MICROCOAL TECHNOLOGIES INC.

Condensed Consolidated Financial Statements
(Unaudited)

Nine months ended March 31, 2015

(in Canadian dollars)

MICROCOAL TECHNOLOGIES INC.

Unaudited Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management and have not been the subject of a review by the Company's external independent auditors.

MicroCoal Technologies Inc.

Condensed Consolidated Interim Statement of Financial Position

(in Canadian dollars)
(Unaudited)

	Notes	March 31, 2015	June 30, 2014
ASSETS			
Current			
Cash		**$ 8,201,164**	$ 86,652
Receivables	6	**70,772**	34,694
Prepaid expenses		**97,560**	3,217
		8,369,496	124,563
Property and equipment	7	**2,104,257**	78,686
Investment in Joint Venture	8	**900,000**	-
Total assets		**$ 11,373,753**	$ 203,249
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	**$ 531,641**	$ 1,634,960
Other payable		**48,348**	46,000
Contracts in progress liability	13	**-**	115,050
Derivative liability	11g	**112,442**	336,700
Loans payable	10	**-**	934,100
		692,431	3,066,810
CAPITAL DEFICIT			
Share capital	11b	**31,758,818**	18,003,133
Share subscriptions	11b	**-**	68,676
Share-based payment reserve	11e	**2,698,368**	2,695,107
Deficit		**(23,730,071)**	(23,562,179)
Accumulated other comprehensive loss		**(45,793)**	(68,298)
		10,681,322	(2,863,561)
Total liabilities and captial deficit		**$ 11,373,753**	$ 203,249

Approved on behalf of the Board:

"Ian Hume"
Director

"William Hudson"
Director

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

MicroCoal Technologies Inc.

Condensed Consolidated Interim Statements of Changes in Equity
For the nine months ended
(in Canadian dollars)
(Unaudited)

	Notes	Shares	Amount	Share subscriptions	Share-based payment reserves	Deficit	Cumulative other comprehensive income	Total
Balance, July 1, 2013		68,853,998	$ 14,415,464	$ -	$ 2,272,553	$ (16,091,483)	$ (150,181)	$ 446,353
Share issuance								
Private placement		3,428,499	1,028,550	257,539	-	-	-	1,286,089
Issue cost		100,000	(136,477)	-	-	-	-	(136,477)
Stock options		1,720,000	322,050	-	-	-	-	322,050
Fair value of stock options exercised		-	72,916	-	(72,916)	-	-	-
Exercise of warrants		2,000,000	520,000	-	-	-	-	520,000
Shares and warrants issued for debt	9	2,787,320	825,143	-	447,654	-	-	1,272,797
Shares and warrants issued for loans	11	239,704	81,499	-	54,055	-	-	135,554
Share-based compensation					24,937			24,937
Loss for the period		-	-	-	-	(4,869,308)	-	(4,869,308)
Other comprehensive income (loss)		-	-	-	-	-	52,464	52,464
Balance, March 31, 2014		79,129,521	$ 17,129,145	$ 257,539	$ 2,726,283	$ (20,960,791)	$ (97,717)	$ (945,541)
Balance, July 1, 2014		**83,558,336**	**$ 18,003,133**	**$ 68,676**	**$ 2,695,107**	**$ (23,562,179)**	**$ (68,298)**	**$ (2,863,561)**
Share issuance								
Private placement - 4th tranche	11b	**835,000**	**177,788**	**(68,676)**	**-**	**-**	**-**	**109,112**
Private placement - 5th tranche	11b	**1,675,000**	**359,511**	**-**	**-**	**-**	**-**	**359,511**
Private placement - 6th tranche	11b	**2,760,000**	**601,840**	**-**	**-**	**-**	**-**	**601,840**
Private placement - 7th Tranche	11b	**1,011,741**	**228,943**	**-**	**-**	**-**	**-**	**228,943**
SOHL investment	11b	**70,046,666**	**11,857,000**	**-**	**-**	**-**	**-**	**11,857,000**
China Joint Venture investment	11b	**6,000,000**	**900,000**	**-**	**-**	**-**	**-**	**900,000**
Issue costs	11b	**-**	**(55,172)**	**-**	**16,678**	**-**	**-**	**(38,494)**
Proceeds allocated to derivative	11g	**-**	**(445,926)**	**-**	**-**	**-**	**-**	**(445,926)**
Shares issued to settle lawsuit	11b	**200,000**	**34,000**		**-**	**-**	**-**	**34,000**
Stock options exercised	11b	**413,333**	**58,000**	**-**	**-**	**-**	**-**	**58,000**
Reclass of fair value of stock options exercised		**-**	**39,701**	**-**	**(39,701)**	**-**	**-**	**-**
Share-based settlements and payments for services	11d	**-**	**-**	**-**	**26,284**	**-**	**-**	**26,284**
Income (loss) for the period		**-**	**-**	**-**	**-**	**(167,892)**	**-**	**(167,892)**
Other comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**22,505**	**22,505**
Balance, March 31, 2015		**166,500,076**	**$ 31,758,818**	**$ -**	**$ 2,698,368**	**$ (23,730,071)**	**$ (45,793)**	**$ 10,681,322**

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

MicroCoal Technologies Inc.

Condensed Consolidated Interim Statements of Comprehensive Income (loss)

For the three and nine months ended

(in Canadian dollars)

(Unaudited)

	Note	**Three months ended March 31, 2015**	Three months ended March 31, 2014	**Nine months ended March 31, 2015**	Nine months ended March 31, 2014
Expenses					
Amortization	5,7	$ (255)	$ 352,973	$ 5,475	$ 1,060,461
Accretion expense		(77,596)	-	-	-
Financing fees and commissions		-	38,000	-	126,038
Foreign exchange (gain) loss		76,158	1,164	2,153	43,911
Interest on notes payable		442	(2,387)	12,279	47,913
Investor relations, agents and fees		5,431	24,789	51,541	119,733
Consulting ,management and director fees		656,622	1,024,540	1,337,281	1,490,591
Office, premise and other		40,767	(6,660)	107,324	282,062
Professional fees		111,063	183,571	432,065	675,629
Share-based compensation	11d	-	24,937	26,284	24,937
Travel and promotion		4,892	59,976	133,079	223,308
Loss before other items		**(817,524)**	(1,700,903)	**(2,107,481)**	**(4,094,583)**
Other income (expenses)					
Gain (loss) on settlement of debt and laws	5,9,10	-	-	1,494,843	(763,025)
Loss on Disposal of Capital Assets					(11,700)
Fair value change in derivative liability	11g	404,079	-	641,587	-
		404,079	-	2,136,430	(774,725)
Net income (loss) for the period		**(413,445)**	(1,700,903)	**28,949**	**(4,869,308)**
Other comprehensive income (loss)					
Exchange gain (loss) - translation of foreign operations		60,522	(20,406)	22,505	52,464
Total comprehensive income (loss)		**$ (352,923)**	$ (1,721,309)	**$ 51,454**	**$ (4,816,844)**
Income (loss) per share, basic and diluted		**$ (0.01)**	$ (0.02)	**$ 0.00**	$ (0.06)

MicroCoal Technologies Inc.

Condensed Consolidated Interim Statements of Cash Flows

For the nine months ended

(in Canadian dollars)

(Unaudited)

	Note	Nine months ended March 31, 2015	Nine months ended March 31, 2014
Cash provided by (used in):			
Operating Activities			
Net Income (loss) for the period		**$ 28,949**	$ (4,869,308)
Items not involving cash:			
Amortization		**5,475**	1,060,461
Share-based compensation		**26,284**	24,937
Gain (loss) on settlement of debt		**(1,494,843)**	763,025
Fair value of options issued for rent	11g	**10,325**	-
Fair value of shares issued for services and loans	11b	**47,000**	906,642
Fair value of warrants issued for services and loans		**-**	501,709
Unrealized foreign exchange		**2,153**	43,911
Fair value change in derivative liability		**(641,587)**	-
		(2,016,244)	(1,568,623)
Change in non-cash working capital:			
Receivables		**(36,078)**	1,768
Prepaid expenses		**(94,343)**	46,754
Accounts payable and accrued liabilities		**(1,055,087)**	(525,580)
Related parties			(313,549)
Contracts in progress		**(115,050)**	660,800
		(3,316,802)	(1,698,430)
Investing Activity			
Purchase of property and equipment		**(2,031,301)**	-
Investment in Joint Venture		**(900,000)**	
		(2,931,301)	-
Financing Activities			
Share issuances and subscriptions		**14,067,406**	2,091,288
Share issuance costs		**(38,494)**	(99,626)
Loan proceeds		**1,267,803**	110,750
Loan repayments		**(934,100)**	(92,686)
		14,362,615	2,009,726
Increase (decrease) in cash		**8,114,512**	311,296
Cash, beginning of period		**86,652**	8,095
Cash, end of period		**$ 8,201,164**	$ 319,391
Supplemental cash flow information:	4		

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

(in Canadian dollars)

1. NATURE OF OPERATIONS

MicroCoal Technologies Inc., (formerly Carbon Friendly Solutions Inc.) ("the Company") was incorporated on April 6, 1990 under the laws of the Province of British Columbia and on June 19, 1997 the Company continued as a federal corporation under the Canada Business Corporation Act. The Company's registered office is located at 1000 - 925 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3L2. The Company changed its name on June 25, 2013.

The Company is a reporting issuer in the provinces of Alberta, British Columbia and Ontario and the Company's shares are listed for trading on the Canadian Securities Exchange (the 'CSE") under the symbol "MTI".

The Company is in the business of developing technologies to dewater, decontaminate and upgrade low-rank coals for use by power utilities and coal companies.

2. BASIS OF PREPARATION

This condensed interim financial information for the three and six months ended December 31, 2014 have been prepared in accordance with IAS 34 “Interim financial reporting”. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended June 30, 2014, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These amended condensed consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 15, 2015.

Basis of Consolidation

These amended condensed consolidated financial statements include the accounts of the Company and the following subsidiaries. All intercompany transactions and balances have been eliminated.

	Country of incorporation	Ownership - December 31, 2014	Ownership - June 30, 2014
Carbon Friendly Solution, formerly Global CO2 Reduction Inc. ("Global CO2")	Canada	100%	100%
CO2 Reduction Poland Sp. z. o. o. ("CO2 Reduction") (inactive)	Poland	100%	100%
MicroCoal Inc. ("MicroCoal")	USA	100%	100%
Carbiopel - ESP S.A. (inactive)	Poland	100%	100%
MicroCoal International Inc. ("MicroCoal Canada")	Canada	100%	100%
Targeted Microwave Solutions USA Inc. ("TMS")	USA	100%	100%

Interest in Joint Venture

A joint venture is a contractual arrangement pursuant to which the company and other parties undertake an economic activity that is subject to joint control whereby the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The company reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheets at cost as adjusted for the company’s proportionate share of post-acquisition changes in the net assets of the joint ventures, or for post-acquisition changes in any excess of the company’s carrying amount over the net assets of the joint ventures, less any identified impairment loss. When the company’s share of losses of a joint venture equals or exceeds its interest in that joint venture, the company discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the company has incurred legal or constructive obligations to fund the entity or made payments on behalf of that entity.

Where the company undertakes its activities under joint venture arrangements through a direct interest in the joint venture’s assets, rather than through the establishment of a separate entity, the company’s proportionate share of joint venture assets, liabil ities, revenues and expenses are recognized in the consolidated financial statements and classified according to their nature.

Where the company transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the company’s interest in the joint venture. Balances outstanding between the company and jointly controlled entities in which it has an interest are not eliminated in the consolidated balance sheets.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed consolidated financial statements are disclosed in note 3.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these financial statements, the Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the determination of the carrying value of coal technology and plant prototype, and the determination of income taxes.

(a) Coal technology and plant prototype

In determining the carrying values of coal technology and plant prototype, management makes estimates in estimating the economic useful lives of the assets. Management is required to evaluate the asset for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The impairment test compares the carrying value of the asset to its recoverable amount, based on the higher of the assets value in use, estimated using future discounted cash flows, or fair value less cost to sell. Impairment loss calculations contain uncertainties as they require assumptions and judgment about future cash flow and asset fair value. During the year ended June 30, 2014 management decided to disassemble the pilot plant and write down the undepreciated balance as an impairment charge of $2,191,318 (Note 6) due to the uncertainty around the future economic benefit of this prototype.

(b) Outcome of contingent liabilities

Judgment is required in determining whether to record a contingent liability arising from a legal claim. There are legal actions during the ordinary course of business for which the ultimate determination of outcome is uncertain. The Company recognizes liabilities and contingencies for anticipated outcomes based on the Company's current understanding of the law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the liability. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount initially anticipated.

(c) Estimated costs under percentage of completion

The Company uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver services and manufacture products. Use of the percentage-of-completion method requires the Company to estimate the work performed to date as a proportion of the total work to be performed.

(in Canadian dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued

(d) Share-based payments

The Company measures the cost of cash and equity settled transactions with employees and non-employees by reference to the fair value of the related instrument at the date in which they are granted and fair value of services, respectively. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant, which is dependent on the terms and conditions of the grant.

(e) Derivative financial instruments

Derivative financial instrument are measured at their fair value. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to net income (loss). The Company uses the Black-Scholes options pricing model to estimate the fair value of the derivative instruments. To the extent that the initial fair values of the freestanding and or bifurcated derivative instrument liabilities exceeds the total proceeds received, an immediate charge to income is recognized, in order to initially record the derivative instrument liabilities at their fair value.

4. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months ended March 31, 2015	Nine months ended March 31, 2014
Interest paid	**$ 12,279**	$ 40,015
Income taxes paid	**$ -**	$ -
Items that are excluded from the investing and financing activities:		
Fair value of stock options exercised	**$ 39,701**	$ 72,916
Fair value of agent warrants issued as share issuance costs	**$ 16,678**	$ -
Issuance of shares and warrants for debt settlements	**$ -**	$ 825,143
Issuance of shares and warants for loan repayments	**$ -**	$ 81,499
Issuance of shares for services	**$ 47,000**	$ -

5. COAL TECHNOLOGY AND PLANT PROTOTYPE

During the year ended June 30, 2011, the Company acquired a 58.21% interest in MicroCoal through issuance of the Company's common shares in exchange for the equivalent shares of MicroCoal. MicroCoal is a materials technology company focused on commercializing the use of microwave energy and related process technologies to transform coal and other minerals into higher quality and higher value industrial materials. Its principal asset is the coal technology and plant prototype.

When the Company entered into the Share Exchange agreement, MicroCoal had a principal amount of US$2,250,000 owing to Orica US Services Inc. ("Orica"), a creditor and a shareholder of MicroCoal. Pursuant to the conditions stipulated on the Share Exchange agreement and other amending agreements entered into between 2011 and 2013, if the Company agreed to acquire the remaining interest 41.79% interest in MicroCoal, Orica would reduce the principal amount to US$1,000,000 and waive the interest accruals up to the acquisition date. On January 7, 2013, the Company concluded the acquisition of the 41.79% interest and Orica has reduced the debt to US$1,000,000.

(in Canadian dollars)

5. COAL TECHNOLOGY AND PLANT PROTOTYPE continued

As at the completion date of the acquisition, the Company had repaid US$125,000 to Orica and an additional US$100,000 after the acquisition with a resulting gain on settlement of debt of $1,843,167 for the year ended June 30, 2013. In August 2014 the Company negotiated a full and final settlement, and release from Orica. The Company paid US$ 150,000 ($164,610) to Orica in satisfaction of all amounts owing to Orica.

Principal amount due to Orica at the date of Share Exchange agreement US$	USD	$	2,250,000
Accrued interest on Orica loan			584,699
Foreign exchange			8,468
Gain on settlement of debt on acquisition			(1,843,167)
Payments to June 30, 2013	USD		(225,000)
Loan balance June 30, 2013	USD		**775,000**
Foreign exchange			**52,390**
Loan balance June 30, 2014			827,390
Repayment and settlement of loan balance			(827,390)
Loan balance March 31, 2015		**$**	**-**

Estimated accrued liabilities to Orica set up in 2011, as at June 30, 2013	$	747,837
Foreign exchange		47,700
Accrued liabilities estimate to Orica, as at June 30, 2014		795,537
Reversal of accrual on repayment of loan		(795,537)
Balance, March 31, 2015	**$**	**-**

In the month of August 2014, the entire estimated accrued liabilities previously set up in 2011 was derecognized on the settlement of the Orica loan for an amount of USD$150,000. See Note 10.

The asset was being amortized on a straight-line basis over a period of 5 years commencing when the asset was available for use in March 2011.

During the year ended June 30, 2014, the Company decided to decommission and disassemble the pilot plant. The Company began the decommissioning in April 2014 and completed the task subsequent to June 30, 2014. A total of $1,411,864 was charged as amortization for the year ended June 30, 2014, (three month period ended December 31, 2014 - $353,696 and six month period ended December 31, 2014 - $707,488) for accumulated amortization of $4,824,566 with the balance of $2,234,758 being written off as an impairment charge against the carrying value of the asset. Management of the Company determined that sufficient uncertainty existed with respect to the future economic benefit of the prototype that existed at the pilot plant resulting in an impairment charge.

	March 31, 2015	June 30, 2014
Coal technology and plant prototype	**$ -**	$ 7,059,324
Accumulated amortization	**-**	(4,824,566)
Impairment of plant prototype	**-**	(2,234,758)
Coal technology	**$ -**	$ -

6. RECEIVABLES

	March 31, 2015	June 30, 2014
GST recoverable	**$ 70,459**	$ 34,694
Other advances	**313**	-
	$ 70,772	$ 34,694

(in Canadian dollars)

7. PROPERTY AND EQUIPMENT

Property and equipment	Computer equipment	Equipment	Automotive equipment	Leasehold improvements	Total
June 30, 2013	$ 22,751	$ 515,608	$ 76,193	$ 8,614	$ 623,166
Additions	-	78,686	-	-	78,686
Disposals	(22,751)	(515,608)	(76,193)	(8,614)	(623,166)
June 30, 2014	-	78,686	-	-	78,686
Additions	-	621,406	-	1,409,895	2,031,301
March 31, 2015	$ -	$ 700,092	$ -	$ 1,409,895	$ 2,109,987
Accumulated amortization					
June 30, 2013	$ 21,559	$ 506,784	$ 76,193	$ 5,464	$ 610,000
Amortization	268	883	-	315	1,466
Disposals	(21,827)	(507,667)	(76,193)	(5,779)	(611,466)
June 30, 2014	-	-	-	-	-
Amortization	-	5,730	-	-	5,730
December 31, 2014	-	5,730	-	-	5,730
Net book value, June 30, 2014	$ -	$ 78,686	$ -	$ -	$ 78,686
Net book value, March 31, 2015	**$ -**	**$ 694,362**	**$ -**	**$ 1,409,895**	**$ 2,104,257**

8. INVESTMENT IN JOINT VENTURE

The company has an investment in China based joint venture that is jointly controlled. The joint venture will research, develop and market to the region in preparation for the commercialization of the company's microwave technology, including sourcing and testing coal samples from Asian markets.

On January 22, 2015 the Company closed a Joint Venture Agreement in China, with Jiu Feng Investments Inc. Pursuant to the terms of the JV agreement, MicroCoal and Jiu Feng Investments have formed a corporation domiciled in Hong Kong in which MicroCoal holds a 51% equity interest. As consideration office and research space, assets and expense contributions, MicroCoal will issue a total of 10,000,000 common shares, at March 31, 2015 the company has issued a total of 6,000,000 common shares at a fair value of $0.15 per share, to Jiu Feng Investments. The

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2015	June 30, 2014
Trade accounts payable (ii)	**$ 531,641**	$ 745,527
Provision until closing of acquisition of MicroCoal, Inc. by repayment of loan from Orica US Services Inc. ("Orica") (i)	**-**	795,537
Related party accounts payable (ii)	**-**	26,465
Accrued interest payable	**-**	67,431
	$ 531,641	$ 1,634,960

(i) During the nine month period ended March 31, 2015, the Company settled with Orica in full by a payment of USD$ 150,000 repaying loans payable and thereby closing the provision for accrued liabilities of $795,537 (notes 7 and 11).

(ii) During the period ended March 31, 2015, the Company settled accounts payable to vendors and related parties by issuing 2,637,320 common shares and warrants at fair value of $470,016 resulting in a net loss on settlement of $nil for the three month period then ended and $685,168 for the nine month period then ended.

(in Canadian dollars)

10. LOANS PAYABLE

	March 31, 2015	June 30, 2014
Pursuant to a loan agreement a director of the Company advanced the sum of $100,000 USD to the Company. The interest rate is 4% per annum. The loan was paid off in the current period. On January 26, 2015, the Company repaid a loan from its Chairman in full, in the principal amount of US$1,125,000 plus accrued interest.	**$ -**	$106,710
On January 7, 2013 the Company concluded an agreement with Orica and acquired the remaining 41.79% ownership of MicroCoal Inc. (Note 6). Orica transferred all remaining shares to the Company. Pursuant to various agreements in prior years, the Company agreed to pay the sum of US$1 million to Orica of which $225,000 had been paid, leaving a balance of US$775,000 bearing interest at a rate of 5% per annum at June 30, 2013. The loan was renegotiated in August 2014 and both parties agreed to settle the outstanding loan as well as the accrued interest in Note 6 for $160,065 ($USD 150,000). This amount was paid in the six month period ended December 31, 2014. The gain on settlement of debt of $1,528,843 was recorded in the consolidated statement of comprehensive income (loss).	**-**	827,390
	$ -	$ 934,100

11. SHARE CAPITAL

(a) Authorized: unlimited common shares without par value

(b) Issued and Outstanding

Nine months ended March 31, 2015

On January 22, 2015 the Company closed a Joint Venture Agreement in China, with Jiu Feng Investments Inc. Pursuant to the terms of the JV agreement, MicroCoal and Jiu Feng Investments have formed a corporation domiciled in Hong Kong in which MicroCoal holds a 51% equity interest. As consideration for the substantial asset and expense contributions MicroCoal will issue 10,000,000 common shares to Jiu Feng Investments, as at March 31, 2015 a total of 6,000,000 common shares were issued. The joint venture corporation is expected to source and test coal samples from Asian markets and to promote MicroCoal technology in China.

On January 21, 2015, the Company closed an Investment Agreement with Satellite Overseas (Holdings) Limited, an affiliate of Cadila Pharmaceuticals Limited. In connection with the agreement, MicroCoal issued 79,046,666 common shares to the investor at $0.15 per share for aggregate gross proceeds of $11.857 million (US$10 million). The investor and MicroCoal are working to establish a joint venture in India to bring MicroCoal technology to the marketplace.

On November 26, 2014 the Company closed the seventh tranche of a non-brokered private placement in the amount of $USD 202,348 ($CAD 228,943). The Company issued 1,011,741 units at a subscription price of $USD 0.20 per Unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $USD 0.30 for a period of 24 months. The Company paid a cash commission of $ 11,300 and granted finder's warrants to purchase 50,000 Units. Since the share purchase warrants were issued in a currency other than the functional currency of the Company, they were accounted for as a derivative liability and remeasured at December 31, 2014 with any change going to the profit or loss. See12(g) for more details.

On August 14, 2014 the Company closed the sixth tranche of a non-brokered private placement in the amount of $USD 552,000 ($CAD 601,840). The Company issued 2,760,000 units at a subscription price of $USD 0.20 per Unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $USD 0.30 for a period of one year. The Company paid a cash commission of $USD 5,200 and granted finder's warrants to purchase 26,000 Units. Since the share purchase warrants were issued in a currency other than the functional currency of the Company, they were accounted for as a derivative liability and remeasured at December 31, 2014 with any change going to the profit or loss. See12(g) for more details.

On July 14, 2014 the Company closed the fifth tranche of a non-brokered private placement in the amount of $USD 335,000 ($CAD 359,511). The Company issued 1,675,000 units at a subscription price of $USD 0.20 per Unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $USD 0.30 for a period of one year. The Company paid a cash commission of $USD 3,500 and granted finder's warrants to purchase 17,500 Units. Since the share purchase warrants were issued in a currency other than the functional currency of the Company, they were accounted for as a derivative liability and remeasured at December 31, 2014 with any change going to the profit or loss. See12(g) for more details.

11. SHARE CAPITAL continued

On July 4, 2014 the Company closed the fourth tranche of a non-brokered private placement in the amount of $USD 167,000 ($CAD 177,788). The Company issued 835,000 units at a subscription price of $USD 0.20 per Unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $USD 0.30 for a period of one year. The Company paid a cash commission of $USD 16,700 and granted finder's warrants to purchase 83,500 Units. Since the share purchase warrants were issued in a currency other than the functional currency of the Company, they were accounted for as a derivative liability and remeasured at December 31, 2014 with any change going to the profit or loss. See12(g) for more details.

The Company issued 200,000 shares at $0.17 per share to settle the disputes with two individuals who claimed that the Company agreed, pursuant to agreements, to pay consulting fees as disclosed in the financial statements for the year ended June 30, 2014. The loss of $34,000 was recorded in the consolidated net loss.

The Company issued 313,333 common shares in a cashless exercise of options worth $47,000, which was recorded as consulting fees in the consolidated net loss, to a former officer of the Company. The Company issued 100,000 common shares on exercise of options for proceeds of $11,000.

Year ended June 30, 2014

The Company received subscriptions of $107,598 ($USD 100,000) pursuant to a private placement of 500,000 units at a subscription price of $USD 0.20 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $USD 0.30 for a period of one year. This private placement and issuance of the 500,000 shares were completed after June 30, 2014. Since the share purchase warrants were issued in a currency other than the functional currency of the Company, they were accounted for as a derivative liability and remeasured at year end with any change going to the profit or loss. See11(g) for more details.

During the six month period ended December 31, 2013, the Company issued 239,704 common shares to settle certain loans payable to unrelated parties. The settlement of these loans resulted in a net loss in settlement of $77,857 for the six month period then ended.

On May 20, 2014 the Company closed the third tranche of a non-brokered private placement in the amount of $USD 300,000 ($CAD 326,640). The Company issued 1,500,000 units at a subscription price of $USD 0.20 per Unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $USD 0.30 for a period of one year. Since the share purchase warrants were issued in a currency other than the functional currency of the Company, they were accounted for as a derivative liability and remeasured at year end with any change going to the profit or loss. See12(g) for more details.

On May 6, 2014 the Company closed the second tranche of a non-brokered private placement in the amount of $USD 300,000 ($CAD 326,955). The Company issued 1,500,000 units at a subscription price of $USD 0.20 per Unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $USD 0.30 for a period of one year. The Company paid a cash commission of $USD 30,000 and granted finder's warrants to purchase units equal to 10% of the Units. Since the share purchase warrants were issued in a currency other than the functional currency of the Company, they were accounted for as a derivative liability and remeasured at year end with any change going to the profit or loss. See12(g) for more details.

On April 11, 2014 the Company closed the first tranche of a non-brokered private placement in the amount of $USD 277,963 ($CAD 308,539). The Company issued an aggregate of 1,389,815 units of the Company at a subscription price of $USD 0.20 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $USD 0.30 for a period of one year. The Company paid a cash commission of $USD 27,796, granted 138,981 finder's warrants to purchase units equal to 10% of the Units and issued 100,000 common shares at a fair value of $18,000 to an agent closing of the issuance. Since the share purchase warrants were issued in a currency other than the functional currency of the Company, they were accounted for as a derivative liability and remeasured at year end with any change going to the profit or loss. See12(g) for more details.

On October 21, 2013 the Company closed a private placement to 3,258,499 units at a subscription price of $0.30 per unit, for gross proceeds of $977,550. Each unit consists of one common share of the Company, and one non-listed, non-transferable warrant to purchase one common shares exercisable at $0.45 per share for a period of five years. The warrants shall have a "forced exercise" provision if the common shares trade at $0.90 or higher for ten consecutive trading days on the Canadian National Stock Exchange (the "CNSX") (or if the common shares are no longer listed on the CNSX, on such other stock exchange on which the Common Shares are listed). The Company issued 262,530 warrants and incurred $78,759 in issue costs to financial agents. The fair value of the agent warrants of $46,552 were estimated using Black Scholes option using a risk free interest rate of 1.89%, an expected dividend yield of $nil, a volatility of 113.7%, and an expected life of 5 years.

(in Canadian dollars)

11. SHARE CAPITAL continued

c) Warrants

Nine months ended March 31, 2015

On December 5, 2014 the Company amended the terms of 7,887,500 warrants set to expire on December 28, 2014, extending them to a new expiry date of December 28, 2015.

Year ended June 30, 2014

On May 28, 2014 the Company repriced the exercise price of 9,019,250 warrants expiring on December 28, 2014 from $0.35 to $0.26. All warrants were issued in connection with private placements. On February 7, 2014 the Company repriced the exercise price of 6,693,675 warrants from $0.45 to $0.28, and extended the expiry date from February 13, 2014 to November 13, 2014. All warrants were issued in connection with private placements and no additional value was attributed to the modification.

A summary of the status of the warrants outstanding is as follows:	Number of warrants		Price
Balance, June 30, 2013	30,386,425	$	0.30
Issued	10,645,441		0.35
Exercised	(2,000,000)		0.26
Expired	(72,500)		0.26
Balance, June 30, 2014	38,959,366		0.29
Issued	**6,458,741**		0.32
Expired	**(7,825,425)**		0.28
Balance, March 31, 2015	**37,592,682**	$	0.30

The following table summarizes warrants outstanding and exercisable at March 31, 2015:

Warrants Outstanding	Warrants Exercisable	Exercise Price		Expiry Date
1,389,815	1,389,815	$0.30 USD		April 11, 2015
138,981	138,981	$0.20 USD	***	April 11, 2015
1,500,000	1,500,000	$0.30 USD		May 6, 2015
150,000	150,000	$0.20 USD	***	May 6, 2015
1,500,000	1,500,000	$0.30 USD		May 20, 2015
5,272,750	5,272,750	$0.26		June 30, 2015
835,000	835,000	$0.30 USD		July 4, 2015
83,500	83,500	$0.20 USD	***	July 4, 2015
1,675,000	1,675,000	$0.30 USD		July 14, 2015
17,500	17,500	$0.20 USD	***	July 14, 2015
2,760,000	2,760,000	$0.30 USD		August 14, 2015
26,000	26,000	$0.20 USD	***	August 14, 2015
6,321,250	6,321,250	$0.26		October 19, 2015
100,000	100,000	$0.26		May 24, 2016
2,314,798	2,314,798	$0.26		May 31, 2016
1,037,818	1,037,818	$0.35		May 31, 2016
1,011,741	1,011,741	$0.30 USD		November 26, 2016
50,000	50,000	$0.20 USD	***	November 26, 2016
7,887,500	7,887,500	$0.26	*	December 28, 2015
3,521,029	3,521,029	$0.45	**	October 21, 2018
37,592,682	37,592,682			

* Repriced from $0.35 to $0.26 on May 28, 2014, expiry extended by 1 year to Dec 28 2015
** Subject to an acceleration clause wherein if the closing price of the stock is $0.90 or better for 10 or more consecutive days, written notice can be given to the holder to exercise and a news release issued whereupon the holder will have a minimum of 20 days after the news release to exercise their warrants
*** On exercise there is an additional warrant available at a rate of $0.30 USD.

(in Canadian dollars)

11. SHARE CAPITAL continued

d) Stock options

On December 29, 2010, the Company adopted an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the issued and outstanding common shares of the Company. The options vest when granted except for options granted for investor relations activities which vest over a 12 month period with no more than 25% of the options vesting in any three month period.

During the year ended June 30, 2014, the Company granted 500,000 options at an exercise price of $0.28, 150,000 options at a price of $0.16 and 100,000 options at a price of $0.205 to officers, directors and consultants. The options vested immediately.

During the period ended December 31, 2014, the Company granted 80,000 options at an exercise price of US$0.20 and 313,333 options at an exercise price of $0.15. The options vested immediately. Since the exercise price of the options were in a currency other than the functional currency of the Company, they were accounted for as a derivative liability and remeasured at period end with any change going to the profit and loss. See 12(g) for more details. The options with CAD exercise price were granted as payments for services valued at $26,284 and included in the share based payment reserve, in Note 12(e).

	March 31, 2015	June 30, 2014
Risk free rate	**0.98%**	1.25%
Expected dividend yield	**nil%**	nil%
Stock price volatility	**153%**	122% - 127%
Expected life of warrants- years	**1**	1.5 to 3

Stock options outstanding are as follows:

	Number of options	Weighted Average Exercise Price
Outstanding, June 30, 2013	6,720,000	$ 0.21
Granted	750,000	0.25
Exercised	(1,820,000)	0.18
Expired	(2,185,000)	0.27
Outstanding, June 30, 2014	**3,465,000**	0.20
Granted	**393,333**	0.16
Exercised	**(413,333)**	0.14
Expired/Cancelled	**(225,000)**	0.36
Outstanding and exercisable, March 31, 2015	**3,220,000**	$ 0.20

The following table summarizes stock options outstanding and exercisable at March 31, 2015:

Options Outstanding	**Exercise Price**	**Expiry Date**	**Options Exercisable**
500,000	$0.28	August 13, 2015	500,000
620,000	$0.20	February 8, 2016	620,000
150,000	$0.16	May 7, 2016	150,000
230,000	$0.14	August 18, 2016	230,000
80,000	USD $0.20	August 29, 2016	80,000
100,000	$0.205	June 10, 2017	100,000
800,000	$0.11	August 10, 2017	800,000
310,000	$0.09	October 17, 2017	310,000
430,000	$0.335	January 7, 2018	430,000
3,220,000			**3,220,000**

(in Canadian dollars)

11. SHARE CAPITAL continued

e) Share-based payment reserve

	March 31, 2015	June 30, 2014
Balance, beginning of period	$ 2,695,107	$ 2,272,553
Fair values of options granted	26,284	93,537
Fair value of shares and warrants issued for debt and settlements	-	537,345
Fair value of stock options exercised	(39,701)	(263,551)
Fair value of equity components issued in a loan payable (note 10)	-	(5,993)
Fair value of agent's warrants issued for private placement	16,678	61,216
Balance, end of period	$ 2,698,368	$ 2,695,107

f) Nature and purpose of reserves

The reserves recorded in equity on the Company’s condensed consolidated statements of financial position include ‘Share subscriptions’, ‘Share-based payment reserve’, ‘Cumulative Other Comprehensive Income’, ‘Deficit’ and ‘Attributable to non-controlling interest’. Share subscriptions are used to record cash receipts in advance of issuance of shares. ‘Share-based payment reserve’ is used to recognize the value of stock option grants and share purchase warrants prior to exercise. ‘Cumulative Other Comprehensive Income’ includes the cumulative translation reserve which records exchange gains and losses on translating foreign operations into the Company's Canadian dollar functional currency. ‘Deficit’ is used to record the Company’s change in deficit from earnings from year to year.

g) Derivative liability

Pursuant to a loan agreement, the Chairman of the Company advanced the sum of $125,000 USD to the Company and a loan faciilty was made available for drawdown of USD $1,000,000 (Note 11). The loans are convertible, at the option of the lender, into common shares at US$0.225 and US$0.15 per share. Since the conversion prices were in a currency other than the functional currency of the Company, the conversion feature was accounted for as a derivative liability, being valued using the Black Scholes model.

During the period ended March 31, 2015 and the year ended June 30, 2014, the Company issued share purchase warrants that met the criteria of a derivative liability instrument because they were exercisable in a currency other than the functional currency of the Company and thereby not meeting the “fixed-for-fixed” criteria for equity instrument classification. As a result, the Company accounted for these warrants as derivative liability instrument and recorded the instrument at fair value with mark-to-market adjustments at each reporting period being charged or credited to the statement of loss.

During the period ended March 31, 2015, the Company issued stock options to non-employees that met the criteria of a derivative liability instrument because they were exercisable in a currency other than the functional currency and thereby not meeting the “fixed-for-fixed” criteria for equity instrument classification. As a result, the Company accounted for these equity instruments as derivative liability instrument and recorded the instrument at fair value with mark-to-market adjustments at each reporting period being charged or credited to the statement of loss.

During the month of June 30, 2014, the Company received advanced proceeds on shares subscriptions that were issued subsequent to year end which contained a common share and warrant. The warrant contained a derivative feature that met the criteria for derivative liability accounting as note above. The fair value of the warrant at year end of $38,922 was estimated using a Black Scholes option pricing model and recorded as a derivative liability with the remaining proceeds allocated to share subscriptions.

(in Canadian dollars)

11. SHARE CAPITAL continued

	Nine months ended March 31, 2015	Year ended June 30, 2014
Balance, beginning of period	**$ 336,700**	$ -
April 11, 2014 warrant issuance, at inception	**-**	37,296
May 6, 2014, warrant issuance, at inception	**-**	57,087
May 20, 2014 warrant issuance, at inception	**-**	102,188
July 4, 2014 warrant issuance, at inception	**64,229**	-
July 14, 2014 warrant issuance, at inception	**119,395**	-
August 14, 2014 warrant issuance, at inception	**175,919**	-
November 26, 2014 warrant issuance, at inception	**86,383**	-
Stock options with USD exercise price, at inception	**10,325**	-
Fair value increase (decrease) in liability at end of period	**(641,587)**	101,207
Warrants attached to advanced share subscriptions	**(38,922)**	38,922
Balance, end of period	**$ 112,442**	$ 336,700

The fair value of the derivative liability were calculated at inception as well at reporting period using the Black-Scholes option pricing model using the following range of assumptions:

	March 31, 2015	June 30, 2014
Risk free rate	**0.97 - 1.01%**	0.97 - 1.00%
Expected dividend yield	**nil%**	nil%
Stock price volatility	**137% - 163%**	126% - 147%
Expected life of warrants- years	**0.03 to 1.66**	0.78 to 1

h) Shareholder rights plan

During the year ended June 30, 2014, the Company adopted a shareholder rights plan to ensure that all shareholders of the Company, and the Board of Directors, have adequate time to consider and evaluate any unsolicited bid for the common shares of the Company.

12. RELATED PARTIES

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The company incurred the following transactions with key management personnel:

	Six months ended December 31, 2014	Six months ended December 31, 2013
Management, directors' and professional fees	**$ 318,083**	$ 142,414
Fair value of shares and warrants issued to key management personnel to settle debt	**26,284**	201,815
Total key management personnel remuneration	**$ 344,367**	$ 344,229

As at March 31, 2015 the Company owed $nil (June 30, 2014 - $26,465) to officers and directors. The amounts due are unsecured, non-interest bearing and have no fixed terms of repayment.

As at March 31, 2015 the Company owed $nil (June 30, 2014 - $106,710) to a director pursuant to loans payable. See note 11 and 12(g).

(in Canadian dollars)

13. CONTRACTS IN PROGRESS LIABILITY

Pursuant to a contract that was entered into with a third party during the year for US$6 million to construct a coal handling facility using the Company's coal technology, the Company received advances of $1,419,108 (US$1,320,000). As at March 31, 2015, the Company had incurred construction, equipment expenditures and engineering costs of $1,419,108 (June 30, 2014 - $1,304,058) leaving a balance of $Nil (June 30, 2014 - $115,050) as construction deposit.

14. SEGMENTED INFORMATION

The Company currently operates in one industry segment, being its coal technology and in the geographic areas as follows.

Property and Equipment	**March 31, 2015**	June 30, 2014
Canada	**$ -**	$ -
USA	**2,295,571**	78,686
	$ 2,295,571	$ 78,686

15. CAPITAL DISCLOSURES

The Company manages its capital structure and makes adjustments based on the funds available in order to support continued operation and future business opportunities. 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 considers its capital to be share capital. The capital management objectives remain the same as for the previous fiscal period.

The Company’s operations are currently not generating positive cash flow; as such, the Company is dependent on external financing to fund its activities. In order to carry out research and development, and pay for administrative costs, the Company will spend its existing working capital, and raise additional amounts as needed. Companies in this stage typically rely upon equity and debt financing or joint venture partnerships to fund its operations. There is no certainty with respect to the Company’s ability to raise capital.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not exposed to external requirements by regulatory agencies regarding its capital.

16. FINANCIAL INSTRUMENTS AND RISKS

As at December 31, 2014, the Company’s financial instruments consist of cash, receivables, accounts payable and accrued liabilities and loans payable. The carrying values of these financial instruments approximate their fair values because of their current nature.

All financial assets and financial liabilities are recorded at fair value on initial recognition. Transaction costs are expensed when they are incurred, unless they are directly attributable to the acquisition of qualifying assets, in which case they are added to the costs of those assets until such time as the assets are substantially ready for their intended use or sale.

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity);

Under fair value accounting, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of March 31, 2015, the Company had derivative liabilities (see Note 12(g)) that were required to be recorded at fair value using level 2 inputs.

(in Canadian dollars)

16. FINANCIAL INSTRUMENTS AND RISKS continued

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading and available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant market risk. The Company is not exposed to significant interest rate risk as the Company has no variable interest debt. The Company's ability to raise capital to fund activities is subject to risks associated with fluctuations in the market. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings, asset sales or sales from contracts, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned research and development, and corporate activities and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further development of the Company's projects.

Interest rate Risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities and amounts owing being non-interest bearing or bearing fixed rates of interest.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales and cash with major financial institutions. It is the Company's policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

Currency Risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in the United States dollar (USD). Management does not hedge its exposure to foreign exchange risk and does not believe the Company's net exposure to foreign currency risk is significant at the current time. Management will continue to review future planned expenditures and currency risk.

The following table provides an indication of the Company's significant foreign exchange currency exposure:

	United States	
	March 31, 2015	June 30, 2014
Cash	**$ 8,169,306**	$ 70,541
Accounts payable and accrued liabilities	**-**	(208,307)
Related parties	**-**	(8,376)
Loans payable	**-**	(934,100)
	$ 8,169,306	$ (1,080,242)

The following exchange rates were applied:

	Nine months ended March 31, 2015		Year ended June 30, 2014	
	Average rate	**Spot rate**	Average rate	Spot rate
Canadian dollars to US dollars	**0.8654**	**0.7895**	0.9411	0.9039

17. CONTINGENCIES AND CONSTRUCTIVE OBLIGATIONS

The Company signed a two year sublease with a 1 year automatic renewal for premises in Virginia. The annual rent is the issuance of 80,000 stock options with an exercise price of $0.20 expiring in 3 years, or the monetary equivalent, due in advance, with the first payment due within 30 days following the effective date of the sublease of August 28, 2014 (Note 12(d) and (g)). The lease agreement also includes an option to purchase the premise at the sole discretion of the landlord at a price that is not to exceed $375,000USD, or an equivalent amount of stock options of the Company, where the option price is equal to a six month average price prior to exercising the option to purchase. On issuance, the stock options shall expire in 3 years.

18. EVENTS OCCURING AFTER REPORTING DATE

i) On May 21, 2015 the Company announcing the closing of a Plan of Arrangement to re-organize the Company. Through the Plan of Arrangement, the shareholders of the Company will receive shares of Targeted Microwave Solutions Inc. ("Target"), a wholly-owed subsidiary of the Company in exchange of certain assets of the Company, giving such shareholders an interest in the business to be carried out by Target on completion of the Arrangement. Microcoal also changed its name to La Jolla Capital Inc. The common shares of Target will begin trading on the Canadian Securities Exchange (the "CSE") at the open of the market on May 22, 2015 under the symbol "TMS". As set out in further detail in MicroCoal's management information circular dated April 15, 2015 (the "Circular"), the common shares of MicroCoal will be delisted from the CSE concurrent with the listing of the TMS common shares. The Company currently intends to apply to list the La Jolla Shares on the CSE once it has met the original listing criteria of the CSE.

Further details regarding the Arrangement are contained in MicroCoal's management information circular dated April 15, 2015 and available under its profile on SEDAR at www.sedar.com.