MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED DECEMBER 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 period ending December 31, 2012, it also addresses key events that have occurred up to and including the date of writing on February 25, 2013.

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 and six months ended December 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

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 effect on the corporation’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 same accounting policies and methods as used in preparing the Company’s audited consolidated financial statements for the year ended March 31, 2012. The accounting policies are discussed in detail in Note 3 to the year-end audited financial statements and in Note 3 to the interim financial statements. The interim financial statements have, in management’s opinion, been properly prepared in compliance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, and the Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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

5. BUSINESS OVERVIEW (cont'd)

- **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 attends select trade shows which provide exposure for the Company and its products.

As discussed in Note 13 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. The Company continues to look at means of reducing costs and attaining profitability.

6. OVERALL PERFORMANCE RELATING TO CURRENT OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2012

Revenue decreased 44.1% to $43,903 in the three months ended December 31, 2012 from $78,485 in the same period in the prior year. Gross margin, as a percentage of sales, decreased to 29.3% compared to 32.2% in the same period in the prior year. Selling, general and administrative expenses for the period increased by 2.1% from $70,488 in the prior year period to $71,990 in the current year. Amortization expenses increased to $304 in the current period from $238 in the prior year. Interest expense increased 31.9% from $5,087 in the prior year to $6,712 in the current period. The net operating loss for the quarter increased by 30.9% from $50,519 in the prior year to $66,124 in the in the current year. There was a gain of $1,830 in other comprehensive income in the current period compared to a loss of $2,459 in the prior year.

7. SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

Balance Sheet Item	31-Dec-12 $'s	31-Dec-11 $'s	31-Dec-10 $'s
Cash (Overdraft)	(23,416)	(20,503)	(19,802)
Accounts receivable	60,309	81,571	70,890
Inventory – Raw materials	55,237	53,037	49,941
Inventory – Finished Goods	21,876	26,926	18,602
Accounts payable	527,798	513,101	541,784
Notes Payable	200,000	200,000	200,000
Due to related party	3,299,070	2,997,541	2,762,464
Shareholders Equity (Deficiency)	(3,789,917)	(3,446,208)	(3,340,723)

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

8. CASH (OVERDRAFT)

Cash (overdraft) represents cash on deposit less issued and outstanding cheques. The overdraft increased to $23,416 in the current period from $20,503 in the same period 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 26.1% from $81,571 in the prior year to $60,309 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 4.1% from $53,037 in the prior year to $55,237 at the end of the current period and finished goods inventory decreased by 18.8% from $26,926 in the prior year to $21,876 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 2.9% from $513,101 in the prior year to $527,798 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 PARTY

During the current period, sales and marketing efforts were funded from the proceeds of shareholder and related party advances. The amount due to related party increased by 10.1%, from $2,997,541 in the prior year to $3,299,070 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, 2012

	31-Dec 2012 $'s	30-Sep 2012 $'s	30-Jun 2012 $'s	31-Mar 2012 $'s	31-Dec 2011 $'s	30-Sep 2011 $'s	30-Jun 2011 $'s	31-Mar 2011 $'s
Revenue	43,903	62,282	42,793	53,190	78,485	69,029	76,766	73,978
Cost of Goods Sold	31,021	35,036	30,401	50,688	53,191	46,068	43,944	44,314
Gross Margin	12,882	27,246	12,392	2,502	25,294	22,961	32,822	29,664
Selling, general and administrative	71,990	89,755	93,550	97,305	70,488	75,883	75,470	90,123
Amortization	304	303	304	238	238	237	238	535
Interest and bank charges	6,712	6,513	5,556	24,292	5,087	5,186	4,676	2,245
	79,006	96,571	99,410	121,835	75,813	81,306	80,384	92,903
Net Profit (Loss)	(66,124)	(69,325)	(87,018)	(119,333)	(50,519)	(58,345)	(47,562)	(63,239)
Other Comprehensive Income (Loss)	1,830	(3,975)	2,246	(2,010)	(2,459)	8,376	(842)	(2,560)
Total comprehensive income (Loss)	(64,294)	(73,300)	(84,772)	(121,343)	(52,978)	(49,969)	(48,404)	(65,799)

Loss per Share

The net loss for the three months ended December 31, 2012, excluding Other Comprehensive Income, was $66,124 ($0.00 per share), for the same period in the previous year the net loss was $50,519 ($0.00 per share). As of December 31, 2012 and December 31, 2011 there were 107,948,144 shares outstanding.

Discussion of Selected Financial Data

Sales, which had been relatively level for a number of quarterly periods, have declined in the last four quarters compared to the previous four quarters. The aggregate revenue for those periods has decreased by 32.2% to $202,168 in the last four quarters from $298,258 in the previous four quarters.

The aggregate Cost of Goods sold decreased to $147,146 in the last four quarters from $187,517 in the previous four quarters; the aggregate gross margin over the last four quarters has been approximately 27.2% of sales and has declined from a margin of 37.1% in the previous four quarters. The aggregate Cost of Goods Sold in the last four quarters includes a provision for obsolete inventory in the amount of $21,465

The aggregate Selling, general and administrative expenses for the last four quarters increased by 18.3% to $352,600 from $311,964 in the previous four quarters. Those expenses for the last four quarters include an additional provision for bad debt of $7,000 and additional cost of $23,000 associated with the conversion to IFRS. The Company continues to review operations to reduce costs, increase sales and generally improve the profitability of the Company.

As discussed in Note 20 below and in Notes 9 and 19 to the March 31, 2012 audited financial statements, Other Comprehensive Income represents the unrealized gain or loss on Long-term investments. The investment has been valued at US$1 per share until the current quarter when the valuation was changed to C$1 per share as discussed in Note 20 below and in Note 9 to the quarterly financial statements.

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. 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.

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, 2012.

17. CONTRACTUAL OBLIGATIONS

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

18. CAPITAL RESOURCES

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

19. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

20. 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. Woodland recently completed further private placement of shares at C$1.00 per share and the Company is now using that valuation as the basis for the fair value measurement of the investment in Woodland.. The changes between the values on the balance sheet dates are recorded in other comprehensive income for the year ended March 31, 2012 and the three months and six months ended December 31, 2012. Further details are outlined in Notes 9 and 19 to the March 31, 2012 Audited Financial Statements regarding the valuation and designation of the long-term investment under IFRS.

21. 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 audited 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 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.

22. 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.

23. 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.

24. 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 Corporation are listed and posted for trading on the TSX Venture Exchange under the trading symbol "AQC".