

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 20-F**  
**Amendment No. 1**

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
**Fiscal Year Ended September 30, 2008**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report \_\_\_\_\_

Commission file number 000-52509

**Pediment Gold Corp.**

(Exact name of Registrant as specified in its charter)

British Columbia, Canada

(Jurisdiction of incorporation or organization)

789 West Pender Street, #720, Vancouver, British Columbia, Canada V6C 1H2

(Address of principal executive offices)

Gary Freeman: 604-682-4418; [investor@pedimentgold.com](mailto:investor@pedimentgold.com); West Pender St. #720, Vancouver, BC V6C 1H2

(Name, Telephone, E-mail and/or Facsimile and Address of Company Contact Person)

Securities to be registered pursuant to Section 12(b) of the Act: None

Securities to be registered pursuant to Section 12(g) of the Act:

Common Shares, without par value

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

41,382,069

Indicate by check mark if the registrant is a well-known, seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 12 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer: (Check one) Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark which basis of accounting registrant has used to prepare financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by International Accounting Standards Board ☐ Other ☒

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ☒ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

**PEDIMENT GOLD CORP.**  
**FORM 20-F ANNUAL REPORT**  
**FISCAL 2008 ENDED SEPTEMBER 30, 2008**

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## **INTRODUCTION**

Pediment Gold Corp. is organized under the laws of British Columbia, Canada. In this Annual Report, the “Company”, “Pediment”, “we”, “our” and “us” refer to Pediment Gold Corp. and its subsidiaries (unless the context otherwise requires). We refer you to the actual corporate documents for more complete information than may be contained in this Annual Report. Principal corporate offices are located at 789 West Pender St., #720, Vancouver, British Columbia, Canada V6C 1H2. Our telephone number is 604-682-4418. Our corporate website is: [www.pedimentexploration.com](http://www.pedimentexploration.com).

We file reports and other information with the Securities and Exchange Commission located at 100 F Street NE, Washington, D.C. 20549; you may obtain copies of our filings with the SEC by accessing their website located at [www.sec.gov](http://www.sec.gov). Further, we also file reports under Canadian regulatory requirements on SEDAR; you may access our reports filed on SEDAR by accessing their website at [www.sedar.com](http://www.sedar.com).

## **BUSINESS OF PEDIMENT GOLD CORP.**

Pediment Gold Corp. (the “Company”) is a mineral exploration company with thirteen gold/silver/copper projects in Mexico: San Antonio Gold; La Colorada; Caborca Copper-Gold; Cochis Gold; Daniel Gold; Glor Gold; La Cien Gold; Manuel/Mel Gold; Texson Gold; and Valenzuela Silver; and Nopal Gold. Its focus is to develop gold assets in Mexico, with its main focus being on the San Antonio Project in the Baja and the La Colorada project in Sonora. The Company anticipates expending CDN\$3.5 million on property acquisition/exploration during Fiscal 2009. Refer to ITEM #4B for a more detailed discussion of the acquisition/exploration activities with respect to these interests. Refer to ITEM #4D for a more detailed discussion of the obligations and rights with respect to these interests.

## **FINANCIAL AND OTHER INFORMATION**

In this Annual Report, unless otherwise specified, all dollar amounts are expressed in Canadian Dollars (“CDN\$” or “\$”). The Government of Canada permits a floating exchange rate to determine the value of the Canadian Dollar against the U.S. Dollar (US\$).

## **FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 20-F contains forward-looking statements. Forward-looking statements may be identified by the use of words like “plans”, “expects”, “aims”, “believes”, “projects”, “anticipates”, “intends”, “estimates”, “will”, “should”, “could” and similar expressions in connection with any discussion, expectation, or projection of future operating or financial performance, events or trends. Forward-looking statements are based on management's current expectations and assumptions, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may differ materially from these expectations/assumptions due to changes in global political, economic, business, competitive, market, regulatory and other factors. We undertake no obligation to publicly update or review any forward-looking information, whether as a result of new information, future developments or otherwise.

These factors include, but are not limited to, the fact that the Company is in the exploration stage, will need additional financing to develop its properties and will be subject to certain risks since its prospects are located in Mexico, which factors are set forth in more detail in the sections entitled “Risk Factors” in Item #3D, “Business Overview” in ITEM #4B, and “Operating and Financial Review and Prospects” at ITEM #5.

## GLOSSARY

**Adit:** A horizontal or nearly horizontal tunnel made for exploration or mining.

**Alteration zones:** portions of bedrock where the mineralogic composition of the rock has been changed by physical or chemical means, especially by the actions of hydrothermal solutions.

**Andesite:** A dark-colored, fine-grained volcanic rock.

**Anomalies:** deviations from uniformity or regularity in geophysical or geochemical quantities.

**Anomalous values:** results of geophysical or geochemical testing which deviate from the expected or calculated value.

**Archean:** rocks formed during the earliest part of Precambrian time, prior to 2,500 million years before present.

**Arenaceous:** Rocks with a high sand component in their make up.

**Au:** Gold

**Base metal:** any of the more common and more chemically active metals, e.g. lead, copper and zinc.

**Bedrock conductors:** portions of consolidated earth material which offers a low resistance to the passage of an electric current.

**Breccia:** Rock composed of sharp-angled fragments embedded in a fine-grained matrix.

**Channel Sample:** A sample taken continuously over a specified distance.

**Chromium:** A metal used for corrosion-resistant steels and whose compounds have many beautiful colors.

**Cross-cut:** a mining tunnel driven perpendicular to the dominant trend of a vein or ore bearing structure.

**Cut-off grade:** the lowest grade of mineralized material considered economic to mine and process; used in the calculation of reserves.

**Deposit:** A mineralized body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures. Such a deposit does not qualify as a commercially mineable ore body or as containing reserves of ore, unless final legal, technical, and economic factors are resolved.

**Diabase:** A dark-colored very fine grained and hard intrusive rock.

**Diamond drill holes:** a drilling method whereby rock is drilled with a diamond impregnated, hollow drilling bit which produces a continuous, in-situ record of the rock mass intersected in the form of solid cylinders of rock which are referred to as core.

**Differentiated:** A natural process during cooling of rocks where by one type of rock can solidify first followed by another kind.

**Drive:** a mining tunnel driven parallel to the dominant trend of a vein or ore bearing structure.

**Dyke:** An igneous mass injected into a fissure in rock.

**Electromagnetic:** of, produced by or having to do with magnetic fields associated with currents artificially or naturally maintained in the sub-surface of the earth.

**Epiclastic:** Sediments consisting of weathered products of older rock.

**Feasibility study:** a definitive engineering estimate of all costs, revenues, equipment requirements, and production levels likely to be achieved if a mine is developed. The study is used to define the economic viability of a project and to support the search for project financing.

**Felsic:** an igneous rock made up of light colored minerals; composed primarily of feldspar and silica.

**Float:** Rock this is not outcrop and has been transported some distance from its source

**g/t; g Au/t:** Grams per metric tonne; grams gold per metric tonne.

**-genic:** meaning suitable to or pertaining to, e.g. syngenetic, meaning a ore deposit formed contemporaneously with the enclosing rocks

**Geochemistry:** The measurement of trace elements in naturally occurring rocks, soils and stream sediments as a means of detecting mineralization.

**Geochemical sampling:** a mineral exploration method whereby samples of soil, stream sediments, rocks, etal. are collected in a systematic way and analyzed for a suite of elements.

**Geophysical:** relating to the physical properties, e.g. magnetic, seismic,et.al. of the earth and rock materials.

**Gold or Au:** A gold metallic element that is ductile and very malleable. This precious metal has industrial applications as well as being monetary value and used in jewelry.

**Gossan:** Brown to orange to red colored rocks and soil, where the color is due to weathering sulphides.

**Grade:** the amount of valuable mineral in each tonne of ore, expressed as ounces per ton or grams per tonne for precious metal and as a percentage by weight for other metals.

**Grab Sample:** Sample of selected rock or saprolite collected at random from within a restricted area of interest.

**Grid:** a systematic array of points or lines; e.g. a rectangular pattern of pits, boreholes or data collection locations used in mineral exploration.

**Ground magnetic survey:** a mineral exploration method involving the use of hand held magnetometer instruments which measure the intensity of the earth's magnetic field. The survey usually takes the form of a regular pattern of parallel lines designed to cover the survey area with the objective of identifying magnetic anomalies, which may be indicative of hidden mineralization.

**Hanging wall:** the overlying side of a fault, ore body, or mine working, in particular the wall rock above a fault or inclined vein.

**Heap leach:** a relatively inexpensive processing method based on hydrometallurgical technology, whereby crushed rock is placed on an impermeable liner and is sprayed with a cyanide solution. The resulting gold bearing liquid is collected and the gold is recovered employing conventional technologies culminating in smelting and doré production.

**Hectare:** A unit of area in the metric system equal to 100 acres, or 10,000 square meters, and the equivalent of 2.471 acres in British Imperial and U.S. Customary measure.

**Heterolithic:** Composed of fragments of several different rock types.

**Host rock:** a volume of rock within which the ore body occurs.

**Hydrogeological studies:** studies concerning the occurrence, movement and condition of ground water.

**Hydrothermal solutions:** heated water, with or without demonstrable association with igneous processes.

**In-situ-resource:** a tonnage of mineralized rock of intrinsic economic interest, the grades and limits of which are known with a specified degree of knowledge, expressed in terms of the material as it exists in the ground prior to mining.

**IP (induced polarization):** a geophysical technique for detecting buried disseminated sulphides through the application to the ground of electrical currents.

**IP survey:** systematic completion of IP on a grid over the area of interest.

**Intrusive:** Rock mass formed below the earth's surface from magma, which has intruded into a pre-existing rock mass.

**Komatiite:** A volcanic rock with a distinctive texture.

**Lead or Pb:** A soft, bluish metal that is ductile, heavy and acid resistant.

**Limestone:** A rock composed principally of calcium carbonate, used as an essential ingredient in making cement.

**Lineament:** a linear feature in the earth's crust generally coincident with a geological fault.

**Lithogeochemical:** relating to the trace element and major oxide chemistry of rocks to define alteration systems associated with mineralization.

**Lithological contact:** a boundary between two different rock types.

**Lode** - a tabular or vein-like deposit of valuable minerals between well defined walls of rock.

**Mafic:** an igneous rock composed chiefly of one or more ferromagnesian (containing iron and magnesium), dark colored minerals.

**Mafic-ultramafic:** A dark colored intrusive rock.

**Magnetic:** having the property of attracting iron or steel, like a magnet.

**Metamorphosed:** a term used to describe a rock mass which has been subjected to metamorphism. Metamorphism is a geological process where the original mineral composition of a rock is changed or metamorphosed in response to local or regional scale changes in temperature, pressure and the action of chemically active fluids.

**Metamorphism:** A natural process of heat and compression that changes rocks.

**Metagabbro:** A gabbro that has been metamorphosed.

**Metapyroxenite:** A pyroxenite that has been metamorphosed.

**Metasediments:** sedimentary rocks, which are rocks formed out of the consolidation of sediment settled out of water, ice or air, which have been metamorphosed.

**Mineralization:** the process by which a mineral or minerals, usually metals, are introduced into a rock, resulting in an economically valuable or potentially valuable deposit. Also refers to mineral-bearing rock that has been identified by widely spaced drilling.

**Mineralized material:** a mineralized volume of rock which has been delineated by appropriately spaced drilling and/or underground sampling to support a sufficient tonnage and average grade of metals to warrant further exploration. Such a deposit does not qualify as a reserve, until a comprehensive evaluation based upon unit cost, grade, recoveries, and other material factors conclude legal and economic feasibility.

**Net Smelter Return:** A royalty payment made by a producer of metals based on gross mineral production from the property, less deductions of certain limited costs including smelter, refining, transportation and insurance costs.

**Nickel or Ni:** A white metallic metal, very malleable and ductile, largely used in alloys because of its corrosion resisting property.

**NSR:** Net smelter return.

**Ore:** rock that contains one or more minerals or metals, at least one of which has commercial value and which can be recovered at a profit.

**Ore body:** a continuous volume of mineralized material which may be economic and feasible to mine.

**Outcrop:** Bedrock that is exposed at surface, and is not covered by soil or other material.

**Overburden:** barren rock material, usually unconsolidated, overlying a mineral deposit and which must be removed prior to mining.

**Palladium or Pd:** A silver-white metallic chemical element. The metal and its alloys is used in electrical contacts, precision instruments and jewelry and as a catalyst in the chemical industry particularly for automobile exhaust systems to help control pollution.

**Phanerozoic:** that part of geologic time for which, in the corresponding rocks, the evidence of life is abundant; geologic time from 570 million years ago to the present.

**Phanerozoic Basin:** a general term for a depressed, Phanerozoic aged sediment filled area.

**Placer mining:** the extraction of gold from loosely consolidated material, often a riverbed.

**Platinum or Pt:** A silver-white metallic chemical element. It has a high melting point and is resistant to chemical attack. The pure metal and its alloys are used in jewelry, electrical contacts, in laboratories as an acid resistant material and as an important catalyst.

**Plutonic rocks:** a rock formed at considerable depth below the earth's surface by crystallization of magma.

**PGM:** Platinum group metals, which includes platinum, palladium, ruthenium, osmium, rhodium and iridium.

**ppb:** Parts per billion.

**ppm:** Parts per million.

**Proterozoic:** Rocks formed between 1 and 2.2 billion years ago; the second oldest geological period after Archaean.

**Pyrite:** A gold colored rock composed of iron and sulphur.

**Pyroclastic:** Material ejected into the air from a volcanic vent.

**Pyroxenite:** A dark rock composed of the mineral pyroxene.

**Quartz or qtz:** A very common hard rock forming mineral, generally clear to white but can be a variety of colors.

**Raking:** angle between a linear feature and the horizontal measured in the plane that contains the two.

**Reserve:** that part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination.

**Reverse circulation drilling:** a type of rotary drilling that uses a double-walled drill pipe. Compressed air, water or other drilling medium is forced down the space between the two pipes to the drill bit and the drilled chips are flushed back up to the surface through the center tube of the drill pipe.

**Reverse circulation holes:** a drilling method employing dual walled drill rods fitted with either a hammer or rotary drilling bit. The pressurized drilling fluid (air or water) travels down the outer annulus and the return fluid travels up the center of the drill rod carrying the sample of rock chips and dust-sized particles to the surface.

**Saprolite:** Rock that has weathered to clay, but is in place and has not been moved by erosion or other forces.

**Schist:** a metamorphic rock characterized by a well-developed parallel orientation of more than 50% of the minerals present.

**Scree:** Boulders and related debris which has fallen or slid down a steep embankment, hill or cliff.

**Sediments:** Rocks, which are composed of various proportions of clay, silt, sand, gravel and pebbles.

**Sedimentary:** formed by the deposition of solid fragmented material that originates from weathering of rocks and is transported from a source to a site of deposition.

**Shearing:** the resulting action from stresses that cause or tend to cause contiguous parts of a body to slide relatively to each other in a direction parallel to their plane of contact.

**Shear zones:** linear areas of weakness along which a failure occurred whereby the portion of mass on one side of the area slides past the portion on the opposite side and which often form conduits for mineralizing fluids.

**Silver or Ag:** A white metallic element that is ductile, malleable and capable of high polish. This precious metal has major industrial applications in photography, x-ray films, electronics and electrical contacts, batteries, brazing alloys, catalysts, mirrors, jewelry and sterling ware.

**Stock:** An intrusive body that is very approximately circular and generally less than 100m to 200m across.

**Stockwork:** a mineral deposit in the form of a branching or interlocking network of veinlets.

**Stockwork of quartz veins:** a crosscutting network of fractures filled with quartz.

**Strata:** A section of a formation that consist throughout of essentially the same kind of rock.

**Stratigraphy:** the arrangement of rock strata, especially as to geographic position and chronologic order of sequence.

**Strike:** geological measurement of the direction of a horizontal line on the surface of the bed.

**Stripping ratio:** ratio of waste to ore.

**Sulphides:** A rock whose dominant component is the element sulphur.

**Supracrustal rocks:** rocks that overlie the basement. Basement is defined as a complex of undifferentiated rocks that underlies the oldest identifiable rocks in the area.

**Tectonic:** pertaining to the forces involved in, or the resulting structures or features of the large scale architecture of the upper part of the Earth's crust.

**Tectonized:** a rock mass that has been severally modified by folding and/or faulting.

**Tertiary:** that portion of the geologic sedimentary section younger than the Cretaceous and older than the Quaternary ranging in age from approximately 55 million to 2 million years old.

**Ton:** Short ton (2,000 pounds).

**Tonne:** Metric tonne (1,000 kilograms).

**Tuff:** A rock formed by volcanic fragments generally less than 4 mm.

**Vein:** sheet-like body of minerals formed by fracture filling or replacement of the host rock.



**VLF (very low frequency):** a geophysical technique which utilizes the magnetic components of the electromagnetic field generated by long distance radio transmitters to delineate geological structures.

**HMS (volcanogenic massive sulphide) deposits:** deposits of base and precious metals were formed as layers at the bottom of bodies of water from sulfur-rich material erupted during volcanic activity

**Volcanic:** pertaining to the activities, structures or rock types of a volcano.

**Winze:** a vertical shaft in a mine sunk or excavated from top to bottom.

**Zinc or Zn:** A bluish-white metallic element resistant to atmospheric corrosion.

### CONVERSION TABLE

The following table sets forth certain standard conversions from Standard Imperial units to the International System of Units (or metric units).

<b>To Convert From</b>	<b>To</b>	<b>Multiply By</b>
Feet	Meters	0.305
Meters	Feet	3.281
Miles	Kilometers	1.609
Kilometers	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471
Grams	Ounces (troy)	0.032
Ounces (troy)	Grams	31.103
Tonnes	Short tons	1.102
Short tons	Tonnes	0.907
Grams per tonne	Ounces (troy)	0.029
Ounces (troy) per tonne	Grams per tonne	34.438

## **PART I**

### **ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS**

### **ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.**

--- Not Applicable ---

### **ITEM 3. KEY INFORMATION.**

#### **3.A.1. Selected Financial Data**

#### **3.A.2. Selected Financial Data**

The selected financial data of the Company for Fiscal 2008/2007/2006 ended September 30th was derived from the consolidated financial statements of the Company that have been audited by Smythe Ratcliffe LLP, independent Chartered Accountants, as indicated in their audit report which is included elsewhere in this Annual Report. The selected financial data of the Company for Fiscal 2005/2004 was derived from audited consolidated financial statements of the Company, not included herein.

The Company's consolidated financial statements are stated in Canadian Dollars (CDN\$) and are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), the application of which, in the case of the Company, conforms in all material respects for the periods presented with United States GAAP, except as discussed in footnotes to the consolidated financial statements.

The consolidated financial statements are the responsibility of the Company's management. The auditor's responsibility is to express an opinion on the consolidated financial statements based on their audit.

The auditors conducted their audits in accordance with Canadian generally accepted auditing standards, and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The selected financial data should be read in conjunction with the consolidated financial statements and other financial information included elsewhere in the Annual Report.

The Company has not declared any dividends since incorporation and does not anticipate that it will do so in the foreseeable future. The present policy of the Company is to retain all available funds for use in its operations and the expansion of its business.

The following table is derived from the consolidated financial statements of the Company, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). All material numerical differences between Canadian GAAP and United States GAAP (US GAAP), as applicable to the Company, are described in footnotes to the consolidated financial statements.

All per-share figures and number of shares are adjusted for the one-for-fifteen stock consolidation effective 9/21/2004.

Table No. 1  
Selected Financial Data  
(CDN\$, except per share data)

	<b>Audited Fiscal 2008 Ended 9/30/2008</b>	<b>Audited Fiscal 2007 Ended 9/30/2007</b>	<b>Audited Fiscal 2006 Ended 9/30/2006</b>	<b>Audited Fiscal 2005 Ended 9/30/2005</b>	<b>Audited Fiscal 2004 Ended 9/30/2004</b>
<b>Canadian GAAP</b>					
Sales Revenue	Nil	Nil	Nil	Nil	Nil
Operating Income (loss)	(\$6,809,169)	(\$2,132,635)	(\$1,640,864)	(\$1,164,482)	(\$112,179)
Net Comprehensive Income (Loss)	(\$7,791,824)	(\$2,608,504)	(\$1,587,282)	(\$1,135,237)	17,782
Basic Income (Loss) Per Share	(\$0.20)	(\$0.10)	(\$0.08)	(\$0.27)	(\$0.00)
Dividends Per Share	Nil	Nil	Nil	Nil	Nil
Basic Weighted Average Shares O/S	39,493,045	26,941,138	20,382,356	4,101,381	3,150,244
Period-End Shares O/S	41,382,069	33,638,135	23,609,052	16,300,282	3,150,244
Working Capital	\$18,783,325	\$10,144,238	\$4,662,546	\$308,105	(\$400,537)
Mineral Property Investments	\$10,759,924	\$3,385,091	\$1,029,143	\$410,841	Nil
Long-Term Obligations	Nil	Nil	Nil	Nil	Nil
Shareholders' Equity	\$29,518,448	\$13,559,682	\$5,733,737	\$718,946	(\$387,937)
Total Assets	\$29,782,559	\$13,927,020	\$5,843,925	\$898,440	\$17,191
<b>US GAAP</b>					
Net Income (Loss) (1)	(\$12,924,935)	(\$4,964,452)	(\$2,205,584)		
Net Income (Loss) Per Share	(\$0.33)	(\$0.18)	(\$0.11)		
Mineral Property Investments	\$2,652,563	\$410,841	1		
Shareholders' Equity	\$21,411,087	\$10,585,432			
Total Assets	\$21,675,198	\$10,952,770			
(1) Cumulative Net Loss to 9/30/2008 under USGAAP was (\$42,455,313).					
(2) Under SEC interpretation of US GAAP, exploration costs related to exploration-stage properties are expensed in the period incurred.					
(3) Certain of the comparative figures have been reclassified to conform to the current year's presentation.					

### **3.A.3. Exchange Rates**

In this Annual Report, unless otherwise specified, all dollar amounts are expressed in Canadian Dollars (CDN\$). The Government of Canada permits a floating exchange rate to determine the value of the Canadian Dollar against the U.S. Dollar (US\$).

The following table sets forth the rate of exchange for the Canadian Dollar at the end of the five most recent fiscal periods ended September 30th, the average rates for the period, and the range of high and low rates for the period. The data for each month during the previous six months are also provided.

For purposes of this table, the rate of exchange means the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. The table sets forth the number of Canadian Dollars required under that formula to buy one U.S. Dollar. The average rate means the average of the exchange rates on the last day of each month during the period.

Table No. 2  
U.S. Dollar/Canadian Dollar

<b>Period</b>	<b>Average</b>	<b>High</b>	<b>Low</b>	<b>Close</b>
February 2009		1.27	1.22	1.27
January 2009		1.27	1.18	1.24
December 2008		1.30	1.20	1.22
November 2008		1.29	1.15	1.24
October 2008		1.29	1.06	1.22
September 2008		1.08	1.03	1.06
Fiscal Year Ended 9/30/2008	1.01	1.08	1.00	1.06
Fiscal Year Ended 9/30/2007	1.11	1.18	1.00	1.00
Fiscal Year Ended 9/30/2006	1.14	1.20	1.11	1.12
Fiscal Year Ended 9/30/2005	1.22	1.27	1.16	1.16
Fiscal Year Ended 9/30/2004	1.32	1.40	1.26	1.26

### **3.B. Capitalization and Indebtedness**

As at 9/30/2008 the Company has working capital of \$18,783,325 compared to its 9/30/2007 working capital of approximately \$10,144,238. At 9/30/2008, the Company's only long-term liability is \$65,570 in future income taxes relating to its subsidiary in Mexico. The Company is able to meet its past and ongoing financial obligations at this time.

### **3.C. Reasons For The Offer And Use Of Proceeds**

--- No Disclosure Necessary ---

### **3.D. Risk Factors**

In addition to the other information presented in this Annual Report, the following should be considered carefully in evaluating the Company and its business. This Annual Report contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include those discussed below and elsewhere in this Annual Report.

**Pediment Gold Corp. Has Not Yet Achieved Profitable Operations and Expects to Incur Further Losses in the Development of Its Business, All of Which Casts Substantial Doubt About the Company's ability to continue as a Going Concern.**

The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

**Pediment Gold Corp. Has No Revenues from Operations and No Ongoing Mining Operations of Any Kind. The Chances of Pediment Gold Corp. Ever Reaching the Development Stage Are Remote.**

The expenditures to be made by Pediment Gold Corp. in the exploration of its properties as described herein may not result in discoveries of mineralized material in commercial quantities. Most exploration projects do not result in the discovery of commercially mineable ore deposits and as such, the Company is exposed to a number of risks and uncertainties. The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Management was successful in accessing the equity markets during the period, but there is no assurance that such sources will be available, on acceptable terms, or at all in the future.

**Pediment Gold Corp. Has No Reserves on the Properties in Which It Has an Interest and If Reserves Are Not Defined the Company Could Have to Cease Operations.**

The properties in which Pediment Gold Corp. has an interest or the concessions in which Pediment Gold Corp. has the right to earn an interest are in the exploratory stage only and are without a known body of ore. The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Management was successful in accessing the equity markets during the period, but there is no assurance that such sources will be available, on acceptable terms, or at all in the future.

**Pediment Gold Corp. Has No Positive Cash Flow and No Recent History of Significant Earnings and Is Dependent Upon Public and Private Distributions of Equity to Obtain Capital in Order to Sustain Operations. The sale of securities to the public results in dilution to existing shareholders.**

None of Pediment Gold Corp.'s properties have advanced to the commercial production stage and Pediment Gold Corp. has no history of earnings or positive cash flow from operations. Pediment Gold Corp. does not know if it will ever generate material revenue from mining operations or if it will ever achieve self-sustaining commercial mining operations. Historically, the only source of funds available to Pediment Gold Corp. has been through the sale of its common shares. Any future additional equity financing would cause dilution to current stockholders.

Pediment Gold Corp., at 3/20/2009, had 3,052,500 share purchase options outstanding and 3,237,115 share purchase warrants outstanding. If all of the share purchase warrants and share purchase options were exercised, the number of common shares issued and outstanding would increase from 43,944,587 (as of 3/20/2009) to 50,234,202.

**Dilution Through Employee/Director/Consultant Options Could Adversely Affect Pediment Gold Corp.'s Stockholders.**

Because the success of Pediment Gold Corp. is highly dependent upon its respective employees, the Company has granted to some or all of its key employees, Directors and consultants options to purchase common shares as non-cash incentives. To the extent that significant numbers of such options may be granted and exercised, the interests of the other stockholders of the Company may be diluted. At 3/20/2009, there were 3,052,500 share purchase options outstanding, which, if exercised, would result in an additional 3,052,500 common shares being issued and outstanding. This represents an increase of 7% in the number of shares issued and outstanding and would result in significant dilution to current shareholders. For a breakdown of dilution, refer to the risk factor entitled: "Pediment Gold Corp. Has Minimal Positive Cash Flow and No Recent History of Significant Earnings and Is Dependent Upon Public and Private Distributions of Equity to Obtain Capital in Order to Sustain Operations. Public distributions of capital result in dilution to existing shareholders".

**The Amount of Capital Necessary to Meet All Environmental Regulations Associated with the Exploration Programs of Pediment Gold Corp. Could Be In An Amount Great Enough to Force Pediment Gold Corp. to Cease Operations.**

The current and anticipated future operations of Pediment Gold Corp., including further exploration activities require permits from various Federal and regional governmental authorities in Mexico. Such operations are subject to various laws governing land use, the protection of the environment, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, mine safety and other matters. Unfavorable amendments to current laws, regulations and permits governing operations and activities of resource exploration companies, or more stringent implementation thereof, could have a materially adverse impact on the Company and cause increases in capital expenditures which could result in a cessation of operations by the Company. Refer to ITEM 4.B.8 of Form 20-F Annual Report.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in resource exploration may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violation of applicable laws or regulations.

Large increases in capital expenditures resulting from any of the above factors could force Pediment Gold Corp. to cease operations. If that were the case, investors would lose their entire investment in the Company.

**The Risks Associated with Penny Stock Classification Could Affect the Marketability of the Common Stock of Pediment Gold Corp. and Shareholders Could Find It Difficult to Sell Their Stock.**

Pediment Gold Corp.' common shares are subject to "penny stock" rules as defined in 1934 Securities and Exchange Act rule 3a51-1. The Commission has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Transaction costs associated with purchases and sales of penny stocks are likely to be higher than those for other securities. Penny stocks generally are equity securities with a price of less than US\$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system).

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from such rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the Company's common shares in the United States and shareholders may find it more difficult to sell their shares.

**Pediment Gold Corp. is Dependent on Key Personnel and the Absence of Any of These Individuals Could Result in the Company Having to Cease Operations.**

While engaged in the business of exploring mineral properties, the nature of Pediment Gold Corp.' business, its ability to continue its exploration of potential exploration projects, and to develop a competitive edge in the marketplace, depends, in large part, on its ability to attract and maintain qualified key management personnel. Competition for such personnel is intense and the Company may not be able to attract and retain such personnel. Pediment Gold Corp.'s growth will depend, on the efforts of its Senior Management, particularly its President/CEO/Director, Gary Freeman; its VP Exploration/Director, Melvin Herdrick; its Chief Financial Officer, John Seaman; its VP Finance, Scott Kelly and its Corporate Secretary, Dayna Caouette; and its Board of Directors that also includes Chester Millar as Chairman, Leonard Harris, Larry Okada, Andre Audet, Michael Halvorson, and Chris Theodoropoulos. Pediment Gold Corp. does not carry key-man insurance on any individuals.

**U.S. Investors May Not Be Able to Enforce Their Civil Liabilities Against Us or Our Directors, Controlling Persons and Officers.**

It may be difficult to bring and enforce suits against Pediment Gold Corp. Pediment Gold Corp. is a corporation incorporated in the province of British Columbia, Canada; under the *British Columbia Corporations Act*. A majority of the Company's directors are residents of Canada, and all or substantial portions of their assets are located outside of the United States, predominately in Canada. As a result, it may be difficult for U.S. holders of the Company's common shares to effect service of process on these persons within the United States or to realize in the United States upon judgments rendered against them. In addition, a shareholder should not assume that the courts of Canada (i) would enforce judgments of U.S. courts obtained in actions against the Company or such persons predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States, or (ii) would enforce, in original actions, liabilities against the Company or such persons predicated upon the U.S. federal securities laws or other laws of the United States.

**As a "foreign private issuer", Pediment Gold Corp. is exempt from the Section 14 proxy rules and Section 16 of the 1934 Securities Act Results in Shareholders Having Less Complete and Timely Data.**

The submission of proxy and annual meeting of shareholder information (prepared to Canadian standards) on Form 6-K results in shareholders having less complete and timely data. The exemption from Section 16 rules regarding sales of common shares by insiders results in shareholders having less data in this regard.

**MEXICO RISKS**

The properties in which the Company has interests in Mexico are subject to changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability in Mexico.

The Company's property interests are located in Mexico. Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability in Mexico are beyond the control of the Company and may adversely affect its business. Reference is made to "Item 4B. Business Overview, Mexican Mining Laws".

Political events in Mexico could affect Mexican economic policy and adversely affect us.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican governmental actions concerning the economy could have a significant impact on Mexican private sector entities in general, as well as on market conditions and prices and returns on companies doing business in Mexico.

Mexican political events may also significantly affect our operations. In the Mexican national elections held on during 2006, Felipe Calderon, the leader of the centrist National Action Party, narrowly won the presidency. The election has been finalized and approved by the appropriate election regulatory authorities. However, the primary challenger, Andres Manuel Lopez Obrador, leader of the leftist Democratic Revolution Party, continued to protest and civil unrest persisted for months and could return.

These events and the tight election may intensify legislative gridlock in the Mexican Congress and led to a slowdown in the progress of political reforms in Mexico. There could be significant changes in laws, public policies and/or regulations that could adversely affect Mexico's political and economic situation, which could adversely affect our business. Social and political instability in Mexico or other adverse social or political developments in or affecting Mexico could adversely affect the Company and its ability to obtain financing. It is also possible that political uncertainty may adversely affect Mexican financial markets.

Mexican foreign investment and income tax laws apply to the Company.

Corporations in Mexico are taxed only by the Federal Government.

Mexico has a general system for taxing corporate income, ensuring that all of a corporation's earnings are taxed only once, in the fiscal year in which profits are obtained. There are two federal taxes in Mexico that apply to the Company's Mexican projects; an asset tax and a corporate income tax. Corporations have to pay a federal tax on assets at 1.8% of the average value of assets less certain liabilities. Corporate income tax is credited against this tax. Mexican corporate taxes are calculated based on gross revenue deductions for all refining and smelting charges, direct operating costs, and all head office general and administrative costs; and depreciation deductions. The 2006 corporate tax rate in Mexico is 30%. The 2007 corporate tax rate in Mexico was 29%. The current corporate tax rate in Mexico is 28%.

Foreign currency fluctuations and inflationary pressures may have a negative impact on the Company's financial position and results.

The Company's property interests in Mexico make it subject to foreign currency fluctuations and inflationary pressures that may adversely affect the Company's financial position and results. As the Company maintains its accounts in Canadian dollars, any appreciation in Mexican currency against the Canadian dollar will increase the Company's costs of carrying out operations in Mexico. Management has not entered into any foreign currency contracts to mitigate this risk; as such, the Company may suffer losses due to adverse foreign currency fluctuations. The Company also bears the risk of incurring losses occasioned as a result of inflation in Mexico.

Regulation of mining operations in Mexico is very extensive.

Regulatory requirements to which the Company is subject to in Mexico include certain permits that require periodic or annual renewal with governmental and regulatory authorities. In addition, the Company is required to comply with existing permit conditions. The Company believes that it is currently in full compliance with existing permit conditions. Although its permits have been renewed by governmental and regulatory authorities in the past, there is a risk that the applicable governmental and regulatory authorities will renew the permits as they expire, or that pending or future permit applications will be granted, or that existing permits will not be revoked. In the event that the required permits are not granted or renewed in a timely manner, or in the event that governmental and regulatory authorities determine that the Company is not in compliance with its existing permits, the Company may be forced to suspend operations.



## **ITEM 4. INFORMATION ON THE COMPANY**

### **4.A. History and Progress of the Company**

#### **Introduction**

Pediment Gold Corp. (the “Company”) is a mineral exploration company whose main focus is on exploring two gold projects in Mexico to production: San Antonio Gold (Baja California Sur) and La Colorada Gold/Silver (Sonora). In addition, Pediment also has eleven exploration projects in Sonora Mexico: Caborca Copper/Gold; Cochis Gold; Daniel Gold; Glor Gold; La Cien Gold; Manuel/Mel Gold; Texson Gold; Nopal Gold; and Valenzuela Silver, Caribe and Roja.

Effective 9/29/2005, the Company completed the acquisition of Compania Minera Pitalla, S.A. de C.V. (“Pitalla”), a private Mexican company that owned the aforementioned property interests. Compensation was the issuance of 5.4 million common shares and the agreement to issue an additional 2,500,000 common shares upon the achievement of certain performance standards related to the property interests: if more than one million ounces of gold or gold equivalent are discovered on three or fewer Pitalla projects, with at least 500,000 ounces on a single project. The aforementioned Caborca, Cochis, Daniel, Manuel/Mel, San Antonio, Texson, and Valenzuela projects were included in the acquisition. On December 4, 2008, the Company issued the additional 2,500,000 common shares valued at \$0.47 per share based on market rate pursuant to the agreement to acquire its interest in Pitalla for a total value of \$1,175,000.

**The Company’s mineral properties are without a known body of commercial ore and all proposed programs are an exploratory search for ore.**

The Company’s executive office is located at:

789 West Pender Street, #720, Vancouver, British Columbia, Canada V6C 1H2

Telephone: 604-682-4418

Facsimile: 604-669-0384

E-mail: [investor@pedimentgold.com](mailto:investor@pedimentgold.com)

website: [www.pedimentgold.com](http://www.pedimentgold.com)

The Company’s registered office is located at:

Bull Housser and Tupper, LLP

3000 Royal Centre, 1055 West Georgia Street

Vancouver, British Columbia, Canada V6E 3R3

Telephone: 604-687-6575

Facsimile: 604-646-2634

The contact person is: Dayna Caouette, Corporate Secretary.

The Company's fiscal year-end is September 30th.

The Company's common shares trade on the Toronto Stock Exchange in Canada, under the symbol “PEZ” , on the OTC Bulletin Board in the United States under the symbol “PEZGF” and on the Frankfurt Stock Exchange under the symbol “P5E”. The common shares also trade in Europe, on the: Stuttgart Stock Exchange, Munich Stock Exchange, Berlin Stock Exchange, Frankfurt stock Exchange, and XETRA Exchange.

The Company has an unlimited number of common shares without par value authorized. At 12/31/2008, the end of the Company's most recent fiscal period, there were 43,822,069 common shares issued/outstanding; at 3/20/2009 there were 43,944,587 common shares issued/outstanding.

In this Annual Report, unless otherwise specified, all dollar amounts are expressed in Canadian Dollars (CDN\$).

### Incorporation and Name Changes

The Company was incorporated pursuant to the laws of the Province of British Columbia on 12/23/1983 under the name "Magna Ventures Ltd.". On 8/9/1990, the Company's name was changed to "Consolidated Magna Ventures Ltd.". On 1/10/2002, the Company's name was changed to "Skinny Technologies Inc.". Effective 1/5/2005, the Company agreed to the sale of its subsidiary, PODbook.com Ltd. to Daniel C. Walters, a former President of the Company. Effective 9/10/2005, the Company changed its name to Pediment Exploration Ltd. Effective 2/26/2009, the Company changed its name to Pediment Gold Corp.

### Stock Consolidation

The Company effected a 1:15 stock consolidation on 9/21/2004. All references to the number of shares and per share numbers have been reflected on a post-consolidation basis unless otherwise indicated.

### Plan Of Operations

#### Source of Funds for Fiscal 2009 Ending 9/30/2009

The Company's primary source of funds since incorporation has been through the issuance of equity and borrowing. Currently the Company does not have operating revenues, and the Company anticipates generating no revenue during Fiscal 2009. As of 9/30/2008 and 12/31/2008, respectively, the Company had working capital of \$18.8 million and \$16.9 million. As of 3/20/2009, 3,052,500 outstanding stock options with an average exercise price of \$0.94 if exercised, would raise an additional \$3,045,575. As of 3/20/2009, 3,237,115 outstanding share purchase warrants with an average exercise price of \$3.75 if exercised, would raise an additional \$12,152,279. There is no guarantee that the warrants or the options will be exercised. The Company has had discussions with third parties about additional equity offerings; but the talks as of 3/20/2009 were preliminary. Management believes that the cash the Company currently has on hand is sufficient to fund its planned expenditures and commitments through the end of Fiscal 2009 and Fiscal 2010. As the Company chooses to proceed on additional exploration and development programs on its mineral projects, it probably will need to raise additional funds for those expenditures.

#### Use of Funds for Fiscal 2009 Ending 9/30/2009

During Fiscal 2009, the Company estimates that it might expend approximately \$1 million on general/administrative and investor relations' expenses. During Fiscal 2009, the Company estimates that it might expend about \$3.5 million on property acquisition and property exploration expenses.

#### Anticipated Changes to Facilities/Employees

The Company has limited plans to add additional personnel: receptionist/administrator, investor relations, in-house accounting in Vancouver, BC; and land staff in Mexico. Management anticipates that any property exploration efforts will be carried out by outside contractors.

#### **4.B. BUSINESS OVERVIEW**

Pediment Gold Corp. (the “Company”) is a mineral exploration company whose main focus is exploring two gold projects in Mexico to production: San Antonio Gold (Baja California Sur) and La Colorada Gold/Silver (Sonora). In addition, Pediment also has eleven exploration projects in Sonora Mexico: Cabora Copper/Gold; Cochis Gold; Daniel Gold; Glor Gold; La Cien Gold; Manuel/Mel Gold; Texson Gold; Nopal Gold; and Valenzuela Silver, Caribe and Roja.

Effective 9/29/2005, the Company completed the acquisition of Compania Minera Pitalla, S.A. de C.V. (“Pitalla”), a private Mexican company that owned the aforementioned property interests. Compensation was the issuance of 5.4 million common shares and the agreement to issue an additional 2,500,000 common shares upon the achievement of certain performance standards related to the property interests: if more than one million ounces of gold or gold equivalent are discovered on three or fewer Pitalla projects, with at least 500,000 ounces on a single project. The aforementioned Carborca, Cochis, Daniel, Manuel/Mel, San Antonio, Texson, and Valenzuela projects were included in the acquisition. On December 4, 2008, the Company issued the additional 2,500,000 common shares valued at \$0.47 per share based on market rate pursuant to the agreement to acquire its interest in Pitalla for a total value of \$1,175,000.

**The Company’s exploration properties are without a known body of commercial ore and all proposed programs are an exploratory search for ore; with the exception of the La Colorada project which is a past-producing gold-silver mine and needs re-evaluation of its mineral resources and further exploration; as well as the San Antonio project which has a 43-101 mineral resource calculation for the Los Planes-Las Colinas areas.**



The Company holds twelve fully-owned projects and has one option contract for 3 mining concessions in the La Colorada area.

In addition, reconnaissance work remains active to assess and acquire more mineral concessions in the region or elsewhere in Mexico. The primary focus of this work has been gold and silver targets with an emphasis on the still evolving "orogenic" deposit model. Orogenic gold deposits are a recently recognized grouping or deposit model type resulting from deposition of gold and/or silver into amenable host rocks by fluids streaming from areas of intrusive activity. This is an important new class, as it includes many of the world's largest gold deposits.

In the Baja California Sur, the San Antonio gold district hosts a number of gold deposits. The Company's San Antonio Gold Project is located east-southeast of La Paz beyond the northern termination of a series of mountain ranges.

In Sonora, Pediment's decision to acquire the La Colorada Gold-Silver mine project was based on developing a modified geological model for the formation of the vein and stockwork deposits. La Colorada was until recently Sonora's largest historic gold producing mine.

The Mojave-Sonora Megashear gold-silver belt (MSM) hosts several significant producing mines owned by other companies. Pediment holds eight prospective projects in the MSM trend which are targeted for the exploration of bulk tonnage gold mineralization: the Daniel, Manuel/Mel, Cochis, Glor, La Cien gold targets, Nopal, Texson silver-gold and the Caborca copper-gold target.

The Mega-Shear trend (or Belt) is a fold-thrust belt deforming Mesozoic aged volcanic and sedimentary rocks and Precambrian gneiss and granite. Gold and/or silver mineralization is localized where metal bearing fluids channeled by low-angle shear zones intersect high-angle structures. Other companies already have producing gold mines in this belt.

The Sierra Madre Occidental gold-silver belt in the Mulatos district has seen recent discoveries and hosts a producing gold mine. Large resources of stratabound, high-sulfidation gold mineralization are being developed by two other mining companies. The Company's Valenzuela property is located in this highly prolific belt.

The Company's exploration model is applying the latest techniques to seek blind deposits and extend known mineralization to depth and laterally under pediment cover in promising areas that have seen no modern exploration. The Company's concessions are generating drill targets in areas that have never been explored below surface. The corporate goal is to have multiple projects advancing with new targets constantly in the pipeline to ensure Pediment's investors always have a multiple chances for success.

The Company's exploration programs are conducted under the direction of expert geologist Melvin Herdrick, MSc (Registered Professional, Washington State), who is a qualified person within the definition of National Instrument 43-101; and, except where otherwise noted, is the person responsible for the technical disclosure in this document relating to the Company's Mexican properties.

### Mexican Mining Law

Only Mexican Nationals or Mexican incorporated companies may hold concessions, although there are no restrictions on foreign ownership of such companies. Concessions are acquired by locating and erecting a principal monument and having the concession located by an official surveyor. All concessions must be registered with the Public Registry of Mining. The General Direction of Mines grants mining concessions for periods of 50 years so long as work is performed on the ground, assessment reports are filed in May and the taxes, based on the area and age of the concession, are paid in advance in January and July of each year. The Mining Concession can be renewed for another 50-year period. Properties less than 1,000 hectares in size do not require annual work commitments. The surface rights are owned either by private persons or ejidos. Compensation on a yearly basis is usually required to carry out any extensive work programs and the landholders must also be compensated should the land be required for development.

The environmental standards for an exploration including a drill program are addressed in NORMA Oficial Mexicana law, NOM-120-SEMARNAT-1997 as Modified on May 6, 2004. This law established specifications of environmental protection in mineral exploration programs that must be complied with in Mexico. The Company meets or exceeds the requirements stated by this environmental protection law.

### Exploration Efforts

The Company's primary focus for exploration had been the San Antonio, Daniel, Caborca properties; however, La Colorada also became important. Pediment will now focus more on exploring the San Antonio and La Colorada projects.

<b>Exploration Expenditures</b>	<b>Fiscal 2007</b>	<b>Fiscal 2008</b>	<b>Estimated Fiscal 2009</b>
San Antonio Gold Project	\$1,606,163	\$6,106,222	\$2,000,000
La Colorada	n/a	\$2,714,963	\$500,000
Daniel Gold Project	\$463,375	\$357,169	\$0.00
Caborca Copper/Gold Project	\$153,221	\$124,229	\$0.00
Other Projects	\$467,035	\$171,803	\$0.00
<b>TOTAL</b>	<b>\$2,689,794</b>	<b>\$9,474,386</b>	<b>\$2,500,000</b>

### La Colorada Gold-Silver Project

#### Location and District Background

The La Colorada project is located by the town of La Colorada in the State of Sonora, approximately 40 kilometres east-southeast of the capital city of Hermosillo. The mine had been in operation since the 18<sup>th</sup> century by underground methods and in the mid- to late-nineties Eldorado began operations by open-pit mining and heap leaching. Eldorado left La Colorada in year 2000 and mining continued until 2002 by Exploraciones La Colorada, who was the owner previous to Pediment.

#### Land position

Pediment now controls a total of 34 mining concessions covering 18,510,653 hectares. Five of the concessions were directly staked by Pediment between 2007 and 2008 and the rest were either purchased or options from various parties.

In October 2007, the Company signed an option agreement to acquire the La Colorada Gold-Silver Project for US\$1.1 million and a commitment to pay an additional US\$1.65 million over the next two years. On December 1st, 2008, the company reached an agreement to adjust the original option to purchase certain holdings in the La Colorada project, in order to both reduce the cash cost to the Company and to accelerate the acquisition. The subject holdings encompass the past-producing, open-pit and underground workings of the Gran Central, La Colorada and Intermediate zone deposits, portions of the workings of the El Creston deposits, along-trend exploration ground, and surface holdings that contain plant and office complexes built during open-pit mining at the site from 1993-2002. Under the revised agreement, Pediment made one further payment of US\$825,000 cash, assigned certain production royalties, and allowed the vendor the right to bid on a competitive basis for contracts to conduct open-pit mining at La Colorada should the Company choose to re-develop the project on that basis. The royalties are Net Smelter Return (NSR) on material from the subject holdings, of 3% if open pit mined, or of 2% if underground mined. The 2% NSR on underground production can be purchased by Pediment at any time for US\$300,000. The vendors are working on securing an adjacent concession which the Company has agreed to purchase for 300,000 shares.

In addition, the company has also completed other key transactions in order to consolidate its land position at the La Colorada mine.

In August 2008, Pediment purchased six mineral concessions from the Peñoles group for a total consideration of approximately US\$100,000.00. These concessions cover 218 hectares and include part of the El Creston pit and adjacent ground, as well as additional exploration potential west of the pit. As part of this transaction, Pediment sold to Peñoles three of its concessions totaling approximately 1,521 hectares that make up the southern portion of its Texson exploration project in western Sonora for a total consideration of about US\$2,000.

On February 2008, Pediment obtained from Minera Recami, an option to acquire three additional mineral concessions totaling 852 hectares for a total price of \$800,000.00. The three additional concessions cover part of the Creston pit and possible vein extension.

With the above concessions acquired by staking or acquisition, Pediment now owns or controls 100% of all areas of historic open-pit mining and all known areas of historic underground production from the La Colorada gold-silver camp, plus owns or holds options to acquire adjacent areas of exploration potential. By completing this revised agreement the Company gains, in addition to a lower cash outlay, a greater flexibility in dealing with the various scenarios that might allow the redevelopment of the project.

#### Data Review and Potential for La Colorada

In addition, during the past months, Pediment has recompiled data archives and pertinent production data into electronic databases with all available information merged with newly generated data. Data relevant to both open-pit potential and high-grade underground resources are being reviewed. Pediment is currently undertaking studies leading to environmental impact permitting and reactivation potential of existing surface workings. Pediment is also preparing the La Colorada project for a second and more extensive program of work. Details of this program are being finalized and will be announced.

#### Review of Underground Potential

Pediment is also reviewing several historic calculations made for prior operator Eldorado Gold Corp. of high-grade vein mineralization below the La Colorada and Gran Central open pits, using the results from drilling conducted primarily to assess the project's open pit potential. The Company considers these historic calculations relevant to its own exploration planning. However, the Company cautions that these calculations were completed prior to establishment of NI 43-101 guidelines for resource estimation. Consequently, these historic results have not been categorized mineral resources or mineral reserves in accordance with NI 43-101. The Company believes these resources listed below would be categorized as "inferred" under current guidelines however, a "Qualified Person" as defined by NI43-101 has not done sufficient work to classify the historical estimate as current mineral resources, the issuer is not treating the historical estimate as current mineral resources and the historical estimate should not be relied upon. The Company further cautions that though these historical calculations deal with different aspects of the high-grade potential, they may in part overlap with areas that had also been included in open pit resource historical calculations made prior to the cessation of pit mining. These historic calculations should not be considered in aggregate as material representations of current resource potential.

In 1997 the following historical estimate was completed by Duncan McBean for Eldorado using an 8 g/t cut-off grade, for the veins in sections directly below the "restricted pit limit" of La Colorada and Gran Central pits:

La Colorada (LC) Vein - 140,400 tons @ 19.98 g/t Au, for 90,178 gold ounces.

La Colorada Vein Possible - 213,400 tons @ 24.27 g/t Au, for 168,313 gold ounces

Gran Central-LC Vein Zones - 72,913 tons @ 13.05 g/t Au, for 30,595 gold ounces

Gran Central Extension - 30,750 tons @ 76.19 g/t Au, for 75,323 gold ounces.

The La Colorada and Gran Central veins had been partially mined during the 1874-1912 period of high-grade underground mining. The above historic calculations included were vein intersections from the La Colorada and Gran Central veins and between, but without regard to evidence of previous mining. In 1998, an internal scoping study coupled with additional historic resource calculations was completed by Eldorado assisted by MRDI Consulting that separated intersections which had no evidence of underground workings (un-mined) from those with evidence of workings (mined). Intersections located between the two main veins are referred to as "intermediate veins" and have no history of underground mining.

These historic calculations did not include the results of silver assaying. The Company considers silver also a potentially important by-product metal and will evaluate it in its on-going programs. The data review also suggests there is untested high-grade potential in down-dip and on-trend extensions of the historic calculations, and that there may be further potential in both fault displaced portions of these same structures, and in other similar structures

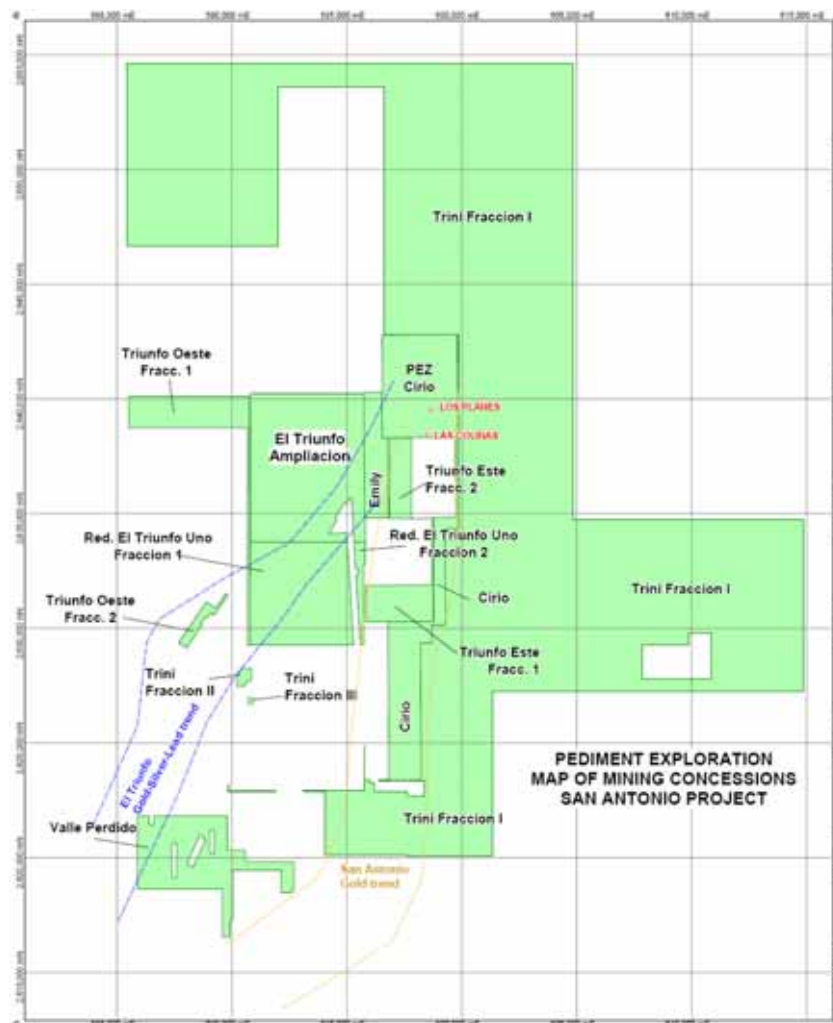
within its holdings. From this and newly developed data we are developing a mineralization model. Historic data also has records of numerous fluid inclusion samples that indicate epithermal boiling zone is present in the mineralization.

No estimate of high-grade potential has been located for the El Creston veins within the recently acquired concessions. Records indicate that the bulk of pre-1912 underground vein mining was done in the Creston and Gran Central mine area. Historic estimates of near surface bulk material and potential can be found in Pediment's news release dated October 22, 2007.

Munro Legal in Sonora Mexico conducted an initial environmental evaluation of the La Colorada mine site and took water, soil and air samples to begin a baseline study.

### **San Antonio Gold Project**

The San Antonio Project (formerly Baja California Sur) is located on the Baja Peninsula, adjacent to the historic mining town of San Antonio and 40 kilometers southeast from the port city of La Paz. The 100%-owned project consists of 15 concessions and covers 114,480 acres and about nine miles of favorable geological trend. In the late 1990s Echo Bay Minerals located and partly tested the Colinas gold resource that is contained by the Company's staked ground.



### District Background

There has been mining from two separate deposit types in the region. Vein mining of silver-base metals deposits has taken place along a northeast-southwest trend, and more limited lead gold mining along a separate and younger north-south trend. The northerly extensions of these two mineralized trends are projected to intersect in a flat-lying, pediment-covered area within the Company's holdings. This setting is a prime target for discovery of new deposits.

The Company's primary exploration model is focused on locating bulk tonnage grade gold deposits that could be mined by open pit. During the late 1990s work by Echo Bay outlined the Paredones Amarillos deposit (owned by a third party) on the southern end of the known trend that has measured and indicated resources, and the Los Planes resource on the northern end of the known trend. These zones are analogous to the gold mines of the Mojave-Sonora Megashear that include the gold deposits at Mesquite in California and at La Herradura in northwest Sonora.

The "Megashear" and BCS models contain gold deposited in shallowly dipping thrust faults that have enhanced grades and thickness at flexures (bends) in the systems and where they are accompanied by high angle structures that likely acted as conduits for hydrothermal fluids that carried the gold into the deposit traps. The deposits generally have subtle and restricted alteration envelopes. Gold is associated with sulphide minerals that typically represent a minor portion of a deposit volume. Because of a highly fractured character and oxidation of the of the sulphide minerals near surface, the deposits tend to "weather down" and be hidden beneath overburden.

### San Antonio Project

The San Antonio project contains Mesozoic aged quartz-diorite and gabbro bodies intruding older metamorphic rocks. The Mesozoic intrusives include "peraluminous" bodies that are typically associated with gold bearing fluids generation. Low angle fault complexes, that may include zones of cataclasite and mylonite, are a locus for gold deposition. The Company has been actively exploring the project since 2007 with a program that includes surface sampling of soil and rock; reverse-circulation (RC) and diamond drilling and Induced Polarization (IP) geophysics.

### IP Geophysics

Early Geophysical Induced-Polarization work at the San Antonio Project was performed for Pediment in 2007 by Durango Geophysics (DURANGO), based in Durango, CO. The IP program focused mostly on measuring east-west oriented lines in the northern portion of the current Los Planes mineralized body. IP was considered a useful tool in San Antonio for locating potentially mineralized areas because the mineralization at Las Colinas is related to the presence of sulphides, which show a strong chargeability response. The 2007 IP survey by DURANGO showed that chargeability anomalies continued in the pediment-covered area north of Las Colinas into Los Planes. The survey also showed a decrease in chargeability to the northeast, which was later explained by the discovery of a deep zone of oxidation at Los Planes, extending as much as 100 metres vertically from surface. Additionally, the geophysical work completed during 2007 by DURANGO shows that the Los Planes zone can be traced in the IP data a distance of 600 metres further north from Line 2639800N. Pediment's drill grid extends 400 metres north from this line and gold mineralization is still found in the north end of the grid.

Additionally, DURANGO also ran some east-west lines west of the Los Planes zone, in what is now known as the Fandango and La Virgen areas. These zones were characterized by high-chargeability anomalies and became interesting drill targets.

### Las Colinas Resource

This resource is located in Pediment's southern portion of the Cirio concession and was outlined by Echo Bay (now Kinross Gold) in 1996-1997 during a 31-hole reverse circulation drill program. RC and diamond drill testing by Pediment during 2007 and 2008 has confirmed the location of the Las Colinas mineralized zone and has updated the resource produced by Echo Bay. The Las Colinas mineralization is hosted within shallow lying fault zones containing disseminated and veinlet sulphide minerals. The deposit can reach 20-40 meters in thickness and is concentrated where high angle faults have cut the lower angle fault zones. Additional to the 4,576 metres drilled previously by Echo Bay, Pediment drilled 3,834 metres at the Las Colinas resource between the years of 2007 and 2008. Of that total, 1,436 metres were diamond holes and the rest were drilled by reverse circulation methods.



### Los Planes Resource

Drill testing by Echo Bay between 1995 and 1997 not only outlined the Las Colinas resource, but also intersected three significant intervals within a broad pattern of testing in an area north of Las Colinas. Pediment later named the zone Los Planes, after the nearby town of Los Planes to the north, and continued to drill the zone discovered by Echo Bay.

Pediment drilled a total of 15,928 metres during 2007 and 15,476 metres during 2008, for a current total of 31,404.00 metres drilled. Most of the drilling was done by reverse circulation methods, totaling 28,760.00 metres (152 holes). Diamond drilling at Los Planes completed 2,644.00 metres (16 holes). Table 1 shows a chronological relation of all drilling done at the San Antonio project within Pediment Exploration's Cirio concession. The table includes a relation of drilling from Echo Bay's exploration programs.

		RC holes		Diamond holes	
	Drilling by	Number of holes	Metres	Number of holes	Metres
<b>1995</b>					
La Colpa	Echo Bay	2	310.00		
<b>1996</b>					
La Colpa	Echo Bay	2	397.50		
Las Colinas	Echo Bay	15	2,770.50		
<b>1997</b>					
La Colpa	Echo Bay	1	150.00		
Las Colinas	Echo Bay	2	414.00		
Los Planes	Echo Bay	6	1,599.00		
Intermediate (Colinas-Planes)	Echo Bay	2	430.50		
<b>Subtotal Echo Bay</b>		<b>31</b>	<b>6,185.50</b>		
<b>2007</b>					
La Colpa	Pediment			9	476.00
Las Colinas	Pediment			5	823.00
Los Planes	Pediment	75	14,981.00	6	947.00
Fandango-La Virgen	Pediment				
<b>2008</b>					
La Colpa	Pediment	9	950.00		
Las Colinas	Pediment	2	306.00	7	613.00
Los Planes	Pediment	77	13,779.00	10	1,697.00
Intermediate (Colinas-Planes)	Pediment	5	985.00		
Fandango-La Virgen	Pediment			6	1,371.00
<b>Subtotal Pediment</b>		<b>168</b>	<b>31,001.00</b>	<b>43</b>	<b>5,928.00</b>
<b>Total Echo Bay + Pediment</b>		<b>199</b>	<b>37,186.00</b>	<b>43</b>	<b>5928.00</b>

After the fiscal year ended September 30, 2007, the drill program at the San Antonio project continued to progress. The majority of the Company's efforts were focused on drill testing the Los Planes zone by reverse circulation methods. In December 2007, a diamond drill rig was added to the program, with the objective of drilling twin and infill holes at Los Planes and drill testing the Fandango zone which was based on a strong chargeability I.P. response.

In addition to Las Colinas and Los Planes, other targets drilled at San Antonio included:

- 950 metres of reverse-circulation and 476 metres of core drilling at La Colpa (west of Las Colinas)
- 984 metres of reverse-circulation drilling between Las Colinas and Los Planes (intermediate zone), and
- 1,371 metres of diamond drilling at the Fandango-La Virgen areas

#### 2008 Resource calculation for Los Planes-Las Colinas

The Company completed an NI 43-101 compliant report for the Los Planes-Las Colinas, which was filed on SEDAR July, 15 2008. The following highlights are extracted from the report.

The current National Instrument 43-101 compliant Mineral Resource Estimates for the Los Planes (“Planes”) and Las Colinas (“Colinas”) zones on Pediment’s San Antonio project were completed by Dave Laudrum of Ashloo Consultants Ltd., under contract to Derry Michener Booth and Wahl Consultants (DMBW), using GEMS Software Version 6.1.3, from Gemcom Software International. The resource is reported based on cut-off grades and economic considerations provided by Ian S. Thompson of DMBW in Section 18.0 of this report.

Based on the parameters described in this report, DMBW has estimated an Inferred Mineral Resource, as at December 31, 2007, for the Los Planes deposit of 30.58 million tonnes at an average grade of 1.32 g/t Au, using a 0.4 g/t Au cut-off grade. In addition DMBW has estimated an Inferred Mineral Resource for the Las Colinas deposit of 5.62 million tonnes at an average grade of 0.83 g/t Au, using a 0.4 g/t Au cut-off grade.

<b>San Antonio Project</b>					
<b>Inferred Mineral Resource Estimate @ December 31, 2007<sup>(1,2,3)</sup></b>					
DEPOSIT	CUT-OFF GRADE	ROCK GROUP <sup>(4)</sup>	TONNES	GRADE	AU PRODUCT
	g/t Au		T x 10 <sup>6</sup>	g/t Au	Ounces x 10 <sup>6</sup>
LOS PLANES	0.4 g/t Au	Oxidized	10.54	1.18	0.40
	0.4g/tAu	Sulphide	20.04	1.4	0.90
		<b>Total</b>	<b>30.58</b>	<b>1.32</b>	<b>1.30</b>
LAS COLINAS	0.4 g/t Au	Oxidized	0.37	0.92	0.01
	0.4g/tAu	Sulphide	5.25	0.83	0.14
		<b>Total</b>	<b>5.62</b>	<b>0.83</b>	<b>0.15</b>

1. It cannot be assumed that all or any part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Resource as a result of continued exploration.
2. Mineral Resources which are not mineral reserves do not have demonstrated economic viability.
3. Numbers may not add up, due to rounding.
4. Oxidized’ refers here to rock affected by oxidation including weak-moderate-strong intensities.

At the current level of drilling there are well defined geological and grade domains at both deposit areas. These domains show good vertical and lateral continuity and were used as hard boundaries when interpolating grades into the block models. For Planes high-grade assays were capped at 30 g/t Au, although this capping level only affected 4 assay samples. No high-grade assay capping was applied at Colinas where the highest assay returned from the zone was 5.71 g/t Au. Density values of 2.7 for sulphide mineralization and 2.6 for oxide mineralization were used for both Planes and Colinas. Grades were interpolated by Ordinary Kriging. Search Ellipse and variogram ranges used were 65 m (along strike) x 65 m (down dip) x 25 m (across strike/dip).

The resource calculation study was done with all assay data available up to Pediment’s hole PLRC07-75 and also using previous drill results obtained by Echo Bay in the nineties; however no prior trench results were used as were used by Echo Bay studies at the time. Pediment has now completed an additional 16,699 metres of drilling at San Antonio after the data used for the 43-101 report and therefore the resource is planned to be updated.

### Metallurgical testing

Bottle roll tests were completed for Los Planes material, including mineralized rock from the oxide, mixed and sulphide zones. Samples were of unprocessed RC drill cuttings of up to 3/8 inch size. These tests were performed by SGS labs in Durango, Mexico and results were positive with recoveries of up to 88.63% in oxide after a 96-hour test. Sulphide material also had significant recoveries with up to 73.61% recovery after 96 hours.

Currently Pediment is using Metcon Research in Tucson, AZ who is testing bulk samples of oxide, mixed and sulphide core material from the Los Planes zone in long-term column leach tests.

### Land position

Subsequent to June 30, 2008 (July 3, 2008), the Company acquired a new group of adjacent concessions in the San Antonio district. The Company won the concessions by making a bid of MXN \$12,615,000.00 pesos (\$1,241,568 CDN – Paid) to the Mexican Geological Survey and committing to a variable 1 to 3% net smelter royalty; payable to the Mexican Geological Survey. The package is called El Triunfo-Valle Perdido and is composed of 3 mining concessions covering 6,579 hectares. The El Triunfo-Valle Perdido package was part of the Mexican natural mineral reserve and covers a northeast trending mineralized system containing gold, silver, lead and zinc.

Triunfo and Valle Perdido areas of the Triunfo land package have old workings and a data base of sampling with some drill information. Veins present range from 3 to 7 parallel veins that were worked as underground mines with combination of gold-silver values with lead and zinc. Historic grades of reported resources in the government listing are stated at about 3 grams gold and 350-700 grams silver. The historic vein resource was reported by the Mexican Geological Survey as follows: 950,547 tonnes distributed as follows:

Humboldt-Espinocena	56,613 tons	3.0 g Au	273 g Ag
Hormiguero-La Solidar	721,934 tons	3.3 g Au	436 g Ag
Dumps measured	547,000 tons	.86 g Au	126 g Ag
Lomboyal	172,000 tons	2.8 g Au	20 g Ag

Total 112,676 oz Au, 12,944,710 oz. Ag In addition the combined lead zinc is about 4-5 percent.

### Current Work and Future Exploration

The company's exploration success at Los Planes is now being followed up by focusing on obtaining an updated resource of the Los Planes zone and on beginning the necessary engineering and permitting work to advance the project to a production stage. In addition Pediment plans to further refine the central Los Planes zone by completing an infill drilling grid with 12.5 metre spacing.

The Company still has numerous exploration targets, of which the most important is the northeast-southwest El Triunfo gold-silver-lead-zinc trend which is located within the concessions recently acquired from the Mexican Geological Survey.

### Daniel Gold Project

#### Project Update

The Daniel project is located in northwest Sonora State, 40 kilometers northwest of Caborca and 15 kilometers south of Tajitos which is connected to Caborca by State Highway 2. Access to most of the concession area is good. The project is composed of 8 mining concessions covering 14,088.00 hectares. All concessions are continuous, except for the Ely concession (644.39 hectares) which is located about 5 kilometres north-northwest, on-trend of the main cluster of concessions. The main cluster of concessions includes the concessions Daniel Fracc. I and Daniel Fracc. II, which were added in 2008 to the north and west of the original holdings area to cover trend extensions from the Morita zone. This new concession extends Pediment's project area to the boundary of the Noche Buena gold deposit area which is currently being assessed by Seabridge Gold and Grupo Penoles.

The exploration model for Daniel is the nearby producing La Herradura gold mine, hosted by stacked thrust fault zones in Precambrian granite with gold associated with the thrust zones and related flat lying veins. The geological setting at Daniel is very similar to La Herradura and appears permissive of the deposition of bulk tonnage gold silver mineralization.

Most of the project area is underlain by massive Triassic-Jurassic rhyodacite volcanics that has been intruded in places by andesite volcanic dykes and sills. Rhyodacite is the common basement rock throughout the region and is

the host rock for the La Herradura gold mine and other local deposits. As with other Mojave-Sonora Megashear projects, the dominant structural feature on the Daniel project is low angle thrust faults that are the focus of most of the known mineralization. The thrust zone can be seen in the Coronela Mine area where brecciation and silicification associated with the zone reaches widths of 25 meters. It continues for at least one kilometer to the north, but is cut off by a crosscutting fault to the south. There are also a number of steep northeast trending faults that cut the flat lying zones and may have been the conduits for mineralizing fluids. The steeper faults tend to have less silica content and hence do not outcrop as often.

There are three main areas of abandoned mine workings on the Daniel property, all of them very old and most of them completely or partially caved. The Coronela Mine is located in the middle of the eastern side of the concession, the Sierrita workings located 1.5 kilometers south of Coronela and the Morita area workings located from 1.5 kilometers to 3 kilometers northwest of Coronela. Coronela is reported to be 0.5 meters to 2 meters wide; current evidence for it is a series of five shallow shafts or pits in a largely pediment covered area. Southwest of this area is a long northwesterly trending ridge in which the silicified thrust zone is visible. The thrust dips at a shallow 6-degree-to-10-degree angle intersected by a northeast trending steep fracture zone that may be the source of mineralizing fluids. Samples of the thrust zone exposed in pits 30 meters apart near the fracture zone showed gold and silver mineralization over three meters in one pit and gold and silver mineralization in the other.

The Sierrita workings accessed a 1.5 meter vein that dipped at 20-30 degrees to the southwest and was traceable for about 180 meters until it passed out of the ridge. Workings in the valley floor 400-500 meters farther south occupy the projected trace of the vein. Samples of the vein taken in an adit near the ridge top showed high grade gold and silver mineralization. 500 meters farther south still, old pits expose a zone of fracturing and stockwork veining with abundant limonite and some chrysocolla. A three-meter horizontal sample taken here showed gold mineralization and high-grade silver mineralization.

The Morita area contains a number of old workings spread over a broad area that do not appear to be targeting the thrust zones as the other areas do. Workings are centered on high-angle quartz veins hosted by rhyodacite with north and northeasterly orientations. The veins are contained within a fault block. Samples from a number of veins in this area showed gold and silver mineralization. Two new trenching results of the La Morita area contained 18 meters of gold mineralization in the first trench, and a second north-south oriented trench located 200 meters to the southeast returned separate sections with 24 meters of gold mineralization and 12 meters of silver mineralization.

The Coyote zone is located about one kilometers west of the Coronela showings in an area with no evidence of prior prospecting. It was originally identified by a gold-in-soil anomaly from sample lines with 50-meter sample spacing, and confirmed by continuous chip sampling. The rock-chip samples were taken from surface exposures focused on a zone of quartz veining and stockwork that has an approximate thickness of 30 meters. Structural features observed within the Coyote zone include abundant high-angle and low-angle structures with common hematitic limonite material derived from oxidized sulfides. Stockwork fracturing and veining is also present between the structures in gold mineralized areas. The gold-in-soil anomaly continues for 300 metres north within pediment cover from the rock chip-sampled area.

### **Exploration Update**

Geological mapping and trench sampling at Daniel done from late 2006 through 2007 established a trend of approximately four-kilometer length in which gold is associated with quartz-carbonate vein and stockwork zones. Further to identifying targets within the trend, Pediment followed up with an RC drill program totaling 4,934 meters of drilling in early 2008. The final drilling resulted in numerous short intervals with gold mineralization, but not mineable grades or widths. The project area is a small part of the larger concession area, and possible joint ventures or additional reconnaissance work may be done in the future. No further work has been conducted at the Daniel project since February 2008.

## **Caborca Copper Project**

On November 30, 2006, the Company signed an agreement with Inmet Mining Corp. allowing Inmet to explore for copper gold porphyry deposits on Pediment's Caborca project. The agreement allowed Pediment to continue to focus work and financial expenditures on gold dominated project acquisition and exploration of its extensive gold and silver holdings while Inmet funded exploration for porphyry-type mineralization at Caborca. The Lista Blanca ridge area that Pediment recently completed an initial drill program on is excluded from the agreement. The best intercept of drilling was drillhole LB-04 with 16.0 metres of 2.46 grams per tonne gold and 1.04 percent copper.

From July 30 to October 2007, exploration work was carried out within the Inmet joint venture Project, including a induced-polarization geophysical and a diamond-drill program. The objective of this work was to further refine geophysical targets in the valley area, create drill targets and evaluate them. However, since testing of these targets was unsuccessful in locating porphyry copper-gold mineralization, plans are being made to reduce or eliminate the large concession of the joint venture.

## **Texson Gold Project**

The Texson Property in Sonora Mexico is composed of two concessions totaling 2,615 hectares and is located in a silver-enriched portion of the Mojave-Sonora Megashield. Texson is located 40 kilometers southwest of highway electrical main and rail access at Trincheras, and 100 kilometers south of the region's supply base at Caborca. Gravel roads from Trincheras that access the district's placer and hardrock gold operations also traverse the Texson Property. The district is one of Mexico's most important historic placer gold producers, but has no recorded history of silver output or exploration. Old workings expose gold-silver bearing quartz veins at the southern end of the target area and silver bearing workings at its north end. There is no history of drill testing within the Texson Project.

The project contains two significant areas of exposed alteration and mineralization at either end of a five-kilometer long flexure in the regional scale shear-thrust zone that hosts them. The portion of the shear-thrust zone between the two mineralized areas is pediment covered and will be targeted for drilling using geochemical and geophysical surveys. The Cerro Colorado gold mine is located 4.5 km on trend to the north-northwest from Pediment property boundary.

The northerly Texson Ridge target is an exposure of shattered, Precambrian aged granite and gneiss that has been broadly altered to limonite, jarosite and sericite. The top of the ridge is a silica stockwork zone at the hanging wall of the shallow dipping, regional shear zone that hosts the mineralization. The silica may have acted as a barrier that caused metal laden fluids flooding the shear zone to pond below it. Several old workings that appear to date from the 1800s have been located in the alteration on the northwest face of the ridge. This alteration is exposed across 200 to 400 meters of the shear, and over a one kilometer strike length. A similar color anomaly extends for a further 1 km distance in pediment cover beyond the southern end of the ridge exposure.

## **Land position update**

The project was formerly composed of 4 concessions covering 7,038.00 hectares; however Pediment sold the southern portion of the Texson concessions to Grupo Peñoles. The portion sold to Peñoles included the Texson Fracc. 1 Sur concession (which was derived from a division of the Texson Fracc. 1 concession), Texson Fracc. 2 and Texson Fracc. 3. Pediment still controls the northern end of the Texson project.

Limited grab sampling of old dumps and exposed mineralization on Texson Ridge has returned strong silver values, plus gold. A single sample located 300 meters southeast of Texson Ridge has returned high-grade silver mineralization and gold mineralization in a narrow vein hosted by limestone. An aerial view of the Texson Ridge color anomaly is to the left with the on-trend anomaly to the right.

The Calerita-Olivios area at the southern end of the project contains a number of narrow quartz veins that have been exposed in this flat lying area by old open workings and trenches. The pediment cover surrounding this vein area is a red color anomaly similar to that at Texson Ridge. Limited grab sampling has returned gold and silver values from the veins.

Texson is being targeted primarily to test for bulk tonnage, leach extractable silver and/or gold potential. Planned work includes extensive sampling and trenching at Texson Ridge, character sampling at the Calerita-Olivios area, and geophysical and geochemical surveys over the entire five plus kilometers of prospective trend and other areas of interest.

There is a limited history of bulk mining using acid leach extraction of deposits that have silver as the primary product. But there is a 30-year history of successful heap and vat leach extraction in gold mining, and many of these deposits also recovery silver. The Alamo Dorado deposit located in southern Sonora State, within a fold-trust belt similar to but separate from the Megashear, was acquired by Pan American Silver by takeover of Corner Bay Minerals in 2003. Pan American Silver has indicated it is proceeding to production of the deposit. There are also advanced exploration silver projects in southern Argentina and southern Peru being assessed for development that may include acid leach extraction processes for the silver.

#### **Exploration update**

No further exploration work has been conducted in the Texson project since 2007.

#### **Fiscal 2007 Exploration Details**

In October 2006, the Company reported progress on the Daniel gold project in Sonora State, Mexico, from which results of an initial 318 soil-sample program have been received. A soil sample grid with 50-meter spaced samples taken along east-west lines of 100-to-200 meters separation was completed over an area of more than two square kilometer centered on the Coronela showings. The main anomaly indicates a northwest oriented area of 1000-by-300 meters. Narrow, structurally related “arms” extend for an additional 500 meters to the northeast from the main anomaly. Near old prospect pits at Coronela, gold values were obtained near where rock sampling previously returned values over three meters in one pit. Located an additional 300 meters NW of those pits, anomalous results were obtained adding to the strike length of the Coronela gold anomaly. A low-level arsenic anomaly is coincident with the above described gold anomaly. A thrust fault forms the contact between granitic intrusive and Jurassic dacitic volcanics in the prospect area. This contact contains areas of brecciation and silicification with related gold mineralization. The gold-in-soils anomaly is also partly coincident with areas of quartz veinlets within the granite intrusive near its contact with dacite volcanics. A trenching program to explore bedrock in the gold anomalous areas at Daniel was expected to commence as soon as a pending group of soil-sample analyses are received from the laboratory. Samples were taken from five-to-fifteen centimeters of depth in soil, located by hand held GPS and transported to the ALS Chemex preparation facilities in Hermosillo. Multi-element analysis was performed on a screened fraction of the samples using ICP mass spectrometer by ALS Chemex in its North Vancouver laboratory. The Daniel project is located within the regional Mojave-Sonora Megashear trend hosting gold mines and deposits that include the La Herradura Mine and the Noche Buena deposit located to the northwest of the Daniel project 45 and 22 kilometers respectively. Northwestern Mexico is seeing numerous mineral deposits advancing to production with as many as six having started in the past year.

In October 2006, the Company reported on assays received for three drill holes (LB-01, LB-02 and LB-04) testing the Lista Blanca target. The Lista Blanca target, located south of the city of Caborca in northwestern Sonora State, is an outcropping with linear hydrothermal breccia containing zones of high copper and gold content. The drilling was designed to test its potential contained resource, and to determine whether it may indicate the presence of a related porphyry copper-gold system in adjacent pediment-covered areas where a Reconnaissance Induced Polarization (RIP) program generated two large areas of geophysical anomalies earlier this year. The zone drilled is concluded to be an entirely hydrothermal breccia, and essentially an elongated “breccia pipe” created by multiple internal stages of hydrothermal breccia development. Breccia pipes of this sort are a common feature in a number of porphyry copper type systems. The mineralization encountered is in oxide form with minor bornite. Drilling results to date identified higher gold mineralization than anticipated. Current results seem to show that shorter intervals of higher grades are closer to surface while longer intervals of lower grades are seen at depth. Granodiorite porphyry dikes intrude the breccia and are locally brecciated themselves. The best copper and gold mineralization is close to the dikes which are also irregularly altered and mineralized with copper. The dikes seem to be characteristic of porphyry-copper related intrusives and occur most frequently in drill intercepts from the area of LB-04 and northwesterly for 500-600 meters. The nearest drill holes to LB-04 are LB-5 located 90 meters southeast (assays pending), and LB-02 located 350 meters northwest. The company plans to continue working in the area as we feel there is additional information required to properly assess the project. After we receive the balance of the drill assays the company will then create the next stage of the exploration plan. Additional assays will be made available in due course.

In November 2006, the Company reported an extensive program of mechanical trenching has begun at the Daniel project in Sonora State, Mexico. Trenching will follow-up the successful initial grid soil sampling program. Soil sampling revealed a large gold in soil anomaly measuring 300-by-1000 meters, oriented in a north-northwest direction with an additional 500 meter "arm" striking to the northeast from the center of the anomaly. The main anomaly is centered on the 100-plus year-old Coronela gold mine area where sampling of old test pits returned gold and silver values. The most highly anomalous gold values on the main soil grid roughly follow the interpreted thrust contact between intrusive and volcanic rocks as well as crosscutting vertical structures that are thought to be feeders for the gold system. Soil sampling continued during October-November 2006 prior to trenching, adding additional lines to the grid to tighten up targeting and to extend and close off portions of the soil anomaly in the northeast and southern portion of the main grid. Results received to date from new southern lines indicate areas of anomalous gold and arsenic values close to the old "Sierrita" workings where reconnaissance sampling of an old adit on a one meter vein returned gold and silver values. Additionally, lines have been added to the "North Grid" which is offset to the west from the main grid to follow the thrust contact. The last sample located at the northeastern corner of this grid showed gold in hematitic soil. Lines have been added as well as extended eastward in this area to determine the size of the anomaly. This area known as the old "Morita Ranch area" has workings which follow high angle veins rather than the shallowly dipping thrust fault veins as seen at Coronela and Sierrita.

In November 2006, the Company provided an update of its exploration activities in Northwestern Mexico. During the past quarter, Pediment had greatly expanded its technical staff, adding three geologists and numerous field assistants and outside specialist consultants. The Company is and expects to continue to be active on several projects simultaneously for the foreseeable future. Pediment is subject to the same delays in receiving assay and analytical results that plague the entire sector but will press ahead with field-work while results are awaited. With over 4000 samples in or en route to the lab and new sampling programs ongoing, the Company will have a heavy reporting schedule going forward. Sample preparation and shipping has been completed for the nine-hole drill program on the Lista Blanca zone at the Caborca copper project. Results for the first three holes were reported earlier and the remainder will be released as soon as available. One of the most significant findings from this drill program was a reclassification of the Lista Blanca zone as hydrothermal breccia and the presence of porphyry dykes hosting or proximal to areas of higher copper and gold grades. Pediment believes these findings enhance the potential of the large porphyry targets beneath the valley to the east and southeast of Lista Blanca ridge. A follow-up program to pursue these targets is being explored. Mechanical trenching has begun at the Daniel project on the Mojave-Sonora Megashear. Trenches are being cleaned, mapped and sampled while the bulldozer and excavator work on creating new exposures. Ten or more large trenches are planned at Daniel, after which the equipment will move to the Texson project. Trenching at Texson is designed to assess the Texson Ridge silver target, a 700-meter long silver in soil anomaly discovered by Pediment earlier this year. Both of these trenching programs should be finished and results reporting begun before year end. At Baja Sur, a geophysical crew from Durango Geophysics of Durango Colorado is mobilizing and will start in December 2006 on a pole-dipole Induced Polarization (IP) survey to the north of the Company's existing Colinas resource. This survey will define and extend the Reconnaissance IP anomalies generated earlier this year. The survey will be conducted on a number of the lines that were recently soil sampled by Pediment. Results of the survey will be combined with geochemical results from 3600 soil samples currently in the lab. It is expected that a number of new drill targets will be defined by these programs. Testing will focus on both flat lying shears and steeper feeder structures that are expected to yield higher grades.

To that end, Pediment is pleased to report that it has signed agreements with Diamond Drilling Consultants of Spokane, WA for a core-drilling program at Baja Sur. The initial contract is for a minimum of 3000 meters and is extendible at Pediment's election. Drilling equipment is en route and expected to arrive at San Antonio BCS in December 2006. Drilling is expected to begin in 2007 when new geochemical and IP results have been compiled and interpreted. The initial focus of the drilling will be completing holes required bring the current Colinas mineralization to 43-101 standards followed by expansion testing and testing of new target areas.

In December 2006, the Company signed an agreement with Inmet Mining that will allow Inmet to explore for copper gold porphyry deposits on Pediment's Caborca project. The agreement allows Pediment to continue to focus on project acquisition and exploration of its mineralization properties while Inmet funds work towards the discovery of porphyry mineralization at Caborca. The Lista Blanca ridge area that Pediment recently completed an initial drill program on is excluded from the agreement. Pediment will be the initial operator of the project. Pediment has granted Inmet an option to earn up to 70% of the Caborca copper project in return for payments of \$250,000 and exploration expenditures of \$5,000,000 over four years. Inmet is expected to complete due diligence within two months and, on notice, pay \$50,000 and commit to \$100,000 in exploration expenditures within six months. Pediment will be the initial operator for the project. Upon earning its 70% interest, a Joint Venture between Pediment and Inmet will be formed, with each party paying their pro-rata share of ongoing expenses. Pediment may elect not to contribute and have its interest ultimately reduce to sliding scale copper and gold Net Smelter Return royalties. At current copper and gold prices, the copper royalty would be 3% and the gold royalty 2%. The

agreement is subject to regulatory approval. Pediment and Inmet have agreed that the next stage of exploration at Caborca will be a pole-dipole IP survey that will be used to better define the reconnaissance IP targets and estimate depths of mineralization. A deposit like Ajo would have low total sulfide content with bornite and chalcopyrite as the principle copper sulfides and a surrounding pyrite zone. IP was designed to detect this type of mineralization. A moderate to strong anomaly would be expected for porphyry copper sulfide mineralization and its surrounding pyritic halo. The survey will be carried out by Durango Geophysical Operations once they have completed the IP survey now underway on Pediment's Baja Sur project. It is expected the survey will take place early in 2007 and will be followed by a drill program of approximately \$250,000 to test the refined targets, if warranted, in year one. All regulatory and due diligence approvals have been completed. All required cash payments, share issuances, and exploration expenditures have been made on time.

In December 2006, the Company announced that the program of tractor and backhoe trenching has been completed on the Daniel project. The Daniel concessions are located west of Caborca, Sonora Mexico. Nine trenches were excavated to provide bedrock exposure within the main gold and arsenic in soil anomaly in the centre of the grid area known as the Coronela Mine area. East-west oriented trenches ranging in length from 136-to-485 metres were dug at 100-meter intervals within the anomaly area. Trench locations roughly correspond to existing gridlines, starting at line 209N in the south and ending at line 217N in the north. Seven of the trenches have been rock sampled so far and the remaining two should be completed shortly. Roughly 900 rock samples will be taken from the trenches during this program; several groups of samples have been sent to the lab and results will be reported when received. As part of the current program, a number of soil lines and line extensions were added to the north and south in order to investigate anomalous values on the edges of the previous grid. Six lines were added at 100-meter intervals at the south end of the grid. Results from the new lines indicate an additional gold anomaly extends through the new lines and continues open to the south. The anomaly is roughly north-northwest oriented and aligned with the main Coronela anomaly where the trenching took place. Several lines were also added on the north and northwest part of the grid.

Arsenic results have been received for all the new lines in this area; gold results are still pending for four lines. The arsenic results show a new 350-meter-long anomaly in this area with the same orientation, but offset to the west. The zones of anomalous soil geochemistry follow the mapped exposures and projected surface trace of one or more low angle thrust faults which are often the contact between dacitic volcanics and granodiorite porphyry on the Daniel concessions. This geological and structural environment in the Daniel concession is analogous to the La Herradura Mine and Noche Buena deposit located 45 and 22 kilometers respectively to the northwest within the Mohave-Sonora Megashear.

In early January 2007, the Company signed agreements to acquire a 100% interest in the Juliana project located in the Mulatos-La India camp, Sonora Mexico. The Juliana concessions, which total approximately 700 hectares, are located between recent discoveries at La India by Grayd Resource Corp. and the producing Mulatos gold mine owned by Alamos Gold. The Juliana property is located about 6 kilometers west of the Mulatos open-pit, heap-leach gold mine. Past work at Juliana includes surface sampling and drilling. Prior drilling at Juliana consisted of 16 short percussion drill holes and five core holes that targeted a northerly-trending gold mineralized structure referred to as the "Main Feeder Fault". Surface sampling prior to drilling returned a number of encouraging samples from this structural zone. Pediment's due diligence sampling in the same area also returned encouraging gold values over one-to-three-meter sample lengths. Pediment was drawn to the camp based on recent exploration successes by both Grayd and Alamos in stratigraphically- (rather than structurally) controlled gold zones. Gold zones with stratigraphic controls have the potential for rapid resource growth to large size with exploration success. Our geological review of the targets at Juliana indicate a stratabound, epithermal gold-mineralized zone may exist within a complex set of parallel block faults. Prior work at Juliana focused only on the Main Feeder Fault, a steeply dipping structural zone, whereas Pediment is focusing on stratabound mineralization. The structural zone was an obvious target based on high surface-gold grades in channel samples and the scattered presence of visible native gold within gambusino workings confined to the Main Feeder Fault structure. The Juliana option includes complete access to a multi-element analytical database of existing information including the drill holes with continuous down-hole analyses, about 1000 rock chip and channel samples, and more than 1325 soil samples. This database, combined with additional data collected by Pediment, provides a sound foundation for targeting and testing new stratabound gold targets with multi-million-ounce gold potential in this highly prospective gold district. Pediment geologists are currently analyzing the database and planning follow-up sampling and permitting. The Company expects to be able to rapidly advance the Juliana project to drill stage in the next few months. The agreement between Pediment's Mexican subsidiary and three private Mexican owners covers three concessions; Juliana, Juliana 1, and Juliana 2 totaling 700 hectares. The agreement calls for an initial payment of US\$30,000 and total payments of US\$800,000 over four years. The majority of the purchase price falls in the fourth year. On completion of the payments Pediment will own 100% of the project, with the vendors retaining a 1.0%-1.5% royalty, depending on the size of any NI 43-101 compliant mineable reserve discovered on the property. The



Juliana acquisition adds a third major gold district to Pediment's areas of active exploration. These are, in addition to Mulatos, the Caborca-Megashear region (Daniel concessions), and Baja California Sur (Las Colinas).

In late January 2007, the Company announced that Inmet Mining Corp completed due diligence on the Caborca copper project, made the initial \$50,000 payment and approved the Phase I program and budget. The next cash payment of \$50,000 is due on or before the first anniversary of the Holding Company Incorporation date, an event that has not yet occurred. Inmet's ratification of the Option Agreement commits it to \$100,000 in spending at Caborca within six months. Phase I will consist of a program of linear pole-dipole IP in areas where earlier reconnaissance IP discovered two large chargeability anomalies. This survey will confirm and define the anomalies in sufficient detail to target follow up drilling. The IP program will be carried out by Pediment's geophysical contractor Durango Geophysical Operations ("DGO"). DGO just completed an extensive program of IP surveys on the Baja Sur project and will mobilize immediately to Caborca. Interpretation of the Baja Sur surveys is expected in February 2007 and details of that work will be announced when received by the Company. The IP surveys at Caborca are expected to take three-to-five weeks to complete. Upon the receipt of favorable results, Inmet and Pediment will finalize drill hole locations to test the anomalies. Drilling would then proceed as soon as a suitable drill rig can be obtained.

#### **United States vs. Foreign Sales/Assets**

The Company has generated no sales revenue since incorporation.

At 9/30/2008, \$18,416,369 and \$11,366,190, respectively, of its assets were located in Canada and Mexico.

At 9/30/2007, \$10,126,566 and \$ 3,800,454, respectively, of its assets were located in Canada and Mexico.

#### **4.C. Organization Structure**

The Company is incorporated under the laws of British Columbia, Canada.

The Company currently has two wholly-owned subsidiaries:

- a. Compania Minera Pitalla, S.A. de C.V.  
Incorporated in Mexico on 8/13/2002  
Acquired on 9/29/2005.
- b. Pediment Exploration Mexico S DE RL DE C.V.  
Incorporated in Mexico on 3/23/2005

#### **4.D. Property, Plant and Equipment**

The Company's executive offices are located in leased premises of approximately 440 sq. ft. at 789 West Pender Street, #720, Vancouver, British Columbia, Canada V6C 1H2. The Company began occupying these facilities in June 2007. The Company rents office space on a month-to-month basis with no annual commitment.

Pediment Gold Corp. (the "Company") is a mineral exploration company. Its main focus is on exploring thirteen gold/silver/copper projects in Mexico: Carborca Copper; Cochis Gold; Daniel Gold; Glor Gold; La Cien Gold; La Colorada Gold-Silver; Manuel/Mel Gold; San Antonio Gold; Texson Gold; Valenzuela Silver; Roja; Nopal; and Caribe.

**The Company's exploration properties are without a known body of commercial ore and all proposed programs are an exploratory search for ore.**

**Caborca Project**  
**100%-Owned Silver/Copper/Gold Exploration Property**  
**Sonora, Mexico**

**Acquisition Details**

The Caborca Project was acquired pursuant to the aforementioned purchase of Pitalla in September 2005. Pitalla originally staked 600 hectares covering exposures of oxidized copper mineralization in replacement and skarn zones. Based on recent work, the project has been expanded to almost 14,000 hectares to contain areas prospective for discovery of porphyry mineralization.

**Property Description and Location**

**Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The Caborca property consists of three separate concessions: Pitalla, Diana, and Martha. The concessions are located within 25 kilometers of Caborca, Sonora. Each concession covers a particular prospect. The concessions total 1,647 acres. All of the properties are within several hundred meters of paved roads close to the city of Caborca. The climate is arid and hot, with an average temperature of 23°C, with lows of 8°C and highs of 38°C. Precipitation averages 240 millimeters, most of it occurring during the period July to September. Vegetation is typical of the Sonora desert and consists of numerous varieties of thorny desert cacti, such as saguaro and cholla, small shrubs and bushes, including manzanilla, mesquite, ironwood, cat claw and palo verde. The property is characterized by gravel pediment with the hills rising 300 meters above the average elevation of 250 meters ASL. All of the showings and past workings are exposed on the lower slopes of the range. Supplies and equipment are available in Caborca, a city with a population of 120,000. Local labor is available in the nearby villages. Power and water are readily available. Although Caborca has an airport, the nearest scheduled air service is available at Hermosillo which has direct flights to the United States and other Mexican cities.

**Prior Exploration**

All three concessions have seen limited historical mining. The Lista Blanca Mine on the Pitalla Concession was worked by the Caborca Mining and Development around 1953. The mining was centered on exposures on the lower slopes of the hill over an 80 meters vertical extent. Five ore bodies are reported to occur along the footwall of the Lista Blanca fault and were developed by a 150-meter drift, two shallow shafts and a 100-meter shaft. Access to the drift is by a 40-meter tunnel from the side of the hill. Numerous open cuts are also visible. The ore was treated in a 300 TPD flotation mill but due to poor recoveries, production ceased early on.

Prior to its acquisition in July 2005, Pitalla had not carried out any systematic exploration on the property and their work was limited to data compilation, rock sampling and limited preliminary metallurgical testwork. Additional samples taken from the Lista Blanca Mine in Fall 2004 were submitted for leach tests. Pitalla conducted reconnaissance level rock sampling over the property. Composite grabs were taken from the dumps and representative chips were taken from outcrops and structures showing visible copper. Each sample was described and located using a GPS. The samples taken by Pitalla were sent to recognized laboratories. No special security measures were taken. Copper and silver were assayed using aqua regia acid digestion and either AA or ICP finish. Total copper was reported. Gold was determined by standard fire assay methods (Chemex) or aqua regia digestion and ICP finish (ACT). Acid soluble copper was determined by sulphuric acid leach methods. The laboratory uses a hot sulphuric leach.

During a site visit, two samples were taken, as the copper oxides were clearly visible in all the outcrops. Visually verified was the presence of visible gold found in one of the open cuts on the Pitalla Concession. The samples were prepared and shipped to a Vancouver, British Columbia, Canada, laboratory for assay using standard assay techniques. Gold was determined using a 30-gram fire-assay with atomic absorption (AA) finish. Silver was determined by a four acid digestion and AA finish. Copper samples were assayed using acid digestion with AA finish. Copper analyses above 1% were rerun. The samples indicate the presence of copper accompanied by gold, and silver and substantiate the general tenure of the mineralization as reported by Pitalla. Sample M180750 included rocks with visible gold. Samples were sent to a Spokane, Washington, USA, laboratory for bucket leach tests in early 2004 to determine acid soluble copper and recoverable silver using cyanide. For the bucket leach tests the sample is submerged in the acid and checked on a daily basis for free acid. If required, the bucket is drained and the acid replaced. The copper present in the acid is measured using AA techniques. A pulverized sample from the dumps on the Pitalla Concession indicated material copper/silver mineralization. Numerous samples indicated material copper/silver mineralization with gold present. Additional testing was recommended.

**Cochis Gold Project**  
**100%-Owned Gold Exploration**  
**Sonora, Mexico**

**Acquisition Details**

The Cochis Gold Project was acquired pursuant to the aforementioned purchase of Pitalla in September 2005.

**Property Description and Location**

**Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The Cochis project was staked in 2004 and consists of a single concession, El Toro, which is 250 hectares in area. A 30-hectare internal claim held by a third party covers one of the areas of old workings. Cochis is located approximately 70 kilometers northeast of Hermosillo and 15 kilometers from Gaudalupe de Ures which is connected to Hermosillo by Highway #21. Gravel roads and local ranch roads access most areas of the property. The concession was staked to protect 3.5 kilometers of the Cochis fault, a sheared fault zone that has a number of old workings along its length. Associated structures are stone construction with large trees growing through them, indicating they are at least 100 years old. The area north of the fault is underlain by quartzites, shales and limestones assumed to be Cretaceous in age and analogous to the sedimentary units hosting the Santa Gertrudis gold deposit further to the north. Most of the sediments but particularly the quartzite have been thoroughly shattered and altered by silica flooding and sericitization over a broad area near the fault. Widespread limonite indicates sulphides were placed hydrothermally throughout the altered zone. Within the fault zone area is an intruding porphyry dyke that roughly follows the fault zone. The dyke is also heavily altered and has large amounts of limonite indicating it had a high sulphide content that is now oxidized near surface. The dyke weathers in but was seen in several places and appears to follow the entire fault zone through the property. South of the fault intrusives are more common, with the fault itself the likely boundary. The Cochis fault zone is complex with at least six different strands and appears to be a large displacement strike-slip fault. The fault channeled the porphyry dike and acted as the conduit for the mineralizing fluids that caused the broad pervasive alteration. Quartz veins are also seen following the fault in several areas and these may have been the target for miners in the past seeking high-grade ores.

**Prior Exploration**

A number of reconnaissance samples were taken along the fault zone from various structures and alteration areas that averaged about 33 g/t silver and 0.5 g/t gold. In general the area bears many similarities to some sub-classes of the Carlin model, with structurally controlled gold mineralization driven by fault structures cutting sedimentary units and in particular the Gatchell model. Gold and silver were anomalous in most samples taken along the 3.5-kilometer strike of the fault covered by the concession. Mineralization is also present in parallel-brecciated fault-zones and cross faults perpendicular to the Cochis fault. Given the widespread gold and silver values and permissive structural framework of the area Pediment plans to follow up with more detailed mapping and a sampling campaign to highlight areas with the best gold silver concentrations at surface for follow up with trenching, drilling and subsurface sampling where old workings can be accessed.

**Daniel Project**  
**100%-Owned Gold Exploration Property**  
**Sonora, Mexico**

**Acquisition Details**

The Daniel Project was acquired pursuant to the aforementioned purchase of Pitalla in September 2005.

**Property Description and Location**

**Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The Daniel Property consists of four concessions: Daniel, Daniel #1, Daniel #3, and Daniel #4. The property is located 40 kilometers northwest of the city of Caborca, Sonora, Mexico. The concessions total 2350 hectares. The property is reached by 15 kilometers of good dirt roads south of Tajitos from Highway #2 north of Caborca. Most of the concession can be reached by dirt roads, although parts of Daniel #4 have poor road access. The climate is arid and hot, with an average temperature of 23°C, with lows of 8°C and highs of 38°C. Precipitation averages 240 millimeters, most of it occurring during the period July to September. Vegetation is typical of the Sonora desert and consists of numerous varieties of thorny desert cacti, such as saguaro and cholla, small shrubs and bushes, including manzanilla, mesquite, ironwood, cat claw and palo verde. Supplies and equipment are available in Caborca, a city with a population of 120,000. Local labor is available in the nearby villages. Power and water are readily available. Although Caborca has an airport, the nearest scheduled air service is available at Hermosillo which has direct flights

to the United States and other Mexican cities. The property is characterized by gravel pediment and low rounded hills rising 100 meters above the average elevation of 250 meters ASL.

#### Prior Exploration

Historically the area is known as the Coronela District. Old workings are found at the Coronela Mine, Sierrita Mine and Morita Mine. The main focus as evidenced by the older prospecting within the concession area was on veins hosted in the Mesozoic rhyodacites. All workings are very old, and most are partly caved. No water was observed in any of the workings. The historic workings were re-examined by Independence Mining in the early 1990s that carried out mapping, hand trenching and blasting. The results of this work are not currently available. In 1995-1996, Hecla Mining carried out an exploration program in the northwest part of the property and completed five drill holes investigating high-grade quartz veins. The data is not currently available.

Prior to its acquisition in July 2005, Pitalla had not carried out any systematic exploration on the property; and their work was limited to compilation and limited rock sampling. Composite grabs were taken from the dumps and representative chips were taken from outcrops. Pitalla conducted reconnaissance level rock sampling over the property with representative chips taken from outcrops and veins. Where possible the veins were sampled by taking a chip channel across strike. Each sample was described and located using a GPS. During a site visit, four samples were taken from the various dumps and trenches on the property. The samples were prepared, and then assayed using standard assay techniques. Gold was determined using a 30-gram fire-assay with atomic absorption (AA) finish. Silver was determined by a four-acid digestion and AA-finish. The samples indicate the presence of gold and silver and substantiate the general tenure of the mineralization.

#### Glor Project

##### 100%-Owned Gold Exploration Property Sonora, Mexico

#### La Cien Project

##### 100%-Owned Gold Exploration Property Sonora, Mexico

In April 2006, the Company announced it had staked two additional concessions in the Mojave-Sonora Megashear.

The 5000-hectare Glor Concession is located 15 kilometers northeast of the city of Caborca, on the west flank of Cerro El Alamo. Historic work has been confined to four main zones, two of which include a cluster of old mine prospects: Liebre zone, San Jose zone, Cinco Amigos, and San Francisco-Bolina zone. The prospect development consists of numerous pits, shafts, and tunnels in the south side of Cerro El Alamo except San Jose that is located in shallow pediment cover. The old workings targeted gold in high angle structures (veins) seeking higher-grade material. These will be investigated; though the primary target for the Company is larger disseminated zones in flat lying thrust faults -- the same target deposit type PEZ is exploring for on other Mojave-Sonora Megashear projects. It is expected that these flat lying faults will occur below pediment cover and they will be explored for using pediment geochemistry and geophysics. Mineralization at Glor and Chanate are hosted by a Mesozoic aged sedimentary sequence that is divided into a lower mudstone unit and an upper unit containing sandstone and conglomerate.

The 400-hectare La Cien Concession is in a historic gold district, La Cieniega, located 40 kilometers south of Caborca in northern Sonora State. Large nuggets are still being found there with modern detectors. The La Cien Concession contains Precambrian aged granite and schist cut by an easterly dipping low angle thrust fault. Gold associated with felsic dikes is found in the footwall of the thrust zone. The Company will carry out programs at the La Cien Concession to determine the structure's potential along an observed length of two kilometers, and to look for hidden deposits.

**La Colorada Project**  
**Optioned Gold-Silver Exploration Property**  
**Sonora, Mexico**

**Acquisition Details**

On October 22, 2007, the Company acquired the La Colorada Gold-Silver Project in Sonora, Mexico, for US\$1.1 million and a commitment to pay an additional US\$1.65 million over the next two years.

On November 26, 2008, the Company amended the original option agreement dated October 22, 2007 and entered into a revised purchase agreement and option to purchase agreement in to the La Colorada project.

Pursuant to the revised purchase agreement, the Company acquired all concessions except the Sonora IV concession agreed to under the original option agreement by making one further payment of US\$825,000 (paid), for a total purchase price of US\$1.925 million, and granted a net smelter return royalty of 3% if open-pit mined or of 2% if underground mined. The 2% net smelter return royalty on underground production can be purchased by the Company at any time for US\$300,000 (\$367,380).

The option to purchase agreement grants the Company the option to acquire the Sonora IV concession for 300,000 common shares of the Company on or before October 16, 2009 at a deemed price of \$0.50 per share.

On February 12, 2008, the Company entered into an option agreement whereby they acquired the right to purchase three additional mineral concessions totalling 852 hectares for a total price of US\$800,000 (\$102,491 paid). The remaining US\$700,000 is due as follows:

US\$100,000 – February 12, 2009

US\$100,000 – February 12, 2010

US\$160,000 – February 12, 2011

US\$160,000 – February 12, 2012

US\$180,000 – February 12, 2013

On August 14, 2008, the Company acquired six mineral concessions totalling 218 hectares for \$109,688 (paid).

**Property Description and Location**

**Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The property is located approximately 40 km southeast of Hermosillo, Sonora State, Mexico.

The property is located approximately 40 kilometer southeast of Hermosillo, Sonora State, Mexico. Access to the area is via paved Mexico highway No. 16, with a driving time of approximately 40 minutes from Hermosillo. Hermosillo, the Sonora state capital is located 300 kilometer south of Tucson, Arizona.

Physiographically, La Colorada Property is located in the rolling western foothills of the Sierra Madre Occidental Mountain Ranges in the northern Sonora Desert climatic region. Its topography is characterized by northerly elongate mountain ranges separated by broad, flat-bottomed valleys. Average valley elevation on the property is 400-meters-to-450 meters above sea level, with hills reaching 650 meters elevation.

La Colorada climate is characterized by a long hot and dry summer with daytime temperatures ranging from 25 to 50°C, while winter temperatures range from 10°C to 25°C. The average annual rainfall is about 25 centimeters with most precipitation during August and between December and March. Water is generally available at a depth of 15-meters-to-20 meters in the numerous shafts and underground workings on the property.

Unpaved roads within the property exist and are in good conditions.

**Prior Exploration**

La Colorada originally operated as a high-grade underground mine, which closed at the start of the Mexican Revolution in 1914. During the period 1993-2000 Eldorado Gold Corp developed a bulk tonnage heap leach operation from several open pits; although the operation was sold in late 2000, production continued by a private Mexican owner until April 2002. La Colorada was until recently Sonora's largest historic gold producer. Currently the La Herradura mine is Sonora's largest producing gold mine.

During the main historic mining period from 1876-1914 the production of more than 3 million ounces of gold was recorded. In 1990 the Mexican Geological Service (SGM) measured 1.5 million tons of tailings that were utilized at

the start of the open pit production by Eldorado in 1993. The last formal resource estimates for the open pit project were done by Eldorado in 2000.

#### Geological Background

The La Colorada gold vein deposits are hosted in a volcano-sedimentary sequence that has been locally altered to skarn by magma intrusions. Veins are focused along east-west and northeast-southwest trending structures that dip to the north and northwest at moderate angles, and cut across the skarn and intrusions. Surface mining was focused along three structures, the upper parts of which flare out into stockwork zones. Eight different structures in the La Colorada mine area appear to have older underground workings in gold bearing quartz veins. Past reports indicated the gold deposits formed under mesothermal or deep epithermal conditions, and implied a genetic relationship to the Cretaceous aged magma intrusions that created the skarn. Recent fluid-inclusion studies on veins indicate a low-temperature regime in the epithermal range, and radiometric age determinations indicate ages younger than those for the Cretaceous period of magma intrusion. In addition to this, recent investigations indicate some veins cut Miocene aged volcanic rocks, which suggests the vein forming period at La Colorada is as young as the veins of the Sierra Madre Occidental gold-silver belt located to the east of La Colorada.

#### **Manuel & Mel Project**

##### **100%-Owned Gold Exploration Property**

##### **Sonora, Mexico**

#### Acquisition Details

The Manuel & Mel Project was acquired pursuant to the aforementioned purchase of Pitalla in September 2005.

#### Property Description and Location

##### Accessibility, Climate, Local Resources, Infrastructure and Physiography

The two concessions are located 110 kilometers northwest of Caborca, just west of Highway #2. The concessions total 2,879 acres. The properties are located eight kilometers west of the Highway #2, 40 kilometers south of Sonoita, which is on the border with Arizona. Gravel and dirt roads provide access to the property from the highway. The climate is arid and hot, with an average temperature of 23°C, with lows of 8°C and highs of 38°C. Precipitation averages 240 millimeters, most of it occurring during the period July to September. Vegetation is typical of the Sonora desert and consists of numerous varieties of thorny desert cacti, such as saguaro and cholla, small shrubs and bushes, including manzanilla, mesquite, ironwood, cat claw and palo verde. Supplies and equipment are available in Sonoita, 40 km to the north or Caborca, 110 kilometers southeast. Local labor is available in the nearby villages. Power and water are readily available from Quitovac. The nearest scheduled air service is available from Tucson or Hermosillo which has direct flights to the United States and other Mexican cities. The property is characterized by gravel pediment with hills rising as high as 600 meters ASL, above the average elevation of 350 meters ASL.

#### Prior Exploration

There is a decline of unknown age on a quartz vein on the Mel Concession. The Manuel Concession includes the former La Negrita Mine and several other old prospects, including the remnants of a stamp mill. La Negrita developed a one-to-three meter quartz vein hosted by a black andesite. Past production is unknown. Hecla held the concessions in the early 1990s. On the Mel Concession, Hecla drilled four holes to test the quartz vein that had been developed in the past. Results of the drilling are not available.

Prior to its acquisition in July 2005, Pitalla's work consisted of compilation and reconnaissance level rock geochemical sampling. One sample, Mlu-1 is located five meters above the vein described previously on the Mel Concession. The remainder of the samples are from Manuel Concession. Composite grabs were taken from the dumps and representative chips were taken from outcrops and veins. Where possible, the veins were sampled by taking a chip channel across strike. Each sample was described and located using a GPS.

**San Antonio Project (Formerly Baja California Sur)**  
**100%-Owned Gold Exploration; Baja California, Mexico**

**Acquisition Details**

The San Antonio Project was acquired pursuant to the aforementioned purchase of Pitalla in September 2005.

**Property Description and Location**

**Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The Baja California Sur (Las Colinas) property currently consists of two concessions: Cirio and Emily. The concessions total approximately 8,163 acres. They are located in the San Antonio mining district located 40 kilometers southeast of La Paz, Mexico, capital city of the State of Baja California Sur. The property is easily accessible by improved gravel roads that extend 5 kilometers north-northeast of the town of San Antonio located on Highway No 1. Dirt roads provide access throughout the property. The climate is arid and hot, with an average temperature of 23°C, with lows of 12°C and highs of 35°C. Precipitation averages 170 millimeters, most of it associated with hurricane systems occurring during the period August and September. Vegetation consists of numerous varieties of thorny desert cacti, small shrubs and bushes, including manzanilla, mesquite, and palo verde. Local labor is available in the nearby towns and La Paz. The capital city, with a population of about 170,000, is serviced by daily flights from the United States and other cities in Mexico. Electric power is readily available with a 115 kV power line passing through San Antonio. The northern part of the property is characterized by rounded hills rising from the pediment with elevations ranging from 200-meters to 250-meters above sea level (ASL). The southern part is more rugged with elevations from 400-meters to 600-meters ASL.

**Prior Exploration**

The Jesuits mined gold and silver in the 1700s from the San Antonio and nearby El Triunfo districts. Old pits and shallow shafts have been noted on the both the Cirio and Emily Concessions. The government geological branch, Consejo De Recursos Minerales (CRM), carried out work in the 1970's consisting of mapping, trenching and limited magnetic and Induced Polarization (IP) surveys which covered portions of the Las Colinas Property. Echo Bay Exploration Inc. (Echo Bay) acquired the concession in the mid-1990s at the same time that they were working on the Paredones Amarillos joint venture, 20 kilometers south. Information on the Echo Bay program is limited to the public documents listed in the Reference section. Echo Bay carried out detailed geological mapping, stream sediment, soil and rock chip sampling, trenching, ground geophysics, airborne geophysics, drilling and metallurgical studies. Drilling of 31 reverse circulation (RC) holes totaling 6,085.5 meters resulted in the estimation of gold mineralization. The Company believes that approximately 15% of the historical mineralization is on the adjoining Texcalama Concession to the south that is not currently owned by the Company. Prior to its acquisition in July 2005, Pitalla had not carried out any systematic exploration on the property and their work was limited to compilation and minor rock sampling on the northern extension of the main zone. During the mid 1990s, Echo Bay carried out, airborne magnetics, ground electromagnetics, radiometrics and VLF surveys, ground magnetic and IP surveys, soil sampling, trenching, mapping and drilling. A limited amount of the work is available in the public domain. The radiometric survey is reported to have indicated an anomalous potassium and K/Th ratio response associated with the Las Colinas mineralization. The cataclasite is a relative conductor compared to the diorite and granodiorite. A close correlation between the increased polarization response and the sulphides containing the gold mineralization was noted. The IP survey was run using 100-meter dipole spacing on lines spaced 200-meters apart. Additional lines to the north were run using 50-meter dipoles on 200-meter line spacing. Echo Bay concluded that the IP was successful in outlining the mineralization that was still open to the north beyond the IP coverage. Incomplete results from a soil survey also suggest a continuation of the mineralization to the north. Drill holes SA97-120 and SA97-123 confirm the extension of the mineralization to the north.

**Texson Project**  
**100%-Owned Gold Exploration Property**  
**Sonora, Mexico**

**Acquisition Details**

The Texson Project was acquired pursuant to the aforementioned purchase of Pitalla in September 2005.

**Property Description and Location**

**Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The property consists of three concessions: Texson #1, and two internal fractions, Texson #2 and Texson #3 centered on historical workings. Four concessions [San Jose, La Cava, Porvenoir and Porvenoir #2], internal to Texson #1, are owned respectively by un-related third parties. The concessions total 7,207 acres. The property is located 150 kilometers northwest of Hermosillo in the State of Sonora, Mexico. Access to the property is by a well-maintained dirt road south of the village of Trincheras, 40 kilometers to the northeast. Trincheras, accessed by paved roads, is 20 kilometers south of Highway #2 which connects Santa Anna and Caborca. Trincheras is on a rail line and a 230 kV electric transmission line crosses the area between the property and Trincheras. Adequate water should be available as irrigation is common throughout the Rio Magdalene Valley. The climate is arid and hot, with an average temperature of 23°C, with lows of 8°C and highs of 38°C. Precipitation averages 240 millimeters, most of it occurring during the period July to September. Vegetation is typical of the Sonora desert and consists of numerous varieties of thorny desert cacti, such as saguaro and cholla, small shrubs and bushes including manzanilla, mesquite, ironwood, cat claw and palo verde. Supplies and equipment are available in Caborca, a city with a population of 120,000. Local labor is available in Trincheras, population 500, and other nearby small towns. Although Caborca has an airport, the nearest scheduled air service is available at Hermosillo which has direct flights to the United States and other Mexican cities. The property is characterized by gravel pediment and low rounded hills rising 50 meters above the average elevation of 700-meters to 800-meters ASL.

**Prior Exploration**

Records of previous mining activity are sparse. Development of the placers began in the early 1800s and continues today. Minera Secotec S.A. De C.V., an Australian-owned company, carries out dry-washing placer mining in an area five kilometers northeast of the Texson concessions. Previous work on the precious metal veins is evidenced by trenching and shallow workings of unknown age. Phelps Dodge Mining Company (PD) carried out a property examination of the area in 1982 and samples from the Calerita vein returned gold/silver/lead/zinc mineralization. Dump samples from Los Olivos returned gold/silver mineralization, accompanied by minor base metals. Pitalla reports that in 1995, Hecla Mining carried out a stream sediment bulk leach extractable gold (BLEG) survey and a regional mapping program. No follow up was carried out on the resulting BLEG anomalies.

Prior to its acquisition in July 2005, Pitalla had not carried out any systematic exploration on the property and their work was limited to compilation and limited rock sampling. The 25 samples received to date range from trace gold and silver up to material gold/silver mineralization. Lead and zinc values were observed. Three of the more encouraging samples are from the Calerita vein that is located on the El Porvenoir claim very close to the boundary of the Texson Fraction #2 but which dips onto the Texson property. Pitalla conducted reconnaissance level rock sampling over the property. Composite grabs were taken from the dumps and representative chips were taken from outcrops and veins. Where possible, the veins were sampled by taking a chip channel across strike. Each sample was described and located using a GPS.

During a site visit it was noted that the current owner of the San Jose claim, an internal holding, had a diamond drill on site and had installed a temporary hoist over the shaft; nobody was on site during the visit to the area. During the site visit, six samples were taken from the various dumps and trenches on the property. The samples were prepared and assayed using standard assay techniques. Gold was determined using a 30-gram fire-assay with atomic absorption (AA) finish. Silver was determined by a four acid digestion and AA finish. Samples that assayed greater than 100 g/t silver were rerun. Samples that returned greater than 10 g/t gold were rerun using fire assay with gravimetric finish. The samples indicate the presence of gold and silver and substantiate the general tenure of the mineralization.



**Valenzuela Project (El Valle)**  
**Gold-Silver Exploration Property**  
**Sonora, Mexico**

**Acquisition Details**

The El Valle concession portion of the Valenzuela Project was acquired pursuant to the aforementioned purchase of Pitalla in September 2005. Surrounded by the aforementioned El Valle concession, the two exploitation concessions (The San Martin concessions) were held under an Option to Purchase dated in 2002. It was agreed to reinstate the original intent with a new agreement that was signed in January 2006. The Company plans to finalize the acquisition of the San Martin concessions but there is no guarantee that they will be successful.

**Property Description and Location**

**Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The properties are located 100 kilometers southeast of Cananea in the state of Sonora, Mexico. A paved road runs through the Grupo Mexico's La Caridad open pit porphyry copper mine and mill facility east of Nacozari de Garcia. From there a 20 kilometer gravel road runs to the village of San Juan Del Rio. The property is a further 10 kilometers beyond the village by a dirt road. The climate is arid and hot, typical of the Sierra Madre, with an average temperature of 18°C, with lows of 10°C and highs of 34°C. Precipitation averages 550 millimeters, most of it occurring during the period July to September. Snowfall is common in December and January but does not remain for long on the ground. Vegetation is typical of the foothills of the Sierra Madre and includes oak and pine forests. Supplies and experienced miners are available in the nearby mining community of San Juan Del Rio, population 350, and Cananea, a mining community with a population of 30,000, located 100 kilometers to the north. Power and water are readily available. The nearest scheduled air service is available at Hermosillo which has direct flights to the United States and other Mexican cities. The property is characterized by rugged hills, with elevations ranging from 900 meters ASL to 1180 meters ASL.

**Prior Exploration**

Production from the Valenzuela Mine began in the 1950s and extended over a five-year period with the mill located near San Juan Del Rio. Minor production also occurred from the nearby Amelia Mine. In the early 1980s Grupo Mexico drilled two or three holes on the top of the ridge to investigate the potential of the vein as a precious metal-bearing silica flux. Results of the drilling are unknown.

Prior to its acquisition in July 2005, Pitalla carried out limited reconnaissance sampling in 2002. An independent sampling program was carried out by SilverCrest Mines Inc. (SilverCrest) in December 2003. SilverCrest assays consisted of both underground and surface samples. Nine of the 48 samples assayed above 0.05 g/t gold or 15 g/t silver. These results suggest the higher silver values are generally limited to the veins. Pitalla conducted reconnaissance level rock sampling over the property. Composite grabs were taken from the dumps and representative chips were taken from outcrops and veins. Where possible the veins were sampled by taking a chip channel across strike. Each sample was described and located using a GPS. SilverCrest samples were taken by an independent Qualified Person. Underground samples consisted of 1-meter to 2-meter wide chips taken along the wall of the drift. Surface samples were taken across the vein or structure. Pitalla samples were prepared in the ALS Chemex facility in Hermosillo and sent to Vancouver, British Columbia, for assay. Standard fire assay procedures, 30-gram sample, with AA finish were used for the gold assays. Silver assays were carried out using aqua regia digestion with an ICP finish. No special security measures were taken. SilverCrest samples were assayed at Chemex in Vancouver using standard fire assay procedures. Sampling by an Independent Qualified Person contracted by SilverCrest substantiates the presence of gold and silver values.

Echo Bay has completed 31 RC holes totaling 6,085.5 meters. Two cross sections, one through the center of the mineralized body and one to the north illustrate the continuation of the mineralization. Echo Bay reports that the drilling was carried out using RC rigs. Not seen were any RC chip trays, core, or drill logs; but, rock chips commonly found near RC holes were found at the hole collars which had been plugged and labeled by Echo Bay.

The sampling method used by Echo Bay in the collection of the trench samples and the RC drilling is not documented but is assumed to follow standard industry practices as it was carried out in 1996 to 1997, under the supervision of competent geologists.

The sample preparation and analysis procedures used at Las Colinas are not available at the present time. During the Las Colinas drill program, Echo Bay was also carrying out drilling programs at the nearby Paredones project and a sample prep lab had been set up on site. Analyses were carried out by Cone Laboratories in Denver using standard fire assay techniques. The Company's engineering firm author is familiar with this lab and it is considered to have an excellent reputation in the industry. It is assumed that similar methods would have been used during the Las Colinas drilling. There is no record of any particular security measures undertaken by Echo Bay. The Company believes that the sampling and analytical procedures were carried out according to industry standards and that the assay results used in the historical resource estimate are considered reliable and representative of the mineralization on the property.

The Company has not verified the database used in the historical resource estimate. During a site visit, eight samples were taken from the various dumps and trenches from the area explored by Echo Bay. In addition, three samples were taken from old workings within several hundred meters of the highway on the south part of the Cirio concession south of San Antonio. The samples were prepared, and then assayed using standard assay techniques. Gold was determined using a 30-gram fire assay with atomic absorption (AA) finish. Silver was determined by a four-acid digestion and AA finish. Although direct comparisons with the Echo Bay sample results are not possible as the Company does not have access to the detailed Echo Bay data, the samples indicate the presence of gold and silver and substantiate the general tenure of the mineralization.

Echo Bay had metallurgical testwork carried out.

## **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

The following discussion for fiscal years ended 9/30/2008, 9/30/2007, and 9/30/2006 should be read in conjunction with the consolidated financial statements of the Company and the notes thereto.

### **Introduction**

Effective 9/21/2004, the Company consolidated its share capital on the basis of one new share for fifteen old shares. All references to number of shares or to per share data refer to post-consolidation data unless otherwise indicated.

Effective 9/29/2005, the Company completed the acquisition of Compania Minera Pitalla, S.A. de C.V. ("Pitalla"), a private Mexican company that owned the aforementioned property interests. Compensation was the issuance of 5.4 million common shares and the agreement to issue an additional 2,500,000 common shares upon the achievement of certain performance standards related to the property interests.

The Company uses consultants in two general area of its business. Much of the day-to-day management of the Company is performed by consultants where full time service is not required. Some geological activities are also handled by consultants where it is impractical to hire employees for short periods of time. The Company also uses consultants for investor-relations activities and stock promotion.

To fund corporate expenses and the above efforts, the Company has issued equity in numerous public/private placements of equity, stock-for-property arrangements, stock-for-debt arrangements, bridge loans, and the exercise of stock options/warrants. At 9/30/2008, the Company had \$18.8 million in working capital; the Company believes it has sufficient funds to undertake its planned operations and exploration projects at least through Fiscal 2009 and Fiscal 2010.

**Financing Time Line**  
**Refer to ITEM #10.A.6**

The Company relied upon the exemption from registration in the United States provided by Regulation S for the following equity offerings:

Effective 1/23/2006, a non-brokered private placement of 1,713,500 units at \$0.64 per unit was completed for gross proceeds of \$1,096,640. Each unit consisted of one common share and one-half of a share purchase warrant. One whole warrant entitled the holder to acquire an additional common share exercisable at \$0.80 per share until 1/24/2007 (extended to March 31, 2007). A finder's fee consisting of 16,905 units and \$65,945 cash was paid to a third party.

Effective 3/17/2006, a non-brokered private placement of 2,967,335 units at \$0.75 per unit was completed for gross proceeds of \$2.22 million. Due to heavy demand, the placement was increased from the original two million units to 2,967,335 units, for gross proceeds of \$2.22 million. Each unit was composed of one \$0.75 share and one half of one share purchase warrant. Each full warrant allowed the holder to purchase an additional share of Pediment for \$0.91 on or before 3/17/2007. The shares issued under the placement or on the exercise of warrants issued under the placement were subject to a hold period ending on 7/18/2006. Share issuance and certain closing costs of \$128,245 were incurred by the Company through the private placement.

Effective 4/25/2006, the Company completed a non-brokered private placement and issued 811,667 units at a price of \$0.75 per unit for gross proceeds of \$608,750. 58,250 additional units were issued to the agents as part of a finder's fee arrangement. Each unit consisted of one common share and one-half share purchase warrant. One whole warrant entitled the holder to purchase one additional common share at a price of \$0.91 per share on or before 4/25/2007. Share issuance and certain closing costs of \$22,312 were incurred by the Company through the private placement.

Effective 3/30/2007, the Company completed a non-brokered private placement and issued 1,635,002 units at a price of \$0.75 per unit for gross proceeds of \$1,226,252 (instead of 1,500,000 units for gross proceeds of \$1,125,000 as previously announced). Each unit consisted of one common share and one half of one non-transferable share purchase warrant, each whole warrant entitling the holder to purchase one common share for \$1.00 until 9/30/2008. All securities issued were subject to a hold period until 7/31/2007. Share issuance and certain closing costs of \$9,752 were incurred by the Company through the private placement.

Effective 5/2/2007, the Company completed a non-brokered private placement of 514,000 units for gross proceeds of \$436,900. Each unit consisted of one common share and one half of one non-transferable share purchase warrant, each whole warrant entitling the holder to purchase one common share for \$1.05 until 11/2/2008. All securities issued were subject to a hold period until 9/3/2007. Share issuance and certain closing costs of \$14,762 were incurred by the Company in respect of the private placement.

Effective 8/21/2007, the Company completed a private placement of 4,000,000 units (the "Units") for gross proceeds of \$6,000,000. The private placement was oversubscribed by 50,000 Units for additional gross proceeds to the Company of \$75,000. Each Unit consisted of one common share and one-half of one share purchase warrant, each whole warrant entitling the holder to purchase one common share at a price of \$2.00 per share until 2/21/2009. In connection with the private placement, the Company paid PI Financial Corp. and Haywood Securities Inc. an aggregate of \$325,050 and issued 60,500 Units (at a price of \$1.50 per Unit) and 307,200 finder-warrants. Each finder warrant were exercisable to acquire one common share at a price of \$2.05 per share until 2/21/2009 and each Unit having the same terms as the Units described above.

Effective 12/3/2007, the Company completed a private placement of 5,849,300 units (the "Units") for gross proceeds of \$17,547,900. Each unit consisted of one common share in the capital of the Company and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one additional common share in the capital of the company at a price of \$3.75 per share until 6/3/2009. In connection with the private placement, the Company paid to six registered dealers as finder's fees an aggregate of \$425,520 and issued 101,000 Units (at a deemed issue price of \$3.00 per unit) and 261,965 finders' warrants. Each finders' warrant is exercisable to acquire one common share of the Company at a price of \$3.80 per share until 6/3/2009, and each Unit has the same terms as the Units described above. All securities issued under the Private Placement were subject to a four-month hold period and were not tradable in Canada until 4/4/2008.

### **Fiscal 2008 Ended September 30, 2008 vs. Fiscal 2007**

Operating expenses increased to \$6,809,169 from \$2,132,635. The increase is due to a \$3,697,199 increase in stock-based compensation which increased from \$634,366 in 2007 to \$4,331,565 in 2008. Consulting fees increased in 2008 as the Company increase the level of consultants retained in order to advance the Company's exploration. Legal and audit fees increased as the Company incurred additional legal expenses due to the La Colorada acquisition and the additional concessions surrounding the San Antonio project and developing and testing its internal controls in order to meet the requirements under the Sarbanes-Oxley Act.

Other Income (Expenses) increased to (\$917,085) compared to (\$475,869). The increase from prior year is due to the write-off of certain mineral properties in the amount of \$2,099,553 (2007-333,846). With the exception of the San Antonio and La Colorada projects, the company wrote down its' mineral properties to \$1.

Investment and other income are a function of the Company's cash and cash equivalents and short-term investments balances. The Company completed a CAD \$17.5 million private placement during the current year, which resulted in investment and other income to increase to \$679,442 (2007-187,156).

During the year, the Company recorded a \$503,026 foreign exchange gain. Significant foreign exchange gains/(losses) arise as a result of the Company incurring the majority of expenditures in US dollars and in the Mexican Peso. The foreign exchange gain that was recorded during the year ended September 30, 2008 was a result of the Company advancing funds totaling CDN \$10,777,441 to its Mexican subsidiaries, which was subsequently used to settle the Company's liabilities that were incurred in both US dollars and Mexican Peso's.

Net Loss for Fiscal 2008 was (\$7,791,824) or (\$0.20) per share. Net Loss for Fiscal 2007 was (\$2,608,504) or (\$0.10) per share.

For the Company's exploration activities, there is no production, sales or inventory. The recoverability of costs capitalized to mineral properties and the Company's future financial success is dependent upon the extent to which it can discover mineralization and the economic viability of developing such properties. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty. Many of the key factors are outside of the Company's control.

The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders and other related parties, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they became payable.

The Company knows of no trends, demands, commitments, events or uncertainties outside of the normal course of business that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's exploration programs and overall market conditions for smaller resource companies. The Company is not aware of any seasonality in the business that have a material effect upon its financial condition, results of operations or cash flows other than those normally encountered by public reporting junior resource companies. The Company is not aware of any changes in the results of its operations that are other than those normally encountered in its ongoing business.

### **Liquidity and Capital Resources**

At 9/30/2008, the Company had working capital of \$18,783,325 compared to its 9/30/2007 working capital of approximately \$10,144,238. The Company is able to meet its past and ongoing financial obligations at this time.

Cash used in Fiscal 2008 Operating Activities totaled (\$1,873,977), including the (\$7,791,824) Net Loss. Significant adjustments included \$4,331,565 in stock-based compensation, \$2,099,553 write-off of mineral properties, and (\$574,870) in changes in non-cash working capital balances related to operations. Cash Used in Fiscal 2008 Investing Activities was (\$9,643,787), predominately for mineral property expenditures, which consisted of (\$9,621,248). Cash provided from Fiscal 2008 Financing Activities was \$19,360,616, primarily due to the aforementioned financings, which consisted of \$19,347,525, and the receipt of \$13,091 owing from related parties.

## **Fiscal 2007 Ended September 30, 2007 vs. Fiscal 2006**

### **Results of Operations**

Operating expenses increased to \$2,132,635 from \$1,640,864. Salaries increased over the fiscal year due to the addition of new employees as well as increases in pay rates for some employees and increases in stock-based compensation expense recorded on options that vested during the year. Office Administration increased to \$383,303 because of general office expenses for the period, as well, the Pediment office relocated in June 2007 and therefore there were additional expenses pertaining to the move and an increased rental rate. Legal fees, audit and accounting fees, rose due to 3 private placements which took place during the fiscal year, as well as accounting support with the quarterly statements throughout the fiscal year.

Other Income (Expenses) increased to (\$475,869) compared to \$53,582 due to the write-off of the Juliana Project in the amount of \$333,846, increases in the foreign exchange loss of \$265,040, offset by increases in interest income of \$69,435 in the current year.

Net Loss for Fiscal 2007 was (\$2,608,504) or (\$0.10) per share. Net Loss for Fiscal 2006 was (\$1,587,282) or (\$0.08) per share.

### **Liquidity and Capital Resources**

At 9/30/2007, the Company had working capital of \$10,144,238 compared to its 9/30/2006 working capital of \$4,662,546. The Company is able to meet its past and ongoing financial obligations at this time.

Cash Used in Fiscal 2007 Operating Activities totaled (\$1,785,016), including the (\$2,608,504) Net Loss. Significant adjustments included \$634,366 in stock-based compensation, \$333,846 write-off of mineral properties, and (\$184,400) in changes in non-cash working capital balances related to operations". Cash Used in Fiscal 2007 Investing Activities was (\$2,463,824), predominately for mineral property costs. Cash provided from Fiscal 2007 Financing Activities was \$9,796,655, primarily due to the aforementioned financings, offset by repayment of (\$4,828) of "due from related parties".

## **Fiscal 2006 Ended September 30, 2006 vs. Fiscal 2005**

The Company is a natural resource company engaged in the evaluation, acquisition, and exploration of resource properties in Mexico. The goals of the Company are to identify and develop mineral resource targets. The Company is in the exploration stage as its properties have not reached commercial production and none of its properties are beyond the advanced exploration stage. The Company has financed its current operating and exploration activities principally by the issuance of common shares.

The Company, beginning in 2003, began to focus on a return to mineral resource exploration. On 9/10/2004 the Company changed its name to Pediment Exploration Ltd. ("Pediment"). Effective 9/21/2004, the Company consolidated its capital on a one-new-for-fifteen-old basis and its common shares commenced trading on the TSX Venture Exchange under the symbol PEZ.H. This new focus culminated in the Company entering into share purchase agreement in July 2004 to acquire a 100% interest in Minera Pitalla, S.A. de C.V. ("Pitalla"), a Mexican company with six mineral projects in Mexico.

The reactivation of the Company through the acquisition of Pitalla are reflected in significant improvements in cash resources and working capital, increased operating and due diligence expenditures, and an increase in its assets as the Company has proceeded with its acquisitions, related transactions and recent financings.

The Company spent the first year, to year and a half of existence on developing the Company's Mexican subsidiary. The Company now has an active office in Mexico with four geologists, and full bookkeeping and accounting capabilities. The Company has consolidated all its property information into its new Mexican office. Over the past year, the Company has successfully moved four of its seven properties out of their grass roots status into nearing the drilling stage. The Company continues to advance these projects and expects to move additional projects into the drilling stage either through joint ventures or its own work programs, over the next four months.

On 11/30/2006, the Company signed an agreement with Inmet Mining Corp. allowing Inmet to explore for copper gold porphyry deposits on Pediment's Caborca project. The agreement allows Pediment to continue to focus on project acquisition and exploration of its mineralization properties while Inmet funds work towards the discovery of porphyry mineralization at Caborca. The Lista Blanca ridge area that Pediment recently completed an initial drill program on is excluded from the agreement. Pediment will be the initial operator of the project. On 1/25/2007, Inmet Mining Corp. served the Company with a notice of its intention to proceed with the joint venture. Inmet

issued the first payment to Pediment for \$50,000. Payments total \$250,000 and expenditures total \$5 million over four years. The holding company to be created is still pending and numerous potential deadlines and contract specifics are yet to be determined.

### Results of Operations

The Company currently has no producing properties and consequently no operating income or cash flow. The Company's accounting policy as it relates to its acquisition of Pitalla and its mineral properties is to defer all costs of acquiring natural resource properties and their related exploration costs until the property to which they relate is placed into production, sold or abandoned. At that time, capitalized costs are either depleted using the unit-of-production method over the useful life of the ore-body, following the commencement of production or written off if the property is sold or abandoned.

The Company currently does not have an operating mineral property. The Company has no earnings and therefore will finance its future exploration activities by the sale of common shares or units. The key determinants of the Company's operating results are the following:

- a. the state of capital markets, which affects the ability of the Company to finance its exploration activities;
- b. the write-down and abandonment of mineral properties as exploration results provide further information relating to the underlying value of such properties; and
- c. market prices for natural resources.

The Company is not a party to any material legal proceedings and is not in default under any material debt or other contractual obligations other than as disclosed in the financial statements. No significant revenue generating contracts or cash commitments were entered into or undertaken by the Company during the period other than as set out herein or in the financial statements of the Company.

Overall expenses increased 41% to \$1,640,864 from \$1,164,482 as the Company increased "investor relations and promotion", travel and legal/audit expenses. "Consultants" decreased by \$263,900 to \$264,540; but, this was offset by the payment of "Salaries" of \$29,644. "Investor relations and promotion" increased seventy-fold to \$372,616 as the Company embarked on a program to improve communications with shareholders and the financial community. "Travel" increased nearly tenfold to \$167,370.

Management anticipates that general corporate expenses will rise next year; but, some of Fiscal 2006's high costs will not re-occur. The Company anticipated expending \$0.8 million on corporate expenses during Fiscal 2007.

Other Income (Expenses) increased to \$53,582 from \$29,245 reflecting the much higher investment/other income and a larger "foreign exchange loss".

Net Loss for Fiscal 2006 was (\$1,587,282) or (\$0.08) per share. Net Loss for Fiscal 2005 was (\$1,135,237) or (\$0.27) per share.

### Liquidity and Capital Resources

At 9/30/2006, the Company had working capital of \$4,662,546 compared to its 9/30/2005 working capital of approximately \$308,000. The Company anticipates being able to meet its planned operational and exploration expenditures from existing funds through at least the end of Fiscal 2008.

Cash Used in Fiscal 2006 Ended 9/30/2006 Operating Activities totaled (\$1,161,955) including the (\$1,587,282) Net Loss. Significant adjustments included \$561,588 in stock-based compensation and (\$137,577) in changes in non-cash working capital balances related to operations". Cash Used in Fiscal 2005 Investing Activities was \$593,423, primarily for mineral property costs. Cash provided from Fiscal 2006 Financing Activities was \$6,018,906, primarily from the aforementioned financings.

Parts of the funds raised in the private placements were used to cover the ongoing US\$500,000 Phase 1 exploration program on the mineral projects of Pitalla. In addition, on 9/25/ 2005 the Company issued 350,000 shares to retire \$157,500 of liabilities held by non-arms length individuals at a price of \$0.45 per share.

### Disclosure and Financial Reporting Controls

The Company maintains accounting and internal control systems to provide reasonable assurance that all relevant and material information relating to the Company and required to be disclosed by regulatory authorities are recorded processed and summarized and reported. During the fiscal year ended September 30, 2008, Management conducted

an evaluation of the effectiveness of the internal controls over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2008. Based on management's assessment and those criteria, management has concluded that the internal control over financial reporting as at September 30, 2008 was effective.

#### Transactions with Related Parties

The Company had the following related party transactions and balances:

- a. Legal fees of \$56,000 for legal services provided to the Company for the period July 2001 to December 2004 were paid during Fiscal 2005 to a law firm of which a director of the Company is a partner. During fiscal 2005, beginning in December 2004 the Company accrued legal fees of \$72,000 payable to the same law firm and, during the year ended 9/30/2006 approximately an additional \$217,000 in legal fees (plus expenses and taxes) accrued. Management believes that these legal fees paid or accrued are at prevailing commercial rates.
- b. The Company entered into a management contract dated effective 4/1/2005 with Gary Freeman, the President of the Company. Under the terms of the contract he received \$5,000 per month retroactive to 4/1/2005, a \$30,000 signing bonus and, beginning 8/1/2005 and coinciding with his appointment as President and his increased responsibilities, an increase in his monthly salary to \$8,000 per month. Under its terms, Mr. Freeman is entitled to up to 400,000 stock options in the Company (320,000 options granted to date). The contract expired 12/31/2005 and was replaced by a contract dated effective 2/1/2006 providing for compensation of \$8000 per month, which amount was increased to \$12,000 per month effective 5/1/2006, and options as determined by the Board of Directors. On 1/1/2008, Gary Freeman entered into a new consulting agreement regarding services provided as the President of the Company. Under the terms of the contract, he receives \$20,000 per month plus GST. Under the new agreement, Mr. Freeman is entitled to up to 600,000 stock options in the Company (520,000 are currently granted). The new contract expires on 12/31/2008.
- c. The total amount of professional fees and share issue costs paid to a law firm during the fiscal year ended September 30, 2007 in which a former director and officer of the Company is a partner was \$24,935.

**5.C. Research and development, patents and licenses, etc.**

**5.D. Trend information**

**5.E. Off-Balance Sheet Arrangements**

**5.G. Safe harbor.**

--- Nothing Responsive to Disclose ---

**5.F. Tabular disclosure of contractual obligations**

Exploration licenses: The Company holds, or is in the final stages of application for, exploration licenses in Mexico. Licenses have commitments for exploration expenditures in the 2009 calendar year of approximately \$200,000.

Acquisitions: In connection with the purchase of Pitalla, the Company issued 5,549,998 common shares (including finder's fee); the Company is contingently obligated to issue a further 2,500,000 common shares upon the achievement of certain performance standards related to the property interests. The performance standards of the purchase agreement state that the Company is obligated to issue an additional 2,500,000 shares prior to December 31, 2011 if an aggregate of one million ounces of gold or gold equivalents are determined to be situated on three or fewer of the acquired properties, of which 500,000 ounces or equivalent must be in a single property. On December 4, 2008, the Company issued the 2,500,000 shares pursuant to the Pitalla purchase agreement at a fair market value of \$0.47 per share for a total value of \$1,175,000.

On February 12, 2008, the Company entered into an option agreement whereby they acquired the right to purchase three additional mineral concessions adjacent to the La Colorada project totalling 852 hectares for a total price of US\$800,000 (\$102,491 paid). The remaining US\$700,000 is due as follows:

US\$100,000 – February 12, 2009 (not paid)  
US\$100,000 – February 12, 2010  
US\$160,000 – February 12, 2011  
US\$160,000 – February 12, 2012  
US\$180,000 – February 12, 2013

The Company is currently in negotiations with the vendor to decrease the total value of the agreement and complete the transaction in full. As at the date of this report, the Company is still in negotiations.

Other than disclosed above, we do not have any contractual obligations and commitments as of 2/28/2009 that will require significant future cash outlays.



## **ITEM 6. DIRECTORS, SENIOR MANAGEMENT, AND EMPLOYEES**

### **6.A. Directors and Senior Management**

Table No.3  
Directors and Senior Management  
March 20, 2009

<b>Name</b>	<b>Age</b>	<b>Date First Elected or Appointed</b>
Chester Millar, Chairman of Board	81	June 2008
Andre Audet, Director (2) (3)	47	February 2005
Dayna Caouette (1)	26	April 2007
Leonard Harris, Director (3)	81	September 2008
Gary Freeman, President/CEO/Director (4)	51	March 2005
Michael Halvorson, Director	63	March 2006
Melvin Herdrick, VP Exploration/Director (5)	66	September 2005
John Seaman, Chief Financial Officer (6)	41	April 2007
Chris Theodoropoulos, Director (2) (3)	53	March 2007
Larry Okada (2)	49	March 2009
Scott Kelly, VP Finance (7)	34	May 2008

- (1) She spends full-time on the affairs of the Company
- (2) Member of Audit Committee
- (3) Member of Compensation Committee
- (4) He spends full time on the affairs of the Company
- (5) He spends full time on the affairs of the Company
- (6) He spends about 10% of his time on the affairs of the Company
- (7) He spends full-time on the affairs of the Company

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André D. Audet, Director, has over eleven years experience in the stockbrokerage industry and in corporate management/directorships of public mineral exploration companies. Since December 2003, he has been President/CEO and a Director of Everton Resources Inc. (a mineral exploration company trading on the TSX Venture Exchange). He is currently Chairman of the Board of Majescor Resources Inc and prior to the appointment of Chairman, he served as President /CEO and Director since April 2004 and Vice President /CEO and Director from August 1999 to April 2004. He is currently President and Director of Pan Caribbean Minerals Inc since August 2008, as well is a Director of NQ Exploration Inc and Mazorro Resources Inc since August 2008. Since August, 2007 he has been Chairman of the Board of Adventure Gold Inc. Mr. Audet is also a director of Metco Resources Inc. since February 2005. Mr. Audet has been a director of several public mineral exploration companies since 2003 including Blue Note Mining Inc., Patrician Diamonds Inc., Phoenix Matachewan Mines Inc. and Forest Gate Resources.

Dayna Caouette, Corporate Secretary, has three years experience as an executive/marketing assistant with mineral exploration firms. From June 2006 until April 2007, she was an executive assistant with the Company. Since May 20, 2008 she has been the Corporate Secretary for Becker Gold Mines Ltd.

Gary Freeman, President/CEO/Director, has over 25 years experience in finance and marketing with a specialty in reorganizing companies. He was appointed a Director in March 2005 and President/CEO in July 2005. From March 2000 to September 2004, Mr. Freeman was engaged as a consultant to several public companies, including Cardero Resource Corp. and Athlone Energy Ltd. (from September 2001 to December 2003). From October 1996 to February 1999, Mr. Freeman provided investor relations' services to Palmer Resources Ltd. He was appointed a Director of Becker Gold Mines in June 2007 and as President of Ethos Capital Corp. in October 2007. He has also been a Director of Pan Caribbean Minerals Inc. since August 2008.

Michael Halvorson, Director, has wide financial industry experience with nearly forty years experience in the stockbrokerage and real estate industries. He has been a financial consultant and a Director to numerous natural resource companies. He formed and has headed Halcorp Capital Ltd., an Alberta-based financial consulting firm since 1980. In addition to his directorship with Pediment Gold Corp., he is a director of several other public-traded natural resource companies including Strathmore Minerals Corp., Esperanza Silver Corporation, Fission Energy Corp., Galena International Resources Ltd., and Orezone Gold Corporation.

Leonard Harris, Director since September 2008, has over 50 years experience in the mining industry which spans across all continents. Mr. Harris has held a number of prominent positions with major gold companies in Latin America and has also chaired industry standards organizations such as the Mining Task Force of the Chamber of the Americas and the International Committee of the SME. Mr. Harris has been honored with a number of awards including the Gold Medal from the Mining & Metallurgical Society of America, The Medal of Merit from the American Hall of Fame and Engineer of the Year award from the Peruvian Society of Engineers. Mr. Harris is currently on the Board of Directors for Alamos Gold Inc., Aztec Metals Corp., Canarc Resource Corp., Cardero Resource Corp., Castle Gold Corporation, Endeavour Silver Corp., Golden Arrow Resources Corporation, Indico Resources Limited, IMA Exploration Inc., Solitario Exploration & Royalty Corp., and Sulliden Exploration Inc.

Melvin Herdrick, VP Exploration/Director, is a professional geologist with over thirty years experience, including seven years as the Chief Geologist for Phelps Dodge in Mexico from 1994 to 2002. In 2002, Mr. Herdrick founded Pitalla, the private Mexican company which Pediment Exploration Ltd acquired in July 2005. He was appointed VP Exploration in October and a Director of Pediment Gold Corp. in November 2005. Mr. Herdrick is also a Director of Pan Caribbean Minerals Inc since August 2008.

Scott Kelly, VP Finance since May 2008, has been with the Company since May 2008. Mr. Kelly's qualifications include over two years experience with a Big 4 audit firm as well as over 5 years of working with publicly listed companies.

Chester Millar, Chairman of the Board, a pioneer of heap leach gold production, began his career in the mining industry in the mid-1960's and is considered one of the mining industry's most successful company builders. He assisted in transforming Glamis Gold and Eldorado Gold from junior exploration companies into substantial gold producers with global operations. Mr. Millar served as Chairman of Glamis Limited from 1985 to 1998, Chairman of Eldorado Gold Corporation from 1992 to 1994, Chairman of Alamos Gold Inc. from 1996 to 2003 and Chairman of Castle Gold Corp. from August 2007 to September 2008. He was also recently inducted into the Canadian Mining Hall of Fame. Mr. Millar was appointed non-executive Chairman of the Board in June 2008.

Larry Okada, Director since March 2009, is currently the Chief Financial Officer of BCGold Corp., and has been involved with numerous public mining companies listed on the TSXV over the past 32 years. He is a Chartered Accountant in British Columbia (1976) and Alberta (1989) as well as a Certified Public Accountant in Washington State (2000). Mr. Okada has been in public practice with Deloitte & Touche LLP, his own firm, Staley, Okada & Partners and PricewaterhouseCoopers LLP over the past 35 years. Mr. Okada sits on various committees with the Institute of Chartered Accountants of British Columbia.

John Seaman, Chief Financial Officer since April 2007, has also been the Chief Financial Officer of Premier Gold Mines Limited, a mineral exploration company, since August, 2006. From 1992 to July 2008, he served as the Controller for Apex Investigation & Security Inc. (private security firm) and currently serves as its President and Chief Executive Officer. Mr. Seaman serves as an independent director of several TSXV listed companies, including Valor Ventures Inc., Skybridge Development Corp., Galena Capital Corp., and MBMI Resources Inc. From October 8, 2002 to May 11, 2007, Mr. Seaman served as the Chief Financial Officer of Wolfden Resources Inc., a mineral exploration company listed on the TSX. Mr. Seaman received a Bachelor of Education degree from Lakehead University in April 1993 and a Bachelor of Science degree in April 1990.

Chris Theodoropoulos, Director since March 2007, has been a barrister/solicitor since receiving his civil law degree (BCL) in 1981 and his common law degree in 1982. For the past 20 years, he has practiced principally in the fields of corporate, securities, mining and commercial law involving publicly traded companies. Since July 2006, he has been Director and Chairman of the Board of Africo Resources Ltd. He was Associate Counsel with the firm of Getz Price Wells LLP, a law firm in Vancouver, BC from November 2003 until March 2007; and an independent legal and business consultant from 1996 to November 2003. Since March 2007, he has served as Chairman of Africo Resources Ltd., working on a full-time basis. Mr. Theodoropoulos also serves as a director for; Novra Technologies Inc since Sept 2003, Gold Quest Mining Corp since December 2005, Pier 1 Network Enterprises Inc since December 2005, Ethos Capital Corp since March 2007 and Becker Gold Mines Ltd since May 2008.

The Directors have served in their respective capacities since their election and/or appointment and will serve until the next Annual General Meeting or until a successor is duly elected, unless the office is vacated in accordance with the Articles of Incorporation of the Company.

The Senior Management serves at the pleasure of the Board of Directors.

Despite the Company's Senior Management spending material portions of their time on businesses other than the Company, the Company believes that they devote sufficient time to the Company to properly carry out their duties.

No Director and/or Senior Management has been the subject of any order, judgment, or decree of any governmental agency or administrator or of any court or competent jurisdiction, revoking or suspending for cause any license, permit or other authority of such person or of any corporation of which he is a Director and/or Senior Management, to engage in the securities business or in the sale of a particular security or temporarily or permanently restraining or enjoining any such person or any corporation of which he is an officer or director from engaging in or continuing any conduct/practice/employment in connection with the purchase or sale of securities, or convicting such person of any felony or misdemeanor involving a security or any aspect of the securities business or of theft or of any felony.

During the last five years, no material Canadian/USA regulatory actions were taken against any officer/director or companies they were affiliated with.

There are no family relationships between any Directors or Senior Management.

There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a Director or member of senior management.

## **6.B. Compensation**

### **Director Compensation**

Effective October 1, 2008, the Company began paying Directors fees and Committee fees on a quarterly basis. At the end of each Fiscal Quarter, each director receives a cash payment of CDN\$2,500 as a Directors fee and an additional CDN\$1,000 for each Committee the Director is a member of (Compensation Committee, Audit Committee). Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of the Board of Directors. The Board of Directors may award special remuneration to any Director undertaking any special services on behalf of the Company other than services ordinarily required of a Director. Other than indicated below no Director received any compensation for his services as a Director, including committee participation and/or special assignments, prior to September 30, 2008.

### **Senior Management/Director Cash Compensation**

Total cash compensation accrued and/or paid (directly and/or indirectly) to all Senior Management during Fiscal 2008 ended 9/30/2008 was \$735,619.

The following table details compensation paid/accrued for Fiscal 2008/2007/2006 ended September 30th for the Senior Management and Directors.

Table No. 4  
Senior Management/Directors  
Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long Term Compensation			All Other Comp.
		Salary	Bonus	Other Annual Comp.	Awards		Payouts	
					Securities Under Option/ SARs Granted	Restricted Shares or Restricted Share Units	LTIP Payouts	
Gary Freeman Chief Executive Officer President	2008	Nil	\$250,000	\$232,200	335,000	Nil	Nil	Nil
	2007	Nil	Nil	\$144,000	Nil	N/A	N/A	Nil
	2006	Nil	Nil	\$128,000	370,000	N/A	N/A	Nil
Melvin Herdick VP Exploration	2008	Nil	Nil	\$180,669	300,000	Nil	Nil	Nil
	2007	Nil	Nil	\$92,215	50,000	N/A	N/A	Nil
	2006	Nil	Nil	\$85,000	55,000	N/A	N/A	Nil
James Grinnell Former CFO (till 1/2/2007)	2008	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2007	Nil	Nil	\$14,889	Nil	N/A	N/A	Nil
	2006	Nil	Nil	\$42,000	Nil	N/A	N/A	Nil
John Seaman Chief Financial Officer	2008	Nil	Nil	Nil	50,000	Nil	Nil	Nil
	2007	N/A	Nil	Nil	100,000	Nil	Nil	Nil
	2006	N/A	Nil	Nil	Nil	Nil	Nil	Nil
Dayna Caouette Corporate Secretary	2008	\$48,000	Nil	Nil	95,000	Nil	Nil	Nil
	2007	\$48,000	Nil	Nil	Nil	Nil	Nil	Nil
	2006	N/A	Nil	Nil	50,000	Nil	Nil	Nil
Bradley Aelicks Former Director	2008	\$nil	Nil	Nil	25,000	Nil	Nil	Nil
	2007	\$nil	Nil	\$18,000	Nil	Nil	Nil	Nil
	2006	\$nil	Nil	\$27,000	50,000	Nil	Nil	Nil
Andre Audet Director	2008	\$nil	Nil	Nil	120,000	Nil	Nil	Nil
	2007	\$nil	Nil	Nil	Nil	Nil	Nil	Nil
	2006	\$nil	Nil	Nil	Nil	Nil	Nil	Nil
Ewan Downie Former Director	2008	\$nil	Nil	Nil	70,000	Nil	Nil	Nil
	2007	\$nil	Nil	Nil	Nil	Nil	Nil	Nil
	2006	\$nil	Nil	Nil	70,000	Nil	Nil	Nil
Michael Halvorson Director	2008	\$nil	Nil	Nil	90,000	Nil	Nil	Nil
	2007	\$nil	Nil	Nil	Nil	Nil	Nil	Nil
	2006	\$nil	Nil	Nil	200,000	Nil	Nil	Nil
Leonard Harris Director	2008	\$nil	Nil	Nil	Nil	Nil	Nil	Nil
	2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chester Millar Chairman of the Board	2008	\$nil	Nil	Nil	250,000	Nil	Nil	Nil
	2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chris Theodoropoulos Director	2008	\$nil	Nil	Nil	105,000	Nil	Nil	Nil
	2007	\$nil	Nil	Nil	75,000	Nil	Nil	Nil
	2006	\$nil	Nil	Nil	Nil	Nil	Nil	Nil
Scott Kelly VP Finance	2008	Nil	Nil	\$24,750	55,000	Nil	Nil	Nil
	2007	N/A	N/A	N/A	Nil	N/A	N/A	N/A
	2006	N/A	N/A	N/A	Nil	N/A	N/A	N/A
Peter Wong Director	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A

- (1) Other Annual Compensation consisted of consulting fees.
- (2) No SARs have been granted. All securities are under option.

In addition, the granting of below-market stock options resulted in non-cash compensation of CDN\$333,300 during FY2007. During FY2008, there were no below market stock options granted.

Options/SARs Granted/Cancelled During The Most Recently Completed Fiscal Year

At 10/1/2007, the beginning of the most recently completed fiscal year, there were 2,500,000 stock options outstanding. During Fiscal 2008, no stock options were re-priced. During Fiscal 2008: 2,340,000 stock options were granted; 1,041,250 stock options were exercised; and 156,250 stock options were forfeited or expired unexercised.

During Fiscal 2008, 2,340,000 stock options were granted to Senior Management, Directors, and employees/consultants. During Fiscal 2008, no SARs (stock appreciation rights) were granted.

Table No. 5  
Stock Option Grants in Fiscal 2008 Ended 9/30/2008

Name	Number of Options Granted	Percent of Total Options Granted	Exercise Price per Share	Grant Date	Expiration Date	Market Value of Common Shares on Date of Grant
<b>Senior Management and Directors</b>						
Gary Freeman	55,000	2.35%	\$1.88	25/10/2007	25/10/2012	\$3.23
Gary Freeman	180,000	7.69%	\$3.00	16/11/2007	16/11/2012	\$3.44
Gary Freeman	100,000	4.27%	\$1.60	17/06/2008	17/06/2013	\$1.59
Melvin Herdrick	200,000	8.55%	\$1.88	25/10/2007	25/10/2012	\$3.23
Melvin Herdrick	100,000	4.27%	\$1.60	17/06/2008	17/06/2013	\$1.59
Dayna Caouette	50,000	2.14%	\$1.88	25/10/2007	25/10/2012	\$3.23
Dayna Caouette	45,000	1.92%	\$1.60	17/06/2008	17/06/2013	\$1.59
Chris Theodoropoulos	30,000	1.28%	\$1.88	25/10/2007	25/10/2012	\$3.23
Chris Theodoropoulos	25,000	1.07%	\$3.00	16/11/2007	16/11/2012	\$3.44
Chris Theodoropoulos	50,000	2.14%	\$1.60	17/06/2008	17/06/2013	\$1.59
Bradley Aelicks	25,000	1.07%	\$3.00	16/11/2007	16/11/2012	\$3.44
Andre Audet	70,000	2.99%	\$3.00	16/11/2007	16/11/2012	\$3.44
Andre Audet	50,000	2.14%	\$1.60	17/06/2008	17/06/2013	\$1.59
Ewan Downie	70,000	2.99%	\$3.00	16/11/2007	16/11/2012	\$3.44
Michael Halvorson	50,000	2.14%	\$1.60	17/06/2008	17/06/2013	\$1.59
Michael Halvorson	40,000	1.71%	\$3.00	16/11/2007	16/11/2012	\$3.44
Scott Kelly	55,000	2.35%	\$1.60	17/06/2008	17/06/2013	\$1.59
Chester Millar	250,000	10.68%	\$1.60	17/06/2008	17/06/2013	\$1.59
John Seaman	50,000	2.14%	\$1.60	17/06/2008	17/06/2013	\$1.59
<b>Employees and Consultants</b>	65,000	2.78%	\$1.88	25/10/2007	25/10/2012	\$3.23
<b>Employees and Consultants</b>	30,000	1.28%	\$3.00	16/11/2007	16/11/2012	\$3.44
<b>Employees and Consultants</b>	400,000	17.09%	\$3.00	16/11/2007	16/11/2012	\$3.44
<b>Employees and Consultants</b>	150,000	6.41%	\$1.60	17/06/2008	17/06/2013	\$1.59
<b>Employees and Consultants</b>	200,000	8.55%	\$1.60	17/06/2008	17/06/2013	\$1.59
<b>TOTAL</b>	<b>2,340,000</b>	<b>100%</b>				

Options/SARs Exercised During The Most Recently Completed Fiscal Year

During the most recently completed fiscal year, 1,041,250 stock options were exercised by Senior Management, Directors, and employees/consultants. No SARs (stock appreciation rights) were exercised during this period.

Table No. 6  
Stock Option Exercises in Fiscal 2008 Ended 9/30/2008

<b>Name</b>	<b>Number of Common Shares Acquired</b>	<b>Aggregate Value Realized</b>
<b>Senior Management and Directors</b>		
Gary Freeman	47,500	\$127,300
Gary Freeman	170,000	\$464,100
Ewan Downie	70,000	\$175,000
Bradley Aelicks	70,000	\$92,400
Bradlet Aelicks	50,000	\$42,500
Chris Theodoropoulos	37,500	\$96,375
John Seaman	50,000	\$115,000
<b>Employees and Consultants</b>	546,250	\$1,023,975
<b>TOTAL</b>	<b>1,041,250</b>	<b>\$2,136,650</b>

Stock Options Outstanding at Fiscal Yearend and Stock Option Values at Fiscal Yearend

The following table gives certain information concerning stock option outstanding at fiscal yearend.

Table No. 7  
Fiscal Yearend Stock Options Outstanding  
Fiscal Yearend Stock Option Values

Name	Option exercise price	Option expiration date	Number of securities underlying unexercised options exercisable	Number of securities underlying unexercised options unexercisable	Value of unexercised in-the-money stock options exercisable	Value of unexercised in-the-money stock options unexercisable
Gary Freeman	\$0.80	25/04/2011	285,000	0	\$136,800	N/A
Gary Freeman	\$1.88	25/10/2012	27,500	27,500	Nil	Nil
Gary Freeman	\$3.00	16/11/2012	180,000	0	Nil	N/A
Gary Freeman	\$1.60	17/06/2013	100,000	0	Nil	N/A
Melvin Herdrick	\$0.50	21/07/2010	25,000	0	\$19,500	N/A
Melvin Herdrick	\$0.80	25/04/2011	30,000	0	\$14,400	N/A
Melvin Herdrick	\$0.55	02/08/2011	25,000	0	\$18,250	N/A
Melvin Herdrick	\$0.60	12/02/2012	50,000	0	\$34,000	N/A
Melvin Herdrick	\$1.88	25/10/2012	100,000	100,000	Nil	Nil
Melvin Herdrick	\$1.60	17/06/2013	100,000	0	Nil	N/A
Michael Halvorson	\$0.80	25/04/2011	100,000	0	\$48,000	N/A
Michael Halvorson	\$0.55	02/08/2011	100,000	0	\$73,000	N/A
Michael Halvorson	\$3.00	16/11/2012	40,000	0	Nil	N/A
Michael Halvorson	\$1.60	17/06/2013	50,000	0	Nil	N/A
Chris Theodoropoulos	\$0.73	23/03/2012	37,500	0	\$20,625	N/A
Chris Theodoropoulos	\$1.88	25/10/2012	15,000	15,000	Nil	Nil
Chris Theodoropoulos	\$3.00	16/11/2012	25,000	0	Nil	N/A
Chris Theodoropoulos	\$1.60	17/06/2013	50,000	0	Nil	N/A
Andre Audet	\$3.00	16/11/2012	70,000	0	Nil	N/A
Andre Audet	\$1.60	17/06/2013	50,000	0	Nil	N/A
Ewan Downie	\$3.00	16/11/2012	70,000	0	Nil	N/A
Chester Millar	\$1.60	17/06/2013	250,000	0	Nil	N/A
John Seaman	\$0.78	27/04/2011	25,000	25,000	\$12,500	\$12,500
John Seaman	\$1.60	17/06/2013	50,000	0	Nil	N/A
Scott Kelly	\$1.60	17/06/2013	55,000	0	Nil	N/A
Dayna Caouette	\$0.55	02/08/2011	12,500	0	\$9,125	N/A
Dayna Caouette	\$1.88	25/10/2012	25,000	25,000	Nil	Nil
Dayna Caouette	\$1.60	17/06/2013	45,000	0	Nil	N/A
Employees/Consultants	\$0.63	21/07/2010	290,000	0	\$188,500	N/A
Employees/Consultants	\$0.55	02/08/2011	92,500	0	\$67,525	N/A
Employees/Consultants	\$0.60	12/02/2010	150,000	0	\$102,000	N/A
Employees/Consultants	\$0.85	04/04/2009	55,000	25,000	\$23,650	\$10,750
Employees/Consultants	\$1.88	25/10/2012	32,500	32,500	Nil	Nil
Employees/Consultants	\$3.00	16/11/2012	430,000	0	Nil	N/A

Stock Options. The Company may grant stock options to Directors, Senior Management and employees. Refer to ITEM #6.E., "Share Ownership" and Tables #3 to #7 for information about stock options.

Change of Control Remuneration. The Company has no plans or arrangements in respect of remuneration received or that may be received by Senior Management of the Company in Fiscal 2008 to compensate such officers in the event of termination of employment (as a result of resignation, retirement, change of control) or a change of responsibilities following a change of control, where the value of such compensation exceeds US\$100,000 per Senior Management.

Other Compensation. No Senior Management/Director received "other compensation" in excess of the lesser of US\$25,000 or 10% of such officer's cash compensation, and all Senior Management/Directors as a group did not receive other compensation which exceeded US\$25,000 times the number of persons in the group or 10% of the compensation, other than disclosed in Table No. 10 and ITEM #7.B.

Bonus/Profit Sharing/Non-Cash Compensation. Except for the stock option program discussed in ITEM #6.E., the Company has no material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to the Company's Directors or Senior Management.

Pension/Retirement Benefits. No funds have been set aside or accrued by the Company since incorporation to provide pension, retirement or similar benefits for Directors or Senior Management.

#### Written Management Agreements

The Company entered into a management contract dated effective 4/1/2005 with Gary Freeman, the President of the Company. Under the terms of the contract he received \$5,000 per month retroactive to 4/1/2005, a \$30,000 signing bonus and, beginning 8/1/2005 and coinciding with his appointment as President and his increased responsibilities, \$8,000 per month. Under its terms, Mr. Freeman was entitled to up to 400,000 stock options in the Company (320,000 options granted to date). The contract expired 12/31/2006 and was replaced, effective 2/1/2006, by a contract which paid Mr. Freeman \$8,000 per month (\$12,000 per month effective 5/1/2006); provides for stock options as determined by the Board of Directors; and provides for a minimum payout of six months in the event of termination not for cause. On 1/1/2008 a new consulting agreement was put into place, which pays Mr. Freeman \$20,000 plus GST per month and provides for stock options to be granted as determined by the board and for a maximum allotment of 600,000 at any time.

The Company entered into a consulting contract dated effective 5/15/2006 with Mel Herdrick, a director of the Company. Under the terms of the contract he received US\$500.00 per month based on a normal work month of 20 days. The contract is for a one-year term and can be terminated by either party with out cause by providing 90 days written notice. On 1/1/2008, a new consulting agreement was formed between Melvin Herdrick and the Company. Under the new agreement, Mr. Herdrick is paid US\$15,000 per year and provides for stock options as determined by the Board of Directors.



#### 6.C. Board Practices

All directors hold office until the next meeting of the shareholders of the Company unless they resign or are removed in accordance with the Company's Articles. Senior Management are appointed to serve at the discretion of the Board of Directors. The Board of Directors and Committees of the Board schedule regular meetings over the course of the year.

The fundamental objective of the Board is to ensure that it operates in a fashion that maximizes shareholder value over the long term. The Board's duties and responsibilities are all carried out in a manner consistent with that fundamental objective. The principal duty and responsibility of the Board is to oversee the management and operations of the Company, with the day-to-day management of the business and affairs of the Company delegated by the Board to the CEO and other Senior Management.

The Board's responsibilities include overseeing the conduct of the Company's business, providing leadership and direction to its management, and setting policies. Strategic direction for the Company is developed through the Board's annual planning process. Through this process, the Board adopts the operating plan for the coming year, and monitors management's progress relative to that plan through a regular reporting and review process.

The Board has delegated to the President/CEO and other Senior Management responsibility for the day-to-day management of the business of the Company. Matters of policy and issues outside the normal course of business are brought before the Board for its review and approval, along with all matters dictated by statute and legislation requiring Board review and approval. The President/CEO and other Senior Management review the Company's progress in relation to the current operating plan at in-person and telephone-conference Board meetings. The Board meets on a regular basis with and without management present. Financial, operational and strategic issues facing the Company are reviewed, monitored and approved at the Board meetings.

6.C.1. Terms of Office. Refer to ITEM 6.A and ITEM 6.C.

6.C.2. Directors' Service Contracts.

Refer to ITEM 6.B., "Written Management Agreements".

6.C.3. Board of Directors' Committees.

The Company has an Audit Committee, which recommends to the Board of Directors the engagement of the independent auditors of the Company and reviews with the independent auditors the scope and results of the Company's audits, the Company's internal accounting controls, and the professional services furnished by the independent auditors to the Company. Larry Okada (Committee Chairman, independent), Chris Theodoropoulos (independent), and Andre Audet (independent). The Audit Committee met two times during Fiscal 2008 and has met once during Fiscal 2009-to-date.

#### 6.D. Employees

As of 3/20/2009, the Company has fourteen employees, including the Senior Management. Of those, ten are based in Mexico, six as field workers, and four as office staff. As of 9/30/2008 and 9/30/2007, the Company had thirty-three and forty-six employees, respectively, including the Senior Management. None of the Company's employees are covered by collective bargaining agreements.

#### 6.E. Share Ownership

The follow table lists Directors and Senior Management who beneficially own the Company's voting securities, consisting solely of common shares, and the amount of the Company's voting securities owned by the Directors and Senior Management as a group.

Table No. 8  
Shareholdings of Directors and Senior Management  
Shareholdings of 5% Shareholders  
March 20, 2009

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Common	<b>5% Shareholder Subtotal</b>	<b>NIL</b>	<b>0.0</b>
Common	Andre Audet (1)	50,000	0.1%
Common	Dayna Caouette (2)	45,000	0.1%
Common	Chester Millar (3)	320,000	0.6%
Common	Gary Freeman (4)	1,656,348	3.3%
Common	Melvin Herdrick (5)	2,039,616	4.1%
Common	Michael Halvorson (6)	1,150,000	2.3%
Common	Chris Theodoropoulos (7)	165,000	0.3%
Common	Leonard Harris (8)	90,000	0.2%
Common	Larry Okada (9)	0	0.0%
Common	Scott Kelly (10)	125,000	0.2%
Common	John Seaman (11)	100,000	0.2%
	<b>Directors and Senior Management Subtotal</b>	<b>5,740,964</b>	<b>11.4%</b>
	<b>TOTAL</b>	<b>5,740,964</b>	<b>11.4%</b>

- (1) 50,000 represent currently exercisable stock options.
- (2) 45,000 represent currently exercisable stock options.
- (3) 320,000 represent currently exercisable stock options.
- (4) 17,500 represent currently exercisable warrants.  
465,000 represent currently exercisable stock options.  
1,597,348 shares, warrants and options are held indirectly through G.F. Consulting Corp., a private company controlled by Mr. Freeman.
- (5) 230,000 represent currently exercisable stock options.  
50,000 represent currently exercisable warrants.
- (6) 280,000 represent currently exercisable stock options.  
175,000 shares are held indirectly through Halcorp Capital Ltd., a private company controlled by Mr. Halvorson.
- (7) 157,500 represent currently exercisable stock options.  
2,500 represent currently exercisable warrants.  
70,000 options are held indirectly through 143 Investments Ltd., a private company controlled by Mr. Theodoropoulos.
- (8) 70,000 represent currently exercisable stock options.
- (9) Mr. Okada joined the Board on March 20, 2009
- (10) 125,000 represent currently exercisable stock options.
- (11) 100,000 represent currently exercisable stock options

% based on 43,944,587 common shares issued and outstanding, plus 6,289,615 shares reserved for future issuance for a fully diluted number of 50,234,202 at 3/20/2009; and common shares, warrants and stock options held by each beneficial holder exercisable within sixty days.

Stock Options. Incentive stock options are granted by the Company in accordance with the rules and policies of the Toronto Stock Exchange, the British Columbia Corporations Act, and the British Columbia Securities Commission, including the number of common shares under option, the exercise price and expiry date of such options, and any amendments thereto. The Company adopted a formal written stock option plan (the “Stock Option Plan”) on 3/20/2008.

The principal purposes of the Company’s stock option program are to (a) promote a proprietary interest in the Company among the officers, directors and employees of the Company and its affiliates, (b) retain and attract the qualified officers, directors and employees the Company requires, (c) provide a long-term incentive element in overall compensation, and (d) promote the long-term profitability of the Company.

The Stock Option Plan provides that stock options may be granted to directors, senior officers, employees and consultants of the Company (and any subsidiary of the Company) and management-company employees. For the purposes of the Stock Option Plan, the terms “employees”, “consultants” and “management company employees” have the meanings set out in Toronto Stock Exchange Policy 4.4. In addition, the term “director” is defined in Toronto Stock Exchange Policy 4.4 to include directors, senior officers and management company employees.

Under the Stock Option Plan, the Company’s board of directors (the “Board”) may, from time to time, designate a director or other senior officer or employee of the Company as administrator (the “Administrator”) for the purposes of administering the Plan. Currently, the Administrator is the Corporate Secretary of the Company.

The Stock Option Plan provides for the issuance of stock options to acquire at any time up to a maximum of 10% of the issued and outstanding common shares of the Company (subject to standard anti-dilution adjustments). If a stock option expires or otherwise terminates for any reason without having been exercised in full, the number of common shares reserved for issuance under that expired or terminated stock option shall again be available for the purposes of the Stock Option Plan. Any stock option outstanding when the Stock Option Plan is terminated will remain in effect until it is exercised or it expires. The Stock Option Plan provides that it is solely within the discretion of the Board to determine who should receive stock options and in what amounts, subject to the following conditions:

- a. Options will be non-assignable and non-transferable except that they will be exercisable by the personal representative of the option holder in the event of the option holder’s death;
- b. options may be exercisable for a maximum of ten years from grant date;
- c. options to acquire no more than 5% of the issued shares of the Company may be granted to any one individual in any 12 month period;
- d. options to acquire no more than 2% of the issued shares of the Company may be granted to any one consultant in any 12 month period;
- e. options to acquire no more than an aggregate of 2% of the issued shares of the Company may be granted to an employee conducting investor relations activities (as defined in Toronto Stock Exchange Policy, in any 12 month period;
- f. options held by an option holder who is a director, employee, consultant or management company employee must expire within 90 days after the option holder ceases to be a director, employee, consultant or management company employee;
- g. options held by an option holder who is engaged in investor relations activities must expire within 30 days after the option holder ceases to be employed by the Company to provide investor relations activities; and
- h. in the event of an option holder’s death, the option holder’s personal representative may exercise any portion of the option holder’s vested outstanding options for one year following the option holder’s death.

The names and titles of the Directors/Senior Management of the Company to whom outstanding stock options have been granted and the number of common shares subject to such options are set forth in the following table, as well as the number of options granted to Directors/Senior Management and all employees/ consultants as a group.

Table No. 9  
Stock Options Outstanding  
March 20, 2009

<b>Name</b>	<b>Number of Options Granted or Remaining</b>	<b>Exercise Price per Share</b>	<b>Grant Date</b>	<b>Expiration Date</b>
<b>Officers/Directors</b>				
Gary Freeman	285,000	\$0.80	4/25/2006	4/25/2011
Gary Freeman	100,000	\$1.60	6/17/2008	6/17/2013
Gary Freeman	80,000	\$0.60	12/12/2008	12/12/2013
Melvin Herdrick	25,000	\$0.50	7/21/2005	7/21/2010
Melvin Herdrick	30,000	\$0.80	4/25/2006	4/25/2011
Melvin Herdrick	25,000	\$0.55	8/02/2006	8/02/2011
Melvin Herdrick	50,000	\$0.60	1/12/2007	1/12/2012
Melvin Herdrick	100,000	\$1.60	6/17/2008	6/17/2013
John Seaman	50,000	\$0.78	4/27/2007	4/25/2011
John Seaman	50,000	\$1.60	6/17/2008	6/17/2013
Dayna Caouette	45,000	\$1.60	6/17/2008	6/17/2013
Andre Audet	50,000	\$1.60	6/17/2008	6/17/2013
Michael Halvorson	100,000	\$0.80	4/25/2006	240252011
Michael Halvorson	100,000	\$0.55	8/02/2006	8/02/2011
Michael Halvorson	50,000	\$1.60	6/17/2008	6/17/2013
Michael Halvorson	30,000	\$0.60	12/12/2008	12/12/2013
Chris Theodoropoulos	37,500	\$0.73	3/23/2007	4/25/2011
Chris Theodoropoulos	50,000	\$1.60	6/17/2008	6/17/2013
Chris Theodoropoulos	70,000	\$0.60	12/12/2008	12/12/2013
Scott Kelly	55,000	\$1.60	6/17/2008	6/17/2013
Scott Kelly	70,000	\$0.60	12/12/2008	12/12/2013
Chester Millar	250,000	\$1.60	6/17/2008	4/25/2013
Chester Millar	70,000	\$0.60	12/12/2008	12/12/2013
Leonard Harris	70,000	\$0.60	12/12/2008	12/12/2013
<b>Total Officers/Directors</b>	<b>1,842,500</b>			
<b>Employees/Consultants/etc.</b>	<b>1,210,000</b>			
<b>TOTAL</b>	<b>3,052,500</b>			
(1) Options with the exception of the \$1.60 options granted June 17, 2008 and the \$0.60 options granted December 12, 2008, vest at 25% every six months following granting.				

## **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **7.A. Major Shareholders.**

#### **7.A.1.a. Holdings By Major Shareholders.**

Refer to ITEM #6.E and Table No. 4/5/6/7/8

#### **7.A.1.b. Significant Changes in Major Shareholders' Holdings.**

The participation in private placements of equity by the Company and exercise of stock options/share purchase warrants has lead over the last several years to some significant changes in the holdings of major shareholders direct/indirect holdings of common shares.

	<b>Common Shares Owned at 9/30/2008</b>	<b>Common Shares Owned at 9/30/2007</b>	<b>Common Shares Owned at 9/30/2006</b>
Melvin Herdrick	1,315,305	1,315,305	1,620,305
Gary Freeman	1,173,848	1,263,600	1,309,900
Michael Halvorson	820,000	520,000	n/a
Mark S. Isaacs	n/a	1,025,065	1,025,065
Bradley Aelicks	n/a	446,399	733,899

**7.A.1.c. Different Voting Rights.** The Company's major shareholders do not have different voting rights.

**7.A.2. Canadian Share Ownership.** On 2/28/2009, the Company's shareholders' list showed 43,944,587 common shares outstanding, with 101 registered shareholders. 38 of these shareholders were resident in Canada, holding 35,410,233 common shares (representing about 80.6% of the issued/outstanding shares); 57 registered shareholders were resident in the United States, holding 7,661,842 common shares (representing about 17.4%); and 6 registered shareholders were resident in other countries, holding 872,512 common shares.

The Company has researched the indirect holding by depository institutions and other financial institutions; based on this research and other research into the indirect holdings of other institutions, the Company estimates that on 3/12/2009 that it had about 2900 "holders of record" in Canada, holding approximately 81% of the outstanding shares of the Company, and over 3200 beneficial owners that own 100% of its common shares.

### Warrants

The following table lists share purchase warrants outstanding, the date the share purchase warrants were issued, the exercise price, and the expiration date of the share purchase warrants. There were 72 holders of the outstanding 3,237,115 warrants: 53 of whom are resident in Canada; Eight of whom are resident in the United State; and 11 international holders. These warrants were issued in conjunction with private placements and are non-transferable.

Table No. 10  
Share Purchase Warrants Outstanding  
February 28, 2009

<b>Effective Date of Issuance</b>	<b>Number of Share Purchase Warrants Originally Issued</b>	<b>Number of Share Purchase Warrants Still Outstanding</b>	<b>Year #1</b>	<b>Year #2</b>	<b>Expiration Date of Share Purchase Warrants</b>
12/3/2007	2,975,150	2,975,150	\$3.75	\$3.75	6/3/2009
12/3/2007	261,965	261,965	\$3.80	\$3.80	6/3/2009

### Escrowed Shares

Escrow is a legal arrangement whereby a thing (usually money or securities) is delivered to a third party (called an escrow agent) to be held in trust pending a contingency or the fulfillment of a condition or conditions in a contract. Upon that event occurring, the escrow agent will deliver the thing to the proper recipient, otherwise the escrow agent is bound by her or his fiduciary duty to maintain the escrow account.

Pitalla Acquisition Escrow Shares: Of the 5,399,998 common shares of the Company issued to the Principals (as defined by TSX Venture Exchange policies) of the Company pursuant to the acquisition of Pitalla, 2,950,370 common shares were required to be placed in escrow (the “Pitalla Acquisition Escrow Shares”) pursuant to TSX Venture Exchange Policy 5.4 (the “Escrow Policy”). These shares are “Tier 2 Value Securities” as that term is defined in the Policy.

All of the Pitalla Acquisition Escrow Shares are to be subject to an escrow agreement (the “Pitalla Acquisition Share Escrow Agreement”) dated 7/31/2005 (the “Exchange Notice” date). The Pitalla Acquisition Share Escrow Agreement is between the Principals of the Company and its registrar and transfer agent, Pacific Corporate Trust Company.

The Pitalla Acquisition Share Escrow Agreement provides that the Pitalla Acquisition Escrow Shares may not be transferred or otherwise dealt with during the term of the Pitalla Acquisition Share Escrow Agreement unless authorized by the TSX Venture Exchange or unless the transfers or dealings are within escrow and are:

- (i) transfers to continuing or, upon their appointment, incoming directors and senior officers of the Company or of a material operating subsidiary, with approval of the Company’s board of directors;
- (ii) transfers to an RRSP or similar trustee plan provided that the only beneficiaries are the transferor; and
- (iii) transfers upon bankruptcy to the trustee in bankruptcy.

Tenders of Escrow Shares to a take-over bid will be permitted, provided that, if the tenderer is a principal of the successor company upon completion of the take-over bid, securities received in exchange for tendered Escrow Shares will be substituted in escrow on the basis of the successor company's escrow classification. Upon the death of an Escrow Holder, a release from escrow to the legal representative will be permitted in certain circumstances.

Under the Escrow Policy, the Pitalla Acquisition Escrow Shares are to be released from escrow on a pro-rata basis on the following schedule:

Release Date	% Permitted for Release
at the time of Exchange Notice (1)	10%
6 months from Exchange Notice	15% ( 4/06/2006 released)
12 months from Exchange Notice	15% (10/03/2006 released)
18 months from Exchange Notice	15% ( 4/04/2007 released)
24 months from Exchange Notice	15% (10/04/2007 released)
30 months from Exchange Notice	15% ( 4/04/2008 released)
36 months from Exchange Notice	15% (10/08/2008 released)
TOTAL	100%

All these Pitalla Acquisition Escrow Shares and any other securities to be issued by the Company to Pitalla shareholders are expected to be subject to, in addition to any escrow, seed share restrictions or other restrictions imposed by the TSX Venture Exchange, a four (4) month hold from their date of issuance. The foregoing release dates and effected shareholders are, respectively, the minimum amounts and people that the Company expects will be subject to such escrow, seed share restrictions or other restrictions and the Exchange may require additional securities and securities of other shareholders to be subject to escrow and other restrictions.

7.A.3. Control of Company. The Company is a publicly owned Canadian corporation, the shares of which are owned by U.S. residents, Canadian residents and other foreign residents. The Company is not controlled by any foreign government or other person(s) except as described in ITEM #4.A., "History and Growth of the Company", and ITEM #6.E., "Share Ownership".

7.A.4. Change of Control of Company Arrangements.

No Disclosure Necessary

### **7.B. Related Party Transactions**

Stewart Lockwood, a former Director and former Executive Officer of the Company, is a partner of VECTOR Corporate Finance Lawyers. The total amount of professional fees and share issue costs paid by the Company to the law firm for the year ended September 30, 2007 was \$24,935. Management believes that these legal fees paid or accrued are at prevailing commercial rates.

During Fiscal 2008/2007 consulting fees in the amount of \$406,108 and \$236,215 were made to directors of the Company; in addition, reimbursements of expenses were paid to directors totalling \$13,251 and \$25,196.

A bonus was paid to an officer of the Company in the amount of \$250,000 (2007 - \$nil and 2006 - \$nil) and included in salaries expense.

Rent of \$10,350 was recovered from companies with common directors for their respective share of the rent expense paid by the Company for shared office space.

Other than as disclosed above and in the MD&A in ITEM #5, there have been no transactions since 9/30/2006, or proposed transactions, which have materially affected or will materially affect the Company in which any director, executive officer, or beneficial holder of more than 10% of the outstanding common shares, or any of their respective relatives, spouses, associates or affiliates has had or will have any direct or material indirect interest. Management believes the transactions referenced above were on terms at least as favorable to the Company as the Company could have obtained from unaffiliated parties.

### **7.C. Interests of Experts and Counsel**

--- Not Applicable ---

## **ITEM 8. FINANCIAL INFORMATION**

### **8.A. Statements and Other Financial Information**

The Company's financial statements are stated in Canadian Dollars (CDN\$) and are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), the application of which, in the case of the Company, conforms in all material respects for the periods presented with United States GAAP, except as discussed in footnotes to the financial statements.

The financial statements as required under ITEM #17 are attached hereto and found immediately following the text of this Annual Report. The audit report of Smythe Ratcliffe LLP are included herein immediately preceding the financial statements and schedules.

Audited Financial Statements:

For Fiscal 2008/2007/2006 Ended September 30th

### **8.A.7. Legal/Arbitration Proceedings**

The Directors and the Senior Management of the Company do not know of any material, active or pending, legal proceedings against them; nor is the Company involved as a plaintiff in any material proceeding or pending litigation.

The Directors and the Senior Management of the Company know of no active or pending proceedings against anyone that might materially adversely affect an interest of the Company.

### **8.B. Significant Changes**

No undisclosed significant change has occurred since the date of the annual financial statements and/or since the date of the most recent interim financial statements.



## **ITEM 9. THE OFFER AND LISTING**

### **9.A. Common Share Trading Information**

The Company's common shares began trading on the TSX Venture Exchange (formerly the Canadian Venture Exchange) in Toronto, Ontario, Canada, under its former name Consolidated Magna Ventures Ltd. in May 1984. The current stock symbol is "PEZ". The CUSIP number is 70532W109.

The following table lists the volume of trading and high, low and closing sales prices on the TSX Venture Exchange for the Company's common shares for: the last six months, the last eight fiscal quarters; and the last five fiscal years. Prices and volume adjusted for 1:15 stock consolidation effective 9/21/2004. Effective 3/2/2009, the Company delisted from the TSX Venture Exchange and began trading on the Toronto Stock Exchange.

Table No. 11  
TSX Venture Exchange  
Common Shares Trading Activity

<b>Period Ended</b>	<b>Volume</b>	<b>High</b>	<b>Low</b>	<b>Closing</b>
<b>Monthly</b>				
2/28/2009	1,877,200	\$1.17	\$0.90	\$1.07
1/31/2009	1,628,400	\$1.19	\$0.74	\$0.96
12/31/2008	2,061,300	\$1.01	\$0.48	\$0.99
11/30/2008	1,828,700	\$0.84	\$0.41	\$0.51
10/31/2008	2,635,600	\$1.32	\$0.39	\$0.65
9/30/2008	2,047,400	\$1.48	\$0.79	\$1.28
8/31/2008	1,313,900	\$1.44	\$1.12	\$1.34
<b>Quarterly</b>				
9/30/2008	4,973,400	\$1.61	\$0.79	\$1.28
6/30/2008	11,090,200	\$2.74	\$1.33	\$1.47
3/31/2008	13,354,000	\$3.74	\$1.87	\$2.63
12/31/2007	16,917,700	\$3.50	\$1.74	\$2.69
9/30/2007	17,261,400	\$1.15	\$0.74	\$1.77
6/30/2007	8,306,829	\$1.03	\$0.74	\$0.82
3/31/2007	7,990,169	\$0.86	\$0.51	\$0.95
12/31/2006	4,590,471	\$0.65	\$0.38	\$1.28
<b>Yearly</b>				
9/30/2008	29,417,600	\$3.74	\$0.79	\$1.28
9/30/2007	38,148,869	\$2.15	\$0.38	\$1.77
9/30/2006	16,113,078	\$1.15	\$0.39	\$0.41
9/30/2005	2,587,443	\$0.71	\$0.21	\$0.65
9/30/2004	475,906	\$0.21	\$0.08	\$0.20

The Company's common shares began trading on the OTC Bulletin Board in September 2007 under the symbol PEZFF.OB.

The following table lists the volume of trading and high, low and closing sales prices on the OTC Bulletin Board for the Company's common shares for: the last six fiscal quarters. The closing price on 2/27/2009 was US\$0.82.

Table No. 11  
OTC Bulletin Board  
Common Shares Trading Activity  
US Dollars

Period Ended				US Dollars
Quarterly	Volume	High	Low	Closing
12/31/2008	2,370,200	US\$1.23	US\$0.30	US\$0.81
9/30/2008	1,961,800	\$1.60	\$0.79	\$1.20
6/30/2008	3,211,000	\$2.72	\$1.34	\$1.44
3/31/2008	2,520,300	\$3.60	\$1.93	\$2.58
12/31/2007	2,299,200	\$3.51	\$1.75	\$2.68
9/30/2007	279,100	\$1.79	\$1.43	\$1.75

The Company's common shares began trading on the Stuttgart Stock Exchange on 2/2/2007, with the trading symbol of "P5E.SG". Total volume through 1/31/2009 was 669,500. Prices ranged from euro\$0.28 to euro\$2.60; the closing price on 1/31/2009 was euro\$0.62.

The Company's common shares began trading on the Munich-Stock Exchange on 5/22/2006, with the trading symbol of "P5E.DE". Total volume through 1/31/2009 was 1,051,400. Prices ranged from euro\$0.25 to euro\$2.57; the closing price on 1/31/2009 was euro\$0.63.

The Company's common shares began trading on the XETRA-Stock Exchange in Europe on 5/29/2006, with the trading symbol of "P5E.DE". Total volume through 1/31/2009 was 145,100. Prices ranged from euro\$0.30 to euro\$2.58; the closing price on 1/31/2009 was euro\$0.31.

The Company's common shares began trading on the Berlin-Bermen-Stock Exchange on 2/8/2006, with the trading symbol of "P5E.BE". Total volume through 1/31/2009 was 339,700. Prices ranged from euro\$0.23 to euro\$2.57; the closing price on 1/31/2009 was euro\$0.62.

The Company's common shares began trading on the Frankfurt Stock Exchange on 3/25/2008, with the trading symbol of "P5E.F". Total volume through 1/31/2009 was 1,055,300. Prices ranged from euro\$0.23 to euro\$2.60; the closing price on 1/31/2009 was euro\$0.61.

#### 9.A.5. Common Share Description

##### Registrar/Common Shares Outstanding/Shareholders

The Company's common shares are issued in registered form and the following information is taken from the records of Pacific Corporate Trust Company (located in Vancouver, British Columbia, Canada), the registrar and transfer agent for the common shares.

##### Common Share Description

All of the authorized common shares of the Company are of the same class and, once issued, rank equally as to dividends, voting powers, and participation in assets. Holders of common stock are entitled to one vote for each share held of record on all matters to be acted upon by the shareholders. Holders of common stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors, in its discretion, out of funds legally available therefore.

Upon liquidation, dissolution or winding up of the Company, holders of common stock are entitled to receive pro rata the assets of Company, if any, remaining after payments of all debts and liabilities. No shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provisions for redemption or purchase for cancellation, surrender, or sinking or purchase funds.

Provisions as to the modification, amendment or variation of such shareholder rights or provisions are contained in the British Columbia Corporations Act. Unless the British Columbia Corporation Act or the Company's Articles of Incorporation or Memorandum otherwise provide, any action to be taken by a resolution of the members may be taken by an ordinary resolution or by a vote of a majority or more of the shares represented at the shareholders' meeting.

The Company's Articles and the *British Columbia Corporations Act* contain provisions, which require a "special resolution" for effecting certain corporate actions. Such a "special resolution" requires a two-third vote of shareholders rather than a simple majority for passage. The principle corporate actions that require a "special resolution" include:

- a. Transferring the Company's jurisdiction from British Columbia to another jurisdiction;
- b. Giving financial assistance under certain circumstances;
- c. Certain conflicts of interest by Directors;
- d. Disposing of all/substantially all of Company's undertakings;
- e. Removing Director before expiration of his term of office;
- f. Certain alterations of share capital;
- g. Changing the Company name; and
- h. Certain reorganizations of the Company.

There are no restrictions on the repurchase or redemption of common shares of the Company while there is any arrearage in the payment of dividends or sinking fund installments.

##### Stock Options

Refer to ITEM #6E, and Tables #4 to #7 for additional information.

### Escrowed Shares

Escrow is a legal arrangement whereby a thing (usually money or securities) is delivered to a third party (called an escrow agent) to be held in trust pending a contingency or the fulfillment of a condition or conditions in a contract. Upon that event occurring, the escrow agent will deliver the thing to the proper recipient; otherwise the escrow agent is bound by her or his fiduciary duty to maintain the escrow account.

PODbook Escrow Shares: An aggregate of 426,667 common shares issued during Fiscal 2001 related to the acquisition of PODbook were deposited with Pacific Corporate Trust Company pursuant to an escrow agreement dated 7/30/2001 (the “Escrow Agreement”). The Escrow Agreement requires the written consent of the TSX Venture Exchange for the shares to be released from escrow. All share issuances are governed by a six-year time-release and gross revenue escrow provision. The revenue earn-out provision requires the Company to generate \$0.60 in gross revenue for every one share to be released from escrow. In addition, the escrow agreement allows for the Company to make an application anytime after 7/30/2006 to cancel all of these escrow shares. In January 2005, the Company returned PODbook to the past President in consideration for his agreement to cancel his 180,000 escrowed shares in the Company. These shares expired on 7/31/2007 and were subsequently cancelled on 1/30/2008.

Pitalla Acquisition Escrow Shares: Of the 5,399,998 common shares of the Company issued to the Principals (as defined by TSX Venture Exchange policies) of the Company pursuant to the acquisition of Pitalla, 2,950,370 common shares were required to be placed in escrow (the “Pitalla Acquisition Escrow Shares”) pursuant to TSX Venture Exchange Policy 5.4 (the “Escrow Policy”). These shares are “Tier 2 Value Securities” as that term is defined in the Policy.

All of the Pitalla Acquisition Escrow Shares are to be subject to an escrow agreement (the “Pitalla Acquisition Share Escrow Agreement”) dated 7/31/2005 (the “Exchange Notice” date). The Pitalla Acquisition Share Escrow Agreement is between the Principals of the Company and its registrar and transfer agent, Pacific Corporate Trust Company.

The Pitalla Acquisition Share Escrow Agreement provides that the Pitalla Acquisition Escrow Shares may not be transferred or otherwise dealt with during the term of the Pitalla Acquisition Share Escrow Agreement unless authorized by the TSX Venture Exchange or unless the transfers or dealings are within escrow and are:

- (i) transfers to continuing or, upon their appointment, incoming directors and senior officers of the Company or of a material operating subsidiary, with approval of the Company’s board of directors;
- (ii) transfers to an RRSP or similar trustee plan provided that the only beneficiaries are the transferor; and
- (iii) transfers upon bankruptcy to the trustee in bankruptcy.

Tenders of Escrow Shares to a take-over bid will be permitted, provided that, if the tenderer is a principal of the successor company upon completion of the take-over bid, securities received in exchange for tendered Escrow Shares will be substituted in escrow on the basis of the successor company’s escrow classification. Upon the death of an Escrow Holder, a release from escrow to the legal representative will be permitted in certain circumstances.

Under the Escrow Policy, the Pitalla Acquisition Escrow Shares are to be released from escrow on a pro-rata basis on the following schedule:

Release Date	% Permitted for Release
at the time of Exchange Notice (1)	10%
6 months from Exchange Notice	15% ( 4/06/2006 released)
12 months from Exchange Notice	15% (10/03/2006 released)
18 months from Exchange Notice	15% ( 4/04/2007 released)
24 months from Exchange Notice	15% (10/04/2007 released)
30 months from Exchange Notice	15% ( 4/04/2008 released)
36 months from Exchange Notice	15% (10/08/2008 released)
TOTAL	100%

All these Pitalla Acquisition Escrow Shares and any other securities to be issued by the Company to Pitalla shareholders are expected to be subject to, in addition to any escrow, seed share restrictions or other restrictions imposed by the TSX Venture Exchange, a four (4) month hold from their date of issuance. The foregoing release dates and effected shareholders are, respectively, the minimum amounts and people that the Company expects will be subject to such escrow, seed share restrictions or other restrictions and the Exchange may require additional securities and securities of other shareholders to be subject to escrow and other restrictions.

9.A.6. Differing Rights

9.A.7.a. Subscription Warrants/Right

9.A.7.b. Convertible Securities/Warrants

--- No Disclosure Necessary ---

9.C. Stock Exchanges Identified

The common shares trade on the Toronto Stock Exchange in Canada and on the OTC Bulletin Board in the United States. The common shares also trade in Europe, on the: Stuart art Stock Exchange, Munich Stock Exchange, Berlin Stock Exchange, Frankfurt stock Exchange, and XETRA Exchange. Refer to ITEM #9.A.4.

## **ITEM 10. ADDITIONAL INFORMATION**

### **10.A. Share Capital**

--- Not Applicable ---

### **10.B. Notice of Articles and Articles of Incorporation**

Refer to discussion in Form-20-FR Registration Statement and amendments for more information about the Company's articles.

### **10.C. Material Contracts**

Refer to ITEM #4.D for a detailed discussion of #b below;

Refer to ITEM #6.B for a detailed discussion of #a below.

- a. Consulting Agreement with Mel Herdrick, dated 5/15/2006
- b. Option Agreement with Inmet regarding Caborca Project, dated 12/1/2006

### **10.D. Exchange Controls**

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws in Canada or exchange restrictions affecting the remittance of dividends, profits, interest, royalties and other payments to non-resident holders of the Company's securities, except as discussed in ITEM 10.E., "Taxation" below.

#### **Restrictions on Share Ownership by Non-Canadians**

There are no limitations under the laws of Canada or in the organizing documents of the Company on the right of foreigners to hold or vote securities of the Company, except that the Investment Canada Act may require review and approval by the Minister of Industry (Canada) of certain acquisitions of "control" of the Company by a "non-Canadian". The threshold for acquisitions of control is generally defined as being one-third or more of the voting shares of the Company. "Non-Canadian" generally means an individual who is not a Canadian citizen, or a corporation, partnership, trust or joint venture that is ultimately controlled by non-Canadians.

### **10.E Taxation**

The Company believes the following is a brief summary of all material principal Canadian federal income tax consequences to a holder of common shares of the Company (a "U.S. Holder") who deals at arm's length with the Company, holds the shares as capital property and who, for the purposes of the *Income Tax Act* (Canada) (the "Act") and the *Canada – United States Income Tax Convention* (the "Treaty"), is at all relevant times resident in the United States, is not and is not deemed to be resident in Canada and does not use or hold and is not deemed to use or hold the shares in carrying on a business in Canada. Special rules, which are not discussed below, may apply to a U.S. Holder that is an insurer that carries on business in Canada and elsewhere.

U.S. Holders are urged to consult their own tax advisors with respect to their particular circumstances.

Under the Act and the Treaty, a U.S. Holder of common shares will generally be subject to a 15% withholding tax on dividends paid or credited or deemed by the Act to have been paid or credited on such shares. The withholding tax rate is 5% where the U.S. Holder is a corporation that beneficially owns at least 10% of the voting shares of the Company and the dividends may be exempt from such withholding in the case of some U.S. Holders such as qualifying pension funds and charities.

In general, a U.S. Holder will not be subject to Canadian income tax on capital gains arising on the disposition of shares of the Company unless (i) at any time in the five-year period immediately preceding the disposition, 25% or more of the shares of any class or series of the capital stock of the Company was owned by (or was under option of or subject to an interest of) the U.S. holder or persons with whom the U.S. holder did not deal at arm's length, and (ii) the value of the common shares of the Company at the time of the disposition derives principally from real property (as defined in the Treaty) situated in Canada. For this purpose, the Treaty defines real property situated in Canada to include rights to explore for or exploit mineral deposits situated in Canada, rights to amounts computed by reference to the amount or value of production from such mineralization, certain other rights in respect of properties situated in Canada and shares of a corporation the value of whose shares is derived principally from real property situated in Canada.

The US Internal Revenue Code provides special anti-deferral rules regarding certain distributions received by US persons with respect to, and sales and other dispositions (including pledges) of stock of, a passive foreign investment company. A foreign corporation, such as the Company, will be treated as a passive foreign investment company if 75% or more of its gross income is passive income for a taxable year or if the average percentage of its assets (by value) that produce, or are held for the production of, passive income is at least 50% for a taxable year. The Company believes that it was not a passive foreign investment company for the taxable years ended 9/30/2008 or 9/30/2007 and, furthermore, expects to conduct its affairs in such a manner so that it will not meet the criteria to be considered passive foreign investment company in taxable year ending 9/30/2009.

**10.F. Dividends and Paying Agents**

**10.G. Statement by Experts**

--- Not Applicable ---

**10.H. Documents on Display**

The Company's documents can be viewed at its North American office, located at: 789 West Pender Street #720, Vancouver, British Columbia, Canada V6C 1H2. The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and files Form 6-K's, Annual Reports, and other information with the Securities and Exchange Commission (the "SEC"). The Company's reports, registration statements and other information can be inspected on the SEC's website at [www.sec.gov](http://www.sec.gov) and such information can also be inspected and copies ordered at the public reference facilities maintained by the SEC at the following location: Judiciary Plaza, 100 F Street NE, Washington, D.C. 20549.

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **a. Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other price risk.

### **b. Interest rate risk**

The Company's cash and cash equivalents consist of cash held in bank accounts and guaranteed investment certificates that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2008. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

### **c. Foreign currency risk**

The Company is exposed to foreign currency risk as monetary financial instruments are denominated in Mexican pesos. The Company has not entered into any foreign currency contracts to mitigate this risk.

### **d. Other price risk**

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk. The Company is not exposed to significant other price risk.

Net loss and other comprehensive loss for the year ended September 30, 2008 could have varied if the Canadian dollar to Mexican peso foreign exchange rate varied by reasonably possible amounts from their actual balance sheet date values.

The sensitivity analysis of the Company's exposure to foreign currency risk at the reporting date has been determined based upon hypothetical changes taking place at September 30, 2008, which includes a hypothetical change in the foreign currency exchange rate between the Canadian dollar and Mexico peso of 11% and the effect on net loss and comprehensive loss. Monetary financial instruments denominated in Mexican pesos as at September 30, 2008 have been used in these calculations.

	<u>Reasonably Possible Changes</u>
CDN\$: MXN peso exchange rate variance	11%
Net loss and comprehensive loss	\$ 1,196,691

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

12.A. Debt Securities --- No Disclosure Necessary ---

12.B. Warrants and Rights --- Refer to ITEM #9, "Warrants"

12.C. Other Securities --- No Disclosure Necessary ---

12.D. American Depositary Shares -- No Disclosure Necessary ---

## **PART II**

## **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

--- Nothing Responsive to Disclose ---

## **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS** --- No Disclosure Necessary ---



#### **ITEM 15. CONTROLS AND PROCEDURES**

The Company's management is responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to senior management, including Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), by others within those entities on a timely basis so that appropriate decisions can be made regarding public disclosure. The CEO and CFO have evaluated the Company's disclosure controls and procedures and have concluded that they are effective as of September 30, 2008.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management conducted an evaluation of the effectiveness of the internal controls over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2008. Based on management's assessment and those criteria, management has concluded that the internal control over financial reporting as at September 30, 2008 was effective.

The Company's Independent Registered Public Accounting Firm, Smythe Ratcliffe LLP, provided a report of their audit of the Company's internal control over financial reporting as of September 30, 2008. The audit reports of Smythe Ratcliffe are included herein immediately preceding the audited consolidated financial statements.

During the period covered by this annual report, management assessed the Company's internal controls, accounting controls/financial reporting and IT controls. Management was aggressive in formulating and implementing remediation actions to address the deficiencies that were identified prior to yearend. Corrective actions implemented by management in 2008 include the formation of corporate governance policies, expense approval procedures refined, and IT access controls were implemented. There was no remaining material weaknesses identified that had not been mitigated by compensating controls at the end of the fiscal year 2008.

## **ITEM 16. RESERVED**

### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

During the year ended 9/30/2008, Peter Wong joined the Board of Directors and was appointed the role of Chairman of the Audit Committee. Peter Wong is a Chartered Accountant and is considered to be an independent financial expert. At the Company's Annual General Meeting held on Friday, March 20, 2009, Peter Wong stepped down from the Board of Directors. At the meeting Larry Okada joined the Board of Directors and took over the roll of Chairman of the Audit Committee. Mr. Okada is a Chartered Accountant in British Columbia and Alberta; and a Certified Public Accountant in Washington State. He is considered to be an independent financial expert. The Audit Committee now consists of Larry Okada and two additional independent directors, all of whom have significant board level experience working with publicly traded companies.

### **ITEM 16B. CODE OF ETHICS**

During the year ended 9/30/2008, the Company adopted a written "code of ethics" that meets the United States' Sarbanes Oxley standards. The Company has adopted a written code of ethics to promote a corporate culture that effectively deters wrongdoing and promotes honest ethical conduct; full, fair and accurate, timely, and understandable disclosure in reports and documents; the compliance with applicable governmental laws, rules and regulations; the prompt internal reporting of violations of the code; and accountability for adherence to the code.

### **ITEM 16C. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The audit committee is directly responsible for the appointment, compensation and oversight of auditors; the audit committee has in place procedures for receiving complaints and concerns about accounting and auditing matters; and has the authority and the funding to engage independent counsel and other outside advisors.

The Audit Committee may delegate to one or more designated members of the Audit Committee the authority to grant pre-approvals required by this policy / procedure. The decisions of any Audit Committee member to whom authority is delegated to pre-approve a service shall be presented to the full Audit Committee at its next scheduled meeting.

In accordance with the requirements of the US Sarbanes-Oxley Act of 2002 and rules issued by the Securities and Exchange Commission, we introduced a procedure for the review and pre-approval of any services performed by Smythe Ratcliffe LLP, including audit services, audit related services, tax services and other services. The procedure requires that all proposed engagements of Smythe Ratcliffe LLP for audit and permitted non-audit services are submitted to the finance and audit committee for approval prior to the beginning of any such services.

Fees, including reimbursements for expenses, for professional services rendered by Smythe Ratcliffe LLP to the Company are detailed below.

	<b>Fiscal 2008 Ended 9/30/2008</b>	<b>Fiscal 2007 Ended 9/30/2007</b>
<b>Principal Accountant Fees and Services</b>		
Audit Fees	\$76,000	\$25,700
Audit-Related Fees	\$576	\$29,420
Tax Fees	\$1,200	\$1,500
All Other Fees	\$nil	\$nil
<b>TOTAL</b>	<b>\$77,776</b>	<b>\$56,620</b>

### **ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

### **ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

--- Nothing Responsive to Disclose ---

## **PART III**

### **ITEM 17. FINANCIAL STATEMENTS**

The Company's consolidated financial statements are stated in Canadian Dollars (CDN\$) and are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), the application of which, in the case of the Company, conforms in all material respects for the periods presented with United States GAAP, except as discussed in footnotes to the consolidated financial statements.

The consolidated financial statements as required under ITEM #17 are attached hereto and found immediately following the text of this Annual Report. The audit reports of Smythe Ratcliffe are included herein immediately preceding the audited consolidated financial statements.

Auditor's Report, dated 1/20/2009

Consolidated Balance Sheets at 9/30/2008 and 9/30/2007

Consolidated Statements of Operations

for the years ended 9/30/2008, 9/30/2007, and 9/30/2006

Consolidated Statements of Shareholders' Equity

For the years ended 9/30/2008, 9/30/2007, and 9/30/2006

Consolidated Statements of Cash Flows

for the years ended 9/30/2008, 9/30/2007, and 9/30/2006

Notes to Consolidated Financial Statements

### **ITEM 18. FINANCIAL STATEMENTS**

The Company has elected to provide financial statements pursuant to ITEM #17.

## **ITEM 19. EXHIBITS**

1. Notice of Articles and Articles of Incorporation as currently in effect:  
Incorporated by reference to Form 20-FR Registration Statement, as amended
2. Instruments defining the rights of holders of equity or debt securities being registered.  
--- Refer to Exhibit No. 1 ---
3. Voting Trust Agreements: No Disclosure Necessary
4. Material Contracts:
  - a. Letter of Intent regarding acquisition of Pitalla, dated 7/29/2004
  - b. Acquisition Agreement for Pitalla, dated 6/22/2005
  - c. Management Agreement with Gary Freeman, dated 2/1/2006
  - d. Consulting Agreement with Melvin Herdricks, dated 5/15/2006
  - “a” thru “d” incorporated by reference to Form 20-FR Registration Statement, as amended---
  - e. Purchase and Sale Agreement of La Colorada Mining Operation,  
dated 11/16/2008 (incorporated by reference to Form 6-K, dated 6/9/2009)
  - f. Exploration, Promise to Sell and Option to Purchase Mining Concession  
Agreement with Exploraciones La Colorada, S.A. de C.V.,  
dated 11/26/2008 (incorporated by reference to Form 6-K, dated 6/9/2009)
  - g. Consulting Agreement with Gary Freeman, dated 1/1/2009  
(incorporated by reference to Form 6-K, dated 6/9/2009)
  - h. Consulting Agreement with Scott Kelly, dated 4/10/2008  
(incorporated by reference to Form 6-K, dated 6/9/2009)
  - i. Consulting Agreement with Melvin Herdrick, dated 1/1/2008  
(incorporated by reference to Form 6-K, dated 6/9/2009)
5. Foreign Patents: No Disclosure Necessary
6. Earnings Per Share Calculation: No Disclosure Necessary
7. Ratio of Earnings To Fixed Charges: No Disclosure Necessary
8. List of Subsidiaries: Refer to ITEM #4.C. in text
9. Statement Regarding Date of Financial Statements: No Disclosure Necessary
10. Notice Required by Rule 104 of Regulation BTR: No Disclosure Necessary
11. Code of Ethics as required by ITEM No. 16B: No Disclosure Necessary
- 12i: Certifications required by Rule 13a-14(a) or Rule 15d-14(a) attached
- 12ii: Certifications required by Rule 13a-14(a) or Rule 15d-14(a) attached
- 13i. Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and  
Section 1350 of Chapter 63 of Title 18 of the United States Code attached
- 13ii. Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and  
Section 1350 of Chapter 63 of Title 18 of the United States Code attached
14. Legal Opinion required by Instruction 3 of ITEM 7B: No Disclosure Necessary
15. Additional Exhibits:  
Incorporated by reference to Form 20-FR Registration Statement, as amended  
and Form 6-K's

**Pediment Exploration Ltd.**  
(An Exploration Stage Company)

Consolidated Financial Statements

For the years ended September 30, 2008, 2007 and 2006

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## **Management's Responsibility for Financial Reporting**

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The consolidated financial statements of Pediment Exploration Ltd. are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

Management has developed and is maintaining a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated balance sheets as at September 30, 2008 and 2007 and consolidated statements of operations, shareholders' equity and cash flows for the years ended September 30, 2008, 2007 and 2006 have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the financial statements.

*"Gary Freeman" (signed)*

Gary Freeman  
President

January 20, 2009

## **Management's Report on Internal Control over Financial Reporting**

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The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management conducted an evaluation of the effectiveness of the internal controls over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as at September 30, 2008. Based on management's assessment and those criteria, management has concluded that the internal control over financial reporting as at September 30, 2008 was effective.

The effectiveness of the Company's internal control over financial reporting has been audited by Smythe Ratcliffe LLP, independent registered public accounting firm, as stated in their report.

*"Gary Freeman" (signed)*

Gary Freeman  
President and CEO

Vancouver, Canada  
January 20, 2009

*"John Seaman" (signed)*

John Seaman  
CFO

## Report of Independent Registered Public Accounting Firm

To the Shareholders of Pediment Exploration Ltd.  
(An Exploration Stage Company)

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We have audited the consolidated balance sheets of Pediment Exploration Ltd. as of September 30, 2008 and 2007 and the consolidated statements of operations, shareholders' equity and cash flows for the years ended September 30, 2008, 2007 and 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2008 and 2007 and the results of its operations and its cash flows for the years ended September 30, 2008, 2007 and 2006 in accordance with Canadian generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of September 30, 2008 based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations for the Treadway Commission and our report dated January 20, 2009 expressed an unqualified opinion.

*"Smythe Ratcliffe LLP" (signed)*

Chartered Accountants

Vancouver, Canada  
January 20, 2009



## Report of Independent Registered Public Accounting Firm

To the Board of Directors of Pediment Explorations Ltd.  
(An Exploration Stage Company)

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We have audited Pediment Explorations Ltd.'s (the "Company") internal control over financial reporting as of September 30, 2008 based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risks. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2008, based on the criteria established in Internal Control – Integrated Framework issued by the COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of September 30, 2008 and 2007 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years ended September 30, 2008, 2007 and 2006 and our report dated January 20, 2009 expressed an unqualified opinion on those financial statements.

*"Smythe Ratcliffe LLP" (signed)*

Chartered Accountants

Vancouver, Canada  
January 20, 2009

**Pediment Exploration Ltd.**

(An Exploration Stage Company)

Consolidated Balance Sheets

(Canadian Dollars)

<b>As at September 30</b>	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (note 3)	\$ 18,049,781	\$ 10,190,835
Amounts receivable	718,570	298,147
Due from related parties (note 9)	4,830	20,383
Prepaid expenses and deposits	208,685	2,211
<b>Total current assets</b>	<b>18,981,866</b>	<b>10,511,576</b>
<b>Equipment</b> (note 5)	<b>40,769</b>	<b>30,353</b>
<b>Mineral properties</b> (note 6)	<b>10,759,924</b>	<b>3,385,091</b>
<b>Total assets</b>	<b>\$ 29,782,559</b>	<b>\$ 13,927,020</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 197,027	\$ 363,362
Due to related parties (note 9)	1,514	3,976
<b>Total current liabilities</b>	<b>198,541</b>	<b>367,338</b>
<b>Future income tax liability</b> (note 8)	<b>65,570</b>	<b>-</b>
<b>Total liabilities</b>	<b>264,111</b>	<b>367,338</b>
<b>Shareholders' Equity</b>		
<b>Share capital</b> (note 7)	<b>57,856,097</b>	<b>38,558,024</b>
<b>Contributed surplus</b>	<b>6,010,303</b>	<b>1,557,786</b>
<b>Deficit accumulated in the exploration stage</b>	<b>(34,347,952)</b>	<b>(26,556,128)</b>
<b>Total shareholders' equity</b>	<b>29,518,448</b>	<b>13,559,682</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 29,782,559</b>	<b>\$ 13,927,020</b>

Nature of operations (note 1)  
 Commitments (notes 6 and 12)  
 Subsequent events (note 14)

Approved on behalf of the Board:

*"Chris Theodoropoulos" (signed)*

Chris Theodoropoulos, Director

*"Gary Freeman" (signed)*

Gary Freeman, Director

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

**Pediment Exploration Ltd.**  
(An Exploration Stage Company)  
Consolidated Statements of Operations  
(Canadian Dollars)

<b>For the years ended September 30</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Expenses</b>			
Stock-based compensation (note 7(g)(i))	\$ 4,331,565	\$ 634,366	\$ 561,588
Salaries (note 9(b))	569,836	123,584	29,644
Consultants (note 9(b))	619,577	224,356	264,540
Legal and audit	390,138	130,539	121,874
Office and administration	360,725	383,303	91,820
Investor relations and promotion	180,766	413,394	372,616
Travel	290,672	169,683	167,370
Transfer agent, listing and filing fees	53,767	28,553	28,636
Property costs	-	12,740	-
Interest and financing costs	-	4,190	2,329
Amortization	12,123	7,927	447
<b>Total expenses</b>	<b>(6,809,169)</b>	<b>(2,132,635)</b>	<b>(1,640,864)</b>
<b>Other income (expenses)</b>			
Investment and other income	679,442	187,156	117,721
Foreign exchange gain (loss)	503,026	(329,179)	(64,139)
Write down of mineral properties (note 6(b))	(2,099,553)	(333,846)	-
<b>Total other income (expenses)</b>	<b>(917,085)</b>	<b>(475,869)</b>	<b>53,582</b>
<b>Loss before taxes</b>	<b>(7,726,254)</b>	<b>(2,608,504)</b>	<b>(1,587,282)</b>
<b>Future income tax expense</b>	<b>(65,570)</b>	<b>-</b>	<b>-</b>
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (7,791,824)</b>	<b>\$ (2,608,504)</b>	<b>\$ (1,587,282)</b>
<b>Loss per share, basic and diluted</b>	<b>\$ (0.20)</b>	<b>\$ (0.10)</b>	<b>\$ (0.08)</b>
<b>Weighted average number of common shares outstanding</b>	<b>39,493,045</b>	<b>26,941,138</b>	<b>20,382,356</b>

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

**Pediment Exploration Ltd.**  
(An Exploration Stage Company)  
Consolidated Statements of Shareholders' Equity  
(Canadian Dollars)

	Share Capital		Contributed Surplus	Subscriptions Receivable	Deficit Accumulated in the Exploration Stage	Total Shareholders' Equity
	Shares	Amount				
Balance, September 30, 2005	16,300,282	\$ 23,857,950	\$ 821,998	\$ (1,600,660)	\$ (22,360,342)	\$ 718,946
Shares issued during the year						
For cash						
Private placements net of share issue costs (notes 7(c)(i), (ii) and (iii))	5,634,470	3,693,995	-	-	-	3,693,995
Exercise of warrants	1,334,300	559,330	-	-	-	559,330
Exercise of options	340,000	176,500	-	-	-	176,500
Transfer of contributed surplus to share capital on exercise of warrants	-	85,340	(85,340)	-	-	-
Transfer of contributed surplus to share capital on exercise of options	-	211,820	(211,820)	-	-	-
Amounts received for subscriptions receivable	-	-	-	1,600,660	-	1,600,660
Stock-based compensation for the year (note 7(g))	-	-	561,588	-	-	561,588
Net loss for the year	-	-	-	-	(1,587,282)	(1,587,282)
Balance, September 30, 2006	23,609,052	28,584,935	1,086,426	-	(23,947,624)	5,723,737
Shares issued during the year						
For cash						
Private placements net of share issue costs (notes 7(c)(iv), (v) and (vi))	6,259,502	7,173,020	-	-	-	7,173,020
Exercise of warrants	3,284,581	2,202,095	-	-	-	2,202,095
Exercise of options	475,000	269,050	-	-	-	269,050
Shares issued for mineral property data (note 7(c)(vii))	10,000	8,600	-	-	-	8,600
Transfer of contributed surplus to share capital on exercise of warrants	-	66,934	(66,934)	-	-	-
Transfer of contributed surplus to share capital on exercise of options	-	253,390	(253,390)	-	-	-
Stock-based compensation for the year (note 7(g))	-	-	634,366	-	-	634,366
Fair value of warrants issued as finders' fees	-	-	157,318	-	-	157,318
Net Loss for the year					(2,608,504)	(2,608,504)
Balance, September 30, 2007	33,638,135	\$ 38,558,024	\$ 1,557,786	\$ -	\$ (26,556,128)	\$ 13,559,682

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

# **Pediment Exploration Ltd.**

(An Exploration Stage Company)

Consolidated Statements of Shareholders' Equity

(Canadian Dollars)

	Share Capital		Contributed Surplus	Deficit accumulated in the exploration stage	Total Shareholders' Equity
	Shares	Amount			
Balance, September 30, 2007	33,638,135	\$ 38,558,024	\$1,557,786	\$ (26,556,128)	\$ 13,559,682
Shares issued during the year					
For cash					
Private placements net of share issue costs (note 7(c)(viii))	5,950,300	16,816,005	-	-	16,816,005
Exercise of warrants	1,154,051	1,597,319	-	-	1,597,319
Exercise of options	1,041,250	693,350	-	-	693,350
Shares issued for mineral property (note 7(c)(ix))	25,000	71,500	-	-	71,500
Transfer of contributed surplus to share capital on exercise of warrants	-	90,143	(90,143)	-	-
Transfer of contributed surplus to share capital on exercise of options	-	635,623	(635,623)	-	-
Stock-based compensation for the year (note 7(g))	-	-	4,331,565	-	4,331,565
Fair value of warrants issued as finders' fees	-	-	240,851	-	240,851
Escrowed shares cancelled (note 7(b))	(426,667)	(605,867)	605,867	-	-
Net loss for the year	-	-	-	(7,791,824)	(7,791,824)
<b>Balance, September 30, 2008</b>	<b>41,382,069</b>	<b>\$57,856,097</b>	<b>\$6,010,303</b>	<b>\$ (34,347,952)</b>	<b>\$ 29,518,448</b>

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

**Pediment Exploration Ltd.**

(An Exploration Stage Company)  
Consolidated Statements of Cash Flows  
(Canadian Dollars)

<b>For the years ended September 30</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Operating activities</b>			
Net loss for the year	\$ (7,791,824)	\$ (2,608,504)	\$ (1,587,282)
Adjustments to reconcile net loss to cash used in operating activities:			
Amortization	12,123	7,927	447
Stock-based compensation	4,331,565	634,366	561,588
Write down of mineral properties	2,099,553	333,846	-
Future income tax expense	65,570	-	-
Unrealized loss (gain) on foreign exchange	(16,094)	31,749	869
Changes in operating assets and liabilities:			
Amounts receivable	(420,423)	(206,589)	(59,691)
Prepaid expenses and deposits	(206,474)	(434)	41,845
Accounts payable and accrued liabilities	52,027	22,623	(119,731)
<b>Cash used in operating activities</b>	<b>(1,873,977)</b>	<b>(1,785,016)</b>	<b>(1,161,955)</b>
<b>Investing activities</b>			
Expenditures on equipment	(22,539)	(6,232)	(32,495)
Expenditures and advances on mineral properties	(9,621,248)	(2,457,592)	(560,928)
<b>Cash used in investing activities</b>	<b>(9,643,787)</b>	<b>(2,463,824)</b>	<b>(593,423)</b>
<b>Financing activities</b>			
Proceeds from issuance of common shares and share subscriptions, net of issue costs	19,347,525	9,801,483	6,030,485
Due from/to related parties	13,091	(4,828)	(11,579)
<b>Cash provided by financing activities</b>	<b>19,360,616</b>	<b>9,796,655</b>	<b>6,018,906</b>
<b>Foreign exchange effect on cash</b>	<b>16,094</b>	<b>(31,749)</b>	<b>(869)</b>
<b>Increase in cash and cash equivalents</b>	<b>7,858,946</b>	<b>5,516,066</b>	<b>4,262,659</b>
Cash and cash equivalents, beginning of year	10,190,835	4,674,769	412,110
<b>Cash and cash equivalents, end of year</b>	<b>\$ 18,049,781</b>	<b>\$ 10,190,835</b>	<b>\$ 4,674,769</b>
<b>Cash and cash equivalents, consists of:</b>			
Cash	\$ 2,424,466	\$ 500,511	\$ 80,291
Cash equivalents	15,625,315	9,690,324	4,594,478
<b>Cash and cash equivalents, end of year</b>	<b>\$ 18,049,781</b>	<b>\$ 10,190,835</b>	<b>\$ 4,674,769</b>

Supplemental disclosure with respect to cash flows (note 10).

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

For the years ended September 30, 2008, 2007 and 2006

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## **1. NATURE OF OPERATIONS**

The Company is governed under the *Business Corporations Act* (British Columbia) and is engaged in the business of the acquisition of, exploration for, and development of mineral properties.

The Company reported a net loss of \$7,791,824 (2007 - \$2,608,504; 2006 - \$1,587,282) for the year ended September 30, 2008 and has an accumulated deficit of \$34,347,952 as at September 30, 2008 (2007 - \$26,556,128). As at September 30, 2008, the Company had \$18,049,781 in cash and cash equivalents available to meet its liabilities as they become due and continue exploring and developing its mineral properties in the next year. The Company relies on financing through the issuance of additional shares of its common stock until such time as it achieves sustained profitability through profitable mining operations, or the receipt of proceeds from the disposition of its mineral property interests.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are stated in Canadian dollars, which is the Company's functional currency.

These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Compania Minera Pitalla, S.A. de C.V. ("Pitalla") and Pediment Exploration Mexico, S. de C.V. ("Pediment Mexico"). All significant intercompany transactions and balances have been eliminated on consolidation.

(b) Adoption of new accounting standards

Effective October 1, 2007, the Company adopted the following standards of the Canadian Institute of Chartered Accountants ("CICA") Handbook:

(i) Capital Disclosures (Section 1535)

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and, (iv) if it has not complied, the consequences of such non-compliance.

As a result of the adoption of this standard, additional disclosure on the Company's capital management strategy have been included in note 4.

For the years ended September 30, 2008, 2007 and 2006

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## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(b) Adoption of new accounting standards (continued)

- (ii) Financial Instruments – Disclosures (Section 3862) and Financial Instruments – Presentation (Section 3863).

Section 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosures and Presentation, revising its disclosure requirements, and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature of and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and, (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

As a result of the adoption of these standards, additional disclosures on the risks of certain financial instruments have been included in note 3.

(c) Cash and cash equivalents

Cash and cash equivalents is comprised of cash and highly liquid temporary investments maturing within ninety days from the original dates of acquisition and can be converted to known amounts of cash at anytime, and are held by a Canadian chartered bank.

Included in cash equivalents at September 30, 2008 are temporary investments earning interest between 2.00% and 2.95% and maturing at various dates between October 18, 2008 and September 8, 2009.

(d) Equipment

Equipment is recorded at cost and amortized using a declining-balance method at rates varying from 20% to 30% annually.



For the years ended September 30, 2008, 2007 and 2006

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## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(e) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees, and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral properties, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(f) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

(g) Loss per share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

For the years ended September 30, 2008, 2007 and 2006

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## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(h) Financial instruments and comprehensive income

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments and amortized using the effective interest method.

Comprehensive income or loss is defined as the change in equity from transactions and other events from sources other than the Company's shareholders. Other comprehensive income or loss refers to items recognized in comprehensive income or loss that are excluded from operations calculated in accordance with Canadian GAAP.

The Company has no items of other comprehensive income in any period presented. Therefore, net loss as presented in the Company's statements of operations equals comprehensive loss.

(i) Mineral properties

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. Costs accumulated relating to projects that are abandoned are written-off in the period in which a decision to discontinue the project is made.

All deferred mineral property expenditures are reviewed quarterly, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

For the years ended September 30, 2008, 2007 and 2006

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## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(i) Mineral properties (continued)

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs will be depleted using the unit-of-production method over the estimated life of the ore body based upon recoverable ounces to be mined from estimated proven and probable reserves.

The Company is still in the exploration stage and commercial production has not yet commenced. Hence, depletion has not been charged in these financial statements. Commercial production occurs when an asset or property is substantially complete and ready for its intended use.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale or option of the Company's property is recorded as a reduction of the mineral property cost. The Company recognizes in income those costs that are recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

(j) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the collectability of amounts receivable, balances of accrued liabilities, the fair value of financial instruments, the rates for amortization of equipment, the recoverability of mineral property interests, determination of asset retirement and environmental obligations, valuation allowance for future income tax assets and the determination of the variables used in the calculation of stock-based compensation. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

For the years ended September 30, 2008, 2007 and 2006

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## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(k) Foreign currency translation

The functional currency of the Company is the Canadian dollar. Integrated foreign operations are translated using the temporal method. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Interest income and expenses (excluding amortization, which is translated at the same rate as the related asset), at the average rate of exchange by quarter.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss for the period.

(l) Asset retirement obligations

The Company's proposed mining and exploration activities are subject to various laws and regulations for federal and regional jurisdictions governing the protection of the environment. These laws are continually changing. The Company believes its operations are in compliance with all applicable laws and regulations. The Company expects to make, in the future, expenditures that comply with such laws and regulations but cannot predict the full amount or timing of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. Reclamation and remediation obligations arise from the acquisition, development, construction, and normal operation of mining properties, plant and equipment.

The Company recognizes an estimate of the liability associated with an asset retirement obligation ("ARO") in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has determined that it has no material AROs to record in these financial statements.

For the years ended September 30, 2008, 2007 and 2006

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## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(m) Future changes in accounting policies

(i) Amendments to Section 1400 – Going Concern

CICA Section 1400, *General Standards of Financial Statement Presentation*, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. When financial statements are not prepared on a going concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going concern. The new requirements are effective for the Company for interim and annual financial statements beginning October 1, 2008. The Company is currently evaluating the impact of this new standard.

(ii) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The effective date for the Company is for interim and annual financial statements relating to the Company's fiscal years beginning on or after October 1, 2011. The transition date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2010 and 2009. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## **3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Company classified its cash and cash equivalents as held-for-trading; amounts receivable, deposits, and due from related parties as loans and receivables; and due to related parties and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of cash and cash equivalents, amounts receivable, deposits, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The fair values of amounts due to and from related parties have not been disclosed as their fair values cannot be reliably measured since the parties are not at arm's length.

For the years ended September 30, 2008, 2007 and 2006

### 3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment grade securities held at a major Canadian financial institution in accordance with the Company's investment policy. In regards to amounts receivable, the Company is not exposed to significant credit risk as they are due from governmental agencies.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts are held at a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	<b>2008</b>	<b>2007</b>
Guaranteed investment certificates	\$ 15,635,315	\$ 9,690,324
Bank accounts	2,424,466	500,511
<b>Total</b>	<b>\$ 18,049,781</b>	<b>\$ 10,190,835</b>

The credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed with major financial institutions with strong investment grade ratings by a primary ratings agency.

The Company has no asset backed securities.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company maintains sufficient cash and cash equivalents at September 30, 2008 in the amount of \$18,049,781 in order to meet short-term business requirements. At September 30, 2008 the Company had accounts payable and accrued liabilities of \$197,027 (2007 - \$363,362) and due to related parties of \$1,514 (2007 - \$3,976), which will be repaid in fiscal 2009.

For the years ended September 30, 2008, 2007 and 2006

### 3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other price risk.

(i) Interest rate risk

The Company's cash and cash equivalents consists of cash held in bank accounts and guaranteed investment certificates that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2008. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk as monetary financial instruments are denominated in Mexican pesos. The Company has not entered into any foreign currency contracts to mitigate this risk.

(iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk. The Company is not exposed to significant other price risk.

Net loss and other comprehensive loss for the year ended September 30, 2008 could have varied if the Canadian dollar to Mexican peso foreign exchange rate varied by reasonably possible amounts from their actual balance sheet date values.

The sensitivity analysis of the Company's exposure to foreign currency risk at the reporting date has been determined based upon hypothetical changes taking place at September 30, 2008, which includes a hypothetical change in the foreign currency exchange rate between the Canadian dollar and Mexico peso of 11% and the effect on net loss and comprehensive loss. Monetary financial instruments denominated in Mexican pesos as at September 30, 2008 have been used in these calculations.

	<u>Reasonably Possible Changes</u>
CDN \$: MXN peso exchange rate variance	11%
Net loss and comprehensive loss	\$ 1,196,691

For the years ended September 30, 2008, 2007 and 2006

#### 4. CAPITAL MANAGEMENT

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its properties contain economically recoverable reserves of ore and currently has not earned any revenues from its mineral properties and, therefore does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral properties. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments, and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this financing due to uncertain economic conditions. The Company believes that it has sufficient funds and additional receivables to fund its working capital for the coming year.

There have been no changes to the Company's approach to capital management during the year.

#### 5. EQUIPMENT

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 37,179	\$ 11,908	\$ 25,271	\$ 32,021	\$ 5,561	\$ 26,460
Office furniture	21,707	6,209	15,498	4,326	433	3,893
	\$ 58,886	\$ 18,117	\$ 40,769	\$ 36,347	\$ 5,994	\$ 30,353



For the years ended September 30, 2008, 2007 and 2006

## 6. MINERAL PROPERTIES

(a) Capitalized mineral property expenditures are as follows:

	Caborca Project	San Antonio Project	Texson Project	Daniel Project	Other Projects	Total
Balance, September 30, 2006	\$ 115,263	\$ 332,572	\$ 109,989	\$ 135,297	\$ 336,022	\$ 1,029,143
Acquisition costs	-	-	-	-	31,635	31,635
Deferred exploration costs						
Mining concessions	-	-	-	6,067	12,288	18,355
Geological services	10,970	295,411	5,876	125,330	119,632	557,219
Tax on surface	1,752	4,189	8,681	5,433	21,968	42,023
Drilling, sampling and testing	25,746	875,608	42,278	243,076	245,583	1,432,291
Geophysical	99,062	249,198	-	-	-	348,260
Fuel and gas	-	5,523	749	10,352	5,891	22,515
Travel	6,733	21,421	1,007	10,729	3,583	43,473
Stationery	-	580	-	200	510	1,290
Miscellaneous	8,958	154,233	(111)	62,188	(32,535)	194,023
Total deferred exploration costs for the year	153,221	1,606,163	58,480	463,375	376,920	2,658,159
Total acquisition and exploration costs for the year	153,221	1,606,163	58,480	463,375	408,555	2,689,794
Mineral properties balance before write down	268,484	1,938,735	168,469	598,672	744,577	3,718,937
Write down of mineral properties	-	-	-	-	(333,846)	(333,846)
<b>Balance, September 30, 2007</b>	<b>\$ 268,484</b>	<b>\$ 1,938,735</b>	<b>\$ 168,469</b>	<b>\$ 598,672</b>	<b>\$ 410,731</b>	<b>\$ 3,385,091</b>

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**6. MINERAL PROPERTIES (Continued)**

(a) Capitalized mineral property expenditures (continued):

	Caborca Project	San Antonio Project	Texson Project	Daniel Project	La Colorada Project	Other Projects	Total
Balance, September 30, 2007	\$ 268,484	\$ 1,938,735	\$ 168,469	\$ 598,672	\$ -	\$ 410,731	\$ 3,385,091
Acquisition costs	-	1,322,668	-	-	1,297,697	-	2,620,365
Deferred exploration costs							
Geological services	14,330	215,998	2,256	28,288	231,124	48,842	540,838
Tax on surface	8,156	42,882	7,177	17,390	68,596	61,931	206,132
Drilling, sampling, and testing	3,840	3,789,126	-	197,792	616,782	12,713	4,620,253
Technical assistance	7,751	52,526	417	7,019	33,850	15,032	116,595
Leasing	18,545	134,576	-	53,921	221,585	14,771	443,398
Salaries and fees	53,813	365,838	-	23,355	168,017	-	611,023
Miscellaneous	17,794	182,608	251	29,404	77,312	8,413	315,782
Total deferred exploration costs for the year	124,229	4,783,554	10,101	357,169	1,417,266	161,702	6,854,021
Total acquisition and exploration costs for the year	124,229	6,106,222	10,101	357,169	2,714,963	161,702	9,474,386
Mineral properties balance before write down	392,713	8,044,957	178,570	955,841	2,714,963	572,433	12,859,477
Write down of mineral properties	(392,712)	-	(178,569)	(955,840)	-	(572,432)	(2,099,553)
<b>Balance, September 30, 2008</b>	<b>\$ 1</b>	<b>\$ 8,044,957</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 2,714,963</b>	<b>\$ 1</b>	<b>\$ 10,759,924</b>

For the years ended September 30, 2008, 2007 and 2006

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**6. MINERAL PROPERTIES (Continued)**

- (b) The Company's mineral property holdings consist of mineral concessions located in Sonora State and Baja California, Mexico. Descriptions of specific concession groups are as follows:

(i) Caborca Project

The Caborca area project consists of three non-contiguous concessions, namely the Pitalla, Martha and Diana concessions, located in Sonora State, Mexico. The concessions are held 100% by Pitalla and are in good standing.

On December 1, 2006, the Company signed an agreement with Inmet Mining Corp. ("Inmet") to explore the Company's Caborca Project. The Company had granted Inmet an option to earn 70% of the Caborca Project in return for payments of \$250,000 and exploration expenditures of \$5,000,000 over four years. Upon completion of due diligence, Inmet paid \$50,000 and committed to \$100,000 in exploration expenditures by June 2007. An extension on the deadline for expending \$100,000 in exploration expenditures was issued by the Company to Inmet, and expended during 2008. Upon earning the 70% interest, a joint venture would have been formed with each party paying their pro-rata share of ongoing expenses.

Inmet has defaulted on the terms of the agreement and the Company has decided not to pursue this property and, accordingly, the Company has written down \$392,712 in acquisition and exploration expenditures at September 30, 2008.

(ii) San Antonio Project (Las Colinas)

San Antonio (formerly Las Colinas) consists of two concessions, Cirio and Emily, located in the state of Baja California Sur, Mexico. The concessions are held 100% by Pitalla and are in good standing.

During 2008, the San Antonio Project was expanded to include the Triunfo Est. Properties, which consist of five mining-exploration concessions located in the state of Baja California Sur, Mexico. The concessions were acquired for a cash payment of \$11,250 (paid) and the issuance of 25,000 common shares of the Company valued at \$71,500.

For the years ended September 30, 2008, 2007 and 2006

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**6. MINERAL PROPERTIES (Continued)**

(b) (continued)

(ii) San Antonio Project (Las Colinas) (continued)

On July 3, 2008, the Company acquired a group of adjacent concessions in the San Antonio district. The three concessions were acquired for a cash payment of \$1,241,568 (paid) and subject to a variable 1% to 3% net smelter royalty.

(iii) Texson Project

The Texson Project consists of three concessions, namely Texson Fraction 1, 2 and 3, and is located in Sonora State, Mexico. The concessions are held 100% by Pitalla and are in good standing.

The Company has decided not to pursue this property and, accordingly, has written down \$178,569 in acquisition and exploration expenditures at September 30, 2008.

(iv) Daniel Project

The Daniel Project consists of five concessions, Daniel 1, Daniel 2, Daniel 3, Daniel 4 and Daniel 7, and is located in Sonora State, Mexico. The concessions are 100% owned by Pitalla and are in good standing.

The Company has decided not to pursue this property and, accordingly, has written down \$955,840 in acquisition and exploration expenditures at September 30, 2008.

(v) La Colorada Project

On October 22, 2007, the Company negotiated the exclusive option to acquire the past producing La Colorada gold-silver mine property. The Company has an option to acquire 100% of 18 concessions held by private owners plus 1,130 hectares of surface holdings that include production and plant offices in return for an initial payment of US\$1.1million (\$1,085,518 – paid), followed by additional payments of US\$1,100,000 on or before October 22, 2008 and US\$550,000 on or before October 22, 2009. Subsequent to year-end the Company amended this agreement (note 14(b)).

For the years ended September 30, 2008, 2007 and 2006

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**6. MINERAL PROPERTIES (Continued)**

(b) (continued)

(v) La Colorada Project (continued)

On February 12, 2008, the Company entered into an option agreement whereby they acquired the right to purchase three additional mineral concessions totalling 852 hectares for a total price of US\$800,000 (\$102,491 paid). The remaining US\$700,000 is due as follows:

US\$100,000 – February 12, 2009  
US\$100,000 – February 12, 2010  
US\$160,000 – February 12, 2011  
US\$160,000 – February 12, 2012  
US\$180,000 – February 12, 2013

On August 14, 2008, the Company acquired six mineral concessions totalling 218 hectares for \$109,688 (paid).

(vi) Other Projects

a. Mel-Manuel Project

The Mel-Manuel Project consists of two non-contiguous concessions, the Mel and Manuel, located in Sonora State, Mexico. The concessions are held 100% by Pitalla and are in good standing.

b. Valenzuela Project

The Valenzuela Project consists of three contiguous concessions, the El Valle, San Martin and San Martin Extension, located in Sonora State, Mexico. The concessions are 100% held by Pitalla and are in good standing.

c. Cochis Project

The Cochis Project consists of a single concession, the El Toro, which was staked by the Company in July 2004 and remains in good standing. The property is located 70 kilometres northeast of Hermosillo in Sonora State, Mexico.

d. Juliana Project

On January 9, 2007, the Company signed an agreement to acquire a 100% interest in the Juliana Project located at Mulatos-La India Camp, Sonora, Mexico.

For the years ended September 30, 2008, 2007 and 2006

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**6. MINERAL PROPERTIES (Continued)**

(b) (continued)

(vi) Other Projects (continued)

e. La Cien Project

The La Cien Project consists of a single concession, which was staked by the Company in January 2005. The concession is held 100% by Pitalla and is in good standing.

f. Glor Project

The Glor Project consists of a single concession, which was staked by the Company in June 2007. The concession is held 100% by Pitalla and is in good standing.

g. El Caribe Project

The El Caribe Project consists of a single concession, which was staked by the Company in September 2007. The concession is held 100% by Pitalla and is in good standing.

h. Pitalla 3

Pitalla 3 consists of one concession. The concession constitutes 95% of the total project, is held 100% by Pediment Mexico and is in good standing.

The Company has decided not to pursue the above properties and, accordingly, has written down \$572,432 (2007 - \$333,846) in acquisition and exploration expenditures at September 30, 2008.

(c) On September 29, 2005, the Company acquired 100% of the issued and outstanding shares of Pitalla, a non-reporting Mexican company, which owns or has rights to acquire various mining properties, concessions and prospects in Mexico.

In consideration of the acquisition, the Company issued 5,399,998 common shares to the vendors at a price of \$0.075 per share for a total value of \$405,000 pursuant to a letter of intent dated July 29, 2004. As part of a finder's fee arrangement, 150,000 additional common shares were issued to the agents. In addition, 2,500,000 common shares may be issuable prior to December 31, 2011 if an aggregate of one million ounces of gold or gold equivalents are determined to be situated on three or fewer of the acquired properties, of which 500,000 ounces or equivalent must be in a single property. Subsequent to September 30, 2008 the Company issued the 2,500,000 common shares (note 14(c)) valued at \$1,175,000.

For the years ended September 30, 2008, 2007 and 2006

## 6. MINERAL PROPERTIES (Continued)

### (c) (continued)

This acquisition has been accounted for using the purchase method and the values of the assets acquired and liabilities assumed have been adjusted to reflect their fair values at the acquisition date. The purchase price has been allocated as follows:

Cash and cash equivalents	\$ 9,778
Accounts receivable	15,340
Mineral interests	410,841
Due to related parties	(43,402)
Accounts payable	(202)
	392,355
Issuance of common shares	(405,000)
Allocated to deficit	\$ (12,645)

Pitalla holds interests in mineral concessions as described in note 6(b).

### (d) Realization of assets

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

### (e) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

For the years ended September 30, 2008, 2007 and 2006

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## **6. MINERAL PROPERTIES (Continued)**

(f) Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

## **7. SHARE CAPITAL**

(a) Authorized - Unlimited number of common shares without par value

(b) Escrow shares

As at September 30, 2008, a total of 442,556 common shares were held in escrow, and were released from escrow on October 8, 2008 (note 14(a)).

During the year ended September 30, 2008, the Company cancelled 426,667 common shares previously held in escrow. Accordingly, the weighted average per common share amount of share capital attributed to the cancelled shares of \$605,867 has been allocated to contributed surplus.

(c) Private placements and shares issued for property

- (i) On January 24, 2006, the Company completed a non-brokered private placement and issued 1,713,500 units at a price of \$0.64 per unit, for gross proceeds of \$1,096,640. As part of a finder's fee arrangement, 16,905 additional units were issued to the agents. Each unit consisted of one common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase one additional common share at a price of \$0.80 per share on or before January 24, 2007 (extended to March 31, 2007). Share issuance and certain closing costs of \$86,337 were incurred by the Company through the private placement.



For the years ended September 30, 2008, 2007 and 2006

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**7. SHARE CAPITAL** (Continued)

- (c) Private placements and shares issued for property (continued)
- (ii) On March 17, 2006, the Company completed a non-brokered private placement and issued 2,967,335 units at a price of \$0.75 per unit, for gross proceeds of \$2,225,500. As part of a finder's fee arrangement, 66,813 additional units were issued to the agents. Each unit consisted of one common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase one additional common share at a price of \$0.91 per share on or before March 17, 2007. Share issuance and certain closing costs of \$128,245 were incurred by the Company through the private placement.
  - (iii) On April 25, 2006, the Company completed a non-brokered private placement and issued 811,667 units at a price of \$0.75 per unit, for gross proceeds of \$608,750. As part of a finder's fee arrangement, 58,250 additional units were issued to the agents. Each unit consisted of one common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase one additional common share at a price of \$0.91 per share on or before April 25, 2007. Share issuance and certain closing costs of \$22,312 were incurred by the Company through the private placement.
  - (iv) On March 30, 2007, the Company completed a non-brokered private placement and issued 1,635,002 units at a price of \$0.75 per unit, for gross proceeds of \$1,226,252. Each unit consisted of one common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase one additional common share at a price of \$1.00 per share on or before September 30, 2008. Share issuance and certain closing costs of \$9,752 were incurred by the Company through the private placement.
  - (v) On May 2, 2007, the Company completed a non-brokered private placement and issued 514,000 units at a price of \$0.85 per unit, for gross proceeds of \$436,900. Each unit consisted of one common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase one additional common share at a price of \$1.05 per share on or before November 2, 2008. Share issuance and certain closing costs of \$14,762 were incurred by the Company in respect of this placement.

For the years ended September 30, 2008, 2007 and 2006

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**7. SHARE CAPITAL** (Continued)

(c) Private placements and shares issued for property (continued)

- (vi) On August 21, 2007, the Company completed a non-brokered private placement and issued 4,050,000 units at a price of \$1.50 per unit, for gross proceeds of \$6,075,000. Each unit consisted of one common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase one additional common share at a price of \$2.00 per share on or before February 21, 2009. As part of the finder's fee arrangement, 60,500 additional units were issued to the agents. Each unit consisted of one common share and one-half of one share purchase warrant, each unit having the same terms as the units described above. In addition, 307,200 finder's warrants valued at \$157,318 were issued, each being exercisable to acquire one common share of the Company at a price of \$2.05 per share until February 21, 2009. Cash share issuance and certain closing costs of \$383,300 were incurred by the Company through the private placement.
- (vii) During the year ended September 30, 2007, a total of 10,000 common shares were issued to acquire mineral property data relating to one of the Company's mineral concessions. The fair value of these shares, based upon their market value at the time of issue, was \$8,600.
- (viii) On December 3, 2007, the Company completed a non-brokered private placement and issued 5,849,300 units at a price of \$3.00 per unit, for gross proceeds of \$17,547,900. Each unit consisted of one common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase one additional common share at a price of \$3.75 per share on or before June 3, 2009. As part of the finder's fee arrangement, \$425,520 in cash was paid, and 101,000 additional units, valued at the same amount as the placement units, were issued to the agents. Each unit consisted of one common share and one-half of one share purchase warrant, each unit having the same terms as the units described above. In addition, 261,965 finder's warrants were issued with a fair value of \$240,851, each exercisable to acquire one common share of the Company at a price of \$3.80 per share until June 3, 2009. Other cash share issuance costs of \$65,524 were incurred by the Company through the private placement.
- (ix) During the year ended September 30, 2008, a total of 25,000 common shares were issued to acquire mineral property data relating to one of the Company's mineral concessions. The fair value of these shares based upon their market value at the time of issue was \$71,500.

For the years ended September 30, 2008, 2007 and 2006

**7. SHARE CAPITAL** (Continued)

(d) Stock options

Pursuant to the policies of the TSX Venture Exchange, under the Company's stock option plan, options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of grant for a maximum term of five years. The board of directors may grant options for the purchase of up to a total of 10% of the outstanding shares at the time of the option grant less the aggregate number of existing options and number of common shares subject to issuance under outstanding rights that have been issued under any other share compensation arrangement. Options granted under the plan may vest over a period of time at the discretion of the board of directors.

A summary of the status of the Company's outstanding and exercisable stock options at September 30, 2008 and 2007 and changes during the years then ended is as follows:

	Outstanding	Exercisable		Weighted Average Exercise Price
Balance, September 30, 2006	2,920,000	1,728,750	\$	0.60
Exercised	(475,000)	(475,000)	\$	0.57
Vested in year	-	912,500	\$	0.64
Forfeited	(285,000)	(217,500)	\$	0.58
Cancelled	(510,000)	(510,000)	\$	0.63
Granted	850,000	356,250	\$	0.86
Balance, September 30, 2007	2,500,000	1,795,000	\$	0.72
Exercised	(1,041,250)	(1,041,250)	\$	0.67
Vested in year	-	611,250	\$	0.80
Forfeited	(156,250)	(112,500)	\$	1.74
Granted	2,340,000	2,140,000	\$	2.15
Balance, September 30, 2008	3,642,500	3,392,500	\$	1.61

For the years ended September 30, 2008, 2007 and 2006

## 7. SHARE CAPITAL (Continued)

### (d) Stock options (continued)

The following summarizes information about options outstanding at September 30, 2008 and 2007:

Expiry Date	Exercise Price	Number of Options	
		2008	2007
February 1, 2008	\$ 0.77	-	75,000
February 1, 2009	\$ 0.80	-	50,000
April 4, 2009	\$ 0.85	80,000	100,000
February 12, 2010 *	\$ 0.60	150,000	275,000
July 21, 2010	\$ 0.50	25,000	195,000
July 21, 2010	\$ 0.63	290,000	360,000
February 1, 2011	\$ 0.60	-	200,000
April 25, 2011	\$ 0.80	415,000	465,000
August 2, 2011	\$ 0.55	230,000	380,000
February 12, 2012	\$ 0.60	50,000	50,000
March 23, 2012	\$ 0.73	37,500	75,000
April 27, 2012	\$ 0.78	50,000	100,000
August 7, 2012	\$ 1.50	-	175,000
October 25, 2012 **	\$ 1.88	400,000	-
November 16, 2012 ***	\$ 3.00	815,000	-
June 17, 2013	\$ 1.60	1,100,000	-
		3,642,500	2,500,000

\* On December 29, 2008, 62,500 of these options were forfeited.

\*\* These stock options were cancelled on December 12, 2008.

\*\*\* On November 26, 2008, 70,000 of these stock options were forfeited; the remaining 745,000 were subsequently cancelled on December 12, 2008.

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**7. SHARE CAPITAL (Continued)**

(e) Warrants

At September 30, 2008, the Company has outstanding warrants to purchase an aggregate 5,398,348 common shares as follows:

Exercise Price	Expiry Date	Outstanding at September 30, 2007	Issued	Exercised	Expired	Outstanding at September 30, 2008
\$ 1.00	September 30, 2008	715,834	-	(695,834)	(20,000)	-
\$ 1.05	November 2, 2008 *	257,000	-	(25,000)	-	232,000
\$ 2.00	February 21, 2009	2,055,250	-	(257,191)	-	1,798,059
\$ 2.05	February 21, 2009	307,200	-	(176,026)	-	131,174
\$ 3.75	June 3, 2009	-	2,975,150	-	-	2,975,150
\$ 3.80	June 3, 2009	-	261,965	-	-	261,965
		3,335,284	3,237,115	(1,154,051)	(20,000)	5,398,348

\* These warrants expired unexercised subsequent to September 30, 2008.

At September 30, 2007, the Company has outstanding warrants to purchase an aggregate 3,335,284 common shares as follows:

Exercise Price	Expiry Date	Outstanding at September 30, 2006	Issued	Exercised	Expired	Outstanding at September 30, 2007
\$ 0.35	December 31, 2006	300,000	-	(300,000)	-	-
\$ 0.60	March 29, 2007	1,893,221	-	(1,771,330)	(121,891)	-
\$ 0.80	March 31, 2007	856,750	-	(721,750)	(135,000)	-
\$ 0.91	March 17, 2007	1,517,074	-	-	(1,517,074)	-
\$ 0.91	April 25, 2007	434,959	-	(389,834)	(45,125)	-
\$ 1.00	September 30, 2008	-	817,501	(101,667)	-	715,834
\$ 1.05	November 2, 2008	-	257,000	-	-	257,000
\$ 2.00	February 21, 2009	-	2,055,250	-	-	2,055,250
\$ 2.05	February 21, 2009	-	307,200	-	-	307,200
		5,002,004	3,436,951	(3,284,581)	(1,819,090)	3,335,284

For the years ended September 30, 2008, 2007 and 2006

**7. SHARE CAPITAL** (Continued)

(f) Shares reserved for issuance at September 30, 2008 and 2007

	<b>2008</b>	2007
Outstanding at September 30	41,382,069	33,638,135
Stock options (note 7(d))	3,642,500	2,500,000
Warrants (note 7(e))	5,398,348	3,335,284
Fully diluted at September 30	50,422,917	39,473,419

(g) Option compensation

(i) The fair value of stock options granted, and which vested to directors, employees and consultants, is broken down as follows:

	<b>2008</b>	2007	2006
Salaries – Employees/Directors	\$ 3,028,069	\$ 536,950	\$ 287,838
Consultants	1,303,496	97,41	273,750
	\$ 4,331,565	\$ 634,366	\$ 561,588

The fair value of stock options used to calculate stock-based compensation is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>2008</b>	2007	2006
Risk-free interest rate	3.90%	3.61%	4.13%
Expected dividend yield	0.00%	0.00%	0.00%
Expected stock price volatility	78.99%	60.71%	112.54%
Expected option life in years	5.00	3.53	3.80

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## 7. SHARE CAPITAL (Continued)

(g) Option compensation (continued)

- (ii) The fair value of warrants issued as finder's fees in the amount of \$240,851 (2007 - \$157,318) and included in share issue costs is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2008	2007
Risk-free interest rate	3.98%	3.46%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	75.0%	77.45%
Expected option life in years	1.5	1.5

## 8. INCOME TAXES

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2008	2007	2006
	32.16%	34.12%	34.12%
Income tax benefit computed at average statutory rates	\$ 2,505,461	\$ 890,022	\$ 541,581
Non-deductible stock-based compensation	(1,392,815)	(216,446)	(191,614)
Deductible foreign mineral property expenditures	1,904,831	507,451	-
Write-down of mineral properties	(592,129)	-	-
Other permanent differences	(110,358)	57,984	-
Foreign tax rate difference	(258,498)	(118,706)	-
Temporary differences	(2,080)	(114,245)	(40,480)
Unrecognized tax losses	(1,988,842)	(1,006,060)	(309,487)
Future income tax expense	\$ 65,570	\$ -	\$ -

For the years ended September 30, 2008, 2007 and 2006

**8. INCOME TAXES** (Continued)

The significant components of the Company's future income tax assets and liabilities as at September 30, 2008 and 2007 are as follows:

	<b>2008</b>	<b>2007</b>
Future income tax assets (liability)		
Non-capital losses carried forward	\$ 1,229,540	\$ 2,135,230
Net capital losses carried forward	619,725	813,270
Share issuance costs	206,203	201,180
Unused cumulative foreign exploration and development expenditures	1,127,970	715,799
Unused cumulative Canadian exploration and development expenditures	1,925,830	2,527,282
Equipment	983	490
	5,110,251	6,431,361
Valuation allowance	(5,110,251)	(6,431,361)
	-	-
Non-capital loss carried forward in Mexico	3,258,080	-
Excess of book value over tax value of mineral properties in Mexico	(3,323,650)	-
Future income taxes, net	\$ (65,570)	\$ -



For the years ended September 30, 2008, 2007 and 2006

## 8. INCOME TAXES (Continued)

At September 30, 2008, the Company has approximate non-capital losses of \$16,365,000 in Canada and Mexico that may be carried forward to apply against future years' income. These losses expire as follows:

	Canada	Mexico	Total
2009	\$ 660,000	\$ -	\$ 660,000
2010	85,000	-	85,000
2012	-	66,000	66,000
2013	-	40,000	40,000
2014	-	29,000	29,000
2015	585,000	27,000	612,000
2016	-	106,000	106,000
2017	-	5,147,000	5,147,000
2018	-	6,221,000	6,221,000
2026	1,070,000	-	1,070,000
2027	1,357,000	-	1,357,000
2028	972,000	-	972,000
	\$ 4,729,000	\$ 11,636,000	\$ 16,365,000

The Company also has \$4,767,000 of net capital losses available to apply against future capital gains in Canada. The tax benefit of the above losses has not been recorded in these financial statements as a full valuation allowance has been provided for these future tax assets.

For the years ended September 30, 2008, 2007 and 2006

## 9. RELATED PARTY TRANSACTIONS

- (a) The amounts due from/to related parties are non-interest bearing, unsecured and due on demand, and are due from/to officers of the Company and companies with common directors.

Amounts due from officers and companies with common directors arose as a result of advances made by the Company for travel and other expenses in respect of ongoing exploration of the Company's properties and recoveries of rent for shared office space. Amounts due to officers result from unpaid consulting fees.

- (b) Consulting fees in the amount of \$406,108 (2007 - \$236,215 and 2006 - \$176,352) were paid/payable to officers of the Company. In addition, reimbursement of expenses were paid to officers totalling \$13,251 (2007 - \$25,196 and 2006 - \$27,473).
- (c) A bonus was paid to an officer of the Company in the amount of \$250,000 (2007 - \$nil and 2006 - \$nil) and included in salaries expense.
- (d) Rent of \$10,350 was recovered from companies with common directors for their respective share of the rent expense paid by the Company for shared office space.

The above transactions incurred in the normal course of operations and are recorded at the exchange amount, being the amount agreed upon by the related parties.

## 10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2008	2007	2006
Non-cash transactions for the years ended September 30			
Shares issued for mineral property	\$ 71,500	\$ 8,600	\$ -
Accounts payable related to mineral properties	\$ 62,614	\$ 280,976	\$ 57,374
Other supplemental cash flow information:			
Cash paid during the year for			
Interest expense	\$ -	\$ 4,190	\$ -
Income tax expense	\$ -	\$ -	\$ -

For the years ended September 30, 2008, 2007 and 2006

## 11. SEGMENT DISCLOSURES

The Company operated in one industry segment, the mineral resource industry, and in two geographical segments, Canada and Mexico. All current exploration activities are conducted in Mexico. The capital assets (including mineral properties) and total assets identifiable with these geographic areas are as follows:

	2008	2007
Capital assets (including mineral properties)		
Canada	\$ 13,232	\$ 5,190
Mexico	10,787,461	3,410,254
	\$ 10,800,693	\$ 3,415,444
Total assets		
Canada	\$ 18,416,369	\$ 10,126,566
Mexico	11,366,190	3,800,454
	\$ 29,782,559	\$ 13,927,020

## 12. COMMITMENTS

The Company has a commitment with respect to its premises operating lease. The minimum lease payments required under such leases are payable as follows:

2009	\$ 49,955
2010	41,520
2011	41,520
2012	27,680
	\$ 160,675

For the years ended September 30, 2008, 2007 and 2006

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### 13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GAAP

- (a) Recent accounting pronouncements
  - (i) Statement of Financial Accounting Standards ("SFAS") 157, *Fair Value Measurements*. The provisions of this standard are to provide guidance for using fair value to measure assets and liabilities. The standard clarifies methods for measuring items not actively traded and the principles that fair value should be based upon when pricing an asset or liability. The provisions of Statement 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year. There is no impact on the Company's consolidated financial statements. SFAS 157-2 defers the Statement's effective date for certain non-financial assets and liabilities to fiscal years beginning after November 15, 2008, and interim periods within those years. The adoption of SFAS 157-2 is not expected to have an impact on the Company's consolidated financial statements.
  - (ii) In February 2007, FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – an Amendment of FASB Statement No. 115*, which permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option established by SFAS 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Adoption is required for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of the fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS 157. There is no impact on the Company's consolidated financial statements.
  - (iii) SFAS No. 141(R), *Business Combinations*, is to replace SFAS No. 141, *Business Combinations*. The new statement retains the fundamental requirements in SFAS No. 141 that the acquisition method of accounting be used for all business combinations. The new standard defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. The new statement improves the comparability of the information about business combinations provided in financial reports. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this statement is not expected to have a significant impact on the Company's consolidated financial statements.

For the years ended September 30, 2008, 2007 and 2006

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**13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GAAP (Continued)**

(b) Exploration expenditures

Under Canadian GAAP, acquisition costs of mineral interests and exploration expenditures are capitalized (note 2(ii)). Under US GAAP, exploration costs are expensed as incurred. When proven and probable reserves are determined for a property and a feasibility study is prepared, then subsequent development costs of the property would be capitalized. The capitalized costs of such properties are measured periodically for recoverability of carrying values.

(c) Development stage company

Pursuant to US GAAP, the Company would be subject to the disclosure requirements applicable to a development stage enterprise as the Company is devoting its efforts to establishing commercially viable mineral properties. However, the identification of the Company as such for accounting purposes does not impact the measurement principles applied to these consolidated financial statements.

(d) Income taxes

Under Canadian GAAP, deferred tax assets and liabilities are recorded at substantively enacted tax rates. Under US GAAP, deferred tax assets and liabilities are recorded at enacted rates. There were no significant differences between enacted and substantively enacted rates for the periods presented.

For the years ended September 30, 2008, 2007 and 2006

**13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GAAP** (Continued)

(e) Reconciliation of total assets, liabilities and shareholders' equity

	<b>2008</b>	2007
Total assets for Canadian GAAP	\$ 29,782,559	\$ 13,927,020
Adjustments to US GAAP – deferred expenditures	(8,107,361)	(2,974,250)
<b>Total assets for US GAAP</b>	<b>\$ 21,675,198</b>	<b>\$ 10,952,770</b>
Total liabilities for Canadian and US GAAP	\$ 264,111	\$ 367,338
Total equity for Canadian GAAP	29,518,448	13,559,682
Adjustments to US GAAP – deferred expenditures	(8,107,361)	(2,974,250)
<b>Total equity for US GAAP</b>	<b>21,411,087</b>	<b>10,585,432</b>
<b>Total equity and liabilities for US GAAP</b>	<b>\$ 21,675,198</b>	<b>\$ 10,952,770</b>

For the years ended September 30, 2008, 2007 and 2006

**13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GAAP (Continued)**

(f) Reconciliation of net loss:

	<b>2008</b>	2007	2006
Net loss per Canadian GAAP	\$ 7,791,824	\$ 2,608,504	\$ 1,587,282
Expenditures on mineral properties	6,854,021	2,658,159	618,302
Write down of exploration costs	(1,720,910)	(302,211)	-
Net loss per US GAAP	\$ 12,924,935	\$ 4,964,452	\$ 2,205,584
Loss per share in accordance with Canadian GAAP	\$ 0.20	\$ 0.10	\$ 0.08
Total differences	0.13	0.08	0.03
Loss per share in accordance with US GAAP	\$ 0.33	\$ 0.18	\$ 0.11
Weighted average number of common shares outstanding	39,493,045	26,941,138	20,382,356

(g) Comprehensive loss

	<b>2008</b>	2007	2006
Net loss per US GAAP	\$ 12,924,935	\$ 4,964,452	\$ 2,205,584
Other comprehensive income (loss)	-	-	-
Comprehensive loss per US GAAP	\$ 12,924,935	\$ 4,964,452	\$ 2,205,584

For the years ended September 30, 2008, 2007 and 2006

**13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GAAP (Continued)**

(h) Statements of cash flows

	2008	2007	2006
Net cash used in operating activities of continuing operations in accordance with Canadian GAAP	\$ (1,873,977)	\$ (1,785,016)	\$ (1,161,955)
Adjustments to net loss involving use of cash			
Write off of expenditures on mineral properties	(7,000,883)	(2,457,592)	(560,928)
Net cash used in operating activities of continuing operations in accordance with US GAAP	(8,874,860)	(4,242,608)	(1,722,883)
Net cash used in investing activities of continuing operations in accordance with Canadian GAAP	(9,643,787)	(2,463,824)	(593,423)
Reclassification of expenditures on mineral properties	7,000,883	2,457,592	560,928
Net cash used in investing activities of continuing operations in accordance with US GAAP	(2,642,904)	(6,232)	(32,495)
Net cash flows from financing activities of continuing operations in accordance with Canadian and US GAAP	19,360,616	9,796,655	6,018,906
Foreign exchange effect on cash in accordance with Canadian and US GAAP	16,094	(31,749)	(869)
Net increase in cash and cash equivalents in accordance with Canadian and US GAAP	7,858,946	5,516,066	4,262,659
Cash and cash equivalents, beginning of year in accordance with Canadian and US GAAP	10,190,835	4,674,769	412,110
Cash and cash equivalents, end of year in accordance with Canadian and US GAAP	\$ 18,049,781	\$ 10,190,835	\$ 4,674,769



For the years ended September 30, 2008, 2007 and 2006

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#### **14. SUBSEQUENT EVENTS**

In addition to those subsequent events disclosed elsewhere:

- (a) On October 8, 2008, 442,556 common shares were released from escrow.
- (b) On November 26, 2008, the Company amended the original option agreement (note 6(b)(v)) and entered into a revised purchase agreement and option to purchase agreement in regards to the La Colorada Project.

Pursuant to the revised purchase agreement, the Company will acquire all concessions except the Sonora IV concession agreed to under the original option agreement by making one further payment of US\$825,000 (paid), for a total purchase price of US\$1.925 million, and granted a net smelter return royalty of 3% if open-pit mined or of 2% if underground mined. The 2% net smelter return royalty on underground production can be purchased by the Company at any time for US\$300,000 (\$317,970).

The option to purchase agreement grants the Company the option to acquire the Sonora IV concession for 300,000 common shares of the Company on or before October 16, 2009 at a deemed price of \$0.50 per share.

- (c) On December 4, 2008, the Company issued 2,500,000 common shares valued at \$0.47 per share based on market rate pursuant to an agreement to acquire its interest in Pitalla for a total value of \$1,175,000, which will be allocated to mineral properties.
- (d) On December 12, 2008, the Company granted 1.27 million stock options exercisable for a period of five years from the date of grant at an exercise price of \$0.60 per option.
- (e) On January 5, 2009, 12,500 stock options were exercised at \$0.55 per share for gross proceeds to the Company of \$6,875.

#### **15. COMPARATIVE FIGURES**

Certain of the prior years' comparative figures have been reclassified to conform to the current year's presentation.

## **SIGNATURE PAGE**

Pursuant to the requirements of Section 12g of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Pediment Exploration Ltd.; SEC File Number 000-52509  
Registrant

Dated: June 10, 2009

By /s/ Gary Freeman  
Gary Freeman, President/CEO/Director

**Exhibit 12.1**

I, Gary Freeman, certify that:

1. I have reviewed this Amendment #1 to Annual Report on Form 20-F/A of Pediment Gold Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 10, 2009

/s/ Gary Freeman  
Gary Freeman, President/CEO/Director  
(Primary Executive Officer)

**Exhibit 12.1**

I, John Seaman, certify that:

1. I have reviewed this Amendment #1 to Annual Report on Form 20-F/A of Pediment Gold Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 10, 2009

/s/ John Seaman  
John Seaman, Chief Financial Officer  
(Primary Financial Officer)

**EXHIBIT 13.1**

**Certification of Chief Executive Officer  
Pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report for Fiscal 2008 Ended September 30, 2008 of Pediment Gold Corp., a company organized under the *British Columbia Corporations Act* (the "Company") on Form 20-F/A as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Gary Freeman, President/CEO and Director of the Company, certifies, pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Gary Freeman

Gary Freeman, President/CEO/Director  
(Principal Executive Officer)

Date: June 10, 2009

**EXHIBIT 13.2**

**Certification of Chief Financial Officer  
Pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report for Fiscal 2008 Ended September 30, 2008 of Pediment Gold Corp., company organized under the *British Columbia Corporations Act* (the "Company") on Form 20-F/A as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, John Seaman, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John Seaman

John Seaman, Chief Financial Officer  
(Principal Financial Officer)

Date: June 10, 2009