AQUARIUS COATINGS INC.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON NOVEMBER 21, 2016

AND

MANAGEMENT INFORMATION CIRCULAR

This information is provided in connection with the solicitation by the management of Aquarius Coatings Inc. (the "Corporation") of proxies to be voted at the Annual and Special Meeting of the Shareholders of the Corporation to be held on Monday, November 21, 2016 at 20 Toronto Street, Second Floor, Toronto, Ontario M5C 2B8, at 4:00 PM (Toronto time).

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APPENDICES

AQUARIUS COATINGS INC.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT an annual general and special meeting (the "**Meeting**") of holders of common shares of Aquarius Coatings Inc. (the "**Corporation**" or "**AQC**") will be held at 20 Toronto Street, Second Floor, Toronto, Ontario M5C 2B8, on Monday the 21st day of November, 2016, at 4:00 pm (Toronto time) for the following purposes:

1. to receive the consolidated financial statements of the Corporation for the twelve month periods ended March 31, 2014, 2015, and 2016 together with the reports of the auditors thereon;

2. to elect five (5) directors;

3. to re-appoint Collins Barrow Toronto LLP auditors of the Corporation for the ensuing year and to authorize the directors to fix their remuneration;

4. to consider and, if thought fit, pass a resolution as more particularly described in the accompanying Information Circular to approve the issuance of 76,000,000 common shares of the Corporation (on a pre-consolidated basis) in settlement of $3,800,000 in current shareholder loans to the Corporation;

5. to consider and, if thought fit, pass a special resolution as more particularly described in the accompanying Information Circular approving the consolidation of the Corporation's common shares on the basis of one (1) new common share for twenty (20) existing common shares;

6. to consider, and if thought fit, pass a special resolution to reorganize the authorized share capital of the Corporation into common shares and special shares as described in the accompanying Information Circular;

7. to consider, and if thought fit, pass a resolution approving implementation of an Incentive Stock Option Plan, as more particularly described in the accompanying Information Circular;

8. to consider, and if thought fit, to approve, with or without variation, a resolution to confirm and ratify the new By-Law No. 1 of the Corporation, as more particularly described in the accompanying Information Circular of the Corporation;

9. to consider, and if thought fit, pass a special resolution as more particularly described in the accompanying Information Circular, to approve and ratify the proposed acquisition of Surgical Lasers Inc.;

10. to consider, and if thought fit, pass a resolution as more particularly described in the accompanying Information Circular, to approve the change of the name of the Corporation to "Aquarius Surgical Technologies Inc.," or such other name as may be approved by the board of directors of the Corporation and is acceptable to the Director of Consumer & Business Services, Ontario;

11. to transact any such other business as may properly come before the Meeting or any adjournment(s) thereof.

Particulars of the foregoing matters are set forth in the accompanying Management Information Circular (the "Circular"). The Corporation has elected to use the notice-and-access provisions under National Instrument 54-101 and National Instrument 51-102 ("Notice-and-Access Provisions") for this Meeting.

Notice-and-Access Provisions are a set of rules developed by the Canadian Securities Administrators that reduce the volume of materials that must be physically mailed to shareholders of the Corporation by allowing the Corporation to post the Circular and any additional materials online. Shareholders will still receive this Notice of Meeting and a form of proxy and may choose to receive a hard copy of the Circular.

The Corporation will not use procedures known as 'stratification' in relation to the use of Notice-and-Access Provisions.

Please review the Circular carefully and in full prior to voting in relation to the matters set out above as the Circular has been prepared to help you make an informed decision on such matters. The Circular is available under the Corporation's profile on SEDAR at www.sedar.com. Any Shareholder who wishes to receive a paper copy of the Circular, should contact the Corporation's transfer agent, TSX Trust at Suite 300, 200 University Avenue, Toronto, Ontario, M5H 4H1, Fax: (416) 595-9593, toll-free: 1-866-393-4891. A Shareholder may also use the toll-free number noted above to obtain additional information about the Notice-and-Access Provisions.

DATED at Halifax, Nova Scotia the 11th day of October, 2016.

BY ORDER OF THE BOARD OF DIRECTORS

David J. Hennigar
Chairman

Shareholders who are unable to attend the Meeting in person are requested to complete, date, sign and return the provided form of proxy. All instruments appointing proxies to be used at the Meeting or at any adjournment thereof must be deposited with TSX Trust, Suite 300, 200 University Avenue, Toronto, Ontario, M5H 4H1, not later than 48 hours (excluding Saturdays, Sundays and holidays) preceding the time fixed for the Meeting or any adjournment thereof.

Only registered shareholders of the Corporation, or the persons they appoint as their proxies, are entitled to attend and vote at the Meeting. For information with respect to shareholders who own their shares beneficially through an intermediary, see "Non-Registered Shareholders" in the accompanying management information circular.

AQUARIUS COATINGS INC.

MANAGEMENT INFORMATION CIRCULAR
as of October 11, 2016 unless otherwise indicated

PERSONS MAKING THE SOLICITATION

This management information circular ("Information Circular") is furnished in connection with the solicitation by the management of Aquarius Coatings Inc. (the "Corporation") of proxies to be used at the annual general and special meeting (the "Meeting") of holders of common shares of the Corporation, to be held on Monday, November 21, 2016, at 4:00 p.m. (Toronto time) at 20 Toronto Street, Second Floor, Toronto, Ontario M5C 2B8 or at any adjournment(s) thereof for the purposes set out in the accompanying notice of meeting (the "Notice of Meeting").

The costs incurred in the preparation and mailing of both the form of proxy and this Information Circular will be borne by the Corporation. In accordance with National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the common shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation. The record date to determine the registered shareholders entitled to receive the notice of Meeting is October 11, 2016 (the "**Record Date**").

APPOINTMENT OF PROXYHOLDERS, VOTING AND REVOCATION OF PROXIES

Appointment

The person named in the accompanying instrument of proxy (the "**Management Designee**") has been selected by the directors of the Corporation and has indicated his willingness to represent as proxy the shareholder who appoints him. **Each shareholder has the right to appoint a person or company (who need not be a shareholder) other than the Management Designee to attend and to vote and act for and on behalf of such person at the Meeting.** In order to do so the shareholder may insert the name of such person in the blank space provided in the instrument of proxy, or may use another appropriate form of proxy. Shareholders are invited to attend the Meeting. Registered shareholders who are unable to attend the Meeting in person are requested to complete, date and sign the enclosed form of proxy and send it to the Registrar and Transfer agent of the Corporation, TSX Trust, ("TSXT") Attn: Proxy Dept., 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1, or by fax to 416-595-9593, or cast their vote online at www.voteproxyonline.com, by 4:00 p.m. (Toronto time) on Thursday, November 17, 2016, or if the Meeting is adjourned, no later than 48 hours (excluding Saturdays, Sundays and statutory holidays in Ontario) prior to the time at which the Meeting is reconvened. Non-registered shareholders who receive these materials through their broker or other intermediary should complete and send the form of proxy in accordance with the instructions provided by their broker or intermediary. The Chairman of the Meeting may refuse to recognize any instrument of proxy received after such time.

Voting

Common shares represented by any properly executed proxy in the accompanying form will be voted or withheld from voting on any ballot that may be called for in accordance with the instructions given by the shareholder. **In the absence of such direction, the common shares will be voted IN FAVOUR of the matters set forth herein.**

The accompanying instrument of proxy confers discretionary authority on the Management Designee with respect to amendments or variations to matters identified in the accompanying Notice of Meeting or other matters that may properly come before the Meeting or any adjournment(s) thereof. As of the date hereof, management of the Corporation is not aware of any such amendments, variations or other matters which may come before the Meeting. In the event that amendments or variations to matters identified in the accompanying Notice of Meeting or any other matters which are not now known to management should properly come before the Meeting or any adjournment(s) thereof, then the Management Designee intends to vote in accordance with the judgment of management of the Corporation.

Revocation

In addition to revocation in any other manner permitted by law, a shareholder may revoke a proxy by an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing or by transmitting, by telephonic or electronic means, a revocation signed by electronic signature by the shareholder or by the shareholder's attorney, who is authorized in writing, to or at TSXT's office at any time up to and including the second last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment(s) thereof.

ADVICE TO BENEFICIAL HOLDERS

Shareholders who hold their common shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their common shares in their own name (referred to herein as "**Beneficial Shareholders**") should note that only proxies deposited by shareholders who appear on the records maintained by the Corporation's Registrar and Transfer agent as registered holders of common shares will be recognized and acted upon at the Meeting. If common shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those common shares will, in all likelihood, *not* be registered in the shareholder's name. Such common shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Common shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted or withheld at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their common shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by his broker (or the agent of the broker) is substantially similar to the proxy provided directly to registered shareholders by the Corporation. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote common shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of common shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the common shares voted. If you have any questions respecting the voting of common shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting common shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the common shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their common shares as proxyholder for the registered shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.

All references to shareholders in this Information Circular and the accompanying form of proxy and the accompanying Notice of Meeting are to registered shareholders unless specifically stated otherwise.

REGISTERED SHAREHOLDERS

Registered holders of common shares as shown on the shareholders' list prepared as of the Record Date will be entitled to vote such shares at the Meeting on the basis of one vote for each common share held, except to the extent that the person has transferred the ownership of any of his or her common shares after the Record Date, and the transferee of those shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the common shares, and demands, not later than ten days before the Meeting, or such shorter period before the Meeting that the by-laws of the Corporation may provide, that his or her name be included in the list before the Meeting, in which case the transferee will be entitled to vote his or her common shares at the Meeting.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Other than as disclosed elsewhere in this Information Circular, none of the directors or senior officers of the Corporation, no proposed nominee for election as a director of the Corporation, none of the persons who have been directors or senior officers of the Corporation since the commencement of the Corporation's last completed financial year and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEROF

The authorized capital of the Corporation consists of an unlimited number of common shares ("Common Shares") and unlimited number of preference shares, issuable in series. At the date hereof, the Corporation had issued and outstanding 107,948,144 Common Shares and no preference shares.

The Corporation will make a list of all persons who are registered holders of Common Shares on October 11, 2016 (the "Record Date") and the number of Common Shares registered in the name of each person on the date. Each shareholder is entitled to one vote for each Common Share registered in his name as it appears on the list, except to the extent that such shareholder has transferred any of his shares after the Record Date and the transferee of those shares produces properly enclosed share certificates or otherwise establishes that he owns the shares and demands, not later than ten days before the meeting, that his name be included in the list. In such case the transferee will be entitled to vote his shares at the meeting.

To the knowledge of the directors and officers of the Corporation, the following is the only person that as of the date hereof, beneficially owned or exercised control or direction, directly or indirectly, over securities carrying 10% or more of the voting rights attached to any class of outstanding voting securities of the Corporation entitled to be voted at the meeting.

Name	Number of Common Shares Owned, Controlled or Directed	% of Outstanding Common Shares
David J. Hennigar	51,976,284(1)	48.15% (1)

(1) Includes 45,882,355 Common Shares owned of record by Forest Lane Holdings Limited and Scotia Financial Corporation Limited, companies controlled by David J. Hennigar. Excluded from this amount are the holdings of the immediate family of David J. Hennigar, who beneficially own in the aggregate 1,180,969 Common Shares or 1.09% of the outstanding Common Shares.

PRESENTATION OF FINANCIAL STATEMENTS

The comparative financial statements of the Corporation for the financial years ended March 31, 2014, 2015 and 2016, together with the auditor's report thereon, will be presented to the shareholders at the Meeting, but no vote by the shareholders with respect thereto is proposed to be taken. The audited financial statements of the Corporation for the financial years ended March 31, 2014, 2015 and 2016, together with the auditor's report thereon, are to be found at Appendix D to this Information Circular, and have all been filed and are available on SEDAR at www.sedar.com.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Compensation of Directors

The board of directors as a whole makes the determination as to the appropriate level of remuneration for the directors and officers of the Corporation. Remuneration is assessed and determined by taking into account such factors as the size of the Corporation and the level of compensation earned by directors and officers of companies of comparable size and industry. None of the Corporation's independent directors has received any compensation for their services. Executive officers of the Corporation who also act as directors of the Corporation do not receive any additional compensation for services rendered in such capacity, other than as paid by the Corporation to such executive officers in their capacity as executive officers; see "Compensation of Executive Officers".

The Corporation does not presently have a stock option plan for the granting of incentive stock options to the officers, employees and directors of the Corporation, however implementation of such a plan is proposed; see "Proposed Incentive Stock Option Plan".

Compensation of Executive Officers

Securities legislation requires the disclosure of compensation received by each "Named Executive Officer" of the Corporation for the three most recently completed financial years. "Named Executive Officer" is defined by the legislation to mean (i) each of the Chief Executive Officer and the Chief Financial Officer of the Corporation, despite the amount of compensation of that individual, (ii) each of the Corporation's three most highly compensated executive officers, other than the Chief Executive Officer and the Chief Financial Officer, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus exceeds $150,000, and (iii) any additional individual for whom disclosure would have been provided under (ii) but for the fact that the individual was not serving as an executive officer of the Corporation at the end of the most recently completed financial year end of the Corporation.

"Executive Officer" is defined by the legislation to mean (i) the chair of the Corporation, (ii) a vice-chair of the Corporation, (iii) the President of the Corporation, (iv) a vice-president of the Corporation in charge of a principal business unit, division or function such as sales, finance or production, or (v) an officer of the Corporation or any of its subsidiaries or any other person who performed a policy-making function in respect of the Corporation.

The board of directors of the Corporation as a whole determines the level of compensation in respect of the senior executives of the Corporation and its subsidiaries. There were no long-term incentive awards made to the Named Executive Officers of the Corporation during the most recently completed financial year. There are no pension plan benefits in place for the named executives and none of the Named Executive Officers, senior officers or directors of the Corporation or its subsidiaries is indebted to the Corporation.

During the Corporation's two most recently completed financial years, the Corporation had two Named Executive Officers: David J. Hennigar, Acting Chief Executive Officer and Lorne S. MacFarlane, Chief Financial Officer. The aggregate cash compensation (including salaries, fees, directors fees, commissions, bonuses paid for services rendered during the two most recently completed financial years, bonuses paid for services rendered in the previous year, and any compensation other than bonuses earned during the two most recently completed financial years, the payment of which was deferred) paid to the Named Executive Officers (or corporations controlled by Named Executive Officers), in the capacity of Named Executive Officers, for the two most recently completed financial years, was $ nil.

Summary Compensation Table

The following table sets forth all annual and long term compensation for services in all capacities to the Corporation and its subsidiaries for the financial years ended March 31, 2014, 2015 and 2016.

	Annual Compensation					Long Term Compensation Awards	Payouts
Name and Principal Position	Year Ended March 31	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Total ($)	Securities Under Option	All Other Compensation ($)
David J. Hennigar Acting Chief Executive Officer	2014	nil	nil	nil	nil	nil	nil
	2015	nil	nil	nil	nil	nil	nil
	2016	nil	nil	nil	nil	nil	nil
Lorne S. MacFarlane Chief Financial Officer	2014	nil	nil	nil	nil	nil	nil
	2015	nil	nil	nil	nil	nil	nil
	2016	nil	nil	nil	nil	nil	nil

Compensation Discussion and Analysis

There was no compensation awarded to or earned by any executive officers of the Corporation during the years ended March 31, 2014, 2015 or 2016.

Stock Option Plan and Stock Options

The Corporation did not have a Stock Option Plan during the financial years ended March 31, 2014, March 31, 2015 or March 31, 2016.

Securities Authorized for Issuance Under Equity Compensation Plans

There were no securities authorized for issuance as at March 31, 2014, March 31, 2015 or March 31, 2016.

Long Term Incentive Plan

The Corporation did not have a long-term incentive plan during the financial years ended March 31, 2014, March 31, 2015 or March 31, 2016.

Pension, Retirement Plans and Payments Made Upon Termination of Employment

The Corporation did not provide compensation, monetary or otherwise, during the most recently completed financial periods, to any person who now or previously has acted as a Named Executive Officer of the Corporation, in connection with or related to the retirement, termination or resignation of such person and the Corporation has provided no compensation to such persons as a result of change in control of the Corporation, its subsidiaries or affiliates.

Employment Contracts

Other than as described herein, the Corporation did not pay any additional compensation to the Named Executive Officers, the Executive Officers or directors (including personal benefits and securities or properties paid or distributed, which compensation was not offered on the same terms to all full time employees) during the last completed financial year.

ELECTION OF DIRECTORS

The articles of the Corporation provide that the board shall consist of a minimum of three and a maximum of eleven directors, to be elected annually. The Board has fixed the number of directors for the coming year at six; at the meeting, shareholders will be asked to elect directors (the "Nominees"). The following Table provides the names of the Nominees and information concerning them. The persons in the enclosed form of proxy intend to vote **for** the election of the Nominees. Management does not contemplate that any of the Nominees will be unable to serve as a director.

Each director elected will hold office until his successor is elected at the next annual meeting of the Corporation, or any adjournment thereof, or until his successor is elected or appointed.

Name and Municipality of Residence	Position with Corporation	Period of Service as a Director	Present Occupation if Different from the Office Held (3)	Number of Common Shares beneficially owned or Over which Control is Exercised (4)
David J. Hennigar Bedford, Nova Scotia	Chairman and Director	Since 1992	Chairman, Thornridge Holdings Limited and Investment Advisor, Altus Securities Inc. and prior to March 2012 Investment Advisor Jennings Capital Inc. and its predecessor company Acadian Securities Inc.	51,976,284(2)
N. Gary Van Nest (1) Toronto, Ontario	Director	Since 1989	President of Sinalta Investments Ltd. (investment holding company)	901, 718
J.T. MacQuarrie, Q.C. (1)(8) Halifax, Nova Scotia	Director	Since 1992	Retired Partner, Stewart McKelvey (a law firm)	1,068,357
Michael G. Ryan (1)(8) Halifax, Nova Scotia	Director	Since 2009	President, Chief Executive Officer and Vice Chairman of Envirosystems Inc.	Nil
Gordon S. Willox (5) Newmarket, Ontario	Nominee (5)	N/A	President and CEO of Surgical Lasers Inc.	Nil (5)
Dr. Robert Francis (6) Toronto, Ontario	Nominee (6)	N/A	Founder and Director of Medcan Clinic, Toronto	Nil
Dr. Stanley Swierzewski III (7) Holyoke, MA, USA	Nominee (7)	N/A	Associate Clinical Professor of Urology, Tufts University, Boston	Nil

(1) Member of the Audit Committee.
(2) Refer to "Voting Securities and Principal Holders Thereof" for further details of the nature of such share ownership.
(3) All of the Nominees have held the indicated positions for the past five years with the exception of Gordon Willox.
(4) The information as to Common Shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Corporation, has been furnished by the respective Nominees individually.
(5) The election of Gordon S. Willox will not become effective unless and until the proposed transaction for the acquisition of Surgical Lasers Inc. is approved and has closed. Upon, and subject to closing of that proposed transaction, Mr. Willox will become a shareholder of the corporation, holding 4,598,704 common shares and 1,532,901 Series A Special Shares; for particulars see below under "Special Business – Proposed Acquisition of Surgical Lasers Inc.".
(6) The election of Dr. Robert Francis will not become effective unless and until the proposed transaction for the acquisition of Surgical Lasers Inc. is approved and has closed.
(7) The election of Dr. Stanley Swierzewski III will not become effective unless and until the proposed transaction for the acquisition of Surgical Lasers Inc. is approved and has closed.
(8) Upon Closing of the proposed acquisition of Surgical Lasers Inc., Messrs. Ryan and McQuarrie will retire as Directors of the Corporation and will enter into Consultancy Agreements with the Corporation to provide consulting services for up to five years, as a result of which there will then be five Directors in office and the Board will seek to nominate a qualified candidate to fill the vacancy thus created until the next annual meeting of shareholders.

The undernoted Nominees are also Directors of the following public companies:

David J. Hennigar – High Liner Foods Incorporated; Landmark Global Financial Corporation; MedX Health Corp; Metalo Manufacturing Inc. (Muskrat Minerals Incorporated), and SolutionInc Technologies Limited.
N. Gary Van Nest – Landmark Global Financial Corporation and MedX Health Corp.
Michael G. Ryan – SolutionInc Technologies Limited.

Gordon Willox is the President and CEO of Surgical Lasers Inc., which was formed by the amalgamation, in August, 2015, of Surgical Laser Inc. and 2459663 Ontario Inc. Prior to August, 2015, Mr. Willox was President and CEO of

Surgical Laser Inc., from October, 2014, and prior to that he was president and CEO of TASC Laser Inc. Since graduating in 1979 with a degree in Biomedical Engineering, Mr. Willox has developed extensive experience in relation to application of lasers for surgical uses, and in particular for use in urology treatments. For more detailed information regarding Surgical Lasers Inc. and its business, see below under "Special Business – Proposed Acquisition of Surgical Lasers Inc.". The election of Mr. Willox is to be made conditional on the proposed acquisition of Surgical Lasers Inc, being closed, to become effective at that time. If the proposed acquisition of Surgical Lasers Inc. does not proceed, the election of Mr. Willox will become ineffective.

Dr. Robert Francis - Dr. Francis has over twenty-five years of experience in private practice as well as corporate medicine. He has focused on the areas of occupational health, disease prevention, and the medical management of disability and workplace absence. Dr. Francis also functions as the Corporate Medical Director to several Canadian companies. He established the Canadian Business Health Research Institute, a non-profit foundation exploring the risk factors of cardiac disease and prior to founding Medcan, pursued additional health care initiatives that included international and domestic government consulting projects, the development of Ontario's first "walk-in" medical centres and a national chain of corporate fitness facilities. Dr. Francis is a graduate of McGill Medical School and St. Francis Xavier University and is on the staff of St. Michael's and Mount Sinai Hospitals, in addition to being a lecturer at the University of Toronto. The election of Dr. Francis is to be made conditional on the proposed acquisition of Surgical Lasers Inc, being closed, to become effective at that time. If the proposed acquisition of Surgical Lasers Inc. does not proceed, the election of Dr. Francis will become ineffective.

Dr. Stanley Swierzewski III - Stanley J. Swierzewski, III, M.D. serves as Associate Clinical Professor of Urology at Tufts University School of Medicine in Boston. Dr. Swierzewski founded Healthcommunities.com, Inc. in 1998 and serves as its Chairman and Director. He founded and served as Co-director of the Continence Center at the Lahey Clinic in Burlington, Massachusetts. He directs the Continence Center at Holyoke Hospital in Holyoke, Massachusetts, and is in private practice full time at Hampden Urological Associates. He completed his urological residency at the University of Michigan Medical Center in Ann Arbor, where he received numerous awards for his research publications. He received his bachelor's degree in business administration from the University of Massachusetts. He earned his medical degree from Tufts University School of Medicine in Boston. The election of Dr. Swierzewski is to be made conditional on the proposed acquisition of Surgical Lasers Inc, being closed, to become effective at that time. If the proposed acquisition of Surgical Lasers Inc. does not proceed, the election of Dr. Swierzewski will become ineffective.

Corporate Cease Trading Orders and Bankruptcies

No Director or executive officer is, as at the date of this Information Circular, or was within 10 years before the date of this Information Circular, a Director, chief executive officer or chief financial officer of any company (including a personal holding company), that:

(a) was subject to an order (as defined in Form 51-102 F2 of National Instrument 51-102 – Continuous Disclosure Obligations) that was issued while the Director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer other than:

(i) Mr. Hennigar and Mr. Van Nest who (1) were directors of Landmark Global Financial Corporation Limited at the time Landmark Global Financial Corporation Limited has a temporary cease trade order in place from May 7, 2012 for failing to file annual financial statements on time, (2) were directors of Aquarius Coatings Inc. at the time Aquarius Coatings Inc. had a management cease trade order in place from December 12, 2008 to January 14, 2009 for failing to address TSX Venture Exchange requirements with respect to failing to hold shareholder meetings for the financial years ended March 31, 2007 and March 31, 2008. (3) were Directors of MedX Health Corp. at the time MedX Health Corp. had a management cease trade order in place from January 21, 2010 to February 26, 2010 for failing to hold its fiscal 2008 annual general meeting within the timeframes required by applicable corporate law and Exchange policy and a management cease trade order in place from May 6, 2010 to June 30, 2010 for failing to file its annual financial statements, Certification of filings under Multilateral Instrument 52-109 and its Management, Discussion and Analysis for the year ending December 31, 2009 on or before the prescribed deadline of April 30, 2010;

(ii) Mr. Hennigar and Mr. Ryan who were directors of SolutionInc Technologies Limited at the time SolutionInc Technologies Limited had a temporary cease trade order, issued by the British Columbia Securities Commission, in place from August 9, 2011 to August 24, 2011 for failing to file annual financial statements on time; has a cease trading order in place issued by the British Columbia Securities Commission on October 6, 2011 for failing to file June 30, 2011 quarterly financial statements on time and has a cease trading order in place issued by the Alberta Securities Commission on January 4, 2012 for failure to file September 30, 2011 quarterly financial statements on time.

(iii) Mr. MacQuarrie who was a director of Aquarius Coatings Inc. at the time Aquarius Coatings Inc. had a management cease trade order in place from December 12, 2008 to January 14, 2009 for failing to address TSX Venture Exchange requirements with respect to failing to hold shareholder meetings for the financial years ended March 31, 2007 and March 31, 2008.

(iv) Mr. Hennigar, Mr. Van Nest, Mr. Ryan and Mr. MacQuarrie, who were directors of Aquarius Coatings Inc. when its shares were suspended from trading on the TSX-Venture Exchange on November 3, 2014, for failing to comply with TSX Venture Exchange requirements in connection with the disposition by Aquarius Coatings Inc. of the assets of the coatings division of Aquarius Coatings Inc. The listing of shares was subsequently transferred to the NEX Board of the TSX-V.

(b) was subject to an order (as defined in Form 51-102 F2 of National Instrument 51-102 – Continuous Disclosure Obligations) that was issued after the Director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer

No Director, executive officer, shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding company thereof,

(a) is, as at the date of this Information Circular, or was within 10 years before the date of this Information Circular, a director or executive officer of any company (including a personal holding company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Mr. Hennigar who was a director of KLJ Field Services Inc., a private Nova Scotia Company, which made an assignment in bankruptcy on February 25, 2009;

(b) has, within 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the trustee, executive officer or shareholder; or

(c) has been subject to: any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

IF ANY OF THE ABOVE NOMINEES IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE WITHHELD FROM VOTING IN THE ELECTION OF DIRECTORS.

REAPPOINTMENT AND REMUNERATION OF AUDITOR

At the Meeting, the shareholders will be called upon to approve the reappointment of Collins Barrow Toronto LLP (“**CBT**”) as auditor of the Corporation to hold office until the close of the next annual meeting of shareholders, and to authorize the Board to establish its remuneration.

The Board recommends that shareholders vote **FOR** the reappointment of CBT as auditor of the Corporation and the authorization of the Board to fix the remuneration of the auditor. **Unless the shareholder directs that his, her or its common shares are to be withheld from voting in connection with the reappointment of the auditor, the persons named in the enclosed form of proxy will vote FOR the reappointment of CBT as auditor of the Corporation and the authorization of the Board to fix the remuneration of the auditor**. A majority of the votes cast by shareholders at the Meeting is required to approve the reappointment of the auditor and to authorize the directors to fix the remuneration of the auditor.

Fees paid to Collins Barrow Toronto LLP in respect of their audits of the fiscal years ended March 31, 2016, 2015 and 2014, respectively are as follows:

Fees	**2016**	**2015**	**2014**
Audit fees	$18,000	$18,540	$24,720
Tax fees	$nil	$nil	$nil
Total	$18,000	$18,540	$24,720

The audit fees disclosed above were for professional services for the audits of the Corporation's annual consolidated financial statements for the periods noted.

The Corporation relies on the exemption described in Part 6.1 ("Venture Issuers") of Multilateral Instrument 52-110.

STATEMENT OF CORPORATE GOVERNANCE

Refer to Appendix "A" for disclosure of the Corporation's Corporate Governance Policies and Audit Committee Charter.

INDEBTEDNESS OF OFFICERS AND DIRECTORS OF THE CORPORATION

As at March 31, 2016 no individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Company, and no proposed nominee for election as a director for the Company, and no associate of any such director, executive officer or proposed nominee is, or at any time in the most recently completed financial year, has been indebted to the Company or any of its subsidiaries.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Information Circular, no informed person of the Corporation, proposed director of the Corporation, or any associate or affiliate of any informed person or proposed director had any material interest, direct or indirect, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

To the knowledge of the Board of the Corporation, the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting.

SPECIAL BUSINESS - ISSUANCE OF COMMON SHARES TO SETTLE SHAREHOLDER ADVANCES

As at March 31, 2016, shareholder advances to the Corporation by Forest Lane Holdings Limited ("FLH") totaled $3,823,864 and it is estimated that the advances will exceed that amount as at the date of the Meeting. The shareholder has agreed to enter into a debt settlement agreement to cancel $3,800,000 of the debt in consideration for issuance of common shares of AQC. Shareholders will be asked to consider and, if agreed upon, pass a resolution to approve the issuance of 76,000,000 common shares of AQC to FLH at a deemed value of $0.05 per common share in full and final settlement of $3,800,000 of the shareholder loan.

The details of outstanding debt cancelled and common shares to be issued are as follows:

Debt Holder	**Debt Outstanding to be settled ($)**	**Number of Common Shares of the Corporation to be Issued**
Forest Lane Holdings Limited	3,800,000	76,000,000

As at March 31, 2016, Forest Lane Holdings Limited ("FLH") owns, directly and indirectly, 45,882,355 common shares (42.5%) of the Corporation's outstanding common shares. The proposed issuance of 76,000,000 common shares will increase FLH's ownership to 121,882,355 common shares. It will be a condition of Closing of the foregoing proposed debt settlement, in addition to it being approved by the requisite majority of shareholder votes and receiving all relevant regulatory and Exchange approvals, consents or acceptance, as the case may be, that the proposed acquisition of Surgical Lasers Inc. – see below under "**Special Business – Acquisition of Surgical Lasers Inc.**" - is both approved and closed prior to closing of the proposed debt settlement. It is further to be noted that the shares proposed to be issued are "pre-consolidation" shares, which will, subject to the proposed share consolidation being approved – see below under "**Special Business – Common Share Consolidation**", result in a number of shares being issued pursuant to the proposed debt settlement being reduced, by reason of the consolidation, to 3,800,000 post-consolidation common shares, so that the total holding of FLH, after consolidation, after closing of the acquisition of Surgical Lasers Inc. and after implementation of the proposed debt settlement would be 6,094,118 common shares.

Shareholder Approval of Debt Conversion to Common Shares

At the Meeting, or any adjournment thereof, shareholders will be asked to consider and, if thought fit, pass, with or without variation, an ordinary resolution approving the settlement of debt as set forth above by the issuance of AQC common shares. **The resolution will require the affirmative vote of a majority of the votes cast by disinterested shareholders at the Meeting, either in person or by proxy. The proposed settlement of debt transaction will be subject to all required regulatory approvals, including acceptance by the TSX-V. No votes attached to shares held or controlled directly or indirectly by Forest Lane Holdings Limited, or any related party to it, will be cast or counted when the proposed resolution is put to the Meeting.**

Management of the Corporation recommends approval of the Debt Settlement Resolution. Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the Common Shares represented by such form of proxy, properly executed, FOR the Share Consolidation Resolution. Finalization of the proposed Debt Settlement is subject to all relevant regulatory and other consents and approvals including acceptance by the TSX-V

Form of Debt Settlement Resolution

"**BE IT RESOLVED**, as an ordinary resolution of Aquarius Coatings Inc. (the "Corporation"), that:

1. Provided that the proposed acquisition of Surgical Lasers Inc. has received all requisite shareholder, regulatory and Exchange approvals and consents, and has closed, a total of 76,000,000 (pre-consolidation; 3,800,000 post consolidation) common shares in the capital stock of the Corporation be issued to Forest Lane Holdings Limited at a deemed value of $0.05 per share (pre-consolidation; $1.00 per share, post-consolidation) in full and final settlement of advances made by Forest Lane Holdings Limited to AQC in the amount of $3,800,000; and

3. any one director or officer of the Corporation be and is hereby authorized to execute and deliver and file all such notices, documents and instruments, and do such other acts, as he in his discretion may deem necessary to give full effect to this resolution; and

3. the Board of the Corporation is hereby authorized to amend the terms of this resolution with respect to the deemed value of the common shares issued to give effect to the any adjustment to the exchange ratio which they will determine and in compliance with any applicable direction or notice by regulatory authorities."

SPECIAL BUSINESS - COMMON SHARE CONSOLIDATION

The Board has determined it would be in the best interests of the Corporation and its shareholders to consolidate all of the issued and outstanding common shares of the Corporation on the basis of one (1) new common share for twenty (20) existing common shares. As of the Record Date for this Meeting, the authorized share capital of the Corporation consists of an unlimited number of common shares of which 107,948,144 were issued and outstanding, and an unlimited number of non-voting, non-cumulative preference shares, issuable in series, convertible into one common share and redeemable at their stated capital amount, of which none were issued or outstanding.

Purpose and Benefit of Consolidation

The Board believes that the Consolidation is necessary and, as such, the consolidation should lead to increased interest by a wider audience of potential investors resulting in a broader market for the common shares. There can be no assurances, however, that the market price of the common shares will increase as a result of the consolidation.

The consolidation will not materially affect any shareholder's percentage ownership of the Corporation, even though such ownership will be represented by a smaller number of shares. No fractional common shares will be issued as a result of the consolidation. If, as a result of the consolidation, the holder of common shares would otherwise be entitled to a fraction of a common share, the number of post-consolidation common shares issuable to such shareholder will be rounded to the nearest whole share.

Share Certificates

Following the effective date of the consolidation and, as soon as practicable, Letters of Transmittal will be sent by mail to all shareholders as of the date hereof for use in transmitting their share certificates to the Corporation's registrar and transfer agent, TSX Trust, in exchange for new certificates representing the number of common shares to which such shareholders are entitled as a result of the consolidation. Upon return of a properly completed Letter of Transmittal, together with the original share certificates evidencing the shares held by the shareholder, a new share certificate for the post-consolidation number of common shares of the Corporation will be issued. All costs incurred will be borne by the Corporation.

Shareholder Approval of the Consolidation Resolution

Management of the Corporation recommends approval of the Share Consolidation Resolution. To be effective, the Share Consolidation Resolution must be approved by the affirmative vote of at least two-thirds of votes cast by the holders of Common Shares present in person, or represented by proxy, at the Meeting. Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the Common Shares represented by such form of proxy, properly executed, FOR the Share Consolidation Resolution.

Form of Consolidation Resolution

Shareholders will be asked to pass the following special resolution:

"BE IT RESOLVED as a special resolution of Aquarius Coatings Inc. (the "Corporation") that: -

1. The Articles of the Corporation be amended to reorganize the share capital of the Corporation to consolidate all the issued common shares on a ratio of ONE new consolidated common share for each TWENTY presently issued common shares of the Corporation;

2. The directors and proper officers of the Corporation are hereby authorized to take all such steps and execute and deliver for and on behalf of the Corporation all documents that they may deem necessary or desirable to give effect to the foregoing, including Articles of Amendment;

3. The directors of the Corporation are hereby authorized to revoke any and all of the aforesaid special resolutions without further approval of the shareholders at any time prior to the endorsement by the Director under the *Business Corporations Act, R.S.O. 1990 c.B-16* of a Certificate of Amendment of Articles in respect of the amendment referred to at 1 above."

SPECIAL BUSINESS - CHANGE OF NAME

In light of the transactions described herein, it is proposed that the Corporation change its name to "Aquarius Surgical Technologies Inc." or such other name as may be approved by the Board and the relevant registrar of corporations and regulatory authorities.

Shareholder Approval of the Change of Name

At the Meeting, or any adjournment thereof, shareholders will be asked to consider and, if thought fit, pass with or without variation, the name change resolution set forth below. In the event that the proposed acquisition of Surgical Lasers Inc. (see below under "Special Business – Proposed Acquisition of Surgical Lasers Inc.") does not proceed, it is anticipated that the proposed name change will not include the words "Surgical Technologies".

Management of the Corporation recommends approval of the Change of Name Resolution. To be effective, the Change of Name Resolution must be approved by the affirmative vote of at least two-thirds of votes cast by the holders of Common Shares present in person, or represented by proxy, at the Meeting. Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the Common Shares represented by such form of proxy, properly executed, FOR the Change of Name Resolution.

Form of Change of Name Resolution

Shareholders will be asked to pass the following special resolution:

"**BE IT RESOLVED** as a special resolution of Aquarius Coatings Inc. (the "Corporation") that:-

1. The name of the Corporation be changed to "**Aquarius Surgical Technologies Inc.**" (or such other name as may be acceptable to the Director of Consumer & Business Services, Province of Ontario).

2. The directors and proper officers of the Corporation are hereby authorized to take all such steps and execute and deliver for and on behalf of the Corporation all documents that they may deem necessary or desirable to give effect to the foregoing, including Articles of Amendment.

3. The directors of the Corporation are hereby authorized to revoke any and all of the aforesaid special resolutions without further approval of the shareholders at any time prior to the endorsement by the Director under the *Business Corporations Act, R.S.O. 1990 c.B-16* of a Certificate of Amendment of Articles in respect of the amendment referred to at 1 above."

SPECIAL BUSINESS – REORGANIZATION OF SHARE CAPITAL

The authorized capital of the Corporation currently consists of (a) an unlimited number of non-voting, non-cumulative preference shares, issuable in series, convertible into one common share and redeemable at their stated capital amount (the "Old Preference Shares") and (b) an unlimited number of common shares. At this time no preference shares have been issued or are outstanding. Management proposes that the authorized capital be reorganized by cancelling the provision for preference shares, and replacing it with a provision authorizing issuance of special shares, in series, with attributes established at the discretion of the directors. The attributes and status of the common shares will remain unchanged. In order to effect the reorganization of the share capital, shareholders will be asked to consider and, if thought fit, pass with or without variation, the capital reorganization resolution set forth below. Implementation of the special resolution will result in cancellation of the Old Preference Shares, and the creation of a class of special shares ("Special Shares") issuable in series, each series having the designations, rights, privileges and conditions fixed by the directors. Attention is drawn to the section below entitled – "**Special Business – Acquisition of Surgical Lasers Inc.**" – which describes the terms of that acquisition, including the proposed issuance of 1,532,901 Series A Special Shares, with rights, privileges and conditions all as described below.

Management of the Corporation recommends approval of the Capital Reorganization Resolution. To be effective, the Capital Reorganization Resolution must be approved by the affirmative vote of at least two-thirds of votes cast by the holders of Common Shares present in person, or represented by proxy, at the Meeting.

Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the Common Shares represented by such form of proxy, properly executed, FOR the Capital Reorganization Resolution.

Form of Capital Reorganization Resolution

Shareholders will be asked to pass the following special resolution:

"**BE IT RESOLVED** as a special resolution of Aquarius Coatings Inc. (the "Corporation") that:-

1. Articles 6 and 7 of the Corporation's Articles of incorporation be deleted, and the following be substituted therefor:

    6. The classes and any maximum number of shares that the corporation is authorized to issue:

        The Corporation is authorized to issue:
        (i) An unlimited number of special shares, issuable in series; and

        (ii) An unlimited number of common shares.

    7. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series:

        (a) All shares are issuable at the discretion of the Directors;

        (b) The special shares are issuable in series, each series having the designations, rights, privileges and conditions fixed by the directors;

        (c) If any amount,

            (1) of cumulative dividends, whether or not declared, or declared non-cumulative dividends, or

            (2) payable on return of capital in event of the liquidation or winding-up of the Corporation

            in respect of special shares of a series is not paid in full, the special shares of the series shall participate rateably with the special shares of all other series in respect of:

            (3) all accumulated cumulative dividends, whether or not declared, and all declared non-cumulative dividends; or

            (4) all amounts payable on return of capital in the event of the liquidation, dissolution or winding-up of the Corporation,

            as the case may be;

        (d) The special shares of each series rank on a parity with the special shares of every other series with respect to priority in payment of dividends and in the return of capital in the event of liquidation, dissolution or winding-up of the Corporation; and

        (e) The holders of the common shares shall be entitled to one vote per common share at all meetings of shareholders of the Corporation other than meetings of the holders of a class of shares other than the common shares, and shall also be entitled to receive the remaining property of the Corporation upon the dissolution of the Corporation;

        (f) The holders of shares of a class or series shall not be entitled to vote separately as a class or dissent upon a proposal to amend the Articles of the Corporation to:

(A) effect an exchange, reclassification or cancellation of the shares of such class; or
(B) create a new class or series of shares equal or superior to shares of such class.

2. The directors and proper officers of the Corporation are hereby authorized to take all such steps and execute and deliver for and on behalf of the Corporation all documents that they may deem necessary or desirable to give effect to the foregoing, including Articles of Amendment.

3. The directors of the Corporation are hereby authorized to revoke any and all of the aforesaid special resolutions without further approval of the shareholders at any time prior to the endorsement by the Director under the *Business Corporations Act, R.S.O. 1990 c. B-16* of a Certificate of Amendment of Articles in respect of the amendment referred to at 1 above."

SPECIAL BUSINESS – INCENTIVE STOCK OPTION PLAN

At this time the Corporation does not have any form of incentive stock option plan in place. The Board of Directors has approved, subject to shareholder ratification, a new incentive stock option plan (the "2016 Plan"). The text of the 2016 Plan is set out at **Appendix "B"** to this Information Circular. Management and the board of directors of the Corporation consider it to be in the best interests of the Corporation to conserve the Corporation's cash position to the greatest extent possible and therefore to make available, where possible, stock options to attract the best human resources available to develop and expand the Corporation's operations.

The following is a summary of the 2016 Plan:

(a) Administration

The Plan will be administered by the Board of Directors of the Corporation (the "Board").

(b) Number of shares reserved

The total number of shares reserved under the 2016 Plan shall be a maximum of 3,000,000 shares, subject to reduction, if applicable, to a number that is equal to no more than 20% of the issued and outstanding common shares of the Corporation calculated following (i) consolidation of the previously issued common shares, (ii) the acquisition of Surgical Lasers Inc., (iii) the issuance of up to 1,500,000 common shares comprised in units issued pursuant to a private placement in connection with the acquisition of Surgical Lasers Inc., and (iv) the proposed debt settlement with Forest Lane Holdings Limited. Unless disinterested shareholder approval is received as discussed below, additional restrictions will be placed on the number of options which may be granted to insiders of the Corporation. The maximum number of Common Shares may subsequently be increased by further vote(s) of shareholders of the Corporation.

(c) The Option Price

The option price of shares which are subject of any option shall be fixed by the Board, subject to the option price not being less than the market price of the Common Shares at the time the option is granted or such lesser price as may be permitted pursuant to the rules or policies of any applicable regulatory agency or stock exchange, including those prescribed by stock exchanges or securities markets upon which the shares may then be listed and/or quoted and traded.

(d) Term

The period during which options are exercisable shall not exceed ten (10) years after such options are granted. Subject to applicable regulatory policies, the Board may determine the period or periods of time during which the options will terminate following the cessation of the holder to be a director, officer, employee or consultant for any cause.

(e) Non-Transferability

No option shall be transferable or assignable by an optionee.

(f) Adjustment of Number of Shares

Each option shall have uniform provisions for the adjustment of the number and kind of shares in the event of a stock split, stock dividend, share consolidation, merger or other relevant change in the Corporation's capitalization to prevent substantial dilution or enlargement of the rights granted to the optionee.

(g) Amendments to the 2016 Plan

Subject to applicable shareholder and/or regulatory approval or requirements, the Board may amend or discontinue the 2016 Plan from time to time.

Shareholders are being asked to consider and, if deemed advisable, to pass a resolution to authorize and to approve the adoption of the 2016 Plan. In order to be effective, the resolution with respect to the adoption of the 2016 Plan must be approved by the affirmative vote of a majority of the votes cast thereon at the Meeting other than votes attaching to Common Shares beneficially owned by insiders to whom stock options may be issued pursuant to the 2016 Plan.

The text of the resolution to be submitted to shareholders at the Meeting is set forth below, subject to such amendments, variations or additions as may be approved at the Meeting:

"**NOW THEREFORE BE IT RESOLVED THAT**:

1. The adoption of the Plan by the Corporation substantially in the form attached to the Management Information Circular of the Corporation dated October 11, 2016, as Appendix "B" thereto, is hereby authorized and approved, so as to come into effect immediately subsequent to the later of (a) the approval of this Resolution by affirmative vote or (b) acceptance of the 2016 Plan by the TSX Venture Exchange; and,

2. Any director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such other acts and things, as may in the opinion of such director or officer of the Corporation be necessary or desirable to carry out the intent of the foregoing resolutions."

Management recommends voting FOR the resolution to approve adoption of the 2016 Plan, and unless otherwise indicated, the persons named in the accompanying proxy intend to vote FOR the resolution to approve the adoption of the 2016 Plan. In order for the resolution to pass, the Corporation must receive affirmative votes of a majority of the votes cast by all shareholders at the Meeting, excluding votes attaching to the Common Shares beneficially owned by insiders or associates of insiders to whom options may be issued under the 2016 Plan.

SPECIAL BUSINESS – ADOPTION OF NEW BY-LAW NUMBER 1

The existing By-law No. 1, which relates generally to the transaction of the business and affairs of the Corporation, was, together with the existing By-law No. 2, adopted in 1986 when the Corporation was first incorporated. In the years which have passed there have been numerous changes in the manner in which corporate business and organization is managed, and there have also been numerous changes in the underlying statutory and regulatory provisions which affect the Corporation. The Board of Directors has accordingly approved a new By-law No. 1 to replace the existing By-law No. 1 and the existing By-law No. 2. The New By-law No. 1 is standard in its form and governs all aspects of the business and affairs of the Corporation, such as the establishment of a quorum for meetings of directors and shareholders, the conduct of such meetings, signing authorities, the appointment of officers, the description of the officers' duties, the establishment of Committees of the Board, the authority of persons to contract on behalf of the Corporation and similar matters. In particular the New By-law No. 1 includes provisions to accommodate voting and participation in meetings of shareholders by electronic means when available. The provisions of the New By-law No. 1

also encompass the provisions included in the existing By-law No 2, which would be repealed upon the new By-law No. 1 coming into effect. The complete text of the new By-law No. 1 is set out in **Appendix "C"** to this Information Circular.

Shareholders are being asked to consider and, if deemed advisable, to pass a resolution to confirm approval of the New By-law No. 1 and the consequential repeal of the existing By-laws No. 1 and No. 2. In order to be effective, the resolution with respect to confirmation of the New By-law No. 1 must be approved by the affirmative vote of a majority of the votes cast thereon at the Meeting.

The text of the resolution to be submitted to shareholders at the Meeting is set forth below, subject to such amendments, variations or additions as may be approved at the Meeting:

"**NOW THEREFORE BE IT RESOLVED THAT**:

1. The new By-law No. 1, relating generally to the transaction of business and affairs of the Corporation, in the form attached to the Management Information Circular of the Corporation dated October 11, 2016, as Appendix "C", is hereby confirmed as the new General By-law for the Corporation, without amendment;

2. The repeal of the existing By-laws of the Corporation is hereby confirmed; and

3. Any director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such other acts and things, as may in the opinion of such director or officer of the Corporation be necessary or desirable to carry out the intent of the foregoing resolutions."

Management recommends voting FOR the resolution to approve confirmation of the New By-law No. 1, and unless otherwise indicated, the persons named in the accompanying proxy intend to vote FOR the resolution to approve confirmation of the New By-law No. 1. In order for the resolution to pass, the Corporation must receive a majority of the votes cast by all shareholders at the Meeting.

SPECIAL BUSINESS – PROPOSED ACQUISITION OF SURGICAL LASERS INC.

Since the disposition of the assets of the Coatings Division, which was completed in September, 2014, Management has pursued suitable alternative business operations for the Corporation and has concluded that the proposed acquisition of the issued and outstanding share capital of Surgical Lasers Inc. ("SLI") will be advantageous to and in the interests of the Corporation. The following is a brief description of the principal provisions of the Acquisition Agreement, followed by more detailed information regarding SLI, its corporate history, structure and business operations.

The SLI Acquisition Agreement

During the course of 2015, a potential business opportunity was identified in the surgical laser technology field. Over an extended period Forest Lane Holdings Limited ("FLH") was able to put together the funding to acquire the assets of a surgical laser business that had run into problems as a result of a shareholder/lender dispute, while at the same time securing the key personnel from that business so as to establish a new, development stage company, Surgical Lasers Inc. ("SLI"). Subsequent sections of this Information Circular provide more particulars of the transactions leading to the formation of SLI and its business and operations. Pursuant to an agreement, dated as of October 11, 2016, (the "Acquisition Agreement"), made between Aquarius Coatings Inc. ("AQC"), the Vendor Shareholder of SLI and SLI, AQC agreed to acquire, and the Vendor Shareholder agreed to sell all of the issued and outstanding shares of SLI. The following are the principal terms of the Acquisition Agreement:

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 1,532,901 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 contains a provision for the issuance to the Vendor Shareholder of up to 1,532,901 Series A special shares, 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 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 Shareholders 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 is 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 is 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 Class A Units to accredited investors; this new funding is to be used for development of the SLI business and general corporate purposes. The Class A Units to be issued will be priced at $1.00 each and will comprise One (1) fully paid and non-assessable common share from the Treasury of the Company and One (1) Class A Warrant, exercisable for a period of two years from the date of issue at a price of $1.50. Each Class A Warrant will entitle the holder to purchase One (1) Class B Unit. Each Class B Unit will comprise One (1) fully paid non-assessable common share from the Treasury of the Company and One (1) Class B Warrant. Each Class B Warrant will entitle the holder to purchase one fully paid common share from the treasury of the Company for a period of one year from the date of issue of the Class B Unit.

Callable Warrant Feature Class A Warrants and Class B Warrants **each** will have a "Callable" feature, empowering the Company to Call the Warrant for exercise at any time while they are outstanding if the average closing price of the stock on the market over a period of 20 trading days in any period of thirty consecutive trading days is at or above 130% of the respective exercise price of the Warrants. The Call procedure provides that that the Company may give Notice to Exercise within 30 days, after which date any unexercised Warrants will become void,

A copy of the Acquisition Agreement is filed with the documents of AQC on SEDAR, at www.sedar.com, and may be viewed during regular business hours at the office of AQC at 380 Bedford Highway, Halifax, Nova Scotia B3M 2L4, during the period from the date of issuance of this Information Circular until the date of the Meeting. A copy of the Acquisition Agreement will also be available for inspection at the Meeting.

Series A Special Shares – Milestone Achievements – Conversion or Redemption

A portion of the consideration payable by AQC for the SLI Shares, valued at $1,532,901, is to be satisfied by issuance of 1,532,901 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 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 306,580 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.

Exemption from Valuation Requirement

In the opinion of Management the proposed transaction is exempt from the Valuation Requirement established in MI 61-101 since no securities of AQC are listed or quoted on any of the specified stock exchanges set out in Section 4.4 of MI 61-101.

INFORMATION CONCERNING SURGICAL LASERS INC.

Description of SLI – corporate background

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. ("OldSLI"), 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 ("SLIncUS"), a Delaware corporation. SLIncUS 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 by its developer/manufacturer, Intermedic Arfran S.A., and to the fibre-optic delivery system technology by its developer/manufacturer, Advanced Fiber Tools GmbH.

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.

Market for BPH Treatment

The need for treatment of BPH is considered to be in a growth stage, particularly in the North American marketplace. BPH is age-related enlargement of the prostate gland, leading to obstruction of the urinary tract in males. Historically, BPH, when it reached an advanced stage, was treated by Trans Urethral Resection of the Prostate ("TURP"); this was a surgically invasive procedure conducted in an operating theatre, that required anaesthetic, was accompanied often by significant blood-loss, and involved expensive hospital/operating room time followed by associated costs and post-operative discomfort for the patient and was, overall, subject to the multiple risks that accompany any kind of invasive surgery.

In the 1990's technology began to be developed to treat BPH using minimally invasive methods by introduction of laser beams carried along fibre-optic devises that can be targeted to burn away excess growth that restricts the urinary tract as it passes through the prostate. The laser-based treatment tends towards a significantly lesser amount of bleeding, shorter treatment times, local, rather than general anaesthetic and a faster recovery time. Overall this laser-based technology has developed along two different paths, with one method still using bulky laser-generating machinery that still requires a hospital/operating theatre setting, and the other using a portable laser generator, enabling treatment to be completed in the Surgeon's office rather than in hospital as an out-patient procedure. SLI has secured the exclusive rights for the portable laser technology in North and South America.

Statistically, BPH is found to occur in one of every two males over 55 years of age and almost every male over 80 years of age. As the "Baby Boom generation is now into this particular age-group, the number of potential patients is likely to increase over the next 15 years. At present there are approximately 35,000 laser BPH procedures performed in the United States of America every month. Because of its initial market development, the current market leader in laser BPH procedures in the United States is the technology and systems developed by Boston Scientific Corporation which, in 2015, acquired the technology previously developed by American Medical Systems Inc. This technology uses bulky laser-generating machinery, installed within hospital environments, thus requiring treatment and procedures to be conducted in the hospital rather than in the urologist's office as an out-patient procedure. In current terms, the capital cost of the bulky Laser machinery is approximately double the cost of the portable system, and the related fibre-optic delivery systems for the bulky laser generators are almost double the cost of the fibres used with the portable systems. Over the past three years SLI and its predecessors has made considerable inroads into the marketplace, and gained ready acceptance by urologists who recognize the economic benefits of being able to complete BPH surgery treatments in their own offices rather than in a hospital environment where there are competing calls on operating room and personnel availability.

Regulatory environment

All medical diagnostic and treatment devices, systems and technologies must be approved by the Federal Food and Drug Administration ("FDA") in the United States of America, and by the Health Protection Branch ("HPB") in Canada before they can be used or implemented. The SLI laser systems have obtained FDA Clearance; application for approval of the systems by HPB is in process but acceptance is subject to HPB approval and cannot be guaranteed at this time. Other countries maintain similar or equivalent regulatory regimes for the control of medical diagnostic and treatment devices, systems and technologies; SLI does not presently hold any additional licences or approvals, and must apply for any obtain all relevant regulatory or other consents, licences or approvals before its products or technologies may be used in other countries.

Marketing Strategy

SLI has assembled a small core team of experienced experts in the field of laser treatment of BPH. Outside the core team, SLI has entered into a series of Independent Distribution Agreements with experienced operators across the United States, and is developing further relationships in order to expand that basic network. Those distributors interact directly with the specialist urologists across the county in order to secure contracts for the sale of the laser equipment and consequential supply of the (consumable) fibre-optic delivery systems. Included in the process of interaction between the Distributor and the end-user Urologists is an Education program, supply arrangements for consumables and related financing arrangements through third-party sources that are standard practice for medical practitioners.

Protection of Intellectual Property

Part of the technology and process systems incorporated in the portable laser generator are covered by patents owned by the manufacturer of that machine (Intermedic Arfran S.A.) and part of the technology incorporated in the design and manufacture of the fibre-optic delivery devices are covered by patents owned by the manufacturer (Advanced Fiber Tools GmbH. Both the laser machine and the fibre-optics also incorporate technologies that are proprietary to the respective manufacturers. By virtue of the terms and provisions contain in the Exclusive Distribution Agreements with the manufacturers, SLI maintains control over uses of those patented and proprietary technologies within its territorial marketplace, and it is continually maintaining a watching brief to ensure restrictive control over those technologies and to prevent any unauthorised use or infringement.

SLI - Financial Information – Management's Discussion and Analysis of Financial Results

At **Appendix "E"** of this Information Circular, are the audited financial statements of SLI, for the period ended December 31, 2015, together with the unaudited Financial Statements for the Three Months ended March 31, 2016 and Six Months ended June 30, 2016; the reader is referred to those statements and the following Management's Discussion and Analysis of Financial Results. As noted above, SLI was only formed by amalgamation in August, 2015, and it is still in the development stage.

Fiscal period to December 31, 2015

Overview – fiscal period to December 31, 2015

Operations during the fiscal year ended December 31, 2015, were directed principally at the establishment of the initial business unit, the acquisition of the previously-existing operational assets, re-negotiation for the acquisition and formalization of licences and rights to exploit technologies and building business relationships with potential end-users of the technology for laser-treatment of BPH. Thus revenue during the fiscal year was minimal, and Cost of Sales and G&A Overhead were high. As SLI was in "start-up" mode, the operational results were in line with Management's anticipation.

Results of operations – fiscal period to December 31, 2015 and stub period to December 31, 2014

During the fiscal year ended December 31, 2015, Revenue generated from sales was $46,209, while Cost of Sales was $442,664, resulting in an operational loss of $396,455. General and Administrative costs were $752,854, generating a Net Loss on operations for the year of $1,149,309. The prior stub period from October 15, 2014, to December 31, 2014, had generated a net loss of $85,588, and thus the Deficit at the end of fiscal 2015 was $1,234,897. As indicated above, the Deficit incurred during the initial start-up period of operations is within the boundaries anticipated by Management; the Deficit was funded by advances of $2,055,320 provided by Forest Lane Holdings Limited.

Financial overview - Development Expenses to December 31, 2015 and stub period to December 31 2014

During the initial stub period to December 31, 2014 and the fiscal year ended December 31, 2015, significant sums were expended on Development Expenses in order to establish the identity of the business and technology of SLI, as well as in negotiation for exclusivity of rights to the specific laser-related technologies used by SLI for BPH treatment and in presentations to and negotiations with potential end-users and sub-distributors. Costs under this heading were principally incurred on Advertising, Travel, Telecommunication and Consulting fees.

	YEAR ENDED DECEMBER 31, 2015	PERIOD ENDED DECEMBER 31, 2014
Selling General and Administrative Expenses	$362,114	*$26,083*

Management anticipates that Development costs in fiscal 2016 will remain at similar level, but will decrease over time as SLI establishes its position in the market-place.

Financial Overview – General and Administrative Expenses – Year ended December 31, 2015 and stub period ended December 31, 2014

Principal General and Administrative costs during the year ended 2015, with comparatives for the fiscal period ended December 31, 2014, other than the Development Costs described above, are identified in the following Table:

	YEAR ENDED DECEMBER 31, 2015	PERIOD ENDED DECEMBER 31, 2014
Bank and Interest charges	$5,145	*$109*
Foreign Exchange (gain) loss	$72,038	*$6,253*
Rent Expense	$6,747	-
Management Fees	$245,000	*$52,500*
Professional Fees	$60,032	*$643*

These expenses are in line with Management's anticipated expenditures during the start-up period. During the initial phase of operations, and in the course of establishing the management base for the company, Management anticipates that General and Administrative costs will be expended at a similar rate as during the year ended December 31, 2015. The Company will continue to be affected by fluctuations of Exchange Rates, since the Company's operating currency is Canadian Dollars, while the operating currency of its principal suppliers is Euros the operating currency of its principal customers is US Dollars.

Liquidity and Capital Resources – December 31, 2015 and Stub Period to December 31, 2014

As at December 31, 2015, SLI had liquid cash resources of $3,634 and Accounts Receivable of $49,093 *(December 31, 2014 $nil and $7,410 respectively)*. Inventories, principally the assets acquired upon completion of the amalgamation of OldSLI and Numco described above, was valued at $770,996 at December 31, 2015 *(December 31, 2014 - $88,853)*, after providing $382,680 as write-off of obsolete inventory *(December 31 2014 $nil)*. Since SLI is in the start-up phase, and has not yet completed any major financing, working capital and other resources has been provided by, and the company is dependent upon advances from third parties; until such time as an external financing is completed, as is envisaged in connection with the proposed merger transaction with Aquarius Coatings Inc., SLI will need to continue to rely on third parties to continue to fund its operations and successfully find a market for its products. Management believes that it will continue to have the support from third parties to fund operations through the proposed merger, at which time it is anticipated that the proposed new equity funding will significantly strengthen the Balance Sheet.

Significant Accounting Policies

Refer to Note 2 to the Audited Financial Statements for SLI for the period ended December 31, 2015, for a full description of the Accounting Policies adopted by SLI

Fiscal Quarters to March 31, 2016 and June 30, 2016, compared to the same periods of 2015

Overview – Three Months to March 31, 2016 and Three Months to June 30, 2016

As during the period to December 31, 2015, Operations during the Quarters ended March 31 and June 30, 2016, continued to be directed principally at the establishment of the initial business unit, continued re-negotiation of terms applicable to the acquisition and formalization of licences and rights to exploit technologies and building business relationships with potential end-users of the technology for laser-treatment of BPH. Thus revenue during the first six months of 2016 continued to be at a minimal level, while Cost of Sales and G&A Overhead were high. As SLI continues to be in "start-up" mode, and the proposed financing has not been completed, the operational results were in line with Management's anticipation. By comparison with the same periods in fiscal 2015, the company was in the former period in its earliest start-up phase, so that there were no operations at all in the Quarter to March 31, 2015, and very early-stage activities in the Quarter to June 30, 2015.

Results of operations – Three Months to March 31, 2016 and Three Months to June 30, 2016

Gross sales in the Quarter to March 31, 2016, were $166,489, with Cost of Sales at $123,749, resulting in a Gross profit of $42,740; this compared with $*nil* in each category during the First Quarter of fiscal 2015. Expenses during the Quarter to March 31, 2016 (with comparatives for the same period of fiscal 2015 in parentheses) totalled $157,070 (*2015 - $110,039*), resulting in a net Operating Loss of $166,223 (*2015 - $177,504*). The Operating Loss was added to the Deficit which stood at $1,349,227 at March 31, 2016 (*2015 - $195,627*).

Gross sales in the Quarter to June 30, 2016, were $22,449, *(2015 - $22,875)*, with Cost of Sales at $20,927, *(2015 $11,760)* resulting in a Gross profit of $1,522, *(2015 - $11,115).* Expenses during the Quarter to June 30, 2016, totalled $167,745 (*2015 - $188,659*), resulting in a net Operating Loss of $166,223 *(2015 - $177,504).* The Operating Loss was added to the Deficit which stood at $1,515,450 at June 30, 2016 (*2015 - $373,171*).

In each of the Quarters to March 31, 2016 and June 30, 2016, the Operating Loss arose in the context of early stage start-up, and was anticipated by Management.

Financial overview - Development Expenses - Three Months to March 31, and s to June 30, 2016

As with the fiscal period to December 31, 2015, and as is to be anticipated in the start-up phase of an business directed in the medical therapeutics segment of the marketplace, significant sums were expended on Development Expenses in order to establish the identity of the business and technology of SLI. Thus particular expenses incurred in Development in the Quarters to March 31, 2016 and June 30 2016, with comparisons for the comparative Quarter for the prior year, were as follows:

	QUARTER ENDED MARCH 31		QUARTER ENDED JUNE 30	
	2016	***2015***	**2016**	***2015***
Selling general and administrative	$86,227	*$22,148*	$75,844	*$86,828*

Financial Overview – General and Administrative Expenses - Three Months to March 31, 2016 and Three Months to June 30, 2016

Principal General and Administrative costs during the Quarters ended March 31, 2016 and June 30, 2016, with comparatives for the same periods in the prior year, other than the Development Costs referred to above were as follows:

	QUARTER ENDED MARCH 31		QUARTER ENDED JUNE 30	
	2016	***2015***	**2016**	***2015***
Bank and Interest charges	$349	*$171*	$375	*$1,886*
Foreign Exchange (gain) loss	$(23,127)	*$18,935*	$6,450	*$(4,636)*
Rent Expense	$4,953	*$-*	$6,901	*$11,854*
Management Fees	$52,500	*$52,500*	$52,500	*$52,500*
Professional Fees	$35,700	*$16,285*	$25,206	*$52,081*

The above figures indicate that there were substantial movements in foreign exchange gains and losses in the two current year and prior year periods under review; this fluctuation is a result of exchange rate movements in a situation where the Company's functional currency of accounting is in Canadian Dollars, while a significant portion of its materials and equipment purchases are denominated in Euros, while its principal marketplace is in the United States. Management maintains reviews of currency fluctuations, many of which are caused by events well outside its capacity to control or influence. Other General and Administrative costs are consistent with Management's anticipation at the start-up phase of the business, prior to major financing.

Liquidity and Capital Resources - Three Months to March 31, 2016 and Three Months to June 30, 2016

As at March 31, 2016 June 30, 2016, SLI had liquid cash resources of $2,411 and $ 50,830 respectively, compared with $3,634 as at December 31, 2015. Accounts Receivable as at March 31, 2016 and June 30, 2016 were $166,041 and $173,659 respectively, compared with $49,093 as at December 31, 2015. Inventories as at March 31, 2016 and June 30, 2016 were $648,481 and $683,077 respectively, compared with $770,996 as at December 31, 2015. Prepaid Expenses as at March 31, 2016 and June 30, 2016 were $45,270 and $13,486 respectively, compared with $3,381 at December 31, 2015. Since SLI is still in the start-up phase, and has not yet completed any major financing, working capital and other resources has been provided by, and the company is dependent upon advances from related parties; until such time as an external financing is completed, as is envisaged in connection with the proposed merger transaction with Aquarius Coatings Inc., SLI will need to continue to rely on related parties to continue to fund its operations and successfully find a market for its products. Management believes that it will continue to have the support from related parties to fund operations through the proposed merger, at which time it is anticipated that the proposed new equity funding, and debt conversion will significantly strengthen the Balance Sheet.

Risks and Uncertainties

The business of SLI, in particular as it is a development stage company, involves a high degree of risk, including, but not necessarily limited to, the risk factors described below.

Limited Operating History: Investment in SLI should be regarded as speculative, due to the nature of and the present stage of development of its business. SLI has a limited operating history. The likelihood of the success of the SLI must be considered in light of the risks inherent in, and the difficulties, costs, and complications encountered in the early growth stage of a business enterprise and the development and marketing of new technologies. As a result of its early growth stage of business and its limited operating history, sales and results from operations are inherently more difficult to predict, and as a result, SLI may sustain operating losses.

Uncertainty of Market Acceptance: SLI currently derives a substantial portion of its revenues from the sale of its portable laser systems and related fibre-optic consumables. Those sales are exclusively to sophisticated medical professionals, and are presently concentrated only in the United States of America. Because of this limited marketplace and target market concentration, a decline in the demand for the products would have a material adverse effect on SLI. There can be no assurance that SLI's expanded marketing and sales efforts will result in increased market acceptance for the its products.

Supply Dependency: Manufacture of the products distributed by SLI is dependent on the continued efficient supply of component parts from two key exclusive suppliers, both based in Europe. The shortage of supply of any machines, parts or materials would seriously jeopardize the SLI's ability to bring its products to market.

Dependence on Distribution Relationships: SLI is dependent on the performance of its distributors.

Technological Factors: Technology of the complexity developed by SLI and its manufacturers may contain errors which, from time to time, become apparent subsequent to product introduction. To date, the cost to SLI of meeting its warranty obligations has not been significant and is, as far as possible, passed back to the respective manufacturer. However, SLI's product operating experience is limited, and increased warranty claims could have a material adverse effect on SLI's stature and acceptability in its marketplace.

Product Liability: SLI believes that it has adequate third party liability and errors and omissions insurance. To date, it has not made any claims with respect to this insurance. However, future product liability claims not covered by such insurance or in excess of the limits of such insurance could have a material adverse effect on the financial condition of SLI.

Technological and Product Obsolescence: The medical/surgical laser industry is characterized by rapid and significant technological changes. Current competitors or new market entrants could introduce new or enhanced products with features that render SLI's products obsolete or less marketable. Certain competitors are significantly larger, and thus have substantially greater financial resources. The ability of SLI to compete successfully will depend in large measure on the ability of SLI and its respective exclusive manufacturers to maintain a technically superior research and development staff and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of its products with evolving industry standards.

Protection of Intellectual Property: SLI has not applied for patents relating to the products it distributes because, at this time, the relevant technology rights belong to third parties, namely the manufacturers. SLI is preparing certain technological products and improvements that it may, if and when the opportunity arises, become the subject of application for patent or other proprietary right protection. It may be possible for competitors or customers to copy or duplicate certain aspects of the products distributed by SLI or obtain information that SLI and/or its manufacturers regard as proprietary. Furthermore, there can be no assurance that others will not independently develop products similar to those developed or planned by SLI and its manufacturers.

Infringement of Proprietary Rights: Although SLI believes that the products it distributes do not infringe on the proprietary rights of others and has not received any notice of claimed infringement, certain of the products it distributes could infringe on existing proprietary rights. If any such infringement does exist, there can be no assurance that any necessary licenses or rights could be obtained on terms satisfactory to SLI or the respective manufacturer or that necessary modification could be made to the infringing products in a timely or commercially feasible manner.

Dependence Upon Key Personnel: The success of SLI is largely dependent on the personal efforts of certain key officers and employees. The loss of any of these key individuals could have a material adverse effect on SLI's business and prospects. In this respect the SLI does not currently maintain keyman insurance. All employees, as a condition of employment, have signed confidentiality and non-compete agreements.

Government Assistance: SLI may utilize its entitlement for government assistance under applicable plans or programs that are designed to encourage investment in technology. There can be no assurance that such assistance will be made available to SLI with respect to any research and development of its technologies. There can be no assurance that the SLI's research and development efforts will qualify for such assistance. Further, should SLI become listed on a major exchange, the rate of tax credits available on qualifying research and development expenditures will decrease by approximately 50%, and such credits will no longer be refundable.

Risk of International Sales: The continued growth of SLI's business will depend to a significant extent on sales to customers located outside Canada – principally in the United States of America. The cost of supporting a widespread customer base could have a materially adverse effect on SLI.

Future Financing Requirements: SLI anticipates that it will require additional financing in the future in order to fund continued product development and marketing. There is no assurance that such financing will be available.

Foreign Exchange Rates: Substantially all of SLI's sales are denominated in U.S. dollars. General and Administrative costs are incurred principally in Canadian dollars, while costs of product acquisition from exclusive manufacturers in Europe are denominated in Euros. The economics of SLI's business may be adversely affected by fluctuations in foreign exchange rates which may adversely affect both sales and gross margins from the sales of its products.

Dilution: Calls for additional capital to develop SLI's business in the future may be met by issuance of common shares, leading to dilution of existing shareholder interests.

No Dividends: SLI has not paid any dividends with respect to its Common Shares and does not anticipate paying any dividends in the foreseeable future.

Share Capital of SLI

The authorized share capital of SLI comprises an unlimited number of common shares, of which there are currently 100 common shares issued as fully paid, all of which are beneficially owned by Gordon Willox. The Acquisition Agreement with Aquarius Coatings Inc. calls for all of the issued and outstanding shares to be acquired by Aquarius Coatings Inc. There are not, and will not be as at the time of closing of the proposed acquisition, any warrants, options or other rights to acquire securities of SLI.

SLI - Material Contracts

The following material contracts, being contracts entered into other than in the ordinary course of business, have been entered into by SLI since the date of its formation:

(i) Exclusive Distribution Agreement, dated November 1, 2015, between SLI and Intermedic Arfran S.A.;
(ii) Exclusive Distribution Agreement, dated May 1, 2016, between SLI and Advanced Fiber Tools GmbH;
(iii) Acquisition Agreement, between SLI and Aquarius Coatings Inc., dated as of October 11, 2016 , 2016
(iv) Escrow Agreement between Gordon Willox, the Corporation and TSX Trust, dated TBA 2016

Copies of the material contracts at (i), (ii) and (iii) may be inspected at the offices of SLI, 30 Prospect Street, Suite 203, Newmarket, Ontario, L3Y 3S9, during normal business hours from the date of publication of this Information Circular until 30 days following the date of the Meeting called for approval of the proposed acquisition of SLI. The Agreements referred to at (i), (ii) and (iii) above will contain certain redactions where Management reasonably believes that disclosure of such provisions would be seriously prejudicial to the *bona fide* commercial interests of the parties or would violate confidentiality provisions. Following, and subject to closing of the proposed Acquisition, copies of the aforementioned material contracts, subject to the foregoing redactions, will be filed on SEDAR, at www.sedar.com with the documents relating to Aquarius Coatings Inc. (at that time under its new corporate name, as approved and adopted).

INFORMATION CONCERNING THE RESULTING ISSUER

If the proposed acquisition of the issued shares capital of SLI is approved by the requisite votes, and subject to obtaining all relevant regulatory and other consents and approvals and Closing of the acquisition transaction, Aquarius Coatings Inc. will be renamed "**Aquarius Surgical Technologies Inc.**" ("ASTI"), and SLI will become a wholly-owned subsidiary of ASTI.

Incorporation of ASTI

ASTI will continue to be incorporated under the laws of the Province of Ontario and governed by the Business *Corporations Act (Ontario) RSO 1980 c. B-16 (as amended).*

Corporate relationships of ASTI

In addition to its 100% holding in SLI, ASTI will have two inactive wholly-owned subsidiaries, namely SLI, ScotiaChemco Holdings Limited and ScotiaChemco Inc.

Material Contracts of ASTI

ASTI will have no material contracts, other than contracts in the ordinary course of business, other than those listed and described above in relation to the business of SLI.

Business of ASTI and financial presentation

The business of ASTI will principally be the business of SLI, as described above; the business and operations of ASTI, including its subsidiaries will be presented in audited annual and unaudited interim financial statements on a consolidated basis.

Unaudited Pro Forma Consolidated Financial Statements of ASTI

Please refer to **Appendix "F"** to this Information Circular for the Unaudited ProForma Consolidated Financial Statements of ASTI, taken as at June 30, 2016.

Capitalization of ASTI

The Authorized capital of ASTI will comprise of:

(i) an unlimited number of common shares; and
(ii) an unlimited number of special shares, issuable in series, of which there will be 1,532,901 Series A Special Shares issued.

The **Series A Special Shares** will be 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 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 306,580 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.

Class A Warrants: As part of, and subject to the Financing in connection with the acquisition of SLI, there will be a minimum of 1,500,000 and maximum of 2,500,000 Class "A" Warrants issued in the Private Placement and a minimum of 1,500,000 and maximum of 2,500,000 Class "A" Warrants issued in the Parallel Placement *(see below)*. Each Class A Warrant will entitle the holder to purchase One (1) Class B Unit for a period of two years from the date of issue at a price of $1.50. Each Class B Unit will comprise One (1) fully paid non-assessable common share from the Treasury of the Company and One (1) Class B Warrant.

Class B Warrants: No Class B warrants will be issued unless and until any Class A Warrants have been exercised. Each Class B Warrant, when issued will entitle the holder to purchase one fully paid common share from the treasury of the Company for a period of one year from the date of issue of the Class B Unit, at the price of $2.50.

Callable Warrant Feature Class A Warrants and Class B Warrants **each** will have a "Callable" feature, empowering the Company to Call the Warrant for exercise at any time while they are outstanding if the average closing price of the stock on the market over a period of 20 trading days in any period of thirty consecutive trading days is at or above 130% of the respective exercise price of the Warrants. The Call procedure provides that that the Company may give Notice to Exercise within 30 days, after which date any unexercised Warrants will become void.

Capitalization Table: The following Table sets out the Capitalization of ASTI in the circumstances as provided, including the Debt Settlement and otherwise based on the Consolidated Pro Forma Statements as at December 31, 2015:

	Amount Outstanding after giving effect to closing of Acquisition, Minimum Private Placement and Minimum Parallel Placement		**Amount Outstanding after giving effect to closing of Acquisition, Maximum Private Placement and Maximum Parallel Placement**		**Amount Outstanding after giving effect to closing of Acquisition, Maximum Private Placement, Maximum Parallel Placement and Conversion of all Series A Special Shares**	
	#	**$**			#	$
Common Shares (unlimited)	16,796,111	21,739,569	18,796,111	23,739,569	20,329,012	25,272,470
Series "A" Special Shares	1,532,901	1,532,901	1,532,901	1,532,901	nil	nil
Class A Warrants (Exercise @ $1.50)	3,000,000	N/A	5,000,000	N/A	5,000,000	N/A
Class B Warrants (Exercise @ $2.50)	3,000,000	N/A	5,000,000	N/A	5,000,000	N/A

NOTE: The foregoing Table does not take into account the exercise of any Class "A" Warrants or Class "B" Warrants, or the granting or exercise of any Incentive Stock Options under the Incentive Stock Option Plan that will reserve 3,000,000 shares for issuance on the grant of stock options.

Available Funds and Principal Purposes of Funds: Private Placement and Parallel Placement

Private Placement:

It is a condition of closing of the acquisition of SLI that a financing be completed, by way of private placement pursuant to relevant exemptions under National Instrument 45-106, to raise a minimum $1,500,000 in new capital. The Company is accordingly proceeding to raise new capital by way of a Private Placement of up to 2,500,000 Class "A" Units ("Class A Unit(s)"), to raise up to $2,500,000, subject to a minimum of $1,500,000. Each Class "A" Unit comprises one (1) fully paid non assessable common share from treasury, and one (1) Class "A" Warrant. Each Class "A" Warrant entitles the holder to purchase one (1) Class "B" Unit, at an exercise price of $1.50 CDN, exercisable during a period of two (2) years from the date of issue, subject to the Call Provision (*see below*). Each Class "B" Unit comprises one (1) fully paid common share and one Class "B" Warrant. Each Class "B" Warrant entitles the holder to purchase one (1) fully paid non-assessable common share from the treasury at the price of $2.50 during the period expiring one (1) year from the date of issue, subject to the Call Provision (*see below*).

Parallel Placement

In conjunction with the Private Placement, Forest Lane Holdings Limited ("FLHL"), the holder of the majority of the Debt owed by SLI, which has been advanced during the initial start-up phase, has agreed to subscribe for up to 2,500,000 Class "A" Units, on the basis described below and otherwise on the same terms of the Private Placement. The Parallel Placement will trigger at $1,500,000, for 1,500,000 Class "A" Unites, on a matching basis at the point that $1,500,000 has been subscribed for under the Private Placement; thereafter, FLHL may subscribe at its discretion, on a matching basis with subscriptions under the Private Placement, for up to a further $1,000,000, for a further 1,000,000 Class "A" Units.

Callable Provision: Class "A" Warrants and Class "B" Warrants **each** have a "Callable" feature, empowering the Issuer to Call the respective Warrant for exercise at any time while they are outstanding if the average closing price of the stock on the market over a period of 20 trading days in any period of thirty consecutive trading days is at or above 130% of the respective exercise price of the Warrants. The Call procedure provides that that the Company may give Notice to Exercise within 30 days, after which date any unexercised Class "A" or Class "B" Warrants, as the case may be, will become void.

As a consequence of, and subject to the closing of the Private Placement, and thereby the Parallel Placement, the corporation will have received subscription funds, which are to be used as follows:

USE OF FUNDS	MINIMUM FROM PRIVATE PLACEMENT	MAXIMUM FROM PRIVATE PLACEMENT	MATCHING FROM PARALLEL PLACEMENT
Development of the business, including inventory purchases	$900,000	$1,640,000	
Costs incurred in connection with the placement and re-listing on the TSX-V	$100,000	$110,000	
General and Administrative overheads during the period of 18 months following closing	$500,000	$750,000	
TOTALS FROM PRIVATE PLACEMENT	**$1,500,000**	**$2,500,000**	
Debt Reduction – Minimum from Parallel Placement			**$1,500,000**
Debt Reduction – Maximum from Parallel Placement			**$2,500,000**

It is to be noted that the Private Placement and the Parallel Placement are subject to all relevant regulatory and other Consents and Approvals, including Acceptance by the TSX-V.

Dividend Policy of ASTI

ASTI does not anticipate payment of dividends in the near future; it is anticipated that all funds generated in operations will initially be directed towards development of the business.

Principal Securityholders of ASTI

There will be 5,397,407 (post consolidation) common shares of AQC, to which will be added 4,598,704 common shares issued on closing of the acquisition of SLI, 3,800,000 common shares issued pursuant to the proposed debt settlement with Forest Lane Holdings Limited, and Minimum 1,500,000 common shares/maximum 2,500,000 common shares comprised in the Class "A" Units issued in connection with the Private Placement, and Minimum 1,500,000 common shares/Maximum 2,500,000 common shares issued in connection with the Parallel Placement. There would therefore be a minimum 16,796,111 and maximum 18,796,111 issued and outstanding common shares of ASTI following closing of the acquisition of SLI, the Private Placement and the Parallel Placement. In the event that the Performance Milestones are achieved, then the 1,532,901 Series A Special Shares will be converted into common shares, increasing the number of common shares to 20,329,012. The foregoing figures do not take into account any shares that might be issuable pursuant to exercise of any Class "A" Warrants or Class "B" Warrants, or of any Incentive Stock Options that may be granted and exercised.

The following Table sets out the largest shareholders, based on the foregoing numbers and assumptions, not taking into account any other share issuances that may take place in the interim:

SHAREHOLDER	Prior to any Series A Conversion and assuming minimum Private Placement and matching Parallel Placement		Prior to any Series A Conversion and assuming maximum Private Placement and matching Parallel Placement		Assuming total Series A Conversion and maximum Private Placement and matching Parallel Placement	
	# OF SHARES	% OF ISSUED	# OF SHARES	% OF ISSUED	# OF SHARES	% OF ISSUED
Gordon Willox	4,598,704	29.52%	4,598,704	24.46%	6,131,605	30.16%
Forest Lane Holdings Limited.	7,594,118	45.21%	8,594,118	45.72%	8,594,118	42.27%
TOTAL ISSUED SHARES	**16,796,111**		**18,796,111**		**20,329,012**	

Directors and Officers of ASTI

The following individuals will be the directors and officers of ASTI:

David J. Hennigar	Director and Chairman (Non-executive)
Gary Van Nest	Director (Chief Executive Officer)
Gordon Willox	Director (Chief Operating Officer)
Dr. Robert Francis	Director
Dr. Stanley Swierzewski	Director
Lorne S. MacFarlane	Chief Financial Officer
Christopher H. Freeman	Corporate Secretary

Key Management personnel of ASTI

Gary Van Nest	Chief Executive Officer
Gordon Willox	Chief Operating Officer
Lorne S. MacFarlane	Chief Financial Officer

Corporate Cease trade Orders/Bankruptcies

Please refer to the section above in this Information Circular entitled "**ELECTION OF DIRECTORS – Corporate Cease Trade Orders and Bankruptcies**".

Executive Compensation of ASTI

The following Table, in the case of Gordon Willox, sets out the compensation paid by SLI to him in his capacity as Chief executive of SLI, and the compensation of David Hennigar and Lorne MacFarlane as CEO and CFO respectively of Aquarius Coatings Inc. during the periods stated:

	Annual Compensation					Long Term Compensation Awards	Payouts
Name and Principal Position	**Year Ended March 31**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation ($)**	**Total ($)**	**Securities Under Option**	**All Other Compensation ($)**
Gordon Willox CEO of Surgical Lasers Inc.	2014	N/A	N/A	N/A	N/A	N/A	N/A
	2015	N/A	N/A	N/A		N/A	N/A
	2016	$150,000	$60,000	Nil	$210,000	Nil	Nil
David J. Hennigar Acting Chief Executive Officer of AQC	2014	nil	nil	nil	nil	nil	nil
	2015	nil	nil	nil	nil	nil	nil
	2016	nil	nil	nil	nil	nil	nil
Lorne S. MacFarlane Chief Financial Officer of AQC	2014	nil	nil	nil	nil	nil	nil
	2015	nil	nil	nil	nil	nil	nil
	2016	nil	nil	nil	nil	nil	nil

At this time, prior to closing of the acquisition of SLI, the employment of Gordon Willox by SLI is not subject to any formal contractual arrangements, since he is the sole shareholder of SLI. As and from closing of the acquisition of SLI, it is proposed that Mr. Willox will enter into a formal Employment Agreement with SLI which will provide for Base Salary at a rate of $150,000 per year, with a provision for Bonuses at the discretion of the Board as recommended by the Compensation Committee. As a Director, Officer and employee, Mr. Willox will also be entitled to receive grants of stock options under the 2016 Plan (as described above in the Information Circular). The proposed employment agreement will also provide for entitlements, to be negotiated, upon termination of employment and in the event of a change of control of ASTI, and such other terms and conditions as are usual in such agreements as negotiated between the parties.

Indebtedness of Directors/Officers of ASTI

No Director, Officer or Proposed Director or Officer of ASTI is indebted to ASTI.

Investor Relations Arrangements

ASTI does not anticipate entering into any specific Investor Relations Agreements; if Management concludes that it would be advantageous to do so, and such Agreement would be fully in compliance with relevant regulatory requirements and with applicable policies of the TSX Venture Exchange.

Options to Purchase Securities of ASTI

ASTI will, provided that it its adoption is approved as described above in the Information Circular, have an Incentive Stock Option Plan (the "2016 Plan"), pursuant to which a fixed number of 3,000,000 shares would be reserved for issuance on exercise of Incentive Stock Options that may be granted; such Incentive Stock Option Plan will be fully compliant with relevant regulatory requirements and applicable policies of the TSX- Venture Exchange. (See above under "Special Business – Incentive Stock Option Plan" and Appendix "B" to this Information Circular)

Escrowed Securities of ASTI

In order to comply with relevant regulatory requirements and applicable policies of the TSX Venture Exchange, it is anticipated that Gordon Willox will place 4,598,704 common shares and 1,532,901 Series A Special Shares in escrow with TSX Trust, upon terms that provide for release as follows:

Percentage of each class to be released from Escrow	**Date of Release from Escrow**
10%	At the time of the Exchange Bulletin announcing acceptance for Listing on the TSX-V ("EB Date")
15%	6 months from EB Date
15%	12 months from EB Date
15%	18 months from EB Date
15%	24 months from EB Date
15%	30 months from EB Date
15%	36 months from EB Date

Auditor, Transfer Agent and Registrar of ASTI

The Auditor of ASTI will be Collins Barrow Toronto LLP, Chartered Accountants, of Toronto, Ontario.

The Transfer Agent and Registrar of ASTI will be TSX Trust Company, of Toronto, Ontario

Other Material Facts

There are no other Material Facts.

RESOLUTION FOR APPROVAL OF THE PROPOSED ACQUISITION OF SLI

In order for the proposed acquisition of SLI to proceed, an affirmative vote of a majority of the shareholders of Aquarius Coatings Inc. is required to the Acquisition Resolution. Management has been assured by Gordon Willox that he holds no direct or indirect interest in any shares of Aquarius Coatings Inc.; if any such interest is acquired by any shareholder of SLI, then votes attached to any such shares shall be excluded from voting on the Acquisition resolution.

Management of the Corporation recommends approval of the Acquisition Resolution. To be effective, the Acquisition Resolution must be approved by the affirmative vote of a majority of votes cast by the holders of Common Shares present in person, or represented by proxy, at the Meeting. Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the Common Shares represented by such form of proxy, properly executed, FOR the Acquisition Resolution.

Form of Acquisition Resolution

"**BE IT RESOLVED**, as an ordinary resolution of Aquarius Coatings Inc. (the "Corporation"), that:

1. The Acquisition Agreement, dated as of October 11, 2016, and made between the Corporation, Gordon Willox, as Vendor Shareholder and Surgical Lasers Inc. (the "Acquisition Agreement"), for the acquisition of all of the issued and outstanding shares in the capital of Surgical Lasers Inc. in consideration of the issuance of 4,598,704 fully paid and non-assessable common shares and 1,532,901 Series A Special Shares in the capital of the Corporation, be, and it is hereby approved and ratified.

2. any one director or officer of the Corporation be and is hereby authorized to execute and deliver and file all such notices, documents and instruments, and do such other acts including payment of fees, as such director or officer in his discretion may deem necessary to give full effect to this resolution; and

3. the Board of the Corporation is hereby authorized to amend the terms of the Acquisition Agreement to accommodate any necessary changes required by any regulatory agency or authority or as otherwise advised by the Corporation's professional advisers, in the best interests of the Corporation."

4. the Board of the Corporation is hereby authorized, in its discretion, to revoke this resolution and to cancel or terminate the Acquisition Agreement if it is considered to be in the best interests of the Corporation to do so."

OTHER BUSINESS

Management is not aware of any other matters to come before the Meeting other than those set out in the Notice of Meeting. If other matters come before the Meeting, it is the intention of the individuals named in the form of proxy to vote the same in accordance with their best judgment in such matters.

GENERAL

All matters to be brought before the Meeting require a simple majority of the votes cast at the Meeting by the holders of common shares for approval of the matter, other than the special resolutions detailed above which will require the approval of two-thirds of the votes cast at the Meeting by the holders of common shares.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com The Corporation will provide to any person or company, upon request to the Corporation, one copy of the Corporation's most recently filed annual financial statements and MD&A and any interim financial statements and associated MD&A of the Corporation that have been filed for any period after the end of its most recently completed financial year. The Corporation may require the payment of a reasonable charge when a request is made by someone who is not a holder of common shares. Requests should be made in writing to the Corporation's at 311-380 Bedford Highway, Halifax, Nova Scotia, B3M 2L4.

BOARD APPROVAL

The directors of the Corporation have approved the contents and sending of this Information Circular.

DATED as of the 11th day of October, 2016.

BY ORDER OF THE BOARD OF DIRECTORS

David J. Hennigar
Chairman

APPENDIX "A": CORPORATE GOVERNANCE POLICIES AND AUDIT COMMITTEE CHARTER

APPENDIX "B": 2016 INCENTIVE STOCK OPTION PLAN

APPENDIX "C": NEW BY-LAW No. 1

APPENDIX "D": FINANCIAL STATEMENTS OF AQUARIUS COATINGS INC.:

- **(i) Audited Statements: Year ended March 31, 2014;**
- **(ii) Audited Statements: Year ended March 31, 2015;**
- **(iii) Audited Statements: Year ended March 31, 2016;**
- **(iv) Unaudited Interim Statements: Quarter to June 30, 2016.**

APPENDIX "E": FINANCIAL STATEMENTS OF SURGICAL LASERS INC.

- **(i) Audited Statements, Year ended December 31, 2015;**
- **(ii) Unaudited Statements, Three Months ended March 31, 2016;**
- **(iii) Unaudited Statements, Three and Six Months ended June 30, 2016**

APPENDIX "F": UNAUDITED PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS OF ASTI FOR THE YEAR ENDED JUNE 30, 2016.

APPENDIX "A" – CORPORATE GOVERNANCE POLICIES AND AUDIT COMMITTEE CHARTER

Corporate Governance Practices

Board of Directors

The Board of Directors of the Corporation (the "**Board**") are responsible for overseeing the management of the Corporation and the conduct of the Corporation's affairs. During the financial years ended March 31, 2014, 2015 and 2016, the Board consisted of four members, namely David Hennigar, J. Thomas MacQuarrie, Michael G. Ryan and N. Gary Van Nest, (three (3) of whom are independent. Directors are expected to attend Board Meetings and meetings of Committees on which they serve and to spend the time needed to properly discharge their responsibilities. The following Table gives details of the number of Meetings held in each financial period and the attendances of each of the Directors at such Meetings:

NAME OF DIECTOR	TO MARCH 31, 2014 (12 months)		TO MARCH 31, 2015 (12 months)		TO March 31, 2016 (12 months)	
	Board	Audit Comm.	Board	Audit Comm.	Board	Audit Comm.
David Hennigar	4/5	N/A	4/4	N/A	4/4	N/A
J. Thomas MacQuarrie	5/5	4/4	4/4	4/4	2/4	2/4
Michael G. Ryan	4/5	3/4	3/4	3/4	4/4	4/4
N. Gary Van Nest	5/5	4/4	4/4	4/4	4/4	4/4

The Board facilitates its exercise of independent supervision over management by ensuring that the Board is comprised of a majority of independent directors.

During the years ended March 31, 2014, 2015 and 2016, in addition to being directors of the Corporation, David J. Hennigar was chairman or director of Assisted Living Concepts, Inc. (to July, 2013), High Liner Foods Incorporated, Landmark Global Financial Corporation, MedX Health Corp., Metalo Manufacturing Inc. (formerly Muskrat Minerals Incorporated) and SolutionInc Technologies Limited; J. Thomas MacQuarrie was a director of Extendicare Inc. (to January 2016) and High Liner Foods Incorporated (to May 2015); Michael G. Ryan was a director of SolutionInc Technologies Limited and N. Gary Van Nest was a director of Alexander Energy Ltd., Crown Hill Capital Corporation (to December 2014), Landmark Global Financial Corporation and MedX Health Corp.

Information regarding other directorships held by nominees for election or re-election to the Board is set out under "Election of Directors".

Orientation and Continuing Education

The Corporation does not have a formal orientation or continuing education program for directors. All of the current directors are intimately familiar with the Corporation's business and activities. New directors are provided with access to recent, publicly filed documents of the Corporation and given copies of all Board minutes and corporate governance materials. New directors are encouraged to ask questions and communicate with management and employees to keep themselves current with industry trends and changes in corporate legislation.

Ethical Business Conduct

The Board monitors the ethical conduct of the Corporation and its management and ensures that it complies with applicable legal and regulatory requirements. The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

Nomination of Directors

The Board does not have a nominating committee. Instead, the Board and management work together to identify new candidates for nomination, taking into account the qualifications of the proposed directors and the specific needs, expertise or vacancies required to be filled among the Board.

Audit Committee

The Corporation's Audit Committee is currently comprised of three (3) directors, N. Gary Van Nest (Chair), J. Thomas MacQuarrie and Michael G. Ryan. All members are independent and all of the Audit Committee members are financially literate.

Assessments

The Board does not make regular formal assessments of the Board, its committees or its members. The Board satisfies itself on an informal basis, from time to time, that its members and its committees are performing effectively.

<u>Audit Committee Charter</u>

1. Establishment of Committee

1.1 Establishment of the Audit Committee Confirmed

The establishment of the audit committee of the board of directors of Aquarius Coatings Inc. is hereby confirmed with the purpose, constitutions and responsibilities herein set forth.

1.2 Certain definitions in this mandate:

(a) "**Board**" means the board of directors of Aquarius Coatings Inc.;
(b) "**Chair**" means the chair of the Committee;
(c) "**Committee**" means the audit committee of the Board;
(d) "**Director**" means a member of the Board;
(e) "**External Auditor**" means the person occupying the office of auditor of the Corporation in accordance with the Ontario *Business Corporations Act*;
(f) "**Internal Auditor**" means the person responsible for the internal audit function with respect to Aquarius Coatings Inc.;
(g) "**Mandate**" means this written mandate of the Committee and any such mandate for the Committee which the Board resolves from time to time shall be the mandate of the Committee; and
(h) "**Aquarius**", "**Corporation**" or "**AQC**" means Aquarius Coatings Inc.

2. Purpose and Objective

2.1 Purpose

The Committee's purpose is to assist the Board in the discharge of its obligations in connection with:

(a) the integrity of the company's financial statements;
(b) the company's compliance with legal and regulatory requirements;
(c) the independent auditor's qualifications and independence; and
(d) the integrity of the company's internal control and management information systems.

2.2 Discharge of Responsibilities

The Audit Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Sections 8 and 9 of this Mandate.

3. Authority and Outside Advisors

The Board authorizes the Committee, within the scope of its responsibilities, to seek information it requires from any employee. The Board further authorizes the Committee to communicate directly with internal and external auditors in fulfilment of this mandate.

The Committee shall also have the authority to retain (and terminate) such outside legal, accounting or other advisors as it may consider appropriate and shall not be required to obtain the approval of the Board in order to retain or compensate such advisors. The Committee shall have sole authority to approve related fees and retention terms.

4. Committee Membership

4.1 Number of Members

The Committee shall consist of not fewer than three Directors.

4.2 Independence of Members

Unless otherwise determined by the Board and permitted by ML 52-110, the Committee shall be composed solely of Directors who a) Have no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with the exercise of such Director's independent judgment; and b) Are otherwise independent as determined in accordance with ML 52-110.

4.3 Financial Literacy

(a) Requirement - Each member of the Committee shall be financially literate.
(b) Definition - "Financially literate" shall mean that the member is capable of understanding and interpreting financial statements and competent in the analysis of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues reasonably expected to be raised in the preparation and presentation of MMI's financial statements.

4.4 Accounting or Related Financial Experience

Members should have education and experience that is relevant to his or her responsibilities as an audit committee member including:

(a) an understanding of generally accepted accounting principles and financial statements;
(b) ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities;
(d) an understanding of internal controls and procedures for financial reporting; and
(e) an understanding of audit committee functions.

4.5 Annual Appointment of Members

The members of the Committee shall be appointed by the Board. The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.

4.6 Vacancy

The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors. When such vacancy is the result of the death, disability or resignation of a member of the Committee and where the Board is required to fill such vacancy, the Committee member so appointed shall be exempt from the independence and financial literacy requirements in Sections 4.2 and 4.3 respectively until the later of (i) the next annual general meeting of the Corporation or (ii) the date that is six months from the day of vacancy was created.

5. Committee Chair

5.1 Board to Appoint Chair

The Board shall appoint the Chair from the members of the Committee (or if it fails to do so, the members of the Committee shall appoint the Chair from among its members). If, at any meeting, the Chair is not in attendance, then the Vice-Chair, if any, shall be responsible for chairing the meeting and for delivering a casting vote, as necessary.

5.2 Chair to be Appointed Annually

The designation of its Chair shall take place annually at the first meeting of the Board after a meeting of the members at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

5.3 Casting Vote

In case of an equality of votes, the Chair in addition to his original vote shall have a second or casting vote.

6. Committee Meetings

6.1 Quorum

A quorum of the Committee shall be a majority of its members (present in person or by telephone). No business shall be transacted by the Committee except at a meeting at which a quorum of the Committee is present.

6.2 Secretary

The Secretary of the Committee will be the Secretary of the Board, unless otherwise appointed by the Chair. The Secretary may, but need not, be a member of the Committee.

6.3 Time and Place of Meetings

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least quarterly. In addition, meetings may be called by any member of the Committee or by the External Auditor on not less than 72 hours' notice unless such notice is waived by all members of the Committee and by the External Auditor.

6.4 Right to Vote

Each member of the Committee shall have the right to vote on matters that come before the Committee.

6.5 Invitees

The External Auditor, the Chief Executive Officer and the Chief Financial Officer of Aquarius Coatings shall be entitled to receive notice of and to be heard at each meeting of the Committee, as non-voting observers. The Committee may additionally invite Directors, officers and employees of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

6.6 Non-Management Sessions

As part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial statements or at which the Committee reviews the interim financial statements, the Committee shall meet separately with each of:

(a) management; and
(b) the External Auditor, for the annual audited financial statements.

In addition, at the conclusion of all other meetings of the Committee, the non-management directors shall meet without any member of management being present (including any Director who is a member of management). No minutes of the non-management sessions will be taken unless the Chair of the meeting requests in writing that the discussion be added to the meeting minutes.

7. Remuneration of Committee Members

7.1 Director Fees Only

No member of the Committee may accept, directly or indirectly, any fees from the Corporation or any of its subsidiaries other than directors' fees (which fees may include cash and/or shares options or other in-kind consideration ordinarily available to Directors, as well as all of the regular benefits that other Directors receive).

7.2 Other Payments

For greater certainty, no member of the Committee shall accept any consulting, advisory or other compensatory fee from the Corporation and its affiliates.

8. Duties and Responsibilities of the Committee

8.1 Financial and Related Information

(a) Financial Reporting - The Committee shall only review annual and interim financial reports and related financial documents for release to the public after the Chief Financial Officer has certified that the financial statements provide full and complete disclosure and that no material undisclosed liabilities or contingencies exist.

(b) Annual Financial Statements - The Committee shall review and discuss with management and the External Auditor, the Corporation's annual financial statements and related MD&A and report thereon to the Board before the Board approves those statements for release to the public.

(c) Interim Financial Statements - The Committee shall review and discuss with management, the Corporation's interim financial statements and related MD&A before they are submitted to the Board of Directors for approval and release to the public.

(d) Annual and Interim Earnings – The Committee shall review and discuss with management the press releases relating to the Corporation's annual and interim earnings before such press releases are publicly disclosed.

(e) Accounting Treatment - The Committee shall review and discuss with management [and the External Auditor] on a timely basis:

(i) major issues regarding accounting policies, principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;

(ii) analyses prepared by management [and the External Auditor] setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analysis of the effects of alternative GAAP methods on the financial statements;

(iii) the effect on the financial statements of the Corporation of regulatory and accounting initiativesand issues, as well as off-balance sheet transactions, structures, obligations(including contingent obligations) and other relationships of the Corporation with unconsolidated entities or other persons that have a material current or future effect on the financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses of the Corporation;

(iv) the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented;

(v) any financial information or financial statements in prospectuses and other offering documents;

(vi) the management certifications of the financial statements as may be required by applicable securities laws in Canada or otherwise, and all certifications and reports of any disclosure committee established by management from time to time;

(vii) any other relevant reports or financial information submitted by the Corporation to any governmental body or to the public.

(f) Discussion of Accounting Treatments - The Committee shall have direct communication channels with the External Auditor to discuss and review specific issues as appropriate.

(g) Disclosure of Other Financial Information - The Committee shall discuss with management and the External Auditor, if deemed necessary:

(i) the types of information to be disclosed and the type of presentation to be made in connection with earnings press releases paying particular attention to any use of "pro forma" or "adjusted" non-IFRS information; and

(ii) financial information and earnings guidance (if any) provided to analysts and rating agencies; and

(iii) the public disclosure of any other financial information extracted from financial statements other than the public disclosure referred to in (a), (b) and (c).

(h) Review of Communications - The Committee shall review with the External Auditor all material written communication between the External Auditor and management including, but not limited to, the management letter and any schedule of unadjusted differences.

8.2 External Auditor

(a) Authority with Respect to External Auditor - As the representative of Aquarius Coatings shareholders, the Committee shall be directly responsible for overseeing the work of the External Auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. The Committee shall require the External Auditor to acknowledge in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of shareholders.

(b) Selection of External Auditor – The committee shall have sole responsibility for recommending to the Board the External Auditor to be nominated to the Corporation's shareholders for appointment and whether at any time the incumbent External Auditor should be removed from office. The Committee shall not recommend an External Auditor who is not a participating audit firm as defined in National Instrument 52-108 – Auditor Oversight.

(c) Compensation of External Auditor – The Committee shall have sole responsibility for recommending the compensation of the External Auditor to the Board.

(d) Competency of External Auditor - Once each year (and otherwise as the Chair may consider appropriate) the Committee shall review with the External Auditor its performance and that of the lead audit partner and obtain and review a report by the External Auditor describing:

(i) the External Auditor's internal quality-control procedures;

(ii) any material issues raised by the most recent internal quality-control review, or peer review, of the External Auditor's firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the External Auditor's firm, and any steps taken to deal with any such issues;

(iii) all material relationships between the External Auditor and the Corporation (for the purposes of assessing the auditor's independence); and

(iv) to review annually with the External Auditor its performance and that of its lead audit partner.

(e) Review of Audit Problems - The Committee shall review with the External Auditor any audit problems or difficulties and management's response.

(f) Independence - The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process:

(i) The Committee shall require the External Auditor to submit on a periodic basis to the Committee, a formal written statement delineating all relationships between the External Auditor and Aquarius Coatings and that the Committee is responsible for actively engaging in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and for recommending that the Board take appropriate action in response to the External Auditors' report to satisfy itself of the External Auditors' independence; and

(ii) The Committee shall pre-approve any non-audit services provided by the External Auditor to Aquarius Coatings or any of its subsidiaries and may delegate such preapproval authority to one or more of its independent members. The pre-approval of all such non-audit services by any member to whom such authority has been delegated must be presented to the Committee at its first scheduled meeting following such preapproval.

(iii) The Committee shall review and approve hiring policies with respect to partners, employees and former employees of present and former External Auditors.

8.3 Management Response

The Committee shall obtain management's response to significant remarks or findings of the External Auditor and shall follow-up as required on the status of the implementation of corrective measures.

8.4 Related Party Transactions

The Committee shall review and approve all related party transactions in which the Corporation is involved or which the Corporation proposes to enter into.

8.5 Risk Assessment, Risk Management and Internal Control

The Committee shall gain an understanding of the Corporation business and shall discuss the Corporation major financial risk exposures and the steps management has taken to monitor and control such exposures. The Committee shall assess and evaluate management's internal control plan. The Committee shall obtain regular updates from management and legal counsel regarding compliance matters.

8.6 Other Matters

The Committee shall perform any other activities consistent with this Mandate, the Corporation's by-laws and governing law, as the Committee or the Board deems necessary or appropriate.

9. Whistle Blowing

9.1 Procedure

As soon as practicable following the release of rules implementing requirements with respect the procedures described in this Section 9.1, the Committee shall put in place procedures for:

(a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls or auditing matters; and

(b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

10. Reporting to the Board

10.1 Regular Reporting

The Committee shall report to the Board following each meeting of the Committee and at such other times as the Chair may determine to be appropriate (provided that the Committee shall report to the Board at least four times per year) and shall ensure that the Board is made aware of matters that may significantly affect the financial condition or affairs of the Corporation.

11. Evaluation of Committee Performance

11.1 Establish Process

In time, the Board shall establish a process for all committees of the Board for assessing the performance of such committees on a regular basis and, once established, the Committee shall follow such process in assessing its performance.

11.2 Amendments to Mandate

(a) Review by Audit Committee - The Committee shall recommend to the Board on an annual basis, any amendments it considers desirable to this mandate.

(b) Review by Board - The Board will review and reassess the adequacy of the Mandate on an annual basisand at such other times as it considers appropriate.

APPENDIX "B" – 2016 INCENTIVE STOCK OPTION PLAN

2016 STOCK OPTION PLAN

Article I – Purpose of Plan

1.1 The purpose of the Plan is to provide Executives, Employees and Consultants, where permitted under applicable legislation, of the Corporation and its Subsidiaries, compensation opportunities that will encourage share ownership and enhance the Corporation's ability to attract, retain and motivate key personnel and reward significant performance achievements. This Plan is an amendment to and a restatement of all previous stock option plans of the Corporation.

Article II – Defined Terms

Where used herein, the following terms shall have the following meanings:

2.1 "Board" means the board of directors of the Corporation or, where the context permits, any committee of such board of directors to which such board of directors may from time to time delegate its powers or responsibilities hereunder;

2.2 "Business Day" means any day, other than a Saturday, Sunday or holiday, on which any stock exchange or quotation or trading system on which the Shares are listed or quoted, is open for trading;

2.3 "Consultant" means an individual, or a company or partnership in which the individual is an employee, shareholder or partner, as the case may be, other than an Employee or an Executive of the Corporation or a Subsidiary, that:

(a) is engaged to provide, on a bona fide basis, consulting, technical, management or other services to the Corporation or a Subsidiary under a written contract between the Corporation or the Subsidiary and the individual or the consultant company or consultant partnership of the individual; and

(b) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or a Subsidiary;

2.4 "Corporation" means **[Aquarius Surgical Technologies Inc.]**, and includes any successor corporation thereto;

2.5 "Eligible Person" means any Executive, Employee or Consultant who performs services for the Corporation and/or a Subsidiary on an ongoing basis or who has provided or is expected to provide a service of value to the Corporation or a Subsidiary and, in the case of an Employee or a Consultant, whom the Corporation represents to be a bona fide Employee or Consultant of the Corporation, as the case may be;

2.6 "Employee Optionee" means an Optionee who is an Employee;

2.7 "Employee" means a full or part-time employee of the Corporation or a Subsidiary, other than an Executive, and includes, where the context permits, a trustee, custodian or administrator acting on behalf or for the benefit of employees of the Corporation or a Subsidiary;

2.8 "Executive" means any officer or director of the Corporation or a Subsidiary;

2.9 "Market Price" at any date in respect of Shares shall be the closing quoted price of such Shares on the stock exchange or quotation or trading system on which the Corporation's shares are listed, on the last Business Day preceding the date on which the Option is approved. In the event that such Shares did not trade on such Business Day, the Market Price shall be the average of the bid and ask prices in respect of such shares at the close of trading on such date. In the event that such Shares are not listed and posted for trading on any stock exchange, quotation or trading system, the Market Price in respect thereof shall be the fair market value of such Shares as determined by the Board in its sole discretion;

2.10 "Option" means an option to purchase Shares granted under the Plan;

2.11 "Option Price" means the price per share at which Shares may be purchased under the Option, as the same may be adjusted from time to time in accordance with Article VIII hereof;

2.12 "Optionee" means a person to whom an Option has been granted;

2.13 "Plan" means this 2016 Stock Option Plan of the Corporation as embodied herein, as the same may be amended or varied from time to time;

2.14 "Shares" means the common shares of the Corporation or, in the event of any adjustment contemplated by Article VIII hereof, such other shares or securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment; and

2.15 "Subsidiary" means any body corporate which is controlled by the Corporation or one or more persons or companies which are controlled by the Corporation.

2.16 For purposes of the Plan, a person or company is considered to be controlled by a person or company if voting securities of the first person or company are carrying more than 50% of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the other person or company, and the votes carried by the securities are entitled, if exercised, to elect a majority of the directors of the first-mentioned company.

Article III – Administration of the Plan

3.1 The Plan shall be administered by the Board.

3.2 The Board shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan and to applicable securities and stock exchange regulatory requirements:

(a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;

(b) to interpret and construe the Plan and to determine all questions arising out of the Plan and any Option granted pursuant to the Plan, and any such interpretation, construction, or determination made by the Board shall be final, binding and conclusive for all purposes;

(c) to determine to which Eligible Persons Options are granted and to grant Options;

(d) to determine the number of Shares purchasable under each Option;

(e) to determine and fix the Option Price, which under no circumstances shall be less than the Market Price of the Shares at the date of the grant of such Option;

(f) to determine the time or times when and the manner in which Options will be granted, become vested and exercisable;

(g) to determine if the Shares which are subject to an Option will be subject to any restrictions upon the exercise of such Option;

(h) to grant in its discretion to the holder of an outstanding Option, in exchange for the surrender and cancellation of such Option and subject to relevant regulatory and disinterested shareholder approval, a new Option having an Option Price lower than the Option Price of the surrendered and cancelled

Option and containing other terms and conditions as regulatory policies may require and as the Board may prescribe; and

(i) to prescribe the form of the instruments relating to the grant, exercise and other terms of Options.

3.3 For greater clarity, the Board shall have the power to:

(a) grant such Options to Eligible Persons which shall not become fully vested or exercisable until the happening of an event, the attainment of an objective or the satisfaction of certain other conditions determined by the Board at the time of the grant of such Options to the Eligible Persons;

(b) with respect to the hiring of Executives, authorize the Corporation to grant Options to such Executives as at the date of the acceptance of any offer of employment by such Executives, subject to approval by the Board; and

(c) grant Options to a class of persons to be allocated to members of such class who are Eligible Persons from time to time as may be determined by the Board.

3.4 The Board shall have the power to delegate to a committee of the Board the power to determine to which Eligible Persons Options are to be granted and to grant such Options, the number of Shares purchasable under each Option, the Option Price and the time or times when and the manner in which Options are exercisable, and such committee shall make such determinations in accordance with the provisions of this Plan and with applicable securities and stock exchange regulatory requirements, subject to final approval by the Board.

Article IV – Shares Available under the Plan

4.1 Options may be granted in respect of authorized and unissued Shares provided that the aggregate number of Shares reserved for issuance under this Plan, subject to adjustment or increase of such number pursuant to the provisions of Article VIII hereof, together with any Shares reserved for issuance under the previous Stock Option Plan of the Corporation and any options or warrants for services or employee stock purchase or stock option plans or any other plans, shall not exceed 3,000,000 Shares, subject to reduction, if applicable, to a number that is equal to no more than 20% of the issued and outstanding common shares of the Corporation calculated following (i) consolidation of the previously issued common shares, (ii) the acquisition of Surgical Lasers Inc., (iii) the issuance of up to 1,500,000 common shares comprised in units issued pursuant to a private placement in connection with the acquisition of Surgical Lasers Inc., and (iv) the proposed debt settlement with Forest Lane Holdings Limited. Shares in respect of which Options are not exercised shall be available for subsequent Options under the Plan. No fractional shares may be purchased or issued under the Plan

Article V – Eligibility, Grant and Terms of Options

5.1 In no event may the term of an Option exceed ten (10) years from the date of the grant of the Option.

5.2 The total number of Shares reserved for issuance under Options granted to Optionees under this Plan during a financial year of the Corporation shall not exceed 10% of the issued and outstanding Shares at the date of the grant or proposed grant of the Option unless a resolution of disinterested shareholders has approved a lifting of this threshold.

(a) The total number of Shares reserved for issuance to any one Optionee under this Plan together with any Shares reserved for issuance under options or warrants for services and employee stock purchase plans or any other share compensation arrangements or incentive plan to such Optionee shall not exceed 5% of the issued and outstanding Shares in any twelve (12) month period (unless the Corporation has obtained disinterested Shareholder approval).

(b) The total number of shares reserved for issuance to any one Optionee who is a Consultant shall not exceed 2% of the issued shares of the Corporation in any twelve (12) month period.

(c) The total number of shares reserved for issuance to all Optionees who are employees conducting Investor Relations Activities shall not exceed 2% of the issued shares of the Corporation in any twelve (12) month period.

(d) Options issued to Optionees under the Plan shall, unless otherwise determined by the Board at the time of approval of grant, be subject to general vesting provisions as follows: 25% at time of grant, 25% after six (6) months from date of grant, 25% after twelve (12) months from date of grant, and 25% after eighteen (18) months from date of grant. For greater clarity, the Board has the discretion to approve immediate vesting of all options in a particular grant, or to impose any particular vesting conditions that it considers necessary or appropriate in respect of each grant.

5.3 An Option is personal to the Optionee and may not be assigned or transferred except as may be envisaged under applicable regulatory exemptions relative to the RRSP or RRIF of an Optionee. The Option may only be exercised by the Optionee, provided that where the Optionee is an individual, then during the lifetime of such Optionee, the Option may be exercised only by him or her, his or her legal representative or a nominee which is a corporation wholly-owned by the Optionee.

5.4 Each Option shall be evidenced by a written agreement between the Corporation and the Optionee containing terms and conditions established with respect to such Option and shall be consistent with the provisions of the Plan.

Article VI – Termination of Employment, Death or Retirement

6.1 In the event that an Optionee shall cease to be employed or retained by the Corporation or any Subsidiary for any reason (other than for reason of cause, death, retirement or circumstances equating retirement as determined by the Board) or shall receive notice from the Corporation or any Subsidiary of the termination of such employment or engagement (the "Termination") such Optionee may, but only within ninety (90) days of such Termination if the Optionee is a Director, Employee, Consultant or Management Company Employee, but within thirty (30) days of such Termination if the Optionee is engaged in Investor Relations Activities, or within such other period as the Board in its sole discretion may determine, exercise such Optionee's Options to the extent that such Optionee was entitled to exercise such Options at the date of such Termination. All Options and all rights to purchase such Optionee Shares pursuant thereto shall expire and terminate immediately on the ninetieth or thirtieth day, as the case may be, following such Termination or on such other date as the Board may in its sole discretion determine.

6.2 Notwithstanding any other provision of the Plan, if such Optionee is terminated for cause, all Options and all rights to purchase Shares pursuant thereto shall expire and terminate immediately upon notification being given to such Optionee of such termination for cause.

6.3 Notwithstanding any other provision of the Plan, if any Optionee shall die holding Options which have not been fully exercised or surrendered, such Optionee's executors, administrators or legal personal representatives may, at any time within twelve (12) months after the date of such death or on such other date as the Board may in its sole discretion determine (but in no event later than the normal expiry date of the said Options), exercise the Options, to the extent that the Optionee was entitled to exercise such Options at the date of death.

6.4 Notwithstanding any other provision of the Plan, if any Optionee shall retire, or terminate such Optionee's employment or office with the consent of the board under circumstances equating retirement, while holding Options which have not been fully exercised or surrendered, such Optionee may exercise the Options to the extent that the Optionee was entitled to exercise such Options at the date of retirement within thirty days after the date of such retirement or within such other period as the Board in its sole discretion may determine (but in no event later than the normal date of such Options).

6.5 Options shall not be affected by any change of employment of such Optionee or by such Optionee ceasing to be a director or officer of the Corporation or a Subsidiary where such Optionee continues to be employed on a full-time basis, or continues to be a director of the Corporation or a Subsidiary.

Article VII – Exercise of Options

7.1 Subject to the provisions of the Plan and the terms of each specific grant, an Option may be exercised from time to time by delivery to the Corporation at its registered office of a written notice of exercise addressed to the Secretary of the Corporation specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full by certified cheque of the Option Price of the Shares to be purchased or on delivery against payment in full to a financial institution acceptable to the Corporation. Certificates for such Shares shall be issued and delivered to such Optionee within a reasonable time following receipt of such notice and payment.

7.2 Notwithstanding any of the provisions contained in the Plan or in any Option, the Corporation's obligation to issue Shares to an Optionee pursuant to the exercise of an Option shall be subject to:

(a) completion of such registration or other qualification of such Shares or obtaining approval of such governmental or other regulatory authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;

(b) the admission of such Shares to listing or quoting on any stock exchange or quotation and trading system on which the Shares may be then listed or quoted; and

(c) the receipt from the Optionee of such representations, agreements and undertakings, including an undertaking with respect to future dealings in such Shares, as the Corporation or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection, the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing or quoting of such Shares on any stock exchange or quotation and trading system on which the Shares are then listed or quoted.

Article VIII – Adjustments

8.1 Appropriate adjustments in the number of Shares subject to the Plan and, as regards Options granted or to be granted, in the number of Shares optioned and in the Option Price, shall be made by the Board to give effect to adjustments in the number of Shares resulting from any subdivision, consolidation or reclassification of the Shares of the Corporation, the payment of stock dividends by the Corporation (other than dividends in the ordinary course) or other relevant changes in the capital of the Corporation.

Article IX – Mergers

9.1 Should the Corporation amalgamate or merge with any other body corporate or bodies corporate (the right to do so being hereby expressly reserved) whether by way of amalgamation, arrangement, sale of assets and undertakings or otherwise, then the Corporation shall provide for the reservation and issuance by the continuing or resulting incorporation, upon the exercise by the Optionees of outstanding Options, of that number of shares of the continuing or resulting corporation to which the outstanding Options relate at the same aggregate purchase price adjusted accordingly to reflect the increase or decrease in the number of Shares involved.

Article X – Cancellation and Re-grant of Options

10.1 Subject to the prior written approval of any relevant securities regulation, regulatory authority or stock exchange and disinterested shareholder approval, the Board may, with the consent of the Optionee, cancel an existing Option and re-grant the Options at an Option Price determined in the same manner as provided in Article V above.

Article XI – Reduction in Exercise Price

11.1 Disinterested Shareholder approval will be obtained for any reduction in the exercise price of an Option if the Optionee is an Insider at the time of the proposed amendment to the Option.

Article XII – Amendment or Discontinuance of Plan

12.1 Subject to applicable shareholder and/or regulatory approval, the Board may amend or discontinue the Plan at any time.

Article XIII – Miscellaneous Provisions

13.1 The holder of an Option shall not have any rights as a shareholder of the Corporation with respect to any of the Shares covered by such Option until such holder shall have exercised such Option in accordance with the terms of the Plan (including tendering payment in full of the Option Price of the Shares in respect of which the Option is being exercised) and the Corporation shall issue such Shares to the Optionee in accordance with the terms of the Plan in those circumstances.

13.2 Nothing in the Plan or any Option shall confer upon any Employee Optionee any right to continue in the employ of the Corporation or any Subsidiary of the Corporation or affect in any way the right of the Corporation or any such Subsidiary to terminate his or her employment at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent on the part of the Corporation or any Subsidiary to extend the employment of any Employee Optionee beyond the time which he or she would normally be retired pursuant to the provisions of the present or future retirement plan of the Corporation or any Subsidiary or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Subsidiary.

13.3 Nothing in the Plan or any Option shall confer on any Optionee who is not an Employee Optionee any right to continue providing ongoing services to the Corporation or any entity controlled by the Corporation or effect in any way the right of the Corporation or any such entity to terminate his, her or its contract at any time; nor shall anything in the Plan or any Option be deemed or construed as an agreement or an expression of intent, on the part of the Corporation or any such entity to extend the time for the performance of the ongoing services beyond the time specified in the contract with the Corporation or any such entity.

Article XIV – Shareholder and Regulatory Approval

The Plan shall be subject to any requisite approval of securities regulators and of the shareholders of the Corporation, such shareholder approval to be given by a resolution passed at a meeting of the shareholders of the Corporation. Any Options granted prior to such approval and acceptance shall be conditional upon such approvals and no such Options may be exercised unless and until such approvals are given. All Options granted and approved under the Corporation's predecessor Stock Option Plan shall continue as an obligation of the Corporation and all Shares reserved under the prior Options shall be included in the number set forth herein subject to their terms and conditions.

Article XV – Interpretation

15.1 The Plan shall be construed according to the laws of Ontario, Canada.

Article XVI – Liability

16.1 No member of the Board or any director, officer or employee of the Corporation or a Subsidiary shall be personally liable for any act taken or omitted in good faith in connection with the Plan.

Approved by the Board on October 11,2016
Approved by shareholders on ___________ 2016

APPENDIX "C" - PROPOSED NEW BY-LAW No. 1

AQUARIUS COATINGS INC. [AQUARIUS SURGICAL TECHNOLOGIES INC']

BY-LAW NO. 1

A by-law relating generally to the conduct of the affairs of **[Aquarius Surgical Technoligies Inc.]**

BE IT ENACTED AND IT IS HEREBY ENACTED as a by-law of [Aquarius Surgical Technologies Inc.] (hereinafter called the "Corporation") as follows:

DEFINITIONS

1. In this by-law and all other by-laws of the Corporation, unless the context otherwise specifies or requires:

   a. "Act" means the *Business Corporations Act (Ontario)* as from time to time amended, and every statute that may be substituted therefor and, in the case of such amendment or substitution, any reference in the by-law of the Corporation shall be read as referring to the amended or substituted provisions therefor;

   b. "by-laws" means any by-law of the Corporation from time to time in force and effect;

   c. "Recorded Address" means in the case of a shareholder the address as recorded in the securities register; in the case of joint shareholders the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and in the case of a director, officer, auditor or member of a committee of the Board, the latest address for such person as recorded in the records of the Corporation or, in the case of a director, in the last notice of directors filed under the *Corporations Information Act (Ontario)*;

   d. all terms contained in the by-laws which are defined in the Act shall have the meanings given to such terms in the Act;

   e. words importing the singular number only shall include the plural and vice-versa; words importing the masculine gender shall include the feminine and neuter genders; and

   f. the headings used in the by-laws are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions thereof or to be deemed in any way to clarify, modify or explain the effect of any such terms or provisions.

REGISTERED OFFICE

2. The Corporation may from time to time (i) by resolution of the directors change the address of the registered office of the Corporation within the municipality or geographic township within Ontario specified in its articles, and (ii) by an amendment to its articles, change the municipality or geographic township within Ontario in which its registered office is situated.

SEAL

3. The Corporation may, but need not, have a corporate seal. An instrument or agreement executed on behalf of the Corporation by a director, an officer or an agent of the Corporation is not invalid merely because the corporate seal, if any, is not affixed thereto.

DIRECTORS

4. **Number and powers.**

   a. The number of directors of the Corporation is set out in the articles of the Corporation. A majority of the directors shall be resident Canadians. Subject to any unanimous shareholder agreement, the directors shall manage or supervise the management of the business and affairs of the Corporation and may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation and are not by the Act, the articles, the by-laws, any special resolution of the Corporation, a unanimous shareholder agreement or by statute expressly directed or required to be done in some other manner.

b. Notwithstanding any vacancy among the directors, the remaining directors may exercise all the powers of the board so long as a quorum of the board remains in office.

c. Subject to subsections 124(2)(4) and (5) of the Act and the Corporation's Articles, where there is a quorum of directors in office and a vacancy occurs, the directors remaining in office may appoint a qualified person to hold office for the unexpired term of his predecessor.

d. Without limiting the borrowing powers of the Corporation as set forth in the Act, the Directors of the Corporation may, from time to time without the authorization of the Shareholders:

(i) borrow money upon the credit of the Corporation;

(ii) issue, re-issue, sell or pledge debt obligations of the Corporation;

(iii) subject to section 20 of the Act, give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and

(iv) charge, mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation

(v) by resolution, delegate any or all of the foregoing powers to a director, a committee of directors or one or more officers of the Corporation.

5. **Duties**

Every director and officer of the Corporation in exercising his powers and discharging his duties shall:

a. act honestly and in good faith with a view to the best interests of the Corporation; and

b. exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Every director and officer of the Corporation shall comply with the Act, the regulations thereunder, the Corporation's articles and by-laws and any unanimous shareholder agreement.

6. **Qualification**

Every director shall be an individual, eighteen (18) or more years of age and no one who is of unsound mind and has been so found by a court in Canada or elsewhere or who has the status of a bankrupt shall be a director.

7. **Term of office**

A director's term of office (subject to the provisions, if any, of the Corporation's articles and subject to his election for an expressly stated term) shall be from the date of the meeting at which he is elected or appointed until the close of the annual meeting of shareholders next following his election or appointment or until his successor is elected or appointed.

8. **Vacation of office**

The office of a director shall be vacated if:

a. he dies or, subject to subsection 119(2) of the Act, sends to the Corporation a written resignation and such resignation, if not effective upon receipt by the Corporation, becomes effective in accordance with its terms;

b. he is removed from office;

c. he becomes bankrupt, or

d. he is found by a court in Canada or elsewhere to be of unsound mind.

9. **Election and removal**

Directors shall be elected by the shareholders by ordinary resolution on a show of hands unless a poll is demanded and if a poll is demanded such election shall be by ballot. Except for those directors elected for an expressly stated term, all the directors then in office shall cease to hold office at the close of the meeting of shareholders at which directors are to be elected but, if qualified, are eligible for re-election. Subject to subsection 122(2) of the Act, the shareholders of the Corporation may by ordinary resolution at an annual or special meeting remove any director before the expiration of his term of office and may, by a majority of the votes cast at the meeting, elect any person in his stead for the remainder of his term.

Whenever at any election of directors of the Corporation the number or the minimum number of directors required by the articles is not elected by reason of the disqualification, incapacity or the death of any candidates, the directors elected at that meeting may exercise all the powers of the directors if the number of directors so elected constitutes a quorum pending the holding of a meeting of shareholders in accordance with subsection 124(3) of the Act.

A retiring director shall cease to hold office at the close of the meeting at which his successor is elected unless such meeting was called for the purpose of removing him from office as a director in which case the director so removed shall vacate office forthwith upon the passing of the resolution for his removal.

10. **Validity of acts**

An act done by a director or by an officer is not invalid by reason only of any defect that is thereafter discovered in his appointment, election or qualification.

MEETINGS OF DIRECTORS

11. **Place of meeting**

Meetings of directors and of any committee of directors may be held at any place within or outside Ontario and in any financial year a majority of the meetings of the board of directors need not be held at a place within Canada. A meeting of directors may be convened by the Chairman of the Board (if any), the President or any director at any time and the Secretary shall upon direction of any of the foregoing convene a meeting of directors. A quorum of the directors may, at any time, call a meeting of the directors for the transaction of any business the general nature of which is specified in the notice calling the meeting.

12. **Notice**

Notice of the time and place for the holding of any such meeting shall be sent to each director not less than 2 days (exclusive of the day on which notice is given) before the date of the meeting; provided that meetings of the directors or of any committee of directors may be held at any time without formal notice if all the directors are present (except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called) or if all the absent directors have waived notice.

Notice of the time and place for the holding of any meeting of directors or any committee of directors may be given by delivery, telegraph, cable, telex or other electronic means that produces a written copy.

For the first meeting of directors to be held following the election of directors at an annual or special meeting of the shareholders or for a meeting of directors at which a director is appointed to fill a vacancy in the board, no notice of such meeting need be given to the newly elected or appointed director or directors in order for the meeting to be duly constituted, provided a quorum is present.

13. **Waiver of notice**

Notice of any meeting of directors or of any committee of directors or any irregularity in any meeting or in the notice thereof may be waived in any manner by any director and such waiver may be validly given either before or after the meeting to which such waiver relates. Attendance of a director at a meeting of directors is a waiver of notice of the meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

14. **Telephone participation**

Where all the directors of the Corporation present at or participating in the meeting consent thereto (either before or after the meeting), a director may participate in a meeting of directors or of any committee of directors by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in a meeting by such means shall be deemed for the purpose of the Act to be present at that meeting. If the majority of the directors participating in the meeting are then in Canada, the meeting shall be deemed to be held in Canada.

15. **Adjournment**

Any meeting of directors or of any committee of directors may be adjourned from time to time by the chairman of the meeting, with the consent of the meeting, to a fixed time and place and no notice of the time and place for the holding of the adjourned meeting need be given to any director if the time and place of the adjourned meeting is announced at the original meeting. Any adjourned meeting shall be duly constituted if held in accordance with the terms of the adjournment and a quorum is present thereat. The directors who formed a quorum at the original meeting are not required to form the quorum at the adjourned meeting. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment.

16. **Quorum and voting**

A majority of the number of a directors or minimum number of directors required by the articles shall constitute a quorum at a meeting of directors or any committee of directors for the transaction of business. Subject to subsection 124(1) and subsection 126(7) of the Act, no business shall be transacted by the directors except at a meeting of directors at which a quorum is present and at which a majority of directors at which a quorum is present and at which a majority of the directors present are resident Canadians. Questions arising at any meeting of directors shall be decided by a majority of votes. In case of an equality of votes, the chairman of the meeting in addition to his original vote shall have a second or casting vote.

COMMITTEES OF DIRECTORS

17. **General**

The directors may from time to time appoint from their number a committee of directors, a majority of whom shall be resident Canadians, and may delegate to such committee any of the powers of the directors, except that no such committee shall have the authority to:

a. submit to the shareholders any question or matter requiring the approval of the shareholders;

b. fill a vacancy among the directors or in the office of auditor or appoint or remove any of the chief executive officers, however designated, the chief financial officer, however designated, the chairman or the president of the Corporation;

c. subject to section 185 of the Act, issue securities except in the manner and on the terms authorized by the directors;

d declare dividends;

e. purchase, redeem or otherwise acquire shares issued by the Corporation;

f. pay a commission referred to in section 37 of the Act;

g. approve a management information circular referred to in Part VIII of the Act;

h. approve a take-over bid circular, directors' circular, or issuer bid circular referred to in Part XIX of the Securities Act;

i. approve any financial statements referred to in clause 154(1)(b) of the Act and Part XVII of the Securities Act; or

j. adopt, amend or repeal by-laws.

18. **Audit Committee**

If the Corporation is an "offering corporation" as defined in paragraph 1(1) of the Act, the board of directors shall, and otherwise the directors may, elect annually from among their number an audit committee to be composed of not fewer than 3 directors, a majority of whom are not officers or employees of the Corporation or any of its affiliates to hold office until the next annual meeting of the shareholders.

Each member of the audit committee shall serve during the pleasure of the board of directors and, in any event, only so long as he shall be a director. The directors may fill vacancies in the audit committee by election from among their number.

The audit committee shall have power to fix its quorum at not less than a majority of its members and to determine its own rules of procedure subject to any regulations imposed by the board of directors from time to time and to the following paragraph.

The auditor of the Corporation is entitled to receive notice of every meeting of the audit committee and, at the expense of the Corporation, to attend and be heard thereat; and, if so requested by a member of the audit committee, shall attend every meeting of the committee held during the term of office of the auditor. The auditor of the Corporation or any member of the audit committee may call a meeting of the committee.

The audit committee shall review the financial statements of the Corporation and shall report thereon to the board of directors of the Corporation prior to approval thereof by the board of directors and shall have such other powers and duties as may from time to time by resolution be assigned to it by the board.

REMUNERATION OF DIRECTORS, OFFICERS AND EMPLOYEES

19. The remuneration to be paid to the directors of the Corporation shall be such as the directors shall from time to time by resolution determine and such remuneration shall be in addition to the salary paid to any officer or employee of the Corporation who is also a director. The directors may also by resolution award special remuneration to any director in undertaking any special services on the Corporation's behalf other than the normal work ordinarily required of a director of a corporation. The confirmation of any such resolution or resolutions by the shareholders shall not be required. The directors may fix the remuneration of the officers and employees of the Corporation. The directors, officers and employees shall also be entitled to be paid their travelling and other expenses properly incurred by them in connection with the affairs of the Corporation.

SUBMISSION OF CONTRACTS OR TRANSACTIONS TO SHAREHOLDERS FOR APPROVAL

20. The directors in their discretion may submit any contract, act or transaction for approval, ratification or confirmation at any meeting of the shareholders called for the purpose of considering the same and any contract, act or transaction that shall be approved, ratified or confirmed by resolution passed by a majority of the votes cast at any such meeting (unless any different or additional requirement is imposed by the Act or by the Corporation's articles or by-laws) shall be as valid and as binding upon the Corporation and upon all the shareholders as though it had been approved, ratified and/or confirmed by every shareholder of the Corporation.

FOR THE PROTECTION OF DIRECTORS AND OFFICERS

21. No director or officer for the time being of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipt or acts for conformity or for any loss, damage or expense suffered or incurred by the corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation including any person, firm or corporation with whom or which any moneys, securities or effects shall be lodged or deposited or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his respective office of trust or in relation thereto, unless the same shall happen by or through his failure to exercise the powers and to discharge the duties of his office honestly and in good faith with a view to the best interests of the Corporation, and in connection therewith to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances provided that nothing herein contained shall relieve a director or officer from the duty to act in accordance with the Act or regulations made thereunder or relieve him from liability for a breach thereof. The directors for the time being of the Corporation shall not be under any duty or responsibility in respect of any contract, act or transaction whether or not made, done or entered into in the name or on behalf of the Corporation, except such as shall have been submitted to an authorized or approved by the board of directors. If any director or officer of the Corporation shall be employed by or shall perform services for the Corporation otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a body corporate which is employed by or performs services for the Corporation, the fact of his being a shareholder, director or officer of the Corporation shall not disentitle such director or officer or such firm or body corporate, as the case may be, from receiving proper remuneration for such services.

INDEMNITIES TO DIRECTORS AND OTHERS

22. Subject to subsections 136(2) and (3) of the Act, the Corporation shall indemnity a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted oat the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of such corporation or body corporate, if

a. he acted honestly and in good faith with a view to the best interests of the Corporation; and

b. in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful

The Corporation is hereby authorized to execute agreements evidencing its indemnity in favour of the foregoing persons to the full extent permitted by law.

OFFICERS

23. **Appointment of officers.**

The directors shall annually or as often as may be required appoint a President and a Secretary and if deemed advisable may annually or as often as may be required appoint a Chairman of the Board, a Chief Executive Officer, A Chief Operating Officer, A Chief Financial Officer, one or more Vice Presidents, a Treasurer and one or more Assistant Secretaries and/or one or more Assistant Treasurers. None of such officers, except the Chairman of the Board, need be a director of the Corporation. Any director may be appointed to any office of the Corporation. Two or more of such offices may be held by the same person. In case and whenever the same person holds the offices of Secretary and Treasurer he may but need not be known as the Secretary-Treasurer. The directors may from time to time appoint such other officers, employees and agents as they shall deem necessary who shall have such authority and shall perform such functions and duties as may from time to time be prescribed by resolution of the directors.

24. **Removal of officers, etc.**

All officers, employees and agents, in the absence of agreement to the contrary, shall be subject to removal by resolution of the directors at any time, with or without cause.

25. **Duties of officers may be delegated.**

In case of the absence or inability or refusal to act of any officer of the Corporation or for any other reason that the directors may deem sufficient, the directors may delegate all or any of the powers of such officer to any other officer or to any director for the time being.

26. **Chairman of the Board**

The Chairman of the Board (if any), shall when present preside at all meetings of the directors, any committee of the directors and of the shareholders, shall sign such documents as may require his signature in accordance with the by-laws of the Corporation and shall have such other powers and shall perform such other duties as may from time to time be assigned to him by resolution of the directors or as are incident to his office.

27. **The President**

The President shall, unless another officer is appointed a Chief Executive Officer, be the chief executive officer of the Corporation and shall exercise general supervision over the business and affairs of the Corporation. In the absence of the Chairman of the Board (if any), and if the President is also a director of the Corporation, the President shall, when present, preside at all meetings of the directors, any committee of the directors and shareholders; he shall sign such contracts, documents or instruments in writing as require his signature and shall have such other powers and shall perform such other duties as may from time to time be assigned to him by resolution of the directors or as are incident to his office.

28. **Executive Vice-President**

The Executive Vice-President or, if more than one, the Executive Vice-Presidents in order of seniority, shall be vested with all the powers and shall perform all the duties of the President in the absence or inability or refusal to act of the President, provided, however, that an Executive Vice-President who is not a director shall not *ex officio* preside as chairman at any meetings of shareholders. The Executive Vice-President or, if more than one, the Executive Vice-Presidents, in order of seniority, shall sign such contracts, documents or instruments in writing as require his or their signatures, and shall also have such other powers and duties as may from time to time be assigned to him or them by resolution of the board of directors.

29. **Vice-President**

The Vice-President, or if more than one, the Vice-Presidents in order of seniority, shall be vested with all the powers and shall perform all the duties of the President in the absence or inability or refusal to act of the President provided, however, that a Vice-President or, if more than one, the Vice-Presidents in order of seniority, shall sign such contract, documents or instruments in writing as require his or their signatures and shall also have such other powers and duties as may from time to time be assigned to him or them by resolution of the directors.

30. **Secretary**

The Secretary shall give or cause to be given notices for all meetings of the directors, any committee of the directors and of the shareholders when directed to do so and shall have charge of the minute books of the Corporation and, subject to the provisions of paragraph 45 hereof, of the documents and registers referred to in subsections 140(1) and (2) of the Act. He shall sign such contracts, documents or instruments in writing as require his signature and shall have such other powers and duties as may from time to time be assigned to him by resolution of the directors or as are incident to his office.

31. **Treasurer**

Subject to the provisions of any resolution of the directors, the Treasurer shall have the care and custody of all the funds and securities of the Corporation and shall deposit the same in the name of the Corporation in such bank or banks or with such other depositary or depositaries as the directors may by resolution direct. He shall prepare and maintain adequate accounting records. He shall sign such contracts, documents or instruments in writing as require his signature and shall have such other powers and duties as may from time to time be assigned to him by resolution of the directors or as are incident to his office. He may be required to give such bond for the faithful performance of his duties as the directors in their uncontrolled discretion may require and no director shall be liable for failure to require any such bond or for the insufficiency of any such bond or for any loss by reason of the failure of the Corporation to receive any indemnity thereby provided.

32. **Assistant Secretary and Assistant Treasurer.**

The Assistant Secretary or, if more than one, the Assistant Secretaries in order of seniority and the Assistant Treasurer or, if more than one, the Assistant Treasurers in order of seniority, shall perform all the duties of the Secretary and Treasurer, respectively, in the absence or inability to act by the Secretary or Treasurer as the case may be. The Assistant Secretary or Assistant Secretaries, if more than one, and the Assistant Treasurer or Assistant Treasures, if more than one, shall sign such contracts, documents or instruments in writing as require his or their signature respectively and shall have such other powers and duties as may from time to time be assigned to them by resolution of the directors.

33. **General Manager or Manager or Managing Director**

The directors may from time to time appoint a General Manager or one or more Managers (each of whom may but need not be a director of the Corporation) and may delegate to them such power and authority to manage and direct the business and affairs of the Corporation (except such matters and duties as by law must be transacted or performed by the board of directors or by the shareholders in general meeting) and to employ and discharge agents and employees of the Corporation as the board of directors considers desirable. A General Manager or Manager shall conform to all lawful orders given to him by the board of directors of the Corporation and shall at all reasonable times give to the directors or any of them all information they may require regarding the affairs of the Corporation. Any agent or employee appointed by a General Manager or Manager shall be subject to discharge by the board of directors.

34. **Vacancies**

If the office of Chairman of the Board, President, Vice-President, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, or any other office created by the directors pursuant to paragraph 23 hereof shall be or become vacant by reason of death, resignation or in any other manner whatsoever, the directors shall in the case of the President or the Secretary and in the case of other officers appoint an officer to fill such vacancy.

SHAREHOLDERS' MEETINGS

35. **Annual or special meetings.**

Subject to subsection 104(1) of the Act, the directors of the Corporation:

a. shall call an annual meeting of shareholders not later than eighteen months after the Corporation comes into existence and subsequently not later than fifteen months after holding the last preceding annual meeting; and

b. may at any time call a special meeting of shareholders.

36. Subject to the articles and any unanimous shareholder agreement, a meeting of the shareholders of the Corporation may be held at such place in or outside Ontario as the directors may determine or, in the absence of such a determination, at the place where the registered office of the Corporation is located.

37. **Participation in Meetings by Electronic Means**

Any person entitled to attend a meeting of shareholders may participate in the meeting by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, if the Corporation has made available such a communication facility. A person participating in a meeting by such means is deemed for the purposes of the Act and the By-Laws to be present at the meeting.

38. **Meeting Held by Electronic Means**

If the directors of the Corporation call a meeting of shareholders pursuant to the Act, those directors may determine that the meeting shall be held, in accordance with the Act, entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting. A person participating in a meeting of shareholders held by such means is deemed to be present in person at the meeting and will have the opportunity to participate to the same extent as if the person were attending in person and in full purview of other shareholders.

39. **Presiding Officer**

The chairman of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and is present or deemed to be present at the meeting: the Chairman, the Vice- Chairman, the President or a Vice-President who is also a director. In the absence of any such officer, the shareholders shall choose one of their number to chair the meeting. The secretary of the meeting shall be the Secretary of the Corporation or failing him, the Assistant Secretary of the Corporation. Notwithstanding the above, the chairman of the meeting, at his sole discretion, may appoint a person, who need not be a shareholder, to act as secretary of the meeting.

40. **Persons Entitled to be Present**

The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act, the Articles or the By-Laws to be present. Any other person may be admitted only with the consent of the chairman of the meeting or with the consent of the meeting.

41. **Quorum**

Two (2) persons present and each holding or representing by proxy at least one per cent (1%) of the issued shares of the Corporation shall be a quorum of any meeting of shareholders for the choice of a chairman of the meeting and for the adjournment of the meeting to a fixed time and place but may not transact any other business; for all other purposes a quorum for any meeting (unless a greater number of shareholders and/or a greater number of shares are required to be represented by the Act or by the Corporation's articles or by any by-law of the Corporation) shall be persons present not being less than two (2) in number and holding or representing by proxy not less than twenty per cent (20%) of the total number of votes attaching to the issued shares of the Corporation for the time being enjoying voting rights at such meeting. If a quorum is present at the opening of a meeting of shareholders, the shareholders present may proceed with the business of the meeting, notwithstanding that a quorum is not present throughout the meeting.

Notwithstanding the foregoing, if the Corporation has only one shareholder, or only one shareholder of any class of series of shares, the shareholder present in person or by proxy constitutes a meeting and a quorum for such meeting.

42. **Scrutineers**

At any meeting of shareholders, the chairman of the meeting may with the consent of the meeting appoint one or more persons, who may be shareholders, to serve as scrutineers.

43. **Votes to Govern**

At any meeting of shareholders, unless a special resolution is required, all questions shall be decided by the majority of votes cast on the question.

44. **Voting**

(1) Subject to the Act, every question submitted to any meeting of shareholders shall be decided on a show of hands, except when a ballot is required by the chairman of the meeting or is demanded by a shareholder or proxyholder entitled to vote at the meeting. Upon a show of hands, at every meeting at which he is entitled to vote, each person present or deemed to be present, on his own behalf, and each proxyholder present or deemed to be present, shall have one vote. A declaration by the chairman of the meeting that the question has been carried, carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of such fact; and the results of the vote so taken and declared shall be the decision of the shareholders upon the said question.

(2) A shareholder or proxyholder may demand a ballot either before or on the declaration of the result of any vote by a show of hands. The ballot shall be taken in such manner as the chairman of the meeting shall direct. Upon a ballot at which he is entitled to vote every shareholder present, or deemed to be present, on his own behalf or by proxy shall (subject to the provisions, if any, of the Articles) have one vote for every share registered in his name; and the results of the ballot so taken and declared shall be the decision of the shareholders upon the said question.

(3) If at any meeting a poll is demanded on the election of a chairman or on the question of adjournment or termination, the poll shall be taken forthwith without adjournment. If a poll is demanded on any other question or as to the election of director, the poll shall be taken by ballot in such manner and either at once or later at the meeting or after adjournment as the chairman of the meeting directs. The result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. A demand for a poll may be made either before or after any vote by show of hands and may be withdrawn.

(5) Where two or more persons hold the same share or shares jointly, any one of such persons present at a meeting of shareholders has the right, in the absence of the other or others, to vote in respect of such share or shares, but if more than one of such persons are present or represented by proxy and vote, they shall vote together as one on the share or shares jointly held by them.

45. **Proxies and Electronic Voting**

(1) Votes at meetings of the shareholders may be given either personally or by proxy. At every meeting at which he is entitled to vote, every shareholder present in person and every proxyholder shall have one (1) vote on a show of hands. Upon a poll at which he is entitled to vote every shareholder present in person

or by proxy, shall (subject to the provisions, if any, of the Corporation's articles) have one (1) vote for every share registered in his name.

(2) Every shareholder, including a shareholder that is a body corporate, entitled to vote at a meeting of shareholders may by means of proxy appoint a proxyholder or proxyholders or one or more alternate proxyholders, who need not be shareholders, as his nominee to attend and vote at the meeting in the manner, to the extent and with the authority conferred by the proxy.

(3) Subject to any determinations made from time to time by the Board, a Shareholder may appoint a proxy by any method permitted by law, including over the Internet, or by the input of data using telephonic facilities or by reproduction using facsimile or electronic facilities.

(4) To the extent permitted by the Act or the Bylaws of the Corporation, the directors may from time to time pass regulations regarding the lodging of instruments or submission of data over the internet or other electronic means appointing a proxyholder. The chairman of the meeting of shareholders may, subject to any regulations made as aforesaid, in his discretion accept such electronic instruments or data as to the authority of anyone claiming to vote on behalf of and to represent a shareholder notwithstanding that no instrument of proxy conferring such authority has been lodged with the Corporation, and any votes given in accordance with such electronic communication accepted by the chairman of the meeting shall be valid and shall be counted.

46. **Notice**

(1) A notice stating the day, hour and place of meeting and, if special business is to be transacted thereat, stating (or accompanied by a statement of) (i) the nature of that business in sufficient detail to permit the shareholder to form a reasoned judgment thereon, and (ii) the text of any special resolution or by-law to be submitted to the meeting, or otherwise, if the Corporation is an Offering Corporation, in compliance with the provisions for Notice and Access contained in National Policies 54-101 and 51-102 of the Canadian Securities Administrators, shall be served by sending such notice to each person who is entitled to notice of such meeting and who on the record date for notice appears on the records of the Corporation or its transfer agent as a shareholder entitled to vote at the meeting and to each director of the Corporation and to the auditor of the Corporation by prepaid mail or provided in the form of an electronic document so long as the shareholder, director, or auditor has consented to receive the notice in such form, not less than 21 days and not more than 50 days (exclusive of the day of mailing and of the day for which notice is given) before the date (if the Corporation is an offering corporation as such term is defined in the Act) or not less than 10 days before the date (if the Corporation is not an offering Corporation) of every meeting addressed to the Recorded Address of each such person; provided that a meeting of shareholders may be held for any purpose at any date and time and at any place without notice if all the shareholders and other persons entitled to notice of such meeting are present in person or represented by proxy at the meeting (except where the shareholder or such other person attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called) or if all the shareholders and other persons entitled to notice of such meeting and not present in person nor represented by proxy thereat waive notice of the meeting. Notice of any meeting of shareholders or the time for the giving of any such notice or any irregularity in any such meeting or in the notice thereof may be waived in any manner by any shareholder, the duly appointed proxy of any shareholder, any director or the auditor of the Corporation and any other person entitled to attend a meeting of shareholders, and any such waiver may be validly given either before or after the meeting to which such waiver relates.

(2) The auditor of the Corporation is entitled to attend any meeting of shareholders of the Corporation and to receive all notices and other communications relating to any such meeting that a shareholder is entitled to receive.

47. **Omission of notice**

The accidental omission to give notice of any meeting to or the non-receipt of any notice by any person shall not invalidate any resolution passed or any proceeding taken at any meeting of shareholders.

48. **Record dates for notice of meeting.**

Subject to subsection 95(4) of the Act, the directors may also fix in advance the date as the record date for the determination of shareholders entitled to receive notice of a meeting of shareholders, but such record date shall not precede by more than 50 days or be less than 21 days the date on which the meeting is to be held.

If no record date is fixed, the record date for the determination of the shareholders entitled to receive notice of a meeting of the shareholders shall be

a. at the close of business on the day immediately preceding the day on which notice is given; or

b. if no notice is given, the day on which the meeting is held.

49. **Adjournment**

The Chairman of the meeting may with the consent of the meeting adjourn any meeting of shareholders from time to time to a fixed time and place and if the meeting is adjourned for less than thirty (30) days no notice of the time and place for the holding of the adjourned meeting need be given to any shareholder, other than by announcement at the earliest meeting that is adjourned. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of thirty (30) days or more, notice of the adjourned meeting shall be given as for an original meeting but, unless the meeting is adjourned by one or more adjournments for an aggregate of more than ninety (90) days, section 111 of the Act does not apply. Any adjourned meeting shall be duly constituted if held in accordance with the terms of the adjournment and a quorum is present thereat. The persons who formed a quorum at the original meeting are not required to form the quorum at the adjourned meeting. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment. Any business may be brought before or dealt with at any adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

SHARES AND TRANSFERS

50. **Issuance**

Subject to the articles of the Corporation and any unanimous shareholder agreement, shares in the Corporation may be issued at such time and issued to such persons and for such consideration as the directors may determine.

51. **Security certificates**

Security certificates (and the form of transfer power on the reverse side thereof) shall (subject to compliance with section 56 of the Act) be in such form as the directors may from time to time by resolution approve and, subject to subsection 55(3) of the Act, such certificates shall be signed manually by at least one director or officer of the Corporation or by or on behalf of a registrar, transfer agent, branch transfer agent or issuing or other authenticating agent of the Corporation, or by a trustee who certifies it in accordance with a trust indenture, and any additional signatures required on a security certificate may be printed or otherwise mechanically reproduced thereon. Notwithstanding any change in the persons holding an office between the time of actual signing and issuance of any certificate and notwithstanding that a person signing may not have held office at the date of issuance of such certificate, any such certificate so signed shall be valid and binding upon the Corporation.

52. **Transfer agents**

For each class of securities and warrants issued by the Corporation, the directors may from time to time by resolution appoint or remove:

a. a trustee, transfer agent or other agent to keep the securities register and the register of transfer and one or more persons or agents to keep branch registers; and

b. a registrar, trustee or agent to maintain a record of issued security certificates and warrants;

and subject to section 48 of the Act, one person may be appointed for the purposes of both clauses (a) and (b) in respect of all securities and warrants of the Corporation or any class or classes thereof.

53. **Surrender of security certificates**

Subject to the Act, no transfer of a security issued by the Corporation shall be recorded or registered unless and until (i) the security certificate representing the security to be transferred has been surrendered and cancelled or (ii) if no security certificate has been issued by the Corporation in respect of such share, a duly executed security transfer power in respect thereof has been presented for registration.

54. **Defaced, destroyed, stolen or lost security certificates**.

In case of the defacement, destruction, theft or loss of a security certificate, the fact of such defacement, destruction, theft or loss shall be reported by the owner to the Corporation or to an agent of the Corporation (if any) acting on behalf of the Corporation, with a statement verified by oath or statutory declaration as to the defacement, destruction, theft or loss and the circumstance concerning the same and with a request for issuance of a new security certificate to replace the one so defaced, destroyed, stolen or lost. Upon the giving to the Corporation (or, if there be an agent, hereinafter in this paragraph referred to as the "Corporation's agent", then to the Corporation and the Corporation's agent) of an indemnity bond of a surety company in such form as is approved by the directors or by the Chairman of the Board (if any), the President, an Executive Vice-President, a Vice-President, the Secretary or the Treasurer of the Corporation, indemnifying the Corporation (and the Corporation's agent if any) against all loss, damage and expense, which the Corporation and/or Corporation's agent may suffer or be liable for in person for by reason of the issuance of a new security certificate to such shareholder, and provided the Corporation or the Corporation's agent does not have notice that the security has been acquired by a bona fide purchaser, a new security certificate may be issued in replacement of the one defaced, destroyed, stolen or lost, if such issuance is ordered and authorized by any one of the Chairman of the Board (if any), the President, an Executive Vice-President, a Vice President, the Secretary or the Treasurer of the Corporation or by resolution of the directors.

DIVIDENDS

55. The directors may from time to time by resolution declare and the Corporation may pay dividends on its issued share, subject to the provisions (if any) of the Corporation's articles.

The directors shall not declare and the Corporation shall not pay a dividend if there are reasonable grounds for believing that:

a. the Corporation is, or, after the payment, would be unable to pay its liabilities as they become due; or

b. the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

The directors may declare and the Corporation may pay a dividend by issuing fully paid shares of the Corporation or options or rights to acquire fully paid shares of the Corporation and, subject to section 38 of the Act, the Corporation may pay a dividend in money or property.

56. In case several persons are registered as the joint holders of any securities of the Corporation, any one of such persons may give effectual receipts for all dividends and payments on account of dividends, principal, interest and/or redemption payments on redemption of securities (if any) subject to redemption in respect of such securities.

RECORD DATES

57. Subject to subsection 95(4) of the Act, the directors may fix in advance a date as the record date for the determination of shareholders (i) entitled to receive payment of dividend, (ii) entitled to participate in a liquidation or distribution, or (iii) for any other purpose except the right to receive notice of or to vote at a

meeting of shareholders, but such record date shall not precede by more than 50 days the particular action to be taken.

If no record is fixed, the record date for the determination of shareholders for any purpose, other than to establish a record date for the determination of shareholders entitled to receive notice of a meeting of shareholders or to vote, shall be the close of business on the day on which the directors pass the resolution relating thereto.

VOTING SECURITIES IN OTHER ISSUERS

58. All securities of any other body corporate or issuer of securities carrying voting rights held from time to time by the Corporation may be voted at all meetings of shareholders, bondholders, debentureholders or holders of such securities, as the case may be, of such other body corporate or issuer and in such manner and by such person or persons as the directors of the Corporation shall from time to time determine and authorize by resolution. The duly authorized signing officers of the Corporation may also from time to time execute and deliver for and on behalf of the Corporation proxies and/or arrange for the issuance of voting certificates and/or evidence of the right to vote in such names as they may determine without the necessity of a resolution or other action by the directors.

NOTICES, ETC.

59. **Method of Giving Notices**

Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served) pursuant to the Act, the By-Laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the Board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to the person's Recorded Address or if mailed to such person at his Recorded Address by prepaid ordinary or air mail or if sent to such person at his Recorded Address by any means of prepaid transmitted or recorded communication, or if provided in the form of an electronic document so long as the shareholder, director, officer, auditor or member of a committee of the Board has consented to receive the notice in such form. Subject to the Act, a notice so delivered shall be deemed to have been given when it is delivered personally or to the Recorded Address aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box and a notice so sent by any means of transmitted or recorded communication shall be deemed to have been given when dispatched or delivered for dispatch; and a notice so sent in the form of an electronic document shall be deemed to have been given when transmitted. The Secretary may change or cause to be changed the Recorded Address of any shareholder, director, officer, auditor or member of a committee of the Board in accordance with any information believed by him to be reliable.

60. **Undelivered mail**

If the Corporation sends a notice or document to a shareholder and the notice or document is returned on three consecutive occasions because the shareholder cannot be found, the Corporation is not required to send any further notices or documents to the shareholder until he informs the Corporation of his new address.

61. **Shares registered in more than one name**

All notices or other documents shall, with respect to any shares in the capital of the Corporation registered in more than one name be given to whichever of such persons is named first in the records of the Corporation and any notice or other document so given shall be sufficient notice or delivery of such document to all the holders of such shares.

62. **Persons becoming entitled by operation of law**

Every person who by operation of law, transfer or by any other means whatsoever shall become entitled to any shares in the capital of the Corporation shall be bound by every notice or other document in respect of such shares which prior to his name and address being entered on the records of the Corporation shall have been duly given to the person or persons from whom he derives his title to such shares.

63. **Deceased shareholder**

Any notice or other document delivered or sent by post or left at the address of any shareholder as the same appears in the records of the Corporation shall, notwithstanding that such shareholder be then deceased and whether or not the Corporation has notice of his decease, be deemed to have been duly served in respect of the shares held by such shareholder (whether held solely or with other persons) until some other person be entered in his stead in the records of the Corporation as the holder or one of the holders thereof and such services shall for all purposes be deemed a sufficient service of such notice or other document on his heirs, executors or administrators and all persons (if any) interested with him in such shares.

64. **Signatures to notices**

The signature of any director or officer of the Corporation to any notice may be written printed or otherwise mechanically reproduced.

65. **Computation of time**

Where a given number of days' notice extending over any period is required to be given under any provisions of the articles or by-laws of the Corporation, the day of service, posting or other communication of the notice shall not be counted in such number of days or other period, and such number of days or other period shall commence on the day following the day of service, posting or other communication of the notice and shall terminate at midnight of the last day of the period except that if the last day of the period falls on a Sunday or holiday the period shall terminate at midnight of the day next following that is not a Sunday or holiday.

66. **Proof of service**

A certificate of any officer of the Corporation in office at the time of the making of the certificate or of an agent of the Corporation as to fact in relation to the mailing or delivery or service of any notice or other documents to any shareholder, director, officer or auditor or publication of any notice or other document shall be conclusive evidence thereof and shall be binding on every shareholder, director, officer or auditor of the Corporation, as the case may be.

67. **Omissions and Errors**

The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the Board or the non-receipt of any notice by any such person or any error in any notice shall not invalidate such notice or any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

CHEQUES, DRAFTS, NOTES, ETC.

68. All cheques, drafts or orders for the payment of money and all notes, acceptances and bills of exchange shall be signed by such officer or officers or other person or persons, whether or not officers of the Corporation, and in such manner as the directors may from time designate by resolution.

CUSTODY OF SECURITIES

69. All securities (including warrants) owned by the Corporation shall be lodged (in the name of the Corporation) with a chartered bank or a trust company or in a safety deposit box or, if so authorized by resolution of the directors, with such other depositaries or in such other manner as may be determined from time to time by the directors.

All securities (including warrants) belonging to the Corporation may be issued and held in the name of a nominee or nominees of the Corporation (and if issued or held in the name of more than one nominee shall be held in the name of the nominees jointly with right of survivorship) and shall be endorsed in blank with endorsement guaranteed in order to enable transfer thereof to be completed and registration thereof to be effected.

EXECUTION OF CONTRACTS, ETC.

70. Contracts, documents or instruments in writing requiring the signature of the Corporation may be signed by any two of the officers and directors of the Corporation and all contracts, documents or instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The directors are authorized from time to time by resolution to appoint any officer or officers or any other person or persons on behalf of the Corporation either to sign contracts, documents or instruments in writing generally or to sign specific contracts, documents or instruments in writing. The corporate seal of the Corporation may, when required, be affixed to contracts, documents or instruments in writing signed as aforesaid or by an officer or officers, person or persons appointed as aforesaid by resolution of the board of directors.

The term "contracts, documents or instruments in writing" as used in this by-law shall include deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property, real or personal, immovable or movable, agreements, releases, receipts and discharges for the payment of money or other obligations, conveyances, transfers and assignments of securities and all paper writing.

In particular, without limiting the generality of the foregoing, any two of the officers and directors of the Corporation are authorized to sell, assign, transfer, exchange, convert or convey all securities owned by or registered in the name of the Corporation and to sign and execute (under the seal of the Corporation or otherwise) all assignments, transfers, conveyances, powers of attorney and other instruments that may be necessary for the purpose of selling, assigning, transferring, exchanging, converting or conveying any such securities.

The signature or signatures of any such officer or director of the Corporation and/or of any other officer or officers, person or persons appointed as aforesaid by resolution of the directors may, if specifically authorized by resolution of the directors, be printed, engraved, lithographed or otherwise mechanically reproduced upon all contracts, documents or instruments in writing or bonds, debentures or other securities of the Corporation executed or issued by or on behalf of the Corporation and all contracts, documents or instruments in writing or securities of the Corporation on which the signature or signatures of any of the foregoing officers, directors, or persons shall be so reproduced, by authorization by resolution of the directors shall be deemed to have been manually signed by such officers, directors or persons whose signature or signatures is or are so reproduced and shall be as valid to all intents and purposes as if they had been signed manually and notwithstanding that the officers, directors or persons whose signature is or are so reproduced may have ceased to hold office at the date of the delivery or issue of such contracts, documents or instruments in writing or securities of the Corporation.

ENFORCEMENT OF LIEN FOR INDEBTEDNESS

71. Unless the Corporation has shares listed on a stock exchange recognized by the Ontario Securities Commission, the Corporation has a lien on shares registered in the name of a shareholder or his legal representative for a debt of that shareholder to the Corporation. The directors of the Corporation may authorize the Corporation to apply any dividends or other distributions paid or payable on or in respect of the share or shares in respect of which the Corporation has such a lien in repayment of the debt of that shareholder to the Corporation.

FINANCIAL YEAR

72. The financial year of the Corporation shall terminate on such day in each year as the board of directors may from time to time by resolution determine.

ENACTED the 11th day of October, 2016.

APPENDIX "D"

FINANCIAL STATEMENTS OF AQUARIUS COATINGS INC.:

(i) Audited Financial Statements: Year ended March 31, 2014;

(ii) Audited Financial Statements: Year ended March 31, 2015;

(iii) Audited Financial Statements: Year ended March 31, 2016

(iv) Unaudited Interim Financial Statements: Quarter to June 30, 2016.

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.
-

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			
	Balance Mar 31, 2012	Additons	Balance Mar 31, 2013	Balance Mar 31, 2012	Depreciation for period	Balance Mar 31, 2013	Net Book Value 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**			
	Balance Mar 31 2013	**Additons**	**Balance Mar 31, 2014**	**Balance Mar 31, 2013**	**Depreciatio n for period**	**Balance Mar 31, 2014**	**Net Book Value 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

AQUARIUS COATINGS INC.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015 and 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

July 27, 2015

Collins Barrow
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Aquarius Coatings Inc.

We have audited the accompanying consolidated financial statements of Acquarius Coatings Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2015 and March 31, 2014, and the consolidated statements of comprehensive income (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 Acquarius Coatings Inc. and its subsidiaries, as at March 31, 2015 and March 31, 2014, 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 27, 2015
Toronto, Ontario

Collins Barrow
Chartered Accountants

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

	Mar 31, 2015	Mar 31, 2014
ASSETS	**$**	$
Current Assets		
Cash	**19,963**	14,527
Accounts receivable (Note 5)	**8,754**	21,992
Inventory (Note 6)	**-**	51,333
Prepaid expenses and deposits	**-**	7,684
	28,717	95,536
Long-term investment (Note 11)	**112,272**	112,272
Capital assets (Note 7)	**377**	3,162
	141,366	210,970
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Liabilities		
Accounts payable and accrued liabilities	**53,910**	72,053
Note payable (Note 9)	**200,000**	200,000
Due to related parties (Note 8)	**3,801,500**	3,611,489
	4,055,410	3,883,542
Shareholders' Deficiency		
Share capital (Note 12)	**10,340,865**	10,340,865
Contributed surplus	**5,193,806**	5,193,806
Accumulated other comprehensive income	**112,271**	112,271
Deficit	**(19,560,986)**	(19,319,514)
	(3,914,044)	(3,672,572)
	141,366	210,970

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

(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

July 27, 2015

Aquarius Coatings Inc.

Consolidated Statement of Comprehensive Income (Loss)

(Expressed in Canadian dollars)

Years Ended

	Mar 31, 2015	Mar 31, 2014
	$	$
Expenses		
General and administrative	32,018	45,428
Bank Charges and Interest	1,666	23,863
Amortization	378	324
	34,062	69,615
Net loss from continuing operations	(34,062)	(69,615)
Other items:		
Income (loss) from discontinued operations (Note 4)	(215,990)	(222,825)
Interest income	-	103
Royalty income	8,580	-
Write off long term liability (Note 10)	-	476,060
Net income (loss)	(241,472)	183,723
Other comprehensive income (Note 11)	-	-
Total comprehensive income (loss)	(241,472)	183,723
Income (loss) per share - continuing operations	($0.000)	$0.004
Income (loss) per share (Note 15)	($0.002)	$0.002
Shares outstanding (Note 12)	107,948,144	107,948,144

Aquarius Coatings Inc.
Consolidated Statement of Changes in Equity
(Expressed in Canadian dollars)
for the years ended March 31, 2015 and 2014

	Issued Capital Shares	Amount	Contributed Surplus	Deficit	Accumulated 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	-	-	-	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)**
Net income (loss) for the period	-	-	-	(241,472)	-	(241,472)
Balance March 30, 2015	**107,948,144**	**10,340,865**	**5,193,806**	**(19,560,986)**	**112,271**	**(3,914,044)**

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

Aquarius Coatings Inc.

Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

	Years Ended	
	Mar 31, 2015	Mar 31, 2014
Cash flows were provided by (used in):		
	$	$
Operating activities		
Net loss for the year from continuing operations	**(25,482)**	406,548
Depreciation (Note 6)	**378**	324
Gain on settlement of debt	**-**	(476,060)
Allowance for doubtful accounts	**(698)**	8,296
Accounts Receivable	**13,936**	12,141
Accounts payable and accrued liabilities	**(18,143)**	24,971
Cash used in continuing operating activities	**(30,009)**	(23,780)
Cash used in discontinued operations	**(218,260)**	(194,891)
	(248,269)	(218,671)
Financing activities		
Advances from related parties	**190,011**	229,834
	190,011	229,834
Investment activities		
Discontinued operations	**63,694**	-
	63,694	-
Increase (Decrease) in cash during the period	**5,436**	11,163
Cash, beginning of period	**14,527**	3,364
Cash, end of period	**19,963**	14,527

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

1. NATURE OF OPERATIONS

Aquarius Coatings Inc. (the "Company") was incorporated under the *Business Corporations Act* (Ontario) on December 12, 1986. The Company's Head Office is located at 10-3250 Ridgeway Drive, Mississauga ON, L5L 5Y6. The Company is a public company with its shares listed on the TSX Venture Exchange trading under the symbol "AQC".

During the year 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, 2015 and March 31, 2014 incurred (losses) income of ($241,471) and $183,723, respectively. At March 31, 2015 and March 31, 2014, the Company has a working capital deficiency of $4,026,692 and $3,788,006, respectively. Also, at March 31, 2015 and March 31, 2014, the Company has a shareholders' deficiency of $3,914,043 and $3,672,572, 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. These conditions cast significant doubt as to 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 balance sheet classifications. Such adjustments could be material.

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, 2015.

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 27, 2015.

(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 (continued)

(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 (continued)

(i) Foreign Currency

Foreign currency transactions are translated into Canadian dollars, the Company's functional currency, 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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
Due to related party	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

IFRS 15 Revenue from Contracts with Customers is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

(Expressed in Canadian dollars, unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

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 $63,694.

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 proceeds from the sale of the assets has been recorded as follows and the resulting gain is included in the statement of discontinued operations.

	$
Proceeds sale of plant equipment, inventory, material contracts, customer lists and intellectual properties	63,694
Book value of assets	53,080
Gain on transaction	10,614

(Expressed in Canadian dollars, unless otherwise indicated)

4. DISCONTINUED OPERATIONS (continued)

Discontinued operations:

	Years Ended	
	Mar 31, 2015	Mar 31, 2014
Sales	**95,908**	205,905
Cost of sales	**64,593**	158,143
Gross Margin	**31,315**	47,762
Expenses		
Selling, general and administrative	**257,162**	268,218
Bank Charges and Interest	**637**	1,767
Amortization	**120**	602
	257,919	270,587
Net loss before other items	**(226,604)**	(222,825)
Other items:		
Gain on disposal of assets	**10,614**	-
Net income (loss) from discontinued operation	**(215,990)**	(222,825)

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

5. ACCOUNTS RECEIVABLE

	Mar 31, 2015	Mar 31, 2014
	$	$
Accounts Receivable	**10,097**	30,984
Allowance for doubtful debts	**(1,343)**	(8,992)
	8,754	21,992

Allowance for doubtful debts:

	Mar 31, 2015	Mar 31, 2014
	$	$
Balance beginning of period	**8,992**	54,460
Additional bad debt provision	**1,343**	8,296
Recovery of previous provision	**(2,041)**	-
Utilization of provision	**(6,951)**	(53,764)
Balance end of period	**1,343**	8,992

(Expressed in Canadian dollars, unless otherwise indicated)

6. INVENTORY

Inventory is comprised as follows:

	Mar 31, 2015	Mar 31, 2014
	$	$
Raw Materials	-	54,045
Finished Goods	-	42,096
	-	96,141
Provision for obsolete inventory	-	(44,808)
	-	51,333

The amount of inventory recognized as cost of goods sold during the year ended March 31, 2015 was $103,033 (March 31, 2014 - $122,913)

7. CAPITAL ASSETS

March 31, 2014

	Cost				Accumulated Depreciation				Net Book Value
Description	Balance 31-Mar-2013	Additions	Dispositions	Balance 31-Mar-2014	Balance 31-Mar-2013	Depreciation for period	Dispositions	Balance 31-Mar-2014	31-Mar-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

March 31, 2015

	Cost				Accumulated Depreciation				Net Book Value
Description	Balance 31-Mar-2014	Additions	Dispositions	Balance 31-Mar-2015	Balance 31-Mar-2014	Depreciation for period	Dispositions	Balance 31-Mar-2015	31-Mar-2015
Computer equipment	$ 8,219	$ -	$ -	$ 8,219	$ 7,464	$ 378	$ -	$ 7,842	$ 377
Plant equipment	4,050	-	(4,050)	-	1,643	120	(1,763)	-	-
	$ 12,269	$ -	$ (4,050)	$ 8,219	$ 9,107	$ 498	$ (1,763)	$ 7,842	$ 377

8. DUE TO RELATED PARTIES

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. Please refer to Note 12 for additional information.

	Mar 31, 2015	Mar 31, 2014
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.	**$ 3,801,500**	$ 3,611,489

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, 2015 and March 31, 2014 (Note 9).

(Expressed in Canadian dollars, unless otherwise indicated)

8. DUE TO RELATED PARTIES (continued)

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

	Mar 31, 2015	Mar 31, 2014
Salaries and other benefits	$ 87,132	$ 86,027
	$ 87,132	$ 86,027

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.

	Mar 31, 2015	Mar 31, 2014
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. 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 prior 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. 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).

In the 2013 fiscal year Woodland issued an additional 899,617 shares at C$1.00 per share in payment of salaries, professional and directors fees and in the 2014 fiscal year Woodland issued an additional 201,420 shares at C$1.75 per share in payment of salaries and directors fees. The Company is using the most recent private placement 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.

12. 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, 2015	Mar 31, 2014		**Mar 31, 2015**		Mar 31, 2014
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) 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 are subject to TSX-V acceptance and all regulatory approvals, which have not yet been obtained, and have accordingly not been concluded. Given the passage of time since the resolutions were originally passed, the Board has concluded that it would be appropriate to cancel the original resolutions and place renewed resolutions (which may, or may not be identical to the original resolutions) before the shareholders at the next Annual and Special General Meeting of Shareholders. Any such transactions as may be proposed will be subject to all relevant regulatory and other consents and approvals.

(Expressed in Canadian dollars, unless otherwise indicated)

13. 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, 2015 and March 31, 2014:

		Mar 31, 2015		Mar 31, 2014
Net income (loss)	**$**	**(241,472)**	$	183,723
Income tax (recovery) at Canadian Federal and provincial statutory rates of 26.5%	**$**	**(63,990)**	$	48,687
Non-taxable items		**3,392**		(1,113)
Expired non-capital losses		**169,798**		-
Deferred tax asset not recognized		**(109,200)**		(47,574)
Provision for income taxes	**$**	**-**	$	-

Deferred tax assets

		Mar 31, 2015		Mar 31, 2014
		$		$
Non-Capital losses carried forwards		**749,200**		856,400
Long-term investment		**(29,800)**		(29,800)
Equipment		**35,300**		35,800
Other		**19,200**		20,700
		773,900		883,100
Less: Deferred tax assets not recognized		**(773,900)**		(883,100)
Balance	**$**	**-**	$	-

Non-capital losses carried forward	$
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	272,190
2035	256,150
	2,837,996

(Expressed in Canadian dollars, unless otherwise indicated)

14. EXPENSES BY NATURE

	Mar 31, 2015	Mar 31, 2014
	$	$
Salaries and allowances	63,725	148,310
Severance costs	126,088	-
Social welfare contributions	6,898	8,010
Workers compensation	1,040	2,833
Total personnel costs	197,751	159,153
Rent expenses	12,703	26,102
Bad debt expense (recovery)	(697)	8,296
Professional fees	18,720	30,122
Selling general and administrative expenses	60,703	89,974

15. LOSS PER SHARE

The earnings (loss) per share is calculated based upon the weighted average number of common shares outstanding during the period of 107,948,144 (2014 – 107,948,144). The Company had no outstanding warrants or stock options as at March 31, 2015 and 2014. As a result, the basic and fully diluted weighted average number of common shares are the same.

16. COMMITMENTS

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

17. 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, 2015	$ -	$ 112,272	$ -	$ 112,272
March 31, 2014	$ -	$ 112,272	$ -	$ 112,272

During the years ended March 31, 2015 and 2014, there was no transfer of financial assets between the three levels of the fair value hierarchy.

18. 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, 2015, three customers accounted for approximately 79% (2014 – 47%) of sales. As at year end, due to the sale of discontinued operations, these customers accounted for nil% of sales. As at March 31, 2015 the customers accounted for approximately nil % (2014 – 36%) of total trade receivables.

18. FINANCIAL RISKS (continued)

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:

	Mar 31, 2015	Mar 31, 2014
	US$	US$
Accounts receivable	-	1,038
Accounts payable	-	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 11, 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 8 and 9, 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.

19. 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, 2015	Mar 31, 2014
	$	$
Notes payable	**200,000**	200,000
Loan due to shareholder	**3,801,500**	3,611,489
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	**(19,560,986)**	(19,319,514)
Total Capital (Deficiency)	**87,456**	138,917

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.

20. SEGMENTED INFORMATION

Management has determined that during the periods covered by these 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 year ended March 31, 2015 were export sales to the United States of $43,467 (March 31, 2014 – $96,436).

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

AQUARIUS COATINGS INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2016 and March 31, 2015

Management's Responsibility for Financial Information

The consolidated financial statements (the "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 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 Corporation'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 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 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 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

July 27, 2016

AQUARIUS COATINGS INC.

Financial Information

March 31, 2016 and March 31, 2015

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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, 2016 and March 31, 2015, and the consolidated statements of comprehensive income (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.

Auditors' 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, 2016 and March 31, 2015, 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 Professional Accountants
July 27, 2016
Toronto, Ontario

Collins Barrow

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

	Mar 31, 2016	Mar 31, 2015
ASSETS	**$**	$
Current Assets		
Cash	**7,797**	19,963
Accounts receivable (Note 5)	**4,702**	8,754
	12,499	28,717
Long-term investment (Note 9)	**1**	112,272
Capital assets (Note 6)	**188**	377
	12,688	141,366
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities	**52,609**	53,910
Note payable (Note 8)	**-**	200,000
Due to related parties (Note 7)	**3,823,864**	3,801,500
	3,876,473	4,055,410
Shareholders' Deficiency		
Share capital (Note 10)	**10,340,865**	10,340,865
Contributed surplus	**5,193,806**	5,193,806
Accumulated other comprehensive income	**-**	112,271
Deficit	**(19,398,456)**	(19,560,986)
	(3,863,785)	(3,914,044)
	12,688	141,366

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

(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

July 27, 2016

Aquarius Coatings Inc.

Consolidated Statements of Comprehensive Income (Loss)

(Expressed in Canadian dollars)

	Year Ended	
	Mar 31, 2016	Mar 31, 2015
	$	$
Expenses		
General and Administrative (Note 12)	**44,882**	32,018
Bank Charges and interest	**2,040**	1,666
Amortization	**189**	378
	47,111	34,062
Net loss from operations	**(47,111)**	(34,062)
Other items:		
Royalty income	**9,641**	8,580
Loss from discontinued operations (Note 4)	**-**	(215,990)
Write off long term liability (Note 8)	**200,000**	-
Net Income (loss)	**162,530**	(241,472)
Items that may be reclassified to income (loss)		
Write-down of investment (Note 9)	**(112,271)**	
Other comprehensive loss	**(112,271)**	-
Total compresensive income (loss)	**50,259**	(241,472)
Income (loss) per share - continuing operations, basic and diluted	**$0.002**	($0.000)
Income (loss) per share - discontinued operations, basic and diluted	**$0.000**	($0.002)
Income (loss) per share, basic and diluted	**$0.000**	($0.002)
Weighted average number of shares outstanding (Note 10)	107,948,144	107,948,144

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

Aquarius Coatings Inc.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

for the years ended March 31, 2016 and March 31, 2015

	Issued Capital Shares	Amount	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
		$	$	$	$	$
Balance March 31, 2014	107,948,144	10,340,865	5,193,806	(19,319,514)	112,271	(3,672,572)
Net loss for the period	-	-	-	(241,472)	-	(241,472)
Other comprehensive income	-	-	-	-	-	-
Balance March 31, 2015	**107,948,144**	**10,340,865**	**5,193,806**	**(19,560,986)**	**112,271**	**(3,914,044)**
Net income for the period	-	-	-	162,530	-	162,530
Other comprehensive loss	-	-	-	-	(112,271)	(112,271)
Balance March 31, 2016	**107,948,144**	**10,340,865**	**5,193,806**	**(19,398,456)**	**-**	**(3,863,785)**

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

Aquarius Coatings Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year Ended	
	Mar 31, 2016	Mar 31, 2015
Cash flows were provided by (used in):		
	$	$
Operating activities		
Net income (loss) for the period	**162,530**	(25,482)
Depreciation (Note 6)	**189**	378
Gain on settlement of debt	**(200,000)**	-
Allowance for doubtful accounts	**-**	(698)
Accounts receivable	**4,052**	13,936
Accounts payable and accrued liabilities	**(1,301)**	(18,143)
Cash used in continuing operating activities	**(34,530)**	(30,009)
Cash used in discontinued operations	**-**	(218,260)
	(34,530)	(248,269)
Financing activities		
Advances from related parties	**22,364**	190,011
	22,364	190,011
Investment activities		
Discontinued operations	**-**	63,694
	-	63,694
Increase (Decrease) in cash during the period	**(12,166)**	5,436
Cash, beginning of period	**19,963**	14,527
Cash, end of period	**7,797**	19,963

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

1. NATURE OF OPERATIONS

Aquarius Coatings Inc. (the "Corporation") was incorporated under the *Business Corporations Act* (Ontario) in 1986. As disclosed in the Audited Financial Statements for the year ended March 31, 2015 the Corporation 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 Corporation have been prepared on a going concern basis, which assumes the Corporation 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 Corporation currently has limited operating revenues and during the years ended March 31, 2016 and March 31, 2015 incurred income (losses) of $162,530 and ($241,472), respectively. At March 31, 2016 and March 31, 2015, the Corporation has a working capital deficiency of $3,863,974 and $4,026,693, respectively. Also, at March 31, 2016 and March 31, 2015, the Corporation has a shareholders' deficiency of $3,863,785 and $3,914,044, respectively. These circumstances cast significant doubt on the ability of the Corporation to continue as a going concern which is dependent on the support of its creditors, the ability to obtain additional financing, and ultimately, the attainment of profitable operations. The Corporation'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, such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

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 IFRS Interpretations Committee ("IFRIC"). These accounting policies are based on the IFRS standards and IFRIC interpretations that are applicable at March 31, 2016.

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 27, 2016.

(b) Basis of consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 judgments, 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.

The areas that management makes critical estimates, assumptions and judgments are the fair value of long-term investments and recoverability of deferred tax assets.

(e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from royalty income, which is generally earned based upon a percentage of sales or a fixed amount per product sold, is recognized on an accrual basis.

(f) 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

(g) 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 be realized or settled. The effect of changes in rates is included in the statement of comprehensive income in the period which includes 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.

(h) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Provisions

A provision is recognized in the balance sheet when the Corporation 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.

(j) Earnings (Loss) per share

Basic earnings (loss) per share amounts are calculated by dividing net profit (loss) for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated by dividing the net profit (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.

(k) Impairment of non-financial 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 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.

(l) Financial Instruments

The Corporation 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 Corporation when the financial instrument is initially recorded, based on the underlying purpose of the instrument.

(Expressed in Canadian dollars, unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Corporation 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	Cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Note payable	Other financial liabilities	Amortized cost
Due to related party	Other financial liabilities	Amortized cost

Held-for-trading financial investments are measured at fair value and all gains and losses are included in operating profit or loss 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

(m) Fair value measurement

The Corporation 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.

(n) Recent accounting pronouncements

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at March 31, 2016 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 15 Revenue from Contracts with Customers is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Corporation expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services. This standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

(Expressed in Canadian dollars, unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

4. DISCONTINUED OPERATIONS

On September 5, 2014, the Corporation closed the sale of certain assets of the Corporation including Inventory, Equipment, Intellectual Property, Material Contracts and Customer Lists for aggregate proceeds of $63,694.

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

Year 1 – 10%
Year 2 - 9%
Year 3 - 8%

The proceeds from the sale of the assets was recorded as follows:

	$
Proceeds sale of plant equipment, inventory, material contracts, customer lists and intellectual properties	63,694
Book value of assets	53,080
Gain on transaction	10,614

Discontinued operations:

	Year Ended	
	Mar 31, 2016	Mar 31, 2015
Sales	-	95,908
Cost of sales	-	64,593
Gross Margin	-	31,315
Expenses		
Selling, general and administrative	-	257,162
Bank Charges and Interest	-	637
Amortization	-	120
	-	257,919
Net income (loss) before other items	-	(226,604)
Other items:		
Gain on disposal of assets	-	10,614
Net income (loss) from discontinued operation	-	(215,990)

Selling general and administrative expenses for the ended March 31, 2015 include severance costs of $126,088

(Expressed in Canadian dollars, unless otherwise indicated)

5. ACCOUNTS RECEIVABLE

	Mar 31, 2016	Mar 31, 2015
	$	$
Accounts Receivable	**4,702**	10,097
Allowance for doubtful debts	**-**	(1,343)
	4,702	8,754

Allowance for doubtful debts:

	Mar 31, 2016	Mar 31, 2015
	$	$
Balance beginning of period	**1,343**	8,992
Additional bad debt provision	**-**	1,343
Recovery of previous provision	**-**	(2,041)
Utilization of provision	**(1,343)**	(6,951)
Balance end of period	**-**	1,343

6. CAPITAL ASSETS

March 31, 2015

	Cost				Accumulated Depreciation				Net Book Value
Description	Balance 31-Mar-2014	Additions	Dispositions	Balance 31-Mar-2015	Balance 31-Mar-2014	Depreciation for period	Dispositions	Balance 31-Mar-2015	31-Mar-2015
Computer equipment	$ 8,219	$ -	$ -	$ 8,219	$ 7,464	$ 378	$ -	$ 7,842	$ 377
Plant equipment	4,050	-	(4,050)	-	1,644	120	(1,764)	-	-
	$ 12,269	$ -	$ (4,050)	$ 8,219	$ 9,108	$ 498	$ (1,764)	$ 7,842	$ 377

March 31, 2016

	Cost				Accumulated Depreciation				Net Book Value
Description	Balance 31-Mar-2015	Additions	Dispositions	Balance 31-Mar-2016	Balance 31-Mar-2015	Depreciation for period	Dispositions	Balance 31-Mar-2016	31-Mar-2016
Computer equipment	$ 8,219	$ -	$ -	$ 8,219	$ 7,842	$ 189	$ -	$ 8,031	$ 188
	$ 8,219	$ -	$ -	$ 8,219	$ 7,842	$ 189	$ -	$ 8,031	$ 188

7. DUE TO RELATED PARTY

Forest Lane Holdings Limited ("FLH"), a Corporation controlled by David J. Hennigar, Chairman of the Corporation, owns directly and indirectly 45,882,355 shares (42.5%) of the Corporation. FLH has provided working capital funding to the Corporation for a number of years. Refer to Note 10 for further information.

	Mar 31, 2016	Mar 31, 2015
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.	**$ 3,823,864**	$ 3,801,500

The Corporation also had a note payable to another related party, whose Vice President is also Chief Financial Officer of the Corporation, as at March 31, 2016 and March 31, 2015 (Note 8).

(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.

	Mar 31, 2016	Mar 31, 2015
Subordinated promissory note payable, non-interest bearing, unsecured and payable on demand.	$ -	$ 200,000

In fiscal 2016, the Corporation has written off the note payable, as the Nova Scotia venture capital company no longer exists as a corporate entity since November 5, 2007 and the statute of limitation has passed for any claims to be made against the Corporation.

9. LONG TERM INVESTMENT

Woodland Biofuels Inc. ("Woodland")

The Corporation holds 112,272 shares in Woodland, a private company focused in the development and production of ethanol and other fuels and chemicals from biomass. In 2015, the investment was recorded at its fair value based on recent third party financing. During the year, as there is not recent readily available market information, the Corporation has written down the investment to its original cost of $1.

10. 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, 2016	Mar 31, 2015	**Mar 31, 2016**	Mar 31, 2015
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 Corporation at a deemed value of $0.05 per common share in settlement of up to $3,600,000 in current shareholder loans to the Corporation;

(ii) the consolidation of the Corporation'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; and

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

The proposed transactions are subject to TSX-V acceptance and all regulatory approvals, which have not yet been obtained, and have accordingly not been concluded. Given the passage of time since the resolutions were originally passed, the Board has concluded that it would be appropriate to cancel the original resolutions and place renewed resolutions (which may, or may not be identical to the original resolutions) before the shareholders at the next Annual and Special General Meeting of Shareholders. Any such transactions as may be proposed will be subject to all relevant regulatory and other consents and approvals.

(Expressed in Canadian dollars, unless otherwise indicated)

11. 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, 2016 and March 31, 2015:

	Mar 31, 2016	Mar 31, 2015
	$	$
Net income (loss)	**162,530**	(241,472)
Income tax (recovery) at Canadian Federal and provincial statutory rates of 26.5%	**43,070**	(63,990)
Non-taxable items	**(82,570)**	3,392
Expired non-capital losses	**-**	169,798
Deferred tax asset not recognized	**39,500**	(109,200)
Provision for income taxes	**-**	-

Deferred tax assets

	Mar 31, 2016	Mar 31, 2015
	$	$
Non-Capital losses carried forwards	**760,100**	749,200
Long-term investment	**-**	(29,800)
Equipment	**35,400**	35,300
Other	**17,900**	19,200
	813,400	773,900
Less: Deferred tax assets not recognized	**(813,400)**	(773,900)
Balance	**$ -**	$ -

Non-capital losses carried forward	$
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	272,190
2035	245,440
2036	41,114
	2,868,400

(Expressed in Canadian dollars, unless otherwise indicated)

12. EXPENSES BY NATURE

	Mar 31, 2016	Mar 31, 2015
	$	$
Continuing operations		
Professional fees	28,455	18,720
Selling general and administrative expenses	16,427	13,298
	44,882	32,018
Discontinued operations		
Salaries and allowances	-	63,725
Severance costs	-	126,088
Social welfare contributions	-	6,898
Workers compensation	-	1,040
Total personnel costs	-	197,751
Rent expenses	-	12,703
Bad debt expense (recovery)	-	(697)
Selling general and administrative expenses	-	47,405
	-	257,162

13. LOSS PER SHARE

The earnings (loss) per share is calculated based upon the weighted average number of common shares outstanding during the period of 107,948,144 (March 31, 2015 – 107,948,144). The Corporation had no outstanding warrants or stock options as at March 31, 2016 and March 31, 2015. As a result, the basic and fully diluted weighted average number of common shares are the same.

14. COMMITMENTS

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

15. FINANCIAL INSTRUMENTS

Fair Values

The estimated fair values of cash, accounts receivables, accounts payable and accrued liabilities and due to related parties approximate their carrying values due to the relatively short-term nature of the instruments. The long-term investment has been recorded at cost (2015 – recorded at fair value).

	Level 1	Level 2	Level 3	Total
March 31, 2015	$ -	$ 112,272	$ -	$ 112,272

During the years ended March 31, 2016 and March 31, 2015, there was no transfer of financial assets between the three levels of the fair value hierarchy.

(Expressed in Canadian dollars, unless otherwise indicated)

16. FINANCIAL RISKS

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

Credit Risk

The Corporation'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 Corporation's management based on prior experience and their assessment of the current economic environment. The Corporation 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. As at year end, due to the sale of discontinued operations, one customer, the purchaser of the assets, accounted for 100% of the accounts receivable.

Liquidity Risk

The Corporation'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 Corporation's reputation. To the extent that the Corporation does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions. The Corporation 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 Corporation. As indicated in Note 9, the Corporation 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 Corporation 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, the Corporation is not subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates.

17. MANAGEMENT OF CAPITAL

The Corporation 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 Corporation will continue as a going concern, so that it can provide returns to its shareholders.

	Mar 31, 2016	Mar 31, 2015
	$	$
Notes payable	**-**	200,000
Loan due to shareholder	**3,823,864**	3,801,500
Share capital	**10,340,865**	10,340,865
Contributed surplus	**5,193,806**	5,193,806
Accumulated other comprehensive income	**-**	112,271
Deficit	**(19,398,456)**	(19,560,986)
Total Capital	**(39,921)**	87,456

17. MANAGEMENT OF CAPITAL (Continued)

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions. The Corporation, 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 Corporation 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 Corporation's overall strategy with respect to management of capital remains unchanged from the year ended March 31, 2015.

18. SEGMENTED INFORMATION

Management has determined that during the periods covered by these financial statements, the Corporation 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 year ended March 31, 2016 were export sales to the United States of $ nil (March 31, 2015 - $43,367).

19. SUBSEQUENT EVENT

Subsequent to March 31, 2016, the Corporation has entered into a Letter of Intent, dated July 15, 2016, to acquire the issued and outstanding share capital of Surgical Lasers Inc., a development stage private Ontario corporation which develops, sells and distributes laser-driven technologies for use in surgical environments, principally in the field of urology. Closing of the Acquisition will be subject to a formal acquisition agreement, shareholder approval at a special general meeting of shareholders and all relevant regulatory and other consents and approvals. More specific details and terms of the proposed transaction are described in a press release dated July 22, 2016, filed with the Corporation's documents on www.sedar.com.

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month periods ended June 30, 2016 and June 30, 2015

(expressed in Canadian dollars)

(UNAUDITED)

Management's Responsibility for Financial Information

The condensed consolidated interim financial statements (the "Interim 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 Interim 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 Corporation'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 Interim 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 Interim 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 Interim 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

August 25, 2016

AQUARIUS COATINGS INC.

Condensed Consolidated Interim Financial Statements

June 30, 2016

Contents	**Page**

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

	Jun 30, 2016	Mar 31, 2016
	(Unaudited)	(Audited)
ASSETS	**$**	$
Current Assets		
Cash	**7,396**	7,797
Accounts receivable (Note 5)	**6,179**	4,702
	13,575	12,499
Long-term investment (Note 9)	**1**	1
Capital assets (Note 6)	**164**	188
	13,740	12,688
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities	**57,332**	52,609
Due to related parties (Note 7)	**3,823,864**	3,823,864
	3,881,196	3,876,473
Shareholders' Deficiency		
Share capital (Note 10)	**10,340,865**	10,340,865
Contributed surplus	**5,193,806**	5,193,806
Deficit	**(19,402,127)**	(19,398,456)
	(3,867,456)	(3,863,785)
	13,740	12,688

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

(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

August 25, 2016

Aquarius Coatings Inc.

Consolidated Statement of Comprehensive Income (unaudited)

(Expressed in Canadian dollars)

	Three Months Ended	
	Jun 30,2016	Jun 30,2015
	$	$
Expenses		
General and Administrative (Note 12)	**5,218**	7,206
Bank Charges and interest	**501**	508
Amortization	**24**	47
	5,743	7,761
Net loss from operations	**(5,743)**	(7,761)
Other items:		
Royalty income	**2,072**	4,369
Total compresensive loss	**(3,671)**	(3,392)
Loss per share, basic and diluted	**($0.000)**	($0.000)
Weighted average number of shares outstanding (Note 10)	**107,948,144**	107,948,144

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

Aquarius Coatings Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)
for the three months ended June 30, 2016 and June 30, 2015

	Issued Capital Shares	Amount	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
		$	$	$	$	$
Balance March 31, 2015	107,948,144	10,340,865	5,193,806	(19,560,986)	112,271	(3,914,044)
Net loss for the period	-	-	-	(3,392)	-	(3,392)
Other comprehensive income	-	-	-	-	-	-
Balance June 30, 2015	**107,948,144**	**10,340,865**	**5,193,806**	**(19,564,378)**	**112,271**	**(3,917,436)**
Balance March 31, 2016	107,948,144	10,340,865	5,193,806	(19,398,456)	-	(3,863,785)
Net income for the period	-	-	-	(3,671)	-	(3,671)
Other comprehensive loss	-	-	-	-	-	-
Balance June 30, 2016	**107,948,144**	**10,340,865**	**5,193,806**	**(19,402,127)**	**-**	**(3,867,456)**

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

Aquarius Coatings Inc.

Condensed Consolidated Statement of Cash Flows (unaudited)

(Expressed in Canadian dollars)

	3 Months Ended	
	Jun 30, 2016	Jun 30, 2015
Cash flows were provided by (used in):		
	$	$
Operating activities		
Net income (loss) for the period	**(3,671)**	(3,392)
Depreciation (Note 6)	**24**	47
Accounts receivable	**(1,477)**	(4,735)
Accounts payable and accrued liabilities	**4,723**	2,146
	(401)	(5,934)
Financing activities		
Advances from related parties	**-**	3,457
	-	3,457
Increase (Decrease) in cash during the period	**(401)**	(2,477)
Cash, beginning of period	**7,797**	19,963
Cash, end of period	**7,396**	17,486

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

1. NATURE OF OPERATIONS

Aquarius Coatings Inc. (the "Corporation") was incorporated under the *Business Corporations Act* (Ontario) in 1986. As disclosed in the Audited Financial Statements for the year ended March 31, 2016 the Corporation 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 Corporation have been prepared on a going concern basis, which assumes the Corporation 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 Corporation currently has limited operating revenues and during the years ended March 31, 2016 and March 31, 2015 incurred operating income (losses) of $162,530 and ($241,472), respectively. At March 31, 2016 and June 30, 2016, the Corporation has a working capital deficiency of $3,863,974 and $3,867,621, respectively. Also, at March 31, 2016 and June 30, 2016, the Corporation has a shareholders' deficiency of $3,863,785 and $3,867,456, respectively. Consequently, the Corporation'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 Corporation'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 Corporation and its subsidiaries' functional currency.

The unaudited condensed consolidated interim financial statements for the period ended June 30, 2016, and the notes thereto (the "Interim Financial Statements"), present the Corporation's financial results of operations and financial position under IFRS as at and for the three month periods ended June 30, 2016, and June 30, 2015. 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 Corporation adopted in its financial statements for the year ending March 31, 2016 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 Corporation and its subsidiaries, Scotiachemco Holdings Limited and Scotiachemco Inc. Inter-company transactions and balances have been eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods; the Corporation 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 Corporation; 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 Corporation 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 (Continued)

(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 Corporation 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 (Continued)

(m) Financial Instruments

The Corporation 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 Corporation when the financial instrument is initially recorded, based on the underlying purpose of the instrument.

The Corporation 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	Cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Note payable	Other financial liabilities	Amortized cost
Due to related party	Other financial 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 Corporation 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 Corporation, are discussed in detail in Note 3(n) to the March 31, 2016 audited financial statements.

(Expressed in Canadian dollars, unless otherwise indicated)

4. DISCONTINUED OPERATIONS

On September 5, 2014, the Corporation closed the sale of certain assets of the Corporation including Inventory, Equipment, Intellectual Property, Material Contracts and Customer Lists. The Corporation will receive royalty payments on the sale of the Corporation's former products for a 3 year period as follows:

Year 1 – 10%
Year 2 - 9%
Year 3 - 8%

5. ACCOUNTS RECEIVABLE

	Jun 30, 2016	Jun 30, 2015
	$	$
Accounts Receivable	**6,179**	14,831
Allowance for doubtful debts	**-**	(1,343)
	6,179	13,488

Allowance for doubtful debts:

	Jun 30, 2016	Jun 30, 2015
	$	$
Balance beginning of period	**-**	1,343
Balance end of period	**-**	1,343

6. CAPITAL ASSETS

June 30, 2015

Description	Cost				Accumulated Depreciation				Net Book Value
	Balance 31-Mar-2015	Additions	Dispositions	Balance 30-Jun-2015	Balance 31-Mar-2015	Depreciation for period	Dispositions	Balance 30-Jun-2015	30-Jun-2015
Computer equipment	$ 8,219	$ -	$ -	$ 8,219	$ 7,842	$ 47	$ -	$ 7,889	$ 330
	$ 8,219	$ -	$ -	$ 8,219	$ 7,842	$ 47	$ -	$ 7,889	$ 330

June 30, 2016

Description	Cost				Accumulated Depreciation				Net Book Value
	Balance 31-Mar-2016	Additions	Dispositions	Balance 30-Jun-2016	Balance 31-Mar-2016	Depreciation for period	Dispositions	Balance 30-Jun-2016	30-Jun-2016
Computer equipment	$ 8,219	$ -	$ -	$ 8,219	$ 8,031	$ 24	$ -	$ 8,055	$ 164
	$ 8,219	$ -	$ -	$ 8,219	$ 8,031	$ 24	$ -	$ 8,055	$ 164

(Expressed in Canadian dollars, unless otherwise indicated)

7. DUE TO RELATED PARTY

Forest Lane Holdings Limited ("FLH"), a Corporation controlled by David J. Hennigar, Chairman of the Corporation, owns directly and indirectly 45,882,355 shares (42.5%) of the Corporation. FLH has provided working capital funding to the Corporation for a number of years. Refer to Note 10 for further information.

Due to related party

		Jun 30, 2016		Jun 30, 2015
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.	**$**	**3,823,864**	$	3,804,957

The Corporation also had a note payable to another related party, whose Vice President is also Chief Financial Officer of the Corporation, as at June 30, 2016 and June 30, 2015 (Note 8).

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.

		Jun 30, 2016		Jun 30, 2015
Subordinated promissory note payable, non-interest bearing, unsecured and payable on demand.	**$**	**-**	$	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. The Corporation wrote off the liability in the fiscal year ended March 31, 2016.

9. LONG TERM INVESTMENT

Woodland Biofuels Inc. ("Woodland")

The Corporation holds 112,272 shares in Woodland, a private company focused in the development and production of ethanol and other fuels and chemicals from biomass. In 2015, the investment was recorded at its fair value based on recent third party financing. During the 2016 fiscal year, as there is no recent readily available market information, the Corporation wrote down the investment to its original cost of $1.

(Expressed in Canadian dollars, unless otherwise indicated)

10. 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	
	Jun 30,2016	Jun 30,2015	**Jun 30,2016**	Jun 30,2015
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 Corporation at a deemed value of $0.05 per common share in settlement of up to $3,600,000 in current shareholder loans to the Corporation;

(ii) the consolidation of the Corporation'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; and

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

The proposed transactions are subject to TSX-V acceptance and all regulatory approvals, which have not yet been obtained, and have accordingly not been concluded. Given the passage of time since the resolutions were originally passed, the Board has concluded that it would be appropriate to cancel the original resolutions and place renewed resolutions (which may, or may not be identical to the original resolutions) before the shareholders at the next Annual and Special General Meeting of Shareholders. Any such transactions as may be proposed will be subject to all relevant regulatory and other consents and approvals.

11. 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 (June 30, 2015 – 107,948,144)

12. EXPENSES BY NATURE

	Jun 30, 2016	Jun 30, 2015
	$	$
Continuing operations		
Professional fees	4,500	6,000
Selling general and administrative expenses	718	1,206
	5,218	7,206

13. COMMITMENTS

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

(Expressed in Canadian dollars, unless otherwise indicated)

14. INCOME TAXES

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 three months ended June 30, 2016 and June 30, 2015:

	Jun 30, 2016	Jun 30, 2015
	$	$
Net income (loss)	**(3,671)**	(3,392)
Income tax (recovery) at Canadian Federal and provincial statutory rates of 26.5%	**(973)**	(899)
Non-taxable items	**97**	93
Deferred tax asset not recognized	**658**	806
Provision for income taxes	**(218)**	-

Deferred tax assets

	Jun 30, 2016	Jun 30, 2015
	$	$
Non-Capital losses carried forwards	**761,100**	**749,200**
Long-term investment	**-**	**-**
Equipment	**35,400**	**35,400**
Other	**17,900**	**16,600**
	814,400	801,200
Less: Deferred tax assets not recognized	**(814,400)**	(801,200)
Balance	**$ -**	$ -

Non-capital losses carried forward	$
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	272,190
2035	245,440
2036	41,114
2037	3,671
	2,872,071

(Expressed in Canadian dollars, unless otherwise indicated)

15. MANAGEMENT OF CAPITAL

The Corporation 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 Corporation will continue as a going concern, so that it can provide returns to its shareholders.

	Jun 30, 2016	Jun 30, 2015
	$	$
Notes payable	-	200,000
Loan due to shareholder	**3,823,864**	3,804,957
Share capital	**10,340,865**	10,340,865
Contributed surplus	**5,193,806**	5,193,806
Accumulated other comprehensive income	-	112,271
Deficit	**(19,402,127)**	(19,564,378)
Total Capital	**(43,592)**	87,521

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions. The Corporation, 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 Corporation 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 Corporation's overall strategy with respect to management of capital remains unchanged from the year ended March 31, 2016.

16. SEGMENTED INFORMATION

Management has determined that during the periods covered by these unaudited interim financial statements, the Corporation carried on business in one operating segment only. All capital assets were located in Canada.

17. SUBSEQUENT EVENT

On July 22, 2016 the Corporation issued a press release outlining details of a proposed transaction to be presented at an Annual and Special General Meeting of shareholders to be held on October 11, 2016. Please refer to the Press Release and a Material Change Report filed under the Corporation's profile on SEDAR.COM

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

APPENDIX "E"

FINANCIAL STATEMENTS OF SURGICAL LASERS INC.

(i) **Audited Statements, Year ended December 31, 2015;**

(ii) **Unaudited Statements, Three Months ended March 31, 2016;**

(iii) **Unaudited Statements, Three and Six Months ended June 30, 2016**

Surgical Lasers Inc.

Financial Statements

For the year ended December 31, 2015 and the period from October 15, 2014 (date of incorporation) to December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Surgical Lasers Inc.

We have audited the accompanying financial statements of Surgical Lasers Inc. which comprise the statements of financial position as at December 31, 2015 and December 31, 2014 and the statements of loss and comprehensive loss and changes in deficit, and cash flows for the year ended December 31, 2015 and the period from October 15, 2014 (date of incorporation) to December 31, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Surgical Lasers Inc. as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the year ended December 31, 2015 and for the period from October 15, 2014 (date of incorporation) to December 31, 2014 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Surgical Lasers Inc.'s ability to continue as a going concern.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
October 11, 2016

Surgical Lasers Inc.
Statements of Financial Position
As at December 31, 2015 and 2014
(Expressed in Canadian Dollars, unless otherwise indicated)

	2015	2014
Assets		
Current		
Cash	**$ 3,634**	$ -
Accounts receivable	**49,093**	7,410
Inventories (Note 6)	**770,996**	88,853
Prepaid expense	**3,381**	74,873
Due from related party (Note 7)	**45,075**	-
	872,179	171,136
Property and equipment (Note 8)	**4,497**	888
	$ 876,676	$ 172,024
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 56,252**	$ -
Note payable (Note 9)	**2,055,320**	203,018
Due to related party (Note 7)	**-**	54,593
	2,111,572	257,611
Shareholder's Deficiency		
Share capital (Note 10)	**1**	1
Deficit	**(1,234,897)**	(85,588)
	(1,234,896)	(85,587)
	$ 876,676	$ 172,024

Commitments *(Note 13)*

Approved by the Board ______________________ ______________________
Director Director

Surgical Lasers Inc.

Statements of Loss and Comprehensive Loss and Changes in Deficit
For the year ended December 31, 2015 and the period from October 15, 2014 (date of incorporation) to December 31, 2014
(Expressed in Canadian Dollars, unless otherwise indicated)

	2015	2014
Revenue	**$ 46,209**	$ -
Cost of sales (Note 6)	**442,664**	-
Gross profit or (loss)	**(396,455)**	-
Expenses		
Bank and interest charges	**5,145**	109
Foreign exchange loss	**72,038**	6,253
General and Administrative (Note 11)	**673,893**	79,226
Amortization expenses	**1,778**	-
	752,854	85,588
Net loss and comprehensive loss	**(1,149,309)**	(85,588)
Deficit, beginning of year/period	**(85,588)**	-
Deficit, end of year/period	**$ (1,234,897)**	$ (85,588)
Shares outstanding (Note 10)	**100**	100
Loss per share	**$ (12,349)**	$ (856)

Surgical Lasers Inc.
Statement of Cash Flows
For the year ended December 31, 2015 and the period from October 15, 2014 (date of incorporation) to December 31, 2014
(Expressed in Canadian Dollars, unless otherwise indicated)

	2015	2014
Cash provided by (used in)		
Operations		
Net loss	**$ (1,149,309)**	$ (85,588)
Items not affecting cash		
Amortization	**1,778**	-
Bad debt expense	**41,739**	-
Write off of inventory	**382,680**	-
	(723,112)	(85,588)
Net changes in non-cash working capital		
Accounts receivable	**(83,422)**	(7,410)
Inventory	**(214,823)**	(88,853)
Prepaid expenses	**71,492**	(74,872)
Accounts payable and accrued liabilities	**56,252**	-
	(893,613)	(256,723)
Investing		
Purchase of property and equipment	**(5,387)**	(888)
Asset acquisition	**(850,000)**	-
	(855,387)	(888)
Financing		
Proceeds from note payable	**1,852,302**	257,610
Payments to related parties	**(99,668)**	1
	1,752,634	257,611
Net change in cash	**3,634**	-
Cash, beginning of year/period	**-**	-
Cash, end of year/period	**$ 3,634**	$ -

1. NATURE OF THE BUSINESS AND GOING CONCERN

Surgical Laser Inc. was incorporated in Ontario, Canada on October 15, 2014. On August 4, 2015, Surgical Laser Inc. amalgamated with 2459663 Ontario Limited and continued operations as Surgical Lasers Inc. (the "Company"). The Company sells medical devices used in multiple medical disciplines to conduct lathroscopic surgeries. The registered office of the Company is located at 203-30 Prospect Street, Newmarket, Ontario, L3Y 3S9, Canada.

These financial statements have been prepared on a going concern basis, which assumes that 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 incurred a net loss of $1,149,309 for the year ended December 31, 2015 (period ended December 31, 2014 - $85,588), has an accumulated deficit of $1,234,897 (December 31, 2014 - 85,588) and has negative working capital of $1,239,393 (December 31, 2014 - $86,475). Whether and when the Company can attain profitability and positive cash flow is uncertain. These uncertainties cast significant doubt about the Company's ability to continue as a going concern.

The Company will need to continue to rely on related parties to continue to fund its operations and to successfully find a market for its products. Management believes that it will continue to have the support from related parties to fund the operations through 2016.

These financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee (IFRSIC"). The financial statements have been prepared on a 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. The financial statements are presented in Canadian dollars which is also the Company's functional currency.

The financial statements of the Company for the year ended December 31, 2015 and for the period from the date of incorporation on October 15, 2014 to December 31, 2014 were approved and authorized for issue by the Board of Directors on October 11, 2016.

The financial statements have been prepared using accounting policies specified by those IFRSs that are in effect at December 31, 2015, the Company's annual reporting date. The significant accounting policies that have been applied in the preparation of these financial statements are summarized below. These accounting policies have been used throughout all periods presented in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

Cash

Cash consists of deposits with major financial institutions.

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. The cost is determined based on a first-in, first-out basis and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition which include the purchase price, import duties, non-recoverable taxes, transportation, handling and other costs directly related to the purchase of the inventory.

Revenue Recognition

Revenue from the sale of goods is recognized when persuasive evidence of an agreement exists, significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

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.

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value with any resultant gain or loss recognized in profit or loss. Financial assets classified as available-for-sale are measured at fair value with any resultant gain or loss being recognized directly 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. Financial assets classified as loans and receivables and held to maturity, are measured at amortized cost using the effective interest rate method.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities are classified as other financial liabilities, and are subsequently measured at amortized cost using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

The Company's financial assets include cash, accounts receivables and due from related party. The Company's financial liabilities include accounts payable and accrued liabilities and due to related parties. Classification of these financial instruments is as follows:

Financial Instrument	Classification
Cash	FVTPL
Accounts receivable	Loans and receivables
Due from related party	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Note payable	Other financial liabilities

Financial instruments recorded at fair value on the audited statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

A financial asset measured at amortized cost is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset measured at amortized cost 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 an impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables.

Impairment of Non Financial Assets

Items of property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Management is required to assess at each reporting date whether there is any indication that an asset may be impaired. Where such an indication exists, the asset's recoverable amount is compared to its carrying value, and an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, or cash-generating units (CGU). In determining value in use of a given asset or CGU, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of Non Financial Assets (Cont'd)

Items of property and equipment are reviewed for possible reversal of the impairment if there has been a change, since the date of the most recent impairment test, in the estimates used to determine the impaired asset's recoverable amount. However, an asset's carrying amount, increased due to the reversal of a prior impairment loss, must not exceed the carrying amount that would have been determined, net of depreciation or amortization, had the original impairment not occurred.

Foreign Currency

Foreign currency transactions are initially recorded in the functional currency, Canadian dollars, at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate. Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined. All foreign currency adjustments are expensed.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment charges, if any. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended used. Depreciation is provided at rates calculated to write off the cost of property and equipment less their estimated residual value on the straight-line methods, over the estimated useful lives, as follows:

Computer equipment	5 years
Equipment	3 years

Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Loss Per Share

Basic earnings per share amounts are calculated by dividing net profit or loss 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 or 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. Anti-dilution is an increase in earnings per share or a reduction in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are noted below with further details of the assumptions in the following notes:

(a) Income taxes

Tax interpretations, regulations and legislation in the jurisdiction in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

(b) Allowance for doubtful accounts

The valuation of allowances for uncollectible trade receivables requires assumptions including estimated credit losses based on customer, industry concentrations and the Company's knowledge of the financial conditions of its customers. Uncertainty relates to the actual collectability of customer balances that can vary from management's estimates and judgment.

(c) Allowance for inventory obsolescence

The Company estimates inventory obsolescence allowances for potential losses resulting from inventory that cannot be processed and/or sold to customers. Additional allowances may be required if the physical condition of inventory deteriorates or customer requirements change.

(d) Acquisition accounting

The Company uses judgment to determine whether an acquisition qualifies as an asset acquisition or a business combination by reviewing inputs, processes, and outputs within a transactions.

4. ASSET ACQUISITION

On April 6, 2015, 2459663 Ontario Limited, a company owned by the same shareholder as Surgical Laser Inc. completed an asset acquisition of inventory from TASC Laser GP Inc., a company with common control as Surgical Laser Inc. for total cash consideration of $850,000. Only inventory was acquired and no liabilities were assumed. The acquisition was accounted for as an asset acquisition. Subsequent to the acquisition, 2459663 Ontario Limited amalgamated with the Company.

5. RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or IFRSIC that are mandatory for accounting periods after December 31, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Company.

(a) Presentation of Financial Statements – IAS 1

IAS 1 Presentation of Financial Statements was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. Effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

(b) Financial Instruments - IFRS 9

Financial Instruments - IFRS 9 was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. Effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

(Expressed in Canadian Dollars, unless otherwise indicated)

5. RECENT ACCOUNTING PRONOUNCEMENTS (Cont'd)

(c) Revenue from Contracts with Customers - IFRS 15

In May 2014, IASB issued IFRS 15 Revenue from Contracts with Customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

(d) Leases - IFRS 16

In January 2016, IASB issued IFRS 16 Leases, which will be effective on January 1, 2019. The identification of a lease is that a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar. The remeasurements are treated as adjustments to the right-of-use asset. Lease modifications may also prompt remeasurement of the lease liability unless they are to be treated as separate leases.

6. INVENTORIES

Inventories consists of finished products held for sale. In 2015, the cost of sales consists of cost of goods sold of $59,984 (2014 - nil) and impairment of inventory to its realizable value of $382,680 (2014 - nil) in the statement of net loss and comprehensive loss.

7. DUE FROM RELATED PARTIES

The following table includes the receivables and payables to related parties with the Company. All the amounts below are non-interest bearing and have no fixed terms of repayment.

	2015	**2014**
Due from shareholder	**45,075**	-
Due to shareholder	**-**	54,592

The compensation paid to the directors and key management of the Company in 2015 was $266,000 (2014 - $57,000) paid in management fees and benefits. Key management includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors.

(Expressed in Canadian Dollars, unless otherwise indicated)

8. PROPERTY AND EQUIPMENT

As at December 31, 2015	**Computer Equipment**	**Equipment**	**Total**
Cost			
Balance, beginning of year	**$ 888**	**$ -**	**$ 888**
Additions	**746**	**4,641**	**5,387**
Balance, end of year	**1,634**	**4,641**	**6,275**
Accumulated depreciation			
Balance, beginning of year	**-**	**-**	**-**
Depreciation	**(279)**	**(1,499)**	**(1,778)**
Balance, end of year	**(279)**	**(1,499)**	**(1,778)**
Net carrying amount	**$ 1,355**	**$ 3,142**	**$ 4,497**

As at December 31, 2014	**Computer Equipment**	**Equipment**	**Total**
Cost			
Balance, beginning of year	$ -	$ -	$ -
Additions	888	**-**	888
Balance, end of year	888	**-**	888
Accumulated depreciation			
Balance, beginning of year	-	-	
Depreciation	-	-	-
Balance, end of year	-	-	-
Net carrying amount	$ 888	$ -	$ 888

9. NOTE PAYABLE

The Company has a loan agreement with Forest Lane Holdings Limited which is non-interest bearing, due on demand and unsecured.

10. SHARE CAPITAL

Authorized: Unlimited common shares

In 2014 the Company issued 100 shares for no cash consideration. The share capital was assigned a nominal value of $1 and was offset by amounts due to related party (Note 7).

11. EXPENSES BY NATURE

	2015	2014
Rent expense	**$ 6,747**	$ -
Management fee	**245,000**	52,500
Professional fees	**60,032**	643
Selling general and administrative expenses	**362,114**	26,083
	$ 673,893	$ 79,226

(Expressed in Canadian Dollars, unless otherwise indicated)

12. INCOME TAXES

(a) Income Tax Expense

The following table reconciles income taxes provision from the expected amount based on statutoty rates to the amount reported for financial statements purposes for the year end of December 31, 2015 and the year end of December 31, 2014:

	December 31, 2015	December 31, 2014
Loss before income taxes	**$ (1,149,309)**	$ (85,588)
Statutory rate	15.50 %	15.50 %
Expected income tax recovery	**(178,143)**	(13,266)
Change in future tax rates and other	**(126,357)**	(9,434)
Deferred tax assets not recognized	**304,500**	22,700
Income tax expense	**$ -**	$ -

(b) Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	December 31, 2014	December 31, 2014
Amounts related to tax loss carry forwards	**$ 327,200**	$ 22,700
Deferred tax asset (liability)	**327,200**	22,700
Less: Deferred tax assets not recognized	**(327,200)**	(22,700)
Deferred tax asset (liability)	$ -	$ -

(c) Loss by Year

The Company has not recorded deferred tax assets related to the items noted above as it is not probable that there will be future taxable income against which these can be utilized. As at December 31, 2015, the Company had non-capital losses available to carry forward to reduce future taxable income as follows:

2034	**$ 85,588**
2035	**1,149,309**
	$ 1,234,897

(Expressed in Canadian Dollars, unless otherwise indicated)

13. COMMITMENTS

The Company's only commitment consist of a lease agreement related to the Company's premises, commencing on July 1, 2015 and terminating on June 30, 2017. Under the terms of this lease, the Company is required to pay a proportionate share of operating costs, realty taxes and utilities, in addition to the minimum lease payments. The future minimum lease payments are shown in the table below.

2016	$	**7,400**
2017		**3,700**
	$	**11,100**

14. RISK MANAGEMENT

Capital Risk Management

The Company includes equity, comprised of issued share capital and deficit, in the definition of capital.

The Company’s primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further research and commercialise its product, and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company will need to continue to rely on related parties to continue to fund its operations and to successfully find a market for its products. Management believes that it will continue to have the support from related parties to fund the operations through 2016.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the periods ended December 31, 2015 and 2014.

Financial Risk Management

Risk management is the responsibility of management who is of the opinion that the Company is exposed to financial risks as described below. The carrying value of cash, accounts receivables, due from/to related parties accounts payable & accruals are considered to be representative of their fair value due to their short-term nature. It is management's opinion that the Company is not exposed to significant interest, currency and liquidity risks.

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable. The amounts reported in the statement of financial position are net of allowances for bad debts, estimated by the Company’s management based on prior experience and its assessment of the current economic environment. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by adjusting the allowance for doubtful accounts when management determines that the account may not be fully collectible. The Company has adopted credit policies in an effort to minimize those risks. The carrying value of trade receivables represent the Company's maximum exposure to credit risk.

The balance of accounts receivable is all current amount at the year end of December 31, 2015. The Company does not have allowance for doubtful accounts at the year end of December 31, 2015.

(Expressed in Canadian Dollars, unless otherwise indicated)

14. RISK MANAGEMENT (Cont'd)

Financial Risk Management (Cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. The company does not have material long-term financial liabilities. The company incurred a negative working capital of $1,239,393 (December 31, 2014 - $86,475). In recent years, additional loans from related parties have provided the necessary liquidity required.

Foreign currency exchange risk

The company is exposed to foreign currency exchange risk. This risk arises from the Company's holdings of US dollar denominated cash and trade receivables. Changes arising from this risk could impact the Company's reported foreign currency exchange gains or losses. As at December 31, 2015, the Company had foreign currency denominated amounts of approximately:

	2015 USD	2014 USD
Cash and cash equivalents	**$ 42**	$ -
Accounts receivable	**4,120**	-
Due to related parties	**(310,925)**	-
	$ (306,763)	$ -

As at December 31, 2015, if the Canadian dollar had weakened (strengthened) 10% against the US dollar with all other variables held constant, net loss for the year would have been $30,676 lower (higher) (December 31, 2014 - nil)

Surgical Lasers Inc.

Condensed Interim Financial Statements

(unaudited)

For the three months ended March 31, 2016 and 2015

Surgical Lasers Inc.
Condensed Interim Statement of Financial Position
As at March 31, 2016 and December 31, 2015
(Expressed in Canadian Dollars)
(unaudited)

	March 31, 2016	December 31, 2015
Assets		
Current		
Cash	**$ 2,411**	$ 3,634
Accounts receivable	**166,041**	49,093
Inventories (Note 4)	**648,481**	770,996
Prepaid expense	**45,270**	3,381
Due from related party (Note 5)	**19,000**	45,075
	881,203	872,179
Property and equipment (Note 6)	**4,029**	4,497
	$ 885,232	$ 876,676
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 46,157**	$ 56,252
Note payable (Note 7)	**2,188,301**	2,055,320
	2,234,458	2,111,572
Shareholder's Deficiency		
Share capital (Note 8)	**1**	1
Deficit	**(1,349,227)**	(1,234,897)
	(1,349,226)	(1,234,896)
	$ 885,232	$ 876,676

***Commitments** (Note 11)*

Approved by the Board ______________________ ______________________
Director Director

Surgical Lasers Inc.

Condensed Interim Statement of Loss and Comprehensive Loss and Changes in Deficit
For the three months ended March 31, 2016 and 2015
(Expressed in Canadian Dollars)
(unaudited)

	2016	2015
Revenue	**166,489**	-
Cost of sales (Note 4)	**123,749**	-
Gross profit	**42,740**	-
Expenses		
Bank and interest charges	**349**	171
Foreign exchange loss (gain)	**(23,127)**	18,935
General and administrative (Note 9)	**179,380**	90,933
Amortization expenses	**468**	-
	157,070	110,039
Net loss and comprehensive loss	**(114,330)**	(110,039)
Deficit, beginning of period	**(1,234,897)**	(85,588)
Deficit, end of period	**(1,349,227)**	(195,627)
Shares outstanding (Note 8)	**100**	100
Loss per share	**(896)**	(1,202)

Surgical Lasers Inc.
Condensed Interim Statement of Cash Flows
For the three months ended March 31, 2016 and 2015
(Expressed in Canadian Dollars)
(unaudited)

	2016	2015
Cash provided by (used in)		
Operations		
Net loss	$ **(114,330)**	$ (110,039)
Items not affecting cash		
Amortization	**468**	-
	(113,862)	(110,039)
Net changes in non-cash working capital		
Accounts receivable	**(116,948)**	-
Inventory	**122,515**	29,872
Prepaid expenses	**(41,889)**	-
Accounts payable and accrued liabilities	**(10,095)**	1,706
	(160,279)	(78,461)
Financing		
Advances from related parties	**26,075**	-
Proceeds from note payable	**132,981**	78,493
	159,056	78,493
Net change in cash	**(1,223)**	32
Cash, beginning of period	**3,634**	-
Cash, end of period	$ **2,411**	$ 32

1. NATURE OF THE BUSINESS AND GOING CONCERN

Surgical Laser Inc. was incorporated in Ontario, Canada on October 15, 2014. On August 4, 2015, Surgical Laser Inc. amalgamated with 2459663 Ontario Limited and continued operations as Surgical Lasers Inc. (the "Company"). The Company sells medical devices used in multiple medical disciplines to conduct lathroscopic surgeries. The registered office of the Company is located at 203-30 Prospect Street, Newmarket, Ontario, L3Y 3S9, Canada.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that 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 incurred a net loss of $114,330 for the three months ended March 31, 2016 (2015 - $110,039), has an accumulated deficit of $1,349,227 (December 31, 2015 - $1,234,897) and has negative working capital of $1,353,255 (December 31, 2015 - $1,239,393). Whether and when the Company can attain profitability and positive cash flow is uncertain. These uncertainties cast significant doubt about the Company’s ability to continue as a going concern.

The Company will need to continue to rely on related parties to continue to fund its operations and to successfully find a market for its products. Management believes that it will continue to have the support from related parties to fund the operations through 2016.

These condensed interim financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee (IFRSIC"). These condensed interim financial statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and do no include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements for the year ended December 31, 2015, as they follow the same accounting policies and methods of application, unless otherwise indicated.

The condensed interim financial statements have been prepared on a 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.

The condensed interim financial statements are presented in Canadian dollars which is also the Company's functional currency.

The condensed interim interim financial statements were authorized for issuance by the board of directors on October 11, 2016.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or IFRSIC that are mandatory for accounting periods after December 31, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Company.

(a) Financial Instruments - IFRS 9

Financial Instruments - IFRS 9 was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. Effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

(b) Revenue from Contracts with Customers - IFRS 15

In May 2014, IASB issued IFRS 15 Revenue from Contracts with Customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

(c) Leases - IFRS 16

In January 2016, IASB issued IFRS 16 Leases, which will be effective on January 1, 2019. The identification of a lease is that a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar. The remeasurements are treated as adjustments to the right-of-use asset. Lease modifications may also prompt remeasurement of the lease liability unless they are to be treated as separate leases.

(Expressed in Canadian Dollars)

4. INVENTORIES

Inventories consists of finished products held for sale. For the three months ended March 31, 2016, the cost of sales consists of cost of goods sold of $123,749 (three months ended March 31, 2015 - nil).

5. DUE FROM RELATED PARTIES

The following table includes the receivables and payables to related parties with the Company. All the amounts below are non-interest bearing and have no fixed terms of repayment.

	March 31, 2016	December 31, 2015
Due from shareholder	**19,000**	45,075

6. PROPERTY AND EQUIPMENT

As at March 31, 2016	Computer Equipment	Equipment	Total
Cost			
Balance, beginning of period	**$ 1,634**	**$ 4,641**	**$ 6,275**
Balance, end of period	**1,634**	**4,641**	**6,275**
Accumulated depreciation			
Balance, beginning of period	**(279)**	**(1,499)**	**(1,778)**
Depreciation	**(82)**	**(386)**	**(468)**
Balance, end of period	**(361)**	**(1,885)**	**(2,246)**
Net carrying amount	**$ 1,273**	**$ 2,756**	**$ 4,029**

As at December 31, 2015	Computer Equipment	Equipment	Total
Cost			
Balance, beginning of period	$ 888	$ -	$ 888
Additions	746	4,641	5,387
Balance, end of period	1,634	4,641	6,275
Accumulated depreciation			
Balance, beginning of period	-	-	
Depreciation	(279)	(1,499)	(1,778)
Balance, end of period	(279)	(1,499)	(1,778)
Net carrying amount	$ 1,355	$ 3,142	$ 4,497

7. NOTE PAYABLE

The Company has a loan agreement with Forest Lane Holdings Limited which is non-interest bearing and due on deman.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL

Authorized:

Unlimited common shares

In 2014 the Company issued 100 shares for no cash consideration. The share capital was assigned a nominal value of $1 and was offset by amounts due to related party (Note 5).

9. EXPENSES BY NATURE

	March 31, 2016	March 31, 2015
Rent expense	**$ 4,953**	$ -
Management fee	**52,500**	52,500
Professional fees	**35,700**	16,285
Selling general and administrative expenses	**86,227**	22,148
	$ 179,380	$ 90,933

10. INCOME TAXES

(a) Income Tax Expense

The following table reconciles income taxes provision from the expected amount based on statutory rates to the amount reported for financial statements purposes for the three months ended March 31, 2016 and 2015:

	March 31, 2016	March 31, 2015
Loss before income taxes	**$ (114,330)**	$ (110,039)
Statutory rate	26.50 %	26.50 %
Expected income tax recovery	**(30,297)**	(29,160)
Deferred tax assets not recognized	**30,297**	29,160
Income tax expense	**$ -**	$ -

(b) Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	March 31, 2016	**December 31, 2015**
Amounts related to tax loss carry forwards	**$ 357,500**	$ 327,200
Deferred tax asset (liability)	**357,500**	327,200
Less: Deferred tax assets not recognized	**(357,500)**	(327,200)
Deferred tax asset (liability)	$ -	$ -

(Expressed in Canadian Dollars)

11. COMMITMENTS

The Company's only commitment consist of a lease agreement related to the Company's premises, commencing on July 1, 2015 and terminating on June 30, 2017. Under the terms of this lease, the Company is required to pay a proportionate share of operating costs, realty taxes and utilities, in addition to the minimum lease payments. The future minimum lease payments are shown in the table below.

2016	**5,550**
2017	**3,700**
	9,250

12. RISK MANAGEMENT

Capital Risk Management

The Company includes equity, comprised of issued share capital and deficit, in the definition of capital.

The Company’s primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further research and commercialise its product, and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company will need to continue to rely on related parties to continue to fund its operations and to successfully find a market for its products. Management believes that it will continue to have the support from related parties to fund the operations through 2016.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the periods ended March 31, 2016 and 2015.

Financial Risk Management

Risk management is the responsibility of management who is of the opinion that the Company is exposed to financial risks as described below. The carrying value of cash, accounts receivables, due from/to related parties, accounts payable and accruals are considered to be representative of their fair value due to their short-term nature. It is management's opinion that the Company is not exposed to significant interest, currency and liquidity risks.

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable. The amounts reported in the statement of financial position are net of allowances for bad debts, estimated by the Company’s management based on prior experience and its assessment of the current economic environment. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by adjusting the allowance for doubtful accounts when management determines that the account may not be fully collectible. The Company has adopted credit policies in an effort to minimize those risks. The carrying value of trade receivables represent the Company's maximum exposure to credit risk.

(Expressed in Canadian Dollars)

12. RISK MANAGEMENT (Cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. The company does not have material long-term financial liabilities. The company incurred a negative working capital of $1,353,255 (December 31, 2015 - $1,239,393). In recent years, additional loans from related parties have provided the necessary liquidity required.

Foreign currency exchange risk

The company is exposed to foreign currency exchange risk. This risk arises from the Company's holdings of US dollar denominated cash and trade receivables. Changes arising from this risk could impact the Company's reported foreign currency exchange gains or losses. As at March 31, 2016, the Company had foreign currency denominated amounts of approximately:

	March 31, 2016 USD	**December 31, 2015** USD
Cash and cash equivalents	**838**	42
Accounts receivable	**98,786**	4,120
Due to related parties	**(310,925)**	(310,925)
	(211,301)	(306,763)

As at March 31, 2016, if the Canadian dollar had weakened (strengthened) 10% against the US dollar with all other variables held constant, net loss for the year would have been $21,130 lower (higher) (December 31, 2015 - $30,676)

Surgical Lasers Inc.

Condensed Interim Financial Statements

(unaudited)

For the three and six months periods ended June 30, 2016 and 2015

Surgical Lasers Inc.
Condensed Interim Statement of Financial Position
As at June 30, 2016 and December 31, 2015
(Expressed in Canadian Dollars)
(unaudited)

	June 30, 2016	December 31, 2015
Assets		
Current		
Cash	$ 50,830	$ 3,634
Accounts receivable	173,659	49,093
Inventories (Note 5)	683,077	770,996
Prepaid expense	13,486	3,381
Due from related party (Note 6)	-	45,075
	921,052	872,179
Property and equipment (Note 7)	3,560	4,497
	$ 924,612	$ 876,676
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 46,507	$ 56,252
Note payable (Note 8)	2,393,554	2,055,320
	2,440,061	2,111,572
Shareholder's Deficiency		
Share capital (Note 9)	1	1
Deficit	(1,515,450)	(1,234,897)
	(1,515,449)	(1,234,896)
	$ 924,612	$ 876,676

Commitments *(Note 12)*

Approved by the Board ______________________ ______________________
Director Director

Surgical Lasers Inc.
Condensed Interim Statement of Loss and Comprehensive Loss and Changes in Deficit
For the three months and six months ended June 30, 2016 and 2015
(Expressed in Canadian Dollars)
(unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	**2016**	2015
Revenue				
Revenue	**$ 22,449**	$ 22,875	**$ 188,938**	$ 22,875
	22,449	22,875	**188,938**	22,875
Cost of sales (Note 5)	**20,927**	11,760	**144,675**	11,760
Gross profit	**1,522**	11,115	**44,263**	11,115
Expenses				
Bank and interest charges	**375**	1,886	**723**	2,057
Foreign exchange loss (gain)	**6,450**	(4,636)	**(16,676)**	14,299
General and administrative (Note 10)	**160,451**	191,409	**339,832**	282,342
Amortization expense	**469**	-	**937**	-
	167,745	188,659	**324,816**	298,698
Net loss and other comprehensive loss	**(166,223)**	(177,544)	**(280,553)**	(287,583)
Deficit, beginning of period	**(1,349,227)**	(195,627)	**(1,234,897)**	(85,588)
Deficit, end of period	**(1,515,450)**	(373,171)	**(1,515,450)**	(373,171)
Shares outstanding (Note 9)	**100**	100	**100**	100
Loss per share	**$ (1,662)**	$ (1,775)	**$ (2,806)**	$ (2,876)

Surgical Lasers Inc.
Condensed Interim Statement of Cash Flows
For the three months and six months ended June 30, 2016 and 2015
(Expressed in Canadian Dollars)
(unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	**2016**	2015
Cash provided by (used in)				
Operations				
Net loss	**$ (166,223)**	$ (177,544)	**$ (280,553)**	$ (287,583)
Items not affecting cash				
Amortization	**469**	-	**937**	-
	(165,754)	(177,544)	**(279,616)**	(287,583)
Net changes in non-cash working capital				
Accounts receivable	**(7,618)**	(33,335)	**(124,565)**	(33,335)
Inventory	**(34,596)**	11,759	**87,919**	41,631
Prepaid expenses	**31,784**	(23,494)	**(10,105)**	(23,494)
Accounts payable and accrued liabilities	**350**	(11,339)	**(9,746)**	(20,482)
	(175,834)	(233,953)	**(336,113)**	(323,263)
Investing				
Purchase property and equipment	**-**	(746)	**-**	(746)
Asset acquisition (Note 3)	**-**	(850,000)	**-**	(850,000)
	-	(850,746)	**-**	(850,746)
Financing				
Advances from related parties	**19,000**	-	**45,075**	-
Proceeds from note payable	**205,253**	1,121,343	**338,234**	1,210,685
	224,253	1,121,343	**383,309**	1,210,685
Net change in cash	**48,419**	36,644	**47,196**	36,676
Cash, beginning of year	**2,411**	32	**3,634**	-
Cash, end of year	**$ 50,830**	$ 36,676	**$ 50,830**	$ 36,676

1. NATURE OF THE BUSINESS AND GOING CONCERN

Surgical Laser Inc. was incorporated in Ontario, Canada on October 15, 2014. On August 4, 2015, Surgical Laser Inc. amalgamated with 2459663 Ontario Limited and continued operations as Surgical Lasers Inc. (the "Company"). The Company sells medical devices used in multiple medical disciplines to conduct lathroscopic surgeries. The registered office of the Company is located at 203-30 Prospect Street, Newmarket, Ontario, L3Y 3S9, Canada.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that 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 incurred a net loss of $166,223 and $280,553 for the three and six months ended June 30, 2016, respecitvely (2015 - $177,544 and $287,583, respectively), has an accumulated deficit of $1,515,450 (December 31, 2015 - $1,234,897) and has negative working capital of $1,519,009 (December 31, 2015 - $1,239,393). Whether and when the Company can attain profitability and positive cash flow is uncertain. These uncertainties cast significant doubt about the Company's ability to continue as a going concern.

The Company will need to continue to rely on related parties to continue to fund its operations and to successfully find a market for its products. Management believes that it will continue to have the support from related parties to fund the operations through 2016.

These condensed interim financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee (IFRSIC"). These condensed interim financial statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and do no include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements for the year ended December 31, 2015, as they follow the same accounting policies and methods of application, unless otherwise indicated.

The condensed interim financial statements have been prepared on a historical cost basis except for certain assets, liabilities and condensed interim financial instruments which are measured at their fair values, as explained in the relevant accounting policies. The financial statements are presented in Canadian dollars which is also the Company's functional currency. The interim financial statements were authorized for issuance by the board of directors on October 11, 2016.

3. ASSET ACQUISITION

On April 6, 2015, 2459663 Ontario Limited, a company owned by the same shareholder as Surgical Laser Inc. completed an asset acquisition of inventory from TASC Laser GP Inc., a company with common control as Surgical Laser Inc. for total cash consideration of $850,000. Only inventory was acquired and no liabilities were assumed. The acquisition was accounted for as an asset acquisition. Subsequent to the acquisition, 2459663 Ontario Limited amalgamated with the Company.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or IFRSIC that are mandatory for accounting periods after December 31, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Company.

(a) Financial Instruments - IFRS 9

Financial Instruments - IFRS 9 was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. Effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

(b) Revenue from Contracts with Customers - IFRS 15

In May 2014, IASB issued IFRS 15 Revenue from Contracts with Customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

(c) Leases - IFRS 16

In January 2016, IASB issued IFRS 16 Leases, which will be effective on January 1, 2019. The identification of a lease is that a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar. The remeasurements are treated as adjustments to the right-of-use asset. Lease modifications may also prompt remeasurement of the lease liability unless they are to be treated as separate leases.

(Expressed in Canadian Dollars)

5. INVENTORIES

Inventories consists of finished products held for sale. For the three months and six months ended June 30, 2016, the cost of sales was $20,927 and $144,675, respectively (three months and six months ended June 31, 2015 - $11,760 and $11,760, respectively).

6. DUE FROM RELATED PARTIES

The following table includes the receivables and payables to related parties with the Company. All the amounts below are non-interest bearing and have no fixed terms of repayment.

	June 30, 2016	December 31, 2015
Due from shareholder	**-**	45,075

7. PROPERTY AND EQUIPMENT

As at June 30, 2016	**Computer Equipment**	**Equipment**	**Total**
Cost			
Balance, beginning of period	**$ 1,634**	**$ 4,641**	**$ 6,275**
Balance, end of period	**1,634**	**4,641**	**6,275**
Accumulated depreciation			
Balance, beginning of period	**(279)**	**(1,499)**	**(1,778)**
Depreciation	**(189)**	**(748)**	**(937)**
Balance, end of period	**(468)**	**(2,247)**	**(2,715)**
Net carrying amount	**$ 1,166**	**$ 2,394**	**$ 3,560**

As at December 31, 2015	**Computer Equipment**	**Equipment**	**Total**
Cost			
Balance, beginning of period	$ 888	$ -	$ 888
Additions	746	4,641	5,387
Balance, end of period	1,634	4,641	6,275
Accumulated depreciation			
Balance, beginning of period	-	-	
Depreciation	(279)	(1,499)	(1,778)
Balance, end of period	(279)	(1,499)	(1,778)
Net carrying amount	$ 1,355	$ 3,142	$ 4,497

8. NOTE PAYABLE

The Company has a loan agreement with Forest Lane Holdings Limited which is non-interest bearing and due on deman.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL

Authorized:

Unlimited common shares

In 2014 the Company issued 100 shares for no cash consideration. The share capital was assigned a nominal value of $1 and was offset by amounts due to related party (Note 6).

10. EXPENSES BY NATURE

	Three months ended June 30, 2016	Three months ended June 30, 2015	**Six months, ended Jun 30, 2016**	Six months ended June 30, 2015
Rent expense	**$ 6,901**		**$ 11,854**	$ -
Management fee	**52,500**	$ 52,500	**$ 105,000**	$ 105,000
Professional fees	**25,206**	$ 52,081	**$ 60,907**	$ 69,046
Selling general and administrative expenses	**75,844**	$ 86,828	**$ 162,071**	$ 108,296
	$ 160,451	$ 191,409	**$ 339,832**	$ 282,342

11. INCOME TAXES

(a) Income Tax Expense

The following table reconciles income taxes provision from the expected amount based on statutory rates to the amount reported for financial statements purposes for the three months and six months ended June 30, 2016 and 2015:

	Three months ended June 30, 2016	Three months ended June 30, 2015	**Six months, ended Jun 30, 2016**	Six months ended June 30, 2015
Loss before income taxes	**$ (166,223)**	$ (177,544)	**$ (280,553)**	$ (287,583)
Statutory rate	26.50 %	26.50 %	26.50 %	26.50 %
Expected income tax recovery	**(44,049)**	(47,049)	**(74,347)**	(76,209)
Deferred tax asset not recognized	44,049	47,049	**74,347**	76,210
Income tax expense	**$ -**	$ -	**$ -**	$ 1

(Expressed in Canadian Dollars)

11. INCOME TAXES (Cont'd)

(b) Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	June 30, 2016	December 31, 2015
Amounts related to tax loss carry forwards	**$ 401,500**	$ 327,200
Deferred tax asset (liability)	**401,500**	327,200
Less: Deferred tax assets not recognized	**(401,500)**	(327,200)
Deferred tax asset (liability)	$ -	$ -

12. COMMITMENTS

The Company's only commitment consist of a lease agreement related to the Company's premises, commencing on July 1, 2015 and terminating on June 30, 2017. Under the terms of this lease, the Company is required to pay a proportionate share of operating costs, realty taxes and utilities, in addition to the minimum lease payments. The future minimum lease payments are shown in the table below.

2016	**3,700**
2017	**3,700**
	7,400

13. RISK MANAGEMENT

Capital Risk Management

The Company includes equity, comprised of issued share capital and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further research and commercialise its product, and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company will need to continue to rely on related parties to continue to fund its operations and to successfully find a market for its products. Management believes that it will continue to have the support from related parties to fund the operations through 2016.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the periods ended June 30, 2016 and 2015.

(Expressed in Canadian Dollars)

13. RISK MANAGEMENT (Cont'd)

Financial Risk Management

Risk management is the responsibility of management who is of the opinion that the Company is exposed to financial risks as described below. The carrying value of cash, accounts receivables, due from/to related parties, accounts payable and accruals are considered to be representative of their fair value due to their short-term nature. It is management's opinion that the Company is not exposed to significant interest, currency and liquidity risks.

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable. The amounts reported in the statement of financial position are net of allowances for bad debts, estimated by the Company’s management based on prior experience and its assessment of the current economic environment. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by adjusting the allowance for doubtful accounts when management determines that the account may not be fully collectible. The Company has adopted credit policies in an effort to minimize those risks. The carrying value of trade receivables represent the Company's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. The company does not have material long-term financial liabilities. The company incurred a negative working capital of $1,519,009 (December 31, 2015 - $1,239,593). In recent years, additional loans from related parties have provided the necessary liquidity required.

Foreign currency exchange risk

The company is exposed to foreign currency exchange risk. This risk arises from the Company’s holdings of US dollar denominated cash and trade receivables. Changes arising from this risk could impact the Company’s reported foreign currency exchange gains or losses. As at June 30, 2016, the Company had foreign currency denominated amounts of approximately:

	June 30, 2016 USD	December 31, 2015 USD
Cash and cash equivalents	**22,369**	42
Accounts receivable	**80,043**	4,120
Due to related parties	**(390,925)**	(310,925)
	(288,513)	(306,763)

As at June 30, 2016, if the Canadian dollar had weakened (strengthened) 10% against the US dollar with all other variables held constant, net loss for the year would have been $28,851 lower (higher) (December 31, 2015 - $30,676)

APPENDIX “F”

UNAUDITED PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS OF AQUARIUS COATINGS INC. TAKING INTO ACCOUNT THE ACQUISITON OF SURGICAL LASERS INC. AS AT JUNE 30, 2016

AQUARIUS COATINGS INC.
UNAUDITED PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

Aquarius Coatings Inc.
Unaudited Pro Forma Consolidated Balance Sheet
For the Year Ended June 30, 2016
(Expressed in Canadian Dollars)

	AQC June 30, 2016	SLI June 30, 2016	Total	Adjustments Debit	Adjustments Credit	Ref	Pro Forma Consolidated AQC
Assets							
Current							
Cash	7,396	50,830	58,226	3,000,000	-	2(e)	2,958,226
					100,000	2(e)	
Accounts receivable	6,179	173,659	179,838	-	-		179,838
Inventory	-	683,077	683,077	166,923	-	2(a)	850,000
Prepaid expenses	-	13,486	13,486	-	-		13,486
							-
	13,575	921,052	934,627	3,166,923	100,000		4,001,550
Intangibles and goodwill	-	-	-	7,480,131	-	2(a)	7,480,131
Capital assets	164	3,560	3,724	-	-		3,724
Long term investment	1	-	1	-	-		1
	13,740	924,612	938,352	10,647,054	100,000		11,485,406
Liabilities							
Current							
Accounts payable and accrued liabilities	57,332	46,507	103,839	-	-		103,839
Note payable	-	2,393,554	2,393,554				2,393,554
Due to related parties	3,823,864	-	3,823,864	3,800,000	-	2(d)	23,864
	3,881,196	2,440,061	6,321,257	3,800,000	-		2,521,257
Shareholders' Equity							
Share capital	10,340,865	1	10,340,866		3,800,000	2(d)	22,522,470
					2,250,000	2(e)	
				1		2(a)	
					4,598,704	2(b)	
					1,532,901	2(b)	
Contributed surplus	5,193,806	-	5,193,806		650,000	2(e)	5,843,806
Deficit	(19,402,127)	(1,515,450)	(20,917,577)		1,515,450	2(a)	(19,402,127)
	(3,867,456)	(1,515,449)	(5,382,905)	1	14,347,055		8,964,149
	13,740	924,612	938,352	3,800,001	14,347,055		11,485,406

See accompanying notes to unaudited pro forma consolidated financial statements.

Aquarius Coatings Inc.
Unaudited Pro Forma Consolidated Income Statement
For the 12 months Period Ended March 31, 2016
(Expressed in Canadian Dollars)

	AQC For the year ended March 31, 2016	SLI For the year ended December 31, 2015	Total	Adjustments		Ref	Pro Forma Consolidated AQC
				Debit	Credit		
Revenue	-	72,362	72,362	-	-		72,362
Cost of sales	-	160,407	160,407	-	-		160,407
Gross profit (loss)	-	(88,045)	(88,045)	-	-		(88,045)
Expenses							
Selling, general and administrative	44,882	1,123,862	1,168,744	-	-		1,168,744
Bank charges and interest	2,040	5,145	7,185	-	-		7,185
Amortization	189	-	189	-	-		189
FX gains and losses		-	-	-	-		-
Royalty income	(9,641)	-	(9,641)	-	-		(9,641)
Write off long term liability	(200,000)	-	(200,000)	-	-		(200,000)
Write down of investment	112,271	-	112,271	-	-		112,271
	(50,259)	1,129,007	1,078,748	-	-		1,078,748
Net income (loss)	50,259	(1,217,052)	(1,166,793)	-	-		(1,166,793)

See accompanying notes to unaudited pro forma consolidated financial statements.

Aquarius Coatings Inc.
Unaudited Pro Forma Consolidated Income Statement
For the three-month period ended June 30, 2016
(Expressed in Canadian Dollars)

	AQC For the three-month period ended June 30, 2016	SLI For the three-month period ended June 30, 2016	Total	Adjustments		Ref	Pro Forma Consolidated AQC
				Debit	Credit		
Revenue	-	22,449	22,449	-	-		22,449
Cost of sales	-	20,927	20,927	-	-		20,927
Gross profit (loss)	-	1,522	1,522	-	-		1,522
Expenses							
Selling, general and administrative	5,218	160,451	165,669				165,669
Bank charges and interest	501	374	875				875
Amortization	24	469	493	-	-		493
FX gains and losses	-	6,450	6,450				6,450
Royalty income	(2,072)	-	(2,072)				(2,072)
	3,671	167,744	171,415	-	-		171,415
Net income (loss)	(3,671)	(166,222)	(169,893)	-	-		(169,893)

See accompanying notes to unaudited pro forma consolidated financial statements.

1. BASIS OF PRESENTATION

The unaudited pro-forma consolidated financial statements of Aquarius Coatings Inc. ("AQC" or the "Company") have been prepared by management in accordance with International Financial Reporting Standards for inclusion in the Management Information Circular of the Company dated October 11, 2016. In the opinion of management, the unaudited pro-forma consolidated financial statements include all adjustments necessary for fair presentation of the transactions as described below.

The unaudited pro-forma consolidated financial statements of the Company have been compiled from the following financial information:

- Audited financial statements of Aquarius Coatings Inc. for the year ended March 31, 2016;
- Unaudited condensed interim financial statements of Aquarius Coatings Inc. for the three and six months ended June 30, 2016;
- Audited financial statements of Surgical Laser Inc. ("SLI") for the period from the date of incorporation (October 15, 2014) to December 31, 2015;
- Unaudited condensed interim financial statements of Surgical Laser Inc. for the three and six months ended June 30, 2016;

The unaudited pro-forma consolidated balance sheet has been prepared as if the transactions described in Note 2 had occurred on June 30, 2016. The unaudited pro-forma consolidated income statements have been prepared as if the transactions described in Note 2 had occurred on April 1, 2015.

The unaudited pro-forma consolidated financial statements are not intended to reflect the financial position or performance of the Company which would have actually resulted had the proposed transactions described in Note 2 and other pro-forma adjustments occurred as assumed. Further, these unaudited proforma consolidated financial statements are not necessarily indicative of the financial position or performance that may be attained in the future. The unaudited pro-forma consolidated financial statements should be read in conjunction with the financial information referred to above.

2. PRO-FORMA ASSUMPTIONS

The unaudited pro-forma consolidated financial statements incorporate the following pro-forma assumptions:

(a) The preliminary purchase price allocation to the following identified assets and liabilities are based on their estimated fair values:

Net assets acquired

Cash	$ 50,830
Accounts receivable	173,659
Inventory (Note 2(f))	850,000
Prepaid expenses	13,486
Intangibles and goodwill	7,480,131
Capital assets	3,560
Accounts payable and accrued liabilities	(46,507)
Notes payable	(2,393,554)
	$ 6,131,605

Consideration comprised of

Common Shares of AQC	$ 4,598,704
Series A Special Shares of AQC	1,532,901
	$ 6,131,605

The above allocation of the purchase price is preliminary. The Company will assess and review the fair value of net assets acquired, and finalize the associated purchase price accounting, after the acquisition of Surgical Lasers Inc. is complete. As a result, the final allocation of the purchase price could vary significantly from the amounts used in the unaudited pro forma consolidated financial statements.

As part of the above allocation of the purchase price, the deficit balance in the net equity section of the Surgical Lasers Inc. balance sheet as at June 30, 2016 of $1,515,449 has been eliminated.

(b) The acquisition of Surgical Lasers Inc. will be financed through the issuance of 4,598,704 common shares of the Company for $4,598,704 plus an additional 1,532,901 Series A non-voting, convertible, redeemable special shares (Series A Special Shares) for $1,532,901 issued in escrow, see 2(c).

(c) The current owner of Surgical Laser Inc. will be beneficiary to an additional 10% escrowed Series A Special Shares of 1,532,901 which are convertible into common shares on a one-for-one basis if certain EBITA milestones are achieved over a five-year period.

(d) The unaudited pro forma consolidated balance sheet has been adjusted for the conversion of the $3.8M loan to Forest Lane Holdings Limited ("FLHL") for 3,800,000 shares of the Company, at $1 each worth $3.8M.

(e) The unaudited pro forma consolidated balance sheet has been adjusted for $3,000,000 additional financing through two placements: 1) a private placement to qualified investors to raise a minimum of $1,500,000 and up to $2,500,000 at $1.00 per Unit equal to one common share and one Class A warrant that entitles the holder to purchase one Class B Unit at a strike price of $1.50 with a two-year term. Each Class B Unit is equal to one common share and one Class B warrant that entitles the holder to purchase one common share at a strike price of $2.50 with a two-year term; 2) a parallel placement with FLHL to subscribe on a matching basis with the private placement of a minimum of $1,500,000 and up to $2,500,000 at $1.00 per common share. The unaudited pro forma consolidated balance sheet assumes that the minimum of $1,500,000 with be raised in the private placement with additional $1,500,000 in the parallel placement with FLHL. The fair value of the warrants was determined to be $650,000 using the Black Scholes model. Transaction costs are estimated to be $100,000.

(f) The fair value of inventory has been estimated to be $850,000 based on the selling price less the cost of disposal and a reasonable profit allowance for AQC's selling effort.

(g) Following the completion of the acquisition of Surgical Lasers Inc., Aquarius Coatings Inc. intends to change its name and operate under the name Aquarius Surgical Lasers Inc.

3. CAPITAL STOCK

Capital Stock as at June 30, 2016 in the unaudited pro-forma consolidated statement of financial position is comprised of the following:

Common shares	Number of Shares	Stated Capital
Opening balance – Aquarius Coatings Inc.	107,948,144	$ 10,340,865
Reduction of 1 for 20 consolidation	(102,550,737)	-
Shares issued for conversion of debt	3,000,000	3,800,000
Issued on asset acquisition (Note 2(b))	4,598,704	4,598,704
Shares issued on financing (Note 2(e))	3,000,000	3,000,000
	16,796,111	$ 21,739,569
Series "A" Special Shares		
Issued on asset acquisition (Note 2(c))	1,532,901	1,532,901

4. OUSTANDING WARRANTS

	Number	Exercise Price	Time to expiry
Class A Warrants	1,500,000	US$1.50	2 years
Class B Warrants	1,500,000	US$2.50	2 years