


ATLANTIC SAPPHIRE®


Estimated Fully Funding of Phase 2 Expansion

28th June 2022

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SUMMARY OF KEY RISK FACTORS (1/2)

SUMMARY OF RISK FACTORS

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If any of the risks were to materialize, individually or together with other circumstances, it 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 not the only risks faced by the Group. 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 below is not intended to provide an indication of the likelihood of their occurrence nor of their severity or significance.

Risks relating to the Group and its business and the industry in which it operates

- The Group's operations involve inherent risks relating to control and stability of conditions in its facilities, which could adversely impact production and financial performance.
- Land-based salmon farming is a new, technology intensive method of salmon farming. If the Group is unable to effectively compete with existing methodologies, the Group's business and financial prospects would be adversely impacted.
- The Group has incurred operating losses in the past, expects to incur operating losses in the future and may not achieve or maintain profitability in the future.
- The Group is dependent on consumer demand, consumer preferences and the market price for farmed salmon, which are all subject to significant fluctuations and could have an adverse effect on its business and operating results.
- The Group has a limited operating history and the Group's past financial results may not be indicative of its future performance.
- The Group's operations are in areas exposed to natural disasters, such as flooding, tropical storms and hurricanes.
- The Group relies on a limited number of suppliers, manufacturers and third-party contractors to manage its systems and for production of its products and a failure of any of these partners to perform contracted service or a loss of any such partners could negatively affect its business.
- The Group's intellectual property rights are valuable, and any inability to protect them could reduce the value of its business and products.
- Cybersecurity risks could adversely affect the Group's business and disrupt its operations.
- The Group's future success depends on the continuing efforts of its key employees and its ability to attract and retain highly skilled personnel and senior management.
- The Group has grown rapidly in recent years and has limited operating experience at its current scale of operations. If the Group is unable to manage its growth effectively, its company culture and financial performance may suffer.
- The Group's business involves certain operating risks and the Group's insurance may not be adequate to cover all insured losses or liabilities that the Group might incur in operations.
- A delay in the completion of, or cost overruns in relation to, the construction of the Homestead Bluehouse, and any inability to acquire further land plots, may affect the Group's ability to achieve its operational plan and full schedule of production, thereby adversely impacting the Group's business and results of operations.

SUMMARY OF KEY RISK FACTORS (2/2)

SUMMARY OF RISK FACTORS

- The industry in which the Group operates is competitive and subject to technological changes, and the Group may be unable to compete effectively in these markets.
- The Group is currently involved in a dispute with a former contractor, and is subject to risks related to disputes and litigation.

Risks relating to laws and regulations

- The Group's business and operations is subject to extensive laws and regulations and the Group's failure to comply with such laws and regulations could negatively affect its business.

Financial risks

- The Group may require additional capital in the future in the case of cost overruns related to Phase 2 and realise the Group's further business plan.
- Covenants in the Group's Credit Facility and related security documents may restrict its operations, and if the Group does not effectively manage its business to comply with these covenants, its financial condition could be adversely impacted.

Risks relating to the Shares

- Future issuances of Shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Share.
- The market value of the Shares may fluctuate.

Announcing Estimated Full Financing of Phase 2 to Reach ~25,000t HOG Annual Production

Strong Basis:
Global Leader in Land-Based Salmon Farming

- ✓ ~$500m invested to create the world's leading land-based salmon farm
- ✓ Massive infrastructure built in one strategic location with unique water access
- ✓ On track to reach steady production for Phase 1
- ✓ Established market position with ~2,000 US locations already carrying Bluehouse salmon, retailing at a premium price point
- ✓ Highly supportive macro environment for sustainable, locally-produced and delicious salmon

$ = USD

Estimated To Be Fully Financed with Buffer to Reach ~25,000t HOG Annual Production:

- ✓ On track to reach Phase 1 production target of annualized ~9,500 tons HOG and operational cash flow in 4Q22 from high-performing new batches
- ✓ DNB has credit approved a commitment of $118m of debt towards Phase 2 development – ongoing process with Farm Credit to extend maturity for $12m of debt already committed
- ✓ Phase 2 brings total production to ~25,000 tons p.a. and is estimated to be fully financed by the bank commitment and contemplated equity raise
- ✓ Robust growth path and capex schedule at the Company's sole discretion

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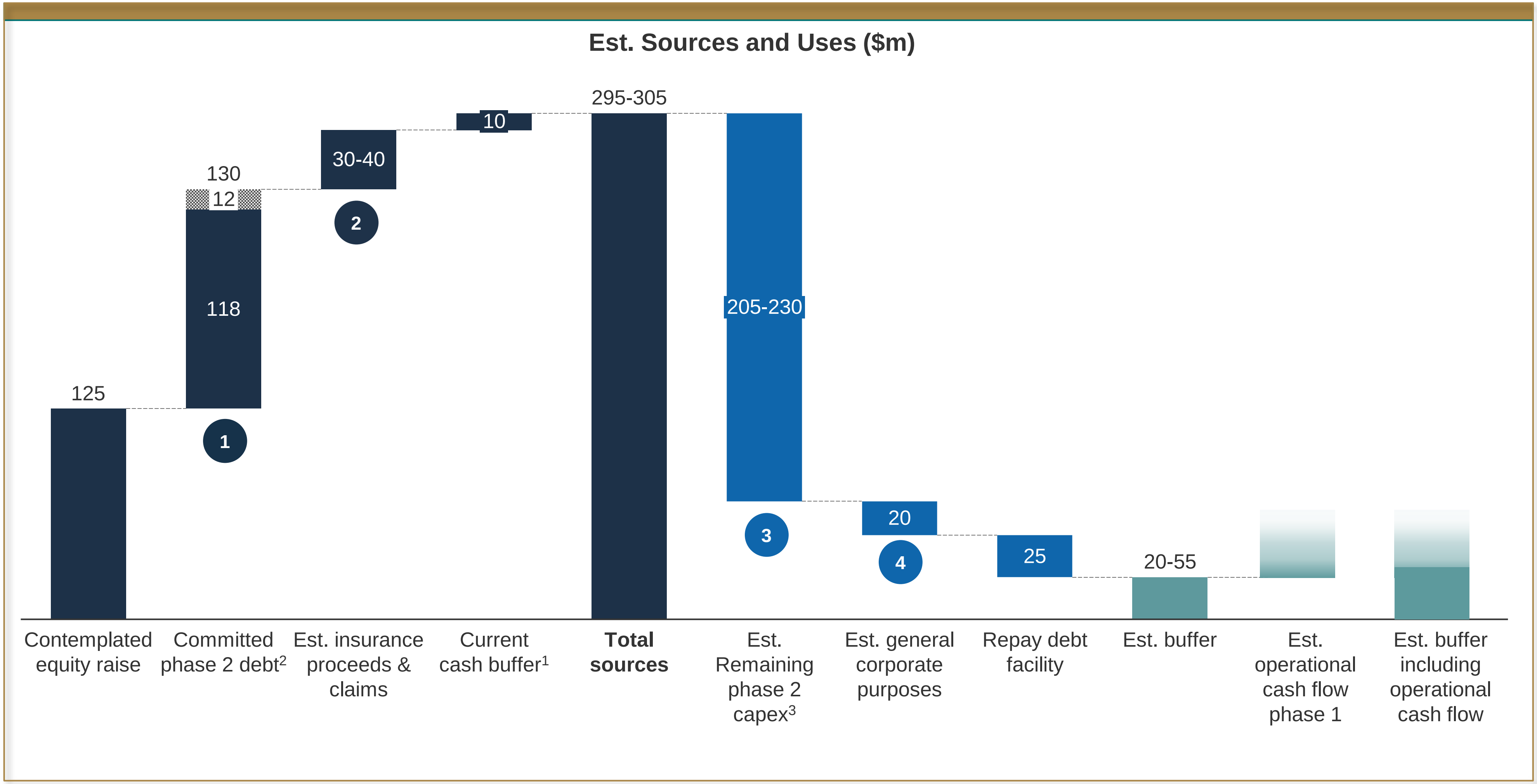
Estimated Fully Funding Phase 2 Expansion and Reaching Steady State Phase 1



1) As of June 2022

2) DNB has credit approved a commitment of $118m of debt towards Phase 2 development (drawdown subject to operational and financial incurrence tests) – ongoing process with Farm Credit to extend maturity for $12m of debt already committed.

3) Based on an current estimate of total Phase 2 capex of $275-300m and $70m being spent as of H1 2022.

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Sources & Uses

Sources	Uses

Sources

- **Contemplated equity raise ($125m)**

1 **Committed Phase 2 term debt ($130m)[1]**
- DNB has credit approved an extension (to April 2024) and commitment of the $98m term loan and $20m term loan
- Farm Credit has not yet concluded its credit process for the extension of its $12m term loan
- The facility will be available subject to a one-time fulfilment of new incurrence tests related to operational (harvest volume[3]) and financial performance metrics (EBITDA[3])
  - The Company believes there is sufficient headroom in the incurrence tests compared to budget

2 **Potential insurance proceeds and claims ($30-40m)**
- Ongoing insurance case to recoup direct extra costs from rental of external chillers due to breakdown of the Phase 1 chiller plant
- Additional claims tied to Phase 1 construction challenges

- **Cash buffer as of June 2022 (~ $10m)**

Uses

3 **Remaining Phase 2 Capex ($205-230m)**
- Updated Phase 2 capex estimate at $275-300m, of which $70m has already been invested as at H1 2022
- Remaining uncertainty on the capex estimate due to global supply chain disruptions and inflationary pressure, leaving certain up- and downside on the final figure versus estimated range

4 **General corporate purposes ($20m)**
- Fund current negative operational cash flow until Phase 1 is expected to reach steady state in Q4 2022
- Installments on drawn term debt
- Majority of remaining biomass build up for Phase 1 is expected to be funded through current working capital facility of $20m[2]

- **Repayment of $25m Credit Facility announced 31.03.2022**
- **Buffer including potential insurance proceeds & claims ($20-55m)**

The Contemplated Equity Raise Together With the Committed Bank Debt Estimated To Ensure Funding With an Buffer

1) Existing drawn term debt: Extension to April 2024 for the maturity of $30m of the current drawn term debt of $50m has been credit approved. The amended credit agreement is expected to be formalized through updating documentation in July. $20m of drawn debt matures April 2023 as per the original credit agreement from April 2020 and The Company is working with Farm Credit to extend the facility accordingly.
2) Similar to Phase 1, the Company expects to finance majority of biomass build up for Phase 2 through a working capital facility, but no such facility is currently in place
3) Harvest volume = a minimum required annualized production level to be maintained for at least two months. EBITDA = (i) aggregate positive EBITDA over the last three months prior to drawdown and (ii) a minimum EBITDA level

Maintaining Flexibility to Optimize Terms on Phase 2

Phase 2 capex status as of 21 June, 2022

- ~$70m invested to date
- Inflationary pressure on the Phase 2 capex budget
- Current estimate for total Phase 2 capex is $275-300m,
    - The Company is focused on value engineering and is working with sub-contractors to optimize cost and quality for outstanding Phase 2 Capex items

Estimated project completion

- Working to minimize the impact of construction and global supply chain issues on the timeline (e.g. concrete delivery delays)
- Current estimate is completion H1 2024 – quality and cost optimization prioritized over building speed
- The Company decides when and how funds should be deployed towards Phase 2

Phase 1 & 2 aerial view (June 9, 2022)

The Timing of Phase 2 Construction Spending Remains at the Company's Discretion

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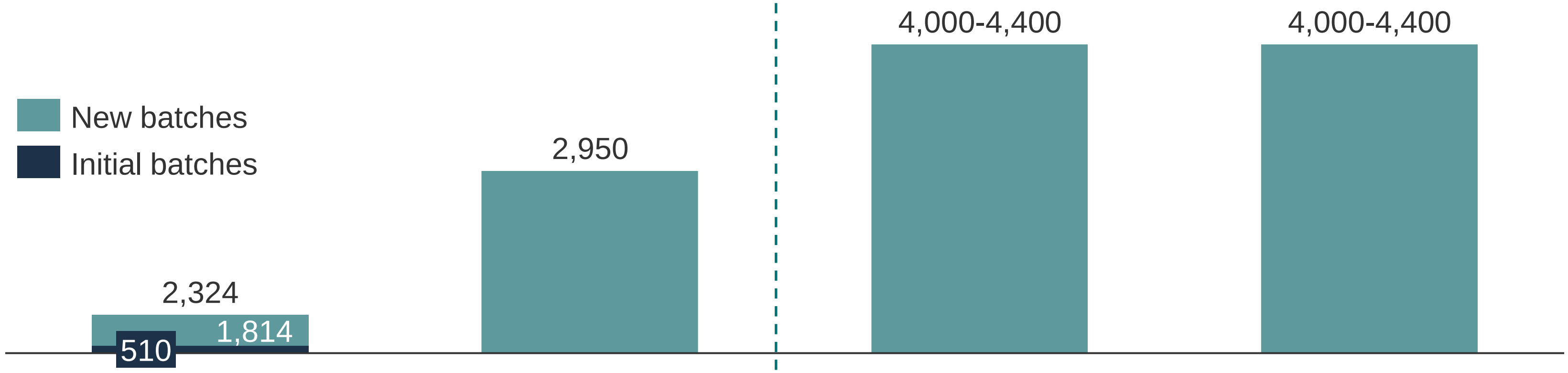
Expect To Reach Run Rate Harvest Volumes in Q4 2022

Standing biomass build-up Phase 1 (t RLW)



	Q1 2022	15 June 2022	Q3 2022E	Q4 2022E
Other key milestones	✓ Stable production environment, focusing on transition into high-performing New Batches	✓ Insurance settlement of 180 DKKm from the fire at the Denmark facility, to be allocated to US operations and Phase 2 construction	✓ Finalize 100% design of Phase 2 ✓ Higher price achievement expected from harvesting the New Batches ✓ New filleting line in operation	✓ First quarter with steady state production ✓ Transition into profitability

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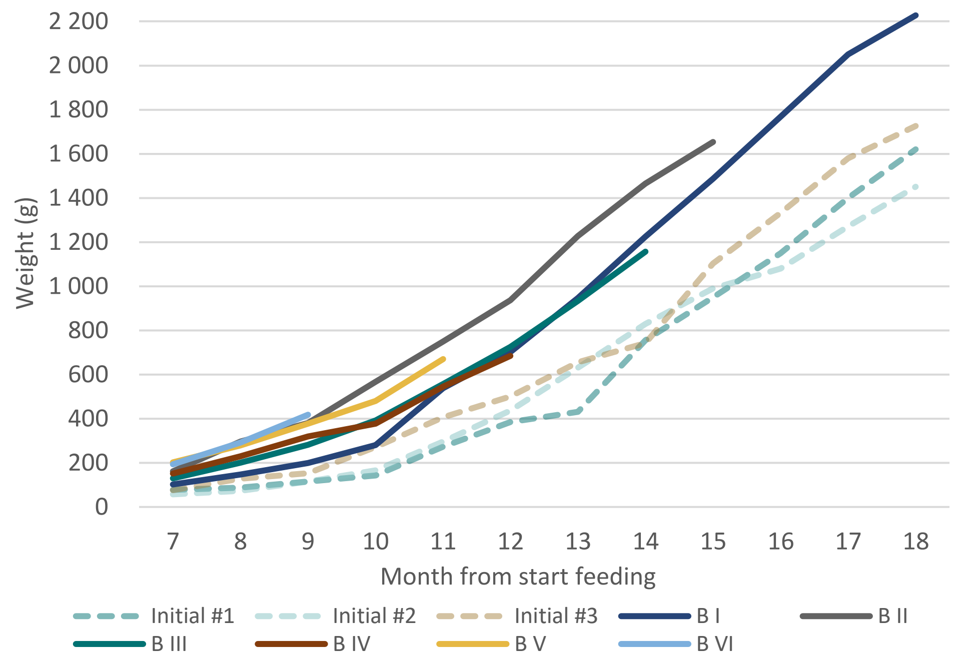
Appendix

Biological Performance – New Batches

Batches introduced from mid-2020 have had stable conditions and deliver good biological performance

- Low mortality and eFCR in line with expectations
- Test harvest was completed in late May, no elevated maturity observed
- New Batches are currently tracking ~10% below the internal growth model
  - Clear action items are being implemented to reach the targeted growth rate

Biomass gain[1] of Initial Batches vs. New Batches



Focus Is On The New Batches

1 Time from introduction into start feeding. The graph shows the fish in salt water.

Biological Performance

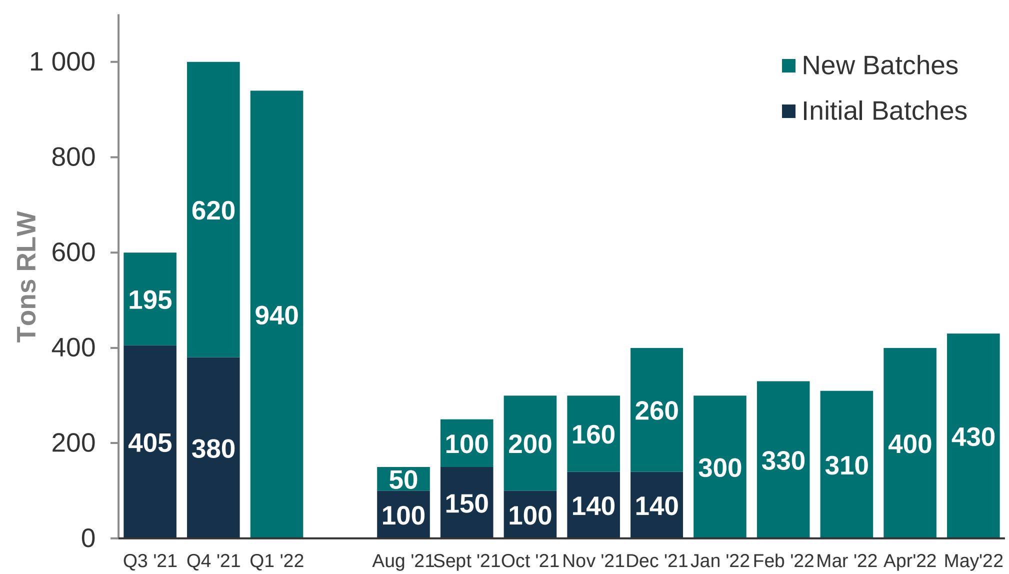
Highlights of the month

- New Batches continue to perform good and represent all the net biomass gain in 2022
- May 2022 harvest volume of ~140t HOG
- Expect low June harvest due to installation of new filleting line
  - Improved processing yields and lower cost

Water quality

- A necessary repair of a well pump caused instability in water salinity, resulting in reduced feeding the two first weeks of May
- Feeding, water quality and appetite has been good thereafter

Biomass gain[1, 2, 3] development



Under Stable Conditions, Biomass Gain Of New Batches Is Increasing Steadily

1 Biomass gain: Estimated net change in standing biomass in the period, adjusted for actual harvest volumes. Includes any culling or mortality.

2 2022 biomass gain for Initial Batches: Elevated mortality and harvest weight deviations on the Initial Batches contributed with a negative biomass adjustment, which is excluded from the biomass gain development overview. In May '22, the negative biomass adjustment was 37t RLW.

3 April 2022 biomass gain was adjusted downward by 20t RLW compared to the figure in the April 2022 Monthly Update.

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Biological Performance – Detailed Overview

US standing biomass overview[1] as of May 31, 2022

May 31, 2022	Number	Average Weight (grams)	Standing Biomass (kg RLW)	Quarter introduced in start-feed	Comment
Initial batches[2]	30k	2,665	80,000		Groups exposed to uneven and suboptimal conditions early in the cycle (chiller plant breakdown, key water treatment tools missing)
B I	400k	2,225	890,000	Q4 '20	Stable conditions in line with plan
B II	395k	1,660	655,000	Q1 '21	Stable conditions in line with plan, March '22 mortality not expected to impact future performance
B III	355k	1,155	410,000	Q2 '21	Stable conditions in line with plan
B IV	180k	685	123,000	Q2 '21	Fungus in hatchery stage, stable conditions thereafter
B V	330k	680	225,000	Q2 '21	Stable conditions in line with plan
B VI	315k	415	130,000	Q3 '21	Stable conditions in line with plan
Freshwater[3]	2,085k	89	185,000		Stable conditions in line with plan
Total	**4,085k**		**2,698,000**		

Only New Batches In The Farm From July Onwards

1 The biomass overview is based on management estimates, and may change based on counting and weighting sampling
2 Remaining batches introduced before mid-2020, that have not had stable conditions and therefore have mixed biological performance
3 Excluding eggs in the hatchery

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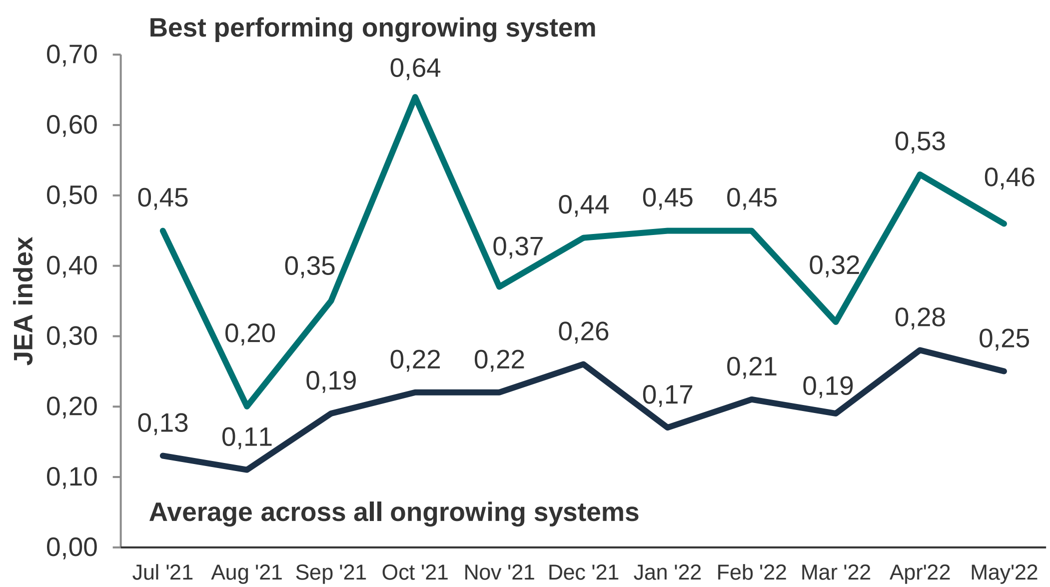
Biological Performance – JEA Index

Comments

- ~65% of the planned 'Ph. 1 steady state' standing biomass was stocked end of May 2022
  - ~97% of standing biomass is New Batches
- Average JEA index will increase gradually with growing standing biomass
- 12 identical saltwater ongrowing systems
- Budget JEA Index of 0.47 in Phase 1, which yields ~9,500t HOG of annual production

JEA index[1, 2]



JEA Index To Increase With Growing Biomass

1 Johan E. Andreassen (JEA) Index on operational performance based on management estimates: kg RLW biomass gain per m3 per day in the systems in use

2 Apr '22 biomass gain for Initial Batches: Elevated mortality and harvest deviations on the Initial Batches contributed with negative 37t RLW of biomass adjustment, which is excluded from the JEA index overview

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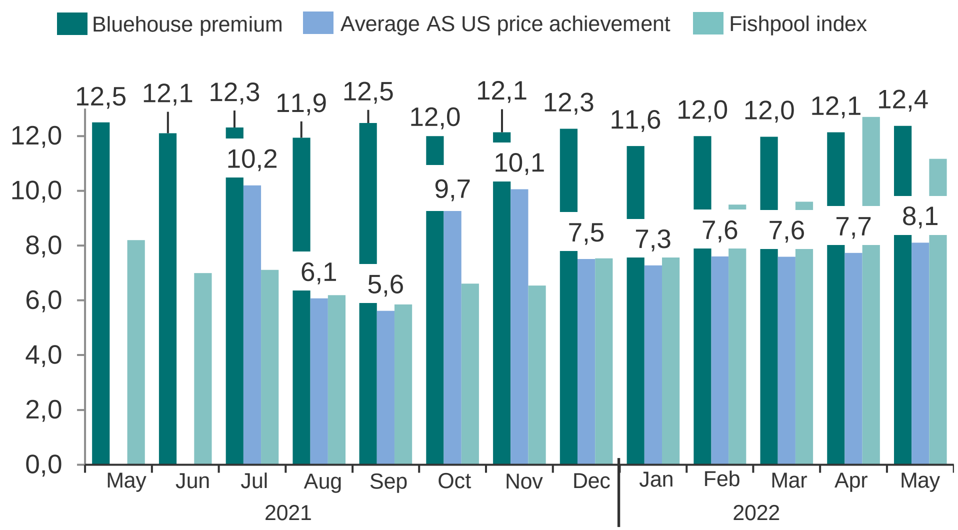
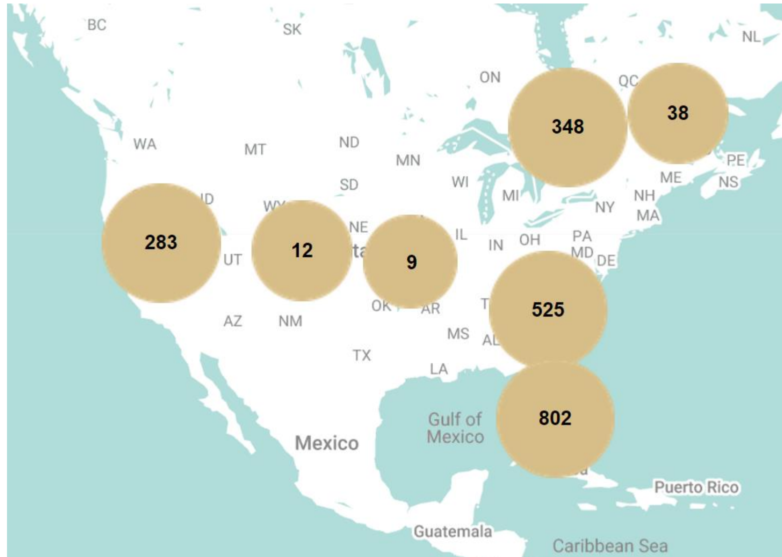
Price Achievement and Footprint

US price achievement – premium fish (superior, 3kg+) and average – USD/kg RTF[2]



~2,000 locations carrying Bluehouse Salmon[1]



Consistently High Price Achievement For Premium Bluehouse Salmon

1 Bluehouse Salmon store locator is updated 'live' at bluehousesalmon.com/where-to-buy/
2 Atlantic Sapphire 'Bluehouse premium' is fresh, superior, 3kg+ salmon on Return To Farm basis (excluding freight costs). Fishpool index price converted to USD using Norges Bank fx rates

KEY RISK FACTORS (1/8)

1 RISK FACTORS

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If any of the risks were to materialize, individually or together with other circumstances, it 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 not the only risks faced by the Group. 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 below is not intended to provide an indication of the likelihood of their occurrence nor of their severity or significance.

1.1 Risks relating to the Group and its business and the industry in which it operates

1.1.1 The Group's operations involve inherent risks relating to control and stability of conditions in its facilities, which could adversely impact production and financial performance

The Group's operations depend on control and stability of the systems used to develop and grow salmon, many of which are outside of the Group's control. The technology used in land-based salmon farming involves inherent risks, in particular related to; (i) management of gas levels resulting in oversaturation, (ii) management of water quality, (iii) periodic recycling of water, and (iv) mechanical risks such as the interruption of power supply and single points of mechanical failure (for example, with respect to the injection wells and dependency on central energy system). The Group has experienced two mortality incidents in its former Denmark Bluehouse and two in the Homestead Facility; (i) in 2017, the mortality incident at its Denmark Bluehouse was due to hydrogen sulphide poisoning caused by clogging (sedimentation build-up) in certain biofilters, (ii) in 2020, higher nitrogen levels than desired at its Denmark Bluehouse caused a mortality incident, (iii) in July 2020, Atlantic Sapphire USA, was forced to initiate an emergency harvest from one of its grow-out systems and the reason was assumed to be disruptive construction work close to the operating environment, including loud sounds and severe vibrations, which stressed the fish. There was no indication of intoxication or disease being the cause of this event, and (iv) in March 2021 at the Homestead Facility, significant amounts of particles flowed from the drum filters (particle filtration systems) into the biofilters and trickling filters. This evidences that any change or interruption in the operation and management of these systems, including changes in nitrogen and hydrogen sulphide levels in the various tanks, could result in fish mortality, thereby adversely impacting production and the Group's revenues.

The Group further experienced a mortality event when a fire erupted in the Denmark Bluehouse facility on 15 September 2021, also resulting in material and substantial damages to the facility.

1.1.2 Land-based salmon farming is a new, technology intensive method of salmon farming. If the Group is unable to effectively compete with existing methodologies, the Group's business and financial prospects would be adversely impacted.

The Group is applying recirculating aquaculture systems ("**RAS**") to farm salmon in land-based facilities, creating a new alternative to sea-based net pen salmon farming. The Group faces significant competition from existing, well-established and low-cost alternatives within sea-based net pen salmon farming, and, in the future, the Group expects to face competition from established players as well as new market entrants given that the technology surrounding land-based salmon farming, as well as solutions for traditional and offshore fish farming, is rapidly evolving. In addition, consumers may be hesitant to switch to the Group's products. Further, while the Group works to complete the Homestead Bluehouse, competitors may be able to capitalize on the Group's work towards solutions and know-how for land-based salmon farming, and through work-arounds of the Group's intellectual property rights (as further described under Section 1.1.8 below), to compete more effectively with sea-based net pen farming. As the industry evolves, the Group expects to become subject to additional competition. In addition, the Group's competitors may adopt certain of the Group's technology and innovations in a more cost-effective manner. The Group's inability to effectively compete with existing farming methods and increased competition from other land-based farming companies and methods for land-based farming such as flow-through technology could result in, among other things, a reduction of the Group's revenue. For all of these reasons, the Group may not be able to compete successfully against its current and future competitors. The Group's inability to compete effectively would have an adverse effect on, or otherwise harm, its business, financial condition and operating results.

KEY RISK FACTORS (2/8)

1.1.3 The Group has incurred operating losses in the past, expects to incur operating losses in the future and may not achieve or maintain profitability in the future

The Group has incurred operating losses each year since its inception in 2010 and expects to continue to incur net losses for the foreseeable future. The Group expects its operating expenses to increase in the future as it increases its sales and marketing efforts, continues to invest in research and development, expands infrastructure and develops by-products. These efforts and related expenses may be more costly than expected, and the Group cannot guarantee that it will be able to increase its revenue to offset its operating expenses. The Group's operating expenses have increased recently due to general price increases as a result of rising inflation, and the Group has highly limited possibilities in countering such price increases by choosing alternative vendors, materials or similar. The Group's operating expenses compared to revenue will also increase if the Group is not able to reach projected harvest volumes going forward, for example if the planned expansion of the Homestead Bluehouse does not lead to a corresponding increase in harvest volumes. Revenue growth may slow, or revenue may decline for a number of other reasons, including reduced demand for the Group's product, increased competition, a decrease in the growth or reduction in size of the Group's overall market or if the Group cannot capitalize on growth opportunities. If the Group's revenue does not grow at a greater rate than its operating expenses, the Group will not be able to achieve and maintain profitability. All of the above factors will affect the Group's business, financial conditions and operating results and will have a material adverse effect on the Group if it is not able to handle its operating expenses in a satisfactory manner or if the Group's projected revenue growth from time to time is not realized.

1.1.4 The Group is dependent on consumer demand, consumer preferences and the market price for farmed salmon, which are all subject to significant fluctuations and could have an adverse effect on its business and operating results

The Group's financial position and future development depend on consumer demand, consumer preferences and the market price for farmed salmon, which are all subject to significant fluctuations.

The development of wholesale, food service and retail consumer preference for the Group's land-based farmed salmon over other farmed salmon, wild-caught salmon or other seafood is critical to the Group's growth and expanding demand for its products. Therefore, a failure to obtain and increase wholesale, commercial and retail consumer acceptance of the Group's product could have a material adverse effect on the Group's growth, as well as its financial position, liquidity, results of operations and cash flows.

In addition, the Group depends on consumers' willingness to pay a premium price for healthy, sustainably farmed salmon, such as the Group's salmon farmed in its Bluehouses. There can be no assurance that consumers will be willing to pay premium prices or that demand for farm-raised salmon will not decrease in the future. As a result of the long production cycle, the Group has limited flexibility to manage its harvest volumes and supply. Decreases in the prices of farmed salmon would in turn have an adverse effect on, or otherwise harm, the Company's business, financial condition and operating results.

1.1.5 The Group has a limited operating history and the Group's past financial results may not be indicative of its future performance

The Group began operations in 2010 and has a limited history of generating revenue, especially in a steady state production phase. As a result of the Group's short operating history, the Group has limited financial data that can be used to evaluate its current business. Therefore, the Group's historical revenue growth should not be considered indicative of future performance. Estimates of future revenue growth are subject to many risks and uncertainties, such as the successful growth cycle of the first salmon hatched and raised in the Homestead Bluehouse, and future revenue may differ materially from projections. The Group has encountered, and will continue to encounter, risks and difficulties frequently experienced by growing companies in rapidly changing industries, including technological challenges, risk of critical mechanical failures, third-party risk, human error, market acceptance of products and increasing competition and expenses as the Group expands its business. The Group cannot be sure that it will be successful in addressing these and other challenges it may face in the future, and its business may be adversely affected if it does not manage these risks.

1.1.6 The Group's operations are in areas exposed to natural disasters, such as flooding, tropical storms and hurricanes

The Group's main facility is located in Homestead, Florida (the Homestead Bluehouse), which is in an area prone to exposure to tropical storms and hurricanes from June to November each year and, in particular, at risk of storm surge as a result of Category 4 or higher storms. In addition to flooding, hurricane force winds could cause severe damage to the Group's facility and systems and interrupt power supply, therefore leading to the closure of the Group's main operating facility and the loss of biomass. There can be no assurance that a potential future hurricane or other severe weather conditions will not adversely affect the Group's facility. A tropical storm or hurricane would adversely impact the Group's business, financial condition and operating results.

KEY RISK FACTORS (3/8)

1.1.7 The Group relies on a limited number of suppliers, manufacturers and third-party contractors to manage its systems and for production of its products and a failure of any of these partners to perform contracted service or a loss of any such partners could negatively affect its business

The Group relies on third-party contractors, manufacturers and suppliers inter alia to provide design and technological services to its facilities and to provide feed, salmon eggs and other production input. In particular, the Group relies on certain contractors in connection with the design and maintenance of its RAS systems, which are complex and delicate systems that require precise and immediate attention. The Group has, for example, previously experienced an issue with the stability of its supply of bulk liquid oxygen, which the Group relies on to maintain necessary water quality. Although the Group can temporarily reduce its reliance on and consumption of liquid oxygen, a prolonged shortage of liquid oxygen will have a material adverse effect on water quality and ultimately the Group's biomass. The Group depends on these contractors and suppliers for the seamless operation of its infrastructure. The performance from such third-party contractors and suppliers are outside of the control of the Group. The failure of such third-party providers to perform could lead to technical errors, the loss of power, limits in capacity, breaches in routine and system failures, all of which could result in fish mortality and the loss of biomass, which would in turn have an adverse effect on, or otherwise harm, the Group's reputation, business, financial condition and operating results. Especially during seasons of peak demand, a failure to perform could cause the Group to experience a significant disruption in its ability to produce and deliver product to its customers.

If the Group needs to replace an existing supplier or partner, it may be unable to supplement or replace them on acceptable terms without business interruption, incurring material additional costs and/ or substantial delays, which may undermine the Group's production capacity and quality. For example, it may take a significant amount of time to identify a feed supplier that has the capability and resources to provide enough feed of the correct quality and composition to meet the Group's daily needs to meet growth projections. Identifying suitable suppliers, manufacturers and contractors is an extensive process that requires significant time investment from the Group and key executives. Accordingly, a loss of any of the Group's significant suppliers, manufactures or partners could have an adverse effect on its business, financial condition and operating results.

1.1.8 The Group's intellectual property rights are valuable, and any inability to protect them could reduce the value of its business and products

The Group's success depends in large part on its proprietary technology and patents, trade secrets, trademarks and other intellectual property rights. The Group relies on, and expects to continue to rely on, a combination of trademark, trade dress, copyright, trade secret and patent laws, as well as confidentiality and license agreements with its employees, contractors, consultants and third parties with whom it has relationships, to establish and protect its business and intellectual property rights. The Group's long-term competitive advantage depends, in part, on its ability to protect its intellectual property rights. The Group is currently working on numerous other patent applications which are currently pending. However, there can be no assurance that the Group's intellectual property rights will be sufficient to protect against other building facilities that are substantially similar to the Group's and that compete with its business. The Group's current patents relating to its core technology are only registered in the United States. There is a general risk of third parties attempting to use substantially similar technology to build competing business, both in the United States and other jurisdictions. Competitors could attempt to work around the Group’s registered intellectual property rights, thereby trying to achieve the same results without necessarily infringing the Group’s rights.

The Group's intellectual property rights may be challenged, which could result in them being narrowed in scope or declared invalid or unenforceable. In order to protect the Group's intellectual property rights, the Group may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce the Group's intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of its intellectual property. Furthermore, the Group's efforts to enforce its intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of its intellectual property rights. The Group's failure to secure, protect and enforce its intellectual property rights could seriously damage its business.

1.1.9 Cybersecurity risks could adversely affect the Group's business and disrupt its operations

KEY RISK FACTORS (4/8)

Threats to network and data security are increasingly diverse and sophisticated and the Group's servers, computer systems and those of third parties that it uses in its operations are vulnerable to cybersecurity risks, For example, the Group's operations depend on the maintenance and monitoring of water quality in general, and in particular keeping various gases in the tanks at specific levels, and such maintenance and monitoring depend to a large extent on uninterrupted performance of the Group's IT systems. Maintaining sufficient water quality is critical for the growth and wellbeing of the Group's biomass. Any cyber-attack or other security breach could jeopardize the performance of the Group's IT systems leading to a disruption or tampering of the Group's systems and, potentially, the loss of biomass. Any cyber-attack that attempts to disrupt system service or otherwise access IT systems of the Group or those of third parties which the Group uses, if successful, could adversely affect the Group's business, financial condition and operating results and be expensive to remedy.

1.1.10 The Group's future success depends on the continuing efforts of its key employees and its ability to attract and retain highly skilled personnel and senior management

The Group's future success depends, in part, on its ability to continue to identify, attract, develop, integrate and retain qualified and highly skilled personnel, including senior management and engineers. In particular, the Group is highly dependent on the services of Johan E. Andreassen, the Chief Executive Officer of Atlantic Sapphire USA and co-founder of the Company, who is critical to the development of the Group's business, future vision and strategic direction. Andreassen may terminate his employment with 30 days written notice upon his convenience. If Andreassen were to terminate his employment or involvement with the Group, this may have a material adverse effect on the business and prospects of the Group, as it may not be able to find a suitable replacement on a timely basis, or at all, nor without incurring increased costs for the Group.

Competition for highly skilled personnel is often intense, especially in the salmon farming industry, which is of limited size. Further, the Group is developing operations in a geographic area where salmon farming did not previously exist and, therefore, is dependent on highly skilled personnel relocating from other areas. The Group may not be successful in attracting, integrating or retaining qualified personnel to fulfil its current or future needs. The Group has from time to time experienced, and it expects to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. If the Group choose to terminate the employment of one its employees, it may be met with claims for severance payments as well as law-suits for wrongful termination, which is more common in the US labour market than in the labour markets of comparable countries, and such severance payments and/ or law suits may affect the Group's financial position and divert management from the Group's business. The Group has agreed customary non-compete and non-solicitation provisions in the employment agreements of its key management, but there is a clear risk that such provisions may be difficult to enforce, or not possible to enforce at all, which implies a risk that former employees become involved in competing businesses or entice other employees away from the Group.

In addition, job candidates and existing employees often consider the value of the equity-linked awards they receive in connection with their employment. If the value of the Company's Shares declines, it may adversely affect the Group's ability to hire or retain highly skilled employees. In addition, the Group may periodically change its equity-linked compensation practices, which may include reducing the number of employees eligible for equity-linked awards or reducing the size of equity-linked awards granted per employee. If the Group is unable to attract, integrate or retain the qualified and highly skilled personnel required to fulfil its current or future needs, the Group's business and future growth prospects could be harmed.

1.1.11 The Group has grown rapidly in recent years and has limited operating experience at its current scale of operations. If the Group is unable to manage its growth effectively, its company culture and financial performance may suffer.

The Group has expanded its operations rapidly and has limited operating experience at its current size. For example, between 31 December 2017 and 31 December 2021, the Group's employee headcount increased from 18 to 166, and the Group expects headcount growth to continue for the foreseeable future. Further, as the Group grows, its business becomes increasingly complex. Continued growth could strain existing resources, and the Group could experience ongoing operating difficulties in managing its business across jurisdictions. Successful implementation of the Group's growth strategy will require significant expenditures before any substantial associated revenue is generated and it cannot guarantee that these increased investments will result in corresponding and offsetting revenue growth.

Because the Group has a limited history operating its business at its current scale, it is difficult to evaluate the current business and future prospects, including its ability to plan for and model future growth. This limited operating experience at this scale, combined with the substantial uncertainty concerning how the land-based salmon farming industry may develop, and other economic factors beyond the Group's control, reduces its ability to accurately forecast quarterly or annual revenue. Failure to manage future growth effectively could have an adverse effect on the Group's business, financial condition and operating results.

KEY RISK FACTORS (5/8)

1.1.12 The Group's business involves certain operating risks and the Group's insurance may not be adequate to cover all insured losses or liabilities that the Group might incur in operations

The Group has insurance policies in place with respect to general liability, builder's risk, property damage, flood and workers' compensation. For losses in excess of the Group's self-insurance limits, it maintains insurance from unaffiliated commercial carriers. However, the Group's insurance may not be adequate to cover all losses or liabilities that it might incur in its operations. Furthermore, the Group's insurance may not adequately protect it against liability from all of the hazards of its business. In addition, for certain of these, such as the loss of eggs or biomass, there are limited insurance carriers in the market. The Group has biomass insurance for the Homestead Facility; however, the insurance is limited and involves high deductibles. As a result of market conditions, premiums and deductibles for certain of the Group's insurance policies may substantially increase. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. The Group also is subject to the risk that it may be unable to maintain or obtain insurance of the type and amount it desires at a reasonable cost. If the Group was to incur a significant liability for which it was uninsured or for which it was not fully insured, it could have a material adverse effect on the Group's financial position, results of operations and cash flows.

1.1.13 A delay in the completion of, or cost overruns in relation to, the construction of the Homestead Bluehouse, and any inability to acquire further land plots, may affect the Group's ability to achieve its operational plan and full schedule of production, thereby adversely impacting the Group's business and results of operations

The Group has completed construction of the grow-out systems planned under Phase 1 of the construction on the Homestead Bluehouse. The Group has commenced work to further expand the Homestead Bluehouse through its Phase 2 expansion and in connection with such expansion Atlantic Sapphire USA has entered into contracts with Wharton-Smith Inc ("**Wharton-Smith**") as general contractor and Hazen and Sawyer, D.P.C. with regards to design. Under the Wharton-Smith contract, several individual bid packages with third parties are required in order to complete Phase 2 construction and the works under the contract. Some of the required bid packages are currently being assessed by the Group together with Wharton-Smith and Hazen and Sawyer, D.P.C.

The pricing format has not yet been decided as between the Group and Wharton-Smith, i.e. whether to agree upon guaranteed maximum price, cost plus/time spent basis or otherwise. This is mainly due to the current uncertainty surrounding pricing and scope of the various bid packages.

If the Group elects to agree upon a guaranteed maximum price, there is an inherent risk that the guaranteed maximum price will exceed the price if the work had been carried out on a cost-plus basis. If, on the other hand, the work is carried out with no guaranteed maximum price, the Group runs the risk of cost overruns which potentially could be significant.

Due to the uncertainty surrounding the Group's deliverables and the various bid packages required under the Wharton-Smith contract, construction deadlines and project milestones have not yet been agreed, and there is no active regime for liquidated damages.

The construction work is also subject to risk of delays compared to the construction progress estimated by the Company and Wharton-Smith (whether or not agreed as fixed construction deadlines and project milestones), including if there are delays in engaging sub-contractors or if Wharton-Smith and its sub-contractors are not able to fulfil its obligations on time, the Group may not be able to achieve a full scale of operations in accordance with its business plan which may adversely impact the Group's results of operations. If liquidated damages are agreed upon the Group will be entitled to receive financial compensation from Wharton-Smith under certain circumstances, but Wharton-Smith could fail to compensate the Group for the applicable liquidated damages pursuant to the contracts, which would result in a delay in the Group's ability to collect the same or otherwise prevent the recovery of any such amounts. Furthermore, any delay in the completion of construction may result in a significant decrease in revenues expected to be received by the Group from operations as a result of the commencement of full-scale operations on a date later than originally expected, thereby adversely impacting the Group's business and results of operations.

The construction projects are also subject to other risks that may cause delays or cost overruns, including that recent general price increases as a consequence of rising inflation will affect construction costs and that the recent general supply chain disruptions experienced worldwide lead to delivery delays for necessary parts and equipment. These factors may in turn cause disruption in operations and the need to implement changes in production to adapt to such delays, including the commissioning of systems before final completion, all of which could have a material adverse effect on production and the Group's business, results of operations, cash flows and financial condition.

KEY RISK FACTORS (6/8)

In order to achieve the Group's long-term plan of achieving harvest volumes of 220,000 tonnes HOG, the Group will need to acquire significant tracts of land. The Group currently owns 160 acres of land, enough for approximately half of its 220,000 tonnes business plan. The Group expects that it will be able to purchase additional tracts of land at commercially acceptable terms well ahead of the time such land is needed for further expansion, however no assurance can be given that it will actually be able to make such purchases at commercially acceptable terms or at all.

1.1.14 The industry in which the Group operates is competitive and subject to technological changes, and the Group may be unable to compete effectively in these markets

The Group currently holds a significant number of patents, trademarks and copyrights and has registered, and applied to register, numerous patents, trademarks and copyrights. The Group's ability to compete successfully depends heavily on its ability to continuously innovate production and processing methods for land-based salmon farming. As a result, the Group has historically made significant investments in research and development (R&D) and will continue to invest in R&D to advance its business. There can be no assurance that these investments will achieve expected returns, and the Group may not be able to sustain its development of technologies in this area.

1.1.15 The Group is currently involved in a dispute with a former contractor, and is subject to risks related to disputes and litigation

The Group is currently involved in an arbitration against OHLA Building, Inc. ("**OHL**"), who performed work in connection with the construction of Phase 1 of the Homestead Bluehouse, which is unresolved at the date hereof. In connection with the dispute with OHL, the Group may also, at a later time, file claims towards Billund Aquaculture A/S ("**Billund**"), a company that was engaged by the Group for design work related to Phase 1 and also acted as sub-contractor to OHL in the construction of Phase 1. However, no claim has currently been filed or presented by the Group or Billund. The various Group companies may from time to time also become subject to other legal disputes.

OHL has made a claim for the Group's alleged failure to pay for approved work and change order, in the aggregate amount of approximately USD 4.2 million. The Group is denying that there has been a failure of payment, and has filed a counterclaim in the arbitration, in the aggregate amount of USD 20 million (such number may be adjusted later in the process), on the grounds of alleged faulty workmanship by OHL. The arbitration is currently on hold until early October 2022, awaiting completion of a mediation process with Billund Aquaculture A/S, a company that was engaged by the Group for design work related to Phase 1 and also acted as sub-contractor to OHL in the construction of Phase 1 and which is therefore relevant in seeking an out-of-court settlement of the dispute relating to Phase 1.

Whether or not the relevant Group company involved in a dispute ultimately prevails, legal disputes are costly and can divert management's attention from the Group's business. In addition, the relevant Group company may decide to settle a legal dispute, which could cause the Group to incur significant costs. An unfavorable outcome of any legal dispute could, among other things, imply that the relevant Group company becomes liable for payment of damages which may restrict the Group's ability to realize its projects and business plan and thereby have adverse effects on the Group's business, results of operations, cash flows, financial condition and prospects.

1.2 Risks relating to laws and regulations

1.2.1 The Group's business and operations is subject to extensive laws and regulations and the Group's failure to comply with such laws and regulations could negatively affect its business

The Group's business and operations are subject to extensive laws and regulations, especially within environmental, agricultural and building regulations. Further, the Group's operations are dependent on obtaining and maintaining permits in the United States (and, in particular, Miami-Dade County and the City of Homestead) in connection with construction, operations, water management and processing. To the Company's knowledge, the Group has been granted all federal and state level necessary to carry out its Homestead Bluehouse business at this stage in the construction process, including permits relating to construction, water management and aquaculture certification, and the Group also holds all required permits to produce land-based salmon in Denmark and otherwise carry out business in Denmark, although such permits are not currently being utilized. The Group will need to obtain several additional licenses in the future in order to be able to carry out the contemplated business in the United States at full scale and no assurances can be given that such licenses will be obtained. Any failure to obtain or maintain, or loss of, any of the permits it requires to operate its business could materially impact production and results of operations.

KEY RISK FACTORS (7/8)

Salmon farming is strictly regulated by licenses and permits granted by governmental authorities in the United States. In addition, the Group's operations pose risks of environmental liability, including leakage from its operations to surface or subsurface soils, surface water or groundwater (including the Biscayne Aquifer). Some environmental laws and regulations may impose strict liability, joint and several liability, or both. Therefore, in some situations, the Group could be exposed to liability as a result of its conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, third parties without regard to whether the Group caused or contributed to the conditions. Actions arising under these laws and regulations could result in the shutdown of the Group's operations, fines and penalties, expenditures for remediation or other corrective measures, and claims for liability for property damage, exposure to hazardous materials, exposure to hazardous waste or personal injuries. Sanctions for non-compliance with applicable environmental laws and regulations also may include the assessment of administrative, civil or criminal penalties, revocation of permits, temporary or permanent cessation of operations in a particular location and issuance of corrective action orders. In addition, in certain instances strict liability attached to such permits. For example, the Group's water permit providing for its right to utilise fresh and saline groundwater in from the Biscayne Aquifer is issued with the condition that Atlantic Sapphire USA agrees to hold and save the South Florida Water Management District agency and its successors harmless from any and all damages, claims or liabilities that may arise from the construction, maintenance or use of activities authorised by the water permit. Such claims, sanctions or indemnities and related costs could cause the Group to incur substantial costs or losses and could have a material adverse effect on the Group's business, financial condition, results of operations and cash flow. Future changes in applicable municipal, state, federal and international laws and regulations could adversely affect the Group's business, financial condition and results of operations.

1.3 Financial risks

1.3.1 The Group may require additional capital in the future in case of cost overruns related to Phase 2 and to realise the Group's further business plan

The Group is in a capital-intensive construction phase, where the Group expects to incur significant capital expenditures related to Phase 2. Due to, among other things, the general price increases due to rising inflation and recent global supply chain disruptions it is difficult for the Company to determine with certainty the amount of capital expenditures related to Phase 2, but the Company’s best estimate at the date hereof is a range of USD 275 - 300 million (including USD 70 million which is already incurred and spent). These capital expenditures are intended to be funded with the Group's existing credit facility with DNB Bank ASA, New York Branch and Farm Credit of Florida, ACA (the "**Credit Facility**") and with an equity raise for the NOK equivalent of minimum USD 125 million.

The Group has received a credit committee approved commitment from its main lender, DNB Bank ASA, New York Branch to increase the amount of a Delayed Term Loan under the Credit Facility to an aggregate amount of USD 118 million, and is in an ongoing process with Farm Credit of Florida, ACA, to extend maturity for USD 12 million of debt already committed. Together with the contemplated equity raise mentioned above, the Group currently considers these funds to be sufficient to complete the Phase 2 construction activities and to repay a USD 25 million short term loan extended by its main lender. However, the availability of such increased credit amount is subject to certain conditions prior to drawdown, including; (i) a minimum required annualized production level to be maintained for at least two months, (ii) aggregate positive EBITDA over the last three months prior to drawdown, (iii) a minimum EBITDA level, (iv) compliance with financial covenants, and (v) agreement on definitive documentation for the increased credit. No assurance can be given that the Group will actually satisfy these conditions.

Further, as noted above, the Group considers it difficult to determine with certainty the amount of capital expenditures related to Phase 2, and there is a risk that the funds described above may not be sufficient to complete the Phase 2 construction activities. The lenders have also required that the maximum amount of capital expenditures related to Phase 2 shall not exceed USD 300 million, and has not committed any funds for capital expenditure in excess of this. There can be no assurance that additional financing will be available to the Group on acceptable terms, or at all.

In addition, the Group may require additional capital in the future pursuant to its business plan, due to unforeseen liabilities or in order for it to take advantage of opportunities that may be presented to it. There can be no assurance that the Group will be able to obtain necessary funding in a timely manner and on acceptable terms to complete the Group’s business plan in general. If the Group is not able to obtain such funding on acceptable terms or at all, this would adversely impact the Group's business, financial condition and operating results. If the Company raises additional capital through equity financing, any such equity financing may be dilutive to the shareholders.

1.3.2 Covenants in the Group's Credit Facility and related security documents may restrict its operations, and if the Group does not effectively manage its business to comply with these covenants, its financial condition could be adversely impacted

KEY RISK FACTORS (8/8)

The Group has been extended loans pursuant to its Credit Facility and will incur further debt under the Credit Facility. The Credit Facility contains various covenants, including, among other things, a requirement that Johan E. Andreassen shall remain involved with the day-to-day operations of Atlantic Sapphire USA, minimum liquidity and revenue requirements, restrictions on the Group's ability to dispose of assets, make acquisitions or investments, incur debt or liens, enter into, modify or amend certain material contracts, make distributions to the Company's shareholders or enter into certain types of related party transactions and that the Company shall hold and maintain authorizations to increase the share capital and to issue convertible bonds (the Company will decide, in its sole discretion, whether these authorizations shall be used). These restrictions may restrict the Group's current and future operations, particularly its ability to respond to certain changes in its business or take future actions. Pursuant to the Credit Facility, the Group granted the parties thereto a security interest in substantially all of its assets.

Further, the Credit Facility requires the Company to observe certain financial covenants, including, among other things, maintenance of minimum levels for book equity ratio, minimum available liquidity and minimum EBITDA levels. Further, no assurance can be given that the Company will be in compliance with agreed covenants at later measuring dates.

The Group's ability to comply with the covenants described above can be impacted by events beyond its control and it may be unable to do so, and the requirements to hold and maintain authorizations to increase the share capital and to issue convertible bonds are subject to approval by a qualified majority of the shareholders present at the general meetings which discuss grants of these authorizations. The Credit Facility and related security documents provide that the Group's breach or failure to satisfy certain covenants constitutes an event of default. Upon the occurrence of an event of default, the lenders could elect to declare all amounts outstanding under the Credit Facility to be immediately due and payable. In addition, the lenders would have the right to proceed against the assets the Group provided as collateral pursuant to the related security agreements. If the debt under its Credit Facility was to be accelerated, the Group may not have sufficient cash on hand, or be able to refinance the loan or to sell sufficient collateral to repay it, which would have an immediate adverse effect on its business and operating results. This could potentially cause the Group to cease operations and result in a complete loss of an investment in the Shares.

1.4 Risks relating to the Shares

1.4.1 Future issuances of Shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Share

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 which require additional funding of the Group. Additionally, one of the covenants under the Credit Facility states that the Company shall obtain annual resolutions from the Company's general meeting to issue convertible bonds in the principal aggregate amount of up to USD 150,000,000. If such bonds are issued, the Company's current and other future shareholders may not have pre-emptive rights to participate in any conversion of such bonds and could hence be diluted. Depending on the structure of any future offerings, the holdings and voting interests of existing shareholders could be diluted and the market price of the Shares could be materially and adversely affected. In addition, there is no assurance that shareholders residing or domiciled in the United States will be able to participate in future capital increases.

1.4.2 The market value of the Shares may fluctuate

The trading price for the Shares may significantly fluctuate and may not always reflect the underlying asset value of the Group. A number of factors outside the Company's control may impact its performance and the price of the Shares, including, but not limited to, quarterly variations in operating results, adverse business developments, changes in market sentiment regarding the Shares, the operating and share price performance of other companies in the industry and markets in which the Company operates, changes in financial estimates and investment recommendations or ratings. Changes in market sentiment may be due to speculation about the Company's business in the media or investment community, changes to the Company's profit estimates, the publication of research reports by analysts and changes in general market conditions. If any of these factors actually occurs, this may have a material adverse effect on the pricing of the Shares.

The market price of the Shares could decline due to sales of a large number of the Shares in the market or the perception that such sales could occur. Such sales could also make it more difficult for the Company to offer equity securities in the future at a time and at a price that are deemed appropriate.

In recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in the same industry as the Group. Those changes may occur without regard to the operating performance of these companies. The price of the Shares may therefore fluctuate based upon factors that have little or nothing to do with the Group, and these fluctuations may materially affect the price of the Shares.

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