La Jolla Capital Inc.
(formerly MicroCoal Technologies Inc.)

Consolidated Financial Statements

Year Ended June 30, 2015

(in Canadian dollars)

Tel: 604 688 5421
Fax: 604 688 5132
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Independent Auditor's Report

To the shareholders of La Jolla Capital Inc. (formerly MicroCoal Technologies Inc.)

We have audited the accompanying financial statements of La Jolla Capital Inc. (formerly MicroCoal Technologies Inc.), which comprise the consolidated statements of financial position as at June 30, 2015 and 2014 and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of these 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 presentation of the 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 financial statements present fairly, in all material respects, the financial position La Jolla Capital Inc. (formerly MicroCoal Technologies Inc.) as at June 30, 2015 and 2014 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 2 in the financial statements, which indicates that at June 30, 2015, the Company has a working capital deficiency of $3,392,938 and an accumulated deficit of $25,489,127 since inception and expects to incur further losses in the development of its business. The Company's ability to continue as a going concern is contingent upon the Company's ability to obtain necessary financing and generate future profitable operations. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

***/s/* "BDO Canada LLP"**

Chartered Professional Accountants
Vancouver, British Columbia
November 27, 2015

La Jolla Capital Inc.
(formerly MicroCoal Technologies Inc.)
Consolidated Statements of Financial Position
(in Canadian dollars)

	Notes		At June 30 2015		At June 30 2014
ASSETS					
Current					
Cash		**$**	**129**	$	86,652
Receivables	7		**5,093**		34,694
Prepaid expenses			**-**		3,217
			5,222		124,563
Property and equipment	8		**-**		78,686
Total assets		**$**	**5,222**	$	203,249
LIABILITIES AND CAPITAL DEFICIT			**-**		
Current					
Accounts payable and accrued liabilities	10, 13		**3,398,160**	$	1,680,960
Contracts in progress liability	9		**-**		115,050
Derivative liability	12e		**-**		336,700
Loans payable	11		**-**		934,100
			3,398,160		3,066,810
CAPITAL DEFICIT					
Share capital	12b		**22,190,685**		18,003,133
Share subscriptions	12b		**-**		68,676
Share-based payment reserve			**-**		2,695,107
Deficit			**(25,489,127)**		(23,562,179)
Accumulated other comprehensive loss			**(94,496)**		(68,298)
			(3,392,938)		(2,863,561)
Total liabilities and capital deficit		**$**	**5,222**	$	203,249

Approved on behalf of the Board of Directors:

"Eugene Beukman"
Director

"Aman Thindal"
Director

La Jolla Capital Inc.

(formerly MicroCoal Technologies Inc.)

Consolidated Statements of Comprehensive Income (Loss)

Years ended June 30

(in Canadian dollars)

	Note		2015		2014
Expenses					
Amortization	6, 8	$	5,475	$	1,413,330
Accretion expense	11		575,823		-
Financing fees and commissions	9		-		136,526
Foreign exchange (gain) loss			(389,432)		102,824
Interest on loans payable			14,151		49,697
Investor relations, agents and fees			77,680		243,710
Consulting, management and director fees	13		1,336,597		1,042,130
Office, premise and other			81,126		151,480
Patents and engineering			65,745		141,385
Professional fees	13		516,643		599,366
Rent			10,325		104,623
Share-based compensation	12b, 13		1,466,284		93,537
Transfer agent and regulatory fees			41,374		38,864
Travel and promotion			171,569		288,415
Wages and benefits			19,568		94,886
Loss before other items			**(3,992,928)**		(4,500,773)
Other income (expenses)					
Gain (loss) on settlement of debt	6, 11, 12b		1,494,843		(622,258)
Interest income			12,074		-
Impairment of assets	6, 8		(134,855)		(2,234,758)
Gain on distribution, net	4		32,616,886		-
Loss on disposal of property and equipment			-		(11,700)
Fair value change in derivative liability	12e		1,105,550		(101,207)
			35,094,498		(2,969,923)
Net income (loss) for the year before income taxes			**31,101,570**		(7,470,696)
Current income tax expense	14		(960,000)		-
Net income (loss) for the year			**30,141,570**		(7,470,696)
Other comprehensive income (loss)					
Exchange gain on translation of foreign operations			(26,198)		81,883
Total comprehensive income (loss)		**$**	**31,075,372**	$	(7,388,813)
Earnings (loss) per share, basic and diluted		**$**	**11.79**	$	(4.84)
Weighted average number of common shares outstanding					
Basic and diluted	12b		**2,557,153**		1,544,680

La Jolla Capital Inc.

(formerly MicroCoal Technologies Inc.)

Consolidated Statements of Cash Flows

Years ended June 30

(in Canadian dollars)

	Note	2015	2014
Cash provided by (used in):			
Operating Activities			
Net income (loss) for the year		$ **30,141,570**	$ (7,470,696)
Items not involving cash:			
(Gain) on distribution	4	**(34,766,886)**	-
Amortization	8	**5,475**	1,413,330
Accretion on loans payable	11	**575,823**	-
Loss on disposal of property and equipment		**-**	11,700
Share-based compensation	12b, 12d	**1,466,284**	93,537
(Gain) loss on settlement of debt	6, 11, 12b	**(1,494,843)**	622,258
Impairment of assets	6, 8	**134,855**	2,234,758
Fair value of options issued for rent		**10,325**	-
Fair value of shares issued for services and loans	12b	**(39,701)**	218,207
Unrealized foreign exchange		**(20,266)**	64,712
Fair value change in derivative liability	12e	**(1,105,550)**	101,207
		(5,092,914)	(2,710,987)
Change in non-cash working capital:			
Receivables		**(48,724)**	(9,354)
Prepaid expenses		**(4,093)**	30,249
Accounts payable and accrued liabilities		**2,656,946**	378,855
Contracts in progress	9	**(115,050)**	115,050
		(2,603,835)	(2,196,187)
Investing Activities			
Purchase of property and equipment	8	**(3,638,263)**	(78,686)
Rental deposit		**-**	20,094
		(3,638,263)	(58,592)
Financing Activities			
Share issuances and subscriptions	12b	**13,254,107**	2,628,757
Share issuance costs		**(77,416)**	(187,131)
Loan proceeds	11	**1,267,803**	106,710
Transfer of cash as result of Plan of Arrangement	4	**(6,624,456)**	-
Loan repayments	11	**(1,664,463)**	(215,000)
		6,155,575	2,333,336
Increase (decrease) in cash		**(86,523)**	78,557
Cash, beginning of the year		**86,652**	8,095
Cash, end of the year		$ **129**	$ 86,652

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

La Jolla Capital Inc.

(formerly MicroCoal Technologies Inc.)

Consolidated Statements of Changes in Equity

Years ended June 30

(in Canadian dollars)

	Note	Common Shares	Value of common shares	Share subscriptions	Share-based payment reserves	Deficit	Accumulated other comprehensive income	Total
Balance, July 1, 2013		1,377,080	$ 14,415,464	$ -	$ 2,272,553	$ (16,091,483)	$ (150,181)	$ 446,353
Share issuance								
Private placement	12b	154,966	1,939,684	-	-	-	-	1,939,684
Proceeds allocated to derivative	12e		(196,571)	-	-	-	-	(196,571)
Issue cost		-	(248,347)	-	61,216	-	-	(187,131)
Share subscriptions		-	-	107,598	-	-	-	107,598
Proceeds allocated to derivative	12e	-	-	(38,922)	-	-	-	(38,922)
Stock options exercised		36,400	333,050	-	-	-	-	333,050
Reclass of fair value of stock options exercised		-	263,551	-	(263,551)	-	-	-
Exercise of warrants		40,000	520,000	-	-	-	-	520,000
Shares and warrants issued for debt	12	57,926	885,770	-	470,016	-	-	1,355,786
Shares and warrants issued for loans	12	4,794	90,532	-	67,329	-	-	157,861
Share-based compensation	12d	-	-	-	93,537	-	-	93,537
Reversal of equity portion of convertible loan on settlement		-	-	-	(5,993)	-	-	(5,993)
Loss for the year		-	-	-	-	(7,470,696)	-	(7,470,696)
Other comprehensive income		-	-	-	-	-	81,883	81,883
Balance, June 30, 2014		1,671,166	$ 18,003,133	$ 68,676	$ 2,695,107	$ (23,562,179)	$ (68,298)	$ (2,863,561)
Balance, July 1, 2014		**1,671,166**	**$ 18,003,133**	**$ 68,676**	**$ 2,695,107**	**$ (23,562,179)**	**$ (68,298)**	**$ (2,863,561)**
Share issuance								
Private placement - 4th tranche	12b	**16,700**	**177,788**	**(68,676)**	**-**	**-**	**-**	**109,112**
Private placement - 5th tranche	12b	**33,500**	**359,511**	**-**	**-**	**-**	**-**	**359,511**
Private placement - 6th tranche	12b	**55,200**	**601,840**	**-**	**-**	**-**	**-**	**601,840**
Private placement - 7th tranche	12b	**20,235**	**228,943**	**-**	**-**	**-**	**-**	**228,943**
Issue costs	12b	**-**	**(55,172)**	**-**	**16,678**	**-**	**-**	**(38,494)**
Proceeds allocated to derivative	12e	**-**	**(445,926)**	**-**	**-**	**-**	**-**	**(445,926)**
SOHL investment	12b	**1,580,933**	**11,857,000**	**-**	**-**	**-**	**-**	**11,857,000**
Shares issued for services	12b	**200,000**	**1,440,000**	**-**	**-**	**-**	**-**	**1,440,000**
Shares issued to settle lawsuit	12b	**4,000**	**34,000**	**-**	**-**	**-**	**-**	**34,000**
Stock options exercised	12b	**8,267**	**58,000**	**-**	**-**	**-**	**-**	**58,000**
Reclass of fair value of stock options exercised		**-**	**39,701**	**-**	**(39,701)**	**-**	**-**	**-**
Share-based settlements and payments for services	12d	**-**	**-**	**-**	**26,284**	**-**	**-**	**26,284**
Reclass of share-based payment reserve		**-**	**-**	**-**	**(2,698,368)**	**2,698,368**	**-**	**-**
Distribution	4	**(11)**	**(10,108,133)**	**-**	**-**	**(34,766,886)**	**-**	**(44,875,019)**
Income for the year		**-**	**-**	**-**	**-**	**30,141,570**	**-**	**30,141,570**
Other comprehensive loss		**-**	**-**	**-**	**-**	**-**	**(26,198)**	**(26,198)**
Balance, June 30, 2015		**3,589,990**	**$ 22,190,685**	**$ -**	**$ -**	**$ (25,489,127)**	**$ (94,496)**	**$ (3,392,938)**

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

1. NATURE OF OPERATIONS

La Jolla Capital Inc., (formerly MicroCoal Technologies 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. On May 21, 2015, MicroCoal Technologies Inc. ("MicroCoal" or "MTI") completed a Plan of Arrangement (the "Plan of Arrangement" or "Arrangement") with a newly formed company called Targeted Microwave Solutions Inc. ("TMS") pursuant to the British Columbia Business Corporations Act. Under terms of the Arrangement, every MicroCoal shareholder received one share in the Company for every share held in MicroCoal at the effective date. The Company's registered office is located at 615-800 West Pender Street, Vancouver, British Columbia, V6C 2V6. The Company changed its name from MicroCoal Technologies Inc. to La Jolla Capital Inc. on May 21, 2015. See Note 4 for more discussion on the Plan of Arrangement.

The Company's planned principal business activity (subsequent to the Plan of Arrangement) is the exploration and development of mineral properties. For the period between the effective date of the Plan of Arrangement and June 30, 2015, the Company was inactive. Subsequent to June 30, 2015, the Company issued common shares for an interest in the Goldsmith Property located in British Columbia, Canada.

The Company is a reporting issuer in the provinces of Alberta, British Columbia and Ontario. The Company currently intends to apply to list its common shares on the Canadian Securities Exchange ("CSE") once it has met the original listing criteria of the CSE.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS comprises IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") and the former Standing Interpretations Committee ("SICs").

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 27, 2015.

(b) Going Concern of Operations

At June 30, 2015, the Company has a working capital deficiency of $3,392,938, realized net income of $30,141,570 for the year then ended (2014 - loss of $7,470,696) and has accumulated losses of $25,489,127 (2014 - $23,562,179) since its inception. Income for the year ended June 30, 2015 included a gross non-cash gain on distribution of $34,766,886 related to the Plan of Arrangement which is not expected to recur (Note 4). The Company's ability to continue as a going concern are dependent upon the Company's ability to receive or raise additional external financing or to generate future profitable operations to meet its obligations and repay its liabilities arising when they come due. There is no assurance that the Company will be able to raise funds in the future. These circumstances indicate the existence of material uncertainty related to events and conditions that may cast significant doubt about the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its obligations and commitments in the normal course of operations. These consolidated financial statements do not give effect to any adjustments required to realize it assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for those assets and liabilities that are measured at fair value at the end of each reporting period. Certain comparative amounts have been re-presented to conform to the current year presentation.

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. Considering the status of the Company, the only estimate will a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year relates to income taxes as disclosed following. Tax legislation, regulation and interpretation require estimates and judgements which have a bearing on the amounts recorded in the tax provision and income taxes payable. The Company's tax filings are continually subject to review by the applicable tax authorities who make the final determination of the actual amounts of taxes payable or receivable. There are transactions and calculations, including the current distribution (Note 4), for which the ultimate tax treatment is uncertain and may be subject to change on assessment with the relevant tax authority.

(b) Currency of presentation

The Company's presentation currency is the Canadian Dollar ("C$"). Amounts expressed in United States ("US") dollars in these Consolidated Financial Statements are noted.

(in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. All intercompany transactions and balances between the Company and its subsidiaries are eliminated.

	Country of incorporation	Ownership - June 30, 2015	Ownership - May 21, 2015	Functional currency
Carbon Friendly Solution, formerly Global CO2 Reduction Inc. ("Global CO2")	Canada	(1)	100%	Canadian
CO2 Reduction Poland Sp. z. o. o. ("CO2 Reduction") (inactive)	Poland	100%	100%	-
MicroCoal Inc. ("MicroCoal")	USA	100%	100%	US Dollars
Carbiopel - ESP S.A. (inactive)	Poland	100%	100%	-
MicroCoal International Inc. ("MicroCoal Canada")	Canada	(1)	100%	Canadian
Targeted Microwave Solutions USA Inc. ("TMS USA")	USA	0%	100%	US Dollars
Targeted Microwave Solutions Hong Kong Limited ("TMS HK")	USA	0%	51%	US Dollars
Targeted Microwave Solutions Inc. ("TMS")	Canada	0%	100%	US Dollars

(1) Pursuant to the Plan of Arrangement, MTI and its subsidiaries Global CO2 and MicroCoal Canada were amalgamated effective immediately before the transfer of assets contemplated under the Plan of Arrangement.

Effective May 21, 2015, the Company lost control of TMS USA and TMS HK and therefore the Company derecognized the carrying values of the assets and liabilities of these entities at May 21, 2015 from the Consolidated Statements of Financial Position. See Note 4 Plan of Arrangement.

These consolidated financial statements do not include discontinued operations disclosure. Given the impact of the Arrangement, all operations are in fact discontinued. The Company will no longer carry out activities associated with the microwave technology which will be the main focus of TMS, and after this transaction the Company had no active operations. There will be no correlation between its new operation its old operations.

Previously the Company had various biomass energy and renewable energy technology projects in Poland. The Company has written down associated costs in previous years and is not making any provision for nominal costs in the future. Any recoveries from the disposition of plant and equipment or other sources are unknown.

(d) Foreign currency translation

The results and financial position of subsidiaries whose functional currency differs from that of the parent company ("foreign operations") are translated into the Canadian dollar presentation currency as follows: (i) assets and liabilities are translated at the closing rate as at the reporting date, and (ii) income and expenses are translated at the average exchange rate of transactions for the period. All resulting exchange differences are recognized in the caption Exchange gain (loss) on translation of foreign operations as other comprehensive income (loss).

A foreign currency transaction is a transaction denominated or requiring settlement in a foreign currency and is initially recorded in the functional currency of the subsidiary by applying the spot exchange rate on the date of the transaction. At the end of each reporting period, these balances are translated as: (i) foreign currency monetary assets and liabilities are translated using the prevailing exchange rate at the balance sheet date; (ii) non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; (iii) non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate when the fair value was measured; and (iv) income statement items denominated in foreign currencies are translated using the average monthly exchange rates, except for depreciation which is translated at historical exchange rates.

(e) Property and equipment

Property and equipment are recorded at cost less accumulated amortization and impairment losses. The asset's residual value, useful life and depreciation method are evaluated annually and changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively. The significant classes of depreciable property and equipment are recorded using the following rates and methods:

Assets	Rate	Basis
Computer equipment	30-45%	Declining-balance
Equipment	10-100%	Declining-balance
Automotive equipment	14-40%	Declining-balance
Leasehold improvements	7 years	Straight-line

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets with finite lives, including coal technology and plant prototype assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive income (loss).

(g) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(h) Financial instruments

Financial assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Cash and trade receivables are classified as loans and receivables.

Financial liabilities

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Liabilities in this category include accounts and other payables.

The Company classified its financial liabilities which consisted of accounts payable and accrued liabilities, other accrued liabilities, loans payable as other liabilities.

Derivative financial instruments

Derivative financial instruments 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 reported as gains or losses in net income (loss). For warrant-based derivative financial liabilities, the Company uses the Black-Scholes option pricing model to estimate fair value of the derivative instruments. To the extent that the initial fair values of the freestanding and/or bifurcated derivative instrument liabilities exceed the total proceeds received, an immediate charge to income is recognized, in order to initially record the derivative instrument liabilities at their fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Share-based payments

The fair value of equity settled stock options awarded to employees (i.e. employees for legal and tax purpose, directors and certain consultants), determined as of the date of grant, and awarded to non-employees, as of the date of delivery of service, is recognized as share-based compensation expense, included in general and administrative expenses in the Consolidated Statements of Comprehensive Income (Loss), over the vesting period of the stock options based on the estimated number of options expected to vest, with a corresponding increase to equity. The fair value of stock options is determined using the Black-Scholes option pricing model with market related inputs as of the date of grant or the date of delivery of service. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Changes to the estimated number of awards that will eventually vest are accounted for prospectively.

(j) Basic and diluted loss per share

Basic earnings or loss per share represents the income or loss for the year, divided by the weighted average number of common shares outstanding during the year. Diluted earnings or loss per share represents the income or loss for the year, divided by the weighted average number of common shares outstanding during the year plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

(k) Application of New and Revised Accounting Standards

The Company has applied the following new and amended IFRSs in these consolidated financial statements. The amendments did not have an impact on the Company's consolidated financial statements. The Company has not early adopted any other amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

- IAS 32 - Financial Instruments - Presentation
- IAS 36 - Impairment of Assets
- IFRIC 21 - Levies Imposed by Government

(l) Changes in Accounting Standards not yet effective

- **Financial Instruments**

  IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 - *Financial Instruments: Recognition and Measurement.* IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- **Annual Improvements**

  In December 2013, the IASB issued the Annual Improvements 2010-2012 and 2011-2013 cycles, effective for annual periods beginning on or after July 1, 2014. In September 2014, the IASB issued Annual Improvements 2012-2014 cycle, effective for annual periods beginning on or after July 1, 2016. These Annual Improvements made necessary but non-urgent amendments to existing IFRSs. These amendments are not expected to have a significant impact on the Company's consolidated financial statements.

(in Canadian dollars)

4. PLAN OF ARRANGEMENT

Pursuant to an agreement dated April 13, 2015 and amended May 11, 2015, on May 21, 2015, MTI shareholders approved the Arrangement whereby MTI transferred certain assets of the Company to TMS in exchange for common shares of TMS. The common shares of TMS began trading on the CSE at the open of the market on May 22, 2015 under the symbol "TMS". As part of the Arrangement, MTI reorganized its capital and distributed the TMS common shares to the shareholders of MTI. The common shares of MTI were delisted from the CSE concurrent with the listing of the TMS common shares.

The reorganization of the Company's capital involved several transactions including: (i) the issuance of 179,500,076 acquisition swap shares and 179,500,076 Class B preferred shares in exchange for each MTI Class A share with the Class B shares assigned the value of the net identified assets transferred; (ii) the redemption of these Class B shares and the cancellation of the Class A and Class B shares; and (iii) the share consolidation of the acquisition swap shares on a 50:1 basis (note 12). In addition, each MTI warrant held by a MTI warrant holder was exchanged for one TMS warrant and the MTI warrants were cancelled.

The Company accounted for the distribution of the TMS shares as follows:

		May 21, 2015
Fair value of assets distributed	$	44,875,018
Less: net assets transferred below		
Cash	$	6,624,456
Receivable		78,325
Prepaid		7,310
Property and equipment		3,576,619
Fair value of derivative liabilities		(178,578)
	$	10,108,132
Net gain on distribution before withholding tax	$	34,766,886

IFRIC 17 - "Distributions of non-cash assets to owners" requires that the assets being distributed pursuant to a non-reciprocal distribution to owners acting in their capacity of owners, be measured and derecognized at their fair value at the date of the distribution. The distribution was charged to deficit.

The gain on distribution of $34,766,887 recognized during the year ended June 30, 2015 represents the excess of the estimated aggregate fair value of the net assets distributed over their carrying value. The gain presented in the Consolidated Statements of Comprehensive Income (Loss) is net of estimated withholding taxes and interest of $2,150,000.

5. SUPPLEMENTAL CASH FLOW INFORMATION

Years ended June 30		**2015**		2014
Interest paid	**$**	**14,151**	$	40,015
Income taxes paid	**$**	**-**	$	-
Items that are excluded from the investing and financing activities:				
Fair value of shares issued to joint venture entity	**$**	**1,440,000**	$	-
Fair value of agent warrants issued as share issuance costs	**$**	**16,678**	$	61,216
Issuance of shares and warrants for debt settlements	**$**	**34,000**	$	885,770
Issuance of shares and warrants for loan repayments	**$**	**-**	$	90,532
Issuance of shares for services rendered	**$**	**47,000**	$	18,000
Issuance of shares for consulting services	**$**	**-**	$	224,200
Non-cash portion relating to distribution (Note 4)	**$**	**3,483,676**	$	-
Non-cash distribution (Note 4)	**$**	**34,766,886**	$	-

6. COAL TECHNOLOGY AND PLANT PROTOTYPE

Pursuant to agreements with Orica US Services Inc. ("Orica"), whereby MicroCoal purchased 100% interest in Orica between 2011 and 2013, the Company owed US$1,000,000 to Orica as at January 7, 2013. The Company made payments of US$250,000 on this balance to resulting in a balance of US$775,000 at June 30, 2013. In August 2014, the Company negotiated a full and final settlement and release from amounts owing to Orica and the loans payable and accrued liabilities were derecognized. The Company paid $160,065 (US$150,000) to Orica in satisfaction of all amounts owing. See the continuity schedules below on the Orica loan balance and unpaid accrued loan interest:

Loan balance June 30, 2013	$	813,051
Foreign exchange		14,339
Loan balance June 30, 2014		827,390
Accrued interest		65,981
Gain on settlement of loans payable (note 11)		(733,306)
Repayment		(160,065)
Loan balance June 30, 2015	$	-

(in Canadian dollars)

6. COAL TECHNOLOGY AND PLANT PROTOTYPE (continued)

Accrued interest to Orica, as at June 30, 2013	$ 747,837
Foreign exchange	47,700
Accrued interest estimate to Orica, as at June 30, 2014	795,537
Gain on settlement of loans payable (note 11)	(795,537)
Balance, June 30, 2015	$ -

During the year ended June 30, 2014, the Company decided to decommission and disassemble the plant prototype. 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 resulting in accumulated amortization of $4,824,566. 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. The carrying value of the asset at June 30, 2014 of $2,234,758 was assessed as impaired and was written down to its net recoverable amount. Management assessed there was not sufficient evidence of future economic benefit of the plant prototype.

7. RECEIVABLES

	June 30, 2015	June 30, 2014
GST recoverable	**$ 1,856**	$ 34,694
Other advances	**3,237**	-
	$ 5,093	$ 34,694

8. 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	-	843,997	-	2,794,266	3,638,263
Transfer on Arrangement	-	(782,353)	-	(2,794,266)	(3,576,619)
Impairment of asset	-	(140,330)	-	-	(140,330)
June 30, 2015	$ -	$ -	$ -	$ -	$ -
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	-	5,475	-	-	5,475
Impairment of asset	-	(5,475)	-	-	(5,475)
June 30, 2015	-	-	-	-	-
Net book value, June 30, 2014	$ -	$ 78,686	$ -	$ -	$ 78,686
Net book value, June 30, 2015	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

On May 21, 2015, the equipment and leasehold improvements associated with the microwave technology business were transferred to TMS (Note 4). No amortization was taken on these transferred assets as they were not ready for their intended use. Management determined the remaining non-transferred equipment had no economic benefit and the equipment was impaired and the carrying value was written off.

(in Canadian dollars)

9. CONTRACTS IN PROGRESS LIABILITY

During the year ended June 30, 2014, the Company entered into a contract whereby they agreed to construct a coal handling facility using the Company's coal technology for a total fee of US$6,000,000. Under this contract, the Company received total advances of $1,419,108 (US$1,320,000). At June 30, 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. The project and contract was cancelled and no further relationship exists.

During the year ended June 30, 2014, the Company paid commissions of $99,322 to a consulting firm for brokering the contract which is included in financing fees expense.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2015		June 30, 2014
Trade accounts payable	**$**	**236,228**	$	745,527
Other accrued liabilities		**51,932**		46,000
Withholding tax, interest and tax provision (Notes 4 and 14)		**3,110,000**		-
MicroCoal provision (i)		**-**		795,537
Related parties accounts payable		**-**		26,465
Accrued interest payable		**-**		67,431
	$	**3,398,160**	$	1,680,960

(i) During the year ended June 30, 2015, the Company settled with Orica in full all loans and unpaid accrued interest payable by a payment of US$150,000 (Note 6).

11. LOANS PAYABLE

		June 30, 2015		June 30, 2014
Director Loan - US$100,000 at interest rate of 4% per annum (a)	**$**	**-**	$	106,710
Director Loan - US$1,125,000 convertible loan at interest rate of 4% per annum (b)		-		-
Orica US Services Inc. (c)		**-**		827,390
	$	**-**	$	934,100

(a) In August 2014, the loan was repaid including accrued interest of $561 (2014 - $1,450).

(b) During the year ended June 30, 2015, the Company borrowed a total of US$1,125,000 from a director of the Company, bearing interest at 4% per annum. On January 26, 2015, the loan was repaid including accrued interest of $13,590. The loans were convertible at the option of the lender (note 12b). The conversion feature was initially valued at a total of $530,099 (Note 12e), and the residual amount of proceeds received was allocated to loans payable. During the year ended June 30, 2015, accretion expense of $575,823 was recorded in the Consolidated Statements of Comprehensive Income (Loss).

(c) At July 1, 2013, US$775,000 of a loan payable was outstanding bearing interest at a rate of 5% per annum. The loan was renegotiated in August 2014 and both parties agreed to settle the outstanding loan of $893,371 and unpaid accrued interest of $795,537 for $160,065 (US$150,000). The settlement amount was paid in the year ended June 30, 2015 and a gain on settlement of debt of $1,528,843 was recorded in the Consolidated Statements of Comprehensive Income (Loss). See Note 6.

12. SHARE CAPITAL

(a) Authorized: Unlimited number of common shares, voting

(b) Issued and Outstanding

Share Consolidation

On May 21, 2015, pursuant to the Plan of Arrangement, the Company consolidated its issued and outstanding common shares on a 50:1 basis (the "Share Consolidation"). This Share Consolidation resulted in the pre-consolidation issued and outstanding total shares of 179,500,076 being consolidated on a 50:1 basis (Note 4). After effecting all transactions, there were 3,589,990 issued and outstanding common shares which became the new share capital of the Company. The Share Consolidation affected all of MTI's issued and outstanding common shares on May 21, 2015. Fractional shares were not issued. Pre-consolidation there were 32,913,886 (post-consolidation 658,278) MTI warrants issued and outstanding. These warrants were transferred to TMS and do not exist post-consolidation. Prior to the Plan of Arrangement, there were pre-consolidation 3,220,000 (post-consolidation 64,400) stock options all of which were cancelled. Certain comparative information regarding issued and outstanding common shares, warrants, stock options and weighted average number of share amounts have been re-presented on a post-consolidation basis.

Year ended June 30, 2015

On January 22, 2015, the Company entered into an agreement with Jiu Feng Investments Inc ("Jiu Feng"). Pursuant to the terms of the agreement, the Company and Jiu Feng Investments formed a corporation domiciled in Hong Kong in which the Company held a 51% equity interest. As consideration for access to the Asian markets and other expense contributions by Jiu Feng, the Company issued 200,000 (pre-consolidation 10,000,000) common shares to Jiu Feng. This entity was inactive during the year ended June 30, 2015 and there were no amounts consolidated. The value of the shares of $1,440,000 was determined by using the traded market price on the date the shares were issued and recorded as share-based compensation in the Consolidated Statements of Comprehensive Income (Loss). The Hong Kong subsidiary was transferred to TMS as part of the Plan of Arrangement in preparation for the commercialization of the microwave technology, including sourcing and testing coal samples from Asian markets.

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, the Company issued 1,580,933 (pre-consolidation 79,046,666) common shares to the investor at $7.50 (pre-consolidation $0.15) per share for aggregate gross proceeds of $11,857,000 (US$10,000,000).

On December 8, 2014, the Company issued 6,267 (pre-consolidation 313,333) common shares to a former officer of the Company by waiving the exercise price of the options. The common shares were worth $47,000, being the traded market price of the shares on the date of issuance, which was recorded as consulting fees in the Consolidated Statements of Comprehensive Income (Loss). On July 10, 2014, the Company issued 2,000 (pre-consolidation 100,000) common shares on exercise of options for proceeds of $11,000 to a former director of the Company.

On November 26, 2014, the Company closed the seventh tranche of a non-brokered private placement in the amount of US$202,348 ($228,943). The Company issued 20,235 (pre-consolidation 1,011,741) units at a subscription price of US$10.00 (pre-consolidation US$0.20) per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitled the holder to acquire one common share at an exercise price of US$15.00 (pre-consolidation US$0.30) per share for a period of 24 months. The Company paid a cash commission of $11,300 and granted finder's warrants to purchase 1,000 (pre-consolidation 50,000) units. The fair value of the agent warrants of $4,848 were estimated using Black Scholes option using a risk free interest rate of 1.01%, an expected dividend yield of $nil, a volatility of 135%, exercise price of $0.22 and an expected life of 2 years. The share purchase warrants were issued in a currency other than the functional currency of the Company, and were accounted for as a derivative liability and remeasured at year end with any change going to the profit or loss. See Note 12e for inputs in deriving the fair value of the share purchase warrants. This treatment applies to all US$ denominated share purchase warrants issued during the year ended June 30, 2015.

On November 19, 2014, the Company issued 4,000 (pre consolidation 200,000) common shares at $8.50 (pre-consolidation $0.17) per share to settle disputes with two individuals and recorded a loss of $34,000 on settlement of debt which was recorded in the Consolidated Statements of Comprehensive Income (Loss).

On August 14, 2014, the Company closed the sixth tranche of a non-brokered private placement in the amount of US$552,000 ($601,840). The Company issued 55,200 (pre-consolidation 2,760,000) units at a subscription price of US$10.00 (pre-consolidation US$0.20) per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitled the holder to acquire one common share at an exercise price of US$15.00 (pre-consolidation US$0.30) for a period of one year. The Company paid a cash commission of US$5,200 ($5,673) and granted finder's warrants to purchase 520 (pre-consolidation 26,000) units. The fair value of the agent warrants of $2,134 were estimated using Black Scholes option using a risk free interest rate of 0.99%, an expected dividend yield of $nil, a volatility of 135%, exercise price of $0.22 and an expected life of 1 year.

On July 14, 2014, the Company closed the fifth tranche of a non-brokered private placement in the amount of US$335,000 ($359,511). The Company issued 33,500 (pre-consolidation 1,675,000) units at a subscription price of US$10.00 (pre-consolidation US$0.20) per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitled the holder to acquire one common share at an exercise price of US$15.00 (pre-consolidation US$0.30) for a period of one year. The Company paid a cash commission of US$3,500 ($3,752) and granted finder's warrants to purchase 350 (pre-consolidation 17,500) units. The fair value of the agent warrants of $1,581 were estimated using Black Scholes option using a risk free interest rate of 1.00%, an expected dividend yield of $nil, a volatility of 135%, exercise price of $0.21 and an expected life of 1 years.

On July 4, 2014, the Company closed the fourth tranche of a non-brokered private placement in the amount of US$167,000 ($177,788). The Company issued 16,700 (pre-consolidation 835,000) units at a subscription price of US$10.00 (pre-consolidation US$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 US$15.00 (pre-consolidation US$0.30) for a period of one year. The Company paid a cash commission of US$16,700 ($17,769) and granted finder's warrants to purchase 1,670 (pre-consolidation 83,500) units. The fair value of the agent warrants of $8,115 were estimated using Black Scholes option using a risk free interest rate of 1.00%, an expected dividend yield of $nil, a volatility of 135%, exercise price of $0.21 and an expected life of 1 years.

12. SHARE CAPITAL (continued)

Year ended June 30, 2014

The Company received subscriptions of US$100,000 ($107,598) pursuant to a private placement of 10,000 (pre-consolidation 500,000) units at a subscription price of US$10.00 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitled the holder to acquire one common share at an exercise price of US$15.00 for a period of one year. Since the share purchase warrants were issued in a currency other than the functional currency of the Company, they were accounted for as a derivative liability and remeasured at year end with any change going to the profit or loss. This treatment applies to all US$ denominated share purchase warrants issued during the year ended June 30, 2014.

The Company issued 4,794 (pre-consolidation 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.

On May 20, 2014, the Company closed the third tranche of a non-brokered private placement in the amount of US$300,000 ($326,640). The Company issued 30,000 (pre-consolidation 1,500,000) units at a subscription price of US$10.00 (pre-consolidation US$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 US$15.00 (pre-consolidation US$0.30) for a period of one year.

On May 6, 2014, the Company closed the second tranche of a non-brokered private placement in the amount of US$300,000 ($326,955). The Company issued 30,000 (pre-consolidation 1,500,000) units at a subscription price of US$10.00 (pre-consolidation US$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 US$15.00 (pre-consolidation US$0.30) for a period of one year. The Company paid a cash commission of US$30,000 and granted finder's warrants to purchase units equal to 10% of the units.

On April 11, 2014, the Company closed the first tranche of a non-brokered private placement in the amount of US$277,963 ($308,539). The Company issued an aggregate of 27,796 (pre-consolidation 1,389,815) units of the Company at a subscription price of US$10.00 (pre-consolidation US$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 US$15.00 (pre-consolidation US$0.30) for a period of one year. The Company paid a cash commission of US$27,796, granted 2,779 (pre-consolidation 138,981) finder's warrants to purchase units equal to 10% of the units and issued 2,000 (pre-consolidation 100,000) common shares at a fair value of $18,000 to an agent closing of the issuance.

On October 21, 2013, the Company closed a private placement and issued an aggregate of 65,170 (pre-consolidation 3,258,499) units at a subscription price of $15.00 (pre-consolidation $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 $22.50 (pre-consolidation $0.45) per share for a period of five years. The warrants had a forced exercise provision if the common shares trade at $45.00 (pre-consolidation $0.90) or higher for ten consecutive trading days on the CSE (or if the common shares are no longer listed on the CSE, on such other stock exchange on which the common shares are listed). The Company issued 5,250 (pre-consolidation 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.

The Company issued: (i) 17,266 (pre-consolidation 863,300) common shares at $11.00 (pre-consolidation $0.22) per share and 17,266 (pre-consolidation 863,300) warrants exercisable at $13.00 (pre-consolidation $0.26) per share until May 31, 2016; (ii) 19,780 (pre-consolidation 989,047) common shares at $13.50 (pre-consolidation $0.27) per share and 11,152 (pre-consolidation 557,639) warrants exercisable at $17.50 (pre-consolidation $0.35) per share until May 31, 2016; (iii) 3,800 (pre-consolidation 190,000) common shares at $9.00 (pre-consolidation $0.18) per share; (iv) 380 (pre-consolidation 19,000) common shares at $12.50 (pre-consolidation $0.25) per share; and (v) 1,000 (pre-consolidation 50,000) common shares at $10.25 (pre-consolidation $0.205) per share to settle debts of $505,969. The fair value of the shares was $644,185 was measured at the date of issuance and the fair value of the warrants was $311,041 estimated using a Black Scholes option model using a risk free interest rate of 1.429%, an expected dividend yield of $nil, a volatility of 115%, and an expected life of 2.83 years.

The Company issued 4,074 (pre-consolidation 203,704) common shares at $13.50 (pre-consolidation $0.27) per share and 4,074 (pre-consolidation 203,704) warrants exercisable at $17.50 (pre-consolidation $0.35) per share until May 31, 2016 to settle a loan of $55,000. The fair value of the shares of $72,315 was measured at the issuance date and the fair value of the warrants of $48,463 was estimated using a Black Scholes option model using a risk free interest rate of 1.364%, an expected dividend yield of $nil, a volatility of 115%, and an expected life of 2.76 years.

The Company issued 720 (pre-consolidation 36,000) common shares at $13.50 (pre-consolidation $0.27) per share and 720 (pre-consolidation 36,000) warrants exercisable at $17.50 (pre-consolidation $0.35) per share until May 31, 2016 to settle a loan of $9,720. The fair value of the shares of $12,780 was measured at the issuance date and the fair value of the warrants of $9,019 was estimated using a Black Scholes option model using a risk free interest rate of 1.408%, an expected dividend yield of $nil, a volatility of 115%, and an expected life of 2.76 years.

The Company issued: (i) 10,889 (pre-consolidation 544,498) common shares at $11.00 (pre-consolidation $0.22) per share and 10,889 (pre-consolidation 544,498) warrants exercisable at $13.00 (pre-consolidation $0.26) per share until May 31, 2016 ; and (ii) 4,089 (pre-consolidation 240,475) common shares at $13.50 (pre-consolidation $0.27) per share and 4,089 (pre-consolidation 240,475) warrants exercisable at $17.50 (pre-consolidation $0.35) per share until May 31, 2016, to settle amounts owing to officers and a director of $184,718. The fair value of the shares was $247,023 was measured at the issuance date and the fair value of the warrants was $168,821 estimated using a Black Scholes option model using a risk free interest rate of 1.368%, an expected dividend yield of $nil, a volatility of 113.4%, and an expected life of 2.83 years.

The Company issued 36,400 (pre-consolidation 1,820,000) common shares on exercise of stock options for cash proceeds of $105,850. Of the shares issued, 22,700 (pre-consolidation 1,135,000) common shares were issued to a former chief executive officer of the Company in a cashless exercise of options valued at $224,200, which was recorded in management, consulting and director fees in the Consolidated Statement of Comprehensive Income (Loss).

The Company issued 40,000 (pre-consolidation 2,000,000) common shares on exercise of warrants for cash proceeds of $520,000.

(in Canadian dollars)

12. SHARE CAPITAL (continued)

c) Warrants

Year ended June 30, 2015

Under the Arrangement, every MTI warrant holder exchanged MTI warrants held for one warrant in TMS under the same terms and conditions. There were no warrants issued by the Company subsequent to May 21, 2015 and there are no issued and outstanding warrants at June 30, 2015.

On December 5, 2014, the Company amended the terms of 157,750 (pre-consolidation 7,887,500) warrants set to expire on December 28, 2014, extending them to a new expiry date of December 28, 2015. There was no value attributed to modification of these warrants. These warrants no longer exist at June 30, 2015.

Year ended June 30, 2014

On May 28, 2014, the Company repriced the exercise price of 180,385 (pre-consolidation 9,019,250) warrants expiring on December 28, 2014 from $17.50 to $13.00 (pre-consolidation $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 133,873 (pre-consolidation 6,693,675) warrants from $22.50 to $14.00 per unit (pre-consolidation $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:

	Pre-consolidation			Post-consolidation		
	Number		Price	Number		Price
Balance, June 30, 2013	30,386,425	$	0.30	607,729	$	15.00
Issued	10,645,441		0.35	212,909		17.50
Exercised	(2,000,000)		0.26	(40,000)		13.00
Expired	(72,500)		0.26	(1,450)		13.00
Balance, June 30, 2014	38,959,366		0.29	779,188		14.50
Issued	**6,458,741**		0.30	**129,175**		15.00
Expired	**(12,504,221)**		0.29	**(250,084)**		14.50
Cancelled	**(32,913,886)**		0.30	**(658,279)**		15.00
Balance, June 30, 2015	**-**	$	-	**-**	$	-

d) Stock options

At June 30, 2015, the Company does not have an approved incentive plan in place. MTI had an incentive share option plan for granting options to directors, employees and consultants which expired as part of the Arrangement.

The following table summarizes the changes in stock options for the years ended June 30:

	Pre-consolidation			Post-consolidation		
	Number of options		Weighted Average Exercise Price	Number of options		Weighted Average Exercise Price
Outstanding, June 30, 2013	6,720,000	$	0.21	134,400	$	10.50
Granted (1)	750,000		0.25	15,000		12.50
Exercised	(1,820,000)		0.18	(36,400)		9.00
Expired	(2,185,000)		0.27	(43,700)		13.50
Outstanding, June 30, 2014	**3,465,000**		0.20	**69,300**		10.00
Granted (2)	**393,333**		0.16	**7,867**		8.00
Exercised	**(413,333)**		0.14	**(8,267)**		7.00
Expired	**(225,000)**		0.36	**(4,500)**		18.00
Cancelled (3)	**(3,220,000)**		0.18	**(64,400)**		9.00
Outstanding and exercisable, June 30, 2015	**-**	$	-	**-**	$	-

(1) Stock options granted during the year ended June 30, 2014 vested immediately. There were 3 different grants made: 10,000 (pre-consolidation 500,000) options at an exercise price of $14.00 (pre-consolidation $0.28); 3,000 (pre-consolidation 150,000) options at a price of $8.00 (pre-consolidation $0.16); and 2,000 (pre-consolidation 100,000) options at a price of $10.25 (pre-consolidation $0.205).

(2) During the period ended June 30, 2015, the Company granted 1,600 (pre-consolidation 80,000) options at an exercise price of US$10.00 (pre-consolidation US$0.20) per option. The US$ options were accounted for as a derivative liability and remeasured at period end. In addition, the Company granted 6,267 (pre-consolidation 313,333) fully exercisable options to a service provider at an exercise price of $7.50. These services were valued at $26,284 and this amount was included in the share-based payment reserve.

(3) On May 21, 2015, subject to the terms of the Agreement all issued and outstanding options were cancelled.

12. SHARE CAPITAL (continued)

For the year ended June 30, 2015, total share-based compensation related to stock options was $26,284 (2014 - $93,537) which is included as share-based compensation in the Consolidated Statements of Comprehensive Income (Loss). The fair value of options granted were determined using the Black Scholes option pricing model using the following assumptions:

	June 30, 2015	June 30, 2014
Expected life	**1 year**	1.5 to 3 years

(in Canadian dollars)

Expected volatility	**153%**	122% - 127%
Expected dividend yield	**nil%**	nil%
Estimate forfeiture rate	**0%**	0%
Risk-free interest rate	**0.98%**	1.25%

e) Derivative liability

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 did not meet the “fixed-for-fixed” criteria for equity instrument classification. As a result, the Company accounted for these warrants as derivative liability instruments and recorded the instruments at fair value with mark-to-market adjustments at each reporting period recorded in the Consolidated Statements of Comprehensive Income (Loss).

During the year ended June 30, 2015, the Chairman of the Company advanced a total of US$1,125,000 in loans payable. The loans payable were convertible at the option of the lender into common shares at US$11.25 (pre-consolidation US$0.225) per share as to US$100,000 and $7.50 (pre-consolidation US$0.15) per share as to US$1,000,000. Since the conversion prices were not "fixed-for-fixed", the conversion feature was accounted for as a derivative liability and was valued using the Black Scholes model.

During the year ended 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. The fair value of the warrant at June 30, 2014, was $38,922 calculated using a Black Scholes option pricing model and recorded as a derivative liability with the remaining proceeds allocated to share subscriptions.

The following table summarizes the changes in the derivative liability. As the instruments no longer exist at June 30, 2015, there is no further obligation and the derivative liabilities have been derecognized.

	June 30, 2015	June 30, 2014
Balance, beginning of year	**$ 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**	-
Convertible loan - 1st tranche, at inception	**53,805**	-
Convertible loan - 2nd tranche, at inception	**476,294**	-
Stock options with US$ exercise price, at inception	**10,325**	-
Fair value of liability transferred in plan of arrangement (Note 4)	**(178,578)**	-
Fair value increase (decrease) in derivative liability	**(1,105,550)**	101,207
Warrants attached to advanced share subscriptions	**(38,922)**	38,922
Balance, end of year	**$ -**	$ 336,700

The fair value of the derivative liabilities were calculated using the Black-Scholes option pricing model using the following range of assumptions:

	June 30, 2015	June 30, 2014
Expected life	**.03 to 1.66 years**	.78 to 1 years
Expected volatility	**137 - 163%**	126 - 147%
Expected dividend yield	**nil%**	nil%
Risk-free interest rate	**0.97 - 1.01%**	0.97 - 1.00%

(in Canadian dollars)

13. RELATED PARTY TRANSACTIONS

(a) Related party transactions

The Company's related parties include its subsidiaries and key management personnel. As at June 30, 2015, the Company owed $ nil (June 30, 2014 - $26,465) to officers and directors, amounts which were unsecured, non-interest bearing and have no fixed terms of repayment. In addition, the Company obtained and repaid certain loans payable as described in Note 11.

(b) Compensation of directors and other key management personnel

Key management includes the President, Chief Executive Officer and the Chief Financial Officer and their controlled companies. Compensation paid or payable to key management for services provided during the years ended June 30, 2015 and 2014 was as follows:

		2015		2014
Consulting, Management, Directors' fee and Professional fees	**$**	**1,149,777**	$	1,045,517
Settlement fees to a former director/officer, cashless exercise of options		**-**		224,200
Fair value of shares and warrants issued to key management personnel to settle debt		**-**		434,457
Share-based compensation		**73,284**		71,421
Compensation paid to related parties	**$**	**1,223,061**	$	1,775,595

For the year ended June 30, 2015, included in Consulting, Management, Directors' fees and Professional fees are amounts paid to key management of $442,654 (2014 - $990,212). During the year ended June 30, 2015, $47,000 (2014 - $18,000) representing share-based compensation associated with the issuance of shares to a former officer was included in consulting fees.

14. INCOME TAXES

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

		2015		2014
Income (loss) before income taxes	**$**	**31,101,570**	$	(7,470,696)
Tax recovery based on the statutory rate of 26% (2014: 26%)	**$**	**8,086,000**	$	(1,942,000)
Non-deductible expenses		**93,000**		261,000
Different tax rates in other jurisdictions		**(89,000)**		(433,000)
Financing costs and other		**(10,000)**		(53,000)
Impact of corporate reorganization		**(3,545,000)**		-
Impact of initial recognition exemption on coal technology and plant prototype		**-**		1,374,000
Changes in unrecognized deferred tax assets		**(3,575,000)**		793,000
Income tax expense	**$**	**960,000**	**$**	**-**

The BC provincial tax and the Canadian Federal corporate tax rate were 11% and 15%, respectively. The US tax rate was 38%.

Deferred Tax Assets and Liabilities

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at June 30, 2015 and 2014 are summarized as follows:

		2015		2014
Tax losses carried forward	**$**	**-**	$	3,584,000
Undeducted financing costs		**75,000**		103,000
Capital assets		**67,000**		30,000
Other tax assets		**15,000**		15,000
		157,000		3,732,000
Unrecognized deferred tax asset		**(157,000)**		(3,732,000)
Net deferred tax asset	**$**	**-**	$	-

As at June 30, 2015, the Company has accumulated non-capital losses of approximately $nil (2014- $13.7 million) for Canadian income tax purposes. Pursuant to the Plan of Arrangement described in Note 4, TMS's unrecognized deferred tax assets were removed from the groups unrecognized deferred tax asset pool. The Company evaluates its deferred tax assets based on projected future operations. When circumstances change and this causes a change in management’s judgment about the recoverability of deferred tax assets, the impact of the change on the unrecognized deferred tax assets are reflected in current income.

15. SEGMENTED INFORMATION

The Company previously operated in one industry segment. At June 30, 2015, the Company has no operations and there was no property and equipment in any geographical area (June 30, 2014 - $78,686 property and equipment in the USA.)

16. FINANCIAL INSTRUMENTS

(a) Fair value information

As at June 30, 2015, the Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. At June 30, 2014, the Company's financial instruments consisted of cash, receivables, accounts payable, accrued liabilities and other payables, derivative liabilities and loans payable. With the exception of the derivative 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.

The categories of the fair value hierarchy that reflect the significance of inputs used in making fair value measurements are as follows:

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);

During the years ended June 30, 2015 and 2014, the Company had derivative liabilities that were required to be recorded at fair value using level 3 inputs (see note 12(e)).

(b) Financial instruments and related risks

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 to finance its business. The Company has no regular cash flow. The Company manages its liquidity risk by forecasting cash flow requirements for its corporate activities.

Interest rate Risk

Interest rate risk is the result that the fair values and future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company was not exposed to significant interest rate risk as loans payable were at fixed interest rates with short-term maturities.

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 was mainly exposed to credit risk from holding cash, which it mitigates from holding balances with major financial institutions.

Currency Risk

The Company was exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in the US$. 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.

The following table presents the carrying amounts of the financial instruments denominated in US$:

	(US Dollars)	
	June 30, 2015	June 30, 2014
Cash	**$ -**	$ 70,541
Accounts payable and accrued liabilities	**(79,820)**	(216,683)
Loans payable	**-**	(875,000)
	$ (79,820)	$ (1,021,142)

17. MANAGEMENT OF CAPITAL

The Company's objectives of capital management are to safeguard its ability to support the Company's normal operating requirements on an ongoing basis and to start to development its mining interest. The Company considers its capital to be share capital.

The Company's is currently not generating any cash flows; as such, the Company is dependent on external and related party financing to fund its costs. The Company does not have any working capital and will need to raise additional amount in order to meet its obligations. Companies in this stage typically rely upon equity and debt financing to fund operations. The Company is not listed on a stock exchange at June 30, 2015. There is no certainty with respect to the Company's ability to raise capital.

At June 30, 2015, the Company expects that it will be able to obtain funding from investors in order to meet its obligations. Additional financing will need to be obtained for the planned development and exploration of the mining interest acquired subsequent to year end.

At June 30, 2015, there was no externally imposed capital requirement to which the Company is subject.

18. SUBSEQUENT EVENT

(a) Goldsmith Property Acquisition

On July 8, 2015, the Company purchased the Goldsmith Property, a gold exploration property located near Kaslo, British Columbia. The Company acquired all the vendor's right, title and interest in the Goldsmith Property for a total of 2,393,334 post-consolidation common shares. The property consists of three mining claims comprising a total area of approximately 350 hectares.

The Company's interest in the Goldsmith Property is subject to an underlying option agreement pursuant to which the Company will be required to make the following payments to maintain its interest: (i) $35,000 on or before April 30, 2016; (ii) $75,000 on or before April 30, 2017; (iii) $110,000 on or before April 30 2018; and (iv) $1,000,000 upon any commencement of commercial production. In addition, the Goldsmith Property is subject to a 3.0% net smelter returns royalty in favour of a prior claimholder, 50% of which may be repurchased for $1,500,000.