

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

**Condensed Interim Consolidated Financial Statements
(Unaudited)**

For the nine months ended March 31, 2016

(in Canadian dollars)

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

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(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 March 31, 2016	At June 30, 2015
ASSETS			
Current			
Cash		\$ 28,153	\$ 129
Receivables		5,093	5,093
		33,246	5,222
Goldsmith property	4	50,000	-
Total assets		\$ 83,246	\$ 5,222
LIABILITIES AND CAPITAL DEFICIT			
Current			
Accounts payable and accrued liabilities		\$ 3,495,743	\$ 3,398,160
Loans payable	7	82,734	-
		3,578,477	3,398,160
CAPITAL DEFICIT			
Share capital	8	22,240,685	22,190,685
Deficit		(25,638,541)	(25,489,127)
Accumulated other comprehensive loss		(97,375)	(94,496)
		(3,495,231)	(3,392,938)
		\$ 83,246	\$ 5,222

Nature of Operations (Note 1)

Approved on behalf of the Board of Directors:

"Eugene Beukman"
Director

"Aman Thindal"
Director

La Jolla Capital Inc.
(formerly MicroCoal Technologies Inc.)
Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
For the three and nine months ended March 31, 2016 and 2015
(in Canadian dollars)
(Unaudited)

	Notes	Three months ended March 31, 2016	Three months ended March 31, 2015	Nine months ended March 31, 2016	Nine months ended March 31, 2015
Expenses					
Amortization		\$ -	\$ (255)	\$ -	\$ 5,475
Accretion expense		-	(77,596)	-	-
Foreign exchange gain		-	76,158	-	2,153
Interest on notes payable		-	442	-	12,279
Investor relations, agents and fees		998	5,431	15,665	51,541
Consulting, management and director fees	11	21,000	656,622	93,500	1,337,281
Office, premise and other		20	40,767	3,523	107,324
Professional fees	11	6,000	111,063	36,726	432,065
Share-based compensation		-	-	-	26,284
Travel and promotion		-	4,892	-	133,079
Loss before other items		(28,018)	(817,524)	(149,414)	(2,107,481)
Other income (expenses)					
Gain (loss) on settlement of debt and lawsuit		-	-	-	1,494,843
Fair value change in derivative liability		-	404,079	-	641,587
		-	404,079	-	2,136,430
Net income (loss) for the period		(28,018)	(413,445)	(149,414)	28,949
Other comprehensive income (loss)					
Foreign currency translation adjustment		5,198	60,522	(2,879)	22,505
Total comprehensive income (loss)		\$ (22,820)	\$ (352,923)	\$ (152,293)	\$ 51,454
Earnings (loss) per share, basic and diluted		\$ (0.01)	\$ (0.14)	(0.03)	\$ 0.01
Weighted average number of common shares outstanding, basic and diluted		5,983,324	2,986,871	5,922,180	2,165,591

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 nine months ended March 31, 2016 and 2015
(in Canadian dollars)
(Unaudited)

Notes	Nine months ended March 31, 2016	Nine months ended March 31, 2016
Cash provided by (used in):		
Operating Activities		
Net income (loss) for the period	\$ (149,414)	\$ 28,949
Items not involving cash:		
Amortization	-	5,475
Share-based compensation	-	26,284
Gain (loss) on settlement of debt	-	(1,494,843)
Fair value of options issued for rent	-	10,325
Fair value of shares issued for services	-	47,000
Unrealized foreign exchange	(2,879)	2,153
Fair value change in derivative liability	-	(641,587)
	(152,293)	(2,016,244)
Change in non-cash working capital:		
Receivables	-	(36,078)
Prepaid expenses	-	(94,343)
Accounts payable and accrued liabilities	97,583	(1,055,087)
Contracts in progress	-	(115,050)
	(54,710)	(3,316,802)
Investing Activities		
Purchase of property and equipment	-	(2,031,301)
Investment in Joint Venture	-	(900,000)
	-	(2,931,301)
Financing Activities		
Share issuances and subscriptions	-	14,067,406
Share issuance costs	-	(38,494)
Loan proceeds	82,734	1,267,803
Loan repayments	-	(934,100)
	82,734	14,362,615
Increase (decrease) in cash	28,024	8,114,512
Cash, beginning of the period	129	86,652
Cash, end of the period	\$ 28,153	\$ 8,201,164

Supplemental cash flow information (Note 10)

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 Changes in Equity
For the nine months ended March 31, 2016 and 2015
(in Canadian dollars)
(Unaudited)

	Notes	Shares	Amount	Share subscriptions	Share-based payment reserves	Deficit	Cumulative other comprehensive income	Total
Balance, July 1, 2014		1,671,167	\$ 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	33,500	359,511	-	-	-	-	359,511
Private placement – 6th tranche	8b	55,200	601,840	-	-	-	-	601,840
Private placement – 7th tranche	8b	20,235	228,943	-	-	-	-	228,943
SOHL investment	8b	1,400,933	11,857,000	-	-	-	-	11,857,000
China Joint Venture investment	8b	120,000	900,000	-	-	-	-	900,000
Issue costs	8b	-	(55,172)	-	16,678	-	-	(38,494)
Proceeds allocated to derivative	8g	-	(445,926)	-	-	-	-	(445,926)
Shares issued to settle lawsuit	8b	4,000	34,000	-	-	-	-	34,000
Stock options exercised	8b	8,266	58,000	-	-	-	-	58,000
Fair value of stock options exercised			39,701	-	(39,701)	-	-	-
Share-based settlements and payments for services		-	-	-	26,284	-	-	26,284
Income for the period		-	-	-	-	(167,892)	-	(167,892)
Other comprehensive loss		-	-	-	-	-	22,505	22,505
Balance, March 31, 2015		3,330,001	\$ 31,758,818	\$ -	\$ 2,698,368	\$ (23,730,071)	\$ (45,793)	\$ 10,681,322
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		-	-	-	-	(149,414)	-	(149,414)
Other comprehensive loss		-	-	-	-	-	(2,879)	(2,879)
Balance, March 31, 2016		5,983,324	\$ 22,240,685	\$ -	\$ -	\$ (25,638,541)	\$ (97,375)	\$ (3,495,231)

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

La Jolla Capital Inc.
(formerly MicroCoal Technologies Inc.)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended March 31, 2016 and 2015
(in Canadian dollars)
(Unaudited)

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 May 27, 2016.

(b) Going Concern of Operations

At March 31, 2016, the Company incurred a loss of \$149,414 for the nine months then ended (nine months ended March 31, 2015 - income of \$28,949), had a working capital deficit of \$3,545,231 and has accumulated losses of \$25,638,541 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 its 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.

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2. BASIS OF PREPARATION (continued)

(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 preparing the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended March 31, 2016, 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 nine months ended March 31, 2016 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.

(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.

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3. PLAN OF ARRANGEMENT (continued)

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

	<u>May 21, 2015</u>
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)
	<u>\$ 10,108,132</u>
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.

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 March 31, 2016 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 (extended for 6 months); (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.

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5. COAL TECHNOLOGY AND PLANT PROTOTYPE (continued)

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 and March 31, 2016	\$	-
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 and March 31, 2016		-

6. PROPERTY AND EQUIPMENT

	Equipment	Leasehold improvements	Total
Costs			
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 and March 31, 2016	\$ -	\$ -	\$ -
Accumulated amortization			
June 30, 2014	\$ -	\$ -	\$ -
Amortization	5,475	-	5,475
Impairment of asset	(5,475)	-	(5,475)
June 30, 2015 and March 31, 2016	\$ -	\$ -	\$ -
Net book value			
June 30, 2015	\$ -	\$ -	\$ -
March 31, 2016	\$ -	\$ -	\$ -

7. LOANS PAYABLE

As at March 31, 2016, the Company had loans payable of \$82,734 to unrelated parties. The loans are unsecured, non-interest bearing and are due on demand.

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Notes to the Condensed Interim Consolidated Financial Statements
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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.

Nine months ended March 31, 2016

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).

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8. SHARE CAPITAL (continued)

(b) Issued and Outstanding (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 March 31, 2016.

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	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 March 31, 2016	-	\$ -	-	\$ -

(d) Stock options

At March 31, 2016, 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 nine months ended March 31, 2016.

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8. SHARE CAPITAL (continued)

(d) Stock options (continued)

The following table summarizes the changes in stock options:

	Pre-consolidation		Post-consolidation	
	Number	Price	Number	Price
Outstanding, June 30, 2014	3,465,000	\$ 0.20	69,300	\$ 10.00
Granted	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	(3,220,000)	\$ 0.18	(64,400)	\$ 9.00
Outstanding and exercisable, June 30, 2015 and March 31, 2016	-	\$ -	-	\$ -

During the nine months ended March 31, 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 and 6,267 (pre-consolidation 313,333) options at an exercise price of \$7.50 (pre-consolidation \$0.15) per option. These services were valued at \$26,284 and this amount was included in the share based payment reserve. The US\$ options were accounted for as a derivative liability and remeasured at period end.

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.

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8. SHARE CAPITAL (continued)

(e) Derivative liability (continued)

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)
<hr/>		
Balance, June 30, 2015 and March 31, 2016	\$	-

The fair value of the derivative liability for the nine months ended March 31, 2015 was calculated using the Black-Scholes option pricing model based on the following assumptions: expected life of 0.28 to 2 years, expected volatility of 135-183%, risk free interest rate of 0.97-1.01% and a dividend yield of nil%.

9. FINANCIAL INSTRUMENTS

(a) Fair value information

As at March 31, 2016, the Company's financial instruments consist of cash and accounts payable. At June 30, 2015, the Company's financial instruments consist of cash, accounts receivable and accounts 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.

At March 31, 2016 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 nine months ended March 31, 2016.

(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 March 31, 2016.

Liquidity Risk

At March 31, 2016, the Company held cash of \$28,153 (June 30, 2015 - \$129), had negative working capital of \$3,545,231 (June 30, 2015 - \$3,392,938). At March 31, 2016, the Company expects that it will be able to obtain funding from investors in order to meet its obligations.

Currency Risks

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 March 31, 2016, there were US\$59,820 denominated in US\$ (June 30, 2015 - \$79,820).

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10. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months ended March 31, 2016	Nine months ended March 31, 2015
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
Items that are excluded from the investing and financing activities:		
Fair value of stock options exercised	\$ -	\$ 39,701
Fair value of agent warrants issued as share issuance costs	\$ -	\$ 16,678
Fair value of shares issued to joint venture entity	\$ -	\$ 12,757,000
Issuance of shares for services	\$ -	\$ 47,000
Issuance of shares and warrants for debt settlements	\$ -	\$ 34,000
Issuance of shares for Goldsmith property	\$ 50,000	\$ -

11. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

As at March 31, 2016, the Company owed \$114,270 to various directors and their companies, which is included in accounts payable and accrued liabilities.

The remuneration of directors and key management personnel during the three and nine months ended March 31, 2016 and 2015 are as follows:

	Nine months ended March 31, 2016	Nine months ended March 31, 2015
Management, consulting, directors' and professional fees	\$ 113,500	\$ 318,083
Fair value of shares and warrants issued to key management personnel to settle debt	-	26,284
	\$ 113,500	\$ 344,367

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.