Management's discussion and analysis for the three and six months ended December 31, 2009

Fiscal 2010

This MD&A has been prepared as at February 10, 2010.

Pacific Insight Electronics Corp. (TSX:PIH) provides leadership, planning, design and manufacture of innovative electronic solutions for the transportation industry.

The Company designs and distributes its products and services to original equipment manufacturers (OEM) and distributors in the United States and Canada.

The following Management Discussion and Analysis (MD&A) pertains to the second quarter ended December 31, 2009 of Pacific Insight Electronics Corp. (PI, Pacific Insight, or the Company). This MD&A is intended to help readers understand Pacific Insight, its business, strategies, performance, and future outlook from the perspective of management. The information provided should be read in conjunction with the December 31, 2009 unaudited interim financial statements and the audited financial statements, notes, and MD&A for the years ended June 30, 2009 and 2008 and the Annual Information Forms for those years. These documents, news releases, and other important information may be viewed through the SEDAR website at **www.sedar.com**. Our company web site **www.pacificinsight.com** also contains further information and descriptions of our product lines, the Company history, and contact information.

Pacific Insight's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's Audit Committee meets with management regularly to review the financial statement results, including the MD&A, and to discuss other financial, operating, and internal control matters. The Audit Committee is also free to meet with the independent auditors throughout the year.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible to ensure that information disclosed externally, including the financial statements and MD&A, is complete and reliable. This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations". The unaudited interim financial statements for the six months ended December 31, 2009 were prepared in accordance with Canadian generally accepted accounting principles (GAAP) and reported in Canadian dollars.

Forward-looking statements

The following MD&A may contain management estimates of anticipated future trends, activities, or results; these are not a guarantee of future performance, since actual results may vary based on factors and variables out of management's control. The words "estimate", "believe", "expect" and similar expressions are intended to identify forward-looking statements. Persons reading this report are cautioned that such statements are only predictions and the actual events or results may differ materially. In evaluating such forward-looking statements, readers should specifically consider the various factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

Overview

Pacific Insight Electronics Corp. (PI) designs, manufactures and delivers electronic products and full service solutions to the automotive, heavy truck and specialty markets. PI maintains two manufacturing facilities - one located in Nelson, British Columbia, Canada and one located in Fresnillo, Zacatecas, Mexico.

We were pleased to see some signs of recovery during PI's second quarter as U.S. automakers ramped up production during the period. We anticipate a modest recovery in fiscal 2010 with continued growth in 2011. PI is gaining momentum in the Great Lakes Region, specifically the Michigan area, as a result of our investment in product development.

Our technical design expertise, ability to deliver superior products and services and rapid response to changing market conditions enhances our competitiveness and allows for a stronger position during these challenging times.

The on-going challenges in our supply chain due to the economic crisis in 2009 are proactively being managed. To this effect, Management has increased inventories in the short term to ensure our ability to provide on-time delivery to our customers. As a result, inventory levels have risen and our cash and accounts payable positions reflect this change.

During the second quarter Pacific Insight made further investments in electronic assembly equipment in both Nelson and Fresnillo. In addition to the capital investment, we expanded our square footage in Mexico by moving to a larger facility within the same industrial park. These actions will improve efficiency and quality while increasing capacity to support increasing customer demand.

PI continues to focus on strengthening corporate margins through cost reduction strategies. Our experienced management team, product development department and sales force remains committed to pursuing new markets and expanding existing product lines according to customer specifications.

For further information, please visit www.pacificinsight.com. For Corporate Relations, please contact our toll free line: 1-800-995-1155 or email investor@pacificinsight.com

Financial Results

During the second quarter ending December 31, 2009, PI posted sales of $7.41 million, 1% below the corresponding quarter a year earlier. When compared to first quarter of 2010, PI experienced a 31% increase in sales or $1.75 million. The quarter to quarter variance is a result of a modest industry-wide increase in auto production and increased sales to existing customers.

Second quarter results were flat at $0.00 earnings per share as compared to net earnings of $0.01 per share for the comparative quarter. For the six months ending December 31, 2009, PI reported a loss of $0.02 per share as compared to a profit of $0.04 per share for the comparative period a year ago.

As a nimble and agile supplier, the Company has been able to adapt its systems and processes in response to the rapidly changing global economic situation. PI has implemented proactive strategies to ensure it is well-positioned as the economic climate and customer demand improves.

	For the 3 months ended		
In Thousands $ (except EPS and exchange rate)	December 31, 2009	December 31, 2008	June 30, 2009
Sales	$7,405	$7,408	$4,924
Gross Profit $	$1,653	$1,983	$835
Gross Profit %	22%	27%	17%
Net earnings (loss)	$23	$46	($30)
EPS	$0.00	$0.01	($0.01)
EPS fully diluted	$0.00	$0.01	($0.01)
EBITDA	$384	$558	$285
Average CDN/US exchange rate	1.063	1.212	1.163

	Year to Date	Fiscal	
In Thousands $ (except EPS and exchange rate)	2010	2009	2008
Sales	$13,056	$24,240	$29,339
Gross Profit $	$2,756	$5,436	$7,035
Gross Profit %	21%	22%	24%
Net earnings (loss)	($110)	($497)	($590)
EPS	($0.02)	($0.08)	($0.10)
EPS fully diluted	($0.02)	($0.08)	($0.10)
EBITDA	$524	$1,003	$884
Average CDN/US exchange rate	1.0610	1.1651	1.0103

Sales

PI designs and manufactures diversified technologies and product solutions for its customers in four main business categories: Electronic Modules, LED Lighting, Instrumentation, and Wire Harnesses.

The Company remains the supplier of choice, maintaining several ISO and TS Quality Management System Standards. Our customers include some of the most respected brands in the transportation industry: BorgWarner, CAT, Ford, Freightliner, Harley Davidson, International, Kenworth, Mack, Peterbuilt, Peterson Manufacturing, Toyota, Volkswagen, Volvo and Western Star.

Sales of Electronic Modules and Wire Harnesses have increased as a percent of total revenue from the 2009 fiscal year. This is due to increased automotive build rates, modest improvements in the heavy truck industry and new Wire Harness customers acquired through a reduced cost structure in our Mexico facility. However, LED Lighting and Instrumentation revenues when compared to the prior year reflect lower production levels in specialty markets.

Summary of quarterly sales by product line

	F-2010		F-2009				F-2010	F-2009
In Thousands $	Q2	Q1	Q4	Q3	Q2	Q1	Year to Date	Year
Sales								
Electronic Modules	$ 3,115	$ 2,206	$ 2,040	$ 1,483	$ 2,508	$ 2,292	$ 5,321	$ 8,323
LED Lighting	1,110	844	898	1,077	2,076	2,089	1,954	6,140
Instrumentation	792	632	429	610	1,032	1,151	1,424	3,222
Wire Harness	2,388	1,969	1,556	1,398	1,792	1,809	4,357	6,555
Total Sales	$ 7,405	$ 5,651	$ 4,923	$ 4,568	$ 7,408	$ 7,341	$ 13,056	$ 24,240

Electronic Modules (OE Division)

PI's Electronic Modules provide an enhanced driving environment and features that include safety, convenience and protection. In addition, new ambient lighting products have been manufactured for the OEM auto market. Ambient lighting provides spot and accent lighting to vehicle interiors and offers an infinite variation of light color customized to the car owner's preference.

Electronic Module sales for the three months ending December 31, 2009 were $3.12 million versus $2.51 million in the comparative quarter, an increase of 24%. Revenues have increased 11% year to date over the comparative six month period due to improving automotive build rates. The Company's OE products include daytime running lights, heated seat control, and gateway communication modules along with several new products. Recently designed and manufactured products include heated steering wheel, ambient light and steering lock modules. Electronic Modules have been a key component of the Company's growth. Looking forward, management expects increasing demand for the OE product division evidenced by increased sales in this quarter, and improving automotive market conditions.

LED Lighting

PI delivers power smart, innovative and cost competitive LED lighting products for the North American transportation industry and adjacent markets. PI continues to explore sales to new markets that fit well with our LED and module expertise. LED lighting sales during the second quarter were $1.11 million versus $2.08 million for the comparative period in fiscal 2009, a decrease of $.97 million or 47%. Revenues have decreased 55% year to date over the comparative six month period. The decline in sales is related to the lower levels of production in the off-road and commercial vehicle markets and technological changes that lower cost and selling price.

PI manufactures both LED printed circuit assemblies and fully assembled LED lighting systems for OEM's and Tier 2 lighting suppliers. PI's LED lighting business is directly tied to the class 4-8 heavy truck and industrial markets that have been affected by the downturn in the economy.

Instrumentation

PI designs and manufactures a full line of data bus instruments including gauges, tell-tale light bars, displays, gateway and analog input modules.

Sales for the second quarter were $.79 million compared to $1.03 million for the comparative three-month period, a decline of 23%. For the six month period, year to year sales decreased 35% to $1.42 million. The Instrumentation product category was impacted by the downturn in specialty markets. However, an increase in sales was realized comparing with the first quarter of 2010 at $.63 million. This increase is a result of a partial recovery in heavy truck build rates quarter over quarter.

PI continues to invest in developing new J1939 (a standard for communication and diagnostics) instrumentation products for new and existing customers in the heavy truck, bus, and vocational vehicle markets.

Wire Harness

PI is a full service wire harness manufacturer serving the agriculture, automotive, heavy truck, marine, refuse, and specialty vehicle markets.

Sales for this division in the second quarter of 2010 grew by 33% to $2.39 million compared to $1.79 million for the corresponding period in 2009. Six months comparatives improved 21% year to date due to a partial recovery in heavy truck build rates and new customer acquisitions.

The Company is actively pursuing and securing new customers. PI has strong, long-standing relationships with all levels of its OEM Tier 1 and 2 customers and continues to strengthen this foundation by providing enhanced products and services that meet changing market demand.

The Wire Harness business is an important component of PI's overall strategy and Management intends to capitalize on our competitive cost structure and expanded manufacturing capacity in Mexico. Sales of wiring products have a quick time-to-market cycle and provide an excellent lead-in for electronic module, gauge, and LED product sales.

Gross Profit

During the second quarter ended December 31, 2009, gross profit was 22% or $1.65 million as compared to 27% or $1.98 million in the comparative 2009 second quarter. The quarterly decrease is mainly due to a foreign exchange variance of $.41 million. For the six month comparative, gross profit was 21% and 26% respectively.

Gross profit showed improvement over the first quarter of 2010 which was 20% or $1.10 million. The increase from first quarter reflects our continued focus on reduced costs, growth in our customer order book and a slight recovery in the North American economy.

Management continues to examine its business structures and processes, and make the necessary adjustments to remain competitive. We are consistently investing in productive assets and "Lean Manufacturing" initiatives at our plants in Canada and Mexico. Our Lean Manufacturing methods are designed to increase quality, efficiency and productivity while reducing cost and waste. In addition, Management continues to focus on lowering costs, accessing new markets and achieving higher profit margins as core objectives in creating shareholder value.

Selling, general and administrative ('SG&A') expenses

SG&A expenses for the second quarter were $1.27 million compared to $1.43 million for the previous year. The decrease was realized through the implementation of Management's cost reduction strategies.

Research and Development (R&D) expenses are included in SG&A costs. PI recovers customer design costs in the form of non-recurring engineering charges paid during the development process. Customer reimbursements for design work are applied to capitalized amounts where appropriate with the balance applied directly to expenses.

PI continues to invest in development tools, processes and intellectual capital in anticipation of recovery and in support of new business. Investments in R&D are an important component of our growth and marketing strategies and a defining characteristic of PI.

Amortization of plant and equipment expense

For the quarter, amortization expenses were $.30 million consistent with the prior year and the first quarter of 2010. Pacific Insight continues to make necessary investments in production assets.

Net Earnings (loss) and Earnings per Share

PI reported net earnings for the second quarter 2010 of $23,000 or $0.00 per fully diluted share, compared with net income of $46,000 or $0.01 per share in the quarter ending December 31, 2008.

While earnings continue to be impacted by a general slowdown in the economy and a stronger Canadian dollar, PI is actively pursuing additional cost cutting measures and economies of scale.

In Thousands $ (except EPS)	F-2010		F-2009				F-2008				Year to Date	Fiscal
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2010	2009
Sales	$7,405	$5,651	$4,923	$4,568	$7,408	$7,341	$8,400	$6,899	$7,013	$7,027	$13,056	$24,240
Net earnings (loss)	$23	($132)	($30)	($668)	$46	$155	$121	($86)	($407)	($218)	($109)	($497)
EPS	0¢	(2¢)	(1¢)	(11¢)	1¢	3¢	2¢	(1¢)	(7¢)	(4¢)	(2¢)	(8¢)
EPS fully diluted	0¢	(2¢)	(1¢)	(11¢)	1¢	3¢	2¢	(1¢)	(7¢)	(4¢)	(2¢)	(8¢)

Cash

As at December 31, 2009, PI's cash position was $1.09 million and working capital was $7.74 million compared to $2.13 million and $9.08 million respectively on December 31, 2008 and $3.27 million and $8.33 million respectively on June 30, 2009. The decrease in cash is a direct result of increased inventory purchases to support supply chain efforts and customer service. As at December 31, 2009, PI had a fully available operating line of credit, and no short or long-term debt.

Liquidity

Pacific Insight has sufficient cash and working capital, and access to borrowing facilities to meet all current and anticipated commitments. The Company also has adequate liquidity to mitigate the effect of foreign exchange fluctuations and to compete effectively in the current and future currency and market environments. Management uses natural hedging in the business model by matching currency flows. The manufacturing operation in Mexico is a key element in our foreign exchange strategy as its expenses are effectively incurred in US dollars.

In Thousands $	F-2010		F-2009	F-2008
	Q2	Q1	Year	Year
Cash flow provided by/(used by) operating activities	($52)	($905)	$3,396	$505
Cash flow provided by/(used by) investing activities	($900)	($319)	(2,211)	($1,239)
Cash as at period end	$1,092	$2,044	$3,268	$2,051
Working capital as at period end	$7,744	$8.232	$8,325	$9,045
Total assets as at period end	$19,869	$18,901	$17,891	$18,703

Accounts receivable

Accounts receivable for the second quarter ending December 31, 2009 was $4.61 million compared to the prior year's balance of $4.14 million. The increase from the previous quarter is due to the modest increase in sales. Accounts receivable at June 30, 2009 was $2.30 million. PI's customers are typically large, well-capitalized OEM's and industrial companies; over the last twenty years we have experienced an extremely low rate of bad debts.

Inventories

Inventory as at December 31, 2009 was $4.8 million, an increase of 37% from the fourth quarter of 2009 as a result of an increase to our customer order book coupled with the challenges resulting from supplier constraints. The supply chain has impacted inventory management causing some increased material costs due to supplier allocation and market conditions. We have increased inventory levels to maintain customer service levels. At December 31, 2008 inventory levels were $4.19 million.

Prepaid expenses and deposits

Prepaid expenses and deposits as at December 31, 2009 were $187,000 compared to $113,000 in the comparative quarter in 2009. The increase relates to prepayment of certain expenses to support the plant expansion in Mexico.

Property, plant, & equipment

Additions during the quarter were $0.72 million. We made investments in electronic assembly equipment in Nelson and expanded our footprint in our Mexico operations by moving to a larger facility. These investments will improve efficiency and quality while increasing capacity to support increased customer demand.

Product development costs

Capitalized product development cost balances were $1.43 million as at December 31, 2009 compared to $1.08 million in 2008. As at June 30, 2009 capitalized product development costs were $1.21 million. Additions to capitalized product development costs during the quarter were $176,000, versus $267,000 in the comparative period. The projects capitalized this quarter were in all product types and industries but with a larger focus on automotive products as compared to previous years. Customer design reimbursements are applied against any capitalized amounts, reducing the net asset, with the balance applied to SG&A expenses.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities were $3.63 million as at December 31, 2009, as compared to $2.19 million during the comparable quarter last year. The variance in the annual amounts is directly related to the increasing customer orderbook and resulting need for additional inventory.

Forward currency contracts

The Company uses forward contracts to manage foreign exchange risk on US dollar fluctuations. At December 31, 2009 the Company had $450,000USD in forward contracts at an average exchange rate of 1.046, resulting in an unrealized loss of $2,100.

Share capital

The authorized share capital of Pacific Insight is 100,000,000 common shares without par value. As at December 31, 2009, and the date of this MD&A, the Company had 5,937,417 common shares outstanding.

On June 2, 2009, the Company announced a Normal Course Issuer Bid (NCIB) permitting it to purchase up to 411,166 of its common shares up to June 3, 2010. Share purchases into the NCIB are reported to various security exchanges on the SEDI website **www.sedi.ca**. No shares have been purchased through the current NCIB.

As at December 31, 2009 and at the date of this report a total of 209,550 stock options are outstanding under the plan, and are fully vested. If these options were exercised, the Company would receive $702,156 in exchange for the issuance of shares.

Dividend policy

Pacific Insight does not have a dividend program at this time.

Financing resources

As at December 31, 2009, the Company had a positive cash balance and no debt.

Pacific Insight Electronics Corp. currently has the following credit facilities:

- An operating line of credit facility for up to $5,000,000.
- A property, plant, and equipment acquisition facility for up to $1,000,000.

The facilities are secured by a General Security Agreement on certain assets of the Company, and require the Company to adhere to several covenants. As at December 31, 2009, the Company was in compliance with these covenants.

During the quarter, PI was awarded funding under the Community Adjustment Fund (CAF). CAF was designed to stimulate economic growth in the Western Provinces throughout the economic downturn by creating jobs and improving manufacturing efficiencies.

PI has been approved for a total project cost of $2.8 million of which $1.6 million will be funded by Pacific Insight and $1.2 million through the CAF (interest free loan, repayable beginning September 1, 2011). The funding will be used for our Focused Manufacturing Project, a company-wide initiative to improve manufacturing efficiency using a combination of Lean principles and capital investment, leading to the following:

- Reduced production costs.
- Increased manufacturing capacity.
- The ability to actively pursue additional customer business.
- Increased employment opportunities in the area resulting from business growth.

We believe the Focused Manufacturing Project is a great opportunity for PI to focus on further improving manufacturing efficiency, long-term growth, and sustainability.

Other matters

a) The Company has had no transactions with related parties during the year.
b) The Company has no material off-balance sheet financing arrangements.
c) The Company currently has no material asset acquisition plans that have been approved by the Board of Directors.

New accounting policies

Effective July 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook. For details on these policies refer to Pacific Insight's Annual Financial Statements for the year ended June 30, 2009.

New accounting pronouncements

International Financial Reporting Standards (IFRS)
In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian 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 transition date of the Company will be July 1, 2011 and will require the restatement for comparative purposes of amounts reported for the year ended June 30, 2011. The Company is completing an analysis to identify differences in reporting standards and assessing the impacts of adoption. An implementation strategy is under development to ensure compliance with these reporting requirements.

Subsequent events

The Company experienced no subsequent events that would materially alter this MD&A or the December 31, 2009 financial statements.

Risks and uncertainties

Please see the June 30, 2009 annual MD&A for a listing of the Company's various risks and how they are managed. PI is an electronic solutions provider in the transportation industries, and is subject to the downturn and upturn cycles in those industries.

There were no substantial changes during the quarter to PI's various risks and how they are managed. PI has no debt, and has credit facilities available.

Additional Information

Additional information relating to the Company can be found on the SEDAR website at www.sedar.com. Our company web site www.pacificinsight.com also contains further information and descriptions of our product lines, the Company history, and contact information.