AQUARIUS COATINGS INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

Management's Responsibility for Financial Information

The consolidated financial statements, the notes thereto and other financial information contained in the management's discussion and analysis are the responsibility of management of Aquarius Coatings Inc. and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where necessary, include amounts which reflect management's best estimates and judgments based on current available information. Aquarius Coatings Inc. maintains systems of internal accounting and administrative controls in order to provide reasonable assurance that the Company's assets are appropriately accounted for and adequately safeguarded, and that financial information is accurate and reliable.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management's discussion and analysis.

The Audit Committee is composed of three non-management, independent directors and meets periodically with management and the independent auditors to review internal accounting controls, auditing matters and financial reporting issues, and to satisfy itself that all parties are properly discharging their responsibilities. The Audit Committee reviews the consolidated financial statements and the management's discussion and analysis of financial results and reports its findings to the Board of Directors for its consideration when approving the consolidated financial statements for issuance to the shareholders.

"David J. Hennigar"

David J. Hennigar
Acting Chief Executive Officer

"Lorne S. MacFarlane"

Lorne S. MacFarlane
Chief Financial Officer

July 29, 2014

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of

Aquarius Coatings Inc.We have audited the accompanying consolidated financial statements of Aquarius Coatings Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2014 and March 31, 2013, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aquarius Coatings Inc. and its subsidiaries, as at March 31, 2014 and March 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes material uncertainties that cast significant doubt about the Company's ability to continue as going concern.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
July 29, 2014
Toronto, Ontario

Aquarius Coatings Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Mar 31, 2014	Mar 31, 2013
ASSETS	**$**	$
Current Assets		
Cash	**14,527**	3,364
Accounts receivable (Note 4)	**21,992**	42,429
Inventory (Note 5)	**51,333**	80,668
Prepaid expenses and deposits	**7,684**	5,682
	95,536	132,143
Long-term investment (Note 9)	**112,272**	112,272
Equipment (Note 6)	**3,162**	4,087
	210,970	248,502
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Liabilities		
Accounts payable and accrued liabilities	**72,053**	523,142
Note payable (Note 8)	**200,000**	200,000
Due to related parties (Note 7)	**3,611,489**	3,381,655
	3,883,542	4,104,797
Shareholders' Deficiency		
Share capital (Note 11)	**10,340,865**	10,340,865
Contributed surplus	**5,193,806**	5,193,806
Accumulated other comprehensive income	**112,271**	112,271
Deficit	**(19,319,514)**	(19,503,237)
	(3,672,572)	(3,856,295)
	210,970	248,502

See accompanying notes to the consolidated financial statements

(See Note 2 - Going Concern)
(See Note 15 - Commitments)

Approved on behalf of the Board

"David J. Hennigar"
David J. Hennigar

"N. Gary Van Nest"
N. Gary Van Nest

July 29, 2014

Aquarius Coatings Inc.
Consolidated Statement of Comprehensive Income / (Loss)
(Expressed in Canadian dollars)

	Years Ended	
	Mar 31, 2014	Mar 31, 2013
	$	$
Sales	**205,905**	184,946
Cost of sales	**158,143**	119,860
Gross Margin	**47,762**	65,086
Expenses		
Selling, general and administrative	**313,647**	336,454
Bank Charges and Interest	**25,630**	23,008
Depreciation	**925**	1,215
Write off of accounts payable from prior years (Note 10)	**(476,060)**	(6,746)
	(135,858)	353,931
Net Income (loss) before other items	**183,620**	(288,845)
Other items:		
Interest	**103**	-
Net income (loss)	**183,723**	**(288,845)**
Other comprehensive income (loss) (Note 9)	**-**	101
Total comprehensive income (loss)	**183,723**	(288,744)
Income (loss) per share	**$0.002**	($0.003)
Shares outstanding (Note 11)	107,948,144	107,948,144

See accompanying notes to the consolidated financial statements

Aquarius Coatings Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)
for the years ended March 31, 2014 and 2013

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Accumulated Comprehensive Income	Total
		$	$	$	$	$
Balance March 31, 2012	107,948,144	10,340,865	5,193,806	(19,214,392)	112,170	(3,567,551)
Net loss	-	-	-	(288,845)	-	(288,845)
Other comprehensive income	-	-	-	-	101	101
Balance March 31, 2013	**107,948,144**	**10,340,865**	**5,193,806**	**(19,503,237)**	**112,271**	**(3,856,295)**
Net Income	-	-	-	183,723	-	183,723
Balance March 31, 2014	**107,948,144**	**10,340,865**	**5,193,806**	**(19,319,514)**	**112,271**	**(3,672,572)**

See accompanying notes to the consolidated financial statements

Aquarius Coatings Inc.

Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

	Years Ended	
	Mar 31, 2014	Mar 31, 2013
Cash flows were provided by (used in):		
	$	$
Operating activities		
Net income (loss) for the period	**183,723**	(288,845)
Depreciation (Note 6)	**925**	1,215
Inventory provision	**18,330**	5,013
Write-off of accounts payable from prior years	**(476,060)**	(6,746)
Allowance for doubtful accounts	**8,296**	13,649
Accounts Receivable	**12,141**	(8,388)
Inventory	**11,005**	(17,627)
Prepaid Expenses and deposits	**(2,002)**	600
Accounts payable and accrued liabilities	**24,971**	3,617
	(218,671)	(297,512)
Financing activities		
Advances from related parties	**229,834**	314,326
Increase (decrease) in bank indebtedness	**-**	(10,850)
	229,834	303,476
Investment activities		
Purchase of equipment	**-**	(2,600)
Increase in cash during the year	**11,163**	3,364
Cash, beginning of year	**3,364**	-
Cash, end of year	**14,527**	3,364

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Aquarius Coatings Inc. (the "Company") was incorporated under the *Business Corporations Act* (Ontario) in 1986 with its office located at 190 Marycroft Avenue, Unit 5, Woodbridge, Ontario, L4L 5Y1. Its shares are listed on the Toronto Stock Exchange Venture under the symbol "AQC". The Company markets a broad line of protective coatings for steel, concrete and manufactured goods with distribution throughout North America. Trade names include Blue Steel Primer, Armaglaze, Armabrite, Armacote, Armakleen123, Sure Tred and Saf-T-Seal.

2. GOING CONCERN

The consolidated financial statements for the Company have been prepared on a going concern basis, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company currently has limited operating revenues and during the years ended March 31, 2014 and March 31, 2013 incurred operating income (losses) of $183,723 and ($288,845), respectively. At March 31, 2014 and March 31, 2013, the Company has a working capital deficiency of $3,788,006 and $3,972,654, respectively. Also, at March 31, 2014 and March 31, 2013, the Company has a shareholders' deficiency of $3,672,572 and $3,856,295, respectively. Consequently, the Company's ability to continue as a going concern is dependent on the support of its creditors, the ability to obtain additional financing, and ultimately, the attainment of profitable operations. The Company's lenders, whom are significant shareholders, have indicated that their support will continue over the forthcoming year. However, material uncertainties as measured above cast a significant doubt upon the Company's ability to continue as a going concern.

If the going concern assumption were not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying values of assets and liabilities, the reported loss for the period and Consolidated statement of financial positions.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements are presented in Canadian dollars which is also the Company and its subsidiaries' functional currency.

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 the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These accounting policies are based on the IFRS standards and IFRIC interpretations that are applicable at March 31, 2014.

The policies set out in Note 3 were consistently applied to all the periods presented.

The consolidated financial statements were approved by the board of directors for issuance on July 29, 2014.

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Scotiachemco Holdings Limited and Scotiachemco Inc. Inter-company transactions and balances have been eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Basis of preparation

The consolidated financial statements are prepared on the historical cost basis except for certain assets, liabilities and financial instruments which are measured at their fair values, as explained in the relevant accounting policies set out below.

(d) Accounting estimates

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, revenue and expenses and the accompanying notes. Actual results could differ from these estimates under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The areas that management makes critical estimates, assumptions and judgments are allowance for doubtful accounts, inventories provision, fair value of long-term investments, recoverability of deferred tax assets, and impairment of assets.

(e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of product is recognized upon shipment, when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Company; and the costs incurred or to be incurred in respective of the transaction can be measured reliably. The transfer of risks and rewards occurs based on the terms of the sales contract. The Company sells its products at agreed upon prices to its customers, which reflect prevailing market prices.

(f) Inventories

Inventories include raw materials and finished goods. Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first-in-first-out basis and includes material, subcontract cost, and net realizable value is the anticipated selling price over costs to sell for finished goods and replacement cost for raw materials. Reversal of previous write-downs is required when there is a subsequent increase in the value of inventories.

(g) Equipment

Amortization is provided on equipment over the estimated useful life using the following rates and methods:

Computer equipment	- 50% declining balance
Plant equipment	- 20% declining balance

(h) Income Taxes

Income taxes are calculated using the liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using the substantively enacted rates and laws that are expected to be in effect in the periods that the temporary differences are expected to reverse. The effect of changes in rates is included in the consolidated statement of comprehensive income in the period which included the substantive enactment date. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Foreign Currency

Foreign currency transactions are translated into Canadian dollars at the rate prevailing on the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the rates of exchange in effect at the end of the year. Translation gains and losses are recorded in the consolidated statement of comprehensive loss.

(j) Provisions

A provision is recognized in the consolidated statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Loss per share

Basic loss per share amounts are calculated by dividing net loss for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated by dividing the net loss attributable to common shareholders by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares.

(l) Impairment of assets

Equipment is tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

Impairment losses may be reversed, in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized.

Impairment of financial assets

A financial asset not carried at fair value through profit or loss and an available-for-sale financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Financial Instruments

The Company recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

All financial assets are classified into one of the following four categories: fair value through profit and loss, held to maturity, loans and receivables or available for sale. All financial liabilities are classified into one of the following two categories: fair value through profit or loss or other financial liabilities. The classification determines the accounting treatment of the instrument. The classification is determined by the Company when the financial instrument is initially recorded, based on the underlying purpose of the instrument.

The Company has elected to apply the following classifications to each of its significant categories of financial instruments:

Financial Asset/Liability	Classification	Measurement
Accounts receivable	Loans and receivables	Amortized cost
Long-term Investment	Available-for-sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Note payable	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost

FVTPL financial investments are measured at fair value and all gains and losses are included in consolidated statements of comprehensive loss in the year in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. When available-for-sale financial assets are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, impairment write-downs and foreign exchange translation adjustments are recognized immediately

(n) Fair value measurement

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.
Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1.
Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

(Expressed in Canadian dollars, unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Recent accounting pronouncements

- IFRS 9 'Financial Instruments: Classification and Measurement' – effective for annual periods beginning on or after January 1, 2018, introduces new requirements for the classification and measurement of financial instruments. The effective date for this standard has not been finalized by the IASB. Management anticipates that this standard will be adopted in the Company's consolidated financial statements from the date of application and has not yet considered the impact of the adoption of IFRS 9.
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4. ACCOUNTS RECEIVABLE

		Mar 31, 2014		Mar 31, 2013
Accounts Receivable	**$**	**30,984**	$	96,889
Allowance for doubtful debts		**(8,992)**		(54,460)
	$	**21,992**	$	42,429

Allowance for doubtful debts:		Period Ended		
		Mar 31, 2014		Mar 31, 2013
Balance beginning of period	**$**	**54,460**	$	46,985
Additional allowance for doubtful accounts		**8,296**		13,649
Utilization of provision		**(53,764)**		(6,174)
Balance end of period	**$**	**8,992**	$	54,460

5. INVENTORY

Inventory is comprised as follows:

		Mar 31, 2014		Mar 31, 2013
Raw Materials	**$**	**54,045**	$	67,202
Finished Goods		**42,096**		39,944
		96,141		107,146
Provision for obsolete inventory		**(44,808)**		(26,478)
	$	**51,333**	$	80,668

The amount of inventory recognized as an expense during the year ended March 31, 2014 was $122,913 (2013 - $119,860). The Company recorded a provision of $18,330 (2013 - $5,013) for slow moving inventories, which has been charged to cost of sales. Inventories are pledged as security to the note payable to a related party (Note 7).

(Expressed in Canadian dollars, unless otherwise indicated)

6. EQUIPMENT

March 31, 2013

Description	Cost			Accumulated Depreciation			Net Book Value Mar 31, 2013
	Balance Mar 31, 2012	Additons	Balance Mar 31, 2013	Balance Mar 31, 2012	Depreciation for period	Balance Mar 31, 2013	
Computer equipment	$ 8,219	-	$ 8,219	$ 6,677	$ 463	$ 7,140	$ 1,079
Plant equipment	1,450	2,600	4,050	290	752	1,042	3,008
	$ 9,669	$ 2,600	$ 12,269	$ 6,967	$ 1,215	$ 8,182	$ 4,087

March 31, 2014

Description	**Cost**			**Accumulated Depreciation**			**Net Book Value Mar 31, 2014**
	Balance Mar 31 2013	**Additons**	**Balance Mar 31, 2014**	**Balance Mar 31, 2013**	**Depreciatio n for period**	**Balance Mar 31, 2014**	
Computer equipment	**$ 8,219**	**-**	**$ 8,219**	**$ 7,140**	**$ 324**	**$ 7,464**	**$ 755**
Plant equipment	**4,050**	**-**	**4,050**	**1,042**	**601**	**1,643**	**2,407**
	$ 12,269	**$ -**	**$ 12,269**	**$ 8,182**	**$ 925**	**$ 9,107**	**$ 3,162**

7. RELATED PARTY TRANSACTIONS

Forest Lane Holdings Limited ("FLH"), the Company's ultimate parent company, and a Corporation controlled by David J. Hennigar, Chairman of the Company, owns directly and indirectly 45,882,355 shares (42.5%) of the Company. FLH has provided working capital funding to the Company for a number of years. Refer to Note 11 for further information.

	Mar 31, 2014	Mar 31, 2013
Note payable to Forest Lane Holdings Limited, a company controlled by a shareholder, is non-interest bearing with no specific terms of repayment. The amount is secured by a general security agreement.	**$3,611,489**	$3,381,655

The Company also had a note payable to another related party, whose Vice President is also Chief Financial Officer of the Company, as at March 31, 2014 and March 31, 2013 (Note 8).

The compensation expenses associated with key management and directors for employment or similar services is as follows:

	Mar 31, 2014	Mar 31, 2013
Salaries and other benefits	**$ 86,027**	$ 87,527
	$ 86,027	$ 87,527

(Expressed in Canadian dollars, unless otherwise indicated)

8. NOTE PAYABLE

Notes payable represents a subordinated loan from a Nova Scotia venture capital company to a subsidiary in 1990. The loan is non-interest bearing and unsecured. There have been no principal payments on the loan since 1992 and no payments are anticipated in the near future.

	Mar 31, 2014	Mar 31, 2013
Subordinated promissory note payable, non-interest bearing, unsecured and payable on demand.	**$ 200,000**	$ 200,000

9. LONG TERM INVESTMENT

Woodland Biofuels Inc. ("Woodland")

The Company holds 112,272 shares in Woodland which were originally carried at a nominal value since no readily available market for the shares existed at that time. Woodland completed a private placement of 4,000,000 shares in December 2010 at a price of US$1.00 per share, completed another private placement of 100,000 shares in September 2011 at a price of C$1.00 per share and completed an additional private placement of 500,000 shares at C$1.00 per share in Q2 2012.

In Q3 and Q4 2012 Woodland issued 2,726,900 units at C$1.00 per unit (each unit comprising one common share and one warrant exercisable at $1.50 per share for a 4 year period) and is committed to issue a further 810,200 shares at C$1.00 per share. The Company is using the most recent share issue price as the basis for the fair value measurement of the investment in Woodland. The changes between the values on the statements of financial position dates are recorded in other comprehensive income. There was no change in the valuation during the current year. Woodland is proposing additional private placements and the Company will adjust the valuation of the investment to reflect values at that time.

10. WRITE-OFF OF ACCOUNTS PAYABLE FROM PRIOR YEARS

The Certificate of Incorporation/Amalgamation of Trend Coatings Limited ("Trend"), an inactive wholly owned subsidiary, has been cancelled by the Ministry of Government Services as of September 27, 2010 and the company has been dissolved. The business number and GST/HST numbers have also been cancelled by Canada Revenue Agency. Based on these facts and discussion with legal counsel, management has determined during the year that the accounts payable on behalf of Trend amounting to $476,060 should be written off in the consolidated financial statements of the Company.

(Expressed in Canadian dollars, unless otherwise indicated)

11. SHARE CAPITAL

Share capital consists of the following:
Authorized
Unlimited number of non-voting, non-cumulative preference shares, issuable in series, convertible into one common share and redeemable at their stated capital amount
Unlimited number of common shares

	Number of Shares		Dollar Value	
	Mar 31, 2014	Mar 31, 2013	**Mar 31, 2014**	Mar 31, 2013
Issued				
Common	**107,948,144**	107,948,144	**$ 10,340,865**	$ 10,340,865

At the Annual General and Special Meeting of Shareholders held on February 17, 2014 shareholders passed resolutions approving the following transactions:

(i) the issuance of up to 72,000,000 common shares of the Company at a deemed value of $0.05 per common share in settlement of up to $3,600,000 in current shareholder loans to the Company;

(ii) the consolidation of the Company's common shares on the basis of one (1) new common share for twenty (20) existing common shares after giving effect to the shares issued under item (i) above;

(iii) authorized the board of directors to enter into negotiations for the sale of certain assets of the Company either by the sale of an operating subsidiary and/or the sale of trademarks, formulations, customer lists and other related assets; and

(iv) the change of the name of the Company to "Aquarius Holdings Limited" or such other name as may be approved by the board of directors of the Company.

The proposed transactions listed above are subject to TSX-V acceptance and all regulatory approvals.

If the proposed transactions receive regulatory approval and the additional 72,000,000 shares are issued, FLH's direct and indirect ownership of the Company will increase to 117,882,355 shares (65.5% of the then outstanding shares) from the 45,882,355 shares (42.5%) it currently owns.

If the 1 for 20 share consolidation receives regulatory approval and is then implemented there will be 8,997,407 common shares outstanding.

Management is now in the process of obtaining the necessary regulatory approvals to proceed with the transactions and offers are being solicited for the sale of certain assets of the Company as described above.

(Expressed in Canadian dollars, unless otherwise indicated)

12. INCOME TAX

The following table reconciles the income tax provision from the expected amount based on statutory rates to the amount reported for consolidated financial statement purposes for the years ended March 31, 2014 and March 31, 2013:

		Mar 31, 2014		Mar 31, 2013
Net income (loss)	**$**	**183,723**	$	(288,845)
Income tax (recovery) at Canadian Federal and provincial statuatory rates of 26.5%	**$**	**48,687**	$	(76,544)
Non-taxable items and other permanent differences		**(1,113)**		48,344
Deferred tax asset not recognized		**(47,574)**		28,200
Provision for income taxes	**$**	**-**	$	-

The tax effects of temporary differences that give rise to deferred income tax assets or liabilities at March 31, 2014 and March 31, 2013 are as follows:

		$		$
Non-capital losses carried forwards		**856,400**		804,100
Long-term investment		**(29,800)**		(29,800)
Equipment		**35,800**		36,800
Other		**20,700**		22,200
		883,100		833,300
Less: Deferred tax assets not recognized		**(883,100)**		(833,300)
Balance	**$**	**-**	$	-

Non-capital losses carried forward	$
2014	246,746
2015	394,002
2026	303,096
2027	183,097
2028	327,325
2029	409,661
2030	348,264
2031	217,199
2032	238,332
2033	282,682
2034	281,152
	3,231,556

(Expressed in Canadian dollars, unless otherwise indicated)

13. EXPENSES BY NATURE

Expenses by Nature

	Mar 31, 2014	Mar 31, 2013
	$	$
Salaries and allowances	**148,310**	146,720
Social welfare contributions	**8,010**	8,486
Workers compensation	**2,833**	3,100
Total personnel costs	**159,153**	158,306
Rent expense	**26,102**	26,102
Bad debt expense	**8,296**	13,649
Professional fees	**30,122**	36,060

14. LOSS PER SHARE

The loss per share is calculated based upon the weighted average number of common shares outstanding during the year of 107,948,144 (2013 – 107,948,144). The Company had no outstanding warrants or stock options as at March 31, 2014 and 2013. As a result, the basic and fully diluted weighted average number of common shares are the same.

15. COMMITMENTS

The Company is committed to $12,290 in rent payments for fiscal 2015 for the head office location. No lease commitments have been capitalized.

16. FINANCIAL INSTRUMENTS

Fair Values

The estimated fair values of cash, accounts receivables, accounts payable and accrued liabilities, note payable and due to related parties approximate their carrying values due to the relatively short-term nature of the instruments.

The long-term investment below are measured at fair value to the three levels of the fair value hierarchy, as defined in Note 3

	Level 1	Level 2	Level 3	Total
March 31, 2014	$ -	$ 112,272	$ -	$ 112,272
March 31, 2013	$ -	$ 112,272	$ -	$ 112,272

During the years ended March 31, 2014 and 2013, there was no transfer of financial assets between the three levels of the fair value hierarchy.

17. FINANCIAL RISKS

The main risks the Company's financial instruments are exposed to are credit risk, foreign currency risk, liquidity risk and market risk.

Credit Risk

The Company's credit risk is primarily attributable to its accounts receivable. The amounts disclosed in the consolidated statements of financial position are net of allowances for doubtful accounts, estimated by the Company's management based on prior experience and their assessment of the current economic environment. The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures.

In the year ended March 31, 2014, two customers accounted for approximately 47% (2013 – 58%) of sales. As at March 31, 2014 the two customers accounted for approximately 36% (2013 – 38%) of total trade receivables.

Foreign Currency Risk

The Company has some revenue and raw material purchases denominated in US dollars. The following table discloses Company's foreign currency exposures as at March 31, 2014:

	31-Mar-14	31-Mar-13
	US$	US$
Accounts receivable	1,038	10,552
Accounts payable	30	30

Liquidity Risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions. The Company manages its liquidity risk by continuously monitoring forecast and actual cash flows from operations. In recent years, additional loans from directors/shareholders have provided the necessary liquidity required.

Market Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. As indicated in Note 9, the Company has an investment in a company focused in the development and production of ethanol and other fuels and chemicals from biomass. The fair value of this investment is subject to the future financing to further develop the plan facility and the prices of the ethanol and wood. The Company has determined that it is not exposed significantly to any other market risk.

Interest Rate Risk

The amount due to related parties and note payable (Notes 7 and 8, respectively) are non-interest bearing and, as such, are not subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates.

(Expressed in Canadian dollars, unless otherwise indicated)

18. MANAGEMENT OF CAPITAL

The Company defines capital that it manages as the aggregate of its loans payable, share capital, contributed surplus, other comprehensive income and deficit. Its objectives when managing capital are to ensure that the Company will continue as a going concern, so that it can provide returns to its shareholders.

		Mar 31, 2014		Mar 31, 2013
Note payable	**$**	**200,000**	$	200,000
Due to related parties		**3,611,489**		3,381,655
Share capital		**10,340,865**		10,340,865
Contributed surplus		**5,193,806**		5,193,806
Accumulated other Comprehensive Income		**112,271**		112,271
Deficit		**(19,319,514)**		(19,503,237)
Total Capital (Deficiency)	**$**	**138,917**	$	(274,640)

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. The Company's overall strategy with respect to management of capital remains unchanged from the year ended March 31, 2013.

19. SEGMENTED INFORMATION

Management has determined that the Company carries on business in one operating segment only. All capital assets are located in Canada. Sales other than to Canadian customers for the year ended March 31, 2014 were export sales to the United States of $96,436 (2013 - $78,674).

20. CONTINGENT LIABILITY

The Company is a Defendant to a claim in the Small Claims Court at Toronto. Buttcon Limited, a corporation whose headoffice is in Concord, ON, is seeking $25,000 plus costs, plus pre-judgment and post- judgment interest against four parties (2 subcontractors and 2 product manufacturers of which the Company is one) for deficient work on a job-site which it entered into a contract with one of the sub-contractors. Subsequent to year-end, the Company reached a settlement in the amount of $3,000.

DIRECTORS AND OFFICERS

David J. Hennigar	Chairman, Acting Chief Executive Officer and Director
J. T. MacQuarrie, Q.C.	Director
N. Gary Van Nest	Director
Michael G Ryan	Director
Lorne S. MacFarlane	Chief Financial Officer and Secretary

Listed: TSX Venture Exchange
Stock Symbol: AQC