

LA IMPERIAL RESOURCES INC.

Consolidated Financial Statements

August 31, 2018

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.:

We have audited the accompanying consolidated financial statements of La Imperial Resources Inc., which comprise the consolidated statements of financial position as at August 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of La Imperial Resources Inc. as at August 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about La Imperial Resources Inc.'s ability to continue as a going concern.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

December 31, 2018

An independent firm associated with
Moore Stephens International Limited
MOORE STEPHENS

LA IMPERIAL RESOURCES INC.

Consolidated Statements of Financial Position

Expressed in Canadian Dollars

ASSETS	August 31, 2018	August 31, 2017
CURRENT		
Cash	\$ 834	\$ 527
GST receivable	716	1,448
	1,550	1,975
EXPLORATION AND EVALUATION ASSETS (Note 5)	1	1
TOTAL ASSETS	\$ 1,551	\$ 1,976
LIABILITIES AND DEFICIT		
CURRENT		
Trade payables and accrued liabilities (Note 6)	\$ 398,262	\$ 378,322
Unsecured advances (Note 7)	2,256,720	2,229,838
	2,654,982	2,608,160
DEFICIT		
Share capital (Note 9)	1,441,788	1,441,788
Deficit	(4,095,219)	(4,047,972)
	(2,653,431)	(2,606,184)
TOTAL LIABILITIES AND DEFICIT	\$ 1,551	\$ 1,976

Going concern (Note 1)

Contingencies (Note 10)

Approved by the Board of Directors:

"Marilyn Miller"

Director

"Patrice Nazereno"

Director

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

LA IMPERIAL RESOURCES INC.
Consolidated Statements of Comprehensive Loss
Expressed in Canadian Dollars

	For the Year Ended	
	August 31,	
	2018	2017
EXPENSES		
Interest and bank charges	\$ 243	\$ 506
Office occupancy and miscellaneous	19,854	6,467
Professional fees	6,870	17,243
Transfer agent & filing fees	13,930	13,316
Travel	6,350	1,846
NET COMPREHENSIVE LOSS FOR THE YEAR	\$ 47,247	\$ 39,378
Loss per share - basic and diluted	\$ 0.00	\$ 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 Deficit

Expressed in Canadian Dollars

	Number of shares	Amount \$	Deficit \$	Total \$
Balance as at August 31, 2016	12,085,970	1,441,788	(4,008,594)	(2,566,806)
Comprehensive loss for the year	-	-	(39,378)	(39,378)
Balance as at August 31, 2017	12,085,970	1,441,788	(4,047,972)	(2,606,184)
Balance as at August 31, 2017	12,085,970	1,441,788	(4,047,972)	(2,606,184)
Comprehensive loss for the year	-	-	(47,247)	(47,247)
Balance as at August 31, 2018	12,085,970	1,441,788	(4,095,219)	(2,653,431)

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

LA IMPERIAL RESOURCES INC.

Consolidated Statements of Cash Flows

Expressed in Canadian Dollars

	For the Year Ended	
	August 31,	
	2018	2017
Cash flow from operating activities:		
Net loss for the year	\$ (47,247)	\$ (39,378)
Changes in non-cash working capital:		
GST receivable	732	(1,034)
Trade payables and accrued liabilities	19,940	9,924
Net cash used in operating activities	(26,575)	(30,488)
Cash flow from financing activities		
Unsecured advances	26,882	30,486
Net cash provided by financing activities	26,882	30,486
Cash increase during the year	306	(2)
Cash, beginning of year	527	529
Cash, end of year	\$ 834	\$ 527

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, 2018

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 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 \$4,095,219 at August 31, 2018. 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, 2018 were authorized for issue by the Board of Directors on December 31, 2018.

Statement of compliance

The consolidated financial statements have been prepared in accordance 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.

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, 2018

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, 2018

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, 2018

Expressed in Canadian Dollars

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.

LA IMPERIAL RESOURCES INC.

Notes to the Consolidated Financial Statements

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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.

LA IMPERIAL RESOURCES INC.

Notes to the Consolidated Financial Statements

For the Year Ended August 31, 2018

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4. SIGNIFICANT ACCOUNTING POLICIES, continued

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 Not Yet Adopted

IFRS 9 “Financial Instruments”

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

5. EXPLORATION AND EVALUATION ASSETS

Uruachi Concessions - Chihuahua, Mexico

State of Chihuahua, Mexico

The Company has a 99.9% of the outstanding common shares of La Kathrina which has a 70% interest in six mining concessions in the State of Chihuahua, Mexico.

6. TRADE PAYABLES AND ACCRUED LIABILITIES

	August 31, 2018	August 31, 2017
Trade payables	\$ 392,262	\$ 372,322
Accrued liabilities	6,000	6,000
	<u>\$ 398,262</u>	<u>\$ 378,322</u>

7. UNSECURED ADVANCES

As at August 31, 2018, a total of \$2,256,720 (2017 - \$2,229,838) is owing to various lenders. These amounts are unsecured and have no specified terms of repayment. Certain of the advances bear interest at 12% per annum and have been waived by the lenders.

LA IMPERIAL RESOURCES INC.

Notes to the Consolidated Financial Statements

For the Year Ended August 31, 2018

Expressed in Canadian Dollars

8. RELATED PARTY TRANSACTIONS

As at August 31, 2018 and 2017, 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.

10. 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.

11. INCOME TAXES

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

	August 31, 2018	August 31, 2017
	\$	\$
Net loss for the year	(47,247)	(39,378)
Statutory tax rate	27%	26%
Expected income tax recovery	(12,757)	(10,238)
Effect of change in tax rate	(33,836)	-
Unrecognized benefit of non - capital losses	46,593	10,238
Total income taxes	-	-

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

	August 31, 2018	August 31, 2017
	\$	\$
Deferred income tax assets (liabilities):		
Exploration and evaluation assets	158,194	152,335
Non-capital loss carryforwards	768,138	727,404
Valuation allowance	(926,332)	(879,739)
Net deferred tax assets	-	-

LA IMPERIAL RESOURCES INC.

Notes to the Consolidated Financial Statements

For the Year Ended August 31, 2018

Expressed in Canadian Dollars

11. INCOME TAXES, continued

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 2038 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
	<u>2,844,955</u>

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:

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.

Classification of financial instruments

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

Cash is classified as loans and receivables. Trade payables and unsecured advances are classified as other financial liabilities

LA IMPERIAL RESOURCES INC.

Notes to the Consolidated Financial Statements

For the Year Ended August 31, 2018

Expressed in Canadian Dollars

12. FINANCIAL RISK AND CAPITAL MANAGEMENT, continued

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.