

Form 51-102F3
Material Change Report

1. Name and Address of Company

Aquarius Coatings Inc.
311-380 Bedford Highway
HALIFAX
Nova Scotia B3M 2L4

2. Date of Material Change

July 22, 2016

3. News Release

A press release in respect of this material change was issued through Stockwatch on July 22, 2016. A copy is attached.

4. Summary of Material Change

Aquarius Coatings Inc. ("AQC") has entered into a Letter of Intent with Surgical Lasers Inc. ("SLI") pursuant to which it is proposed to acquire the entire issued and outstanding share capital of SLI for a consideration of \$6,131,605, to be satisfied by issuance of 4,598,704 fully paid and non-assessable (post consolidation) common shares of AQC, and 1,532,605 Series "A" Special Shares ("Series "A" Special Shares").

Further, AQC proposes to consolidate its presently issued and outstanding 107,948,144 common shares on a 20:1 basis, and to settle \$3,800,000 of existing debt by issuance of 76,000,000 pre-consolidation (3,800,000 post consolidation) common shares.

All of the foregoing proposed transactions are subject to obtaining all relevant regulatory and other consents and approvals, including, but not limited to acceptance by the TSX-V and approval of shareholders.

5. Full Description of Material Change

The following are the basic terms for the proposed acquisition of SLI by Aquarius. See also below in relation to the Proposed Restructuring of Aquarius in connection with the overall acquisition plan.

Purchaser: AQC.

Vendor: Gordon Willox, being the sole shareholder holding all of the issued shares of SLI.

Assets purchased: All of the issued and outstanding shares of SLI.

Consideration: The consideration payable by AQC is valued at \$6,131,605, to be satisfied by the issuance of 4,598,704 (post consolidation) fully paid and non-assessable common shares from the Treasury of AQC, and 1,532,605 Series A non-voting, convertible, redeemable special shares (“Series A Special Shares”) from the Treasury of AQC. See below under “**Series A Special Shares**” for the specific terms and provisions of the Series A Special Shares.

Performance Consideration: The Acquisition Agreement will contain a provision for the issuance to the Vendor Shareholder of up to 1,532,605 Series A Special Shares, as referred to above, which will be convertible on a one-for-one basis upon and subject to meeting of specific milestones over the period of five years following Closing, and subject to redemption and cancellation in the event that such milestones are not achieved.

General Terms and Conditions: The general terms and conditions of the Acquisition Agreement will contain all the usual representations and warranties as would normally be expected in a commercial transaction of this nature, providing for due diligence and protection for the parties to ensure delivery of the reasonable expectations of the parties.

Escrow: The Vendor Shareholder will enter into such escrow agreements as may be required by relevant regulatory provisions and policies, including any applicable stock exchange policies.

Consents/Approvals: Closing of the Acquisition Agreement will be subject to meeting certain express conditions, including, but not limited to, obtaining all relevant regulatory consents and approvals and an affirmative vote of a majority of disinterested shareholders of AQC

Financing Condition: Closing of the transaction will be subject to a condition that AQC will, prior to closing, have raised not less than \$1,500,000 in new capital, pursuant to an exempt offering of Units to accredited investors; this new funding is to be used for development of the SLI business and general corporate purposes. The Units to be issued will be priced at \$1.00 each and will comprise One fully paid and non-assessable common share from the Treasury of AQC (on a consolidated basis – see below) and One-half of a share purchase warrant; each whole share purchase warrant will entitle the holder to purchase One fully paid non-assessable common share (on a consolidated basis – see below) from the Treasury of AQC at the price of \$1.50, during a period of two (2) years following the date is issuance of the original Unit.

Series A Special Shares – Milestone Achievements – Conversion or Redemption

A portion of the consideration payable by AQC for the SLI Shares, valued at \$1,532,605, is to be satisfied by issuance of 1,532,605 Series A Special Shares. These Series A Special Shares are “performance shares”, which are convertible into common shares on a one-for-one basis in the event that specific milestones are reached, and are redeemable by the corporation at \$0.0001 each in the event that the specific milestones are not met. The milestones specified are directly linked to EBITDA financial performance over a five year period, as follows:

MILESTONES	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
EBITDA	\$284,365	\$3,440,632	\$7,128,544	\$11,291,880	\$15,300,840
Convert or Redeem	20%	20%	20%	20%	20%

The terms for the Conversion or Redemption of the Series A Special Shares will provide that the EBITDA Milestones must be achieved by the end of each financial year, as certified by the Corporation’s independent Auditors, so that if a Milestone is achieved, then 306,521 Series A Special Shares will be converted, for no further consideration, into common shares. In the event that a Milestone in any year is not reached in that specific year, then the Series A Special Shares that would have been released on achievement of the Milestone for that year will be held for a further period of one year, so that if at the end of the next financial year the Milestone for that year and the immediately preceding year has been reached on a cumulative basis, then both instalments of Series A Special Shares would be Convertible into common shares, but if the total EBITDA for both years, on a cumulative basis, has not been achieved, then the instalment relating to the former financial year will be redeemed by the Company and the instalment relating to the latter year may be carried forward to the next financial year, **provided** that no amount may be carried forward beyond the end of the fifth financial year.

Proposed Restructuring of Aquarius

At the forthcoming Special General Meeting of the shareholders of Aquarius, and in addition to considering the proposed acquisition of SLI, shareholders will be asked to consider, and if thought fit, pass resolutions to effect the following changes:

Debt Settlement Agreement

Subject to obtaining all relevant regulatory and other consents and approvals, and acceptance by the TSX Venture Exchange, it is proposed to ratify a Debt Settlement Agreement with Forest Lane Holdings Limited, a shareholder, to settle \$3,800,000 of debt by issuance of 76,000,000 (pre-consolidation; 3,800,000 post consolidation) common shares.

Share consolidation

Subject to obtaining all relevant regulatory and other consents and approvals, and acceptance by the TSX Venture Exchange, it is proposed to pass a resolution to consolidate the 107,948,144 existing issued common shares into new common shares on the basis of one (1) new common shares for twenty (20) old common shares.

Reorganization of share capital

Subject to obtaining all relevant regulatory and other consents and approvals, and acceptance by the TSX Venture Exchange, it is proposed to pass a resolution to restructure the existing authorized share capital into (i) an unlimited number of common shares without par value, and (ii) an unlimited number of special shares, issuable in series, with the designations, rights privileges and restrictions as fixed by the Board of Directors. At the same time, the Directors will designate a series of special shares as Series A Special Shares, with the rights, privileges and restrictions described above in this Press Release.

New Bylaw No. 1

Subject to obtaining all relevant regulatory and other consents and approvals, and acceptance by the TSX Venture Exchange, shareholders will be asked to pass a resolution to ratify adoption of a new Bylaw No. 1, being a General Bylaw.

Adoption of an Incentive Stock Option Plan

Aquarius does not presently have an Incentive Stock Option Plan. Subject to obtaining all relevant regulatory and other consents and approvals, and acceptance by the TSX Venture Exchange, it is proposed to pass a resolution to approve adoption of a “fixed number” Incentive Stock Option Plan.

Change of Name

In conjunction with the proposed acquisition of SLI, and subject to obtaining all relevant regulatory and other consents and approvals, and acceptance by the TSX Venture Exchange, and in order to align the name of the Corporation with its new principal business, it is proposed to pass a resolution to change the name of the Corporation to “Surgical Technologies Inc.” or such other name as may be acceptable to the Director of Consumer & Business Services, Province of Ontario.

Application for reinstatement of Listing on the TSX-V

As stated in its Nov 27, 2015 news release, the Compliance & Disclosure department of the TSX-V commenced a review to assess the Corporation’s compliance with Exchange Requirements in connection with the Corporation’s disposition of its coatings business.

The Exchange determined that the Corporation had failed to comply with Exchange Policy 5.3 by failing to obtain Exchange approval for the disposition. Further, the Company failed to comply with Exchange Policy 3.3 by failing to make timely disclosure of the August 1, 2014 disposition agreement and the Company's August 29, 2014 MD&A report and September 8, 2014 news release failed to disclose the full terms of the Aug 1, 2014 disposition agreement. As a result of these contraventions, the Officers and Directors have been placed on notice to comply with Exchange Requirements in the future, are required to obtain advice from legal counsel for all material transactions and two Directors have completed a corporate governance course acceptable to the Exchange.

As a consequence of the disposition of the assets of the coatings assets, it was determined that the Corporation did not meet Tier 2 Continued Listing Requirements for continued listing on the TSX Venture Exchange, and accordingly its listing was transferred to the NEX Board; the NEX trading platform is a separate board of the TSX Venture Exchange. Since the Corporation's shares have been suspended from listing for an extended period of time, and in accordance with Exchange Policy 2.9, the Corporation has commenced an application for re-listing of its shares as a Tier 2 issuer on the TSX Venture Exchange, and accordingly the Corporation must receive approval for reinstatement from the Exchange, which will conduct a review in order to ensure that the Corporation, with its new business proposal, will meet Initial Listing Requirements in order to justify reinstatement of the listing. The Corporation can give no assurance that its application for reinstatement of its listing will be successful.

6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

7. Omitted Information

No significant facts have been omitted from this report.

8. Executive Officer

For additional information with respect to this material change, please contact Mr. Lorne S. MacFarlane. CFO, (902) 496-7594

9. DATED at Halifax, Nova Scotia, this 25th day of July, 2016.

"Lorne S. MacFarlane"
Lorne S. MacFarlane
CFO

AQUARIUS COATINGS INC.

NEWS RELEASE

AQUARIUS ANNOUNCES PROPOSED ACQUISITION AND APPLICATION FOR REINSTATEMENT OF LISTING ON THE TSX VENTURE EXCHANGE

July 22, 2016 - Halifax, NS – Aquarius Coatings Inc. (the “Corporation” or “Aquarius”) (NEX Board – AQC.H) announces that it has entered into a Letter of Intent pursuant to which it proposes to acquire all of the issued and outstanding shares of Surgical Lasers Inc., and consequently it has submitted an application for reinstatement of the listing of its shares on the TSX Venture Exchange.

Aquarius will be convening an Annual and Special General Meeting of its shareholders to consider, in addition to regular Annual General Meeting business which will present the Audited Financial Statements for the years ended March 31, 2014, 2015 and 2016, appointment of Auditors and the election of directors, resolutions to consolidate its existing common shares on a 1 new for 20 old shares, a Debt Settlement Agreement with an Insider, a reorganization of its share capital, approval of a new Bylaw No 1, approval of the adoption of an Incentive Stock Option Plan, a change in financial year end and the proposed acquisition of Surgical Lasers Inc. All of the foregoing proposed matters will be subject to obtaining all relevant shareholder and regulatory consents and approvals, including but not limited to acceptance from the TSX Venture Exchange in accordance with its Policies.

The following sections of this Press Release describe the basic details of the proposed acquisition of Surgical Lasers Inc. and the other resolutions referred to above. All these matters will be described in full in a Management Information Circular to be sent to shareholders in connection with the forthcoming Annual and Special Meeting.

Proposed Acquisition - Description of of Surgical Lasers Inc. (“SLI”)

SLI, a private company, was formed pursuant to the laws of the Province of Ontario on August 4, 2015, by the amalgamation of Surgical Laser Inc. (“OldSLP”), and 2459663 Ontario Ltd. (“Numco”). Prior to that, OldSLI had been incorporated on October 14, 2014, to continue business operations of a business previously operated by TASC LP. and its predecessors, while Numco had been incorporated on March 26, 2015, in order to acquire the assets, business and undertaking of the business operations previously carried on by TASC LP.

Numco acquired the assets, business and undertaking of the business operations previously carried on by TASC LP in an arm’s length transaction pursuant to an agreement dated April 6, 2015, which was completed on that date, for a consideration of \$850,000, paid in cash. The funding for that acquisition was provided by Forest Lane Holdings Limited.

SLI owns a 100% interest in Surgical Lasers Incorporated (“SLInc”), a Delaware corporation. SLInc was formed on April 23, 2015, for the express purpose of acting as holder of inventory and for administrative purposes in the United States of America.

Description of SLI – business overview and development of the business

The business of SLI is the development, sale, distribution, marketing, and exploitation of laser-driven technologies for use in surgical environments, principally in the field of urology. In particular, SLI has entered into two exclusive Distribution Agreements, covering effectively all countries in the North America and South America, pursuant to which it has exclusive rights over a multi-diode laser system and related fibre-optic delivery devices used principally for minimally invasive treatment of Benign Prostatic Hyperplasia (“BPH”).

Benign prostatic hyperplasia is the most common benign tumour in men from age 50 and older. Life expectancy increases the incidence of BPH, which has become the major consultation in the urologist practice. It causes various symptoms such as occlusion of the lower urinary tract, pain and other.

Until recently, the main treatment for BPH was the transurethral resection of the prostate (known by the acronym TURP). This surgical procedure, the most common in urology, has been associated with postoperative complications, which have driven the search for other minimally invasive alternatives offering similar results, fewer side effects and a faster recovery for the patient as BPH laser vaporization with a High Power Urology Laser (“HPUL”). In order to maximize the potential of the operational opportunity for the HPUL technology in its marketplace, SLI has entered into Independent Distributor Agreements with a number of organizations directly engaged in the urology field in North America, and is developing additional relationships with such organizations in both North and South America.

Since the introduction of the HPUL technology to the North American marketplace is still in its early stages, SLI is considered to be in the “development stage” while it establishes itself and its products in the marketplace. The HPUL technology is embodied in the basic Laser-generating machine and the fibre-optic delivery system. SLI has been granted exclusive distribution rights for North America and South America to the multi-diode laser-generating machine and to the fibre-optic delivery system technology by its developer/manufacturer. Additionally, SLI has the right and option to acquire the total rights to and ownership of the specific technology used in the design and manufacture of the fibre-optic delivery system.

Since SLI has only recently been formed, and its predecessors had comparatively short-term history in the development stage, there is no historical business history going back before 2015 and the stub-period of 2 ½ months in 2014.

Terms of the Proposed Acquisition:

The following are the basic terms for the proposed acquisition of SLI by Aquarius. See also below in relation to the Proposed Restructuring of Aquarius in connection with the overall acquisition plan.

Purchaser: AQC.

Vendor: Gordon Willox, being the sole shareholder holding all of the issued shares of SLI.

Assets purchased: All of the issued and outstanding shares of SLI.

Consideration: The consideration payable by AQC is valued at \$6,131,605, to be satisfied by the issuance of 4,598,704 (post consolidation) fully paid and non-assessable common shares from the Treasury of AQC, and 1,532,605 Series A non-voting, convertible, redeemable special shares (“Series A Special Shares”) from the Treasury of AQC. See below under “**Series A Special Shares**” for the specific terms and provisions of the Series A Special Shares.

Performance Consideration: The Acquisition Agreement will contain a provision for the issuance to the Vendor Shareholder of up to 1,532,605 Series A Special Shares, as referred to above, which will be convertible on a one-for-one basis upon and subject to meeting of specific milestones over the period of five years following Closing, and subject to redemption and cancellation in the event that such milestones are not achieved.

General Terms and Conditions: The general terms and conditions of the Acquisition Agreement will contain all the usual representations and warranties as would normally be expected in a commercial transaction of this nature, providing for due diligence and protection for the parties to ensure delivery of the reasonable expectations of the parties.

Escrow: The Vendor Shareholder will enter into such escrow agreements as may be required by relevant regulatory provisions and policies, including any applicable stock exchange policies.

Consents/Approvals: Closing of the Acquisition Agreement will be subject to meeting certain express conditions, including, but not limited to, obtaining all relevant regulatory consents and approvals and an affirmative vote of a majority of disinterested shareholders of AQC

Financing Condition: Closing of the transaction will be subject to a condition that AQC will, prior to closing,

have raised not less than \$1,500,000 in new capital, pursuant to an exempt offering of Units to accredited investors; this new funding is to be used for development of the SLI business and general corporate purposes. The Units to be issued will be priced at \$1.00 each and will comprise One fully paid and non-assessable common share from the Treasury of AQC (on a consolidated basis – see below) and One-half of a share purchase warrant; each whole share purchase warrant will entitle the holder to purchase One fully paid non-assessable common share (on a consolidated basis – see below) from the Treasury of AQC at the price of \$1.50, during a period of two (2) years following the date of issuance of the original Unit.

Series A Special Shares – Milestone Achievements – Conversion or Redemption

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MILESTONES	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
EBITDA	\$284,365	\$3,440,632	\$7,128,544	\$11,291,880	\$15,300,840
Convert or Redeem	20%	20%	20%	20%	20%

The terms for the Conversion or Redemption of the Series A Special Shares will provide that the EBITDA Milestones must be achieved by the end of each financial year, as certified by the Corporation’s independent Auditors, so that if a Milestone is achieved, then 306,521 Series A Special Shares will be converted, for no further consideration, into common shares. In the event that a Milestone in any year is not reached in that specific year, then the Series A Special Shares that would have been released on achievement of the Milestone for that year will be held for a further period of one year, so that if at the end of the next financial year the Milestone for that year and the immediately preceding year has been reached on a cumulative basis, then both instalments of Series A Special Shares would be Convertible into common shares, but if the total EBITDA for both years, on a cumulative basis, has not been achieved, then the instalment relating to the former financial year will be redeemed by the Company and the instalment relating to the latter year may be carried forward to the next financial year, **provided** that no amount may be carried forward beyond the end of the fifth financial year.

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Subject to obtaining all relevant regulatory and other consents and approvals, and acceptance by the TSX Venture Exchange, it is proposed to pass a resolution to consolidate the 107,948,144 existing issued common shares into new common shares on the basis of one (1) new common shares for twenty (20) old common shares.

Reorganization of share capital

Subject to obtaining all relevant regulatory and other consents and approvals, and acceptance by the TSX Venture Exchange, it is proposed to pass a resolution to restructure the existing authorized share capital into (i) an unlimited number of common shares without par value, and (ii) an unlimited number of special shares, issuable in series, with the designations, rights privileges and restrictions as fixed by the Board of Directors. At the same time, the Directors will designate a series of special shares as Series A Special Shares, with the rights, privileges and restrictions described above in this Press Release.

New Bylaw No. 1

Subject to obtaining all relevant regulatory and other consents and approvals, and acceptance by the TSX Venture Exchange, shareholders will be asked to pass a resolution to ratify adoption of a new Bylaw No. 1, being a General Bylaw.

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The Exchange determined that the Corporation had failed to comply with Exchange Policy 5.3 by failing to obtain Exchange approval for the disposition. Further, the Company failed to comply with Exchange Policy 3.3 by failing to make timely disclosure of the August 1, 2014 disposition agreement and the Company’s August 29, 2014 MD&A report and September 8, 2014 news release failed to disclose the full terms of the Aug 1, 2014 disposition agreement. As a result of these contraventions, the Officers and Directors have been placed on notice to comply with Exchange Requirements in the future, are required to obtain advice from legal counsel for all material transactions and two Directors have completed a corporate governance course acceptable to the Exchange.

As a consequence of the disposition of the assets of the coatings assets, it was determined that the Corporation did not meet Tier 2 Continued Listing Requirements for continued listing on the TSX Venture Exchange, and accordingly its listing was transferred to the NEX Board; the NEX trading platform is a separate board of the TSX Venture Exchange. Since the Corporation’s shares have been suspended from listing for an extended period of time, and in accordance with Exchange Policy 2.9, the Corporation has commenced an application for re-listing of its shares as a Tier 2 issuer on the TSX Venture Exchange, and accordingly the Corporation must receive approval for reinstatement from the Exchange, which will conduct a review in order to ensure that the Corporation, with its new business proposal, will meet Initial Listing Requirements in order to justify reinstatement of the listing. The Corporation can give no assurance that its application for reinstatement of its listing will be successful.

About the Corporation

Aquarius is a corporation existing under the laws of the Province of Ontario and is a reporting issuer, in good standing, in the Provinces of British Columbia, Alberta, Ontario and Nova Scotia.

Further information regarding Aquarius can be found in its public record available at www.sedar.com.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

For additional information contact:

Lorne MacFarlane, CFO – (902)-496-7594 lornemac@eastlink.ca

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