PEDIMENT EXPLORATION LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED
SEPTEMBER 30, 2007

Preliminary Information

The following Management's Discussion and Analysis ("MD&A") of Pediment Exploration Ltd. (the "Company") should be read in conjunction with the accompanying audited consolidated financial statements for the years ended September 30, 2007 and 2006 which is available at the SEDAR website at www.sedar.com.

All information contained in the MD&A is as of January 28, 2008 unless otherwise indicated. All amounts are stated in Canadian dollars unless otherwise indicated.

Description of Business and Overall Performance

The Company is a natural resource company engaged in the evaluation, acquisition, exploration and development 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 therefore there is no production, sales or inventory. The Company has financed its current operating and exploration activities principally by the issuance of common shares.

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. Additional risk factors that may effect the financial statements and the risk factors related to mineral exploration and development are set out in the Company's Management Information Circular as filed via SEDAR on February 12, 2008, available at www.sedar.com.

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.

The reactivation of the Company through the acquisition in July 2004 to acquire a 100% interest in Minera Pitalla, S.A. de C.V. ("Pitalla") have reflected significant improvements in cash resources and working capital, increased operating expenditures, and an increase in its assets as the Company has proceeded with its acquisitions, property exploration and recent financings.

The Company now has an active office in Mexico with six geologists, and full bookkeeping and accounting capabilities.

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. The Company has begun sampling on two more projects and the first drill program has begun at San Antonio.

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 allows Pediment to continue to focus on project acquisition and development of its extensive gold and silver holdings 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 January 25, 2007, Inmet Mining Corp. served Pediment Exploration Ltd. with a notice of its intention to proceed with the joint venture. Inmet issued the first payment to Pediment for $50,000. The first stage of induced-polarization geophysical work began on June 5, 2007, by Gradient Geophysics and lasted until July 30, 2007.

The objective of this work was to refine the targets generated during the reconnaissance IP work previously done by Durango Geophysics. Inmet agreed to proceed with a second stage of geophysical work at Caborca and to move forward to the drilling stage. The second geophysical survey took place during September 2007, which had the objective of extending the existing lines and creating further drill targets.

The La Juliana project was explored from January 2007 through June 2007 through an exploration agreement with purchase option. The exploration program included compilation of previous exploration data, surface rock-sampling and 1,332 metres of reverse-circulation drilling. The total cost of the exploration program (including the payments for the exploration agreement) was $333,846. Due to unsatisfactory drill results, the Company decided not to pursue the project any further and all associated costs were written off.

Results of Operations

The Company currently has no producing properties and consequently no operating income or cash flow.

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 $390,875 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.

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 and development costs until the property to which they relate is placed into production, sold or abandoned. At that time, capitalized costs are either amortized over the useful life of the ore-body, following the commencement of production or written off it the property is sold or abandoned. The Company write off all costs related to the La Juliana project in the amount of $333,846 during the year.

Investment and other income increased to $187,156 compared to $117,721 due to an increase in the amount of cash held due to the proceeds from private placements.

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.

Selected Annual Information

For the years ended September 30

	2007	**2006**	**2005**
Total revenues (Interest & other income)	187,156	117,721	553
Income (Loss) for the year	(2,608,504)	(1,587,282)	(1,135,237)
Earnings (Loss) for the year per share	(0.10)	(0.08)	(0.27)
Total assets	13,927,020	5,843,925	898,440
Total long-term financial liabilities	Nil	Nil	Nil

Summary of Quarterly Results

For the quarters ended

	Sept. 30, 2007	**June 30, 2007**	**March 31, 2007**	**Dec. 31, 2006**
Total revenues	123,807	5,548	34,771	23,030
Income (Loss) for the year	(1,178,222)	(564,562)	(614,344)	(251,376)
Earnings (Loss) for the year per share	(0.04)	(0.02)	(0.03)	(0.01)

For the quarters ended

	Sept. 30, 2006	**June 30, 2006**	**March 31, 2006**	**Dec. 31, 2005**
Total revenues	52,265	39,370	15,778	10,308
Income (Loss) for the year	(274,302)	(916,341)	(231,130)	(165,509)
Earnings (Loss) for the year per share	(0.01)	(0.04)	(0.01)	(0.01)

Liquidity and Capital Resources

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

(i) 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 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.

(i) 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 subject to a hold period until September 3, 2007. Share issuance and certain closing costs of $14,762 were incurred by the Company in respect of this placement.

(ii) 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 descirbed above. In addition, 307,200 finder 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.

(iii) 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.

The funds were to be used to further the Company's exploration activities and initiatives as well as to put towards future property acquisitions. Some of the funds were also used to carry on general office and administrative operating expenses in both the Vancouver and Mexico offices.

Transactions with Related Parties

Related party transactions and balances are disclosed in Note 7 of the consolidated financial statements.

Subsequent Events

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 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, each exercisable to acquire one common share of the Company at a price of $3.80 per share until June 3, 2009.

The Company granted stock options to acquire 400,000 common shares at an exercise price of $1.88 per share and stock options to acquire 840,000 common shares at an exercise price of $3.00 per share. All stock options were granted for a term of five years. Included in the stock options granted were 285,000 options to directors of the Company at $1.88 per share and 410,000 at $3.00 per share.

The Company issued a total of 1,116,756 common shares on the exercise of warrants and options for net proceeds of $1,354,240.

On October 31, 2007 the Company created an Advisory Board consisting of three of the most successful explorers/developers in Mexico and South America as founding members. Allen Ambrose, Mark Bailey and Dr. Peter Megaw agreed to serve as advisors to the Company on a broad range of technical and financial matters.

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$1.1 million ($1,160,000 – paid), followed by additional payments of US$1,650,000 million ($1,638,335) over the subsequent two-year period.

After the fiscal year end, the drill program at the San Antonio project continued to progress. On December 7, 2007, a diamond drill rig was added to the program, joining the reverse circulation drill that was already on site. As of December 24, 2007, seventy-four reverse circulation and one diamond drill hole, in addition to core drilling completed during the discovery phase of testing earlier in the year, have been completed. Results have been received and reported for 49 holes. Samples from the remaining 2007 drill holes will be released as they become available. Drilling at San Antonio continues to expand the Los Planes gold mineralization, and the Company looks forward to continuing the aggressive drill program at both Los Planes and at other nearby targets.

On January 14, 2008 the Company reported that its initial drill test of the Daniel gold project is underway. The initial drill phase will be a 5,000 metre program of 30-40 large diameter reverse circulation holes, focused on testing broad areas of gold anomaly in trench sampling at the Coronela and on-trend Sierrita showings. Several holes will also test the Coyote target, and La Morita target that is currently the northern most extent of the main trend in Pediment ground.

Further information on the Company's exploration projects can be found on the Company website at www.pedimentexploration.com.

Critical Accounting Estimates

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the Financial Statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs consistent with Canadian GAAP and applicable guidelines for exploration stage companies. The policy is consistent with other junior exploration companies which have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

Significant estimates are made in respect of the Company's asset retirement obligations. The Company's proposed mining and exploration activities are subject to various laws and regulations for federal, regional and provincial 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 to 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 property, plant and equipment.

Moreover, significant estimates are made in respect of, accounting for stock-based compensation and the valuation of other derivative equity instruments such as warrants issued by the Company using similar techniques. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's President and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures includes, but is not limited to, our Board's Corporate Governance Guidelines and effective operation of the Audit Committee and procedures in place to systematically identify matters warranting consideration of disclosure by the Audit Committee.

As at the end of the year covered by this management's discussion and analysis, management has evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting as required by applicable Canadian Securities Laws. Such modifications or enhancements to the existing controls and procedures have been designed, as determined necessary to obtain reasonable assurance as to the effectiveness of such controls at this time. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances.

Based on that evaluation, the President and Chief Financial Officer have concluded that, as of the end of the year covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings (as such terms are defined under Multilateral Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*) and other reports filed or submitted under applicable Canadian securities laws, is recorded, processed, summarized and reported within time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Item 4(c) of Form 52-109F1 *Certification of Annual Filings* requires the Company's President (CEO) and CFO to certify that they have designed the Company's internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP. While the Company's certifying officers have concluded that they are able to make those certifications as required by applicable Canadian securities laws, management of the Company wishes to provide additional disclosure in this management's discussion and analysis regarding the condition of the design of the Company's internal control over financial reporting in view of certain weaknesses that were identified by management. These weaknesses were identified when management, with the participation of the Company's President and CFO and the Audit Committee, evaluated the condition of the Company's design of internal control over financial reporting as at the end of the period covered by this management's discussion and analysis, as contemplated by CSA Staff Notice 52-316 *Certification of Design of Internal Control over Financial Reporting*.

While management believes that control over bank accounts and Company assets is adequate, it is also aware that internal control weaknesses were identified in respect of a lack of segregation of duties, and a high risk of management override of controls and procedures. It is management's opinion that these weaknesses in internal controls over financial reporting are inherently related to the small size of the issuer.

<u>Risks and Uncertainties</u>

The Company is in the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.

b) 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 in the future.

c) Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.

d) The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs.

e) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue its exploration and development activities in the future.

f) There is no certainty that the properties which the Company has deferred as assets on its balance sheet will be realized at the amounts recorded. These amounts should not be taken to reflect realizable value.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on any forward-looking statements. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined.

Caution Regarding Forward Looking Statements

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

Additional information related to the Company is available on SEDAR at www.sedar.com.

"Gary Freeman" January 28, 2008
Gary Freeman, President