



MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED MARCH 31, 2016

1. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The discussion and analysis of Aquarius Coatings Inc. (the "Corporation") 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 year ending March 31, 2016, it also addresses key events that have occurred up to and including the date of this Report.

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 Corporation'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 Corporation's documents filed on SEDAR at www.sedar.com for additional information.

2. INTRODUCTION

The following is a discussion and analysis of the Corporation's results of operations and financial condition for the year ended March 31, 2016 and should be read in conjunction with its audited Consolidated Financial Statements for the year ended March 31, 2016 and the related notes thereto (the "Consolidated Financial Statements"). The amounts included in the following discussions are expressed in Canadian dollars (unless otherwise indicated).

3. GOING CONCERN

The Consolidated Financial Statements have been prepared on a going concern basis which assumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations. The Corporation has incurred significant losses for a period of several years and has both a working capital and shareholders' deficiency. Accordingly, the ability of the Corporation 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 Consolidated Financial Statements do not include any adjustments to the amounts or classification of financial statement items that might be necessary if the Corporation 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 important information regarding the going concern assumption.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation 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, 2016. The Consolidated 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 Corporation entered into an agreement to sell certain assets of the Corporation, 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 Consolidated Financial Statements. As a result of this sale the Corporation is no longer in the distribution of industrial and consumer protective coatings but it does retain a royalty interest on sales of the Corporation's former products for a 3 year period. (See also Note 19 to the Consolidated Financial Statements – SUBSEQUENT EVENT).

6. OVERALL PERFORMANCE RELATING TO OPERATIONS FOR YEAR ENDING MARCH 31, 2016

Continuing operations

There were no revenues from continuing operations in either the current year or in the prior year. General and administrative expenses in the year under review were \$44,882 compared to \$32,018 in the prior year. Bank charges and interest were \$2,040 in the year under review compared to \$1,666 in the year, Amortization expense was \$189 compared to \$378 in the prior year.

Discontinued operations

The loss from (now) discontinued operations was \$nil in the current year compared to a loss of \$215,990 in the prior year. Discontinued operations are discussed in more detail in Note 4 to the Consolidated Financial Statements.

7. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected items from the Consolidated Balance Sheets as at March 31, 2016, March 31 2015 and March 31 2014:

Balance Sheet Item	31-Mar-16 \$'s	31-Mar-15 \$'s	31-Mar-14 \$'s
Cash (Overdraft)	7,797	19,963	14,527
Accounts receivable	4,702	8,754	21,992
Inventory – Raw materials	-	-	33,411
Inventory – Finished Goods	-	-	17,922
Accounts payable	52,609	53,910	72,053
Notes Payable	-	200,000	200,000
Related party advances	3,823,864	3,801,500	3,611,489
Shareholders Equity (Deficiency)	(3,863,785)	(3,914,044)	(3,672,572)

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

8. CASH

Cash represents cash on deposit less outstanding cheques. Cash decreased to \$7,797 in the current year from \$19,963 in the prior year.

9. ACCOUNTS RECEIVABLE

Accounts receivable decreased by 46.3% to \$4,702 at the end of the current period compared to \$8,754 in the prior year.

10. INVENTORY

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

11. ACCOUNTS PAYABLE

Accounts payable decreased slightly from \$53,910 at the end of the prior year to \$52,609 at the end of the current year.

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12. NOTES PAYABLE WRITTEN OFF

During fiscal 2016 the Corporation wrote off Notes Payable for a total of \$200,000; for further details please refer to Note 8 to the Consolidated Financial Statements.

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 \$3,823,864 at March 31, 2016 compared to \$3,801,500 at the end of the prior year. Please refer to Note 7 to the 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 March 31 2016:

	31-Mar 2016 \$'s	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
CONTINUING OPERATIONS								
Expenses								
General and administrative	9,294	12,576	15,806	7,206	11,018	5,739	8,507	6,755
Amortization	48	47	47	47	94	94	132	57
Interest and bank charges	526	514	492	508	490	519	341	317
Royalty income	(833)	(3,023)	(1,416)	(4,369)	(3,788)	(4,792)		
Gain on settlement of debt	(200,000)	-	-	-	-	-	-	-
	(190,965)	10,114	14,929	3,392	7,815	1,560	8,980	7,128
Net Income (Loss) from continuing operations	190,965	(10,114)	(14,929)	(3,392)	(7,815)	(1,560)	(8,980)	(7,128)
DISCONTINUED OPERATIONS								
Sales	-	-	-	-	527	(90)	62,596	32,875
Cost of sales	-	-	-	-	5,000	-	37,126	22,467
Gross Margin	-	-	-	-	(4,473)	(90)	25,470	10,408
Expenses								
Selling, general and administrative	-	-	-	-	1,482	436	194,145	61,098
Bank Charges and Interest	-	-	-	-	-	-	266	370
Amortization	-	-	-	-	-	-	-	120
Gain on disposal of assets	-	-	-	-	-	-	(10,614)	-
	-	-	-	-	1,482	436	183,798	61,589
Net income (loss) from discontinued operation	-	-	-	-	(5,955)	(526)	(158,328)	(51,181)
Total income (loss)	190,965	(10,114)	(14,929)	(3,392)	(13,770)	(2,086)	(167,307)	(58,309)
Other Comprehensive Income (Loss)	(112,271)	-	-	-	-	-	-	-
Total comprehensive income (Loss)	78,694	(10,114)	(14,929)	(3,392)	(13,770)	(2,086)	(167,307)	(58,309)

Discussion of Selected Financial Data

Continuing operations

The net income for the three months ended March 31 2016 from continuing operations, excluding Other Comprehensive Income, was \$190,975 (\$0.00 per share). This amount included the write-off of Notes Payable discussed in Item 8 above. The net loss was \$7,815 (\$0.00 per share) for the same period in the previous year. As of March 31, 2016 and March 31, 2015 there were 107,948,144 shares outstanding.

Royalty income in the fourth quarter was \$833 compared to \$3,788 in the prior year comparative period.

14. SELECTED QUARTERLY FINANCIAL DATA (continued)

In the Fourth Quarter the Corporation wrote down the carrying value of its investment in Woodland Biofuels Inc. resulting in Other Comprehensive Loss of \$112,271, see Item 20 below for further details. There was no Other Comprehensive Income in the comparative period of the prior year.

Discontinued Operations

Sales for the Fourth Quarter were \$nil compared to \$527 in the same period in the prior year.

The Cost of Sales in the Fourth Quarter were \$nil compared to \$5,000 in the prior year comparative period.

The Selling, general and administrative expenses for the period under review were \$nil compared to \$1,482 in the comparative period of the prior year.

The loss from discontinued operations in the Fourth Quarter was \$nil compared to a loss of \$5,955 in the prior year comparative period.

15. TRANSACTIONS WITH RELATED PARTIES

The Corporation has historically funded its activities through the sale of Common shares and advances from a major shareholder. During the period under review, expenses were funded from the proceeds of shareholder and related party advances (see Note 7 to the Consolidated Financial Statements).

16. MANAGEMENT OF CAPITAL

The Corporation 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 Corporation will continue as a going concern, so that it can provide returns to its shareholders.

	Mar 31, 2016	Mar 31, 2015
	\$	\$
Notes payable	-	200,000
Loan due to shareholder	3,823,864	3,801,500
Share capital	10,340,865	10,340,865
Contributed surplus	5,193,806	5,193,806
Accumulated other comprehensive income	-	112,271
Deficit	(19,398,456)	(19,560,986)
Total Capital	(39,921)	87,456

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions. The Corporation, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Corporation 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 Corporation's overall strategy with respect to management of capital remains unchanged from the year ended March 31, 2015.

17. CONTRACTUAL OBLIGATIONS

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

18. CAPITAL RESOURCES

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

19. OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

20. LONG-TERM INVESTMENTS

Woodland Biofuels Inc. ("Woodland")

The Corporation holds 112,272 shares in Woodland; further details appear in Note 9 of the Notes to the Consolidated Financial Statements for the year ended March 31, 2016. During fiscal 2016 the Corporation wrote down the value of this investment to a nominal amount. Management is of the opinion that the full value of this investment will be realized however, because there is no ready market for the shares, IFRS regulations require that the investment be written down to a nominal value. The Corporation will recognize the value of this investment when circumstances warrant a review.

21. RISKS AND UNCERTAINTIES

There are risks and uncertainties with the business operation and results of the Corporation and those risks are discussed in detail in Note 16 to the Consolidated Financial Statements for the year ended March 31, 2016

22. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109, the Corporation'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 Corporation's shares were suspended from trading on the TSX Venture Exchange (the "TSXV") effective November 3, 2014, for failure to comply with Exchange Requirements. The Corporation 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 Corporation 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 Corporation has not maintained the requirements for a TSX Venture Exchange ("TSX.V") Tier 2 Corporation, the Corporation's listing will transfer to the NEX Board of the TSX.V (the "NEX") upon completion of requisite formalities.

25. SHARE CAPITAL

As at March 31, 2016, and at the date of this Report, there were 107,948,144 issued and outstanding common shares (March 31, 2015 - 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 Consolidated Financial Statements for the period ended March 31, 2016, for details of certain transactions in relation to the issued and outstanding share capital that have not, as at March 31, 2016 or up to the date of this Report, been implemented.

26. ADDITIONAL INFORMATION

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

DATED: July 27, 2016

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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Tel.: (902) 496-7594
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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	TSX Trust, Toronto, Ontario