



**2012 SECOND QUARTER REPORT AND
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2011

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the six month period ended September 30, 2011

PROVEN PROTECTION FOR INDUSTRY AND ENVIRONMENT



REPORT TO SHAREHOLDERS

Enclosed please find the unaudited consolidated financial statements for the three month and six month periods ended September 30, 2011, together with the comparative statements of operations and cash flow for the three month and six month periods ended September 30, 2010, and the comparative balance sheets as at September 30, 2011, March 31, 2011 and April 1, 2010.

Sincerely,

Signed "David J. Hennigar"

David J Hennigar
Chairman and Acting CEO
November 28, 2011

Aquarius Coatings Inc.			
Consolidated Balance Sheets			
<i>(See Note 1 - Going Concern)</i>			
	September 30	March 31	April 1
	2011	2011	2010
	(Unaudited)	(Audited)	(Unaudited)
ASSETS			
Current Assets			
Accounts Receivable	\$ 70,290	\$ 65,905	\$ 51,995
Inventory (Note 4)	81,398	94,299	83,380
Prepaid Expenses	6,282	6,283	42,999
	157,970	166,487	178,374
Long-term investment (Note 8)	116,640	109,106	2
Capital assets (Note 5)	3,178	3,653	4,418
	\$ 277,788	\$ 279,246	\$ 182,794
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Liabilities			
Bank indebtedness	\$ 12,220	\$ 7,615	\$ 19,490
Accounts payable and accrued liabilities	528,653	516,109	504,247
Note Payable (Note 7)	200,000	200,000	200,000
Due to related parties (Note 6)	2,930,145	2,850,379	2,618,580
	3,671,018	3,574,103	3,342,317
Shareholders' Deficiency			
Share Capital	10,340,865	10,340,865	10,340,865
Contributed surplus	5,193,806	5,193,806	5,193,806
Accumulated other comprehensive income (Note 3(j))	116,639	109,105	0
Deficit	(19,044,540)	(18,938,633)	(18,694,194)
	(3,393,230)	(3,294,857)	(3,159,523)
	\$ 277,788	\$ 279,246	\$ 182,794

See accompanying notes to consolidated financial statements

Aquarius Coatings Inc.					
Consolidated Statement of Comprehensive Income (unaudited)					
Three Months Ended					
Six Months Ended					
	Sept 30,2011	Sept 30,2010	Sept 30,2011	Sept 30,2010	
Sales	\$ 69,029	\$ 68,634	\$ 145,795	\$ 137,401	
Cost of sales	46,068	38,728	90,012	90,217	
Gross Margin	22,961	29,906	55,783	47,184	
Expenses					
Selling, general and administrative	75,883	76,278	151,353	162,102	
Bank Charges and Interest	5,186	5,103	9,862	15,130	
Amortization	237	602	475	1,141	
	81,306	81,983	161,690	178,373	
Net loss	(58,345)	(52,077)	(105,907)	(131,189)	
Other comprehensive income (loss)	8,376	0	7,534	0	
Total comprehensive income (loss)	(49,969)	(52,077)	(98,373)	(131,189)	
Loss per share	\$0.0005	\$0.0005	\$0.0010	\$0.0012	

See accompanying notes to consolidated financial statements

Aquarius Coatings Inc.
Condensed Consolidated Statement of Changes in Equity (unaudited)
for the six month period ended September 30, 2011

	Issued Capital		Contributed		Other	
	Shares	Amount	Surplus	Deficit	Comprehensive	Total
					Income	
Balance April 1, 2010	107,948,144	\$ 10,340,865	\$ 5,193,806	\$ (18,694,194)	\$ -	\$ (3,159,523)
Net income (loss) for the period				(79,112)	0	(79,112)
Balance June 30, 2010	107,948,144	\$ 10,340,865	\$ 5,193,806	\$ (18,773,306)	\$ -	\$ (3,238,635)
Net income (loss) for the period				(165,327)	109,105	(56,222)
Balance March 31, 2011	107,948,144	\$ 10,340,865	\$ 5,193,806	\$ (18,938,633)	\$ 109,105	\$ (3,294,857)
Net income (loss) for the period				(105,907)	7,534	(98,373)
Balance September 30, 2011	107,948,144	\$ 10,340,865	\$ 5,193,806	\$ (19,044,540)	\$ 116,639	\$ (3,393,230)

See accompanying notes to consolidated financial statements

Aquarius Coatings Inc.				
Consolidated Statement of Cash Flows (unaudited)				
	Three Months Ended		Six Months Ended	
	Sep 30, 2011	Sep 30, 2010	Sep 30, 2011	Sep 30, 2010
Cash flows were provided by (used in)				
Operating activities				
Net loss for the period	\$ (58,345)	\$ (52,077)	\$ (105,907)	\$ (131,189)
Amortization	237	602	475	1,141
Accounts Receivable	(5,647)	(183)	(4,385)	(1,825)
Inventory	2,509	(14,810)	12,901	783
Prepaid Expenses	0	0	1	2,541
Accounts payable and accrued liabilities	11,495	28,540	12,544	11,965
	(49,751)	(37,928)	(84,371)	(116,584)
Financing activities				
Advances from related parties	35,120	57,195	79,766	117,695
Increase (decrease) in bank indebtedness	12,220	(19,267)	4,605	(352)
	47,340	37,928	84,371	117,343
Investment activities				
Purchase capital assets	0	0	0	(759)
	0	0	0	(759)
Increase (Decrease) in cash during the period	(2,411)	0	0	0
Cash, beginning of period	2,411	0	0	0
Cash, end of period	\$ 0	\$ 0	\$ 0	\$ 0

See accompanying notes to consolidated financial statements

Aquarius Coatings Inc.
Notes to Interim Consolidated Financial Statements
(Unaudited)

September 30, 2011 and March 31, 2011

1. Going concern

The consolidated financial statements for Aquarius Coatings Inc. (the "Company") have been prepared in accordance with IFRS applicable to a going concern, which presumes the realization of assets and discharge of liabilities in the normal course of business. Adverse conditions cast doubt on the validity of the assumption.

The Company currently has limited operating revenues and during the years ended March 31, 2011 and March 31, 2010 incurred losses of \$244,439 and \$377,015, respectively. At September 30, 2011 and March 31, 2011, the Company has a working capital deficiency of \$3,513,048 and \$3,407,616, respectively. Also, at September 30, 2011 and March 31, 2011, the Company has a shareholders' deficiency of \$3,393,230 and \$3,294,857 (after IFRS adjustment), respectively. Consequently, the Company's ability to continue as a going concern is dependent on the support of its creditors, the ability to obtain additional financing, and ultimately, the attainment of profitable operations. The Company's lenders, whom are significant shareholders, have indicated that their support will continue over the forthcoming year.

If the going concern assumption were not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying values of assets and liabilities, the reported loss for the period and balance sheet classifications.

2. Basis of Preparation

The financial statements of the Company have been prepared by management using the same accounting policies and methods as used in the Company's consolidated financial statements for the year ended March 31, 2011, except as described in Note 3(k) "Transition to IFRS" below. 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 Accounting Standard 34, *Interim Financial Reporting* ("IAS 34").

3. Significant Accounting Policies

(a) Nature of operations

The Company markets a broad line of protective coatings for steel, concrete and manufactured goods with distribution throughout North America. Trade names include Blue Steel Primer, Armaglaze, Armabrite, Armacote, Armakleen123, Sure Tred and Saf-T-Seal.

(b) Basis of Consolidation

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

(c) 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.

(d) Revenue Recognition

Revenue is recognized when goods are shipped to customers, the price is fixed or determinable, and collection is reasonable assured.

Aquarius Coatings Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

September 30, 2011 and March 31, 2011

(e) Inventory

Raw materials are valued at the lower of cost or replacement cost. Finished goods are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Included in the cost of finished goods are direct product costs, shipping costs and subcontract costs

(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 of tax allocation accounting. 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 future income tax liabilities or assets. Future 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 operations in the period which included the substantive enactment date. Future income tax assets are evaluated and if their realization is not considered probable, a valuation allowance is provided.

(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 operations.

(i) Financial Instruments

All financial assets are classified into one of the following four categories: held for trading, held to maturity, loans and receivables or available for sale. All financial liabilities are classified into one of the following two categories: held for trading or other financial liabilities. The classification determines the accounting treatment of the instrument. The classification is determined by the Company when the financial instrument is initially recorded, based on the underlying purpose of the instrument.

The Company has elected to apply the following classifications to each of its significant categories of financial instruments:

Financial Asset/Liability	Classification	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long-Term Investments	Available-for-sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Loans from Shareholders	Other liabilities	Amortized cost
Long Term Debt	Other liabilities	Amortized cost

The other amounts noted on the balance sheet are not financial instruments

All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception. Subsequent measurement and recognition of changes in the fair value of financial instruments depends

Aquarius Coatings Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

September 30, 2011 and March 31, 2011

upon their initial classification. 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 until the asset is removed from the balance sheet. 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.

The Company is required to disclose information about the nature and the extent of risks arising from financial instruments and how the entity manages those risks. Disclosure is also required about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

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 or indirectly;

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data.

Financial assets subject to fair value measurement are discussed in Note 8 and in Note 3(j).

Risk Disclosures

The main risks the Company's financial instruments could be exposed to are credit risk, foreign exchange risk, liquidity risk and market risk.

Credit Risk

The Company's credit risk is primarily attributable to its accounts receivable. The amounts disclosed in the consolidated balance sheets are net of allowances for doubtful accounts, estimated by the Company's management based on prior experience and their assessment of the current economic environment. The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures

Foreign Currency Risk

The Company has both revenue and raw material purchases denominated in US funds. The foreign currency risk is therefore hedged to a degree and the foreign currency risk is minimized.

Liquidity Risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions. The Company manages its liquidity risk by continuously monitoring forecast and actual cash flows from operations. In recent years, additional loans from directors/shareholders have provided the necessary liquidity required.

Market Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company is not exposed to any fair value fluctuations on bank term loan or finance lease obligation and the Company's short-term instruments (accounts payable and accrued liabilities) are not subject to market risk.

Interest Rate Risk

The amount Due to Related Parties and Note Payable (Notes 6 and 7) are non interest bearing and, as such, are not subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates.

The Company's financial instruments consist of cash, accounts receivable, long term investments, accounts payable and accrued liabilities, due to related parties and notes payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments as discussed above. The

Aquarius Coatings Inc.
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September 30, 2011 and March 31, 2011

fair values of the financial instruments approximate their carrying values due to the short term nature and or repayment terms.

(j) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in equity from transactions and other events and circumstances from non-shareholder sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) which are excluded from net income (loss) calculated in accordance with IFRS.

As discussed in Note 8 the company has recorded the following Other Comprehensive Income for the periods ending December 31, 2010, March 31, 2011 and September 30, 2011:

Balance April 1, 2010	\$ -
Other comprehensive income for period	111,665
Balance December 31, 2010	\$ 111,665
Other comprehensive income for period	(2,560)
Balance March 31, 2011	\$ 109,105
Other comprehensive income for period	7,534
Balance September 30, 2011	\$ 116,639

(k) Transition to IFRS

The Company's first consolidated financial statements prepared in accordance with IFRS are for the fiscal year commencing April 1, 2011. The accounting policies set out in this note have been applied in preparing the financial statements for the three months and six months ended September 30, 2011, the comparative information presented for the three months and six months ended September 30, 2010, and in the preparation of an opening IFRS balance sheet at April 1, 2010.

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first-time adoption did not have an impact on the total equity, comprehensive income and cash flows and there are therefore no reconciling adjustments from Canadian GAAP to IFRS In preparing its opening IFRS balance sheet as at April 1, 2010

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustment to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated April 1, 2010:

(i) Exemption for business combinations

IFRS 1 provides the option to apply IFRS 3, *Business Combinations*, prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. The Company has elected to apply IFRS 3 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated.

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(ii) Exemption for cumulative translation differences

IFRS 1 permits cumulative translation gains and losses to be reset at zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with IAS 21, *the effects of changes in foreign exchange rates*, from the date a subsidiary or equity method investee was formed or acquired. The Company does not have cumulative translation differences related to subsidiary or equity method investees and this election is therefore not required.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated April 1, 2010:

(iii) Assets and liabilities of subsidiaries

In accordance with IFRS 1, if a parent company adopts IFRS subsequent to its subsidiary adopting IFRS, the assets and the liabilities of the subsidiary or associate are to be included in the consolidated financial statements at the same carrying amounts as in the financial statements of the subsidiary or associate. The Company's wholly-owned operating subsidiaries, Scotiachemco Inc. and Trend Coatings Limited, have adopted IFRS at the same time as its parent company, April 1, 2010.

(iv) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of April 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

4. Inventory

Inventory is comprised as follows:

	<u>30-Sep-11</u>	<u>31-Mar-11</u>
Raw Materials	\$58,512	\$64,398
Finished Goods	22,886	29,901
	<u>\$81,398</u>	<u>\$94,299</u>

Cost of sales for the 3 months includes direct product costs of \$43,684 (September 30, 2010 - \$37,773)

Aquarius Coatings Inc.
Notes to Interim Consolidated Financial Statements
(Unaudited)

September 30, 2011 and March 31, 2011

Capital Assets

Capital assets are comprised of:

		<u>30-Sep-11</u>		
		Cost	Accumulated Depreciation	Net Book Value
Computer equipment	\$	8,219	\$ 6,346	\$ 1,873
Plant equipment		1,450	145	1,305
		<u>\$ 9,669</u>	<u>\$ 6,491</u>	<u>\$ 3,178</u>

		<u>31-Mar-11</u>		
		Cost	Accumulated Depreciation	Net Book Value
Computer and equipment	\$	8,219	\$ 6,016	\$ 2,203
Plant equipment		1,450	-	1,450
		<u>\$ 9,669</u>	<u>\$ 6,016</u>	<u>\$ 3,653</u>

5. Due to Related Parties

	<u>30-Sep-11</u>	<u>31-Mar-11</u>
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.	<u>\$2,930,145</u>	<u>\$2,850,379</u>

6. Note Payable

	<u>30-Sep-11</u>	<u>31-Mar-11</u>
Subordinated promissory note payable, non-interest bearing, unsecured and payable on demand.	<u>\$200,000</u>	<u>\$200,000</u>

7. Long-term Investment

Woodland Biofuels Inc. ("Woodland")

The Company holds 112,272 shares in Woodland which were included at a nominal value at April 1, 2010 since no readily available market for the shares existed at that time. Further details appear in Note 4(b) of the notes to the Consolidated Financial Statements for the year ended March 31, 2011. Woodland completed a private placement of 4,000,000 shares in December 2010 at a price of US\$1.00 per share. The Company has used this valuation as the basis for calculating Other Comprehensive Income for the periods ending December 31, 2010, March 31, 2011 and September 30, 2011 as shown in Note 3(j). Changes in Other Comprehensive Income are the result of changes in currency exchange rates.

Aquarius Coatings Inc.
Notes to Interim Consolidated Financial Statements
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8. Share Capital

Share capital consists of the following:

Authorized

Unlimited number of non-voting, non-cumulative preference shares, issuable in series, convertible into one common share and redeemable at their stated capital amount

Unlimited number of common shares

	<u>Number of Shares</u>		<u>Dollar Value</u>	
	<u>30-Sep-11</u>	<u>31-Mar-11</u>	<u>30-Sep-11</u>	<u>31-Mar-11</u>
Issued				
Common	107,948,144	107,948,144	\$ 10,340,865	\$ 10,340,865

9. 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 (2010 – 107,948,144)

10. Commitments

The Company rents premises on a monthly basis and has no long term lease commitments and has no capitalized lease commitments.

11. Management of Capital

The Company defines capital that it manages as the aggregate of its loans payable, share capital, contributed surplus, other comprehensive income and deficit. Its objectives when managing capital are to ensure that the Company will continue as a going concern, so that it can provide returns to its shareholders.

	<u>30-Sep-11</u>	<u>31-Mar-11</u>
Notes payable	\$ 200,000	\$ 200,000
Loan due to shareholder	2,930,145	2,850,379
Share capital	10,340,865	10,340,865
Contributed surplus	5,193,806	5,193,806
Other Comprehensive Income	116,639	109,105
Deficit	(19,044,540)	(18,938,633)
Total Capital (Deficiency)	\$ (263,085)	\$ (244,478)

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. The Company's overall strategy with respect to management of capital remains unchanged from the year ended March 31, 2011. Please refer to Note 13 to the Consolidated Financial Statements for the year ended March 31, 2011 for additional information on Management of Capital

Aquarius Coatings Inc.
Notes to Interim Consolidated Financial Statements
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September 30, 2011 and March 31, 2011

12. Segmented Information

Management has determined that the Company carries on business in one operating segment only. All capital assets are located in Canada. Sales other than to Canadian customers for the 3 month period ended September 30, 2011 were export sales to the United States of US\$9,596 (3 month period ended September 30, 2010 – US\$2,585). Accounts receivable from United States customers at September 30, 2011 amounted to US\$3,852 (September 30, 2010 – US\$3,777)

13. Subsequent Event

The Company has been advised by its current auditor, Millard, DesLauriers & Shoemaker LLP, that the firm has made a strategic decision to discontinue the business of auditing public companies. As a result they will no longer be able to audit the Company. The Company is conducting a review to engage a new auditor and an announcement will be made in due course.

DIRECTORS AND OFFICERS

David J. Hennigar	Chairman, Acting Chief Executive Officer and Director
J. T. MacQuarrie, Q.C.	Director
N. Gary Van Nest	Director
Michael G Ryan	Director
Lorne S. MacFarlane	Chief Financial Officer and Secretary

Listed: TSX Venture Exchange
Stock Symbol: AQC

