**PACIFIC IMPERIAL MINES INC.**
**Management Discussion and Analysis**
**Six Months Ended December 31, 2010**

The following discussion and analysis, prepared as of December 5, 2011, should be read in conjunction with the interim financial statements for the six months ended December 31, 2010 and an audited financial statement of the Company the year ended June 30, 2010. These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

This Management Discussion & Analysis summarizes the activities of the Company to date, and provides financial information for the six months ended December 31, 2010. The discussion may contain statements that are forward-looking in nature, involving known and unknown risks and uncertainties such as general economic and business conditions, operating costs, changes in foreign currency exchange rates, and other factors. Since forward-looking statements address future events and conditions, by their nature, they involve inherent risks and uncertainties. Therefore, actual results may be materially different from those expressed or implied in such statements. Additional information on the Company is also available at www.sedar.com.

## Description of Business and Overall Performance

Pacific Imperial Mines Inc. is a mineral exploration company engaged in the acquisition and exploration of mineral properties. In September 2004, the Company was successful in acquiring a mineral exploration venture in the People's Republic of China through a reverse take-over ("RTO") transaction which resulted in the former shareholders of GoldChina owning the majority of the issued and outstanding shares of the combined entity. Accounting principles applicable to reverse take-over have been applied to record this acquisition.

Through the Company's formerly wholly-owned subsidiary, the Company was granted two mineral exploration licenses and three mining licenses in "Tangshang Gold" and "Salachong Gold" located in Guangnan County, Yunnan province, China.

On December 3, 2007, the Company determined that it had lost control of the assets and operations of the Company's subsidiary Guangnan Tangshang Gold Co., Ltd. ("GGC"), including the Tangshang and Salachong gold properties and the related mineral exploration and mining licenses to Yunnan Non-Ferrous Metals Geological Bureau ("YNGB") and Yunnan Non-Ferrous Metals Resource (Group) Co. Ltd. (the "Operator") As the Company no longer controlled the net assets and operations of GGC, it effectively recognized their disposal on that date.

On August 20, 2010, the Company entered into a Share Purchase Agreement to sell its interest in its wholly-owned subsidiaries, Goldchina Holdings Group Limited ("Goldchina") including GGC, to the Operator for $476,000 in cash and the return of the 15,104,760 common shares of the Company.

As the Company is still in exploration stage and non-revenue producing, the Company has experienced losses since its inception. During the six months period ended December 31, 2010, the Company recorded a net loss of $90,069. As of December 31, 2010, the Company has accumulated deficit of $3,957,448.

The Company can meet its current commitments as they become payable, but any future commitments including the completion of acquisitions, exploration and development of mineral properties and projects, is dependent on the ability of the Company to obtain necessary financing. As of December 31, 2010, the Company had a working capital of $264,878. The Company may need to raise additional funds to maintain the Company's operation for the next twelve months.

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.

## Mineral Interests

### Tangshang and Salachong, China

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 of 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.

| | | |
|---|---|---|
| Settlement amount receivable | $ | 131,537 |
| Net assets (liabilities) disposed: | | |
| Cash | | 84,019 |
| Equipment | | 26,080 |
| Liabilities | | (240,087) |
| | | (129,988) |
| Disposal gain | $ | 261,525 |

In July 2008, the Company received $131,537 (RMB 900,000) and an additional $476,000 in October 2009 from the Operator for relinquishing its control of the two properties.

On August 20, 2010, the Company entered into a Share Purchase Agreement to sell its interest in its wholly-owned subsidiaries, Goldchina Holdings Group Limited ("Goldchina") including GGC, to the Operator for $476,000 in cash, which amount had already been received by the Company in October 2009. In addition, the Operator agreed to cause the return of the 15,104,760 common shares of the Company issued in 2004 when the Company acquired Goldchina. The agreement had been accepted for filing by the TSX Venture Exchange, and approved by the Company's shareholders. As of December 31, 2010, a total of 15,104,760 common shares were returned to the Company for cancellation. The share capital and contributed surplus were decreased and increased respectively by $957,189 to reflect the effect of the cancellation of these shares.

## Contingent Share Issuance

At the time the Company acquired GGC, the Company agreed that if the minimum mineable gold reserve of the Tangshang and Salachong gold properties was six tons or higher, the Company would pay RMB 14,700,000 to GGC's two former shareholders, as follows:

(i) RMB 8,400,000 due on:

- the completion of all of the exploration work on the Tangshang and Salachong properties; and
- the confirmation of the exploration results and resource reserves by the Reserve Evaluation Centre of the State Ministry of Land & Resources or Provincial Department of Land and Resources (the "Reserve Confirmation").

(ii) RMB 6,300,000 due and payable 360 business days following payment of the amount due upon confirmation of reserves.

On October 15, 2007, pursuant to a Mining Operations Agreement, the Company engaged the Operator to undertake future mining on the Tangshang and Salachong properties. The Company also agreed to issue 7,807,333 shares of the Company to YNGB in settlement of a contingent liability of RMB14,700,000 that the

Company owed YNGB, as described above, subject to certain conditions and escrow provisions. As a result of the Share Purchase Agreement dated August 20, 2010, this contingent liability ceased to exist.

**Exploration costs**

No exploration costs were recorded during the six months ended December 31, 2010.

**Other Exploration Activities**

There was no exploration activity during the six months ended December 31, 2010.

**Qualified Person**

Mr. Leo King, P. Geo. has reviewed and approved the content of the above discussion on the mineral properties. Mr. King is a Qualified Person under the terms of National Instrument 43-101.

**Other Material Contracts**

The Company has an agreement with Kobex Minerals Inc. ("Kobex", formerly International Barytex Resources Ltd.). whereby Kobex will provide office space and administrative services to the Company for an all inclusive monthly fee of $1,200 plus GST.

**Results of Operations**

During the three months period ended December 31, 2010, the Company recorded a net loss of $58,857 as compared to a net profit of $436,979 for the same period last year. The decrease of $495,836 in net profit was primarily due to the follows:

(1) Gain from disposal of a subsidiary of $nil recorded during the period as compared to $476,000 recorded in the same period of previous year;
(2) Accounting and audit fees decreased by $22,040 due to reduction in accounting services required during the period as compared to the same period of previous year;
(3) Legal fees increased by $11,809 during the period as compared to same period of previous year due to legal services in connection with the disposal of the subsidiary and other corporate matters;
(4) Promotion and government relations expenses increased by $5,599 during the period as compared to last year;
(5) Stock-based compensation incurred of $27,126 due to the issue of 425,000 stock options as compared to $Nil reported last year.

During the six months period ended December 31, 2010, the Company recorded a loss of $90,069 as compared to a net profit of $410,506 for the same period last year. The decrease of $500,575 in results was primarily due to the follows:

(1) Gain from disposal of a subsidiary of $nil recorded during the period as compared to $476,000 recorded in the same period of previous year;
(2) Accounting and audit fees decreased by $6,270 due to less demand for accounting services during the period as compared to last year;
(3) Legal fees were increased by $12,604 due to increased legal services in connection with the disposal of the subsidiary and other corporate matters;
(4) Promotion and government relations expenses increased by $6,064 during the period as compared to last year;

(5) Stock-based compensation of $27,126 as a result of 425,000 stock options granted during the three months ended December 31, 2010;
(6) Management fees decreased by $14,720 as compared to same period of last year due to reduction in Fees paid to related parties.

**Investor Relations**

The Company is responsible for the Company's own investor relations activities and has not engaged a third party to handle this duty.

**Management Change**

At the annual meeting on October 22, 2010, Roman Shklanka, Leo King and Geir Liland were re-elected as directors. Yuansheng Guo, Yufu Luo, and Yunhai Chen were not re-elected as directors of the Company,

**Summary of Quarterly Results**

| Quarter Ended | Revenue ($) | Operating Income/ (Loss) ($) | Basic & Fully Diluted Earning/(Loss) Per share ($) | Total Assets ($) | Long Term Liabilities ($) | Cash Dividend ($) |
|---|---|---|---|---|---|---|
| December 31, 2010 | Nil | (58,857) | - | 274,968 | Nil | Nil |
| September 30, 2010 | Nil | (31,212) | - | 345,068 | Nil | Nil |
| June 30, 2010 | Nil | (37,743) | - | 383,060 | Nil | Nil |
| March 31, 2010 | Nil | (27,115) | - | 432,275 | Nil | Nil |
| December 31, 2009 | Nil | 436,979 | 0.01 | 438,308 | Nil | Nil |
| September 30, 2009 | Nil | (26,473) | - | 29,745 | Nil | Nil |
| June 30, 2009 | Nil | (45,733) | - | 34,076 | Nil | Nil |
| March 31, 2009 | Nil | (69,187) | - | 44,262 | Nil | Nil |

During the last eight quarters, the Company incurred losses in each quarter except for the quarters ended December 31, 2009. During the quarter ended December 31, 2009, the Company received $476,000 as additional settlement for relinquishing its control over GGC. This was the reason why the net income for this quarter went up significantly to $436,979.

**Balances and Transactions with Related Parties**

As of December 31, 2010, the amounts due to related parties are unsecured and have no specific terms of repayment as follows:

| | December 31 2010 | June 30 2010 |
|---|---|---|
| Kobex Minerals Inc. with common directors | $ - | $ 1,260 |
| Chelsia Cheam - officer of the Company | - | 250 |
| Private corporation controlled by Albert Wu, officer of the Company | 2,419 | 4,144 |
| Private corporation controlled by Leo King, director of the Company | - | 49,350 |
| Total | $ 2,419 | $ 55,004 |

(a) During the six months period ended December 31, 2010, the Company incurred management fees of $10,200 (2009 - $24,920) to H. Leo King & Associates Inc. and Kobex Minerals Inc.

(b) The Company paid $10,260 (2009 - $11,940) for accounting fees to Albert Wu & Associates Ltd., a company controlled by Albert Wu, the Chief Financial Officer;

(c) The Company paid $1,500 (2009 - $2,250) for book-keeping services to Chelsia Cheam, Secretary of the Company and

(d) The Company issued 300,000 shares to a company controlled by Leo King, a director of the Company, for settlement of debt**.**

## Liquidity and Capital Resources

The Company's business is exploration and does not generate cash flow from operations to adequately fund its activities and has therefore relied principally upon the issuance of securities and loan and advances from directors for financing. During the six months ended December 31, 2010, the Company incurred a net loss of $90,069. As of December 31, 2010, the Company had working capital of $264,878. The decrease in working capital of $35,715 as compared to the year ended June 30, 2010 was primarily due to the settlement of the amounts due to related parties and payments of operating expenses during the period. The Company does not have enough resources to acquire new mineral properties and finance its operations in the next twelve months and may need to raise additional funds.

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.

The Company intends to continue relying upon the issuance of securities to finance the Company's future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

## Risk and Uncertainties

While the Company holds an interest in mineral properties in a foreign country, the Company is exposed to the laws governing the mining industry in that country with respect to such matters as taxation, repatriation of profits, restrictions on production, export controls, environmental compliance, and expropriation of property or limitations on foreign ownerships, as well as shifts in the political stability of the country and labour unrest, any of which could adversely affect the Company and its exploration and production activities in the country.

The Company's business, results of operations, financial condition, and the trading price of the Company's common shares could be materially adversely affected by any of the foregoing risks and by other risks, including risks related to development of mineral deposits, metal prices, title matters, reclamation costs, gold and other base metal prices volatility, competition, additional funding requirements, insurance, currency fluctuations, conflicts of interest, and share trading volatility. Any of these risks could have a material adverse effect on the business, operations or financial condition of the Company.

## Critical Accounting Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the period. Actual results could differ significantly from those estimates. Specific items requiring estimates are amortization, asset retirement obligations, future income taxes, stock-based compensation, fair value of financial instruments, other accrued liabilities and contingent liabilities.

## 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. The carrying value of cash and cash equivalents, receivable and advances, accounts payable and accrued liabilities, and amount due to related parties approximates the fair value because of the short-term nature of those instruments. The Company is not subject to significant interest and credit risks arising from these financial instruments. As the Company no longer operates in a foreign country, the Company is therefore not subject to foreign currency risk arising from changes in exchange rates between the foreign currency and Canadian dollar.

## Recent Accounting Policies Pronouncement Not Yet Adopted

Business Combinations

In January 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 1582, “Business Combinations”, which replaces Section 1581, “Business Combinations”. The AcSB also issued Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-Controlling Interests”, which replace Section 1600, “Consolidated Financial Statements”. These new sections are based on the International Accounting Standards Board’s (“IASB”) International Financial Reporting Standard 3, “Business Combinations”. These new standards replace the existing guidance on business combinations and consolidated financial statements. These new standards require that most assets acquired and liabilities assumed, including contingent liabilities, to be measured at fair value and all acquisition costs to be expensed. These new standards also require non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests. The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards.

The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards. The Non-Controlling Interests standard should be applied retrospectively except for certain items. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

International Financial Report Standards (“IFRS”)

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 January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011.

The Company’s IFRS conversion is carried out in three phases, namely, impact analysis, evaluation, and implementation and review phases.

(1) Impact Analysis Phase

The Company has ongoing education for accounting personnel on IFRS standards and completed the initial analysis phase of the IFRS conversion. The Company has determined that there are likely to be no material differences to the items appearing on the Company's opening financial position. The assessment has also identified two major differences between the Company's current accounting policies and those the Company is required to apply under IFRS. These differences are as follows:

(a) Impairment of Mineral Interests

Under the current Canadian GAAP, the Company tests its mineral interest for recoverability by comparing the carrying value of its mineral property with undiscounted future cash flows. Under IFRS, the Company must compare its carrying value with the higher of the fair value and the value in use. Fair value is computed using discounted future cash flows. The Company has determined that change in impairment testing does not have an impact on the Company's opening financial position as of July 1, 2011.

(b) Stock-based Compensation

Under the current Canadian GAAP, stock-based compensation can be amortized over the vesting period using straight line method. Under IFRS, the Company must use the graded method. This will result in higher stock-based compensation expense in the early years and less towards the end of the vesting period. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

(2) Evaluation Phase

The Company will continue to monitor and assess the specific differences between Canadian GAAP and IFRS. A detailed evaluation and how that impacts the Company's will occur during 2010.

The Company has also evaluated the following areas:

(a) Internal Controls over Financial Reporting

The final impact of the Company's internal control over financial reporting will not be able to be fully assessed until the final accounting policies under IFRS are determined. However, the Company does not consider that the adoption of the IFRS will have a significant impact on the Company's internal control over financial reporting.

(b) Disclosure Controls and Procedures

Due to the Company's current status, the Company does not believe it will require significant revisions to its processes for disclosure controls and procedures as result of the transition to IFRS.

(c) Financial Reporting Expertise

The Company has performed an initial assessment of the financial expertise required to adopt IFRS and considers it has sufficient in-house resources to review the requirements of IFRS and assess any required adjustments to the opening balance sheet under IFRS. However, the Company is planning to work with the auditors in its implementation and review stages.

(d) Business Activities and Matters That May Be Influenced by GAAP Measures

As the Company's final IFRS accounting policies are developed and adopted, the Company will consider their impact on all business activities and matters that may be influenced by GAAP measures prior to adoption.

(e) Information Technology

The initial review of the Company's information and data systems suggest that they were sufficient for its current business activities.

(3) Implementation and Review Phase

The Company is planning to complete its implementation and review phase in April 2011.

## Off-Balance-Sheet Arrangements

The Company has not entered into any off-balance-sheet arrangements.

## Disclosure and Internal Financial Reporting

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

TSX Venture listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## Latest Outstanding Share Data

As of December 5, 2011, the Company has the following outstanding securities:

| | |
|---|---|
| Common shares | - 18,841,968 |
| Stock options | - 1,100,000 |
| Warrants | - Nil |