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

Consolidated Financial Statements

Year ended June 30, 2016

(in Canadian dollars)

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Adam Kim

ADAM SUNG KIM LTD.
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying consolidated financial statements of La Jolla Capital Inc. (formerly MicroCoal Technologies Inc.) (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2016 and June 30, 2015, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years ended June 30, 2016 and June 30, 2015, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2016 and June 30, 2015, and its financial performance and its cash flow for the years ended June 30, 2016 and June 30, 2015 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying my opinion, I draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter
The consolidated financial statements of the Company for the year ended June 30, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on November 27, 2015. I draw attention to Note 14 of the consolidated financial statements which indicates the existence of a restatement to the financial statements for its year ended June 30, 2015 due to an accounting error in measuring the fair value of assets distributed.

"Adam Sung Kim Ltd."
Chartered Professional Accountant

Burnaby, British Columbia
October 11, 2016

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

	Notes		At June 30, 2016		At June 30, 2015 (Restated) Note 14
ASSETS					
Current					
Cash		**$**	**15,101**	$	129
Receivables			**5,233**		5,093
Total assets		**$**	**20,334**	$	5,222
LIABILITIES AND CAPITAL DEFICIT					
Current					
Accounts payable and accrued liabilities		**$**	**407,393**	$	288,160
Loans payable	6		**82,734**		-
			490,127		288,160
CAPITAL DEFICIT					
Share capital	7		**22,240,685**		22,190,685
Deficit			**(22,612,876)**		(22,379,127)
Accumulated other comprehensive loss			**(97,602)**		(94,496)
			(469,793)		(282,938)
		$	**20,334**	$	5,222

Nature of Operations (Note 1)

Approved on behalf of the Board of Directors:

"Eugene Beukman"
Director

"Aman Thindal"
Director

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

La Jolla Capital Inc.
(formerly MicroCoal Technologies Inc.)
Consolidated Statements of Comprehensive Income (Loss)
For the years ended June 30, 2016 and 2015
(in Canadian dollars)

	Notes	June 30, 2016	June 30, 2015 (Restated) Note 14
Expenses			
Accretion expense		$ -	$ 575,823
Amortization		-	5,475
Consulting, management and director fees	11	117,500	1,336,597
Foreign exchange gain		-	(389,432)
Interest on notes payable		-	14,151
Investor relations, agents and fees		10,186	77,680
Office, premise and other		4,994	81,126
Patents and engineering		-	65,745
Professional fees	11	51,726	516,643
Rent		-	10,325
Share-based compensation		-	1,466,284
Transfer agent and regulatory fees		-	41,374
Travel and promotion		-	171,569
Wages and benefits		-	19,568
Loss before other items		(184,406)	(3,992,928)
Other income (expenses)			
Fair value change in derivative liability		-	1,105,550
Gain on distribution		-	16,816,878
Gain on settlement of debt and lawsuit		-	1,494,843
Impairment of assets		(50,000)	(134,855)
Interest income		657	12,074
		(49,343)	19,294,490
Net income (loss) for the year		(233,749)	15,301,562
Other comprehensive income (loss)			
Foreign currency translation adjustment		(3,106)	(26,198)
Total comprehensive income (loss)		$ (236,855)	$ 15,275,364
Earnings (loss) per share, basic and diluted		$ (0.04)	$ 5.98
Weighted average number of common shares outstanding, basic and diluted		5,937,424	2,557,153

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

La Jolla Capital Inc.
(formerly MicroCoal Technologies Inc.)
Consolidated Statements of Cash Flows
For the years ended June 30, 2016 and 2015
(in Canadian dollars)

	Notes	June 30, 2016	June 30, 2015 (Restated) Note 14
Cash provided by (used in):			
Operating Activities			
Net income (loss) for the year		$ (233,749)	$ 15,301,562
Items not involving cash:			
Accretion on loans payable		-	575,823
Amortization		-	5,475
Fair value change in derivative liability		-	(1,105,550)
Fair value of options issued for rent		-	10,325
Fair value of shares issued for services and loans		-	(39,701)
Gain on distribution		-	(16,816,878)
Gain on settlement of debt		-	(1,494,843)
Impairment of assets		50,000	134,855
Unrealized foreign exchange		(3,106)	(20,266)
Share-based compensation		-	1,466,284
		(186,855)	(1,982,914)
Change in non-cash working capital:			
Receivables		(140)	(48,724)
Prepaid expenses		-	(4,093)
Accounts payable and accrued liabilities		119,233	(453,054)
Contracts in progress		-	(115,050)
		(67,762)	(2,603,835)
Investing Activities			
Purchase of property and equipment		-	(3,638,263)
		-	(3,638,263)
Financing Activities			
Share issuances and subscriptions		-	13,254,107
Share issuance costs		-	(77,416)
Loan proceeds		82,734	1,267,803
Loan repayments		-	(1,664,463)
Transfer of cash as a result of Plan of Arrangement		-	(6,624,456)
		82,734	6,155,575
Increase (decrease) in cash		14,972	(86,523)
Cash, beginning of the period		129	86,652
Cash, end of the period		$ 15,101	$ 129

Supplemental cash flow information (Note 10)

La Jolla Capital Inc.
(formerly MicroCoal Technologies Inc.)
Consolidated Statements of Changes in Equity
For the years ended June 30, 2016 and 2015
(in Canadian dollars)

	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	7b	16,700	177,788	(68,676)	-	-	-	109,112
Private placement – 5th tranche	7b	33,500	359,511	-	-	-	-	359,511
Private placement – 6th tranche	7b	55,200	601,840	-	-	-	-	601,840
Private placement – 7th tranche	7b	20,235	228,943	-	-	-	-	228,943
Issue costs	7b	-	(55,172)	-	16,678	-	-	(38,494)
Proceeds allocated to derivative	7g	-	(445,926)	-	-	-	-	(445,926)
SOHL investment	7b	1,580,933	11,857,000	-	-	-	-	11,857,000
Shares issued for services	7b	200,000	1,440,000	-	-	-	-	1,440,000
Shares issued to settle lawsuit	7b	4,000	34,000	-	-	-	-	34,000
Stock options exercised	7b	8,266	58,000	-	-	-	-	58,000
Reclass of fair value of stock options exercised			39,701	-	(39,701)	-	-	-
Share-based settlements and payments for services		-	-	-	26,284	-	-	26,284
Reclass of share-based payment reserve		-	-	-	(2,698,368)	2,698,368	-	-
Distribution		(11)	(10,108,133)	-	-	(16,816,878)	-	(26,925,011)
Income for the year		-	-	-	-	15,301,562	-	15,301,562
Other comprehensive loss		-	-	-	-	-	(26,198)	(26,198)
Balance, June 30, 2015 (Restated)	14	3,589,990	$ 22,190,685	$ -	$ -	$ (22,379,127)	$ (94,496)	$ (282,938)
Share issuance								
Shares issued for property	7b	2,393,334	50,000	-	-	-	-	50,000
Loss for the year		-	-	-	-	(233,749)	-	(233,749)
Other comprehensive loss		-	-	-	-	-	(3,106)	(3,106)
Balance, June 30, 2016		5,983,324	$ 22,240,685	$ -	$ -	$ (22,612,876)	$ (97,602)	$ (469,793)

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 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 4 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 is a reporting issuer in the provinces of Alberta, British Columbia and Ontario.

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") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on October 11, 2016.

(b) Going Concern of Operations

At June 30, 2016, the Company has a working capital deficit of $469,793 (June 30, 2015 – deficit of $282,938) and has accumulated losses of $22,612,876 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 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.

2. BASIS OF PREPARATION (continued)

(c) 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 with 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. Tax legislation, regulation and interpretation require estimates and judgments 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 for which the ultimate tax treatment is uncertain and may be subject to change on assessment with the relevant tax authority.

(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 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 operations and its old operations.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) 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 as other comprehensive income (loss).

A foreign currency translation 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.

(b) 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.

(c) 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 receivable

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and 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.

(d) 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).

(e) 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.

(f) 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.

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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.

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 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 9). 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 (Restated) (Note 14)
Fair value of assets distributed	$	26,925,011
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
Gain on distribution	$	16,816,878

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 $16,816,878 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.

5. 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 (Note 7).

The Company's interest in the Goldsmith Property was subject to an underlying option agreement pursuant to which the Company would be required to make the following payments to maintain its interest: (i) $35,000 on or before April 30, 2016 (extended for 6 months, not paid); (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 was 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.

During the year ended June 30, 2016, the option agreement was terminated; subsequently, the Company recorded a provision for write-down of $50,000 related to the Goldsmith Property.

6. LOANS PAYABLE

As at June 30, 2016, the Company had loans payable of $82,734 to unrelated parties. The loans are unsecured, non-interest bearing and are due on demand.

7. 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, 2016

On July 8, 2015, the Company purchased the Goldsmith Property in exchange for 2,393,334 (post-consolidation) common shares valued at $50,000 (Note 5).

7.SHARE CAPITAL (continued)

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).

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.

(in Canadian dollars)

7.SHARE CAPITAL (continued)

(b) 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 June 30, 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 June 30, 2016	-	$	-	-	$	-

(c) Stock options

At June 30, 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 year ended June 30, 2016.

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 June 30, 2016	-	$	-	-	$	-

During the year 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 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.

(in Canadian dollars)

7.SHARE CAPITAL (continued)

(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 4)		(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 June 30, 2016	$	-

The fair value of the derivative liability for the year ended June 30, 2015 was calculated using the Black-Scholes option pricing model based on the following assumptions: expected life of 0.03 to 1.66 years, expected volatility of 137-163%, risk free interest rate of 0.97-1.01% and a dividend yield of nil%.

8. FINANCIAL INSTRUMENTS

(a) Fair value information

As at June 30, 2016, the Company’s financial instruments consist of cash, accounts payable and loans 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.

8.FINANCIAL INSTRUMENTS (continued)

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 year ended June 30, 2015, the Company had derivative liabilities that were required to be recorded at fair value using level 3 inputs (see Note 7(e)).

At June 30, 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 year ended June 30, 2016.

(b) Financial instruments and related risks

Liquidity Risk

At June 30, 2016, the Company held cash of $15,101 (June 30, 2015 - $129), had negative working capital of $469,793 (June 30, 2015 - $282,938). At June 30, 2016, the Company expects that it will be able to obtain funding from investors in order to meet its obligations.

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

(in Canadian dollars)

9. 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, 2016. There is no certainty with respect to the Company's ability to raise capital.

At June 30, 2016, 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.

At June 30, 2016, there was no externally imposed capital requirement to which the Company is subject.

10. SUPPLEMENTAL CASH FLOW INFORMATION

		June 30, 2016		June 30, 2015 (Restated)
Interest paid	**$**	**-**	$	14,151
Income taxes paid	**$**	**-**	$	-
Items that are excluded from the investing and financing activities:				
Fair value of agent warrants issued as share issuance costs	**$**	**-**	$	16,678
Fair value of shares issued to joint venture entity	**$**	**-**	$	1,440,000
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**	$	-
Non-cash distribution	**$**	**-**	$	16,816,878

(in Canadian dollars)

11. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

As at June 30, 2016, the Company owed $146,862 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 years ended June 30, 2016 and 2015 are as follows:

		June 30, 2016		June 30, 2015
Management, consulting, directors' and professional fees	$	**146,500**	$	1,149,777
Share-based compensation		**-**		73,284
	$	**146,500**	$	1,223,061

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.

12. INCOME TAXES

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

		June 30, 2016		June 30, 2015 (Restated)
Income (loss) for the year	**$**	**(233,749)**	$	15,301,562
Tax recovery based on the statutory rate of 26% (2015: 26%)		**(60,775)**		3,978,406
Non-deductible expenses and impact of corporate reorganization		**7,721**		(4,346,259)
Changes in unrecognized deferred tax assets		**53,054**		367,853
	$	**-**	$	-

(in Canadian dollars)

12.INCOME TAXES (continued)

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at June 30, 2016 and 2015 are summarized as follows:

		June 30, 2016		June 30, 2015 (Restated)
Tax losses carried forward	**$**	**1,618,286**	$	1,544,154
Capital assets		**29,145**		29,145
Undeducted financing costs and other tax assets		**53,939**		88,017
		1,714,370		1,661,316
Unrecognized deferred tax assets		**(1,714,370)**		(1,661,316)
	$	**-**	$	-

The Company has approximately $6,000,000 of non-capital losses available, which begin to expire through to 2036 and may be applied against future taxable income. At June 30, 2016, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

13.SEGMENTED INFORMATION

The Company previously operated in one industry segment. At June 30, 2016 and 2015, the Company has no operations and there was no property and equipment in any geographical area.

(in Canadian dollars)

14. RESTATEMENT OF 2015 FINANCIAL STATEMENTS

The Company restated its consolidated financial statements for the year ended June 30, 2015 for its accounting treatment related to the Plan of Arrangement described in Note 4. The Company revised the fair value of the assets distributed from $44,875,019 ($0.25 per common share) to $26,925,011 ($0.15 per common share) resulting in a revised gain on distribution of $16,816,878 compared to $34,766,886 as previously reported.

As a result, the Company recognized the following adjustments in its 2015 consolidated financial statements:

Statement of Financial Position

		At June 30, 2015 (As originally reported)		Adjustments		At June 30, 2015 (As restated)
ASSETS						
Current						
Cash	$	129	$		$	129
Receivables		5,093				5,093
Total assets	$	5,222	$		$	5,222
LIABILITIES AND EQUITY						
Current						
Accounts payable and accrued liabilities	$	3,398,160	$	(3,110,000)	$	288,160
Loans payable		-				-
		3,398,160		(3,110,000)		288,160
EQUITY						
Share capital		22,190,685				22,190,685
Deficit		(25,489,127)		3,110,000		(22,379,127)
Accumulated other comprehensive loss		(94,496)				(94,496)
		(3,392,938)		3,110,000		(282,938)
	$	5,222	$	-	$	5,222

(in Canadian dollars)

14. RESTATEMENT OF 2015 FINANCIAL STATEMENTS (continued)

Statement of Comprehensive Income (Loss)

		At June 30, 2015 (As originally reported)		Adjustments		At June 30, 2015 (As restated)
Expenses						
Accretion expense	$	575,823	$		$	575,823
Amortization		5,475				5,475
Consulting, management and director fees		1,336,597				1,336,597
Foreign exchange gain		(389,432)				(389,432)
Interest on notes payable		14,151				14,151
Investor relations, agents and fees		77,680				77,680
Office, premise and other		81,126				81,126
Patents and engineering		65,745				65,745
Professional fees		516,643				516,643
Rent		10,325				10,325
Share-based compensation		1,466,284				1,466,284
Transfer agent and regulatory fees		41,374				41,374
Travel and promotion		171,569				171,569
Wages and benefits		19,568				19,568
Loss before other items		(3,992,928)				(3,992,928)
Other income (expenses)						
Fair value change in derivative liability		1,105,550				1,105,550
Gain on distribution, net		32,616,886		(15,800,008)		16,816,878
Gain on settlement of debt and lawsuit		1,494,843				1,494,843
Impairment of assets		(134,855)				(134,855)
Interest income		12,074				12,074
		35,094,498		(15,800,008)		19,294,490
Net income (loss) for the year before income taxes		31,101,570		(15,800,008)		15,301,562
Current income tax expense		(960,000)		960,000		-
Net income (loss) for the year		30,141,570		(14,840,008)		15,301,562
Other comprehensive income (loss)						
Foreign currency translation adjustment		(26,198)		-		(26,198)
Total comprehensive income (loss)	$	30,115,372	$	(14,840,008)	$	15,275,364
Earnings (loss) per share, basic and diluted	$	11.79	$	(5.81)	$	5.98
Weighted average number of common shares outstanding, basic and diluted		2,557,153		2,557,153		2,557,153

(in Canadian dollars)

14.RESTATEMENT OF 2015 FINANCIAL STATEMENTS (continued)

Statement of Cash Flows

	At June 30, 2015 (As originally reported)	Adjustments	At June 30, 2015 (As restated)
Cash provided by (used in):			
Operating Activities			
Net income (loss) for the year	$ 30,141,570	$ (14,840,008)	$ 15,301,562
Items not involving cash:			
Accretion on loans payable	575,823		575,823
Amortization	5,475		5,475
Fair value change in derivative liability	(1,105,550)		(1,105,550)
Fair value of options issued for rent	10,325		10,325
Fair value of shares issued for services and loans	(39,701)		(39,701)
Gain on distribution	(34,766,886)	17,950,008	(16,816,878)
Gain on settlement of debt	(1,494,843)		(1,494,843)
Impairment of assets	134,855		134,855
Unrealized foreign exchange	(20,266)		(20,266)
Share-based compensation	1,466,284		1,466,284
	(5,092,914)	3,110,000	(1,982,914)
Change in non-cash working capital:			
Receivables	(48,724)		(48,724)
Prepaid expenses	(4,093)		(4,093)
Accounts payable and accrued liabilities	2,656,946	(3,110,000)	(453,054)
Contracts in progress	(115,050)		(115,050)
	(2,603,835)	-	(2,603,835)
Investing Activities			
Purchase of property and equipment	(3,638,263)		(3,638,263)
	(3,638,263)		(3,638,263)
Financing Activities			
Share issuances and subscriptions	13,254,107		13,254,107
Share issuance costs	(77,416)		(77,416)
Loan proceeds	1,267,803		1,267,803
Loan repayments	(1,664,463)		(1,664,463)
Transfer of cash as a result of Plan of Arrangement	(6,624,456)		(6,624,456)
	6,155,575		6,155,575
Increase (decrease) in cash	(86,523)		(86,523)
Cash, beginning of the year	86,652		86,652
Cash, end of the year	$ 129	$	$ 129