

AgriMarine Holdings Inc.



Management

Discussion & Analysis

For the three and nine months ended
December 31, 2010 and 2009

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The following Management's Discussion and Analysis ("MD&A") for the three and six months ended December 31, 2010 and 2009 was prepared by management on February 24, 2011 for AgriMarine Holdings Inc. (formerly known as AXEA Energy Inc.) and its subsidiaries (collectively, the "Company"). This MD&A should be read in conjunction with the unaudited financial statements of the Company for the three and nine months ended December 31, 2010 and 2009, and related notes attached thereto.

These statements have been prepared in conformity with Canadian generally accepted accounting principles ("GAAP") and require management to make estimates and assumptions that affect amounts reported and disclosed in such financial statements and related notes. All dollar amounts in this MD&A are in Canadian dollars unless otherwise stated.

Additional information relevant to the Company is available for review on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements. While the Company may elect to, the Company does not undertake to update this information at any particular time except as required in accordance with applicable securities legislation.

Corporation Overview

AgriMarine Holdings Inc., formerly AXEA Energy Inc. ("AXEA"), together with its subsidiaries, is engaged in the development and commercialization of proprietary closed containment aquaculture technology, which can be used to rear salmon and other finfish in a controlled culture water environment. The Company's technology addresses many of the environmental issues created by present net cage rearing practices worldwide and permits the installation of fish production systems near consumer markets. Through the wholly-owned subsidiary of AgriMarine Industries Inc. ("AgriMarine Industries"), Benxi AgriMarine Industries Inc. ("Benxi AgriMarine"), the first commercial tank farm was installed in The People's Republic of China ("China") to produce large steelhead trout and salmon.

On December 31, 2007, AXEA, a company incorporated on April 5, 2007 under the laws of British Columbia and listed on the TSX Venture Exchange (the "Exchange") as a Capital Pool Company, entered into a share purchase agreement ("Agreement") with AgriMarine Industries to purchase all of the issued and outstanding securities of AgriMarine Industries, as its Qualifying Transaction (the "QT") under Policy 2.4 of the Exchange.

On April 15, 2009, the QT was completed and the Company's name was changed to AgriMarine Holdings Inc. Pursuant to the terms of the Agreement entered into with AgriMarine Industries and its shareholders, the Company issued 15,129,269 common shares to acquire 100% of the 45,846,265 outstanding common shares of AgriMarine Industries and issued 1,165,451 common shares to convertible debentures holders. The common shares of the Company were listed for trading under the ticker symbol "FSH" on June 3, 2009.



As a result of the transaction, the shareholders of AgriMarine Industries became the owners of a significant amount of the issued and outstanding common shares of the Company and the certain directors of AgriMarine Industries and AXEA became directors of the Company. Accordingly, this acquisition was accounted for as a reverse takeover transaction (“RTO”). AgriMarine Industries, legally the Company’s wholly-owned subsidiary, is considered the acquiring company and the continuing entity for accounting purposes and the transaction is accounted for as a recapitalization of the consolidated entity. The consolidated financial statements are issued under the name of the legal parent (AgriMarine Holdings Inc.), but are deemed to be a continuation of the legal subsidiary – AgriMarine Industries. Consequently, the comparative figures presented are those of AgriMarine Industries.

In 2007, the Company’s subsidiary, AgriMarine Industries, established a Wholly Foreign Owned Entity (WFOE) in Benxi, Liaoning Province, China for the commercial application of its technology for rearing trout and salmon, which included the acquisition of a cold water fish hatchery from the government. In conjunction with the hatchery purchase, the Company was granted extensive water rights in the region for integrating closed containment rearing of market size fish with the hatchery production. The Benxi region has an abundance of fresh water resources, which provides the opportunity for the production of market salmon near the tier one cities of Beijing, Shanghai and Hong Kong.

The Company developed its closed containment technology over a 5 year period in British Columbia at a land-based facility and plans to demonstrate the marine based application in Middle Bay at Campbell River, BC. In this regard, the Company entered a commercial and technology agreement with Middle Bay Sustainable Aquaculture Institute (“MBSAI”), a not-for-profit organization, for the construction and operation of a 4-tank commercial marine farm utilizing the technology. MBSAI and AgriMarine subsequently signed a consortium agreement with the Gordon and Betty Moore Foundation and Sustainable Development Technology Canada for grants in support of the proposed demonstration project.

Company Strategy

The Company’s strategy is to design, build, install and operate floating solid wall closed containment systems that allows for control of the rearing water environment. These systems will typically produce finfish, specifically trout, salmon, yellow croaker and potentially other species such as tuna. The Company is considering joint venture opportunities worldwide. Once the technology and systems are sufficiently developed, the Company will also consider licensing opportunities. The Company will continue working to refine and develop the technology, to remain a leader in its industry and to ensure optimization of continued growth and profitability.

In China, the Company began the business by purchasing a cold water hatchery to supply fry for the grow-out of fish in the closed containment systems in regional fresh water reservoirs. The hatchery has significant warm artesian ground water which provides an optimum temperature range for early culture of fish ova. The Company began importing fertilized trout and salmon eggs from Canada in 2008 under a series of import certificates from China and export certificates from Canadian regulatory agencies that will continue each year until the Company develops its own brood stock in China. The Canadian based ova was selected from well known high performance fish stocks.

The Company has researched the manufacture of the rearing tanks parts in North America and China at plants specializing in resin infusion techniques and has determined that the tanks can be produced in China, with no loss of quality, for one-third of the cost of North American manufacture. The Company has subsequently executed a non-disclosure agreement with a selected Chinese plant in Shenyang and



transferred the design for molds to produce tanks. An entire tank may be manufactured in less than 15 days and installed at a reservoir site by underwater assembly in a similar length of time. Tank construction and installation represents 80% of the closed containment technology assembly.

Aquaculture has emerged as an increasingly important contributor to supply the global demand for fish and seafood over the last 15 years as levels of most wild stocks around the world have either reached a plateau or are in decline. The Food and Agriculture Organization (“FAO”) of the United Nations estimates that as much as 75 percent of global marine fish stocks are now fully exploited, over-exploited or depleted, confirming a consistent decrease since 1974 in marine fish stocks with little or no potential for further exploitation.¹ According to FAO, the world’s growing population will significantly increase the demand for fish and seafood by 2030. The global aquaculture industry currently represents 29 per cent of the volume and 38 per cent of the value of global fish and seafood landings.²

Aquaculture may provide an alternative avenue for mitigating the threats to the world’s fisheries. Fish farms can protect and offset the damage to wild fish stocks due to overfishing and climate change, while supporting employment in the industry and meeting global food demands. The Company’s proprietary floating closed containment systems bridges the gap between traditional methods of fish farming and high-cost land based systems; and utilizes cutting edge technology systems to produce fish sustainably, without polluting the marine environment.

The Company’s fish rearing facility in China will be entering the world’s largest market. In recent years, aquaculture production in China has grown dramatically, becoming one of the fastest growing sectors among the agriculture industries in China and registering a staggering 30.28 million tones of farmed fish in 2003.³

China has the largest aquaculture sector in the world in terms of both the volume of aquatic animals produced and the number of species cultivated. However, the possibilities for expansion are curtailed by a number of factors including: limited availability and access to culture sites; water pollution by present net cage farming practices; high cost of imported feed; and reliance on fish meal produced from wild-caught fish, which is feared to further contribute to the depletion of fish stocks.

In addition, China is currently experiencing rapid economic growth which, coupled with a slow rate of population growth is resulting in higher household disposable incomes. Unlike capture fish and fishery products, most aquaculture products are marketed in live form in China so as to meet consumer preference for live fish and fishery products. It is estimated that less than 4.7 percent of total aquaculture production is treated or processed for local or overseas markets.⁴ One of the Company’s competitive advantages therefore

¹ Natural Resources, International Trade and Sustainable Development Issue Paper No. 5 “*Aquaculture: Issues and Opportunities for Sustainable Production and Trade*” Frank Asche and Fahmida Khatun, University of Stavanger, Norway and Centre for Policy Dialogue (CPD), Bangladesh (July 2006)

http://ictsd.org/downloads/2008/06/asche_khatun_2006.pdf

² Fisheries and Oceans Canada, Global Trends,

<http://www.dfo-mpo.gc.ca/aquaculture/trends-tendances-eng.htm>

³ Food and Agriculture Organization of the United Nations: *Fisheries and Aquaculture Department, China National Aquaculture Sector Overview*, <http://www.fao.org/fishery/factsheets/en>

⁴ <http://www.fao.org/fishery/factsheets/en>



is its ability to deliver freshly harvested fish 'next day' to major Chinese markets, therefore offering the very freshest of products. Presently, imported fresh fish takes up to four days to arrive to Chinese markets after being flown in from Europe or South America.

Business Activity

Corporate

Completion of Private Placements

The Company issued 26,025,000 common shares and received \$5.2 million through a private placement in June 2010 and issued 12,276,000 common shares and received \$3.07 million through a private placement in December 2010.

Board of Directors Changes

During the nine months ended December 31, 2010, the Board of Directors accepted the resignations of Gil Schneider as a director of the Company and as the Company's Chief Financial Officer, Treasurer and Secretary; and Alex Campbell as a director of the Company. The Company announced the appointment of D. Greg Hall and Sean Wilton as directors. John H. Buchanan, a director and Chartered Accountant, was appointed interim Chief Financial Officer, Treasurer and Secretary. On December 3, Mr. Frank Guo was appointed as Vice President and Chief Financial Officer of the Company. Mr. Guo replaces Mr. John H. Buchanan, who will continue as a Director of the Company and Chairman of the Audit Committee.

Stock options

During the nine months ended December 31, 2010, the following options were granted to employees, consultants and Directors:

Granted date	Number of options	Exercise price	Vested period
April 22, 2010	200,000	0.30	Immediately
May 26, 2010	300,000	0.27	Immediately
September 22, 2010	675,000	0.23	Immediately
October 13, 2010	325,000	0.25	Immediately
October 13, 2010	500,000	0.25	February 7, 2011
October 18, 2010	1,100,000	0.30	immediately
Total	3,100,000	0.26	

These options expire in two or five years from the date of the grant. The company recorded \$445,000 and \$699,000 in stock based compensation expenses in general and administrative expenses during the three and nine months ended December 31, 2010. Please refer details to Consolidated Financial Statements note 12 (d).

Liquidity

The Company has a net loss of \$3.8 million for the nine months ended December 31, 2010 and at December 31, 2010 has an accumulated deficit of \$16.12 million (March 31, 2010: \$12.49 million) and a working capital of \$1.3 million (March 31, 2010: deficit \$3.29 million). As mentioned previously, the Company completed



two non-brokered private placements with gross proceeds of \$5.2 million and \$3.07 million in June and December, 2010, respectively.

The Company continues to seek capital through various means including the issuance of equity and/or debt. The ability of the Company to continue as a going concern is dependent on raising additional capital financing and successful completion of the demonstration and commercialization of the closed containment salmon rearing technology project and eventually leading to commercial sales. The outcome of these matters is dependent upon factors outside the Company's control. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

China

Beijing office

The Company established a wholly owned subsidiary, AgriMarine Aquaculture Technologies (Beijing) Co. Ltd., in Beijing, China. This new entity will function as an investment arm of AgriMarine Holdings, for the purposes of identifying sites and investing in salmon farming operations throughout the cold water region of northern China and warm water species in central and southern China.

Marketing

The Company has successfully procured a national licence to sell fish and is no longer limited to marketing fish in major cities in China.

Hatching and Rearing Facilities

As part of AgriMarine's plan to modernize and expand its wholly-owned hatchery at Benxi, the Company has now completed the first phase of the upgrade process with the installation of three full module of 3 meter by 15 meter juvenile rearing tanks in a fully enclosed building, with entry allowed only through controlled access points for complete bio-security. Additionally, plumbing systems have been installed which will allow for the rapid installation of simple gas balancing water re-use systems which, upon installation, will result in an 80% reduction in water use in the new set of tanks.

As part of the continued re-development and modernization of the Benxi hatchery, a new incubation cell was procured employing North American technology. This critical part of the hatchery will now be ready to receive and hatch all of the eggs required for the Company's growing business plans. The rearing schedule will now include future crops of Coho salmon with ova under cultivation.

Further planned additions include the installation of solids filtration and bio-filtration systems, resulting in a water recycle-rate of over 99.5%, and heating systems to enhance and accelerate growth rates of the fry/juvenile stock.

First Harvest

The fish harvested from the first tank was approximately 28 tons, of which 13 tons and 13 tons were sold during the nine months ended December 31, 2010 and in January 2011, respectively.

In order to avoid long shipping times of freshly harvested fish, the Company established processing facilities in close proximity to its farm. The fish are harvested, chilled and processed for next-day delivery, which provides the freshest possible flavour and consistency of flesh for sashimi and other dishes created for hotel and restaurant customers. Chefs and wholesalers have positively remarked about the flesh quality and colour of the AgriMarine fish.



Working through distributors in Beijing and Shanghai, AgriMarine is currently selling fresh and frozen product to hotel and restaurant customers in tier one cities in northern and central China. The Company is also selling live trout to meet market demands as traditional trout farms in northern China were negatively affected by major flooding this past summer.

The second harvest will take place in the spring of 2011.

Canada

Middle Bay Demonstration Project

The Company and MBSAI have partnered together on the Middle Bay demonstration project and have now commenced the construction and installation of the first of a marine based four-tank system with an initial commercial volume of 3,000 cubic meters. When complete, the Middle Bay Project will demonstrate a new marine based commercially adaptable technology that will offer the socio-economic benefits of fish farming without many of the negative environmental issues associated with traditional net cage fish farms.

In accordance with the agreement between the Company and MBSAI signed in August 2010, the Company will provide design/build services for the installation of the first tank for a fixed price of \$1.8 million. The Company received \$1.7 million as at December 31, 2010. The tank was manufactured by the Company's tank supplier in China. As at December 31, 2010, total expenditure for the first tank was \$1.7 million. The first tank installation was completed in January 2011 and has been stocked with Chinook salmon fingerlings.

Subsequent Events

(a) Warrants and options exercised

Subsequent to the period ended December 31, 2010 and up to February 22, 2011, the Company has received \$973,627 and \$40,500 for warrants and options exercised, respectively. 3,048,039 and 150,000 common shares were issued for the warrants and options exercised, respectively.

(b) Acquisition of Partnership Units

On January 4, 2011, the Company completed the acquisition of all of the issued and outstanding limited partnership units of MBLP in exchange for the issuance of 1,200,000 Common shares of the Company, 400,000 of which are being held in escrow pending receipt of final closing documentation from a vendor.

The transaction was accepted by the TSX Venture Exchange as an "Expedited Acquisition". The shares have been issued by way of prospectus exemptions and are subject to a statutory hold period until April 1, 2011 in accordance with applicable securities legislation.

As a result of the acquisition by the Company, MBLP will be wound up and the salmon rearing licences will remain in the Company. The transaction is expected to be completed in the third quarter of the fiscal year.



(c) Acquisition of MBPI

In February 2011, the Company entered into a letter of intent to purchase all of the issued and outstanding common shares of Middle Bay Properties Inc. ("MBPI") from Theanon Charitable Foundation ("Theanon"), MBPI's sole shareholder. The proposed transaction is subject to due diligence and certain conditions, including but not limited to the approval of the TSX Venture Exchange.

Middle Bay is the marine site of AgriMarine's closed containment salmon rearing technology located within the City of Campbell River, the only urban Canadian city that has licensed salmon aquaculture within city boundaries. The purchase of MBPI will result in AgriMarine being the sole owner of the land and water rights at its Middle Bay site.

The purchase price for the MBPI shares is \$1,250,000, payable by the issuance to Theanon of 2,500,000 Units of the Company at a deemed price of \$0.50 per Unit. Each Unit is comprised of one common share in the capital of the Company and one-fifth of one common share purchase warrant. In addition to acquiring MBPI, AgriMarine will separately acquire from Theanon on closing an outstanding promissory note (the "Note") issued by MBPI in the amount of \$1.5 million for cash. The Note is secured by a mortgage registered by Theanon against land owned by MBPI, and this mortgage will be transferred to AgriMarine following the closing.

Each whole warrant will entitle the holder to purchase an additional common share at a purchase price of \$0.65 for a period of one year from the date of issue. The warrant expiry may be accelerated at the Company's discretion if the share price of the Company trades at a price equal to or higher than \$1.00 for a period of 10 consecutive trading days.

The Units will be issued by way of prospectus exemption and both the Shares, and any Warrant Shares issued pursuant to the exercise of the Warrants, will be subject to a statutory hold period of four months and one day in accordance with applicable securities legislation.

(d) Options granted subsequent to the period ended

On February 10, 2011, the Company granted options to directors, officers and consultants to purchase 1,000,000 common shares at an exercise price of \$0.53 per share. These options vested immediately and expire five years from the date of the grant.



Selected Financial Information

	For the three months ended		For the nine months ended	
	December 31,		December 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Sales	226,893	-	339,106	-
Gross profit	21,802	-	41,160	-
Operating expenses	1,384,845	467,816	3,251,906	1,752,125
Other expenses	199,592	112,903	423,461	322,557
Net loss	1,562,635	580,719	3,634,207	2,074,682
Other comprehensive loss	22,285	-	111,807	-
Net loss per share	0.03	0.02	0.07	0.12
	<u>As at December 31, 2010</u>		<u>As at March 31, 2010</u>	
Total assets	\$8,544,762		\$2,265,458	
Total liabilities	\$4,328,802		\$5,084,578	
Number of shares Issued & outstanding	99,077,940		29,719,720	

During the three months ended December 31, 2010, the Company sold 51 tons of fish, including 5 tons from the first tank and the rest from the hatchery in China, and recorded sales revenue of \$226,893 and gross profit of \$21,802.

During the nine months ended December 31, 2010, the Company sold 74 tons of fish, including 13 tons from the first tank and the rest from the hatchery in China, and recorded sales revenue of \$339,106 and gross profit of \$41,160.

During the three months ended December 31, 2010, the Company recorded operating expenses of \$1,384,845 compared to \$467,816 for the same period of 2009, an increase of \$917,028 or 196%. Increased operating expenses resulted from increases in professional fee and management salaries of \$267,041, business development and travel expenses of \$197,047, rent and other office expenses of \$24,567, and stock options compensation of \$428,374.

During the nine months ended December 31, 2010, the Company incurred operating expenses of \$3,251,906, compared to \$1,752,125 for the same period of 2009, an increase of \$1,499,782 or 86%. Increased operating expenses resulted from increases in professional fee and management salaries of \$805,966, business development and travel expenses of \$423,711, rent and office expenses of \$20,785, and stock options compensation of \$249,320.

During the three months ended December 31, 2010, the Company incurred other expenses of \$199,592, compared to \$112,903 for the same period of 2009, an increase of \$86,689. Increased other expenses resulted from increases of interest expenses of \$72,399, and decrease of other income of \$4,222 and foreign exchange gain of \$10,068.



During the nine months ended December 31, 2010, the Company incurred other expenses of \$423,461, compared to \$322,557 for the same period of 2009, an increase of \$100,904. Increased other expenses resulted from increase of interest expenses of \$119,080, decrease of other Income of \$10,675, and were offset by a decrease of exchange loss of \$28,851.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

Summary of Quarterly Results

The following table summarizes selected financial information from the Company's prior interim financial statements.

Three months ended	Sales	Other income	Loss	Loss Per Share
December 31, 2010	226,893	25,500	1,562,634	0.03
September 30, 2010	112,274	25,500	1,313,902	0.02
June 30, 2010	-	26,160	757,670	0.02
March 31, 2010	-	68,995	1,674,803	0.07
December 31, 2009	-	29,722	530,719	0.02
September 30, 2009	-	28,783	1,065,345	0.04
June 30, 2009	-	10,000	428,606	0.04
March 31, 2009	-	30,000	257,754	0.01
December 31, 2008	-	30,000	753,872	0.02

Comparative Selected Financial Information

	Three months ended December 31,		Nine months ended December 31.	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash Flow used in operations	(1,119,238)	(273,258)	(4,336,631)	(1,393,650)
Cash Flow Used in Investing Activities	(686,667)	(201,942)	(1,614,743)	(891,409)
Cash Flow From Financing Activities	3,204,592	483,827	7,747,429	2,600,344

	As at December 31, 2010	As at March 31, 2010
	\$	\$
Working Capital	1,303,706	(3,294,255)
Total Assets	8,544,762	2,265,458
Total Liabilities	5,666,765	5,084,578
Shareholders' Equity/(Deficit)	2,877,997	(2,819,120)



Cash flows from operating activities

Cash used in operations activities during the three months ended December 31, 2010 was \$1,119,238 compared to \$237,258 for the same period of 2009, reflecting an increased net loss, inventory and prepaid expenses, and was offset by an increased advance payment from a related party and other payables.

Cash used in operations activities during the nine months ended December 31, 2010 was \$4,336,631 compared to \$1,393,650 for the same period of 2009, reflecting an increased net loss, repayment of payables and accrued liabilities, increased of inventory and prepaid expenses, and was offset by an increased advance payment from a related party.

Cash flows from investing activities

Cash used in investing activities was \$686,667 during the three months ended December 31, 2010 compared to \$201,942 for the same period of 2009. Cash used in investing activities was \$1,614,743 during the nine months ended December 31, 2010 compared to \$891,409 for the same period of 2009. The increase of cash outflows primarily relating to the construction of Guanmenshan Reservoir project in China and purchase of production equipment.

Cash flows from financing activities

Cash provided by financing activities during the three months ended December 31, 2010 was \$3,204,592, compared to \$483,827 for the same period of 2009, the increase of cash inflow largely due to the net proceed from non-brokered private placements and proceed from exercises of stock options.

Cash provided by financing activities during the nine months ended December 31, 2010 was \$7,747,429, compared to \$2,600,344 for the same period of 2009, the increase of cash inflow largely due to the net proceed from a non-brokered private placement and proceed from exercises of stock options.

The Company has not yet achieved sustained profitability from its operations and our current projects are at an early stage. In the past, the Company has financed its operations and technology development mainly through equity financing. The Company has plans for substantial capital projects during the coming year and accordingly will continue to seek additional equity investment to finance both operations and capital projects.

Liquidity and Capital Resources

The Company has a net loss of \$3.6 million for the nine months ended December 31, 2010 and at December 31, 2010 has an accumulated deficit of \$16.12 million (March 31, 2010: \$12.49 million) and a working capital of \$1.3 million (March 31, 2010: deficit \$3.29 million). In April 2009, the Company completed the QT with AXEA. In June 2010, the Company completed a non-brokered private placement with gross proceeds of \$5.2 million, and in December 2010 the Company completed another non-brokered private placement with gross proceeds of \$3 million. The Company continues to seek capital through various means including the issuance of equity and/or debt. The ability of the Company to continue as a going concern is dependent on raising additional capital financing and successful completion of the demonstration and commercialization of the closed containment salmon rearing technology project and eventually leading to commercial sales. The outcome of these matters is dependent upon factors outside the Company's control. These conditions raise substantial doubt about the Company's ability to continue as a going concern.



The Company's objective when managing its capital is to safeguard the Company's assets and its ability to continue as going concern while at the same time maximizing the growth of its business and the return to its shareholders. This objective is achieved by prudently managing the capital generated through internal growth, optimizing the use of lower cost capital and raising share capital when required to fund growth initiatives as well as a conservative approach to safeguarding its balance sheet.

In the management of capital, the Company's capital includes notes payable, short-term loan, due to related parties, long-term loan and share capital. There were no changes in the Company's approach to capital management during the year.

There are no externally imposed capital requirements and the Company intends to maintain a flexible capital structure which is consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, raise debt (secured, unsecured, convertible and/or other types of available debt instruments) or refinance existing debt with different characteristics.

As of December 31, 2010, the Company had current liabilities of \$4.3 million as follows:

Accounts payable and accrued liabilities	\$1,560,985
Current portion of long-term loans	970,755
Advance payment from a related party	1,700,000
Due to related companies	97,061
Total Current Liabilities	\$4,328,801

At December 31, 2010, the Company had long-term loan of \$1,281,052 and deferred government grant of \$56,911.

The following schedule summarizes the payment obligations for the Company as at December 31, 2010:

	<u>Within one</u> <u>year</u>	<u>In the second</u> <u>year</u>	<u>Total</u>
	\$	\$	\$
Long term debt and interests including current portion	243,750	2,315,342	2,559,092
Convertible loan and interests	1,053,666	-	1,053,666
Accounts payable and accrued liabilities	1,526,551	-	1,526,551
Due to related parties	97,062	-	97,062
Total	2,921,029	2,315,342	5,236,371

Significant Contracts and Commitments

a) In accordance with an revised agreement signed in December 2009, the Company is partnering MBSAI, MBPI and MBLP to undertake a project to demonstrate and commercialize the closed containment salmon rearing technology developed by the Company ("Project"). The Project is estimated to cost \$ 14.5 million. Title and ownership of Project assets including demonstration tanks belong to MBSAI. Tanks will be leased to MBLP who has a salmon rearing license. MBLP will own the salmon fish raised in the tanks. Tanks will be built on the premise owned by MBPI. The Company is responsible for project management, information collection, project documentation and other related tasks.



Pertaining to the Project, the Company entered into a consortium agreement in 2007 with MBSAI, MBLP, MBPI and Gordon & Betty Moore Foundation for the financial contribution of the Project. The Company is committed to fund approximately \$ 2.4 million cash or in-kind to the Project. MBLP is committed to contribute approximately \$1.1 million in-kind salmon production to the Project. MBPI is committed to contribute \$1.6 million in-kind land and marine site to the Project. The agreement is performed on an ongoing basis until individual participant reaches their contribution limit.

In August 2010, the Company entered into an agreement with MBSAI, to provide design/build services for the construction of a closed containment aquaculture tank at Middle Bay for a fixed price of \$1.8 million.

In connection with the commercial agreement, the Company acting as the General Partner for MBLP entered into a 5-year lease agreement with MBPI for the use of the Middle Bay marine site and adjacent land owned by MBPI to build facilities for researching and commercialization of closed containment salmon rearing technology. During the three months ended December 31, 2010 and 2009, the Company incurred \$30,000 and \$30,000, respectively, in connection with this lease. During the nine months ended December 31, 2010 and 2009, the Company incurred \$90,000 and \$90,000, respectively, in connection with this lease.

The future minimum lease payments are as follows:

Year ended March 31	Amount
	\$
2011 (remainder of the year)	30,000
2012	120,000
2013	120,000

b) According to an agreement with an unrelated third party dated March 28, 2008, and amended March 24, 2010, the Company leases two water lots for twenty years and adjacent access land and buildings for ten years for the development of closed containment trout rearing farms in China. The annual rental is \$7,696 (RMB 50,000) for each water lot and \$15,392 (RMB 100, 000) for the access land and building. Rent charges of \$15,392 (RMB 100,000) for the year 2010 were waived by the unrelated third party. During the three months ended December 31, 2010 and 2009, the rent expenses for the access land and building and the water lot were \$1,890 (RMB 12,500) and \$1,260 (RMB 8,333), respectively. During the nine month ended December 31, 2010 and 2009, the rent expenses for the access land and building and the water lot were \$5,694 (RMB 37,500) and \$3,780 (RMB 25,000), respectively.

c) On December 18, 2008, MBLP obtained an authorization from Department of Fisheries and Oceans Canada (“DFO”) for works or undertaking affecting fish habitat. The authorization will expire on December 31, 2013. Pursuant to the Authorization, MBLP will install four tanks and one containment bag in Middle Bay fish farm site during 2009. MBLP is solely responsible for all safety and workmanship aspects of all the works and operations in the area. AgriMarine Industries acting as the general partner of MBLP issued a letter of credit to DFO in the amount of \$88,394 as a security deposit. DFO may withdraw funds against this letter of credit for any activities required but not completed by MBLP. DFO released \$63,394 to the Company in October 2009. As at December 31, 2010, the remaining deposit of \$25,000 is held by a financial institution.

d) On January 15, 2009, Benxi AgriMarine, signed an Asset Sales and Transfer Agreement (the “Agreement”) with an unrelated third party running a cold water fish hatchery in Benxi City, China. Pursuant to the agreement, Benxi AgriMarine agreed to purchase from the third party all operating assets, the land use rights and the land leasing right for 50 years. Total consideration of the purchase is RMB 7,400,000 (approx. \$1,119,143). Benxi AgriMarine obtained the ownership of land use right in October 2010. As at December 31, 2010, RMB 4,700,000 has been paid to the third party, and the remaining balance of RMB 2,700,000 was paid in January 2011.



e) Capital commitment

According to the approval of the Foreign Business Bureau of Benxi city on December 28, 2010, the total registered capital to Benxi AgriMarine, increased from \$2 million (us\$2 million) to \$4 million (us\$4 million). The Company is required to contribute the additional registered capital of \$2 million by paying cash of \$1,395,351, converting \$400,000 loan payable to AgriMarine Industries and contributing capital assets of \$204,649 within one year from December 28, 2010. AgriMarine Industries invested \$403,000 (US\$400,000) cash to Benxi AgriMarine in January 2011. A tank mold with a total amount of \$204,649 (US\$204,649) was shipped to Benxi AgriMarine as capital assets contribution in February 2011.

According to the approval of the Foreign Business Bureau of Beijing city on November 16, 2010, the total registered capital to Beijing AgriMarine is US\$1 million. The Company is required to contribute the registered capital of US\$1 million by paying cash before November 15, 2012. AgriMarine Holdings invested \$209,685 (US\$210,000) to Beijing AgriMarine for capital contribution in January 2011.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as defined by applicable securities regulations in Canada at December 31, 2010 that have, or are reasonably likely to have, a current or future material effect on our results of operations or financial condition.

Related Party Transactions

Related party transactions not disclosed elsewhere in these financial statements are as follows:

		December 31, 2010	March 31, 2010
Amount due from		\$	\$
MBSAI	(a)	67,357	59,400
Advance payment from a related party	(b)	1,700,000	-
Amount due to			
MBPI	(c)	70,480	153,275
A director	(d)	26,581	126,434
		97,061	279,709

(a) During the nine months ended December 31, 2010 and 2009, the Company provided management services for \$0 and \$10,000 to Middle Bay Sustainable Aquaculture Institute ("MBSAI"), a not for profit organization. A director of MBSAI is also a director and officer of the Company. No management service was provided to MBSAI during the three months ended December 31, 2010 and 2009.

The Company entered into an agreement, with MBSAI to purchase a tank mold for \$204,649 to be used in China for manufacturing tanks. The total amount has been paid as at December 31, 2010 and recorded as fixed assets. The tank mold will be delivered to China as capital contribution to Benxi AgriMarine.

(b) In August 2010, the Company entered into an agreement with MBSAI, to provide design/build services for the construction of a closed containment aquaculture tank at Middle Bay for a fixed price of \$1.8 million. The Company received \$1,700,000 from MBSAI during the nine months ended December 31, 2010. As at December 31, 2010, total expenditure for this project was \$1,747,731 including \$1,722,530 recorded as



inventory and \$25,201 recorded as prepaid expenses. The tank construction is completed in January 2011, and the remaining balance of \$100,000 will be received in March 2011.

(c) In September 2007, the Company entered into a commercial lease agreement (see note15(a)) with Middle Bay Property Inc (“MBPI”), to lease a premise owned by MBPI with a term of 5 years. An officer of MBPI is also a director and officer of the Company. During the three months ended December 31, 2010 and 2009, the Company recorded lease expense to MBPI of \$30,000 and \$30,000, respectively. During the nine months ended December 31, 2010 and 2009, the Company recorded lease expenses to MBPI of \$90,000 and \$90,000, respectively.

During the three months ended December 31, 2010 and 2009, the Company provided accounting and management services to MBPI and recognized other income of \$25,500 and \$0, respectively. During the nine months ended December 31, 2010 and 2009, the Company provided accounting and management services to MBPI and recognized other income \$76,500 and \$0, respectively.

(d) During the three and nine months ended December 31, 2010, the Company recorded director fee and management fee in general and administrative expenses of \$94,500 and \$283,500, respectively, to directors and officers of the Company.

The transactions with related parties during the year are measured at the exchange amount, which is the amount of consideration established and agreed by the parties. The balances with related parties are unsecured, non-interest bearing, and due on demand.

Outstanding Securities

As at December 31, 2010, the Company had 69,358,220 common shares issued and outstanding (on an undiluted basis). In addition, the Company had 5,175,000 stock options outstanding and 29,690,678 warrants outstanding at December 31, 2010.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Risks and Uncertainties

Due to the nature of the Company's business and present stage of development, the Company is subject to significant risks. Risk factors relating to the Company include, but are not limited to, risks relating to reliance on the Chinese market for initial sales of large fish in a culture principally familiar with smaller live fish, major customers and key personnel, reliance on banking facilities and dependence on sustainability of customer orders, the risk that the Company's business plan may fail, risks relating to operations, risks related with compliance with environmental protection regulations, risks related to uninsurable or uninsured risks, risks related to the start-up of The Company's technology business and risks related to conflicts of interest of directors and officers.

Dependence on Subcontractors

The Company's success depends on its ability to build and subsequently operate highly specialized marine rearing containers, which must function in inter-tidal ocean conditions. The design, construction and



deployment of the closed-container systems in British Columbia rely principally on capital funding from its non-profit partner. As such, the Company relies on its Consortium Agreement with non-profits to carry out the various aspects of development according to prescribed timetables and within a predetermined cost structure. Failure to deliver the funding or problems with operations of the containers could cause timing delays, cost over runs and/or conditions that could deeply affect the Company's ability to deploy its Middle Bay project and to build-out future facilities. The Company has played an intimate role in the development, engineering and ongoing operations of the containment facilities it now operates. Management has acquired a level of knowledge and understanding that would permit the Company to quickly seek alternate suppliers/subcontractors in the event of non-performance or in the event of a need for flexibility due to capacity or timing.

Technology Failures

The Middle Bay demonstration operations will rely on several low and high technology systems that govern the operations of the facility. A failure of one or more of these systems over a short period of time could adversely affect the fish crop under production. The failures could range from computer software problems to a complete power outage, which could potentially happen at any time. The Company has built redundancy and fail-safe protocols into all of its key operational systems. These protocols are monitored, alarmed and manned on location on a 24/7 basis. The Company systems have experienced no life support failures in either 10 years of operating fish hatcheries or at the Cedar closed containment research farming facility.

Crop Failure

All fish farming operations are vulnerable to failure to produce a crop. Most salmon crop failures are a direct result of escapes, disease, plankton infestation and/or contamination of the fish population from outside sources. Fish may also be adversely affected by a failure to properly oxygenate their rearing habitat. The Company has taken exhaustive steps, through the design of their facilities and through the monitoring and management of fish stocks, to ensure that none of these conditions could cause the wholesale loss of an entire crop. Each of the life support systems is backed up with alternate supply facilities and the separation of groups of fish in the rearing containers will minimize the impact of any adverse event that may affect the fish populations. Feed conversions and feed quality may affect the production of biomass which could lower the yield of and size of cultured salmon, resulting in lower than anticipated harvest size and lower revenue.

Poor Market Demand

Since the Company's Middle Bay facility will be the producer, processor and marketer of its EcoSalmon products in North America, the Company may be susceptible to market forces including demand and pricing that are outside of its control. Should the demand for farmed salmon experience a significant drop due to world conditions or market perception, the Company's Middle Bay facility's ability to market its products could be affected. However, the Company's EcoSalmon label will have a unique position in the North American market as, presently, there is very limited production in closed containment systems and marketing promotions under the EcoSalmon label will ensure that this unique system of harvesting salmon is communicated to the public. The Company is also active in the world's largest and fastest growing seafood and aquaculture market, China, which should mitigate any market demand concerns.

Operating Hazards and Risks and Product Liability

The Company's current business involves risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to hazards and risks normally incidental to its operations, any of which could result in work stoppages, damage to or destruction of property, loss of life and environmental damage. There are no risks to consumers to salmon products if processed to Hazardous Analysis Critical Control Points ("**HACCP**") and Canadian Food Inspection Agency ("**CFIA**") standards. The nature of these risks is such that liabilities



might exceed any insurance policy limits, the liabilities and hazards might not be insurable or the Company might not elect to insure us against such liabilities due to high premium costs or other factors. Such liabilities may have a materially adverse effect upon the Company's financial condition. The Company is HACCP certified for North America, a quality assurance program coordinated by the US Food and Drug Administration ("FDA") and CFIA, for fish and meat processing plants. The Company also employs a bar code for its products that permits tracking after shipping. The Company will carry product liability insurance to cover any potential consumer incident or action.

Environmental Risks and Other Regulatory Requirements

The Company's current and future operations are and may be governed by laws and regulations governing its industry. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. The Company currently operates its business in a regulated industry. There can be no assurances that the Company may not be negatively affected by changes in the Canadian, British Columbian or other legislation, or by any decisions or orders of any governmental or administrative body or applicable regulatory authority.

Competition

Despite the fact that there are numerous well-established salmon farming operations on the west coast of Canada and around the world, there are no operations using fully contained, solid wall technology since net-pen salmon farming requires much less technical expertise and expense to design, build and operate. Identified cases of environmental and natural resource interactions that have been negatively associated with the aquaculture industry include:

- discharge of effluent and sediment accumulation in farming areas leading to degraded water quality (eutrophication, concern over red tides, low dissolved oxygen, etc.);
- alteration or destruction of natural habitats and the related ecological consequences of conversion and changes in ecosystem functions;
- competition for the use of freshwater;
- competing demands with the livestock sector for the use of fish meal and fish oil for aquaculture diets;
- improper use of chemicals raising health and environmental concerns;
- introduction and transmission of aquatic animal diseases through poorly regulated translocations;
- impacts on wild fisheries resources through collection of wild seed and brood animals; and
- effects on wildlife through methods used to control predation of cultured fish.

Early Stage Development

The Company is at an early stage of development and subject to start-up risks and will therefore be subject to the risks associated with early stage companies, including start up losses, lack and uncertainty of revenues, markets and profitability and the need to raise additional funding.

Intellectual Property

The Company has filed for international patent protection for its solid wall closed containment technology employing composite fiberglass construction of the rearing containers and fish husbandry procedures. The loss of any the Company's proprietary rights which may be protected or protectable under future intellectual property safeguards may result in the loss of the Company's competitive advantage over present or potential competitors. Similarly, the failure to seek protections of any patentable materials to which the Company may be entitled may result in loss of patent protection should a third party copy the patentable technology or



process. The loss of any proprietary rights which are protectable under any of the foregoing intellectual property safeguards may result in the loss of a competitive advantage over present or potential competitors, with a resulting decrease in the profitability for the Company. There is no guarantee that such a loss of competitive advantage could be remedied or overcome by the Company.

Risks Associated with Doing Business in China

The Company's operations in China are exposed to various levels of political, economic, legal, regulatory and other risks and uncertainties associated with doing business in China. These risks and uncertainties include, but are not limited to, currency exchange rates; high rates of inflation; labour unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange; government corruption; changing political conditions; and currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in investment policies or shifts in political attitude in the PRC may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, environmental legislation, land use, land claims of local people and water use. Any events resulting in an adverse impact on the Chinese economy may have an adverse effect on the Company's profitability and prospects. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

Foreign Currency Exchange Risk

The Company is subject to foreign currency exchange rate risks in particular the risk relating to the fluctuation in value among the Canadian dollar and the Renminbi ("RMB"). The Company's major operating expenses and fixed assets in the PRC are denominated in RMB. Consequently, the Company's profitability and value of assets are subject to exchange rates risks among Canadian dollars and RMB. A rising RMB relative to the Canadian dollar would increase operating costs and thus affect the profitability of the Company.

Dependence on, and Protection of, Key Personnel

The Company is dependent upon the continued support and involvement of its directors and officers to develop its business and operations. If the Company were to lose their services, the Company's ability to implement its business plans could be severely curtailed or delayed.

Liquidity Concerns and Future Financing Requirements

The Company may require additional financing in order to fund its plan of operations. The Company's ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as the Company's resulting business success. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the same. If additional financing is raised by the issuance of common shares from treasury, control of the Company may change and Shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to take advantage of other opportunities, curtail business operations or cancel planned projects, or otherwise remain in business. Events in the equity market may impact the Company's ability to raise additional capital in the future.

Volatility of Share Price

Factors such as announcements of quarterly variations in operating results, as well as market conditions in the Company's industry, may have a significant impact on the market price of the Company's Shares. Global



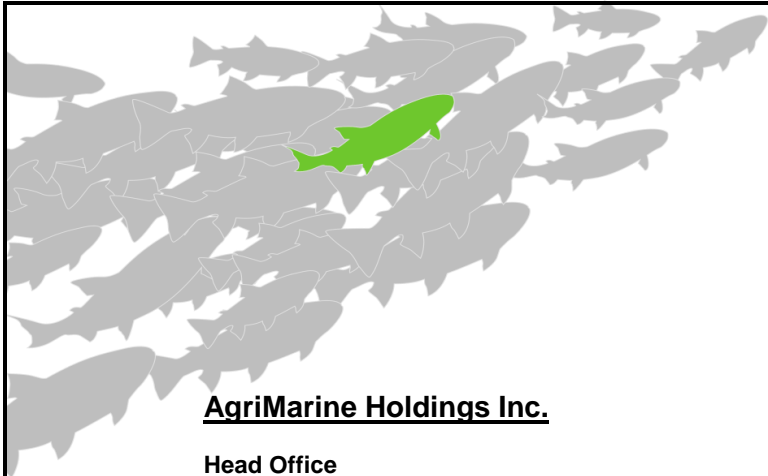
stock markets and the Exchange in particular have, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operations of particular companies. Share prices for many companies in many industries have experienced wide fluctuations that have been often unrelated to the operations of the companies themselves. In addition, there can be no assurance that an active trading or liquid market will develop or be sustained for the Company's Shares.

Conflicts of Interest and Time

Certain of our current and proposed directors and officers are, and may continue to be, involved in other industries through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers may conflict with our interests. Directors and officers with conflicts of interest will be subject to and follow the procedures set out in applicable corporate and securities legislation, regulation, rules and policies. Certain directors and officers of the Company will only devote a portion of their time to the business and affairs of the Company and some of them are or will be engaged in other projects or businesses.

Service

In the event that management of the Company or the Resulting Issuer resides outside of Canada, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts.



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