

Management Discussion and Analysis

All amounts are stated in Canadian Dollars unless otherwise noted
THIRD QUARTER ended September 30, 2005.

November 29th, 2005

President's Message to Shareholders

Dear Shareholder:

The third quarter of 2005 saw the Company focusing on the exploration of the Silver Coin and Surprise Creek properties in northern British Columbia. No exploration work was carried out in China.

In the three months ended September 2005 the Company's main focus was on its programs of drilling and exploring of the Silver Coin and Surprise Creek projects in the Stewart area of British Columbia, Canada. During the quarter the Company increased its drilling activity at the Silver Coin and completed 2047 meters of drilling along with approximately 395 meters of trenching as well as additional mapping and soil sampling. Subsequent to the end of the quarter the Company completed just under 4000 meters of drilling. All results have been issued in news releases and can be found on the Company's website www.pinnaclemines.com. In July the Company entered into a Cooperation Agreement with Zijin Mining Group Co., Ltd of the People's Republic of China whereby Zijin purchased 3,000,000 units in Pinnacle at \$0.65 per unit, for total proceeds to the Company of \$1,950,000. Each unit consisted of one common share and one-half share purchase warrant. The warrants are exercisable for a two-year period. Two half warrants and \$0.83 cents will purchase a common share. With this investment Zijin has become the largest shareholder in the Company. Two of Zijin's senior executives have been elected to the board of Pinnacle. The Company plans to increase activity at the Silver Coin with the funds that Pinnacle will receive from Zijin.

Subsequent to the quarter end Pinnacle completed a resigning of the joint venture agreement with Yunnan Geology and Mineral Resources Co. Ltd (YGM) on the Yang Wen Chong property (YWC) in Yunnan Province. Pinnacle and YGM formed a Sino-Foreign Joint Venture (the "Joint Venture") to further explore and develop the YWC. Articles of Association governing the operation of the property have been signed.

The Company began its 2005 field season at the Silver Coin during the first week in May. By the end of September 3934 meters of drilling had been completed and 395 meters of trenching. The drilling program at Silver Coin continued until November 1 when weather became a major problem and access to the property was stopped. A second drill was introduced in September. The Company is very pleased with the results of the drilling and trenching programs this year. Because of these results it is planned to increase the exploration budget substantially for 2006. Assay results have been posted on the Company's website. Please see the MD&A for a more complete review of the 2005 work carried out at Silver Coin.

The Company also performed exploration on its Surprise Creek property. A program of mapping as well as rock and soil sampling was completed. The Surprise Creek property at the start of the year consisted of 15,000 hectares within three separate claim groups. 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. As a result of a program of exploration

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during the last three months the Company has staked another three sets of claims totaling 10,000 hectares in the Surprise Creek area. The Company now has approximately 25,000 hectares just north-east of Stewart. An expanded program of exploration is planned for the Surprise Creek property in 2006.

Management is working with Zijin to have the Company become more involved in China including being a partner in production. This possibly could take the form of acquiring an operating mine or partnering production there. As well Zijin will be working with Pinnacle to advance the YWC project.

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

Respectfully submitted,

Andrew Bowering
President and CEO

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November 29, 2005

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 September 30, 2005. 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 September 30, 2005 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, 2004, and the notes thereto. The audited financial statements for the year ended December 31, 2004 including the notes thereto, and other information issued by the Company, including an Annual Information Form, 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 cause the performance, actual results of the Company to materially be different from any future 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.

The Company's Management is held accountable to the Board of Directors (Directors), each member of which is elected annually by the shareholders of the Company. The Directors are responsible for reviewing and approving the annual audited financial statements and the MD&A. Responsibility for the review and approval of the Company's quarterly unaudited interim financial statements and the MD&A is delegated by the Directors to the Audit Committee, which is comprised of three directors, two of whom are independent of management. Additionally, the Audit Committee pre-approves the audit and other services provided by the Company's auditors.

The auditors are appointed annually by the shareholders to conduct an audit of the financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss audit, financial reporting and related matters resulting from the annual audit as well as assisting the members of the Audit Committee in discharging their corporate governance responsibilities.

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In January 2004, the Canadian Securities Administrators (CSA) released a draft of a proposed policy establishing 'best practices' for the boards of directors for public companies, covering: composition of the boards of directors; adoption of a board mandate; development of position descriptions for directors and chief executive officers; adoption of a written code of business conduct and ethics; orientation and continuing education for directors; board nominations; requiring appointment of a compensation committee composed entirely of independent directors; and the implementation of regular board assessments. While every reporting issuer is encouraged, but not yet required to adopt these practices, they are under active review by the Directors and such corporate governance practices, where appropriate, are considered to be essential to the effective operation of the company. The disclosure of Pinnacle Mines' corporate governance policies is contained in the Company's Information Circular prepared for the 2004 Annual General Meeting, which is available for review at www.sedar.com.

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 Yunnan, China.

Corporate activities during the third quarter 2005 were focused on exploration activities at the Silver Coin and Surprise Creek properties near Stewart, BC. This is now the second year of exploration for the Company in the Stewart area. Subsequent to the end of the quarter the Company signed the Articles of Association with the Yunnan Geology and Resource Co. Ltd.

Yang Wen Chang (the "YWC")

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 the Joint Venture will be deemed to have an initial registered capital of 27,000,000 RMB and Pinnacle has agreed to pay to 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.

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Initially YGM will own 75% of the Joint Venture but has granted Pinnacle the option to earn up to an additional 45% of the Joint Venture by spending 12,600,000 RMB (CDN\$1,960,560) on exploration and development of YWC over a five year period. Pursuant to the terms of the letter agreement, Pinnacle will earn, beyond its initial 25% ownership, an additional 1% of the Joint Venture for every 280,000 RMB (CDN\$43,568) spent on exploration at YWC. If, prior to the five year anniversary date of the letter agreement, Pinnacle has spent 12,600,000 RMB in exploration, it will own 70% and YGM will own 30% of the Joint Venture.

YGM has agreed to apply for all necessary business licenses and government approvals to form the Joint Venture which is anticipated to take approximately 9 months to complete. In the event regulatory approval for the Joint Venture is not received, YGM has agreed to refund the January 2005 Payment of 3,730,000 RMB (CDN\$568,599) to the Company; however the Company will forfeit its previous payments totalling 3,270,000 RMB (CDN\$512,011).

The YWC property is a 51.2 square kilometre mineral exploration license located in Funing County, Yunnan Province, PRC. During the period 1996-2000, YWC was part of a joint venture between YGM and BHP Exploration. Limited work carried out by the joint-venture and current field work by YGM, has identified several zones of mineralization of economic interest. To date, 12 holes have been drilled on the property; numerous trenches, test pits and tunnels have been completed. One hole is reported by the BHP/Yunnan Geological team to have a gold-mineralized intersection of 1.63 grams/tonne (g/t) over 83 metres. In addition, significant mineralization has been identified over a length of 3 kilometres in the contact/alteration zone between a Devonian siltstone/mudstone and a Cambrian limestone. Individual trenches that have been chip sampled have widths and grades varying from 3.25 g/t over 10.63 metres to 3.15 g/t over 98.15 metres. The mineralization is open along strike and dip. The contact zone is well defined.

These exploration results are not compliant with National Instrument 43-101, and have been obtained from BHP Exploration reports on YWC. Pinnacle management believes the results and calculations were generated using accepted and proven geologic and engineering practices and are reliable and relevant, however, Pinnacle has begun an exploration program to bring the current information to National Instrument 43-101 standards. Until such time, the potential quantity and grade of any mineral resource on YWC is conceptual in nature and there can be no assurances that further exploration will confirm the existence of any mineral resources on the property.

The first report completed for Pinnacle was by consulting geologist, Jeffrey Wilson, and subsequently filed with the regulatory authorities in early August. During the third quarter of 2004 personnel from the Yunnan Geology and Mineral Resource Company, Ltd were on site and completed some mapping and sampling. Soil and chip samples confirmed the wide spread nature of gold on the property. A far more aggressive and detailed work plan for the property is being formulated.

No physical work took place on the YWC during the first nine months of 2005. The Company was busy completing the formal renegotiated Joint Venture Agreement.

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Canada

Surprise Creek

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.

As a result of a program of exploration on the property during August and September the Company staked additional 10,000 hectares to bring the total to approximately 25,000 hectares.

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 is planning an expanded program for 2006.

El Dorado

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.

Silver Coin

On August 4, 2004 the Company entered into an option agreement with Mountain Boy Minerals Ltd. whereby Pinnacle can earn a 51% of Mountain Boy's interest in its 100% owned Silver Coin and 55% owned Dauntless projects as well as the 100% owned FR claims by spending \$1.75 million on exploration over a three year period. In addition, Pinnacle 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 kilometres north of Stewart, BC.

The Silver Coin property includes the former producing Silbak Premier 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

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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 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.

During the latter part of 2004 the Company drilled 26 holes totaling 2032 metres on the Silver Coin property. Since start up in May 2005 and to the end of the drill season of 2005 the Company had drilled approximately 8,000 meters in 50 holes, some of which were not completed due to poor ground conditions.

The 2005 Program at Silver Coin

Initially 3500 meters of drilling, as well as several kilometers of trenching, and over 1000 soil samples were planned for the 2005 exploration season. However part way through the summer the Company completed a private placement of \$1,950,000. As a result of the new funding the drilling program was expanded and close to 8,000 meters of drilling was completed. Mr. Alex Walus, P. Geol., Pinnacle senior geologist, supervised the exploration program on behalf of the Company. Pinnacle was still in an earn-in mode in 2005 and Mountain Boy Minerals was in charge of the exploration program. Mr. Ed Kruckowski, of Mountain Boy, was the project manager. The 2005 drilling was designed to extend and better define the known mineralization in an area that contains the Perseverance zone, the Snowball zone, the Kansas and Kansas West zones and the 35 zone. Enough drilling was completed in 2005 to start constructing a mineral resource estimate according to 43-101 standards.

Results of some of the holes drilled so far in 2005 are as follows:

DDH (#)	From meters	To meters	Width Meters	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
43	78.7	177.1	99.0	1.08	5.7	0.025	0.15	0.26
Incl.	133.9	141.5	7.6	2.0	2.64	0.004	0.04	0.12
Incl.	158.2	165.8	7.6	3.68	11.54	0.052	0.49	0.73
44	63.7	108.1	44.4	5.95	24.87	0.06	0.79	2.11
Incl.	65.2	80.4	15.2	9.2	23.52	0.05	0.79	1.28

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Incl.	80.4	86.5	6.1	1.0	18.0	0.06	0.46	0.76
Incl.	86.5	108.1	21.6	5.42	29.3	0.07	0.95	3.23
And	155.2	159.8	4.6	4.92	8.1	0.01	0.28	0.56

DDH #	From meters	To meters	Width meters	Au g/t	Ag g/t	Cu %	Pb %	Zn %
2005-45	64.79	97.26	33.44	3.03	8.25	0.017	0.265	0.57
-70°	107.93	109.45	1.52	1.76	63.5	0.273	2.74	1.63
	124.7	124.75	3.05	3.74	7.9	0.02	0.04	0.11
	139.09	149.09	9.98	1.57	8.3	0.017	0.185	0.35
2005-46	100.3	103.45	3.05	56.6	33.5	0.003	0.02	0.01
-60°								
2005-47	92.68	98.78	6.08	3.21	6.3	0.002	0.05	0.22
-60°	136.13	137.5	1.37	7.01	11.6	0.018	0.12	1.12
	144.82	185.67	38.72	1.83	4.35	0.008	0.079	0.23

DDH #	From meters	To meters	Width meters	Au g/t	Ag g/t	Cu %	Pb %	Zn %
2005-48	62.2	98.78	36.58	1.97	11.09	0.02	0.31	0.51
including	94.21	98.78	4.56	4.91	14.8	0.03	0.2	0.82
and	151.98	156.71	5.02	2.13	5.9	0.01	0.08	0.46
2005-49	17.99	21.04	3.05	2.23	2	0.003	0.04	0.09
and	64.16	84.76	20.53	1.88	6.5	0.008	0.09	0.37
and	93.6	101.83	8.21	1.45	3.95	0.003	0.05	0.144
and	139.94	142.98	3.05	1.17	1.3	0.004	0.01	0.02
and	147.56	149.09	1.52	2.06	4.2	0.01	0.04	0.61
and	152.13	154.42	2.29	2.2	3.7	0.005	0.03	0.18

Results From The Big Missouri Claim

DDH #	From meters	To meters	Width meters	Au g/t	Ag g/t	Cu %	Pb %	Zn %
2005-50	39.33	40.85	1.52	2.1	8.6	0.031	0.22	0.52
and	129.27	167.38	39.55	1.33	3.19	0.004	0.024	0.08
2005-51	62.2	63.72	1.52	1.91	4.8	0.002	0.02	0.04
and	75.91	77.44	1.52	1.09	5.5	0.003	0.01	0.06

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and	78.96	80.49	1.52	1.02	16.8	0.004	0.03	0.13
and	88.11	91.16	3.05	2.24	8.95	0.05	0.025	1.85
and	98.78	104.88	6.1	1.58	41.2	0.29	0.18	5.7
and	110.98	114.02	3.04	1.93	8.95	0.018	0.28	0.16
and	123.17	138.41	15.2	1.11	20.73	0.03	0.036	0.65
and	179.57	185.67	6.08	1.22	2.5	0.007	0.093	0.155
2005-52	88.03	207.01	118.98	5.4	32.76	0.01	0.16	0.33
including	155.18	170.43	15.25	34.05	206.7	0.03	0.34	0.64

DDH #	From (Meters)	To (Meters)	Width (Meters)	Gold (gpt)	Silver (gpt)	Copper (%)	Lead (%)	Zinc (%)
2005-53	Lost							
2005-54	109.45	209.76	100.03	1.45	4.12	0.004	0.07	0.23
(incl.)	133.84	139.84	6.1	2.22	3.13	0.003	0.03	0.11
(incl.)	171.95	183.61	11.66	2.56	5.49	0.006	0.11	0.60
(incl.)	203.96	209.76	5.8	7.4	7.44	0.001	0.22	0.27
2005-55	Lost							
2005-56	41.5	43.02	1.52	2.61	16.2	0.052	0.28	1.58
and	48.48	50.0	1.52	5.2	4.4	0.007	0.08	0.35
and	85.06	135.37	50.31	1.5	5.0	0.005	0.078	0.20
and	181.1	207.01	26.91	2.6	10.6	0.03	0.22	1.21
(incl.)	203.66	207.01	3.35	11.35	44.18	0.17	0.70	7.46
2005-57	36.28	37.8	1.52	2.46	10.3	0.03	0.33	1.05
and	40.85	42.38	1.52	10.61	40.5	0.129	1.47	1.85
and	109.45	121.65	12.2	1.7	5.0	0.008	0.04	0.2
and	165.85	179.57	13.68	1.33	4.5	0.005	0.07	0.19
and	205.49	207.01	1.52	2.6	5.7	0.006	0.15	0.57
and	211.89	212.8	0.91	14.2	102	0.23	2.98	2.56

DDH #	From (meters)	To (meters)	Interval (meters)	Au g/t	Ag g/t	Cu %	Pb %	Zn %
			Main	Zone				
2005-60	39.33	51.52	12.21	4.16	12.18	0.02	0.22	0.61
and	130.79	142.99	12.2	2.12	11.15	0.007	0.07	0.19
2005-61	113.72	124.7	10.98	1.47	18.84	0.011	0.19	0.49
2005-62	138.41	139.94	1.52	2.03	26.5	0.024	0.25	0.42
and	152.13	159.76	7.63	2.4	5.36	0.005	0.094	0.226
2005-63	63.11	66.16	3.05	8.56	7.7	0.005	0.02	0.02

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			Dan	Zone				
2005-64	5.73	32.77	27.04	3.07	22.06	0.05	0.67	1.17
including	5.73	10.37	4.64	7.15	78.32	0.18	2.29	3.33
			Dauntless	Zone				
2005-68	102.44	104.57	2.13	1.86	3	0.005	0.02	0.14
and	111.59	114.63	3.05	2.02	2	0.006	0.02	0.22
			Main	Zone				
2005-69	26.22	30.79	4.57	2.08	16.5	0.038	0.47	1.02
and	36.89	53.66	16.77	1.43	8.35	0.03	0.22	0.69
and	75	90.24	15.24	4.21	5.08	0.003	0.022	0.076
including	87.2	90.24	3.05	18.4	17.4	0.003	0.03	0.11
			Main	Zone				
2005-70	17.07	23.17	6.1	1.9	16.6	0.01	0.12	0.21
and	32.32	35.37	3.05	1.03	2.4	0.004	0.04	0.13
and	47.26	69.51	22.25	2.25	15.44	0.04	0.42	0.92
including	61.28	62.8	1.52	8.21	27.2	0.086	0.67	1.71
and	75	81.1	6.1	1.56	5.1	0.004	0.23	0.24
and	96.34	101.52	5.17	3.89	10.38	0.02	0.33	0.84
including	97.87	99.39	1.52	8.13	14.7	0.028	0.29	0.62
			Dan	Zone				
2005-71	6.1	7.93	1.83	8.42	7.2	0.013	0.08	0.23
			Main	Zone				
and	53.66	55.18	3.05	5.02	9.7	0.019	0.17	0.37
and	83.31	90.21	6.97	2.5	12.77	0.014	0.36	0.89
and	120.73	126.83	6.1	1.74	3.56	0.016	0.09	0.12
			Dan	Zone				
2005-72	3.65	9.13	5.48	3.64	4.59	0.007	0.154	0.377
and	15.25	26.22	10.97	28.66	21.79	0.005	0.085	0.228
			Main	Zone				
and	62.8	79.57	16.77	4.2	20.55	0.05	0.76	1.62
and	88.87	92.68	3.81	3.52	12.4	0.018	0.39	1.31

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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	Sep-05	Jun-05	Mar-05	Dec-04	Sep-04	Jun-04	Mar-04	Dec-03
Total Revenues	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Loss before extraordinary items	266,068	417,154	200,814	219,867	150,291	304,929	114,165	90,146
Loss	260,101	414,594	40,062	233,344	194,831	304,374	114,165	90,146
Loss per share	\$0.02	\$0.04	\$0.00	0.04	\$0.03	\$0.06	\$0.02	\$0.02

The Company's operations during the three month period ended September 30, 2005 produced a net loss of \$260,101 or \$0.02 per share compared to a net loss of \$194,831 or \$0.03 per share for the same period in 2004. As the Company does not own any revenue-producing resource properties, no mining revenues have been recorded to date. The increase in net loss is mainly due to the increase in exploration activity during the quarter and the increase in management and office costs associated with running the Vancouver operation. In the past the Company rented office space in West Vancouver from Doublestar Resources Ltd, whereas in March the Company moved offices to Vancouver and became the main landlord and subleased office space to two other companies that share the space. Costs were up significantly in travel and for salaries and benefits.

During the quarter ended September 30, 2005, the Company had substantially increased exploration expenditures. The majority of the increase in exploration costs was associated with the Silver Coin property. Shareholder service costs increased in the period ended September 30, 2005 to \$53,661 from \$39,173 in 2004. The upward change was primarily due to an increase in shareholder service activity including the hiring of investor relations consultant. Shareholder service costs include such things as investor relations, regulatory fees, and shareholder costs associated with the Transfer Agent. Management fees /service costs increased over the previous year to \$74,000 from \$24,000. These same costs have increased from 150,000 from \$57,000 over the first nine months of the year. This came about as a result of the Company having to pay regular management fees. This all reflects on an exploration and development company that is now becoming very active and is looking at projects both in Canada and China.

Liquidity and Capital Resources

The Company had a working capital surplus at September 30, 2005 of \$2,536,054 compared to \$124,871 at September 30, 2004. The reason for the large increase was due mainly to the funding of the company during 2005, specifically the \$1,950,000 private placement by Zijin in July. In June of 2005 the Company had a working capital surplus of \$594,880. As of June 30, 2005 the Company had 11,039,918 common shares issued (fully diluted 15,644,734 shares) compared to 5,342,135 common shares (fully diluted 7,847,635 shares) as of June 30, 2004. As of the time of writing of this report there are 15,851,884 shares issued and outstanding. The large increase in

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shares issued and outstanding is a reflection on the private placements and warrants being exercised. 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:

On July 9, 2003, the common shares of the Company were consolidated on a one new for five old basis, resulting in 1,186,035 common shares being issued and outstanding. Subsequent to the consolidation, 600,000 common shares were issued at a deemed price of \$0.16 per share in settlement of certain outstanding liabilities. In addition, 606,000 common shares were issued at a deemed price of \$0.16 per share as payment for the 100% interest in the Surprise Creek property. At the same time, 1,180,000 units of the Company were issued through a private placement to raise gross proceeds of \$188,000. Each unit consisted of one common share and one share purchase warrant, each warrant being exercisable into an additional common share at \$0.21 for a two year period.

In the first quarter of 2004, the Company completed a private placement of 1,650,000 units to raise gross proceeds of \$660,000. Each unit consisted of one common share and one share purchase warrant, two warrants being exercisable for a period of one year into an additional common share at \$0.50. The Company also issued 120,100 units in finders' fees in conjunction with the private placement.

There were no shares issued, no warrants exercised and no options exercised in the second quarter.

During the third quarter 47,343 warrants were exercised ranging in price from 21 cents to 50 cents. Escrow shares that were returned totaled 1,402 and 4 shares were transferred to Computershare

On September 23, 2004 the Company completed a flow through financing of 678,000 units at \$0.65 per unit for gross proceeds of \$440,700. Each unit consisted of one common flow through share and one share purchase warrant. Two of these warrants entitle the holder to purchase one non-flow-through share at a price of \$0.75 per share on or before September 23, 2005. The Company also issued 23,680 agent units to Canaccord Capital in conjunction with the private placement.

On November 8, 2004 the company closed a private placement of 1,040,000 units at \$0.60 per unit for gross proceeds of \$624,000. Each unit consisted of one common flow through share and one share purchase warrant, with two warrants entitling the holder to purchase one non-flow-through share for a two year period from the date of offering at a price of \$0.75 per share in the first year and \$0.85 per share in the second year.

On November 30, 2004 the Company closed a private placement of 2,600,000 units at \$0.60 per unit for gross proceeds of \$1,560,000. Each unit consisted of one common flow through share and one share purchase warrant, with two warrants entitling the holder to purchase one non-flow-through share for a two year period from the date of offering at a price of \$0.75 per share in the first year and \$0.85 per share in the second year. The agent in the private placement received Agent's warrants to acquire that number of common shares equal to 15% of the number of units sold under the offering. The agent also received a corporate finance fee of 60,000 units and 30,000 warrants.

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During the first quarter of 2005, 741,457 full share equivalent warrants were exercised at a price of 21 cents for net proceeds of \$370,729.

During the second quarter of 2005, 40,000 full share equivalent warrants were exercised at a price of 21 cents for net proceeds of \$8,400. During the second quarter of 2005 the Company completed a private placement. The private placement consisted of 93,000 units at a price of \$0.60 per unit for net proceeds of \$55,800. 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 \$0.60 per share for the first year and \$0.75 per share in the second year.

During the third quarter of 2005 the Company completed a private placement. The private placement consisted of 3,000,000 units at a price of \$0.65 per unit for net proceeds of \$1,950,000. Each unit consisted of one common share and on-half share purchase warrant with one whole warrant being exercisable into one additional common share for a period of two years at a price of \$0.83 per share.

At the beginning of the 2005 there were 4,347,269 warrants outstanding. During the year a total of 1,546,500 were issued, part of the private placement, 2,323,423 were exercised, and 62,496 warrants expired leaving a total of 3,507,850 warrants outstanding at the end of the third quarter.

The working capital at September 30, 2005 is sufficient for the Company to complete basic YWC property work in China, to complete the 2005 drill program at the Silver Coin, near Stewart BC and to carry out corporate administrative details for the next 4 to 6 months. In addition there are enough funds to begin the 2006 exploration programs at the Silver Coin and Surprise Creek projects.

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. The financial data for the last three years is shown below.

During the nine months ended September 30, 2005, the Company incurred fees of \$150,000 (2004 - \$57,000) with directors for management consulting services. This amount has been included in management fee expenses on the statement of operations and deficit.

Included in accounts payable is an amount of \$2,035 owed to a director of the Company.

The Company is owed \$4,000 from a director of the Company and the amount due bears interest at 5% per annum and has no set terms or repayment schedule.

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

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Financial Data for Last Three Fiscal Years

Selected annual Information for the fiscal year ended	December 31, 2004	December 31, 2003	December 31, 2002
Total revenue	990	nil	nil
Loss before Mineral Property Write Downs Per Share Basis*	(803,164) (0.14)	(90,146) (0.02)	(45,650) (0.01)
Loss after Mineral Property Write Downs Per Share Basis*	(846,714) (0.15)	(90,146) (0.02)	(45,650) (0.01)
Total assets	2,839,836	260,261	47,518
Total long-term liabilities	nil	nil	nil
Cash dividends declared	nil	nil	nil

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 China. In China, the Company has to deal with government policies that can change quickly with no prior warning. The country is improving its investment climate but it still remains difficult to transfer funds. Legal problems can be a concern as there is generally limited recourse to the foreign companies that may have problems that need legal remedies. 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.

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. Pinnacle now has three active projects, two in central British Columbia and another in Yunnan Province, China.

This year's exploration program in central BC on the Silver Coin property got underway in May and finished in early November. In 2005 a total of 50 holes were drilled for a total of just under 8000 meters on the Silver Coin property before winter conditions stopped the work. Some holes were not completed because of poor ground conditions. Trenching, mapping and sampling of the property were carried out over the same time period as the drilling. Over the next few months all the data will be collected and a resource calculation will be completed. It is anticipated that next year's exploration period will be carried out over the same time period. The work this year was encouraging and next year's exploration program will be expanded to expand on the results that were achieved in 2005. Funding for the increased level of exploration will be sought in early 2006. As well, exploration at the Surprise Creek property was well received and an expanded program of exploration is planned. The Surprise Creek property has been doubled in size and more ground may be added.

In China, exploration efforts will focus on setting up an exploration camp and beginning the exploration program outlined in the Company's technical report on the Yang Wen Chong property, which is available for review at www.sedar.com.

Pinnacle continues to look at and investigate other projects that are brought to its attention. In China a number of exploration properties have been brought to the Company's attention and it is expected that the Company will Joint Venture one or two properties next year.