



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month and six month periods ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

(UNAUDITED)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed the unaudited condensed consolidated financial statements for the three month and six month periods ended September 30, 2015

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 Officer

"Lorne S. MacFarlane"

Lorne S. MacFarlane
Chief Financial Officer

November 21, 2016



Condensed Consolidated Interim Financial Statements

September 30, 2016

<u>Contents</u>	<u>Page</u>
Table of contents	1
Consolidated Statement of Financial Position	2
Consolidated Statements of Comprehensive Income	3
Consolidated Statements of Changes in Equity	4
Consolidated Statements of Cash Flows	5
Note to Consolidated Financial Statements	6-14
Directors and Officers	15

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

	Sep 30, 2016	Mar 31, 2016
ASSETS	\$	\$
Current Assets		
Cash	6,004	7,797
Accounts receivable (Note 5)	12,768	4,702
	18,772	12,499
Long-term investment (Note 9)	1	1
Capital assets (Note 6)	141	188
	18,914	12,688
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities	54,779	52,609
Due to related parties (Note 7)	3,865,710	3,823,864
	3,920,489	3,876,473
Shareholders' Deficiency		
Share capital (Note 10)	10,340,865	10,340,865
Contributed surplus	5,193,806	5,193,806
Accumulated other comprehensive income	-	-
Deficit	(19,436,246)	(19,398,456)
	(3,901,575)	(3,863,785)
	18,914	12,688

*The accompanying notes form an integral part of these condensed consolidated interim 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

November 21, 2016

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

	Three Months Ended		Six Months Ended	
	Sep 30,2016	Sep 30,2015	Sep 30,2016	Sep 30,2015
	\$	\$	\$	\$
Expenses				
General and administrative (Note 12)	36,670	15,806	41,888	23,012
Bank charges and interest	512	492	1,013	1,000
Amortization	23	47	47	94
	37,205	16,345	42,948	24,106
Net loss before other items	(37,205)	(16,345)	(42,948)	(24,106)
Other items:				
Royalty income	3,086	1,416	5,158	5,785
Net loss and comprehensive loss	(34,119)	(14,929)	(37,790)	(18,321)
Loss per share, basic and diluted	(\$0.000)	(\$0.000)	(\$0.000)	(\$0.000)
Weighted average number of shares outstanding	107,948,144	107,948,144	107,948,144	107,948,144

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

Aquarius Coatings Inc.
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Expressed in Canadian dollars)
for the six month periods ended September 30, 2016 and September 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	-	-	-	(18,321)	-	(18,321)
Balance September 30, 2015	107,948,144	10,340,865	5,193,806	(19,579,308)	112,271	(3,932,366)
Balance March 31, 2016	107,948,144	10,340,865	5,193,806	(19,398,456)	-	(3,863,785)
Net loss for the period	-	-	-	(37,790)	-	(37,790)
Balance September 30, 2016	107,948,144	10,340,865	5,193,806	(19,436,246)	-	(3,901,575)

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

Aquarius Coatings Inc.				
Condensed Consolidated Interim Statement of Cash Flows (unaudited)				
(Expressed in Canadian dollars)				
	Three Months Ended		Six Months Ended	
	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
Cash flows were provided by (used in):				
	\$	\$	\$	\$
Operating activities				
Net income (loss) for the period	(34,119)	(14,929)	(37,790)	(18,321)
Depreciation (Note 6)	23	47	47	94
Allowance for doubtful accounts	-	698	-	698
Accounts receivable	(6,589)	6,382	(8,066)	1,647
Prepaid Expenses and deposits	-	7,684	-	7,684
Accounts payable and accrued liabilities	(2,553)	(6,346)	2,171	(4,201)
	(43,238)	(6,466)	(43,639)	(12,399)
Financing activities				
Advances from related parties	41,846	2,985	41,846	6,441
	41,846	2,985	41,846	6,441
Increase (Decrease) in cash during the period	(1,392)	(3,481)	(1,793)	(5,958)
Cash, beginning of period	7,396	17,486	7,797	19,963
Cash, end of period	6,004	14,005	6,004	14,005

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

Aquarius Coatings Inc.
Notes to Condensed Consolidated Interim Financial Statements
for the three month and six month periods ended September 30, 2016 and September 30, 2015
(Expressed in Canadian dollars, unless otherwise indicated)

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 September 30, 2016, the Corporation has a working capital deficiency of \$3,863,974 and \$3,901,717, respectively. Also, at March 31, 2016 and September 30, 2016, the Corporation has a shareholders' deficiency of \$3,863,785 and \$3,901,575, 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 September 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 six month periods ended September 2016, and September 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 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.

Aquarius Coatings Inc.
Notes to Condensed Consolidated Interim Financial Statements
for the three month and six month periods ended September 30, 2016 and September 30, 2015
(Expressed in Canadian dollars, unless otherwise indicated)

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

Aquarius Coatings Inc.
Notes to Condensed Consolidated Interim Financial Statements
for the three month and six month periods ended September 30, 2016 and September 30, 2015
(Expressed in Canadian dollars, unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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

Aquarius Coatings Inc.
Notes to Condensed Consolidated Interim Financial Statements
for the three month and six month periods ended September 30, 2016 and September 30, 2015
(Expressed in Canadian dollars, unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Aquarius Coatings Inc.
Notes to Condensed Consolidated Interim Financial Statements
for the three month and six month periods ended September 30, 2016 and September 30, 2015
(Expressed in Canadian dollars, unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

Allowance for doubtful debts:

	Sep 30, 2016	Sep 30, 2015
	\$	\$
Balance beginning of period	-	1,343
Balance end of period	-	1,343

Aquarius Coatings Inc.
Notes to Condensed Consolidated Interim Financial Statements
for the three month and six month periods ended September 30, 2016 and September 30, 2015
(Expressed in Canadian dollars, unless otherwise indicated)

6. CAPITAL ASSETS

September 30, 2015

Description	Cost			Accumulated Depreciation			Net Book Value
	Balance 31-Mar-2015	Additions	Balance 30-Sep-2015	Balance 31-Mar-2015	Depreciation for period	Balance 30-Sep-2015	
Computer equipment	\$ 8,219	\$ -	\$ 8,219	\$ 7,842	\$ 94	\$ 7,936	\$ 283
	\$ 8,219	\$ -	\$ 8,219	\$ 7,842	\$ 94	\$ 7,936	\$ 283

September 30, 2016

Description	Cost			Accumulated Depreciation			Net Book Value
	Balance 31-Mar-2016	Additions	Balance 30-Sep-2016	Balance 31-Mar-2016	Depreciation for period	Balance 30-Sep-2016	
Computer equipment	\$ 8,219	\$ -	\$ 8,219	\$ 8,031	\$ 47	\$ 8,078	\$ 141
	\$ 8,219	\$ -	\$ 8,219	\$ 8,031	\$ 47	\$ 8,078	\$ 141

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 17 for further information.

	Sep 30, 2016	Sep 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 September 2016 and September 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.

	Sep 30, 2016	Sep 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.

Aquarius Coatings Inc.
Notes to Condensed Consolidated Interim Financial Statements
for the three month and six month periods ended September 30, 2016 and September 30, 2015
(Expressed in Canadian dollars, unless otherwise indicated)

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.

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

	<u>Number of Shares</u>		<u>Dollar Value</u>	
	<u>Sep 30, 2016</u>	<u>Sep 30, 2015</u>	<u>Sep 30, 2016</u>	<u>Sep 30, 2015</u>
Issued				
Common	107,948,144	107,948,144	\$ 10,340,865	\$ 10,340,865

See Note 17 for additional information

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 (September 2015 – 107,948,144)

12. EXPENSES BY NATURE

	<u>Sep 30, 2016</u>	<u>Sep 30, 2015</u>
	\$	\$
General and administrative		
Professional fees	29,041	10,500
Administrative expenses	12,847	12,512
	41,888	23,012

13. COMMITMENTS

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

Aquarius Coatings Inc.
Notes to Condensed Consolidated Interim Financial Statements
for the three month and six month periods ended September 30, 2016 and September 30, 2015
(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 six months ended September 2016 and September 2015:

	Sep 30, 2016	Sep 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	876	806
Provision for income taxes	-	-
Deferred tax assets		
	Sep 30, 2016	Sep 30, 2015
	\$	\$
Non-Capital losses carried forwards	770,100	749,200
Long-term investment	-	-
Equipment	35,400	35,400
Other	17,900	16,600
	823,400	801,200
Less: Deferred tax assets not recognized	(823,400)	(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	37,790
	<u>2,906,190</u>

Aquarius Coatings Inc.
Notes to Condensed Consolidated Interim Financial Statements
for the three month and six month periods ended September 30, 2016 and September 30, 2015
(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.

	Sep 30, 2016	Sep 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 Interim Financial Statements, the Corporation carried on business in one operating segment only. All capital assets were located in Canada.

17. SUBSEQUENT EVENT

At the Annual General and Special Meeting of Shareholders held on November 21, 2016 shareholders passed resolutions approving the following proposed transactions:

- (i) the issuance of up to 76,000,000 common shares of the Corporation at a deemed value of \$0.05 per common share in settlement of up to \$3,800,000 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
- (iii) the acquisition of Surgical Lasers Inc.; and
- (iv) 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.

Full details of the foregoing matters, and in particular the acquisition of Surgical Lasers Inc., may be found with the Corporation's documents on SEDAR, at www.sedar.com

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

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