MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2011

1. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The discussion and analysis of Aquarius Coatings Inc. (the "Company") may contain forward-looking statements, which involve risks and uncertainties. Actual events could differ from those anticipated in forward-looking statements. While this MD&A reflects the period ending December 31, 2011, it also addresses key events that have occurred up to and including the date of writing on February 17, 2012.

Forward-looking statements may include sales, earnings, and profitability comments. These statements may contain words such as “anticipated”, “expected”, “could”, “should”, “may”, “plans”, “will”, or similar expressions that are based on and arise out of our experience, our perception of trends, current conditions and expected future developments as well as other factors. By their very nature, forward-looking statements involve uncertainties and risks that the forecasts and targets will not be achieved. Readers are cautioned not to place undue reliance on forward looking statements as a number of important factors, as disclosed herein and in the Company’s other continuous disclosure documents, could cause actual results to differ materially from those expressed in such forward looking statements.

Readers are also referred to SEDAR at www.sedar.com for additional information.

2. INTRODUCTION

The following is a discussion and analysis of the Company's results of operations and financial condition for the three months ended December 31, 2011 and should be read in conjunction with its audited consolidated financial statements for the year ended March 31, 2011 and the related notes thereto. The amounts included in the following discussions are expressed in Canadian dollars (unless otherwise indicated).

3. GOING CONCERN

These financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred significant losses for a period of several years and has both a working capital and shareholders’ deficiency. Accordingly, the ability of the Company 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. These financial statements do not include any adjustments to the amounts or classification of financial statement items that might be necessary if the Company 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 affect on the corporation’s balance sheet. Please refer to Note 1 to the Consolidated Financial Statements for the year ended March 31, 2011 for important information regarding the going concern assumption.

4. SIGNIFICANT ACCOUNTING POLICIES

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) of the financial statements “Transition to IFRS”. 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”).

Changes in accounting policies

International Financing Reporting Standards (IFRS)

The Company has completed the conversion to IFRS and there were no changes required to the opening balance sheet as at April 1, 2010. The conversion is discussed in detail in Note 3(k) to the financial statements for the three months ended December 31, 2011.

Management of Capital

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

		31-Dec-11		31-Mar-11
Notes payable	$	**200,000**	$	200,000
Loan due to shareholder		**2,997,541**		2,850,379
Share capital		**10,340,865**		10,340,865
Contributed surplus		**5,193,806**		5,193,806
Other Comprehensive Income		**114,180**		109,105
Deficit		**(19,095,059)**		(18,938,633)
Total Capital (Deficiency)	$	**(248,667)**	$	(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.

5. BUSINESS OVERVIEW

The Company is a distributor of industrial and consumer corrosion protection and graffiti resistant coating systems, marketing a range of protective coatings for steel, concrete and manufactured goods, with distribution primarily in North America.

Products include:

- **Blue Steel Primer** – a waterborne low VOC rust converting product for treating corrosion on various metal surfaces
- **Saf-T-Seal** – a waterborne sealer for ferrous and no-ferrous metals
- **Sure Tred** – Non slip safety coating for various pedestrian walkways
- **Armacote** – polyurethane industrial enamels for maintenance and production work
- **Armaclear Sealer** – a waterborne sealer for poured concrete, concrete block, masonry, brick, stucco surfaces
- **Armaglaze WB 6000 & 9000** - high performance 2 component urethane finishes for premium performance & protection including anti-graffiti
- **Armakleen123** – waterborne graffiti remover for various surfaces. Intended for use on Armaglaze protected surfaces
- **Armabrite** – complete line of single component moisture cure primers – intermediate and finish coats

The Company continues to attend major trade shows which provide wide exposure for the Company and its products. Attendance at these trade shows has resulted in expressions of interest for private label opportunities and the Company is continuing discussions with potential customers to expand that area of the business.

The Company has also been successful in outsourcing materials for our clients complimentary to our products. We will continue to expand this aspect of our operations to increase our sales and profitability. We are also continuing to develop the relationship with an international distributor which remains one of our key components for future growth. This relationship is attributed to the unique nature of our products and through the support of local sales initiatives.

The Company has relied on the financial support of a major shareholder and will continue to require this support until the Company generates a positive cash flow from operations. Administrative expenses have been reduced over the last few quarters and the Company will continue to look at means of reducing costs and attaining profitability.

6. OVERALL PERFORMANCE RELATING TO CURRENT OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2011

Revenue decreased 13.7% to $78,485 in the three months ended December 31, 2011 from $90,952 in the same period in the prior year. Gross margin, as a percentage of sales, increased to 32.3% compared to 30.0% in the same period in the prior year. Operating expenses for the period decreased by 1.94% from $77,314 in the prior year's period to $75,813 in the current year. As a result of the lower gross margin and lower operating expenses the net loss for the quarter increased by 1.0% from $50,011 in the prior year to $50,519 in the in the current year.

7. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected items from the Consolidated Income Statements and Consolidated Balance Sheets as at December 31, 2011, December 31, 2010 and December 31, 2009

	31-Dec-11	31-Dec-10	31-Dec-09
Balance Sheet Item	$'s	$'s	$'s
Cash (Overdraft)	(20,503)	(19,802)	(22,345)
Accounts receivable	81,571	70,890	67,886
Inventory – Raw materials	53,037	49,941	15,230
Inventory – Finished Goods	26,926	18,602	42,434
Accounts payable	513,101	541,784	483,871
Notes Payable	200,000	200,000	200,000
Related party advances	2,997,541	2,762,464	2,563,237
Shareholders Equity (Deficiency)	(3,446,208)	(3,340,723)	(3,101,278)

All assets are located in Ontario and are subject to the general security agreement discussed in Note 7 to the March 31, 2011 financial statements.

8. CASH (OVERDRAFT)

Cash (overdraft) represents cash on deposit less issued and outstanding cheques. The overdraft increased to $20,503 in the current period from $19,802 in the prior year. This balance is related to the timing of the receipt of funding and the release of cheques.

9. ACCOUNTS RECEIVABLE

Accounts receivable increased by 15.1% from $70,890 in the prior year to $81,571 at the end of the current period. The receivables will fluctuate relative to the timing of sales during the period.

10. INVENTORY

Raw material inventories increased by 6.2% from $49,941 in the prior year to $53,037 at the end of the current period and finished goods inventory increased by 44.7% from $18,602 in the prior year to $26,926 at the end of the current period.

Inventory levels will fluctuate during a period depending on the timing of purchases and product manufacturing. Raw Material levels in particular will vary from period to period resulting from the volume of purchases required in order to obtain reasonable pricing and the purchase of raw materials in advance of known price increases.

11. ACCOUNTS PAYABLE

Accounts payable decreased by 5.3% from $541,784 in the prior year to $513,101 at the end of the current period. The change in payables is dependent on the timing of expenses and raw material purchases and is related to funding advances and the release of cheques.

12. NOTES PAYABLE

Notes payable represents a subordinated loan from a venture capital company to a subsidiary a number of years ago. The loan is non interest bearing and unsecured. There have been no principal payments on the loan since 1992 and no payments are anticipated in the near future.

13. DUE TO RELATED PARTIES

During the current period, sales and marketing efforts were funded from the proceeds of shareholder and related party advances. The amount due to related parties increased by 8.5%, from $2,762,464 in the prior year to $2,997,541 at the end of the current period. The requirement for advances is dependent on the timing of expenses and raw material purchases.

14. SELECTED QUARTERLY FINANCIAL DATA

The table below presents selected financial data for each of the eight quarters ending December 31, 2011

	31-Dec 2011 $'s	30-Sep 2011 $'s	30-Jun 2011 $'s	31-Mar 2011 $'s	31-Dec 2010 $'s	30-Sep 2010 $'s	30-Jun 2010 $'s	31-Mar 2010 $'s
Revenue	78,485	69,029	76,766	73,978	90,952	68,634	68,767	46,792
Cost of Goods Sold	53,191	46,068	43,944	44,314	63,649	38,728	51,489	(8,805)
Gross Margin	25,294	22,961	32,822	29,664	27,303	29,906	17,278	55,597
Selling, general and administrative	70,488	75,883	75,470	90,123	71,589	76,278	85,824	101,218
Amortization	238	237	238	535	602	602	539	246
Interest and bank charges	5,087	5,186	4,676	2,245	5,123	5,103	10,027	6,547
Loss (Gain) on Foreign Exchange								4,496
	75,813	81,306	80,384	92,903	77,314	81,983	96,390	112,507
Net Profit (Loss)	(50,519)	(58,345)	(47,562)	(63,239)	(50,011)	(52,077)	(79,112)	(56,910)
Other Comprehensive income (Loss)	(2,459)	8,376	(842)	(2,560)	111,665	0	0	0
Total comprehensive income (Loss)	(52,978)	(49,969)	(48,404)	(65,799)	61,654	(52,077)	(79,112)	(56,910)

Loss per Share

The net loss for the three months ended December 31, 2011, excluding Other Comprehensive Income, was $50,519 ($0.00 per share), for the same period in the previous year the net loss was $50,011 ($0.00 per share). As of December 31, 2011 and December 31, 2010 there were 107,948,144 shares outstanding.

Discussion of Selected Financial Data

Sales have been relatively even since the quarter ending March 31, 2010 with an increase in the period ended December 31, 2010 as a result of outsourcing material for a large flooring project. The aggregate revenue has increased by 8.4% to $298,258 in the last four quarters from $275,145 in the previous four quarters.

The aggregate gross margin over the last four quarters has been approximately 37.1% of the sales and has remained relatively stable in that period. This is a result of controlling raw material costs while maintaining competitive pricing on our products.

As discussed in previous reports, in the quarters ending in March 31, 2010 some General and Administrative Expenses previously included in Cost of Goods Sold were realigned in the 4th quarter resulting in a negative Cost of Goods Sold for that period, properly allocating this realignment Cost of Goods Sold would have been about $12,000 in the March 31, 2010 quarter. Also as a result of this realignment Selling, general and administrative expenses were higher in the 4th Quarter, properly allocating this realignment these expenses would have been about $80,000 in the March 31, 2010 quarter. The net result for that quarter is not changed by this realignment of the Cost of Goods Sold and Selling, general and administrative expenses.

The reduction in Selling, general and administrative expenses over the last seven quarters reflects a decrease in management salaries. The operating expenses for the quarter ending March 31, 2011 included previously prepaid expense of $25,000 and the recovery of $16,842 from the write-off of accounts payable. Generally these operating expenses have averaged approximately $75,000 per quarter since June 2010. The Company continues to review operations to reduce costs, increase sales and generally improve the profitability of the Company.

As discussed in Note 19 below and in Note 8 to the quarterly financial statements, Other Comprehensive Income represents the unrealized gain on Long-term investments. The investment continues to be valued at US$1 per share and the quarterly changes are the result of changes in foreign exchanges rates.

15. TRANSACTIONS WITH RELATED PARTIES

As discussed in Note 13 above, the Company has historically funded its activities through the sale of Common shares and advances from a major shareholder. During the current period sales and marketing efforts were funded from the proceeds of shareholder and related party advances.

16. CONTRACTUAL OBLIGATIONS

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

17. CAPITAL RESOURCES

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

18. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

19. LONG-TERM INVESTMENTS

Woodland Biofuels Inc ("Woodland")

The Company holds 112,272 shares in Woodland which were previously included at a nominal value since no readily available market existed for the shares. Woodland completed a private placement of 4,000,000 shares in December 2010 at a price of US$1.00 per share and 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 December 31, 2011 as shown in Note 3(j) to the December 31, 2011 financial statements.

20. RISKS AND UNCERTAINTIES

There are risks and uncertainties with the business operation and results of the Company and those risks are discussed in detail in Note 3(i) to the financial statements for the three months ended December 31, 2011. The following factors should be considered in addition to other information contained in this document.

a. **Seasonality and Inflation**
Sales of the Company's products are seasonal with regard to exterior coatings and in some cases will be subject to buying and funding cycles of government and public sector routines. Inflation, in recent years, has not adversely affected the Company's results of operations and is not expected to adversely affect the Corporation in the future, unless inflation increases substantially.

b. **Legal Proceedings**
Management is not aware of any outstanding legal proceedings.

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

As required by National Instrument 52-109, the Company'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.

22. ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interest of insiders in material transactions, if applicable, is contained in the Company's information circular for its most recent annual meeting of shareholders that involved the election of directors, and in the Company's comparative financial statements for its most recently completed financial year. Additional information is also contained in Form 51-102F6 'Compensation of Directors and Executive Officers' for the year ended March 31, 2011 filed on SEDAR on July 29, 2011.

23. INVESTOR RELATIONS

Personnel employed directly by the Company handle all investor relations. Their duties include news releases, investor communications and general day-to-day operations of this department.

CORPORATE PROFILE

Board of Directors

David J. Hennigar, Bedford, Nova Scotia	Director, Chairman
N. Gary Van Nest, Toronto, Ontario	Director
J. Thomas MacQuarrie, Q.C., Halifax, Nova Scotia	Director
Michael G. Ryan, Halifax, Nova Scotia	Director

Corporate Officers

David J. Hennigar, Bedford, Nova Scotia	Acting Chief Executive Officer
Lorne S. MacFarlane, Dartmouth, Nova Scotia	Chief Financial Officer & Secretary

Corporate Office

190 Marycroft Avenue, Unit 5,
Woodbridge, Ontario L4L 5Y1
Tel.: (905) 264-1168
Fax: (905) 264-1169

Corporate Information

Bankers	Canadian Imperial Bank of Commerce, Woodbridge, Ontario
Lawyers	Bennett Jones LLP, Toronto, Ontario
Auditors	
Transfer Agent & Registrar	Equity Transfer & Trust Company, Toronto, Ontario

Market for Securities

The Common Shares of the Corporation are listed and posted for trading on the TSX Venture Exchange under the trading symbol "AQC".