



MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 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 September 30, 2014, it also addresses key events that have occurred up to and including the date of writing on December 1, 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 the Company's documents filed on 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 and six months ended September 30, 2014 and should be read in conjunction with its Interim unaudited consolidated financial statements for the period ended September 30, 2014 and the related notes thereto (the "Interim Financial Statements"). The amounts included in the following discussions are expressed in Canadian dollars (unless otherwise indicated).

3. GOING CONCERN

The 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 Interim 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 Interim Financial Statements for important information regarding the going concern assumption.

4. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements 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 "Audited Annual Financial Statements"). The accounting policies are discussed in detail in Note 3 to the Audited Annual 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

As of August 1, 2014 the Company entered into an agreement to sell certain assets of the Company, namely Inventory, Equipment, Intellectual Property, Material Contracts and Customer Lists. The transaction closed on September 5, 2014 and details of the transaction are outlined in Note 4 – DISCONTINUED OPERATIONS to the Interim Financial Statements. As a result of this sale the Company is no longer in the distribution of industrial and consumer protective coatings but it does retain a royalty interest on sales of the Company's former products for a 3 year period.

5. BUSINESS OVERVIEW (cont'd)

The Company is currently investigating other business opportunities and will make the necessary disclosures when any opportunity presents itself.

6. OVERALL PERFORMANCE RELATING TO OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014 COMPARED TO THE SAME PERIOD OF THE PRIOR YEAR

Continuing operations

There were no revenues from continuing operations in either the Second Quarter of the current year or in the comparative Quarter of the prior year. General and administrative expenses in the period under review were \$8,507 compared to \$11,773 in the prior comparative quarter. Bank charges and interest were \$341 in the period under review compared to \$5,975 in the prior comparative quarter, which included interest on the debt of a subsidiary which has since been written off. Amortization expense was \$132 compared to \$81 in the prior comparative period.

Discontinued operations

The loss from (now) discontinued operations was \$158,327 in the Second Quarter of the current year compared to \$37,752 in the prior comparative quarter. The loss in the period under review includes severance costs of \$126,088 (2013 – \$nil). Discontinued operations are discussed in more detail in Note 4 to the Interim Financial Statements.

7. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following Table sets out selected items from the Balance Sheets in the unaudited interim financial statements as at September 30, 2014, September 30, 2013 and September 30, 2012:

Balance Sheet Item	30-Sep-14 \$'s	30-Sep-13 \$'s	30-Sep-12 \$'s
Cash (Overdraft)	11,711	2,828	(43,099)
Accounts receivable	105,542	68,269	46,189
Inventory – Raw materials	-	67,749	56,501
Inventory – Finished Goods	-	27,247	15,697
Accounts payable	122,583	579,110	528,134
Notes Payable	200,000	200,000	200,000
Related party advances	3,805,697	3,485,526	3,192,195
Shareholders Equity (Deficiency)	(3,898,188)	(3,976,964)	(3,725,623)

All assets are located in Ontario and are subject to the General Security Agreement discussed in Note 7 to the Audited Annual Financial Statements.

8. CASH

Cash represents cash on deposit less outstanding cheques. Cash increased to \$11,711 in the period under review from \$2,828 in the same period in the prior year.

9. ACCOUNTS RECEIVABLE

Accounts receivable increased by 54.6% to \$105,542 at the end of the current period compared to \$68,269 at the end of the comparative period in the prior year.

10. INVENTORY

Inventories have now been sold as discussed in Note 4 – DISCONTINUED OPERATIONS to the Interim Financial Statements.

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11. ACCOUNTS PAYABLE

Accounts payable decreased by 78.8% from \$579,110 at the end of the comparative quarter of the prior year to \$122,583 at the end of the period under review. 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 9.2%, to \$3,805,526 at September 30, 2014 compared to \$3,485,526 at the end of the comparative period of the prior year. Please refer to Note 8 in the Interim 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 September 30, 2014

	30-Sep 2014 \$'s	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
Continuing operations								
Expenses								
General and	8,507	6,755	16,739	10,188	11,773	6,728	1,207	798
Amortization	132	57	81	81	81	81	116	116
Interest and bank charges	341	317	6,002	6,051	5,975	5,836	5,782	6,341
Interest income	-	-	-	-	-	(103)		
Gain on settlement of debt	-	-	(476,060)	-	-	-	(6,746)	-
	8,980	7,128	(453,238)	16,319	17,829	12,542	359	7,255
Net Income (Loss) from continuing operations	(8,980)	(7,128)	453,238	(16,319)	(17,829)	(12,542)	(359)	(7,255)
Discontinued operations								
Sales	114,289	32,875	37,899	59,092	56,579	52,336	35,968	43,903
Cost of sales	87,919	22,467	47,607	43,505	33,051	33,980	23,402	31,021
Gross Margin	26,370	10,408	(9,708)	15,587	23,528	18,356	12,566	12,882
Expenses								
Selling, general and administrative	194,145	61,098	70,107	67,148	60,691	70,273	78,066	71,192
Bank Charges and Interest	266	370	388	462	438	479	331	371
Amortization	-	120	150	150	151	150	188	188
Gain on disposal of equipment	(9,714)	-	-	-	-	-	-	-
	184,698	61,589	70,645	67,761	61,280	70,902	78,585	71,751
Net income (loss) from discontinued operation	(158,328)	(51,181)	(80,354)	(52,173)	(37,752)	(52,546)	(66,019)	(58,869)
Total income (loss)	(167,307)	(58,309)	372,884	(68,493)	(55,581)	(65,088)	(66,378)	(66,124)
Other Comprehensive Income (Loss)	-	-	-	-	-	-	-	1,830
Total comprehensive income (Loss)	(167,307)	(58,309)	372,884	(68,493)	(55,581)	(65,088)	(66,378)	(64,294)

14. SELECTED QUARTERLY FINANCIAL DATA (Cont'd)

Discussion of Selected Financial Data

Continuing operations

The net loss for the three months ended September 30, 2014 from continuing operations, excluding Other Comprehensive Income, was \$8,980 (\$0.00 per share), for the same period in the previous year the net loss was \$17,829 (\$0.00 per share). As of September 30, 2014 and September 30, 2013 there were 107,948,144 shares outstanding.

There was no Other Comprehensive Income in either the period under review or in the comparative period of the prior year.

Discontinued Operations

Sales for the Second Quarter were \$114,289 compared to \$56,579 in the same period in the prior year. Sales in the Second quarter include \$51,693 from the sale of assets discussed in Note 4 to the Interim Financial Statements (Sept 30, 2013 - \$nil).

The Cost of Sales in the Second Quarter were \$87,919 compared to \$33,051 in the prior year comparative period. The current year period includes the book value of the inventory sold (\$50,793).

The Selling, general and administrative expenses for the period under review were \$194,145 compared to \$60,691 in the comparative period of the prior year. The current year period expenses included \$126,088 in severance payments 2013 - \$nil).

The loss from discontinued operations in the Second Quarter was \$158,328 compared to a loss of \$37,752 in the prior year comparative period.

15. TRANSACTIONS WITH RELATED PARTIES

The Company has historically funded its activities through the sale of Common shares and advances from a major shareholder. During the period under review, sales and marketing efforts were funded from the proceeds of shareholder and related party advances (see Note 8 of the Interim Financial Statements).

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.

	Sep 30, 2014	Sep 30, 2013
	\$	\$
Notes payable	200,000	200,000
Loan due to shareholder	3,805,697	3,485,526
Share capital	10,340,865	10,340,865
Contributed surplus	5,193,806	5,193,806
Other Comprehensive Income	112,271	112,271
Deficit	(19,545,130)	(19,623,906)
Total Capital (Deficiency)	107,509	(291,438)

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.

16. MANAGEMENT OF CAPITAL (Continued)

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; further details appear in Note 9 of the notes to the Audited Annual Financial Statements.

21. RISKS AND UNCERTAINTIES

Please refer to Note 17 to the Audited Annual Financial Statements and Item 20 of the MD&A for the year ended March 31, 2014.

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. SUBSEQUENT EVENT

The Company's shares have been suspended from trading on the TSX Venture Exchange (the "TSXV") effective November 3, 2014, for failure to comply with Exchange Requirements. The Company is immediately addressing the issues raised and will make submissions in order to respond to requirements of a Compliance Review by the TSX-V. There can be no assurance that the Company will be able to meet the requirements of the TSX-V Compliance Review.

24. 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.

25. ADDITIONAL INFORMATION

Additional information may be found in the Company's documents filed on SEDAR, at www.sedar.com.

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
Christopher H. Freeman, King City, Ontario	Secretary

Corporate Office

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Corporate Information

Bankers	Canadian Imperial Bank of Commerce, Woodbridge, Ontario
Lawyers	C. H. Freeman, Barrister & Solicitor, King City, Ontario
Auditors	Collins Barrow Toronto LLP, Toronto, Ontario
Transfer Agent & Registrar	TMX Equity Transfer Services Inc., Toronto, Ontario