

Pediment Exploration Ltd.
(An Exploration Stage Company)

Consolidated Interim Financial Statements
(Unaudited)

For the three-month periods ended December 31, 2007 and 2006

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Management's Responsibility for Financial Reporting

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3) (a), we report that the accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The consolidated interim 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.

"Gary Freeman" (signed)

Gary Freeman
President

February 29, 2008

Pediment Exploration Ltd.
 (An Exploration Stage Company)
 Consolidated Interim Balance Sheets
(Unaudited)
 September 30,
 2007

As at December 31

	2007	
Assets		
Current		
Cash and cash equivalents	\$ 24,540,656	\$ 10,122,241
Accounts receivable	928,448	366,741
Due from related parties (note 7)	-	20,383
Prepaid expenses	13,417	2,211
Total current assets	25,482,521	10,511,576
Mineral properties (note 4)	5,906,499	3,385,091
Property and equipment (note 3)	30,001	30,353
Total assets	\$ 31,419,021	\$ 13,927,020
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 751,027	\$ 363,362
Due to related parties (note 7)	-	3,976
Total current liabilities and total liabilities	751,027	367,338
Shareholders' Equity		
Share capital	55,899,483	38,558,024
Contributed surplus	3,940,948	1,557,786
Deficit accumulated in the exploration stage	(29,172,437)	(26,556,128)
Total shareholders' equity	30,667,994	13,559,682
Total liabilities and shareholders' equity	\$ 31,419,021	\$ 13,927,020

Commitments (notes 4 and 10)
 Subsequent events (note 12)

Approved on behalf of the Board:

"Bradley T. Aelicks" (signed)

 Bradley T. Aelicks, Director

"Gary Freeman" (signed)

 Gary Freeman, Director

Pediment Exploration Ltd.
(An Exploration Stage Company)
Consolidated Interim Statements of Operations
(Unaudited)

For the three-month periods ended December 31	2007	2006
Expenses		
Investor relations and promotion (note 5(g)(i))	\$ 107,962	\$ 127,067
Salaries (note 5(g)(i))	769,399	29,067
Office and administration	156,388	64,481
Consultants (notes 5(g)(i) and 7(c))	1,525,012	99,205
Travel	73,511	15,727
Legal and audit (note 7(a))	53,669	12,624
Transfer agent, listing and filing fees	16,004	1,964
Property costs	-	-
Interest and financing costs	8,517	367
Amortization	-	1,643
Total expenses	(2,710,462)	(352,145)
Other income (expenses)		
Investment and other income	164,077	23,030
Foreign exchange gain (loss)	(59,181)	77,739
Write off of mineral properties	(10,743)	-
Gain on extinguishment of debt	-	-
Total other income (expenses)	94,153	100,769
Net loss for the year	\$ (2,616,309)	\$ (251,376)
Loss per share, basic and diluted	\$ (0.0	\$ (0.01
Weighted average number of common shares outstanding	35,870,944	23,618,655

Pediment Exploration Ltd.

(An Exploration Stage Company)

Consolidated Interim Statements of Shareholders' Equity

(Unaudited)

	Share Capital		Contributed Surplus	Subscriptions Receivable	Deficit Accumulated in the Exploration Stage	Total Shareholders' Equity (Deficit)
	Shares	Amount				
Balance, September 30, 2006	23,609,052	28,584,935	1,086,426	-	(23,947,624)	5,723,737
Shares issued during the period						
For cash						
Exercise of warrants	300,000	105,000	-	-	-	105,000
Net loss for the period	-	-	-	-	(251,376)	(251,376)
Balance, December 31, 2006	23,909,052	\$ 28,689,935	\$1,086,426	\$ -	\$ (24,199,000)	\$5,577,361
	Share Capital		Contributed Surplus	Subscriptions Receivable	Deficit Accumulated in the Exploration Stage	Total Shareholders' Equity (Deficit)
	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 period						
For cash						
Private placements net of share issue costs (note 5(c)(i))	5,950,300	17,056,856	-	-	-	17,056,856
Exercise of warrants	170,834	172,084	-	-	-	172,084
Exercise of options	493,750	299,313	-	-	-	299,313
Conversion of contributed surplus to share capital on exercise of options	-	141,835	(141,835)	-	-	-
Stock-based compensation for the period	-	-	2,196,368	-	-	2,196,368
Fair value of warrants issued as finders' fees	-	(328,629)	328,629	-	-	-
Net loss for the period	-	-	-	-	(2,616,309)	(2,616,309)
Balance, December 31, 2007	40,253,019	\$ 55,899,483	\$3,940,948	\$ -	\$ (29,172,437)	\$30,667,994

Pediment Exploration Ltd.
(An Exploration Stage Company)
Consolidated Interim Statements of Cash Flows
(Unaudited)

For the three-month periods ended December 31	2007	2006
Cash flows used in operating activities		
Net loss for the period	\$ (2,616,309)	\$ (251,376)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	-	1,643
Stock-based compensation	2,196,368	-
Write off of mineral properties	10,743	-
Non-cash financing costs	-	-
Liabilities written-off	-	-
Changes in operating assets and liabilities:		
Accounts receivable	(561,706)	(49,130)
Prepaid expenses	(11,206)	(1,418)
Accounts payable and accrued liabilities	(231,124)	(42,798)
Total cash flows used in operating activities	(1,213,234)	(343,079)
Cash flows used in investing activities		
Expenditures on property and equipment	-	(3,043)
Expenditures and advances on mineral properties	(1,913,011)	(527,766)
Total cash flows used in investing activities	(1,913,011)	(530,809)
Cash flows provided by financing activities		
Proceeds from issuance of common shares and share subscriptions, net of issue costs (note 5)	17,528,254	105,000
Due from related parties	16,406	(15,865)
Total cash flows provided by financing activities	17,544,660	89,135
Increase in cash and cash equivalents	14,418,415	(784,753)
Cash acquired at date of acquisition (note 4(c))		-
Cash and cash equivalents, beginning of period	10,122,241	4,644,106
Cash and cash equivalents, end of period	\$ 24,540,656	\$ 3,859,353

Supplemental disclosure with respect to cash flows (note 8).

Pediment Exploration Ltd.
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Notes to Consolidated Interim Financial Statements
(Unaudited)

For the three-month periods ended September 30, 2007 and 2006

1. NATURE OF OPERATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Interim financial statements

The interim financial statements of the Company are the responsibility of the Company's management. These interim financial statements include the selection of appropriate accounting principles, judgments and estimates as considered necessary by management to prepare these financial statements in accordance with the recommendations of the Canadian Institute of Chartered Accountants Section 1751 "Interim Financial Statements", and may not include all disclosures required in annual financial statements. These financial statements, therefore, may not be presented strictly in accordance with Canadian generally accepted accounting principles.

The accompanying notes to the interim financial statements should be read in conjunction with the notes to the audited financial statements for the most recent year-end. Unless otherwise stated, these interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements. The results for the interim periods are not necessarily indicative of results to be expected for the fiscal year.

(b) Basis of presentation

These consolidated interim 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. All significant intercompany transactions and balances have been eliminated on consolidation.

(c) Stock-based compensation

The Company accounts for stock-based compensation using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to share capital.

Pediment Exploration Ltd.
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For the three-month periods ended September 30, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. However, diluted loss per share is not presented as the effects of various conversions and exercise of options and warrants would be anti-dilutive.

Shares held in escrow are excluded from the calculation of the weighted average number of common shares outstanding, except when their release is based on the passage of time.

(e) Financial instruments

During the year, the Company adopted a new standard, the Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3855, "Financial Instruments – Recognition and Measurement". Under the new standard, all financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading or available-for-sale. 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 financial liabilities other than those held-for-trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits designation of any financial instrument as held-for-trading upon initial recognition.

Also adopted by the Company during the year was CICA Handbook Section 1530, "Comprehensive Income". As a result of adopting these standards, a new category, Accumulated Other Comprehensive Income, is added to shareholder's equity on the consolidated balance sheets. Major components for this category include unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation amounts, net of hedging, arising from self-sustaining foreign operations, and changes in fair value of the effective portion of cash flow hedging amounts.

The adoption of the provisions of these new standards had no effect in the Company's consolidated interim financial statements.

(i) Fair value

The carrying values of cash, accounts receivable, due to and from related parties, and accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of the instruments. The carrying value of cash equivalents approximates its fair value primarily due to the floating rate interest of the instrument.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(ii) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

(iii) Credit risk

The Company is not exposed to significant credit risk on its financial assets due to cash being placed with Canadian chartered banks and amounts receivable due from government agencies.

(iv) Currency risk

The Company is exposed to foreign currency fluctuations to the extent expenditures incurred are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

(v) Derivatives – mineral properties

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties, the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral interest to which they relate are not sufficiently developed to reasonably determine value.

(f) 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 year in which a decision to discontinue the project is made.

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(Unaudited)

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Mineral properties (Continued)

All deferred mineral property expenditures are reviewed annually, 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.

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs incurred prospectively to develop the property are capitalized as incurred and are amortized 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, amortization 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 are 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.

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 Notes to Consolidated Interim Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates 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 balances of accrued liabilities, amortization of property and equipment, the recoverability of mineral property interests, 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 would impact future results of operations and cash flows.

(h) Foreign currency translation

The functional currency of the Company is the Canadian dollar. 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.

3. PROPERTY AND EQUIPMENT

	December 31, 2007			September 30, 2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Machinery and equipment	\$ 20,662	\$ 2,700	\$ 17,962	\$ 18,314
Office furniture	4,326	433	3,893	3,893
Computer equipment	11,007	2,861	8,146	8,146
	\$ 35,995	\$ 5,994	\$ 30,001	\$ 30,353

Pediment Exploration Ltd.
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For the three-month periods ended September 30, 2007 and 2006

4. MINERAL PROPERTIES

(a) Capitalized mineral property expenditures are as follows:

	Caborca Project	San Antonio Project	Texson Project	Daniel Project	Mel- Manuel Project	Valenzuela Project	Cochis Project	Other Projects	Total
Balance, September 30, 2006	\$ 115,263	\$ 332,572	\$ 109,989	\$ 135,297	\$ 40,337	\$ 97,865	\$ 15,685	\$ 182,135	\$ 1,029,143
Deferred exploration costs									
Mining concessions	-	69,225	-	32,704	-	-	-	24,668	126,627
Geological services	17,994	41,135	-	-	-	-	-	-	59,129
Tax on surface	-	-	-	-	-	-	-	-	-
Sampling and test	-	62,985	-	124,429	-	-	-	1,600	189,014
Fuel and gas	-	-	-	2,927	-	-	-	682	3,609
Travel	-	-	-	1,336	-	-	-	116	1,452
Stationery	-	-	-	13	-	-	-	128	141
Miscellaneous	-	49,621	-	82,363	-	-	-	15,900	147,794
Total expenditures for year	17,994	222,906	-	243,772	-	-	-	43,094	527,766
Balance, December 31, 2006	\$ 133,257	\$ 555,478	\$ 109,989	\$ 379,069	\$ 40,337	\$ 97,865	\$ 15,685	\$ 225,229	\$ 1,556,909

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4. MINERAL PROPERTIES (continued)

(a) Capitalized mineral property expenditures (Continued):

	Caborca Project	San Antonio Project	Texson Project	Daniel Project	Mel- Manuel Project	Valenzuela Project	Cochis Project	Juliana Project	La Colorada Project	Other Projects	Total
Balance, September 30, 2007	\$ 268,484	\$ 1,938,735	\$ 168,469	\$ 598,672	\$ 40,337	\$ 97,865	\$ 15,685	\$ -	\$ -	\$ 256,844	\$ 3,385,091
Option payments received	(226,649)	-	-	-	-	-	-	-	-	-	(226,649)
Acquisition costs	-	-	-	-	-	-	-	-	997,095	-	997,095
Deferred exploration costs											
Salaries & wages	22,738	114,052	2,614	10,804	-	-	-	-	75,860	7,043	233,111
Geological services	-	-	-	-	-	-	-	-	-	-	-
Tax on surface	-	-	-	-	-	-	-	-	-	6,086	6,086
Drilling, sampling and test	4,478	1,106,151	(2,473)	268,049	-	-	-	3,357	16,706	3,892	1,400,160
Geophysical	29,863	-	-	-	-	-	-	-	-	-	29,863
Fuel and gas	1,010	8,361	-	1,508	-	-	-	-	4,006	-	14,885
Travel	1,900	19,056	-	543	-	-	-	-	-	-	21,499
Stationery	-	568	686	44	-	-	-	-	504	-	1,802
Equipment rental	22,047	51,709	-	24,057	-	-	-	4,524	24,412	-	126,749
Foreign exchange	-	-	(1,470)	(1,471)	-	-	-	-	(111,447)	-	(114,388)
Miscellaneous	3,482	6,331	(537)	4,609	-	-	-	2,862	25,191	-	41,938
Total expenditures for year	85,518	1,306,228	(1,180)	308,143	-	-	-	10,743	35,232	17,021	1,761,705
Write off of mineral properties	-	-	-	-	-	-	-	(10,743)	-	-	(10,743)
Balance, December 31, 2007	\$ 127,353	\$ 3,244,963	\$ 167,289	\$ 906,815	\$ 40,337	\$ 97,865	\$ 15,685	\$ -	\$ 1,032,327	\$ 273,865	\$ 5,906,499

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For the three-month periods ended September 30, 2007 and 2006

4. 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 four non-contiguous concessions, namely the Pitalla, Martha, Diana and Glor 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 has 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. During the quarter, Inmet has made sufficient expenditures to earn 70% of the Caborca project. Upon earning the 70% interest, a joint venture will be formed (yet to be completed) with each party paying their pro-rata share of ongoing expenses.

(ii) Las Colinas/San Antonio Project

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.

(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.

(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.

(v) 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.

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4. MINERAL PROPERTIES (Continued)

(b) continued

(vi) 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.

(vii) 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.

(viii) 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. The property was abandoned by the Company during the year and, accordingly, \$333,846 in acquisition and exploration expenditures were written off in Quarter 4 of the 2007 fiscal year.

(ix) Other Projects

(a) 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.

(b) 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.

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4. MINERAL PROPERTIES (Continued)

(b) continued

(ix) Other Projects - continued

(c) 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.

(d) La Colorada Project

La Colorada Project consists of a single concession, the LCA, which was acquired by the Company in July 2007. The property is located in La Colorada County in Sonora State, Mexico. The title of this concession is held by Pitalla and is in good standing. 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 (\$997,095 - paid), followed by additional payments of US\$1,650,000 (\$1,638,335) over the subsequent two-year period.

(e) Pitalla Project

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.

(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.

A total of 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.

(d) 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.

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4. MINERAL PROPERTIES (Continued)

(e) 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.

5. SHARE CAPITAL

(a) Authorized
Unlimited number of common shares without par value

(b) Escrow shares

As at December 31, 2007, a total of 1,311,779 common shares were held in escrow. This includes the 426,667 escrow shares held pursuant to other agreements. However, on July 31, 2007 these escrow shares expired and they were subsequently cancelled on February 6, 2008. A total of 442,554 escrow shares will be released on April 5, 2008 and every six months thereafter.

(c) Private placements

(i) 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.

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5. 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.

A summary of the status of the Company's outstanding and exercisable stock options at December 31, 2007 and 2006 and changes during the three-month periods 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
Expired	(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	(493,750)	(493,750)	\$ 0.61
Vested in quarter	-	185,000	\$ 0.80
Forfeited	-	-	\$ -
Expired	-	-	\$ -
Granted	1,240,000	940,000	\$ 2.64
Balance, December 31, 2007	3,246,250	2,426,250	\$ 1.48

Included in the stock options granted during the period were 285,000 options to directors of the Company at \$1.88 per share and 410,000 at \$3.00 per share.

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5. SHARE CAPITAL (Continued)

The following summarizes information about options outstanding at December 31, 2007:

Expiry Date	Exercise Price	Number of Options 2007
February 1, 2008	\$ 0.77	18,750
February 1, 2008	\$ 0.80	37,500
February 9, 2009	\$ 0.60	-
April 4, 2009	\$ 0.85	100,000
February 12, 2010	\$ 0.60	225,000
July 21, 2010	\$ 0.50	25,000
July 21, 2010	\$ 0.63	360,000
February 1, 2011	\$ 0.60	200,000
April 25, 2011	\$ 0.80	465,000
August 2, 2011	\$ 0.55	262,500
February 12, 2012	\$ 0.60	50,000
March 23, 2012	\$ 0.73	37,500
April 27, 2012	\$ 0.78	50,000
August 7, 2012	\$ 1.50	175,000
October 25, 2012	\$ 1.88	400,000
November 16, 2012	\$ 3.00	840,000
		3,246,250

(e) Warrants

At December 31, 2007, the Company has outstanding warrants to purchase an aggregate 6,401,565 common shares as follows:

Exercise Price	Expiry Date	Outstanding at September 30, 2007	Issued	Exercised	Expired	Outstanding at December 31, 2007
\$ 0.35	December 31, 2006	-	-	-	-	-
\$ 0.60	March 29, 2007	-	-	-	-	-
\$ 0.80	March 31, 2007	-	-	-	-	-
\$ 0.91	March 17, 2007	-	-	-	-	-
\$ 0.91	April 25, 2007	-	-	-	-	-
\$ 1.00	September 30, 2008	715,834	-	(145,834)	-	570,000
\$ 1.05	November 2, 2008	257,000	-	(25,000)	-	232,000
\$ 2.00	February 21, 2009	2,055,250	-	-	-	2,055,250
\$ 2.05	February 21, 2009	307,200	-	-	-	307,200
\$ 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	(170,834)		6,401,565

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(f) Shares reserved for issuance

	Shares
Outstanding at December 31, 2007	40,253,019
Stock options (note 5(d))	3,246,250
Warrants (note 5(e))	6,401,565
	49,900,834

(g) Option compensation

- (i) The fair value of stock options granted, and which vested to directors, employees and consultants, was as follows:

	2007	2006
Consultants	\$ 1,432,149	\$ -
Investor relations and promotion	25,240	-
Salaries	738,979	-
	\$ 2,196,368	\$ -

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:

	2007	2006
Risk-free interest rate	3.98%	-
Expected dividend yield	-	-
Expected stock price volatility	75.0%	-
Expected option life in years	5.00	-

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5. SHARE CAPITAL (Continued)

(g) Option compensation - continued

(ii) The fair value of warrants issued as finder's fees and included in share issue costs is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2007
Risk-free interest rate	3.98%
Expected dividend yield	-
Expected stock price volatility	75.0%
Expected option life in years	2.5

6. INCOME TAXES

At the last fiscal year end, the Company has non-capital losses of \$6,258,000 that may be carried forward to apply against future years' income. These losses expire as follows:

	Canada	Mexico	Total
2008	\$ 317,000	\$ -	\$ 317,000
2009	660,000	-	660,000
2010	85,000	-	85,000
2012	-	58,000	58,000
2013	-	36,000	36,000
2014	-	26,000	26,000
2015	585,000	24,000	609,000
2016	-	100,000	100,000
2017	-	1,940,000	1,940,000
2026	1,070,000	-	1,070,000
2027	1,357,000	-	1,357,000
	\$ 4,074,000	\$ 2,184,000	\$ 6,258,000

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.

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7. RELATED PARTY TRANSACTIONS

- (a) The total amount of professional fees and share issue costs paid to a law firm in which a former director and officer of the Company is a partner was \$Nil (2006 - \$10,960).

The above transactions were incurred in the normal course of operations and are recorded at the exchange amount, being the amount agreed upon by the related parties.

- (b) The amounts due from/to related parties are non-interest bearing, unsecured and due on demand, and due from/to directors.

Amounts due from 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. Amounts due to directors result from unpaid consulting fees.

- (c) Consulting fees in the amount of \$85,686 (2006 - \$58,290) were paid/payable to directors of the Company.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2007
Other supplemental cash flow information:	
Cash paid (received) during the year for:	
Interest expense	\$ 8,517
Interest income	\$ (164,077)

9. 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 net loss and assets identifiable with these geographic areas are as follows:

	2007
Net loss	
Canada	\$ (2,427,216)
Mexico	(189,093)
	\$ (2,616,309)
Assets	
Canada	\$ 24,673,001
Mexico	6,746,020
	\$ 31,419,021

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10. COMMITMENTS

The Company has a commitment with respect to its premises operating lease. The minimum annual lease payments required under such leases are payable as follows:

2008	\$ 42,161
2009	42,274
2010	42,274
2011	42,274
2012	28,183
	\$ 197,166

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

(a) Exploration expenditures
 Under Canadian GAAP, acquisition costs of mineral interests and exploration expenditures are capitalized (note 2(f)). Under US GAAP, exploration costs are expensed as incurred.

(b) Reconciliation of total assets, liabilities and shareholders' equity

	2007
Total assets for Canadian GAAP	\$ 31,419,021
Adjustments to US GAAP – deferred expenditures	(5,906,499)
Total assets for US GAAP	\$ 25,512,522
Total liabilities for Canadian and US GAAP	\$ 751,027
Total equity for Canadian GAAP	30,667,994
Adjustments to US GAAP – deferred expenditures	(5,906,499)
Total equity for US GAAP	24,761,495
Total equity and liabilities for US GAAP	\$ 25,512,522

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11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (Continued)

(c) Reconciliation of loss reported in Canadian GAAP and US GAAP

	2007
Net loss per Canadian GAAP	\$ 2,616,309
Expenditures on mineral properties, net of write offs	2,521,408
Net loss per US GAAP	\$ 5,137,717
Net loss per share in accordance with Canadian GAAP	\$ 0.07
Total differences	0.07
Net loss per share in accordance with US GAAP	\$ 0.14
Weighted average number of common shares outstanding	35,870,944

(d) Comprehensive loss

	2007
Net loss per US GAAP	\$ 5,137,717
Other comprehensive income (loss)	-
Comprehensive loss per US GAAP	\$ 5,137,717

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11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (Continued)

(e) Statements of cash flows

	2007
Net cash used in operating activities of continuing operations in accordance with Canadian GAAP	\$ (1,213,234)
Adjustments to net loss involving use of cash	
Write off of expenditures on mineral properties	(1,913,011)
Net cash used in operating activities of continuing operations in accordance with US GAAP	(3,126,245)
Net cash used in investing activities of continuing operations in accordance with Canadian GAAP	(1,913,011)
Reclassification of expenditures on mineral properties	1,913,011
Net cash used in investing activities of continuing operations in accordance with US GAAP	-
Net cash flows from financing activities of continuing operations in accordance with Canadian and US GAAP	17,544,660
Net increase in cash and cash equivalents in accordance with Canadian and US GAAP	14,418,415
Cash and cash equivalents, beginning of year in accordance with Canadian and US GAAP	10,122,241
Cash and cash equivalents, end of year in accordance with Canadian and US GAAP	\$ 24,540,656

12. SUBSEQUENT EVENTS

(a) The Company issued a total of 585,172 common shares on the exercise of warrants and options for net proceeds of \$1,011,556.

13. COMPARATIVE FIGURES

Certain of the 2006 comparative figures have been reclassified to conform to the current year's presentation.