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

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended September 30, 2015

(in Canadian dollars)

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

Condensed Interim Consolidated Financial Statements (Unaudited)

Notice of No Auditor Review

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

La Jolla Capital Inc.

(formerly MicroCoal Technologies Inc.)

Condensed Interim Consolidated Statements of Financial Position

(in Canadian dollars)
(Unaudited)

	Notes	At Sept 30 2015	At June 30 2015
ASSETS			
Current			
Cash		**$ -**	$ 129
Receivables		**1,856**	5,093
		1,856	5,222
Goldsmith property	4	**50,000**	-
Total assets		**$ 51,856**	$ 5,222
LIABILITIES AND CAPITAL DEFICIT		**-**	
Current			
Accounts payable and accrued liabilities		**$ 3,410,795**	$ 3,398,160
		3,410,795	3,398,160
CAPITAL DEFICIT			
Share capital	8	**22,240,685**	22,190,685
Deficit		**(25,500,014)**	(25,489,127)
Accumulated other comprehensive loss		**(99,610)**	(94,496)
		(3,358,939)	(3,392,938)
Total liabilities and capital deficit		**$ 51,856**	$ 5,222

Approved on behalf of the Board of Directors:

"Eugene Beukman"
Director

"Amal Thindal"
Director

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

La Jolla Capital Inc.

(formerly MicroCoal Technologies Inc.)

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

For the three months ended September 30

(in Canadian dollars)

(Unaudited)

	Note	2015	2014
Expenses			
Amortization	7	$ -	$ 5,475
Foreign exchange loss		-	5,589
Interest on loans payable		-	6,184
Investor relations, agents and fees		-	37,091
Consulting ,management and director fees		-	161,686
Office, premise and other		3,387	36,380
Professional fees		7,500	161,425
Travel and promotion		-	82,702
Loss before other items		**(10,887)**	(496,532)
Other income (expenses)			
Gain on settlement of debt	5	-	1,528,843
Fair value change in derivative liability	8e	-	(65,471)
		-	1,463,372
Net income (loss)		**(10,887)**	966,840
Other comprehensive income (loss)			
Exchange gain (loss) on translation of foreign operations		(5,114)	3,373
Total comprehensive Income (loss)		**$ (16,001)**	$ 970,213
Earnings (loss) per share, basic and diluted		**$ (0.00)**	$ 0.55
Weighted average number of common shares outstanding			
Basic and diluted	8b	**5,801,222**	1,747,706

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

La Jolla Capital Inc.

(formerly MicroCoal Technologies Inc.)

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended September 30

(in Canadian dollars)

(Unaudited)

	Note	2015	2014
Cash provided by (used in):			
Operating Activities			
Net income (loss) for the year		$ **(10,887)**	$ 966,840
Items not involving cash:			
Amortization		**-**	5,475
Gain on settlement of debt	5	**-**	(1,528,843)
Unrealized foreign exchange		**(1,559)**	3,904
Fair value change in derivative liability	8e	**-**	65,471
		(12,446)	(487,153)
Change in non-cash working capital:			
Receivables		**3,237**	(12,187)
Prepaid expenses		**-**	(117,593)
Accounts payable and accrued liabilities		**9,080**	(219,014)
Contracts in progress		**-**	(115,050)
		(129)	(950,997)
Investing Activities			
Purchase of property and equipment	7	**-**	(61,644)
		-	(61,644)
Financing Activities			
Share issuances and subscriptions	8b	**-**	1,081,463
Share issuance costs		**-**	(19,124)
Loan proceeds		**-**	138,038
Loan repayments		**-**	(164,610)
		-	1,035,767
Increase (decrease) in cash		**(129)**	23,126
Cash, beginning of the period		**129**	86,652
Cash, end of the period		$ **-**	$ 109,778

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

La Jolla Capital Inc.

(formerly MicroCoal Technologies Inc.)

Consolidated Statements of Changes in Equity

(in Canadian dollars)
(Unaudited)

	Notes	Common Shares	Value of Common Shares	Share subscriptions	Share-based payment reserves	Deficit	Accumulated other comprehensive loss	Total
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	8b	**16,700**	**177,788**	**(68,676)**	**-**	**-**	**-**	**109,112**
Private placement - 5th tranche	8b	**3,350**	**359,511**	**-**	**-**	**-**	**-**	**359,511**
Private placement - 6th tranche	8b	**55,200**	**601,840**	**-**	**-**	**-**	**-**	**601,840**
Issue costs	8b	**-**	**(31,002)**	**-**	**11,878**	**-**	**-**	**(19,124)**
Proceeds allocated to derivative	8e	**-**	**(317,042)**	**-**	**-**	**-**	**-**	**(317,042)**
Stock options exercised	8d	**100,000**	**11,000**	**-**	**-**	**-**	**-**	**11,000**
Reclass of fair value of stock options exercised		**-**	**8,822**	**-**	**(8,822)**	**-**	**-**	**-**
Income for the period		**-**	**-**	**-**	**-**	**966,480**	**-**	**966,480**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**3,373**	**3,373**
Balance, September 30, 2014		**1,846,416**	**$ 18,814,050**	**$ -**	**$ 2,698,163**	**$(22,595,699)**	**$ (64,925)**	**$ (1,148,411)**
Balance, July 1, 2015		**3,589,990**	**$ 22,190,685**	**$ -**	**$ -**	**$(25,489,127)**	**$ (94,496)**	**$ (3,392,938)**
Shares issued for Goldsmith Property	8b	**2,393,334**	**50,000**	**-**	**-**	**-**	**-**	**50,000**
Loss for the period		**-**	**-**	**-**	**-**	**(10,887)**	**-**	**(10,887)**
Other comprehensive loss		**-**	**-**	**-**	**-**	**-**	**(5,114)**	**(5,114)**
Balance, September 30, 2015		**5,983,324**	**$ 22,240,685**	**$ -**	**$ -**	**$(25,500,014)**	**$ (99,610)**	**$ (3,358,939)**

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 1128-789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The Company changed its name from MicroCoal Technologies Inc. to La Jolla Capital Inc. on May 21, 2015. See Note 3 for more discussion on the Plan of Arrangement.

The Company`s principal business activity (subsequent to the Plan of Arrangement) is the exploration and development of mineral properties. The Company holds 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited amended consolidated financial statements for the year ended June 30, 2015.

The accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited amended consolidated financial statements for the year ended June 30, 2015. The Company's interim results are not necessarily indicative of its results for a full year.

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 30, 2015.

(b) Going Concern of Operations

At September 30, 2015, the Company incurred a loss of $10,887 for the three months then ended (three months ended September 30, 2014 - income of $966,940), had a working capital deficit of $3,408,939 and has accumulated losses of $25,500,014 since its inception. The Company expects to incur further losses in the development of its new business. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. 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 condensed interim 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 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.

(c) Basis of measurement

These unaudited condensed interim 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. In addition, the Company amended its financial statements for the three and six months ended December 31, 2014 and the impact of those amendments on the three months ended September 30, 2014 are reflected in these consolidated financial statements.

In preparing the Company's unaudited condensed interim consolidated financial statements for the three months ended September 30, 2015, the Company applied the estimates regarding tax as disclosed in note 3(a) of its audited amended consolidated financial statements for the year ended June 30, 2015. The Company purchased a mineral interest in the three months ended September 30, 2015 by issuing common shares. As the Company's common shares at that date were not listed and there was no comparable market measure of the value of the interest, Management estimated the value of the mining interest.

(in Canadian dollars)

2. BASIS OF PREPARATION (continued)

(d) 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.

Pursuant to the Plan of Arrangement, MTI and its subsidiaries Carbon Friendly Solutions Inc. (formerly Global CO2 Reduction Inc.) and MicroCoal International Inc. were amalgamated effective immediately before the transfer of assets contemplated under the Plan of Arrangement. Effective, May 21, 2015, the Company lost control of Targeted Microwave Solutions USA Inc. and therefore the Company derecognized the carrying values of the assets and liabilities of TMS at May 21, 2015 from the Consolidated Statements of Financial Position. See Note 3 - 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 operations and its old operations.

3. 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 in a common-control transaction 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 8). 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 $34,766,886 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.

(in Canadian dollars)

4. 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 the vendor's right, title and interest in the Goldsmith Property for a total of 2,393,334 common shares. The property consists of three mining claims comprising a total area of approximately 350 hectares. The Company determined that the fair value of the property at September 30, 2015 was $50,000.

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.

5. 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 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 Orica and the loans payable and accrued liability was derecognized. The Company paid $160,065 (US$150,000) to Orica in satisfaction of all amounts owing. The following is a summary of the transactions related to the purchase of the coal technology and plant prototype:

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		(733,306)
Repayment		(160,065)
Loan balance June 30, 2015	$	-
Accrued interest to Orica set up in 2011, 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		(795,537)
Balance, June 30, 2015	$	-

6. SUPPLEMENTAL CASH FLOW INFORMATION

Three months ended September 30		**2015**		2014
Interest paid	**$**	**-**	$	6,184
Income taxes paid	**$**	**-**	$	-
Items that are excluded from the investing and financing activities:				
Fair value of stock options exercised	**$**	**-**	$	8,822
Fair value of agent warrants issued as share issuance costs	**$**	**-**	$	11,878

7. PROPERTY AND EQUIPMENT

Property and equipment		Equipment		Leasehold improvements		Total
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	$	-	$	-	$	-
September 30, 2015	$	-	$	-	$	-

(in Canadian dollars)

7. PROPERTY AND EQUIPMENT (continued)

Accumulated amortization	Equipment	Leasehold improvements	Total
June 30, 2014	-	-	-
Amortization	5,475	-	5,475
Impairment of asset	(5,475)	-	(5,475)
June 30, 2015	-	-	-
September 30, 2015	$ -	$ -	$ -
Net book value, June 30, 2015	$ -	$ -	$ -
Net book value, September 30, 2015	**$ -**	**$ -**	**$ -**

On May 21, 2015, the equipment and leasehold improvements associated with the microwave technology business were transferred to TMS (Note 3). 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.

8. 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 3). 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.

Three months ended September 30, 2015

On July 8, 2015, the Company purchased the Goldsmith Property in exchange for 2,393,334 (post-consolidation) common shares.

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 in a cashless exercise of options worth $47,000, 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 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).

(in Canadian dollars)

8. SHARE CAPITAL (continued)

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 and granted finder's warrants to purchase 520 (pre-consolidation 26,000) units.

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 and granted finder's warrants to purchase 350 (pre-consolidation 17,500) units.

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 and granted finder's warrants to purchase 1,670 (pre-consolidation 83,500) units.

c) Warrants

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 September 30, 2015.

A summary of the status of the warrants outstanding is as follows:

	Pre-consolidation		Post-consolidation	
	Number	Price	Number	Price
Balance, June 30, 2014	38,959,366	0.29	779,187	14.50
Issued (1)	**6,458,741**	0.30	**129,175**	15.00
Expired	**(12,504,221)**	0.29	**(250,084)**	14.34
Exchanged	**(32,913,886)**	0.30	**(658,278)**	14.79
Balance, June 30, 2015 and September 30, 2015	**-**	$ -	**-**	$ -

(1) During the three months ended September 30, 2014, the Company issued 107,940 (pre-consolidation 5,397,000) warrants at exercise prices of US$10.00 and US$15.00 (pre-consolidation US$0.20 and US$0.30) per warrant. These warrants were exchanged as pursuant to the Plan of Arrangement on May 21, 2015.

d) Stock options

At September 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. There was no share-based compensation related to stock options during the three months ended September 30, 2015 or 2014.

(in Canadian dollars)

8. SHARE CAPITAL (continued)

d) Stock options (continued)

The following table summarizes the changes in stock options:

	Pre-consolidation		Post-consolidation	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
Outstanding, June 30, 2014	**3,465,000**	0.20	**69,300**	10.00
Granted (1)	**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 (2)	**(3,220,000)**	0.18	**(64,400)**	9.00
Outstanding and exercisable, June 30, 2015 and September 30, 2015	**-**	$ -	**-**	$ -

(1) During the three months ended September 30, 2014, 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. During the three months ended September 30, 2015 there was no option activity. In addition, during the remainder of the year ended June 30, 2015, the Company granted 6,267 (pre-consolidation 313,333) fully exercisable options to a service provider at an exercise price of $7.50 (pre-consolidation $0.15) per share. These services were valued at $26,284 and this amount was included in the share based payment reserve. A former director of the Company exercised 2,000 (pre-consolidation 100,000) options during the three months ended September 30, 2014 at an exercise price of $5.50 (pre-consolidation $0.11) per share.

(2) On May 21, 2015, subject to the terms of the Agreement all 64,400 (pre-consolidation 3,220,000) issued and outstanding options were cancelled.

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 Statement 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.

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 were derecognized.

Balance, July 1, 2014	**$ 336,700**
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 3)	**(178,578)**
Fair value increase (decrease) in derivative liability	**(1,105,550)**
Warrants attached to advanced share subscriptions	**(38,922)**
Balance, June 30, 2015 and September 30, 2015	$ -

The fair value of the derivative liability for the three months ended September 30, 2014 was calculated using the Black-Scholes option pricing model based on the following assumptions: expected life of 0.53 to .87 years, expected volatility of 135-155%, risk free interest rate of 1.00% and a dividend yield of nil. The fair value change in the derivative liability for the three months ended September 30, 2014 was $65,471.

9. FINANCIAL INSTRUMENTS

(a) Fair value information

As at September 30, 2015, the Company's financial instruments consist of accounts receivable and accounts payable and accrued liabilities. At June 30, 2015, the Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. 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.

At September 30, 2015 and June 30, 2015, all financial assets and liabilities were classified in the fair value hierarchy as level 1. There were no transfers between levels during the three months ended September 30, 2015.

(b) Financial instruments and related risks

The new management of La Jolla has not put into place a risk management strategy as yet as there are no significant assets or operations. Prior to the Arrangement, Microcoal was exposed to risks which are described in note 16 to the Company's amended consolidated financial statements for the year ended June 30, 2015. The following risks exist at September 30, 2015.

Liquidity Risk

At September 30, 2015, the Company held no cash balances (June 30, 2015 - $129), had negative working capital of $3,408,939 (June 30, 2015 - $3,392,938) and had no cash flow from operations. At September 30, 2015, the Company expects that it will be able to obtain funding from investors in order to meet its obligations.

Currency Risk

The Company is exposed to currency risk related to certain accounts payable and accrued liabilities and other payable amounts which were denominated in US$. As at September 30, 2015, there were US$79,820 denominated in US$ (June 30, 2015 - $79,820).