CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended December 31, 2014 and 2013

(expressed in Canadian dollars)

(UNAUDITED)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated financial statements for the three and nine month periods ended December 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 Office

"Lorne S. MacFarlane"

Lorne S. MacFarlane
Chief Financial Officer

March 2, 2015

Aquarius Coatings Inc.
Consolidated Balance Sheets
(Expressed in Canadian dollars)

	Dec 31, 2014	Mar 31, 2014
	(Unaudited)	(Audited)
ASSETS	**$**	$
Current Assets		
Cash	**7,339**	14,527
Accounts receivable (Note 5)	**25,251**	21,992
Inventory (Note 6)	**-**	51,333
Prepaid expenses and deposits	**-**	7,684
	32,590	95,536
Long-term investment (Note 10)	**112,272**	112,272
Capital assets (Note 7)	**472**	3,162
	145,334	210,970
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Liabilities		
Accounts payable and accrued liabilities	**63,501**	72,053
Note payable (Note 9)	**200,000**	200,000
Due to related parties (Note 8)	**3,782,107**	3,611,489
	4,045,608	3,883,542
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	**(19,547,216)**	(19,319,514)
	(3,900,274)	(3,672,572)
	145,334	210,970

The accompanying notes form an integral part of these consolidated financial staements

(See Note 2 - Going Concern)

Approved on behalf of the Board

"David J. Hennigar"
David J. Hennigar

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

March 2, 2015

Aquarius Coatings Inc.
Condensed Consolidated Statement of Comprehensive Income (unaudited)
(Expressed in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	Dec 31, 2014	Dec 31, 2013	**Dec 31, 2014**	Dec 31, 2013
	$	$	**$**	$
Expenses				
General and administrative	**5,739**	10,188	**21,000**	28,689
Bank Charges and Interest	**519**	6,051	**1,176**	17,862
Amortization	**94**	81	**283**	243
	6,352	16,319	**22,459**	46,794
Net loss from continuing operations	**(6,352)**	(16,319)	**(22,459)**	(46,794)
Other items:				
Income (loss) from discontinued operations (Note 4	**4,266**	(52,173)	**(205,242)**	(142,471)
Interest income	**-**	-	**-**	103
Net loss	**(2,086)**	(68,493)	**(227,702)**	(189,162)
Other comprehensive income (Note 10)	**-**	-	**-**	-
Total comprehensive loss	**(2,086)**	(68,493)	**(227,702)**	(189,162)
Loss per share - continuing operations	**($0.000)**	($0.000)	**($0.000)**	($0.000)
Loss per share - discontinued operations	**$0.000**	($0.000)	**($0.002)**	($0.001)
Shares outstanding (Note 11)	107,948,144	107,948,144	107,948,144	107,948,144

The accompanying notes form an integral part of these consolidated financial staements

Aquarius Coatings Inc.
Consolidated Statement of Changes in Equity
(Expressed in Canadian dollars)
for the nine months ended December 31, 2014 and 2013

	Issued Capital Shares	Amount	Contributed Surplus	Deficit	Other Comprehensive Income	Total
		$	$	$	$	$
Balance March 31, 2013	107,948,144	10,340,865	5,193,806	(19,503,237)	112,271	(3,856,295)
Net income (loss) for the period	-	-	-	(189,162)	-	(189,162)
Balance December 31, 2013	**107,948,144**	**10,340,865**	**5,193,806**	**(19,692,399)**	**112,271**	**(4,045,457)**
Balance March 31, 2014	107,948,144	10,340,865	5,193,806	(19,319,514)	112,271	(3,672,572)
Net income (loss) for the period	-	-	-	(227,702)	-	(227,702)
Balance December 30, 2014	**107,948,144**	**10,340,865**	**5,193,806**	**(19,547,216)**	**112,271**	**(3,900,274)**

The accompanying notes form an integral part of these consolidated financial staements

Aquarius Coatings Inc.

Condensed Consolidated Statement of Cash Flows (unaudited)

(Expressed in Canadian dollars)

	Three Months Ended		**Nine Months Ended**	
	Dec 31, 2014	Dec 31, 2013	**Dec 31, 2014**	Dec 31, 2013
Cash flows were provided by (used in):				
	$	$	**$**	$
Operating activities				
Net loss for the period	**(2,086)**	(68,493)	**(227,702)**	(189,162)
Depreciation (Note 6)	**95**	231	**403**	694
Gain on sale of capital assets	**-**	-	**(9,714)**	
Allowance for doubtful accounts	**-**	(7,444)	**(1,343)**	-
Recovery allowance for doubtful accounts	**-**	-	**2,041**	
Accounts Receivable	**80,291**	29,734	**(3,957)**	(3,550)
Inventory	**-**	17,642	**51,333**	3,314
Prepaid Expenses and deposits	**-**	(2,000)	**7,684**	(2,000)
Accounts payable and accrued liabilities	**(59,081)**	(37,222)	**(8,552)**	18,745
	19,219	(67,551)	**(189,807)**	(171,959)
Financing activities				
Advances from related parties	**(23,591)**	67,613	**170,618**	171,485
	(23,591)	67,613	**170,618**	171,485
Investment activities				
Proceeds sale capital assets	**-**	-	**12,000**	-
	-	-	**12,000**	-
Increase (Decrease) in cash during the period	**(4,372)**	62	**(7,189)**	(474)
Cash, beginning of period	**11,711**	2,828	**14,527**	3,364
Cash, end of period	**7,339**	2,890	**7,339**	2,890

The accompanying notes form an integral part of these consolidated financial staements

1. NATURE OF OPERATIONS

Aquarius Coatings Inc. (the "Company") was incorporated under the *Business Corporations Act* (Ontario) in 1986. During the nine months ended December 31, 2014, the Company disposed of inventories, formulations and manufacturing equipment associated with the protective coatings operations and is now positioned for other opportunities.

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 income (losses) of $183,723 and ($288,845), respectively. At March 31, 2014 and December 31, 2014, the Company has a working capital deficiency of $3,788,007 and $4,017,697, respectively. Also, at March 31, 2014 and December 31, 2014, the Company has a shareholders' deficiency of $3,672,572 and $3,904,953, 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.

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 balance sheet classifications.

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.

The unaudited condensed interim financial statements for the period ended December 31, 2014, and the notes thereto (the "Interim Financial Statements"), present the Company's financial results of operations and financial position under IFRS as at and for the three and nine month periods ended December 31, 2014, and 2013. The Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company adopted in its financial statements for the year ending March 31, 2014 based on current standards. The Interim Financial Statements do not include all the necessary annual disclosures in accordance with IFRS.

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

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its 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 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) Inventory

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 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 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 period. Translation gains and losses are recorded in the statement of comprehensive income.

(j) Provisions

A provision is recognized in the balance sheet 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) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit 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 to sell and value in use. Fair value (less costs to sell) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell. 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: held for trading, held to maturity, loans and receivables or available for sale. All financial liabilities are classified into one of the following two categories: held for trading 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
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long-Term Investments	Available-for-sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Note payable	Other liabilities	Amortized cost

Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period 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.

(o) Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2018. Those pronouncements, that could be applicable or could have a significant impact to the Company, are discussed in detail in Note 3(o) to the March 31, 2014 audited financial statements.

(Expressed in Canadian dollars, unless otherwise indicated)

4. DISCONTINUED OPERATIONS

On September 5, 2014, the Company closed the sale of certain assets of the Company including Inventory, Equipment, Intellectual Property, Material Contracts and Customer Lists for aggregate proceeds of $63,693.

The Company will also receive royalty payments on the sale of the Company's former products for a 3 year period as follows:

Year 1 – 10%
Year 2 - 9%
Year 3 - 8%

The following table reflects the sale of Inventory, Intellectual Property, Material Contracts and Customer Lists and these items are included in sales and cost of sales in the statement of discontinued operations. Inventories had previously been written down to the estimated realizable value.

	$
Proceeds sale of inventory, material contracts, customer lists and intellectual properties	51,693
Book value inventory	50,793
Gain on transaction	900

Proceeds from the sale of plant equipment has been recorded as follows and the resulting gain is included in the statement of discontinued operations

	$
Proceeds form sale of plant equipment	12,000
Book value of equipment	2,286
Gain on disposal of equipment	9,714

Discontinued operations:

	Three Months Ended		Nine Months Ended	
	Dec 31, 2014	Dec 31, 2013	**Dec 31, 2014**	Dec 31, 2013
Sales	**(90)**	59,092	**147,074**	168,007
Cost of sales	**-**	43,505	**110,386**	110,536
Gross Margin	**(90)**	15,587	**36,688**	57,471
Expenses				
Selling, general and administrative	**436**	67,148	**255,680**	198,112
Bank Charges and Interest	**-**	462	**637**	1,379
Amortization	**-**	150	**120**	451
	436	67,761	**256,437**	199,942
Net loss before other items	**(526)**	(52,173)	**(219,748)**	(142,471)
Other items:				
Royalty income	**4,792**	-	**4,792**	-
Gain on disposal of equipment	**-**	-	**9,714**	-
Net income (loss) from discontinued operation	**4,266**	(52,173)	**(205,242)**	(142,471)

Selling general and administrative expenses for the current year include severance costs of $126,088

(Expressed in Canadian dollars, unless otherwise indicated)

5. ACCOUNTS RECEIVABLE

	Dec 31, 2014	Dec 31, 2013
	$	$
Accounts Receivable	**26,594**	101,693
Allowance for doubtful debts	**(1,343)**	(33,424)
	25,251	68,269

Allowance for doubtful debts:

	Dec 31, 2014	Dec 31, 2013
	$	$
Balance beginning of period	**8,992**	54,460
Additional bad debt provision	**1,343**	-
Recovery of previous provision	**(2,041)**	-
Utilization of provision	**(6,951)**	(21,036)
Balance end of period	**1,343**	33,424

6. INVENTORY

Inventory is comprised as follows:

	Dec 31, 2014	Dec 31, 2013
	$	$
Raw Materials	**-**	65,195
Finished Goods	**-**	38,638
	-	103,833
Provision for obsolete inventory	**-**	(26,478)
	-	77,354

Cost of sales for the 3 month period includes direct product costs of $ nil (Dec 31, 2013 - $37,988)

7. CAPITAL ASSETS

Capital assets are comprised of:

December 31, 2013

	Cost				Accumulated Depreciation				Net Book Value
Description	Balance 31-Mar-2013	Additions	Dispositions	Balance 31-Dec-2013	Balance 31-Mar-2013	Depreciation for period	Dispositions	Balance 31-Dec-2013	31-Dec-2013
Computer equipment	$ 8,219	$ -	$ -	$ 8,219	$ 7,140	$ 162	$ -	$ 7,302	$ 917
Plant equipment	4,050	-	-	4,050	1,042	300	-	1,342	2,708
	$ 12,269	$ -	$ -	$ 12,269	$ 8,182	$ 462	$ -	$ 8,644	$ 3,625

December 31, 2014

	Cost				Accumulated Depreciation				Net Book Value
Description	Balance 31-Mar-2014	Additions	Dispositions	Balance 31-Dec-2014	Balance 31-Mar-2014	Depreciation for period	Dispositions	Balance 31-Dec-2014	31-Dec-2014
Computer equipment	$ 8,219	$ -	$ -	$ 8,219	$ 7,464	$ 283	$ -	$ 7,747	$ 472
Plant equipment	4,050	-	(4,050)	-	1,644	120	(1,764)	-	-
	$ 12,269	$ -	$ (4,050)	$ 8,219	$ 9,108	$ 403	$ (1,764)	$ 7,747	$ 472

(Expressed in Canadian dollars, unless otherwise indicated)

8. DUE TO RELATED PARTY

Forest Lane Holdings Limited ("FLH"), 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.

		Dec 31, 2014		Dec 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.	**$**	**3,782,107**	$	3,553,140

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

9. 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.

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

The Nova Scotia venture capital company was struck by the Registry of Joint Stock Companies on November 5, 2007 and no longer exists as a corporate entity.

10. 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. Further details appear in Note 9 of the notes to the Consolidated Financial Statements for the year ended March 31, 2014. The last private placement of Woodland shares was at C$1.00 per share and the Company is using that valuation as the basis for the fair value measurement of the investment in Woodland. The Company continues to monitor private placements of Woodland shares and will adjust the valuation accordingly. The changes between the values on the balance sheet dates are recorded in other comprehensive income for the three months ended December 31, 2014 and the three months ended December 31, 2013. There was no change in the valuation at the end of the December 31, 2014 quarter from the valuation at the March 31, 2014 and there was no change in the valuation at the end of the December 31, 2013 quarter from the valuation at the March 31, 2013.

(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	
	Dec 31, 2014	Dec 31, 2013	**Dec 31, 2014**	Dec 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 proposed 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 transaction in (iii) above has now been completed and the other proposed transactions 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.

Management is now in the process of seeking the necessary regulatory approvals to proceed with the remaining transactions.

12. LOSS PER SHARE

The loss per share is calculated based upon the weighted average number of common shares outstanding during the period of 107,948,144 (December 31, 2013 – 107,948,144)

13. COMMITMENTS

The Company has no long term lease commitments and has no capitalized lease commitments.

(Expressed in Canadian dollars, unless otherwise indicated)

14. 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.

	Dec 31, 2014	Dec 31, 2013
	$	$
Notes payable	**200,000**	200,000
Loan due to shareholder	**3,782,107**	3,553,140
Share capital	**10,340,865**	10,340,865
Contributed surplus	**5,193,806**	5,193,806
Other Comprehensive Income	**112,271**	112,271
Deficit	**(19,547,216)**	(19,692,399)
Total Capital (Deficiency)	**81,833**	(292,317)

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 and subject to all relevant regulatory and other consents and approvals, 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, 2014.

15. SEGMENTED INFORMATION

Management has determined that during the periods covered by these unaudited interim financial statements, the Company carried on business in one operating segment only. All capital assets were located in Canada. Included in the Statement of Discontinued Operations sales other than to Canadian customers for the three month period ended December 31, 2014 were export sales to the United States of $ nil (three month period ended December 31, 2013 – $36,235). Accounts receivable from United States customers at December 31, 2014 amounted to $16,558 (December 31, 2013 – $14,499).

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
Christopher H. Freeman	Secretary