

LA IMPERIAL RESOURCES INC.

Consolidated Financial Statements

August 31, 2021

Expressed in Canadian Dollars



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of La Imperial Resources Inc.

Opinion

We have audited the consolidated financial statements of La Imperial Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2021 and 2020, and the consolidated statements of comprehensive income (loss), changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

December 24, 2021

 **MOORE**
An independent firm
associated with Moore
Global Network Limited

LA IMPERIAL RESOURCES INC.

Consolidated Statements of Financial Position

Expressed in Canadian Dollars

ASSETS	August 31, 2021	August 31, 2020
CURRENT		
Cash	\$ 788	\$ 1,603
GST receivable	2,650	1,564
	3,438	3,166
EXPLORATION AND EVALUATION ASSETS (Note 5)	1	1
TOTAL ASSETS	\$ 3,439	\$ 3,167
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT		
Trade payables and accrued liabilities (Note 6)	\$ 373,796	\$ 434,783
Unsecured advances (Note 7)	1,586,178	2,304,413
	1,959,974	2,739,196
SHAREHOLDERS' DEFICIT		
Share capital (Notes 9)	1,441,788	1,441,788
Deficit	(3,398,323)	(4,177,816)
	(1,956,535)	(2,736,029)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 3,439	\$ 3,167

Going concern (Note 1)

Contingencies (Note 10)

Approved by the Board of Directors:

"Marilyn Miller" Director _____
"Gary MacDonald" Director

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

LA IMPERIAL RESOURCES INC.

Consolidated Statements of Comprehensive Income (Loss)

Expressed in Canadian Dollars

	For the Years Ended	
	August 31,	
	2021	2020
EXPENSES		
Interest and bank charges	\$ 139	\$ 366
Office occupancy and miscellaneous	21,191	19,331
Professional fees	6,579	6,699
Transfer agent & filing fees	18,593	13,257
Travel	-	215
	(46,502)	(39,868)
OTHER ITEMS		
Forgiveness of interest on unsecured advances (Note 7)	740,928	-
Write-off of accounts payable	85,067	-
NET COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ 779,493	\$ (39,868)
Income (loss) per share - basic and diluted	\$0.06	(\$0.00)
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 Statements of Changes In Shareholders' Deficit

Expressed in Canadian Dollars

	Number of shares	Amount \$	Deficit \$	Total \$
Balance as at August 31, 2019	12,085,970	1,441,788	(4,137,948)	(2,696,160)
Comprehensive loss for the year	-	-	(39,868)	(39,868)
Balance as at August 31, 2020	12,085,970	1,441,788	(4,177,816)	(2,736,028)
Comprehensive income for the year	-	-	779,493	779,493
Balance as at August 31, 2021	12,085,970	1,441,788	(3,398,323)	(1,956,535)

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

LA IMPERIAL RESOURCES INC.

Condensed Statements of Cash Flows

Expressed in Canadian Dollars

	For the Years Ended	
	August 31,	
	2021	2020
Cash flow from operating activities:		
Net income (loss) for the year	\$ 779,493	\$ (39,868)
Items not affecting cash:		
Forgiveness of interest on unsecured advances	(740,928)	-
Write-off of accounts payable	(85,067)	-
Changes in non-cash working capital:		
GST receivable	(1,086)	(1,180)
Trade payables and accrued liabilities	24,080	21,043
Net cash used in operating activities	(23,508)	(20,005)
Cash flow from financing activities		
Unsecured advances	22,693	20,910
Net cash provided by financing activities	22,693	20,910
Change in cash during the year	(815)	905
Cash, beginning of year	1,603	698
Cash, end of year	\$ 788	\$ 1,603

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

LA IMPERIAL RESOURCES INC.

Notes to the Consolidated Financial Statements

For the Year Ended August 31, 2021

Expressed in Canadian Dollars

1. GENERAL BUSINESS DESCRIPTION AND GOING CONCERN

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 Canadian Securities 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 World Health Organization has declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. This has impacted the Company’s ability to raise capital.

The consolidated 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 \$3,398,323 at August 31, 2021. 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.

2. BASIS OF PRESENTATION

The consolidated financial statements of the Company for the year ended August 31, 2021 were authorized for issue by the Board of Directors on December 24, 2021.

Statement of compliance

The consolidated financial statements have been prepared in accordance with the 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.

Basis 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.

LA IMPERIAL RESOURCES INC.

Notes to the Consolidated Financial Statements

For the Year Ended August 31, 2021

Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNT JUDGMENTS, 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

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.

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/predevelopment 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.

LA IMPERIAL RESOURCES INC.

Notes to the Consolidated Financial Statements

For the Year Ended August 31, 2021

Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES, continued

Exploration and Evaluation Assets, continued

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.

LA IMPERIAL RESOURCES INC.

Notes to the Consolidated Financial Statements

For the Year Ended August 31, 2021

Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES, continued

Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL. See Note 12 for classification of financial instruments.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

LA IMPERIAL RESOURCES INC.

Notes to the Consolidated Financial Statements

For the Year Ended August 31, 2021

Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES, continued

Financial instruments, continued

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

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.

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.

LA IMPERIAL RESOURCES INC.

Notes to the Consolidated Financial Statements

For the Year Ended August 31, 2021

Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes, continued

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.

Loss Per Share

The Company presents basic and diluted 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 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 Issued

There are no IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

5. EXPLORATION AND EVALUATION ASSETS

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.

During the year ended August 31, 2012, the Company determined that the recoverable value of the mining concessions was impaired. Accordingly, the mining concessions were written-down to \$1.

LA IMPERIAL RESOURCES INC.

Notes to the Consolidated Financial Statements

For the Year Ended August 31, 2021

Expressed in Canadian Dollars

6. TRADE PAYABLES AND ACCRUED LIABILITIES

	August 31, 2021	August 31, 2020
Trade Payables	\$367,796	\$428,783
Accrued Liabilities	6,000	6,000
	<u>\$373,796</u>	<u>\$434,783</u>

7. UNSECURED ADVANCES

As at August 31, 2021, a total of \$1,586,178 (2020 - \$2,304,413) is owing to the lenders. These amounts are unsecured and have no specified terms of repayment. Certain of the advances bear interest at 12% per annum which have been waived by the lenders. All other advances are non-interest bearing.

During the year ended August 31, 2021, all lenders forgave the outstanding interest on unsecured advances that were previously interest bearing, resulting in the forgiveness of interest of \$740,928 being recognized in the statement of comprehensive income (loss).

8. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

As at August 31, 2021 and 2020, the Company did not owe any amounts to related parties or have any related party transactions during the fiscal years.

9. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares no par value. There were no shares issued during the years ended August 31, 2020 and 2021.

10. CONTINGENCY

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.

11. INCOME TAXES

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

	August 31, 2021	August 31, 2020
	\$	\$
Net income (loss) for the year	<u>779,493</u>	<u>(39,868)</u>
Statutory tax rate	27%	27%
Expected income tax recovery	210,463	(10,764)
Debt settlements & adjustments	(223,019)	-
Unrecognized benefit of non - capital losses	<u>12,556</u>	<u>10,764</u>
Total income taxes	<u>-</u>	<u>-</u>

LA IMPERIAL RESOURCES INC.

Notes to the Consolidated Financial Statements

For the Year Ended August 31, 2021

Expressed in Canadian Dollars

11. INCOME TAXES, continued

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

	August 31, 2021 \$	August 31, 2020 \$
Deferred income tax assets (liabilities):		
Exploration and evaluation assets	158,194	158,194
Non-capital loss carry forwards	802,995	790,439
Valuation allowance	(961,189)	(948,633)
Net deferred tax assets	-	-

The following is a schedule of the Company's aggregate non-capital losses available to reduce taxable income in Canada in future years, expiring between 2027 and 2041 as follows. The Company has not recognized any deferred benefits for these tax losses, as it is not considered likely that they will be utilized:

Year of Expiration	Non-Capital Loss \$
2027	72,598
2028	867,564
2029	430,857
2031	519,366
2032	260,677
2033	239,124
2034	248,072
2035	87,720
2036	32,352
2037	39,378
2038	47,247
2039	42,729
2040	39,868
2041	46,502
	2,974,054

12. 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:

LA IMPERIAL RESOURCES INC.

Notes to the Consolidated Financial Statements

For the Year Ended August 31, 2021

Expressed in Canadian Dollars

12. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

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.

Classification of financial instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Cash is classified at FVTPL. Trade payables and unsecured advances are classified at amortized cost.

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.