

## LA IMPERIAL RESOURCES INC.

### MANAGEMENT DISCUSSION & ANALYSIS

#### FOR THE SIX MONTHS ENDED FEBRUARY 28, 2013

The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations *La Imperial Resources Inc.* ("the Company") as at February 28, 2013 and for the six month period then ended in comparison to the same period in 2012.

This MD&A should be read in conjunction with the financial statements for the year ended August 31, 2012 and supporting notes. These financial statements have been prepared using accounting policies consistent with IFRS and in accordance with International Accounting Standard 34 ("IAS 34") - Interim Financial Reporting.

All monetary amounts are in Canadian dollars unless otherwise specified. The effective date of this MD&A is April 18, 2013. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com)

#### **FORWARD-LOOKING INFORMATION**

This MD&A together with the Company's financial statements for the period ended February 28, 2013 contain certain statements that may be deemed "forward-looking statements". Forward looking statements in this document are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "continue", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management are inherently subject to significant business, economic and competitive uncertainties and contingencies. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Inherent in forward-looking statements involve known and unknown risks, and factors may include, but are not limited to: unavailability of financing, changes in government regulation, general economic condition, general business conditions, limited time being devoted to business by directors, escalating professional fees, escalating transaction costs, competition, fluctuation in foreign exchange rates, competition, stock market volatility, unanticipated operating events and liabilities inherent in industry. Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the

foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

### **Description of Business**

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 Company has its corporate and administrative office in Vancouver and a field office in, Chihuahua, Mexico.

### **Subsidiary**

The Company acquired on November 8, 2006 a 99.9% interest in La Kathrina de Mexico, S.A de CV ("La Kathrina"), a Mexican company, by issuing six million common shares valued at \$300,000, subject to an escrow restriction, to the La Kathrina shareholders, which included two company directors and certain family members. La Kathrina's sole asset and undertaking are the Uruachi concessions located in the state of Chihuahua, Mexico.

The acquisition was accounted for by the purchase method, with the Company identified as the acquirer, for consideration comprised of 6,000,000 shares valued at \$300,000, the amount was based on the estimated expenditures incurred on the property by La Kathrine prior to the acquisition. The purchase price was allocated entirely to mineral property acquisition costs.

### **Mineral Project**

#### ***Uruachi Concessions - Chihuahua, Mexico***

State of Chihuahua, Mexico

The Company entered into an agreement on November 30, 2005, subject to the expenditure of \$200,000 on exploration and also for due diligence, and on November 8, 2006 acquired 99.9% of the outstanding common shares of La Kathrina in consideration for the issue of six million Company common shares (issued) at \$0.05 per share, for a total payment of \$300,000. La Kathrina has a 70% interest in seven mining concessions covering 13,209 hectares.

The Property is located at approximately 27° 50' North Latitude, 108° 30' West Longitude in the Municipality of Uruachi, at 170km S56° W of Cuauhtemoc, 255km S 75° W of Chihuahua and 45km east of the boundary of the State of Sonora.

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## **Risks and Uncertainties**

The Company's principal activity of mineral exploration is considered to be very high risk. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, commodity prices, political and economic, with some of the most significant risks being:

1. Substantial expenditures are required to explore for mineral reserves and the chances of identifying economical reserves are extremely small;
2. The junior resource market, where the Company raises funds, is extremely volatile and there is no guarantee that the Company will be able to raise funds as it requires them;
3. Although the Company has taken steps to verify title to the mineral properties it has an interest in or is earning into, there is no guarantee that the property will not be subject to title disputes or undetected defects; and
4. The global economy experienced a significant downturn which has negatively impacted commodity prices and credit availability which in turn has significantly reduced valuations of most companies in the resource sector. As such, the markets where the Company has traditionally raised equity capital have been significantly curtailed. As such, it will most likely be more difficult and costly, in terms of dilution, to raise equity capital over the short and medium term.

## **Results of Operation**

### *Six Month Period Ending February 28, 2013*

During the period ended February 28, 2013 the Company recorded a loss of \$120,479 or \$0.01 diluted loss per share, compared to \$150,896 or \$0.01 diluted per share for the same period last year. The increase is due to increased interest expenses.

- Administration fee of \$Nil (2012-\$15,000) were paid to a private company for secretarial and general administrative services.
- Interest expenses of \$90,709 (2012-\$75,160) accrued from the shareholders of the Company. The loans are unsecured and bears interest of 12% per annum, with no fixed terms of repayment.
- Mineral exploration expenses of \$35,462 in payment of property taxes in Mexico.
- \$26,555 representing amounts that have been outstanding for greater than six years was written off.

Also, during the period ended February 28, 2013 the Company also incurred office expenses of \$7,630 (2012- \$7,809), professional fees of \$8,680 (2012-\$22,500) and transfer and filing fees of \$4,336 (2012-\$3,285)

Three Month Period Ending February 28, 2013

During the period ended February 28, 2013 the Company recorded a loss of \$67,414 or \$0.01 diluted loss per share, compared to loss of \$71,004 or \$0.00 diluted per share for the same period last year. The decrease in the loss reported is primarily due to the decreased in consulting fees.

- Administration fee of \$Nil (2012-\$7,500) were paid to a private company for secretarial and general administrative services.
- Interest expenses of \$46,372 (2012-\$39,470) accrued from the shareholders of the Company. The loans are unsecured and bears interest of 12% per annum, with no fixed terms of repayment.
- Consulting fees of \$Nil (2011-\$10,700) is paid for general management.
- Mineral exploration expenses of \$35,462 in payment of property taxes in Mexico.
- \$26,555 representing amounts that have been outstanding for greater than six years was written off.

Also, during the period ended February 28, 2013 the Company also incurred office expenses of \$3,880 (2012- \$4,059), professional fees of \$6,000 (2012-\$5,000), travel of \$Nil (2012-\$3,445) and transfer and filing fees of \$2,118 (2012-\$1,996).

Summary of Quarterly Results

The selected information set out below has been gathered from quarterly consolidated financial statements:

	Three Months Period Ended			
	February 28, 2013 \$	November 30, 2012 \$	August 31, 2012 \$	May 31, 2012 \$
Interest Income	Nil	Nil	Nil	54
Net Gain (Loss)	(67,414)	(53,065)	(1,332,703)	(80,910)
Basic and diluted per share	(0.01)	(0.00)	(0.11)	(0.00)

	Three Months Period Ended			
	February 28, 2012 \$	November 30, 2011 \$	August 31, 2011 \$	May 31, 2011 \$
Interest Income	Nil	Nil	Nil	52
Net Gain (Loss)	(71,004)	(79,959)	(55,790)	(75,573)
Basic and diluted per share	(0.00)	(0.00)	(0.00)	(0.01)

Quarterly results will vary in accordance with the Company's exploration and financing activities.

### **Liquidity and Capital Resources**

The Company has \$128 in cash on hand. The Company has a working capital deficiency of \$2,045,090 as at February 28, 2013 and deficit of \$3,486,878. The Company continues to be able to generate sufficient cash resources in private placement financings. The Company's continued existence as a going concern is dependent upon the continued support of related parties and its ability to raise adequate long-term financing.

The Company will continue to require funds and as a result, will have to continue to rely on equity and debt financing. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company. The Company does not have any commitments for material capital expenditures over either the near or long term and none are presently contemplated other than as disclosed above or over normal operating requirements.

### **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 monthly rental agreements with certain private companies for a total of \$3,750 per month.

### **Critical Accounting Policies and Estimates**

The details of La Imperial's accounting policies are presented in Note 3 of the unaudited consolidated financial statements ended February 28, 2013. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Company's consolidated financial statements and the uncertainties that could have a bearing on its financial results.

### **Off-Balance Sheet Arrangements**

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

### **Related Party Transactions**

As at February 28, 2013, the Company did not owe any amounts to 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.

## **Management Financial Risks**

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			February 28, 2013
	Level 1	Level 2	Level 3	
Held-for-trading financial asset				
Cash	\$ 128	\$ -	\$ -	\$ 128
Other receivable	-	3,114	-	3,114
Restricted cash	5,750	-	-	5,750
Total financial assets at fair value	\$ 5,878	\$ 3,114	\$ -	\$ 8,992

	Financial assets at fair value			August 31, 2012
	Level 1	Level 2	Level 3	
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

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

	February 28, 2013	August 31, 2012
Non-derivative financial liabilities:		
Trade and other payables	\$ 304,835	\$ 311,938
Unsecured advances	1,749,248	1,601,203
	\$ 2,054,083	\$ 1,931,141

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. As a result, liquidity risk is assessed as high.

#### *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.

### **Capital Risk Management**

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide adequate return to shareholders by maintaining a sufficient level of funds, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is dependent on external financing to fund its activities. In order to carry out property acquisitions and exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.



The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential, and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

### **Management's Report on Internal Control Over Financing Reporting**

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

### **Outstanding Shares**

As at April 18, 2013, the Company had the following securities issued and outstanding:

- a) Authorized: Unlimited number of common shares without par value.
- b) Issued and outstanding shares: 12,085,970