MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED MARCH 31, 2011

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 March 31, 2011, it also addresses key events that have occurred up to and including the date of writing on July 22, 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. INTRODUCTION

The following is a discussion and analysis of the Company's results of operations and financial condition for the year ended March 31, 2011 and should be read in conjunction with its audited consolidated financial statements for the year ended March 31, 2011 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 affect on the corporation’s balance sheet. Please refer to Note 1 to the Consolidated Financial Statements for the year ended March 31, 2011 for important information regarding the going concern assumption.

4. SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements included in this annual report were prepared in accordance with generally accepted accounting principles in Canada, as more particularly set out and described in the related notes thereto.

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 and will be filing the first IFRS interim report for the period ending June 30, 2011 on or before September 28, 2011.

The Company has evaluated the impact of adopting IFRS and does not anticipate any significant accounting changes or modifications to its accounting systems. The Company anticipates a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required and any process and/or system changes necessary to gather the required information for the comparative 2010 numbers.

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. Please refer to Note 13 to the Consolidated Financial Statements for the year ended March 31, 2011 for additional information on Management of Capital

5. BUSINESS OVERVIEW

The Company is a manufacturer of industrial and consumer corrosion protection and graffiti resistant coatings. The company markets a range of protective coatings for steel, concrete and manufactured goods, with distribution primarily in North America. There continues to be recurring interest in our products internationally, mainly in Asia, but also a recent Blue Steel project in Egypt, which was completed in the 4th quarter.

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
- **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 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 which remains one of our key components for future growth. This 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.

The Company has relied on the financial support of a major shareholder and will continue to do so until the Company generates a positive cash flow from operations. Administrative expenses have been reduced during the last year and the Company will continue to look at means of reducing costs and attaining profitability.

6. OVERALL PERFORMANCE RELATING TO CURRENT OPERATIONS FOR THE YEAR ENDED MARCH 31, 2011

Revenue increased by 28.0% to $302,331 in the current year from $236,248 in the prior year resulting from the general recovery in the economy and is particularly reflected in the increased sales for the 3rd quarter. Gross margin increased by 32.8% to $104,151 in the current year from $78,441 in the prior year. Gross margin as a percentage of sales increased to 34.5% compared to 33.2% in the prior year. Operating expenses for the year decreased by 20.6% from $429,895 in the prior year to $340,656 in the current year contributing to an overall decrease in the loss of 35.2% from $377,015 in the prior year to $244,429 in the current year. The current years operating expenses include previously prepaid expenses of $25,000 and the loss for the year includes the recovery of $16,842 from the write-off of accounts payable. The decrease in operating expenses is mainly the result of a reduction in management salaries for the year.

7. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected items from the Consolidated Income Statements and Consolidated Balance Sheets as at March 31, 2011, March 31, 2010 and March 31, 2009

Income Statement or Balance Sheet Item	31-Mar-11 $'s	31-Mar-10 $'s	31-Mar-09 $'s
Revenue	302,331	236,248	214,573
Cost of Sales	198,180	157,807	145,112
Gross Margin	104,151	78,441	69,461
General Expenses	323,814	429,895	449,348
Net Operating Income/(Loss) before deducting interest, amortization and extraordinary items	(219,663)	(351,454)	(379,887)
Interest, amortization and extraordinary items	24,776	25,561	25,299
Net Income/(Loss)	(244,439)	(377,015)	(405,186)
Cash (Overdraft)	(7,615)	(19,490)	(2,802)
Accounts receivable	65,905	51,995	47,713
Inventory – Raw materials	64,398	53,814	52,934
Inventory – Finished Goods	29,901	29,566	47,596
Accounts payable	516,109	504,247	447,561
Notes Payable	200,000	200,000	200,000
Related party advances	2,850,379	2,618,580	2,313,212
Shareholders Equity (Deficiency)	(3,403,962)	(3,159,523)	(2,782,508)

All assets are located in Ontario and are subject to the general security agreement discussed in Note 7 to the March 31, 2011 financial statements.

8. CASH (OVERDRAFT)

Cash (overdraft) represents cash on deposit less issued and outstanding cheques. The overdraft decreased from $19,490 in the prior year to $7,615 in the current period. This balance is related to the timing of the receipt of funding and the release of cheques.

9. ACCOUNTS RECEIVABLE

Accounts receivable increased by 26.8% from $51,995 in the prior year to $65,905 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 19.7% from $53,814 last year to $64,398 at the end of the current year and finished goods inventory decreased by 1.1% from $29,566 last year to $29,901 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 increased by 2.4% from $504,247 in the prior year to $516,109 at the end of the current period. The change in payables is dependant 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 PARTIES

During the most recent fiscal 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 8.9% from $2,618,580 at the end of the prior year to $2,850,379 at the end of the current year. 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, 2011

	31-Mar 2011 $'s	31-Dec 2010 $'s	30-Sep 2010 $'s	30-Jun 2010 $'s	31-Mar 2010 $'s	31-Dec 2009 $'s	30-Sep 2009 $'s	30-Jun 2009 $'s
Revenue	73,978	90,952	68,634	68,767	46,792	55,074	63,922	70,460
Cost of Goods Sold	44,314	63,649	38,728	51,489	(8,805)	53,816	47,367	65,429
Gross Margin	29,664	27,303	29,906	17,278	55,597	1,258	16,555	5,031
Selling, general and administrative	90,123	71,589	76,278	85,824	101,218	101,914	115,440	111,323
Amortization	535	602	602	539	246	227	346	
Interest and bank charges	2,245	5,123	5,103	10,027	6,547	7,601	8,881	1,713
Loss (Gain) on Foreign Exchange					4,496	(727)	(922)	(2,847)
	92,903	77,314	81,983	96,390	112,507	109,015	123,745	110,189
Net Profit (Loss)	(63,239)	(50,011)	(52,077)	(79,112)	(56,910)	(107,757)	(107,190)	(105,158)

Loss Per Share

The net loss for the 4th quarter ended March 31, 2011, was $62,239 ($0.00 per share), for the same period in the previous year the net loss was $56,910 ($0.00 per share). The loss in the 4th quarter in the current year includes $25,000 in previously prepaid expenses and the write-off of $16,842 in accounts payable from other years. No such items are included in the 4th quarter in the prior year. As of March 31, 2011 and March 31, 2010 there were 107,948,144 shares outstanding.

Discussion of Selected Financial Data

As discussed in Note 6 above revenues increased by 28.0% from the prior year. Sales in the first two quarters of the current year remained relatively level with the same period in the prior year; however, there was a substantial increase of 65.1% in the 3rd quarter and 58.1% in the 4th quarter over the same periods in the prior year. The increase in the 3rd quarter is the result of outsourcing material for a large flooring project and the increase in the 4th quarter was the result of large tank refurbishment order which had not been scheduled until the following year.

In the prior year some General and Administrative Expenses previously included in Cost of Goods Sold were realigned in the 4th quarter resulting in a negative Cost of Goods Sold for that period. Allocating this realignment over the year COGS would have been about $12,000 in the 4th quarter, $44,000 in the 3rd quarter, $42,000 in the 2nd Quarter and $56,000 in the 1st quarter. As a result of this realignment Selling, General and Administrative expenses were higher in the 4th Quarter. Allocating this realignment over the year these expenses would have been about $80,000 in the 4th quarter, $112,000 in the 3rd quarter, $120,000 in the 2nd Quarter and $120,000 in the 1st quarter. The net result for each quarter is not changed by this realignment of the Cost of Goods Sold and Selling General and Administrative Expenses.

The aggregate Selling, general and administrative expenses in the first 3 quarters of the current year were down approximately $120,000 from the same periods in the prior year. Those expenses in the 4th quarter of the current year are level with the same period in the prior year after adjusting for the items discussed under Loss Per Share and in the paragraph above.

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 most recent fiscal year, capital expenditures and 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. PORTFOLIO INVESTMENTS

Woodland Biofuels Inc ("Woodland")
The Company holds 112,272 shares in Woodland which has been included at a nominal value. Further details appear in Note 4(b) of the notes to the Consolidated Financial Statements for the year ended March 31, 2011. Woodland completed a private placement of 4,000,000 shares in December 2010 at a price of US$1.00 per share.

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 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	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”.