La Jolla Capital Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the six months ended December 31, 2017

(in Canadian dollars)

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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.
Condensed Interim Consolidated Statements of Financial Position
(in Canadian dollars)
(Unaudited)

	Notes		At December 31, 2017		At June 30, 2017
ASSETS					
Current					
Cash		**$**	**155**	$	813
Receivables			**1,879**		2,011
Total assets		**$**	**2,034**	$	2,824
LIABILITIES AND CAPITAL DEFICIT					
Current					
Accounts payable and accrued liabilities		**$**	**579,331**	$	525,794
Loans payable	5		**100,538**		86,512
			679,869		612,306
CAPITAL DEFICIT					
Share capital	6		**22,240,685**		22,240,685
Deficit			**(22,824,083)**		(22,752,756)
Accumulated other comprehensive loss			**(94,437)**		(97,411)
			(677,835)		(609,482)
		$	**2,034**	$	2,824

Nature of Operations and Going Concern (Note 1 and 2(b))

Approved on behalf of the Board of Directors:

"Eugene Beukman"
Director

"Amal Thindal"
Director

La Jolla Capital Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended December 31, 2017 and 2016
(in Canadian dollars)
(Unaudited)

	Notes		**Three months ended December 31, 2017**		Three months ended December 31, 2016		**Six months ended December 31, 2017**		Six months ended December 31, 2016
Expenses									
Investor relations, agents and fees		**$**	**-**	$	3,393	**$**	**3,195**	$	6,619
Consulting, management and director fees	10		**24,000**		24,000		**48,000**		48,000
Office, premise and other			**469**		1,200		**849**		2,287
Professional fees	10		**9,000**		11,120		**19,283**		20,120
Loss before other items			**(33,469)**		(39,773)		**(71,327)**		(77,026)
Other income									
Gain on settlement of debt and lawsuit			**-**		-		**-**		12,752
			-		-		**-**		12,752
Net loss for the period			**(33,469)**		(39,773)		**(71,327)**		(64,274)
Other comprehensive loss									
Foreign currency translation adjustment			**-**		(1,854)		**2,974**		(2,500)
Total comprehensive loss		**$**	**(33,469)**	$	(41,627)	**$**	**(68,353)**	$	(66,774)
Loss per share, basic and diluted		**$**	**(0.01)**	$	(0.01)	**$**	**(0.01)**	$	(0.01)
Weighted average number of common shares outstanding, basic and diluted			**5,983,324**		5,983,324		**5,983,324**		5,983,324

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

La Jolla Capital Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the six months ended December 31, 2017 and 2016
(in Canadian dollars)
(Unaudited)

	Notes		Six months ended December 31, 2017		Six months ended December 31, 2016
Cash provided by (used in):					
Operating Activities					
Net loss for the period		$	**(71,327)**	$	(64,274)
Items not involving cash:					
Unrealized foreign exchange			**2,974**		(2,500)
			(68,353)		(66,774)
Change in non-cash working capital:					
Receivables			**132**		2,883
Accounts payable and accrued liabilities			**53,537**		47,029
			(14,684)		(16,862)
Financing Activities					
Loans received			**14,026**		3,975
Repayment of loans			**-**		(2,000)
			14,026		1,975
Decrease in cash			**(658)**		(14,887)
Cash, beginning of the period			**813**		15,101
Cash, end of the period		$	**155**	$	214

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

La Jolla Capital Inc.
Condensed Interim Consolidated Statements of Changes in Equity
For the six months ended December 31, 2017 and 2016
(in Canadian dollars)
(Unaudited)

	Shares		Amount		Deficit		Cumulative other comprehensive income		Total
Balance, June 30, 2016	5,983,324	$	22,240,685	$	(22,612,876)	$	(97,602)	$	(469,793)
Loss for the period	-		-		(64,274)		-		(64,274)
Other comprehensive loss	-		-		-		(2,500)		(2,500)
Balance, December 31, 2016	5,983,324	$	22,240,685	$	(22,677,150)	$	(100,102)	$	(536,567)
Balance, June 30, 2017	5,983,324	$	22,240,685	$	(22,752,756)	$	(97,411)	$	(609,482)
Loss for the period	-		-		(71,327)		-		(71,327)
Other comprehensive loss	-		-		-		2,974		2,974
Balance, December 31, 2017	5,983,324	$	22,240,685	$	(22,824,083)	$	(94,437)	$	(677,835)

The accompanying notes form an integral part of these condensed interim 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 810-789 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.

The Company`s principal business activity is the exploration and development of mineral properties.

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 consolidated financial statements for the year ended June 30, 2017.

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 consolidated financial statements for the year ended June 30, 2017. 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 February 9, 2018.

(b) Going Concern

At December 31, 2017, the Company incurred a loss of $71,327 for the six months then ended (2016 - $64,274), had a working capital deficit of $677,835 and has accumulated losses of $22,824,083 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.

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 six months ended December 31, 2017, the Company applied the estimates regarding tax as disclosed in its audited consolidated financial statements for the year ended June 30, 2017.

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(g) Changes in Accounting Standards not yet effective

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.

IFRS 15 – Revenue from contracts with customers On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers (“IFRS 15”). IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS15 is effective for reporting periods beginning on or after January 1, 2018 with early application permitted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Changes in Accounting Standards not yet effective

IFRS 16 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not been determined.

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 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.

5. LOANS PAYABLE

As at December 31, 2017, the Company had loans payable of $82,734 (June 30, 2017 - $84,709) to unrelated parties and $17,804 (June 30, 2017 - $1,803) to related parties (Note 10). The loans are unsecured, non-interest bearing and are due on demand.

6. SHARE CAPITAL

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

(b) Issued and Outstanding

<u>Share Consolidation</u>

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. 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.

No shares were issued for the six months ended December 31, 2017 and for the year ended June 30, 2017.

7. FINANCIAL INSTRUMENTS

(a) Fair value information

As at December 31, 2017, the Company's financial instruments consist of cash, accounts payable and loans payable. The carrying values of these financial instruments approximate their fair values because of their current nature. All financial assets and financial liabilities are recorded at fair value on initial recognition. All financial assets and financial liabilities are recorded at fair value on initial recognition.

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);

At December 31, 2017 and 2016, cash was classified in the fair value hierarchy as level 1. There were no transfers between levels during the period ended December 31, 2017

(b) Financial instruments and related risks

Liquidity Risk

At December 31, 2017, the Company held cash of $155 (June 30, 2017 - $813), had negative working capital of $677,835 (June 30, 2017 - $609,482). At December 31, 2017, 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 December 31, 2017, there were US$59,820 denominated in US$ (June 30, 2017 – US$59,820).

(in Canadian dollars)

8. 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 December 31, 2017. There is no certainty with respect to the Company's ability to raise capital.

At December 31, 2017, 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 December 31, 2017, there was no externally imposed capital requirement to which the Company is subject.

9. SUPPLEMENTAL CASH FLOW INFORMATION

		Six months ended December 31, 2017		Six months ended December 31, 2016
Interest paid	**$**	**-**	$	-
Income taxes paid	**$**	**-**	$	-

10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

As at December 31, 2017, the Company owed $345,204 (June 30, 2017- $281,219) to various directors and their companies, which is included in accounts payable and accrued liabilities.

As at December 31, 2017, the Company had loans payable of $17,804 (June 30, 2017 - $1,803) to a director of the Company (Note 5).

The remuneration of directors and key management personnel during the six months ended December 31, 2017 and 2016 are as follows:

		Three months ended December 31, 2017		Three months ended December 31, 2016		**Six months ended December 31, 2017**		Six months ended December 31, 2016
Management, consulting, directors' and professional fees	**$**	**33,000**	$	33,000	**$**	**66,000**	$	66,000
	$	**33,000**	$	33,000	**$**	**66,000**	$	66,000

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.