



Nordic Aquafarms AS
Att: CEO Bernt Olav Røttingsnes
Øraveien 2,
1630 Gamle Fredrikstad

Oslo, 21 January 2019

Background

Carnegie Investment Bank (“Carnegie”) and Pareto Securities (“Pareto”) (jointly also referred to as “we”) have been requested to by Nordic Aquafarms (“NAF”) to provide a statement regarding our view on availability of funds to secure financing of NAF’s contemplated aquafarm in Belfast, Maine.

For reference, Carnegie and Pareto were joint advisors to Nordic Aquafarms in the successful NOK 100 million (~USD 12m) private placement of equity to fund the completion of the land-based facility of subsidiary Fredrikstad Seafoods in Norway in December 2018. In the preparation and marketing of this transaction, we not only gained substantial insights in the financials related to the expansion plans for NAF in Maine, but also investors’ view on the attractiveness of such investment relative to other projects.

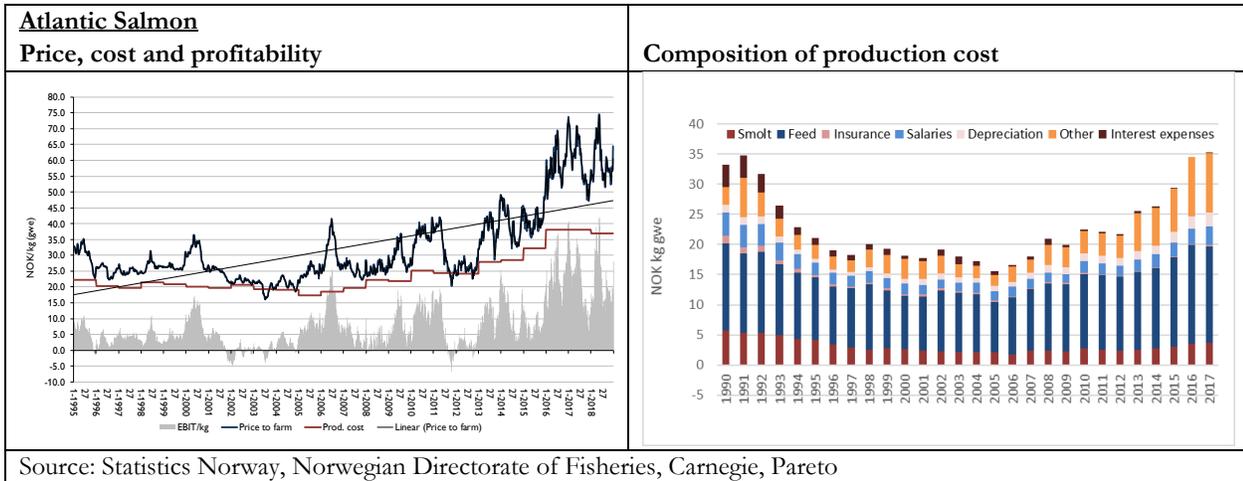
Carnegie and Pareto are both leading investment banks in the Nordic region with substantial experience in raising capital primarily to companies based in the Nordics. Our Norwegian franchises have paid particular attention to industries with strong roots in Norway, hereunder seafood and aquaculture, and over the past decades we have raised billions of USD in equity to finance growth and M&A within the seafood industry. We have raised capital both to listed and unlisted companies and to several segments of the seafood industry (wild-catch, aquaculture, services, equipment, etc.) Our joint list of credentials is long and includes virtually all major seafood companies based in the Nordics including Mowi (Marine Harvest), Cermaq, Lerøy Seafood Group, Austevoll Seafood, Grieg Seafood, Bakka Frost, Norway Royal Salmon, Camanchaca (Chilean farming company), Copeinca (Peruvian fishmeal company), EWOS, Nova Austral, Atlantic Sapphire (Land-based salmon farming in Denmark and Miami US), The Scottish Salmon Company and many more.

In recent years, on the back of raising salmon prices and increased profitability, salmon farming has outperformed other industries in the stock market and gained increased interest and attention within the financial industry and the investor community. Land-based salmon farming is benefitting from the strong sentiment for aquaculture related shares in general but also driven by higher production cost in traditional ocean-based salmon farming, increased focus on sustainability with consumers and technological improvements related to land-based fish farming (RAS).

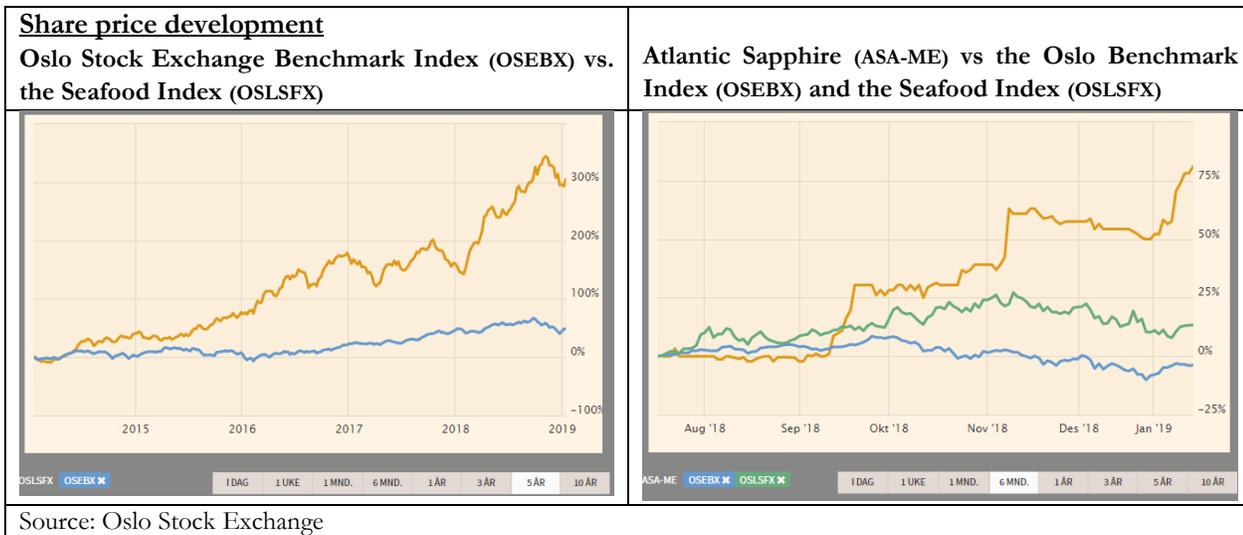
The graphs below illustrate the underlying price, cost and profitability for Atlantic salmon seen from a Norwegian perspective. Norway represents more than 50% of global production of Atlantic salmon, which



in 2018 amounted to ca 2.2m tonnes (gwe¹), so production in Norway is key when assessing the global salmon industry.



Furthermore, the company Atlantic Sapphire (“ASA”) has paved the way for other land-based projects by raising substantial amounts in equity over the last years (~USD 175 million), listing the shares in 2018 and subsequently seeing a substantial increase in market valuation.



Based on the above, we therefore see strong investor interest for aquaculture related investments.

¹ Gutted Weight Equivalent (84% of live weight, 90% of whole fish equivalent)



Supportive arguments regarding the funding of NAF Maine

With the investment in Belfast, Maine, we believe that Nordic Aquafarms will position itself as the second largest land-based salmon farming company in the world, after Atlantic Sapphire. When it comes to in house know-how and engineering team, NAF has a very strong base and the team was substantially strengthened after additions from Inter Aqua Advance in 2018.

NAF's land-based facility in Denmark that produces Yellowtail Kingfish has been in operations for more than one year and is harvesting fish at a regular basis. NAF is about to complete the construction of its Norwegian land-based facility over the next month, and the facility in Fredrikstad is going into operation with the release of the first smolt towards the end of February.

The US expansion will therefore benefit greatly from the experiences gained, both during the construction phase as well as operationally, from the plants in Denmark and Norway. Furthermore, the company can leverage its existing experience base among key employees who have a strong track-record in fish farming and facility design.

NAF expects positive cash flow from the Norwegian operations already from 2020/2021, and we expect that the stock market will increase its confidence in land-based investments further when NAF can show further proof of concept.

Moreover, in discussions with investors, investments in land-based is more attractive near the end-market consumers, as it increases the relative competitive advantages. The US is of particular interest as the market is large, land-based supply is not subject to expensive air freight for Fresh salmon (cost ~US 1.50/kg), and the CO2 footprint is also substantially better. In sum, profitability and investor return is expected to be better in the US than for similar investments in Norway (or other production regions for ocean farmed fish).

We therefore expect investor interest for such projects to continue to be high and with NAF as one of the most attractive investment objects internationally in this segment.

The NAF Maine investment case and the contemplated transaction

The planned NAF plant in Belfast is designed to produce approximately 30,000 tonnes of salmon. The total projected investment is expected to be in the USD 450-500 million range. The build-up will most probably be split into 2 phases and we assume that the first phase will carry a somewhat larger share of the total investment, due to planning and infrastructure. Nevertheless, our calculations based on investments relative to prospective profitability are supportive for the case.

Production cost within land-based is expected to be in the USD 4.0 – 5.0 per kg range, and prices for salmon is expected to stay high due to low production growth in traditional farming and continued demand growth. Land-based locally produced salmon is expected to have a premium pricing relative to the traditionally produced salmon due to freshness and sustainability. According to the industry source UrnerBarry, average salmon price in North East US was USD 8.6 per kg in 2018.

A salmon price assumption of ~USD 8.0 per kg (i.e. 7% lower than 2018 commodity price) yields an estimated payback of ~6 years for NAF Maine, while a price of USD 9 per kg gives a payback of ~4 years.



We expect investors to find this attractive. Nordics Aquafarms business model further contemplates new projects in other parts of the US and thereby adding scale and growth prospects to the overall project and further enhance the attractiveness with investors. Finally, NAF has already managed to build a strong shareholder base, including some of the strongest private investment companies/family offices in Norway, which is an important asset in any transaction.

Risk factors

Financing of companies always entails risk. There is risk related to the development of the capital markets in general, risk related to changes in market prices and risk related to the biological performance of the fish. For Nordic Aquafarms, risk related to land-based specific factors, including more particular biological challenges. Such risk is expected to gradually decrease through a successful development of Nordic Aquafarms operations in Fredrikstad in Norway. The risk factors above are not meant to represent an exhaustive list but illustrates some of the most important seen from the perspective of securing funds to NAF Maine.

Conclusion

Based on our analysis of the aquaculture industry along with the current strong investor sentiment for salmon farming in general and land-based salmon farming in particular, we are of the opinion that Nordic Aquafarms will be well positioned to secure the required funding through a private placement of shares primarily towards institutional investors in the Nordics as well as international markets.

Yours sincerely,

Carnegie AS

Pareto Securities AS

Frank Heimland

Henning Lund

Head of seafood - Investment Banking

Senior Partner

Important notice:

This note has been prepared by Carnegie and Pareto for the sole use by the recipient in the view of providing comfort regarding the company's ability to secure financing for the expansion plan in Belfast, Maine. This note contains only a preliminary discussion of the project and necessitates further investigation. The information herein is based on public available information and information from NAF. Although the information is believed to be accurate, no representation or warranty is made by Carnegie or Pareto regarding the accuracy and completeness of the information, estimates, statements and assumptions contained herein and no liability of any form relating to the contents of this document shall be assumed by Carnegie or Pareto.