LA IMPERIAL RESOURCES INC.

Consolidated Financial Statements

August 31, 2011
August 31, 2010

DeVISSER GRAY LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of La Imperial Resources Inc.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of La Imperial Resources Inc. and its subsidiary, which comprise the consolidated balance sheets as at August 31, 2011 and 2010, and the consolidated statements of operations, comprehensive income (loss), and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of La Imperial Resources Inc. and its subsidiary as at August 31, 2011 and 2010 and their financial performance and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has a working capital deficiency, has no current sources of revenue and is dependent upon its ability to secure new sources of financing. As of August 31, 2011, the Company's current liabilities exceeded its total assets by approximately $300,000. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

De Visser Gray LLP

CHARTERED ACCOUNTANTS
Vancouver, BC
December 16, 2011

LA IMPERIAL RESOURCES INC.
Consolidated Balance Sheets
Expressed in Canadian Dollars
As at August 31,

	2011 $	2010 $
ASSETS		
Current assets		
Cash	6	(14)
Amounts receivable and advances	4,473	7,868
Deposit (Note 7)	65,837	-
	70,316	7,854
Restricted cash	5,750	5,750
Mineral property costs (Note 4)	1,197,549	1,093,979
	1,273,615	1,107,583
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,522,596	1,060,981
Unsecured advances (Note 6)	50,000	50,000
Due to related parties (Note 6)	61,000	61,000
	1,633,596	1,171,981
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	1,441,788	1,441,788
Deficit	(1,801,769)	(1,506,186)
	(359,981)	(64,398)
	1,273,615	1,107,583

Nature of operations and continuance of operations (Note 1)
Settlement of claim (Note 12)
Subsequent events (Note 14)

Approved on behalf of the Directors:

_Marilyn Miller___, Director

_Tena McEachen____, Director

LA IMPERIAL RESOURCES INC.

Consolidated Statements of Operations, Comprehensive Income (Loss), and Deficit
Expressed in Canadian Dollars
For the Years Ended August 31,

	2011 $	2010 $
Expenses		
Administration fees	30,000	30,000
Consulting fees	1,500	1,000
Interest and bank charges	547	357
Interest expenses	107,201	76,131
Professional fees	39,622	28,890
Management fees	30,000	30,000
Office	16,315	17,457
Travel	2,138	21,226
Transfer and filing fees	12,935	10,683
Settlement of claim (Note 12)	60,000	-
Loss before other items	(300,258)	(215,744)
Interest income	52	-
Disposal of equipment	-	21,496
Forgiveness of debt	-	240,000
Foreign exchange gain	4,623	-
Legal fee recovery	-	18,082
Net income (loss) and comprehensive income (loss) for the year	(295,583)	63,834
Deficit – beginning of year	(1,506,186)	(1,570,020)
Deficit – end of year	(1,801,769)	(1,506,186)
Earnings (loss) per share	(0.02)	0.01
Weighted average number of common shares outstanding	12,085,970	12,085,970

LA IMPERIAL RESOURCES INC.
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars
For the years ended August 31,

	2011 $	2010 $
Cash provided by (used for):		
Operating activities		
Net income (loss) for the year	(295,583)	63,834
Gain on disposal of equipment	-	(21,496)
Forgiveness of debt	-	(240,000)
Legal fee recovery	-	(18,082)
	(295,583)	(215,744)
Net change in non-cash working capital items:		
Amounts receivable and advances	3,395	(3,402)
Amounts payable and accrued liabilities	460,615	352,942
Prepaid expenses and deposits	(65,837)	-
Due to related parties	-	-
	102,590	133,796
Financing activities		
Funds advanced from related parties	1,000	(118,335)
Unsecured advances	-	(26,550)
	1,000	(144,885)
Investing activities		
Sale of equipment	-	21,497
Mineral properties and deferred expenditures	(103,570)	(6,608)
Restricted cash	-	(5,750)
	(103,570)	9,139
Net cash (used) provided during the year	20	(1,950)
Cash – beginning of year	(14)	1,936
Cash – end of year	6	(14)

Supplementary disclosures:

Cash paid during the year for interest	120,104	-
Accounts payable in mineral properties	13,740	7,475

LA IMPERIAL RESOURCES INC.
Consolidated Schedule of Mineral Property Costs
Expressed in Canadian Dollars
For the years ended August 31, 2010 and 2011

	Balance, August 31, 2010 $	Net Expenditures 2011 $	Balance, August 31, 2011 $
MEXICO			
Uruachi Concessions	60,000	-	60,000
Accommodation and travel	111,955	-	111,955
Amortization	156,189	-	156,189
Consulting	275,717	5,000	280,717
Equipment	41,839	-	41,839
Field work and assay	48,493	-	48,493
Freight	5,828	-	5,828
Legal	196,916	3,070	199,986
Office	17,893	-	17,893
Salaries and wages	92,645	-	92,645
Taxes	86,504	95,500	182,004
	1,033,979	103,570	1,137,549
Total Mineral Property Costs	1,093,979	103,570	1,197,549

	Balance, August 31, 2009 $	Net Expenditures 2010 $	Balance, August 31, 2010 $
MEXICO			
Uruachi Concessions	60,000	-	60,000
Accommodation and travel	108,455	3,500	111,955
Amortization	156,189	-	156,189
Consulting	282,486	(6,769)	275,717
Equipment	41,839	-	41,839
Field work and assay	38,124	10,369	48,493
Freight	5,828	-	5,828
Legal	191,489	5,427	196,916
Office	17,893	-	17,893
Salaries and wages	92,645	-	92,645
Taxes	84,948	1,556	86,504
	1,019,896	14,083	1,033,979
Total Mineral Property Costs	1,079,896	14,083	1,093,979

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Canada Business Corporations Act on October 4, 2004 and its principal activity is the acquisition and exploration of mineral properties located in Mexico. The Company does not generate any cash flow from its operations to fund its exploration activities, has relied upon the issuance of equity securities for financing and at August 31, 2011, has a net working capital deficiency of $1,563,280. The Company intends to continue relying upon the issuance of securities to finance its operations and exploration activities to the extent such instruments are issuable under terms acceptable to the Company.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes the Company will be able to meets its obligations and continue its operations for its next fiscal year. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Realization values may be substantially different from carrying values shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At August 31, 2011, the Company has accumulated losses of $1,801,769 and expects to incur further losses, which casts substantial doubt about the Company's ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") in Canada and include the accounts of its 99.9% owned Mexican subsidiary La Kathrina S.A. de Mexico.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, as well as the reported amounts of revenues and expenses incurred during the periods. Significant areas where management's judgment is applied are the determination of stock based compensation. Actual results could differ from those estimated.

Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

Mineral Properties and Deferred Costs

The cost of mineral properties and their related direct exploration costs are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized on the unit-of-production basis over the estimated useful life of the property following the commencement of production, or written-off if the properties are sold, allowed to lapse or abandoned.

Cost includes any cash consideration and the fair market value of shares issued on the acquisition of property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Company reviews capitalized costs on its property interests on a periodic basis and will recognize impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Administrative costs are expensed as incurred.

Share Capital

Common shares issued for non-monetary consideration are recorded at fair market value on the date of the agreement to issue the shares.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk free interest rate. The estimated fair value of awards of stock based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus. If and when the stocks options are exercised the applicable amounts of contributed surplus are transferred to share capital.

Foreign Currency Translation

The Company conducts exploration activities in Mexico and incurs exploration expenditures in Pesos and U.S. dollars and maintains an administrative office in Canada where expenses are incurred in Canadian dollars.

The Company's subsidiary is considered an integrated foreign operation and its results and financial positions are translated into Canadian dollars using the temporal method. Monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date and non-monetary assets and liabilities are translated at their historical rates. Expenses are translated at rates prevailing at the date of the transaction except for amortization of equipment which is translated at historical rates.

Foreign exchange gains and losses from translation of foreign operations are recognized in net income.

Income Taxes

The Company accounts for potential future net tax assets which are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and which are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. Such an allowance has been applied to all potential income tax assets of the Company.

Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant, when the carrying amounts of the assets exceeds its estimated undiscounted net cash flow from use or its fair value, at which time the impairment is charged to earnings.

Asset Retirement Obligation

The Company records the fair value of liabilities for asset retirement obligations in the period in which they are incurred and in 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 asset and depreciated over the life of the asset. Over time, the liability is increased to reflect an interest element (accretion expenses) considered in its initial measurement at fair value. The amount of liability is subject to re-measurement at each reporting period. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the date the estimate is revised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

As at August 31, 2011, the Company did not have any asset retirement obligations.

Environmental Expenditures

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

Earnings (Loss) Per Share

Earnings (loss) per share have been calculated using the weighted-average number of common shares outstanding during the period. Diluted loss per share is not presented as it is anti-dilutive.

Financial instruments

Financial instruments are required to be classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial assets are measured at fair value and changes in fair value are recognized in other comprehensive income until the instrument is derecognized or impaired. The Company has implemented the following classifications for its financial instruments:

- Cash and cash equivalents have been classified as held-for-trading.
- Accounts receivable has been classified as loans and receivables and measured at amortized cost.
- Accounts payable and accrued liabilities and loan payable have been classified as other financial liabilities and are measured at amortized cost.

Disclosures are provided about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

Comprehensive income

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenue, expenses, gains, and losses that, in accordance with primary source of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

3. RECENT ACCOUNTING PRONOUCEMENTS

International Financial Reporting Standards

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 International Financial Reporting Standards ("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 September 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011.

4. **MINERAL PROPERTY COSTS**

Uruachi Concessions - Chichuahua, Mexico
State of Chichuahua, Mexico

On November 8, 2006, the Company acquired 99.9% of the outstanding common shares of La Kathrina in consideration for the issuance of six million Company common shares (issued) at $0.01 per share, for a total payment of $60,000. La Kathrina has a 70% interest in six mining concessions covering 12,959 hectares.

During fiscal 2007, the Company advanced $371,370 to a director of the Company to be used for expenditures in Mexico. In fiscal 2008, the director had not confirmed this amount nor accounted for its expenditure and accordingly, the Company had recorded a full allowance against the collectability of this amount.

5. **SHARE CAPITAL**

Authorized share capital consists of an unlimited number of common shares at no par value.

	August 31, 2011		August 31, 2010	
	Number of Shares	Amount $	Number of Shares	Amount $
Issued – beginning and end of year	12,085,970	1,441,788	12,085,970	1,441,788

6. **RELATED PARTY TRANSACTIONS**

As at August 31, 2011, the Company owed the following amounts to related parties:

- $12,000 (2010-$12,000) to its former Chief Financial Officer (see Note 14) for services performed during the year ended August 31, 2009.
- $25,000 for an unsecured advance received from a director during fiscal 2010.
- $24,000 for a non-interest bearing advance received from a director during fiscal 2010. This director is now deceased.

During the year ended August 31, 2011, the Company entered into the following transactions with related parties which were measured at the exchange amount, which is the amount agreed upon by the transacting parties. Unless otherwise noted, amounts due to related parties are unsecured and non-interest bearing with no specific terms for repayment.

- The Company received no non-interest bearing advances from directors during fiscal 2011 (2010- $24,000). Consulting fees of $nil (2010-$400) and travel/accommodation fees of $nil (2010- $3,500) were accrued and paid to directors during the year.
- During fiscal 2011, no unsecured, non-interest bearing advances were provided by directors of the Company to the Company (2010-$25,000). A company where the CEO of the Company serves as CEO and CFO provided unsecured, non-interest bearing advances to the Company of $1,000 (2010-$nil).
- In fiscal 2011, no unsecured non-interest bearing advances to the Company from shareholders were forgiven (2010- $80,000). During the year, the Company received no unsecured non-interest bearing advances from shareholders (2010-$50,000).
- The Company incurred $1,500 in consulting fees for services provided by the Company's former CFO (see Note 14) (2010- $nil).

7. **DEPOSIT**

The Company has paid a deposit of $65,837 into the Supreme Court of British Columbia. This payment is pursuant to a garnishing order before judgment issued by the Supreme Court of British Columbia stemming from litigation brought forth against the Company by a former director to recover fees for consulting services and reimbursable expenses. This deposit is being held in trust pending the final settlement of the litigation (see Note 12).

8. **COMMITMENTS**

The Company has entered into management, administrative and rental agreements with certain private companies for $7,250 per month.

9. **FINANCIAL INSTRUMENTS**

Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, receivables and advances, due from and to related parties, accounts payable and accrued liabilities, and unsecured advances.

Cash is designated as held-for-trading and therefore carried at fair value, with unrealized gain or loss recorded in net income. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The fair values of cash, accounts receivable and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

The Company has a $5,750 restricted cash balance, held separately from freely available held-for-trading cash. This amount is held in a Prime + 2.05% interest-bearing GIC as credit card collateral.

Fair Value of Financial Instruments

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities:
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

The carrying values, fair market values, and fair value hierarchal classification of the Company's financial instruments as at August 31, 2011 are as follows:

2011	Level 1 $	Level 2 $	Level 3 $
Cash	6	-	-
Restricted Cash	5,750	-	-
	5,756	-	-

2010	Level 1 $	Level 2 $	Level 3 $
Cash	(14)	-	-
Restricted Cash	5,750	-	-
	5,736	-	-

9. FINANCIAL INSTRUMENTS *(continued)*

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

The Company's only significant exposure to credit risk is on its bank accounts. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand.

Market Risk

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

The Company has some advances which bear interest at a fixed rate and, thus, do not expose the Company to interest rate risk.

10. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company does not have any externally imposed capital requirements to which it is subject.

As at August 31, 2011, the Company had capital resources consisting mainly of cash and equivalents. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets or adjust the amount of cash and equivalents.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	August 31, 2011	August 31, 2010
	$	$
Net income (loss) for the year	(295,583)	63,834
Expected income tax payable (recovery)	(78,329)	18,193
Net adjustment for amortization, deductible and non-deductible amounts	-	(7,963)
Unrecognized benefit of non - capital losses	78,329	(10,230)
Total income taxes	-	-

11. **INCOME TAXES** *(continued)*

The significant components of the Company's future income tax assets are as follows:

	August 31, 2011	August 31, 2010
	$	$
Future income tax assets (liabilities):		
Mineral properties	(148,604)	(273,495)
Equipment	55,946	-
Cumulative eligible capital	-	188
Non-capital loss carryforwards	416,651	411,500
Valuation allowance	(323,993)	(138,193)
Net future tax liability	-	-

The following is a schedule of the Company's aggregate non-capital losses available to reduce taxable income in Canada in future years, expiring between 2027 and 2031 as follows. The Company has not recognized any future benefits for these tax losses, as it is not considered likely that they will be utilized:

Year of Expiration	Non-Capital Loss (Income) $
2027	72,598
2028	867,564
2029	430,857
2031	295,583
	1,666,602

12. **SETTLEMENT OF CLAIM**

During fiscal 2011, a former director of the Company filed a civil claim against the Company, suing for unpaid consulting fees and reimbursable expenses. Subsequent to year end, the plaintiff and the Company agreed to a settlement for a total of $60,000 all-inclusive, with final settlement to occur when the plaintiff enters a consent dismissal order in the litigation and payment is made. During the course of the litigation, the Supreme Court of British Columbia issued a garnishing order before judgment, ordering the Company to pay a $65,837 deposit into court, including damages sought and court fees for issuance of the garnishing order (see Note 7). This deposit remains in trust pending final settlement, when the deposit will be paid to the plaintiff and Company as settled.

13. **COMPARATIVE FIGURES**

Certain of the 2010 numbers presented for comparative purposes have been reclassified to conform to the presentation adopted in the current year.

14. **SUBSEQUENT EVENTS**

Subsequent to year end, Tena McEachen was named Chief Financial Officer of the Company, replacing Zeny Manalo, and appointed to the Board of Directors after the death of former director David A. Ross during fiscal 2011.

Subsequent to year end, the Company settled litigation with a former director, who sued for unpaid consulting fees and reimbursable expenses, for an all-inclusive amount of $60,000 (see Note 12).