



ATLANTIC  
SAPPHIRE®

Company Presentation

24 April 2018



# IMPORTANT INFORMATION

## ATLANTIC SAPPHIRE

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# SUMMARY OF KEY RISK FACTORS (1/2)

## RISK FACTORS

In the following is a summary of the key risks facing the Group. Please see slide 36-42 for a full description of risk factors.

### Key risks relating to the Group and the industry in which it operates:

- Land-based salmon farming is a new industry and is subject to inherent risk by being an industry in the development phase, as well as the risk that the Company's commercialization strategy may fail.
- The Company is vulnerable to errors in technology, production equipment and maintenance routines. Such errors could cause damage to the Group's production and biomass, which is the Group's most valuable asset.
- The Group has experienced a mass mortality incident in the past and there can be no assurance that a similar incident will not happen again.
- No assurance can be given that the Group will achieve its objectives or other anticipated benefits and risks relating to the successful implementation of the Group's strategies may increase by a number of external factors, which may require the management's focus and resources, and which could in turn imply failure or delay in the successful adoption of the Group's business strategy.
- The Group's commercial success depends on entering into agreements with customer, distribution, marketing, sales and other agreements with third parties on commercially favourable terms.
- The Group's business depends on client goodwill, reputation and on maintaining good relationships with clients, partners, suppliers and employees, and circumstances that publicly damage the Group's goodwill, injure the Group's reputation or damage the Group's business relationships, may lead to a broader adverse effect than solely any monetary liability.
- Short-term or long-term decreases in the price of farmed salmon may have a material adverse effect on the business, financial condition, results of operations or cash flow of the Group.
- The Group's operations are subject to several biological risks which could have a negative impact on future profitability and cash flows.
- The Group's activities are subject to extensive international and national regulations, in particular relating to environmental protection, food safety, hygiene and animal welfare, as well as extensive license and permit requirements and restrictions on international trade, and future changes in domestic and international laws and regulations applicable to the Group can be unpredictable and are beyond the control of the Group.
- The Group's operations depend on the quality and availability of salmon smolt and poor quality or small smolts may cause slow growth, reduced health, increased mortality, deformities, or inferior end products.
- The Group's senior management and key employees are important to the development and prospects of the Group.
- The Group has in the past and may in the future be subject to legal claims, including those arising out of normal course of business. Such litigation, claims and compliance risks, could potentially expose the Group to significant losses and liabilities.
- The Company depends on obtaining cash from its subsidiaries in order to pay dividends to its shareholders and to meet other various obligations.

# SUMMARY OF KEY RISK FACTORS (2/2)

## RISK FACTORS

- The Group is exposed to fluctuations in the global economy in general, as well as end consumers' spending.
- Atlantic Sapphire may be target of activism of various kinds with the aim to cause reputational damage or damage to production facilities (spread of information, sabotage, etc.).
- The Group's planned and future construction projects are, and will be, subject to numerous risks, which may cause delays or cost overruns.
- The Group's business and future plans are capital intensive and, to the extent the Group does not generate sufficient cash from operations in the long term, the Company or its subsidiaries may need to raise additional funds through public or private debt or equity financing.
- The Group may not be able to obtain financing to fund the Group's growth or future capital expenditures, including its planned constructions in Florida and in Denmark.
- The Group's existing or future debt arrangements could limit the Group's liquidity and flexibility in obtaining additional financing and/or in pursuing other business opportunities.
- The issuance of additional equity securities will dilute existing shareholders' interest in the Company.
- The Company relies upon intellectual property and trade secrets rights (IPR) and laws to protect important proprietary rights, and, if these rights are not sufficiently protected, the Company's ability to compete and generate revenue may be negatively affected. Further, the Company may not obtain sufficient patent protection on the technology embodied in its products and production processes.
- Changes in applicable tax laws, regulations, or tax treaties, and the interpretation thereof in the various countries may result in the need for a restructuring of the Group's current legal structure and/or a materially higher effective tax rate on earnings.
- The Group's general liability and project insurance may not provide sufficient coverage.
- The is subject to currency fluctuations between NOK, DKK and USD.

## Risks relating to the Shares:

- The market value of the Shares may fluctuate significantly, which could cause investors to lose a significant part or all of their investment.
- The Company's ability to pay dividends is dependent on the availability of distributable reserves and the Company may be unwilling to pay any dividends in the future regardless of availability of distributable reserves.
- No assurances that the Group will complete a trade sale or IPO will be carried out, in which case very limited liquidity in the Shares is expected.
- Future issuances of Shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Shares.
- There can be no assurance that an active trading market will develop or be sustained nor that the shares may be resold at or above the subscription price in the Private Placement. Shares traded on the Norwegian OTC list are not subject to regulations that apply to shares listed on a regulated market place, such as take-over rules, disclosure and reporting requirements, requirements in respect of equal treatment of shareholders, and insider trading legislation.
- Investors may be unable to exercise their voting rights for Shares registered in a nominee account.
- Norwegian law may limit shareholders' ability to bring an action against the Company.



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# 1. Massive Transformative Purpose

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*Pioneering Bluehouse™ Farming, Locally  
Transforming Protein Production, Globally*

*“Blue Is The New Green”*



## 2. Opportunity

*Sea farming requires 2-20 °C sea temperature and sheltered areas...*

*... and is experiencing high sea lice and disease management issues*



- More than 99.9% of the global supply of Atlantic salmon is produced in sea based net pens
- Sea based production is dominated by Norway and Chile due to vast areas of suitable conditions
- Sea farming areas are remote from the largest end markets, requiring significant transportation and logistics costs, as well as leading to reduced shelf life



- The conventional industry experiences significant risk and costs related to disease, sea lice and other parasite management
- Regulatory and environmental limitations may prevent the conventional industry from meeting growing demand

**Sea Based Salmon Farms Are Limited To Suitable Geographic Regions, Remote From Large End Markets, And Experience High Disease And Sea Lice Management Costs**



### 3. Corporate Overview



**Headquartered and OTC-listed, Norway. Founded in 2010**



**Innovation Center, Denmark**

- 3 kt HOG<sup>1</sup> annual production ‘commercial pilot’, on the west coast of Denmark
- Technology development leveraging more than 7 years of innovation strictly focused on managing full-cycle land-raised salmon production
- Will continue to serve as center for method innovation and testing of new technologies for global adoption across the organization



**Large Scale Production Facilities, South Florida - US**

- 90 kt HOG annual production facility under development, in 3 phases
- Secured groundwater infrastructure rights
- Sole, in-market Bluehouse™ producer at scale
- Strategic intellectual property roadmap established, with pending patent applications filed and underway

**World Class Technology Innovation Targeting The Largest Market For Salmon**

<sup>1</sup> HOG - Head-on-gutted (the same as “GWE”), a standardized industry-known weight measure, assumed to be 83% of the weight of a live fish

## 4. Management

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### Executive management



#### Johan E. Andreassen

##### CEO & Co-Founder

- Headed a 30,000 tonnes capacity salmon farming company, Villa Organic, from idea inception to IPO and strategic exit at age 32
- Was the lead supplier to Whole Foods for 7 years



#### Damien Claire

##### EVP - Offtake

- Currently CEO of Platina Seafoods<sup>1</sup>, the US sales channel of Atlantic Sapphire
- 10 years of US salmon industry national account management experience



#### Jose Prado

##### CFO & EVP

- 21 years of full investment cycle experience, from early stage to mid-cap exit, 18 years in Florida
- MBA from Kellogg School of Management (1993-1995)



#### Mario Palma

##### Director of Aquaculture

- Marine Harvest Chile RAS, water quality, water treatment and project engineering experience
- Extended expertise in land based aquaculture management



#### Dharma Rajeswaran

##### COO

- More than 26 years of salmon farming experience
- More than 20 years in Marine Harvest ASA, with main focus on their land-based RAS facilities for smolt/post-smolt
- Experience includes inter alia CEO in Villa Arctic AS, Chairman in Norsk Marin Fisk AS and Board member in Villa Organic



#### Eric Meyer

##### Director of Operations

- Professional hydrogeologist
- Wastewater injection well design, permitting, construction
- Exploration and development of groundwater supply
- Operation and maintenance of public water system



#### Thue Holm

##### CTO & Co-Founder

- Trained as an environmental biologist at Roskilde University in Denmark
- Worked seven years in Billund Aquaculture, a leading supplier of RAS systems
- Co-managed the establishment of Billund Aquaculture Chile



#### Ole Christian Norvik

##### Managing Director, Atlantic Sapphire Denmark

- Extensive salmon farming background in Norway, both in ocean net pen farming and particularly in land based RAS farming
- Previously worked for Sintef, Marine Harvest and Norway Royal Salmon
- MSc in Aquaculture and an MBA from BI in Norway

### Selected board members



Kjell Bjordal



Bjørn Myrseth



Henrik Krefting

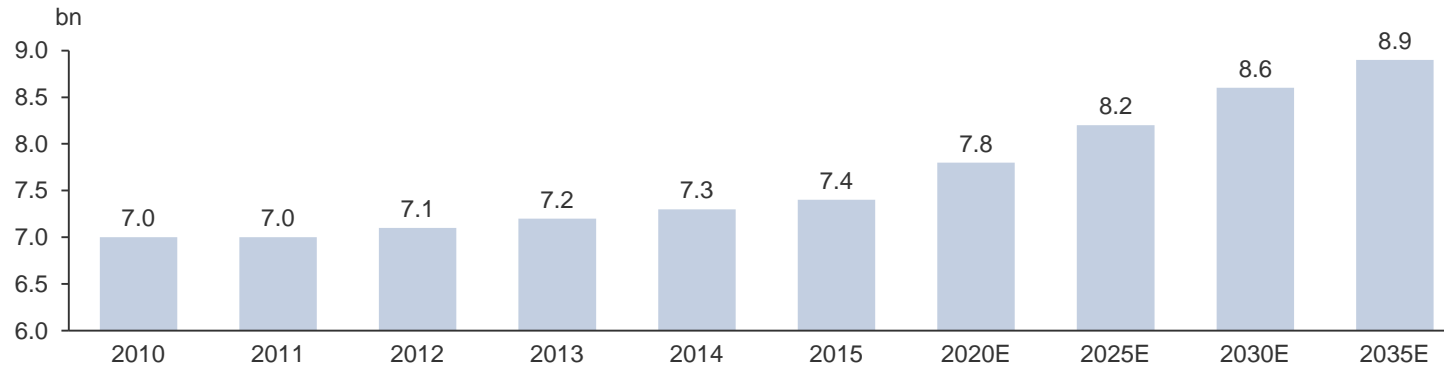
Experienced Management Team – Equity-Linked Performance Culture<sup>2</sup>

<sup>1</sup> Platina Seafood Inc, majority owned by Johan E. Andreassen, has an arms length relationship with Atlantic Sapphire

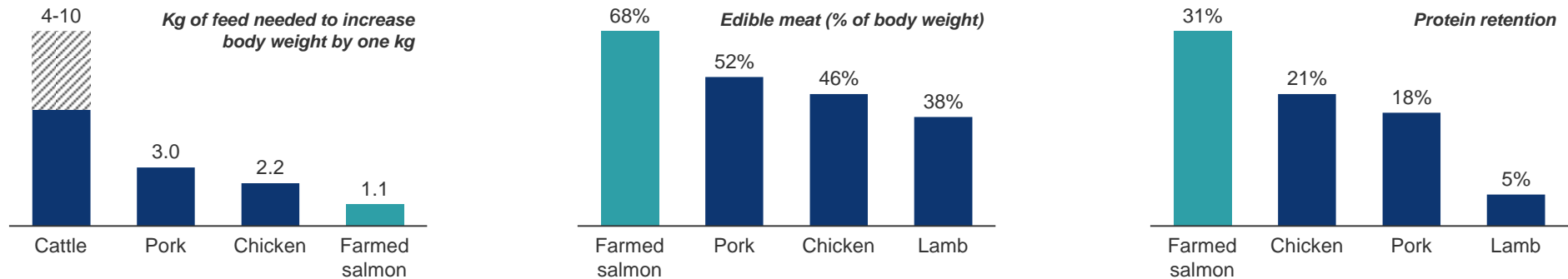
<sup>2</sup> Management, employees and board members own directly and indirectly, approximately 31% of equity plus options

## 5. Protein Production Efficiency

World population forecasted to grow by ~1.5bn towards 2035<sup>1</sup>



Compared to land animal proteins, salmon offers higher protein and resource efficiency<sup>2</sup>



**Salmon Is A More Sustainable And Resource Efficient Protein Source Than Land Animals**

<sup>1</sup> Source: United Nations (2017), World Population Prospects: The 2017 Revision

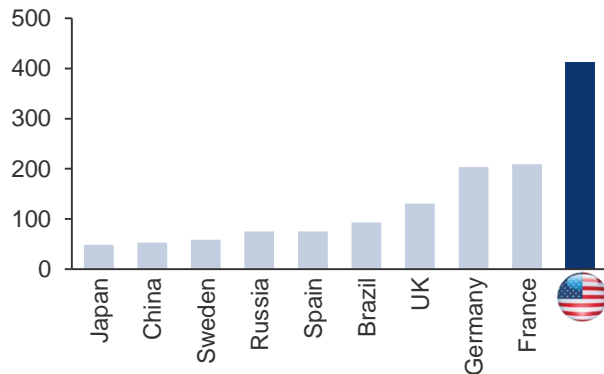
<sup>2</sup> Source: Marine Harvest Industry Handbook 2017, Kontali (Salmon world 2017 and Salmon Market Analysis 2017)



## 6.1 US Salmon Market

**US is the single largest market for Atlantic salmon...**

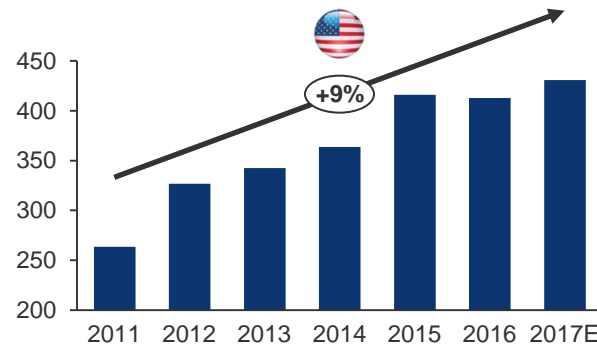
Market size Atlantic salmon (kt)



- 98 % of Atlantic salmon in the US is imported (ranking: Chile #1, Canada #2, Norway #3, Europe (exc. Norway) #4)
- 60% of consumption (~260 kt) is fresh

**...and the US demand for salmon is increasing rapidly...**

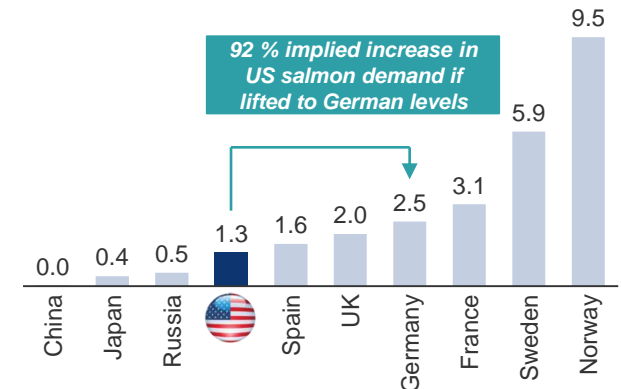
US Atlantic salmon demand (WFE kt)



- The demand for salmon has increased with an average of 9 % the last 6 years

**...with considerable upside potential**

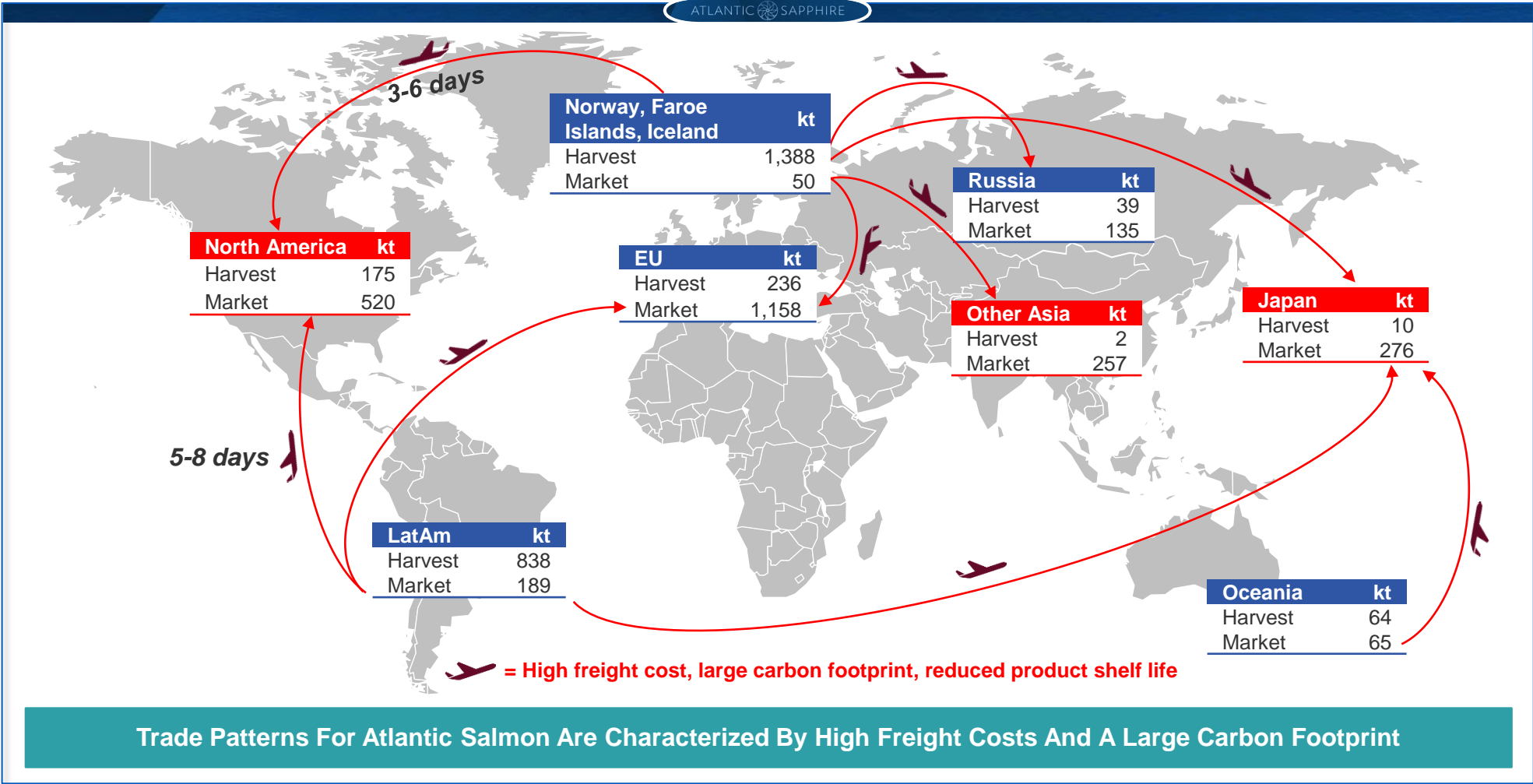
Salmon consumption per capita (kg/year)



- There is still large potential in increasing the salmon consumption per capita in the US

**Atlantic Sapphire Is Targeting The ~260,000 Tonnes Fresh, Farmed Atlantic Salmon Imported To US Annually**

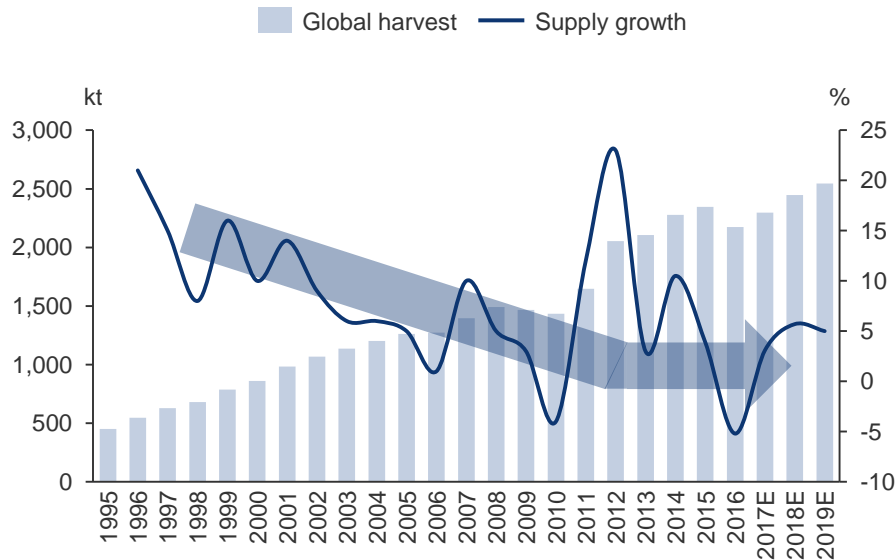
# 6.2 Global Salmon Market



Source: Kontali (Salmon world 2017 and Salmon Market Analysis 2017, wfe, all salmonids excluding small trout)

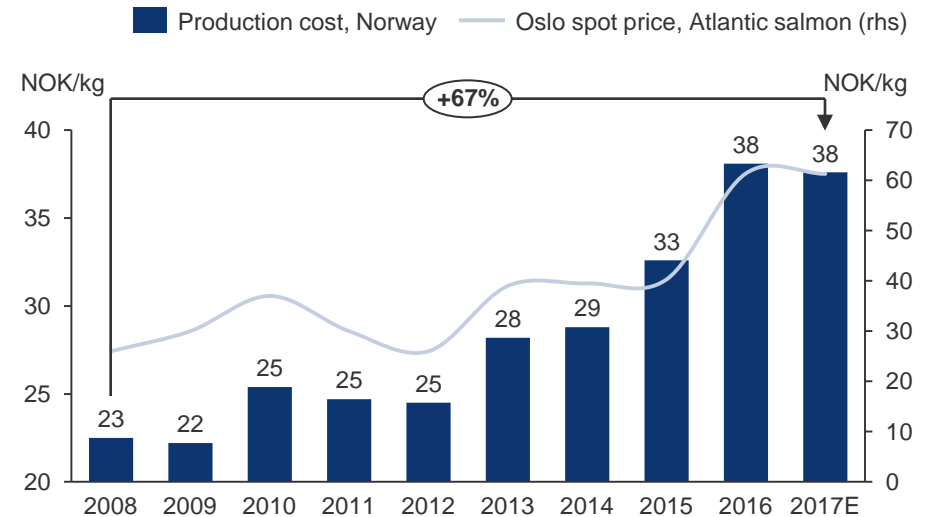
## 7. Industry Economics

### Sea-based supply growth curbed by regulations and biological issues



- The industry is experiencing geographic limitations in adding suitable conditions for farming capacity
- Increased regulatory regimes have led to slowing salmon supply growth

### Biological issues have led to higher costs

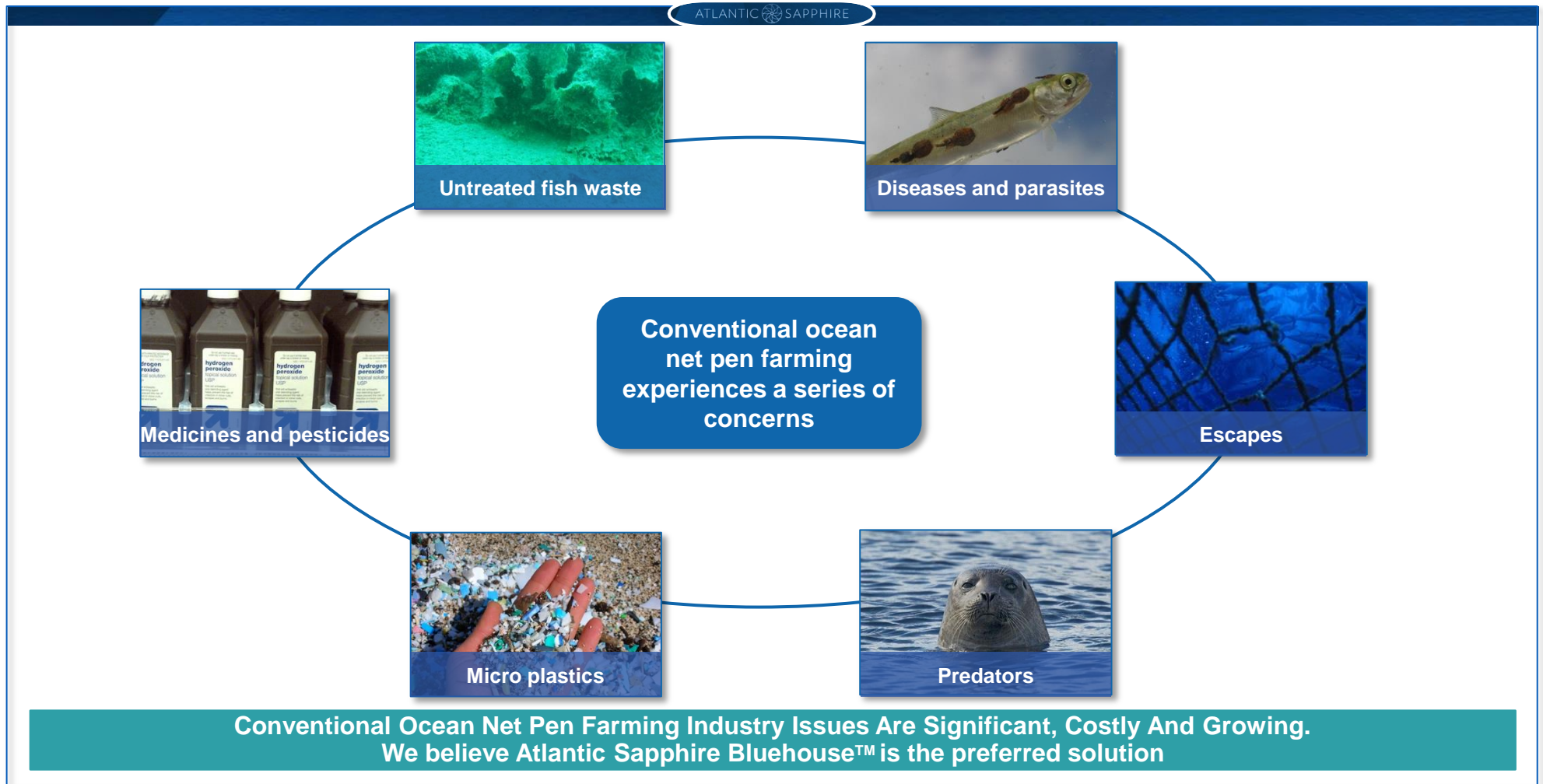


- The market for salmon is growing due to its competitiveness relative to protein from land animals
- High cost of production levels enable entry for land-raised salmon farming

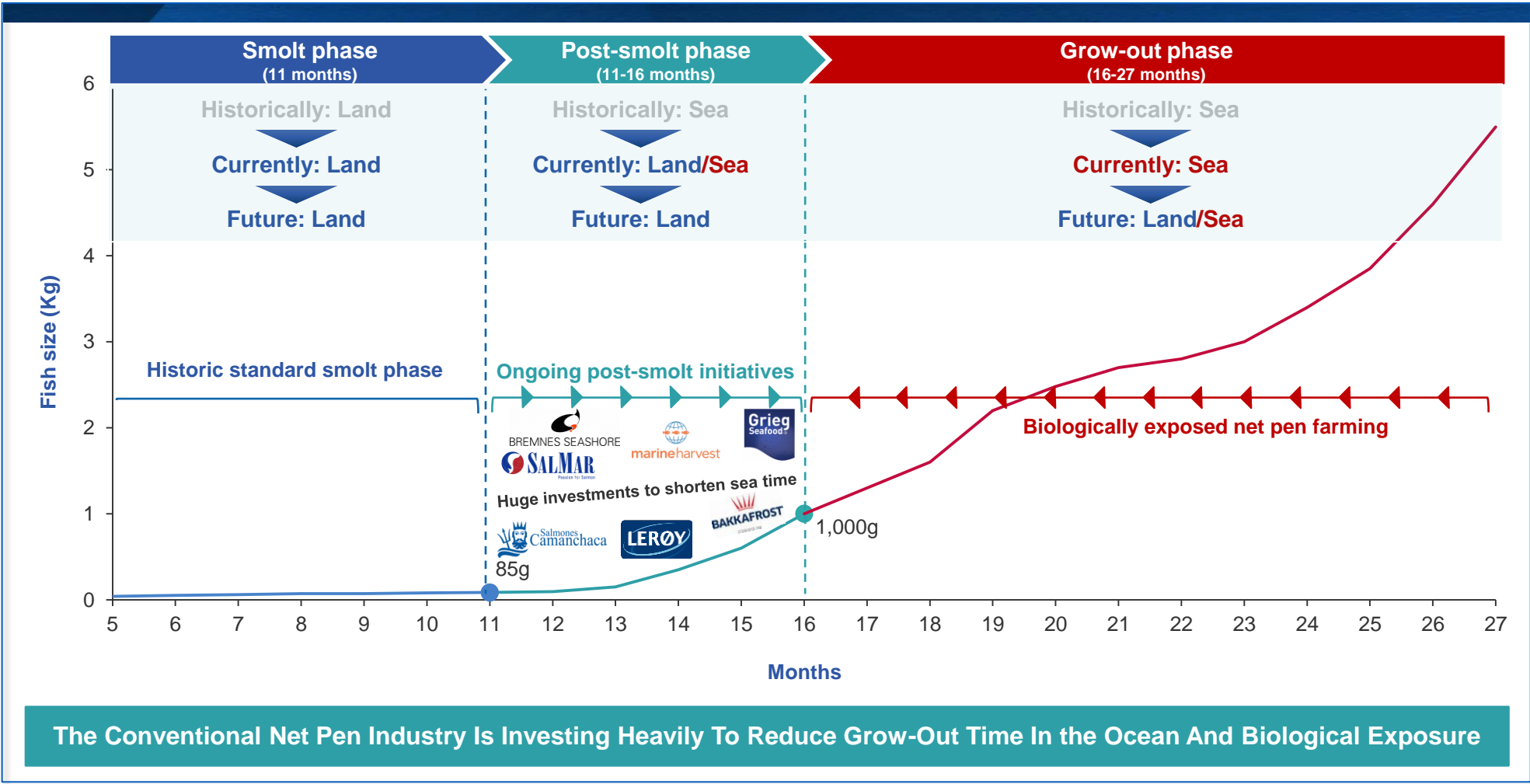
**With Incumbent Production Curbed By Regulations And Biological Issues, Prospects Are Limited To Address Growing Demand**



## 8.1 Conventional Industry Issues



# 8.2 Conventional Industry Developments

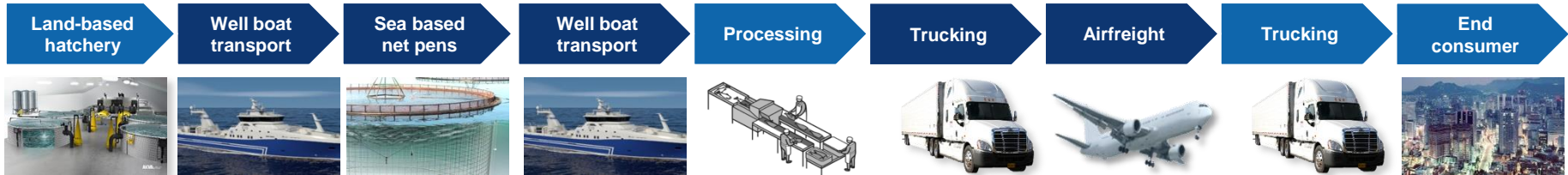


Note: Illustrative growth cycle for traditional net pen farming

## 9.1 Unique Value Proposition

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### Typical conventional sea based salmon farming value chain




### Atlantic Sapphire Miami operation value chain



Atlantic Sapphire Collapses Costs Inherent In The Incumbent Value Chain

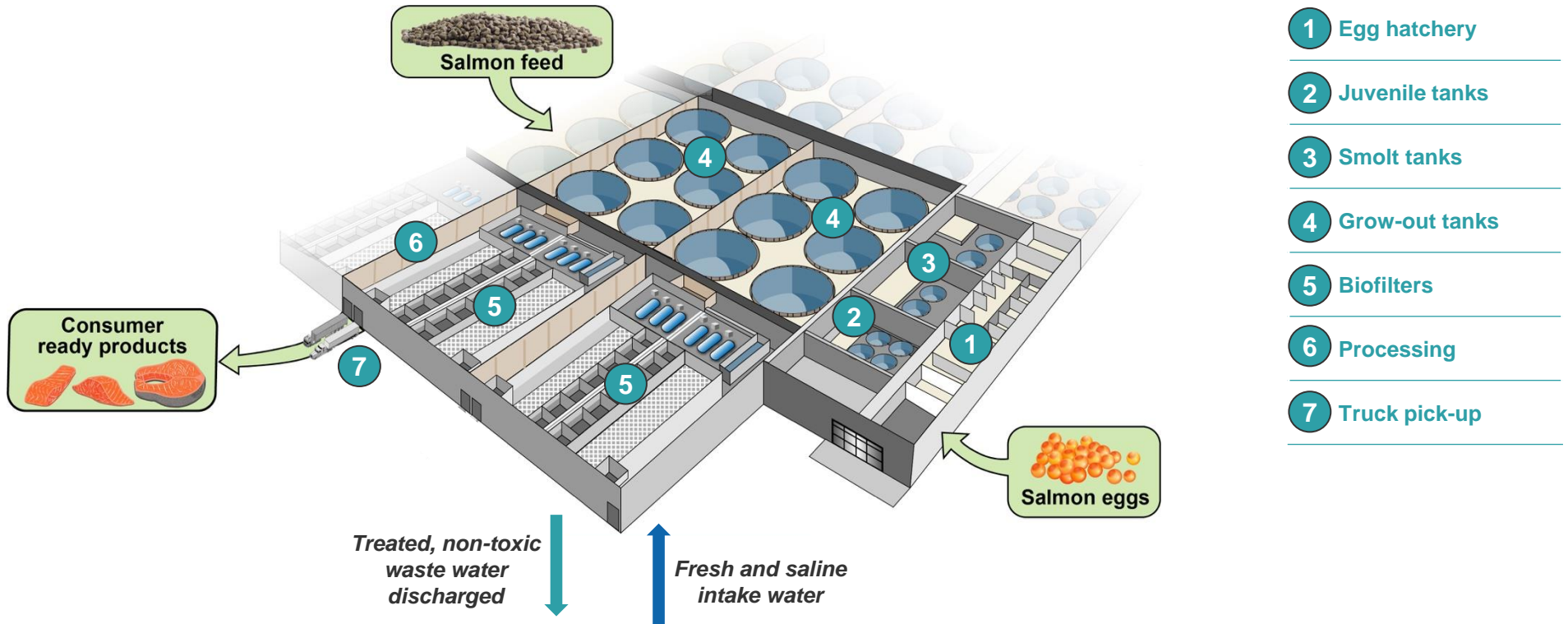


## 9.2 Unique Value Proposition

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 ATLANTIC SAPPHIRE	
<b>Portable, disruptive technology</b>	<ul style="list-style-type: none"><li>▪ Portable Bluehouse™ technology disrupts requirement for conventional ocean net pen conditions</li><li>▪ Target salmon markets globally are susceptible to the highest air freight costs</li></ul>
<b>Air freight cost avoidance</b>	<ul style="list-style-type: none"><li>▪ Air freight related costs impact up to 25% of the production cost</li></ul>
<b>Minimal environmental impact</b>	<ul style="list-style-type: none"><li>▪ Reduces CO<sub>2</sub> emissions</li><li>▪ Managed effluents, no impact on the ocean and wild species</li></ul>
<b>Improved product quality</b>	<ul style="list-style-type: none"><li>▪ Improved freshness due to shorter time to market and expanded 'fresh' selling window</li><li>▪ Healthier – free of antibiotics, pesticides, sea lice and micro plastics</li><li>▪ Compelling, unique brand attributes</li></ul>
<b>Consistent, daily, fresh supply</b>	<ul style="list-style-type: none"><li>▪ Reduces seasonal cost of production variance compared to net pen farming</li><li>▪ Enables consistent 12 month supply</li></ul>
<b>Total production quality control</b>	<ul style="list-style-type: none"><li>▪ Closed containment allows control of key drivers, unattainable for existing net pen methods</li></ul>
<b>Sole In-Market U.S. Land-Raised Producer At Scale</b>	

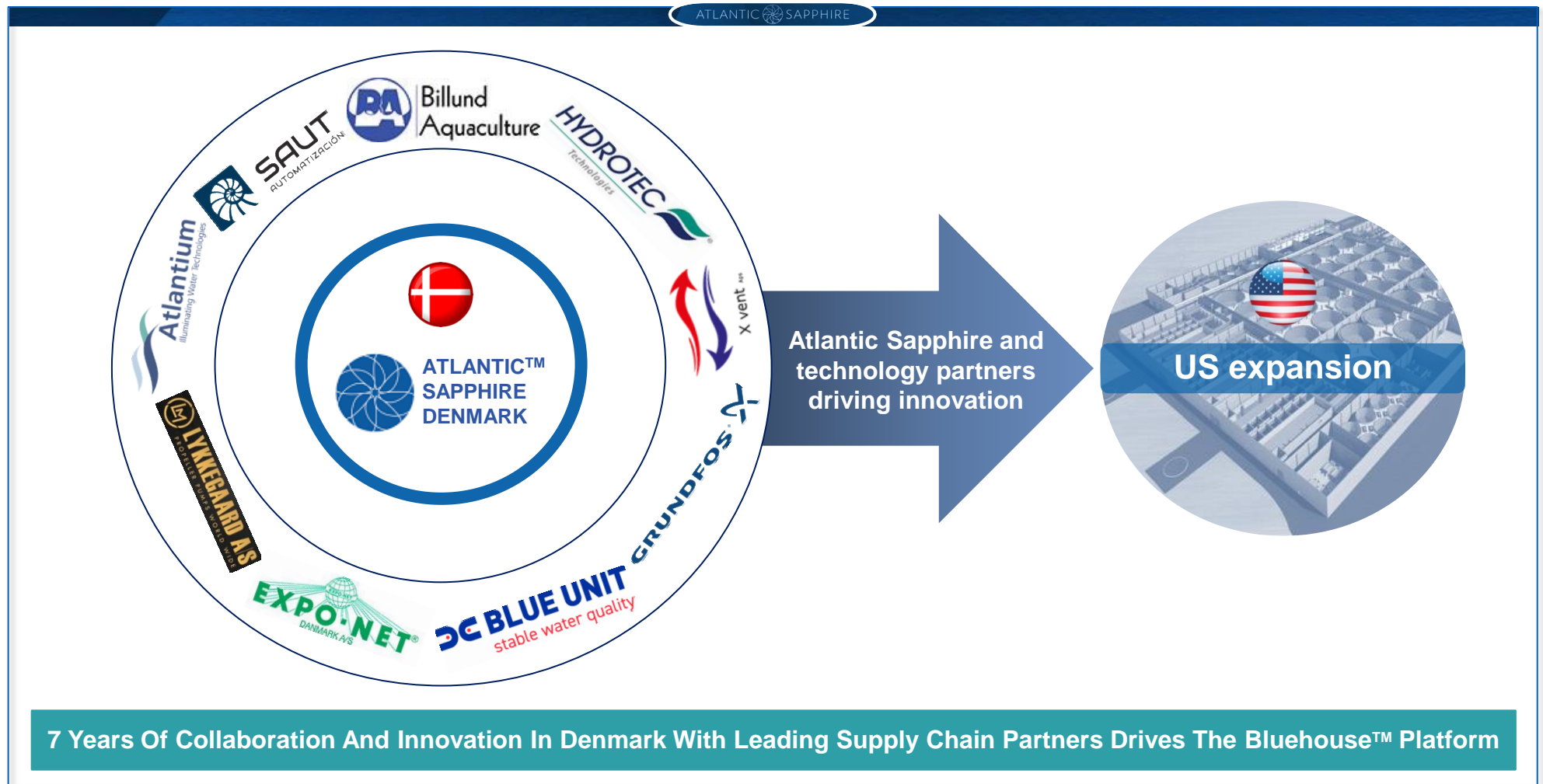
## 10.1 Technology and Infrastructure - Bluehouse™

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From Egg To Plate – Bluehouse™ Fully Controls Key Drivers Of Production Cycle, 12 Months Of The Year

## 10.2 Supply Chain Partners



## 10.3 Quality Control

### Bluehouse™ Drives Unprecedented Innovation And Risk Management Control

Bluehouse™ Variables	Performance Impact & Consistency Control	Measures
Intake Water	Salinity, biosecurity	ppt, micron meters, cfu
Oxygen	Biological performance, biofiltration	% saturation
Carbon Dioxide	Alkalinity, biological performance	mg/litre
Nitrite / Nitrate	Biological performance, biofiltration	NO <sub>2</sub> mg/litre, NO <sub>3</sub> mg/litre
Water Quality	Clarity, suspended solids, bacteria and algae levels, alkalinity, temperature control, geosmin/MIB	UVT, ph, TAN, °C
Stocking Density	Fish behavior, system risk	kg / m <sup>3</sup>
Water Filtration	Removal of solids, bacteria and gas byproduct	TSS mg/litre, cfu
Fish Grading	Biological performance, reducing aggressive behavior	Average grams/fish
Big Data – Bluehouse™ Intensively Measures And Manages All Key Drivers To Optimize ‘Risk-Adjusted’ Biological Performance		

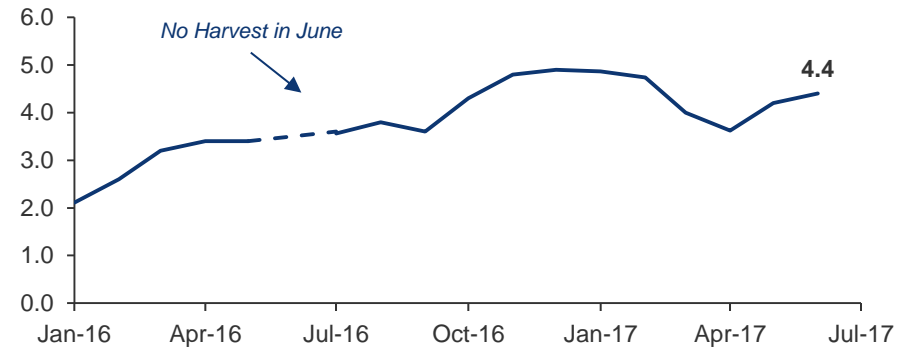
# 10.4 Fish Harvest Size And Quality

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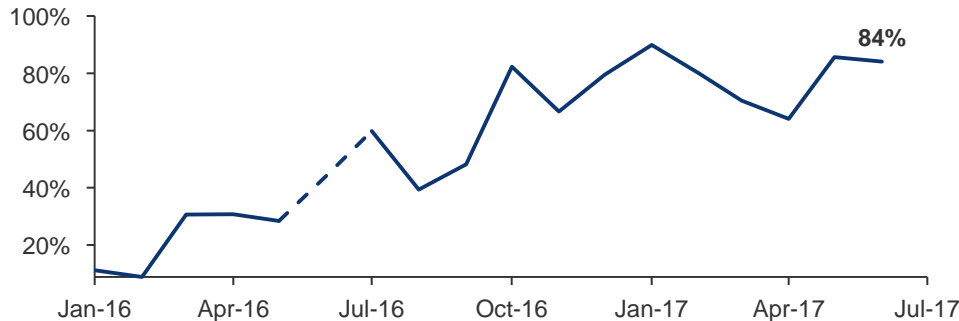
## Comments

- Atlantic Sapphire Denmark experienced strong development in the biological performance from the beginning of 2016 to mid-2017
- The achieved average size of the salmon during the first half of 2017 is in-line and equal to what conventional salmon farmers are achieving
- Harvest salmon above 3 kg is important in order to obtain non-discounted market prices. 3kg+ harvest size ensures a 2lb+ Trim D fillets which is the highest volume SKU in the US market.
- No data is available since July, 2017 due to a significant hydrogen sulfide incident<sup>1</sup> causing loss of all grow-out biomass in the Danish facility.
- Mature fish account for less than 5% at harvest, in line with conventional industry performance

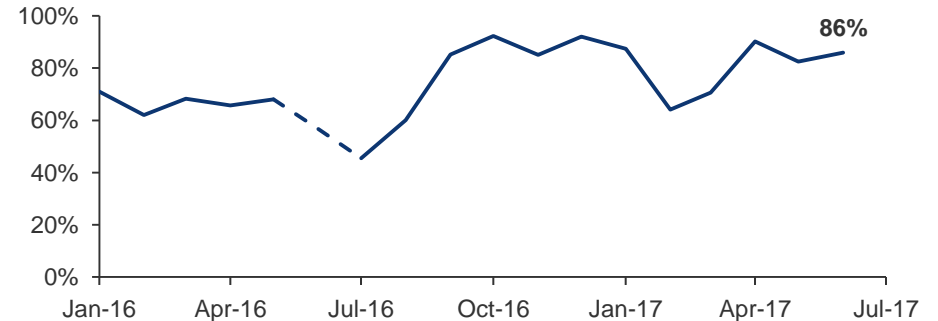
## Average harvest weight (kg)



## Harvest over 3 kg



## Superior quality salmon / total production



**Bluehouse™ Consistently Produces 4-5 kg Fish With Excellent Flavor**

<sup>1</sup> No data is available since July, 2017 due to above mentioned hydrogen sulfide incident. This incident was caused by faults in maintenance routines, as well as the use of inferior legacy biofiltration technology. Ultimately, this has led to improvement in maintenance routines and biofilter replacement along with other capital improvements.



## 10.5 US Water Infrastructure

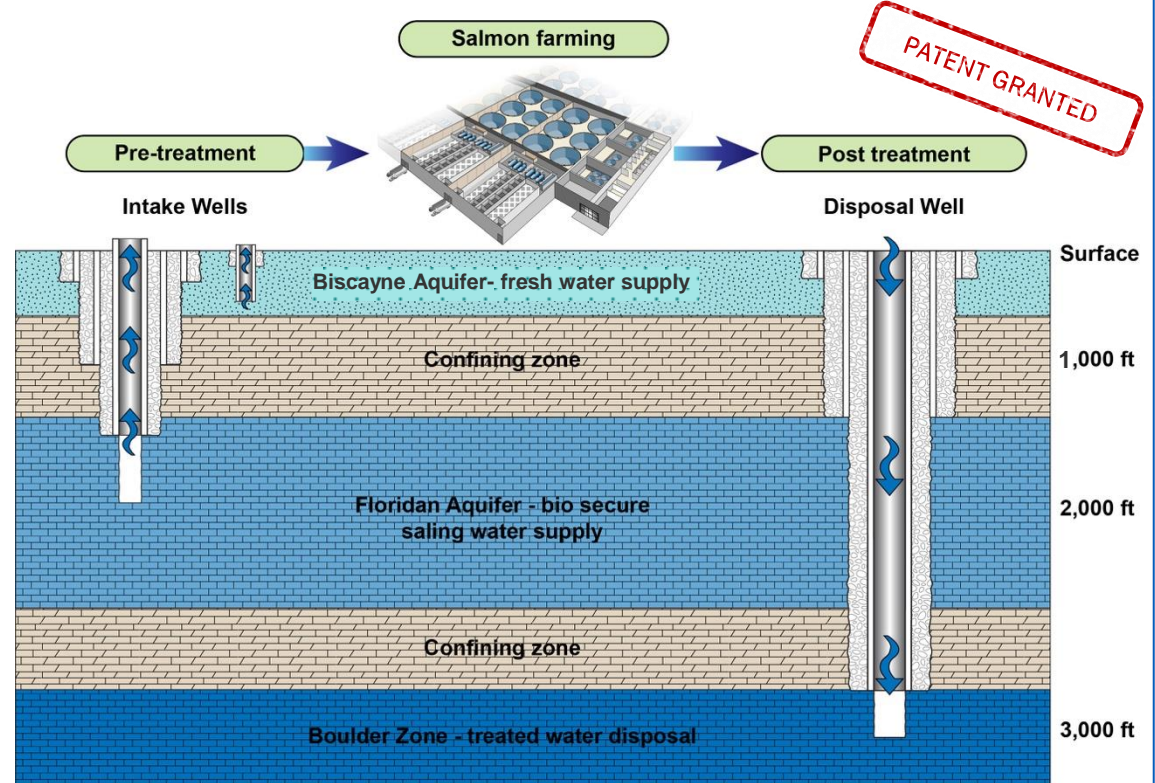
- ✓ Critical production wells are already completed and tested water quality successfully
- ✓ Onsite access to underground aquifers for fresh and saline water supply
- ✓ Deep well waste water discharge to the lower “boulder zone”
- ✓ Current water infrastructure is unique and optimal for Bluehouse™ at scale



Class I Injection Well capable of receiving 20MGD of non-toxic wastewater

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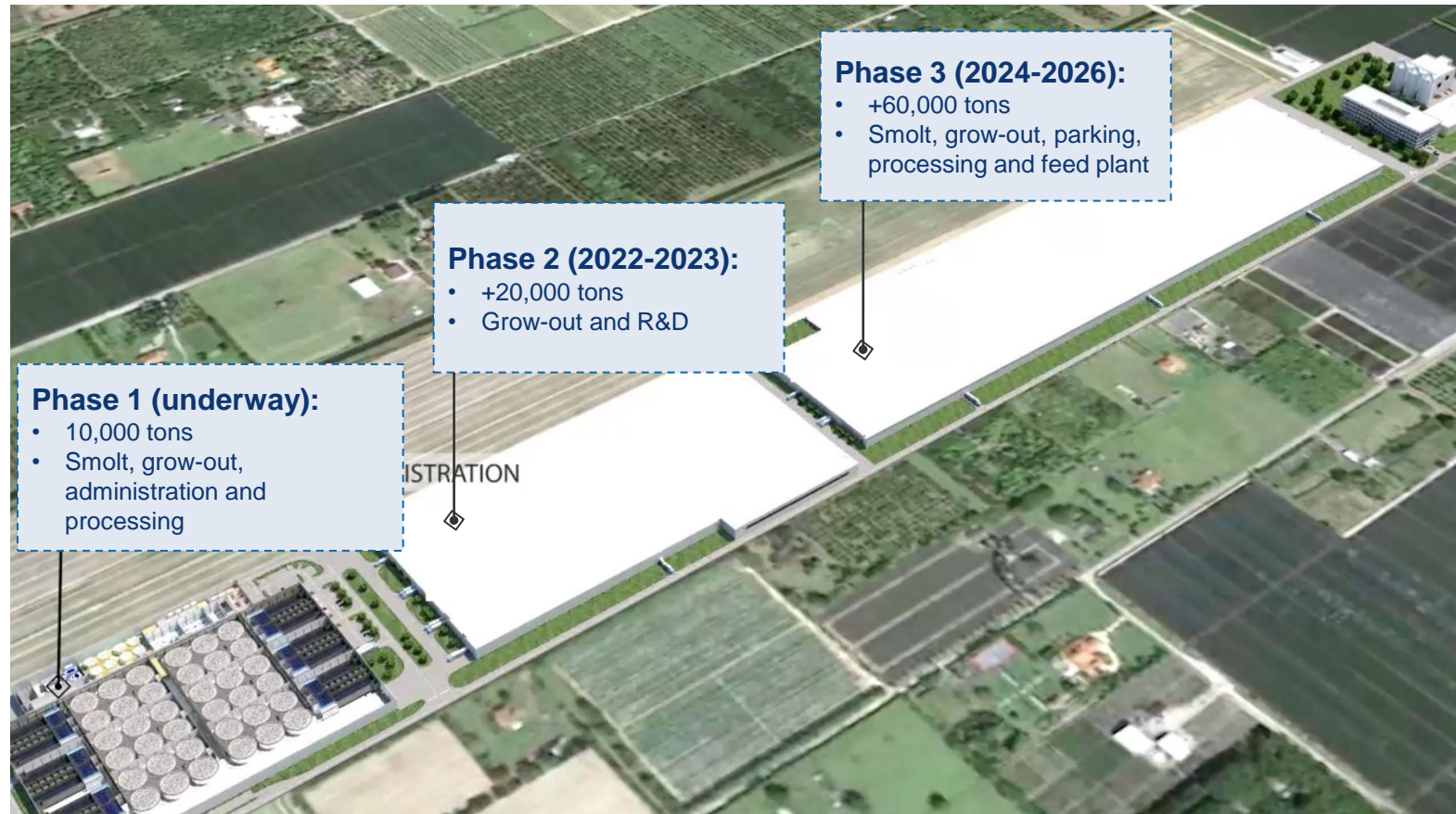
### Unique Florida groundwater aquifer production and discharge geology



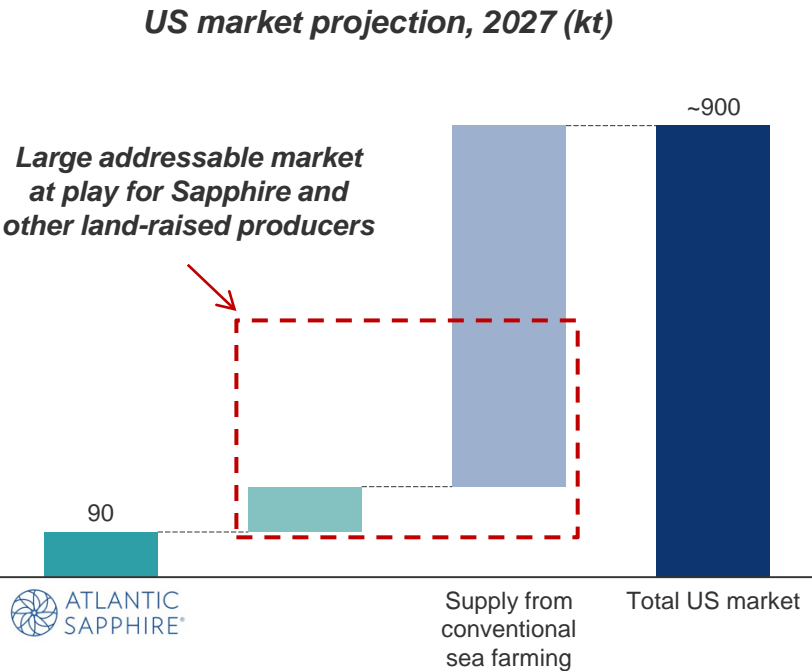
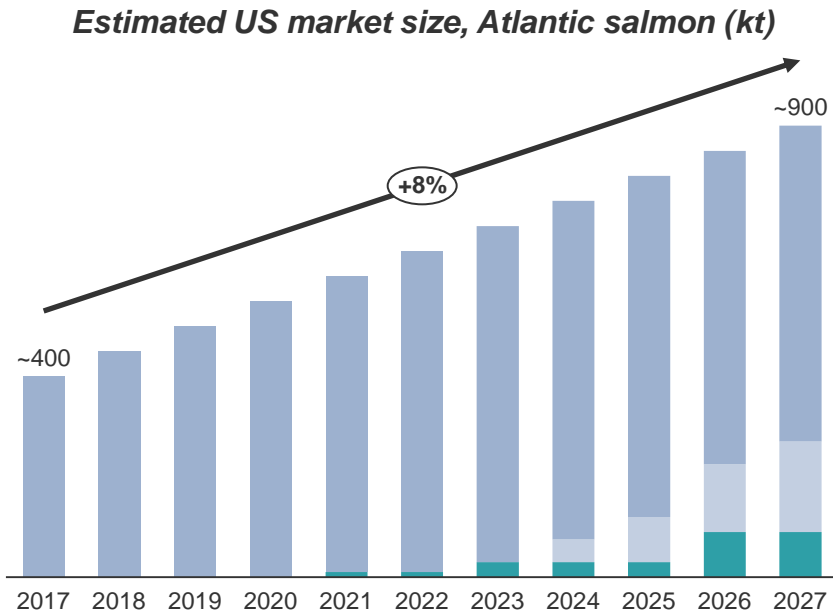
Florida Provides Unique And Incomparable Water Infrastructure Conditions For Bluehouse™ Production At Scale

## 10.6 US 3-Phased Growth – Rendering

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# 10.7 US Market Potential

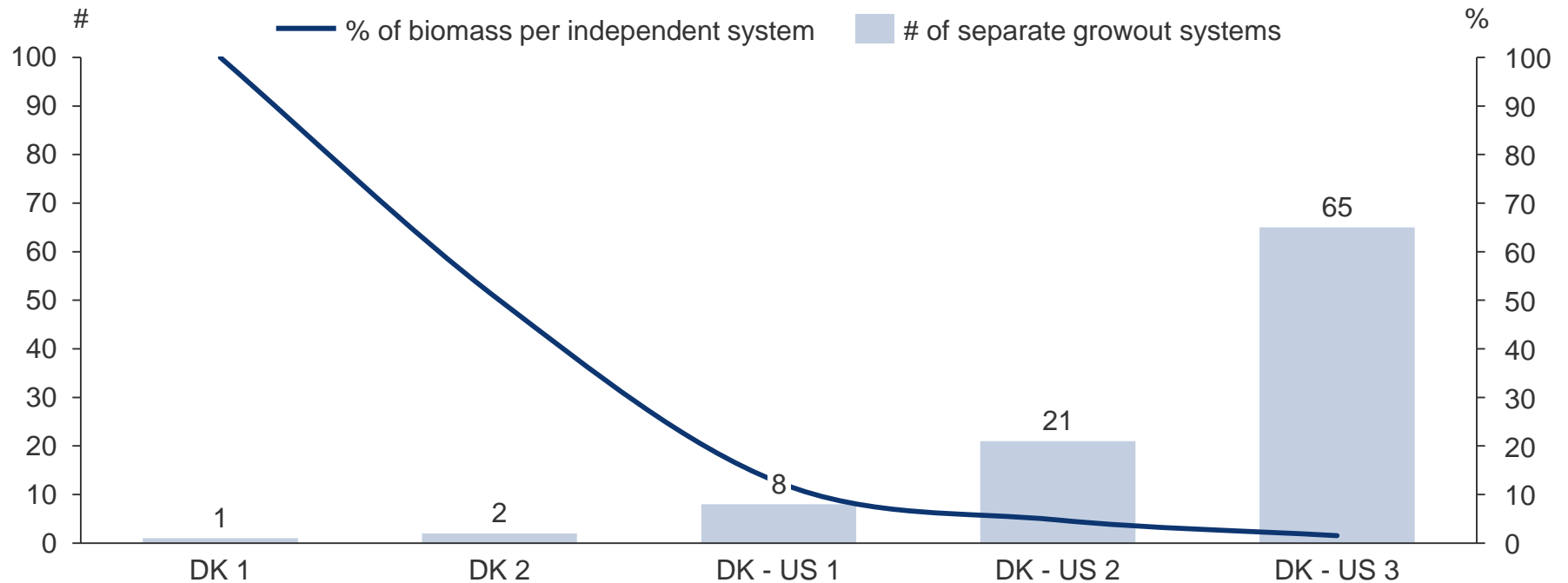


Conventional sea farming Land-raised addressable market Atlantic Sapphire

**The US Salmon Market Is Estimated To Grow By Up To ~500k Tonnes Over The Next Ten Years - Significant Share Is Addressable For In-Market Land-Raised Production**

Market size estimates are based on projections of Atlantic Sapphire management

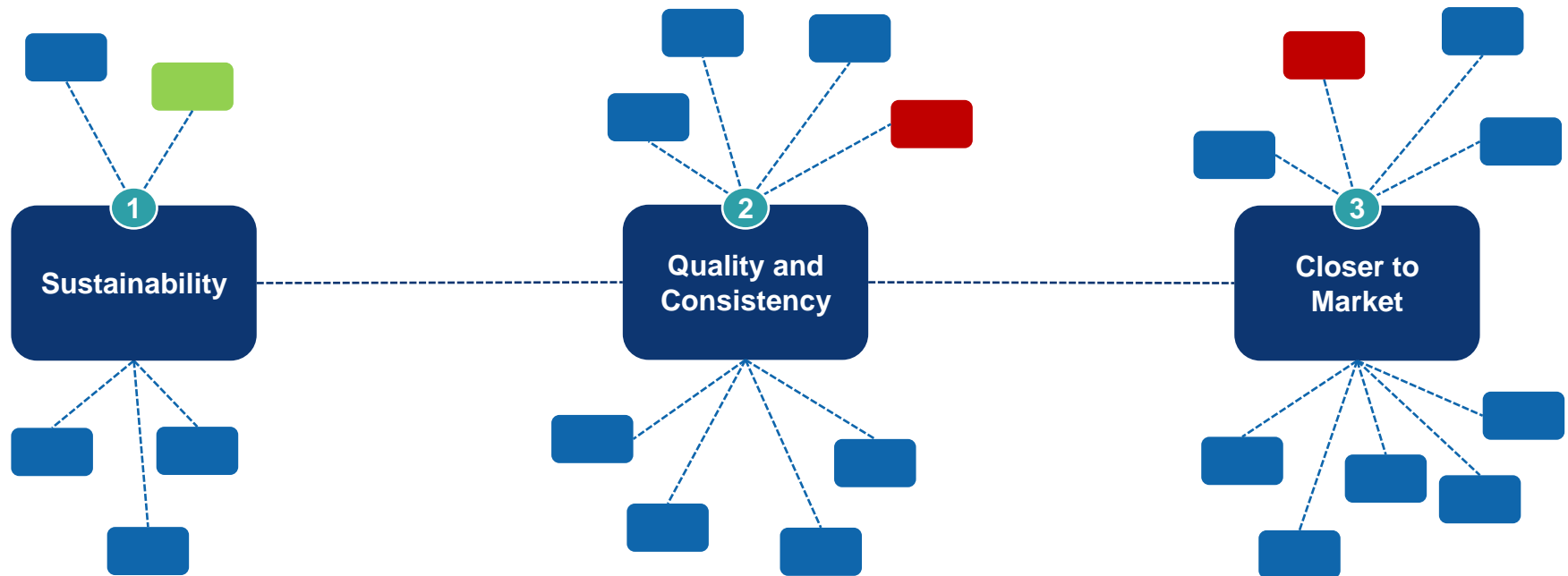
## 10.8 Risk Mitigation With Scale



Risk Of Biomass Loss Is Sought Reduced With Scale Due To Increasing Number Of Independent Growout Systems

# 11. Intellectual Property

## Three strategic patent clusters defined



A Roadmap Of Comprehensive IP Patent Opportunities Identified – Up To 23 Patent Filings Targeted By 2020

 Patent permitted

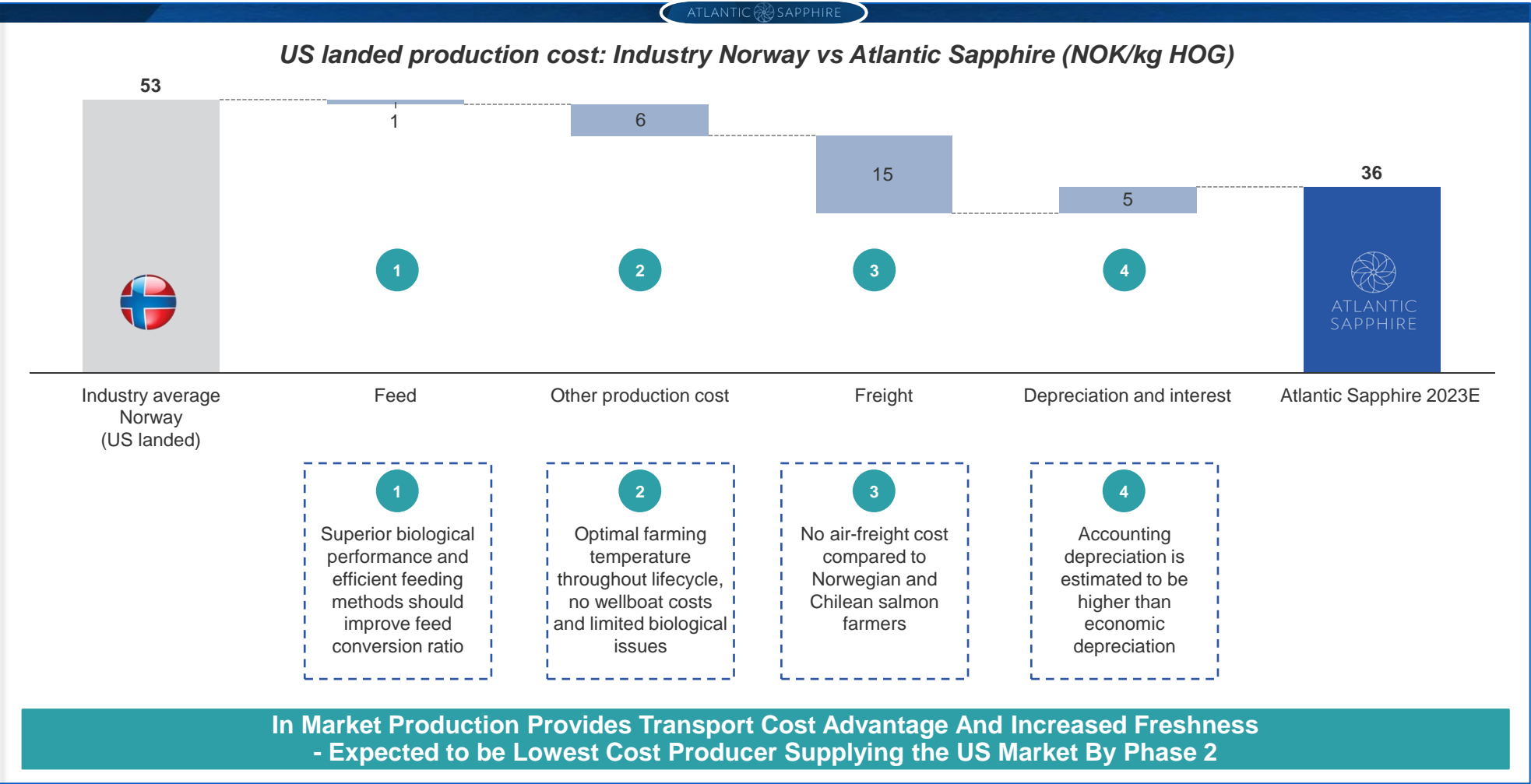
 Patents filed

 Identified opportunities

Note: no patents are currently held



# 12.1 Comparative Cost Analysis



## 12.2 Bluehouse™ Performance Measurement

### The Key Biological Performance Equation In A Bluehouse™

**Density**  
(Biomass per m<sup>3</sup>)



**Fish appetite**  
(% bodyweight gain per day)



**Yield**  
(Daily total biomass gain per m<sup>3</sup>)

- Average kilogram of fish per cubic meter tank volume

- E.g. 60kg/m<sup>3</sup>

- Consideration: 'risk-adjusted' biological performance
- Higher density impact several crucial fish appetite inputs, hence it is critical to optimize trade-offs between density and fish appetite

- E.g. 1.0%, 0.8%

- Daily biomass growth per cubic meter tank volume

- E.g. 0.40 kg/m<sup>3</sup>/day

**Yield Drives 'Risk-Adjusted' Biological Performance As Well As Financial Performance**

## 13.1 Offtake

ATLANTIC SAPPHERE

### Brand attributes and promises

- **Delicious taste** – *mild flavor, delicate texture, very versatile for cooking*
- **Sustainable** – *lower carbon footprint and FI:FO ratio*
- **Eco-friendly** – *reduces impact on wild species and the environment*
- **Made in the U.S.A** – *local economic impact, job creation and tax contribution*
- **Local and Farm to Table** – *produced nearby, maximal freshness (~5 days extra than industry freshness window)*
- **All natural** – *free of antibiotics, hormones, pesticides, PCBs, heavy metals and synthetic pigment*
- **Healthy** – *rich in proteins, heart healthy omega-3s, minerals and vitamins*
- **Retail friendly** – *reducing number of days in transit (logistics) leads to increased shelf-life*

### Endorsements

- Due to its strong brand attributes and promises, Atlantic Sapphire has already been recognized by large and important NGOs
- One of the few farming methods for Atlantic Salmon recommended as “best choice” by Seafood Watch

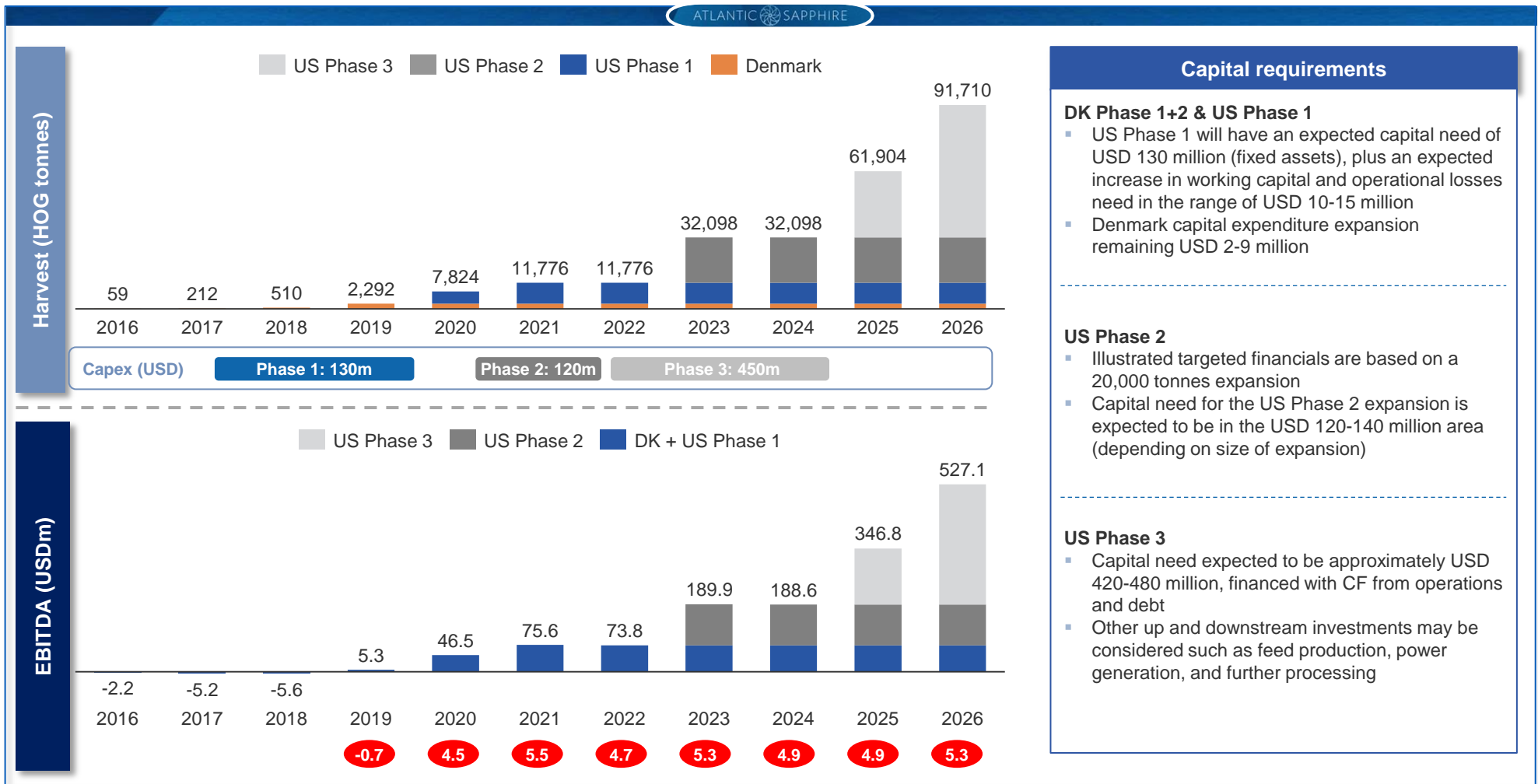


Strong National Offtake Demand With Unique Brand Promise

## 13.2 Unique Market Opportunities For Atlantic Sapphire

ATLANTIC SAPPHERE		Description	
1	Celebrity chefs and high end restaurants	Sapphire salmon has won blind tastings with Michelin starred and celebrity chefs. Our name is printed on menus, building strong brand awareness	<p><u>From menu</u></p> <p><b>Grilled Atlantic Sapphire Salmon</b></p> <p>smoked tomato cream, warm fingerling potato-bay kale salad, cauliflower puree walnut gremolata</p>
2	Sustainability oriented retailers and hospitality groups	Several retailers and hospitality groups in the USA refuse to purchase net pen farmed salmon or fish that has flown in an airplane due to environmental concerns	  <p>DEAN &amp; DELUCA</p>
3	Online retailers/Meal kit delivery	Online retailers such as Amazon often require short response time; Atlantic Sapphire is in pole position for fast delivery. Meal kit delivery is a growing trend with millennials	  
4	Military and other federal agencies	The Berry Act requires for government agencies to purchase seafood that is caught or raised in the USA. Government agencies purchase high end proteins	   
5	Unique product types	Market-leading freshness opens opportunities for unique product types such as super fresh and sashimi raw products; the fastest growing new trend in the USA is Poke	  

# 14.1 Financial and operational targets – Consolidated figures



EBIT/kg(HOG) (USD)

Note: 2017 figures are unaudited



## 14.2 Financial targets - assumptions



Financial targets - Assumptions	Atlantic Sapphire USA			Atlantic Sapphire Denmark
	Phase 1 2021	Phase 1+2 2023	Phase 1+2+3 2026	Phase 1+2 2021 onwards (DKK)
Volume (mt HOG)	9,484	29,806	89,418	2,292
Sales price (\$/kg HOG)	11.00	10.00	9.50	61.00
Feed price (\$/kg)	1.30	1.30	1.30	11.37
FCRe	1.17	1.17	1.17	1.17
Electricity (Kw/kg RW T)	8.0	8.0	8.0	6.0
Oxygen (kg/kg RW T)	1.0	1.0	1.0	1.0
Long term debt – term	8 years			
Long term debt – interest	LIBOR +6%			
Short term debt – interest	LIBOR +6%			LIBOR +6%

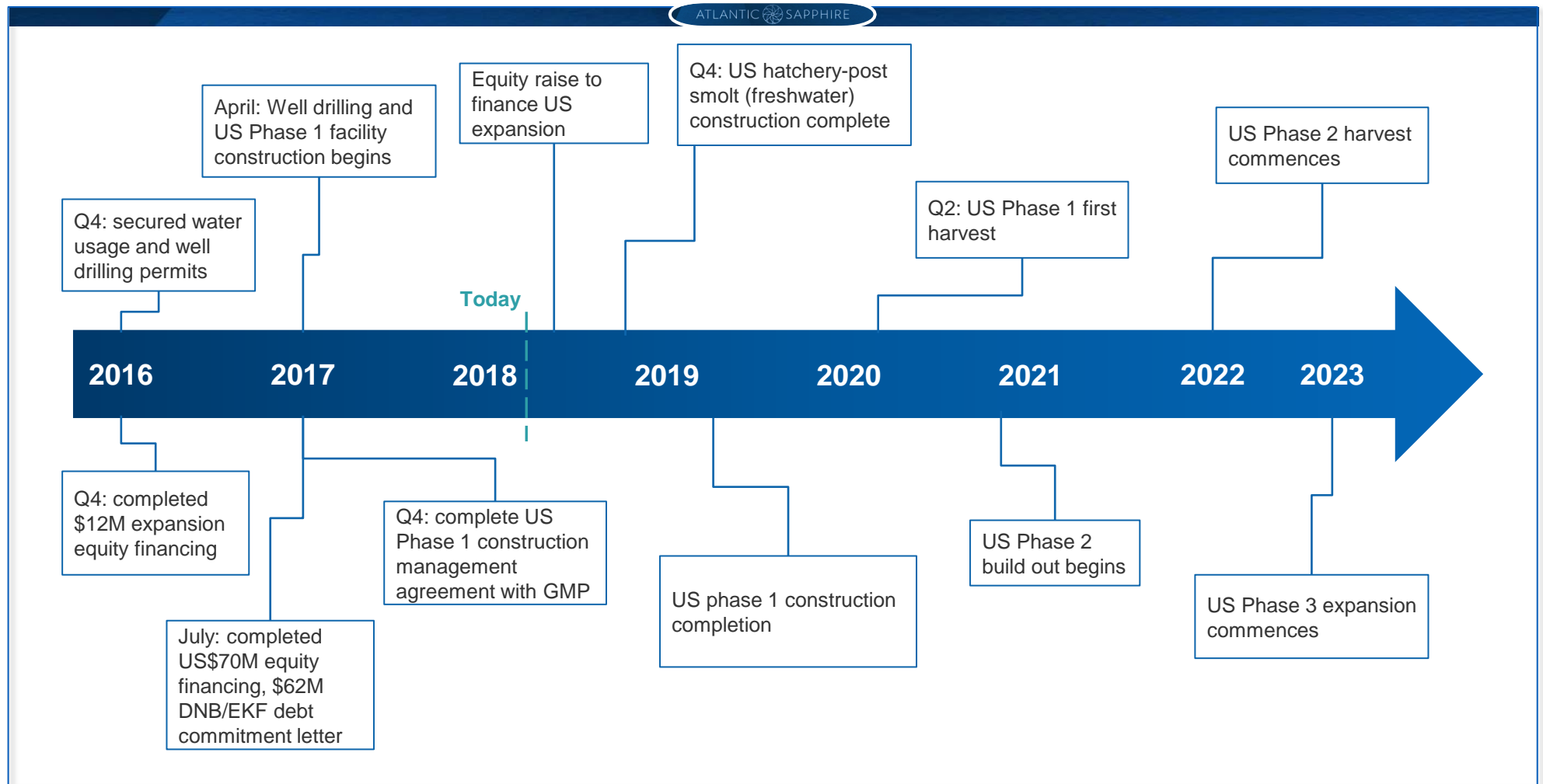
## 14.3 Sources & Uses (March 31, 2018 projections, April 30, 2018 funding)

Sources	Amount (USD 000s)
RCF (DK)	2,400
LT Debt (US)	60,000
Equity	76,531
Cash	20,432
<b>Total</b>	<b>159,363</b>

Uses	Amount (USD 000s)
Ch In Working Capital	9,616
Net Operating Cash	3,058
Cap Ex	110,503
Cash*	36,186
<b>Total</b>	<b>159,363</b>

- Beginning Of Period - May, '18 through End Of Period - June '20.
- Consolidated positive net cash flow projected in July '20.
- Current new equity placement projected at NOK 600 million.
- Paid In Equity Capital as of March 31, 2018, approximately NOK 754 million.
- \* Includes restricted cash for DNB/EKF debt

## 15. Milestones



## 16. Summary

- 1 **Leading land-raised salmon company with business performance and knowledge**
- 2 **Experienced management team, equity linked performance culture**
- 3 **Sole US land-raised salmon company at scale, avoiding costly air freight**
- 4 **Strong offtake demand for year round supply, compelling brand promise**
- 5 **IP patent strategy drives potential for exceptional incremental company value**
- 6 **Vast opportunity for high return on incremental invested capital**
- 7 **Attractive strategic exit potential**

## 17.1 Key risk factors (1/7)

### RISK FACTORS

Investing in the shares ("Shares") issued by Atlantic Sapphire AS ("Company" or "Atlantic Sapphire", and together with its subsidiaries, the "Group") involves inherent risk. Investors should consider all of the information set forth in this Presentation, and in particular, the risk factors set out below. An investment in the Shares is suitable only for investors who understand the risks associated with this type of investment and who can afford a loss of all or part of their investment. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties described herein should not be considered prior to making an investment decision. If any of the risks were to materialize, individually or together with other circumstances, they could have a material and adverse effect on the Group and/or its business, financial condition, results of operations, cash flow and/or prospects, which may cause a decline in the value of the Shares that could result in a loss of all or part of any investment in the Shares. The risks and uncertainties described below are the principal known risks and uncertainties faced by the Group as of the date hereof. Additional risks and uncertainties that the Group currently believes are immaterial, or that are currently not known to the Group, may also have a material adverse effect on its business, financial condition, results of operations and cash flow. The order in which the risks are presented is not intended to provide an indication of the likelihood of their occurrence nor of their severity or significance. The risks mentioned herein could materialise individually or cumulatively.

#### Risks relating to the Group and the industry in which it operates:

- Land-based salmon farming is a new industry and, as a consequence, experience with land-based salmon farming has been developing rapidly due to practical implementation of research taking place in several different companies. The Company seeks to benefit from the fish farming knowledge built up from traditional salmon farming, even though realizing that land-based fish farming has its own challenges such as limited numbers of independent water systems, management of gas injection (such as oxygen) and gas stripping (such as carbon dioxide) and dependency on constant, uninterrupted electrical power. As such, there are still major biological challenges to overcome prior to establishing a fully predictable production cycle. Atlantic Sapphire is actively taking a lead in this development together with the leading suppliers of aquaculture technology and production equipment, as well as other land-based fish farming players. This will impact the success of the Company as well as the development of the whole industry. In addition to the inherent risks involved by being in a development phase in a new industry, such as faults in production, operations, maintenance, etc., there is also a risk that the Company's commercialisation strategy proves not to be the best, and that other players in the same industry are able to commercialize in a more rapid pace than the Company, which may in turn have material adverse effects on the Company's results, financial condition, cash flow and prospects.
- The Company is vulnerable to errors in technology, production equipment and maintenance routines. Such errors could cause damage to the Group's production and biomass, which is the Group's most valuable asset. Therefore, it is of high importance that the Group holds the ability to implement routines and safety measures to protect its production line and develop its biomass. The Group is partly reliant on third-party suppliers of technical production equipment, as well as sufficient maintenance routines for its production facilities. Despite the security and maintenance measures in place, the Group's facilities and systems, and those of its third-party service providers, may be vulnerable to technical errors, limits in capacity, breaches in routines, lack of surveillance, acts of vandalism, human errors or other similar events.
- In June 2017, the Group's innovation facility in Denmark experienced a mass mortality incident, where 90% of the biomass in the facility died within a short period of time due to hydrogen sulphate poisoning caused by clogging in biofilters. Although the Group has taken advantage of the experience from the adverse incident to obtain knowledge and improve designs, including implementing several measures relating to maintenance routines, technical improvements and design modifications for the Danish facility (which were already in place for the US facility and the Danish phase 2 plant), there can be no assurance that a similar incident will not happen again in any of the Group's facilities, either caused by hydrogen sulphate poisoning or by other severe incidents, which may in turn have a material adverse effect on the Company's results, financial condition, cash flow or prospects.



## 17.1 Key risk factors (2/7)

### RISK FACTORS (CONT'D)

- The Group is in an ongoing developing and commercialization process where one of the Group's key strategies is to develop and build a land-based recirculating aquaculture system for farming of Atlantic salmon in the United States. The Group has limited operating history, and implementing its strategy requires management to make complex judgments. Hence, no assurance can be given that the Group will achieve its objectives or other anticipated benefits. Further, risks relating to the successful implementation of the Group's strategies may increase by a number of external factors, such as downturn in salmon prices, increased competition, unexpected changes in regulation or the materialisation of any of the risk factors mentioned herein, which may require the management's focus and resources, and which could in turn imply failure or delay in the successful adoption of the Group's business strategy. Failure to implement the Group's business strategy could have a material adverse effect on the Group's results, financial condition, cash flow and prospects.
- Atlantic Sapphire's commercialization strategy involves entering into customer, distribution, marketing, sales and other agreements with third parties. A commercial success of the Group will require such agreements to be entered into with professional third parties on commercially favourable terms. If the Group does not succeed in doing so continuing to attract and retain new customers, it could have a material adverse effect on its results of operations, financial condition, cash flows and prospects.
- The Group's business depends on client goodwill, reputation and on maintaining good relationships with clients, partners, suppliers and employees. Any circumstances that publicly damage the Group's goodwill, injure the Group's reputation or damage the Group's business relationships, may lead to a broader adverse effect than solely any monetary liability arising directly from the damaging events by way of loss of business, goodwill, clients, partners and employees.
- The Group's financial position and future prospect depend on the price of farmed salmon, which has historically been subject to substantial fluctuations. Farmed salmon is a commodity, and the Company therefore assumes that the market price will continue to follow a cyclical pattern based on the balance between total supply and demand. No assurance can be given that the demand for farmed salmon will not decrease in the future. Farmed salmon is furthermore generally sold as a fresh commodity with limitation on the time available between harvesting and consumption. Short-term overproduction may therefore result in very low spot prices obtained in the market. The entrants of new producing nations or the issuance of new production licenses could result in a general overproduction in the industry. Short-term or long-term decreases in the price of farmed salmon may have a material adverse effect on the business, financial condition, results of operations or cash flow of the Group.
- The Group's operations are subject to several biological risks which could have a negative impact on future profitability and cash flows. Biological risks include for instance oxygen depletion, diseases, viruses, bacteria, parasites, algae blooms, jelly fish and other contaminants, which may have adverse effects on fish survival, health, growth and welfare and result in reduced harvest weight and volume, downgrading of products and claims from customers. An outbreak of a significant or severe disease represents a cost for the Group through e.g. direct loss of fish, loss of biomass growth, accelerated harvesting and poorer quality on the harvested fish and may also be followed by a subsequent period of reduced production capacity and loss of income. The most severe diseases may require culling and disposal of the entire stock, disinfection of the farm and a long subsequent fallow period as preventative measures to stop the disease from spreading. Market access could be impeded by strict border controls, not only for salmon from the infected farm, but also for products originating from a wider geographical area surrounding the site of an outbreak. Continued disease problems may also attract negative media attention and public concerns. Salmon farming has historically experienced several episodes with extensive disease problems and no assurance can be given that this will not also happen in the future. Epidemic outbreaks of diseases may have a material adverse effect on the business, financial condition, results of operations or cash flow of the Group.

## 17.1 Key risk factors (3/7)

### RISK FACTORS (CONT'D)

- The Group's activities are subject to extensive international and national regulations, in particular relating to environmental protection, food safety, hygiene and animal welfare. The Group's sale of its products is also subject to restrictions on international trade. Further, salmon farming is strictly regulated by licenses and permits granted by the authorities in the countries where the Group operates. Future changes in the domestic and international laws and regulations applicable to the Group can be unpredictable and are beyond the control of the Group, and such changes could imply the need to materially alter the Group's operations and set-up and may prompt the need to apply for further permits, which could in turn have a material adverse effect on the business, financial condition, results of operations or cash flow of the Group.
- The Group's operations depend on the quality and availability of salmon smolt. The quality of smolts impacts the volume and quality of the harvested fish. Poor quality or small smolts may cause slow growth, reduced health, increased mortality, deformities, or inferior end products. Further, as the aquaculture industry has intensified production, the biological limits for how fast fish can grow have also been challenged. As with all other forms of intensive food production, a number of production-related disorders arise, i.e. disorders caused by intensive farming methods. As a rule, such disorders appear infrequently, are multifactorial, and with variable severity. The most important production-related disorders relate to physical deformities and cataracts, which may lead to financial loss in the form of reduced growth and health, reduced quality on harvesting, and damage the industry's reputation, which may in turn have a material adverse effect on the Group's results, financial condition, cash flow and prospects. The Company has entered into a letter of intent with Blue Future Holding AS, a subsidiary of AquaGen AS and a part of the EW Group, regarding a long-term strategic co-operation between the Company and Blue Future Holding AS regarding use of Atlantic Sapphire's infrastructure and land, to support development and supply of genetics. Further, it is envisaged, among other things, that the strategic co-operation will on certain conditions require the Company to minimum purchases of a substantial part of its genetics from Aquagen, which may limit the Company's choice of the future supplier(s) of the same. The commencement of the strategic co-operation is subject to final agreements and the Private Placement, and there is no guarantee that such final agreements will be entered into or that the Private Placement will complete.
- The Group's senior management and key employees are important to the development and prospects of the Group. Further, the Group's performance is to a large extent dependent on highly qualified personnel and management, and the continued ability of the Group to compete effectively and implement its strategy depends on its ability to attract new and well qualified employees and retain and motivate existing employees. Any loss of the services of key employees, particularly to competitors, or the inability to attract and retain highly skilled personnel could have a material adverse effect on the Group's business, results of operation, financial condition and prospects.
- The Group is exposed to potentially significant litigation, claims and compliance risks, which could expose the Group to significant losses and liabilities. In such respect, a claim for damages in the amount of NOK 15.5 million was recently made against the Company's subsidiary Atlantic Sapphire Denmark A/S and the chairman of the board. The reason for the claim is that Sunsea AS, a Norwegian fish processor, undertook to process the fish that died in Atlantic Sapphire Denmark's facility as a result of the hydrosulphide incident in June 2017. The Norwegian Food Authority later revoked Sunsea AS' permit to refine fish, and Sunsea claims that its alleged intent to import, process and sell illegal seafood for profit was the main reason for the revocation and thus claims damages from Atlantic Sapphire Denmark. The Company accepts no responsibility for the claim for a number of reasons. Although the Company is of the opinion that there are no factual or legal grounds for Sunsea's claim, no assurance can be given as to the final outcome of a potential legal proceeding initiated by Sunsea AS or its bankruptcy estate. Such claims, disputes and proceedings are subject to several uncertainties, and their outcomes are often difficult to predict, particularly in the earlier stages of a case or an investigation. Adverse regulatory action or adverse judgments in litigation could result in sanctions of various types for the Group, including, but not limited to, the payment of fines, damages or other amounts, the invalidation of contracts, or in restrictions or limitations on the Group's operations, any of which could have a material adverse effect on the Group's reputation and financial condition.

## 17.1 Key risk factors (4/7)

### RISK FACTORS (CONT'D)

- All of the Group's operations are currently carried out by the Company's subsidiaries, which are the only group entities with sales revenues. As such, the Company depends on obtaining cash from its subsidiaries in order to pay dividends to its shareholders and to meet other various obligations. However, certain contractual provisions or laws may limit the Company's ability to obtain cash from its subsidiaries, implying that the Company may not be able to meet its obligations or to pay dividends to its shareholders. A payment default by the Company or any of its subsidiaries could have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and/or prospects.
- The Group is exposed to fluctuations in the global economy in general, as well as end consumers' spending which could result in a higher demand for low-cost alternatives and thus difficulties for the Group in selling its product, which could in turn have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and/or prospects.
- Certain global environmental organizations aim to eradicate salmon farming. Consequently, salmon farming companies such as Atlantic Sapphire may be targets of activism of various kinds with the aim to cause reputational damage or damage to production facilities (spread of information, sabotage, etc.), which may have a material adverse effect on the business, financial condition, results of operations or cash flow of the Group.
- The Group's planned and future construction projects are, and will be, subject to numerous risks, including shortages or delays in equipment, materials or skilled labor; failure of the equipment to meet quality and/or performance standards, inability to renew or obtain required permits and approvals, unanticipated cost increases, design or engineering changes, labor disputes and adverse weather conditions or any other events of force majeure, all of which may cause delays or cost overruns. Amongst others, the Group's injection well permit is up for renewal every 5<sup>th</sup> year and no assurances can be given that such permit will be obtained. Significant cost overruns or delays could in turn cause disruption in operations and the need to implement changes in productions to adapt to such delays, and have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and/or prospects.
- The Group's business and future plans are capital intensive and, to the extent the Group does not generate sufficient cash from operations in the long term, the Company or its subsidiaries may need to raise additional funds through public or private debt or equity financing to execute the Group's growth strategy and to fund capital expenditures. Adequate sources of capital funding may not be available when needed or may not be available on favorable terms. If the Group raises additional funds by issuing additional equity securities, holdings and voting interests of existing shareholders could be diluted. If funding is insufficient at any time in the future, the Group may be unable to fund maintenance requirements and acquisitions, take advantage of business opportunities or respond to competitive pressures, any of which could adversely impact the Group's financial condition and results of operations.
- The Group may not be able to obtain financing to fund the Group's growth or future capital expenditures, including its planned constructions in Florida and in Denmark. The Company has signed a non-binding term sheet securing a EKF guaranteed USD 60,000,000 term loan facility and USD 2,400,000 revolving credit facility with DNB Bank ASA as lender, mandated lead arranger and security agent and Atlantic Sapphire USA, LLC as borrower under the USD 60,000,000 term loan and Langsand Laks A.S. as borrower under the USD 2,400,000 revolving credit facility. In the event that the Group fails to secure such financing (or other financing) on acceptable terms for the Group or at all, the Group will need to obtain the additional capital from other sources, including through additional equity from new and/or existing shareholders.

## 17.1 Key risk factors (5/7)

### RISK FACTORS (CONT'D)

- The Group's existing or future debt arrangements could limit the Group's liquidity and flexibility in obtaining additional financing and/or in pursuing other business opportunities. Further, the Group's future ability to obtain bank financing or to access the capital markets for any future debt or equity offerings may be limited by the Group's financial condition at the time of such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond the Group's control. The Group's failure to obtain funds for future capital expenditures could impact the Group's results of operations, financial condition and prospects. The issuance of additional equity securities will dilute existing shareholders' interest in the Company.
- The success of the Company will depend on the Company's ability to obtain and maintain patent protection for its products, methods, processes and other technologies, to preserve trade secrets, to prevent third parties from infringing proprietary rights of the Company and to operate without infringing the proprietary rights of third parties. The Group is protected by a portfolio of trade secrets, and relies upon intellectual property and trade secrets rights (IPR) and laws to protect important proprietary rights, but the Group cannot give assurances that its measures for preserving the secrecy of its trade secrets and confidential information are sufficient to prevent others from obtaining that information. The Group may not have adequate remedies to preserve the trade secrets and, if these rights are not sufficiently protected, the Company's ability to compete and generate revenue may be negatively affected. Further, the Company cannot give assurances that all employees are bound by adequate provisions in their employment contracts regarding ownership of the Group's intellectual property rights and it may not obtain sufficient patent protection on the technology embodied in its products and production processes. There is also a risk of IPR infringement claims from third parties, potentially hindering the Company's operations or leading to losses for the Company. In such cases expenses related to legal advisors may be substantial.
- The Group operates in several countries worldwide. As such, the Group is subject to changes in applicable tax laws, regulations, or tax treaties, and the interpretation thereof in the various countries in which the Group operates or earn income or are deemed to be a tax resident. Such changes may result in the need for a restructuring of the Group's current legal structure and/or a materially higher effective tax rate on earnings and could result in material changes to the Group's financial results.
- The Group's general liability and project insurance may not provide sufficient coverage. For instance, following the hydrogen sulphide poisoning incident in the Group's Danish facility in June 2017, the Group's insurance does no longer cover the Group's biomass. Although the Group's current financial exposure related to its biomass is believed to be relatively low, the Group may experience a significant financial loss, or a claim may be brought against the Group which could result in a court judgment or settlement of a nature or in an amount that is not covered, in whole or in part, by the Group's insurance or that it is in excess of the limits of the Group's insurance coverage. The Group's insurance policies also have various exclusions, and the Group may experience events or circumstances for which the Company has no coverage. The Company will have to cover or pay any loss incurred and/or amounts awarded by a court or negotiated in a settlement that exceed the Company's coverage limitations or that are not covered by the Group's insurance, and the Group may not have, or be able to obtain, sufficient capital to pay such amounts, which may in turn have a material adverse effect on the Group's business, profit, financial condition and prospects.
- The Group operates in Norway, Denmark and the United States and any currency fluctuations between NOK, DKK and USD could have a material adverse effect on the Group's business, results of operations, cash flows and financial conditions.

## 17.1 Key risk factors (6/7)

### Risks relating to the Shares:

- An investment in the Company's shares involves risk of loss of capital. The market value of the shares may fluctuate significantly in response to a number of factors beyond the Company's control, including adverse business developments, variations in operating results, changes in financial estimates and cost estimates, announcements by the Company or its competitors of new development or new circumstances within the industry, lawsuits against any company within the Group, unforeseen events and liabilities, changes in management, changes to the regulatory environment in which it operates or general market conditions. The market value of the Shares could also be substantially affected by the extent to which a secondary market develops or sustains for the Shares.
- Norwegian law provides that any declaration of dividends must be adopted by the shareholders at the Company's general meeting of shareholders. Dividends may only be declared to the extent that the Company has distributable funds and the Company's Board of Directors finds such a declaration to be prudent in consideration of the size, nature, scope and risks associated with the Company's operations and the need to strengthen its liquidity and financial position. As the Company's ability to pay dividends is dependent on the availability of distributable reserves, it is, among other things, dependent upon receipt of dividends and other distributions of value from its subsidiaries and companies in which the Company may invest.
- In the long-term, the Company intends to generate shareholder value through an industrial sale or an initial public offering and listing. However, there can be no assurances that such trade sale or IPO will be carried out, in which case very limited liquidity in the Shares is expected.
- The Company may in the future decide to offer additional shares or other securities to finance new capital-intensive projects, in connection with unanticipated liabilities or expenses or for any other purposes. If the Company raises additional funds by issuing additional equity securities, the holdings and voting interests of existing shareholders could be diluted.
- Although the Company is registered at the Norwegian OTC market, there may be an illiquid market for the shares. There can be no assurance that an active trading market will develop or be sustained nor that the shares may be resold at or above the subscription price in the Private Placement. The liquidity of any market for the shares will depend on the number of holders of the shares, investor interest at large and relative to the Company and the Company's business segment in particular, the interest of securities dealers in making a market in those securities and other factors. Further, there can be no assurance that the Company actually will be able to list its shares on a stock exchange or regulated market. The OTC list is not a stock exchange or regulated market place and prospective investors should not rely on the ability to sell their shares as a means of realizing their investment at a fair value. Shares traded on the Norwegian OTC list are not subject to regulations that apply to shares listed on a regulated market place, such as take-over rules, disclosure and reporting requirements, requirements in respect of equal treatment of shareholders, and insider trading legislation. An acquirer of shares will not be subject to any mandatory offer obligations, and the shareholders will consequently not benefit from the protection provided by such rules. Until a potential listing is completed, the Company does not intend to report fully to the market in the same detail and extent as required for companies listed on a regulated market place. The Company has initiated a process for admission of the Company's shares on Merkur Market (subject to approval by Oslo Børs) in relation to the Private Placement. Merkur Market is not a regulated market, but a multi-lateral trading facility operated by Oslo Børs, and shares traded on Merkur Market are not subject to all regulations that apply to shares listed on a regulated market place. Further, the board of the Company considers the listing on Merkur Market to represent the first step toward a listing on Oslo Børs or Oslo Axess, which the Company intends to conduct during the next 12 months. There is no guarantee that the shares of the Company will be admitted to Merkur Market or Oslo Børs / Oslo Axess within the expected timeframe or at all.

## 17.1 Key risk factors (7/7)

### RISK FACTORS (CONT'D)

- Beneficial owners of Shares that are registered in a nominee account or otherwise through a nominee arrangement (such as through brokers, dealers or other third parties) may be unable to exercise their voting rights for shares unless their ownership is re-registered in their names with the VPS prior to a general meeting. There is no assurance that beneficial owners of the Shares will receive the notice of any general meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote for their Shares in the manner desired by such beneficial owners.
- The rights of shareholders are governed by Norwegian law and by the articles of association of the Company. These rights may differ from the rights of shareholders in other jurisdictions. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. Further, it may be difficult to prevail in a claim against the Company under, or to enforce liabilities predicated upon, securities laws in other jurisdictions.

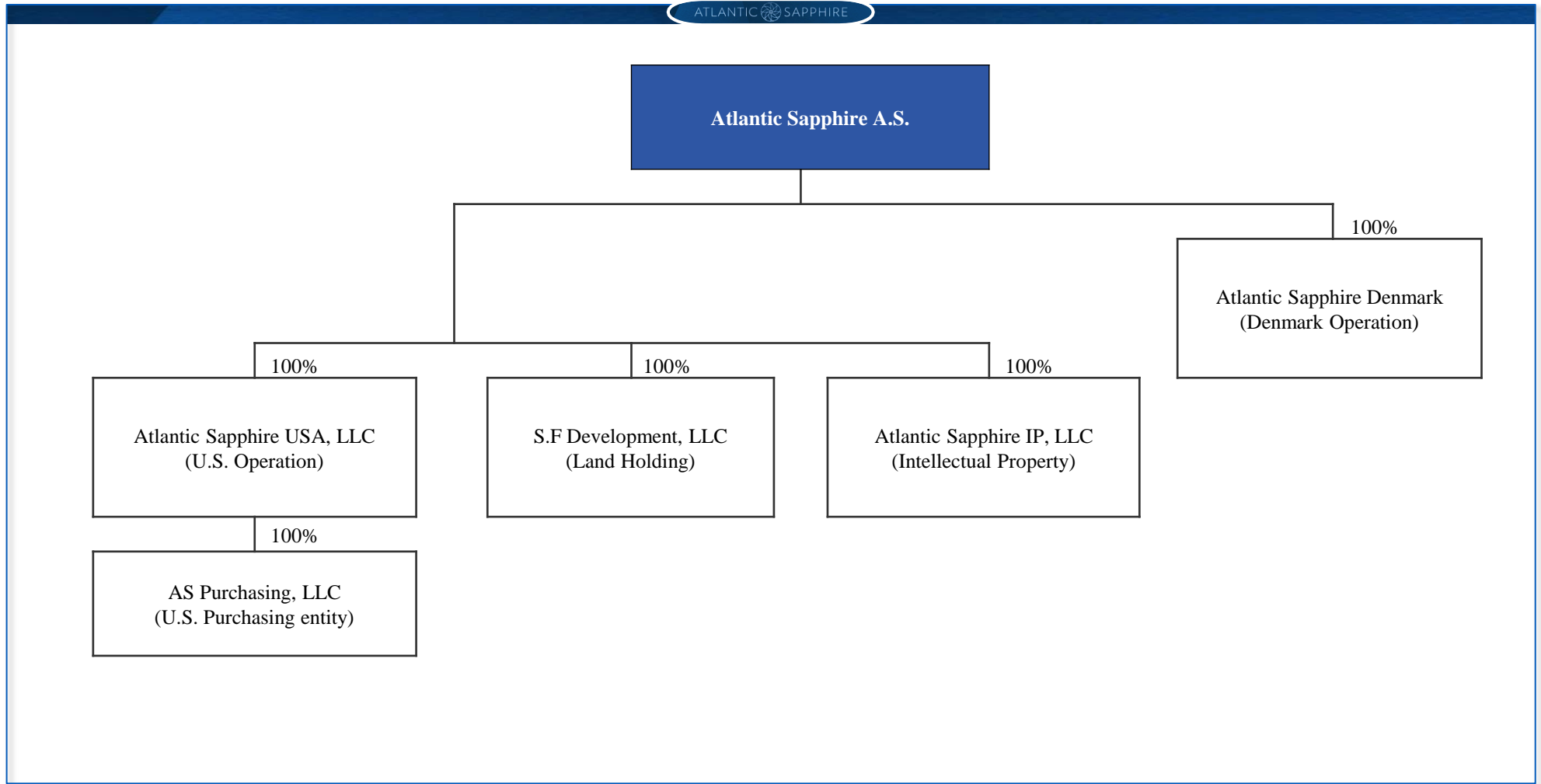


## ***APPENDICES***


























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## A-3 Organizational Chart



## A-3 Shareholder Overview (23 April 2018)

ATLANTIC SAPPHIRE				
Ranking	Name	Percentage	Holding	Type of account
1	 ALSCO AS	19.3%	8,919,130	Ordinary
2	 SKAGEN KON-TIKI	10.0%	4,628,090	Ordinary
3	 Danske Bank A/S	5.1%	2,356,030	Nominee
4	 Louise Mohn	3.9%	1,814,570	Ordinary
5	 Norron Sicav - Target	3.0%	1,398,830	Ordinary
6	 SUNDT AS	2.6%	1,209,710	Ordinary
7	 VATNE EQUITY AS	2.4%	1,117,530	Ordinary
8	 JEA INVEST AS	2.4%	1,102,630	Ordinary
9	 Citibank, N.A.	2.4%	1,094,970	Nominee
10	 VERDIPAPIRFONDET DNB SMB	2.1%	955,710	Ordinary
11	 DnB NOR MARKETS, AHA	2.0%	934,430	Ordinary
12	 EIKA NORGE	2.0%	907,280	Ordinary
13	 JOH JOHANNSON EIENDOM AS	1.9%	900,000	Ordinary
14	 Nordea Bank AB	1.9%	892,850	Nominee
15	 HORTULAN AS	1.8%	850,000	Ordinary
16	 STATOIL PENSJON	1.7%	797,000	Ordinary
17	 LANI INVEST AS	1.6%	756,160	Ordinary
18	 Taconic AS	1.6%	750,000	Ordinary
19	 CANICA AS	1.5%	714,280	Ordinary
20	 NORSK LANDBRUKSKJEMI AS	1.5%	690,230	Ordinary
21	 INNOVATIVE AQUACULTURE INVESTMENTS	1.3%	610,240	Ordinary
22	 SKØIEN	1.3%	594,137	Ordinary
23	 BORGANO AS	1.1%	529,380	Ordinary
24	 VATNE CAPITAL AS	1.1%	512,500	Ordinary
25	 ALTITUDE CAPITAL AS	1.1%	492,682	Ordinary
<b>Top 25</b>		<b>76.8%</b>	<b>35,528,369</b>	
Other		23.2%	10,758,131	
<b>Total</b>		<b>100.0%</b>	<b>46,286,500</b>	

# A-3 Sapphire US Under Development

ATLANTIC SAPPHERE

Injection well



68.5" bit



MF-4 saline intake well



BA-1 fresh well



Water sampling



"Lake Sapphire"



Drone shot site



Denmark expansion



Florida Geology



Danish equipment on site



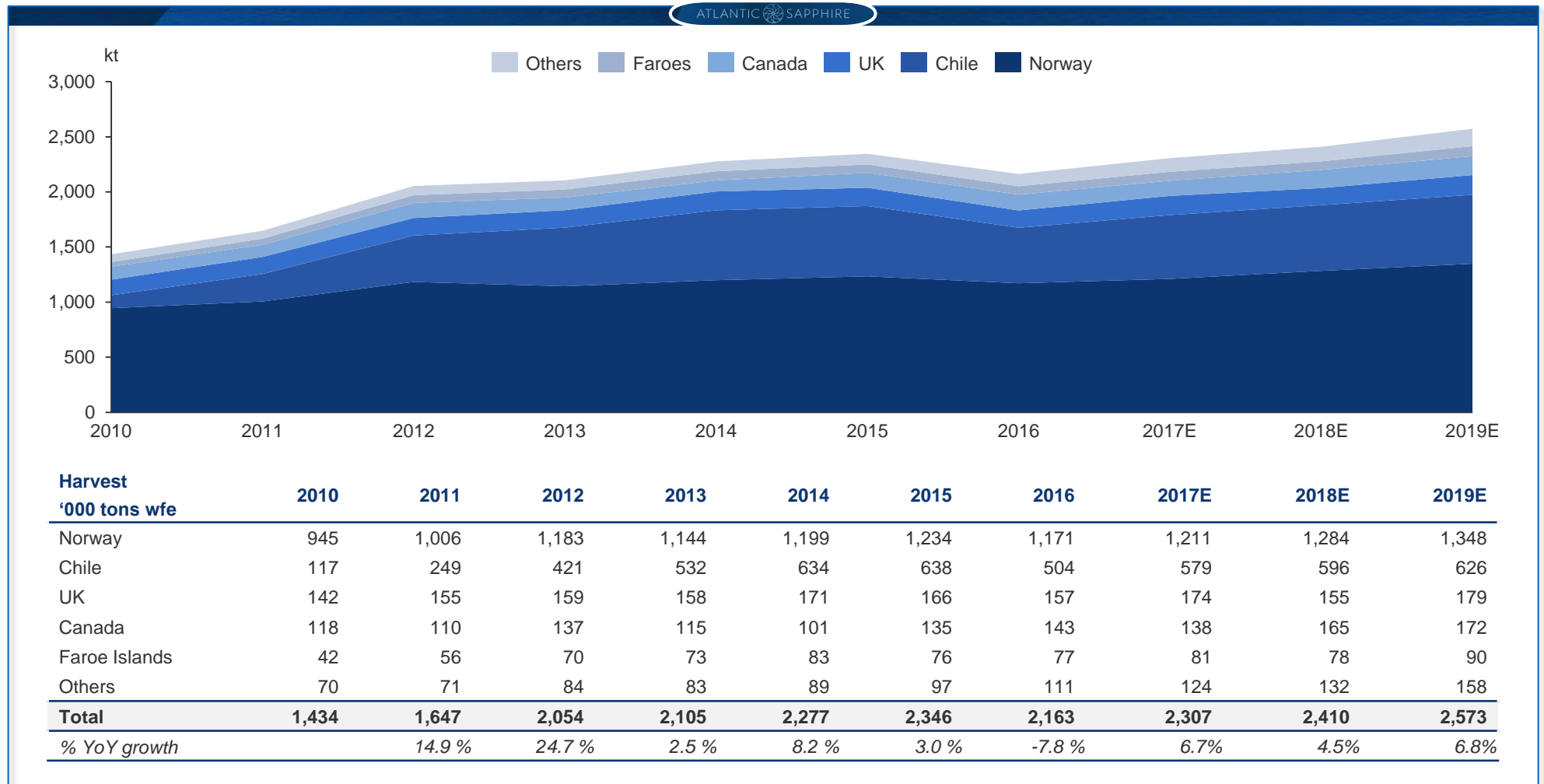
Portland, OR - promo



Hiring US Veterans



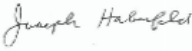


## A-6 Global Salmon Supply



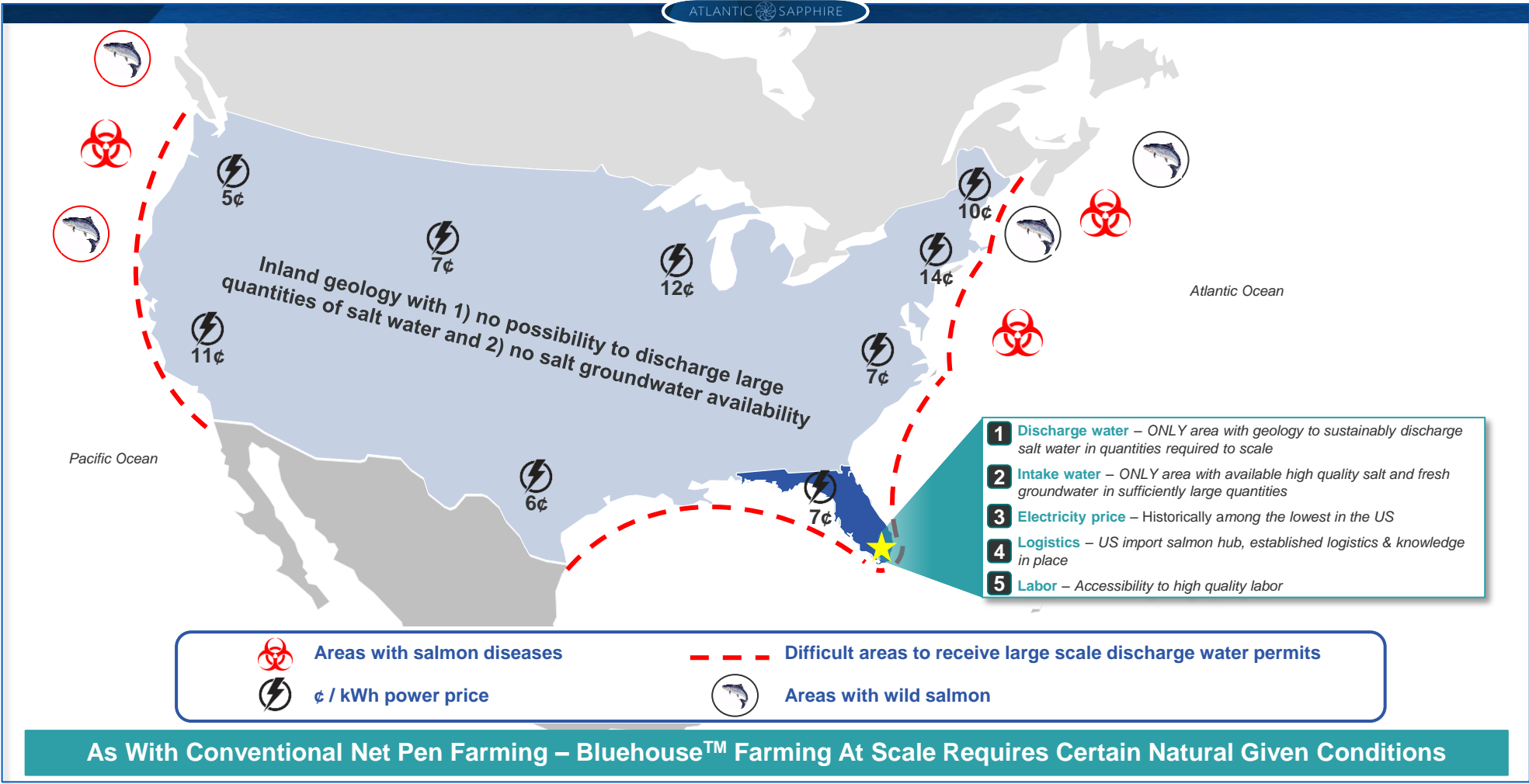
Source: Kontali and DNB Markets Equity Research (Atlantic salmon, wfe)

# A-10 Notice of Permit – 20 Million Gallons Per Day Water Disposal Well Permit

		
	<b>FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>  Bob Martinez Center 2600 Blair Stone Road Tallahassee, Florida 32399-2400	<b>Rick Scott</b> Governor  <b>Carlos Lopez-Cantera</b> Lt. Governor  <b>Jonathan P. Steverson</b> Secretary
<b>SENT VIA ELECTRONIC MAIL</b>		
In the Matter of an Application for Permit by:		16 December 2016
Mr. Johan E. Andreassen, CEO Atlantic Sapphire, LLC. 31 SE 5 <sup>th</sup> Street, Suite 214 Miami, Florida 33131 <a href="mailto:Johan@atlanticsapphire.com">Johan@atlanticsapphire.com</a>	Miami-Dade County UIC FDEP File No: <b>0344483-001-UC/5X</b> WACS ID Number: <b>102889</b> Class V Injection Well System Construction Permit	
<b>NOTICE OF PERMIT</b>		
<p>Enclosed is Permit Number <b>0344483-001-UC/5X</b> to construct one (1) non-hazardous, Class V, injection well (IW-1), and one single zone monitor well (MW-1) for the disposal of aquaculture wastewater generated during the production of Atlantic Salmon at the Atlantic Sapphire facility located on the same property. The maximum capacity for the proposed injection well is 19.93 million gallons per day. The open hole injection interval is to be completed into the lower Floridan aquifer from 2,800 to 3,500 feet below land surface (bls). Monitor well MW-1 will be constructed to monitor the depths of 1700 to 1750 feet bls.</p> <p>Any party to this Order (permit) has the right to seek judicial review of the permit pursuant to Section 120.68, Florida Statutes, by the filing of a Notice of Appeal pursuant to Rules 9.110 and 9.190, Florida Rules of Appellate Procedure, with the Clerk of the Department in the Office of General Counsel, 3900 Commonwealth Boulevard, Mail Station 35, Tallahassee, Florida 32399-3000, <a href="mailto:agency_clerk@dep.state.fl.us">agency_clerk@dep.state.fl.us</a>; and by filing a copy of the Notice of appeal accompanied by the applicable filing fees with the appropriate District Court of Appeal. The Notice of Appeal must be filed within 30 days from the date this Notice is filed with the Clerk of the Department.</p> <p>Executed in Leon County, Florida..</p>		
<p>STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION</p> <div style="text-align: center;"> <hr style="width: 20%; margin: 0 auto;"/><p>Joseph Haberfeld, P.G. Environmental Administrator Aquifer Protection Program Division of Water Resource Management</p></div>		

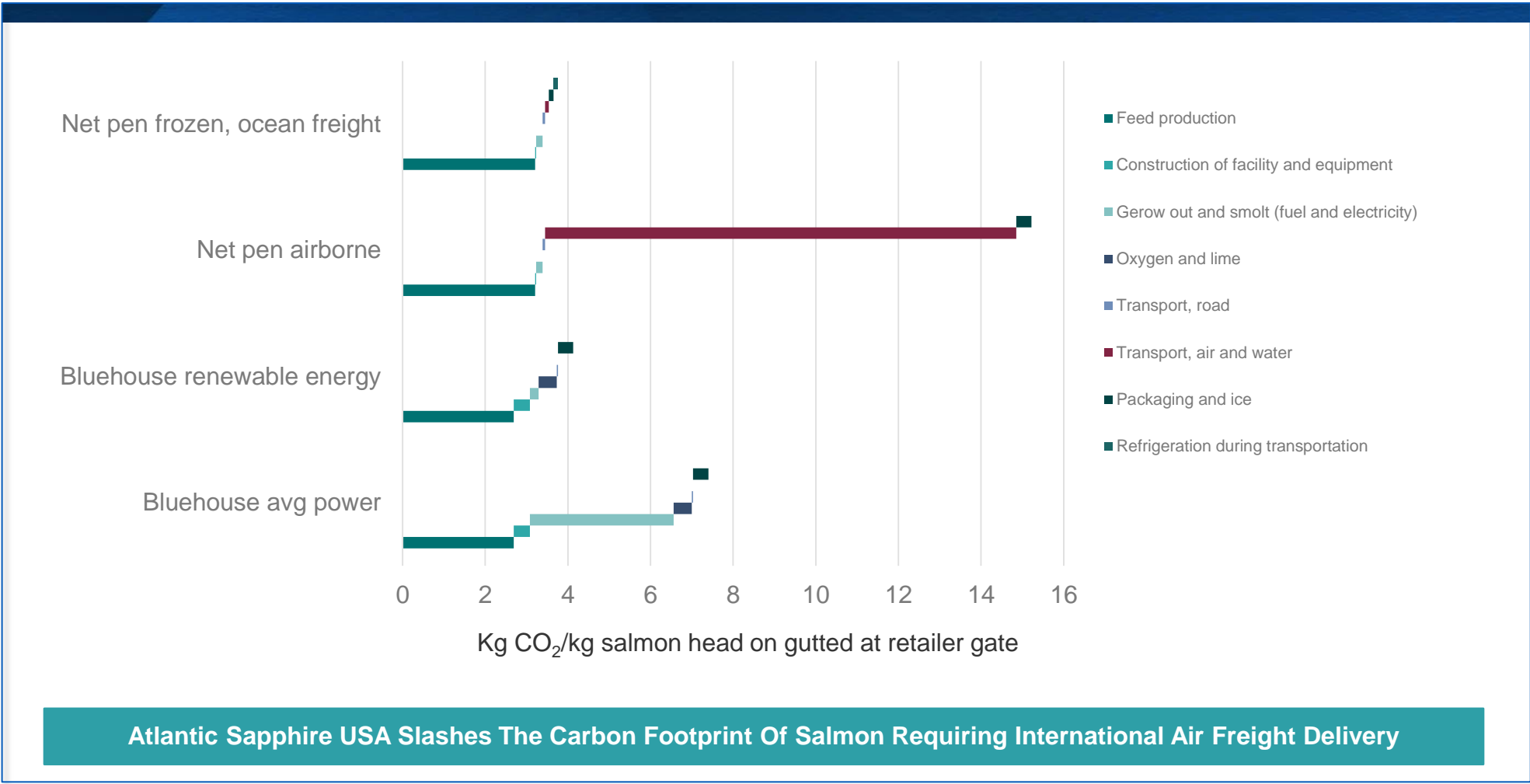


# A-10 Location Rationale – Miami, Florida



Source: Management estimates based on data from U.S. Energy Information Administration

# A-10 Carbon Footprint Analysis By Production Method - Delivered U.S.

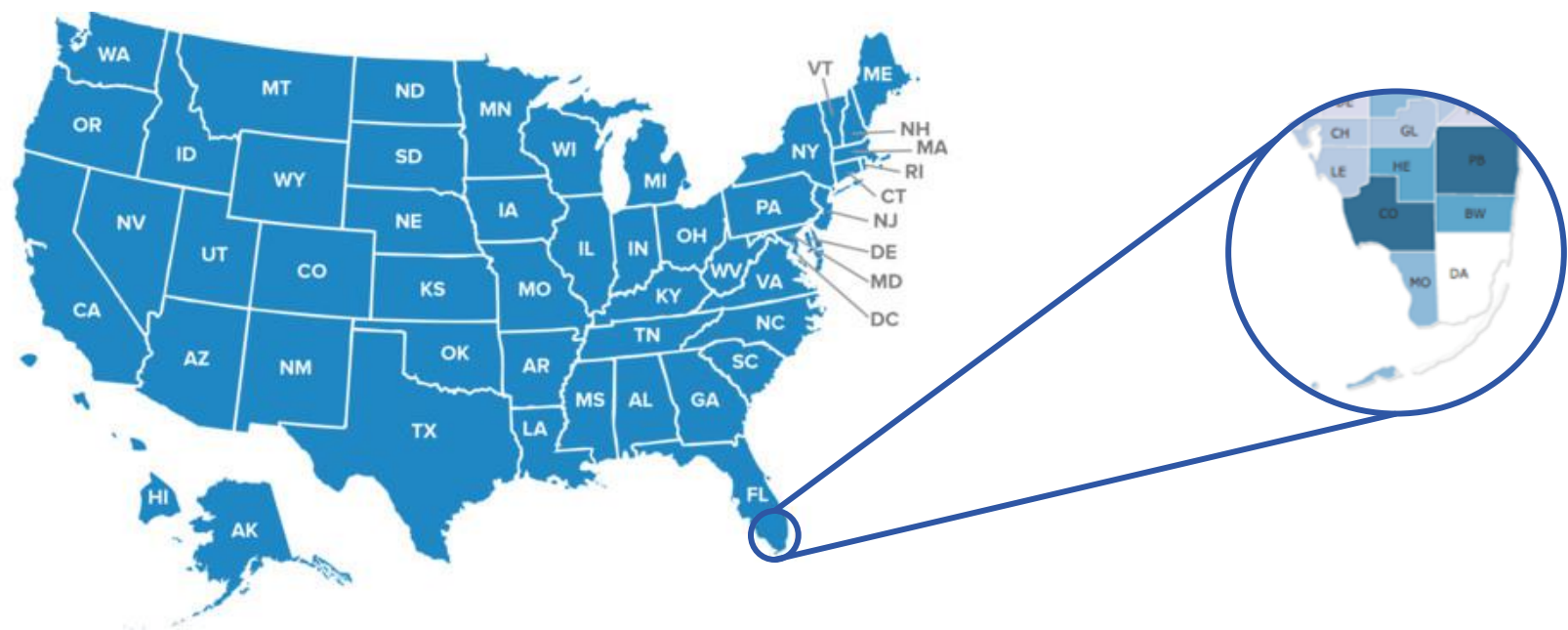


Sources: SINTEF and the Freshwater Institute. Atlantic Sapphire management estimates.

# A-10 Industry Acreage Required For Salmon Farming In Bluehouse™



With unlimited intake and discharge water, the entire Norwegian salmon industry would fit in 2 square miles of land.



Bluehouse™ Farming Is Area Efficient, However It Is Critical And Challenging To Find High Quality In-Take Water And Discharge Water Capacity

# A -10 Issues, Learning Points and Market Position of Atlantic Sapphire Denmark

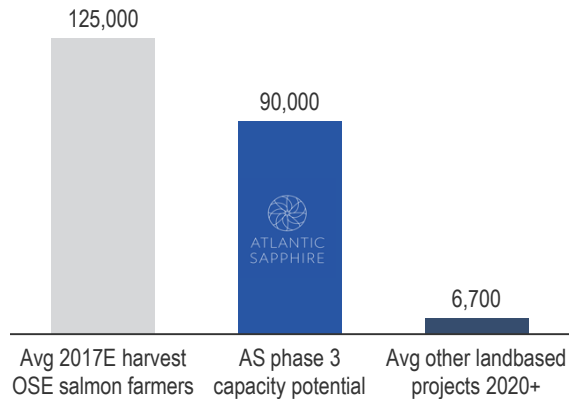
ATLANTIC SAPPHIRE				
		Reason	Actions taken	Implication
Major issues	Intoxication in 2017	Too high level of hydrogen sulfide (H <sub>2</sub> S) due to sedimentation	<ul style="list-style-type: none"> <li>Bio filters design updated</li> <li>Automatic cleaning of filters</li> <li>New improved routines</li> <li>Changes across the system to prevent sedimentation</li> <li>Measurement of H<sub>2</sub>S – new sensor developed with Blue unit</li> </ul>	<i>Upgrade and improvement of Atlantic Sapphire's Demark facility</i>
	Furunculosis in 2012	Infected intake water	<ul style="list-style-type: none"> <li>New water treatment system – unique for fish farming – double firewall for pathogens</li> <li>New water source – sea with low bacteria count, not fiords (which have high bacteria count)</li> <li>Improved bio security routines</li> </ul>	<i>Industry leading intake water filtration and control</i>
Bluehouse™ specific issues	Early maturation	Numerous factors	<ul style="list-style-type: none"> <li>Proprietary information</li> <li>Solved by multiple methods (lights, salinity and much more)</li> </ul>	<i>The first Bluehouse™ operator globally to control the maturation in line with conventional industry</i>
	Small fish	Primarily due to high CO <sub>2</sub> levels, early maturation and low oxygen levels	<ul style="list-style-type: none"> <li>Proprietary information</li> <li>Right dimensioning of High performance factors</li> </ul>	<i>The first Bluehouse™ operator globally with stable output of &gt;3 Kg fish</i>
	Off flavor	High content of Geosmin in flesh	<ul style="list-style-type: none"> <li>Proprietary information</li> <li>Solved by multiple combined methods – primarily in operation</li> </ul>	<i>The first Bluehouse™ operator globally to eliminate off flavor without requiring flow through purging and starvation</i>

# A-12 Competitive Cost Analysis

ATLANTIC SAPPHIRE

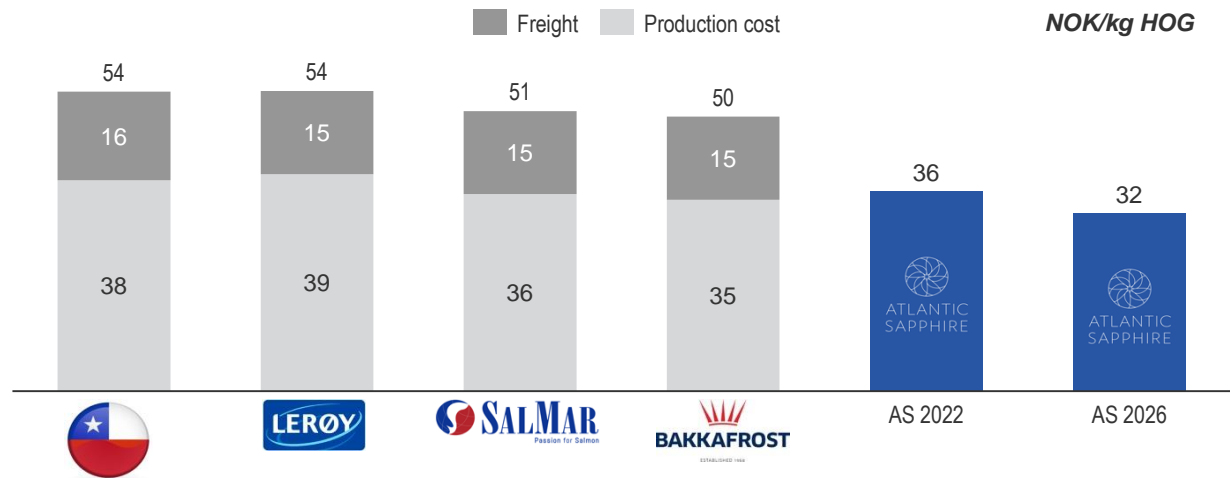
## Atlantic Sapphire dwarfs any other known project for land-raised salmon

Projected harvest volumes comparable players (HOG, tons)



- According to an extensive mapping done by DNB Markets Equity Research, Atlantic Sapphire is the largest known project for land-raised salmon

## Production cost US landed compared to competitors<sup>1</sup>



- Atlantic Sapphire offers scalability to reduce operating costs to levels close to traditional salmon farming – combined with no transport cost to key market, Atlantic Sapphire believes it will be the most competitive supplier of salmon to the US market

**Atlantic Sapphire Reduces Operating Costs With Scale, To Levels Competitive With Conventional Salmon Farming**

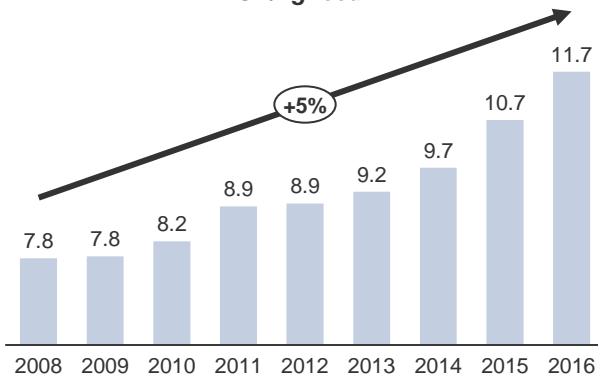
Source: DNB Markets Equity Research & Kontali

<sup>1</sup> 2018 expected production cost for Norwegian listed salmon farmers. Current cost for Chilean salmon farming industry.

# A-12 Historical Feed Price Development

**Feed costs in Norway are on the rise...**

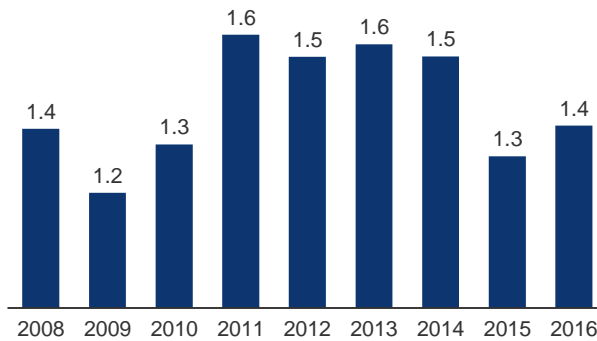
*NOK/kg feed*



- Feed prices in Norway in NOK have been increasing steadily over the last decade

**...though in USD the development is different...**

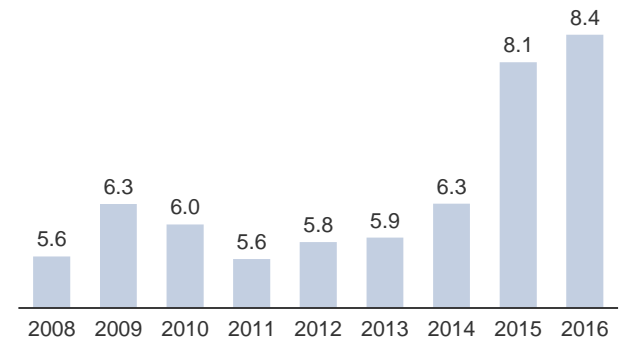
*USD/kg feed*



- In USD, however, the development has been more stable

**...weaker NOK is the main reason**

*USD/NOK*

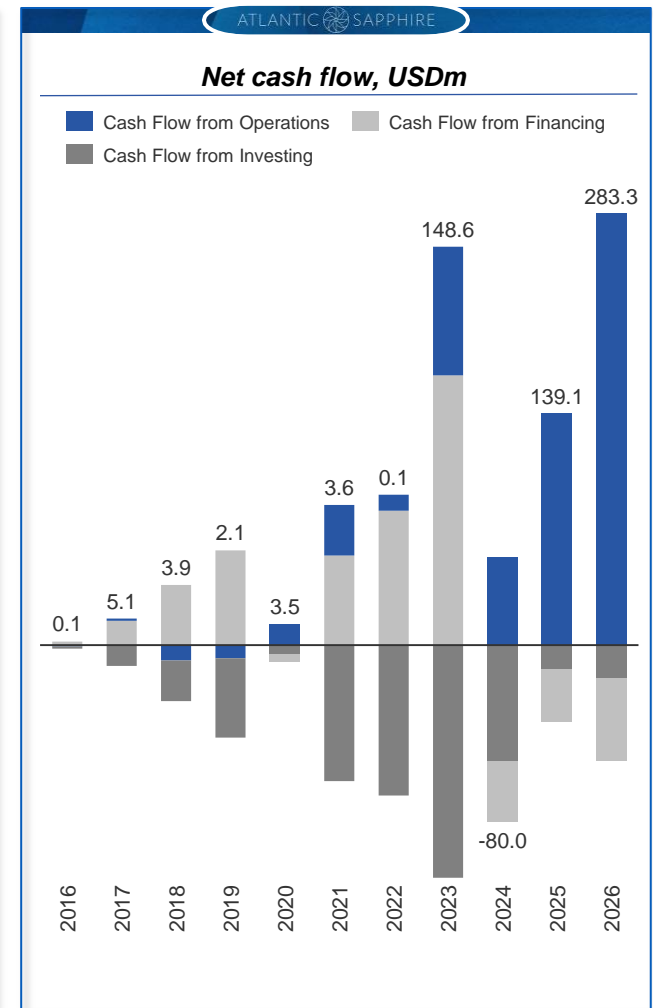
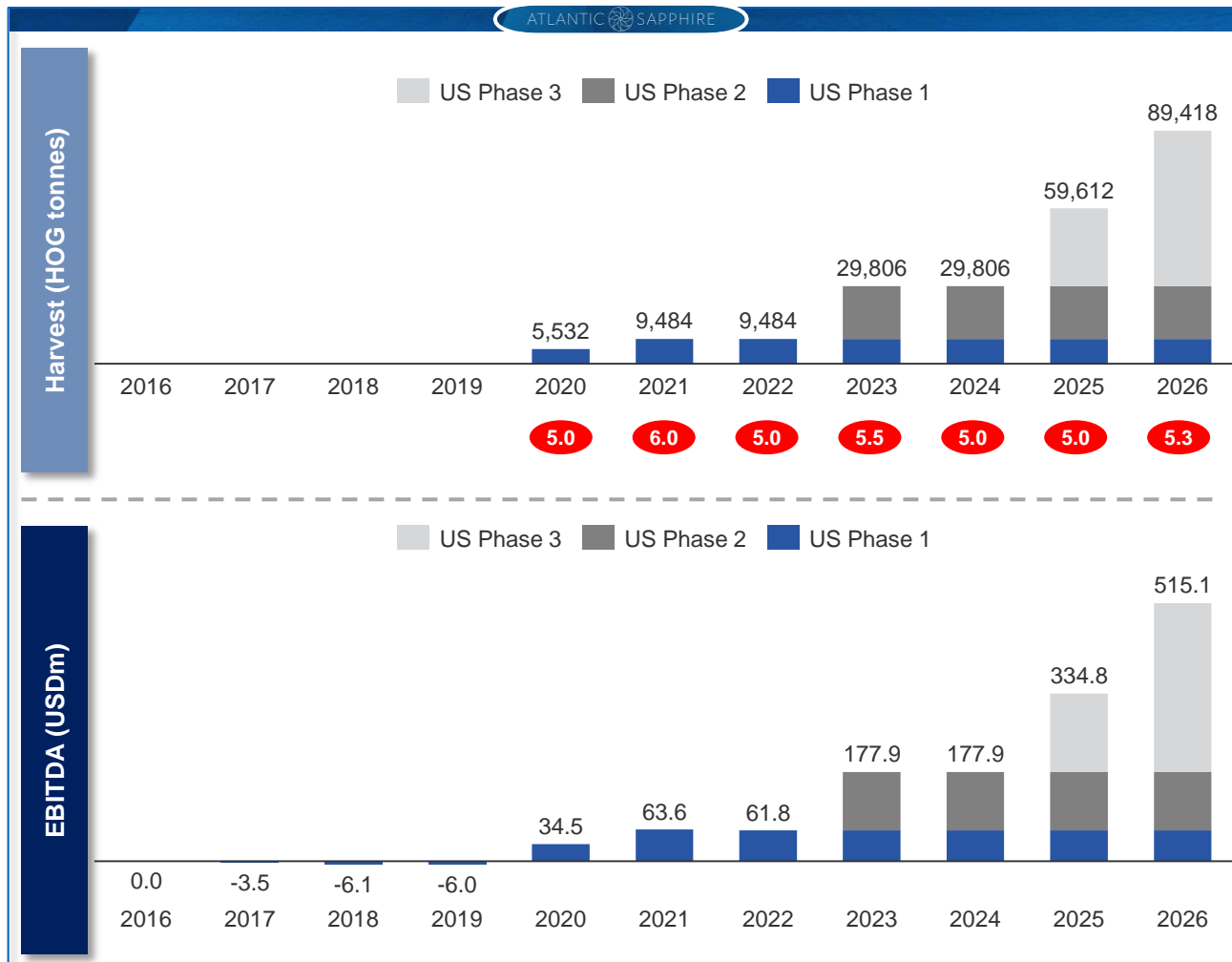


- Approximately 100% of the feed ingredients are commodities, traded in USD
- Approximately 85-90% of total feed costs are the commodities used in the feed

**While Feed Prices In NOK Have Increased Historically, Feed Prices In USD Have Trended Relatively Stable**

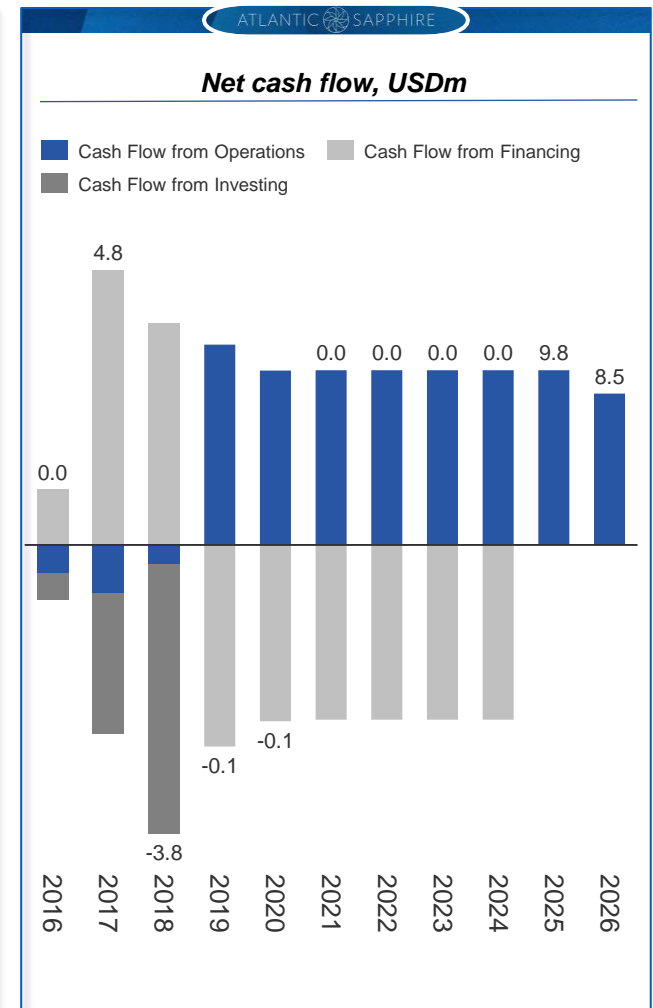
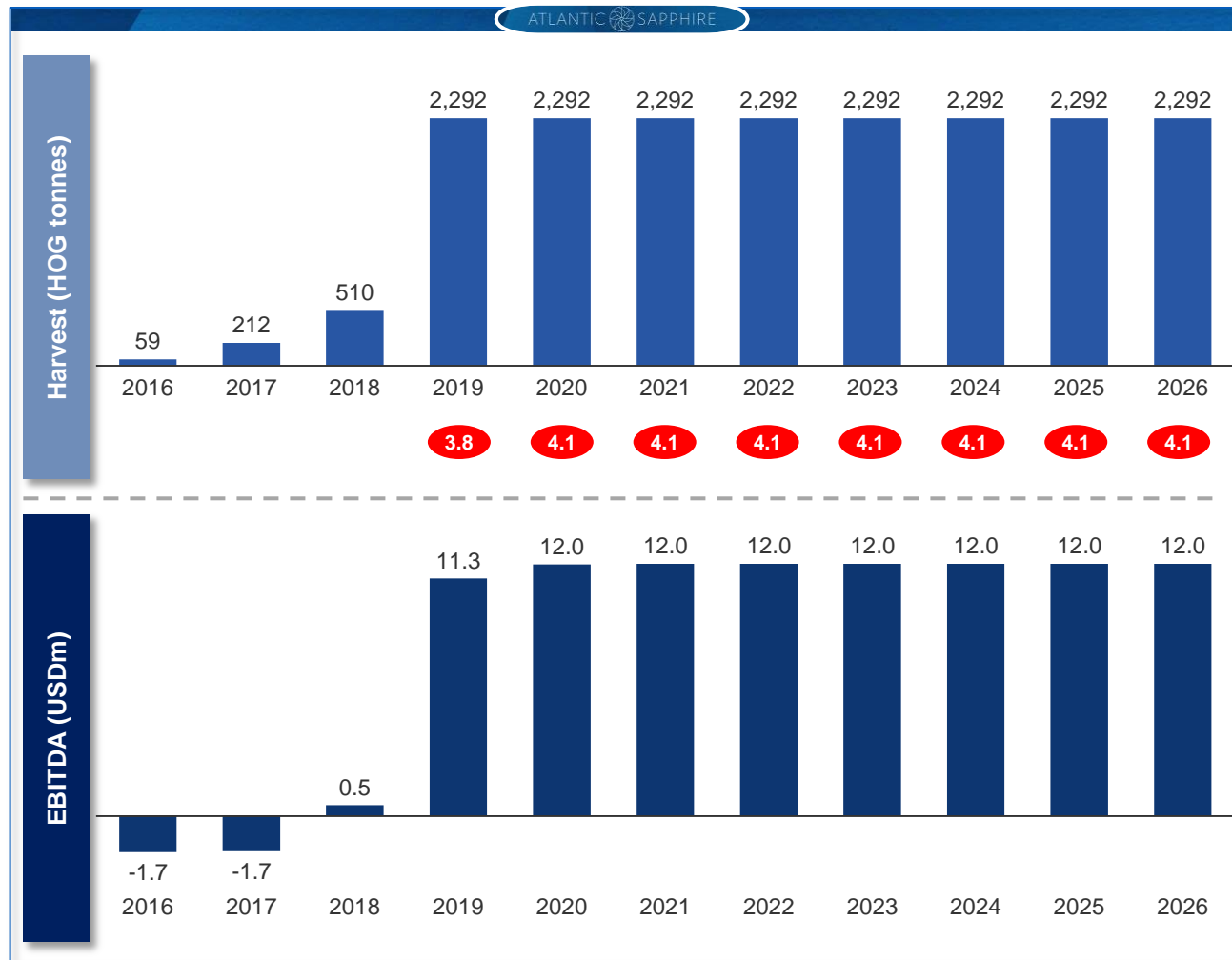


# A-14 Financial And Operational Targets – US phase 1, 2 & 3



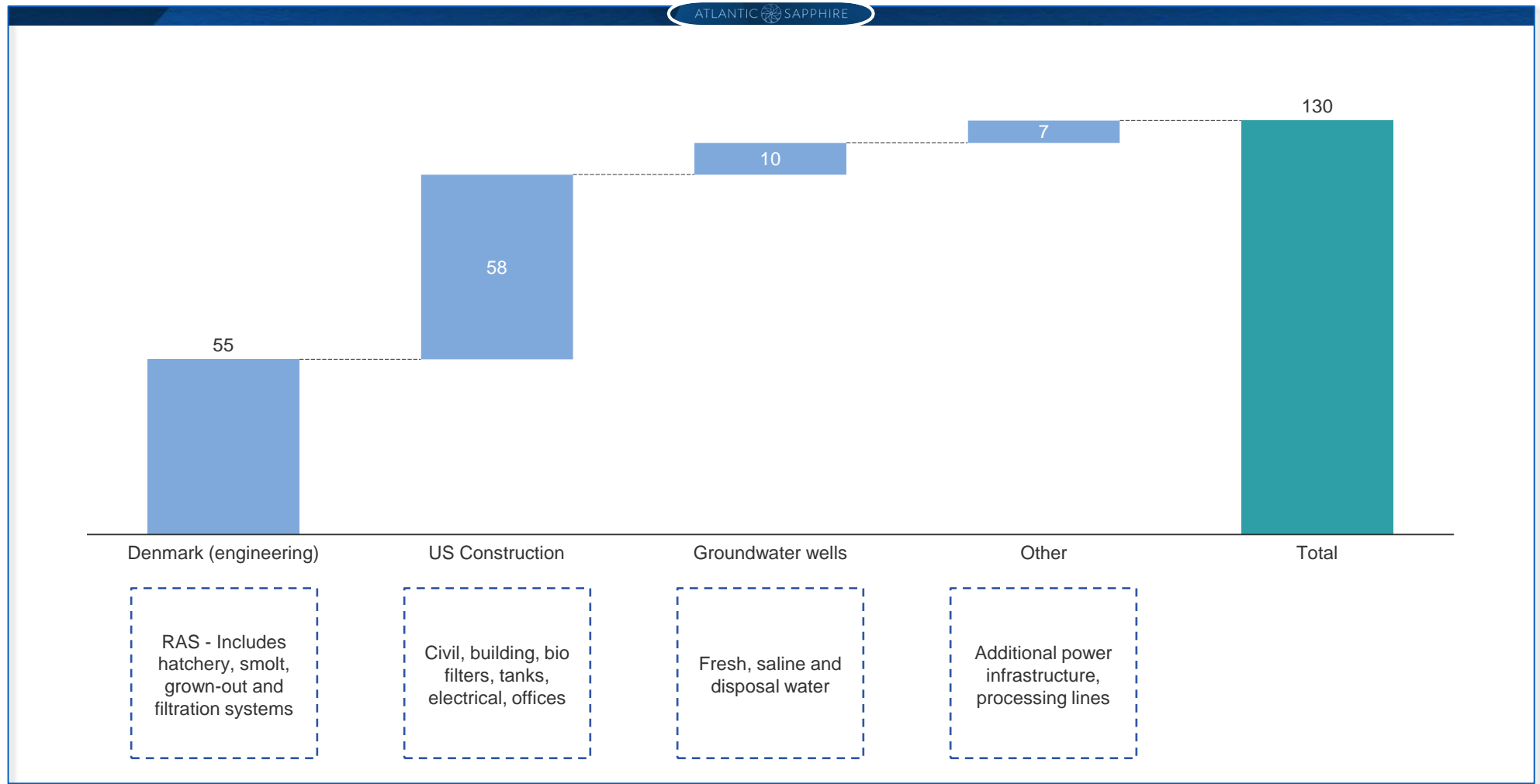
EBIT/kg(HOG) (USD)

# A-14 Financial and Operational Targets – Atlantic Sapphire Denmark

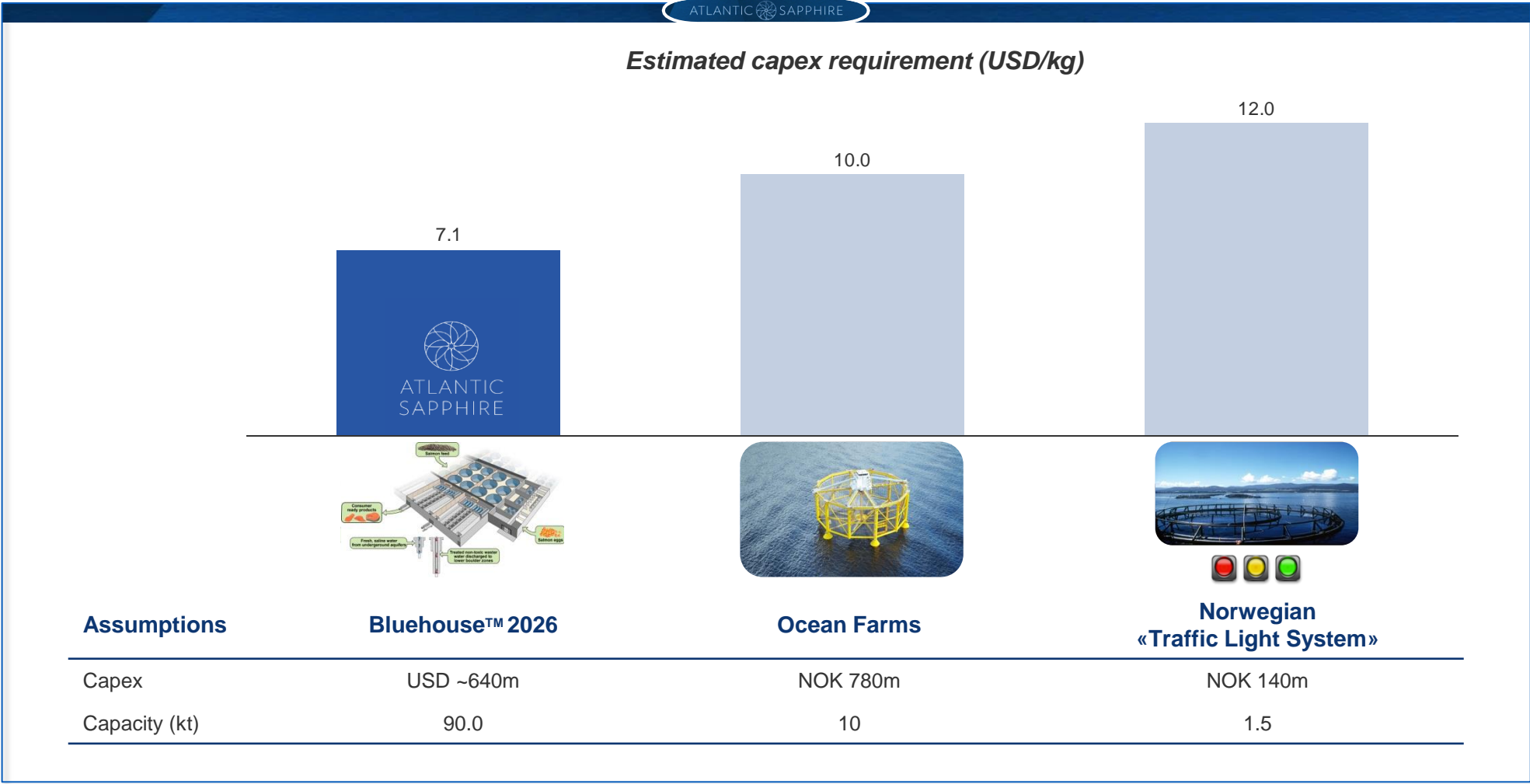


EBIT/kg(HOG) (USD)

## A-14 US Capex Analysis (USDm)



# A-14 Alternative Sources of Supply Growth



Assumptions:  
USD/NOK 7.8  
Capacity estimate for traffic light growth is based on HOG production/MAB of 1.5

## A-14 Potential Concerns and Mitigating Factors (1 of 2)

ATLANTIC SAPPHIRE	
Potential concerns	Mitigating factors
<div>1</div> <div>Biological performance</div> <div><i>"I have heard that land-raised farmers struggle to grow their salmon to optimal harvest weights"</i></div>	<ul style="list-style-type: none"><li>✓ Investments in technology/intake water (firewall) and continued process innovation</li><li>✓ Optimization of flow, CO<sub>2</sub> stripping, particle removal</li><li>✓ Management of stocking density levels, water temperature and feeding processes</li></ul>
<div>2</div> <div>Biohazard management</div> <div><i>"How is biohazard, disease and intoxication risk being managed in the closed environment?"</i></div>	<ul style="list-style-type: none"><li>✓ Multiple independent water system design diversifies risk as production increases</li><li>✓ Investment in cutting edge technology including sensors, filters and other equipment</li><li>✓ Strong and improving operating procedures based on extensive experience</li></ul>
<div>3</div> <div>Water infrastructure management</div> <div><i>"There are regulatory risks related to water rights &amp; water infrastructure management"</i></div>	<ul style="list-style-type: none"><li>✓ All groundwater rights are in place - the intake and discharge wells are common in Florida and used for several decades with low operational risk, redundant intake water well field</li><li>✓ Water is from a bio-secure, contained, artesian aquifer where water is filtrated by nature through limestone rock</li></ul>

## A-14 Potential Concerns and Mitigating Factors (2 of 2)

ATLANTIC SAPPHIRE		Potential concerns	Mitigating factors
		<div>4</div> <div>Construction management</div> <p><i>"How can we be sure that the constructions are built in time and to the planned cost?"</i></p>	<ul style="list-style-type: none"><li>✓ Leading Denmark / US multidiscipline, pre-construction services and construction management team</li><li>✓ Facility will be constructed with a guaranteed maximum price agreement with one of the larger US contractors</li></ul>
		<div>5</div> <div>Industry cost of production</div> <p><i>"Will Atlantic Sapphire be cost competitive?"</i></p>	<ul style="list-style-type: none"><li>✓ Global production for the next 5 years expected to be constrained by regulations and biological issues</li><li>✓ Strong demand fundamentals - increasing US consumption per capita expected</li></ul>
		<div>6</div> <div>Natural disasters</div> <p><i>"How to deal with hurricanes and flooding in Florida?"</i></p>	<ul style="list-style-type: none"><li>✓ Site is located 15 miles inland, natural elevation 5.5 ft above sea level; being elevated to 12.3 ft to be above statistical 100 years flood</li><li>✓ Back-up generators and oxygen tanks with 5 day autonomous capacity, and standing refueling contracts</li></ul>



## A-15 Atlantic Sapphire Denmark – Phase 2 Construction In Progress

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Grow-Out Tanks And Bio-Filters

## A-15 Atlantic Sapphire Miami – Phase 1 Construction In Progress



Construction On Track – Eggs In The Hatchery Targeted For Q4, 2018



## A-15 Atlantic Sapphire Miami – Phase 1 Construction In Progress

ATLANTIC SAPPHERE



Post-Smolt Foundations Underway – Fresh Water Tanks On Site

ATLANTIC  SAPPHIRE