



**MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED SEPTEMBER 30, 2015**

**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 six months ending September 30, 2015, it also addresses key events that have occurred up to and including the date of writing on November 27 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](http://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 month and six month periods ended September 30, 2015 and should be read in conjunction with its interim Condensed Consolidated Financial Statements for the period ended September 30, 2015 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 of the Company have been prepared by management using the accounting policies and methods as outlined in Note 3 to Consolidated Financial Statements for the year ended March 31, 2015. The Interim Financial Statements have, in management's opinion, been properly prepared using judgement within reasonable limits of materiality and are in conformity with International Financial Reporting Standards ("IFRS").

**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.

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 MONTH PERIOD ENDING SEPTEMBER 30, 2015 COMPARED TO THE SAME PERIOD IN THE PRIOR YEAR**

**Continuing operations**

There were no revenues from continuing operations in either the current period or in the same period in the prior year. General and administrative expenses were \$15,806 compared to \$8,507 in the prior year. Bank charges and interest were \$492 compared to \$341 in the prior year. Amortization expense was \$47 compared to \$132 in the prior year. Royalty income in the current period was \$1,416 compared to \$nil in the prior year comparative period

**Discontinued operations**

The loss from (now) discontinued operations was \$ nil in the current year compared to a loss of \$158,327 in the prior year. The loss in the prior year included severances costs of \$126,088. Discontinued operations are discussed in more detail in Note 4 to the Interim Financial Statements.

**7. SELECTED CONSOLIDATED FINANCIAL INFORMATION**

Selected items from the Consolidated Balance Sheets as at September 30, 2015, September 30 2014 and September 30 2013:

<b>Balance Sheet Item</b>	<b>30-Sep-15</b>	<b>30-Sep-14</b>	<b>30-Sep-13</b>
	<b>\$'s</b>	<b>\$'s</b>	<b>\$'s</b>
Cash	11,227	11,711	2,828
Accounts receivable	19,647	105,542	68,269
Inventory – Raw materials	-	-	67,749
Inventory – Finished Goods	-	-	27,247
Accounts payable	67,853	122,583	579,110
Notes Payable	200,000	200,000	200,000
Related party advances	3,807,941	3,805,697	3,485,526
Shareholders Equity (Deficiency)	(4,408,425)	(3,898,188)	(3,976,964)

All assets are now located in Nova Scotia and are subject to the General Security Agreement discussed in Note 8 to the Consolidated Financial Statements.

**8. CASH**

Cash represents cash on deposit less outstanding cheques. Cash decreased to \$11,227 in the current period from \$11,711 in the prior year.

**9. ACCOUNTS RECEIVABLE**

Accounts receivable decreased by 81.40% to \$19,647 at the end of the current period compared to \$105,542 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 44.6% to \$67,853 at the end of the current period from \$122,583 in the prior year

**Aquarius Coatings Inc.**  
**Management Discussion and Analysis**  
**For the three month and six month periods ended September 30, 2015**

**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 year operations were funded from the proceeds of shareholder and related party advances. The amount due to related party increased slightly, to \$3,807,941 at the end of the current period compared to \$3,805,697 in the prior year. Please refer to Note 7 and Note 10 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 2015:

	30-Sep 2015 \$'s	30-Jun 2015 \$'s	31-Mar 2015 \$'s	31-Dec 2014 \$'s	30-Sep 2014 \$'s	30-Jun 2014 \$'s	31-Mar 2014 \$'s	31-Dec 2013 \$'s
<b>CONTINUING OPERATIONS</b>								
<b>Expenses</b>								
General and administrative	15,806	7,206	11,018	5,739	8,507	6,755	16,739	10,188
Amortization	47	47	94	94	132	57	81	81
Interest and bank charges	492	508	490	519	341	317	6,002	6,051
Royalty income	(1,416)	(4,369)	(3,788)	(4,792)	-	-	-	-
Gain on settlement of debt	-	-	-	-	-	-	(476,060)	-
	14,929	3,392	7,815	1,560	8,980	7,128	(453,238)	16,319
Net Income (Loss) from continuing operations	(14,929)	(3,392)	(7,815)	(1,560)	(8,980)	(7,128)	453,238	(16,319)
<b>DISCONTINUED OPERATIONS</b>								
Sales	-	-	527	(90)	62,596	32,875	37,899	59,092
Cost of sales	-	-	5,000	-	37,126	22,467	47,607	43,505
Gross Margin	-	-	(4,473)	(90)	25,470	10,408	(9,708)	15,587
Expenses								
Selling, general and administrative	-	-	1,482	436	194,145	61,098	70,107	67,148
Bank Charges and Interest	-	-	-	-	266	370	388	462
Amortization	-	-	-	-	-	120	150	150
Gain on disposal of assets	-	-	-	-	(10,614)	-	-	-
	-	-	1,482	436	183,798	61,589	70,645	67,761
Net income (loss) from discontinued operation	-	-	(5,955)	(526)	(158,328)	(51,181)	(80,353)	(52,173)
Total income (loss)	(14,929)	(3,392)	(13,770)	(2,086)	(167,307)	(58,309)	372,885	(68,493)
Other Comprehensive Income (Loss)	-	-	-	-	-	-	-	-
Total comprehensive income (Loss)	(14,929)	(3,392)	(13,770)	(2,086)	(167,307)	(58,309)	372,885	(68,493)

**Discussion of Selected Financial Data**

**CONTINUING OPERATIONS**

The net loss for the three months ended September 30, 2015 from continuing operations, excluding Other Comprehensive Income, was \$14,929 (\$0.00 per share), for the same period in the previous year the net loss was \$8,980 (\$0.00 per share). As of September 30, 2015 and September 30, 2014 there were 107,948,144 shares outstanding.

Royalty income in the current period was \$1,416 compared to \$nil in the prior year comparative period

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

**14. SELECTED QUARTERLY FINANCIAL DATA (cont'd)**

**DISCONTINUED OPERATIONS**

Sales for the current period were \$ nil compared to \$62,596 in the same period in the prior year.

The Cost of Sales in the current period were \$ nil compared to \$37,126 in the prior year comparative period.

The Selling, general and administrative expenses for the period under review were \$ nil compared to \$194,145 in the comparative period of the prior year.

The loss from discontinued operations in the current period was \$ nil compared to a loss of \$158,328 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 7 of the Consolidated Financial Statements).

**16. MANAGEMENT OF CAPITAL**

The Company defines capital that it manages as the aggregate of its notes payable, loan due to shareholder, share capital, contributed surplus, accumulated other comprehensive income 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.

	<b>Sep 30,2015</b>	Sep 30, 2014
	<b>\$</b>	<b>\$</b>
Notes payable	<b>200,000</b>	200,000
Loan due to shareholder	<b>3,807,941</b>	3,805,697
Share capital	<b>10,340,865</b>	10,340,865
Contributed surplus	<b>5,193,806</b>	5,193,806
Accumulated other comprehensive income	<b>112,271</b>	112,271
Deficit	<b>(20,055,367)</b>	(19,545,130)
<b>Total Capital (Deficiency)</b>	<b>(400,484)</b>	107,509

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, 2015.

**17. CONTRACTUAL OBLIGATIONS**

The Company 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 Interim Financial Statements.

**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 17 to the Consolidated Financial Statements for the year ended March 31, 2015

**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 September 30, 2015, and at the date of this report, there were 107,948,144 issued and outstanding common shares (September 30, 2014 - 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 10 to the Interim Financial Statements for details of certain transactions in relation to the issued and outstanding share capital that have not, as at September 30, 2015 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](http://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