MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED JUNE 30, 2014

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 June 30, 2014, it also addresses key events that have occurred up to and including the date of writing on August 29, 2014.

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 three months ended June 30, 2014 and should be read in conjunction with its audited consolidated financial statements for the year ended March 31, 2014 and the related notes thereto. The amounts included in the following discussions are expressed in Canadian dollars (unless otherwise indicated).

3. GOING CONCERN

The Condensed Consolidated Interim 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 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 effect on the corporation’s balance sheet. Please refer to Note 2 to the Consolidated Financial Statements for the year ended March 31, 2014 for important information regarding the going concern assumption.

4. SIGNIFICANT ACCOUNTING POLICIES

The Condensed Consolidated Interim Financial Statements of the Company have been prepared by management using the same accounting policies and methods as used in preparing the Company’s Audited Consolidated Financial Statements for the year ended March 31, 2014. The accounting policies are discussed in detail in Note 3 to the year-end audited financial statements and in Note 3 to the interim financial statements. The interim financial statements have, in management’s opinion, been properly prepared in compliance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, and the Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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

5. **BUSINESS OVERVIEW (cont'd)**

- **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
- **Armaclear 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

As discussed in Note 13 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 continues to look at means of reducing costs and attaining profitability.

6. OVERALL PERFORMANCE RELATING TO CURRENT OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2014

Revenue decreased 37.2% to $32,875 in the three months ended June 30, 2014 from $52,336 in the same period in the prior year. Gross margin, as a percentage of sales, decreased to 31.7% compared to 35.1% in the same period in the prior year. Selling, general and administrative expenses for the period decreased by 11.9% from $77,001 in the prior year to $67,853 in the current year. Amortization expenses decreased to $177 in the current period from $231 in the prior year. Interest expense decreased 89.1% from $6,315 in the prior year to $687 in the current period. The decrease in interest expense is a result of the write off of the liabilities of a subsidiary discussed in Note 10 to the March 31, 2014 Consolidated Financial Statements. The net operating loss for the quarter decreased by 10.4% from $65,088 in the prior year to $58,309 in the in the current year. There was no Other Comprehensive Income in either the current period nor in the same period in the prior year.

7. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected items from the Consolidated Balance Sheets as at June 30, 2014, June 30, 2013 and June 30, 2012:

Balance Sheet Item	30-Jun-14 $'s	30-Jun-13 $'s	30-Jun-12 $'s
Cash (Overdraft)	4,189	4,491	(10,349)
Accounts receivable	35,504	51,523	31,819
Inventory – Raw materials	31,162	45,176	44,783
Inventory – Finished Goods	25,717	43,060	31,927
Accounts payable	87,496	550,766	545,925
Notes Payable	200,000	200,000	200,000
Related party advances	3,662,897	3,439,876	3,130,274
Shareholders Equity (Deficiency)	(3,730,881)	(3,921,383)	(3,652,323)

All assets are located in Ontario and are subject to the general security agreement discussed in Note 7 to the March 31, 2014 audited financial statements.

8. CASH

Cash represents cash on deposit less outstanding cheques. Cash decreased to $4,189 in the current period from $4,491 in the same period in the prior year.

9. ACCOUNTS RECEIVABLE

Accounts receivable decreased by 31.1% from $51,523 in the prior year to $35,504 at the end of the current period.

10. INVENTORY

Raw material inventories decreased by 31.0% from $45,176 in the prior year to $31,162 at the end of the current period and finished goods inventory decreased by 40.3% from $43,060 in the prior year to $25,717 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 decreased by 84.1% from $550,766 in the prior year to $87,496 at the end of the current period. The change in payables is the result of the write off of accounts payable of a subsidiary as discussed in Note 10 to the March 31, 2014 Consolidated Financial Statements.

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. RELATED PARTY TRANSACTIONS

During the current period, sales and marketing efforts were funded from the proceeds of shareholder and related party advances. The amount due to related party increased by 6.5%, from $3,439,876 in the prior year to $3,662,897 at the end of the current period. Please refer to Note 10 in the June 30, 2014 financial statements and to Note 11 in the March 31, 2014 Consolidated Financial Statements for pertinent information pertaining to the related party transactions.

14. SELECTED QUARTERLY FINANCIAL DATA

The table below presents selected financial data for each of the eight quarters ending June 30, 2014

	30-Jun 2014 $'s	31-Mar 2014 $'s	31-Dec 2013 $'s	30-Sep 2013 $'s	30-Jun 2013 $'s	31-Mar 2013 $'s	31-Dec 2012 $'s	30-Sep 2012 $'s
Revenue	32,875	37,899	59,092	56,579	52,336	35,968	43,903	62,282
Cost of Goods Sold	22,467	47,607	43,505	33,051	33,980	23,402	31,021	35,036
Gross Margin	10,408	(9,708)	15,587	23,528	18,356	12,566	12,882	27,246
Selling, general and administrative	67,853	86,846	77,336	72,464	77,001	81,159	71,990	89,755
Amortization	177	231	231	232	231	304	304	303
Interest and bank charges	687	6,390	6,513	6,413	6,315	4,227	6,712	6,513
Interest income	-	-	-	-	(103)	-	-	-
Gain on settlement of debt	-	(476,060)	-	-	-	(6,746)	-	-
	68,717	(382,593)	84,080	79,109	83,444	78,944	79,006	96,571
Net Profit (Loss)	(58,309)	372,884	(68,493)	(55,581)	(65,088)	(66,378)	(66,124)	(69,325)
Other Comprehensive Income (Loss)	-	-	-	-	-	-	1,830	(3,975)
Total comprehensive income (Loss)	(58,309)	372,884	(68,493)	(55,581)	(65,088)	(66,378)	(64,294)	(73,300)

14. SELECTED QUARTERLY FINANCIAL DATA (Cont'd)

Loss per Share

The net loss for the three months ended June 30, 2014, excluding Other Comprehensive Income, was $58,309 ($0.00 per share), for the same period in the previous year the net loss was $65,088 ($0.00 per share). As of June 30, 2014 and June 30, 2013 there were 107,948,144 shares outstanding.

Discussion of Selected Financial Data

Sales, which have been subject to seasonal fluctuations for a number of quarterly periods, have declined in the last four quarters compared to the previous four quarters. The aggregate revenue for those periods has decreased by 4.1% to $186,444 in the last four quarters from $194,489 in the previous four quarters.

The aggregate Cost of Goods sold increased to $146,630 in the last four quarters from $123,439 in the previous four quarters; the aggregate gross margin over the last four quarters has been approximately 21.4% of sales and has decreased from a margin of 36.5% in the previous four quarters. The aggregate Cost of Goods Sold in the last four quarters includes a provision for obsolete inventory in the amount of $18,330 compared to a provision of $5,013 in the previous four quarters.

The aggregate Selling, general and administrative expenses for the last four quarters decreased by 4.8% to $304,499 from $319,905 in the previous four quarters. Those expenses for the last four quarters include a provision for bad debt of $8,296 compared to a provision of $13,649 in the previous four quarters. The Company continues to review operations to reduce costs, increase sales and generally improve the profitability of the Company.

Other Comprehensive Income represents the unrealized gain or loss on long-term investments. The investment has been valued at $1 per share since the December 31, 2012 quarter as discussed in Note 20 below and in Note 9 to the March 31, 2014 consolidated financial statements.

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 current period sales and marketing efforts were funded from the proceeds of shareholder and related party advances.

16. 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.

		Jun 30, 2014		Mar 31, 2014
Notes payable	**$**	**200,000**	$	200,000
Loan due to shareholder		**3,662,897**		3,611,489
Share capital		**10,340,865**		10,340,865
Contributed surplus		**5,193,806**		5,193,806
Other Comprehensive Income		**112,271**		112,271
Deficit		**(19,377,823)**		(19,319,514)
Total Capital	**$**	**132,016**	$	138,917

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, 2014.

17. CONTRACTUAL OBLIGATIONS

The Company rents premises on a monthly basis and has no long term lease commitments and has no capitalized lease commitments.

18. CAPITAL RESOURCES

The Company does not anticipate any major expenditure on capital resources.

19. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

20. LONG-TERM INVESTMENTS

Woodland Biofuels Inc. ("Woodland")

The Company holds 112,272 shares in Woodland which were originally carried at a nominal value since no readily available market for the shares existed at that time. Further details appear in Note 9 of the notes to the Consolidated Financial Statements for the year ended March 31, 2014. The last private placement of Woodland shares was at C$1.00 per share and the Company is using that valuation as the basis for the fair value measurement of the investment in Woodland. The Company continues to monitor private placements of Woodland shares and will adjust the valuation accordingly. The changes between the values on the balance sheet dates are recorded in other comprehensive income for the three months ended June 30, 2014 and the three months ended June 30, 2013. There was no change in the valuation at the end of the June 30, 2014 quarter from the valuation at the March 31, 2014 and there was no change in the valuation at the end of the June 30, 2013 quarter from the valuation at the March 31, 2013.

21. 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 audited financial statements for the year ended March 31, 2014. 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 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.

b. Legal Proceedings
Aquarius Coatings Inc. is named as a party Defendant to Plaintiff's Claim and a Defendant's Claim in the Small Claims Court at Toronto, Court File No. SC-13-027795. Buttcon Limited, a corporation whose head office is in Concord, ON, is seeking $25,000.00 plus costs, plus pre-judgment and post-judgment interest against four parties (2 subcontractors and 2 product manufacturers of which Aquarius is one) for deficient work on a job-site which it entered into a contract with one of the sub-contractors to carry out. Buttcon, the Contractor, and the sub-contractor, Paintbox Inc., claim that the deficiencies of the work are the result of either or a combination of the failure of sub-contractors (including Paintbox Inc.) retained by the contractor, Buttcon, to properly prepare the areas upon which the work was done and/ or that the products provided by PPG Architectural Coatings Canada, Inc. and/or Aquarius Coatings Inc. were deficient. PPG and Aquarius maintain that their products were not faulty and that the deficiencies stem from the improper preparation of the areas to which the product was applied by Buttcon's sub-contractors and or the improper preparation and use of the products by the 2 defendant sub-contractors. At a settlement conference on July 28, 2014 the parties agreed to settle all outstanding items pertaining to this action and the company agreed to pay $3,000 as their portion of this settlement.

22. 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.

23. 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.

24. SUBSEQUENT EVENT

As of August 1, 2014 the Company and its subsidiary, Scotichemco Inc., entered into an agreement to sell the business related assets of the Company including Inventory, Equipment, Intellectual Property, Material Contracts and Customers Lists. The agreement is subject to final inventory valuation and normal closing conditions and is expected to close before August 31, 2014. The transaction will be reflected in the financial statements for the quarter ending September 30, 2014 and will include provisions for severance and other related cost. The Company will retain cash, accounts receivable and its long-term investment and associated liabilities.

25. 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	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".