



MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 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 December 31 2014, it also addresses key events that have occurred up to and including the date of writing on March 2, 2015.

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 nine months ended December 31 2014 and should be read in conjunction with its Interim unaudited consolidated financial statements for the period ended December 31 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 DECEMBER 31 2014 COMPARED TO THE SAME PERIOD OF THE PRIOR YEAR

Continuing operations

There were no revenues from continuing operations in either the Third Quarter of the current year or in the comparative Quarter of the prior year. General and administrative expenses in the period under review were \$6,352 compared to \$16,319 in the prior comparative quarter. Bank charges and interest were \$519 in the period under review compared to \$6,051 in the prior comparative quarter, which included interest on the debt of a subsidiary which has since been written off. Amortization expense was \$94 compared to \$81 in the prior comparative period.

Discontinued operations

The income from (now) discontinued operations was \$4,266 in the Third Quarter of the current year compared to a loss of \$52,173 in the prior comparative quarter. 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 December 31 2014, December 31 2013 and December 31 2012:

Balance Sheet Item	31-Dec-14	31-Dec-13	31-Dec-12
	\$'s	\$'s	\$'s
Cash (Overdraft)	7,339	2,890	(23,416)
Accounts receivable	25,251	45,979	60,309
Inventory – Raw materials	-	46,485	55,237
Inventory – Finished Goods	-	30,869	21,876
Accounts payable	63,501	541,887	527,798
Notes Payable	200,000	200,000	200,000
Due to related party	3,782,107	3,553,140	3,299,070
Shareholders Equity (Deficiency)	(3,900,274)	(4,045,457)	(3,789,917)

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 \$7,339 in the period under review from \$2,890 in the same period in the prior year.

9. ACCOUNTS RECEIVABLE

Accounts receivable decreased by 45.1% to \$25,251 at the end of the current period compared to \$45,979 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.

11. ACCOUNTS PAYABLE

Accounts payable decreased by 88.3% from \$541,887 at the end of the comparative quarter of the prior year to \$63,501 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.

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%, to \$3,782,107 at December 31 2014 compared to \$3,553,140 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.

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14. SELECTED QUARTERLY FINANCIAL DATA

The table below presents selected financial data for each of the eight quarters ending December 31 2014

	31-Dec 2014 \$'s	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
Continuing operations								
Expenses								
General and	5,739	8,507	6,755	16,739	10,188	11,773	6,728	1,207
Amortization	94	132	57	81	81	81	81	116
Interest and bank charges	519	341	317	6,002	6,051	5,975	5,836	5,782
Interest income	-	-	-	-	-	-	(103)	
Gain on settlement of debt	-	-	-	(476,060)	-	-	-	(6,746)
	6,352	8,980	7,128	(453,238)	16,319	17,829	12,542	359
Net Income (Loss) from continuing operations	(6,352)	(8,980)	(7,128)	453,238	(16,319)	(17,829)	(12,542)	(359)
Discontinued operations								
Sales	(90)	114,289	32,875	37,899	59,092	56,579	52,336	35,968
Cost of sales	-	87,919	22,467	47,607	43,505	33,051	33,980	23,402
Gross Margin	(90)	26,370	10,408	(9,708)	15,587	23,528	18,356	12,566
Expenses								
Selling, general and administrative	436	194,145	61,098	70,107	67,148	60,691	70,273	78,066
Bank Charges and Interest	-	266	370	388	462	438	479	331
Amortization	-	-	120	150	150	151	150	188
Royalty income	(4,792)							
Gain on disposal of equipment	-	(9,714)	-	-	-	-	-	-
	(4,356)	184,698	61,589	70,645	67,761	61,280	70,902	78,585
Net income (loss) from discontinued operation	4,266	(158,328)	(51,181)	(80,354)	(52,173)	(37,752)	(52,546)	(66,019)
Total income (loss)	(2,086)	(167,307)	(58,309)	372,884	(68,493)	(55,581)	(65,088)	(66,378)
Other Comprehensive Income (Loss)	-	-	-	-	-	-	-	-
Total comprehensive income (Loss)	(2,086)	(167,307)	(58,309)	372,884	(68,493)	(55,581)	(65,088)	(66,378)

Discussion of Selected Financial Data

Continuing operations

The net loss for the three months ended December 31 2014 from continuing operations, excluding Other Comprehensive Income, was \$6,352 (\$0.00 per share), for the same period in the previous year the net loss was \$16,319 (\$0.00 per share). As of December 31 2014 and December 31 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.

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Discontinued Operations

Sales for the Third Quarter were (\$90) compared to \$59,092 in the same period in the prior year.

The Cost of Sales in the Third Quarter were \$ nil compared to \$43,505 in the prior year comparative period.

The Selling, general and administrative expenses for the period under review were \$413 compared to \$67,148 in the comparative period of the prior year.

Royalty income in the Third Quarter was \$4,792 compared to \$nil in the prior year comparative period.

The income from discontinued operations in the Third Quarter was \$4,266 compared to a loss of \$52,173 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.

	Dec 31, 2014	Dec 31, 2013
	\$	\$
Notes payable	200,000	200,000
Loan due to shareholder	3,782,107	3,553,140
Share capital	10,340,865	10,340,865
Contributed surplus	5,193,806	5,193,806
Other Comprehensive Income	112,271	112,271
Deficit	(19,547,216)	(19,692,399)
Total Capital (Deficiency)	81,833	(292,317)

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; 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. LISTING SUSPENSION

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 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. SHARE CAPITAL

As at December 31, 2014, and at the date of this Report, there were 107,948,144 issued and outstanding common shares (December 31, 2013 - 107,948,144). There are no other shares of any class or series, and no Warrants or Incentive Stock Options issued or outstanding. See Note 11 to the Unaudited Interim Financial Statements for the period ended December 31, 2014, for details of certain transactions in relation to the issued and outstanding share capital that have not, as at December 31, 2014 or up to the date of this Report, been implemented.

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