

Management Discussion and Analysis

All amounts are stated in Canadian Dollars unless otherwise noted
FIRST QUARTER ended March 31, 2008.

May 30th, 2008

President's Message to Shareholders

Dear Shareholders:

During the first quarter of 2008 the Company completed its first phase of drilling at La Calavera in Oaxaca, Mexico. In addition it continued work at the Rio Minas property just south of La Calavera. Although no physical work was carried out on Silver Coin or the Surprise Creek properties in B.C., because of winter conditions, there was a significant amount of planning and map work carried out on the Silver Coin. Snowden Consultants were hired to update the work that had been done by Mine Fill Services in 2006 and 2007 on the resource estimate. All of the data that Minefill had produced was put into the Snowden system and checked. New sections and plans were drawn and the 2008 drill program was constructed using all of this data. Each planned drill hole for the 2008 program has been laid out taking into consideration not only the potential to increase resources but also to improve the quality of the resources already defined. It is planned to start the Silver Coin drilling by the second week in June. At the Surprise Creek it has not been decided whether any drilling will be carried in 2008. The Company will need to complete a non flow-through financing shortly and hence management has begun to talk to various financing groups in this regard.

Advancing the Mexican properties is a prime consideration for Pinnacle. We believe that Mexico will be the main growth area for the Company despite the fact that our Silver Coin project in B.C. is our most important project at this time. Also we realize that we cannot expect "overnight success" in Mexico. As an example the La Calavera project has been a bit of a disappointment. While we have not given up on the project, mediocre drill results and local politics have created a situation that has given management a reason to pause and take a second look at the project.

At the Rio Minas property a program of soil and rock sampling along with an IP survey was initiated in the fall of 2007. The program was halted for a short time over the winter months but is expected to start again in June of this year. Once the program of ground exploration has been completed and all the results drawn together and analyzed a drill program will be planned. It is expected that the drill program will start in October or November of 2008.

On the Silver Coin project Snowden Consultants were hired in 2007 to take over from MineFill Services regarding resource calculations, drill-hole location planning, scoping studies and eventually a feasibility study. All MineFill data has been entered on the Snowden computer system and the 2008 drill program has been developed from this. The 2008 drill program is to start in the second week in June. Our drill permit application has been sent into the Ministry of Mines and we are expecting the permit to be issued within days. A total of 59 holes are planned for 9600 meters. In 2007 only 15 of the 29 holes that were planned were completed. We believe that the full 59 holes should be completed this summer. At the end of the 2008 drill program a new resource calculation will be completed.

A limited amount of metallurgical test work is being performed in 2007. Pinnacle believes this work is essential to the understanding and continued exploration of the property. However at this time all metallurgical work is being funded by Pinnacle. The Company would like to start to carry

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out some detailed environmental and engineering scoping studies but not all parties involved have agreed to this work.

In December of 2007 discussions began with Tenajon Resources Corp. on the acquisition of the remaining 40% of the Kansas claim that is owned by them. A binding letter agreement was signed on April 15, 2008 whereby Pinnacle will purchase Tenajon's wholly owned subsidiary, 0781639 B.C. Ltd. which holds the undivided 40% ownership interest in and to the Kansas Claim and a 100% ownership interest in and to the Summit Lake property. Pinnacle has agreed to purchase the Corporation for an aggregate deemed purchase price of approximately \$3,015,000, subject to an adjustment as a result of certain events occurring before December 31, 2008. Upon completion of the acquisition, Pinnacle will own an undivided [70.6%] interest in and to the Kansas Claim and 100% of the Summit Lake Property. The remaining [29.4%] undivided interest in the Kansas Claim is owned by Mountain Boy Minerals Ltd.

The Company is looking forward to the start of drilling at the Silver Coin. Much has yet to be done to take the Silver Coin property to production, including completing a feasibility study. However, with the positive exploration work that will be completed this year as well as last year the property continues to move in the right direction.

One financing was completed just after the end of the quarter. This financing consisted of raising gross proceeds of \$943,000 at a price of \$0.20 unit. A half warrant was attached which enabled the holder to purchase a share at a price of \$0.30 with one whole warrant for a period of one year.

We wish to thank the shareholders for their continued interest and support.

Respectfully submitted,

Paul Saxton
President, CEO and Director

Pinnacle Mines Ltd.

May 30, 2008

Management's Discussion and Analysis (MD&A) supplements, but does not form part of the unaudited interim financial statements of the Company and the notes thereto for the period ended March 31, 2008. Consequently, the following discussion and analysis of the financial condition and results of operations for Pinnacle Mines Ltd. should be read in conjunction with the unaudited interim financial statements for the period ended March 31, 2008 and related notes therein, which have been prepared in accordance with Canadian Generally Accepted Accounting Principals.

This discussion and analysis should also be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2007, and the notes thereto. The audited financial statements for the year ended December 31, 2007 including the notes thereto, and other information issued by the Company, can be found on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements contained in the following MD&A and elsewhere are considered forward-looking statements. Such statements include a number of unknown risks, uncertainties and other factors that may affect the performance of various programs underway and actual results of the programs may be materially different from any results expressed or implied. Readers are cautioned not to place undue reliance on the forward-looking statements put forward by the Company in light of the risks that are set out below.

Corporate Governance

Management of the Company is responsible for the preparation and presentation of the annual and quarterly financial statements and notes thereto. Management is also responsible for the MD&A and other information contained in these reports. Additionally, it is Management's responsibility to ensure the Company complies with the laws and regulations applicable to its activities.

All Policy and Procedure aspects of the Company continued to be reviewed and a new and revised system has been integrated into the Company's day to day workings.

Most importantly, the new controls will ensure that the proper due diligence and reporting is performed on every major transaction that occurs within the Company. It is our intention that full compliance and reliability of financial reporting is achieved as required.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2006. Management's evaluation was that the disclosure controls were generally effective.

Company management believes that the financial statements and MD&A filed conformed in all other respects with the requirements of form 51-102F1. Management believes that the Company's accounting systems, staffing, policies and procedures are appropriate to the size and nature of the Company's operations, although the Company's auditors have noted a lack of appropriate segregation of duties in respect of accounting procedures caused by the modest scale of these operations. Management oversight and approval of transactions and disbursements, however, limits the scope for inappropriate transactions and an independent, qualified audit committee oversees the Company's reporting.

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The Board of Directors has two standing committees that require full reporting. The audit committee reviews all quarterly and annual reports and also randomly reviews the Company's financial reporting trail throughout the year. The Compensation Committee reviews and regulates the salaries, expenses and options that are being paid. The board has been meeting at least four times a year. A corporate governance committee is being established to keep up with disclosure and governance issues.

General Corporate Review

Pinnacle Mines is a Canadian-based junior resource exploration company engaged in the exploration and development of base and precious metal resource properties located in British Columbia, Canada, and Oaxaca, Mexico.

This is now the fourth year of exploration for the Company in the Stewart area. Our activities in the area have focused on two main properties of interest, the Surprise Creek and the Silver Coin. Last year the Company expanded its activities at the Surprise Creek with a 4 hole drill program and continued the exploration of the Silver Coin property with a 15 hole drill program. This year the exploration program at the Silver Coin will be expanded to 59 holes for a total of 9500 meters. No work is planned on the Surprise Creek in 2008.

An agreement with Chesapeake Gold Corp. was approved by the Exchange in late May of 2007 and work began immediately at the two properties that are part of the agreement, the La Calavera and Rio Minas. Geological mapping has been completed throughout as well as geophysical work and the location of 14 holes to be drilled was determined because of this work. Permitting took longer than expected but all permits were finally obtained for all holes. Drilling started in November 2007 and six holes were completed by early 2008. An IP survey is underway at the Rio Minas. The Company's operating office in Oaxaca City has been particularly effective because of its close location to all projects. The Company continues to look for exploration opportunities in North America.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, and useful lives for depreciation and amortization. Financial results as determined by actual events could differ from those estimates.

Accounting for Stock Options

The fair value of stock options used to calculate compensation expense has been estimated using the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility of the Company's shares. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Asset Retirement Obligation

The Company's reclamation and closure cost obligation is calculated using highly subjective assumptions that include the Company's long-term credit-adjusted risk-free interest rate, the long-term inflation rate, the year in which the reclamation obligation is expected to begin and the current estimate of the reclamation obligation. Any changes in these subjective assumptions could materially affect the Company's reclamation and closure cost obligation. The Company has two bonds in place for reclamation requirements, one at Silver Coin and the other at Surprise Creek.

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Resource Property Interests

The Company's current business activity focus is on the exploration and development of precious metal properties. The cost of acquiring, exploring, and developing mineral properties is capitalized. In the event that the Company elects to proceed with the development of a project, capitalized acquisition, exploration and development expenditures will be amortized against future production upon commencement of commercial production, or written off if the properties are sold or abandoned.

Annual Information

All currency figures reported in these interim unaudited consolidated statements are reported in Canadian dollars, unless otherwise specified. We have summarized selected annual information from the Company's financial statements, which are prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles.

	Three Month periods ended March 31		
	2008	2007	2006
Loss before other items	(\$275,671)	(\$317,954)	(\$241,331)
Loss and Comprehensive loss for the period	\$370,162	(\$328,679)	(\$242,119)
Loss per share (Basic and Diluted)	\$0.01	(\$0.02)	(\$0.01)

CANADA

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 15,000 hectares in size within one claim block after some of the claims were dropped. 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.

Four holes were completed in 2007 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. The Company is still gathering geological information on the area and the drilling program is part of that process. A 2008 drill program is under consideration.

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Silver Coin Property

On August 4, 2004 the Company entered into an option agreement with Mountain Boy Minerals Ltd. whereby The Company could earn 51% of Mountain Boy's wholly-owned Silver Coin and FR claims and 55% owned Dauntless projects by spending \$1.75 million on exploration over a three year period. In addition, the Company has the right to earn an additional 9% in the projects by bringing one of the projects to production. All claims are contiguous and are located 24 kilometers north of Stewart, BC.

The Silver Coin property includes the former producing Kansas property from which approximately 100,000 tons of ore were mined and processed in the nearby Premier Mill. According to past published results, it appears that several thousand tonnes may remain in the zones.

There are two styles of mineralization contained in a number of different zones on the property, a high sulphide, base metal lower gold mineralization style and a low sulphide gold rich mineralization style. These are consistent with the two types of mineralization at the nearby Silbak-Premier mine that yielded 4.7 million tons containing 1.8 million ounces of gold, 41 million ounces of silver, 4.2 million pounds of copper, 62 million pounds of lead and 20 million pounds of zinc.

On October 13, 2004 the Company signed a letter agreement with Tenajon Resources Corp. to earn up to a 70% interest in the Kansas property in the Stewart area of BC. The Kansas property is a 19.5 hectare crown grant and 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.

In December of 2007 discussions began with Tenajon Resources Corp. on the acquisition of the remaining 40% of the Kansas claim that is owned by them. A binding letter agreement was signed on April 15, 2008 whereby Pinnacle will purchase Tenajon wholly owned subsidiary, 0781639 B.C. Ltd. which holds the undivided 40% ownership interest in and to the Kansas Claim and a 100% ownership interest in and to the Summit Lake property. Pinnacle has agreed to purchase the Corporation for an aggregate deemed purchase price of approximately \$3,015,000, subject to an adjustment as a result of certain events occurring before December 31, 2008. Upon completion of the Acquisition, Pinnacle will own an undivided [70.6%] interest in and to the Kansas Claim and 100% of the Summit Lake Property. The remaining [29.4%] undivided interest in the Kansas Claim is owned by Mountain Boy Minerals Ltd.

This latest mineral resource has 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.

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The current resource estimate is located primarily within the Kansas claim and the immediate surrounding area including the Big Missouri claim (51% The Company-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.

(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 reported the following resources at a range of cutoff values.

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 tonnes 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.

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The 2007 - 2008 Exploration Program

A program of 29 holes was proposed by Pinnacle in 2007 to better define and expand the in-pit resource estimate outside the Kansas claim, specifically to the north of that claim. The drilling began in late August and continued until mid-October when heavy snow falls stopped the program. A total of 15 holes of the 29 hole program were completed.

A program of 59 holes totaling 9500 meters is planned for 2008. This drilling program includes some of the holes that were not able to be completed in 2007. Already the road to the site is being ploughed of snow and the first drilling is slated to start during the second week of June.

In addition to the drill program, environmental base line studies will be initiated and a program of metallurgical testing is also under consideration. The Company has also carried out at its own cost some 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.

Late in 2007 the Company contracted Snowden Mining Group in Vancouver to compile and evaluate all drill data on the property. Snowden will evaluate data from nearly 600 core holes and recommend deposit infill and edge drilling to upgrade the resource confidence categories. Also during this process, Snowden will identify and recommend drilling in areas of potential underground mining. An updated data base and a new NI 43-101 technical report will be compiled by Snowden using the drilling that will be conducted during 2008 and that completed in 2007.

MEXICO

Oaxaca State Properties

In September 2006, the Company Ltd. announced that it had reached an agreement with Chesapeake Gold Corp. (TSX.V-CKG) 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 recently 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 and drilling is now underway subsequent to the end of the quarter. Linear recently announced that one of its core holes in skarn encountered 270.2 meters from surface averaging 1.0% copper, 23.2 gpt silver, and 0.4% zinc.

Pinnacle Mines Ltd.

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 appears to be a problem between the claim holders who are part of the town and the town itself. As a consequence the Chesapeake payment has been 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 it will quit the project and focus on Rio Minas. The Company has the option to return to the property at any time.

The Company has also commenced work on the Rio Minas property which is located approximately 37 km southeast of the La Calavera property. The property consists of two concessions totaling 19,510 hectares in steep terrain. The target is silver-rich, polymetallic skarn adjacent to a granodiorite intrusive. Five skarn zones have been identified. 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 is underway at this time. An area that measures approximately 4 kilometers by 2.5 kilometers is being 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.

The 2008 exploration program includes the continuation of the soils and rock chip sampling program. We plan on completing this program early in the third quarter. Once the assaying of the samples has been completed a drill program will be designed with the intention of starting this drilling program in the fall of this year.

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Financial Results

All of the financial information referenced below has been prepared in accordance with Canadian generally accepted accounting principals, applied on a consistent basis.

Financial Data for last eight Quarters (in CDN\$)

Three months end	Mar - 08	Dec - 07	Sept - 07	Jun- 07	Mar - 07	Dec -06	Sep - 06	Jun - 06
Total Revenues	\$ -	\$-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss before extraordinary items	\$275,671	\$317,954	\$313,189	\$453,116	\$317,954	\$452,781	\$494,838	\$300,271
Loss (Gain)	(\$370,162)	\$328,679	\$355,928	\$431,176	\$328,679	\$444,904	\$471,406	\$304,882
Loss (Gain) per share	(\$0.01)	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02

The Company's operations during the three month period ended March 31, 2008 produced a net gain of \$370,162 or \$0.01 per share compared to a net loss of \$328,679 or \$0.02 per share for the same period in 2007. The net gain is completely due to future income tax recovery which has been booked this quarter. As the Company does not own any revenue-producing resource properties, no mining revenues have been recorded to date. The decrease in net loss to end up showing a gain over the same period last year is completely due to the tax recovery. Otherwise investor relations activities were lower this year, as were consulting costs. There was a large decrease in stock based compensation charges and a decrease in travel expenses. However there was a decrease in foreign exchange losses. Salaries and benefits were higher. Regulatory and shareholder service costs were lower as were consulting services. Management services were down by half while office fees associated with running the Vancouver operation were lower.

During the quarter ended March 31, 2008, the Company had increased exploration expenditures because of expanded exploration in Mexico while there was no exploration in Canada. The larger exploration costs in Mexico related to drilling at La Calavera. This whole scenario will change during the next quarter with drilling starting at the Silver Coin and no drilling in Mexico. As a comparison there were limited expenditures in Mexico in the previous year. Shareholder service and regulatory costs increased slightly in the period ended March 31, 2008 to \$9,658 from \$6,653 in 2007. The change was primarily due to increased amounts of work being performed in this quarter. Shareholder service costs include such things as regulatory fees, and shareholder costs associated with the Transfer Agent. Management fees /service costs in the quarter ended March 2008 of \$23,334 was down from the previous year's quarter of \$45,000. This all reflects on an exploration and development company that was relatively active in the first quarter in Mexico. Travel costs were down slightly from last year. This mainly reflects on fewer trips to Mexico which were necessary when the Company was just starting work in that part of the world. Investor relations costs were down to \$40,427 in 2008 from \$68,298 in 2007 reflecting less activity in this area.

Liquidity, Financial Position and Capital Resources

The Company had a working capital surplus at March, 31 2008 of \$2,047,438 compared to \$2,720,375 at December 31, 2007. There was one financing carried out just subsequent to the end of the first quarter of 2008. This was a private placement of 4,715,000 units at a price of \$0.20 per unit to raise gross proceeds of \$943,000.

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The working capital at March 31, 2008 is sufficient to complete the 2008 work programs at the Silver Coin project and to carry out corporate administrative details for the next 1 month. To cover the cost of the drill program at the Rio Minas property, any additional or property acquisitions in Mexico, the acquisition of new projects in other places, and have enough money for administrative costs for the next 12 months the Company will need to raise a minimum of \$1.5 million.

Funding requirements may vary from those planned for a number of reasons, including but not limited to exploration progress and interim development advancement as well as foreign capital exchange rates. The Company is looking at various means to reduce its dependency on raising equity capital to finance its exploration and development expenses.

Capital Stock, Stock Options and Warrants

A number of share issues have taken place in the Company since its reorganization in 2003. The timing of the most recent issuances was as follows:

As of March 31, 2008 the Company had 25,373,647 common shares issued (fully diluted 29,058,647 shares) compared to 20,723,647 common shares issued (fully diluted 25,496,015 shares) as of March 31, 2007. As of the time of writing of this report there are 30,182,397 shares issued and outstanding.

Transactions with Related Parties

During the three months ended March 31, 2008, the Company incurred fees of \$29,246 (2007 - \$48,840) with directors for management consulting services. This amount has been included in management services expense on the statement of operations and deficit.

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

Risk Factors

Mineral exploration and operations in the mining industry face a variety of risks. There is no certainty that money invested in mineral exploration will result in a profitable mining operation. Many risks, such as interest rate fluctuations, metal price changes and monetary exchange rates are beyond the control of any one company. Management tries to reduce the impact of these and other risks as much as possible. Property titles may be affected by prior agreements and other undetectable defects.

Metal Prices

The principal activity of the Company is exploration of resource properties for various metals. The feasibility of finding and then developing a profitable operation is highly dependent on the price of metals.

Industry

Exploration and development of mining projects is inherently risky. Few exploration projects ever proceed beyond basic exploration and fewer still are taken to development. Moreover even when projects are good enough to be taken to feasibility there are various factors that may negatively affect the viability of such projects. The Company has to continually monitor the various factors that might affect mining projects and as such hires professional consulting groups to advise the Company. These professional groups include, but are not limited to, engineering companies, legal advisors, financial experts and environmental consultants.

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Political Risk

The Company is actively pursuing properties in Canada, and Mexico. In Mexico, the Company has to deal with government policies that are different than in Canada and can change. The Company may consider exploration of projects in other parts of the world and will evaluate the political risk as required. The Company does not maintain political risk insurance for its foreign exploration projects. Although the legal system in Mexico is different than in Canada, mining law is well established and the Company does not expect any political risk.

Environmental

The Company has studied the environmental rules and regulations of all countries that it is actively involved in and ensures that it conducts its operations according to those rules. The Company or its consultants, keep up to date on such regulations as they are subject to change.

Outlook

General increases in the prices of precious metals have raised investor interest in exploration projects. The Company continues to have four active projects, two in British Columbia, and two in Mexico

Last year's exploration program in northern BC on the Silver Coin property got underway in August. In 2007 there were 15 holes completed. This year work is planned to begin in June. Total of 59 holes are planned for 9,600 meters which is substantially more than last year's program. It is also planned that minor amounts of metallurgical work, and other prefeasibility work will be started by the end of the year. Assays still have to be obtained for all holes and a revised resource program will be carried out at the end of the year.

In Mexico, Company personnel plan to start the 2008 exploration program at the Rio Minas property in Oaxaca in June with a soil and rock survey program. A drill program is being planned for October or November.

The Company continues to look at and investigate other projects that are brought to its attention. The Company will investigate all worthwhile properties. As well, the Company plans to expand into other areas in Mexico.