PACIFIC IMPERIAL MINES INC.

Consolidated Financial Statements

Nine Months Ended March 31, 2008 and 2007

(Unaudited)

<u>Index</u>

Consolidated Balance Sheets

Consolidated Statements of Operations and Deficit

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

<u>NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS</u>

These financial statements have been prepared by management of the Company and have not been reviewed by the Company's independent auditor.

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

PACIFIC IMPERIAL MINES INC.

(An exploration stage enterprise)
Consolidated Balance Sheets (Unaudited)
(See Note 2 - Basis of Presentation)
(Expressed in Canadian Dollars)

	March 31 2008	June 30 2007 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents (Note 9)	$ 68,298	$ 307,251
Advances and sundry receivables (Note 9)	18,475	10,910
Due from related parties (Note 6(a) and Note 9)	435	1,489
Total current assets	87,208	319,650
Restricted current assets in Guangnan Gold Co. Ltd. (Note 9)	568,505	-
Mineral interests (Note 4)	-	-
Equipment (Note 5)	20,404	35,458
Total assets	$ 676,117	$ 355,108
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	$ 426	$ 52,034
Deposit payable (Note 9)	-	-
Due to related parties (Note 6 and Note 9)	44,839	201,578
	45,265	253,612
Liabilities in Guangnan Gold Co. Ltd. (Note 9)	1,148,907	-
Total liabilities	1,194,172	253,612
Commitments (Note 4)		
SHAREHOLDERS' EQUITY		
Share capital		
Authorized: unlimited common shares with no par value (Note 7)	2,005,385	2,005,385
Commitment to issue shares (Note 4)	-	-
Contributed surplus (Note 7(c))	2,164,104	2,164,104
Deficit	(4,687,544)	(4,067,993)
Total shareholders' equity	(518,055)	101,496
Total liabilities and shareholders' equity	$ 676,117	$ 355,108

See accompanying notes to consolidated financial statements

On behalf of the Board: ***"Roman Shklanka"*** Roman Shklanka ***"Leo King"*** Leo King

PACIFIC IMPERIAL MINES INC.

(An exploration stage enterprise)
Consolidated Statements of Operations and Deficit (Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended March 31		Nine Months Ended March 31	
	2008	2007	2008	2007
Expenses				
Accounting and audit	3,240	3,290	42,901	46,965
Amortization	5,348	5,689	16,838	17,075
Consulting fees	-	20,185	-	23,025
Exploration costs (Note 4(b))	285,969	1,504	349,709	4,346
Foreign exchange loss (gain)	(9,383)	(5)	35,721	2,873
General exploration	23,909	30,445	55,514	69,335
Interest expenses	1,096	-	12,085	13
Legal	375	10,189	12,886	13,328
Management fees	19,140	19,140	57,420	73,420
Office and miscellaneous	5,949	5,292	20,929	10,634
Promotion and government relations	2,016	1,806	7,110	5,902
Stock-based compensation	-	-	-	11,500
Transfer agent fees	844	1,172	3,700	8,189
Travel and transportation	7,217	-	7,362	9,537
Interest income	(1,094)	(1,458)	(2,624)	(6,937)
Loss for the period	(344,626)	(97,249)	(619,551)	(289,205)
Deficit, beginning of period	(4,342,918)	(3,684,929)	(4,067,993)	(3,492,973)
Deficit, end of period	$ (4,687,544)	$ (3,782,178)	$ (4,687,544)	$ (3,782,178)
Loss per share, basic and fully diluted	$ (0.01)	$ -	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding - basic and fully diluted	31,646,728	31,546,728	31,646,728	31,646,728

See accompanying notes to consolidated financial statements

PACIFIC IMPERIAL MINES INC.
(An exploration stage enterprise)
Consolidated Statements of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended March 31		Nine Months Ended March 31	
	2008	2007	2008	2007
Cash flows from (used in) operating activities				
Loss for the period	$ (344,626)	$ (97,249)	$ (619,551)	$ (289,205)
Adjustment for items not involving cash:				
- amortization of equipment	5,348	5,689	16,838	17,075
- stock-based compensation	-	-	-	11,500
- mineral right	-	-	-	-
Change in non-cash working capital items:				
- sundry receivable	(725)	(1,133)	(7,565)	2,389
- prepaid and deposit	-	1,345	-	1,169
- accounts payable and accrued liabilities	(40,170)	824	(51,608)	7,124
- deferred revenue	-	-	-	-
- deposit payable	(860,400)	-	-	-
- restricted current assets in subsidiary	(568,505)	-	(568,505)	-
- liabilities in subsidiary	1,148,907	-	1,148,907	-
Net cash provided by (used in) operating activities	(660,171)	(90,524)	(81,484)	(249,948)
Cash flows from (used in) financing activities				
Advances from (to) related parties	(212,068)	(6,582)	(155,685)	(39)
Net cash provided by (used in) financing activities	(212,068)	(6,582)	(155,685)	(39)
Cash flows used in investing activities				
Purchases of equipment	(5)	(205)	(1,784)	(205)
Net cash used in investing activities	(5)	(205)	(1,784)	(205)
Increase (decrease) in cash and cash equivalents	(872,244)	(97,311)	(238,953)	(250,192)
Cash and cash equivalents, beginning of period	940,542	455,990	307,251	608,871
Cash and cash equivalents, end of period	$ 68,298	$ 358,679	$ 68,298	$ 358,679

Supplemental disclosure of cash flow information:				
Interest paid in cash	$ 10,450	$ -	$ 10,450	$ 13
Income tax paid in cash	$ -	$ -	$ -	$ -

See accompanying notes to consolidated financial statements

1. Nature of Operation

These consolidated financial statements include the accounts of Pacific Imperial Mines Inc. ("PPM"), GoldChina Holdings Group Limited ("GoldChina") and its wholly owned subsidiary Guangnan Tangshang Gold Co., Ltd. ("GGC") (collectively called the "Company"). PPM was incorporated under the British Columbia Company Act on September 18, 1987 and is now governed by the British Columbia Business Corporation Act. GoldChina was incorporated on December 24, 2003 under the International Business Companies Act of the Territory of the British Virgin Islands. GGC was incorporated under the laws of China on December 28, 2002 and became a wholly foreign owned enterprise on January 19, 2004. On September 20, 2004, the Company completed the acquisition of all of the issued and outstanding shares of GoldChina by issuing 15,700,000 common shares of the Company. This business combination has been accounted for as a reverse takeover with GoldChina as the accounting parent. The combined entity is considered to be a continuation of GoldChina.

The Company is engaged in the acquisition, exploration and development of mineral properties.

2. Basis of Presentation

These consolidated 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 $4,687,544 as of March 31, 2008. The ability of the Company to meet its commitments as they become payable, 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. There is no assurance that the Company will be successful in raising necessary financing. As of March 31, 2008, the Company had a total of $68,298 (June 30, 2007 - $307,251) in cash and cash equivalents, excluding $566,959 in GGC (Note 9).

The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral properties is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production or sufficient proceeds from the disposition thereof.

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.

3. Summary of Significant Accounting Policies

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the parent company and its wholly owned subsidiaries GoldChina and GGC. All significant inter-company balances and transactions have been eliminated.

3. Summary of Significant Accounting Policies (continued)

(b) 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 reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

(c) Cash Equivalents

Cash equivalents usually consist of highly liquid investments which are readily convertible into cash with maturity of three months or less when purchased. As of March 31, 2008 and June 30, 2007, cash equivalents consist of cash and treasury bills.

(d) Equipment

The capital assets are recorded at cost and amortized at the following rates per annum:

Canada – Declining balance method
Computer equipment and software– 30%
Furniture and fixture – 20%

China – Straight-line method
Mining equipment - 5 to 8 years
Motor vehicles – 5 years
Office equipment and furniture – 5 to 8 years

(e) Environmental Protection and Asset Retirement Obligations

The operations of the Company have been, and may be in the future affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company may vary from region to region and are not predictable.

The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures. The Company recognizes the fair value of asset retirement obligations in the period in which they incur and under which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability. Giving the limited exploration work has been done to date, management believes that there is no significant asset retirement obligations as of March 31, 2008.

3. Summary of Significant Accounting Policies (continued)

(f) 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 assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows resulted 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.

(g) Mineral Interests

The Company follows the method of accounting for its mineral interests whereby all costs related to exploration and development are expensed when incurred until such time as economic reserves are established. From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded until the payments are made or received. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

(h) Foreign Currency Translation

The Company's functional currency is the Canadian dollars. The Company follows the temporal method of accounting for the translation of its integrated foreign operation. Under this method, monetary assets and liabilities are translated into Canadian dollars at the period end exchange rates. Non-monetary assets and liabilities are translated into Canadian dollars using historical rates of exchange. Revenues and expenses are translated into Canadian dollars at average rates for the period and exchange gains and losses on translation are included in income. Transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at transaction dates.

(i) 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 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.

(j) Stock-based Compensation

The Company adopted Canadian Institute of Chartered Accountants Handbook Section 3870 Stock-based compensation and other stock-based payments to account for the issuance of stock options. Fair value based method is used for recognition of compensation expense for costs related to all share based payments to employees and consultants, including grants of stock options. The fair value of stock options is determined by the *Black-Scholes Option Pricing Model* with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the options. The fair value of direct awards of stocks is determined by the quoted market price of the Company's stock.

3. Summary of Significant Accounting Policies (continued)

(j) Stock-based Compensation (continued)

For the nine months ended March 31, 2008, $Nil (2006 - $11,500) was recorded as stock-based compensation and credited to contributed surplus.

(k) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at their prevailing market rate.

As the Company incurred net losses, the stock options and share purchase warrants, as disclosed in note 7, were not included in the computation of loss per share as its inclusion would be anti-dilutive.

(l) Changes in accounting policies

1) The CICA issued the following sections that were adopted by the Company on July 1, 2007. In Accordance with the transitional provisions, these standards have been applied retrospectively without restatement of prior periods, except to classify the currency translation adjustment as a component of Accumulated other comprehensive income.

(i) Section 3865, Hedges

Section 3865, Hedges replaced Accounting Guideline 13, Hedging Relationships. The requirements for the identification, designation, documentation and assessment of effectiveness of hedging relationships remain substantially unchanged from AcG-13. However, Section 3865 addresses the accounting treatment of qualifying hedging relationships and the necessary disclosures, and also requires all derivatives in hedging relationships to be recorded at fair value. The adoption of this standard had no impact on the Company, as there are no hedging relationships in place.

(ii) Section 1530, Comprehensive Income

Section 1530, Comprehensive Income introduces a statement of comprehensive income, which is comprised of net earnings and other comprehensive income. Other comprehensive income represents the change in shareholders' equity from transactions and other events from non-owner sources, and includes unrealized gains and losses on financial assets that are classified as available-for-sale and changes in the fair value of the effective portion of cash flow hedging instruments.

3. Summary of Significant Accounting Policies (continued)

(l) Changes in accounting policies (continued)

(iv) Section 3861, Financial Instruments – Disclosure and Presentation

Section 3861, Financial Instruments – Disclosure and Presentation replaces Section 3860 of the same title, and establishes the standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

(v) Section 3251, Equity

Section 3251, Equity, replaces Section 3250, Surplus, and describes the standards for the presentation of equity and changes in equity during the period, with reference to the new comprehensive income standard.

2) Effective January 1, 2008, the Company is required to comply with the following sections:

(i) Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation

These sections will replace existing Section 3861, Financial Instruments – Disclosure and Presentation. The presentation standards are carried forward unchanged. The disclosure standards are enhanced and expanded to complement the changes required by Section 3855, Financial Instruments – Recognition and Measurement.

(ii) Section 1535, Capital Disclosures

This section establishes standards for disclosing information that enables users of financial statements to valuate the entity's objectives, policies and processes for managing capital. The new requirements are related to disclosure only and will not impact the financial results of the Company.

(m) Recent accounting pronouncements

The following is an overview of recent accounting pronouncements that the Company will be required to adopt in future years:

1) Section 3064, Goodwill and Intangible Assets

In January 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, which replaces existing Section 3062, Goodwill and Other Intangible Assets. This new section establishes standards for the recognition of internally developed intangible assets. The standards for the recognition and impairment testing of goodwill are carried forward unchanged. This section is applicable to the Company commencing January 1, 2009.

3. Summary of Significant Accounting Policies (continued)

(m) Recent accounting pronouncements (continued)

2) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan which outlines the convergence of Canadian generally accepted accounting principles ("GAAP") with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The 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 years ended December 31, 2010 and earlier where applicable. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. Mineral Interests

The Company was granted two mineral exploration licenses, called "Tangshang Gold" and "Salachong Gold", by the Government of China. These two properties are located in Guangnan County, Yunnan province, China. The exploration licenses are valid until October 8, 2007, which are renewable on an annual basis. The Company was also granted three mining licenses expiring October 2007, October 2011 and October 2013 respectively. The expired licenses are in the process of being renewed.

As at March 31, 2008, the Company has expensed accumulated totals of $1,017,138 (June 30, 2007 - $823,099) and $701,537 (June 30, 2007 - $545,867) of exploration expenditures on Tangshang and Salachong properties respectively.

The Company has agreed that if the minimum mineable gold reserve is six tons or higher, the Company would pay $2,155,015 (RMB 14,700,000) to its two former shareholders, as follow:

(i) $1,231,437 (RMB 8,400,000) is 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) $923,578 (RMB 6,300,000) is due and payable 360 business days following payment of the amount due on Reserve Confirmation.

In November 2006, the Company discovered evidence of unauthorized mining activities on the property. The Company appointed a director of the Company to lead an investigation and found that a private corporation associated with the Yunnan Non-Ferrous Metals Geological Bureau ("YNGB"), a former shareholder of GoldChina, which former officer was also the former Chairman of the Company, engaged in a limited scale of mining on the Tangshang property.

4. Mineral Interests (continued)

On October 15, 2007, the Company entered into an agreement with YNGB whereby YNGB would be responsible for undertaking future mining on the Company's Tangshang and Salachong properties. Under the terms of this agreement, YNGB is required to provide all capital costs and working capital required and will retain 10 percent of the total profit, and the Company will receive 90 percent of the total profit. YNGB has guaranteed that the Company will receive 90% of 1,000,000 RMB in 2007, 4,000,000 RMB in 2008 and 8,000,000 RMB in 2009. In case of shortfall, YNGB will reimburse the Company by returning common shares of the Company held by YNGB at the price of $0.27 per share.

YNGB has also granted the Company the exclusive right of first refusal over properties YNGB holds or acquires within a defined area of influence around the Properties for a two year period. Should the Company complete a feasibility study with capital requirements exceeding USD 100 million, the Company will have the right to assume of all mining operations on the properties and the 10 percent profit entitlement to YNGB will terminate.

In addition, the Company has agreed to issue 7,807,333 shares of the Company to YNGB in settlement of a contingent liability of $2,155,015 (14,700,000 RMB) that the Company owes YNGB subject to certain escrow provisions.

In December 2007, the Company received $860,400 (RMB 6,000,000) as security deposit from a mining contractor which was previously reported as minimum payment in accordance with the above agreement dated October 15, 2007.

Due to the non-performance as to YNGB's part, the Company considers the above agreement is in default as of March 31, 2008. The Company is currently reassessing its position with respect to the agreement (Note 9).

Nine Months Ended March 31, 2008 (Expressed in Canadian Dollars)

4. Mineral Interests (continued)

Exploration costs incurred were as follows:

	Exploration Costs for Three Months Ended March 31, 2008		
	Total	Tangshang	Salachong
Contracted exploration	$ 285,030	$ 142,515	$ 142,515
Exploration and mining license fees	557	557	-
Valuation and audit report	382	191	191
Total	$ 285,969	$ 143,263	$ 142,706

	Exploration Costs for Six Months Ended December 31, 2007		
	Total	Tangshang	Salachong
Contracted exploration	$ 285,030	$ 142,515	$ 142,515
Exploration and mining license fees	38,369	38,369	-
Valuation and audit report	26,310	13,155	13,155
Total	$ 349,709	$ 194,039	$ 155,670

Total cumulative exploration costs incurred as of March 31, 2008 were as follows:

	Total	Tangshang	Salachong
Contracted exploration	$ 1,055,482	$ 486,266	$ 569,216
Exploration and mining license fees	591,025	586,532	4,493
Labour	13,252	13,252	-
Land compensation fees	30,365	30,365	-
Land lease	161,059	161,059	-
Professional fees	41,909	20,549	21,360
Road construction	53,543	-	53,543
Surface facilities	67,850	67,850	-
Supplies	16,053	15,041	1,012
Valuation and audit report	103,826	51,913	51,913
Recovery - sundry gold sales	(415,689)	(415,689)	-
Total	$ 1,718,675	$ 1,017,138	$ 701,537

Nine Months Ended March 31, 2008 (Expressed in Canadian Dollars)

5. Equipment

	March 31, 2008		
	Cost	Accmulated Amortization	Net Book Value
Mining equipment	$ 92,193	$ 76,097	$ 16,096
Motor vehicles	20,951	20,953	(2)
Office equipment and furniture	1,245	911	334
Computer and software	12,567	8,591	3,976
Total	$ 126,956	$ 106,552	$ 20,404

	June 30, 2007		
	Cost	Accmulated Amortization	Net Book Value
Mining equipment	$ 92,193	$ 63,824	$ 28,369
Motor vehicles	20,951	18,292	2,659
Office equipment and furniture	958	847	111
Computer and software	11,070	6,751	4,319
Total	$ 125,172	$ 89,714	$ 35,458

6. Related Party Balances and Transactions

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

(a) Amount due from related parties of $1,451 (June 30, 2007 - $1,489) represents expenses to be reimbursed by a director and a corporation which is a major shareholder of the Company.

(b) Amounts due to related parties are unsecured and have no specific terms of repayment.

	March 31 2008	June 30 2007
Brigade 306 of Yunnan Non-Ferrous Metals Geological Bureau - (bearing interest at 3.6% per annum)	$ 169,821	$ 149,758
Beijing United Capital Investment Co., Ltd. (non-interest bearing)	54,363	51,804
	224,184	201,562
International Barytex Resources Ltd.		
Loan (bearing interest at prime plus 2% per annum)	44,502	-
Others (non-interest bearing)	-	16
Albert Wu & Associates Ltd. - a private company controlled by an officer of the Company	337	-
	44,839	16
	$ 269,023	$ 201,578

Nine Months Ended March 31, 2008 (Expressed in Canadian Dollars)

6. Related Party Transactions (continued)

(c) The Company signed management fees contracts to pay a private corporation controlled by a director of the Company at $6,000 per month, which amount was reduced to $2,000 per month effective August 1, 2006 and subsequently terminated on December 31, 2006.

(d) The Company also entered into a management contract with a company with common directors at $6,380 per month, which amount includes $2,500 payable to a director and $500 payable to an officer. Under this contract, the Company incurred management fees, office and administration expenses of $57,420 (2007 - $57,420) during the nine months ended March 31, 2008.

(e) During the nine months ended March 31, 2008, the Company paid $13,401 (2007 - $4,235) to a private corporation controlled by an officer of the Company.

(f) The amounts due from or to related parties have no specific terms of repayment except those ones specified in the table above. These transactions are in the normal course of operations and were measured at the exchange amount, which is the amount of consideration elaborated and agreed to by the related parties.

7. Share Capital

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

(b) Issued:

	Shares		Amount
Shares issued and outstanding as at June 30, 2006	31,646,728		2,005,385
Warrants exercised	-		-
Shares issued and outstanding as at June 30, 2007 and March 31, 2008	31,646,728	$	2,005,385

(c) Contributed Surplus

		Amount
Balance, June 30, 2006	$	1,939,148
Stock based compensation (Note 7e)		224,956
Balance, June 30, 2007		2,164,104
Stock based compensation (Note 7e)		-
Balance, March 31, 2008	$	2,164,104

Nine Months Ended March 31, 2008 (Expressed in Canadian Dollars)

7. Share Capital (continued)

(d) Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2006	8,460,000	0.44
Exercised	(8,460,000)	0.44
Balance, June 30, 2007	-	-
Expired	-	-
Balance, March 31, 2008	-	-

(e) 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.

In June 2007, the Company granted a total of 900,000 stock options to directors, officers and consultants at the exercise price of $0.28 for a period of five years. The options were vested immediately. A summary of the status of options granted under the Company's stock option plan is presented below.

	Shares		Average Exercise Price
Options outstanding at June 30, 2006	1,785,000		0.250
Granted	975,000		0.272
Expired	(400,000)		0.231
Options outstanding at June 30, 2007	2,360,000		0.259
Granted	-		-
Expired	-		-
Options outstanding at March 31, 2008	2,360,000	$	0.259
Options exercisable at March 31, 2008	2,360,000	$	0.259

The weighted average life of the options outstanding and exercisable at March 31, 2008 is 2.58 years (June 30, 2007 – 3.33 years). The weighted average fair value of stock options granted during the three months ended June 30, 2007 was $0.27.

The Company charged $Nil and $11,500 stock-based compensation by applying fair value based method of accounting for the stock options granted during the nine months ended March 31, 2008 and 2008 respectively. The fair value of all options granted has been estimated using the Black-Scholes Option Pricing Model with the following weighted-average assumptions:

Nine Months Ended March 31, 2008 (Expressed in Canadian Dollars)

7. Share Capital (continued)

(e) Stock Options (continued)

	Nine Months Ended March 31 2008	Year Ended June 30 2007
Risk-free interest rate	n/a	4.53%
Dividend yield	n/a	0%
Volatility	n/a	123.10%
Expected lives	n/a	5 years

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

(f) Escrow Shares

As of March 31, 2008, no (June 30, 2007 – 2,354,999) common shares were held in escrow.

8. 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. The Company operates in China and therefore subject to foreign currency risk arising from changes in exchange rates between Chinese currency RMB and Canadian dollar.

Nine Months Ended March 31, 2008 (Expressed in Canadian Dollars)

9. Guangnan Gold Co. Ltd. ("GGC")

As of March 31, 2008, the Company considered it had limited control over the assets of Guangnan Gold Co. Ltd. Consequently, the Company decided to present the current assets and currently liabilities of its subsidiary separately, which details are tabled as follows:

Current assets		
Cash and cash equivalent	$	566,959
Advances and sundry receivables		440
Due from related parties (Note 6)		1,106
		568,505
Current liabilities		
Accounts payable and accrued liabilities		45,125
Deposit payable		879,598
Due to related parties (Note 6)		224,184
		1,148,907
Working capital definicency	$	(580,402)

PACIFIC IMPERIAL MINES INC.
Management Discussion and Analysis
Nine Months Ended March 31, 2008

The following discussion and analysis, prepared as of May 29, 2008, should be read in conjunction with the unaudited consolidated financial statements of Pacific Imperial Mines Inc. (the "Company") for the nine months ended March 31, 2008 together with the related notes thereto. 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, 2008. 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

Pacific Imperial Mines Inc. is a mineral exploration company engaged in the acquisition and exploration of mineral properties. Currently, all of the Company's mineral properties are in People's Republic of China. In September 2004, the Company was successful in acquiring a mineral exploration venture 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. Under this basis of accounting, GoldChina has been identified as the acquirer and accordingly the combined entity is considered to be a continuation of GoldChina. The Company continues to be listed on the TSX Venture Exchange as a Tier 2 natural resource issuer under the symbol "PPM".

Overall Performance

Through its wholly owned subsidiary, the Company was granted two mineral exploration licenses and three mining licenses in China. As all of the Company's mineral interests are currently in China, the Company will continue to spend most of its financial resources in this country. China has large areas of mineral lands with potential and the Company believes that China will continue to enjoy strong economic growth and provide a favourable business environment.

In November 2006, a director of the Company made a visit to its Tangshang property in Yunnan province, China and discovered evidence of unauthorized mining activities on the property. The company immediately requested a trading halt in its shares on November 8, 2006 and made an announcement on the matter the next day. The Company appointed John Quan, a former director of the Company, to lead an investigation and found that a private corporation associated with the Yunnan Non-Ferrous Metals Geological Bureau ("YNGB"), a former shareholder of GoldChina, which former officer was also the former Chairman of the Company, engaged in a limited scale of mining on the Tangshang property. To date, the Company has not been able to determine its loss from the unauthorized mining activities. In October 2007, the Company entered into an agreement with YNGB to settle the issue of unauthorized mining, the details of which are more fully described under Mineral Interest. Currently, the Company is reassessing its position with respect to this agreement as a result of non-performance by YNGB.

As all of the Company's mineral properties are still in exploration stage and non-revenue producing, the Company has experienced losses since its inception. During the nine months ended March 31, 2008, the Company incurred a loss of $619,551. As of March 31, 2008, the total accumulated losses amounted to $4,687,544. The Company is likely to continue incurring losses in the foreseeable future.

Since the RTO in September 2004, the Company has raised $1,647,885, net of share issuing costs, by issuing common shares and $45,000 from warrants exercised. The ability of the Company to meet its commitments as they become payable, 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 March 31, 2008, the Company had a working capital deficiency of $538,459, including the current assets and current liabilities of its subsidiary Guangnan Gold Inc. (“GGC”). The Company does not have enough financial resources to maintain its operation for the next twelve months and may need to raise additional funds.

As of March 31, 2008, the Company determined that it no longer has administrative control over the assets of its subsidiary in China. Consequently, the Company decided to report the subsidiary’s current assets and liabilities separately on the Company’s balance sheets.

Mineral Interest

Tangshang and Salachong, China

The Company was granted two mineral exploration licenses, called “Tangshang Gold” and “Salachong Gold”, by the Government of China. These two properties are located in Guangnan County, Yunnan province, China. The exploration licenses are valid until October 8, 2007 and are renewable on an annual basis. The Company is currently renewing its exploration licenses.

The Company was also granted two mining licenses for the Tangshang Property expiring in October 2007 and October 2011 and one mining license for the Salachong Property expiring in October 2013. These mining licences were actually granted prior to the RTO without the knowledge of the Company at the time. The Company is currently renewing its mining license for the Tangshang Property.

The Company has agreed that if the minimum mineable gold reserve is six tons or higher, the Company would pay $2,155,015 (RMB 14,700,000) to its two former shareholders, as follow:

(i) $1,231,437 (RMB 8,400,000) is 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) $923,578 (RMB 6,300,000) is due and payable 360 business days following payment of the amount due on Reserve Confirmation.

It should be noted that owing to different methodologies and required data density, the Chinese definitions of resource categories, known as “332”, “333” and “334” differ significantly from current Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards. Also the Chinese classifications may not take into consideration economic viability. As a result, there is a risk that even if economic reserves are not established as defined under National Instrument 43-101, the Company may have to pay the above-mentioned additional fees.

In October 2007, the Company entered into an agreement with YNGB whereby YNGB would be responsible for undertaking future mining on the Company’s Tangshang and Salachong properties. Under the terms of this agreement, YNGB is required to provide all capital costs and working capital required and will retain 10 percent of the total profit and the Company will receive 90 percent of the total profit. YNGB has guaranteed that the Company will receive 90% of 1,000,000 RMB in 2007, 4,000,000 RMB in 2008 and 8,000,000 RMB in 2009. In case of shortfall, YNGB will pay the Company by returning common shares of the Company held by YNGB at the price of $0.27 per share.

YNGB has also granted the Company the exclusive right of first refusal over properties YNGB holds or acquires within a defined area of influence around the properties for a two year period. Should the Company complete a feasibility study with capital requirements exceeding USD 100 million, the Company will have the right to assume all mining operations on the properties and the 10 percent profit entitlement to YNGB will terminate. In addition, the Company has agreed to issue 7,807,333 common shares of the Company to YNGB in settlement of a contingent liability of 14,700,000 RMB that the Company owes YNGB subject to certain escrow provisions.

In December 2007, the Company received $860,400 (RMB 6,000,000) as security deposit from a mining contractor which was previously reported as minimum payment in accordance with the above agreement dated October 15, 2007. Due to the non-performance as to YNGB's part, the Company considers the above agreement was in default as of March 31, 2008. The Company is currently reassessing its position with respect to the agreement.

Exploration costs

Exploration costs incurred during the three months and nine months ended March 31, 2008 were as follows:

	Exploration Costs for Three Months Ended March 31, 2008		
	Total	Tangshang	Salachong
Contracted exploration	$ 285,030	$ 142,515	$ 142,515
Exploration and mining licenses fee	557	557	-
Valuation and audit report	382	191	191
Total	$ 285,969	$ 143,263	$ 142,706

	Exploration Costs for Nine Months Ended March 31, 2008		
	Total	Tangshang	Salachong
Contracted exploration	$ 285,030	$ 142,515	$ 142,515
Exploration and mining licenses fee	38,369	38,369	-
Valuation and audit report	26,310	13,155	13,155
Total	$ 349,709	$ 194,039	$ 155,670

Total cumulative exploration costs incurred as of March 31, 2008 were as follows:

	Total	Tangshang	Salachong
Contracted exploration	$ 1,055,482	$ 486,266	$ 569,216
Exploration and mining license fees	591,025	586,532	4,493
Labour	13,252	13,252	-
Land compensation fees	30,365	30,365	-
Land lease	161,059	161,059	-
Professional fees	41,909	20,549	21,360
Road construction	53,543	-	53,543
Surface facilities	67,850	67,850	-
Supplies	16,053	15,041	1,012
Valuation and audit report	103,826	51,913	51,913
Recovery - sundry gold sales	(415,689)	(415,689)	-
Total	$ 1,718,675	$ 1,017,138	$ 701,537

Other Material Contracts

On June 8, 2004, the Company entered into a Management and Administrative Services Agreement with International Barytex Resources Ltd. ("Barytex"). Under this agreement, Barytex will provide office space and administrative services to the Company for an all inclusive monthly fee of $6,380 plus GST. Included in this amount is the sum of $2,500 per month for the services of Leo King as President of the Company and $500 per month for the services of Chelsia Cheam as Corporate Secretary of the Company. Leo King is also the President and director of Barytex.

Results of Operations

Quarter Ended March 31, 2008

During the three months ended March 31, 2008, the Company incurred a loss of $344,626. During the period, major expenses included $285,969 in exploration costs, $23,909 in general exploration, and $19,140 in management fees. In comparison with the loss of $97,249 during the three months ended March 31, 2007, the loss for the current period was significantly higher mainly due to increase in exploration costs of $284,165.

Nine Months Ended March 31, 2008

During the nine months ended March 31, 2008, the Company incurred a loss of $619,551. During the period major expenses included $349,709 in exploration costs, $55,514 in general exploration, $57,420 in management fees, and $42,901 in accounting and audit fees. In comparison with the loss of $289,205 during the nine months ended March 31, 2007, the loss for the current period was $330,346 higher mainly due to increase in exploration costs.

Tangshang Property

The Tangshang property is located in Guangnan County, Yunnan Province, China. Access is via paved and secondary roads from Kunming City, the provincial capital. On the property several occurrences of gold mineralization have been exposed by trenching and/or tunnelling and limited diamond drilling in three separate areas extending over a 4 km strike length of an anticlinal structure. At Saiya, the most easterly of these areas, several zones of gold mineralization associated with pyrite and arsenopyrite have been identified in sedimentary units within the Middle Triassic Banna Formation. Gold occurs in disseminated, stratiform deposits and in vein-type structures associated with brittle fracture along anticlinal structures.

The widest zone at Saiya is Zone 3 with an average true width of 28.9 meters grading 1.35 grams per tonne. In the central part of Tangshang, known as Bodanshan, several zones of gold mineralization up to 23 meters in thickness have been exposed in trenching and in a tunnel driven across the zones about 50 meters below the crest of the interpreted Tangshang anticline. Wide, low-grade sections have been sampled; one is 56 meters in width and returned 0.60 g/t gold; another is 26 meters wide and assayed 0.76 g/t gold.

The Anglanshan section, the most westerly on the property, was the site of a test heap-leach project in 2003. Approximately 102,000 tonnes of run-of-mine mineralization grading an estimated 0.87 g/t gold was leached on several pads from which approximately 2,020 ounces of gold are reported to have been recovered.

During the period of January 1, 2004 to June 30, 2004, a total of 2,630 meters of diamond drilling, 255 meters of tunnelling and 2356 cubic meters of trenching was carried out on the Tangshang property. Most of the drilling was concentrated on the Saiya Section No. 3 zone where the widest intersections were encountered. Hole No. ZK4002 intersected 47.5 meters grading 1.71 g/t gold. Hole ZK8002 intersected 11.4 meters grading 2.72 g/t gold and Hole ZK0702 encountered 16.94 meters that averaged 2.63 g/t gold. The trenching was carried out on 6 separate zones. The widest zones of mineralization were exposed by trenching of the No. 3 zone. Gold mineralization encountered in the trenching ranged from 12.7 meters grading 1.83 g/t gold to 74.6 meters that averaged 1.21 g/t gold. Two tunnels were driven on the No. 3 zone. Tunnel PD801 encountered 13 meters averaging 0.58 g/t gold at the northern end of the zone. Tunnel PD3601 intersected 56.7 meters that averaged 1.12 g/t gold. It should be noted that sample length may not represent the true width of the mineralization.

During the year ended June 30, 2005, a phase 1 program of geological mapping, tunnelling and trenching to further define the known zones of mineralization at Tangshang was proposed and approved by the Board of Directors on November 4, 2004. Total cost of the program was estimated at $227,000 and the work was expected to take 5 months to complete. As a result, the Company received several expressions of interest from third parties regarding the purchase of the Tangshang Property. Work on Tangshang has been deferred to allow time to negotiate a possible sale. As of March 31, 2008, total accumulated costs on this property were $1,017,138 net of recovery.

Salachong Property

The Salachong property is located in Guangnan County, approximately 80km to the southeast of the Tangshang property. Gold mineralization occurs in the Middle Triassic Banna Formation and is associated with a plunging anticlinal structure partially exposed by trenching along the crest of a 2 km long ridge.

Work during 2002 and 2003 has partially outlined a zone of gold mineralization extending for up to 2km along strike and for approximately 400m across strike. Several wide sections of mineralization cut by trenching and tunnelling have been reported as a result of the 2002 and 2003 work. To the southeast, a broad triangular-shaped, fault-bounded area hosts six gold soil anomalies that require follow-up work.

During the period of January 1, 2004 to June 30, 2004, 892 meters of diamond drilling, 299 meters of tunnelling and 1,548 cubic meters of trenching were completed on the Salachong property. Trench results included 15.6 meters averaging 1.35 g/t gold and 18.6 meters averaging 1.02 g/t gold that ended in mineralization.

During the year ended June 30, 2005, a phase 1 program of geological mapping, geochemical soil sampling and trenching of several previously defined, multi-element soil geochemical anomalies was proposed and approved by the Board of Directors on November 4, 2004. Total cost of the program was estimated at $112,325 (RMB 805,200) and was expected to take 5 months to complete. During March 2005, a 25 km^2 area was covered by a geochemical soil sampling program and a total of 3,756 soil samples were collected and analysed.

During the year ended June 30, 2006, trenching of selected geochemical anomalies outlined by previous geochemical surveys was completed. Total costs incurred on this exploration program were $82,952 (RMB 555,100). The Company has reviewed the results of the field work and is contemplating further work on this property. As of March 31, 2008, total accumulated costs incurred on this property were $701,537.

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 Exploration Activities

A number of other mineral resource investment opportunities were examined and evaluated during the year.

Investor Relations

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

Summary of Quarterly Results

Quarter Ended	Revenue ($)	Operating Income (Loss) ($)	Basic & Fully Diluted Loss per Share ($)	Total Assets ($)	Long Term Liabilities ($)	Cash Dividend ($)
March 31, 2008	Nil	(334,626)	Nil	2,784,097	Nil	Nil
December 31, 2007	Nil	(224,820)	Nil	2,233,075	Nil	Nil
September 30, 2007	Nil	(50,105)	Nil	303,314	Nil	Nil
June 30, 2007	Nil	(285,815)	Nil	355,108	Nil	Nil
March 31, 2007	Nil	(97,249)	Nil	418,839	Nil	Nil
December 31, 2006	Nil	(101,316)	Nil	521,846	Nil	Nil
September 30, 2006	Nil	(90,640)	Nil	618,532	Nil	Nil
June 30, 2006	Nil	(77,197)	Nil	689,459	Nil	Nil

Since inception, the Company has incurred losses each quarter. The company expects this trend is likely to continue in the near future.

Liquidity and Capital Resources

The Company's business is in development stage 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, 2008, the Company incurred a loss of $619,551 and has accumulated a total deficit of $4,687,544. As of March 31, 2008, the Company had a working capital deficiency of $538,459, including the current assets and currently liabilities of the subsidiary in China. The Company does not have enough resources to finance its operations in the next twelve months and needs to raise additional funds

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

Management Change

On April 24, 2008, Yuku Luo and Yunhai Chen were appointed as directors of the Company subject to approval by TSX Venture Exchange.

On May 18, 2008, Michael Liu resigned as director of the Company.

Balances and Transactions with Related Parties

(a) As of March 31, 2008, a balance of $435 (June 30, 2007 - $435) was due from Michael Liu, a director of the Company, and Golden Carlin Minerals Co., Ltd., a major shareholder of the Company $1,106 (2006 - $1,054)), for reimbursement of expenses.

(b) As of March 31, 2008, the following amounts due to related parties are unsecured and have no specific terms of repayment.

	March 31 2008	June 30 2007
Brigade 306 of Yunnan Non-Ferrous Metals Geological Bureau - a former shareholder of GoldChina and a corporation which officer is also a former director of the Company (bearing interest at 3.6% per annum)	$ 169,821	$ 149,758
Beijing United Capital Investment Co., Ltd. - a corporation with a common director of the Company (non-interest bearing)	54,363	51,804
	224,184	201,562
International Barytex Resources Ltd. - a corporation with common directors of the Company:		
- loan (bearing interest at prime plus 2% per annum)	44,502	-
- others	-	16
Albert Wu & Associates Ltd. - a private corporation controlled by Albert Wu, an officer of the Company	337	-
	44,839	16
	$ 269,023	$ 201,578

(c) During the nine months ended March 31, 2008, the Company incurred management fees of $57,420 which was paid to Barytex. Of the total paid to Barytex, $22,500 was for the account of H. Leo King & Associates Inc. and $4,500 was for Chelsia Cheam. In addition, the Company also reimbursed $929 to Barytex for common office expenses. Three directors of the Company (Leo King, Michael Liu and Roman Shklanka) are also directors of Barytex as of March 31, 2008.

(d) The Company paid $13,401 for accounting fees and $60 for reimbursement of expenses to a company controlled by Albert Wu.

Risk and Uncertainties

The Company holds an interest in mineral properties in China and as such 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 its 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 accounts receivable, equipment, and amortization, asset retirement obligations, future income taxes, stock-based compensation and other accrued liabilities and contingent liabilities.

At March 31, 2008, the net book value of equipment amounted to $20,404. Amortization of these costs is calculated on the declining balance method using estimated percentages and estimated life of certain assets.

The Company has estimated the present value of estimated future asset retirement costs for the properties in China to be $Nil at March 31, 2008. Estimates of these closure costs and the expected timing of their incurrence are reviewed periodically. It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves.

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. The Company operates in China and therefore subject to foreign currency risk arising from changes in exchange rates between Chinese currency RMB and Canadian dollar.

Off-Balance-Sheet Arrangements

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

Disclosure and Internal Financial Reporting

The Company has evaluated the effectiveness of its disclosure and internal financial reporting controls and procedures as of March 31, 2008 and concluded that the Company's disclosure and internal financial reporting controls and procedures as at March 31, 2008 (except the part relating to its subsidiary in China which the Company is trying to re-establish), are effective in ensuring that material information is disclosed adequately and timely.

The Company's Chief Financial Officer and Chief Executive Officer ("Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures which provide reasonable assurance that information required to be disclosed by the Company under provincial securities legislation is reported within the time periods specified. The procedures are designed to ensure that material information relating to the

Company is accumulated and communicated to management as appropriate to allow for timely decisions regarding the required filings.

The Company's Certifying Officers are responsible for establishing and maintaining internal controls over financial reporting and have designed such internal controls, or caused them to be designed under their supervision, which provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Canadian GAAP. Due to the geographical locations of the Company, it is not feasible to achieve complete segregation of duties to provide absolute controls over financial reporting. In addition, the Company may not have the necessary in-house knowledge to address complex accounting, taxation and legal issues that may arise.

It should be noted that while the Certifying Officers of the Company, as required under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, have evaluated the effectiveness of these disclosure controls and procedures for the nine months ended March 31, 2008 and have concluded that they are being maintained as designed (except the part relating to its subsidiary in China which the Company is trying to re-establish), they do not expect that the disclosure controls and procedures or internal controls over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

Latest Outstanding Share Data

As of March 29, 2009, the Company has the following outstanding securities:

(1)	Common shares issued	31,646,728
(2)	Stock options	2,360,000