

# LA IMPERIAL RESOURCES INC.

## Condensed Consolidated Interim Financial Statements

For the Nine Months Ended May 31, 2012  
(Unaudited)

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed consolidated interim financial statements of La Imperial Resources Inc. for the period ended May 31, 2012 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

# LA IMPERIAL RESOURCES INC.

Condensed Consolidated Interim Statements of Financial Position

Expressed in Canadian Dollars

(Unaudited)

	Notes	May 31, 2012 \$	August 31, 2011 \$	September 1, 2010 \$
			(Note 19)	(Note 19)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	5	822	6	(14)
Trades and other receivables	6	441	4,473	7,868
Deposit	7	-	65,837	-
<b>Total current assets</b>		1,263	70,316	7,854
<b>Non-current assets</b>				
Restricted cash		5,750	5,750	5,750
Exploration and evaluation assets	8	1,299,955	1,197,549	1,093,979
<b>Total assets</b>		1,306,968	1,273,615	1,107,583
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities</b>				
Trades and other payable	9	1,848,822	1,522,596	1,060,981
Unsecured advances	10	50,000	50,000	50,000
Due to related parties	10	-	61,000	61,000
<b>Total current liabilities</b>		1,898,822	1,633,596	1,171,981
<b>Shareholders' Equity</b>				
Share capital	11	1,441,788	1,441,788	1,441,788
Deficit		(2,033,642)	(1,801,769)	(1,506,186)
<b>Total shareholders' equity</b>		(591,854)	(359,981)	(64,398)
<b>Total liabilities and shareholders' equity</b>		1,306,968	1,273,615	1,107,583

**Basis of presentation (Note 2)**

**Approved by the Board of Directors:**

\_\_\_\_\_  
"Marilyn Miller" Director      \_\_\_\_\_  
"Tena McEachen" Director

The accompanying notes are an integral part of these financial statements.

**LA IMPERIAL RESOURCES INC.**

Condensed Consolidated Interim Statements of Comprehensive Loss/Income

Expressed in Canadian Dollars

(Unaudited)

	Three Months Period Ended May 31,		Nine Months Period Ended May 31,	
	2012	2011	2012	2011
	\$	\$	\$	\$
	(Note 19)		(Note 19)	
<b>Revenue</b>				
Interest income	54	52	54	52
<b>General and administrative expenses</b>				
Administrative fees	7,500	7,500	22,500	23,310
Consulting fees	13,800	8,500	33,000	90,837
Foreign exchange	-	-	-	-
Interest and bank charges	102	128	358	531
Interest expenses	42,304	40,681	117,464	82,954
Professional fees	8,578	13,570	31,078	23,570
Office	4,352	3,750	12,161	11,721
Travel	2,479	-	10,232	2,002
Transfer and filing fees	1,849	1,496	5,134	4,920
Total general and administrative expenses	80,964	75,625	231,927	239,845
<b>Total loss and comprehensive loss for the period</b>	(80,910)	(75,573)	(231,873)	(239,793)
<b>Basic and diluted loss per share</b>	(0.01)	(0.01)	(0.02)	(0.02)
<b>Weighted average number of shares outstanding</b>	12,085,970	12,085,970	12,085,970	12,085,970

The accompanying notes are an integral part of these financial statements.

# LA IMPERIAL RESOURCES INC.

Condensed Consolidated Interim Statements of Changes In Equity

Expressed in Canadian Dollars

(Unaudited)

		Share Capital		Deficit	Total
		Number	Amount		
		#	\$	\$	\$
<b>Balance, September 1, 2010</b>	Note 19	12,085,970	1,441,788	(1,506,186)	(64,398)
Loss for the period				(239,793)	(239,793)
<b>Balance, May 31, 2011</b>	Note 19	12,085,970	1,441,788	(1,745,979)	(304,191)
<b>Balance, September 1, 2011</b>		12,085,970	1,441,788	(1,801,769)	(359,981)
Loss for the period				(231,873)	(231,873)
<b>Balance, May 31, 2012</b>		12,085,970	1,441,788	(2,033,642)	(591,854)

The accompanying notes are an integral part of these financial statements.

# LA IMPERIAL RESOURCES INC.

Condensed Consolidated Interim Statements of Cash Flows

Expressed in Canadian Dollars

(Unaudited)

	Three Months Period Ended May 31,		Nine Months Period Ended May 31,	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>FUNDS DERIVED FROM (APPLIED TO)</b>				
<b>Operating activities:</b>				
Net loss for the period	(80,910)	(75,573)	(231,873)	(239,793)
Working capital adjustments:				
Trade and other receivables	2,314	(85)	4,032	5,093
Prepaid expenses and deposits	65,837	3,070	65,837	-
Trade and other payables	71,798	73,116	186,793	247,294
Due to related parties	(61,000)	-	(61,000)	-
<b>Net cash (used in) operating activities</b>	<b>(1,961)</b>	<b>528</b>	<b>(36,211)</b>	<b>12,594</b>
<b>Financing activity</b>				
Funds advanced by shareholders	8,151	-	139,433	(12,000)
<b>Net cash provided by financing activities</b>	<b>8,151</b>	<b>-</b>	<b>139,433</b>	<b>(12,000)</b>
<b>Investing activity</b>				
Mineral properties and deferred expenditures	(6,000)	-	(102,406)	-
<b>Net cash (used in) operating activities</b>	<b>(6,000)</b>	<b>-</b>	<b>(102,406)</b>	<b>-</b>
<b>Increase(decrease) in cash and cash equivalents</b>	<b>190</b>	<b>528</b>	<b>816</b>	<b>594</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>632</b>	<b>52</b>	<b>6</b>	<b>(14)</b>
<b>Cash and cash equivalents, end of the period</b>	<b>822</b>	<b>580</b>	<b>822</b>	<b>580</b>
<b>Supplementary disclosures:</b>				
Interest received	-	-	-	-

The accompanying notes are an integral part of these financial statements.

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements  
For the Nine Months Ended May 31, 2012  
Expressed in Canadian Dollars  
(Unaudited)

---

## 1. GENERAL BUSINESS DESCRIPTION

The condensed consolidated interim financial statements of La Imperial Resources Inc. (the “Company”) for the nine months ended May 31, 2012 were authorized for issue by the Board of Directors on July 27, 2012.

La Imperial Resources Inc. (the “Company”) was incorporated on October 4, 2004 under the Canada Business Corporations Act. and its principal activity is the acquisition and exploration of mineral properties located in Mexico.

The Company is a reporting issuer in British Columbia, Alberta and Ontario and its shares are listed on the CNQ Stock Exchange under the symbol LAI.

The address of the Company’s corporate office and principal place of business is 600-666 Burrard Street, Vancouver, British Columbia, Canada V6C 2X8.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance to IAS 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These are the Company’s first IFRS interim financial statements for part of the period covered by the Company’s first IFRS annual financial statements for the year ended August 31, 2012. Previously, the Company prepared its annual and interim financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”).

The condensed consolidated interim financial statements are presented in Canadian Dollars, which is also the Company’s functional currency, unless otherwise indicate.

These condensed consolidated interim financial statements have been prepared on the historical cost basis except where noted in the accounting policies or where the items have been restated in compliance with IFRS 1.

The condensed consolidated interim financial statements were prepared on a going concern basis, under the historical cost convention. The Company has a working deficit of \$1,897,859 during the nine months period ended May 31, 2012 and, as of the date the Company deficit was \$2,033,642. The Company’s ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. Management of the Company does not expect that cash flows for the Company’s operations will be sufficient to cover all of its operating requirements, financial commitments and business development priorities during the next twelve months. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its development projects.

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

---

## 3. SIGNIFICANT ACCOUNT JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed consolidated interim financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the condensed consolidated interim financial statements is described below:

### Impairment of assets

The Company assesses each cash generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash generating units as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets.

### Exploration and Evaluation Expenditure

The application of the Company's accounting policy for deferred development expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures is capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

### Title to Mineral Property Interest

Although the Company has taken steps to verify title to mineral properties in which it has interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defect.

### Asset retirement obligations

The Company recognises the liability for an asset retirement obligation. The relevant costs in associated with the assets retirement obligations are estimated based on the Company's interpretation of current regulatory requirements. Based on the assessment, the Company did not have any significant asset retirement obligations at the reporting dates.



# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

---

## 3. SIGNIFICANT ACCOUNT JUDGMENT, ESTIMATES AND ASSUMPTIONS, continued

### Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

### Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the condensed consolidated interim financial statements in accordance with IAS 34 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at September 1, 2010 for the purposes of the transition to IFRSs, as required by IFRS 1. The impact of the transition from Canadian GAAP to IFRS is explained in Note 19.

### Principles of Consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned subsidiary, La Kathrina. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

### Interest income

Interest income is recognized as earned on an accruals basis using the effective interest method in the income statement.

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements  
For the Nine Months Ended May 31, 2012  
Expressed in Canadian Dollars  
(Unaudited)

---

## 4. SIGNIFICANT ACCOUNTING POLICIES, continued

### Foreign Currency Translation

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position are comprised of cash and short-term deposits held at major financial institutions with an original maturity of three months or less, which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested in business and savings accounts which are available on demand by the Company for its operations.

### Exploration and Evaluation Assets

The Company's exploration and evaluation assets are intangible assets relating to mineral rights acquired and exploration and evaluation expenditure capitalized in respect of projects that are at the exploration/pre-development stage.

No amortization charge is recognized in respect of exploration and evaluation assets. These assets are transferred to mine development assets in property, plant and equipment upon the commencement of mine development.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition;
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

Exploration and evaluation expenditure related to an area of interest where the Company has tenure are capitalized as intangible assets and are initially recorded at cost less impairment.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest.

All capitalized exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that impairment may exist. In circumstances where a property is abandoned, the cumulative capitalized costs relating to the property are written off in the period.

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

---

## 4. SIGNIFICANT ACCOUNTING POLICIES, continued

### Impairment of Non-Financial Assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### Financial Instruments

#### i. Financial assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

#### ii. Available-for-sale investments

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment) the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

#### iii. Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized a fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

---

## 4. SIGNIFICANT ACCOUNTING POLICIES, continued

### iv. Impairment on financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if and only if there is objective evidence of impairment as a result of one or more events, that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of trade receivable is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

### v. Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

### vi. Financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within days of recognition.

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

---

## 4. SIGNIFICANT ACCOUNTING POLICIES, continued

### Interest-Bearing Loans and Other Borrowings

Interest-bearing loans and other borrowings are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of borrowings on an effective interest basis.

### Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

### Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

### Share-Based Payment

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to the weighted average price of the common shares for the five days on which they were funded immediately preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements  
For the Nine Months Ended May 31, 2012  
Expressed in Canadian Dollars  
(Unaudited)

---

## 4. SIGNIFICANT ACCOUNTING POLICIES, continued

### Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries, and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### Earnings (Loss) Per Share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings/loss per share does not adjust the loss attributable to common shareholders or the weight average number of common shares outstanding when the effect is anti-dilutive.

### Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

---

## 5. CASH AND CASH EQUIVALENT

	May 31, 2012	August 31, 2011	September 1, 2010
Cash at banks and on hand	\$ 822	\$ 6	\$ (14)
Total	\$ 822	\$ 6	\$ (14)

Cash at banks earn interests at floating rates based on daily bank deposit rates. The fair value of cash and short-term deposits equals book value.

## 6. TRADE AND OTHER RECEIVABLES

	May 31, 2012	August 31, 2011	September 1, 2010
GST/HST receivable	\$ 441	\$ 4,473	\$ 7,868
Total	\$ 441	\$ 4,473	\$ 7,868

GST/HST receivables represent input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada.

## 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. During the period ended May 31, 2012, the claim has been settled (see Note 17).

## LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements  
For the Nine Months Ended May 31, 2012  
Expressed in Canadian Dollars  
(Unaudited)

---

### 8. EXPLORATION AND EVALUATION ASSETS

	Uruachi Mexico
Balance, September 1, 2010	\$ 1,093,979
Additions:	
Consulting	5,000
Legal	3,070
Taxes	95,500
Balance, August 31, 2011	\$ 1,197,549
Additions:	
Consulting	26,411
Legal	3,618
Taxes	72,377
Balance , May 31, 2012	<u>\$ 1,299,955</u>

#### Uruachi Concessions - Chihuahua, Mexico

State of Chihuahua, 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.

### 9. TRADE AND OTHER PAYABLES

	May 31, 2012	August 31, 2011	September 1, 2010
Trade payables	\$ 1,832,822	\$ 1,512,596	\$ 1,635,519
Accrued liabilities	16,000	10,000	11,000
Total	<u>\$ 1,848,822</u>	<u>\$ 1,522,596</u>	<u>\$ 1,646,519</u>



# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

---

## 10. RELATED PARTY TRANSACTIONS

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 former 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).

## 11. SHARES CAPITAL

- a) Authorized, issued and outstanding common shares

The authorized share capital of the Company consists of an unlimited number of common shares no par value.

- b) The following is a summary of change in common shares from September 1, 2010 to May 31, 2012:

	Number of Shares	Issue Price
Balance, September 1, 2010, August 31, 2011 and May 31, 2012	12,085,970	\$ 1,441,788

## 12. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The calculation of basic loss per share for the period ended May 31, 2012 was based on the loss attributable to common shareholders of \$207,243 (2011 - \$239,793) and the weighted average number of common shares outstanding of 12,085,970 (2010 - 12,085,970) respectively.

The Company does not have any instruments that would give rise to a dilution effect.

## 13. COMMITMENT AND SIGNIFICANT CONTRACTS

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

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

## 14. SEGMENT REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

## 15. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises all the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments of high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

	Financial assets at fair value			May 31, 2012
	Level 1	Level 2	Level 3	
Held-for-trading financial asset				
Cash	\$ 822			\$ 822
Restricted cash	5,750			5,750
Total financial assets at fair value	\$ 6,572			\$ 6,572

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, continued

	Financial assets at fair value			
	Level 1	Level 2	Level 3	August 31, 2011
Held-for-trading financial asset				
Cash	\$ 6			\$ 6
Restricted cash	5,750			5,750
Total financial assets at fair value	\$ 5,756			\$ 5,756

	Financial assets at fair value			
	Level 1	Level 2	Level 3	September 1, 2010
Held-for-trading financial asset				
Cash	\$ (14)			\$ (14)
Restricted cash	5,750			5,750
Total financial assets at fair value	\$ 5,736			\$ 5,736

The fair values of the Company's accounts receivable, amount due to related parties and accounts payable and accrued expenses approximate their carrying values due to their short term nature.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures.

The type of risk exposure and the way in which such exposure is managed is provided as follows:

### *Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company currently does not have 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 bank 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.

# **LA IMPERIAL RESOURCES INC.**

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

---

## **17. 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). During the period the Company has settled the claim.

## **18. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to current period presentation.

## **19. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

The condensed consolidated interim financial statements for the period ended May 31, 2012 are the Company's first financial statements prepared under IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result the first date at which the Company has applied IFRS was August 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be August 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with Canadian GAAP.

### Initial elections upon adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

#### **Business Combinations**

The Company elected not to retrospectively apply IFRS 3 Business Combinations to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

#### **Share-based Payment Transactions**

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS.

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

---

## 19. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

### Exploration and evaluation assets

The company has elected to adopt the provisions of IFRS 6 which allow the Company to continue with the current accounting policies regarding the accounting for exploration and evaluation expenditures. Under Canadian GAAP the Company capitalizes amounts spent on exploration to the carrying value of its mineral properties.

### Compound Financial Instruments

The Company has elected not to retrospectively separate the liability and equity components of compound instruments for which the liability component is no longer outstanding at the date of transition to IFRS.

### Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with Canadian GAAP have not been reviewed for compliance with IAS 39.

### Estimates

IFRS 1 prohibits use of hindsight to create or revise previous estimates. The estimates the Company previously made under Canadian GAAP have not been revised for application of IFRS.

### Reconciliations of Canadian GAAP Equity and Comprehensive Income to IFRS

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the consolidated statements of financial position and consolidated statements of comprehensive income have resulted in reclassifications of various amounts on the consolidated statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been presented.

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

## Reconciliation of Statement of Financial Position as at September 1, 2010

	Canadian GAAP \$	Effect of Transition to IFRS \$	IFRS \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	(14)	-	(14)
Trades and other receivables	7,868	-	7,868
<b>Total current assets</b>	7,854	-	7,854
<b>Non-current assets</b>			
Restricted cash	5,750	-	5,750
Mineral properties and exploration costs	1,093,979	-	1,093,979
<b>Total current assets</b>	1,107,583	-	1,107,583
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trades and other payable	1,060,981	-	1,060,981
Unsecured advances	50,000	-	50,000
Due to related parties	61,000	-	61,000
<b>Total current liabilities</b>	1,171,981	-	1,171,981
<b>Shareholders' Equity</b>			
Share capital	1,441,788	-	1,441,788
Deficit	(1,506,186)	-	(1,506,186)
<b>Total shareholders' equity</b>	(64,398)	-	(64,398)
<b>Total liabilities and shareholders' equity</b>	1,107,583	-	1,107,583

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

## Reconciliation of Statement of Financial Position as at May 31, 2011

	Canadian GAAP \$	Effect of Transition to IFRS \$	IFRS \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	580	-	580
Trades and other receivables	2,775	-	2,775
<b>Total current assets</b>	3,355	-	3,355
<b>Non-current assets</b>			
Restricted cash	5,750	-	5,750
Mineral properties and exploration costs	1,093,979	-	1,093,979
<b>Total current assets</b>	1,103,084	-	1,103,084
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trades and other payable	1,308,275	-	1,308,275
Unsecured advances	50,000	-	50,000
Due to related parties	49,000	-	49,000
<b>Total current liabilities</b>	1,407,275	-	1,407,275
<b>Shareholders' Equity</b>			
Share capital	1,441,788	-	1,441,788
Deficit	(1,745,979)	-	(1,745,979)
<b>Total shareholders' equity</b>	(304,191)	-	(304,191)
<b>Total liabilities and shareholders' equity</b>	1,103,084	-	1,103,084

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

## Reconciliation of Statement of Financial Position as at August 31, 2011

	Canadian GAAP \$	Effect of Transition to IFRS \$	IFRS \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	6	-	6
Trades and other receivables	4,473	-	4,473
Deposit	65,837	-	65,837
<b>Total current assets</b>	70,316	-	70,316
<b>Non-current assets</b>			
Restricted cash	5,750	-	5,750
Mineral properties and exploration costs	1,197,549	-	1,197,549
<b>Total current assets</b>	1,273,615	-	1,273,615
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trades and other payable	1,522,596	-	1,522,596
Unsecured advances	50,000	-	50,000
Due to related parties	61,000	-	61,000
<b>Total current liabilities</b>	1,633,596	-	1,633,596
<b>Shareholders' Equity</b>			
Share capital	1,441,788	-	1,441,788
Deficit	(1,801,769)	-	(1,801,769)
<b>Total shareholders' equity</b>	(359,981)	-	(359,981)
<b>Total liabilities and shareholders' equity</b>	1,273,615	-	1,273,615



# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

## Reconciliation of the Statement of Comprehensive Loss/Income for the Three Months Ended May 31, 2011

	Canadian GAAP \$	Effect of Transition to IFRS \$	IFRS \$
<b>Revenue</b>			
Interest income	52	-	52
<b>General and administrative expenses</b>			
Administration fees	7,500	-	7,500
Consulting fees	8,500	-	8,500
Interest and bank charges	128	-	128
Interest expenses	40,681	-	40,681
Professional fees	13,570	-	13,570
Office	3,750	-	3,750
Travel	-	-	-
Transfer and filing fees	1,496	-	1,496
<b>Total general and administrative expenses</b>	<b>75,625</b>	<b>-</b>	<b>75,625</b>
<b>Total loss and comprehensive loss for the period</b>	<b>(75,573)</b>	<b>-</b>	<b>(75,573)</b>
<b>Basic and diluted loss per share</b>	<b>(0.01)</b>	<b>-</b>	<b>(0.01)</b>
<b>Weighted average number of shares outstanding</b>	<b>12,085,970</b>	<b>-</b>	<b>12,085,970</b>

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

## Reconciliation of the Statement of Comprehensive Loss/Income for the Nine Months Ended May 31, 2011

	Canadian GAAP \$	Effect of Transition to IFRS \$	IFRS \$
<b>Revenue</b>			
Interest income	52	-	52
<b>General and administrative expenses</b>			
Administration fees	23,310	-	23,310
Consulting fees	90,837	-	90,837
Interest and bank charges	531	-	531
Interest expenses	82,954	-	82,954
Professional fees	23,570	-	23,570
Office	11,721	-	11,721
Travel	2,002	-	2,002
Transfer and filing fees	4,920	-	4,920
<b>Total general and administrative expenses</b>	<b>239,845</b>	<b>-</b>	<b>239,845</b>
<b>Total loss and comprehensive loss for the period</b>	<b>(239,793)</b>	<b>-</b>	<b>(239,793)</b>
<b>Basic and diluted loss per share</b>	<b>(0.02)</b>	<b>-</b>	<b>(0.02)</b>
<b>Weighted average number of shares outstanding</b>	<b>12,085,970</b>	<b>-</b>	<b>12,085,970</b>

# LA IMPERIAL RESOURCES INC.

Notes to the condensed consolidated interim financial statements

For the Nine Months Ended May 31, 2012

Expressed in Canadian Dollars

(Unaudited)

## Reconciliation of the Statement of Comprehensive Loss/Income for the Year Ended August 31, 2011

	Canadian GAAP \$	Effect of Transition to IFRS \$	IFRS \$
<b>Revenue</b>			
Interest income	52	-	52
<b>General and administrative expenses</b>			
Administration fees	30,000	-	30,000
Consulting fees	1,500	-	1,500
Foreign exchange gain	(4,623)	-	(4,623)
Interest and bank charges	547	-	547
Interest expenses	107,201	-	107,201
Professional fees	39,622	-	39,622
Management fees	30,000	-	30,000
Office	16,315	-	16,315
Travel	2,138	-	2,138
Transfer and filing fees	12,935	-	12,935
Settlement of claim	60,000	-	60,000
<b>Total general and administrative expenses</b>	<b>295,635</b>	<b>-</b>	<b>295,635</b>
<b>Total loss and comprehensive loss for the period</b>	<b>(295,583)</b>	<b>-</b>	<b>(295,583)</b>
<b>Basic and diluted loss per share</b>	<b>(0.02)</b>	<b>-</b>	<b>(0.02)</b>
<b>Weighted average number of shares outstanding</b>	<b>12,085,970</b>	<b>-</b>	<b>12,085,970</b>