

Pinnacle Mines Ltd.

Interim Consolidated Financial Statements

For the first quarter ended

March 31, 2009

(unaudited – prepared by management)

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PINNACLE MINES LTD

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NOTICE TO READER

These unaudited interim consolidated financial statements for the first financial quarter ended March 31, 2009 have not been reviewed by our auditors, Davidson & Company, 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 consolidated financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2008.

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Pinnacle Mines Ltd.
Consolidated Balance Sheets
 Unaudited – prepared by management

	March 31, 2009	December 31, 2008
Assets		
Current		
Cash and cash equivalents	\$ 1,872,524	\$ 2,395,763
Short-term investments (Note 5)	38,249	38,249
Receivables	80,663	67,991
Prepays	28,975	24,426
	<u>2,020,411</u>	<u>2,526,429</u>
Environmental reclamation deposits (Note 6)	55,000	55,000
Mineral property interests (Note 7)	9,904,555	9,885,663
Equipment (Note 8)	68,454	87,745
	<u>\$ 12,048,420</u>	<u>\$ 12,554,837</u>
Liabilities		
Current		
Payables and accruals	\$ 173,582	\$ 502,408
Future income tax liability	925,000	925,000
	<u>1,098,582</u>	<u>1,427,408</u>
Shareholders' Equity		
Share capital (Note 9)	28,601,336	28,601,336
Contributed surplus (Note 9)	1,327,312	1,327,153
Accumulated other comprehensive loss (Note 10)	(319,728)	(319,728)
Deficit	(18,659,082)	(18,481,332)
	<u>10,949,838</u>	<u>11,127,429</u>
	<u>\$ 12,048,420</u>	<u>\$ 12,554,837</u>

Ability to continue as a going concern (Note 2)
 Commitments (Note 12)

Approved on Behalf of the Board

"Herrick Lau" Director
 Herrick Lau

"Paul F. Saxton" Director
 Paul F. Saxton

See accompanying notes to the consolidated financial statements.

Pinnacle Mines Ltd.
Consolidated Statements of Loss, Deficit and
Comprehensive Income (Loss)
Unaudited – prepared by management

Three Month Period Ended March 31	2009	2008
General and administrative expenses		
Amortization	\$ 6,497	\$ 8,005
Consulting services	58,577	29,246
Foreign exchange (gain) loss	(5,839)	4,098
Management services	17,500	23,334
Investor relations	11,207	40,427
Professional fees	12,868	48,678
Office	16,245	23,417
Rent	18,232	17,830
Salaries and benefits	29,303	33,019
Regulatory and shareholder services	7,190	9,658
Stock-based compensation (Note 9)	159	19,794
Travel	5,039	18,165
	<u>176,978</u>	<u>275,671</u>
Loss before undernoted income (expenses)	<u>(176,978)</u>	<u>(275,671)</u>
Loss on sale of short-term investments	-	(4,353)
Interest and miscellaneous income	154	186
Loss on sale of equipment	(926)	-
	<u>(772)</u>	<u>(4,167)</u>
Loss before income taxes	<u>(177,750)</u>	<u>(279,838)</u>
Future income tax recovery	-	650,000
Net income (loss) for the period	<u>\$ (177,750)</u>	<u>\$ 370,162</u>
Other comprehensive loss		
Unrealized loss on available-for-sale investments	-	(32,366)
Comprehensive income (loss) for the period	<u>\$ (177,750)</u>	<u>\$ 337,796</u>
Deficit, beginning of period	\$ (18,481,332)	\$ (15,669,697)
Net income (loss) for the period	<u>(177,750)</u>	<u>370,162</u>
Deficit, end of period	<u>\$ (18,659,082)</u>	<u>\$ (15,299,535)</u>
Earnings (loss) per share, basic and diluted	<u>\$ (0.00)</u>	<u>\$ 0.01</u>
Weighted average common shares outstanding	<u>91,576,147</u>	<u>25,217,054</u>

See accompanying notes to the consolidated financial statements.

Pinnacle Mines Ltd.

Consolidated Statements of Cash Flows

Unaudited – prepared by management

Three Month Period Ended March 31	2009	2008
Cash derived from (used in):		
Operating activities		
Net income (loss) for the period	\$ (177,750)	\$ 370,162
Amortization	6,497	8,005
Loss on sale of investments held in short term	-	4,353
Stock-based compensation	159	19,794
Future income taxes	-	(650,000)
Change in non-cash operating working capital (Note 11)	(204,231)	301,271
	<u>(375,325)</u>	<u>53,585</u>
Financing activities		
Share subscription received	-	20,000
	<u>-</u>	<u>20,000</u>
Investing activities		
Mineral property expenditures		
Exploration expenditures	(273,020)	(441,175)
Recovery of IVA taxes - Mexico	112,312	-
Proceeds on sale of investments held in short term	-	11,090
Proceeds on sale of equipment	12,793	-
	<u>(147,915)</u>	<u>(430,085)</u>
Net decrease in cash and cash equivalents	(523,240)	(356,500)
Cash and cash equivalents		
Beginning of period	2,395,763	2,220,087
End of period	<u>\$ 1,872,523</u>	<u>\$ 1,863,587</u>
Cash and cash equivalents comprises:		
Cash	\$ 62,524	\$ 1,813,587
Cashable guaranteed investment certificates	1,810,000	50,000
	<u>\$ 1,872,524</u>	<u>\$ 1,863,587</u>
Non-cash investing and financing transactions not included in cash flows:		
Shares issued for acquisition of mineral property	\$ -	\$ 42,500

Supplementary cash flow information (Note 14)

See accompanying notes to the consolidated financial statements.

Pinnacle Mines Ltd.

Notes to the Consolidated Financial Statements

Unaudited – prepared by management

For the Period Ended March 31, 2009

1. Nature of operations

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. To date, the Company has not generated significant revenues and is considered to be in the exploration stage.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company’s continuing operations, and the recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

2. Ability to Continue as a Going Concern

The Company’s interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material. As at March 31, 2009 the Company has no source of operating cash flow and has an accumulated deficit of approximately \$18.7 million. Operations for the period ended March 31, 2009 have been funded primarily from the issuances of capital stock and net changes in working capital balances.

Continued operations of the Company are dependent upon its ability to receive continued financial support, complete public equity financings, or generate profitable operations in the future. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures.

Pinnacle Mines Ltd.

Notes to the Consolidated Financial Statements

Unaudited – prepared by management

For the Period Ended March 31, 2009

3. Basis of presentation and adoption of accounting policies

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian GAAP 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, 2008.

Presentation

Where applicable, comparative figures have been reclassified to conform with presentation used in the current year.

The financial statements follow the same accounting policies and methods of their application as the annual financial statements except as described below.

The Company adopted the following new accounting policies effective January 1, 2009:

(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.

4. Recent accounting pronouncements

(a) 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. 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.

Pinnacle Mines Ltd.

Notes to the Consolidated Financial Statements

Unaudited – prepared by management

For the Period Ended March 31, 2009

4. Recent accounting pronouncements (continued)

(b) 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.

5. Short-term investments

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

	<u>Shares</u>	<u>Cost</u>	<u>Fair Value</u>
March 31, 2009			
Mountain Boy Minerals Ltd.	764,975	\$ 357,977	\$ 38,249
December 31, 2008			
Mountain Boy Minerals Ltd.	764,975	\$ 357,977	\$ 38,249

Pinnacle Mines Ltd.
Notes to the Consolidated Financial Statements
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For the Period Ended March 31, 2009

6. 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.

	March 31, 2009	December 31, 2008
Silver Coin reclamation bond	\$ 30,000	\$ 30,000
Surprise Creek reclamation bond	10,000	10,000
Summit Lake reclamation bond	15,000	15,000
	<u>\$ 55,000</u>	<u>\$ 55,000</u>

7. Mineral property interests

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

	Canada	Mexico	Total
Balance, December 31, 2008	\$ 9,150,427	\$ 735,236	\$ 9,885,663
Exploration expenditures			
Drilling	1,119	-	1,119
Metallurgy	32,563	-	32,563
Geological & engineering	38,610	14,050	52,660
General administration	2,631	24,996	27,627
Field supplies	-	780	780
Resource estimation	16,455	-	16,455
Recovery of IVA taxes	-	(112,312)	(112,312)
	<u>91,378</u>	<u>(72,486)</u>	<u>18,892</u>
Balance, March 31, 2009	<u>\$ 9,241,805</u>	<u>\$ 662,750</u>	<u>\$ 9,904,555</u>

Pinnacle Mines Ltd.
Notes to the Consolidated Financial Statements
Unaudited – prepared by management
For the Period Ended March 31, 2009

7. Mineral property interests (continued...)

Canada

	Silver Coin and Kansas	Summit Lake	Other	Total
Balance, December 31, 2008	\$ 8,706,476	\$ 427,000	\$ 16,951	\$ 9,150,427
Exploration expenditures				
Drilling	1,119	-	-	1,119
Metallurgy	32,563	-	-	32,563
Geological & engineering	38,610	-	-	38,610
General admin	2,631	-	-	2,631
Resource estimation	16,455	-	-	16,455
	<u>91,378</u>	<u>-</u>	<u>-</u>	<u>91,378</u>
Balance, March 31, 2009	<u>\$ 8,797,854</u>	<u>\$ 427,000</u>	<u>\$ 16,951</u>	<u>\$ 9,241,805</u>

(a) Silver Coin Property

On August 4, 2004 the Company entered into an option agreement with Mountain Boy Minerals Ltd. ("Mountain Boy") whereby the Company can earn 51% of Mountain Boy's interest in its 100% owned Silver Coin and 55% owned Dauntless projects as well as the 100% owned FR claims by spending \$1.75 million on exploration on the Silver Coin Property over a three year period (incurred). In March 2006, the Company earned a 51% interest in the Silver Coin property.

In addition, the Company has the right to earn an additional 9% in these projects by bringing one of the projects to production.

(b) Kansas Property and Summit Lake Property

In October 2004 the Company entered into an option agreement with Tenajon Resources Corp. ("Tenajon") whereby the Company earned a 60% interest in Tenajon's 100% owned Kansas property by making a cash payment of \$50,000 (\$25,500 paid by the Company and \$24,500 paid by the joint venture partner Mountain Boy) on signing, issuing 77,000 common shares and spending \$1.0 million on exploration and development.

The Kansas property is surrounded by the Silver Coin project. The expenditures incurred on the Kansas property are included in the Silver Coin property expenditures and are eligible for the expenditures required for that property. Pursuant to an option agreement dated July 29, 2004 with Mountain Boy, Mountain Boy will be participating in the Kansas property and earned a 49% interest in the Company's 60% interest by making a cash payment of \$24,500 upon the signing of the agreement and issuing to the Company 98,000 shares of Mountain Boy. If the Company elects to put the Kansas property or any adjoining property into production, Mountain Boy would be reduced to owning 40% of the Company's interest.

Pinnacle Mines Ltd.

Notes to the Consolidated Financial Statements

Unaudited – prepared by management

For the Period Ended March 31, 2009

7. Mineral property interests (continued...)

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. Since 0781639 B.C. Ltd.'s only asset is mineral properties and it is not considered a business, the transaction has been accounted for as an asset acquisition. As a result of the difference between the carrying amount and the tax bases of the properties the Company has recorded a future income tax liability of \$925,000 and included the amount in the asset acquisition.

On closing, the Company issued to Tenajon 13,500,000 common shares at a value of \$2,430,000 and incurred related costs totalling \$165,000. The Company also issued 187,500 units with a value of \$37,500 in relation to this acquisition. In addition, the Company reimbursed Tenajon \$15,000 for a reclamation deposit which the Company assumed and \$85,000 for geological and exploration work on the Summit Lake property. 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.

Mexico

	<u>Rio Minas</u>
Balance, December 31, 2008	\$ 735,236
Exploration expenditures	
Geological & engineering	14,050
General administration	24,996
Field supplies	780
Recovery of IVA taxes	<u>(112,312)</u>
	(72,486)
Balance, March 31, 2009	\$ <u>662,750</u>

Pinnacle Mines Ltd.
Notes to the Consolidated Financial Statements
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8. Equipment

	March 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 38,705	\$ 25,120	\$ 13,585
Other equipment	53,259	20,076	33,183
Mining equipment	13,363	5,005	8,358
Vehicle	40,294	26,966	13,328
	<u>\$ 145,621</u>	<u>\$ 77,167</u>	<u>\$ 68,454</u>

	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 38,705	\$ 23,849	\$ 14,856
Other equipment	53,259	18,329	34,930
Mining equipment	13,363	4,273	9,090
Vehicle	55,665	26,796	28,869
	<u>\$ 160,992</u>	<u>\$ 73,247</u>	<u>\$ 87,745</u>

9. Share capital and contributed surplus

	<u>Common Shares</u>	
	<u>Number</u>	<u>Amount</u>
Authorized:		
Unlimited number of common shares without par value		
Issued:		
Balance, December 31, 2008	91,576,147	\$ 28,601,336
Balance, March 31, 2009	<u>91,576,147</u>	<u>\$ 28,601,336</u>

Stock options

The Company has a stock option plan whereby 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 and 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 ¼ of the options vesting in any three month period. The exercise price shall be no less than the greater of \$0.10 per share and the last closing price of the company's shares.

Pinnacle Mines Ltd.
Notes to the Consolidated Financial Statements
 Unaudited – prepared by management
 For the Period Ended March 31, 2009

9. Share capital and contributed surplus (continued...)

Stock option activity for the respective years is as follows:

	March 31, 2009		December 31, 2008	
	Number	Weighted Avg. Exercise Price	Number	Weighted Avg. Exercise Price
Options outstanding, beginning of period	1,030,000	\$ 0.45	1,750,000	\$ 0.49
Granted	-	-	70,000	0.20
Expired	(90,000)	0.70	(180,000)	0.40
Cancelled	(25,000)	0.40	(610,000)	0.46
Options outstanding, end of period	<u>915,000</u>	0.43	<u>1,030,000</u>	0.45
Options exercisable, end of period	<u>910,000</u>	\$ 0.43	<u>1,020,000</u>	\$ 0.45

The options outstanding and exercisable at March 31, 2009 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	1.65	90,000	\$ 0.24
\$0.40-\$0.59	755,000	0.41	3.29	755,000	0.41
\$0.60-\$0.95	65,000	0.95	1.68	65,000	0.95
	<u>915,000</u>	\$ 0.43	3.00	<u>910,000</u>	\$ 0.43

During the three-month period ended March 31, 2009 the Company recognized \$159 (2008 - \$19,794) 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>2009</u>	<u>2008</u>
Risk-free interest rate	1.59%	3.26%
Dividend yield	Nil	Nil
Expected volatility	126.8%	104.6%
Expected option life	4.0 years	5.0 years

Pinnacle Mines Ltd.
Notes to the Consolidated Financial Statements
 Unaudited – prepared by management
 For the Period Ended March 31, 2009

9. Share capital and contributed surplus (continued...)

Warrants

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

	March 31, 2009		December 31, 2008	
	Number	Weighted Avg. Exercise Price	Number	Weighted Avg. Exercise Price
Warrants outstanding, beginning of period	49,481,250	\$ 0.12	2,206,559	\$ 1.02
Issued	-	-	47,451,250	0.08
Expired	-	-	(176,559)	1.20
Warrants outstanding, end of period	<u>49,481,250</u>	\$ 0.12	<u>49,481,250</u>	\$ 0.12

Full share equivalent warrants outstanding and exercisable at March 31, 2009:

<u>Description</u>	<u>Number of Full Share Equivalent Warrants</u>	<u>Price Per Share</u>	<u>Expiry Date</u>
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	<u>45,000,000</u> *	0.07	December 18, 2010
	<u>49,481,250</u>		

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

Agent's options

Full share equivalent agent options activity for the respective years is as follows:

	March 31, 2009		December 31, 2008	
	Number	Weighted Avg. Exercise Price	Number	Weighted Avg. Exercise Price
Agent options outstanding, beginning of period	750,250	\$ 0.37	320,000	\$ 0.60
Issued	-	-	430,250	0.20
Expired	-	-	-	-
Agent options outstanding, end of period	<u>750,250</u>	\$ 0.37	<u>750,250</u>	\$ 0.37

Pinnacle Mines Ltd.
Notes to the Consolidated Financial Statements
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For the Period Ended March 31, 2009

9. Share capital and contributed surplus (continued...)

The 320,000 agent's options entitle the agent to acquire one common share of the Company at \$0.60 until April 9, 2009. The 430,250 agent's options entitle the agent to acquire one unit of the Company at \$0.20 until April 3, 2009 with each unit consisting of one common share and one-half share purchase warrant with one whole warrant being exercisable into one additional common share at a price of \$0.30 per share until April 3, 2009.

Contributed surplus	March 31, 2009	December 31, 2008
Balance, beginning of period	\$ 1,327,153	\$ 1,269,878
Stock-based compensation	159	27,032
Fair value of agent's options	-	30,243
Fair value of of options exercised	-	-
Balance, end of period	\$ 1,327,312	\$ 1,327,153

10. Accumulated other comprehensive loss	March 31, 2009	December 31, 2008
Balance, beginning of period	\$ (319,728)	\$ (175,997)
Unrealized loss on available-for-sale investments	-	(183,594)
Reversal of unrealized losses on sale of short-term investments	-	39,863
Balance, end of period	\$ (319,728)	\$ (319,728)

11. Change in non-cash operating working capital	March 31, 2009	March 31, 2008
Receivables	\$ (12,672)	\$ 226,093
Prepays	(4,549)	18,129
Payables and accruals	(187,010)	57,049
	\$ (204,231)	\$ 301,271

Pinnacle Mines Ltd.

Notes to the Consolidated Financial Statements

Unaudited – prepared by management

For the Period Ended March 31, 2009

12. 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 2009 of \$97,925 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 undetermined 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.

- (c) As of January 1, 2009 the Company entered into an agreement with Baron Global Financial Canada Ltd. ("Baron") whereby Baron has agreed to act as a corporate advisor to the Company for a 12-month period. One of Baron's employees will act as the Chief Financial Officer of the Company. In return, the Company will pay a monthly advisory fee of \$10,000 plus taxes. The Company will also reimburse Baron all reasonable expenses.
- (d) 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.

13. Related party transactions

During the three-month period ended March 31, 2009, the Company incurred fees of \$17,500 (2008 - \$23,334) with companies controlled by 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 \$nil (2008 - \$4,415) owed to directors and officers of the Company. Included in receivables is \$65,231 (2008 - \$nil) owed by Lincoln Gold Corp ("Lincoln") which shares offices with the Company and has one director in common.

The Company shares office space with Lincoln and Southern Gold Resources Ltd. who reimburse each month to the Company a portion of the rent and office expenses. During the three-month period ended March 31, 2009, these reimbursements totalled \$22,614 (2008 - \$22,214).

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 agreed to by the related parties.

Pinnacle Mines Ltd.

Notes to the Consolidated Financial Statements

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For the Period Ended March 31, 2009

14. Supplementary cash flow information

	March 31, 2009	March 31, 2008
Mineral exploration tax credit accrued	\$ -	\$ 359,211
Shares issued for mineral property	\$ -	\$ 42,500
Mineral property expenditures included in accounts payable	\$ 141,816	\$ 32,642
Mineral property recoveries included in receivables	\$ -	\$ 8,337

15. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Company defines capital that it manages as its shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

16. Financial instruments and risk management

(a) Fair value

The Company's financial instruments consist of cash and cash equivalents, short-term investments, receivables, and payables and accruals. The fair value of these financial instruments, except for short-term investments which are recorded at fair value, approximates their carrying values due to the short-term nature of these instruments.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

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16. Financial instruments and risk management (continued...)

(a) Foreign exchange risk

Cash held in foreign currencies other than the Canadian dollar is subject to currency 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 but the company does not believe its net exposure to foreign exchange risk is significant.

(b) Credit risk

The Company's cash and cash equivalents are held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company's receivables consist mainly of GST receivable due from the Federal Government of Canada and Lincoln which shares office space with the Company. Management believes that the credit risk concentration with respect to financial instruments included in receivables is minimal.

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is a very limited interest rate risk as the Company holds no interest bearing financial obligations or assets.

(d) Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

(e) Price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

The Company's short-term investments are subject to fair value fluctuations ongoing from changes in the equity and commodity markets.

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17. 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 as follows:

	<u>Canada</u>		<u>Mexico</u>		<u>Total</u>
Capital					
March 31, 2009	\$ 9,291,141	\$	681,868	\$	9,973,009
December 31, 2008	\$ 9,202,684	\$	770,724	\$	9,973,408