MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE 3 MONTH PERIOD ENDED DECEMBER 31, 2010

1. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The discussion and analysis of Aquarius Coatings Inc. ("the Company") contains forward-looking statements, which involve risks and uncertainties. Actual events could differ from those anticipated in these forward-looking statements. While this MD&A reflects the period ending December 31, 2010, it also addresses key events that have occurred up to and including the date of the writing on February 25, 2011.

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 sedar.com for additional information.

2. 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, 2010 included in this annual report for important information regarding the going concern assumption.

3. INTRODUCTION

The following is a discussion and analysis of the Company's results of operations and financial condition for the 3 month period ended December 31, 2010 and should be read in conjunction with its audited consolidated financial statements for the year ended March 31, 2010 and the related notes thereto. The amounts included in the following discussions are expressed in Canadian dollars unless otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements included in this quarterly report were prepared in accordance with generally accepted accounting principles in Canada, as more particularly set out and described in the related notes to Consolidated Financial Statements for the year ended March 31, 2010.

Future changes in accounting policies
International Financing Reporting Standards (IFRS)

In January 2006, the AcSB adopted a strategic plan calling for the adoption of IFRS by publicly accountable enterprises in Canada, after a specified transition period. The AcSB has confirmed January 1, 2011 as the changeover date (i.e., the date IFRS will replace current Canadian standards and interpretations as GAAP for this category of reporting entity). As a result, the Company is required to prepare its consolidated financial statements in accordance with IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly the Company will be implementing IFRS commencing April 1, 2011.

The Company is carrying out a diagnostic review of significant IFRS differences during the fourth quarter of fiscal 2011. While the effects of IFRS have not yet been fully determined, management has identified areas where it may be impacted by accounting policy changes which may potentially impact the recognition, measurement and presentation of the Company’s financial statement balances as of the transition date. The Company is planning to have the necessary changes in place prior to August 29, 2011

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In October 2008, the CICA issued Section 1582 Business Combinations ("Section 1582") concurrently with Section 1601 Consolidated Financial Statements ("Section 1601"), and Section 1602 Non-controlling Interests ("Section 1602"). Section 1582, which replaces Section 1581 Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which replaces Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. This pronouncement will not have any impact on the financial statements.

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, 2010.

5. BUSINESS OVERVIEW

The Company is a manufacturer of industrial and consumer corrosion protective coatings and markets a wide range of these coatings for steel, concrete and manufactured goods, with distribution throughout 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 mettals
- **Sure Tred –** Non slip safety coating for various pedestrian walkways
- **Armacote –** polyurethane industrial enamels for maintenance and production work
- **Armaglaze WB 6000 & 9000 -** high performance 2 component urethane finishes for premium performance & protection including anti graffitti
- **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

We have a relationship with an international distributor which remains one of our key components for future growth. This ongoing relationship is attributed to the specialty "non-competitive" nature of our products and through the support of local sales initiatives. This distributor has a global presence, currently representing our products nationwide.

Recent projects include train and transit stations, petrochemical tanks, bridge maintenance and corrosion treatment for marine & industrial projects. We have supplied products for trailer and heavy equipment painting, locomotive walkways, warehouse floor maintenance and mobile stage sets. We have also supplied products for various anti-graffiti projects and protective coatings systems for decorative retail and commercial floors.

The development, design and maintenance of a professional website is under review to help stimulate and support future growth. This is a key business tool for prospective customers to search and locate our company and products while improving our overall corporate image within the coatings industry.

6. OVERALL PERFORMANCE RELATING TO CURRENT OPERATIONS FOR THE 3 MONTH PERIOD ENDED DECEMBER 31, 2010

Sales for the period increased by 65.1% from $55,074 in the prior year to $90,952 in the current year. The increase was the result of developing relationships with current and new customers and opportunities to bid on and supply product to new projects. Gross margins increased by 91.9% from $9,353 in the prior year to $27,303 in the current year. This was as a result of the realignment of some overhead expenses, gross margin as a percentage of sales increased from 17.0% in the prior year to

30.0% in the current period.

Selling, general and administrative expenses for the period decreased by 34.5% to $71,589 in the current year from $109,282 in the previous year. This decrease is a result of our consolidated efforts in focusing on a leaner operation. Net loss for the quarter declined by 53.6% from a loss of $107,757 in the prior year compared to a loss of $50,011 in the current year.

7. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected items from the Consolidated Balance Sheets as at December 31, 2010, December 31, 2009 and December 31, 2008

Balance Sheet item	December 31, 2010	December 31, 2009	December 31, 2008
	$'s	$'s	$'s
Cash (Overdraft)	(19,802)	(22,345)	(5,106)
Accounts receivable	70,890	67,886	48,342
Inventory – Raw materials	49,941	15,230	38,085
Inventory – Finished Goods	18,602	42,434	40,478
Accounts payable	541,784	483,871	443,534
Notes Payable	200,000	200,000	200,000
Related party advances	2,762,464	2,563,237	2,160,212
Shareholders Equity (Deficiency)	(3,340,723)	(3,101,278)	(2,673,317)

All assets are located in Ontario and are subject to the general security agreement mentioned in Note 7 to the March 31, 2010 financial statements.

8. CASH (OVERDRAFT)

Cash (overdraft) represents cash on deposit less issued and outstanding cheques. The overdraft in the current year decreased by 11.4% from $22,345 in the prior year to $19,802 in the current period

9. ACCOUNTS RECEIVABLE

Accounts receivable increased by 4.4% from $67,886 in the prior year to $70,890 at the end of the current period. The relatively small increased compared to the increase in sales reflects a considerable improvement in collections.

10. INVENTORY

Raw material inventories increased by 327.9% from $15,230 in the prior year to $49,941 at the end of the current period. This increase is a result of quantities required to replenish the finished goods inventory. Finished goods inventory decreased by 56.2% from $42,434 in the prior year to $18,602 at the end of the current period.

Cost of Goods sold for the current period is comprised of the following:

Product costs	$57,737
Overhead expenses	5,912
Total	$63,649

11. ACCOUNTS PAYABLE

Accounts payable increased by 12.0% from $485,871 in the prior year to $541,784 at the end of the current period. This increase in payables is related to the increase in raw material inventory and the timing of other expenses.

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 past year, capital expenditures and sales and marketing efforts were funded from the proceeds of shareholder and related party advances. The amount due to related parties increased by 7.8% from $2,563,237 in the prior year to $2,762,464 at the end of the current period.

14. SELECTED QUARTERLY FINANCIAL DATA

The table below presents selected financial data for each of the eight quarters ending December 31, 2010

	Dec 31 2010	Sept 30 2010	Jun 30 2010	Mar 31 2010	Dec 31 2009	Sept 30 2009	Jun 30 2009	Mar 31 2009
	$'s	$'s	$'s	$'s	$'s	$'s	$'s	$'s
Revenue	90,952	68,634	68,767	46,792	55,074	63,922	70,460	48,149
Cost of Goods Sold	63,649	38,728	51,489	18,110	45,721	40,327	53,649	16,354
Gross Margin	27,303	29,906	17,278	28,682	9,353	23,595	16,811	31,795
Selling, general and administrative	71,589	76,278	85,824	80,134	109,282	121,558	118,921	120,083
Amortization	602	602	539	246	227	346		806
Bank Charges and Interest	5,123	5,103	10,027	6,547	7,601	8,881	1,713	20,953
	77,314	81,983	96,390	86,927	117,110	130,785	108,854	140,986
Net Profit/ (Loss)	(50,011)	(52,077)	(79,112)	(58,245)	(107,757)	(107,190)	(103,823)	(109,191)

Loss Per Share
The net loss for the 3 month period ended December 31, 2010, was $50,011 ($0.00 per share), for the same period in the previous year the net loss was $107,757 ($0.00 per share). As of December 31, 2010 and December 31, 2009 there were 107,948,144 shares outstanding.

The aggregate gross margin for the last four quarters has increased by 26.5% to $101,169 from $81,554 in the four prior quarters. During that same period the aggregate operating loss declined by 44.0% to $239,445 in the last four quarters compared to $427,871 in the prior four quarters. This improvement in operations is a result of the improvements in gross margins and a substantial decrease in Selling General and Administrative expenses.

15. FINANCING AGREEMENTS

The Company has historically funded its activities through the sale of Common shares and advances from a major shareholder. During the most recent fiscal year, capital expenditures and sales and marketing efforts were funded from the proceeds of shareholder and related party advances.

16. CONTRACTURAL 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. PORTFOLIO INVESTMENTS

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.

20. RISKS AND UNCERTAINTIES

There are risks and uncertainties with the business operation and results of the company. The following factors should be considered in addition to other information contained in this document.

a. Currency Fluctuations

Currency fluctuations can have an effect on the Company's revenue and profit margins.

b. 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.

c. 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 Multilateral Instrument 52-109 issued by the Canadian Securities Exchange Administrators ("MI52-109"), The Company's Acting Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be filing quarterly certificates of disclosure concurrent with the filing of its 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 insider 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	Millard DesLauriers & Shoemaker LLP
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”.