

**PACIFIC IMPERIAL MINES INC.**  
**Management Discussion and Analysis**  
**Nine Months Ended March 31, 2011**

The following discussion and analysis, prepared as of December 5, 2011, should be read in conjunction with the interim financial statements for the nine months ended March 31, 2011 and the audited financial statements 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 nine months ended March 31, 2011. 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](http://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 acquired 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 nine months period ended March 31, 2011, the Company recorded a net loss of \$103,183. As of March 31, 2011, the Company has accumulated deficit of \$3,970,562.

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 the necessary financing. As of March 31, 2011, the Company had a working capital of \$251,877. 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. On December 3, 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 nine months ended March 31, 2011.

**Other Exploration Activities**

There was no other exploration activity during the nine months ended March 31, 2011.

**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 HST.

**Results of Operations**

During the three months period ended March 31, 2011, the Company recorded a net loss of \$13,114 as compared to a net loss of \$27,115 of last year. The decrease of \$14,001 in net loss was primarily due to the follows:

- (1) Accounting and audit fees decreased by \$15,388 due to reduction in accounting services required during the period as compared to last year;
- (2) Office and miscellaneous expenses increased by \$1,136 during the period as compared to last year.

During the nine months period ended March 31, 2011, the Company recorded a net loss of \$103,183 as compared to a net income of \$383,391 of last year. The decrease in income of \$486,574 was primarily due to the followings:

- (1) Gain from disposal of a subsidiary of \$nil was recorded during the period as compared to \$476,000 recorded last year;
- (2) Accounting and audit fees decreased by \$21,658 due to reduction in accounting services required during the period as compared to last year;
- (3) Legal fees increased by \$12,604 due to legal services required in connection with the disposal of the subsidiary and other corporate matters;
- (4) Management fees decreased by \$14,720 as compared with last year due to reduction in fees paid to related parties;
- (5) Promotion and government relations expenses increased by \$5,858 during the period as compared to last year;

- (6) Stock-based compensation of \$27,126 as a result of 425,000 stock options granted during the nine months period ended March 31, 2011.

### Investor Relations

The Company is responsible for its 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 (\$)
March 31, 2011	Nil	(13,114)	-	260,528	Nil	Nil
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

During the last two years, 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 its subsidiary GGC.

### Balances and Transactions with Related Parties

As of March 31, 2011, the amounts due to related parties, which are unsecured and have no specific terms of repayment, are as follows:

	March 31 2011	June 30 2010
Kobex Minerals Inc. with common directors	\$ 1,344	\$ 1,260
An officer of the Company	250	250
Private corporation controlled by an officer of the Company	2,520	4,144
Private corporation controlled by a director of the Company	560	49,350
<b>Total</b>	<b>\$ 4,674</b>	<b>\$ 55,004</b>

During the nine months period ended March 31, 2011, the following related party transactions were incurred in the normal course of operations:-

- (a) The Company incurred management fees of \$15,300 (2010 - \$24,920) to H. Leo King & Associates Inc. and Kobex Minerals Inc.;
- (b) The Company paid \$13,365 (2010 - \$21,433) for accounting fees to Albert Wu & Associates Ltd., a company controlled by the Chief Financial Officer;
- (c) The Company paid \$2,250 (2010 - \$3,000) for book-keeping services to an officer of the Company, and
- (d) The Company issued 300,000 shares to a company controlled by 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 nine months ended March 31, 2011, the Company incurred a net loss of \$103,183. As of March 31, 2011, the Company had working capital of \$251,877. The decrease in working capital of \$48,716 as compared to the year ended June 30, 2010 was primarily due to the settlement of the amount of \$27,000 due to related parties by issuance of shares, 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.

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.

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.

### **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 would 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 has been carried out 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 August 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