MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED MARCH 31, 2012

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 year ending March 31, 2012, it also addresses key events that have occurred up to and including the date of writing on July 25, 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 year ended March 31, 2012 and should be read in conjunction with its audited Consolidated Financial Statements for the year ended March 31, 2012 and the related notes thereto. The amounts included in the following discussions are expressed in Canadian dollars (unless otherwise indicated).

3. GOING CONCERN

The 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. The 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 the financial statements to reflect liquidation values of assets on a non-going concern basis as any adjustment, if required, would not have a material effect on the Company's balance sheet. Please refer to Note 2 to the Consolidated Financial Statements for the year ended March 31, 2012 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 accounting policies and methods as outlined in Note 3 to Consolidated Financial Statements for the year ended March 31, 2012. The consolidated 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.

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 and an IFRS transition adjustment was made to the March 31, 2011 balance sheet. The conversion is discussed in detail in Note 19 to the Consolidated Financial Statements for the year ended March 31, 2012.

Management of Capital

The Company defines capital that it manages as the aggregate of its note payable to a related party, amount due to related party, 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-Mar-12	31-Mar-11	01-Apr-10
Notes payable	**$ 200,000**	$ 200,000	$ 200,000
Loan due to shareholder	**3,067,329**	2,850,379	2,618,580
Share capital	**10,340,865**	10,340,865	10,340,865
Contributed surplus	**5,193,806**	5,193,806	5,193,806
Other Comprehensive Income	**112,170**	109,105	-
Deficit	**(19,214,392)**	(18,938,633)	(18,694,194)
Total Capital (Deficiency)	**$ (300,222)**	$ (244,478)	$ (340,943)

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 select 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 with current distribution within Canada. This 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 a positive cash flow is generated from operations. Administrative expenses have been level over the last two fiscal years and have been reduced from $429,895 in the March 2010 fiscal year to $319,146 in the current fiscal year. The Company will continue to look at means of further reducing costs and attaining profitability.

6. OVERALL PERFORMANCE RELATING TO CURRENT OPERATIONS FOR THE YEAR ENDED MARCH 31, 2012

Revenue decreased by 8.2% from $302,331 in the prior year to $277,470 in the current year resulting from a slowdown in the industry and is particularly reflected in a decrease in sales of $20,788 in the 4th quarter of the current year from the same period in the prior year. Gross margin decreased by 19.8% from $104,151 in the prior year to $83,579 in the current year. Gross margin as a percentage of sales decreased to 30.1% compared to 34.4% in the prior year as a result of an adjustment of $21,465 for slow moving inventory items. Operating expenses for the year decreased by 1.4% from $323,814 in the prior year to $319,146 in the current year. Bank and interest charges increased to $39,241 in the current year from $22,498 in the prior year as a result of a late payment charge recorded by a subsidiary. The overall loss for the year increased by 12.8% from $244,439 in the prior year to $275,759 in the current year. The operating expenses for the prior year included a previously prepaid expense of $25,000 and included a recovery of $16,842 from the write-off of accounts payable. Operating expenses for the current year include additional fees of approximately $10,000 related to the conversion to IFRS reporting and costs associated with the change in auditors.

7. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected items from the Consolidated Statements of Comprehensive Income and Consolidated Balance Sheets as at March 31, 2012, March 31, 2011 and March 31, 2010:

Income Statement or Balance Sheet Item	31-Mar-12 $'s	31-Mar-11 $'s	31-Mar-10 $'s
Revenue	277,470	302,331	236,248
Cost of Sales	193,891	198,180	157,807
Gross Margin	83,579	104,151	78,441
General Expenses	319,146	323,814	429,895
Net Operating Income/(Loss) before deducting interest, amortization and extraordinary items	(235,567)	(219,663)	(351,454)
Interest, amortization and extraordinary items	40,192	24,776	25,561
Net Income/(Loss)	(275,759)	(244,439)	(377,015)
Cash (Overdraft)	(10,850)	(7,615)	(19,490)
Accounts receivable	47,690	65,905	51,995
Inventory – Raw materials	57,073	64,398	53,814
Inventory – Finished Goods	10,981	29,901	29,566
Accounts payable	526,271	516,109	504,247
Notes Payable	200,000	200,000	200,000
Related party advances	3,067,329	2,850,379	2,618,580
Shareholders Equity (Deficiency)	(3,567,551)	(3,294,857)	(3,159,523)

All assets are located in Ontario and are subject to the general security agreement discussed in Note 7 to the March 31, 2012 financial statements.

8. CASH (OVERDRAFT)

Cash (overdraft) represents cash on deposit less issued and outstanding cheques. The overdraft increased to $10,850 in the current year from $7,615 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 decreased by 27.6% from $65,905 in the prior year to $47,690 at the end of the current year. The receivables fluctuate relative to the timing of sales during the period.

10. INVENTORY

Raw material inventories decreased by 11.4% from $64,398 in the prior year to $57,073 at the end of the current year and finished goods inventory decreased by 63.3% from $29,901 in the prior year to $10,981 at the end of the current year. Current inventory levels reflect an adjustment of $21,465 for slow moving inventory items.

Inventory levels fluctuate during a period depending on the timing of purchases and product manufacturing. Raw Material levels in particular 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 increased by 2.0% from $516,109 in the prior year to $526,271 at the end of the current year. 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 PARTY

During the current period, sales and marketing efforts were funded by advances from a company controlled by a major shareholder. The amount due to related party increased by 7.6%, from $2,850,379 in the prior year to $3,067,329 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 March 31, 2012

	31-Mar 2012 $'s	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
Revenue	53,190	78,485	69,029	76,766	73,978	90,952	68,634	68,767
Cost of Goods Sold	50,688	53,191	46,068	43,944	44,314	63,649	38,728	51,489
Gross Margin	2,502	25,294	22,961	32,822	29,664	27,303	29,906	17,278
Selling, general and administrative	97,305	70,488	75,883	75,470	90,123	71,589	76,278	85,824
Amortization	238	238	237	238	535	602	602	539
Interest and bank charges	24,292	5,087	5,186	4,676	2,245	5,123	5,103	10,027
	121,835	75,813	81,306	80,384	92,903	77,314	81,983	96,390
Net Profit (Loss)	(119,333)	(50,519)	(58,345)	(47,562)	(63,239)	(50,011)	(52,077)	(79,112)
Other Comprehensive Income (Loss)	(2,010)	(2,459)	8,376	(842)	(2,560)	111,665	0	0
Total comprehensive income (Loss)	(121,343)	(52,978)	(49,969)	(48,404)	(65,799)	61,654	(52,077)	(79,112)

Operating Loss

The net loss for the 4th quarter ended March 31, 2012, was $119,333 ($0.00 per share), for the same period in the previous year the net loss was $63,239 ($0.00 per share). The loss in the 4th quarter in the current year includes $10,000 in additional audit fees, $19,000 in additional interest charges and a $21,465 inventory adjustment. The loss in the 4th quarter in the prior year includes $25,000 in previously prepaid expenses and the write-off of $16,842 in accounts payable from other years. As of March 31, 2012 and March 31, 2011 there were 107,948,144 shares outstanding.

Discussion of Selected Financial Data

As discussed in Note 6 above revenue decreased by 8.2% from the prior year. Sales in the 4th quarter declined by 28.1% from $73,978 in the 4th quarter last the prior year to $53,190 in the current year. The sales in the 4th quarter in the prior year had been considerably higher than in previous 4th quarter periods. Sales in the first three quarters of the current year remained relatively level at $224,280 compared to $228,353 in the same periods in the prior year.

Selling, general and administrative expenses in the 4th quarter increased 8.0% from $90,123 in the prior year to $97,305 in the current year. The expenses in the 4th quarter in each year include those items discussed above under Operating Loss. The expenses in the 4th quarter of the current year are level with the same period in the prior year after adjusting for these items.

As discussed in Note 19 below and in Note 9 to the March 31, 2012 Consolidated 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 PARTY

As discussed in Note 13 above, the Company has historically funded its activities through the sale of Common shares and advances from a company controlled by 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 another private placement of 100,000 shares in September 2011 at a price of $1.00 per share. The Company has used these two valuations as the basis for calculating Other Comprehensive Income for the years ending March 31, 2012 and March 31, 2011. The long term investment is discussed in further detail in Note 9 to the Consolidated Financial Statements for the year ended March 31, 2012.

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 16 to the Consolidated Financial Statements for the year ended March 31, 2012. 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 are 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 Company 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, 2012 filed on SEDAR on July 30, 2012.

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	Collins Barrow Toronto LLP, Toronto, Ontario
Transfer Agent & Registrar	Equity Transfer & Trust Company, Toronto, Ontario

Market for Securities

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