

# INNOCAP, INC.

## A Great Story Will Become A Great Stock

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### INNOCAP, INC. (OTC:QB – INNO - \$0.37)

Price Target: \$2.00

Rating: Speculative Buy

### COMPANY SNAPSHOT

Innocap, Inc. is a marine exploration company specializing in research and development of ocean recovery projects. The Company's research has shown that there are many shipwrecks around the world which contain valuable cargo. Innocap will treat all shipwrecks with respect and have archeological assessments on each qualified shipwreck. Innocap will utilize the latest technology available to enhance and execute salvage projects and will explore leveraging the success of these projects via the exhibition, promotion, sale and lease of artifacts, as well as the engagement of feature film and television production rights.

### KEY STATISTICS

Price as of 7/18/13	\$0.37
52 Wk High – Low	\$0.35 – 0.15
Est. Shares Outstanding	106.5M
Market Capitalization	\$37.3M
3 Mo Avg Vol	2,500
Exchange	OTC:QB

### COMPANY INFORMATION

Innocap, Inc.  
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Jefferson, Texas 75657  
903.926.1287  
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### INVESTMENT HIGHLIGHTS

**Innocap, Inc. is a rare, one-of-a-kind, newly listed stock that offers home run potential and multiple revenue streams.** Led by one of the most successful marine recovery pioneers, INNO plans to engage in marine salvage operations in Asia and the Atlantic that combined potentially may be worth hundreds of millions of dollars.

**INNO's founder, Paul Tidwell brings a history of marine salvage success.** Tidwell located the legendary Japanese submarine I-52, the deepest marine recovery effort ever, in water 3 miles deep in the Atlantic which has 2 metric tons of gold on board worth an estimated \$81M alone.

**In addition to the I-52 project, INNO will soon begin salvage operations of a shipwreck located off the coast of the Philippines.** The ship, based on preliminary studies, appears to contain a cargo of Chinese porcelain made during the Ming Dynasty. Potentially worth millions, INNO will be entitled to 50% of any cargo that is recovered from the salvage.

**INNO is a great story that may soon become a great stock.** INNO offers huge upside via the potential value of marine salvage recovery cargo (i.e., treasure) with the I-52 project potentially worth hundreds of millions alone. Plus, INNO will enjoy other revenue streams related to post-recovery operations including film production, education, promotion, entertainment and exhibitions. This model is similar to Premier Exhibitions, (NASDAQ- PRXI), which is known for its Titanic salvage and nationwide exhibitions. As INNO initiates the return to I-52 and engages in its other salvage operations and related ventures, the valuation will increase substantially. We rate these shares Speculative Buy with a \$2.00 price target.

## INNOCAP, INC. (OTC:QB INNO)

### COMPANY OVERVIEW

Innocap, Inc. is a world class leader in the knowledge of deep ocean technology used to locate, salvage and bring historical impact from deep sea projects. With over 50 years of combined experience, the dynamic dual leadership of Paul Tidwell and Chris Dubea complement each other's strengths to bring Innocap a broad spectrum of opportunity on the high seas. This Company is built on the knowledge and experience in engaging in deep sea projects from conception to post-recovery as exemplified by the success of the world's deepest salvage dive as yet undertaken, going to 17,580 feet on the legendary I-52 project. Innocap's strategic plan, however, looks beyond a single event or discovery to the wealth of recovered gold and ceramic artifacts that have yet to be recovered.

The Company's research has shown that there are many shipwrecks around the world which contain valuable cargo. Innocap treats all shipwrecks with respect and have archaeological assessments on each qualified shipwreck. Innocap utilizes the latest technology available to enhance and execute salvage projects and will explore leveraging the success of these projects via the exhibition, promotion, sale and lease of artifacts, as well as the engagement of feature film and television production rights.



Image I. Sample Porcelain and Other Artifacts  
Source: [www.innocap-inc.com](http://www.innocap-inc.com)

Innocap will soon begin salvage operations of a shipwreck located off the coast of the Philippines. The ship, based on preliminary studies, appears to contain a cargo of Chinese porcelain made during the Ming Dynasty. Potentially worth millions, INNO will be entitled to 50% of any cargo that is recovered from the salvage. In addition to the potential value of the salvage recovery share of the Philippines opportunity, INNO plans to engage in other operations in the region and continued work on the I-52 project.

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Moreover, there may also be an opportunity for the Company to generate ancillary revenue through the sale or license of its technology and knowhow for other commercial deep-water marine applications, particularly with energy, communications and research.

**Positioning**

In recent years, governments across the globe have embraced the concept of investment in artifact recovery by private companies. As a result, a whole host of changes in maritime and sovereign country laws regarding permits and recovery rights have made artifact exploration a very profitable opportunity that is secure from legal disputes in those countries. Therefore, management plans to leverage its experience in this sector with multiple post-salvage and recovery revenue streams, in addition to the potentially huge shared stake in artifact value.

For example, Innocap plans to assemble one the largest collections of recovered sunken treasures for auction, sale and tour. This process will include a simultaneous on-site, television and internet treasure auction following a year-long tour. Innocap will be the lead company in this enterprise, with other partners participating under Innocap's direction. Negotiations are well underway for the first of these big projects. In addition to its own Firm-recovered artifacts, the Company will also sell items discovered by individual artifact explorers that are seeking a partner with which to help sell or exhibit their wares, thus resulting in additional fees.

Clearly, finding "treasure" is only part of Innocap's goal, as unveiling the mystery of the "stories behind the treasure" and validating their legitimacy, are critical components of the total value of the entire process. Therefore, management plans to break new ground in providing unique, exciting digital and video products for the entertainment and educational markets, thus properly "telling the story behind the story" which will generate revenue through promotion and sale of ancillary products.

**THE I-52 PROJECT**

The I-52 project is a fascinating one from both a historical and economic perspective. The I-52 was a WWII era Japanese submarine sunk by American acoustic torpedoes and depth charges in 1944, not in the Pacific Ocean, but in the Atlantic, out of the realm of the traditional American-Japanese theatre of WWII of the South Pacific. What the sub was doing there is an intriguing and mysterious story in itself. The sub, referred to as Japan's Golden Submarine, carried 2 metric tons of gold worth \$81M today, as well as an estimated two tons of valuable metals, fifty-four tons of rubber and over two tons of opium are in the wreckage.

Additionally, Japanese civilian and military scientists were onboard to meet their German counterparts on a secret weapons program. The mission was so secret it required a German Wehrmacht Enigma encoding machine be carried onboard.

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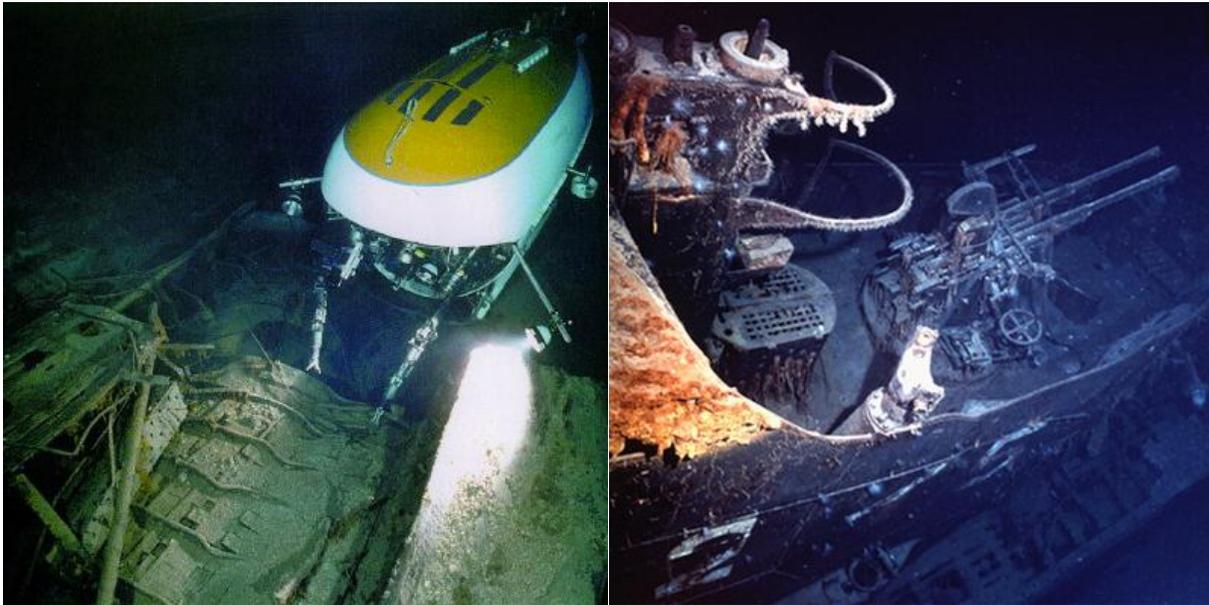


Image II. The I-52 Submarine  
Source: [www.innocap-inc.com](http://www.innocap-inc.com)

Image III. I-52 Submarine  
Source: [www.innocap-inc.com](http://www.innocap-inc.com)

The story has been one documented by NBC and National Geographic Television with another documentary also developed by NHK Television in Japan. In addition, the I-52 project has been featured worldwide in over 225 newspapers along with magazines like Newsweek, Time, Discover Magazine, National Geographic Magazine, Naval History, U.S. News and World Report, Guinness Book of World Records 2000, to name a few.

The remains of the I-52 sit at the bottom of the Atlantic nearly 3 miles, or 17,000 feet. The submarine is resting at a depth that actually preserves paper and some other substances due to the pressure and lack of light. The watery envelope that holds the military boat is acting as a protective vault for I-52's secrets.

Innocap founder Paul Tidwell has been working with the U.S. and Japanese governments for several years on the project. The I-52 story is uniquely tied to Mr. Tidwell, not just for the economic benefits of the find itself but the emotional and personal stories of the loved ones who never returned home from the war. This deep interest and bond to the project is exemplified by Tidwell's commitment to the entire project which includes a story about the Japanese Commander Uno Kameo's personal and tragic love story.

It is the noteworthy deep attachment to the I-52 that has endeared Mr. Tidwell and Innocap to governments and private investors across the globe which has resulted in the Firm emerging as the go-to source for deep-sea marine salvage and recovery. As a result, management expects to engage in multiple salvage operations simultaneously and initiate post-recovery education and entertainment projects that replicate the success of the I-52 project.



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### **UPCOMING EVENTS AND MILESTONES**

Investors should expect that the Company will spend much of its time engaged in recovery operations in the Pacific Rim, starting with the aforementioned Philippines operation in 2H13.

Innocap has received an agreement with a corporation located in the Philippines to commence a three-phase recovery of a shipwreck containing a cargo of Chinese porcelain. The ship appears to be of Chinese Junk design and has been covered by mud for possibly hundreds of years. Samples of the cargo have been recovered and identified as Ming Dynasty (1368-1644) porcelain. The shipwreck potentially contains thousands of Ming Dynasty plates, teapots, and cups.

Research into the Chinese porcelain market indicates that Ming Dynasty, and other ancient Chinese porcelain, has reached an impressive increase in the investment and collector marketplace, as they are prized by collectors and museums alike. Therefore, the salvage of these highly prized artifacts is the Company's top priority in the short-term.

As part of the preliminary recovery operations, Innocap will utilize acoustic mapping equipment to map the outline of the ship and debris field. Additional samples of porcelain and wood will be recovered to further the identification process.

Innocap is also in discussions with Indonesia to search for the Flor de la Mar, which sank in a storm in 1511. This ship is purported to have a substantial amount of treasure onboard. Although Innocap cannot substantiate the full value of the cargo at this time, the Flor de la Mar it is said in many places to be the most valuable sunken ship. After a contract has been issued, Innocap will determine, to the fullest extent possible, the value of the cargo and the position of the famous shipwreck. Innocap will further the historical research to study the documentation before hunting for the sunken vessel, consulting with prominent historians, geologists, oceanographers, marine biologists, and scientists specializing in River Hydrology and Hydraulics, and utilize remote sensing mapping.

In addition, it is management's planned objective to return to the I-52 under Operation Rising Sun, which will include the recovery of the gold, papers, and artifacts and document the operation on video. Separately, management is currently contemplating other salvage opportunities but may elect to steer away from typical shipwrecks that may carry gold, as other cargo such as the Chinese porcelain may actually carry greater value via auction and exhibition. The Company likely has the bandwidth to manage up to 3 operations at the same time and we believe that a handful of operations could be initiated in the next 12 months, with most projects around 18 months.



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### **LEVERAGING ITS EXPERTISE**

As noted above, management plans to leverage its technology, expertise and knowhow to other firms engaged in the deep sea arena via license or service/equipment offerings. While this initiative holds considerable promise, we view it as a potential bonus for investors, rather than a component of our projected valuation and price target, as this segment is still under development.

Innocap plans on developing sophisticated equipment to be used in performing complex tasks in the sea and other difficult environments. These tasks include salvage of artifacts from some of the deepest locations in the ocean to construction activities for oil companies worldwide. This system under development is a catalogue of intelligent components with which a designer can use to simply and easily develop sophisticated, robust subsea automation equipment. All components include intrinsic intelligence and will be instantly recognized when plugged into the network attached to the Innocap Deep-sea Operational System (DOS). This will include a suite of ready built Remotely Operated Vehicles (ROV), both for light duty and heavy duty service

These ROVs will use the technologically advanced DOS control for seamless integration of Hi-Definition video, ultra high resolution imaging sonar, sophisticated inertial navigation systems and many more technologies both now and in the future. Once launched, the final phase will be involved in the day-to-day operation of ROV's on behalf of commercial customers. Starting with 'Observation Class ROVs', typical operations will be inspection, site survey, light salvage and reconnaissance activity. The operations could eventually be expanded to include a suite of 'Work Class ROVs' for servicing the offshore oil and gas business.

### **INNOCAP LEADERSHIP**

#### **Paul Tidwell, Chairman, President and Chief Executive Officer**

Paul Tidwell salvages shipwrecks for a living, but in truth he is a deep-sea explorer, influenced by the creative design of Jules Verne and the inventive engineering of Jacques Cousteau. His passion for recovering lost and sometimes forgotten treasures of the deep has brought him success and international renown for over twenty-five years.

Before beginning this rewarding and exciting career, Tidwell served two Army tours from 1966-1969, in South Vietnam with the First Infantry Division and the First Air Cavalry. In recognition of this service to his country, he received a Purple Heart, Bronze Star, Army Commendation Medal and the Presidential Unit Citation.

To assist in his ocean exploration, Tidwell's initial focus was the history of trade between allied countries during both World Wars, for it requires much painstaking, preliminary research on dry land before Tidwell can begin his efforts to reclaim what the sea has taken. Tidwell would draw upon both these experiences to help him navigate the mysterious and often dangerous world of international ocean salvage.

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In the 1980s, Paul Tidwell started as a ship salvage consultant in underwater search and recovery. Soon, he was organizing and launching his own expeditions, such as the discovery of the S.S. Edward Luckenback, a freighter that sank during World War II after hitting a runaway mine off the Florida coast. By the mid 1980's, Tidwell specialized in negotiating contracts for the salvage and recovery of ships in the territorial waters of foreign countries such as Japan, Philippines, and the People's Republic of China, Oman, Mexico and Guyana.

Tidwell's discovery of the sunken Japanese submarine I-52 is perhaps his most notable and historically significant achievement to date. Found at a depth of 17,500 feet, the I-52 is one of the deepest shipwrecks ever discovered, and it is of great national and cultural importance to Japan.

Paul Tidwell's success and expertise have led to his collaboration on documentaries with National Geographic, NHK Television, and TV Tokyo Japan. He has also been featured in a variety of publications, including the books:

The Universe Below by two-time Pulitzer Prize winner, William Broad; Battleground Atlantic by Richard Billings; Preventing an American Hiroshima by David J. Dionisi; War, Science and Terrorism by Dr. J. Richardson; Silent Killers: Submarines and Underwater Warfare by James Delgado; the 1999 Edition of Guinness Book of World Records.

And periodicals such as:

National Geographic Magazine, Time, Newsweek, Discover, Naval History, US News and World Report.

The US Naval Academy, the University of Washington and the Foreign Correspondents' Club of Japan have hosted Tidwell's lectures on his work with the I-52 and other shipwreck recoveries.

**Christopher Dubea, Vice-President**

Christopher Dubea is a veteran marine engineer who has extensive experience in the use and development of offshore technology and the tools to do the job. Dubea's knowledge and experience in marine engineering, development of specialized equipment, notably the ROVs (Remotely Operated Vehicles) and his network of corporate and government agents open doors. Dubea is known and respected for his leadership, team approach and successful project experience. Dubea's technical skill set combines exceedingly well with Tidwell's extensive vision for each project ranging from negotiations in countries around the world with governments of decidedly contrasting agendas, the experience of successful recoveries including the deepest recovery dive to date, his respect and care of salvaging artifacts of great value and the marketing acumen to know the value and where to find the best market exposure for such artifacts.



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### **RISK FACTORS**

In our view, the biggest risk to Innocap is quite literally not striking gold, or porcelain, etc. on upcoming salvage operations. However, we believe that risk may be muted somewhat given that the I-52 is such a valuable commodity not just for its estimated \$81M in gold, but other artifacts and commodities, and the prospective value of the story behind why the sub was in the Atlantic in the first place. Other risks include delays in launching and raising needed project financing, unforeseen delays in salvage and recovery of the ships and their artifacts. Separately, the value of the post-recovery efforts in education and entertainment may not prove to be as profitable as management projects. Nonetheless, we believe that significant public interest in shipwrecks, buried treasure, and the unique stories of the event and people associated with the vessels are have huge educational and entertainment value by the masses. Another risk is that funding from outside sources for the proposed operations become delayed or reduced, thus impacting launch dates or success. Still, this risk is consistent with the industry and we believe that as the go-to source in the industry, it is unlikely to be a significant issue. Finally, given that the stock is both newly traded and event-driven, it may be subject to price swings and low liquidity at times. Still, we believe that the reward outweighs any trading risk at this time.

### **CONCLUSION**

In our view, INNO is a great story that may soon become a great stock. INNO offers huge upside via the potential value of marine salvage recovery cargo (i.e., treasure) with the I-52 project's artifacts and post-recovery initiatives potentially worth hundreds of millions alone. These include other revenue streams related to post-recovery operations such as film production, education, promotion, entertainment and exhibitions.

Plus, the Company will soon begin salvage operations of a shipwreck located off the coast of the Philippines and is considering the exploration and search of the Flor de la Mar with Indonesia, which sank in 1511 and may be the most valuable sunken ship of its time.

Meanwhile, based on preliminary studies, the ship in the Philippines appears to contain a cargo of Chinese porcelain made during the Ming Dynasty. Potentially worth millions, INNO will be entitled to 50% of any cargo that is recovered from the salvage.

With the exception of plans to commercialize its knowhow through license and sales of products to the deep sea energy space, the Company's model has similarities to Premier Exhibitions, (NASDAQ- PRXI), a \$90M market cap firm, which is known for its Titanic salvage operation and nationwide exhibitions. As INNO initiates the return to I-52 and engages in its other salvage operations and related ventures, we believe that the valuation will increase substantially. We rate these shares Speculative Buy with a \$2.00 price target.



## INNOCAP, INC. (OTC:QB INNO)

### Senior Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

### Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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