



MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED DECEMBER 31, 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 nine months ending December 31, 2015, it also addresses key events that have occurred up to and including the date of writing on February 26, 2016.

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 month and nine month periods ended December 31, 2015 and should be read in conjunction with its Condensed Consolidated Interim Financial Statements for the period ended December 31, 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.

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6. BUSINESS OVERVIEW (continued)

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

7. OVERALL PERFORMANCE RELATING TO OPERATIONS FOR THE THREE MONTH PERIOD ENDING DECEMBER 31, 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 \$8,076 compared to \$5,739 in the prior year. Bank charges and interest were \$514 compared to \$519 in the prior year. Amortization expense was \$47 compared to \$94 in the prior year and royalty income in the current period was \$3,023 compared to \$4,792 in the prior year comparative period

Discontinued operations

The loss from discontinued operations was \$ nil in the current year compared to a loss of \$526 in the prior year. Discontinued operations are discussed in more detail in Note 4 to the Interim Financial Statements.

8. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected items from the Consolidated Balance Sheets as at December 31, 2015, December 31 2014 and December 31 2013:

Balance Sheet Item	31-Dec-15	31-Dec-14	31-Dec-13
	\$'s	\$'s	\$'s
Cash	5,229	7,339	2,890
Accounts receivable	11,855	25,251	45,959
Inventory – Raw materials	-	-	46,485
Inventory – Finished Goods	-	-	30,869
Accounts payable	48,207	63,501	541,887
Notes Payable	200,000	200,000	200,000
Due to related party	3,823,864	3,782,107	3,553,140
Shareholders Equity (Deficiency)	(3,942,479)	(3,900,274)	(4,045,457)

All assets are now located in Nova Scotia and are subject to the General Security Agreement discussed in Note 7 to the Interim Financial Statements.

9. CASH

Cash represents cash on deposit less outstanding cheques. Cash decreased to \$5,229 in the current period from \$7,339 in the prior year.

10. ACCOUNTS RECEIVABLE

Accounts receivable decreased by 52.75% to \$11,885 at the end of the current period compared to \$25,251 in the prior year.

11. INVENTORY

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

12. ACCOUNTS PAYABLE

Accounts payable decreased by 31.14% to \$43,707 at the end of the current period from \$63,501 in the prior year

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13. 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.

14. 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 1.1%, to \$3,823,864 at the end of the current period compared to \$3,782,107 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.

15. SELECTED QUARTERLY FINANCIAL DATA

The table below presents selected financial data for each of the eight quarters ending December 31 2015:

	31-Dec 2015 \$'s	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
CONTINUING OPERATIONS								
Expenses								
General and administrative	12,576	15,806	7,206	11,018	5,739	8,507	6,755	16,739
Amortization	47	47	47	94	94	132	57	81
Interest and bank charges	514	492	508	490	519	341	317	6,002
Royalty income	(3,023)	(1,416)	(4,369)	(3,788)	(4,792)	-	-	-
Gain on settlement of debt	-	-	-	-	-	-	-	(476,060)
	10,114	14,929	3,392	7,815	1,560	8,980	7,128	(453,238)
Net Income (Loss) from continuing operations	(10,114)	(14,929)	(3,392)	(7,815)	(1,560)	(8,980)	(7,128)	453,238
DISCONTINUED OPERATIONS								
Sales	-	-	-	527	(90)	62,596	32,875	37,899
Cost of sales	-	-	-	5,000	-	37,126	22,467	47,607
Gross Margin	-	-	-	(4,473)	(90)	25,470	10,408	(9,708)
Expenses								
Selling, general and administrative	-	-	-	1,482	436	194,145	61,098	70,107
Bank Charges and Interest	-	-	-	-	-	266	370	388
Amortization	-	-	-	-	-	-	120	150
Gain on disposal of assets	-	-	-	-	-	(10,614)	-	-
	-	-	-	1,482	436	183,798	61,589	70,645
Net income (loss) from discontinued operation	-	-	-	(5,955)	(526)	(158,328)	(51,181)	(80,353)
Total income (loss)	(10,114)	(14,929)	(3,392)	(13,770)	(2,086)	(167,307)	(58,309)	372,885
Other Comprehensive Income (Loss)	-	-	-	-	-	-	-	-
Total comprehensive income (Loss)	(10,114)	(14,929)	(3,392)	(13,770)	(2,086)	(167,307)	(58,309)	372,885

Discussion of Selected Financial Data

CONTINUING OPERATIONS

The net loss for the three months ended December 31, 2015 from continuing operations, excluding Other Comprehensive Income, was \$10,114 (\$0.00 per share), for the same period in the previous year the net loss was \$1,560 (\$0.00 per share). As of December 31, 2015 and December 31, 2014 there were 107,948,144 shares outstanding.

Royalty income in the current period was \$3,023 compared to \$4,792 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 (\$ 90) in the same period in the prior year.

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

The Selling, general and administrative expenses for the period under review were \$ nil compared to \$436 in the comparative period of the prior year.

The loss from discontinued operations in the current period was \$ nil compared to a loss of \$526 in the prior year comparative period.

16. 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 Interim Financial Statements).

17. 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.

	Dec 31, 2015	Dec 31, 2014
	\$	\$
Notes payable	200,000	200,000
Loan due to shareholder	3,823,864	3,782,107
Share capital	10,340,865	10,340,865
Contributed surplus	5,193,806	5,193,806
Accumulated other comprehensive income	112,271	112,271
Deficit	(19,589,421)	(19,547,216)
Total Capital (Deficiency)	81,385	81,833

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.

18. CONTRACTUAL OBLIGATIONS

The Company has no long term lease commitments and has no capitalized lease commitments.

19. CAPITAL RESOURCES

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

20. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

21. 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.

22. 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 18 to the Consolidated Financial Statements for the year ended March 31, 2015

23. 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.

24. 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 has satisfied the TSX-V following a Compliance Review of its status following the disposition in September, 2014, of the assets of its Coatings Division. The Company has paid all requisite fees and the Directors have provided assurances and undertakings regarding compliance with Exchange Requirements, as required by the TSX-V. In accordance with the requirements of the TSX-V following that Review, since the Company has not maintained the requirements for a TSX Venture Exchange ("TSX.V") Tier 2 company, the Company's listing will transfer to the NEX Board of the TSX.V (the "NEX") upon completion of requisite formalities.

25. SHARE CAPITAL

As at December 31, 2015, and at the date of this report, there were 107,948,144 issued and outstanding common shares (December 31, 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 December 31, 2015 or up to the date of this Report, been implemented.

26. 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