AQUARIUS SURGICAL TECHNOLOGIES INC.

LISTING STATEMENT

JUNE 12, 2017

TABLE OF CONTENTS

Financial Statements:

1. Audited Financial Statements of the Company for the years ended March 31, 2016 and 2015;
2. Unaudited Interim Financial Statements of the Company for the Three Months ended June 30, 2016;
3. Unaudited Interim Financial Statements of the Company for the Three and Six Months ended September 30, 2016;
4. Unaudited Interim Financial Statements of the Company for the Three and Nine Months ended December 30, 2016;
5. Audited Financial Statements of SLI for the Year ended December 31, 2015 (with the stub period from date of incorporation to December 31, 2014);
6. Unaudited Interim Financial Statements of SLI for the Three Months ended March 31, 2016;
7. Unaudited Interim Financial Statements of SLI for the Three and Six Months ended June 30, 2016;
8. Unaudited Interim Financial Statements of SLI for the Three and Nine Months ended September 30, 2016;
9. Unaudited Financial Statements for the Quarter and Year ended December 31, 2016.
10. Unaudited Pro-Forma Consolidated Financial Statements of the Company taking into account the acquisition of SLI as at June 30, 2016

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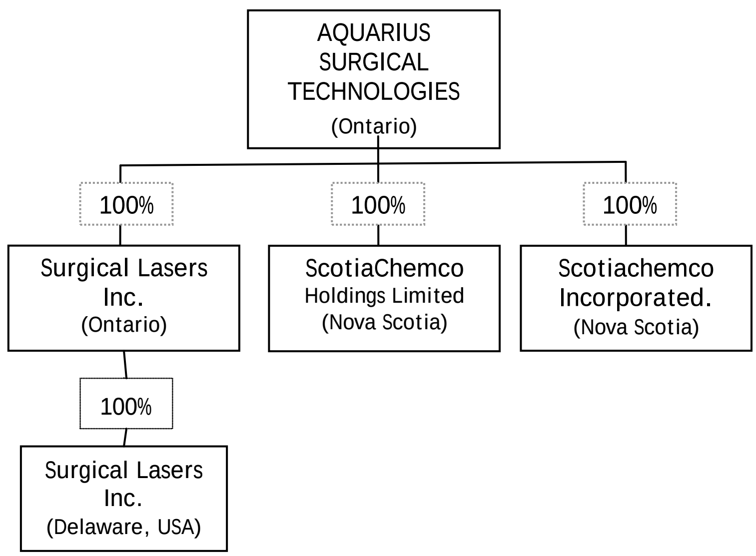
2. CORPORATE STRUCTURE

Aquarius Surgical Technologies Inc., ("ASTI" or the "Company") formerly Aquarius Coatings Inc., was incorporated as an Ontario Corporation on December 12, 1986, under the name AAI Industries Inc. By Articles of Amendment dated February 21, 1990, the name was changed to Bridgebank Capital Inc., and by Articles of Amendment dated August 21, 1992 the name was changed to Aquarius Coatings Inc. Articles of Amendment were filed on February 24, 2017, pursuant to which the name was changed to Aquarius Surgical Technologies Inc. The Company's head office is at 380 Bedford Highway, Suite 311, Halifax, Nova Scotia, B3M 2L4, and its registered office in Ontario is at 89 Scollard Street, Toronto, Ontario M5R 1G4. The registered office of Surgical Lasers Inc., the Company's principal operating subsidiary, is at 89 Scollard Street, Toronto, Ontario M5R 1G4, and its operations office is at 30 Prospect Street, Suite 203, Newmarket, Ontario L3Y 3S9.

The following chart includes ASTI's subsidiaries and for each subsidiary its jurisdiction of incorporation. Of the subsidiaries, only Surgical Lasers Inc. ("SLI") and its wholly-owned subsidiary, Surgical Lasers Incorporated, are now actively operating. Each of such subsidiaries is wholly-owned by ASTI, directly or indirectly, as indicated on the chart.



3. GENERAL DEVELOPMENT OF THE BUSINESS

Between 1996 and 2014, the business of the Company, through its Coatings Division, was the manufacture, distribution and sale of specialized paint and finishing products; that business operation was disposed of in September, 2014, and subsequently the Company sought a new business opportunity which was located with SLI. The acquisition of SLI was approved by the shareholders of the Company at a special general meeting held on November 21, 2016.

By an Agreement dated October 11, 2016, made between the Company as Purchaser, Gordon Willox, as Vendor, and Surgical Lasers Inc., the Company agreed to purchase, and Gordon Willox agreed to sell all of the issued and outstanding shares of SLI for a consideration of

$6,131,605, to be satisfied by the issuance of 4,598,704 fully paid and non-assessable common shares from the Treasury of the Company, and 1,532,901 Series A non-voting, convertible, redeemable special shares ("Series A Special Shares") from the Treasury of the Company.

The 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 of the Company over a five year period, commencing April 1, 2017, 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.

The acquisition was completed on March 17, 2017, to be effective for accounting purposes as from March 1, 2017, and thus the business of Company is now 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 North 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").

4. NARRATIVE DESCRIPTION OF THE BUSINESS

General Industry Overview

The medical laser services industry is a well-established multi-billion dollar global industry comprising hardware, education, maintenance and consumables. Laser surgeries are now routinely performed in hospitals around the world across various medical disciplines including ophthalmology, dermatology, urology, neurosurgery, vascular surgery and oral surgery and the benefits to patient, clinician and the administration alike are well documented and universally accepted and understood.

In general, lasers vaporize (cut) and coagulate (control bleeding) biologic tissue. They employ very specific wavelengths or 'colours' of light which by their nature specifically interact with target tissue with precise control, leading to enhanced surgical precision and less inadvertent collateral damage. In this regard lasers are capable of selectively destroying target tissue while leaving healthy surrounding tissue intact, i.e. they offer greater precision. Generally the laser market continues to evolve to laser platforms that are minimally and non-invasive, easy to use, practical and affordable.

The traditional requirement of large incisions to perform routine procedures is dramatically reduced with laser surgeries, decreasing the complexity of the procedure, the degree of risk & potential complications as well as enhancing the healing process. Finally lasers differ from traditional modalities in their ability to simultaneously kill bacteria and enhance many of the body's natural healing mechanisms.

Typically, laser surgeries are faster, and less invasive, and in many cases there is minimal to no requirement for recovery in hospital, less associated risks, less post-operative medications and less potential complications. For these reasons many laser surgeries are considered the 'gold' standard of care and are replacing older technology. This in itself represents a growth opportunity.

Of particular interest to this industry is the requirement for consumables, which in this case refers to optical fibers. Each laser surgery performed typically requires the use of a single-use/disposable optical fiber, which can range in cost from $500 to $1,500, hence the cost of the consumable becomes a major consideration in any laser based solution brought to market.

While the benefits associated with laser medicine are many, some older laser technologies also have limitations. Many of the older systems available on the market are large, stationary devices which require higher power (220V) and specific cooling systems as well as regular and often costly maintenance to ensure alignment of internal optics and the consistency of energy delivered to the treatment site; these drawbacks have stimulated a market demand for more portable, maintenance-free alternatives.

One of the bigger challenges of the medical laser market is the design and manufacture of dependable, productive and cost effective fiber optics. As the point of delivery of laser energy to the tissue, the fiber is a critical factor which determines performance, operational effectiveness, accessibility, ease of use and safety. Given the fiber optics are disposable, the issue of cost also has a significant impact on the availability of laser services as well as the market price associated with those services.

Today there are well established laser companies manufacturing systems for multiple medical disciplines. Key differentiators in new product development include more compact designs, ease of use, higher performance and a focus on technology which delivers non-invasive and minimally invasive yet clinically effective outcomes.

Also financial considerations including hospital based financial models and limited budgets represent an opportunity for laser companies with more cost effective systems, cost effective consumables and innovative technology which enables alternative delivery of laser services (in-office vs. hospital). For these reasons, the flagship SLI MP200 (for BPH) as well as the SLI CO2 (Incontinence) and SLI Ho:Yag (Lithotripsy) lasers are ideally designed and priced to support SLI's leadership role in the field of minimally invasive, practical, clinically proficient and cost-effective laser systems for multiple medical disciplines.

Business Overview of Surgical Lasers Inc.

SLI is an exclusive provider of innovative, minimally invasive medical laser systems and consumables for multiple medical disciplines. Solutions comprise multiple laser systems, consumables, clinical education, service, support and maintenance and focus on increasing the availability of services for patients, enhancing the quality of patient care, improving operationally efficiencies and reducing total operational costs. The focus is on minimally invasive outpatient solutions for multiple procedures within the general population.

SLI's current product portfolio comprises the flagship 200 watt high performance portable diode laser, as well as a C02 and Ho:YAG (holmium) laser which are targeted for market launch in the prior to the end of June 2017. Presently, SLI's sales resources are focused on the urology and gynecology marketplace. The procedures performed include minimally invasive prostate surgery (BPH), structures and tumors (diode) with plans to add laser lithotripsy (Ho:YAG laser), and cone biopsies, endometriosis and minimally invasive incontinence treatments (C02 laser) in the fields of urology and gynecology. The C02 laser can also be used to perform an extensive list of dermatological procedures including skin rejuvenation, esthetics and resurfacing. Finally, SLI has developed 30+ fibers, which are FDA approved for multiple medical procedures and disciplines.

SLI is currently in start-up phase and sells its products through an indirect channel across the US and Canada, with plans to evolve to a direct sales force model. The Company's strategy is to deliver new, innovative, minimally invasive laser products to high growth markets, continually adding new products through strategic partnerships and alliances. The strategy of SLI is to bring to market the most effective, least invasive laser solutions for multiple medical disciplines, many of which address the growth market of medical conditions associated with the aging population.

SLI's flagship product for the urology market, the MP200, is a high performance, portable, cost effective diode laser which supports multiple SLI private label fibers (side-fire, contact, end fire). It is a unique, minimally invasive, portable and cost-effective laser solution, which will enhance the quality of care, reduce overall costs and increase the availability of laser services to the market.

Beginning in the US, the Company's primary objective will be to increase laser and consumable (fiber) sales via direct sales to hospitals and surgical centers, as well as forming strategic alliances with mobilizers (rental companies) who currently offer laser based services to hospitals across the United States. A specific objective and key differentiator of our offer is to ‘make the market’ for in-office laser procedures by introducing and selling this unique laser system and consumable directly to individual private practice urologists and large group practices through multiple channels. Finally, while the current focus is on the North American marketplace, the Company's ultimate goal is to expand this offer globally and to this end initial relationships have been developed with established distributors in South America and Asia to be pursued .

SLI's unique ability to deliver this treatment “in-office” or as an outpatient treatment will dramatically increase the access for patients, increase practice profitability and can significantly decrease costs to the medical system of performing the procedure. Performing the procedures as an outpatient treatment and in private offices decreases the demand for limited and costly hospital resources and dramatically reduces the cost of the procedure. The MP200 laser solution will result in measurable and sustainable market growth for SLI which will be realized in revenue from capital equipment (laser) sales as well as the sale of disposable fibers (one required per procedure), which will increase exponentially with the growing install base of laser systems.

SLI has already invested significant time and resources to design and test this laser platform including hundreds of live in-office procedures under local anesthetic. The laser and fiber(s) have also been successfully tested in an outpatient environment on all sizes of prostate (up to 200+gm). SLI has also formed strong ties and strategic alliances with Key Opinion Leaders (KOL's) in the urology field with multiple reference sites including one of the highest volume laser BPH surgeons at Integrated Medical Professionals (IMP), the largest group practice in the country. SLI also has relationships with KOL's within major teaching hospitals in the US and Canada and deep ties to some of largest mobilizers in the country as well as established networks of independent distributors in urology, currently representing the largest brands in the industry. Demand for the product will be driven from multiple sources and the KOL's, mobilizers and distributors are already aware of the SLI BPH laser offer. The key to our success will be the financial resources and corresponding ability to leverage on these established relationships.

While the focus of the initial launch will be selling a BPH laser and consumables to multiple markets (hospitals, mobilizers & private practice urologists), the Ho:Yag laser and the C02 laser represent additional products which can be sold by the same sales force to the current target market (urology). The C02 laser represents a potentially significant growth opportunity in addressing the incontinence market. This marketplace has only recently appreciated the clinical success of this minimally invasive out-patient laser procedure, which is private pay, takes less than 5 minutes per treatment, can be performed in a private practice and requires no anesthetic. It also represents an entry point for the existing indirect sales force which has an established book of business in urology, into the gynecology market.

From a revenue perspective, the Company's successful sales efforts will result in a revenue stream from capital equipment sales as well as a recurrent, growing and passive revenue stream from consumables (fibers) as the BPH laser (and the Ho:Yag laser) use disposable fibers. The revenue from consumables will grow year after year in direct correlation to the installed base of laser systems. The fibers are private label and manufactured for SLI hence can be offered to market at very cost effective, yet profitable pricing.

Initial marketplace for SLI - Treatment of Benign Prostate 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 is characterized by the enlargement or overgrowth of the prostate gland as a result of an increase in the number of its constituent cells. Early symptoms are referred to as Low Urinary Tract Symptoms (LUTS), such as low urine flow and urinary retention (an inability to fully empty the bladder), which could eventually lead to bladder and kidney malfunction. Bladder stones have also been linked to bladder outlet obstruction caused by an enlarged prostate. BPH can also increase the serum levels of PSA (Prostate Specific Antigen) with the probability of developing prostate cancer strongly linked to higher serum values of PSA.

The alternatives for treatment range from "watchful waiting", followed by medications, typically prescribed at the onset of symptoms and often with limited and short term results, to surgery. First introduced in 1909 and still the most common traditional surgery today is referred to as Trans Urethral Resection of the Prostate (TURP). The risks and side effects of TURP surgery include blood loss requiring transfusion, potential incontinence and impotence, and post-operative pain, infection and discomfort (usually requiring average 3 day hospital stay). Regardless, surgical procedures for BPH represent the second most common age related operation in men.

As with every other medical discipline, there is an evolution in the urology market towards minimally invasive procedures and medical lasers are an integral part of this evolution. The SLI laser solution for BPH uniquely addresses this growth market opportunity with a high performance, compact and affordable alternative which simplifies the procedure, increases it's availability to patients, reduces risk, enhances the post-operative patient experience and represents the catalyst for profitable practice growth. Laser BPH procedures have been hailed by urologists from the American Urology Association as the fastest, minimally invasive treatment of BPH, with the lowest overall costs. The SLI laser system is FDA and Health Canada approved, and offers significant technological, operational, clinical and financial advantages vs. alternative modalities. While this is a urology based solution, the system and fibers are multidisciplinary and can offer similar benefits to other medical disciplines.

The urology market statistics are compelling. The incidence of BPH in adult males is one in every two over the age of 50 and virtually every male over the age of 80 years old. In the United States alone this represents a significant and growing market with 50.75 million men currently over the age of fifty. The financial opportunity for SLI comprises revenue from the sale of capital equipment (the laser) and, more importantly, an ongoing consumables revenue stream in perpetuity, as each procedure requires a disposable fiber optic. These unique disposable fibers also represent further market growth potential for additional urology procedures outside of the BPH treatment and procedures in other medical disciplines. To this end SLI has FDA approved over 30 different fibers for multiple medical disciplines.

The strength of the product offer is enhanced by the experience and support of the executive team, medical directors and strategic partners, combined with over 150 man-years of experience in all aspects of medical laser design, manufacturing, sales, education and support. A pioneer in the field of medical laser technology, the Managing Director of SLI has been instrumental in introducing some of the first and now most successful laser systems to market in the fields of neurosurgery, ophthalmology, urology, gynecology cardiovascular, and general surgery.

The advantages associated with this revolutionary technology are many. With reduced treatment times and far less bleeding, surgeries are quicker and easier, with minimal to no side effects and faster recovery times. Treatments can be as quick as 15 - 30 minutes and can be performed under local anesthesia on an outpatient basis. This compares with typical surgery time of over 90 minutes under general anesthesia and the requirement for post-op hospital stay. While maintaining the gold standard of traditional TURP surgery, the single greatest cost advantage of the proposed laser solution is the ability to manage the patients as out-patients, eliminating reliance on expensive hospital resources.

Since the introduction of the High Power Urology Laser ("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 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.

Other potential marketplaces for expansion

Management of SLI considers the future growth potential, using the Company's platform technology, to be significant. Notwithstanding the value this solution brings to traditional service providers (hospitals and mobilizers/rental companies), given the minimally invasive nature of the procedure, and the portability of the device, this technology paves the way for in-office laser procedures in private practice; a true paradigm shift in the minimally invasive treatment of BPH. Urologists can earn up to four times the income performing the procedure in private practice which also increases patient availability and acceptance of the procedure.

Future product offers that can be sold by the same sales force include a holmium laser for lithotripsy (stones) and a brand new C02 laser for the minimally invasive treatment of incontinence. With incontinence rates of 50 % of older women and up to 84% of women in long term care facilities, this private-pay laser procedure takes less than five minutes, without the requirement for anesthetic and patients go on with their daily activity. It simultaneously enhances patient care and provides a significant vehicle for profitable practice growth. Under the direction of our dedicated, knowledgeable, experienced team, these laser enabled paradigm shifts will enhance care and drive exponential revenue growth on a global scale.

The Products - The Flagship MP200 High Absorption Diode Laser System

Procedure – BPH Surgery, Strictures, Tumors

The MP200 is a high performance, compact and portable surgical diode laser, indicated for multiple soft tissue surgeries across multiple medical disciplines. Unique to this device is the 980*nm* wavelength which is recognized for its ability to simultaneously vaporize (incise/excise) and coagulate (control bleeding) target tissue in a predictable, precise and minimally invasive manner.

Surgical diode lasers incise and excise biologic tissue. While traditional modalities exist to accomplish this treatment objective, lasers are capable of doing so in a less invasive and more selective manner. Complications associated with traditional modalities range from excess blood loss (cold steel/surgical blades) to significant collateral thermal damage to healthy surrounding tissue (electro-surgery), both of which elevate the risk, delay the healing process, and increase potential for post-operative complications, pain and discomfort. The benefit of laser technology is precise incision and excision with durable coagulation (control of bleeding), bacterial decontamination, enhanced healing and minimal collateral thermal effect to surrounding tissue.

A basic primer on medical laser technology will help better understand the unique value proposition of this technology platform. Generally speaking, the following is fundamental to the operation of any medical laser designed to incise/excise target tissue;

- In order for a laser to interact and function (incise/excise) the light (wavelength) emitted by the laser must be absorbed by the target tissue;
- Logically expanding on this concept, the more the laser energy is absorbed by the target, the greater the interaction;
- The primary relevant mechanism of interaction in this case as a result of this absorption is ‘photo-thermal’ *i.e.* the transition of light energy to heat energy;
- It is the heat which is responsible for accomplishing the treatment objective, which in this case is incision/excision (vaporization of target tissue) and coagulation (control of bleeding);
- Maximum efficiency, effectiveness and safety is predominantly accomplished by selecting a laser ‘wavelength’ with maximum absorption in the target;
- As it relates to this and most other soft tissue procedures, water is the target as water comprises >70% of soft tissue;
- The 980*nm* wavelength of this laser is preferentially absorbed by water which accounts in part for its superior performance;
- Generally speaking and inconsideration of the above, the higher output energy (in watts) safely delivered to tissue, yields greater performance and this device has the highest output power in its class (200Watts);

The fundamental procedure performed with this unique laser platform is minimally invasive prostate surgery. Traditionally performed in a hospital operating room, the unique characteristics of this device combined with the clinical protocol developed by SLI enables procedures to be performed as out-patient surgeries in hospitals and ambulatory surgical centers and as an in-office procedure in private offices, in some cases under local aesthetic. The delivery of this level of procedure in an in-office environment represents a true paradigm shift in the minimally invasive treatment of BPH.

From a business perspective, there will be a revenue stream from capital equipment sales and a renewable, passive revenue stream associated with disposable optical fibers (one required per procedure) which will grow continuously year after year with the install base of lasers.

MP200 Specifications

Technical Specification	**MP200**
Wavelength	980*nm* (Invisible)
Output Energy	Up to 200 Watts
Mode Of Operation	5ms – 10s & CW
Aiming Beam	635*nm*, 1mW, Variable Intensity
Fiber Delivery	600/800*μm* Free Beam & Contact Fibers
Power Supply	110 – 240 VAC, 50/60 Hz
Dimensions	60 x 28 x 45 (w x h x d)
Weight	30 Kg

Features & Benefits

The Wavelength – 980nm

Well established in the medical laser market, the 980*nm* wavelength's performance and safety can be attributed to excellent absorption in both water and blood products which comprise the majority of the target tissue. The clinical result is fast and effective vaporization of the target and (because of the specificity of the wavelength which controls interaction and depth of penetration) there is minimal to no effect on surrounding healthy tissue. The 980*nm* wavelength also results in excellent coagulation which enhances the clinician's field of view and is a key differentiator of this laser. The clinical result is a fast, effective surgery with faster healing, durable coagulation, less post-operative discomfort, complications and pain and an enhanced healing response.

Output Power – 200 Watts

With the highest available output power in its class, this device boasts the shortest treatment times which in turn supports faster healing. A mid to large-sized prostate can be treated in less than 15 minutes. The longer a laser surgery takes the more opportunity for a collateral thermal effect to surrounding healthy tissue, so shorter treatment times are additional key differentiators of this platform.

Physical Dimensions – Portability & Mobility

At 60 x 28 x 45 (cm) and weighing in at under 30kg, this device is the smallest available laser in its class. Able to operate on 110V power, the MP200 truly represents a portable/mobile device compared to competitive systems which require 220V and weigh in at 300 – 400 lbs. This portability aspect has huge implications for changing the market as procedures which traditionally could only be performed in operating rooms can now be performed in private practices. Furthermore there are significant logistics cost advantages for mobilizers (rental companies) who are currently offering laser services with older, bulkier devices which require specialized vehicles and equipment to transport.

Maintenance FREE

Another major consideration of operational cost of these devices is maintenance. A unique characteristic of diode laser technology *vs.* competitive platforms is that diode lasers are virtually maintenance free, eliminating significant operational cost from the budget.

The SLI Patent Pending Unicore Fiber Optic

By far one of the most important differentiators of this type of procedure is the fiber delivery system. Operationally, fibers dictate the procedural outcome, including performance, precision and safety. Specific design elements of the fiber, including size and the ability to function in and out of contact, lead to dramatic differences in performance. While SLI has multiple private label BPH fibers for this procedure including contact, side and end-fire fibers (supporting all laser BPH surgical techniques), SLI's private label (patent pending) “Unicore” fiber is custom manufactured for SLI with specialized machinery, resulting in significantly enhanced durability and performance.

Both the contact and non-contact fiber are designed to mimic the technique of traditional TURP surgery, so the training curve associated with transition to this higher performance, more practical and affordable laser platform is minimal.

As fibers are a consumable, a primary concern is their cost, as thousands of these procedures are performed every year across the US. The unique design of the MP200 fiber combined with economies of scale of OEM production have resulted in a high performance and durable consumable which can be manufactured at a lower cost, hence can be profitably marketed at a more competitive price. The fiber delivery system on the MP200 is the most affordable fiber available on the market and with a single-use fiber required for every procedure, operational cost is a major component of both the value proposition of the solution and the purchase decision of the customer.

The Market Demographic

Prostate disease is an age-related condition which is symptomatic in 50% of men over 50 and virtually every many over the age of 80. The most common prostate disorder is called Benign Prostatic Hyperplasia (BPH) or Benign Prostatic Enlargement (BPE). BPH is due to hormonal changes in the prostate, and is characterized by the enlargement or overgrowth of the gland as a result of an increase in the number of its constituent cells. The prostate gland secrets an antigen called Prostate Specific Antigen (PSA),that forms part of the seminal fluid that carries the sperm.

BPH can raise PSA levels two to three times higher than normal. Men with increased PSA levels have a higher chance of developing prostate cancer. In the United States, more than 30,000 men die of prostate cancer each year. BPH usually affects the innermost part of the prostate first, and enlargement frequently results in a gradual squeezing of the urethra at the point where it runs through the prostate. The squeezing sometimes causes urinary problems, such as difficulty urinating. BPH may progress to the point of generating a dense capsule that blocks the flow of urine from the bladder, resulting in the inability to completely empty the bladder. Eventually, this could lead to bladder and kidney malfunction.

In the United States the ultimate target market segment includes approximately 47.5 million men currently over the age of fifty, as derived from the Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States, Counties and Puerto Rico Commonwealth and Municipios, April 1 2010 to July 1, 2014, as published by the U.S. Census Bureau, Population Division, released in June, 2015

2014 Census Data:	**Men**
55 – 59 Years	10,443,988
60 – 64 Years	8,877,894
65 – 69 Years	7,249,106
70 – 74 Years	5,099,939
75 – 79 Years	3,511,586
80 – 84 Years	2,381,812
85 and Over	2,108,869

The Traditional Alternatives;

Medication – "Watchful Waiting"

Often referred to as 'watchful waiting', medications - while effective in some cases in treating the symptoms - are not designed to treat the cause. As a result they represent a delay in addressing the inevitable. At the onset of symptoms, physicians commonly prescribe medication including: 5 alpha-reductase inhibitors (Finasteride, Dutasteride) which are designed to decrease prostate volume by inhibiting the production of 5 alpha-reductase, the primary hormone responsible for prostate growth; and anticholinergics and phosphodiesterase inhibitors and alpha blockers such as Flomax which generally work by relaxing the bladder neck muscles making it easier to urinate. Medications may have results at early onset of the disease but results are limited as the disease progresses.

Traditional Surgery

The most common surgical procedure indicated for treatment of BPH is a procedure called Trans Urethral Resection of the Prostate (TURP). It has been considered the standard of care for treatment since 1909. While mono-polar (electro-surgery) TURP remains the most common surgical treatment of BPH, alternative treatments include open prostatectomy (indicated for prostates too large for TURP), Trans Urethral Microwave Therapy (TUMT) which is not an insurable service in all countries at this time, and Trans Urethral Needle Ablation (TUNA), also not an insurable service in all countries and with limited data available on long term outcomes.

Complications associated with the TURP procedure include loss of blood requiring transfusion, long recovery periods and risk of side effects. The TURP procedure takes several hours to complete and patients are put under general anesthetic prior to the procedure. The procedure therefore requires adequate Operating Room ("OR") staff (surgeon, anesthesiologist, nursing etc.) and OR room time and resources to complete the procedure. Due to the trauma associated with the surgery, including notable blood loss, patients undergoing TURP are required to stay in hospital for a minimal recovery time of 1 – 2 days.

Traditional Laser Surgery

Alternative hospital-based laser procedures have been developed as an alternative to TURP. While these alternative laser surgeries offer advantages over the traditional TURP procedure they are still typically performed in a hospital OR setting under general anesthetic. The systems are stationary units which run on specialized power and are not designed as portable systems. Single use fibers while effective are expensive.

The Competition** - **Traditional Modalities & Existing Laser Technologies

- Conventional Trans Urethral Resection of the Prostate (TURP) and Trans Urethral Incision of the Prostate (TUIP - indicated for prostates in view of the treating urologist which are too large for TURP). These two are the traditional and conventional surgical methods associated with BPH surgical treatment. Both have costs associated with surgical time, OR room resources and staff, excess bleeding, potential for blood transfusions, excess healing time including hospital stay and resources, TUR Syndrome (dilutional hyponatremia) and the incidence of need for retreatment.

- Traditional Mono-polar Trans Urethral Resection of the Prostate (TURP). This procedure utilizes mono-polar electrosurgical technology. While a recognized standard and the current most popular treatment alternative for BPH surgery, side effects and limitations include, longer surgeries require complete surgical teams, OR room time & staff, a requirement for general anesthetic and the associated risks, significant loss of blood, long recovery periods, risk of TUR syndrome risk of incontinence, risk of impotence, lengthy recovery times including stay in hospital. Recent data suggests that contemporary TURP related morbidity includes a risk of blood transfusion and TUR syndrome ranging from 2.0-4.8% and 0-1.1% of cases, respectively while the need for retreatment can be as high as 14.7% during an 8 year follow-up.

- Bi-polar Trans Urethral Resection of the Prostate (TURP). While similar to mono-polar TURP, bi-polar accomplishes the treatment objective with reduced risk of TUR syndrome, improved intra-operative visibility and may result in shorter catheterization times however still is performed in an OR setting under general anesthetic.

- Alternative minimally invasive treatments for BPH include free-beam laser therapy, radiofrequency ablation, Trans Urethral Needle Ablation (TUNA), prostatic urethral stents (UroLume), and alcohol injection. For patients at very high medical risk who cannot safely undergo significant anaesthesia or surgery, these minimally invasive treatments may offer some benefit, however they do not allow tissue to be saved for pathological analysis and do not remove the entire adenomatous prostate; thus, retreatment and even traditional TURP is sometimes required later.

- ***The Competitive Laser Alternative;***

  Photo-selective Vaporization Prostatectomy (PVP), utilizes a green light (532*nm*) KTP (potassium-titanly-phosphate) laser to vaporize and coagulate. While highly absorbed in red pigmented structures and recognized for superior coagulation specifically with patients on blood thinners, this wavelength is significantly less absorbed in water than the 980nm wavelength in the MP200 laser system. Advantages of PVP include coagulation ability. Disadvantages of PVP, when compared with the MP200 laser system, include laser ablation rates (slower), total time to perform procedure (up to 50% longer), less surgical precision, greater penetration (1 – 2mm) and longer treatment times which indicate potential for more post-operative discomfort and longer recovery times. Greater penetration in blood profuse tissue heightens the risk of inadvertent perforations of surrounding healthy red pigmented tissue and organs (a safety consideration) with this wavelength. Typically performed out of contact the PVP fibers can become less productive and defective when inevitably contacting prostatic tissue. Vaporization of prostatic tissue limited to vascular and this alternative is ineffective in treating highly fibrotic tissue such as patients on medications; Finasteride and Dutasteride. As performance is partially dependent on tissue pigment, systems have limited effect on tissue with blanched pigment which can result subsequent to certain medications (ED medications). System is also limited to this procedure and has minimal other surgical applications. Approximate PVP laser cost USD$125,000. Approximate PVP fiber cost USD$1,200 – USD$1,800. Not portable > 400 lbs.

Strengths of PVP Competitor

Financial resources and BPH market presence. Brand recognition ("Greenlight") and existing urology consumables line of business.

Weaknesses of PVP Competitor

Greenlight BPH procedure is less effective at vaporization than MP200, requires a specialized 220V power supply, is not portable (weighing approximately 400 lbs), is limited to the operating room and requires general (vs. local) anaesthetic, has a very high price point required to support infrastructure, and its manufacturer/distributor - originally the male urology division of American Medical Systems which was recently acquired by Boston Scientific Corporation, has limited experience in fiber manufacturing. Boston Scientific Corporation is a huge conglomerate with multiple lines of business, and has little direct focus in this unique and particular technology and procedure which represents a small and non-critical area of their core business.

Tabular comparison of the MP200 with Greenlight HPS/XPS

Laser System	**MP200**	**Greenlight HPS/XPS**
Wavelength	980*nm*	532*nm*
Maximum Power	200 Watts	180 Watts
Fiber Delivery	Side Fire Contact and Non-contact functionality	Side Fire Non-contact Only (Contact degrades fiber)
Dimensions	23” x 11” x 18”	20” x 36” x 43”
Weight	66 lbs.	420 lbs.
Power	110V	220V
Portable	Yes	No
In-Office	Yes	No
Vaporization	Excellent	Good
Coagulation	Excellent	Excellent
Effective on Bleeding Tissue?	Yes	Yes
Effective on Fibrous Tissue?	Yes	No
Effective when pigment of target tissue altered by medication?	Yes - Pigment Independent	No - Pigment Dependent (performance affected if pigment changes)
Anesthetic	Local or General	General Mandatory
Laser Cost	$59,900	$100-125K
Fiber Cost	$495-$600	$1,200-$1,800
Logistics Cost	None	Vehicle & Personnel
Maintenance	Free	$1,500 - $2,000/month

Additional Market opportunities

The SLI C02 Laser System (Pending 510K Clearance targeted for First Quarter of fiscal 2017)

Procedures: Incontinence, General Surgery, Dermatologic Surgery

C02 lasers have evolved over several years to become the standard of care for multiple general and dermatologic surgeries based on their speed of ablation and control over depth of penetration. In the field of gynecology/urology they are routinely used for general surgery, cone biopsies (cancer of the cervix) and various laproscopic surgeries including endometriosis surgery.

Recent research and development with this wavelength has resulted in the development of specialized hand-pieces which enable the safe and effective delivery of fractional C02 laser energy to the walls of the vagina in an effort to restore vaginal health, and specifically as a minimally invasive treatment alternative for female stress incontinence. With thousands of successful treatments performed, this procedure involves five-minute treatments which can be performed in a private practice without the requirement for any anesthetic. There is no down time and after the procedure the patient can continue with their normal daily activity.

The SLI C02 laser represents an additional product that the SLI sales force can offer to their existing client base as well as an entry point into a significant growth market of incontinence treatments, being a laser solution which can be sold to urologists and gynecologists.

SLI C02 Laser Specifications

Technical Specification	**C02**
Wavelength	10,600*nm* (Invisible)
Output Energy	Up to 50 Watts (200W Peak)
Mode Of Operation	CW, Super Pulsed, Fine Pulsed
Aiming Beam	635*nm*, 1mW, Variable Intensity
Delivery	Articulated Arm, Speculum, Scanner
Control	8.5" Colour LCD
Dimensions	114 x 30 x 45mm (h x w x d)
Power	110 – 240 VAC, 50/60 Hz

Features & Benefits of the SLI C02 Laser

Variable Pulse Control

Unique, versatile, multidisciplinary, easy to use and intuitive, the variable pulse control mechanism gives full parametric control, so that the clinical outcome is not dependent on manual dexterity. High peak power and short pulse acts on the epithelial component of the atrophic mucosa with low water content. Low peak power and large width pulse in the second part of the pulse, enables the laser energy to be distributed in depth and acts on the contraction and stimulation of new collagen.

Scanner Delivery

The scanning control software delivers the laser energy fractionally, applying the patterns on the tissue in a uniform and fully ordered manner to ensure that no heat builds up and healthy tissue is left between impacts to promote very rapid epithelialization. Precise control of depth, percentage of treated area, energy density delivered per point for maximum safety and effectiveness.

Both of these advanced features support the minimally invasive nature of this procedure which enables treatments to be completed without the requirement of anesthetic and with patients returning to normal activity immediately after the treatment.

The Market Demographic for the SLI C02 Laser

Issues of gynecologic health are commonly seen in post-menopausal women, breast cancer survivors and women who have had a hysterectomy. In the US, as many as 50% of the 64 million post-menopausal women suffer from changes to their gynecologic health, and there are over 2.8M breast cancer survivors.

Two major events in a woman's life can lead to decline in vaginal health: childbirth and menopause. Incontinence is not just an age related condition; it affects millions of younger women as a result of childbirth. Childbirth stretches the vaginal canal and surrounding tissue. The vagina can mostly be repaired by the body's own healing response. With many women, however, the tissue may not return to the same state as before childbirth. This stretching damages the vaginal walls, perineum, and surrounding tissues, which often leads to diminished vaginal health and function. Menopause and other events such as a hysterectomy, chemotherapy, or the process of breast-feeding, may lead to reduced estrogen production by the ovaries and may often lead to thinning, drying and inflammation of the vaginal walls. For many women this may decrease healthy vaginal function.

Women are twice as likely to suffer from incontinence as men, according the Agency for Healthcare Research and Quality. About 25% to 45% of women suffer from urinary incontinence, defined as "leakage", at least once in the past year. The rates of urinary incontinence increase with age: 20%-30% of young women, 30%-40% of middle-aged women, and up to 50% of older women suffer from urinary incontinence. Urinary incontinence is an under-diagnosed and under-reported problem that increases with age - affecting 50-84% of the elderly in long-term care facilities. The total potential market depicted below comprises over 95.7 million women, as derived from the Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States, Counties and Puerto Rico Commonwealth and Municipios, April 1 2010 to July 1, 2014, as published by the U.S. Census Bureau, Population Division, released in June, 2015:

2014 Census Data:	Women
30 – 34 Years	10,719,741
35 – 39 Years	9,981,814
40 – 44 Years	10,372,090
45 – 49 Years	10,540,579
50 – 54 Years	11,493,228
55 – 59 Years	11,067,461
60 – 64 Years	9,688,238

65 – 69 Years	8,076,160
70 – 74 Years	5,973,085
75 – 79 Years	4,410,758
80 – 84 Years	3,378,554
85 and Over	4,053,362

The Traditional Alternatives to the SLI C02 Laser:

Medication – "Watchful Waiting"

There are several medications which, while effective in some cases in treating the symptoms, are not designed to cure the cause. This results in a symptom management philosophy for treatment *vs.* a treatment of the cause, which would in turn eliminate the symptoms. Medications for symptom management include: Duloxetine, Antimuscarinics such as Mirabegron which predominantly focus on relaxing muscles and Desmopressin which can reduce the amount of urine produced by the patient. As with all medications, results are limited and unpredictable, and thus these medications are not suitable for everyone. Side effects include nausea, dry mouth, fatigue, constipation, urinary tract infections, irregular heartbeat, and - in rare cases - glaucoma. Medications may have results at early onset of the disease but results are limited as the disease progresses.

Urethral Bulking Agents

A urethral bulking agent is a substance that can be injected into the walls of the urethra in women with stress incontinence. This increases the size of the urethral walls and allows the urethra to stay closed with more force. A number of different bulking agents are available and there is no evidence that one is more beneficial than another.

This procedure is generally less effective than the other options available. The effectiveness of the bulking agent will also reduce with time and the patient would need repeated injections. Many women experience a slight burning sensation or bleeding when passing urine for a short period after bulking agents are injected.

Surgery

While surgical alternatives exist for the treatment of incontinence, they also have associated risks including general anaesthetic, bleeding, urinary tract infection and in many cases the surgeries involve artificial materials to be inserted (tape & mesh) which can deteriorate with time. Surgical alternatives include sacral nerve stimulation, colposuspension and various sling and tape procedures. Side effects include difficulty fully emptying the bladder, pain during intercourse, unknown long-term effects (synthetic slings), deterioration of inserted materials, and post-operative infection, pain and discomfort.

The Competition to the SLI C02 Laser – Laser Alternatives

- Cynosure (Deka) Mona Lisa C02

  Cynosure is an established international laser manufacturer with a specific focus on dermatology and esthetics. The Mona Lisa is marketed based on a distribution agreement with El.En. Group S.p.A., the parent company of Deka. The relationship is new (November 2014) and Cynosure does not have the established footprint/client base in the surgical markets of urology and gynecology that they do in esthetics. The laser platform they offer is similar in its design, specification, capabilities, functionality and performance to the SLI C02 laser.

- Lumenis Femtouch C02

  Lumenis is an established international laser manufacturer with a focus on multiple medical disciplines including urology and gynecology. The Femtouch is a recent addition to its product line and has only been available in the US for less than 18 months. This laser platform is also similar in its design, specification, capabilities, functionality and performance to the SLI C02 laser.

The SLI Ho:YAG Laser System (Pending 510K Clearance targeted for June 2017)

Procedures: Lithotripsy, General Surgery

HO:Yag (holmium) lasers are routinely used in practice on a daily basis for the treatment of urethral calculi (stones) including kidney stones and bladder stones (stones of the urinary tract). A large percentage of facilities (hospitals, ambulatory surgical centre) commonly have one or multiple holmium lasers installed, and thousands of procedures are performed in the US on an annual basis. Mobilizers (rental companies) also provide holmium lithotripsy services as a mainstay of their service offer.

The holmium laser works with a consumable fiber which can either be multi-use (up to 5) or disposable. As with the BPH diode laser offer, SLI has a private label consumable to sell with this laser platform. As more systems are installed SLI will realize passive revenue growth from existing clients purchasing consumables on a monthly basis year over year.

This laser and consumable for lithotripsy represents another product and consumable which the SLI sales force can offer to their existing clients

SLI Ho:YAG Specifications

Technical Specification	**Ho:YAG**
Wavelength	2100*nm* (Invisible)
Output Energy	Up to 35 Watts (272*µ* fiber)
Pulse Rep Rate	3 – 30 Hz
Pulse Duration	95 – 1900 *µs*
Aiming Beam	532*nm*, <5mW, Variable Intensity
Delivery	Various Optical Fibers (200*µ* - 1000 *µ*)
Dimensions	50 x 54 x 40cm (w x h x d)
Power	115 VAC, 50/60 Hz, 20a, 230 VAC 15a

Features & Benefits of the SLI Ho:YAG Laser System

Emphasis on the design of new platforms for laser lithotripsy focus on size (compact), ease of use and enhanced functionality. To that end the SLI Ho:Yag laser has the following enhanced features;

- Compact and lightweight
- Advanced patient database
- Internal videos and photos
- Unlimited protocols
- Ethernet connection
- Remote diagnostics
- Remote upload of customized software

The Market Demographic for the SLI Ho:YAG Laser System

Kidney stones are a painful disorder of the urinary tract, affecting about 10% of Americans. Stones occur 2 times more often in men than in women. The pain of having a stone has been compared to that of childbirth. The stones grow slowly over several months or years and are made of hard deposits of various minerals, including calcium, uric acid, and oxalate.

Kidney stones are one of the most common disorders of the urinary tract. Each year in the United States, people make more than a million visits to health care providers and more than 300,000 people go to emergency rooms for kidney stone problems.

Anyone can get a kidney stone, but some people are more likely to get one. Men are affected more often than women, and kidney stones are more common in non-Hispanic white people than in non-Hispanic black people and Mexican Americans. Overweight and obese people are more likely to get a kidney stone than people of normal weight. In the United States, 8.8 percent of the population, or one in 11 people, have had a kidney stone.

For unknown reasons, the number of people in the United States with kidney stones has been increasing over the past 30 years. In the late 1970s, less than 4 percent of the population had stone-forming disease. By the early 1990s, the portion of the population with the disease had increased to more than 5 percent. Caucasians are more prone to develop kidney stones than African Americans. Stones occur more frequently in men. The prevalence of kidney stones rises dramatically as men enter their 40s and continues to rise into their 70s. For women, the prevalence of kidney stones peaks in their 50s. Once a person gets more than one stone, other stones are likely to develop.

The Traditional Alternatives for Treatment of Kidney Stones

Medication

Medications offered when a stone has been diagnosed are mainly for pain as the patient tries to pass the stone without intervention. After it passes, the patient may need medication to prevent stones from forming again. Drugs may include:

- Nonsteroidal anti-inflammatory drugs (NSAIDs)
- Narcotics to control severe pain
- Allopurinol, 100 to 300 mg daily, to control hyperuricemia
- Potassium citrate, 100 mg tablets twice daily, to raise urinary pH
- Hydrochlorothiazide, 25 to 50 mg daily, for calcium type I stones
- Cellulose sodium phosphate 10 g daily, for calcium type I stones and to decrease bowel absorption
- Orthophosphates, for calcium type III stones

Traditional Procedures

Extracorporeal Shock Wave Lithotripsy (ESWL) is a surgical procedure which uses sound waves to create strong vibrations (shock waves) that break the stones into tiny pieces that can be passed in the patient's urine. The procedure lasts about 45 to 60 minutes and can cause moderate pain, so the patient may be under sedation or light anaesthesia to ease the pain and make the patient more comfortable. ESWL can cause blood in the urine, bruising on the back or abdomen, bleeding around the kidney and other adjacent organs, and discomfort as the stone fragments pass through the urinary tract.

Surgery

A procedure called percutaneous nephrolithotomy involves surgically removing a kidney stone using small telescopes and instruments inserted through a small incision in the patient's back. Risks include those associated with any surgical procedure including bleeding, infection, general anesthesia during the surgery and the patient will be in the hospital for one to two days to recover. This surgery may be recommended if ESWL has been unsuccessful.

The Competition for the SLI Ho:YAG Laser System

- Lumenis

  Lumenis makes a family of holmium (Ho:Yag) lasers ranging in power output from 30 – 100 watts. They are larger units (non are portable) with average size 18 x 36 x 39 " and weighing on average 200kg (441 lbs.) making them a challenge to move for the mobilizer market. They also require special power (220V). The price point is considerably more expensive than the SLI Ho:Yag laser.

- Quanta

  Quanta makes a similar unit (30 watts) although it too comes with a larger footprint (26 x 84 x 92cm) weighing in at about 81kg. The price point of this unit is also higher than the SLI laser alternative.

- Dornier

  Dornier also makes multiple models of holmium laser, the majority of which are also larger units (21 x 19 x 43") and weighing in at around 140 lbs. They also manufacture a smaller unit which is only 20 watts (10 watts lower than the SLI Ho:Yag laser). All units are also priced at a premium compared to the SLI alternative.

The SLI Medical Fiber Family

While the focus of the Company's current business operations is innovative, minimally invasive, outpatient laser procedures in the fields of urology and gynecology, SLI has also FDA approved a family of medical fibers for multiple medical laser systems. In addition to the custom manufactured Unicore fiber, side fire and end fire fibers for urology and various sizes of holmium (single use and disposable) fibers for lithotripsy, SLI has a family of 30+ different fibers including fibers for;

- General surgery bare fibers
- Dental bare fibers
- Ophthalmic probes (endo-probes)

Marketing Strategy

The Flagship MP200 for Minimally Invasive Benign Prostatic Hyperplasia (BPH) Surgery

The initial focus will be to market an integrated solution comprising the laser, consumables (the fiber) and clinical education for the laser treatment of BPH. The solution will be marketed to multiple target market segments including end users, hospitals, large group practices and service providers (mobilizers).

THE SLI UNIQUE VALUE PROPOSITION

Clinical Advantage – Operational Effectiveness & Safety

With the excellent absorption of the 980*nm* wavelength in both water and hemoglobin, laser BPH procedures are optimized for performance with unparalleled tissue ablation rates, durable coagulation and enhanced visibility. On average a 40-50 gram prostate can be treated in approximately 15 - 30 minutes; the consequential reduced treatment time means more procedures per day as well as a faster recovery for the patient. Experience indicates that there is no limit to prostate size that can be treated using the MP200 laser system; larger glands (200+gm) have also been treated safely and effectively in an outpatient environment without any requirement for what are limited and expensive hospital resources.

As the 980*nm* wavelength cuts independent of tissue properties (bleeding or not bleeding) it works effectively on fibrous tissue, where other lasers which require the presence of blood, do not. Also with the 980*nm* maximum absorption in the target tissue, penetration is controlled at the fiber-tissue interface; there is minimal to no risk of inadvertent perforations of the bladder, which is a concern of competitive laser systems which are selectively attracted to neighboring red pigmented structures in the bladder wall. Finally, as all soft tissue generally presents with similar characteristics, the MP200 represents a multi-disciplinary tool which can be used in the same minimally invasive way to perform other routine urological surgeries (structures, biopsies).

Practical Advantage – the SLI MP200 is a Portable, Maintenance Free Laser System

Weighing in at <30 kg and running on 110V power, this device is truly portable facilitating ease of mobility within and between facilities. This is one of the differentiating features which makes an in-office alternative even possible. Higher logistics costs associated with movement of alternative laser systems are significant in cost of time, personnel and other resources. The SLI MP200 does not require special delivery vehicles or personnel, thus significantly cutting down on the cost of logistics.

Diode laser technology is also considered maintenance free and while annual preventative maintenance is recommended, the overall cost to maintain the unit on annual service contracts is typically less than alternative lasers.

Finally when introducing a new technology to an existing market, the learning curve to switch can often be seen as a barrier to entry. In this regard the SLI MP200 incorporates both a contact and lateral firing (side firing) fiber, which incorporates similar techniques to traditional TURP surgery currently being performed by urologists.

Financial Advantage – The Industry's Lowest Total Cost of Ownership

While science, clinical efficacy and safety should clearly be the initial and fundamental criteria of any decision to purchase medical equipment, financial considerations are a reality and often become the final consideration prior to purchase.

With an understanding of the above noted clinical, scientific, operational and practical advantages, the financial proposal is quite possibly the most compelling. While incumbents and competitive systems range in price from USD$100,000 to USD$125,000, the SLI MP200 laser system can be profitably manufactured and marketed at a price of USD$59,900.

Even more compelling is the cost of consumables as this represents millions of dollars annually for end users and service providers. Currently the cost of a similar optical fiber ranges from USD$1,200 to USD$1,400 (based on volume purchase). The fiber for the SLI MP200 laser can be profitably manufactured and sold for USD$499. Complimenting this aggressive pricing strategy is the fact that cost of logistics and maintenance are either reduced or eliminated.

The SLI MP200 980nm Advantage - Summary

- maintains the gold standard of clinical care (TURP);
- most effective, least invasive laser wavelength (980*nm*) vs. any other laser currently available;
- the custom manufactured, patent pending Unicore fiber; the most durable, highest performance fiber optic for BPH;
- fast tissue removal = significant reduction in treatment time = faster healing;
- no requirement for general anesthetic – outpatient/private practice treatment;
- significantly less bleeding than traditional surgery (TURP);
- minimal to no requirement for post-operative hospitalization;
- safer procedure - minimal to no side effects;
- effective vaporization of all tissue types(fibrotic and vascular tissue is effectively vaporized as well as tissue with pigment change from medication);
- virtually no performance loss or fiber degradation (one fiber per procedure) reduces operational costs;
- portable and maintenance free;
- lowest overall cost to purchase;
- lowest overall cost of consumables;
- International, FDA & Health Canada approvals;

- The In-office Alternative; the SLI MP200 represents a true paradigm shift. A key differentiator of this unique technology solution enables urologists to perform BPH surgeries in private practice under local anesthetics, eliminating the requirement for expensive and limited hospital resources, increasing the availability and acceptance of the procedure to patients and facilitating profitable practice growth.

The Target Market Segments for the SLI MP200 Laser System

- Mobilizers (Rental Companies);
- Private Practice Urologists:
    - Solo Practitioners;
    - Group Practices;
    - Surgical Centres;
- Hospitals.

The Key Differentiators of the SLI MP200 Laser Alternative

1. The ability to perform in-office laser procedures and manage the patient as an outpatient;
2. The industry's most cost effective alternative; system, consumables, maintenance and logistics;
3. True portability, reliability and a multidisciplinary laser;

For Mobilizers. Mobilizers are service providers who provide all-inclusive service to hospitals in the form of a rental agreement. Surgeries are scheduled with the mobilizer which in turn dispatches the appropriate equipment, consumables and personnel required to assist the clinician in performing the procedure. As Mobilizers charge an all-inclusive 'cost per procedure', their profitability increases with decreased system cost (including maintenance), decreased logistics costs and decreased consumables cost. In this regard a more cost-effective solution means Mobilizers can increase profitability or improve the competitive nature of their offer. A significant consideration for Mobilizers is the cost of logistics, as many current technologies used require specialized equipment and personnel to deliver to the hospital. The portability of this solution can save Mobilizers thousands of dollars a year in logistics costs.

Furthermore Mobilizers are vulnerable to the constant demand by hospitals for the most current innovations in technology. To this end, there are conservatively hundreds and possibly thousands of older laser technologies in the inventory of Mobilizers today which are candidates for upgrade to this newer, more functional, portable and cost effective laser. As this laser gains momentum in the market, Mobilizers will need to seriously consider the upgrade to remain competitive and protect their core business.

For Hospitals. Hospitals operate under strict budget constraints and given clinical efficacy. Accordingly the safety of any procedure and the cost of consumables is a primary consideration of any hospital making a technology purchase decision. Complementing the value of the low cost of consumables used with the SLI MP200 laser system is the unique functionality of this portable laser as a multi-disciplinary system. Given the system's portability, indication for several additional surgical applications and over 30 additional fibers available for multiple medical disciplines, the SLI MP200 laser solution can offer similar value across multiple hospital departments.

For Private Practice Urologists. The single and most compelling differentiator of this solution for private practice urologists is the ability to perform in-office procedures and manage their patients as outpatients. Not being subject to a requirement for scheduling of limited and expensive hospital resources, means more procedures can be performed in-office per day. Also, compensation per procedure increases as urologists are compensated at a higher rate to perform the procedure in their own office vs. in a hospital setting. More procedures per day and higher compensation per procedure translates into incremental and profitable revenue growth, while increasing the availability of the treatment to the patient base. Finally, with a less invasive procedure, the treatment can be completed under local anesthetic, reducing risk and increasing the availability and acceptance of the procedure, which would also increase the number of procedures performed in private practice.

SLI MP200 - A Unique Market Opportunity; Private Practice In-office Procedures

Financial Impact

The financial impact of an office-based alterative for this procedure is two-fold.

Firstly, urologists will be compensated at a higher amount to perform this procedure in an office ($1,852.00 vs. $708.00). Specifically, urologists recover an additional $1,144.00 per procedure.

Secondly, the in-office delivery model facilitates significant market growth. While thousands require the procedure today, many patients are adverse to being treated in a hospital environment, yet most if not all would elect to have the procedure completed in an office environment. A urologist could conservatively double his/her production of BPH laser surgeries if these were offered and performed in the office environment.

The Ho:Yag (Lithotripsy) and C02 Laser Marketing Strategy

These two units are scheduled to be available to the North American market by the end of June 2017, and represent additional products which can be sold to the existing client base.

The Ho:Yag Laser - Lithotripsy

The Ho:Yag laser for lithotripsy is considered the standard of care for laser lithotripsy and will generate revenue from the laser sale as well as an ongoing revenue stream from the sale of consumables year after year which will grow with the install base of lasers.

Key differentiators of this platform will be quality of design, portability, ease of use and total cost of ownership including the fibers. Mobilizers in particular will be interested in this laser alternative as lithotripsy is fundamental to their service offer; the portability and affordability of the SLI Ho:Yag Laser offer represents a compelling alternative which will enhance their profitability and competitive strength in their market. Possibly the greatest financial advantage relative to this offer is the private label fibers (consumable & re-usable) as the functionality of all Ho:Yag lasers on the marketplace is virtually identical.

The SLI C02 Laser - Incontinence

The SLI C02 laser represents compelling future growth potential as it addresses a brand new segment of the medical marketplace for laser treatment: incontinence. There are very few competitors in the marketplace, and of those, none are currently in the urology market. Given that SLI is in the urology space, with established relationships and access to existing books of business, this laser platform represents significant revenue growth potential from the existing and future sales force.

Since the fundamental procedure is designed to treat women, the SLI C02 laser also represents an entry point to a new market (gynecology). SLI has a unique ability to strengthen its brand in this market which is at an early stage of development, hence there is, as yet, no clearly defined incumbent. The market is significant with an average of 25% – 40% of women suffering from urinary incontinence.

SLI's strategy will be to differentiate its product offer based on technology/design and presenting a clear and concise return on investment analysis to the potential client.

Technical Advantage

The SLI C02 laser platform has been clinically proven to be successful, with very positive outcomes for treatment of incontinence. The treatment is minimally invasive and is performed in-office without a requirement for anesthetic. The interaction of the laser wavelength (control over depth of penetration) is critical and the SLI C02 laser provides the greatest control in its class. Clinical efficacy is also based on delivery of laser energy in a uniform fashion in a closed environment (vs. open surgery). The specialized hand-piece for this procedure delivers laser energy fractionally; uniform consistent energy delivery and the design of the 360° rotating hand-piece ensures complete coverage of target tissue.

The ROI for Laser Treatment of Incontinence

With consideration and understanding of the clinical efficacy and superiority of the SLI C02 Laser System for the treatment of incontinence, and an appreciation of the potential of the market, the return on investment is compelling;

The procedure involves two (2) treatments which are performed in-office without a requirement for anesthetic. Typically results are realized in a single treatment with improvement subsequent to the second treatment. Treatments typically take five minutes and patients return to normal daily activity without any side effects immediately after the treatment. This is a private-pay procedure billed directly to the client by the practice.

Price per Procedure	$ 3,000
Cost of the Laser	$160,000

Surveys of existing clientele indicate breakeven is typically realized in a 6 – 9 month period.

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 United States of America is likely the largest single marketplace for SLI's products, as a consequence of the structure of its system for provision of medical and health services which is principally based on a privatized health system. 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 and 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 (Mobilizers) that are standard practice for medical practitioners.

Intellectual Property

The Company believes that the combination of its licensed intellectual property and its own intellectual property which it has developed, give it a commercial advantage in the marketplace.

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 contained 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. In addition to the third party rights and interests in the technology, SLI has also developed certain intellectual property and technologies of its own, specifically related to various fiber delivery systems which are protected by patents, granted and applied for, that will enable it to advance into other areas for commercial exploitation, using the base laser and fibre technologies as a platform.

The Company protects its third party and in-house intellectual property through a combination of trade secrets, copyrights, trademarks and know-how. It also requires its employees, consultants and other third parties to sign non-disclosure agreements to protect the Company from disclosure of proprietary information. In addition, SLI's employees and contractors are required to sign an agreement to assign any intellectual property they develop to the Company.

Facilities

The Company's head office is located at leased office premises at 380 Bedford Highway, Suite 311, Halifax, Nova Scotia B3M 2L4.

SLI leases office space of approximately 500 square feet at 30 Prospect Street, Suite 203, Newmarket, Ontario L3Y 3S9.

Surgical Lasers Incorporated, a Delaware corporation and a wholly-owned subsidiary of SLI, occupies leased premises in East Longmeadow, Massachusetts, USA, of approximately 175 square feet, used principally for storage of products and equipment.

Human Resources

As befits its current development stage status, SLI currently maintains a small workforce of two individuals engaged in management positions (Managing Director, and VP-Business Development), one consultant providing services as Interim C.E.O., and two part-time administrative staff. The sales force is currently comprised of six experienced independent Sub-Distributors located in strategic locations in the United States of America, whose compensation is related directly to sales achieved. SLI anticipates increasing the size of its Sales Force by introduction of a permanent senior Sales Manager and additional independent Sub-Distributors, anticipated to bring the total number of salespersons to ten over the next twelve months.

Objectives, Planning and Performance, Year One and onwards

From a practical point of view, prior to April 1, 2017, SLI was in the development stage, building product and brand awareness in the United States with Key Opinion Leaders and by appearances at relevant national and regional trade shows. This initial approach has introduced the Company's products to a number of Urologists. A total of seven MP200 BPH Laser Units have been activated to provide demonstrations and for use in Operating Theatres in order to widen product awareness. Initial sales have already been triggered from the Demonstrations and product awareness campaigns. Commencement of serious operational growth commenced in April, 2017, following the acquisition of SLI by AQC, and the initial financing that raised a total of $3,000,000, effectively injecting $1,500,000 in new cash into the business which is being applied towards establishing the Target Objectives of the first year of operation commencing April 1, 2017.

Methods and Strategies employed to reach the marketplace

As indicated above, the Company has already begun to establish, and will be continuing to build product and brand awareness. Strategic planning to achieve that objective is as follows:

a. Sales Meetings with Sub-distributors

Regular sales meetings will be scheduled to update existing independent sub-distributors on recent developments with the company including funding, new product development and to clearly outline the future direction and expectations of the Company. At that meeting individual strategies and tactics will be documented for all existing sub-distributors including any promotional activities planned for the individual regions.

b. Key Opinion Leaders (KOL)

Fundamental to the Company's strategy will be the continuing to leverage the relationships that have already been established with KOLs in the urology market. These opinion leaders can have a significant impact on the adoption of the Company's technology based on their regional and national influence. The Company's established KOL relationships include those recognized as pioneers and thought-leaders in the world of BPH laser surgery and those who routinely speak at international conventions (including the American Urological Association ("AUA") annual meeting) on the subject matter. Others are recognized as leaders in BPH surgery with the largest group practice in the country, Integrated Medical Professionals ("IMP"). The most compelling KOL relationships the Company has already established are with accomplished, experienced laser BPH surgeons who have switched from the industry recognized incumbent technology (GreenLight) to the SLI portable diode laser system, given the MP200's practical, clinical, operational and financial advantages.

The Company's strategy will be to continue to foster existing relationships and grow new ones through referral, specifically through IMP, who have already indicated a willingness to introduce the SLI laser solution to other large group practices. SLI will also identify KOLs presenting at national meetings on the subject matter and approach them, soliciting advise and with an offer to evaluate the SLI laser system. Throughout the evaluation process it will be imperative to provide clinical and scientific evidence as well as reference points with existing SLI KOLs to establish credibility and begin to educate the new KOL on SLI's value proposition including technical, clinical, practical and the financial advantages of our offer.

c. Trade Shows and Practice Associations

The solution will be marketed at all relevant national and regional trade shows including but not limited to;

- AUA Annual Spring Trade Show 2017
- CUA (Canadian Urology Association) Annual Spring Trade Show, Toronto ON, June 24 – 27, 2017
- AUA Regional Trade Shows, including but not limited to;
    - AUA Western Section Annual Meeting, Vancouver BC, Aug 5 – 10, 2017
    - AUA Mid Atlantic Section Annual Meeting, Amelia Is. FL VA, Sept 14 – 17, 2017
    - AUA South Central Section Annual Meeting, Naples FL, Oct 4 – 7, 2017
    - AUA North East Section Annual Meeting, Savannah GA, Oct 12 - 14, 2017
    - AUA North Central Section Annual Meeting, Scottsdale AZ IL, Nov 13 – 17, 2017
- Local Trade Shows (Per Independent Sub-distributor)

- LUGPA (Large Urology Group Practice Association) Annual Trade Show, November 25, 2017, Chicago IL

The general strategic approach at these events will be to not only make presentations and manage a display booth, but also to host social event activities which will be extensively pre-marketed by direct mailings, email and be advertised on the Company's web-site. Social events will be hosted by a KOL who will present their experience with the Company's products.

d. Regional Education Centers and Thought Leaders

As independent sub-distributors (and direct sales representatives) are added to the sales team, the Company will identify, and engage regional Thought Leaders to act as reference points and potential local Education Centers to provide training for new users and live demonstrations for potential clients in the region. Each region across the nation will select a practicing urologist as their mentor and educational partner for the purpose of demonstrating the procedure on patients to other urologists interested in purchasing a MP200 laser. These Thought Leaders will be required to own the technology and have gained adequate experience in clinical practice as well as be educated on the Company's value proposition. They will be compensated for any services (i.e. – live clinical demonstrations) in the form of an honorarium.

e. Clinical Workshops

Complementing the efforts of regional Thought Leaders, the Company will schedule a series of Clinical in-office Workshops designed to give qualified prospects who are interested in purchasing a laser, a forum to fully understand all aspects of the solution including a live clinical demonstration illustrating the advantages of the Company's laser products. They will also be able communicate directly with an accomplished laser surgeon and experience first-hand everything from diagnosis, through to the technique and any post-operative considerations. Clinicians will also be able to speak directly to patients prior and post treatment.

f. Website Re-design, Video Production & Social Media

The Company's current website is being re-designed to incorporate additional information and a multi-media presentation as well as additional information on the Company's products. In addition to the existing product information, workshop and events schedule, some fundamental design changes to the website will include;

- Upgrading the capability of the Workshop and Educational Event sign up page so clinicians can sign up (and pay where relevant) online;
- Add a reference page with quotations from KOLs and Thought Leaders who are currently using the SLI laser;
- Development of a video illustrating the procedure including visual simulation of the procedure, live video, an interview with the urologist performing the procedure as well as an interview with the patient; and
- Re-design of the slideshow on the Home page to be more esthetic/professional and to incorporate new product offerings.

A Facebook page will also be developed and linked to the website which will create awareness by linking existing clients with new prospects. The website (and Facebook) will also feature regular press releases associated with new clients and product developments.

g. Video Production

As referenced above, a video production (simulation, live video, interviews, etc.) will be produced for the BPH MP200 laser offer and the Incontinence C02 laser offer. Both will be made available on the website and on individual key drives for Sales Reps and prospective clients.

h. Promotional Kits for Sales Representatives

As indirect and direct Sales Reps are added they will be equipped with the Company's basic MS Powerpoint sales presentation as well as a supply of hard-copy brochures and an electronic version of the brochures. They will also be given a copy of the video production on a key drive to share with their potential clients. Additional copies of the video production will be produced for distribution to the marketplace.

i. Large Group Urology Practice Focus

Selling by referral is one of the most effective tools in the medical marketplace and the focus of the regional Sales Reps will be on solidifying relationships and business with Large Group Urology Practices (LGUP), as they have the ability to purchase multiple systems as well as influence other LGUPs. To date the Company has sold the technology and formed an alliance with IMP, the largest and one of the most influential group practices in the US. IMP in turn has offered their support in helping the Company reach out to other large groups and in this regard, the Company will sponsor presentations at relevant meetings as well as offer to perform and finance regional presentations onsite at other large group practices introduced by IMP. This may involve bringing a KOL speaker from IMP who will be paid an honorarium for this service. The venue will typically be a luncheon or a dinner meeting with costs covered by the Company.

j. Webinars

Regular webinars will be scheduled to share the experience of Opinion Leaders and their patients with prospective clients, qualifying the benefits of this evolution in technology.

k. Mailers to Client Base

A series of mailers will be created for scheduled distribution to the target market. Mailers will introduce Company's flagship product for BPH and outline the educational programs and live workshops scheduled.

Separate mailers may be developed for regional events including invitations to sponsored dinner presentations. Others will be designed to introduce products and may be accompanied by a key drive with the promotional video referenced above.

l. E-blasts

Complementing the direct mail program will be a series of e-blasts (email) distributed to the target market which will mirror the message of the mailers.

m. Magazine Advertisements

Promotional advertising will be placed in the most widely recognized and respected urology medical journals and magazines on a monthly basis.

Sales Targets, Year 1

During the first year from April 1, 2017, it is intended to build the Sales Force of a total of ten independent Sub-Distributors, thereby able to penetrate the main marketplaces which have been identified in the New England States, Florida, the Mid-West based in Chicago and California. Overall targets for the first fully operational year are for the sale of 20 MP200 Units, with related sales of 1,220 Single-Use Fiber-Optics, 18 HO-Yag Lithotripsy Lasers, with related sales of 315 Re-usable Fiber Optics, and 12 CO2 Incontinence Laser units. If these sales targets are achieved, they will generate US$4,819,900 in gross sales, against anticipated Cost of Goods of US$2,066,550, anticipated General & Administrative Costs of US$2,468,985, and EBITDA of US$284,365.

Measurement of Target and Milestone Achievements

The Company anticipates that achievement of the Financial and Sales Target Milestones during the first twelve months from April, 2017, will initially be slow, as the expanded Sales Team establishes itself in the marketplace and end-user urologists encounter, experience and then make the necessary financial and administrative decisions to move to using the Company's products in place of their existing practices.

Quarterly Financial Statements will measure the financial performance over the year. Internally, Management will conduct regular reviews of performance, results and marketplace reactions, including taking any steps necessary to implement changes to direction and generally adopt a flexible approach to developments.

The Company is well aware that in the field into which it is selling its products, professional end-users will need time to plan and implement changes into their already-established practices, and will also normally seek to establish financing arrangements as part of the purchasing process, so that there is a fairly long lead-time between initial introduction, through a purchase decision to ultimate purchase, delivery and activation of a new laser system. On that basis, it is anticipated that the eventual beneficial cash-flow from new sales will not begin to flow until the third or fourth quarter of fiscal 2017-2018. In those circumstances the Company will need to ensure available cash resources to fund the initial period until sales revenue is generated.

Overall measurement of the Company's performance will be established by the Company's independent Auditors in their annual audit of the financial statements. As noted at Section 3 above (*on page 3*), in the description of the terms of the acquisition of SLI by AQC, part of the consideration for that acquisition was paid for by issuance of 1,532,901 Series A Special

Shares, which are “Performance Shares.” Those Series A Special Shares may be converted, over a five-year period commencing April 1, 2017, on an annual basis, 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.

<u>Financial Resources available to reach First-year Objectives and Targets.</u>

On March 3, 2017, the Company closed a Private Placement pursuant to which at total of $3,000,000 was raised by the issuance of 3,000,000 Units, at the price of $1.00 per Unit; a further Closing took place on March 16, 2017, for a further $25,000, by issuance of a further 25,000 Units. Each Unit comprised one fully paid Common Share from treasury and one Class A Warrant; each Class A Warrant is exercisable during a period of two years from the date of issue, at the price of $1.50, to acquire one additional fully paid Common Share from treasury and one Class B Warrant. Each Class B Warrant entitles the Holder to acquire one fully paid Common Share from treasury at the price of $2.50. Each of the Class A Warrants and Class B Warrants, when they are outstanding, is subject to a "callable" feature in the event that the Company's Common Shares are trading on the market over a period of twenty trading days in any period of thirty consecutive trading days at or above 130% of the respective exercise price of the respective Warrants. Of the $3,025,000 raised in this financing, $1,500,000 (which was raised without any commissions) has been allocated to reduction of debt incurred by SLI during the start-up period prior to its acquisition by AQC, and $1,525,000 (gross, before commissions and expenses) has been allocated for working capital to cover the costs of the initial period operations. Initial period operating costs will cover both establishment costs for the enlargement of the Sales Force, the various strategic programs described above, acquisition of initial laser units and associated single-use and reusable fiber products, and General and Administrative costs. Management is of the view that the available funds are sufficient to meet those initial-period costs before the revenue stream from product sales develops sufficiently to cover operational costs.

On March 20, 2017, AQC closed a Debt Settlement Agreement for the settlement of $2,800,000 of debt by issuance of $2,800,000 fully paid and non-assessable common shares, at $1 per share; that Debt Settlement Agreement was approved by a vote of disinterested shareholders of

AQC passed at a Special General Meeting of Shareholders held on November 21, 2016, before the acquisition of SLI was completed, thereby removing the vast majority of pre-existing debt on the Balance Sheet of AQC prior to closing of the Acquisition.

Allocation of Cash Resources during the year from April 1, 2017

Management has allocated the cash generated from the private placement in the following manner to cover the basic budget for the first twelve months of operations:

EXPENDITURE CATEGORY	AMOUNT
Capital equipment (Demonstration Lasers)	$100,000
Sales Force establishment and support	$300,000
Marketing/promotion	$300,000
General & Administrative Costs	$625,000
Contingency	$200,000
TOTAL	**$1,500,000**

Management recognizes that if product acceptance, and thus operational growth, develops faster or slower, or to a more significant or lesser degree than is presently anticipated, then additional financing may be needed to meet an increased working capital budget, and it is accordingly planned that a further financing of between $1 - $1.5 million may be raised. If such a financing is raised, it is anticipated that it would be by way of an exempt private placement along similar terms to the financing completed in March, 2017, subject, obviously, to pricing conditions which may be dictated at a different level by market conditions and applicable regulatory policies.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets out selected consolidated financial information, taken from the SLI's audited financial statements, for the period ended December 31, 2014, the year ended December 31, 2015, and the (currently) unaudited financial statements for the year ended December 31, 2016

	Year ended December 31		Period ended December 31
	2016	2015	2014
($ 000) except for EPS			
Revenue	254,809	46,209	-
Gross Profit (Loss)	10,602	(396,455)	-
Total operating expenses	985,918	752,854	85,588
Net (loss) income	(975,316)	(1,149,309)	(85,588)
(Loss) earnings per share	(9,753)	(12,349)	(856)
Total Assets	1,005,427	876,676	876,676
Total long-term liabilities	3,106,895	2,111,572	203,018

Tax-loss Carry-forwards

The Company has approximately $2,868,000 in non-capital tax loss carry-forwards which will expire over a period of years commencing 2026, and which - subject to applicable provisions of relevant taxation statutes and regulations, may be used to offset any future tax liability on profits, if earned.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

Since the ASTI has only just completed the acquisition of SLI, the following commentary at **Section 6.1** provides Management's Discussion and Analysis of the last completed fiscal year for ASTI (under its prior name, "Aquarius Coatings Inc."), ended March 31, 2016, and of the interim periods since then, from April 1 to June 30, 2016 and from July 1 to September 30, 2016, and the commentary at **Section 6.2** provides Management's Discussion and Analysis of the operations of SLI for the stub period from its date of incorporation (October 15, 2014) to December 31, 2014, the fiscal year ended December 31, 2015 and the interim periods from January 1, 2016 to March 31, 2016, April 1 to June 30, 2016 and July 1 to September 30, 2016. In each case, reference is made to the Audited and Unaudited financial statements of ASTI and SLI annexed to and forming part of this Listing Statement.

Attention of the Reader is drawn to the fact that all numbers of issued and outstanding shares of the Company in the following sections on Management's Discussion and Analysis relating to the Company are stated prior to the 20:1 consolidation that was effected upon issuance of the Certificate of Amendment on February 24, 2017.

SECTION 6.1 - MD&A RELATING TO ASTI:

6.1 (A) AQUARIUS - FISCAL YEAR ENDED MARCH 31, 2016

1. **INTRODUCTION**

   The following is a discussion and analysis of the Corporation's results of operations and financial condition for the year ended March 31, 2016 and should be read in conjunction with its audited Consolidated Financial Statements for the year ended March 31, 2016 and the related notes thereto (the “Consolidated Financial Statements”). The amounts included in the following discussions are expressed in Canadian dollars (unless otherwise indicated).

2. **GOING CONCERN**

   The Consolidated Financial Statements have been prepared on a going concern basis which assumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations. The Corporation has incurred significant losses for a period of several years and has both a working capital and shareholders’ deficiency. Accordingly, the ability of the Corporation to continue as a going concern is uncertain and is dependent upon obtaining sufficient levels of financing, achieving profitable operations and continued support from its shareholders. The Consolidated Financial Statements do not include any adjustments to the amounts or classification of financial statement items that might be necessary if the Corporation was unable to continue as a going concern. No adjustment has been made in these financial statements to reflect liquidation values of assets on a non-going concern basis as any such adjustment, if required, would not have a material effect on the corporation’s balance sheet. Please refer to Note 2 to the Consolidated Financial Statements for important information regarding the going concern assumption.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared by management using the accounting policies and methods as outlined in Note 3 to Consolidated Financial Statements for the year ended March 31, 2016. The Consolidated Financial Statements have, in management's opinion, been properly prepared using judgment within reasonable limits of materiality and are in conformity with International Financial Reporting Standards ("IFRS").

4. BUSINESS OVERVIEW

As of August 1, 2014 the Corporation entered into an agreement to sell certain assets of the Corporation, namely Inventory, Equipment, Intellectual Property, Material Contracts and Customer Lists. The transaction closed on September 5, 2014 and details of the transaction are outlined in Note 4 – DISCONTINUED OPERATIONS to the Consolidated Financial Statements. As a result of this sale the Corporation is no longer in the distribution of industrial and consumer protective coatings but it does retain a royalty interest on sales of the Corporation's former products for a 3 year period. (See also Note 19 to the Consolidated Financial Statements – SUBSEQUENT EVENT).

5. OVERALL PERFORMANCE RELATING TO OPERATIONS FOR YEAR ENDING MARCH 31, 2016

Continuing operations
There were no revenues from continuing operations in either the current year or in the prior year. General and administrative expenses in the year under review were $44,882 compared to $32,018 in the prior year. Bank charges and interest were $2,040 in the year under review compared to $1,666 in the year, Amortization expense was $189 compared to $378 in the prior year.

Discontinued operations
The loss from (now) discontinued operations was $nil in the current year compared to a loss of $215,990 in the prior year. Discontinued operations are discussed in more detail in Note 4 to the Consolidated Financial Statements.

6. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected items from the Consolidated Balance Sheets as at March 31, 2016, March 31 2015 and March 31 2014:

Balance Sheet Item	**31-Mar-16** $'s	**31-Mar-15** $'s	**31-Mar-14** $'s
Cash (Overdraft)	7,797	19,963	14,527
Accounts receivable	4,702	8,754	21,992
Inventory – Raw materials	-	-	33,411
Inventory – Finished Goods	-	-	17,922
Accounts payable	52,609	53,910	72,053
Notes Payable	-	200,000	200,000
Related party advances	3,823,864	3,801,500	3,611,489
Shareholders Equity (Deficiency)	(3,863,785)	(3,914,044)	(3,672,572)

All assets are now located in Nova Scotia and are subject to the General Security Agreement discussed in Note 7 to the Consolidated Financial Statements.

7. **CASH**

Cash represents cash on deposit less outstanding cheques. Cash decreased to $7,797 in the current year from $19,963 in the prior year.

8. **ACCOUNTS RECEIVABLE**

Accounts receivable decreased by 46.3% to $4,702 at the end of the current period compared to $8,754 in the prior year.

9. **INVENTORY**

Inventories have now been sold as discussed in Note 4 – DISCONTINUED OPERATIONS to the Consolidated Financial Statements.

10. **ACCOUNTS PAYABLE**

Accounts payable decreased slightly from $53,910 at the end of the prior year to $52,609 at the end of the current year.

11. **NOTES PAYABLE WRITTEN OFF**

During fiscal 2016 the Corporation wrote off Notes Payable for a total of $200,000; for further details please refer to Note 8 to the Consolidated Financial Statements.

12. **RELATED PARTY TRANSACTIONS**

During the year operations were funded from the proceeds of shareholder and related party advances. The amount due to related party increased slightly to $3,823,864 at March 31, 2016 compared to $3,801,500 at the end of the prior year. Please refer to Note 7 to the Consolidated Financial Statements for pertinent information pertaining to the related party transactions.

13. **SELECTED QUARTERLY FINANCIAL DATA**

The table below presents selected financial data for each of the eight quarters ending March 31 2016:

	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014	30-Sep 2014	30-Jun 2014
CONTINUING OPERATIONS								
Expenses								
General and administrative	9,294	12,576	15,806	7,206	11,018	5,739	8,507	6,755
Amortization	48	47	47	47	94	94	132	57
Interest and bank charges	526	514	492	508	490	519	341	317
Royalty income	(833)	(3,023)	(1,416)	(4,369)	(3,788)	(4,792)		
Gain on settlement of debt	(200,000)	-	-	-	-	-	-	-
	(190,965)	10,114	14,929	3,392	7,815	1,560	8,980	7,128
Net Income (Loss) from continuing operations	190,965	(10,114)	(14,929)	(3,392)	(7,815)	(1,560)	(8,980)	(7,128)
DISCONTINUED OPERATIONS								
Sales	-	-	-	-	527	(90)	62,596	32,875
Cost of sales	-	-	-	-	5,000	-	37,126	22,467
Gross Margin	-	-	-	-	(4,473)	(90)	25,470	10,408
Expenses								

Selling, general and	-	-	-	-	1,482	436	194,145	61,098
Bank Charges and Interest	-	-	-	-	-	-	266	370
Amortization	-	-	-	-	-	-	-	120
Gain on disposal of assets	-	-	-	-	-	-	(10,614)	-
	-	-	-	-	1,482	436	183,798	61,589
Net income (loss) from discontinued operation	-	-	-	-	(5,955)	(526)	(158,328)	(51,181)
Total income (loss)	190,965	(10,114)	(14,929)	(3,392)	(13,77	(2,086)	(167,307)	(58,309)
Other Comprehensive Income	(112,271)	-	-	-	-	-	-	-
Total comprehensive income	78,694	(10,114)	(14,929)	(3,392)	(13,770)	(2,086)	(167,307)	(58,309)

Discussion of Selected Financial Data

Continuing operations

The net income for the three months ended March 31 2016 from continuing operations, excluding Other Comprehensive Income, was $190,975 ($0.00 per share). This amount included the write-off of Notes Payable discussed in Item 11 above. The net loss was $7,815 ($0.00 per share) for the same period in the previous year. As of March 31, 2016 and March 31, 2015 there were 107,948,144 shares outstanding.

Royalty income in the fourth quarter was $833 compared to $3,788 in the prior year comparative period.

In the Fourth Quarter the Corporation wrote down the carrying value of its investment in Woodland Biofuels Inc. resulting in Other Comprehensive Loss of $112,271, see Item 20 below for further details. The was no Other Comprehensive Income in the comparative period of the prior year

Discontinued Operations

Sales for the Fourth Quarter were $nil compared to $527 in the same period in the prior year.

The Cost of Sales in the Fourth Quarter were $nil compared to $5,000 in the prior year comparative period.

The Selling, general and administrative expenses for the period under review were $nil compared to $1,482 in the comparative period of the prior year.

The loss from discontinued operations in the Fourth Quarter was $nil compared to a loss of $5,955 in the prior year comparative period.

14. TRANSACTIONS WITH RELATED PARTIES

The Corporation has historically funded its activities through the sale of Common shares and advances from a major shareholder. During the period under review, expenses were funded from the proceeds of shareholder and related party advances (see Note 7 to the Consolidated Financial Statements).

15. MANAGEMENT OF CAPITAL

The Corporation defines capital that it manages as the aggregate of its loans payable, share capital, contributed surplus 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	Mar31, 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

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, 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.

16. CONTRACTUAL OBLIGATIONS

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

17. CAPITAL RESOURCES

The Corporation does not anticipate any major expenditure on capital resources.

18. OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

19. LONG-TERM INVESTMENTS

Woodland Biofuels Inc. ("Woodland")

The Corporation holds 112,272 shares in Woodland; further details appear in Note 9 of the Notes to the Consolidated Financial Statements for the year ended March 31, 2016. During fiscal 2016 the Corporation wrote down the value of this investment to a nominal amount. Management is of the opinion that the full value of this investment will be realized however, because there is no ready market for the shares, IFRS regulations require that the investment be written down to a nominal value. The Corporation will recognize the value of this investment when circumstances warrant a review.

20. RISKS AND UNCERTAINTIES

There are risks and uncertainties with the business operation and results of the Corporation and those risks are discussed in detail in Note 16 to the Consolidated Financial Statements for the year ended March 31, 2016

21. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109, the Corporation's Acting Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be filing annual and quarterly certificates of disclosure concurrent with the filing of its annual and quarterly filings.

The Board of Directors together with an independent and qualified Audit Committee provide direct oversight responsibilities for the review of the quarterly and annual financial statements.

24. LISTING SUSPENSION

The Corporation’s shares were suspended from trading on the TSX Venture Exchange (the “TSXV”) effective November 3, 2014, for failure to comply with Exchange Requirements. The Corporation has satisfied the TSX-V following a Compliance Review of its status following the disposition in September, 2014, of the assets of its Coatings Division. The Corporation has paid all requisite fees and the Directors have provided assurances and undertakings regarding compliance with Exchange Requirements, as required by the TSX-V. In accordance with the requirements of the TSX-V following that Review, since the Corporation has not maintained the requirements for a TSX Venture Exchange ("TSX.V") Tier 2 Corporation, the Corporation's listing will transfer to the NEX Board of the TSX.V (the "NEX") upon completion of requisite formalities.

25. SHARE CAPITAL

As at March 31, 2016, and at the date of this Report, there were 107,948,144 issued and outstanding common shares (March 31, 2015 - 107,948,144). There are no other shares of any class or series, and no Warrants or Incentive Stock Options issued or outstanding. See Note 10 to the Consolidated Financial Statements for the period ended March 31, 2016, for details of certain transactions in relation to the issued and outstanding share capital that have not, as at March 31, 2016 or up to the date of this Report, been implemented.

6.1 (B) AQUARIUS - FISCAL PERIOD OF THREE MONTHS TO JUNE 30, 2016

1. INTRODUCTION

The following is a discussion and analysis of the Corporation's results of operations and financial condition for the three month period ended June 30, 2016 and should be read in conjunction with its Condensed Consolidated Interim Financial Statements for the period ended June 30, 2016 and the related notes thereto (the “Interim Financial Statements”). The amounts included in the following discussions are expressed in Canadian dollars (unless otherwise indicated).

2. GOING CONCERN

The Interim Financial Statements have been prepared on a going concern basis which assumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations. The Corporation has incurred significant losses for a period of several years and has both a working capital and shareholders’ deficiency. Accordingly, the ability of the Corporation to continue as a going concern is uncertain and is dependent upon obtaining sufficient levels of financing, achieving profitable operations and continued support from its shareholders. The Interim Financial Statements do not include any adjustments to the amounts or classification of financial statement items that might be necessary if the Corporation was unable to continue as a going concern. No adjustment has been made in these financial statements to reflect liquidation values of assets on a non-going concern basis as any such adjustment, if required, would not have a material effect on the Corporation’s balance sheet. Please refer to Note 2 to the Interim Financial Statements for important information regarding the going concern assumption.

3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements of the Corporation have been prepared by management using the accounting policies and methods as outlined in Note 3 to Consolidated Financial Statements for the year ended March 31, 2016. The Interim Financial Statements have, in management's opinion, been properly prepared using judgment within reasonable limits of materiality and are in conformity with International Financial Reporting Standards ("IFRS").

4. BUSINESS OVERVIEW

As of August 1, 2014 the Corporation entered into an agreement to sell certain assets of the Corporation, namely Inventory, Equipment, Intellectual Property, Material Contracts and Customer Lists. The transaction closed on September 5, 2014 and as a result of this sale the Corporation is no longer in the distribution of industrial and consumer protective coatings but it does retain a royalty interest on sales of the Corporation's former products for a 3 year period.

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

5. OVERALL PERFORMANCE RELATING TO OPERATIONS FOR THE THREE MONTH PERIOD ENDING JUNE 30, 2016 COMPARED TO THE SAME PERIOD IN THE PRIOR YEAR

Continuing operations

There were no revenues from continuing operations in either the current period or in the same period in the prior year. General and administrative expenses were $5,218 compared to $7,206 in the prior year. Bank charges and interest were $501 compared to $508 in the prior year. Amortization expense was $24 compared to $47 in the prior year and royalty income in the current period was $2,894 compared to $4,369 in the prior year comparative period.

6. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected items from the Consolidated Balance Sheets as at June 30, 2016, June 30, 2015 and June 30, 2014:

Balance Sheet Item	30-Jun-16 $'s	30-Jun-15 $'s	30-Jun-14 $'s
Cash	7,396	17,486	4,189
Accounts receivable	6,179	13,488	35,504
Inventory – Raw materials	-	-	31,162
Inventory – Finished Goods	-	-	25,717
Accounts payable	57,332	56,055	87,496
Notes Payable	-	200,000	200,000
Related party advances	3,823,864	3,804,957	3,662,897
Shareholders Equity (Deficiency)	(3,867,456)	(3,917,436)	(3,730,881)

All assets are now located in Nova Scotia and are subject to the General Security Agreement discussed in Note 7 to the Interim Financial Statements.

7. **CASH**

Cash represents cash on deposit less outstanding cheques. Cash decreased 58% to $7,396 in the current period from $17,486 in the prior year.

8. **ACCOUNTS RECEIVABLE**

Accounts receivable decreased by 54% to $6,179 at the end of the current period compared to $13,488 in the prior year.

9. **INVENTORY**

Inventories have now been sold as discussed in Note 4 – DISCONTINUED OPERATIONS to the Interim Financial Statements.

10. **ACCOUNTS PAYABLE**

Accounts payable increased by 2% to $57,332 at the end of the current period from $56,055 in the prior year.

11. **NOTES PAYABLE**

Notes payable represented a subordinated loan from a venture capital company to a subsidiary a number of years ago. The loan was non-interest bearing and unsecured. There have been no principal payments on the loan since 1992 and Corporation wrote off the balance of the note in the fiscal year ended March 31, 2016.

12. **RELATED PARTY TRANSACTIONS**

During the year operations were funded from the proceeds of shareholder and related party advances. The amount due to related party increased slightly to $3,823,864 at the end of the current period compared to $3,804,957 in the prior year. Please refer to Note 7 and Note 10 in the Interim Financial Statements for pertinent information pertaining to the related party transactions.

13. **SELECTED QUARTERLY FINANCIAL DATA**

The table below presents selected financial data for each of the eight quarters ending June 30, 2016:

	30-Jun 2016 $'s	31-Mar 2016 $'s	31-Dec 2015 $'s	30-Sep 2015 $'s	30-Jun 2015 $'s	31-Mar 2015 $'s	31-Dec 2014 $'s	30-Sep 2014 $'s
CONTINUING OPERATIONS								
Expenses								
General and administrative	5,218	9,294	12,576	15,806	7,206	11,018	5,739	8,507
Amortization	24	48	47	47	47	94	94	132
Interest and bank charges	501	526	514	492	508	490	519	341
Royalty income	(2,072)	(833)	(3,023)	(1,416)	(4,369)	(3,788)	(4,792)	
Gain on settlement of debt	-	(200,000)	-	-	-	-	-	-
	3,671	(190,965)	10,114	14,929	3,392	7,815	1,560	8,980
Net Income (Loss) from continuing operations	(3,671)	190,965	(10,114)	(14,929)	(3,392)	(7,815)	(1,560)	(8,980)
DISCONTINUED OPERATIONS								
Sales	-	-	-	-	-	527	(90)	62,596
Cost of sales	-	-	-	-	-	5,000	-	37,126
Gross Margin	-	-	-	-	-	(4,473)	(90)	25,470

Expenses								
Selling, general and administrative	-	-	-	-	-	1,482	436	194,145
Bank Charges and Interest	-	-	-	-	-	-	-	266
Gain on disposal of assets	-	-	-	-	-	-	-	(10,614)
	-	-	-	-	-	1,482	436	183,798
Net income (loss) from discontinued operation	-	-	-	-	-	(5,955)	(526)	(158,328)
Total income (loss)	(3,671)	190,965	(10,114)	(14,929)	(3,392)	(13,770)	(2,086)	(167,307)
Other Comprehensive Income	-	(112,271)	-	-	-	-	-	-
Total comprehensive income	(3,671)	78,694	(10,114)	(14,929)	(3,392)	(13,770)	(2,086)	(167,307)

Discussion of financial data

CONTINUING OPERATIONS

The net loss for the three months ended June 30, 2016 from continuing operations, excluding Other Comprehensive Income, was $3,671 ($0.00 per share), for the same period in the previous year the net loss was $3,992 ($0.00 per share). As of June 30, 2016 and June 30, 2015 there were 107,948,144 shares outstanding. Royalty income in the current period was $2,072 compared to $4,369 in the prior year comparative period There was no Other Comprehensive Income in either the period under review or in the comparative period of the prior year and there were no items in Discontinued Operations in either the current period or in the prior year.

14. TRANSACTIONS WITH RELATED PARTIES

The Corporation has historically funded its activities through the sale of Common shares and advances from a major shareholder. During the period under review, sales and marketing efforts were funded from the proceeds of shareholder and related party advances (see Note 7 of the Interim Financial Statements).

15. MANAGEMENT OF CAPITAL

The Corporation defines capital that it manages as the aggregate of its notes payable, loan due to shareholder, share capital, contributed surplus, accumulated 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, 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. CONTRACTUAL OBLIGATIONS

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

17. CAPITAL RESOURCES

The Corporation does not anticipate any major expenditure on capital resources.

18. OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

19. LONG-TERM INVESTMENTS

Woodland Biofuels Inc. ("Woodland")

The Corporation holds 112,272 shares in Woodland; further details appear in Note 9 of the notes to the Interim Financial Statements.

20. RISKS AND UNCERTAINTIES

There are risks and uncertainties with the business operation and results of the Corporation and those risks are discussed in detail in Note 16 to the Consolidated Financial Statements for the year ended March 31, 2016.

21. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109, the Corporation's Acting Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be filing annual and quarterly certificates of disclosure concurrent with the filing of its annual and quarterly filings.

The Board of Directors together with an independent and qualified Audit Committee provide direct oversight responsibilities for the review of the quarterly and annual financial statements.

24. LISTING SUSPENSION

The Corporation's shares have been suspended from trading on the TSX Venture Exchange (the "TSX-V") effective November 3, 2014, for failure to comply with Exchange Requirements. The Corporation has satisfied the TSX-V following a Compliance Review of its status following the disposition in September, 2014, of the assets of its Coatings Division. The Corporation has paid all requisite fees and the Directors have provided assurances and undertakings regarding compliance with Exchange Requirements, as required by the TSX-V. In accordance with the requirements of the TSX-V following that Review, since the Corporation has not maintained the requirements for a TSX-V Tier 2 company, the Corporation's listing will transfer to the NEX Board of the TSX.V (the "NEX") upon completion of requisite formalities.

25. SHARE CAPITAL

As at June 30, 2016, and at the date of this Report, there were 107,948,144 issued and outstanding common shares (June 30, 2015 - 107,948,144). There are no other shares of any class or series, and no Warrants or Incentive Stock Options issued or outstanding. See Note 10 to the Interim Financial Statements for details of certain transactions in relation to the issued and outstanding share capital that have not, as at June 30, 2016 or up to the date of this Report, been implemented.

6.1 (C) AQUARIUS - FISCAL PERIOD OF THREE AND SIX MONTHS TO SEPTEMBER 30, 2016

1. INTRODUCTION

The following is a discussion and analysis of the Corporation's results of operations and financial condition for the three month and six month periods ended September 30, 2016 and should be read in conjunction with its Condensed Consolidated Interim Financial Statements for the period ended September 30, 2016 and the related notes thereto (the "Interim Financial Statements"). The amounts included in the following discussions are expressed in Canadian dollars (unless otherwise indicated).

2. GOING CONCERN

The Interim Financial Statements have been prepared on a going concern basis which assumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations. The Corporation has incurred significant losses for a period of several years and has both a working capital and shareholders' deficiency. Accordingly, the ability of the Corporation to continue as a going concern is uncertain and is dependent upon obtaining sufficient levels of financing, achieving profitable operations and continued support from its shareholders. The Interim Financial Statements do not include any adjustments to the amounts or classification of financial statement items that might be necessary if the Corporation was unable to continue as a going concern. No adjustment has been made in these financial statements to reflect liquidation values of assets on a non-going concern basis as any such adjustment, if required, would not have a material effect on the Corporation's balance sheet. Please refer to Note 2 to the Interim Financial Statements for important information regarding the going concern assumption.

3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements of the Corporation have been prepared by management using the accounting policies and methods as outlined in Note 3 to Consolidated Financial Statements for the year ended March 31, 2016. The Interim Financial Statements have, in management's opinion, been properly prepared using judgement within reasonable limits of materiality and are in conformity with International Financial Reporting Standards ("IFRS").

4. BUSINESS OVERVIEW

As of August 1, 2014 the Corporation entered into an agreement to sell certain assets of the Corporation, namely Inventory, Equipment, Intellectual Property, Material Contracts and Customer Lists. The transaction closed on September 5, 2014 and as a result of this sale the Corporation is no longer in the distribution of industrial and consumer protective coatings but it does retain a royalty interest on sales of the Corporation's former products for a 3 year period.

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. Please refer to the Press Release and a Material Change Report filed under the Corporation's profile on SEDAR.COM.

The Annual and Special General Meeting of shareholders was held on November 21, 2016 and at that meeting shareholders approved the acquisition of Surgical Lasers Inc. as outlined in the Information Circular filed under the Corporation's profile on SEDAR.COM. Additional matters approved by the shareholders are discussed in Note 17 SUBSEQUENT EVENT to the September 30, 2016 Interim Financial Statements.

5. OVERALL PERFORMANCE RELATING TO OPERATIONS FOR THE THREE MONTH PERIOD ENDING SEPTEMBER 30, 2016 COMPARED TO THE SAME PERIOD IN THE PRIOR YEAR

Continuing operations

There were no revenues from continuing operations in either the current period or in the same period in the prior year. General and administrative expenses were $36,670 compared to $15,806 in the prior year. The increase in expenses in the current year is a result of additional costs associated the proposed acquisition. Bank charges and interest were $512 compared to $492 in the prior year. Amortization expense was $23 compared to $47 in the prior year and royalty income in the current period was $3,086 compared to $1,416 in the prior year comparative period.

6. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected items from the Consolidated Balance Sheets as at September 30, 2016, September 30, 2015 and September 30, 2014:

Balance Sheet Item	30-Sep-16 $'s	30-Sep-15 $'s	30-Sep-14 $'s
Cash	6,004	11,227	11,711
Accounts receivable	12,768	19,647	105,542
Accounts payable	54,779	67,853	122,583
Notes Payable	-	200,000	200,000
Related party advances	3,865,710	3,807,941	3,805,697
Shareholders Equity (Deficiency)	(3,901,575)	(3,932,365)	(3,898,188)

All assets are now located in Nova Scotia and are subject to the General Security Agreement discussed in Note 7 to the Interim Financial Statements.

7. CASH

Cash represents cash on deposit less outstanding cheques. Cash decreased 46.5% to $6,004 in the current period from $11.227 in the prior year.

8. ACCOUNTS RECEIVABLE

Accounts receivable decreased by 35.0% to $12,768 at the end of the current period compared to $19,647 in the prior year.

9. ACCOUNTS PAYABLE

Accounts payable decreased by 19.3% to $54,779 at the end of the current period from $67,853 in the prior year

10. NOTES PAYABLE

Notes payable represented a subordinated loan from a venture capital company to a subsidiary a number of years ago. The loan was non-interest bearing and unsecured. There have been no principal payments on the loan since 1992 and Corporation wrote off the balance of the note in the fiscal year ended March 31, 2016.

11. RELATED PARTY TRANSACTIONS

During the year operations were funded from the proceeds of shareholder and related party advances. The amount due to related party increased by 1.5% to $3,865,710 at the end of the current period compared to $3,807,942 in the prior year. Please refer to Note 7 and Note 17 in the Interim Financial Statements for pertinent information pertaining to the related party transactions.

12. SELECTED QUARTERLY FINANCIAL DATA

The table below presents selected financial data for each of the eight quarters ending September 30, 2016:

	30-Sep 2016 $'s	30-Jun 2016 $'s	31-Mar 2016 $'s	31-Dec 2015 $'s	30-Sep 2015 $'s	30-Jun 2015 $'s	31-Mar 2015 $'s	31-Dec 2014 $'s
CONTINUING OPERATIONS								
Expenses								
General and administrative	36,670	5,218	9,294	12,576	15,806	7,206	11,018	5,739
Amortization	23	24	48	47	47	47	94	94
Interest and bank charges	512	501	526	514	492	508	490	519
Royalty income	(3,086)	(2,072)	(833)	(3,023)	(1,416)	(4,369)	(3,788)	(4,792)
Gain on settlement of debt	-	-	(200,000)	-	-	-	-	-
	34,119	3,671	(190,965)	10,114	14,929	3,392	7,815	1,560
Net Income (Loss) from continuing operations	(34,119)	(3,671)	190,965	(10,114)	(14,929)	(3,392)	(7,815)	(1,560)
DISCONTINUED OPERATIONS								
Sales	-	-	-	-	-	-	527	(90)
Cost of sales	-	-	-	-	-	-	5,000	-
Gross Margin	-	-	-	-	-	-	(4,473)	(90)
Expenses								
Selling, general and administrative	-	-	-	-	-	-	1,482	436
	-	-	-	-	-	-	1,482	436
Net income (loss) from discontinued operation	-	-	-	-	-	-	(5,955)	(526)
Total income (loss)	(34,119)	(3,671)	190,965	(10,114)	(14,929)	(3,392)	(13,770)	(2,086)
Other Comprehensive Income (Loss)	-	-	(112,271)	-	-	-	-	-
Total comprehensive income (Loss)	(34,119)	(3,671)	78,694	(10,114)	(14,929)	(3,392)	(13,770)	(2,086)

Discussion of Selected Financial Data

CONTINUING OPERATIONS

The net loss for the three month period ended September 30, 2016 from continuing operations, excluding Other Comprehensive Income, was $34,119 ($0.00 per share), for the same period in the prior year the net loss was $14,929 ($0.00 per share). The net loss for the six month period ended September 30, 2016 from continuing operations, excluding Other Comprehensive Income, was $37,790 ($0.00 per share) compared to a net loss of $18,321 for the same period in the prior year. The increased loss in both the three month and six month periods in the current year is the result of additional expenses related to the proposed acquisition discussed in Item 5 above.

Royalty income for the three months ended September 30, 2016 was $3,086 compared to $1,416 in the same period in the prior year. Royalty income for the six months ended September 30, 2016 was $5,158 compared to $5,785 in the same period in the prior year

There was no Other Comprehensive Income in either the period under review or in the comparative period of the prior year and there were no items in Discontinued Operations in either the current period or in the prior year.

13. TRANSACTIONS WITH RELATED PARTIES

The Corporation has historically funded its activities through the sale of Common shares and advances from a major shareholder. During the period under review, sales and marketing efforts were funded from the proceeds of shareholder and related party advances (see Note 7 of the Interim Financial Statements).

14. MANAGEMENT OF CAPITAL

The Corporation defines capital that it manages as the aggregate of its notes payable, loan due to shareholder, share capital, contributed surplus, accumulated 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, 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.

15. CONTRACTUAL OBLIGATIONS

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

16. CAPITAL RESOURCES

The Corporation does not anticipate any major expenditure on capital resources.

17. OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

18. LONG-TERM INVESTMENTS

Woodland Biofuels Inc. ("Woodland")

The Corporation holds 112,272 shares in Woodland; further details appear in Note 9 of the notes to the Interim Financial Statements.

19. RISKS AND UNCERTAINTIES

There are risks and uncertainties with the business operation and results of the Corporation and those risks are discussed in detail in Note 16 to the Consolidated Financial Statements for the year ended March 31, 2016.

20. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109, the Corporation's Acting Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be filing annual and quarterly certificates of disclosure concurrent with the filing of its annual and quarterly filings.

The Board of Directors together with an independent and qualified Audit Committee provide direct oversight responsibilities for the review of the quarterly and annual financial statements.

21. LISTING SUSPENSION

The Corporation’s shares have been suspended from trading on the TSX Venture Exchange (the “TSX-V”) effective November 3, 2014, for failure to comply with Exchange Requirements. The Corporation has satisfied the TSX-V following a Compliance Review of its status following the disposition in September, 2014, of the assets of its Coatings Division. The Corporation has paid all requisite fees and the Directors have provided assurances and undertakings regarding compliance with Exchange Requirements, as required by the TSX-V. In accordance with the requirements of the TSX-V following that Review, since the Corporation has not maintained the requirements for a TSX-V Tier 2 company, the Corporation's listing will transfer to the NEX Board of the TSX-V (the "NEX") upon completion of requisite formalities.

22 SHARE CAPITAL

As at September 30, 2016, and at the date of this Report, there were 107,948,144 issued and outstanding common shares (September 30, 2015 - 107,948,144). There are no other shares of any class or series, and no Warrants or Incentive Stock Options issued or outstanding. See Note 10 to the Interim Financial Statements for details of certain transactions in relation to the issued and outstanding share capital that have not, as at September 30, 2016 or up to the date of this Report, been implemented.

6.1 (C) AQUARIUS - FISCAL PERIOD OF THREE AND NINE MONTHS TO DECEMBER 31, 2016

1. INTRODUCTION

The following is a discussion and analysis of the Corporation's results of operations and financial condition for the three month and nine month periods ended December 31, 2016 and should be read in conjunction with its Condensed Consolidated Interim Financial Statements for the period ended December 31, 2016 and the related notes thereto (the “Interim Financial Statements”). The amounts included in the following discussions are expressed in Canadian dollars (unless otherwise indicated).

2. GOING CONCERN

The Interim Financial Statements have been prepared on a going concern basis which assumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations. The Corporation has incurred significant losses for a period of several years and has both a working capital and shareholders’ deficiency. Accordingly, the ability of the Corporation to continue as a going concern is uncertain and is dependent upon obtaining sufficient levels of financing, achieving profitable operations and continued support from its shareholders. The Interim

Financial Statements do not include any adjustments to the amounts or classification of financial statement items that might be necessary if the Corporation was unable to continue as a going concern. No adjustment has been made in these financial statements to reflect liquidation values of assets on a non-going concern basis as any such adjustment, if required, would not have a material effect on the Corporation's balance sheet. Please refer to Note 2 to the Interim Financial Statements for important information regarding the going concern assumption.

3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements of the Corporation have been prepared by management using the accounting policies and methods as outlined in Note 3 to Consolidated Financial Statements for the year ended March 31, 2016. The Interim Financial Statements have, in management's opinion, been properly prepared using judgement within reasonable limits of materiality and are in conformity with International Financial Reporting Standards ("IFRS").

4. BUSINESS OVERVIEW

As of August 1, 2014 the Corporation entered into an agreement to sell certain assets of the Corporation, namely Inventory, Equipment, Intellectual Property, Material Contracts and Customer Lists. The transaction closed on September 5, 2014 and as a result of this sale the Corporation is no longer in the distribution of industrial and consumer protective coatings but it does retain a royalty interest on sales of the Corporation's former products for a 3 year period.

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. Please refer to the Press Release and a Material Change Report filed under the Corporation's profile on SEDAR.

The Annual and Special General Meeting of shareholders was held on November 21, 2016 and at that meeting shareholders approved the acquisition of Surgical Lasers Inc. as outlined in the Information Circular filed under the Corporation's profile on SEDAR. Additional matters approved by the shareholders are discussed at Item 26 below and in Note 17 ADDITIONAL INFORMATION to the December 31, 2016 Interim Financial Statements.

5. OVERALL PERFORMANCE RELATING TO OPERATIONS FOR THE THREE MONTH PERIOD ENDING DECEMBER 31, 2016 COMPARED TO THE SAME PERIOD IN THE PRIOR YEAR

There were no revenues from continuing operations in either the current period or in the same period in the prior year. General and administrative expenses were $33,158 compared to $12,576 in the prior year. The increase in expenses in the current year is a result of additional costs associated the proposed acquisition. Bank charges and interest were $541 compared to $514 in the prior year. Amortization expense was $23 compared to $47 in the prior year and royalty income in the current period was $3,061 compared to $3,023 in the prior year comparative period.

6. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected items from the Consolidated Balance Sheets as at December 31, 2016, December 31, 2015, and December 31, 2014:

Balance Sheet Item	31-Dec-16 $'s	31-Dec-15 $'s	31-Dec-14 $'s
Cash	21,423	5,229	7,339
Accounts receivable	3,384	11,855	25,251
Accounts payable	45,597	48,207	63,501
Notes Payable	-	200,000	200,000
Due to related party	3,911,565	3,823,864	3,782,107
Shareholders Equity (Deficiency)	(3,932,236)	(3,942,479)	(3,900,274)

All assets are now located in Nova Scotia and are subject to the General Security Agreement discussed in Note 7 to the Interim Financial Statements.

7. CASH

Cash represents cash on deposit less outstanding cheques. Cash increased to $21,423 in the current period from $5,229 in the prior year.

8. ACCOUNTS RECEIVABLE

Accounts receivable decreased by 71.5% to $3,384 at the end of the current period compared to $11,855 in the prior year.

9. ACCOUNTS PAYABLE

Accounts payable decreased by 5.4% to $45,597 at the end of the current period from $48,207 in the prior year.

10. NOTES PAYABLE

Notes payable represented a subordinated loan from a venture capital company to a subsidiary a number of years ago. The loan was non-interest bearing and unsecured. There have been no principal payments on the loan since 1992 and Corporation wrote off the balance of the note in the fiscal year ended March 31, 2016.

11. RELATED PARTY TRANSACTIONS

During the year operations were funded from the proceeds of shareholder and related party advances. The amount due to related party increased by 2.3% to $3,911,565 at the end of the current period compared to $3,823,864 in the prior year. Please refer to Note 7 and Note 17 in the Interim Financial Statements for pertinent information pertaining to the related party transactions.

12. SELECTED QUARTERLY FINANCIAL DATA

The table below presents selected financial data for the eight Quarters ending December 31, 2016:

	31-Dec 2016 $'s	30-Sep 2016 $'s	30-Jun 2016 $'s	31-Mar 2016 $'s	31-Dec 2015 $'s	30-Sep 2015 $'s	30-Jun 2015 $'s	31-Mar 2015 $'s
CONTINUING OPERATIONS								
Expenses								
General and administrative	33,158	36,670	5,218	9,294	12,576	15,806	7,206	11,018
Amortization	23	23	24	48	47	47	47	94
Interest and bank charges	541	512	501	526	514	492	508	490
Royalty income	(3,061)	(3,086)	(2,072)	(833)	(3,023)	(1,416)	(4,369)	(3,788)
Gain on settlement of debt	-	-	-	(200,000)	-	-	-	-
	30,661	34,119	3,671	(190,965)	10,114	14,929	3,392	7,815
Net Income (Loss) from continuing operations	(30,661)	(34,119)	(3,671)	190,965	(10,114)	(14,929)	(3,392)	(7,815)
DISCONTINUED OPERATIONS								
Sales	-	-	-	-	-	-	-	527
Cost of sales	-	-	-	-	-	-	-	5,000
Gross Margin	-	-	-	-	-	-	-	(4,473)
Expenses								
Selling, general and administrative	-	-	-	-	-	-	-	1,482
	-	-	-	-	-	-	-	1,482
Net income (loss) from discontinued operation	-	-	-	-	-	-	-	(5,955)
Total income (loss)	(30,661)	(34,119)	(3,671)	190,965	(10,114)	(14,929)	(3,392)	(13,770)
Other Comprehensive Income (Loss)	-	-	-	(112,271)	-	-	-	-
Total comprehensive income (Loss)	(30,661)	(34,119)	(3,671)	78,694	(10,114)	(14,929)	(3,392)	(13,770)

Discussion of Selected Financial Data

CONTINUING OPERATIONS

The net loss for the three month period ended December 31, 2016 from continuing operations, excluding Other Comprehensive Income, was $30,661 ($0.00 per share), for the same period in the prior year the net loss was $10,114 ($0.00 per share). The net loss for the nine month period ended December 31, 2016 from continuing operations, excluding Other Comprehensive Income, was $68,451 ($0.00 per share) compared to a net loss of $28,434 for the same period in the prior year. The increased loss in both the three month and nine month periods in the current year is the result of additional expenses related to the proposed acquisition discussed in Item 5 above.

Royalty income for the three months ended December 31, 2016 was $3,061 compared to $3,023 in the same period in the prior year. Royalty income for the nine months ended December 31, 2016 was $8,219 compared to $8,808 in the same period in the prior year

There was no Other Comprehensive Income in either the period under review or in the comparative period of the prior year and there were no items in Discontinued Operations in either the current period or in the prior year.

13. TRANSACTIONS WITH RELATED PARTIES

The Corporation has historically funded its activities through the sale of Common shares and advances from a major shareholder. During the period under review, sales and marketing efforts were funded from the proceeds of shareholder and related party advances (see Note 7 of the Interim Financial Statements).

14. MANAGEMENT OF CAPITAL

The Corporation defines capital that it manages as the aggregate of its notes payable, loan due to shareholder, share capital, contributed surplus, accumulated 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.

	Dec 31, 2016	Dec 31, 2015
	$	$
Notes payable	**-**	200,000
Loan due to shareholder	**3,911,565**	3,823,864
Share capital	**10,340,865**	10,340,865
Contributed surplus	**5,193,806**	5,193,806
Accumulated other comprehensive income	**-**	112,271
Deficit	**(19,466,907)**	(19,589,421)
Total Capital	**(20,671)**	81,385

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, 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.

15. CONTRACTUAL OBLIGATIONS

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

16. CAPITAL RESOURCES

The Corporation does not anticipate any major expenditure on capital resources.

17. OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

18. LONG-TERM INVESTMENTS

Woodland Biofuels Inc. ("Woodland")

The Corporation holds 112,272 shares in Woodland; further details appear in Note 9 of the notes to the Interim Financial Statements.

19. RISKS AND UNCERTAINTIES

There are risks and uncertainties with the business operation and results of the Corporation and those risks are discussed in detail in Note 16 to the Consolidated Financial Statements for the year ended March 31, 2016.

20. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109, the Corporation's Acting Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be filing annual and quarterly certificates of disclosure concurrent with the filing of its annual and quarterly filings.

The Board of Directors together with an independent and qualified Audit Committee provide direct oversight responsibilities for the review of the quarterly and annual financial statements.

21. LISTING SUSPENSION

The Corporation's shares were suspended from trading on the TSX Venture Exchange (the "TSXV") effective November 3, 2014, for failure to comply with Exchange Requirements. The Corporation has satisfied the TSX-V following a Compliance Review of its status following the disposition in September, 2014, of the assets of its Coatings Division. The Corporation has paid all requisite fees and the Directors have provided assurances and undertakings regarding compliance with Exchange Requirements, as required by the TSX-V. In accordance with the requirements of the TSX-V following that Review, since the Corporation had not maintained the requirements for a TSX Venture Exchange ("TSX.V") Tier 2 company, the Corporation's listing was transferred to the NEX Board of the TSX.V (the "NEX") in January, 2016. The Corporation has now given notice to the NEX/TSX-V of its intention to de-list its shares from the NEX Board of the TSX-V as part of the ongoing process in connection with the acquisition of Surgical Lasers Inc. and the related financing transaction.

22. SHARE CAPITAL

As at December 31, 2016, and at the date of this Report, there were 107,948,144 issued and outstanding common shares (December 31, 2015 - 107,948,144). There are no other shares of any class or series, and no Warrants or Incentive Stock Options issued or outstanding. See Note 10 to the Interim Financial Statements for details of certain transactions in relation to the issued and outstanding share capital that have not, as at December 31, 2016 or up to the date of this Report, been implemented.

6. 2 - MANAGEMENT'S DISCUSSION & ANALYSIS RELATING TO SURGICAL LASERS INC.

6.2 (A) SURGICAL LASERS INC. - 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

6.2(B) SURGICAL LASERS INC. - 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.

6.2(C) SURGICAL LASERS INC. - FISCAL QUARTER TO SEPTEMBER 30, 2016 COMPARED TO THE SAME PERIOD OF 2015

Overview – Three Months and Nine Months to September 30, 2016 compared to the same periods of fiscal 2015

As during the period to December 31, 2015, Operations during the Three and Nine Months ended September 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 nine months of 2016 continued to be at a relatively minimal level, while Cost of Sales and G&A Overhead were high. Overall Gross Sales for the Three and Nine Month periods were $9,838 and $198.776 respectively (compared to $29,703 and $52,578 in the same periods of 2015), representing variances of (66%). As SLI continues to be in “start-up” mode, and the proposed financing had not been completed, the operational results were in line with Management’s anticipation.

Results of operations – Three Months and Nine Months to September 30, 2016

Gross sales in the Quarter to September 30, 2016, were $9,838, with Cost of Sales at $24,813, resulting in a Gross Margin of ($14,975); this compared with $29,703, $402,069 and ($372,366) respectively in the comparative quarter of fiscal 2015. Results for the Nine Months to September 30, 2016 were Gross Sales $198,766, Cost of Sales $169,488 and Gross Margin of $29,288, compared with $52,578, $413,829 and ($361,251) respectively in the comparative period of fiscal 2015. Expenses in the Three Months ended September 30, 2016 were $287,225, compared to $145,279 in the comparative prior period, and for the Nine Months to September 30, 2016 were $612,041 compared to $443,977 in the comparative prior period. Net Loss for the Three and Nine Month periods ended September 30, 2016 were ($302,200) and ($582,753) respectively, compared to ($517,645) and ($805,228) for the comparative prior-year periods. The Operating Loss to September 30, 2016 was added to the Deficit which stood at $1,817,650 at September 30, 2016 (*2015 - $890,816*).The results for the periods of fiscal 2016 accordingly reflect an operating loss as anticipated by Management during the start-up phase and prior to obtaining financing.

Financial overview - Development Expenses - Three Months and Nine Months to September 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 Three Months and Nine Months ended September 30, 2016, with comparisons for the comparative periods for the prior year, were as follows. Variances in G&A Expenses in the 2016 fiscal year when compared to the same periods in the prior fiscal year are principally accounted for by travel expenses incurred during the respective fiscal periods.

	Quarter ended September 30		**Nine Months ended September 30**	
	2016	***2015***	**2016**	***2015***
Selling, general and administrative	$177,009	*$18,508*	$339,080	*$126,804*

Financial Overview – General and Administrative Expenses - Three Months and Nine Months to September 30, 2016

Principal General and Administrative costs during the Three Month and Nine Month periods ended September 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 September 30		**Nine Months ended September 30**	
	2016	***2015***	**2016**	***2015***
Bank and Interest charges	$388	*$2,701*	$1,111	*$4,758*
Foreign Exchange (gain) loss	$4,225	*$15,170*	($12,451)	*$29,469*
Rent Expense	$4,980	-	$16,834	-
Management Fees	$52,500	$52,500	$157,500	$157,500
Professional Fees	$47,654	$56,400	$108,561	$125,446

The above figures indicate that there were substantial movements in foreign exchange gains and losses in the 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. Those Exchange Rates have, during the 2016 fiscal year, been materially affected by a number of factors entirely beyond the control of Management, in particular the result of the "Brexit" vote in the United Kingdom which has affected the Euro, and the result of the US Presidential Election, which has affected the US Dollar. 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 and Nine Months to September 30, 2016

As at September 30, 2016, SLI had liquid cash resources of $72,270, compared with $3,634 as at December 31, 2015. Accounts Receivable as at September 30, 2016 were $116,552, compared with $49,093 as at December 31, 2015. Inventories as at September 30, 2016 were $688,275, compared with $770,996 as at December 31, 2015. Prepaid Expenses as at September 30, 2016 were $3,381, compared with $3,381 at December 31, 2015. Accounts Payable and Accrued Liabilities as at September 30, 2016, were $73,443, compared with $56,252 as at December 31, 2015. The Note Payable, representing funds advanced to the Company to cover operating and start-up costs, was $2,627,776 at September 30, 2016, compared with $2,055,320 as at December 31, 2015. Since SLI was still in the start-up phase as at September 30, 2015, and had not yet completed any major financing, working capital and other resources was been provided by, and the company was dependent upon advances from related parties. Closing of the acquisition of SLI by Aquarius Laser Technologies Inc., with the associated financing, has had the effect of reducing the Note Payable by $1,500,000 and for new funds of $1,500,000 to be available for the next stage of development.

6.2(D) SURGICAL LASERS INC. - FISCAL QUARTER TO DECEMBER 31, 2016 COMPARED TO THE SAME PERIOD OF 2015

Overview – Three Months and Twelve Months to December 31, 2016 compared to the same periods of fiscal 2015

As during the period to December 31, 2015, Operations during the Three and Twelve Months ended December 31, 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 Three and Twelve months ended December 31, 2016 continued to be at a relatively minimal level, while Cost of Sales and G&A Overhead were high. Overall Gross Sales for the Three and Twelve Month periods were $56,033 and $254,809 respectively (compared to ($6,369) and $46,209 in the same periods of 2015); the year-over-year variance is accountable as during the prior year periods the Company was at a much lower level of activity as it was building its business base. As SLI continues to be in “start-up” mode, and the proposed financing had not been completed, the operational results were in line with Management’s anticipation.

Results of operations – Three Months and Twelve Months to December 31, 2016

Gross sales in the Quarter to December 31, 2016, were $56,033, with Cost of Sales at $74,719, resulting in a Gross Margin of ($18,686); this compared with ($6,369), $28,835 and ($35,204) respectively in the comparative quarter of fiscal 2015. Results for the Twelve Months to December 31, 2016 were Gross Sales $254,809, Cost of Sales $244,207 and Gross Margin of $10,602, compared with $46,209, $442,664 and ($396,455) respectively in the comparative period of fiscal 2015. Expenses in the Three Months ended December 31, 2016 were $373,877, compared to $308,877 in the comparative prior period, and for the Twelve Months to December 31, 2016 were $985,918 compared to $752,854 in the comparative prior period. Net Loss for the Three and Twelve Month periods ended December 31, 2016 were ($392,563) and ($975,316) respectively, compared to ($344,081) and ($1,149,309) for the comparative prior-year periods. The Operating Loss to December 31, 2016 was added to the Deficit which stood at $2,210,213 at December 31, 2016 (*2015 - $1,234,897*).The results for the periods of fiscal 2016 accordingly reflect an operating loss as anticipated by Management during the start-up phase and prior to obtaining financing.

Financial overview - Development Expenses - Three Months and Twelve Months to December 31, 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 Three Months and Twelve Months ended December 31, 2016, with comparisons for the comparative periods for the prior year, were as described in the undernoted Table. Variances in G&A Expenses in the 2016 fiscal year when compared to the same periods in the prior fiscal year are principally accounted for by travel expenses incurred during the respective fiscal periods.

	Quarter ended December 30		**Twelve Months ended December 31**	
	2016	***2015***	**2016**	***2015***
Selling, general and administrative	$319,538	*$264,143*	$941,513	*$673,893*

Financial Overview – General and Administrative Expenses - Three Months and Twelve Months to December 31, 2016

Principal General and Administrative costs during the Three Month and Twelve Month periods ended December 31, 2016, with comparatives for the same periods in the prior year, other than the Development Costs referred to above were as follows:

	Quarter ended December 31		**Twelve Months ended December 31**	
	2016	***2015***	**2016**	***2015***
Bank and Interest charges	$683	*$387*	$1,794	*$5,145*
Foreign Exchange (gain) loss	$12,688	*$42,569*	$237	*$72,038*
Rent Expense	$7,145	6,747	$23,979	$6,747
Management Fees	$52,500	$87,500	$210,000	$245,000
Professional Fees	$115,764	($65,414)	$224,325	$60,032

The above figures indicate that there were substantial movements in particular in foreign exchange gains and losses in the 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. Those Exchange Rates have, during the 2016 fiscal year, been materially affected by a number of factors entirely beyond the control of Management, in particular the result of the "Brexit" vote in the United Kingdom which has affected the Euro, and the result of the US Presidential Election, which has affected the US Dollar. 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 and Twelve Months to December 31, 2016

As at December 31, 2016, SLI had liquid cash resources of $11,575, compared with $3,634 as at December 31, 2015. Accounts Receivable as at December 31, 2016 were $142,368, compared with $49,093 as at December 31, 2015. Inventories as at December 31, 2016 were $190,483, compared with $770,996 as at December 31, 2015. Prepaid Expenses and Deposits as at December 31, 2016 were $167,047, compared with $3,381 at December 31, 2015. Accounts Payable and Accrued Liabilities as at December 31, 2016, were $108,744, compared with $56,252 as at December 31, 2015. The Note Payable, representing funds advanced to the Company to cover operating and start-up costs, was $3,106,895 at December 31, 2016, compared with $2,055,320 as at December 31, 2015. Since SLI was still in the start-up phase as at December 31, 2015, and had not yet completed any major financing, working capital and other resources was been provided by, and the company was dependent upon advances from related parties. Closing of the acquisition of SLI by Aquarius Laser Technologies Inc., with the associated financing, has had the effect of reducing the Note Payable by $1,500,000 and for new funds of $1,500,000 to be available for the next stage of development.

7. MARKET FOR SECURITIES

Prior to January, 2016, the Common Shares of the Company were listed on the TSX-V, but were not traded from November, 2014, following a suspension of trading imposed at that time. In January, 2016, the listing of Common Shares of the Company was moved from the TSX-V to the NEX Board, but the shares were never posted for trading on the NEX. There has accordingly been no public or published market for the Company's Common Shares for at least the past twelve months. On February 24, 2017, the Company gave notice de-listing its Common Shares from the NEX.

8. CONSOLIDATED CAPITALIZATION

At an Annual and Special General Meeting of the shareholders of Aquarius Coatings Inc., duly convened and held on November 21, 2016, resolutions were duly passed to authorize the following matters:

(a) The reorganization of the Authorized share capital;
(b) The consolidation of the issued and outstanding common shares on the basis of one new common share for every twenty old common shares;
(c) The change of name of the Company to Aquarius Surgical Technologies Inc.;
(d) The settlement of $3,800,000 of accrued debt by issuance of 3,800,000 (consolidated) common shares;
(e) The acquisition of the issued and outstanding issued shares of Surgical Lasers Inc. in consideration of the issuance of 4,598,704 (consolidated) common shares and 1,532,901 Series A Special Shares.

Articles of Amendment effecting the changes referred to at (a) - (c) above were filed on February 24, 2017.

In connection with the financing of the Company as part of the acquisition of Surgical Lasers Inc., a total of $3,025,000 has been raised by Private Placement issuance of 3,025,000 Units. It is anticipated that up to a further 975,000 Class A Units may be issued, subject to receipt of subscriptions and all relevant regulatory and other Consents and Approvals.

As at the date of this Listing Statement the Consolidated Capitalization of the Company is as follows:

DESCRIPTION	ORIGINAL SOURCE	NUMBER	CAPITAL $
Common shares	Original issued, consolidated	5,397,411	$10,340,865
Common shares	Debt Settlement	3,800,000	$3,800,000
Common shares	Acquisition of SLI	4,598,704	$4,598,704
Common shares	Comprised in Placement Units	3,025,000	$3,025,000
TOTAL COMMON SHARES		**16,821,115**	**$21,764,569.00**
Series A Special Shares	Acquisition of SLI	**1,532,901**	**$1,532,901**
TOTAL CONSOLIDATED CAPITAL			**$23,297,470.00**

NOTE: In the Private Placement of Units referred to above each Unit comprised one fully paid Common Share from treasury and one Class A Warrant;

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. 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** 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.

Accordingly, upon exercise of all of the Class A Warrants, a further 3,000,000 Common Shares would be issued for a total consideration of $4,500,000; and upon exercise of all of the Class B Warrants, a further 3,000,000 Common shares would be issued for a total consideration of $7,500,000.

In connection with the Private Placement referred to above, a total of 116,799 Agents' Warrants were issued. Each Agents' Warrant, which is not transferable, is valid for a period of two years from the date of issue, and entitles the Holder to acquire an Agents' Unit from the Company, comprising one fully paid common share and one share purchase warrant, for the price of $1 per Agents' Unit. The share purchase warrant comprised in the Agents' Unit is exercisable during a period of one year from the date of issue to acquire one fully paid common share from the Company at the price of $1.50. The Agents' Warrant and the share purchase warrant comprised in the Agents' Unit each contain a Call Provision, similar in terms to the Call Feature attached to the Class A Warrants and the Class B Warrants described above.

9. OPTIONS TO PURCHASE SECURITIES

The Company adopted an Incentive Stock Option Plan (the "2016 Plan") at the special meeting of shareholders held on November 21, 2016.

Description 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.

Options granted under the 2016 Plan

The following Table sets out the number and details of all outstanding options to purchase securities of the Company as at the date of this Listing Statement:

	Number of Options
Executive officers and past executive officers, directors and past directors who are not executive officers, as a group (5 persons)	1,150,000
Directors who are not Executive officers (2 persons)	200,000
Employees as a group	0
Consultants, as a group (3 persons)	100,000
TOTAL	**1,450,000**

At the date of grant of the foregoing Incentive Stock Options there was no published market for the Company's Common Shares, and the Board of Directors fixed the exercise price at $1.00 as representing the fair value of the Common Shares, based on the price at which a shareholder-approved Debt Settlement Agreement had been closed in December, 2016, namely $1.00 per Common Share, and the price at which Units, comprising one fully paid common share and a two-stage share purchase warrant, namely $1.00 per Unit, were placed in a private placement closed in December, 2016. All the foregoing Incentive Stock Options granted pursuant to the 2016 Plan were granted on March 31, 2017, and expire on March 31, 2022 unless otherwise as provided for in the 2016 Plan.

10. DESCRIPTION OF THE SECURITIES

The Authorized capital of the Company comprises:

(i) An unlimited number of Common Shares; and
(ii) An unlimited number of Special Shares, issuable in series, of which a total of 1,532,901 Series A Special Shares have been authorised and issued.

All shares are issuable at the discretion of the Board of Directors, subject to any applicable regulatory consents and approvals. Special Shares are issuable in series, with the rights, privileges and conditions designated by the Board of Directors at the time that any series of Special Shares is designated and authorised.

Each holder of Common Shares is entitled to receive notice of and to attend any meetings of the shareholders of the Company and is entitled to one vote in respect of each Common Share held at such time. Each holder of Common Shares is entitled to receive dividends if any, as and when declared by the Company’s Board of Directors. Holders of Common Shares are entitled to participate equally in any distribution of net assets upon liquidation, dissolution or winding-up. There are no pre-emptive, retraction, surrender, redemption, repurchase for cancellation or conversion rights attaching to the Common Shares.

The 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 Series A Special Shares do not carry the right to vote at any Meetings of the holders of the Common Shares. The milestones specified are directly linked to EBITDA financial performance of the Company over a five year period, commencing April 1, 2017, 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

11. ESCROWED SECURITIES

As a condition of the closing of the acquisition of the issued shares of Surgical Lasers Inc., Gordon Willox entered into an Escrow Agreement pursuant to which the securities issued to him as consideration for the acquisition of Surgical Lasers Inc. were placed In Escrow. The Escrowed Securities are to be released in accordance with a timed schedule over a period of 36 months from the date upon which trading of the common shares of the Company commences. The Tables below set out (a) particulars of the securities placed in escrow and (b) the details of release from escrow.

Designation of class held in escrow	Number of securities held in escrow	Percentage of class
Common Shares	4,598,704	27.33%
Series A Special Shares	1,532,901	100%

The following Table sets out details of the Release provisions.

Release Dates	Percentage of Total Escrowed Securities to be Released		Total Number of Escrowed Securities to be Released	
	Common	Series A	Common	Series A
Listing Date	10%	10%	459,870	153,290
6 months	15%	15%	689,805	229,935
12 months	15%	15%	689,805	229,935
18 months	15%	15%	698,805	229,935
24 months	15%	15%	689,805	229,935
30 months	15%	15%	689,805	229,935

36 months	15%	15%	680,809	229,936
	100%	**100%**	**4,598,704**	**1,532,901**

12. PRINCIPAL SHAREHOLDERS

To the knowledge of Management, there are only two "principal shareholders", as follows:

Name	Number of shares	Holding	Percentage as at March 20, 2017
David J. Hennigar, Forest Lane Holdings Limited and Scotia Financial Corporation Limited (1)	7,898,815	Beneficial	46.95%
Gordon Willox (2)	4,598,704	Beneficial	27.33%

NOTES: (1) Forest Lane Holdings Limited ("FLHL") and Scotia Financial Corporation Limited are owned and controlled by David Hennigar, a Director and Officer of the Company. In addition to the foregoing common shares indicated in the Table, FLHL owns 1,500,000 Class A Warrants, and Mr. Hennigar personally holds 100,000 Incentive Stock Options; (see above for full particulars regarding the Class A Warrants and the Stock Options).

(2) In addition to the common shares indicated in the Table, Mr. Willox also owns 1,532,901 Series A Special Shares which are non-voting and which, upon performance criteria being met, may be converted into an equal number of common shares; (see above for full details of the Series A Special Shares).

13. DIRECTORS AND OFFICERS

The following table and the Notes below set out the names and addresses of the Directors and Officers of the Company, their Principal occupations for the past five years, their respective positions with the Company, the date upon which they became directors and the number and percentage of shares owned by them respectively, directly or indirectly.

Name and Address	Principal Occupation and position with the Company	Director since	Shares held	Percentage of Issued Shares
David J. Hennigar Bedford, Nova Scotia	Businessman; Chairman of the Board; Director	1992	7,898,815 (1)	46.95%
N. Gary Van Nest Toronto, Ontario	Businessman; President of the Company; Director	1989	45,085(2)	0.26%

Gordon S. Willox Newmarket, Ontario	Managing Director of the Company; Director	2016	4,598,704 (3)	27.33%
Dr. Robert Francis Toronto, Ontario	Founder and Director of Medcan Clinic, Toronto Director	2016	None	N/A
Dr. Stanley Swierzewski III Longmeadow, MA, USA	Associate Clinical Professor of Urology, Tufts University, Boston Director	2016	None	N/A
Lorne S. MacFarlane Dartmouth, Nova Scotia	Businessman Chief Financial Officer	N/A	N/A	N/A
Christopher H. Freeman King City, Ontario	Barrister & Solicitor Secretary	N/A	N/A	N/A

NOTES:

(1) Includes shares registered in the names of Forest Lane Holdings Limited and Scotia Financial Corporation Limited, both of which companies are controlled by Mr. Hennigar.

(2) The shares held by Mr. Van Nest are registered in the name of Sinalta Investments Ltd., of which company Mr. Van Nest is the sole shareholder.

(3) The number of shares shown in this Table for Mr. Willox refers only to Common Shares; Mr. Willox also owns 1,532,901 Series A Special Shares which, upon certain performance criteria being met, will be converted into Common Shares on a 1 for 1 basis.

Tenure of Directors.

Directors are appointed at each Annual Meeting of shareholders, and hold their position until the next Annual Meeting of Shareholders unless they resign or are removed in the interim.

Board Committees

The Board has three Committees:

Audit and Risk Committee: David J. Hennigar *(Chair)*, Dr. Robert Francis, Dr. Stanley Swierzewski and N. Gary Van Nest *(ex officio)*

Compensation Committee: N. Gary Van Nest *(Chair)*, David J. Hennigar, Dr. Robert Francis and Dr. Stanley Swierzewski

Governance Committee: The entire Board, under its Chairman, constitute the Governance Committee

Regulatory and other Matters

Except as disclosed below, no proposed director:

(a) at the time of this Listing Statement, or has been, within the 10 years before the date of this Listing Statement, a director chief executive officer or chief financial officer of any company that:
  (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
  (ii) was subject to an order that was issued after the proposed director 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; or

(b) at the time of this Listing Statement, or has been, within the 10 years before the date of this information circular, a director chief executive officer or chief financial officer of any 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 or manager or trustee appointed to hold its assets; or

(c) has, within the 10 years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become 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 proposed director; or

(d) has been the subject of penalties or sanctions 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.

(i) Mr. Hennigar and Mr. Van Nest (1) were directors of Landmark Global Financial Corporation Limited at the time Landmark Global Financial Corporation Limited had a temporary, now permanent 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 TSX-V trading suspension 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 was a director 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. Hennigar and Mr. Van Nest 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.

(iv) Mr. Hennigar was a director of KLJ Field Services Inc., a private Nova Scotia Company, which made an assignment in bankruptcy on February 25, 2009;

Management

Management of the Company and its subsidiaries is principally provided by the following persons, either directly as full-time employees or through their respective service corporations:

N. Gary Van Nest; President and Acting C. E. O.

Gordon S. Willox; Managing Director

Management services are also provided by the following persons, on an as-required basis:

David J. Hennigar: Chairman
Lorne S. MacFarlane; Chief Financial Officer.
Christopher H. Freeman: Corporate Secretary;

14. CAPITALIZATION

The common shares of the Company, under its various names, have been in distribution since about January, 1987, and have been listed and/or quoted on an active market since that time until the trading suspension in November, 2014. Many of the shareholdings are held in brokerage accounts, whose total holdings are registered with CDS & Co. in Canada (approximately 4,426,103 shares). The CDS registered holding represents approximately 242 separate beneficial holdings.

The following Table sets out the number of shares issued, on a non-diluted and fully diluted basis, and provides particulars of the Total Public Float and the Total Tradeable Float:

	Number of securities (non-diluted)	Number of Securities (fully diluted)	% of Issued (non diluted)	% of Issued (fully diluted)
Total Outstanding (A)	16,821,115	27,637,614	100%	100%
Held by Related Persons or employees of the Issuer or Related Persons of the Issuer, or by companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the issuer upon exercise or conversion of other securities held) (B)	12,542,604	18,517,604	74.56%	67.00%
Total Public Float (A – B)	4,278,511	9,120,010	25.44%	32.49%
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	12,497,629	17,030,530	74.29%	61.62%
Total Tradeable Float (A - C)	4,323,486	10,607,084	52.62%	38.37%

Public Security Holders (Registered)

The following Table sets out the range of registered shareholdings of Public Security Holders ((A) - (B) in the Issued Capital Chart):

Range	Number of holders	Total number of securities
1 - 99 securities	21	**626**
100 - 499 securities	14	5,138
500 - 999 securities	8	6,701
1,000 1,999 securities	15	21,290
2,000 - 2,999 securities	8	18,227
3,000 - 3,999 securities	4	13,724
4,000 - 4,999 securities	3	13,349
5,000 or more securities	37	16,728,460
TOTALS	**119**	**16,821,115**

Public Security Holders (Beneficial)

The following Table sets out the range of shareholdings of (i) Beneficial Holders holding securities in their own name as registered shareholders and (ii) beneficial holders holding securities through an intermediary where the Company has notice of such holding:

Range	Number of holders	Total number of securities
1 - 99 securities	3	137
100 - 499 securities	2	240
500 - 999 securities	3	1725
1,000 1,999 securities	6	7415

2,000 - 2,999 securities	1	2000
3,000 - 3,999 securities	-	-
4,000 - 4,999 securities	-	-
5,000 or more securities	16	46,272
SUB TOTALS	41	57,989
Unable to confirm	Unknown	4,368,114
TOTAL	**Unknown**	**4,426,103**

Non-Public securityholders (Registered)

The following Table sets out the holdings of non-public securityholders in (B) of the Issued Capital Chart:

Range	Number of holders	Total number of securities
1 - 99 securities	NIL	NIL
100 - 499 securities	NIL	NIL
500 - 999 securities	NIL	NIL
1,000 1,999 securities	NIL	NIL
2,000 - 2,999 securities	NIL	NIL
3,000 - 3,999 securities	NIL	NIL
4,000 - 4,999 securities	NIL	NIL
5,000 or more securities	4	12,542,603
TOTALS	4	12,542,603

Securities listed and reserved for issuance

The Company has an Incentive Stock Option Plan under which a total of 3,000,000 common shaers are reserved for issuance upon exercise of a total of 3,000,000 Incentive Stock Options. The following Table sets out the details of granted and reserved Incentive Stock Options which, may be exercised to acquire listed securities:

INCENTIVE STOCK OPTIONS		Number of Stock Options outstanding	Number of listed securities issuable on exercise
Exercise price	**Expiration date**		
$1.00	March 17 2022	1,450,000	1,450,000
TOTAL OUTSTANDING		1,450,000	1,450,000
Reserved for Issuance, no price/expiry		1,550,000	1,550,000
TOTAL UNDER PLAN		**3,000,000**	**3,000,000**

Share Purchase Warrants

Pursuant to a financing completed in March, 2016, a number of Share Purchase Warrants, Class A Warrants and Class B Warrants, were issued, details of which are as follows:

SHARE PURCHASE WARRANTS		Number of convertible securities outstanding	Number of listed securities issuable on exercise
Class/ Exercise price	**Expiration date (1)**		
Class A - $1.50	March 3, 2019	3,000,000	3,000,000
Class A - $1.50	March 16, 2019	25,000	25,000
Agents' Unit Warrants $1.00	March 3, 2019	116,799	116,799
TOTAL OUTSTANDING		**3,141,799**	**3,141,799**
Reserved for Issuance (2)			
Class/ Exercise price	**Expiration date (1)**		
Class B - $2.50	March 3, 2020	3,000,000	3,000,000
Class B - $2.50	March 16, 2020	25,000	25,000
Agents' Share Warrants $1.50	March 3, 2019	116,799	116,799
TOTAL		**3,141,799**	**3,141,799**

NOTES: (1) Notwithstanding the stated Expiration Dates of the Class A Warrants, the Class B Warrants, the Agents' Warrants, the Class A Warrants, the Class B Warrants and the Agents' Unit Warrants and the Agents' Share Warrants **each** 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.

(2) The Class B Warrants are reserved for issuance, but will only be issued upon the valid exercise of a Class A Warrant. The Agents' Share Warrants are reserved for issuance, but will only be issued upon the valid exercise of the Agents' Unit Warrants.

Series "A" Special Shares

See **Item 10** above for details of the 1,532,901 Series "A" Special Shares that are issued and outstanding and that may, upon specific Performance Targets being met, be converted to Common Shares on a 1 for 1 basis

15. EXECUTIVE COMPENSATION

The following table summarizes the compensation of the named executive officer for each of the three most recently completed financial years ended March 31, 2016 of the Company and of SLI:

Summary Compensation Table

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 in the case of David Hennigar and Lorne MacFarlane, sets out their compensation as CEO and CFO respectively of Aquarius Coatings Inc. during the periods stated:

	Annual Compensation					Long Term Compensation	
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	$150,000*	$60,000*	$35,000*	$254,000*	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

* The amounts shown as paid to Gordon Willox are paid to CAST Laser, Inc. and company of which Gordon Willox is the sole shareholder, director and officer, by way of Management Consulting fees.

Options and SARs

During all prior periods covered by the foregoing Table, for both of the Company and SLI there were no stock options or Stock Appreciation Rights, either granted or outstanding; accordingly no share options were repriced on behalf of the Named Executive Officers

Termination of Employment, Change in Responsibilities and Employment Contracts

No Named Executive Officer has an employment agreement or is entitled to any additional rights in the event of termination of their employment other than ordinary statutory entitlements.

Surgical Lasers Inc. has entered into a Management Services Agreement ("MSA") dated March 1, 2017, with CAST Laser, Inc. ("CAST"), a corporation of which Gordon Willox is the sole shareholder, director and officer, pursuant to which CAST, as an independent contractor, will provide corporate management and planning, sales generation and promotion of the Company's business in all aspects of its operations, and to provide those services through Mr. Willox. Pursuant to the MSA, SLI will pay annual management fees of $210,000, and will also reimburse reasonable and proper business expenses incurred in the course of provision of the management services. The MSA is for a term of five years, ending on February 28, 2022. In the event that CAST fails to perform or observe any of its obligations or agreements in a timely and efficient manner, SLI may terminate the MSA without further obligation except in relation to amounts due and owing up to the date of termination.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer is or has been indebted to the Company since the beginning of the last financial year. CAST Laser, Inc., of which Gordon Willox is the sole shareholder, director and officer, is indebted to Surgical Lasers Inc., as at December 31, 2016, in an amount of $126,850.76, which amount is secured by a promissory note made jointly and severally by CAST and Mr. Willox, and an Assignment of Receivables; the principal is repayable on Demand, and is interest free until December 31, 2017, and thereafter interest is payable at 6% per year on any unpaid balance.

17. RISK FACTORS

The risks noted below are not the only risks associated with the Company and its business, in particular the business of its wholly-owned operating subsidiary, Surgical Lasers Inc. Additional risks and uncertainties, including ones that the Company is not aware of or that the Company believes currently are not material, may also adversely affect the Company's business.

The Company is in the Development Stage: 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.

Strict regulatory environment: SLI's laser devices and fiber delivery systems require regulatory approval for commercial sale. Numerous statutes and regulations govern human testing and the manufacture and sale of medical devices in the United States, Canada and the European Union and other countries where SLI intends to market its product. Such legislation and regulation bears upon, among other things, the approval of protocols, human testing, the approval of manufacturing facilities, testing procedures and controlled research, review and approval of manufacturing, preclinical and clinical data prior to marketing approval, as well as regulation of marketing activities including advertising and labelling.

While SLI has obtained relevant regulatory approvals in the United States for its current range of key laser products, future products and future developments of existing products may require submission for further testing of which the outcome cannot be guaranteed. Any failure to obtain necessary regulatory approval in future would materially adversely affect SLIs business, financial condition and results of operations.

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.

Insurance costs could negatively impact profitability: The cost of insurance, including director and officer, worker’s compensation, property, product liability and general liability insurance, has risen significantly in recent years and is expected to continue to increase. These increases, and SLI’s increased risk due to increased deductibles and reduced coverages, could have a negative impact on results of operations, financial condition and cash flows.

Risk of product liability claims: The use of medical devices for treatment of humans, even after regulatory marketing clearance approval is obtained, can result in product liability claims. Product liability claims can be expensive, difficult to defend and may result in large judgments or settlements. SLI currently maintains product liability insurance in connection with the use of its devices but may not in future be able to obtain or maintain adequate protection against potential liabilities arising from such use. If SLI is unable to obtain sufficient levels of insurance at acceptable cost or otherwise protect against potential product liability claims, it will be exposed to product liability claims. A successful product liability claim in excess of SLI’s insurance coverage could harm the Company's financial condition, results of operations and ability to continue in business. Even if a claim is not successful, defending such a claim may be time-consuming and expensive.

Risk of use of product in unapproved circumstances: While SLI is prohibited by law from marketing or promoting any unapproved use of its products, physicians/clinicians in most jurisdictions, can use these products in ways or circumstances other than those strictly within the scope of the regulatory approval. Although the product training SLI will provide to physicians and other health care professionals will be limited to approved uses or for clinical trials, no assurance can be given that claims might not be asserted against SLI if its product is used in ways or for procedures that are not approved.

Unexpected product safety or efficacy concerns: Unexpected safety or efficacy concerns can arise with respect to marketed products, whether or not scientifically justified, leading to product recalls, withdrawals or declining sales, as well as product liability, consumer fraud and/or other claims. This could have a material adverse effect on SLI's business, financial results and operating results

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.

18. PROMOTERS

No person has acted as a promoter of the Company either in connection with this proposed Listing or in connection with the Company during the past two years.

19. LEGAL PROCEEDINGS

There are no legal proceedings currently affecting the Company or any of its subsidiaries, nor is the Company aware of any such proceedings being contemplated.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below, no Director, Officer or person or company that is the direct or indirect beneficial owner of, or who exercises control or discretion over, more than 10% of any class or series of voting securities has had any interest in any material transaction which has or would materially affect the Company or any of its subsidiaries:

(a) Forest Lane Holdings Limited ("FLHL"), of which Mr. David Hennigar is the principal beneficial owner, has provided extensive funding to Aquarius Coatings Inc. during the past three years, resulting in the Company incurring debt. During 2016, and pursuant to an affirmative vote of a majority of disinterested shareholders duly passed at a special general meeting of shareholders of the Company held on November 21, 2016, a total of $2,800,000 of debt owed to FLHL was settled by the issuance to FLHL of 3,800,000 fully paid (post consolidation) common shares, issued at $1.00 per share;

(b) Since the incorporation of SLI, FLHL advanced significant funds to SLI to enable it to establish its business and operations; as at September 30, 2016, the debt owed by SLI to FLHL amounted to $2,627.776. In the course of raising finance for the Company in connection with the acquisition of SLI, FLHL agreed to subscribe for 1,500,000 Units, for a consideration of $1,500,000, which amount has been used to reduce the debt owed by SLI to FLHL.

(c) Pursuant to the Acquisition Agreement dated October 11, 2016, Gordon Willox agreed to sell and the Company agreed to purchase all of the issued shares of SLI for an agreed consideration of $6,131,605, satisfied by issuance of 4,598,704 fully paid common shares from the treasury of the Company at $1.00 per share, and 1,532,901 Series A Special Shares from the treasury of the Company. (See above for a description of the attributes of the Series A Special Shares).

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

The Company's auditors are Collins Barrow Toronto, LLP, Chartered Professional Accountants, of Toronto, Ontario.

TSX Trust Company, of Toronto, Ontario, is the Company's Registrar and Transfer Agent.

22. MATERIAL CONTRACTS

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

(i) Exclusive Distribution Agreement, dated November 1, 2015, between SLI and Intermedic Arfran S.A., as amended;
(ii) Exclusive Distribution Agreement, dated May 1, 2016, between SLI and Advanced Fiber Tools GmbH, as amended;
(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 Christopher H. Freeman, In Trust, dated March 17, 2017.

Copies of the foregoing material contracts may be viewed with the Company's documents on SEDAR at www.sedar.com. The Agreements referred to at (i) and (ii) 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.

23. OTHER MATERIAL FACTS

There are no other material facts

24. FINANCIAL STATEMENTS

The following financial statements for the Company and SLI are annexed to this Listing Application:

1. Audited Financial Statements of the Company for the years ended March 31, 2016 and 2015;
2. Unaudited Interim Financial Statements of the Company for the Three Months ended June 30, 2016;
3. Unaudited Interim Financial Statements of the Company for the Three and Six Months ended September 30, 2016;
4. Unaudited Interim Financial Statements of the Company for the Three and Nine Months ended December 30, 2016;
5 Audited Financial Statements of SLI for the Year ended December 31, 2015 (with the stub period from date of incorporation to December 31, 2014);
6. Unaudited Interim Financial Statements of SLI for the Three Months ended March 31, 2016;
7. Unaudited Interim Financial Statements of SLI for the Three and Six Months ended June 30, 2016;
8. Unaudited Interim Financial Statements of SLI for the Three and Nine Months ended September 30, 2016;
9. Unaudited Financial Statements of SLI for the Three Months and Year ended December 31, 2016;
10. Unaudited Pro-Forma Consolidated Financial Statements of the Company taking into account the acquisition of SLI as at June 30, 2016.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, **Aquarius Surgical Technologies Inc.** hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to **Aquarius Surgical Technologies Inc.** It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Halifax, Nova Scotia, this 12th day of June, 2017.

N. Gary Van Nest
Chief Executive Officer

Lorne S. MacFarlane
Chief Financial Officer

Gordon S. Willox
Director

David J. Hennigar
Director

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

Financial Information

March 31, 2016 and March 31, 2015

Collins Barrow

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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

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 indude 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)

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 period ended June 30, 2016

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

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

	Cost				Accumulated Depreciation				Net Book Value
Description	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

	Cost				Accumulated Depreciation				Net Book Value
Description	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

Aquarius Coatings Inc.

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 Office

"Lorne S. MacFarlane"

Lorne S. MacFarlane
Chief Financial Officer

November 21, 2016

Condensed Consolidated Interim Financial Statements

September 30, 2016

Contents	**Page**

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

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.

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

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

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
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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.

(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.

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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

(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	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	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.

(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

	Number of Shares		Dollar Value	
	Sep 30,2016	Sep 30,2015	**Sep 30,2016**	Sep 30,2015
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

	Sep 30,2016	Sep 30, 2015
	$	$
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.

(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
	2,906,190

(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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month and nine month periods ended December 31, 2016 and December 31, 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 nine month periods ended December 31, 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 Office

"Lorne S. MacFarlane"

Lorne S. MacFarlane
Chief Financial Officer

February 24, 2017

Condensed Consolidated Interim Financial Statements

December 31, 2016

Contents **Page**

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

	Dec 31, 2016	Mar 31, 2016
ASSETS	**$**	$
Current Assets		
Cash	**21,423**	7,797
Accounts receivable (Note 5)	**3,384**	4,702
	24,807	12,499
Long-term investment (Note 9)	**1**	1
Capital assets (Note 6)	**118**	188
	24,926	12,688
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities	**45,597**	52,609
Due to related parties (Note 7)	**3,911,565**	3,823,864
	3,957,162	3,876,473
Shareholders' Deficiency		
Share capital (Note 10)	**10,340,865**	10,340,865
Contributed surplus	**5,193,806**	5,193,806
Deficit	**(19,466,907)**	(19,398,456)
	(3,932,236)	(3,863,785)
	24,926	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

February 24, 2017

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

	Three Months Ended		Nine Months Ended	
	Dec 31, 2016	Dec 31, 2015	**Dec 31, 2016**	Dec 31, 2015
	$	$	**$**	$
Expenses				
General and administrative (Note 12)	**33,158**	12,576	**75,046**	35,588
Bank charges and interest	**541**	514	**1,554**	1,514
Amortization	**23**	47	**70**	141
	33,722	13,137	**76,670**	37,243
Net loss before other items	**(33,722)**	(13,137)	**(76,670)**	(37,243)
Other items:				
Royalty income	**3,061**	3,023	**8,219**	8,808
Net loss and comprehensive loss	**(30,661)**	(10,114)	**(68,451)**	(28,435)
Loss per share, basic and diluted	**($0.000)**	($0.000)	**($0.001)**	($0.000)
Weighted average number of shares outstanding (Note 10)	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 nine month periods ended December 31, 2016 and December 31, 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	-	-	-	(28,435)	-	(28,435)
Balance December 31, 2015	**107,948,144**	**10,340,865**	**5,193,806**	**(19,589,421)**	**112,271**	**(3,942,479)**
Balance March 31, 2016	107,948,144	10,340,865	5,193,806	(19,398,456)	-	(3,863,785)
Net loss for the period	-	-	-	(68,451)	-	(68,451)
Balance December 31, 2016	**107,948,144**	**10,340,865**	**5,193,806**	**(19,466,907)**	**-**	**(3,932,236)**

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		**Nine Months Ended**	
	Dec 31, 2016	Dec 31, 2015	**Dec 31, 2016**	Dec 31, 2015
Cash flows were provided by (used in):				
	$	$	**$**	$
Operating activities				
Net income (loss) for the period	**(30,661)**	(10,114)	**(68,451)**	(28,435)
Depreciation (Note 6)	**23**	47	**70**	141
Accounts receivable	**9,384**	(5,446)	**1,318**	(3,799)
Accounts payable and accrued liabilities	**(9,182)**	(1,502)	**(7,012)**	(5,703)
	(30,436)	(17,015)	**(74,075)**	(37,099)
Financing activities				
Advances from related parties	**45,855**	15,923	**87,701**	22,364
	45,855	15,923	**87,701**	22,364
Increase (Decrease) in cash during the period	**15,419**	(1,092)	**13,626**	(14,735)
Cash, beginning of period	**6,004**	6,321	**7,797**	19,963
Cash, end of period	**21,423**	5,229	**21,423**	5,229

The accompanying notes form an integral part of these condensed consolidated interim 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 December 31, 2016, the Corporation has a working capital deficiency of $3,863,974 and $3,932,355, respectively. Also, at March 31, 2016 and December 31, 2016, the Corporation has a shareholders' deficiency of $3,863,785 and $3,932,236, 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 December 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 nine month periods ended December 2016, and December 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.

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

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

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.

(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

	Dec 31, 2016	Dec 31, 2015
	$	$
Accounts Receivable	**3,384**	13,199
Allowance for doubtful debts	**-**	(1,343)
	3,384	11,855

Allowance for doubtful debts:

	Dec 31, 2016	Dec 31, 2015
	$	$
Balance beginning of period	**-**	1,343
Balance end of period	**-**	1,343

(Expressed in Canadian dollars, unless otherwise indicated)

6. CAPITAL ASSETS

December 31, 2015

Description	Cost			Accumulated Depreciation			Net Book Value
	Balance 31-Mar-2015	Additions	Balance 31-Dec-2015	Balance 31-Mar-2015	Depreciation for period	Balance 31-Dec-2015	31-Dec-2015
Computer equipment	$ 8,219	$ -	$ 8,219	$ 7,842	$ 141	$ 7,983	$ 236
	$ 8,219	$ -	$ 8,219	$ 7,842	$ 141	$ 7,983	$ 236

December 31, 2016

Description	Cost			Accumulated Depreciation			Net Book Value
	Balance 31-Mar-2016	Additions	Balance 31-Dec-2016	Balance 31-Mar-2016	Depreciation for period	Balance 31-Dec-2016	31-Dec-2016
Computer equipment	$ 8,219	$ -	$ 8,219	$ 8,031	$ 70	$ 8,101	$ 118
	$ 8,219	$ -	$ 8,219	$ 8,031	$ 70	$ 8,101	$ 118

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.

	Dec 31, 2016	Dec 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.	**$ 3,911,565**	$ 3,823,864

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.

	Dec 31, 2016	Dec 31, 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.

(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

	Number of Shares		Dollar Value	
	Dec 31, 2016	Dec 31, 2015	**Dec 31, 2016**	Dec 31, 2015
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 (December 2015 – 107,948,144)

12. EXPENSES BY NATURE

	Dec 31, 2016	Dec 31, 2015
	$	$
General and administrative		
Professional fees	44,424	20,270
Administrative expenses	30,622	2,742
	75,046	23,012

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 six months ended September 2016 and September 2015:

	Dec 31, 2016	Dec 31, 2015
	$	$
Net income (loss)	(68,451)	(28,435)
Income tax (recovery) at Canadian Federal and provincial statutory rates of 26.5%	(18,140)	(7,535)
Non-taxable items	298	284
Deferred tax asset not recognized	17,842	7,251
Provision for income taxes	-	-

Deferred tax assets

	Dec 31, 2016	Dec 31, 2015
	$	$
Non-Capital losses carried forwards	778,300	749,200
Long-term investment	-	-
Equipment	35,400	35,400
Other	17,900	16,600
	831,600	801,200
Less: Deferred tax assets not recognized	(831,600)	(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	68,451
	2,936,851

(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.

	Dec 31, 2016	Dec 31, 2015
	$	$
Notes payable	**-**	200,000
Loan due to shareholder	**3,911,565**	3,823,864
Share capital	**10,340,865**	10,340,865
Contributed surplus	**5,193,806**	5,193,806
Accumulated other comprehensive income	**-**	112,271
Deficit	**(19,466,907)**	(19,589,421)
Total Capital	**(20,671)**	81,385

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. ADDITIONAL INFORMATION

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

17. ADDITIONAL INFORMATION (continued)

The proposed transactions are subject to all relevant regulatory consents and approvals. As at the date of this Report, the foregoing transactions have not yet closed, but Management anticipates that they will all be concluded during the Fourth Quarter of fiscal 2017.

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

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

COLLINS BARROW

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)

Surgical Lasers Inc.

Condensed Interim Financial Statements (unaudited)

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

Surgical Lasers Inc.
Condensed Interim Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	Sep 30,2016	Dec 31, 2015
ASSETS	**$**	$
Current Assets		
Cash	**72,270**	3,634
Accounts receivable	**74,562**	49,093
Inventory (Note 5)	**688,275**	770,996
Prepaid expenses and deposits	**3,381**	3,381
Due from relatred party (Note 6)	**41,990**	45,075
	880,478	872,179
Property and equipment (Note 7)	**3,092**	4,497
	883,570	876,676
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities	**73,443**	56,252
Note payable (Note 8)	**2,627,776**	2,055,320
	2,701,219	2,111,572
Shareholders' Deficiency		
Share capital (Note 9)	**1**	1
Deficit	**(1,817,650)**	(1,234,897)
	(1,817,649)	(1,234,896)
	883,570	876,676

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

(See Note 12 - Commitments)

Approved on behalf of the Board

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December 9, 2016

Surgical Lasers Inc.
Condensed Interim Statement of Loss and Comprehensive Loss and Changes in Deficit
(Unaudited)

(Expressed in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	Sep 30,2016	Sep 30, 2015	**Sep 30,2016**	Sep 30,2015
	$	$	**$**	$
Sales	**9,838**	29,703	**198,776**	52,578
Cost of sales	**24,813**	402,069	**169,488**	413,829
Gross Margin	**(14,975)**	(372,366)	**29,288**	(361,251)
Expenses				
Bank charges and interest	**388**	2,701	**1,111**	4,758
Foreign exchange loss (gain)	**4,225**	15,170	**(12,451)**	29,469
General and administrative (Note 9)	**282,143**	127,408	**621,975**	409,750
Amortization expense	**469**	-	**1,406**	-
	287,225	145,279	**612,041**	443,977
Net loss and compresensive loss	**(302,200)**	(517,645)	**(582,753)**	(805,228)
Deficit, beginning of period	**(1,515,450)**	(373,171)	**(1,234,897)**	(85,588)
Deficit, end of period	**(1,817,650)**	(890,816)	**(1,817,650)**	(890,816)
Shares outstanding (Note 8)	**100**	100	**100**	100
Loss per share	**$ (3,022)**	$ (5,176)	**$ (5,828)**	$ (8,052)

Surgical Lasers Inc.

Statements of Cash Flows

(Expressed in Canadian dollars)

	Three Months Ended		Nine 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	**(302,200)**	(517,645)	**(582,753)**	(805,228)
Depreciation	**469**	-	**1,406**	-
	(301,731)	(517,645)	**(581,347)**	(805,228)
Net change in non-cash working capital				
Accounts receivable	**99,097**	3,347	**(25,469)**	(29,988)
Inventory	**(5,198)**	138,276	**82,721**	179,907
Prepaid Expenses and deposits	**10,105**	98,367	**-**	74,873
Accounts payable and accrued liabilities	**26,935**	22,982	**17,190**	2,500
Cash used in continuing operating activities	**(170,792)**	(254,673)	**(506,905)**	(577,936)
Financing activities				
Advances from related parties	**-**	-	**45,075**	-
Proceeds from note payable	**234,222**	220,692	**572,456**	1,431,377
	234,222	220,692	**617,531**	1,431,377
Investment activities				
Purchase property and equipment	**-**	-	**-**	(746)
Assets acquisition (Note 3)	**-**	-		(850,000)
	-	-	**-**	(850,746)
Increase (Decrease) in cash during the period	**63,430**	(33,981)	**110,626**	2,695
Cash, beginning of period	**50,830**	36,676	**3,634**	-
Cash, end of period	**114,260**	2,695	**114,260**	2,695

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

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 $302,200 and $582,753 for the three and nine months ended September 30, 2016, respectively (2015 - $517,645 and $805,228, respectively), has an accumulated deficit of $1,817,650 (December 31, 2015 - $1,234,897) and has negative working capital of $1,820,741 (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 December 9, 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.

For the three and nine month periods ended September 30, 2016 and 2015 (Expressed in Canadian Dollars)

5. INVENTORIES

Inventories consists of finished products held for sale. For the three months and nine months ended September 30, 2016, the cost of sales was $24,813 and $169,488, respectively (three months and nine months ended September 30, 2015 - $402,069 and $413,829, respectively). The costs in both the three month and nine month periods in the prior year include an inventory impairment charge of $382,680

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.

		Sep 30,2016		31-Dec-15
Due from shareholder	**$**	**41,990**	$	45,075

7. PROPERTY AND EQUIPMENT

as at Sep 30,2016	**Computer Equipment**	**Equipment**	**Total**
	$	$	$
Cost			
Balance, beginning of period	1,634	4,641	6,275
Additions	-	-	-
Balance, end of period	1,634	4,641	6,275
Accumulated depreciation			
Balance, beginning of period	(279)	(1,499)	(1,778)
Depreciation	(245)	(1,160)	(1,405)
Balance, end of period	(524)	(2,659)	(3,183)
Net carrying amount	1,110	1,982	3,092

as at Dec 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

For the three and nine month periods ended September 30, 2016 and 2015 (Expressed in Canadian Dollars)

8. NOTE PAYABLE

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

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		Nine Months Ended	
	Sep 30,2016	Sep 30, 2015	**Sep 30,2016**	Sep 30,2015
Rent expense	**4,980**	-	**16,834**	-
Management fees	**52,500**	52,500	**157,500**	157,500
Professional fees	**47,654**	56,400	**108,561**	125,446
Selling general and adminstrative expenses	**177,009**	18,508	**339,080**	126,804
	282,143	127,408	**621,975**	409,750

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 nine months ended September 30, 2016 and 2015:

	Three Months Ended		Nine Months Ended	
	Sep 30,2016	Sep 30, 2015	**Sep 30,2016**	Sep 30,2015
	$	$		
Net income (loss)	**(302,200)**	(517,645)	**(582,753)**	(805,228)
Canadian Federal and provincial statutory rate	26.50%	26.50%	26.50%	26.50%
Income tax (recovery)	**(80,083)**	(137,176)	**(154,430)**	(213,385)
Deferred tax asset not recognized	**80,083**	137,176	**154,430**	213,385
Provision for income taxes	**-**	-	**-**	-

For the three and nine month periods ended September 30, 2016 and 2015 (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:

	Sep 30,2016	Dec 31, 2015
	$	$
Amounts related to tax loss carry forwards	481,630	327,200
	481,630	327,200
Less: Deferred tax assets not recognized	(481,630)	(327,200)
Balance	-	-

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 September 30, 2016 and 2015.

For the three and nine month periods ended September 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 $1,820,741 (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 September 30, 2016, the Company had foreign currency denominated amounts of approximately:

	Sep 30,2016	Dec 31, 2015
	US$	US$
Cash and cash equivalents	799	42
Accounts receivable	91,727	4,120
Note payable	(310,925)	(310,925)
	(218,399)	(306,763)

As at September 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 $21,840 lower (higher) (December 31, 2015 - $30,676)

Surgical Lasers Inc.

Condensed Interim Financial Statements (unaudited)

For the three month and twelve month periods ended December 31, 2016 and 2015

Surgical Lasers Inc.
Condensed Interim Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	Dec 31, 2016	Dec 31, 2015
ASSETS	**$**	$
Current Assets		
Cash	**11,575**	3,634
Accounts receivable	**142,368**	49,093
Inventory (Note 5)	**190,483**	770,996
Prepaid expenses and deposits	**167,047**	3,381
Due from related party (Note 6)	**125,351**	45,075
	636,824	872,179
Property and equipment (Note 7)	**368,603**	4,497
	1,005,427	876,676
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities	**108,744**	56,252
Note payable (Note 8)	**3,106,895**	2,055,320
	3,215,639	2,111,572
Shareholders' Deficiency		
Share capital (Note 9)	**1**	1
Deficit	**(2,210,213)**	(1,234,897)
	(2,210,212)	(1,234,896)
	1,005,427	876,676

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

(See Note 12 - Commitments)

Approved on behalf of the Board

Surgical Lasers Inc.

Condensed Interim Statement of Loss and Comprehensive Loss and Changes in Deficit (Unaudited)

(Expressed in Canadian dollars)

	Three Months Ended		**Year Ended**	
	Dec 31, 2016	Dec 31, 2015	**Dec 31, 2016**	Dec 31, 2015
	$	$	**$**	$
Sales	**56,033**	(6,369)	**254,809**	46,209
Cost of sales	**74,719**	28,835	**244,207**	442,664
Gross Margin	**(18,686)**	(35,204)	**10,602**	(396,455)
Expenses				
Bank charges and interest	**683**	387	**1,794**	5,145
Foreign exchange loss (gain)	**12,688**	42,569	**237**	72,038
General and administrative (Note 9)	**319,538**	264,143	**941,513**	673,893
Amortization expense	**40,968**	1,778	**42,374**	1,778
	373,877	308,877	**985,918**	752,854
Net loss and compresensive loss	**(392,563)**	(344,081)	**(975,316)**	(1,149,309)
Deficit, beginning of period	**(1,817,650)**	(890,816)	**(1,234,897)**	(85,588)
Deficit, end of period	**(2,210,213)**	(1,234,897)	**(2,210,213)**	(1,234,897)
Shares outstanding (Note 8)	**100**	100	**100**	100
Loss per share	**$ (3,926)**	$ (3,441)	**$ (9,753)**	$ (11,493)

Surgical Lasers Inc.

Statements of Cash Flows

(Expressed in Canadian dollars)

	Three Months Ended		Year Ended	
	Dec 31, 2016	Dec 31, 2015	**Dec 31, 2016**	Dec 31, 2015
Cash flows were provided by (used in):				
	$	$	**$**	$
Operating activities				
Net income (loss) for the period	**(392,563)**	(344,081)	**(975,316)**	(1,149,309)
Depreciation	**40,968**	1,778	**42,374**	1,778
Bad Debt Expense	**4,263**	41,739	**80,175**	41,739
Write off of inventory	**-**	382,680	**-**	382,680
	(347,332)	82,116	**(852,767)**	(723,112)
Net change in non-cash working capital				
Accounts receivable	**(72,069)**	(53,434)	**(173,450)**	(83,422)
Inventory	**92,793**	(394,730)	**175,514**	(214,823)
Prepaid Expenses and deposits	**(163,666)**	(3,381)	**(163,666)**	71,492
Accounts payable and accrued liabilities	**35,302**	53,752	**52,492**	56,252
Cash used in continuing operating activities	**(454,973)**	(315,677)	**(961,878)**	(893,613)
Financing activities				
Advances from (to) related parties	**(83,361)**	(99,668)	**(80,276)**	(99,668)
Proceeds from note payable	**479,119**	420,925	**1,051,575**	1,852,302
	395,758	321,257	**971,299**	1,752,634
Investment activities				
Purchase property and equipment	**(1,481)**	(4,641)	**(1,481)**	(5,387)
Assets acquisition (Note 3)	**-**	-	**-**	(850,000)
	(1,481)	(4,641)	**(1,481)**	(855,387)
Increase (Decrease) in cash during the period	**(60,696)**	939	**7,940**	3,634
Cash, beginning of period	**72,270**	2,695	**3,634**	-
Cash, end of period	**11,574**	3,634	**11,574**	3,634

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

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 $392,563 and $975,316 for the three and twelve months ended December 31, 2016, respectively (2015 - $344,081 and $1,149,309, respectively), has an accumulated deficit of $2,210,213 (December 31, 2015 - $1,234,897) and has negative working capital of $2,578,814 (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.

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.

For the three and twelve month periods ended December 31, 2016 and 2015 (Expressed in Canadian Dollars)

5. INVENTORIES

Inventories consists of finished products held for sale. For the three months and twelve months ended December 31, 2016, the cost of sales was $74,719 and $244,207, respectively (three months and twelve months ended December 31, 2015 - $28,835 and $442,664, respectively). The costs in twelve month period in the prior year include an inventory impairment charge of $382,680.

During the current period lasers used for surgical demonstrations, which will not be sold, have been reclassified as Demonstration Equipment and have been removed from inventory and included in Property and Equipment.

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.

		Dec 31, 2016		31-Dec-15
Due from shareholder	**$**	**125,351**	$	45,075

7. PROPERTY AND EQUIPMENT

as at **Dec 31, 2016**	**Computer Equipment**	**Surgical Equipment**	**Demostration Equipment**	**Total**
	$	$	$	$
Cost				
Balance, beginning of period	1,634	4,641	-	6,275
Additions	1,480	-	405,000	406,480
Balance, end of period	3,114	4,641	405,000	412,755
Accumulated depreciation				
Balance, beginning of period	(279)	(1,499)	-	(1,778)
Depreciation	(327)	(1,547)	(40,500)	(42,374)
Balance, end of period	(606)	(3,046)	(40,500)	(44,152)
Net carrying amount	2,508	1,595	364,500	368,603

as at **Dec 31, 2015**	**Computer Equipment**	**Surgical Equipment**	**Demostration 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

For the three and twelve month periods ended December 31, 2016 and 2015 (Expressed in Canadian Dollars)

8. NOTE PAYABLE

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

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		Year Ended	
	Dec 31, 2016	Dec 31, 2015	**Dec 31, 2016**	Dec 31, 2015
Rent expense	**7,145**	6,747	**23,979**	6,747
Management fees	**52,500**	87,500	**210,000**	245,000
Professional fees	**115,764**	(65,414)	**224,325**	60,032
Selling general and adminstrative expenses	**144,129**	235,310	**483,209**	362,114
	319,538	264,143	**941,513**	**673,893**

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 twelve months ended December 31, 2016 and 2015:

	Three Months Ended		Years Ended	
	Dec 31, 2016	Dec 31, 2015	**Dec 31, 2016**	Dec 31, 2015
	$	$		
Net income (loss)	**(392,563)**	(344,081)	**(975,316)**	(1,149,309)
Canadian Federal and provincial statutory rate	26.50%	26.50%	26.50%	26.50%
Income tax (recovery)	**(104,029)**	(91,181)	**(258,459)**	(304,567)
Deferred tax asset not recognized	**104,029**	91,181	**258,459**	304,567
Provision for income taxes	**-**	-	**-**	-

For the three and twelve month periods ended December 31, 2016 and 2015 (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:

	Dec 31, 2016	Dec 31, 2015
	$	$
Amounts related to tax loss carry forwards	**585,659**	327,200
	585,659	327,200
Less: Deferred tax assets not recognized	**(585,659)**	(327,200)
Balance	**-**	-

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.

2017	$**3,700**
	$**3.700**

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 December 31, 2016 and 2015.

For the three and twelve month periods ended December 31, 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 $1,820,741 (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 December 31, 2016, the Company had foreign currency denominated amounts of approximately:

	Dec 31, 2016	Dec 31, 2015
	US$	**US$**
Cash and cash equivalents	**321**	42
Accounts receivable	**37,381**	4,120
Note payable	**(310,925)**	(310,925)
	(273,223)	(306,763)

As at December 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 $27,322 lower (higher) (December 31, 2015 - $30,676)

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	3,800,000	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