Pinnacle Mines Ltd.

April 25, 2007

President's Message to Shareholders

Dear Shareholder:

During 2006, Pinnacle continued to expand its resource at the Silver Coin. The Company's main focus was on the programs of drilling and exploring at the Silver Coin and Surprise Creek projects in the Stewart area of British Columbia, Canada. During the exploration season, the Company increased its drilling activity at the Silver Coin and completed nearly 25,000 meters of drilling in 115 holes along with substantial trenching as well as additional mapping, soil sampling and a new topographic survey. All results have been issued in news releases and can be found on the Company's website www.pinnaclemines.com. Also during the year, the Company decided that further work in China was not warranted at this time given our Tier 2 status on the TSX-V exchange. The Company decided that to keep exploration ongoing year round it would be prudent to look at projects in Mexico.

A number of important occurrences took place in China during the year. The Company was informed that we would not be getting a business license to operate in Yunnan Province for at least a year. Because of this we would not have been able to carry out any exploration in that province at our Yang Wen Chong property. Our partner, Yunnan Geology and Mineral Resources Co. Ltd., offered to buy back our 25% interest. We accepted their offer and by the end of 2006 had our money returned. Also in China, Company personnel were introduced to a number of new projects during the year. One property stood out as a potential acquisition target in Hunan Province. Personnel from the Company made a number of trips to investigate and decided that the property had merit and should be acquired. Unfortunately the purchase price could not be justified and title was ambiguous. This meant that we could not have received Exchange approval for the acquisition and so the property was not able to be acquired. Because of these and other difficulties of working in China, Company personnel and the majority of Directors decided to pull the Company back from China and not carry out further work there.

At the end of 2005, MineFill Services Inc., our independent resource consultant, had estimated the Silver Coin resource at approximately 500,000 ounces of gold. At the end of 2006, the resource had increased to almost 1.5 million ounces of gold using the same cutoff grade of 0.75g/t. In addition, instead of being simply an inferred resource, as it was at the end of 2005, some of the resource was reclassified as indicated and measured. The Company is very pleased with the work that has been carried out at the Silver Coin and believes that there is potential to add even more to the resource. During the 2006 exploration season, a total of 24,198.84 meters of drilling had been completed in 115 holes. In essence, the cost of developing this resource has been under $5 per ounce exploration cost, a very respectable number. Moreover, early in the year, Pinnacle along with its partner, Mountain Boy Minerals, established an upgraded field office in Stewart, BC where office duties, core logging, core splitting, core storage and management of all programs could take place. The new centralized area increased the efficiencies of the operation significantly. Our Surprise Creek operations are also headquartered from this office.

During 2006, an option agreement was entered into with Almaden Minerals of Vancouver on the Tuligtic property located in Puebla State, Mexico. As well, a Letter of Intent was signed with Chesapeake Gold Corp. regarding two of its properties in Oaxaca State, Mexico. Subsequent to the year end, the Company completed incorporation of its wholly-owned Mexican subsidiary, Minera Pinnacle de Mexico S.A. de C.V. and secured offices, bank accounts, equipment and staff in preparation of work beginning. Currently, exploration work has begun at the Tuligtic property in Puebla State. The Tuligtic property has large copper/gold porphyry potential and a drill program is being planned. The La Calavera property in Oaxaca under option from Chesapeake has a copper skarn potential. The La Calavera property is located next to the Cobre Grande copper property owned by Linear Metals.

During 2006, the Company also performed limited exploration on its 100% owned Surprise Creek property. A small program of mapping as well as rock and soil sampling was completed. In addition three drill sites have been targeted and it is planned that drilling will be carried out on the property in 2007. Poor weather in 2006 limited the amount of work at the project.

The Company also acquired a 50% interest in the BA Claim block from a principal of Mountain Boy Minerals. Mountain Boy also has a 50% interest in the BA. Our geologists believe the BA claims cover the southern part of this large Kuroko system and that the newly discovered zone on the BA property represents only a small portion of a major volcanic center located on Surprise Creek and BA properties. This volcanic center encompasses a stretch of some 20 kilometers of felsic rocks with associated exhalites and VMS type Zn, Pb, Ag mineralization present on both properties. Both BA and Surprise Creek properties have a potential to host a large VMS deposit. The Company now has approximately 25,000 hectares staked on the Surprise Creek property and 4,565 hectares in the BA property. The Company was able to complete 14 holes on the BA property before winter conditions set in. A report is being prepared on the drilling of the BA.

During 2006, the Company listed for trading on the Frankfurt Stock Exchange under the Symbol O7M and to coincide with this contracted with the investor relations firm, I Tell AG of Baar, Switzerland to increase awareness of the Company in the European markets. The Company attended and made presentations at Investor relation shows in Toronto, Vancouver and Munich, Germany.

In July, the Company closed a financing in excess of $3.2 million by issuing 2,804,021 units at $1.15. As well, earlier in the year the Company closed a small private placement of 353,117 units at $0.85.

The Company ended the year with a strong cash position and with a substantial increase in gold resources. We wish to thank the shareholders for their continued interest and support.

Respectfully submitted,

Andrew Bowering
President and CEO

FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) AS OF APRIL 25, 2007 TO ACCOMPANY THE AUDITED FINANCIAL STATEMENTS OF PINNACLE MINES LTD. FOR THE YEAR ENDED DECEMBER 31, 2006.

This discussion and analysis should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2006 and the notes thereto.

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

Description of the Business

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

The issued capital of the Company as of April 25, 2007 is 20,773,647 common shares. The authorized capital of the Company is an unlimited number of shares.

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

Operations and Performance for the Year ended December 31st, 2006

Overview

Pinnacle started 2006 with a positive working capital position of $1,736,492 and by the end of the year this position had increased to $3,910,051. During the year there was a net increase of $2,173,559 in working capital. This increase came about as a result of the issue of shares for cash, the exercise of warrants and options, and interest earned on capital. The Company completed 2 private placements and no flow-through financing during the year. In general, all costs in 2006 increased over 2005. General and Administrative expenditures increased marginally to $1,489,221 in 2006 from $1,408,821 in 2005. While the expenditures were similar in both years there were marked differences in where expenditures occurred. Expenditures in consulting services, investor relations, and travel were up significantly which reflected the significant increase in corporate activity during the year. The value of stock based compensation was down by $315,000. This reflects a reduction in stock options being issued and the issue of shares for services rendered. There were no write downs of mineral properties in 2005.

Mineral property and exploration expenditures totaled $2,032,981 in 2006, down slightly from $2,174,330 in 2005. Significant exploration was performed and property payments were completed. More total expenditures were made at the Silver Coin in 2006 than 2005 however Mountain Boy Minerals contributed its percentage in 2006 and hence Pinnacle’s 51% totaled $1,844,000.

The Company had its most active exploration year ever in 2006. Corporate activities during the second, third and fourth quarters of the year focused on continued exploration of the Surprise Creek and Silver Coin properties. In addition a number of properties were investigated in China although none acquired. One option agreement was entered into on properties in Mexico and subsequent to the end of the year preliminary work was carried out on both properties.

In August 2004, Pinnacle entered into an option agreement with Mountain Boy Minerals Ltd to earn a 51% interest in its 100% owned Silver Coin and FR claims and its 55% owned Dauntless claims by incurring exploration expenditures totaling $1.75 million over three years (earned). In addition, Pinnacle can earn an additional 9% in the projects by bringing one property to commercial production. All claims are contiguous and are located 24 kilometers north of Stewart, BC.

During the fourth quarter of 2004, the Company entered into an agreement with Tenajon Resources Corp. to acquire a 60% interest in its Kansas property, by incurring exploration expenditures totaling $1 million over a four year period, making a $50,000 cash payment and issuing 77,000 common shares (paid and earned). Pinnacle can increase its ownership in the Kansas property to 70% by completing a feasibility study within four years of earning its 60% interest. The option agreement was signed on Oct. 13, 2004 and the companies agreed to complete a full JV agreement within six months. The JV agreement was completed in May 2005.

In early 2005 the Company completed and filed a technical report pursuant to National Instrument 43-101 on the Silver Coin Project in Northwest British Columbia. The independent study, written by Alojzy A. Walus, M.Sc., P. Geo., concluded that Silver Coin features a zone of faulting and shearing with accompanying polymetallic mineralization that is up to 300 meters wide and has been traced for a minimum of 1.6 kilometers. Numerous gold-silver-base metal bearing breccias, stockworks and veins have been identified through trenching, drilling and underground development. The report further concludes that the Silver Coin property shares many characteristics with the nearby Silbak-Premier mine which produced 4.7 million tons that yielded approximately 1.8 million ounces gold, 41 million ounces silver, 4.2 million pounds copper, 62 million pounds lead and 20 million pounds zinc.

In May of 2005, a second year of exploration was started and continued until November 2005. During 2005, a total of 8,041 meters of drilling was completed in 66 holes along the major zone of mineralization called the Perseverance zone. The zone was traced for over 700 meters on the surface and drilling confirmed continuity of mineralization at depth. Two types of mineralization are prevalent. One type has high grade gold and silver with lower base metals while the second type has higher base metals and lower silver and gold. Over 395 meters of trenching was performed in 2005 and new maps were prepared. All of the drilling and trenching results have been disclosed in News Releases issued during the year. Please refer to the Company's website for all of these releases.

In December 2005, Minefill Services of Seattle ("Minefill") was retained to complete an initial independent resource estimate and a National Instrument 43-101 compliant Report including a resource calculation. In addition Minefill plotted sections, performed a polygonal resource and also developed a 3-D model of the geology and mineralization. All of this was required to better understand the property's geology and help in the planning of the 2006 exploration program. The Minefill report concluded an inferred resource containing an estimated 500,000 ounces of gold, and 2.11 million ounces of silver. The inferred resource consisted of 11.3 million tonnes grading 1.60 g/t Au, 6.64 g/t Ag, 0.06% Cu, 0.19% Pb, and 0.41% Zn and was calculated in accordance with CIMM (2000) standards, at a geometric cutoff. Within this resource, a higher grade envelope containing 2.5 million tonnes at 2.69 g/t Au, 10.09 g/t Ag, 0.06% Cu, 0.33% Pb, and 0.58% Zn was identified for a total of 170,543 ounces of gold and 660,504 ounces of silver. Mineralization is open along the strike and down dip. Of the total calculated inferred resource of 499,775 ounces gold and 2,110,693 ounces silver, the Kansas claim showed 377,394 ounces of gold and 1,545,595 ounces of silver. Of the higher grade envelope, the Kansas claim contained 146,418 ounces of gold and 490,048 ounces of silver.

In January 2006, the Company reported that during the 2004 and 2005 exploration seasons, it has spent approximately $1,950,000 on the Silver Coin group of properties, completing the option and earning a 51% interest one year ahead of schedule. Under the terms of the option agreement with Mountain Boy Minerals, Pinnacle could earn a 51% interest in the project by spending $1,750,000 over a 3 year period. An additional 9% interest can be earned on by bringing the project to production.

The exploration season in 2006 started in May and carried through until the end of October when snow and cold weather halted operations. During the working months 24,189 meters of drilling was completed in 115 holes. Substantial trenching was also carried out. Starting in December, MineFill Services began an update of the resource taking into account the work completed in 2006. Subsequent to the year end, MineFill completed its new resource estimate. The new resource was estimated to be almost three times larger than that reported for results up to 2005. In addition the quality of the resource improved to include measured and indicated categories. The results have been issued in news releases.

The Company looked at and investigated a number of projects in China. One property was of interest but the asking price was not substantiated by independent review and title appeared elusive. Subsequent to that property investigation, management decided that the Company should retreat from China and wait until investment conditions improved. Subsequent to that decision the Chinese government put a moratorium on issuing exploration and development licenses for all mining projects through 2007 and for coal through 2008.

Almost all work on the Yang Wen Chong property in Yunnan Province, PRC related to corporate matters associated with retrieving the money that had been paid to acquire the title to 25% of the property. This all came about when it became evident that Pinnacle was not going to get its Chinese business license in the short term. Yunnan Geology and Mineral Resources Co., Ltd. offered to refund Pinnacle's money and the Company decided to take them up on the offer. At year end, the money was held in trust in China and subsequent to the year end it was returned to Canada.

As a background on the Yang Wen Chong, on May 8th, 2004, the Company announced that it had executed a formal purchase contract with Yunnan Geology and Mineral Resources Co., Ltd. ("YGM") to acquire, subject to regulatory approval, a 100% interest in the Yang Wen Chong ("YWC") gold property located in the highly prospective southeast region of Yunnan Province, PRC. The Company has earned a 25% interest in the property through payments to YGM.

For further details refer to Mineral Property Activities – China discussed later.

Some follow-up work was also carried out on the Surprise Creek property which lies 32 kilometers to the northeast of Stewart also in the Skeena Mining division. The work program involved prospecting and drill site preparation of the property. In January 2006, the Company announced that 15 additional claims totaling 5,600 hectares were acquired by staking. The new claims join to the west and north the existing block of claims (15,000 hectares) already 100% owned by Pinnacle Mines. The new claims were staked in the wake of a prospecting and sampling program conducted in this area in 2005 by Pinnacle. The newly staked area is the source of large boulders (up to 2 meters across) of very strongly silicified rhyolite and/or rhyolite breccia containing sphalerite, galena and chalcopyrite. These boulders, discovered in the previous exploration seasons can be found in valleys joining the Surprise Creek, over a distance of several kilometers.

Corporate Governance

All Policy and Procedure aspects of the Company have been under review 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.

The Board of Directors has two standing committees that require full reporting. The audit committee reviews all quarterly and annuals 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.

Mineral Property Activities

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

Canada

Silver Coin:

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

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

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

During the fourth quarter of 2004, the Company entered into an agreement with Tenajon Resources Corp. to acquire a 60% interest in its Kansas property, by incurring exploration expenditures totaling $1 million over a four year period, making a $50,000 cash payment and issuing 77,000 common shares. The Company can increase its ownership in the Kansas property to 70% by completing a feasibility study within four years of earning its 60% interest. The option agreement was signed on Oct. 13, 2004 and the companies agreed to complete a full option agreement within six months. A full JV Agreement between Tenajon and Pinnacle was completed in May of 2005. We are now satisfied that we have acquired the complete land package needed for exploration

The Kansas property is a crown grant and is 19.5 hectares in size. The property is surrounded by the Silver Coin property. A technical report by Westmin Resources Limited in 1995 calculated the uncut gold reserves on the Kansas at 1,774,000 tons grading 2.20 g/t (124,889 ounces of gold). This calculation was completed prior to National Instrument 43-101, is historic in nature and has not been reclassified to current categories; however management believes that the results and calculations were generated using accepted and proven geologic and engineering practices and are reliable and relevant.

The Silver Coin property features a zone up to 300 meters wide of faulting and shearing with accompanying alteration and mineralization that has been traced along the Big Missouri Ridge for 1.6 kilometers. The alteration zone associated with the faulting and shearing forms a prominent gossan extending from the Packers claim, south to the Idaho Fraction claim on the west side of Noname Lake. This major deformation zone hosts numerous parallel, generally north trending base and precious metal bearing zones which contain pyrite, sphalerite, galena and chalcopyrite with minor tetrahedrite and trace of gold and electrum. Mineralization is accompanied by large intense alteration zones composed of variable amounts of quartz, sericite, carbonate, K-feldspar, pyrite, chlorite, and clays. Mineralization is closely associated with trachyte intrusions.

The Silver Coin property shares many characteristics with the nearby Silbak Premier Mine, located just 5km to the south. In both locations mineralized zones are comprised of epithermal gold-silver-sulfide bearing siliceous breccias, stockworks and veins. The Silbak Premier Mine has been the most important in the district and between 1918 and 1979, 4.2 million tonnes of ore were mined at a recovered grade of 13.4 g/t Au, 301 g/t Ag, 2.3% Cu, 0.6% Pb and 0.2% Zn (BCEMPR production statistics).

To date, based on observations made in the field and during core logging, thin sections studies, as well as historical data, there are nine different types of potentially economic mineral associations present within a total of 20 zones in the project area. Starting from the northwest portion of the property they include: the Perseverance, 13/19, 21, 28, Facecut-35 and Storm zones. Immediately further south, along the Big Missouri ridge there are the West Kansas, Kansas, Snowball, Dan, Dauntless Vein, Dauntless Hill, Silver Coin and Idaho zones. In the central portion of the claim holdings, the previous work has identified the Anomaly Creek, Road, Root and West Noname zones while in the eastern part exploration has identified the Terminus and Noname zones.

The various types of mineralization in these zones are listed below:

1. Grey silicified breccia zones with visible gold but with assays generally less than 30 g/t.
2. White to grey quartz-carbonate veins and stringers with visible gold giving high assays that can be greater than 30 g/t.
3. Late grey calcite veins locally containing abundant visible gold.
4. Massive sulphide-silver mineralization with low gold values generally less than 1 g/t.
5. Massive sulphide-silver mineralization with high gold values from 1 to 60 g/t.
6. Black, carbonaceous-rich quartz with minor sphalerite and local coarse visible gold.
7. Narrow electrum veinlets that give spectacular gold values over narrow intervals.
8. Discontinuous en echelon zones of brecciated and silicified rocks with quartz-calcite veinlets carrying sparse galena and sphalerite.
9. Trachyte hosted, weakly silicified zones of disseminated pyrite with minor sphalerite and galena.

Previous exploration work has been mainly concentrated on the Facecut/35, the Kansas and West Kansas zones. Between 1982 and 1994 previous operators completed approximately 1220 meters of drifting on three levels, 103.2 meters of crosscutting on one level and 130 meters of alimak raising. Of this, 883 meters of drifting and 17 meters of sub-drifting on the Facecut zone were completed on the 810 level, 250 meters of drifting on the 895 level with the remaining 70 meters of drifting on the 917 level. The two crosscuts were from the 810 level to the Facecut and 35 zones.

In 1991, the Facecut-35 zone was mined, producing a tonnage of 102,539 tonnes at an average grade of 8.9 g/t Au and 55.50 g/t Ag. No base metals values were recovered as the ore was processed at the Premier Gold mill, which used a cyanide leach process. Sampling in 2004 by Mountain Boy Minerals Ltd and the Company indicated that the mine tails from this processed material of 102,539 tonnes averaged 0.72 g/t Au, 31.2 g/t Ag, 0.388 % Cu, 0.48 % Pb and 3.61 % Zn in 2 samples.

In 1993, 2 bulk samples were collected from and during development work on the 895 and 917 levels in the KWK zone. Muck from the upper part of the alimak raise, and initial rounds of the sublevels taken from the alimak deck, comprised the first bulk sample of 1,107 dry tonnes. The second bulk sample comprised 1,540 dry tonnes of development muck from the combined 895 and 917 sublevels. Head grade of the first 1,107 tonnes averaged 3.342 g/t Au and 9.7 g/t Ag while the second 1,540 tonnes averaged 3.190 g/t Au with silver assays unavailable.

Surface and underground diamond drilling programs conducted from 1982 to 2004 have resulted in a total of 22,642.68 meters of core drilling in 168 holes from surface and 11,727.6 meters of core drilling in 214 holes from underground.

Taking into account the 1982 to 1994 surface and underground drilling, underground and bulk sampling, an inferred resource has been calculated for the Kansas/West Kansas zone. Total inferred resource for these zones are 1,774,000 tonnes at 2.24 grams per tonne gold and 5.3 grams per tonne silver. This does not include the unmined sulphide rich portions of the Facecut/35 zone as well as any mineralization to the north, south and below the 810 level on this zone.

Based on work to date, namely six drill hole intersections, the Storm zone has an indicated mineral resource of 4,999 tonnes averaging 10.78 g/t Au and 17.2 g/t Ag. The Snowball zone has an indicated resource of 1070 tonnes grading 8.81 g/t Au and 11.7 g/t Ag on one drill section. Exploration potential of the property is excellent with numerous zones remaining to be tested. Due to the high concentration of mineralized zones, exploration has focused on not only an underground mining situation but also on the possibility of mining by a large open pit. In addition, exploration in the past has been solely focused on the precious metal values rather than both the precious and base metal values of the property. Previous exploration programs tested only the central portion of the mineralized area that is a minimum 300 meters wide.

Evaluation of drill results has been solely focused on an underground high-grade gold-silver deposit rather than a lower grade open pit situation. Many holes drilled in the past intersected wide zones of 1-2 g/t Au, which were not considered significant in view of an underground mining situation.

The presence of roads going through the property as well as a nearby mill and the year-round seaport in Stewart with associated infrastructure makes the property an attractive exploration project.

The property is now better understood because of three years of intense exploration the property. Excavator trenching of the 13/19 zone, the south end of the Perseverance zone, north of the no. 2 portal, 21 and Dauntless Hill zones has all been completed. Soil geochemistry in the southern portion of the property area, particularly areas along the projected strike of Kansas and West Kansas zones was completed. Drilling of over 10,000 meters in approximately 90 holes was performed during 2004 and 2005.

The 2006 Program at Silver Coin

Initially 15,000 meters of drilling, as well as several kilometers of trenching, and over 1000 soil samples were planned for the 2006 exploration season. As a result of the efficiencies in drilling and success in the drilling program the number of metres was expanded and over 24,100 meters of drilling was completed. Mr. Alex Walus, P. Geol., Pinnacle's senior consulting geologist, supervised the exploration program on behalf of the Company. Mr. Ed Kruchkowski, of Mountain Boy, was the project manager. The 2006 drilling was designed to extend and better define the known resource that was outlined in 2005 in an area that contains the Perseverance zone, the Snowball zone, the Kansas and Kansas West zones and the 35 zone.

Results of some of the holes drilled in 2006 are as follows:

DDH	From (m)	To (m)	Width (m)	Au g/t	Ag g/t	Cu %	Pb %	Zn %	CLAIM TESTED
2006-92	109.45	110.98	1.52	1.12	8.70	0.001	0.09	0.17	Kansas
and	162.35	164.33	1.98	1.51	2.60	0.005	0.06	0.31	Kansas
2006-93	4.27	5.79	1.52	1.17	3.90	0.014	0.05	0.16	Indi
2006-94	88.11	91.77	3.65	2.53	10.51	0.02	0.26	0.45	Kansas
and	119.82	130.79	10.95	7.10	12.38	0.013	0.28	0.49	Kansas
including	126.22	127.74	1.52	**30.64**	**39.6**	**0.029**	**0.77**	**1.02**	Kansas
and	162.80	167.38	4.56	2.27	1.73	0.001	0.27	0.18	Kansas
and	182.62	184.83	2.21	2.85	4.60	0.01	0.05	0.11	Kansas
and	194.82	202.44	7.60	3.69	10.02	0.04	0.33	0.69	Kansas
2006-95	85.06	86.59	1.52	6.44	3.10	0.004	0.03	0.08	Kansas
and	142.99	148.32	5.33	2.67	7.01	0.026	0.15	0.55	Kansas
and	158.23	159.76	1.52	1.14	3.00	0.048	0.22	0.49	Kansas
and	176.52	178.66	2.13	2.22	8.10	0.006	0.02	0.02	Kansas
2006-96	36.28	37.80	1.52	2.83	2.80	0.002	0.01	0.02	Indi
and	46.95	50.00	3.05	1.41	2.00	0.0045	0.055	0.23	Indi
and	74.39	75.91	1.52	3.53	2.90	0.011	6.03	0.04	Indi
and	83.54	85.06	1.52	1.70	3.20	0.008	0.14	0.40	Indi
and	112.13	112.96	0.82	8.92	104.50	0.34	4.70	5.70	Kansas
and	130.79	142.99	12.16	1.21	2.60	0.006	0.055	0.16	Kansas
and	164.33	184.91	20.54	1.60	3.49	0.122	0.08	0.19	Kansas
2006-97	42.84	44.97	2.13	1.48	10.10	0.026	0.32	0.84	Indi
and	120.12	121.65	1.52	6.10	7.40	0.003	0.03	0.07	Indi
and	144.51	146.04	1.52	5.48	10.20	0.001	0.01	0.02	Indi
2006-98	59.15	60.67	12.17	8.30	14.80	0.019	0.21	0.86	Dan
including	69.82	71.34	1.52	**49.27**	**39.8**	**0.012**	**0.09**	**1.66**	Dan
and	136.89	138.41	1.52	1.00	3.30	0.004	0.06	0.42	Kansas
and	161.05	161.97	0.91	12.42	53.40	0.059	0.83	1.80	Kansas

2006-150	41.77	44.82	3.05	1.51	0.4	0.001	<0.01	0.06	Indi
and	72.26	84.45	12.16	4.5	2.35	0.002	0.02	0.21	Indi
including	72.26	73.78	1.521	**32.55**	**7.8**	**0.002**	**0.01**	**0.19**	Indi

DDH	From (m)	To (m)	Width (m)	Au g/t	Ag g/t	Cu %	Pb %	Zn %	CLAIM TESTED
2006-99	59.15	62.04	2.89	1.20	8.66	0.044	0.048	1.12	Dan
and	74.70	78.43	3.73	2.47	19.1	0.061	0.42	2.16	Dan
and	82.01	83.54	1.53	1.52	0.9	0.001	0.01	0.02	Dan
and	121.65	123.17	1.52	1.37	4.7	0.009	0.10	0.31	Kansas
2006-100	42.38	43.90	1.52	4.05	15.1	0.016	0.18	0.44	Dan
2006-103	27.13	34.76	7.63	1.42	2.8	0.002	0.02	0.044	Dan
2006-104	45.43	48.48	3.05	1.55	2.3	0.005	0.04	0.15	Dan
2006-105	48.48	51.52	3.04	1.51	3.5	0.003	0.02	0.26	Dan
2006-106	30.18	33.23	3.05	2.84	5.3	0.002	0.01	0.02	Kansas
and	54.57	57.62	3.05	2.58	3.4	0.002	0.09	0.17	Kansas
and	100.3	126.22	25.92	1.32	5.57	0.006	1.071	0.13	Kansas
and	158.23	164.33	6.1	1.61	3.05	0.006	0.055	0.19	Kansas
and	184.3	185.37	1.07	2.54	33.9	0.159	1.29	0.38	Kansas
and	203.96	213.11	9.15	1.15	2.46	0.01	0.17	0.05	Kansas
2006-107	210.06	213.11	3.05	2.54	1.5	0.004	0.01	0.01	Kansas
2006-109	104.88	106.4	1.52	1.1	2.7	0.003	0.03	0.1	Kansas
and	129.27	159.15	29.88	1.36	2.92	0.005	0.045	0.11	Kansas
and	179.27	180.79	1.52	3.18	3.4	0.007	0.05	0.08	Kansas
2006-110	174.09	178.05	3.96	1.76	5.6	0.003	0.039	0.116	Kansas
and	190.70	203.96	13.26	1.2	1.29	0.003	0.03	0.14	Kansas
2006-111	42.38	45.27	2.89	1.23	38.58	0.48	0.17	3.15	Kansas
and	81.71	84.45	2.74	1.93	10.09	0.03	0.26	0.92	Kansas

2006-112	140.00	142.99	2.99	2.66	6.49	0.004	0.02	0.05	Kansas
2006-125	51.52	56.10	4.56	1.91	3.97	0.002	0.04	0.08	Kansas
and	179.57	185.67	6.1	2.56	2.65	0.01	0.015	0.055	Kansas
2006-126	118.60	144.51	25.91	1.32	6.18	0.015	0.17	0.165	Kansas
2006-127	78.35	81.40	3.05	2.37	50.3	0.014	0.05	0.1	Kansas
and	102.74	105.79	3.05	3.1	7.3	0.013	0.02	0.16	Kansas
and	141.77	169.82	28.05	1.28	8.33	0.005	0.06	0.20	Kansas
2006-128	105.79	113.11	7.32	1.1	4.87	0.003	0.017	0.03	Kansas
and	130.18	135.37	5.19	1.44	4.00	0.003	0.01	0.01	Kansas
and	173.38	200.30	26.92	2.05	7.50	0.009	0.14	0.37	Kansas
2006-129	49.39	50.76	1.37	3.06	10.9	0.005	0.10	0.17	Kansas
and	90.55	122.56	32.01	1.74	11.40	0.01	0.14	0.27	Kansas
2006-130	34.76	80.49	45.73	3.64	9.22	0.007	0.038	0.086	Kansas
including	40.85	43.09	2.24	**14.87**	29.5	0.022	0.14	0.34	Kansas
including	46.95	50.00	3.05	**11.27**	15.6	0.015	0.08	0.19	Kansas
including	71.34	74.39	3.05	**20.63**	29.4	0.002	0.07	0.01	Kansas
and	95.73	119.36	23.63	1.14	8.8	0.01	0.19	0.22	Kansas
and	145.88	147.26	1.38	1.13	6.1	0.005	0.06	0.26	Kansas

DDH	From (m)	To (m)	Width (m)	Au g/t	Ag g/t	Cu %	Pb %	Zn %	CLAIM TESTED
2006-124	39.33	48.48	9.14	2.64	424.45	0.01	0.09	0.40	Kansas
and	115.55	118.60	3.05	1.12	4.5	0.006	0.04	0.07	Kansas
and	118.72	197.87	9.15	1.37	2.45	0.01	0.05	0.25	Kansas
2006-139	232.93	235.98	3.05	2.16	10.14	0.038	0.125	0.48	Kansas
2006-140	19.21	21.03	1.82	1.07	6.1	0.006	0.015	0.55	Big Missouri

and	52.44	90.70	38.26	1.44	8.06	0.01	0.30	0.67	Big Missouri
and	106.40	109.45	3.05	2.82	5.3	0.009	0.03	0.14	Big Missouri
and	201.07	212.80	13.72	1.09	4.61	0.006	0.07	0.22	Big Missouri
2006-141	65.24	66.77	1.52	1.02	7.9	0.017	0.37	0.92	Big Missouri
and	85.06	88.11	3.05	1.40	2.50	0.005	0.034	0.13	Big Missouri
2006-142	72.87	80.34	7.46	1.37	10.38	0.002	0.01	0.019	Big Missouri
and	88.11	100.30	12.18	1.32	9.53	0.004	0.048	0.26	Big Missouri
and	124.70	126.07	1.37	1.02	3.3	0.002	0.04	0.32	Big Missouri
and	194.82	197.87	3.05	2.66	3.8	0.014	0.07	0.15	Big Missouri
2006-143	91.16	94.21	3.05	1.43	3.5	0.006	0.01	0.08	Big Missouri
and	124.70	127.74	3.04	2.84	5.6	0.019	0.09	0.11	Big Missouri
and	156.10	159.76	3.66	1.76	3.72	0.001	0.01	0.21	Big Missouri
and	197.87	200.91	3.04	2.28	9.1	0.042	0.11	0.26	Big Missouri
and	219.21	222.26	3.05	1.65	2.2	<0.001	<0.01	0.01	Big Missouri
2006-144	83.54	85.06	1.52	1.74	2.4	<0.001	0.01	0.01	Kansas
and	94.97	95.88	0.91	4.8	32	<0.001	0.06	0.06	Kansas
and	114.02	114.94	0.91	1.27	64.9	0.005	0.31	1.01	Kansas
2006-145	63.72	72.56	8.82	1.60	9.78	0.01	0.16	0.34	Kansas
and	106.40	126.37	19.92	1.65	3.96	0.007	0.06	0.10	Kansas
and	**135.37**	**138.41**	**3.04**	**3.57**	**23.0**	**0.03**	**0.16**	**0.28**	Kansas
2006-146	**54.48**	**62.20**	**7.70**	**3.87**	**11.14**	**0.02**	**0.24**	**0.58**	Kansas
including	**56.10**	**57.62**	**1.52**	**11.14**	**21.6**	**0.028**	**0.57**	**1.04**	Kansas
and	**97.26**	**120.73**	**23.43**	**2.373**	**4.65**	**0.003**	**0.11**	**0.24**	Kansas
including	**103.25**	**104.88**	**1.52**	**9.29**	**10.3**	**0.005**	**0.04**	**0.24**	Kansas
and	120.73	142.99	22.21	2.92	5.08	0.01	0.06	0.22	Kansas
including	**126.22**	**127.74**	**3.04**	**11.84**	**12.8**	**0.048**	**0.05**	**0.09**	Kansas
and	152.13	163.11	10.66	1.42	11.4	0.005	0.031	0.06	Kansas

2006-147	86.59	88.11	2.13	1.37	14.4	0.01	0.03	0.04	Kansas
and	106.40	117.84	11.44	1.64	4.60	0.011	0.07	0.14	Kansas
2006-148	**86.59**	**89.63**	**3.05**	**4.48**	**7.65**	**0.03**	**0.13**	**0.22**	Kansas
and	100.30	103.35	3.05	1.12	3.1	0.006	0.04	0.14	Kansas
and	110.98	114.02	3.05	2.92	6.1	0.01	0.05	0.19	Kansas
and	127.84	129.27	1.52	3.36	7.4	0.004	0.06	0.08	Kansas
2006-149	63.72	64.94	1.22	2.01	1.6	0.001	0.01	0.03	Kansas
and	78.05	88.41	10.36	1.60	34.12	0.15	0.95	1.78	Kansas
2006-179	102.74	108.84	6.1	2.30	4.52	0.006	0.050	0.08	Kansas
and	143.90	145.43	1.53	1.24	14.2	0.005	0.03	0.04	Kansas
and	150.15	160.67	10.52	1.86	18.33	0.03	0.39	0.58	Kansas
and	164.94	166.77	1.83	1.04	11.2	0.006	0.08	0.12	Kansas
2006-180	81.90	84.45	3.05	1.55	6.2	0.03	0.05	0.08	Kansas
and	99.70	145.73	46.03	1.46	2.77	0.005	0.03	0.07	Kansas
and	154.57	174.87	20.3	1.55	4.55	0.003	0.06	0.13	Kansas
and	182.01	185.06	3.05	1.4	5.0	0.001	0.03	0.06	Kansas
2006-181	84.45	90.55	6.1	1.98	4.38	0.001	0.09	0.13	Kansas
and	99.70	102.74	3.04	1.91	2.8	0.003	0.01	0.01	Kansas
2006-182	44.82	53.96	9.15	2.08	3.40	0.002	0.01	0.03	Kansas
and	75.30	76.83	1.53	1.33	5.90	0.024	0.11	0.30	Kansas
and	92.99	94.66	1.67	2.07	6.0	0.009	0.30	0.68	Kansas
and	107.32	108.84	1.52	1.41	1.60	0.004	0.01	0.02	Kansas
and	**124.09**	**148.48**	**24.39**	**3.43**	**13.16**	**0.009**	**0.17**	**0.25**	Kansas
Including	**134.76**	**136.28**	**1.52**	**15.98**	**78.0**	**0.005**	**0.10**	**0.13**	Kansas
including	**139.33**	**140.85**	**1.52**	**10.99**	**13.0**	**0.002**	**0.09**	**0.18**	Kansas

2006-183	53.96	57.01	3.05	1.05	2.1	0.001	0.01	0.01	Kansas
and	75.30	81.1	5.8	1.55	12.7	0.07	0.27	0.64	Kansas
and	99.7	103.96	4.26	3.06	12.2	0.03	0.45	1.24	Kansas
and	121.04	141.77	20.73	1.21	5.02	0.01	0.11	0.13	Kansas
2006-184	128.66	130.18	1.52	1.39	10	0.005	0.06	0.36	Big Missouri
and	**155.79**	**178.96**	**23.17**	**4.87**	**4.06**	**0.003**	**0.02**	**0.10**	Big Missouri
including	**155.79**	**157.62**	**1.83**	**36.14**	**11.7**	**0.003**	**0.05**	**0.11**	Big Missouri
2006-185	54.27	56.09	1.82	11.63	8.2	0.009	0.06	0.25	Big Missouri
and	**80.72**	**98.93**	**10.21**	**2.28**	**17.87**	**0.05**	**0.84**	**1.21**	Big Missouri
and	129.42	130.95	1.53	1.16	5.1	0.002	0.05	0.05	Big Missouri
and	194.21	197.26	2.75	1.41	2.8	0.004	0.03	0.07	Big Missouri
2006-186	21.95	23.48	1.53	1.06	1.60	0.003	0.05	0.11	Big Missouri
and	29.42	30.79	1.37	1.68	1.90	0.008	0.01	0.01	Big Missouri
and	41.77	43.29	1.52	1.01	4.30	0.004	0.04	0.09	Big Missouri
and	78.96	80.49	1.52	1.34	3.1	0.001	0.07	0.43	Big Missouri
and	85.37	87.50	2.13	2.17	4.30	0.001	0.02	0.07	Big Missouri
and	114.94	116.46	1.52	1.93	0.70	0.002	0.02	0.08	Big Missouri
and	167.38	169.31	1.83	2.75	1.90	0.012	0.06	0.18	Big Missouri
2006-200	108.84	110.37	1.52	1.95	6.1	0.004	0.02	0.21	Big Missouri
and	116.46	117.99	1.52	1.25	29.5	0.007	0.03	0.16	Big Missouri
2006-201	24.70	32.62	7.93	1.54	2.72	0.002	0.012	0.02	Big Missouri
and	43.29	44.82	1.52	1.15	4.5	0.002	0.01	0.10	Big Missouri
and	46.34	47.87	1.52	1.04	2.10	0.002	<0.01	0.02	Big Missouri
and	70.43	71.80	1.37	1.12	6.80	0.007	0.13	0.81	Big Missouri
and	75.30	76.83	1.52	1.48	7.0	0.004	0.01	0.01	Big Missouri
and	**96.55**	**99.70**	**3.04**	**10.17**	**37.95**	**0.066**	**0.26**	**1.00**	Big Missouri
2006-202	**17.58**	**37.20**	**19.82**	**4.37**	**5.46**	**0.005**	**0.016**	**0.044**	Big Missouri

including	**20.43**	**23.48**	**3.05**	**21.55**	**13.6**	**0.007**	**0.02**	**0.04**	Big Missouri
and	107.32	108.84	1.52	2.71	10.7	0.006	0.05	0.22	Big Missouri
2006-203	95.12	108.84	23.78	1.49	7.99	0.02	0.20	0.50	Big Missouri
including	**95.12**	**96.65**	**1.52**	**9.67**	**20.3**	**0.062**	**0.59**	**1.44**	Big Missouri
and	130.18	133.23	3.05	1.09	2.60	0.003	0.02	0.09	Big Missouri
and	145.43	146.95	1.52	3.29	6.20	0.004	0.02	0.04	Big Missouri
and	**178.96**	**195.73**	**16.77**	**7.40**	**16.21**	**0.016**	**0.12**	**0.32**	Big Missouri
including	**182.01**	**188.11**	**6.1**	**17.90**	**36.8**	**0.04**	**0.27**	**0.75**	Big Missouri
2006-204	105.79	113.41	7.62	2.61	2.72	0.005	0.022	0.26	Big Missouri
and	150	151.52	1.52	1.03	4.2	0.003	0.07	0.15	Big Missouri
and	154.57	156.10	1.53	1.15	3.6	0.011	0.10	0.15	Big Missouri
and	183.08	186.13	3.05	3.00	5.20	0.007	0.14	0.12	Big Missouri
2006-205	25.46	46.19	20.73	1.07	25.17	0.06	0.71	1.50	Dan Fr.
2006-206	19.51	43.9	24.39	2.20	5.31	0.014	0.105	0.45	Dan Fr.
and	72.79	74.24	1.45	1.55	1.30	0.002	0.02	0.22	Dan Fr.
and	88.41	91.31	4.11	1.89	2.39	0.022	0.04	0.42	Dan Fr.

DDH	**From (m)**	**To (m)**	**Width (m)**	**Au g/t**	**Ag g/t**	**Cu %**	**Pb %**	**Zn %**	**CLAIM TESTED**
2006-190	103.96	105.03	1.07	1.0	144.5	0.055	1.03	13.4	Big Missouri
2006-191	59.15	60.82	1.67	4.88	71.0	0.406	2.39	12.3	Big Missouri
and	190.55	192.23	1.68	1.11	0.8	0.001	0.01	0.1	Big Missouri
and	230.18	231.15	1.07	4.09	8.2	0.014	0.03	0.17	Big Missouri
and	236.89	239.94	3.05	2.46	1.8	0.004	0.01	0.01	Big Missouri
2006-192	61.59	73.78	12.19	1.59	5.67	0.002	0.019	0.03	Big Missouri
and	81.40	82.92	1.52	1.78	5.3	0.004	0.01	0.07	Big Missouri
and	106.55	108.08	1.53	1.56	8.6	0.003	0.05	0.44	Big Missouri
2006-193	17.38	20.43	3.05	1.06	5.2	0.005	0.02	0.07	Big Missouri

and	29.57	32.62	3.05	2.35	8.2	0.008	0.06	0.06	Big Missouri
and	**98.17**	**108.84**	**10.67**	**3.82**	**51.23**	**0.006**	**0.035**	**0.084**	Big Missouri
2006-194	60.06	73.78	13.72	1.47	2.40	0.002	0.013	0.042	Big Missouri
and	79.88	81.40	1.52	2.15	5.5	0.006	0.03	0.32	Big Missouri
and	87.50	89.02	1.52	3.0	5.6	0.007	0.06	0.15	Big Missouri
2006-195	29.57	38.72	9.15	1.24	6.0	0.01	0.04	0.42	Big Missouri
and	46.34	47.87	1.53	1.23	4.3	0.005	0.01	0.03	Big Missouri
and	92.53	94.05	1.52	1.15	6.8	0.008	0.08	0.23	Big Missouri
and	101.72	102.74	1.52	1.62	7.6	0.008	0.12	0.29	Big Missouri
2006-196	85.98	97.50	1.52	1.0	10.9	1.011	0.03	0.09	Big Missouri
and	93.60	96.65	3.05	1.52	2.5	0.004	0.04	0.05	Big Missouri
2006-197	68.45	78.35	9.9	1.83	7.03	0.004	0.06	0.14	Big Missouri
and	88.41	90.24	1.83	1.66	8.0	0.04	0.10	0.40	Big Missouri
2006-198	15.85	18.90	3.05	2.26	10.05	0.006	0.15	0.30	Big Missouri
and	32.62	34.015	1.52	1.36	3.5	0.002	0.08	0.11	Big Missouri
and	38.72	41.77	3.05	1.46	19.4	0.011	0.06	0.22	Big Missouri
and	87.80	88.72	0.91	1.02	6.70	0.005	0.01	0.02	Big Missouri
and	90.55	93.60	3.05	1.16	7.50	0.005	0.03	0.11	Big Missouri
and	105.03	106.86	1.83	1.22	7.90	0.006	0.08	0.16	Big Missouri
2006-199	96.55	110.37	13.7	1.92	3.43	0.002	0.04	0.03	Big Missouri
and	124.09	127.13	3.05	1.15	0.4	0.005	0.01	0.03	Big Missouri

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

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

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

The new mineral resource estimate as calculated in early 2007 by MineFill Services is presented in Table 1 below.

Table 1
Updated Mineral Resource Estimate for Silver Coin

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

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

* Au-eq values calculated from $525/oz for Au, $10/oz for Ag.
* Metallurgical recoveries and net smelter returns are assumed to be 100%.

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

In addition to the above results, MineFill reports the following resources at a range of cutoff values (Table 2).

Table 2
Updated Mineral Resource Estimate for Silver Coin

Cutoff Grade	Tonnes	Au	Ag	Zn	Au	Au-Eq (oz)
Au-Eq		g/t	g/t	%	(oz)	(Au, Ag only)
0.25	76,599,380	0.717	3.781	0.155	1,765,689	1,943,044
0.5	41,636,771	1.161	5.54	0.217	1,554,100	1,695,353
0.75	25,655,126	1.662	7.492	0.285	1,370,803	1,488,505
1	16,760,494	2.259	9.629	0.363	1,217,231	1,316,059

1.25	11,426,111	2.982	12.059	0.451	1,095,408	1,179,784
1.5	8,245,680	3.809	14.919	0.535	1,009,735	1,085,067

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

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

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

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

MineFill Services is currently preparing a 43-101 compliant Technical Report for filing on SEDAR. MineFill has also been engaged to prepare a Preliminary Economic Assessment to evaluate the economics of an open pit at Silver Coin. The results of this study will be released as soon as they are available, and a report will be filed on SEDAR.

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

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. A 1946 report indicates several silver rich boulders assaying up to 10.3 g/t gold and 5,136 g/t silver were located but their source was not found. With the additional staking at Surprise Creek the El Dorado claims are now part of the Surprise Creek claim block. The property is contained within one contiguous claim group totaling 30 Modified Grid claims. The Company owns 100% of the property.

The property is now roughly 25,000 hectares in size within one claim block. The property follows the contact zone between the Mt. Dilworth rhyolite and overlying Salmon River sedimentary formations, the same stratigraphic sequence that is host to numerous gold deposits including Eskay Creek, Snip and Premier-Big Missouri mines. The rhyolite horizon was traced along the entire north-south length of the Surprise Creek claim group.

Initially the property was only 15,000 hectares in size but as a result of a program of exploration on the property during August and September 2005 the Company staked additional 10,000 hectares to bring the total to the above noted number. Mapping and rock sampling work already completed in 2006 suggests that some of these hectares will be dropped later this year.

The Surprise Creek property is located about 32 kilometers northeast of Stewart, British Columbia in the Skeena Mining Division. The property covers an area of Hazelton pyroclastic volcanic rocks and Bowser Lake sediments in contact with a variety of intrusive plutons associated with the main Coast Range Batholith.
The 2005 exploration at Surprise Creek consisted of prospecting and reconnaissance geological mapping. Altogether 279 rock samples and 8 silt samples were collected during the program. As a result of this work the Company planned an expanded program for 2006.

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

The property lies within a belt of Jurassic volcanic rocks extending from the Kitsault area, south of Stewart, to north of the Stikine River. This belt is host to numerous gold deposits, in a variety of geological settings, including the producing Eskay Creek and formerly producing Snip and, Premier-Big Missouri mines. Reserves have been reported from a number of other properties including Red Mountain, the Brucejack Lake area and Georgia River. In addition, exploration companies, have reported numerous gold-silver showings along this belt of rocks At least three porphyry type deposits with either Cu-Mo, Cu-Mo-Au or Cu-Au mineralization are also present.

Based on the 2003 and 2004 work by the Company, there is a thick sequence of rhyolites (Mt. Dilworth Formation) in contact with Salmon River sediments to the east. This is the same lithological contact that hosts the Teuton discovery as well as the Eskay Creek gold – silver mine 50 kilometers northwest of the Surprise property. The exploration programs on the area indicated mineralization within the present claim group as follows:

1. Individual massive pyrite veins up to 0.3 meters over zones up to 5 meters wide traced along several hundreds of meters on the Emma 3 claim. Locally the pyrite may form up to 20 % of the overall zone and occasionally has massive hematite and magnetite lenses 0.5 meters wide along the contacts of the pyritic zone.
2. Pervasive, fine-grained pyrite as well as pyritic bands in the grey lapilli tuff rhyolitic rocks.
3. A weak but pervasive quartz-sulfide veinlet stockwork zone in altered volcanics in the area of the Emma 3 and 5 claims. This stockwork consists of narrow quartz veins 5 to 15 cm in width with coarse cube pyrite. The veinlets show great continuity along strike but are generally widely spaced.
4. A strong quartz - sulfide stockwork in altered volcanics found in float boulders on the Trafalgar 1 claim. Quartz veins up to 15 cm in width form up to 20 % of boulders 1 meter in diameter. Coarse cube pyrite, arsenopyrite, chalcopyrite and pyrrhotite can constitute up to 30 % of the quartz veins. The presence of numerous boulders in the moraine indicates a possible large source.
5. Banded magnetite and hematite in calcareous, maroon volcanics and rhyolites. These are probably related to an iron formation that has been mapped 10-15 kilometers southwest of the above occurrences.
6. Massive sulfide bearing, manganese stained tuffaceous chert/rhyolite boulders possibly from the base of the Salmon River formation on the Emma 5 claim. The boulders are large and can be up to 2 meters in diameter. Sulfide content is generally in semi-massive sulfide bands from 15 cm to 20 cm in width and can form up to 10 % of the boulders. The rocks carry galena, sphalerite, and chalcopyrite with minor pyrite. Source of these boulders is likely on the south side of the glacier in the NW corner of the Emma 1 and

middle of the Pin 4 claim. In the area of the boulders, minor float boulders of massive pyrite and chalcopyrite were noted.

7. Black glassy appearing rhyolites have strong very fine grained pyrite mineralization forming up to 15 % of the rock Disseminated fine-grained galena-sphalerite have been noted in this type of rhyolite boulders in a number of different valleys located on the Trafalgar 1 and 5 claims.
8. An outcrop of argillite near the contact with the Mt. Dilworth rhyolite that contained narrow bands of pyrite conformable with bedding and a narrow quartz – sulfide stockwork. The zone of interest was at least 5 meters in width with the rocks carrying 10-15 % quartz-sulfide. It appeared that the sulfide was coarse cube pyrite in the quartz veinlets.
9. Pyrrhotite bearing, hornsfeld argillites of the Bowser sediments in the area of the Frances 1-4 claims.
10. Narrow, discontinuous galena-sphalerite-carbonate veins in Salmon River formation at the north-central portion of the Emma 3 claim.
11. A strong quartz-stibnite vein system up to 5 meters wide in the NW corner of the claim group.
12. Potential molybdenite mineralization in the northeast portion of the property. Work in the early 1960's indicated anomalous molybdenum values associated with a Tertiary intrusive. Reports indicate that molybdenite occurs as disseminations, as smears and in quartz veins in quartz veins in granodiorite and to a lesser extent in hornsfelsed and pyrrhotized sediments.

Petrographic studies on 4 rocks collected during the 2003 program were completed. The study was carried out in order to determine the origin of the mineralizing events associated with these rocks. One of the samples studied indicated that the lack of any tectonically induced foliation or shearing implied that the formation of parallel bands and streaks of sulphides could have occurred during syngenetic rather than tectonic process. This fact, as well as the presence of chalcedony indicated the formation in a VMS environment.

There is a strong indication that the property may host Kuroko type VMS deposit, possibly with a high precious metals content. This conclusion is based on the following facts:

1. Presence of syngenetic zinc, lead and silver mineralization hosted in black chert, limestone and mudstone. Values up to 7.61% Zn, 1.1% Pb and 106 g/t Ag were obtained from these rocks. High mercury values, typically in the range of 40 to 100 times above the background level (with the high of 33,800 ppb) are closely associated with this type of mineralization.

2. This syngenetic mineralization is spatially associated with the felsic volcanic rocks of Mt. Dilworth Formation, the same stratigraphic horizon which hosts Eskay Creek deposit. On the property, felsic volcanic rocks of this formation form a relatively thin horizon 70 to 200 meters wide within prevailing volcanic rocks of intermediate to mafic composition.

3. Presence of an eruption center located in the Surprise Creek area as indicated by outcrops of rhyolite (?) flow with distinct flow banding, as well as rhyolite (?) breccia.

4. Presence of banded iron formation.

5. Nearby presence (Todd Creek) of a big copper-gold epithermal system comprised of numerous pyrite-chalcopyrite dominated veins and stringers. This system very likely represents the footwall-stringer zone of Kuroko type VMS system.

Numerous boulders of sedimentary rocks with syngenetic zinc, lead and silver mineralization occur in several glacial valleys which join the main Surprise Creek valley over a distance of ten kilometers. They derive from an extensive horizon(s) hosting this type of mineralization, situated in the headwaters of these valleys. A portion of this horizon (at least 30-40 m wide) is exposed at the head of one of the glaciers. This horizon(s) most likely represents a distal facies (halo) of Kuroko type VMS system as indicated by the lack of volcanic material and alteration, and also by the fact that zinc is by far the most abundant metal with much less lead and no copper.

An exploration program involving further prospecting, possible trenching and further geochemical sampling is recommended for the property. Expected cost of the above programs is approximately $700,000.

It is recommended that the following program be performed:

1. An airborne survey of 500 line-kilometers along lines 100 meters apart.
2. A drilling program to follow-up on the airborne survey. Four to six holes 300 to 500 meters deep are planned.
3. A prospecting and reconnaissance mapping should be performed on areas not prospected in 2005, including the area north of Mt.. Patullo.

<u>China</u>

Yang Wen Chong ("YWC") Property

On May 8th, 2004, Pinnacle Mines Ltd. announced that it had executed a formal purchase contract with Yunnan Geology and Mineral Resources Co., Ltd. ("YGM") to acquire, subject to regulatory approval, a 100% interest in the Yang Wen Chong ('YWC") gold property located in the highly prospective southeast region of Yunnan Province, PRC, as initially announced on April 21, 2004.

As consideration for YWC, Pinnacle was to pay YGM a total of 27,000,000 RMB (CDN$4,437,000) over a two year period following the signing of the purchase contract. In addition, in connection with the purchase of YWC, Pinnacle agreed to pay a finder's fee of up to 700,000 shares. During 2004, Pinnacle advanced a total of 3,270,000 RMB (CDN$512,011) to YGM towards the purchase price for YWC.

However, in late 2004, Pinnacle began renegotiating its relationship with YGM and subsequent to the end of the fourth quarter, reached an agreement with YGM to form a Sino-Foreign Joint Venture to further explore and develop YWC (the "Joint Venture"). Under the terms of a Letter of Agreement dated January 26, 2005, Pinnacle agreed to pay YGM a further 3,730,000 RMB (CDN$568,599) on or before January 31, 2005 (paid) (the "January 2005 Payment") as consideration for a 25% interest in the Joint Venture. Subsequent to the end of the second quarter 2005, Pinnacle finalized the formal Joint Venture agreement with YWC. The Company is working to have its 25% title transferred from Yunnan Geology to itself.

In August 2006 personnel from the Company visited the offices of YGM in Kunming, Yunnan to get an update on the status of the transfer of the 25%. They were told that the process was underway and were given a timetable of events that had to occur before the interest was assigned to Pinnacle.

Subsequent to the end of the quarter and after much discussion by the Board of Directors of Pinnacle the Company decided not to continue with the Yang Wen Chong project. This was a difficult decision. The Company has requested that the 7 million RMB that was paid to Yunnan Geology and Mineral Resource Co., Ltd be repaid to Pinnacle as per the Memorandum of Understanding ("MOU") that has been signed between the two companies.

MEXICO

Tuligtic Property, Puebla State

On July 24, 2006, Pinnacle entered into an option agreement with Almaden Minerals Ltd. on the Tuligtic property in Puebla State, Mexico. Pinnacle to initially purchase 51% of the property by incrementally issuing 700,000 shares to Almaden and expending US$3.5 Million on property exploration over the next four years. Pinnacle has an option to earn a further 9% of the property by issuing Almaden an additional 300,000 shares and expending US$2.5 Million on the property during year five and six.

The approximately 11,000 hectare Tuligtic project covers an area of intensely altered rocks over an area 5 by 5 kilometers in size. Within this area a field program carried out by Almaden identified both a porphyry copper and an epithermal gold target. The copper porphyry target occurs within K-silicate altered intrusive rocks that intrude deformedlimestone which is overlain by intensely altered volcanic rocks and geologically recent, post-mineralization ash deposits. Calc-silicate altered limestone occurs in proximity to the intrusive contacts and is associated with skarn-type copper mineralization, identified in boulders. Multiple phases make up the intrusive body which has been altered and veined.

Stockwork quartz pyrite veining dominates the alteration and is associated with minor copper mineralization. This alteration is observed to overprint earlier potassic alteration. An IP geophysical survey was carried out and indicated that the exposed mineralization represents a portion of a much larger intrusive hosted system characterized by an elevated chargeability response anomaly which is open in three directions and increasing in tenor with depth. Soil sampling has returned highly anomalous copper, molybdenum, silver and gold in soil samples over areas where the altered and mineralized intrusive rocks are exposed, and elevated chargeability responses have been recorded at surface.

The epithermal gold-silver target area, which is exposed roughly one kilometer to the south of the outcropping intrusive is also characterized by extensively clay altered and silicified volcanic rocks. The alteration is indicative of the upper parts of an epithermal system and includes replacement silicification and sinter, the precipitate or sediment that was deposited from a hot spring. Quartz-calcite veins with textural evidence of boiling have been identified outcropping in limestone roughly 100 meters beneath the exposed sinter. Initial sampling of these veins and from float boulders of breccia containingquartz vein fragments have returned anomalous values in gold and silver as high as 600 g/t Ag and 6.1 g/t Au. The sinter and the overlying altered volcanic rocks are highly anomalous in Hg, As and Sb.

Subsequent to the third quarter, the Company established a Mexican operating subsidiary. Company geologists visited the site and organized the work program for the early part of 2007. Because of the heat of the summer in this part of Mexico it has been decided to delay intensive exploration until the fall, winter and spring periods. An initial program of topographic and geologic mapping and an expanded rock chip and soils sampling program are planned to better define the copper and gold system and help focus on the targets.

Pinnacle Mines Ltd.

Oaxaca State Properties

In September Pinnacle Mines 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.

Subject to regulatory approval and a formal joint venture agreement with Chesapeake, Pinnacle can earn 51% of the properties by issuing 100,000 common shares and a US$50,000 cash payment upon signing the agreement and a further 150,000 shares on June 1, 2007. On or within the first anniversary of the agreement, Pinnacle will pay an additional US$50,000 cash and issue 250,000 shares and commit US$500,000 for work expenditures on the properties. On the second, third, and fourth anniversaries, Pinnacle will pay Chesapeake US$400,000 per year by way of cash or shares and commit to work expenditures in years 2-5 of US$1,250,000; $1,250,000; $1,500,000 and $1,500,000 respectively. Pinnacle has an option to earn an additional 19% by completing a bankable feasibility study by year 8, providing Chesapeake with a US$3 million payment (cash and/or shares) and providing production financing for the properties.

Financial and General

The Company has changed its focus from being engaged in mineral exploration in China and Canada to exploration in Canada and Mexico and while it is the Company's intent to become a mineral producer, it currently has no producing properties and no operating income. In addition, it does not expect to have operating income in the near future and consequently the Company only reports minor revenues from interest earned on money invested. The Company depends on share issuances to fund its exploration.

2005 Quarterly Results:

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Revenue	nil	6,423	5,967	2,460
Loss before Mineral Property Write Downs	(40,062)	(414,594)	(260,101)	(522,325)
Per Share Basis*	(0.00)	(0.04)	(0.02)	(0.04)
Loss after Mineral Property Write Downs	(40,062)	(414,594)	(260,101)	(522,325)
Per Share Basis*	(0.00)	(0.04)	(0.02)	(0.04)
Weighted Avge # of shares	10,849,533	10,820,434	11,281,884	12,322,743

2006 Quarterly Results:

Revenue	1,542	9,035	43,974	31,488
Loss before Mineral Property Write Downs	(242,119)	(304,882)	(471,406)	(425,962)
Per Share Basis*	(0.00)	(0.02)	(0.02)	(0.02)
Loss after Mineral Property Write Downs	(242,119)	(304,882)	(471,406)	(444,904)
Per Share Basis*	(0.01)	(0.02)	(0.02)	(0.02)
Weighted Avge # of shares	16,330,478	16,700,271	19,425,673	18,140,136

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

Selected annual Information for the fiscal year ended	December 31, 2006	December 31, 2005	December 31, 2004
Total revenue	86,039	16,213	990
Loss before Mineral Property Write Downs	(1,444,369)	(1,237,082)	(802,174)
Per Share Basis*	(0.08)	(0.10)	(0.14)
Loss after Mineral Property Write Downs	(1,463,311)	(1,237,082)	(846,714)
Per Share Basis*	(0.08)	(0.10)	(0.15)
Total assets	8,441,755	5,416,160	2,839,836
Total long-term liabilities	nil	nil	nil
Cash dividends declared	nil	nil	nil

Details of Revenue and Expenses

Expenses

General and Administrative expenses of $1,489,221 for 2006 were marginally higher than the 2005 expenses of $1,408,821. While the numbers were similar there was a marked change in the expenditure categories. Three categories were up from the previous year and especially the expenses associated with property investigation including travel and consultants. Increases in salaries and office expenses reflect the yearly increases due to inflation. As part of the Administrative Expenses the value of stock based compensation was down considerably. Please refer to the Consolidated Statements of Operations and Deficit in the consolidated financial statements for the years ended December 31, 2006 and 2005 for details.

Revenue and Net Loss

Net increases in cash in 2006 over 2005 totaled $1,705,305 as compared to $270,454 for 2005 over 2004. This increase is mainly due to funds being raised in the summer of 2006. Even though proceeds from the issue of shares and the exercise of warrants totaled in excess of $3 million, exploration and administration costs were higher in 2006 than in other years. A small amount of revenue $85,339 was derived from interest earned on investments. There were no write-downs on properties in 2005. The net loss can be attributed to costs of running an exploration business. The net loss per share reached $0.08 for 2006 compared to $0.10 for 2005. This reflects an increase in issued shares from 15,984,531 at the beginning of the year to 20,573,647 at the end of the year.

Mineral Property Expenditures in 2006

Mineral property expenditures totaled $2,032,981 for the year compared to $2,174,330 for 2005. A majority of the expenditures were associated for the Silver Coin property. The other major components of mineral property expenditures were associated with work on the Surprise Creek.

General and Administrative expenses totaled $1,489,221 for the year compared to $1,408,821 for 2005. Much of this related to exploration including consulting services, some salaries, travel and management services. More can be read in the Consolidated Statement of Operations and Deficit.

Liquidity and Solvency

The Company began the year 2006 with a working capital surplus of $1,736,492 and throughout the year increased this amount to $3,910,051. See the Consolidated Balance Sheets. This increase in funds is allowing the Company to maintain and increase its exploration efforts.

The Company's liquidity was improved by $184,102 in the first quarter as a result of a private placement. During the first six months of the year there was a net increase in cash of $195,170 and the working capital surplus or current liquidity had risen a $764,423 from the beginning of the year. By the end of the third quarter the Company had a working capital surplus of $2,562,529. The increased amount reflected the private placement in July of $2,976,984 for 2,804,021 shares of the Company. During the final quarter of the year cash and equivalents were $3,582,727 which includes the monies held in trust in China. During the year a total of 1,266,625 warrants were exercised. Working capital surplus at the end of the year was $3,910,051.

The Company is dependent on the sale of treasury shares to finance its exploration activities, property acquisition payments and general and administrative costs. The Company will have to raise additional funds in 2007 to continue its operations. The Company is encouraged by the positive market conditions and expects that it will be able to raise sufficient funds to carry out its operations.

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

Capital Resources

The Company's capital resources are sufficient to continue its pace of mineral exploration and development. However as noted above the Company will need to raise additional funds during 2006 either by way of a private placement or a brokered financing. The Company has a commitment to explore the Silver Coin, Surprise Creek and Mexican properties. All properties have sufficient time associated with spending commitments that the Company can reduce its expenditures and still meet its obligations for a period of time.

During 2006 1,266,625 warrants and 125,000 options were exercised. At the end of the year there remained 3,287,368 full share warrants to be exercised at prices from $0.60 to $1.40 per warrant.

Management will continue to explore alternative ways to raise funds so as to minimize dilution to shareholders where possible.

Related Party Transactions

During 2006, the Company incurred fees of $188,000 with directors for management consulting services. The Company makes use of the expertise and knowledge of the Directors and pays directors fees that are commensurate with industry standards. The Company shares office space with Doublestar Resources Ltd. and Lincoln Gold Corp. and during the year was paid a total of $75,000 for rent and office expenses. The Company and Lincoln Gold Corp. have three directors in common.

Investor Relations

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

In June, 2004, the Company entered into a one year investor relations contract with Thast Projects Inc. ("Thast") of White Rock, BC to help in promoting the Company. Thast is paid $6,500 per month plus phone expenses to perform its duties defined in the contract. Thast was also issued an incentive stock option on 50,000 common shares of the Company in 2004 and a further 25,000 in 2006.

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

Financing Activities

On July 7, 2006 the company closed a funding through a non-brokered private placement and a brokered private placement consisting in total of 2,804,021 units at a price of $1.15 per unit for net proceeds of $2,976,984. 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 $1.40 per share. The company paid an agent fee of 8% of the gross proceeds on the brokered private placement in a combination of cash and 18,000 units. In addition, the agent received a corporate finance fee of 40,000 units and 170,500 agent's warrants with the same terms as the warrants in the private placements. The total fair value of the share purchase warrants issued for the non-brokered and brokered private placements was estimated at $542,406 or $0.38 per share purchase warrant. The fair value of the 170,500 agent's warrants was estimated at $69,363. The company paid a finder's fee on the non-brokered private placement of approximately 8% cash commission on the gross proceeds received from the sale of the units in the non-brokered private placement.

On February 1, 2006, the company closed a private placement consisting of 353,117 units at a price of $0.85 per unit for net proceeds of $287,650 of which $100,000 was received in 2005. Each unit consisted of one common share and one share purchase warrant, every two warrants being exercisable into one additional common share for a period of two years at a price of $1.00 per share in the first year and $1.20 per share in the second year. The fair value of the share purchase warrants issued was estimated at $134,186 or $0.76 per share purchase warrant. A finder's fee of $12,500 was paid.

See Note 8 of the financials for complete details of shares issuance.

Share Capital

The Company has an authorized share capital of an unlimited number of common shares of which 20,573,647 shares were issued and outstanding at the end of 2006.

The Company has outstanding a total of 3,287,368 full share equivalent warrants outstanding as of December 31, 2006 ranging in price from $0.60 to $1.40 per share.

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

The Company has a stock option plan in place and at the end of the year a total of 1,485,000 shares, of which 1,372,500 were exercisable, were outstanding as options at prices ranging from $0.40 to $1.26 per share. The average price is $0.66 per share. The maximum number of shares subject to the plan, in the aggregate may not exceed 10% of the Company's issued shares. The Company uses the Black-Sholes option pricing model to estimate the fair value of the options.

See Note 8 in the audited consolidated financial statement for details.

Risks and Uncertainties

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

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

The Company explores in Canada and Mexico. In Mexico, the Company has to deal with government policies that are different than those in Canada.

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

Critical Accounting Estimates

Generally the most significant accounting entry in a junior exploration company's Balance Sheet is the amount listed for mineral property interests. Mineral properties consist of claims, options and or contracts. Acquisition and exploration costs are capitalized and deferred until such time as a property is put into production or the properties are sold or disposed of. The values of the properties held by a company are continually being assessed by management and if the carried values start to exceed the estimated recoverable values then these carried values are written down to more estimated reasonable values. If a mineral property is placed into production, the cost of acquisition and exploration and development will be written off over the life of the property, based on the economic reserves. Proceeds received from the sale of parts or all of a property will be credited against the carrying value of the property with any excess included in the operation of the property. If a property is abandoned, the property and deferred exploration costs will be written off against operations.

Another significant accounting estimate relates to accounting for stock-based compensation. The Company uses the Black-Sholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility. The fair value estimate can be affected by subjective input and hence there can be problems with getting a fair value of the Company's stock options granted/vested during the year.

Trends

Trends in the industry can materially affect how well any junior exploration company is performing. Metal prices recently have sustained a significant upswing and as a result world wide exploration has taken a positive turn upward. The demand for metal in Asia, Europe and North America has increased the interest in finding new metals and it appears that this trend should continue for some time.

Outlook

The outlook for metals continues to be positive due to the upward trends in the metal markets. This is reflected in our Company's relative financial strength. Metal requirements are continuing to increase around the world and commodity prices are rising dramatically for nearly all metals. This is far different from the conditions that occurred in the late 1990's and early 2000's. The prospect for financing of all our projects is positive and this should enable the Company to continue its aggressive exploration program in Canada, Mexico and elsewhere where opportunities exist. The Company will continue its exploration activities at the Silver Coin project with the aim of improving the quality of resources and moving toward a feasibility study. In addition we will expand our exploration in the Stewart area at the FR claims and Surprise Creek. In addition the Company is beginning to look at exploration opportunities in other parts of North America, especially Mexico where the Company has acquired three exploration prospects in the states of Oaxaca and Puebla.

The Company continues to have many opportunities to do well and it plans to capitalize on these opportunities.