PACIFIC IMPERIAL MINES INC.

Financial Statements

Years Ended June 30, 2011 and 2010

Index

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Pacific Imperial Mines Inc.

We have audited the accompanying financial statements of Pacific Imperial Mines Inc. which comprise the balance sheets as at June 30, 2011 and 2010, and the statements of income, comprehensive income and deficit and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained based on our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Pacific Imperial Mines Inc. as at June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on Pacific Imperial Resources Inc.'s ability to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

October 27, 2011

PACIFIC IMPERIAL MINES INC.

BALANCE SHEETS

AS AT JUNE 30, 2011 AND 2010

(Expressed in Canadian Dollars)

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 210,348	$ 371,878
Advances and sundry receivables	12,676	6,748
Prepaid expenses	-	2,917
TOTAL CURRENT ASSETS	223,024	381,543
EQUIPMENT (Note 4)	1,176	1,517
	$ 224,200	$ 383,060
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 17,708	$ 25,946
Due to related parties (Note 5(a))	11,582	55,004
TOTAL LIABILITIES	29,290	80,950
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 7)	1,075,196	2,005,385
CONTRIBUTED SURPLUS (Note 7)	3,148,419	2,164,104
DEFICIT	(4,028,705)	(3,867,379)
	194,910	302,110
	$ 224,200	$ 383,060

Nature of Business and Continuance of Operations (Note 1)

Subsequent Event (Note 11)

Approved on behalf of the Board:

"Roman Shklanka"
Roman Shklanka, Director

"Leo King"
Leo King, Director

(The accompanying notes are an integral part of these financial statements)

PACIFIC IMPERIAL MINES INC.

STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND DEFICIT

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

(Expressed in Canadian Dollars)

	2011	2010
REVENUE	$ –	$ –
EXPENSES		
Accounting and audit	30,225	52,963
Amortization	341	649
Interest	-	222
Legal	18,326	20,303
Management fees	21,600	35,120
Office and miscellaneous	11,221	17,598
Promotion and government relations	6,270	206
Stock-based compensation	27,126	–
Transfer agent fees	3,363	2,904
Travel and transportation	21,039	–
Wages	21,460	–
	160,971	129,965
LOSS BEFORE OTHER ITEMS	(160,971)	(129,965)
OTHER ITEMS		
Foreign exchange loss	(355)	(387)
Gain on disposal of a subsidiary (Note 6)	-	476,000
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(161,326)	345,648
DEFICIT, BEGINNING OF YEAR	(3,867,379)	(4,213,027)
DEFICIT, END OF YEAR	$ (4,028,705)	$ (3,867,379)
EARNINGS PER SHARE – BASIC AND DILUTED	$ (0.01)	$ 0.01
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	21,972,652	31,646,728

(The accompanying notes are an integral part of these financial statements)

PACIFIC IMPERIAL MINES INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

(Expressed in Canadian Dollars)

	2011	2010
Cash flows used in operating activities		
Net income (loss) for the year	$ (161,326)	$ 345,648
Adjustment for Items not involving cash:		
Amortization	341	649
Stock-based compensation	27,126	–
Gain on disposal of subsidiary	–	(476,000)
	(133,859)	(129,703)
Changes in operating assets and liabilities:		
Advances and sundry receivables	(5,928)	7,518
Prepaid expenses	2,917	(417)
Accounts payable and accrued liabilities	(8,238)	8,193
Net cash used in operating activities	(145,108)	(114,409)
Cash flows used in financing activities		
Repayments to related parties	(16,422)	(4,857)
Net cash used in financing activities	(16,422)	(4,857)
Cash flows provided by investing activities		
Purchase of equipment	–	(1,256)
Proceeds on disposal of subsidiary	–	476,000
Net cash provided by investing activities	–	474,744
Increase (decrease) in cash and cash equivalents during the year	(161,530)	355,478
Cash and cash equivalents, beginning of year	371,878	16,400
Cash and cash equivalents, end of year	$ 210,348	$ 371,878
Supplemental disclosure of cash flow information:		
Interest paid	$ –	$ –
Income tax paid	$ –	$ –
Non cash transactions:		
Shares issued for settlement of debt (Note 7(a))	$ 27,000	$ –

(The accompanying notes are an integral part of these financial statements)

1. Nature of Business and Continuance of Operation

Pacific Imperial Mines Inc. (“the Company”) was incorporated under the British Columbia Company Act on September 18, 1987 and is now governed by the British Columbia Business Corporations Act. The Company’s shares are listed on the TSX Venture Exchange, but were temporarily suspended pending the Company meeting its filing obligations under the continuous disclosure rules. The Company completed its filings on May 25, 2010 and the Cease Trade Order issued by the British Columbia Securities Commission was revoked on June 25, 2010.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going-concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has experienced losses since its inception amounting to $4,028,705 as of June 30, 2011. The ability of the Company to meet its commitments as they become payable is dependent on the ability of the Company to acquire assets or a business or an interest therein, obtain the necessary financing, and develop assets or operations which will generate cash flows, either as a result of their disposal or from ongoing operations. The Company does not currently have assets or a business capable of generating ongoing cash flows. Although the Company has sufficient cash to meet its current administrative costs, there is no assurance that the Company will be successful making an acquisition or in raising the necessary financing to do so.

These financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

2. Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the related notes to the financial statements. Significant areas requiring the use of management estimates include future income tax valuation allowances and assumptions used in valuing options and warrants in stock-based compensation calculations. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from those estimates.

(b) Cash Equivalents

Cash equivalents consist of highly liquid investments which are readily convertible into known amounts of cash that have original maturities of three months or less when purchased.

(c) Equipment

Equipment is recorded at cost and amortized at the following rates per annum using the declining balance method:

Computer equipment and software– 30%
Furniture and fixtures – 20%

2. Summary of Significant Accounting Policies (continued)

(d) Long-lived Assets Impairment

Long-lived assets of the Company are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers an asset to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows resulting from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

(e) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided for any future income tax assets if it is more likely than not that the asset will not be realized.

(f) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted earnings (loss) per share. Diluted earnings (loss) per share excludes all dilutive potential common shares if their effect is anti-dilutive.

(g) Stock-based Compensation

The Company applies the fair value method to stock-based payments to all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are credited to share capital.

(h) Comprehensive income (loss)

Comprehensive income (loss) reflects net income (loss) and other comprehensive income (loss) for the period. Other comprehensive income (loss) includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

(i) Financial instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor’s carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3840 “Related Party Transactions”.

(Expressed in Canadian Dollars)

2. Summary of Significant Accounting Policies (continued)

(i) Financial instruments (continued)

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company has classified its cash and cash equivalents as held for trading, and its accounts payable and due to related parties as other financial liabilities.

3. Recent accounting pronouncement not yet adopted

In February 2008, the AcSB adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011.

4. Equipment

June 30, 2011

	Cost	Accumulated Amortization	Net Book Value
Office equipment and furniture	$ 680	$ 680	$ –
Computer and software	4,191	3,015	1,176
Total	$ 4,871	$ 3,695	$ 1,176

June 30, 2010

	Cost	Accumulated Amortization	Net Book Value
Office equipment and furniture	$ 680	$ 680	$ –
Computer and software	4,191	2,674	1,517
Total	$ 4,871	$ 3,354	$ 1,517

(Expressed in Canadian Dollars)

5. Related Party Balances and Transactions

The following are related party balances and transactions which are not disclosed elsewhere in the financial statements:

(a) Amounts due to related parties are unsecured, have no specific terms of repayment and are non-interest bearing, and are comprised as follows:

	2011	2010
International Barytex Resources Ltd. - a corporation with directors in common with the Company	$ –	$ 1,260
Companies controlled by officers of the Company	11,582	53,744
	$ 11,582	$ 55,004

(b) The following related party transactions were incurred in the normal course of operations and were measured at the exchange amounts, which are the amounts agreed upon by the transacting parties and on terms and conditions similar to those of non-related parties.

(i) The Company incurred management fees of $21,600 (2010 - $35,120) to companies with a common director.

(ii) The Company paid accounting fees of $16,065 (2010 - $25,213) to a private corporation controlled by an officer of the Company.

(iii) The Company incurred book-keeping services of $3,000 (2010 - $3,000) to an officer of the Company.

(iv) The Company issued 300,000 shares at a fair value of $27,000 to a company controlled by a director for settlement of debt of $27,000. See Note 7(b).

6. Gain on Disposal of a Subsidiary

The Company's former wholly-owned subsidiary Guangnan Tangshang Gold Co., Ltd. ("GGC"), China, was granted two mineral exploration licenses located in Guangnan County, Yunnan province, China, called "Tangshang Gold" and "Salachong Gold", and three mining licenses expiring October 2007, October 2011 and October 2013 respectively.

On December 3, 2007, management of the Company determined that the Company had lost its control over the assets and operations of GGC, the Tangshang and Salachong gold properties and the related mineral exploration and mining licenses to Yunnan Non-Ferrous Metals Geological Bureau ("YNGB", a former shareholder of GGC) and its subsidiary Yunnan Non-Ferrous Metals Resource (Group) Co. Ltd., which was the operator (the "Operator") engaged to carry out the mining work for the two properties. The Company effectively recognized the disposal of GGC on December 3, 2007 and recorded a disposal gain of $261,525 for the year ended June 30, 2008.

On August 20, 2010, the Company completed the disposal of GGC by entering into a Share Purchase Agreement with the operator to transfer to YNGB all of its interest in Gold China Holdings Group Limited ("Goldchina"), including GGC, and the mineral properties in Yunnan Province, China. In consideration for the transfer, the operator agreed to pay an additional $476,000 (received during the year ended June 30, 2010) and return 15,104,760 common shares of the Company issued in 2004 when it initially acquired Goldchina. The shares were returned and subsequently cancelled on November 3, 2010.

(Expressed in Canadian Dollars)

7. Share Capital

(a) Authorized: unlimited common shares with no par value

(b) Issued and outstanding:

	Number of Shares		Amount
Balance, June 30, 2010 and 2009	31,646,728	$	2,005,385
Shares returned for cancellation (Note 6)	(15,104,760)		(957,189)
Shares issued for debt settlement (Note 5(b))	300,000		27,000
Private placement	2,000,000		300,000
Less: proceeds not yet received	–		(300,000)
Balance, June 30, 2011	18,841,968	$	1,075,196

On June 22, 2011, the Company completed a private placement and issued 2,000,000 shares at $0.15 per share for total proceeds of $300,000, which were received by the Company in full in July, 2011.

On December 2, 2010, the Company issued 300,000 shares to a company controlled by a director for settlement of debts of $27,000.

On November 3, 2010, 15,104,760 shares were returned to the Company for cancellation (See Note 6).

On October 15, 2007, pursuant to a Mining Operations Agreement, the Company agreed to issue 7,807,333 shares of the Company to YNGB in connection with settlement of this Agreement as it pertained to GGC, its former subsidiary. As a result of the share purchase agreement dated August 20, 2010 (see Note 6) this contingent obligation no longer exists and these shares will not be issued.

(c) Contributed Surplus

		Amount
Balance, June 30, 2010 and 2009	$	2,164,104
Shares returned for cancellation (note 6)		957,189
Stock-based compensation		27,126
Balance, June 30, 2011	$	3,148,419

(Expressed in Canadian Dollars)

7. **Share Capital** (continued)

(d) Stock Options

The Company has adopted a stock option plan whereby the Company can grant stock options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding share capital of the Company from time to time.

	Number of Options	Average Exercise price
Balance, June 30, 2009	2,360,000	$0.259
Expired	(1,635,000)	$0.253
Balance, June 30, 2010	725,000	$0.273
Granted	425,000	$0.100
Balance, June 30, 2011	1,150,000	$0.209

During the year ended June 30, 2011, the Company granted 425,000 options to directors and officers of the Company with an exercise price of $0.10 per share expiring October 25, 2015.

Options outstanding and exercisable at June 30, 2011 were as follows:

Expiry Date	Number of Options	Exercise Price
July 25, 2011	50,000	$0.175
June 4, 2012	675,000	$0.280
October 25, 2015	425,000	$0.100
Balance, June 30, 2011	1,150,000	

The weighted average life of the options outstanding and exercisable at June 30, 2011 is 2.15 years (June 30, 2010 – 1.87 years).

8. **Income Taxes**

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2011	2010
Canadian combined statutory rates	27.50%	29.50%
Income taxes (recovery) at combined tax rates	$ (44,000)	$ 102,000
Non-taxable gains	–	(70,000)
Losses expired	–	36,000
Non-deductible items	7,000	–
Income tax rate changes	3,000	(4,000)
Changes in valuation allowance	34,000	(64,000)
Income tax provision	$ –	$ –

(Expressed in Canadian Dollars)

8. Income Taxes (continued)

Significant components of the Company's future income tax assets are shown below:

	2011	2010
Future income tax assets		
Operating loss carry-forwards	$ 477,000	$ 359,000
Capital loss carry-forwards	134,000	94,000
Tax value of assets in excess of carrying value	49,000	49,000
Total future income tax assets	660,000	502,000
Valuation allowance for future income tax assets	(660,000)	(502,000)
Net future income tax asset	$ –	$ –

The Company has non-capital losses for income tax purposes of approximately $1,910,000 (2010 - $1,776,000) which may be carried forward and offset against future taxable income. These losses expire from 2014 to 2031.

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion of all of the future income tax assets will not be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future income tax assets considered realizable could change materially in the near term based on future taxable income during the carry forward period.

9. Management of Capital

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

10. Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

(Expressed in Canadian Dollars)

10. Financial Instruments (continued)

As at June 30, 2011, the Company's financial instruments consist of cash and cash equivalents, accounts payable and amount due to related parties. The fair values of these financial instruments approximates the carrying value because of the short-term nature of these instruments.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

	2011	2010
Held for trading (i)	$ 210,348	$ 371,878
Other financial liabilities (ii)	$ 29,290	$ 80,950

(i) Cash and cash equivalents
(ii) Accounts payable and amounts due to related parties

Fair Value

The estimated fair values of cash and cash equivalents, accounts payable and amounts due to related parties approximate their respective carrying values due to the short periods to maturity. For fair value estimates, the Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in CICA Handbook section 3862 *Financial Instruments –Disclosures*:

Level 1– Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Significant unobservable inputs which are supported by little or no market activity.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

		Level 1	Level 2	Level 3	2011 Total
Cash and cash equivalents	$	210,348	-	-	210,348

The Company's risk exposures and the related potential impact on the Company's financial instruments are summarized below:

Credit Risk

The Company is not exposed to significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

10. Financial Instruments (continued)

Liquidity Risk (continued)

The Company monitors its ability to meet its short-term administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed commercial paper.

Foreign Exchange Risk

During the year ended June 30, 2011, the Company incurred expenses primarily in Canada. The Company does not have significant foreign exchange risk.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

11. Subsequent Events

(a) Subsequent to June 30, 2011, 50,000 stock options exercisable at $0.175 per share expired unexercised on July 25, 2011.

(b) On September 16, 2011, the Company granted 50,000 stock options exercisable at $0.15 per share for a period of five years.

(c) The proceeds for the June 22, 2011 private placement were received subsequent to year end (see Note 7(b)).