



**2011 THIRD QUARTER REPORT AND
FINANCIAL STATEMENTS**

December 31, 2010

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 three month and nine month periods ended December 31, 2010

PROVEN PROTECTION FOR INDUSTRY AND ENVIRONMENT



REPORT TO SHAREHOLDERS

Enclosed please find the unaudited consolidated financial statements for the three month and nine month periods ended December 31, 2010, together with the comparative statement of operations for the three month and nine month periods ended December 31, 2009, and the comparative balance sheets as at December 31, 2010 and March 31, 2010.

Sincerely,

Signed "David J. Hennigar"

David J Hennigar
Chairman and Acting CEO
February 25, 2011

Aquarius Coatings Inc.
Consolidated Balance Sheets

(See Note 1 - Going Concern)

December 31 **March 31**
2010 **2010**

(Audited)

ASSETS

Current Assets

Accounts Receivable	\$	70,890	\$	51,995
Inventory				
Raw Materials		49,941		53,814
Finished Goods		18,602		29,566
Prepaid Expenses		40,458		42,999

Long-term investment (Note 7)

2 **2**

Capital assets (Note 4)

3,434 **4,418**

\$ **183,327** \$ 182,794

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

Liabilities

Bank indebtedness	\$	19,802	\$	19,490
Accounts payable and accrued liabilities		541,784		504,247
Note Payable (Note 6)		200,000		200,000
Due to related parties (Note 5)		2,762,464		2,618,580

3,524,050 3,342,317

Shareholders' Deficiency

Share Capital		10,340,865		10,340,865
Contributed surplus		5,193,806		5,193,806
Deficit		(18,875,394)		(18,694,194)

(3,340,723) (3,159,523)

\$ **183,327** \$ 182,794

See accompanying notes to consolidated financial statements

Aquarius Coatings Inc.
Consolidated Statements of Operations and Deficit (unaudited)

	Three Months Ended December 31,2010	Three Months Ended December 31,2009	Nine Months Ended December 31,2010	Nine Months Ended December 31,2009
Sales	\$ 90,952	\$ 55,074	\$ 228,353	\$ 189,456
Cost of sales	63,649	45,721	153,866	139,697
Gross Margin	27,303	9,353	74,487	49,759
Expenses				
Selling, general and administrative	71,589	109,282	233,691	349,761
Bank Charges and Interest	5,123	7,601	20,253	18,195
Amortization	602	227	1,743	573
	77,314	117,110	255,687	368,529
Net loss	(50,011)	(107,757)	(181,200)	(318,770)
Deficit, beginning of period	(18,825,383)	(18,528,192)	(18,694,194)	(18,317,179)
Deficit, end of period	\$ (18,875,394)	\$ (18,635,949)	\$ (18,875,394)	\$ (18,635,949)
Loss per share	\$0.0005	\$0.0010	\$0.0017	\$0.0030

See accompanying notes to consolidated financial statements

Aquarius Coatings Inc.
Consolidated Statement of Cash Flows (unaudited)

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009	Nine Months Ended December 31, 2010	Nine Months Ended December 30, 2009
Cash flows were provided by (used in)				
Operating activities				
Net loss for the period	\$ (50,011)	\$ (107,757)	\$ (181,200)	\$ (318,770)
Amortization	602	227	1,743	573
Accounts Receivable	(17,070)	(9,850)	(18,895)	(20,173)
Inventory	14,054	15,080	14,837	42,866
Prepaid Expenses	0	(9,176)	2,541	(9,176)
Accounts payable and accrued liabilities	25,572	(6,694)	37,537	36,310
	(26,853)	(118,170)	(143,437)	(268,370)
Financing activities				
Advances from related parties	26,189	99,625	143,884	250,025
Increase (decrease) in bank indebtedness	664	19,030	312	19,543
	26,853	118,655	144,196	269,568
Investment activities				
Purchase capital assets	0	(485)	(759)	(1,198)
	0	(485)	(759)	(1,198)
Increase (Decrease) in cash during the period	0	0	0	0
Cash, beginning of period	0	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)

December 31, 2010 and March 31, 2010

1. Going concern

The consolidated financial statements for Aquarius Coatings Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which presumes the realization of assets and discharge of liabilities in the normal course of business. The Company currently has limited operating revenues and, during the years ended March 31, 2010 and 2009 incurred losses of \$377,016 and \$405,186, respectively. At December 31, 2010 and March 31, 2010, the Company has a working capital deficiency of \$3,344,159 and \$3,163,943, respectively. Also, at December 31, 2010 and March 31, 2010, the Company has a shareholders' deficiency of \$3,340,723 and \$3,159,523, respectively. Consequently, the Company's ability to continue as a going concern is dependent on the support of its creditors, the Company's ability to obtain additional financing, and ultimately, the attainment of profitable operations. The Company's lenders 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. Significant Accounting Policies

The financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada for interim financial statements. The financial statements have, in management's opinion, been properly prepared using judgement within reasonable limits of materiality. These interim financial statements do not include all the note disclosures required for annual financial statements and therefore they should be read in conjunction with the company's audited financial statements for the year ended March 31, 2010. The significant accounting policies follow that of the most recently reported annual financial statements.

3. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimated.

4. Capital Assets

	Dec. 31, 2010		March 31, 2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer and Automotive Equipment	\$ 11,519	\$ 8,085	\$ 3,434	\$ 4,418

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

December 31, 2010 and March 31, 2010

5. Due to Related Parties

	Dec. 31, 2010	March 31, 2010
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.	\$ 2,762,464	\$ 2,618,580
	\$ 2,762,464	\$ 2,618,580

6. Note Payable

	Dec. 31, 2010	March 31, 2010
Subordinated promissory note payable, non-interest bearing, unsecured and payable on demand.	\$ 200,000	\$ 200,000
Less: current portion	\$ 200,000	\$ 200,000
	\$ -	\$ -

7. Long-term Investment

Woodland Biofuels Inc. ("Woodland")

The Company owns 112,272 shares in Woodland. This long-term investment has been included at a nominal price. Further details appear in note 4(b) of the notes to the Consolidated Financial Statements for the year ended March 31, 2010.

8. 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 December 31, 2010 were export sales to the United States of US\$13,928 (3 month period ended December 31, 2009 – US\$7,852). Accounts receivable from United States customers at December 31, 2010 amounted to US\$3,777

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

