



**IDEAS WORTH WATCHING: AGRIMARINE HOLDINGS INC.**

**Investment Highlights:**

- AgriMarine Holdings Inc. (FSH-TSXV; not rated) is an emerging aquaculture company that raises fish sustainably in its own proprietary, closed containment systems. Their leading edge technology is designed to raise species including salmon, trout, tuna, and yellow croaker.
- The Company started as a salmon aquaculture business using traditional open-net technology. This type of aquaculture is susceptible to disease, environmental degradation, and fish escape. In 2000, AgriMarine was selected by the BC government to look at alternative technologies in aquaculture. Over the years, their system has evolved from a solid wall land-based system to a floating solid wall tank system that can be used in fresh or salt water environments.
- Aquaculture is a huge global business (~\$80 billion), with volumes growing at a rate of roughly 5% annually over the last five years. Aquaculture now accounts for 30%-40% of total world fish supply. As populations increase and the consumption of seafood rises, retailers will rely more heavily on aquaculture raised species. The wild-caught opportunity is limited and not growing.
- China is the world's biggest consumer of seafood and biggest aquaculture producer (by a wide margin). AgriMarine has a Chinese subsidiary (formed in 2007) and is the first company to grow closed containment salmon in China. Management believe that there is a huge growth opportunity in China.
- Salmon is currently imported into China. AgriMarine launched its commercial farm in Benxi, China in Sept 2009 with the first harvest in Q3 2010. They have 20-year water use rights and own a fish hatchery. The current capacity of 600 tons of Steelhead Trout and Pacific Salmon is being increased to 2,000 tons. There are plans to expand in China at two other sites.
- First salt water tank was installed in January 2011 in Campbell River, BC, with four more tanks to be installed. The Company is investigating other opportunities, via joint venture, in Ontario, Japan, Europe and the rest of the Americas.



**FSH on TSXV**

**May 2, 2011**

**Closing Price (04/29/11): \$0.36**

**Trading Range: \$0.19-\$0.63**

Basic Shares O/S*	69.3 million
FD Shares O/S*	74.4 million
Market Capitalization	\$26 million
Cash (incl. restricted)	\$2.1 million
Total Debt	\$2.3 million
Net Debt	\$0.2 million
Enterprise Value	\$26.2 million
Average Daily Volume	149,000

\*pre private placement

Chairman	John Reynolds
President & CEO	Richard Buchanan
President - Agri-Marine Industries	Sean Wilton
CFO	Frank Guo



**About AgriMarine Holdings Inc.**

AgriMarine is an aquaculture company focused on the implementation of solid-wall containment systems to raise a variety of fin fish, in both salt and fresh water environments. Based in Vancouver, BC, the Company has current operations in Canada and China. AgriMarine was named the 2011 top ranked Clean Technology Company on the TSX Venture 50. www.agrimarine.com

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## AgriMarine's Strategy & Advantages:

- The Company's strategy is to design, build, install and operate floating solid wall, closed containment systems. AgriMarine is considering joint venture opportunities worldwide and will consider licensing opportunities once the technology and systems are sufficiently developed.
- After 10 years of development work the system is now proven, with fresh water installation in China and salt water in British Columbia. AgriMarine 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 tanks can be manufactured in less than 15 days. A 3,000 cubic metre tank, which holds about 50,000 fish, costs about



\$700,000 to build and equip.

- Significant improvements over traditional open-net design: no chance of escape, no disease or infestation from the wild, minimal use of antibiotics, higher feed conversion and energy efficiency. The tanks have an estimated 25 year life.

- The system allows for full control over the fish rearing environment. This includes water current, water temperature and oxygen

supply. The tanks can be installed closer to demand centres, lowering the cost and environmental impact of transportation.

- The system is considered a sustainable fishery and has been endorsed by several organizations. Sustainability is *the* big topic in the fish industry.
- It appears that AgriMarine has a solid first mover advantage in this field and is looking to aggressively grow its operations internationally. Given the favourable demographics and wild-caught supply dynamics for seafood, we expect demand for sustainably harvested aquaculture will continue to increase.

## Financials:

- This is an early stage business, with revenues of just \$227,000 in the quarter (their Q3) ended December 31, 2010. The loss was \$1.6 million or \$0.03 per share.
- There was just over \$2.1 million in cash on the balance sheet, with total debt of about \$2.3 million.
- Last week, AgriMarine announced an ambitious \$12 million financing, on a best efforts basis, by issuing units at a price of \$0.35. Each unit consists of one common share and one half warrant. The warrants have an exercise price of \$0.50 for 36 months following closing. The net proceeds from the financing will be used for tank development, working capital and general corporate purposes. We note the Company raised just over \$8 million in 2010 by issuing 38.3 million common shares. There were 69 million shares outstanding at December 31, 2010, with another 5 million options and nearly 30 million warrants.

## Potential Catalysts:

- Improving revenues as further tanks are deployed and increasing volumes of fish are harvested.
- Joint venture announcements for further closed containment facilities around the world.

## Risks:

- Failure of the proprietary system, increased competition, environmental regulation, business risks of operating in China, continued capital requirements, and foreign exchange exposure.
- While the company has applied for international patent protection, there is no guarantee that such patents will be granted or will be adequately enforced.

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Ending Q1 2011	# Stocks	Distribution		
<b>BUY</b>	11	55.6%	BUY	Total 12-month return expected to be >15%
<b>Spec. Buy</b>	3	16.7%	SPECULATIVE BUY	Potential total 12-month return is high (>15%), but given elevated risk, investment could result in a material loss
<b>HOLD</b>	4	27.8%	HOLD	Total 12-month return expected to be between 0% and 15%
<b>SELL</b>	0	0.0%	SELL	Total 12-month return expected to be negative
<b>Restricted</b>	0	0.0%		
Total	18	100.0%		
*as of quarter end				

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