# LA IMPERIAL RESOURCES INC.

## Consolidated Financial Statements

For the Three Months Ended November 30, 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 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 consolidated interim financial statements of La Imperial Resources Inc. for the period ended November 30, 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 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.

Consolidated Interim Statements of Financial Position
Expressed in Canadian Dollars
(Unaudited)

| | Notes | November 30, 2012 $ | August 31, 2012 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | 493 | 6 |
| Other receivables | 5 | 2,861 | 773 |
| **Total current assets** | | 3,354 | 779 |
| **Non-current assets** | | | |
| Restricted cash | | 5,750 | 5,750 |
| Exploration and evaluation assets | 6 | 1 | 1 |
| **Total assets** | | 9,105 | 6,530 |
| **LIABILITIES AND SHAREHOLDERS' DEFICIT** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 7 | 322,397 | 329,938 |
| Unsecured advances | 8 | 1,664,384 | 1,601,203 |
| **Total current liabilities** | | 1,986,781 | 1,931,141 |
| **Shareholders' deficit** | | | |
| Share capital | 10 | 1,441,788 | 1,441,788 |
| Deficit | | (3,419,464) | (3,366,399) |
| **Total shareholders' deficit** | | (1,977,676) | (1,924,611) |
| **Total liabilities and shareholders' deficit** | | 9,105 | 6,530 |

**Going concern (Note 1)**
**Contingencies (Note 12)**

**Approved by the Board of Directors:**

*"Marilyn Miller"* Director *"Tena McEachen"* Director

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

# LA IMPERIAL RESOURCES INC.

Consolidated Interim Statements of Comprehensive Loss
For the Three Months Ended November 30, 2012
Expressed in Canadian Dollars
(Unaudited)

| | Three Months Ended November 30, 2012 $ | Three Months Ended November 30, 2011 $ |
|---|---|---|
| **General and administrative expenses** | | |
| Administrative fees | - | 7,500 |
| Consulting fees | - | 8,500 |
| Foreign exchange gain | - | 1,290 |
| Interest and bank charges | 80 | 132 |
| Interest expenses | 44,337 | 35,690 |
| Professional fees | 2,680 | 17,500 |
| Office | 3,750 | 3,750 |
| Travel | - | 4,308 |
| Transfer and filing fees | 2,218 | 1,289 |
| **Total loss and comprehensive loss for the period** | (53,065) | (79,959) |
| **Basic and diluted loss per share** | (0.00) | (0.01) |
| **Weighted average number of shares outstanding – basic and diluted** | 12,085,970 | 12,085,970 |

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

# LA IMPERIAL RESOURCES INC.

Consolidated Interim Statements of Changes In Equity
For the Three Months Ended November 30, 2012
Expressed in Canadian Dollars
(Unaudited)

| | Share Capital | | | |
|---|---|---|---|---|
| | Number<br>#| Amount<br>$ | Deficit<br>$ | Total<br>$ |
| **Balance, September 1, 2011** | 12,085,970 | 1,441,788 | (1,801,769) | (359,981) |
| Comprehensive loss for the period | - | - | (79,959) | (79,959) |
| **Balance, November 30, 2011** | 12,085,970 | 1,441,788 | (1,881,728) | (439,940) |
| | | | | |
| **Balance, September 1, 2011** | 12,085,970 | 1,441,788 | (3,366,399) | (1,924,611) |
| Comprehensive loss for the period | - | - | (53,065) | (53,065) |
| **Balance, November 30, 2012** | 12,085,970 | 1,441,788 | (3,419,464) | (1,977,676) |

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

# LA IMPERIAL RESOURCES INC.

Consolidated Interim Statements of Cash Flows
For the Three Months Ended November 30, 2012
Expressed in Canadian Dollars
(Unaudited)

| | Three Months Ended November 30, 2012 $ | Three Months Ended November 30, 2011 $ |
|---|---|---|
| **Operating activities:** | | |
| Net loss for the period | (53,065) | (79,959) |
| Non-cash interest | 44,337 | - |
| Other receivables | (2,088) | (704) |
| Trade and other payables | (7,541) | 33,287 |
| **Net cash used in operating activities** | (18,357) | (47,376) |
| **Financing activities** | | |
| Unsecured advances | 18,844 | 90,636 |
| **Net cash provided by financing activities** | 18,844 | 90,636 |
| **Investing activities** | | |
| Exploration and evaluation assets | - | (42,651) |
| **Net cash used in investing activities** | - | (42,651) |
| **Increase in cash** | 487 | 609 |
| **Cash (bank overdraft), beginning of the year** | 6 | 6 |
| **Cash, end of the year** | 493 | 615 |

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

## 1. GENERAL BUSINESS DESCRIPTION

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.

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.

The consolidated interim financial statements were prepared on a going concern basis in accordance with International Financial Accounting Standards ("IFRS"), with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. The Company has incurred losses since its inception and had an accumulated deficit of $3,419,464 at November 30, 2012. 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. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The consolidated interim financial statements of the Company for the period ended November 30, 2012 were authorized for issue by the Board of Directors on January 29, 2013.

## 2. BASIS OF PREPARATION

Statement of compliance

The 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").

Basis of presentation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

## 3. SIGNIFICANT ACCOUNT JUDGMENT, ESTIMATES AND ASSUMPTIONS

**Significant estimates and assumptions**

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, decommissioning, restoration and similar liabilities and contingent liabilities.

**Significant judgments**

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the going concern assumption, classification of expenditures as exploration and evaluation expenditures or operating expenses and the classification of financial instruments.

## 4. SIGNIFICANT ACCOUNTING POLICIES

*Principles of Consolidation*

These consolidated financial statements include the accounts of the Company and its 99.9% owned subsidiary, La Kathrina S.A. de Mexico ("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.

*Foreign Currency Translation*

The financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES, continued

*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.

*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.

## 4. SIGNIFICANT ACCOUNTING POLICIES, continued

*Financial instruments*

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

*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 profit or loss over the period of borrowings on an effective interest basis.

## 4. SIGNIFICANT ACCOUNTING POLICIES, continued

*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.

*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.

## 4. SIGNIFICANT ACCOUNTING POLICIES, continued

*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.

*New Standards Not Yet Adopted*

IFRS 9 – Financial Instruments, as issued in November 2009 and revised in October 2010 is required to be adopted by 2013, subject to confirmation by the International Accounting Standards Board. The standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 and divides all financial assets that are currently in the scope of IAS 39 into two classifications; amortized cost and those measured at fair value.

IFRS 10 – Consolidated Financial Statements builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Corporation.

IFRS 11 – Joint Arrangements establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled.

IFRS 12 – Disclosure of Interest in Other Entities provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities.

IFRS 13 – Fair Value Measurement defines fair value, requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

IAS 28 – Investments in Associate and Joint Ventures revised the existing standard and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Each of the new standards or amendments is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, except for IFRS 9, Financial Instruments, which is effective for annual periods beginning on or after January 1, 2015. The Company has not yet completed its evaluation of the effect of adopting these standards on its consolidated financial statements.

## 5. OTHER RECEIVABLES

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

Expressed in Canadian Dollars

## 6. EXPLORATION AND EVALUATION ASSETS

| | Uruachi Mexico |
|---|---|
| Balance, August 31, 2012 | $ 1 |
| Additions: | - |
| Balance , November 30, 2012 | $ 1 |

**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 6,000,000 common shares 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 in the State of Chichuahua, Mexico.

## 7. TRADE AND OTHER PAYABLES

| | November 30, 2012 | August 31, 2012 |
|---|---|---|
| Trade payables | $ 320,397 | $ 311,938 |
| Accrued liabilities | 2,000 | 18,000 |
| Total | $ 322,397 | $ 329,938 |

## 8. UNSECURED ADVANCES

During the period ended November 30, 2012, the Company received $18,844 (August 31, 2012 - $145,164) in cash advances from various unrelated parties. These amounts are unsecured and have no specified terms of repayment. Certain of the advances bear interest at 12% per annum. At November 30, 2012, a total of $1,664,384 (August 31, 2012 - $1,601,203) is owing to the lenders.

## 9. RELATED PARTY TRANSACTIONS

As at November 30, 2012, the Company did not owe any amounts to related parties.

Expressed in Canadian Dollars

## 10. SHARE CAPITAL

Authorized, issued and outstanding common shares:
The authorized share capital of the Company consists of an unlimited number of common shares no par value.

The following is a summary of changes in common shares from August 31, 2012 to November 30, 2012 :

| | Number of Shares | Issue Price |
|---|---|---|
| Balance, August 31, 2012 and November 30, 2012 | 12,085,970 | $ 1,441,788 |

## 11. CONTINGENCIES, COMMITMENTS AND SIGNIFICANT CONTRACTS

In November, 2011 a claim was asserted against the Company for unpaid fees of approximately $100,000. The Company filed a response disputing the claim in December 2011. The Company has accrued $54,107 towards this claim. The claim remains unsettled and to date the outcome cannot be determined.

The Company has entered into rental agreements with certain private companies for a total of $3,750 per month.

## 12. SEGMENT REPORTING

***Operating segments***
The Company operates in a single reportable operating segment – the acquisition, exploration and development of exploration and evaluation assets.

***Geographic segments***
At November 30, 2012 and August 31, 2012 all of the Company's exploration and evaluation assets are located in Mexico.

## 13. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and 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. As a result, liquidity risk is assessed as high.

Expressed in Canadian Dollars

## 13. FINANCIAL RISK AND CAPITAL MANAGEMENT, continued

*Interest rate risk*

The Company's bank account earns interest income at variable rates. The fair value of its cash 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.

*Classification of financial instruments*

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:

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.

| | Financial assets at fair value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | November 30, 2011 |
| Held-for-trading financial asset | | | | |
| Cash | $ 493 | $ - | $ - | $ 493 |
| Other receivable | - | 2,861 | - | 2,861 |
| Restricted cash | 5,750 | - | - | 5,750 |
| Total financial assets at fair value | $ 6,243 | $ 2,861 | $ - | $ 9,104 |

| | Financial assets at fair value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | August 31, 2012 |
| Held-for-trading financial asset | | | | |
| Cash | $ 6 | $ - | $ - | $ 6 |
| Other receivable | - | 773 | - | 773 |
| Restricted cash | 5,750 | - | - | 5,750 |
| Total financial assets at fair value | $ 5,756 | $ 773 | $ - | $ 6,529 |

Expressed in Canadian Dollars

## 16. FINANCIAL RISK AND CAPITAL MANAGEMENT, continued

Financial liabilities included in the statement of financial position are as follows:

| | November 30, 2011 | August 31, 2012 |
|---|---|---|
| Non-derivative financial liabilities: | | |
| Trade and other payables | $ 320,397 | $ 311,938 |
| Unsecured advances | 1,664,384 | 1,601,203 |
| | $ 1,984,781 | $ 1,931,141 |

*Capital 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. There were no changes in the Company's approach to capital management during the year.

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.