Aquarius Coatings Inc.

Consolidated Financial Statements

March 31, 2011

Millard, DesLauriers & Shoemaker LLP

Chartered Accountants

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Aquarius Coatings Inc.
Financial Information
March 31, 2011

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Millard, DesLauriers & Shoemaker LLP

Chartered Accountants, Licensed Public Accountants

156 Front Street West
Suite 301
Toronto, Ontario
M5J 2L6

Tel : (416) 599-7255
Fax : (416) 599-7268
Email : mds@mdsca.com
Internet : www.mdsca.com

Independent Auditors' Report

To the Shareholders of
Aquarius Coatings Inc.

We have audited the accompanying consolidated financial statements of Aquarius Coatings Inc., which comprise the consolidated balance sheets as at March 31, 2011 and 2010 and the consolidated statements of operations and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aquarius Coatings Inc. as at March 31, 2011 and 2010, and its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The financial statements of Aquarius Coatings Inc. have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. There is reason to doubt this assumption which is discussed more fully in Note 1 to the financial statements.

Millard. DesLauriers & Shoemaker LLP

Toronto, Canada
July 25, 2011

Chartered Accountants, Licensed Public Accountants

Aquarius Coatings Inc.
Consolidated Balance Sheets
(see Note 1 - Going Concern)

As at March 31	2011	2010
Assets		
Current		
Accounts receivable	$ 65,905	$ 51,995
Inventory (Note 3)	94,299	83,380
Prepaid expenses	6,283	42,999
	166,487	178,374
Long-term investments (Note 4)	1	2
Equipment (Note 5)	3,653	4,418
	$ 170,141	$ 182,794
Liabilities		
Current		
Bank overdraft	$ 7,615	$ 19,490
Accounts payable and accrued liabilities	516,109	504,247
Note payable (Note 6)	200,000	200,000
Due to related party (Note 7)	2,850,379	2,618,580
	3,574,103	3,342,317
Shareholders' Deficiency (Note 1)		
Share capital (Note 8)	10,340,865	10,340,865
Contributed surplus	5,193,806	5,193,806
Deficit	(18,938,633)	(18,694,194)
	(3,403,962)	(3,159,523)
	$ 170,141	$ 182,794

Approved on behalf of the Board:

"David J. Hennigar" Director
David J. Hennigar

"N. Gary Van Nest" Director
N. Gary Van Nest

Aquarius Coatings Inc.
Consolidated Statements of Operations and Deficit

For the Year Ended March 31	2011	2010
Sales	$ 302,331	$ 236,248
Cost of sales	198,180	157,807
Gross margin	104,151	78,441
Expenses		
Selling, general and administrative	340,656	429,895
Bank charges and interest	22,498	24,742
Amortization	2,278	819
Write-off of accounts payable from prior years	(16,842)	-
	348,590	455,456
Net loss for the year	(244,439)	(377,015)
Deficit, beginning of the year	(18,694,194)	(18,317,179)
Deficit, end of the year	$ (18,938,633)	$ (18,694,194)
Loss per share (Note 10)	$ 0.00	$ 0.00

Aquarius Coatings Inc.
Consolidated Statements of Cash Flows

For the Year Ended March 31	2011	2010
Cash flows from (for) operating activities		
Net loss for the year	$ (244,439)	$ (377,015)
Items not requiring working capital		
Amortization of equipment	2,278	819
Loss on sale of equipment	396	-
Write-off of long term investment	1	-
	(241,764)	(376,196)
Changes in non-cash operating working capital items:		
Accounts receivable	(13,910)	(4,282)
Inventory	(10,919)	17,150
Prepaid expenses	36,716	(11,717)
Accounts payable and accrued liabilities	11,864	56,686
	(218,013)	(318,359)
Cash flows from (for) financing activities		
Bank overdraft	(11,875)	16,688
Due to related party	231,799	305,368
	219,924	322,056
Cash flow for investing activity		
Equipment purchased	(1,911)	(3,697)
Net increase in cash for the year	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -
Supplementary information		
Interest paid	$ 16,974	$ 18,888
Income taxes paid	$ -	$ -

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, 2011 and 2010 incurred losses of $244,439 and $377,015, respectively. At March 31, 2011 and 2010, the Company has a working capital deficiency of $3,407,616 and $3,163,943, respectively. Also, at March 31, 2011 and 2010, the Company has a shareholders' deficiency of $3,403,962 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 year and balance sheet classifications.

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are outlined below.

(a) Nature of Operations

The Company is a supplier of industrial and consumer corrosion protection coatings. Through two of its subsidiaries, Scotiachemco Inc. and Trend Coatings Limited, the Company markets a broad line of protective coatings for steel, concrete and manufactured goods with distribution throughout North America. Trade names include Armaglaze, Armabrite, Blue-Steel and Sure-Tred.

(b) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, Scotiachemco Holdings Limited, Scotiachemco Inc., and Trend Coatings Limited. Inter-company transactions and balances have been eliminated.

(c) Accounting Estimates

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

2. Significant Accounting Policies (continued)

(d) Revenue Recognition

Revenue is recognized when goods are shipped to customers, the price is fixed or determinable, and collection is reasonably assured.

(e) Inventory

Raw materials are valued at the lower of cost and replacement cost. Finished goods are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Included in the cost of finished goods inventory are direct product costs, shipping costs and subcontract costs.

(f) Long-Term Investments

The accounts of an investee company (Note 4a), which the Company controls, are not consolidated because control over this investment is considered to be temporary. The long-term investments are accounted for using the cost method of accounting. The carrying value is written-down in the event of a permanent impairment.

(g) Equipment

Amortization is provided on equipment over their estimated useful lives using the following rates and methods:

Computer equipment	- 50% declining balance
Automotive equipment	- 30% declining balance

(h) Future Income Taxes

Income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using the substantively enacted tax rates and laws that are expected to be in effect in the periods that the temporary differences are expected to reverse. The effects of changes in rates are included in the statement of operations in the period which includes the substantive enactment date. Future income tax assets are evaluated and if their realization is not considered "more likely than not", a valuation allowance is provided.

(i) Foreign Currency

Foreign currency transactions are translated into Canadian dollars at the rates prevailing on the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the year-end rates of exchange. Translation gains and losses are recorded in the statement of operations.

2. **Significant Accounting Policies (continued)**

(j) Financial Instruments

The Company has elected to apply the following classifications to each of its significant categories of financial instruments:

Financial Asset / Liability	Category	Measurement
Cash/Bank overdraft	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long-term investments	Held to maturity	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Note payable	Other liabilities	Amortized cost

All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception. Subsequent measurement and recognition of changes in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, impairment write-downs and foreign exchange translation adjustments are recognized immediately.

(k) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the equity from transactions and other events and circumstances from non-shareholder sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss), but that are excluded from net income (loss) calculated in accordance with GAAP. A separate statement of comprehensive income (loss) has not been presented as there are no components of comprehensive income (loss) in the years ended March 31, 2011 and 2010.

(l) Financial Instruments - Disclosures and Presentation

Sections 3862, Financial Instruments - Disclosures, and 3863, Financial Instruments - Presentation, of the CICA Handbook replaced Section 3861, Financial Instruments - Disclosures and Presentation. They revise and enhance the disclosure requirements on the nature and extent of risks arising from financial instruments and how a company manages those risks. Beyond additional disclosure, these pronouncements do not have an effect on the Company's financial position or results of operations. These disclosures are included in Note 12.

2. Significant Accounting Policies (continued)

(m) Future Changes in Accounting Policies

(i) Harmonizing of Canadian and International Standards

In February 2008, The Accounting Standards Board ("AcSB") of the CICA confirmed that Canadian GAAP for public accountable enterprises will be converged with IFRS effective in the calendar year 2011. The conversion to IFRS will be required, for the Company, for interim and annual financial statements beginning April 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the mandatory transition date.

(ii) Business Combinations

In January 2009, the CICA issued new Handbook Section 1582, Business Combinations. Section 1582 will be converged with IFRS 3, Business Combinations and replaces Handbook Section 1581, Business Combinations. Section 1582 establishes the standards for the measurement of a business combination and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and the restructuring charges will be expensed in the periods after the acquisition date. This section is effective for acquisition dates on or after January 1, 2011. The Company may elect to early adopt this section and if so, will be required to early adopt Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling interests.

(iii) Consolidated Financial Statements

In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, which replaces Handbook Section 1600, Consolidated Financial Statements other than the standards relating to non-controlling interests. The section establishes the standards for preparing consolidated financial statements and is effective for fiscal years beginning on or after January 1, 2011. The Company may select to early adopt this section and if so, will be required to early adopt Section 1582, Business Combinations and Section 1602, Non-controlling interests.

2. Significant Accounting Policies (continued)

(iv) Non-Controlling Interests

In January 2009, the CICA issued new Handbook Section 1602, Non-controlling interests, which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is effective for fiscal years beginning on or after January 1, 2011. The Company may elect to early adopt this section and if so, will be required to early adopt Section 1582, Business Combinations and Section 1601, Consolidated Financial Statements.

(v) Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC 175, Multiple Deliverable Revenue Arrangements, replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (1) provide updated guidance on whether a multiple deliverable exists, how the deliverables in an arrangement should be separated and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgements made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption. The Company does not expect these amendments to affect its financial statements based on its current sales arrangements.

3. Inventory

Inventory is comprised as follows:

	2011	2010
Raw materials	$ 64,398	$ 53,814
Finished goods	29,901	29,566
	$ 94,299	$ 83,380

Cost of goods sold includes materials expensed of $184,258 (2010 - $137,956). There were no write-downs or reversals of write-downs in the 2011 fiscal year (2010 - Nil).

4. Long-Term Investments

a) Certified Emissions Reductions Inc.

On May 21, 2003, the Company loaned $500,000 to Certified Emissions Reductions Inc. ("CER"). Interest of 15% per annum was payable monthly and the principal was due on or before December 31, 2003. Following receipt of interest of $16,792, CER discontinued payments and defaulted on the payment of principal. As a condition of this default, CER issued Class A common shares which comprised 51% of its share capital to the Company. At March 31, 2004, management wrote-down this long-term investment to $1 and at March 31, 2011 wrote it off completely.

b) Woodland Biofuels Inc.

On November 22, 2006 the Company received an equity position of 7.5%, representing 1,418,919 shares of Bioversion Industries Inc., of Mississauga, Ontario. The shares were received for services rendered by senior officers of Aquarius Coatings Inc. These shares have been included in the Balance Sheet at a nominal price of $1.00 as Bioversion Industries Inc. was a privately held corporation with a deficit position at the time of the transaction. On December 6, 2006 these shares were exchanged for 112,272 shares, representing a 1.1% interest, in Woodland Biofuels Inc., another privately held corporation. In December 2010, Woodland completed a share offering of 4,000,000 shares at a price of US$1.00 per share.

5. Equipment

Equipment is comprised of:

		2011	
	Cost	Accumulated Amortization	Net Book Value
Computer and automotive equipment	$ 9,669	$ 6,016	$ 3,653

		2010	
	Cost	Accumulated Amortization	Net Book Value
Computer and automotive equipment	$ 10,760	$ 6,342	$ 4,418

6. Note Payable

The note payable is non-interest bearing, unsecured and payable on demand.

7. Due to Related Party and Related Party Transactions

Due to related party consists of the following:

	2011	2010
Note payable to Forest Lane Holdings Limited, (a company controlled by a shareholder), is non-interest bearing, due on demand, and is secured by a general security agreement	$ 2,850,379	$ 2,618,580

All related party transactions are recorded at their exchange amounts.

8. Share Capital

Share capital consists of the following:

Authorized
Unlimited number of non-voting, non-cumulative preference shares, issuable in series, convertible into one common share and redeemable at their stated capital amount
Unlimited number of common shares

	Number of Shares		Dollar Value	
	2011	2010	2011	2010
Issued				
Common shares	107,948,144	107,948,144	$ 10,340,865	$ 10,340,865

9. Income Taxes

The Company's income taxes have been calculated as follows:

	2011	2010
Net loss for the year	$ (244,439)	$ (377,015)
Income tax recovery at Canadian Federal and provincial statutory rates of 32.00% (2010 - 36.12%)	$ (78,000)	$ (121,000)
Valuation allowance	78,000	121,000
Provision for income taxes	$ -	$ -

The company has accumulated non-capital income tax losses of approximately $2,501,000, which are available to reduce income taxes payable in future years and which expire as follows:

2014	$ 265,000
2015	396,000
2026	306,000
2027	183,000
2028	327,000
2029	439,000
2030	365,000
2031	220,000

The potential tax benefits associated with the above losses have not been recorded in the consolidated financial statements due to the uncertainty of future realization.

10. Loss Per Share

Loss per share is calculated based on the weighted average number of common shares outstanding during the year of 107,948,144 (2010 - 107,948,144).

11. Segmented Information

Management has determined that the Company carries on business in one operating segment only. All equipment is located in Canada. Sales other than to Canadian customers for the year ended March 31, 2011 were export sales to the United States of US$30,948 (2010 - US$40,779). Accounts receivable from United States customers at March 31, 2011 were US$13,976 (2010 - US$9,067).

12. Financial Instruments

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions. The Company manages its liquidity risk by continuously monitoring forecast and actual cash flows from operations. In recent years, additional loans from directors/shareholders have provided the necessary liquidity as required.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Company's accounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customers. The Company closely monitors extensions of credit.

(b) Market Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company's short-term instruments (accounts receivable, bank overdraft, accounts payable and accrued liabilities) are not subject to market risk.

(c) Interest Rate Risk

The Company is not subject to interest rate risk, as the Note payable (Note 6) and Due to related party (Note 7) are non-interest bearing.

13. Management of Capital

The Company defines capital that it manages as the aggregate of its notes payable, due to related parties, 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 services to its customers and returns to its shareholders.

	2011	2010
Note payable	$ 200,000	$ 200,000
Loan due to shareholder	2,850,379	2,618,580
Share capital	10,340,865	10,340,865
Contributed surplus	5,193,806	5,193,806
Deficit	(18,938,633)	(18,694,194)
Total Capital (Deficiency)	$ (353,583)	$ (340,943)

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.