

LA IMPERIAL RESOURCES INC.

Consolidated Financial Statements

February 28, 2011

(Stated in Canadian Dollar)

(Unaudited – Prepared by Management)

The accompanying unaudited interim financial statements of La Imperial Resources Inc. for the period ended February 28, 2011 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's independent auditors.

LA IMPERIAL RESOURCES INC.

Consolidated Balance Sheets
Expressed in Canadian Dollars
As at February 28, 2011
(Unaudited)

	February 28, 2011 \$ Unaudited	August 31, 2010 \$ Audited
ASSETS		
Current assets		
Cash	52	(14)
Restricted cash	5,750	5,750
Amounts receivable and advances	2,690	7,868
Prepaid expenses	3,070	-
	<u>11,562</u>	<u>13,604</u>
Mineral property costs	<u>1,093,979</u>	<u>1,093,979</u>
	<u>1,105,541</u>	<u>1,107,583</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,235,159	1,060,981
Unsecured advances	50,000	50,000
Due to related parties	49,000	61,000
	<u>1,334,159</u>	<u>1,171,981</u>
SHAREHOLDERS' EQUITY		
Share capital	1,441,788	1,441,788
Deficit	(1,670,406)	(1,506,186)
	<u>(228,618)</u>	<u>(64,398)</u>
	<u>1,105,541</u>	<u>1,107,583</u>

Continuing operations (note 1)

LA IMPERIAL RESOURCES INC.

Consolidated Statements of Operations, Comprehensive Income (Loss), and Deficit Expressed in Canadian Dollars

	Six Months Period Ended February 28,		Six Months Period Ended February 28,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Expenses				
Administration fees	7,500	7,500	15,810	15,000
Consulting fees	73,337	4,566	82,337	4,566
Interest and bank charges	301	441	403	477
Interest expenses	27,275	20,314	42,273	38,536
Legal, audit and accounting	5,500	4,900	10,000	7,900
Management	-	7,500	-	15,000
Office	4,221	6,157	7,971	9,907
Travel	600	21,226	2,002	21,226
Transfer and filing fees	1,659	5,122	3,424	6,792
Loss before other item	(120,393)	(77,726)	(164,220)	(119,404)
Disposal of equipment	-	21,496	-	21,496
Net loss and comprehensive loss for the period	(120,393)	(56,230)	(164,220)	(97,908)
Deficit – beginning of period	(1,550,013)	(1,611,698)	(1,506,186)	(1,570,020)
Deficit – end of period	(1,670,406)	(1,667,928)	(1,670,406)	(1,667,928)
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of common shares outstanding	12,085,970	12,085,970	12,085,970	12,085,970

See notes to financial statements

LA IMPERIAL RESOURCES INC.

Consolidated Statements of Cash Flows Expressed in Canadian Dollars

	Six Months Period Ended February 28,		Six Months Period Ended February 28,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cash provided by (used for):				
Operating activities				
Net loss for the period	(120,393)	(56,230)	(164,220)	(97,908)
Items not affecting cash:				
Gain on disposal of equipment	-	(21,496)	-	(21,496)
Net change in non-cash working capital items:				
Amounts receivable and advances	(130)	(2,385)	5,178	(2,443)
Prepaid expenses	(3,070)	-	(3,070)	(2,208)
Due to related party	-	14,835	-	29,253
Amounts payable and accrued liabilities	3,118	(78,395)	174,178	(41,527)
	<u>(120,475)</u>	<u>(143,671)</u>	<u>12,066</u>	<u>(136,329)</u>
Financing activity				
Funds advanced by shareholders	-	211,499	(12,000)	212,267
Investing activities				
Equipment	-	21,497	-	21,497
Net cash (used) provided during the period	(120,475)	89,325	66	97,435
Cash – beginning of period	<u>120,527</u>	<u>10,046</u>	<u>(14)</u>	<u>1,936</u>
Cash – end of period	<u>52</u>	<u>99,371</u>	<u>52</u>	<u>99,371</u>
Supplementary disclosures:				
Interest received	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

LA IMPERIAL RESOURCES INC.
Consolidated Schedule of Mineral Property Costs
Expressed in Canadian Dollars
For the period ended February 28, 2011

	Balance, August 31, 2010 \$	Net Expenditures 2010 \$	Balance, February 28, 2011 \$
MEXICO			
Uruachi Concessions	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Accommodation and travel	111,955	-	111,955
Amortization	156,189	-	156,189
Consulting	275,717	-	275,717
Equipment	41,839	-	41,839
Field work and assay	48,493	-	48,493
Freight	5,828	-	5,828
Legal	196,916	-	196,916
Office	17,893	-	17,893
Salaries and wages	92,645	-	92,645
Taxes	<u>86,504</u>	<u>-</u>	<u>86,504</u>
	<u>1,033,979</u>	<u>-</u>	<u>1,033,979</u>
Total Mineral Property Costs	<u>1,093,979</u>	<u>-</u>	<u>1,093,979</u>

See notes to financial statements

LA IMPERIAL RESOURCES INC.
Notes to the Consolidated Financial Statements
Expressed in Canadian Dollars
February 28, 2011 and 2010

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Canada Business Corporations Act on October 4, 2004 and its principal activity is the acquisition and exploration of mineral properties located in Mexico. The Company does not generate any cash flow from its operations to fund its exploration activities, has relied upon the issuance of equity securities for financing and at February 28, 2011, has a net working capital deficiency of \$1,322,597. The Company intends to continue relying upon the issuance of securities to finance its operations and exploration activities to the extent such instruments are issuable under terms acceptable to the Company.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes the Company will be able to meet its obligations and continue its operations for its next fiscal year. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Realization values may be substantially different from carrying values shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At February 28, 2011, the Company has accumulated losses of \$1,670,406 and expects to incur further losses, which casts substantial doubt about the Company's ability to continue as a going concern.

These consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for consolidated interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. The results for the six month period ended February 28, 2011 are not necessarily indicative of the results that may be expected for the year ended August 31, 2011. The balance sheet at August 31, 2010 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

These interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual consolidated financial statements for the year ended August 31, 2010, (except as described below and in note 3). For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report to Shareholders for the year ended August 31, 2010.

2. ADOPTION OF NEW ACCOUNTING POLICIES

Financial Instrument Disclosures

Effective May 1, 2009, the Company adopted new accounting policies of the amended CICA Handbook Section 3862, Financial Instruments – Disclosure. These amendments provide for additional disclosure requirements about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. These disclosures are included in Note 8 of these financial statements.

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of September 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2012. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

LA IMPERIAL RESOURCES INC.
Notes to the Consolidated Financial Statements
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February 28, 2011 and 2010

2. ADOPTION OF NEW ACCOUNTING POLICIES, (continued)

Financial Instrument Disclosures, continued

Goodwill and Intangible Assets (Section 3064)

This new standard replaces the current standard for goodwill and intangible assets, Section 3062, and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008, and therefore the Company has implemented it as of September 1, 2009. The adoption of this standard did not have an impact on the consolidated financial statements.

3. MINERAL PROPERTY COSTS

Uruachi Concessions - Chichuahua, Mexico

State of Chichuahua, Mexico

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

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

4. RELATED PARTY TRANSACTIONS

During the period ended February 28, 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.

- During the year, unsecured non-interest bearing advances of \$80,000 to the Company from certain shareholders were forgiven. The Company also obtained an additional unsecured non-interest bearing advance of \$50,000 from a shareholder.

5. FINANCIAL INSTRUMENTS

Financial Risk Management

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

LA IMPERIAL RESOURCES INC.
Notes to the Consolidated Financial Statements
Expressed in Canadian Dollars
February 28, 2011 and 2010

6. FINANCIAL INSTRUMENTS *(continued)*

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

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

The Company has a \$5,750 restricted cash balance, held separately from freely available held-for-trading cash. This amount is held in a Prime + 1.85% interest-bearing GIC as credit card collateral.

Fair Value of Financial Instruments

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

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

The carrying values, fair market values, and fair value hierarchical classification of the Company's financial instruments as at February 28, 2011 are as follows:

	Level 1 \$	Level 2 \$	Level 3 \$
Cash	52	-	-
Restricted Cash	5,750	-	-
	5,802	-	-

Financial Instrument Risk Exposure

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

Credit Risk

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

Liquidity Risk

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

LA IMPERIAL RESOURCES INC.
Notes to the Consolidated Financial Statements
Expressed in Canadian Dollars
February 28, 2011 and 2010

7. FINANCIAL INSTRUMENTS *(continued)*

Financial Instrument Risk Exposure, *continued*

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, does not expose the Company to interest rate risk

8. MANAGEMENT OF CAPITAL

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

As at February 28, 2011, the Company had capital resources consisting mainly of cash and equivalents. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets or adjust the amount of cash and equivalents.