



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED MARCH 31, 2013

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, 2013, it also addresses key events that have occurred up to and including the date of writing on July 29, 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 year ended March 31, 2013 and should be read in conjunction with its audited Consolidated Financial Statements for the year ended March 31, 2013 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, 2013 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, 2013. 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.

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.

	Mar 31, 2013	Mar 31, 2012
Notes payable	\$ 200,000	\$ 200,000
Loan due to shareholder	3,381,655	3,067,329
Share capital	10,340,865	10,340,865
Contributed surplus	5,193,806	5,193,806
Other Comprehensive Income	112,271	112,170
Deficit	(19,503,237)	(19,214,392)
Total Capital (Deficiency)	\$ (274,640)	\$ (300,222)

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.

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 non-ferrous metals
- **Sure Tred** – Non slip safety coating for various pedestrian walkways
- **Armactote** – polyurethane industrial enamels for maintenance and production work
- **Armactclear 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.

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 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, 2013

Revenue decreased by 33.3% from \$277,470 in the prior year to \$184,946 in the current year resulting from a slowdown in the industry and is particularly reflected in a decrease in sales of \$17,222 in the 4th quarter of the current year from the same period in the prior year. Gross margin decreased by 22.1% from \$83,579 in the prior year to \$65,086 in the current year. Gross margin as a percentage of sales increased to 35.2% compared to 30.1% in the prior year. The prior year's figures reflect an adjustment of \$21,465 for slow moving inventory items. Operating expenses for the year increased by 5.4% from \$319,146 in the prior year to \$336,454 in the current year. Bank and interest charges decreased to \$23,008 in the current year from \$39,241 in the prior year which included late payment charge recorded by a subsidiary. The overall loss for the year increased by 4.7% from \$275,759 in the prior year to \$288,845 in the current year. Operating expenses for the prior 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, 2013, March 31, 2012 and March 31, 2011:

Income Statement or Balance Sheet Item	31-Mar-13	31-Mar-12	31-Mar-11
	\$'s	\$'s	\$'s
Revenue	184,946	277,470	302,331
Cost of Sales	119,860	193,891	198,180
Gross Margin	65,086	83,579	104,151
General Expenses	336,454	319,146	323,814
Net Operating Income/(Loss) before deducting interest, amortization and extraordinary items	(271,368)	(235,567)	(219,663)
Interest, amortization and other items	17,477	40,192	24,776
Net Income/(Loss)	(288,845)	(275,759)	(244,439)
Cash (Overdraft)	3,364	(10,850)	(7,615)
Accounts receivable	42,429	47,690	65,905
Inventory – Raw materials	45,643	57,073	64,398
Inventory – Finished Goods	35,025	10,981	29,901
Accounts payable	523,142	526,271	516,109
Notes Payable	200,000	200,000	200,000
Related party advances	3,381,655	3,067,329	2,850,379
Shareholders Equity (Deficiency)	(3,856,295)	(3,567,551)	(3,294,857)

All assets are located in Ontario and are subject to the general security agreement discussed in Note 7 to the March 31, 2013 financial statements.

8. CASH (OVERDRAFT)

Cash (overdraft) represents cash on deposit less issued and outstanding cheques. Cash increased to \$3,364 in the current year from an overdraft of \$10,850 in the prior year. These balances are related to the timing of the receipt of funding and the release of cheques.

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Management's Discussion and Analysis
For the year ended March 31, 2013

9. ACCOUNTS RECEIVABLE

Accounts receivable decreased by 11.0% from \$47,690 in the prior year to \$42,429 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 20.0% from \$57,073 in the prior year to \$45,643 at the end of the current year and finished goods inventory increased by 219.0% from \$10,981 in the prior year to \$35,025 at the end of the current year. Inventory levels reflect an adjustment of \$21,465 in the prior year and \$5,013 in the current year 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 decreased by 0.6% from \$526,271 in the prior year to \$523,142 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 10.2%, from \$3,067,329 in the prior year to \$3,381,655 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, 2013

	31-Mar 2013 \$'s	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
Revenue	35,968	43,903	62,282	42,793	53,190	78,485	69,029	76,766
Cost of Goods Sold	23,402	31,021	35,036	30,401	50,688	53,191	46,068	43,944
Gross Margin	12,566	12,882	27,246	12,392	2,502	25,294	22,961	32,822
Selling, general and administrative	81,159	71,990	89,755	93,550	97,305	70,488	75,883	75,470
Amortization	304	304	303	304	238	238	237	238
Interest and bank charges	4,227	6,712	6,513	5,556	24,292	5,087	5,186	4,676
	78,944	79,006	96,571	99,410	121,835	75,813	81,306	80,384
Net Profit (Loss)	(66,378)	(66,124)	(69,325)	(87,018)	(119,333)	(50,519)	(58,345)	(47,562)
Other Comprehensive Income (Loss)	0	1,830	(3,975)	2,246	(2,010)	(2,459)	8,376	(842)
Total comprehensive income (Loss)	(66,378)	(64,294)	(73,300)	(84,772)	(121,343)	(52,978)	(49,969)	(48,404)

Operating Loss

The net loss for the 4th quarter ended March 31, 2013, was \$66,378 (\$0.00 per share), for the same period in the previous year the net loss was \$119,333 (\$0.00 per share). The loss in the 4th quarter in the prior year included \$10,000 in additional audit fees, \$19,000 in additional interest charges and a \$21,465 inventory adjustment. As of March 31, 2013 and March 31, 2012 there were 107,948,144 shares outstanding.

Discussion of Selected Financial Data

As discussed in Note 6 above revenue decreased by 33.3% from the prior year. Sales in the 4th quarter declined by 32.4% from \$53,190 in the 4th quarter last the prior year to \$35,968 in the current year. Sales in the first three quarters of the current year declined by 33.6% to \$148,978 compared to \$224,280 in the same periods in the prior year.

Selling, general and administrative expenses in the 4th quarter decreased 16.6% from \$97,305 in the prior year to \$81,159 in the current year. The expenses in the 4th quarter in the prior year include those items discussed above under Operating Loss. The expenses in the 4th quarter of the current year increased 18.8% from the prior year after adjusting for these items.

As discussed in Note 19 below and in Note 9 to the March 31, 2013 Consolidated Financial Statements, Other Comprehensive Income represents the unrealized gain on Long-term investments. This investment is currently valued at C\$1 per share and in previous periods had been valued at US\$1 per share with the quarterly changes in Other Comprehensive Income reflecting 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, 2013 and March 31, 2012.

In Q3 and Q4 2012 Woodland issued 2,726,900 units at C\$1.00 per unit (each unit comprising one common share and one warrant exercisable at \$1.50 per share for a 4 year period) and is committed to issue a further 810,200 shares at C\$1.00 per share. The Company is now using the most recent share issue price 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 March 31, 2013

The long term investment is discussed in further detail in Note 9 to the Consolidated Financial Statements for the year ended March 31, 2013.

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, 2013. 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..

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	TMX Equity Transfer Services Inc., 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".

