 2007			
Mountain Boy Minerals Ltd.	988,975	\$ <u>462,800</u>	\$ <u>286,803</u>

During 2007, the company received 750,000 shares of Mountain Boy Minerals Ltd. ("Mountain Boy") as consideration for the sale of the company's BA property.

4. Receivables

Included in receivables is mineral exploration tax credits of \$359,211 (2007-\$359,211).

5. Environmental reclamation deposits

The environmental reclamation deposits represent term deposits pledged in favour of regulatory authorities as security for performance of site restoration. These deposits will be released to the company on satisfactory reclamation of the property.

	<u>2008</u>	<u>2007</u>
Silver Coin reclamation bond	\$ 30,000	\$ 30,000
Surprise Creek reclamation bond	<u>10,000</u>	<u>10,000</u>
	\$ <u>40,000</u>	\$ <u>40,000</u>

Pinnacle Mines Ltd.
(A development stage enterprise)
Notes to the Consolidated Financial Statements
Unaudited – prepared by management
For the Period Ended March 31, 2008

6. Mineral property interests

The company's mineral property interests are comprised of properties located in Canada and Mexico.

	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Balance, December 31, 2007	\$ 4,764,904	1,339,337	\$ 6,104,241
Acquisition costs	-	42,500	42,500
Exploration expenditures			
Drilling and metallurgical	8,195	216,882	225,077
Environmental permitting	-	642	642
Geological & engineering	11,941	70,323	82,264
General administration	4,060	51,852	55,912
Geologic mapping and imagery	-	160	160
Maintenance	-	(2,236)	(2,236)
Field supplies	206	3,202	3,408
Resource estimation	6,031	-	6,031
Shipping	214	3,542	3,756
Travel and accommodation	4,064	29,455	33,519
	<u>34,711</u>	<u>416,322</u>	<u>451,033</u>
Balance, March 31, 2008	<u>\$ 4,799,615</u>	<u>1,755,659</u>	<u>\$ 6,555,274</u>

Canada

	<u>Silver Coin and Kansas</u>	<u>Surprise Creek</u>	<u>Other</u>	<u>Total</u>
Balance, December 31, 2007	\$ 3,789,725	\$ 962,136	\$ 13,043	\$ 4,764,904
Exploration expenditures				
Drilling and metallurgical	8,195	-	-	8,195
Geological & engineering	11,866	75	-	11,941
General admin and shipping	2,385	-	1,675	4,060
Field supplies	206	-	-	206
Resource estimation	6,031	-	-	6,031
Shipping	214	-	-	214
Travel and accommodation	4,064	-	-	4,064
	<u>32,961</u>	<u>75</u>	<u>1,675</u>	<u>34,711</u>
Balance, March 31, 2008	<u>\$ 3,822,686</u>	<u>\$ 962,211</u>	<u>\$ 14,718</u>	<u>\$ 4,799,615</u>

Pinnacle Mines Ltd.
(A development stage enterprise)
Notes to the Consolidated Financial Statements
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For the Period Ended March 31, 2008

6. Mineral property interests (Continued)

Mexico

	La		
	Calavera	Rio Minas	Total
Balance, December 31, 2007	\$ 1,113,406	\$ 225,931	\$ 1,339,337
Acquisition costs	-	42,500	42,500
Exploration expenditures			
Drilling and metallurgical	207,396	9,486	216,882
Environmental permitting	321	321	642
Geological & engineering	39,676	30,647	70,323
General administration	1,519	50,333	51,852
Geologic mapping and imagery	-	160	160
Maintenance	(2,236)	-	(2,236)
Field supplies	2,641	561	3,202
Shipping	3,230	312	3,542
Travel and accommodation	19,968	9,487	29,455
	<u>272,515</u>	<u>143,807</u>	<u>416,322</u>
Balance, March 31, 2008	<u>\$ 1,385,921</u>	<u>\$ 369,738</u>	<u>\$ 1,755,659</u>

(a) La Calavera and Rio Minas

On May 9, 2007 the company signed an option and joint venture agreement with Chesapeake Gold Corp (“Chesapeake”) whereby the company can acquire up to a 70% interest in the La Calavera property and Rio Minas property located in Oaxaca, Mexico by undertaking a work program on the La Calavera – Rio Minas properties aggregating US\$6,000,000, paying US\$1,300,000 and issuing an aggregate of 500,000 shares. In order to earn a 51% interest in the property, the exploration expenditures, cash and share issuance agreed to are as follows:

	Exploration Expenditures		Payments	
by signing joint venture	US\$ -	US\$ 50,000	(paid)	100,000 shares (issued)
by September 1, 2007	-	-		150,000 shares (issued)
by December 31, 2007	-	50,000	(paid)	-
by March 1, 2008	-	-		250,000 shares (issued)
by March 31, 2008	500,000	(incurred)		-
by March 31, 2009	1,250,000		400,000	-
by March 31, 2010	1,250,000		400,000	-
by March 31, 2011	1,500,000		400,000	-
by March 31, 2012	1,500,000		-	-
	<u>US\$ 6,000,000</u>		<u>US\$ 1,300,000</u>	<u>500,000</u>

Pinnacle Mines Ltd.
(A development stage enterprise)
Notes to the Consolidated Financial Statements
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6. Mineral property interests (Continued)

(a) La Calavera and Rio Minas (Continued)

Upon completion of the foregoing terms a joint venture will be formed between the company and Chesapeake and the properties shall become a joint venture asset.

The company may elect to earn a further 19% undivided joint venture interest in the properties by paying US\$3,000,000, causing a bankable feasibility study to be completed and arranging production financing for the properties or a portion thereof all of which must be completed by December 31, 2014.

7. Equipment

	March 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 38,705	\$ 18,843	\$ 19,862
Other equipment	53,259	11,780	41,479
Mining equipment	13,363	2,129	11,234
Vehicle	41,617	14,981	26,636
	<u>\$ 146,944</u>	<u>\$ 47,733</u>	<u>\$ 99,211</u>
	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 38,705	\$ 17,174	\$ 21,531
Other equipment	53,259	9,597	43,662
Mining equipment	13,363	1,096	12,267
Vehicle	41,617	11,860	29,757
	<u>\$ 146,944</u>	<u>\$ 39,727</u>	<u>\$ 107,217</u>

Pinnacle Mines Ltd.
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Notes to the Consolidated Financial Statements
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8. Share capital and contributed surplus

	<u>Common Shares</u>	
Authorized:		
Unlimited number of common shares without par value		
	<u>Number</u>	<u>Amount</u>
Issued:		
Balance, December 31, 2007	25,123,647	\$ 23,547,649
Issued for mineral properties (Note 6)	250,000	42,500
Future income tax relating to renounced exploration expenditures applicable to flow-through shares	-	(650,000)
Balance, March 31, 2008	<u>25,373,647</u>	<u>\$ 22,940,149</u>

Stock options

During 1997 the company established a share option plan (the "1997 Plan") whereby the board of directors may from time to time grant stock options to directors, officers, employees or consultants. This plan was revised on May 16, 2003 such that the maximum number of shares subject to the plan, in the aggregate, may not exceed 10% of the Company's issued shares. The maximum term of any option will be five years if the company is a "Tier 2" company and ten years if the company is a "Tier 1" company. The vesting is at the direction of the company, however, options granted to consultants performing "investor relations' activities" must at a minimum vest in stages over a period of not less than twelve months, with no more than one-quarter of the options vesting in any three month period. The exercise price shall be not less than the greater of \$0.10 per share and the last closing price of the company's shares.

On February 28, 2008 the Company granted 70,000 stock options to consultants vesting one-quarter immediately and one-quarter each six months thereafter exercisable for a term of five year.

Pinnacle Mines Ltd.
(A development stage enterprise)
Notes to the Consolidated Financial Statements
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8. Share capital and contributed surplus (Continued)

Stock options (Continued)

Stock option activity for the respective periods is as follows:

	March 31, 2008		December 31, 2007	
	Number	Weighted Avg. Exercise Price	Number	Weighted Avg. Exercise Price
Options outstanding, beginning of period	1,750,000	\$ 0.46	1,485,000	\$ 0.75
Granted	70,000	\$ 0.20	1,000,000	\$ 0.40
Exercised	-	\$ -	(90,000)	\$ 0.40
Expired	-	\$ -	(50,000)	\$ 0.50
Cancelled	-	\$ -	(595,000)	\$ 0.99
Options outstanding, end of period	<u>1,820,000</u>	\$ 0.45	<u>1,750,000</u>	\$ 0.46
Options exercisable, end of period	<u>1,655,000</u>	\$ 0.46	<u>1,581,250</u>	\$ 0.50

The weighted average remaining contractual life of the options outstanding at March 31, 2008 was 3.38 years (December 31, 2007 – 3.56 years).

During the year ended March 31, 2008 the company recognized \$19,794 (2007 - \$50,066) of stock based compensation expense. The company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following weighted average assumptions:

	<u>2008</u>	<u>2007</u>
Risk-free interest rate	3.26%	4.0%
Dividend yield	Nil	Nil
Expected volatility	104.6%	139%
Expected option life	5.0 years	3.31 years

Pinnacle Mines Ltd.
(A development stage enterprise)
Notes to the Consolidated Financial Statements
Unaudited – prepared by management
For the Period Ended March 31, 2008

8. Share capital and contributed surplus (Continued)

Warrants

Full share equivalent warrant activity for the respective periods is as follows:

	March 31, 2008		December 31, 2007	
	Number	Weighted Avg. Exercise Price	Number	Weighted Avg. Exercise Price
Warrants outstanding, beginning of period	2,206,559	\$ 0.99	3,287,368	\$ 1.11
Issued	-	\$ -	2,030,000	\$ 1.00
Expired	(176,559)	\$ 0.83	(3,110,809)	\$ 1.12
Warrants outstanding, end of period	<u>2,030,000</u>	\$ 1.00	<u>2,206,559</u>	\$ 0.99

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

<u>Description</u>	<u>Number of Full Share Equivalent Warrants</u>	<u>Price Per Share</u>	<u>Expiry Date</u>	<u>Year of Grant</u>	<u>Average Remaining Contractual Life (Years)</u>
Warrants	2,000,000	\$ 1.00	April 9, 2009	2007	1.00
Warrants	<u>30,000</u>	\$ 1.00	April 9, 2009	2007	1.00
	<u>2,030,000</u>				

Agent's options

The company has 320,000 agent's options outstanding and exercisable at March 31, 2008 (2007 – nil). Each option entitles the agent to acquire one common share of the company at \$0.60 until April 9, 2009. The fair value of these agent options was estimated at \$26,120.

Contributed surplus	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Balance, beginning of period	\$ 1,269,878	\$ 916,463
Stock-based compensation	19,794	355,795
Fair value of agent's options	-	26,120
Fair value of of options exercised	-	(28,500)
Balance, end of period	<u>\$ 1,289,672</u>	<u>\$ 1,269,878</u>

Pinnacle Mines Ltd.
(A development stage enterprise)
Notes to the Consolidated Financial Statements
Unaudited – prepared by management
For the Period Ended March 31, 2008

9. Accumulated other comprehensive loss	March 31, 2008	December 31, 2007
Balance, beginning of period	\$ (175,997)	\$ -
Unrealized gains on available-for-sale investments at January 1, 2007	-	9,902
Unrealized loss on available-for-sale investments in the year	(32,366)	(185,899)
Balance, end of period	\$ (208,363)	\$ (175,997)

10. Change in non-cash operating working capital	March 31, 2008	March 31, 2007
Receivables	\$ 226,093	\$ 129,264
Prepays	18,129	4,165
Payables and accruals	57,049	(37,971)
	\$ 301,271	\$ 95,458

11. Commitments

- (a) The company entered into a five year lease agreement for its office space commencing March 1, 2005 and ending February 28, 2010. The company is committed to making lease payments in 2008 and 2009 of \$95,047 each year and in 2010 of \$15,842.
- (b) During 2005, the company entered into a Cooperation Agreement with Gold Mountain (H.K.) International Mining Co. Ltd. ("Gold Mountain") a Hong Kong based subsidiary of Zijin Mining Group Co. Ltd. ("Zijin"), a gold and copper producer in China. This Cooperation Agreement was entered as part of Gold Mountain's 2005 investment of \$1,950,000 in the Company.

Under the Cooperation Agreement, Gold Mountain and Zijin agree to offer and select as yet indeterminable projects in China to the company for joint venture. Also under the Cooperative Agreement, the company agrees to offer Zijin a right of first refusal to participate in any projects located in China held at the time of the Cooperative Agreement. Zijin may also arrange to have suitable professionals join the company's project team at the company's cost.

Pinnacle Mines Ltd.
(A development stage enterprise)
Notes to the Consolidated Financial Statements
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For the Period Ended March 31, 2008

12. Related party transactions

During the three month period ended March 31, 2008, the company incurred fees of \$23,334 (2007 - \$45,000) with directors for management consulting services. This amount has been included in management services expense on the statement of operations.

Included in payables is an amount of \$4,415 (2007 - nil) owed to directors and officers of the company.

The company shares office space with Lincoln Gold Corp and Southern Gold Resources Ltd. Lincoln and Southern Gold reimburse each month to the company a portion of the rent and office expenses. During the three month period ended March 31, 2008, these reimbursements totaled \$22,214 (2007: \$18,750). Lincoln and the company have two directors in common.

All related party transactions have been recorded at the exchange amount, which is the amount of consideration established and agreed to between the parties. The exchange amount was negotiated and established and agreed to by the related parties.

13. Financial instruments

(a) Fair value

Carrying value and fair value of financial assets and liabilities at March 31, 2008 are summarized as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
Held-for-trading	\$ 1,863,587	\$ 1,863,587
Available-for-sale	238,994	238,994
Loans and receivables	384,870	384,870
Other financial liabilities	467,697	467,697

It is management's opinion that the company is not exposed to significant interest, or credit risks arising from these financial instruments. The company limits its exposure to credit loss by placing its cash and cashable guaranteed investment certificates with high credit quality financial institutions in Canada.

(b) Foreign exchange risk

The company's operations in Mexico expose the company to foreign exchange risk. The company does not enter into derivative financial instruments to mitigate this risk.

Pinnacle Mines Ltd.
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14. Segmented disclosure

The company has one operating segment which is mineral exploration and all capital assets of the company are located in Canada except for certain of its mineral properties and equipment located in Mexico as disclosed in Note 6.

The company operates in two geographical segments: Canada and Mexico. Corporate administrative activities are conducted from Canada. The income and expenses for the periods ended March 31, 2008 and March 31, 2007 and the assets at March 31, 2008 and December 31, 2007 identifiable to these segments are as follows:

	<u>Canada</u>	<u>Mexico</u>	<u>Corporate</u>	<u>Total</u>
Long Lived Assets				
December 31, 2007	\$ 4,799,615	\$ 1,755,659	\$ 2,654,346	\$ 9,209,620
December 31, 2007	4,764,904	1,379,030	3,271,190	9,415,124
Net loss				
Period ended				
March 31, 2008	-	-	370,162	370,162
Period ended				
March 31, 2007	-	-	(328,679)	(328,679)

15. Subsequent events

- (a) On April 3, 2008 the company closed the first tranche of a funding through a non-brokered private placement and a 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 of the brokered placement and granted 350,000 agent compensation options. Each agent's option is exercisable into one additional unit at a price of \$0.20 for one year. The company also paid finders' fees of \$17,100 in cash and 80,250 compensation options with each compensation option exercisable into one additional unit at a price of \$0.20 for one year.

On April 24, 2008 the company revised the financing from the originally announced financing of up to 8,500,000 units to the one tranche of 4,715,000 units and included the payment in connection with a financial advisory agreement to the Agent of 93,750 units with same terms as the private placement.

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15. Subsequent events (Continued)

- (b) On April 15, 2008 the company entered into a binding letter agreement whereby the company will purchase Tenajon Resources Corp's ("Tenajon") 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 acquisition the company will issue to Tenajon 13,500,000 common shares of the company and reimburse Tenajon \$200,000 of reclamation deposits. The shares are subject to a four month hold period from the date of issuance. Tenajon has agreed to grant to the company a voting proxy on all the company shares issued to Tenajon which will expire on the completion of the distribution to the Tenajon shareholders. 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.

Upon receiving regulatory approval the company will issue 93,750 units to the Agent with the same terms as the private placement discussed in Note 15(a) in connection with a financial advisory agreement.