

Consolidated Financial Statements

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Puerto Montt, Chile

As of December 31, 2019 and 2018



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Independent Auditor's Report

(Translation of the report originally issued in Spanish)

To the Shareholders and Directors of
Nova Austral S.A. and Subsidiaries

We have audited the accompanying consolidated financial statements of Nova Austral S.A. and subsidiaries ("the Company"), which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nova Austral S.A. and subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emir Rahil A.
EY Audit SpA

Puerto Montt, April 16, 2020

Consolidated Financial Statements

NOVA AUSTRAL S.A. AND SUBSIDIARIES

As of December 31, 2019 and 2018

(Translation of a report originally issued in Spanish - See Note 2b)

Index

Consolidated Financial Statements

Consolidated Statements of Financial Position.....	1
Consolidated Statements of Comprehensive Income by Function.....	3
Consolidated Statements of Changes in Equity.....	4
Consolidated Statements of Cash flows.....	6
Notes to the Consolidated Financial Statements.....	7

\$: Chilean Peso

Th\$: Thousands of Chilean pesos

UF : Unidad de Fomento: The UF is a peso-denominated inflation-indexed monetary unit. (The UF rate is set daily in advance, based on the change in the Consumer Price Index (CPI) of the previous month).

US\$: US dollar

Consolidated Financial Statements

NOVA AUSTRAL S.A. AND SUBSIDIARIES

As of December 31, 2019 and 2018

(Translation of a report originally issued in Spanish - See Note 2b)

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2019 and 2018

(In thousands of US dollars)

(Translation of Consolidated Financial Statements originally issued in Spanish - See Note 2b)

	Note	12-31-2019 ThUS\$	12-31-2018 ThUS\$
ASSETS			
ASSETS			
Cash and cash equivalents	(5)	13,161	19,547
Other financial assets, current	(6)	3,000	3,000
Other non-financial assets, current	(12)	25,085	22,786
Trade receivables and other accounts receivable, current	(8)	19,091	22,448
Accounts receivable from related companies, current	(9)	79	415
Inventory	(10)	52,382	31,661
Biological assets, current	(11)	76,961	84,389
Tax assets, current	(15)	122	1,060
Total current assets		189,881	185,306
Non-Current Assets			
Intangible assets other than goodwill	(13)	13,300	7,046
Property, plant and equipment	(14)	113,717	95,209
Accounts receivable from related companies, non-current	(9)	117,953	109,001
Deferred tax assets	(15)	357	171
Total non-current assets		245,327	211,427
Total Assets		435,208	396,733

The accompanying notes from 1 to 31 are an integral part of the consolidated financial statements

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2019 and 2018

(In thousands of US dollars)

(Translation of Consolidated Financial Statements originally issued in Spanish - See Note 2b)

LIABILITIES AND EQUITY	Note	12-31-2019 ThUS\$\$	12-31-2018 ThUS\$\$
Liabilities			
Current Liabilities			
Other financial liabilities, current	(16)	46,240	12,636
Trade accounts payable and other accounts payable, current	(17)	63,915	57,421
Accounts payable to related entities, current	(9)	418	1,349
Employee benefit provisions, current	(18)	1,298	1,225
Other non-financial liabilities, current	(19)	1,200	-
Total current liabilities		113,071	72,631
Non-Current Liabilities			
Other financial liabilities, non-current	(16)	317,878	319,495
Trade accounts payable and other accounts payable, non-current	(17)	547	-
Total non-current liabilities		318,425	319,495
Total liabilities		431,496	392,126
Equity			
Issued capital	(20)	1,000	1,000
Retained earnings	(20)	(1,025)	1,208
Other reserves	(20)	(70)	-
Equity attributable to the owners of the parent		(95)	2,208
Non-controlling interests	(20)	3,807	2,399
Total equity		3,712	4,607
Total Liabilities and Equity		435,208	396,733

The accompanying notes from 1 to 31 are an integral part of the consolidated financial statements

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income by Function

For the years ended December 31, 2019 and 2018

(In thousands of US dollars)

(Translation of Financial Statements originally issued in Spanish – See Note 2b)

Statements of Income by Function	Note	2019 ThUS\$	2018 ThUS\$
Revenue from operating activities	(21)	129,258	132,463
Cost of sales	(22)	<u>(118,755)</u>	<u>(113,310)</u>
Gross profit before Fair Value		10,503	19,153
Biological asset growth of the period fair value credited to income	(11)	19,201	16,429
Harvested and sold biological asset fair value credited to income		<u>(8,672)</u>	<u>(12,217)</u>
Gross profit after Fair Value		21,032	23,365
Other gains	(23)	24,385	24,692
Other expenses by function	(24)	(2,499)	(3,029)
Distribution costs	(25)	(8,629)	(7,974)
Administrative expenses	(25)	(13,931)	(10,462)
Finance expenses	(26)	(31,342)	(28,946)
Finance income	(26)	9,061	14,315
Foreign currency translation	(27)	<u>(499)</u>	<u>(2,954)</u>
Profit before tax		(2,422)	9,007
Income tax	(15)	215	(305)
Profit for the year		<u><u>(2,207)</u></u>	<u><u>8,702</u></u>
Profit Attributable to:			
Profit attributable to the parent		(1,844)	8,738
Profit attributable to non-controlling interests	(20)	<u>(363)</u>	<u>(36)</u>
Profit for the year		<u><u>(2,207)</u></u>	<u><u>8,702</u></u>
Statements of Comprehensive Income			
Profit		(2,207)	8,702
Other comprehensive income		<u>(459)</u>	<u>-</u>
Total comprehensive income		<u><u>(2,666)</u></u>	<u><u>8,702</u></u>
Comprehensive Income attributable to the parent		(2,303)	8,738
Comprehensive Income attributable to non-controlling interests	(20)	<u>(363)</u>	<u>(36)</u>
Total Comprehensive Income		<u><u>(2,666)</u></u>	<u><u>8,702</u></u>

The accompanying notes from 1 to 31 are an integral part of the consolidated financial statements

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(In thousands of US dollars)

(Translation of Financial Statements originally issued in Spanish – See note2b)

	Issued capital	Subsidiary shares lower placement price	Foreign currency translation reserve	Retained Earnings (Losses)	Equity attributable to the owners of the parent	Non- controlling interests	Total equity
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Current year beginning balance 1/01/2019	1,000	(63)	-	1,208	2,208	2,399	4,607
Changes in equity							
Profit for the year	-	-	-	(1,844)	(1,530)	(363)	(2,207)
Other comprehensive income	-	-	(70)	(389)	(459)	-	(459)
Comprehensive Income	-	-	(70)	(2,233)	(1,989)	(363)	(2,666)
Transfers and other changes increase (decrease)	-	-	-	-	-	1,771	1,771
Total changes in equity	-	-	(70)	(2,233)	(1,989)	1,408	(895)
Current year ending balance 12/31/2019	1,000	(63)	(70)	(1,025)	219	3,807	3,712

The accompanying notes from 1 to 31 are an integral part of the consolidated financial statements

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(In thousands of US dollars)

(Translation of Financial Statements originally issued in Spanish – See note2b)

	Issued capital	Subsidiary shares lower placement price	Retained Earnings (Losses)	Equity attributable to the owners of the parent	Non-controlling interests	Total equity
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Current year beginning balance 01/01/2018	118,900	(63)	(7,311)	111,589	2,436	114,025
<u>Changes in equity</u>						
Profit for the year	-	-	8,738	8,738	(36)	8,702
Comprehensive Income	-	-	8,738	8,738	(36)	8,702
Capital reduction	(117,900)	-	-	(117,900)	-	(117,900)
IFRS 9 First time adoption (Note 18)	-	-	(219)	(219)	(1)	(220)
Transfers and other changes increase (decrease)	-	-	-	-	-	-
Total changes in equity	(117,900)	-	8,519	(109,381)	(37)	(109,418)
Current year ending balance 12/31/2018	1,000	(63)	1,208	2,208	2,399	4,607

The accompanying notes from 1 to 31 are an integral part of the consolidated financial statements

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Consolidated Statements of Cash flows

Indirect Method

For the years ended December 31, 2019 and 2018

(In thousands of US dollars)

(Translation of Financial Statements originally issued in Spanish – See note 2b)

	2019	2018
	ThUS\$	ThUS\$
Statement of Cash flows		
Cash flows provided by (used in) operating activities		
Proceeds from sale of goods or rendering of services	135,728	136,446
Proceeds from premiums and services, annuities and other subscribed policy benefits	558	315
Other proceeds from operating activities	21,736	31,600
Payments to suppliers for supplying goods and services	(135,612)	(137,703)
Payments to and on behalf of employees	(17,886)	(18,912)
Payment of premiums and services, annuities and other obligations derived from the subscribed policies	(1,948)	(2,343)
Income taxes reimbursed (paid)	14,497	14,777
Other cash inflows (outflows)	(671)	(792)
Net cash flows (used in) provided by operating activities	16,402	23,388
Cash flows provided by (used in) investing activities		
Loans to related entities	-	(172)
Additions to property, plant and equipment	(22,217)	(28,231)
Additions to intangible assets	(4,030)	-
Other cash inflows (outflows)	109	-
Net cash flows provided by (used in) investing activities	(26,138)	(28,403)
Cash flows provided by (used in) financing activities		
Inflows from loans	36,000	25,000
Loan payments	(4,786)	-
Interest paid	(26,995)	(25,007)
Increase in subsidiary capital	1,376	-
Other cash inflows (outflows)	(3,354)	(1,482)
Net cash flows provided (used in) by financing activities	2,241	(1,489)
Net Increase (Decrease) in cash and cash equivalents, before the effect of changes in the exchange rate	(7,495)	(6,504)
Effects of changes in the exchange rate on cash and cash equivalents	1,109	(556)
Net Increase (Decrease) in cash and cash equivalents	(6,386)	(7,060)
Cash and Cash Equivalents at the beginning of the period	22,547	29,607
Cash and Cash Equivalents at the end of the period	16,161	22,547

The accompanying notes from 1 to 31 are an integral part of the consolidated financial statements

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(In thousands of US dollars)

(Translation of Financial Statements originally issued in Spanish – See note 2b)

NOTES INDEX

Note 1 - Corporate Information.....	9
Note 2 - Summary of Significant Accounting Policies	9
a) Accounting period.....	9
b) Statement of compliance	10
c) Basis of preparation.....	10
d) Functional currency	10
e) Use of estimates and judgments.....	11
f) Basis of consolidation	11
g) Transactions in foreign currency and basis of conversion.....	13
h) Cash and cash equivalents.....	14
i) Financial instruments.....	14
j) Property, plant and equipment.....	20
k) Interest costs	21
l) Intangible assets.....	21
m) Leases.....	23
n) Biological assets.....	25
o) Income tax and deferred taxes	27
p) Inventory.....	29
q) Trade payables and other accounts payable	29
r) Financial information by operating segment.....	30
s) Employee benefits	30
t) Recognition of revenue.....	30
u) Recognition of costs	32
v) Impairment of non-financial assets	32
w) New Standards, Interpretations and Amendments.....	33
Note 3 - Changes in Accounting Policies and Estimates	42
Note 4 - Financial Risk Management.....	43
a) Credit risk	43
b) Liquidity risk.....	43
c) Market risk.....	46
Note 5 - Cash and Cash Equivalents.....	48
Note 6 - Other Financial assets, current.....	48
Note 7 - Financial Instruments.....	49
Note 8 - Trade Receivables and Other Accounts Receivable	51
Note 9 - Balance and Transactions with Related Entities	54
Note 10 - Inventory.....	56
Note 11 - Biological Assets	57
Note 12 - Other Non-Financial Assets, Current	60
Note 13 - Intangible Assets other than Goodwill	60

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(In thousands of US dollars)

(Translation of Financial Statements originally issued in Spanish – See note 2b)

NOTES INDEX (CONTINUED)

Note 14 - Property, Plant and Equipment	62
Note 15 - Income Taxes and Deferred Taxes.....	64
Note 16 - Other Financial Liabilities, Current and Non-Current.....	67
Note 17 - Trade Payables and Other Accounts Payable	71
Note 18 - Employee Benefit Provision.....	71
Note 19 - Other non-financial liabilities, current	72
Note 20 - Equity	72
Note 21 - Income from Operating Activities	75
Note 22 - Cost of Sales	75
Note 23 - Other Gains	75
Note 24 - Other Expenses by Function.....	76
Note 25 - Administrative and Distribution Expenses	76
Note 26 - Finance Expenses and Finance Income	78
Note 27 - Foreign Currency Translation	78
Note 28 - Presentation of expenses by function	78
Note 29 - Contingencies and Liens	79
Note 30 - Environment	87
Note 31 - Subsequent Events	87

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(In thousands of US dollars)

(Translation of Financial Statements originally issued in Spanish – See note 2b)

Note 1 - Corporate Information

Nova Austral S.A., Tax ID number 96.892.540-7, with registered address in the city of Porvenir, Chile, was created as a close corporation by means of a public deed of November 29, 1999, granted at the Notary Public Office in Porvenir. An extract of such deed was registered with the Commercial Registry of the Real Estate Commission Administrator in Santiago on page 14, No. 7, 1999 and published in the Official Gazette of December 7, 1999.

Comercial Austral S.A., Tax ID number 99.530.880-0, a subsidiary domiciled at Freire 130, Piso 5, Puerto Montt, Chile, is a close corporation created by means of public deed of August 4, 2003, granted at the Office of the Notary Public Mr. Eduardo Avello Concha.

Piscicultura Tierra del Fuego S.A., Tax ID number 76.720.095-1, a subsidiary domiciled at Servidumbre Lote 24 D Km. 42, Porvenir, Chile, is a close corporation created by means of a public deed of February 21, 2018 granted at the Office of the Notary Public Mr. Roberto Antonio Cifuentes Allel.

Pesquera Cabo Pilar S.A., Tax ID number 76.729.960-5, a subsidiary domiciled at Croacia 193, Porvenir, is a close corporation created by means of a public deed of December 14, 2006 granted of the Notary Public Mr. Eduardo Bravo Ubilla.

The company purpose of Nova Austral S.A. and Subsidiaries (hereinafter, “the Company”) is to provide general aquaculture services, on its own behalf or on behalf of third parties; the captive or free breeding of any sea species such as, fish, crustaceans, etc.; the marketing thereof; the purchase, sale, import and export of those species; and in general, conduct any agricultural, mining, commercial or industrial business or activity related or conducive to the above mentioned company purpose.

Note 2 - Summary of Significant Accounting Principles

The paragraphs below summarize the significant accounting principles applied to prepare these consolidated financial statements of Nova Austral S.A. and Subsidiaries. As required by the International Financial Reporting Standards, these principles have been designed in accordance with IFRS applicable as of December 31, 2019, and applied uniformly in all periods presented in these Consolidated Financial Statements.

a) Accounting period

The consolidated financial statements (hereinafter, “financial statements”), cover the following periods:

- Consolidated Statements of Financial Position as of December 31, 2019, and as of December 31, 2018.
- Consolidated Statements of Comprehensive Income for the years ended December 31, 2019 and 2018.
- Consolidated Statements of Changes in Equity as of December 31, 2019 and as of December 31, 2018.
- Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

b) Statement of compliance

These consolidated financial statements of Nova Austral S.A. and Subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and represent the explicit and unqualified adoption of the referred international standards in Chile. The amounts in the financial statements enclosed hereto are in thousands of United States dollars, which is the functional currency of the Company and its Subsidiaries.

The Board of the Company is responsible for the information in these consolidated financial statements and expressly states that all principles and criteria included in the International Financial Reporting Standards have been applied.

The consolidated financial statements as of December 31, 2019, were approved by the Board at meeting held on April 16, 2020.

For the convenience of the reader, these consolidated financial statements and their accompanying notes have been translated from Spanish into English.

c) Basis of preparation

These consolidated financial statements have been prepared on the basis of the historic cost principle, except for items recognized at fair value in accordance with IFRS. The carrying amount of assets and liabilities hedged by the operations that qualify as hedge accounting, are adjusted to reflect changes in the fair value in relation to the risks hedged.

d) Functional currency

Items in the financial statements of each entity are valued using the currency of the main economic environment in which they operate. The consolidated financial statements are presented in United States dollars, which is the functional and presentation currency of the Company and its Subsidiaries, except for the subsidiary Pesquera Cabo Pilar S.A. which presents its functional currency in Chilean pesos.

e) Use of estimates and judgments

In order to prepare the consolidated financial statements in accordance with IFRS, Management is required to make certain judgments, estimates and assumptions that affect the application of the accounting principles and the amounts of reported assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Relevant estimates and assumptions are regularly reviewed. Accounting estimate reviews are recognized in the period in which estimate is reviewed and any affected future period.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

e) Use of estimates and judgments (continued)

Information of critical judgments with regard to the application of accounting principles that have the most relevant effect on the amount recognized in the financial statements, are detailed as follows:

- Estimate of biological asset market value.
- Estimates of property, plant and equipment useful life.
- Recoverability of deferred tax assets.
- Estimate of indefinite-lived intangible asset recoverability.
- Estimate of trade payables and other accounts payable impairment.
- Estimate of allowances for legal contingencies and benefits.

f) Basis of consolidation

i) Subsidiaries:

The financial statements of the subsidiaries are included in the consolidated financial statements from the date in which control begins to the date control ends.

Subsidiaries included in the consolidation are:

Name of Subsidiary	Interests					
	2019			2018		
	Direct	Indirect	Total	Direct	Indirect	Total
Comercial Austral S.A.	99.54%	-	99.54%	99.54%	-	99.54%
Piscicultura Tierra del Fuego S.A.	71.07%	-	71.07%	76.19%	-	76.19%
Pesquera Cabo Pilar S.A.	99.50%	0.5%	100.00%	-	-	-

The accounting principles of the Subsidiaries are changed when necessary, so they are consistent with the principles of the Parent.

The acquisition of Subsidiaries is recorded using the acquisition method, when they qualify as a business in accordance with IFRS 3. The acquisition cost is the fair value of assets granted, equity instruments issued, and liabilities incurred or assumed as of exchange date.

Identifiable assets acquired and identifiable liabilities and contingencies assumed in a business combination are initially valued at fair value as of acquisition date. The acquisition cost excess on the fair value of the interests in net identifiable assets acquired is recognized as goodwill.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

f) Basis of consolidation (continued)

i) Subsidiaries (continued):

If the acquisition cost is lower than the fair value of net assets owned by the Subsidiary that is acquired, identification and measurement of assets, liabilities and identifiable contingent liabilities of the acquiree will be reconsidered, as well as in the acquisition cost measurement, the remaining difference is recognized directly in the statement of comprehensive income.

If the acquisition does not qualify as a business under IFRS 3, the assets acquired are recorded at cost.

ii) Loss of control

When control is lost, the Parent derecognizes the assets and liabilities of the Subsidiaries, non-controlling interests and other equity components related to the Subsidiaries. Any gain or loss resulting from the loss of control is recognized in income. If the Parent maintains interests in the prior Subsidiary, such interests will be valued at fair value as of the date in which control is lost. Subsequently, interests will be accounted for as investment using the equity method or as a financial asset available for sale depending on the level of influence maintained.

iii) Investments in associates and joint control entities (equity method).

Associates are entities where the Parent has a significant influence, but not control, on the financial and operating policies. A significant influence is deemed to exist when the Parent owns between 20% and 50% of the other entity's voting right. Joint ventures are entities where the Parent has joint control over its activities established in contractual agreements and strategic financial and operating decisions require the unanimous consent of the parties.

Investments in associates and joint ventures are recognized using the equity method and initially at cost. The investment cost includes transaction costs. The Company and its Subsidiaries do not have this type of investments.

When the loss of the Parent exceeds its interests in an investment recognized using the equity method, the carrying amount of such interests, including any non-current investment, is reduced to zero and no other losses are recognized, unless the Parent has the obligation to make or has made payments on behalf of the company where it has interests.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

f) Basis of consolidation (continued)

iv) Joint control operations

A joint control operation is a joint venture where each partner uses its own funds to perform joint operations. The consolidated financial statements include the assets controlled by the Parent and the liabilities incurred by it in the course of joint ventures as well as the expenses incurred by the Parent and a portion of the revenues derived by it from the joint venture. The Company and its Subsidiaries do not have this type of investments.

v) Transactions eliminated in the consolidation

Intercompany balances and transactions and any unrealized revenue or expense derived from intercompany transactions are eliminated in the preparation of the consolidated financial statements. Unrealized profits derived from transactions with companies whose investment is recognized using the equity method are eliminated from the investment in proportion to the interests of the Parent in the Company. Unrealized losses are eliminated using the same mechanism used in relation to unrealized profits.

vi) The financial statements of subsidiaries whose functional currency is different from the presentation currency are converted using the following procedures:

- Assets and liabilities, using the exchange rate in effect at the closing date of the financial statements.
- Income statement items using the average exchange rate for the period.
- The net equity is maintained at the historical exchange rate at the date of acquisition or contribution, and at the average exchange rate at the date of generation in the case of retained earnings. Exchange differences attributable to the controller that arise in the conversion of the financial statements are recorded in the heading "Exchange difference from translation" within equity.

g) Transactions in foreign currency and basis of conversion

Transactions in currencies other than the US dollar are deemed transactions in foreign currency and converted to the functional currency of the relevant entities as of the dates of transactions. Monetary assets and liabilities in foreign currency, as of reporting date are reconverted to the functional currency at the then current exchange rate. The profit or loss resulting from foreign currency translation, in monetary items is the difference between the amortized cost of the functional currency at the beginning of the period adjusted by interest and payments of the period and the amortized cost in foreign currency converted at the exchange rate at the end of the period.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

g) Transactions in foreign currency and basis of conversion (continued)

Non-monetary assets and liabilities in foreign currencies, valued at fair value are reconverted to the functional currency at the exchange rate as of the date in which fair value was determined. Non-monetary items valued at historic cost in foreign currency are converted at the exchange rate as of the transaction date. Differences in foreign currencies, other than the US dollar, arising out of the reconversion are recognized in income, except for differences arising out of the reconversion of capital instruments available for sale, financial liabilities designated as the net investment hedge in operations carried out abroad, or qualified cash flow hedges, which are recognized directly in other comprehensive income.

Assets and liabilities in Chilean pesos (CLP), Euros and Unidades de Fomento (UF), have been converted to United States dollars (reporting currency, US\$) at the exchange rates observed as of each closing date, as detailed below:

<u>Currency or unit</u>	<u>12-31-2019</u> <u>US\$</u>	<u>12-31-2018</u> <u>US\$</u>
Chilean peso	0.0013	0.0014
Euro	0.8918	0.8742
Unidad de fomento	37.8101	43.5947

h) Cash and cash equivalents

Cash and cash equivalents include cash, bank balances available and highly liquid assets maturing originally in less than three months, subject to not significant risk of changes in fair value and used by the Company to manage its current commitments.

Cash and cash equivalents are recognized in the statement of financial position at amortized cost.

i) Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments, recognition and measurement for the annual periods beginning on January 1, 2019 and gathers all three aspects of financial instrument accounting: classification and measurement, impairment and hedge accounting.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

i) Financial instruments (continued)

i. Classification and measurement

Nova Austral Group initially measures a financial asset at fair value plus, for a financial asset not valued at fair value through profit or loss, transaction costs.

Debt financial instruments are subsequently measured at fair value through profit or loss, the amortized cost or the fair value through other comprehensive income. Classification is based on two models: The Group's business model for asset management; and whether the instruments contractual cash flows only represent payments of capital and interest on the principal amount outstanding, the "Solely Payments of Principal and Interest" criterion.

The new classification and measurement of Nova Austral Group's debt financial instruments are detailed as follows:

- Debt instruments at amortized cost for financial assets held within a business model with the purpose of holding financial assets in order to gather contractual cash flows that satisfy the SPPI criterion. This category includes trade accounts receivable and other accounts receivable and loans included in Other financial assets, non-current.
- Debt instruments in other comprehensive income with gains or losses recycled into income upon the realization thereof. Financial assets in this category correspond to debt instruments quoted by the Group that satisfy the SPPI criterion and are held within a business model with the purpose of both collecting cash flows and selling.

Other financial assets are classified and subsequently measured as follows:

- Capital instruments in other comprehensive income with no gains or losses recycled into income upon the realization thereof. This category only includes capital instruments that the Group has the intention to maintain in the foreseeable future and that Nova Austral Group has made the choice to irrevocably classify them upon initial recognition or transition.
- Financial assets at fair value through profit and loss include quoted derivative instruments and capital instruments that Nova Austral Group has not made the choice to irrevocably classify them, upon initial recognition or transition, in other comprehensive income. This category also includes debt instruments with cash flow characteristics that do not satisfy the SPPI criterion or are not within a business model with the purpose of collecting contractual cash flows or accumulating contractual cash flows and selling.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

i) Financial instruments (continued)

i. Impairment

IFRS 9 requires that Nova Austral Group records expected credit losses from all debt securities, loans and trade receivables, either on a 12-month basis or for life. Nova Austral Group applied the simplified model and recorded expected losses in the lives of all trade receivables.

Nova Austral Group has established a provisions matrix based on the Group's historic experience regarding credit losses, adjusted by debtor-specific and economic environment-specific prospective factors.

For other financial assets of the debt, the expected loss is based on the 12-month expected loss. The 12-month expected credit loss is the portion of the expected loss for life that results from predetermined events in a financial asset that are likely to occur within the 12-month period after the presentation date. However, when a significantly increase in the credit risk has occurred since inception, the assignment will be based on the expected loss for life.

Adoption of expected credit loss impairment requirements under IFRS 9 resulted in an increase in the allowances for impairment of Nova Austral Group's debt financial assets, which are disclosed in note 7.

ii. Hedge accounting

Derivatives are initially recognized at fair value as of the date in which the derivative contract is executed and they are subsequently revalued at fair value. The method to recognize the resulting loss or gain depends on whether the derivative has been designated as a hedge instrument and, if that is the case, on the nature of the item that is hedged. Nova Austral Group designates some derivatives as:

- Fair value hedges of recognized or firm committed assets or liabilities (fair value hedge);
- Hedges of a concrete risk associated to a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedge of a net investment in an entity abroad or whose functional currency is different than the parent's functional currency (net investment hedge).

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

i) Financial instruments (continued)

Nova Austral Group documents at the beginning of the transaction, the relation between hedge instruments and hedged items, as well as their risk management objectives and strategy to manage several hedge transactions. The Company also documents their assessment, both at the beginning and on a continuous basis, of whether derivatives used in hedge transactions are highly effective to offset changes in fair value or cash flows of hedged items.

Derivatives for trading are classified as a current asset or a current liability.

As of December 31, 2019 and 2018, the Company and its Subsidiaries do not have derivative instruments.

iii. Fair value hedges

Changes in fair value of derivatives designated and qualified as fair value hedges are recorded in the statement of income along with any change in the fair value of the hedged asset or liability attributable to the hedged risk.

Gains or losses related to the effective portion of swaps that hedge fixed interest rate loans are recognized in the statement of income as "finance costs".

Gains or losses related to the ineffective portion are also recognized in the statement of income. Changes in the fair value of fixed interest rate hedged loans attributable to the interest rate risk are recognized in the statement of income as "finance costs".

If the hedge no longer meets the criteria to be recognized through hedge accounting, the adjustment to the carrying amount of the hedged item, for which purpose the effective interest rate method is used, is amortized in income over the remaining period until maturity.

As of December 31, 2019 and 2018, the Company and its Subsidiaries do not have hedge instruments.

iv. Cash flow hedges

The effective portion of changes in fair value of derivatives designated and qualified as cash flow hedges are recognized in equity in the statement of other comprehensive income. Gains or losses related to the ineffective portion are recognized in the statement of income immediately.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

i) Financial instruments (continued)

v. Cash flow hedges (continued)

Cumulative amounts in net equity are recycled into the statement of income during the periods or years in which the hedged item affects the income (for example, when the forecast hedged sale occurs or when the hedged flow is realized). However, when the forecast transaction results in the recognition of a non-financial asset (for example, inventory or PPE), gains or losses previously recognized in equity are transferred from equity and included as part of the asset initial cost. Deferred amounts are finally recognized in the cost of products sold, for inventory, or in depreciation, for property, plant and equipment.

When a hedge instrument expires or is sold, or when the instrument no longer satisfies the criteria to be recognized through hedge accounting, any cumulative gain or loss in equity as of that date remains in equity and is recognized when the forecast transaction affects the statement of income.

When a forecast transaction is not expected to occur, the cumulative gain or loss in equity is transferred to the statement of income immediately.

As of December 31, 2019 and 2018, the Company and its Subsidiaries do not have hedge instruments.

vi. Hedges of net investments abroad

Hedges of net investments of operations carried out abroad (or of the subsidiaries/associates using a different functional currency than the functional currency of the parent), are accounted for using a similar method to account for cash flow hedges. Any gain or loss derived from the hedge instrument related to the effective portion of the hedge is recognized in equity in the statement of comprehensive income. Any gain or loss related to the ineffective portion of the hedge is recognized in income immediately.

Cumulative gains and losses in equity are transferred to the statement of income when the operation abroad is sold or partially derecognized.

As of December 31, 2019 and 2018, the Company and its Subsidiaries do not have hedge instruments.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

i) Financial instruments (continued)

v. Hedges at fair value through profit and loss

Certain derivative financial instruments do not qualify to be recognized through hedge accounting and are recorded at fair value in income. Any change in the fair value of these derivatives is recognized in the statement of income immediately.

As of December 31, 2019 and 2018, the Company and its Subsidiaries do not have hedge instruments.

vi. Financial liabilities

Debt and equity instruments are classified either as financial liabilities or equity according to the substances of the contractual agreement.

Equity instruments: Any contract that clearly states residual interests in the assets of an entity after deducting all its liabilities. Equity instruments are recorded at the amount of the consideration received, net of direct issue costs.

Financial liabilities: Are classified either as financial liabilities at "fair value through profit and loss" or as "other financial liabilities".

- a) Financial liabilities are classified at fair value through profit and loss when they are held for negotiation or designated at fair value through profit and loss.
- b) Other financial liabilities, including loans, are initially valued at the effective amount received, net of transaction related costs. Other financial liabilities are subsequently valued at amortized cost using the effective interest rate method, recognizing interest expenses on the effective rate basis.

The effective interest rate method is a method to calculate the amortized cost of a financial liability and the allocation of interest expenses during the whole relevant period. The effective interest rate is the rate that accurately discounts future cash flows expected to be paid during the expected life of the financial liability or when appropriate, a shorter period, when the associated liability has a prepayment option that is expected to be exercised.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

j) Property, plant and equipment

i) Recognition and measurement

The items of property, plant and equipment are valued at cost less cumulative depreciation and impairment losses. The cost includes expenses directly attributable to the acquisition of the asset.

In accordance with IFRS 16 "Leases", the Company recognizes the assets for use rights considering the lease payments for the rest of the term of the lease as a reference, using the option to register the asset in an amount equal to the liability as allowed by the standard. The right-of-use assets recorded at the date of initial application, they will incur in amortization expenses throughout the period of the contract.

The cost of assets built by the entity includes the cost of materials and direct manpower, any other cost directly attributable to the process of having the asset ready for the intended use and the costs of dismantling and removing the items and restoring the place where they are located and the costs associated with capitalized loans. Costs may also include transfers from the equity of any gain or loss on qualified cash flow hedges of additions to property, plant and equipment.

When the components of an item of property, plant and equipment have different useful lives, they are recorded as separate items (important components) of property, plant and equipment.

Proceeds and losses derived from the disposal of an item of property, plant and equipment are determined comparing the revenue obtained in the sale with the carrying amounts of property, plant and equipment and the difference is recognized net in other revenue or other expenses in income.

ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognized at carrying amount if it is probable that future economic benefits included in the component will flow to the Company and its cost may be measured reliably. The carrying amount of the replaced component is derecognized. Daily maintenance costs of property, plant and equipment are recognized in income when incurred.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

j) Property, plant and equipment (continued)

ii) Depreciation

Depreciation is calculated on the depreciable amount that corresponds to the cost of an asset or other amount that is replaced by the cost less its residual value

Depreciation is recognized in income based on the straight line depreciation method on the estimated useful lives. Leased assets are depreciated in the shortest period between the lease and the useful lives thereof, unless it is reasonably certain that the Company will own the assets at the end of the lease.

iii) Depreciation (continued)

Land is not depreciated.

Useful lives estimated in numbers of years for the current and comparative periods, are detailed as follows:

Items of property, plant and equipment	Minimum useful life	Maximum useful life
Buildings and Constructions	5	45
Machinery and equipment	2	20
Fixed installations and accessories	5	15
Use rights	2	5
Other PPE	2	10

k) Interest costs

Interest costs incurred for the construction of any qualified asset are capitalized during the time period that is necessary to complete and prepare the asset for its intended use. Other interest costs are recorded in income.

l) Intangible assets

Definite-lived intangible assets are recorded at cost less cumulative amortization and the impairment loss cumulative amount, if any. Intangible assets generated internally, excluding development costs, are not capitalized and the expense is reflected in the statement of income in the period they are incurred.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

I) Intangible assets (continued)

i) Computer program acquisition and development costs

Acquisition and development costs of computer programs relevant and specific to the Company are capitalized and amortized over the period in which they are expected to generate revenues from the use thereof and with a useful life of 60 months.

ii) Aquaculture concessions and water rights

Aquaculture concessions and water rights granted by the state and/or acquired from third parties are presented at historic cost. Indefinite useful life is reviewed in each period that has information available in order to determine whether the events and circumstances allow continuing to support the indefinite useful life evaluation for that asset.

The Company has 5 concessions located in a National Park, they have a useful life of 25 years, renewable for another period of 25 years (are amortized in 50 years). In addition, it has 4 concessions located in the Canal Beagle acquired through the Subsidiary Pesquera Cabo Pilar S.A., these concessions have a useful life of 40 years and indefinite, all comply with the currently applicable laws and regulations. Concessions and water rights are annually tested for impairment.

iii) Amortizations

Amortization of intangible assets with definite useful lives is calculated using the straight line method, allocating the acquisition cost less the estimated residual value and the estimated useful life. Amortization years for intangible assets are detailed as follows:

Information technology programs	between 2 and 5 years
Licenses and software	between 2 and 5 years
National Park aquaculture concessions	50 years
Canal Beagle aquaculture concessions	40 years

iv) Subsequent disbursements

Subsequent disbursements are capitalized only when they increase the future economic benefits incorporated in the specific asset related to such disbursements. All other disbursements, including disbursements to generate internal goodwill and marks are recognized in income when they are incurred.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

m) Leases

The Company has applied IFRS 16 "Leases" using the retrospective approach modified since January 1, 2019 and, therefore, the comparative information has not been restated and it continues to be reported in accordance with IAS 17 "Leases" and IFRIC 4 "Determination of if an agreement contains a lease. "

i. Policy applicable from January 1, 2019

At the beginning of a contract, the Company and its Subsidiaries assess whether it is, or contains, a lease, that is, whether the contract gives the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Nova Austral Group evaluates whether:

- (1) The contract involves the use of an identified asset, this can be specified explicitly or implicitly. If the supplier has a substantial substitution right, then the asset is not identified;
- (2) The entity has the right to obtain substantially all of the economic benefits from the use of the asset during the period; and
- (3) The Entity has the right to direct the use of the asset, this right is held when decision making is relevant, for example, how and for what purpose the asset is used. The Company has the right to direct the use of the asset if it has the right to operate the asset or designed the asset in a manner that predetermines how and for what purpose it will be used.

At the beginning or in the reassessment of a contract that contains a lease component, the Entity allocates the consideration in the contract to each lease component based on its independent relative prices, that is, allocating the associated cost of capital separately.

ii. Lessee

Nova Austral S.A. and its subsidiaries recognize a use right of the asset and a liability for the lease at the beginning of this. The use right of the asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the start date , plus the initial direct costs incurred and an estimate of the costs to dismantle and dispose of the underlying asset or to restore the underlying asset or the site where it is located, less any lease incentives received.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

m) Leases (continued)

ii. Lessee (continued)

The use right of the asset is subsequently depreciated using the linear method from the start date to the end of the period of estimated useful life, according to the term of the contract. The estimated useful lives of the use right of the assets are determined considering future renewals according to the term of the contract. In addition, use right of the asset is periodically reduced for impairment losses, if applicable, and it is adjusted for certain new measurements of the lease liability.

The lease liability is initially measured at the current value of future payments, they are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's debt rate, adding additional adjustments considering the risk of the country and each one of the subsidiaries.

The lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments included in the contract.
- The year price under a purchase option that the Company can reasonably carry out.
- Lease payments in an optional renewal period if the Company is reasonably certain to carry out an extension option.
- Penalties for early termination of a lease unless the Company is reasonably certain not to terminate the contract early.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate.

When the lease liability is remeasured in this way, an adjustment is made corresponding to the carrying value of the use right of the asset, or it is recorded in Profit (loss) if the carrying value of the asset for right of use has been reduced to zero.

The Nova Austral Group presents the assets by right of use in the category of Property, plant and equipment and the associated obligations in Liabilities for operating leases, current and non-current within the Consolidated Statement of Financial Position.

The Nova Austral Group has chosen not to recognize the assets for use rights and lease liabilities for those contracts with a term of 12 months or less, and for those contracts whose underlying assets are of low value. The Entity recognizes the lease payments associated with these operations as a linear expense during the term of the contract.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

m) Leases (continued)

ii. Lessee (continued)

Treatment under IAS 17

In the comparative period, as a lessee, the Nova Austral group classified leases that transfer substantially all the risks and benefits of ownership as finance leases.

Assets held under other leases were classified as operating leases and they were not recognized in the Consolidated Statement of Financial Position. Payments made under operating leases were recognized on income on a straight-line basis over the term of the contract. The lease incentives received were recognized as an integral part of the total lease expense during the term of the contract.

iii. When an entity of the Group is the lessor

When assets are leased to third parties under a financial lease, the current value of the lease payments is recognized as a financial account receivable. The difference between the gross amount receivable and the current value of such amount is recognized as financial return on capital.

Assets leased to third parties under operating lease agreements are included in property, plant and equipment or investment properties, as appropriate.

Revenue derived from operating leases is recognized in income on a straight-line basis over the term of the lease.

As of December 31, 2019 and 2018 there are no group assets leased to third parties.

n) Biological assets

Biological assets, including groups or families of spawning fish, eggs, smolts and fish for fattening in the sea, are valued upon initial recognition and later, pursuant to the definitions of IAS 41.

For live fish at all stages of Fresh Water (spawning fish, eggs, fry and smolts), the Company has considered the cumulative cost as of closing date as valuation. Historically, market prices for eggs (spawning fish are not traded) and smolt have not deviated significantly from the own production cost.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

n) Biological assets (continued)

For fish at fattening in Seawater, a valuation model has been adopted that determines the adjustment of the Fair Value by applying a risk factor on the expected margin of the biomass of each fattening center, discounted since the salmon is tradable. An exponential interpolation model is used which considers two edge points, the first is the value of the smolt placed in seawater and the second is the value of a tradable fish, which it is used by the farming centers, interpreting that those farming centers with the same levels of efficiency and quality generate a similar biomass value. This valuation model is interpreted in such a way, that the aforementioned risk factor is considered in the discount rate, and therefore, it includes a theoretical value of the cost of a concession to obtain the expected biomass margin. Therefore, those centers with a lower production cost and higher quality should be assigned a higher concession cost and vice versa.

In terms of the model methodology, changes in projected future sales prices have direct effects on those fish that are at their point of harvest. On the other hand, the effect of price on weight gain in the future will be allocated to the license and it will be recognized over time as the remaining time of the fish in the sea decreases. This means that, at the time of seeding in seawater, even when there are high prices in the market, a fair value adjustment will not be generated, since the profitability that could arise is allocated to future periods (efficiency of the license).

The fair value estimate of fish biomass is based on the following items: volume of fish biomass, average biomass weights, cumulative costs of biomass for each center, estimated remaining costs, and estimated sales prices.

Fish biomass volume

Fish biomass volume is based on the number of smolts sown in sea water, growth estimate, mortality identified in the period, among others. Uncertainty with respect to the volume of biomass is generally lower in the absence of mass mortality events or in case fish had severe diseases during the cycle. These mortalities are recorded and absorbed in the cost of biological assets. If there are extraordinary deviations of mortalities, they are recognized in the statement of income for the year, in the item other expenses by function.

The biomass will be that existing at the time of calculation for each farming center where the target harvest weight will depend on the expected efficiency of each center.

The estimate of biomass and direct and indirect costs is being improved in each calculation period, reducing uncertainty as the time approaches when salmon is tradable.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

n) Biological assets (continued)

Revenue

In order to determine the fair value, Nova Austral S.A. uses the sales prices of products in representative markets and that may be obtained from international statistical databases from the Urner Barry reports. To arrive at a net value in seawater, prices are reduced by harvest costs and market freight costs.

Under the current model, the total biomass in the fattening centers is determined by adjusting at fair value. Changes in the fair value of biological assets are reflected in the statement of income for the period.

All biological assets are classified as current biological assets, as they are part of the normal culture cycle that concludes with the harvest of the fish.

The loss or profit on the sale of these assets may change with respect to the calculation at fair values determined at the end of the year.

Hierarchy Level

In accordance with IFRS 13, the fair value hierarchy level is determined on the basis of inputs used. The hierarchy level that corresponds to the model of the Company is Level II. Regarding the non-observable variables, the most significant are the sale prices and average weight.

o) Income tax and deferred taxes

Nova Austral S.A. is exempt from income tax under Navarino Law No. 18.392 according to which tax benefits such as, Exemption from First Category Tax and a 20% Bonus for sales made within the national territory of goods produced in the exempted territory, will be granted for a period of 50 years from the date such law is published, that is, January 14, 1985.

Piscicultura Tierra del Fuego S.A., a subsidiary, is exempt from income tax under Tierra del Fuego Law No. 19.149, according to which tax benefits, such as Exemption from First Category Tax and total exemption from Land Tax on real estate used to carry out corporate activities will be granted for a period of 44 years from the date such law is published, that is, June 22, 1992.

Therefore, taxes reflected in the financial statements correspond to those affecting its Subsidiary Comercial Austral S.A. and Pesquera Cabo Pilar S.A.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

o) Income tax and deferred taxes (continued)

Income tax expense is comprised of current taxes and deferred taxes. Current taxes and deferred taxes are recognized in income provided that they relate to a business combination or items recognized directly in equity or other comprehensive income.

Tax assets and liabilities for the current and previous years are measured according to the amount that is expected to be recovered from or paid to the fiscal authorities. Tax rates and fiscal regulations used to calculate such amounts are the rates and regulations in force as of years 2019 and 2018 closing, with a first category tax rate of 27%.

Deferred taxes are recognized on the basis of differences between the carrying amounts of assets and liabilities in the financial statements and the relevant fiscal bases thereof (known as temporary differences). Deferred tax liabilities are recognized for all temporary differences expected to increase future fiscal gains. Deferred tax assets are recognized for all temporary differences expected to reduce future fiscal gains and any unused tax loss or credit. Deferred tax assets are measured at the maximum amount that, based on the current or future estimated fiscal gains, it is probable that will be recovered. The net carrying amount of deferred tax assets is reviewed as of each reporting date and adjusted to reflect the current evaluation of future fiscal gains.

Any adjustment is recognized in the income for the period. Deferred tax assets and liabilities are not discounted at current value and are classified as non-current

Deferred taxes are calculated according to the tax rates expected to apply to the tax gain (loss) of the periods in which the deferred tax asset is expected to be realized or the deferred tax liability settled on the basis of tax rates approved or whose approval process has almost concluded at the end of the reporting period.

Law No. 20780, Tax Reform, was published on September 29, 2014. This Law amends the taxation system and establishes two taxation regimes –attributed income and semi-integrated system- including a gradual increase in the first category tax rate. The income tax rate for 2014 increased to 21%, 22.5% for 2015, 24% for 2016, 25% (attributed income) or 25.5% (semi-integrated) for 2017 and 25% under the attributed taxation system and 27% under the semi-integrated taxation system for 2018 thereafter. The Company selected to be taxed under the semi-integrated taxation system.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

p) Inventory

Inventory is valued at cost or net realizable value, whichever is lower. Cost is determined using the weighted average price method (WAP).

The cost of finished products and in-process products includes the costs of raw materials (including the effect of fair value measurement), direct manpower, other direct costs and production overheads (based on a normal operating capacity), however, it does not include financing costs and foreign currency translation.

The net realizable value is the estimated sales price in the regular course of business less the estimated costs to complete production and/or put inventory in a sales condition. For reductions in the carrying amount of inventory at net realizable value, an estimate is made to devalue inventory charged to the income for the year in which those reductions occur.

In the case of the cost of the inventory acquired (fish feed, materials and supplies), the cost of acquisition includes the purchase price, admission fees, transportation, and other costs attributable to the acquisition of the goods.

q) Trade payables and other accounts payable

Trade payables and other accounts payable are recognized at nominal value since the average collection term is reduced and there is no material difference between this value and the fair value thereof.

Due to the entry into force of IFRS 16 "Leases", lease payments are recorded according to the following criteria:

Lessee accounting: It requires that lease contracts that are currently classified as operational, with a term greater than 12 months, they are classified as operational accounts payable. That is, on the start date of a lease, the lessee will recognize an asset for the right to use the asset and a liability for future fees to be paid.

Regarding the effects on income, the monthly lease payments will be replaced by the amortization of the right of use and the recognition of a financial expense. The regulation includes as an exemption from recognition lease contracts with a term of less than 12 months and low value contracts.

Lessor accounting: The lessor will continue to classify leases under the same principles as the current standard.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

r) Financial information by operating segment

As of December 31, 2019 and 2018, the Company has only one operating segment, that is, Salmon farming, processing and marketing.

s) Employee benefits

i. Employee vacation

Nova Austral S.A. and its Subsidiaries recognize employee vacation expenses using the accrual method, which is recorded at nominal value. Employee vacation benefit is recognized as an expense as the related service is provided.

ii. Post-employment benefits

Nova Austral S.A. and its Subsidiaries do not have relevant or material contractual or voluntary obligations related to severance payments and they are recorded only if there is an associated legal obligation. There are no other post-employment benefits for the personnel of the Parent Company and its Subsidiaries.

t) Recognition of revenue

Revenue is recognized for an amount that reflects the consideration received or to be received to which the entity is entitled in exchange for transferring goods or services to a customer. The entity has analyzed and taken into consideration all relevant facts and circumstances in applying each step of the model established in IFRS 15 to contracts with customers (identify the contract, identify the performance obligation, determine the transaction price allocate the price, recognize revenue). It has also evaluated the existence of incremental costs in contracting process and the costs directly related to the fulfillment of a contract.

Nova Austral Group recognizes revenue when all the steps established in the standard have been satisfactorily fulfilled and it is probable that future economic benefits will flow to the entity and the specific conditions for each and every activity of Nova Austral Group are met, as described below:

i. Sales of products in the domestic market

The Company generates revenue mainly from the sale of fresh and frozen Salmon. Sales revenues in domestic markets net of value added tax, specific taxes, returns and customer discounts, are recognized upon delivery of products along with the transfer of controls and benefits thereof.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

t) Recognition of revenue (continued)

ii. Export

For exports, the Company's delivery conditions regarding the sale of fresh and frozen Salmon are, in general, based on Incoterms 2000, which are the official rules for the interpretation of commercial terms issued by the International Chamber of Commerce.

La estructura de reconocimiento de ingresos se basa en la agrupación de Incoterms, FOB (Free on Board), CIF (Cost, Insurance & Freight) y similares, en ambos casos, el punto de venta es la entrega de la mercancía al transportista contratado por el vendedor para el transporte al destino, momento en que se transfiere el control de los bienes.

The revenue recognition structure is based on the grouping of Incoterms, FOB (Free on Board), CIF (Cost, Insurance & Freight) and similar, in both cases, the point of sale is the delivery of the goods to the carrier hired by the seller for transportation to the destination, at which time control of property is transferred.

In case of discrepancies between business agreements and the Incoterms defined for the operation, the terms in the contract shall prevail.

iii. Interest revenue

Interest revenue is recognized using the effective interest rate method.

iv. Sale of movable property

In general, sales of movable property include a performance obligation; therefore, sales revenue is materialized at the moment of delivery of the control of the good sold by the client.

v. Revenue from dividends

Revenue from dividends is recognized when the right to receive payment is established.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

u) Recognition of costs

Cost of sales, which is mostly the salmon production cost in frozen and fresh forms marketed by the Company, is recorded in the income for the year as of delivery date to the client, while sales are recognized at the same time. Other costs and expenses are recognized on the basis of the accrued principle, regardless of when they are paid and, if appropriate, during the same period in which related revenue is recognized.

v) Impairment of non-financial assets

Indefinite-lived assets are not subject to amortization. They are annually or when there is an indication of impairment, tested for impairment in order to ensure the carrying amount is not greater than the recoverable amount.

Assets subject to amortization are tested for impairment losses, provided that an event or change in the circumstances indicates that the carrying amount may not be recoverable. An impairment loss is recognized on the asset carrying amount in excess of its recoverable amount.

The recoverable amount is the fair value of an asset less the costs of sales or the value in use, whichever is higher. In order to evaluate impairment losses, assets are grouped at the lowest level so there are separate identifiable cash flows (cash generating units). Non-financial assets, other than investment lower value (Goodwill) that had suffered an impairment loss are reviewed as of each balance sheet date to check possible impairment reversals.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

w) New Standards, Interpretations and Amendments

The Company first applied some standards, interpretations and amendments that are effective for periods beginning on or after January 1, 2019. (The Company has not early adopted any standard, interpretation or amendment that has been issued but not yet gone into effect).

The standards, interpretations and amendments to IFRS that went into effect as of the date of the financial statements, as well as their nature and impact, are detailed below:

Standards and Interpretations		Date of mandatory application
IFRS 16	Leases	January 1, 2019
IFRS 23	Uncertainty over Income Tax Treatment	January 1, 2019

- **IFRS 16 Leases**

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determination if an Agreement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluation of the Essence of Transactions that Adopt the Legal Form of a Lease. The standard establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires that lessees consider the majority of leases in a single balance sheet model.

Under IFRS 16, the lessor's accounting is held substantially unchanged from IAS 17. Lessors will continue to classify leases as operating or finance leases using principles similar to those in IAS 17. During In 2018, the Management of Nova Austral S.A. and Subsidiaries thoroughly assessed the impacts that the application of IFRS 16 had. This assessment is based on information currently available. As a result of this assessment, the Company determined that only the lease contracts for office and warehouse property should be registered under this new standard.

In relation to the foregoing, the impact determined at the effective application date of IFRS 16 generated the recognition of an Asset for the Right of Use of ThUS\$1,493 and a Lease Liability for the same amount. Such effect was recorded considering the simplified retroactive application and without retroactive effect, this, implying that the leases previously classified as operating have been presented based on IAS 17 for the comparative period.

The items where these records will be presented are Properties, plants and equipment, since the assets for use rights correspond to items of that asset class, while the liability is classified in the item "Commercial accounts and other accounts payable , current" and "Commercial accounts and other accounts payable, non-current ". Just as the results affect the item financial costs and Amortizations for use rights.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

w) New Standards, Interpretations and Amendments (continued)

- **IFRIC 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty affecting the application of IAS 12 Income Tax. It does not apply to taxes or levies that are outside the scope of IAS 12, nor does it specifically include the interest-related requirements and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- If an entity considers uncertainty over income tax treatment separately.
- The assumptions that an entity makes about the assessment of tax treatments by the tax authorities.
- How an entity determines tax gain (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates.
- How an entity considers changes in facts and circumstances.

The Company must determine whether to consider each uncertainty over income tax treatment separately or together with one or more. The approach that best predicts the resolution of uncertainty should be taken.

The Management of Nova Austral S.A. and Subsidiaries analyzed this interpretation from a qualitative and quantitative perspective and concluded it does not have an impact on the consolidated financial statements of the Company as of December 31, 2020.

	Amendments	Date of mandatory application
IFRS 3	Business Combinations – Previously Held Interests in a Joint Operation	January 1, 2019
IFRS 9	Financial Instruments – Prepayment Features with Negative Compensation	January 1, 2019
IFRS 11	Joint Arrangements – Previously Held Interests in a Joint Arrangement	January 1, 2019
IAS 12	Income taxes – Tax Consequences of Payments on Financial Instruments Classified as Equity	January 1, 2019
IAS 23	Borrowing Costs – Borrowing Costs Eligible for Capitalization	January 1, 2019
IAS 28	Investments in Associates – Long-Term Investments in Associates or Joint Ventures	January 1, 2019
IAS 19	Employee Benefits – Plan Amendment, Curtailment or Settlement	January 1, 2019

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

w) New Standards, Interpretations and Amendments (continued)

- **IFRS 3 Business Combinations - Previously Held Interests in a Joint Operation**

The amendments clarify that when an entity obtains control of an entity that is a joint operation, it applies the requirements for a business combination in stages, including interests previously held on the assets and liabilities of a joint operation presented at fair value. The amendments must be applied to business combinations carried out after January 1, 2019. Early application is allowed.

The Management of Nova Austral S.A. and Subsidiaries analyzed this interpretation from a qualitative and quantitative perspective and concluded it does not have an impact on the consolidated financial statements of the Company as of December 31, 2020.

- **IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation**

A debt instrument can be measured at amortized cost, cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' and the instrument is held within the appropriate business model for that classification. The modifications to IFRS 9 intend to clarify that a financial asset passes the criterion of principal payments plus interests regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

- **IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation (continued)**

The modifications to IFRS 9 must be applied where the prepayment amount approximates to unpaid amounts of principal and interest so that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small.

The Management of Nova Austral S.A. and Subsidiaries analyzed this interpretation from a qualitative and quantitative perspective and concluded it does not have an impact on the consolidated financial statements of the Company as of December 31, 2020.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

w) New Standards, Interpretations and Amendments (continued)

- **IFRS 11 Joint Arrangements - Previously Held Interests in a Joint Arrangement**

The amendment affects joint arrangements on interest previously held in a joint operation. A party that participates in, but does not have joint control of, a joint operation could obtain control if the joint operation activity constitutes a business as defined in IFRS 3. The modifications clarify that interest previously held in said joint operation are not measured again at the moment of the operation.

- **IFRS 11 Joint Arrangements - Previously Held Interests in a Joint Arrangement (continued)**

The Management of Nova Austral S.A. and Subsidiaries analyzed this interpretation from a qualitative and quantitative perspective and concluded it does not have an impact on the consolidated financial statements of the Company as of December 31, 2020.

- **IAS 12 Income Taxes - Tax Consequences of Payments on Financial Instruments Classified as Equity**

The amendments clarify that the income tax on dividends generated due to financial instruments classified as equity are more directly tied to past transactions or events that generated distributable earnings than to distributions to owners. Therefore, an entity recognizes the income tax on dividends in income, other comprehensive income or equity according to where the entity originally recognized those transactions or past events.

The Management of Nova Austral S.A. and Subsidiaries analyzed this interpretation from a qualitative and quantitative perspective and concluded it does not have an impact on the consolidated financial statements of the Company as of December 31, 2020.

- **IAS 23 Borrowing Costs - Borrowing Costs Eligible for Capitalization**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualified asset when substantially all activities needed to make said asset ready for its intended use or sell are complete.

The Management of Nova Austral S.A. and Subsidiaries analyzed this interpretation from a qualitative and quantitative perspective and concluded it does not have an impact on the consolidated financial statements of the Company as of December 31, 2020.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

w) New Standards, Interpretations and Amendments (continued)

- **IAS 28 Investments in Associates and Joint Ventures - Long-Term Investments in Associates or Joint Ventures**

The modifications clarify that an entity applies IFRS 9 Financial Instruments for long-term investments in associates or joint ventures for those investments that do not apply the equity share method but that, in substance, form part of the net investment in the associate or joint venture. This clarification is relevant because it implies that the expected credit loss model, described in IFRS 9, is applied to these interests in the long-term.

The Management of Nova Austral S.A. and Subsidiaries analyzed this interpretation from a qualitative and quantitative perspective and concluded it does not have an impact on the consolidated financial statements of the Company as of December 31, 2020.

- **IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 address accounting in the event of a plan amendment, curtailment or settlement during a reporting period.

The amendments specify that when a plan amendment, curtailment or settlement occurs during an annual reporting period, the entity must:

Determine current service cost for the remainder of the period after a plan amendment, curtailment or settlement, using the actuarial suppositions used to remeasure the net defined benefit liability (asset), reflecting the benefits offered under the plan and the plan assets after that event.

Determine the net interest for the remainder of the period after a plan amendment, curtailment or settlement, using: the net defined benefit liability (asset) that reflects the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure the net defined benefit liability (asset).

The Management of Nova Austral S.A. and Subsidiaries analyzed this interpretation from a qualitative and quantitative perspective and concluded it does not have an impact on the consolidated financial statements of the Company as of December 31, 2020.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

NEW ACCOUNTING PRONOUNCEMENTS (STANDARDS, INTERPRETATIONS AND AMENDMENTS) WITH EFFECTIVE APPLICATION FOR ANNUAL PERIODS COMMENCING ON OR AFTER JANUARY 1, 2020.

The standards and interpretations, and improvements and amendments to IFRS that have been issued, but have not yet come into effect as of the date of these financial statements, are detailed below. The Company has not applied these standards in advance:

	Standards and Interpretations	Date of mandatory application
Conceptual Framework	Conceptual Framework (revised)	January 1, 2020
IFRS 17	Insurance Contracts	January 1, 2021

- **Conceptual Framework (revised)**

The IASB issued the Conceptual Framework (revised) in March 2018. It incorporates new concepts, provides updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts.

Changes to the Conceptual Framework may affect the application of IFRS when no standard applies to a particular transaction or event. The revised Conceptual Framework goes into effect for periods that begin on or after January 1, 2020.

Nova Austral S.A. and Subsidiaries will assess the impact of the amendment when it goes into effect.

- **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new standard for comprehensive accounting for insurance contracts that covers recognition, measurement, presentation and disclosure. Once it goes into effect, it will replace IFRS 4 Insurance Contract, issued in 2005. The new standard applies to all types of insurance contracts, regardless of the type of entity that issues them.

IFRS 17 is effective for reporting periods commencing on or after January 1, 2021, requires comparative figures, and application is allowed as long as the entity also applies IFRS 9 and IFRS 15.

Nova Austral S.A. and Subsidiaries will assess the impact of the amendment when it goes into effect.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

- **IFRS 17 Insurance Contracts (continued)**

	Amendments	Date of mandatory application
IFRS 3	Business Combinations – Previously Held Interests in a Joint Operation	January 1, 2020
IAS 1 and IAS 8	Definition of Material	January 1, 2020
IFRS 9, IAS 9 and IFRS 7	Reform of the Reference Interest Rate	January 1, 2020
IFRS 10 and IAS 28	Consolidated Financial Statements – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

- **IFRS 3 Business Combinations – Definition of a Business**

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations, to help entities determine if a group of activities and assets it has acquired is a business or not. The IASB clarifies the minimum requirements for defining a business, eliminates the evaluation of whether or not the market participants are capable to replace any missing element, includes guidance to help entities evaluate if an acquired process is substantive, reduces the definition of a business and outputs and introduces an optional fair value concentration test.

The amendments must be applied to business combinations or acquisitions of assets occurring during or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Consequently, entities do not have to revise transactions occurred in previous periods. Early application is permitted and must be disclosed.

Given that the amendments are applied prospectively to transactions or other events occurring on or after the date of first application, most of the entities will probably not be affected by these amendments in the transition. However, those entities that consider the acquisition of a group of activities or assets after the application of the amendments must first update their accounting policies in a timely manner.

The amendments could also be relevant in other areas of IFRS (for example, they may be relevant when a controller loses the control of a subsidiary and has opted for early adoption of the sale or contribution of assets between an investor and its associate or joint venture) (Amendments to IFRS 10 and IAS 28).

- **IFRS 3 Business Combinations - Definition of a Business**

Nova Austral S.A. and Subsidiaries will assess the impact of the amendment when it goes into effect.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material**

In October 2019, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, to align the definition of “material” in all standards and clarify certain aspects of the definition. The new definition establishes that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Although it is not expected that the amendments to the definition of material will have a significant effect on an entity’s financial statements, the introduction of the term “obscure” in the definition could impact the way judgments of materiality are made in practice, increasing the importance of how information is communicated and organized in the financial statements.

Nova Austral S.A. and Subsidiaries will assess the impact of the amendment when it goes into effect.

- **IFRS 9, IAS 9 and IFRS 7 Reform of the Reference Interest Rate**

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes the first phase of its work to respond to the effects of the reform of interbank offer rates (IBOR) in the financial information. The amendments provide temporary exceptions that allow hedge accounting to continue during the period of uncertainty, prior to replacing existing benchmark interest rates with alternative, almost risk-free interest rates.

The amendments must be applied retrospectively. However, any coverage relationship that has been previously discontinued cannot be reinstated with the application of these amendments, nor can a coverage relationship be designated using the benefit of Retrospective Reasoning. Early application is permitted and must be disclosed.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 2 - Summary of Significant Accounting Principles (Continued)

- **IFRS 10 Consolidated Financial Statements – and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture**

The amendments to IFRS 10 Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address an inconsistency recognized between the requirements of IFRS 10 and those of IAS 28 (2011) in the treatment of the sale or contribution of assets between an investor and its associate or joint venture. Amendments issued in September 2014 establish that when the transaction involves a business (found in a subsidiary or not), a complete profit or loss is recognized. A partial profit or loss is recognized when the transaction involves assets that do not constitute a business, even when the assets are found in a subsidiary. The date of mandatory application of these modifications is yet to be determined, because the IASB is waiting for the results of its investigation project on the accounting according to the equity method. The amendments must be applied retrospectively and early adoption is allowed, and must be disclosed.

Nova Austral S.A. and Subsidiaries will assess the impact of the amendment when it goes into effect.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 3 - Changes in Accounting Policies and Estimates

3.1 Change in determining the fair value of biological assets

The Nova Austral Group during 2019 has reviewed its accounting policy for determining the fair value of biological assets, since, in recent years the salmon industry has developed and evolved its farming and marketing processes. In addition, the local industry has stabilized from the health point of view (ISA virus) and the Chilean market has globalized accessing new capital markets and in turn, there is the presence of more international actors. Previously, the market price less the estimated processing and sale costs for fattening fish over 1 kg was valued at fair value of live weight for the Salar Salmon. Thus, the fair value estimates for these assets were based on transaction prices at dates near to the closing of the financial statements. The loss or profit on the sale of these assets could vary from the calculation to fair values determined at the end of the period, from which the costs of harvesting, processing, packaging, distribution and sale were discounted.

Based on these financial statements, the Company has chosen to migrate to the valuation method detailed in note 2 n). This model values at fair value all the fattening fish in Fresh Water, that is, we must include fish less than 1 kg., where the value of the concession has also been incorporated as part of the risk of farming, in accordance with the definitions contained in IAS 41. For the above, a valuation model has been adopted that determines the adjustment of the fair value by applying a risk factor on the expected margin of the biomass of each fattening center. Changes in the fair value of biological assets are reflected in the income statement for the period. All biological assets are classified as current biological assets, as they are part of the normal farming cycle concluding with the harvest of the fish.

The Nova Austral Group has carried out the quantitative and qualitative assessment of the new fair value determination for the comparative period with December 2018, from which an immaterial difference has been generated for these consolidated financial statements, therefore the reissue was not required thereof.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 4 - Financial Risk Management

The Company is exposed to different financial risks: credit risk, liquidity risk, cash flow interest rate risk and market risk.

a) Credit risk

- i. Risk of cash surplus investments.

The Company has not taken any risks in relation to cash surplus that has been kept as cash equivalents with no instruments that may represent a risk for cash surplus.

- ii. Credit risk

As of the closing date of the periods presented in the consolidated financial statements, the Company have impairment of its customers in default.

- iii. Risk derived from sales.

The Company sales come from a highly diversified client portfolio, where clients are economically and geographically dispersed in countries with low sovereign risk rates (United States, European Union, mainly). In addition, credit operations are performed with clients that have a stable commercial relationship with the Company and a good payment history, together with a conservative credit policy. Therefore, the Company believes its commercial operations do not expose it to a high risk. Also the history of the Company shows no significant bad debts associated with exports and/or domestic sales.

The Company has a very conservative customer credit policy, whereby most of sales are made with advances against documents, together with a risk hedge via a credit insurance that includes a great portion of the portfolio, and hence hedging the risk of client insolvency.

b) Liquidity risk

Liquidity risk occurs due to the mismatch between the cash needs (for operating, financing expenses and debt amortizations and investments in assets) and the fund availability (that results from client collection, redemption of cash equivalents and financing from other financial entities). Currently, the Company manages liquidity risk in a very conservative and prudent manner, keeping enough cash in its accounts and having enough lines of credit to avoid risks associated with securities.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 4 - Financial Risk Management (Continued)

b) Liquidity risk (continued)

Capital and interest committed to the maturity of bank loans and other commitments are detailed below:

a) As of December 31, 2019

Financial liabilities	Between 1 and 3 months ThUS\$	Between 3 and 12 months ThUS\$	Between 1 and 5 years ThUS\$	Over 5 years ThUS\$	Total ThUS\$
Bank loans	716	5,122	28,150	2,603	36,591
Factoring loan	8,219	-	-	-	8,219
Bond in Norway	8,594	18,494	310,038	-	337,126
Trade payables and other accounts payable	11,035	23,195	-	-	34,230
Credit line	47,419	16,496	547	-	64,462
Accounts payable to related entities	418	-	-	-	418
Total	76,401	63,307	338,735	2,603	481,046

b) As of December 31, 2018

Financial liabilities	Between 1 and 3 months ThUS\$	Between 3 and 12 months ThUS\$	Between 1 and 5 years ThUS\$	Over 5 years ThUS\$	Total ThUS\$
Bank loans	558	3,437	28,829	8,420	41,244
Bond in Norway	-	10,020	-	-	10,020
Factoring loan	6,188	18,563	334,788	-	359,539
Trade payables and other accounts payable	36,693	30,748	-	-	57,421
Accounts payable to related entities	1,349	-	-	-	1,349
Total	44,788	52,748	363,617	8,420	469,573

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 4 - Financial Risk Management (Continued)

c) Market risk

i) Exchange rate risk

The Company operates worldwide; therefore, it is exposed to the foreign exchange rate risk, mainly the US dollar. The exchange rate risk derives from business transactions carried out in other currencies, mainly Chilean pesos. The currency balance of the Company indicates that much of its revenue, main costs (salmon feed) and the financial debt are expressed in US dollars where the financial match occurs naturally, hence lowering the exposure to this risk. Nevertheless, there is a significant portion of operation and process costs associated with operations in Chilean pesos such as, salaries and wages and local services. While this exposure is real, the Company does not consider it very relevant and has not performed peso/dollar hedge operations. Notwithstanding, the Company is constantly monitoring the peso/dollar exchange rate fluctuations while keeping in mind a potential hedge in the future.

As of December 31, 2019 the consolidated classified statement of financial position of the Group shows a net asset in Chilean pesos for the amount of ThUS\$ 133,396, a net asset in Euros for the amount of ThUS\$7,083, a net asset in Norwegian krone for the amount of ThUS\$645, a net asset in Pound sterling for the amount of ThUS\$ 392, a net asset in UF for the amount of ThUS\$271, a net asset in Danish krone for the amount of ThUS\$348 and a net liability in Japanese yen for the amount of MUS\$2. Therefore, a 5 per cent increase in the exchange rate of these currencies would trigger foreign currency translation loss for the amount of (ThUS\$ 6,670) in relation to the Chilean peso, in relation to Euros (ThUS\$354), in relation to Norwegian krone (ThUS\$32), in relation to Pound sterling(ThUS\$ 20) , in relation to Danish krone(ThUS\$17), in relation to UF , (ThUS\$14), in relation to the Japanese yen. ThUS\$0. Also, a 5% decrease in exchange rates triggers a loss of a similar amount.

The table below presents the net exposure in the balance sheet by currency:

	As of 12-31-12019
Net assets by currency	ThUS\$
Dollar, net liability	(141,112)
Chilean peso, net asset	133,396
Japanese yen, net liability	7,083
Euros, net asset	645
Norwegian krone, net asset	392
Pound sterling, net asset	348
Danish krone, net asset	271
UF, net asset	2
Japanese yen, net liability	

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 4 - Financial Risk Management (Continued)

c) Market risk (continued)

i) Exchange rate risk (continued)

For a 5% increase in exchange rates, net assets vary in the amounts presented below:

	As of 12-31-2019
Effect of exposure on net assets by currency	ThUS\$
Chilean peso, net asset	(6,670)
Euros, net asset	(354)
Norwegian krone, net asset	(32)
Pound sterling, net asset	(20)
Danish krone, net asset	(17)
UF, net asset	(14)
Japanese yen, net liability	-

ii) Interest rate risk

The financial debt of the Group is in US dollars and 100% structured for Nova Austral S.A. with a non-current debt which consists of a bond maturing in May 2021 with 100% of principal payable upon the bond maturity and biannual accrued interest payments, agreed at a fixed interest rate of 8.25%. This debt is not subject to any covenant, but only to a restriction applicable to the distribution of dividends subject to 3.5% leverage as of 2017 closing that will be reduced to 2.5 until the bond maturity in May 2021. The financial debt structure is not exposed to rate fluctuations via an increase and we do not see implicit rate risk in the current liability structure.

During 2019 Nova Austral S.A. made use of its available credit line with the DNB bank for a capital of ThUS\$33,000, with an average disbursement rate of 6.3%, in the scenario of a sensitivity analysis of interest rates, it can be seen that the effects on income of increasing or decreasing 5% annually, would be ThUS 828 of greater or lesser expense, as appropriate.

Piscicultura Tierra del Fuego S.A., a Subsidiary, is exposed to the interest rate risk since its non-current financing has associated a fixed rate of 6% and a variable rate that is exposed to fluctuations via an increase in Libor. As of December 31, 2019, the Group has bank liabilities for the total amount of ThUS\$22,598 in US dollars. In a sensitivity analysis of variable interest rates on bank debt capitals scenario (no bond is taken into account as this is a fixed rate), it becomes clear that the effects on income of an annual 5% increase or decrease in Libor current as of the period closing would result in a higher or lower expense, as appropriate, for the amount of ThUS\$1,701.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 4 - Financial Risk Management (Continued)

c) Market risk (continued)

iii. Sales price risk

Revenue from operating activities of the Company derives mainly from the sale of Atlantic salmon in all types, HON/HG salmon, Trim C/D/E fillets and portions, that as mentioned before, are mostly sold in foreign markets where prices are exposed to fluctuations in the world market as a result of worldwide supply and demand, terms of exchange agreed by the main producers and some political considerations and/or trade barriers. Our geographical, client and product diversification policy seek to minimize price volatility risks. We also know that prices have a direct influence on the valuation of biological assets that are affected by the Fair Value estimate based on expected sales prices and production costs of the Company. As of December 31, 2019, the Company had a total of 12,041 Tons (live weight of fish) as biological assets subject to Fair Value.

The table below presents the sales price sensitivity analysis, with a change in USD1 /net Kg:

	Negative (USD 1 /Kg)	Base	Positive USD 1 /Kg
Price adjustment US\$ x Kg	4.72	5.72	6.72
Effect on Biomass Fair Value ThUS\$	9,138	19,202	30,460
Effect on Income ThUS\$	(10,064)	-	11,258

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 5 - Cash and Cash Equivalents

Cash and cash equivalents correspond to cash balances in bank checking accounts and balances in hand.

As of December 31, 2019 and 2018, cash and cash equivalents are detailed as follows:

Classes of cash and cash equivalents	12-31-2019	12-31-2018
	ThUS\$	ThUS\$
Cash in hand	2	3
Bank balances	13,159	19,544
Total	13,161	19,547

As of December 31, 2019 and 2018, balances by type of currency included in cash and cash equivalents are detailed as follows:

By type of currency	Currency	12-31-2019	12-31-2018
		ThUS\$	ThUS\$
Cash and cash equivalents in	US dollar	6,196	8,539
Cash and cash equivalents in	Chilean peso	1,335	5,382
Cash and cash equivalents in	Euros	4	4
Total		7,535	13,925

Nota 6 - Other financial assets, current

a) As of December 31, 2019 and 2018, other current financial assets are detailed as follows:

Item	Currency	31-12-2019	31-12-2018
		ThUS\$	ThUS\$
Cash in checking accounts	US dollar	3,000	3,000
Total		3,000	3,000

The money deposited in the checking account of US dollars currency of the DNB Norway bank of the subsidiary Piscicultura Tierra del Fuego S.A. is in pledge without displacement under Law No. 20,190 on shares, see Note 29.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 7 - Financial Instruments

a) Financial instruments by category according to IAS 39

December 31, 2019

	Loans and accounts receivable	Assets at fair value through profit or loss	Total
Assets	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	-	13,161	13,161
Other financial assets, current	-	3,000	3,000
Trade receivables and accounts receivable, current	19,091	-	19,091
Accounts receivable from related entities, current	79	-	79
Accounts receivable from related entities, non- current	117,953	-	117,953
Total	137,123	16,161	153,284

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Liabilities	ThUS\$	ThUS\$	ThUS\$
Other financial liabilities, current	-	46,240	46,240
Trade accounts payable and other accounts payable, current and non-current	-	63,915	63,915
Accounts payable to related entities, current and non-current	-	418	418
Other financial liabilities, non-current	-	317,878	317,878
Total	-	428,451	428,451

December 31, 2018

	Loans and accounts receivable	Assets at fair value through profit or loss	Total
Assets	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	-	19,547	19,547
Other financial assets, current	-	3,000	3,000
Trade receivables and accounts receivable, current	22,448	-	22,448
Accounts receivable from related entities, current	415	-	415
Accounts receivable from related entities, non- current	109,001	-	109,001
Total	131,864	22,547	154,411

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 7 - Financial Instruments (Continued)

a) Financial instruments by category according to IAS 39 (continued)

December 31, 2018

Liabilities	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	ThUS\$	ThUS\$	ThUS\$
Other financial liabilities, current	-	12,636	12,636
Trade payable and other accounts payable, current and non-current	-	57,421	57,421
Accounts payable to related entities, current and non-current	-	1,349	1,349
Other financial liabilities, non-current	-	319,495	319,495
Total	-	390,901	390,901

b) Financial instruments credit rating

The financial instruments of Nova Austral Group may be classified primarily in two large groups:

- i. Commercial credits with clients that in order to measure the associated level of risk are classified by the age of the debt and in which respect allowances for impairment are recorded; and
- ii. Financial investments that Nova Austral Group might make, as of December 31, 2019 and 2018, are no longer held.

Current Assets	12-31-2019	12-31-2018
	ThUS\$	ThUS\$
Trade receivables and accounts receivable	19,091	22,448
Accounts receivable from related entities, current	118,032	109,416
Total	137,123	131,864

Nova Austral Group performs sales operations with clients under an advance payment schedule or grants loans to clients in good credit standing. No financial instrument that has not yet matured has been renegotiated over the period.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 7 - Financial Instruments (Continued)

c) Fair value estimate

As of December 31, 2019 and 2018, Nova Austral Group did not have financial instruments that had to be recorded at fair value.

Note 8 - Trade Receivables and Other Accounts Receivable

a) Trade receivables and other accounts receivable are detailed as follows:

Trade receivables and other accounts receivable	12-31-2019 ThUS\$	12-31-2018 ThUS\$
Trade Receivables:		
Domestic	810	1,149
Foreign	18,366	21,711
Impairment of trade receivables	(433)	(441)
Total	18,743	22,419
Other Accounts Receivable:		
Other receivables	1,996	1,677
Impairment of other receivables	(1,648)	(1,648)
Total Other Accounts Receivable	348	29
Total	19,091	22,448

The fair value of trade receivables and other accounts receivable does not differ significantly from the carrying amount thereof.

b) As of December 31, 2019 and 2018, balances by currency included in trade receivables and other accounts receivable, gross current and non-current, are detailed as follows:

Classification by type of Currency	12-31-2019 ThUS\$	12-31-2018 ThUS\$
US dollars	18,468	19,759
Euro	2,629	3,931
Chilean pesos	75	847
Total	21,172	24,537

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 8 - Trade Receivables and Other Accounts Receivable (Continued)

c) Stratification of portfolio and provisions

- Domestic and foreign trade receivables:

Classification according to maturity	12-31-2019			12-31-2018		
	Amount of not renegotiated portfolio	Impairment of doubtful accounts	Net trade receivables	Amount of not renegotiated portfolio	Impairment of doubtful accounts	Net trade receivables
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
On this day	15,332	(62)	15,270	17,173	(70)	17,103
From 1 to 30 Days	2,817	(12)	2,805	2,937	(12)	2,925
From 31 to 60 Days	217	(2)	215	729	(6)	723
From 61 to 90 Days	-	-	-	228	(2)	226
From 91 to 120 Days	339	(6)	333	27	(1)	26
From 121 to 179 Days	60	(1)	59	1,057	(26)	1,031
From 180 to 210 Days	43	(7)	36	274	(47)	227
From 211 to 240 Days	-	-	-	14	(4)	10
From 241 to 270 Days	45	(20)	25	2	(1)	1
Over 271 Days	323	(323)	-	419	(272)	147
Total	19,176	(433)	18,743	22,860	(441)	22,419

- Other receivables:

Classification according to maturity	12-31-2019			12-31-2018		
	Amount of not renegotiated portfolio	Impairment of doubtful accounts	Net trade receivables	Amount of not renegotiated portfolio	Impairment of doubtful accounts	Net trade receivables
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
On this day	349	(1)	348	-	-	-
From 1 to 30 Days	-	-	-	17	(1)	16
From 31 to 60 Days	-	-	-	-	-	-
From 61 to 90 Days	-	-	-	-	-	-
From 91 to 120 Days	-	-	-	8	(1)	7
From 121 to 179 Days	-	-	-	1	(1)	-
From 180 to 210 Days	-	-	-	-	-	-
From 211 to 240 Days	-	-	-	-	-	-
From 241 to 270 Days	-	-	-	-	-	-
Over 271 Days	1,647	(1,647)	-	1,651	(1,645)	6
Total	1,996	(1,648)	348	1,677	(1,648)	29

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 8 - Trade Receivables and Other Accounts Receivable (Continued)

- d) The movement of the allowance for impairment of trade receivables and other accounts receivable is detailed as follows:

Movement of allowance for impairment	12-31-2019	12-31-2018
	ThUS\$	ThUS\$
Beginning balance	2,089	534
Recovery of trade receivables impairment	(165)	(511)
Application of IFRS 9 (*)	-	220
Impairment for the period	157	1,846
Total	2,081	2,089

(*) IFRS 9 requires that the Company records expected credit losses from all debt securities, loans and trade receivables, either on a 12-month basis or for life. The Company applied the simplified model and recorded expected losses in the lives of all trade receivables.

Once all collection efforts have been made, pre-judicial and judicial, assets are derecognized (written-off) against the provision that was recorded. Nova Austral S.A. and its Subsidiaries do not use the direct write-off method but the provision method for better control.

Historic renegotiations that are currently valid are not significant and the policy is to make a case-by-case analysis to classify them according to a given risk if they are eligible for reclassification to pre-judicial collection accounts. If that is the case, a provision is recorded for overdue and soon to be due items.

There are no relevant guarantees for credit operations with clients that have a stable business relationship with the Company and a good payment history or with clients that pay in advance.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 9 - Balance and Transactions with Related Entities

a) Related parties include the following entities and individuals:

- i) Shareholders that may exercise control.
- ii) Subsidiaries and members of Subsidiaries.
- iii) Parties that have interests in the entity for which reason they have a significant influence on it.
- iv) Parties with joint control over the entity.
- v) Associates.
- vi) Interests in joint ventures.
- vii) Key officers of the entity or its controlling entity.
- viii) Close relatives of the individuals described above.
- ix) A controlled or joint control company or a company on which the individuals mentioned in vii) and viii) above have a significant influence.

In general, transactions with related companies are not subject to special conditions. These operations comply with the provisions of Law No. 18.046 that regulates Corporations and the provisions of IAS 24.

Transfers of current and non-current funds between related companies, other than collection or payment of services, are structured as business accounts.

b) Balances of accounts receivable from related entities as of each year closing are detailed as follows:

Entity	Relation	12-31-2019		12-31-2018	
		Current ThUS\$	Non- current ThUS\$	Current ThUS\$	Non- current ThUS\$
Nova Austral Spain S.L. (Ex - Global Polaris S.L.U.)	Parent	79	-	79	-
Albain Holdco SARL	Related to parent	-	109,795	-	101,463
Nova Austral Management Invest AS	Related to parent	-	8,158	336	7,538
Total		79	117,953	415	109,001

c) Accounts payable to related entities as of each year closing are detailed as follows:

Entity	Relation	12-31-2019		12-31-2018	
		Current ThUS\$	Non- current ThUS\$	Current ThUS\$	Non- current ThUS\$
Compañía Salmonífera Dalcahue Ltda.	Shareholder of subsidiary	418	-	1,349	-
Total		418	-	1,349	-

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 9 - Balance and Transactions with Related Entities (Continued)

d) Transactions between related parties

In 2019 and 2018, transactions with related entities performed by the Company and its Subsidiaries in the regular course of business are detailed as follows:

Entity	Relation	Description of Transaction	Amount of Transaction		Credit (charge) to Income	
			2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$
Nova Austral Spain S.L. (Ex - Global Polaris S.L.U) (**)	Parent	Tax refund	-	588	-	-
Nova Austral Management Invest As	Related to Parent	Loan	-	-	-	-
		Accrued interest	620	3,568	620	3,568
		Loan payment with principal decrease	-	4,321	-	-
		debt regularization	336	-	-	-
Albain Holdco SARL	Related to Parent	Loan	-	-	-	-
		Accrued interest	8,332	10,725	8,332	10,725
		Loan payment with principal decrease	-	113,579	-	-
Compañía Salmonífera Dalcahue Ltda.	Shareholder of Subsidiary	Invoices payable	418	1,349	-	-
		Payment of invoices	1,375	-	-	-

(**) On March 14, 2019, the partners agreed to change the legal name of the company to Nova Austral Spain S.L.; this change was legalized on record No. 4.428/2019 at the Office of the Notary Public Mr. Roberto Cifuentes Allel on May 18, 2018.

e) Remunerations paid to key personnel of the Company in 2019 and 2018 are detailed as follows:

Details	2019 ThUS\$	2018 ThUS\$
Confidential payroll remunerations	2,352	2,185
Total	2,352	2,185

f) As of December 31, 2019 and 2018, there are no balances payable to or receivable from directors and/or executives of the Company.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 10 - Inventory

b) As of December 31, 2019 and 2018, inventory is detailed as follows:

	12-31-2019 ThUS\$	12-31-2018 ThUS\$
Finished products	25,286	14,154
Materials and inputs	8,777	6,640
Fish feed	3,047	4,616
Inventory in process	1,946	682
Fair value of finished products	13,326	5,569
Total	52,382	31,661

c) Inventory policy

The Group's inventory is measured at the lower between cost and net realization value.

d) Inventory measurement policy:

The Company values its inventory as follows:

- i) Fresh and frozen salmon production cost is determined based on the last fair value of biological assets at the point of harvest (that represents the cost of raw materials that enter the processing plant), plus direct and indirect production costs at the Plant, such as manpower, variable and fixed costs that have been incurred to transform raw materials into finished products.
- ii) For acquired inventory cost (fish feed, materials and inputs), the acquisition cost includes the purchase price, import duties, transport and other costs attributable to the acquisition of goods.
- iii) No inventory items have been granted as guarantee.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 10 - Inventory (Continued)

- e) As of December 31, 2019 and 2018, finished products net of impairment allowance, are detailed as follows:

Details	12-31-2019		12-31-2018	
	Ton.	ThUS\$	Ton.	ThUS\$
Whole fish	1,757	9,090	363	2,129
Fillet	1,147	10,553	629	6,825
HG	-	-	-	2
Portions	418	5,446	349	5,008
By-product	276	197	144	190
Total	3,598	25,286	1,485	14,154

- f) Inventory recognized in cost of sales as of each closing year is detailed as follows:

Details	2019	2018
	ThUS\$	ThUS\$
Cost of sales	(118,755)	(113,310)
Total	(118,755)	(113,310)

Note 11 - Biological Assets

Biological assets are measured at fair value less estimated costs at the point of sales, except when the fair value cannot be determined reliably pursuant to the definitions of IAS 41.

- a) Classification of biological assets

Biological assets held for fattening in sea water that will be harvested within the next twelve months, are classified as current biological assets and spawning fish, fry, fresh water smolts and fattening fish to be harvested after a twelve-month period, are classified as non-current biological assets.

As of each period closing, these assets are detailed as follows:

Details	Current	
	12-31-2019	12-31-2018
	ThUS\$	ThUS\$
Salar salmon (*)	75,608	76,029
Eggs, fry and smolts	1,353	8,360
Total	76,961	84,389

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 11 - Biological Assets (Continued)

a) Classification of biological assets (continued)

(*) As of December 31, 2019, the biological assets comprised of Salmon triggered a positive net effect of ThUS\$10,529 on the Group's income since biomass was valued at fair value. The foregoing results from the valuations of the period that triggered the amount of ThUS\$19,201 that was credited to income and the amount of (ThUS\$8,672) that was charged to income, corresponding to the fair value of biomass harvested and then sold as finished products, which increases the cost of sales during the realization period.

As of December 31, 2018, a net positive effect of ThUS\$4,212 resulted from valuations made over the year that generated a credit to income amounting to ThUS\$16,429 and a higher cost of sales associated to the fair value harvested and sold during the year for the amount of (ThUS\$12,217).

b) For 2019 and 2018, movements in biological assets are detailed as follows:

	2019	2018
	ThUS\$	ThUS\$
Biological Assets at the beginning	84,389	73,542
Fattening and production increases	57,149	93,830
Harvest decreases	(83,779)	(98,126)
Extraordinary mortality and other write-offs (*)	-	(1,286)
Biological Asset Fair Value	19,202	16,429
Balance at the end of the year	76,961	84,389

In 2019, a production group of smolt in fresh water was affected by SRS at the time of sowing in sea water, therefore the upper management made the decision to eliminate the remaining smolts of MAQTR1217 group so as to avoid the risk of spreading the disease. This extraordinary non-recurrent event led us to make a one-time adjustment amounting to ThUS\$1,286 adjusted to biological assets charged to other expenses by function.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 11 - Biological Assets (Continued)

c) As of December 31, 2019 and 2018, biological assets are detailed as follows:

	12-31-2019				
	Number of Units	Biomass Final Ton.	Cost of Production ThUS\$	Fair Value Adjustment ThUS\$	Total Cost ThUS\$
Salar salmon	3,880,741	12,046	56,406	19,202	75,608
Eggs, fry and smolts	496,634	52	1,353	-	1,353
Total	4,377,375	12,098	57,759	19,202	76,961

	12-31-2018				
	Number of Units	Biomass Final Ton,	Cost of Production ThUS\$	Fair Value Adjustment ThUS\$	Total Cost ThUS\$
Salar salmon	7,624,341	11,611	59,600	16,429	76,029
Eggs, fry and smolts	12,654,930	110	8,360	-	8,360
Total	20,279,271	11,721	67,960	16,429	84,389

d) Movements of biological asset fair value adjustments are detailed as follows:

	12-31-2019 ThUS\$	12-31-2018 ThUS\$
Biological asset fair value initial balance	16,429	11,994
Increase in biological asset adjustment for the period	48,798	34,901
Less: Harvest fair value adjustments	(46,025)	(30,466)
Total biological assets and inventory	19,202	16,429

e) Sensitivity on the effect of non-observable variable fair value

The table below presents a sensitization with respect to the effect on income of fair value that would give rise to an increase or decrease in harvest (LW) biomass in water estimate weight variable as of the period closing.

	5% Decrease	Base	5% Increase
Average harvest (LW) weight adjustment	5.10	5.37	5.64
Effect on biomass Fair Value ThUS\$	17,856	19,202	20,414
Effect on Income ThUS\$	(1,346)	-	1,212

f) Guarantees

The entire biomass at fish farms specified in Note 29 is under a non-possessory pledge pursuant to Law No. 20.190 that regulates assets.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 12 - Other Non-financial Assets, Current

Current and Non-Current amounts in this category are detailed as follows:

Current:

	12-31-2019 ThUS\$	12-31-2018 ThUS\$
Advance insurance	393	1,852
Advances to suppliers	628	932
Recoverable taxes	-	739
Navarino Law 20% Bonus	19,205	16,732
VAT credit	3,014	1,886
DL 889 refund	247	402
Expenses paid in advance	1,516	216
Advances to personnel	82	27
Total	25,085	22,786

Note 13 - Intangible Assets other than Goodwill

a) The most important classes of intangible assets are detailed as follows:

	12-31-2019 ThUS\$	12-31-2018 ThUS\$
Indefinite-lived aquaculture concessions	9,211	4,472
Definite-lived aquaculture concessions	2,906	1,391
Concessions in process	1,267	955
Water rights	55	55
Software	773	570
Licenses	201	167
Amortization	(1,113)	(564)
Total	13,300	7,046

b) For the years ended December 31, 2019 and 2018, movements are detailed as follows:

	Definite-lived Aquaculture Concessions		Indefinite-lived Aquaculture Concessions		Concessions in process		Water Rights		Software		Licenses	
	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$
Beginning balance	1,205	4,472	955	55	570	167	7,424	1,205	4,472	955	55	570
Additions	1,702	4,739	311	-	203	34	6,989	1,702	4,739	311	-	203
Divestitures	-	-	-	-	-	-	-	-	-	-	-	-
Amortizations	-496	-	-	-	-472	-145	-1,113	-496	-	-	-	-472
Ending balance	2,411	9,211	1,266	55	301	56	13,300	2,411	9,211	1,266	55	301

(*) On February 7, 2019, the company acquired the subsidiary Pesquera Cabo Pilar S.A., which generated the registration of an addition to the value of the finite useful life concessions for ThUS\$1,375 and indefinite for ThUS\$4,739, see note 20 a)

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 13 - Intangible Assets other than Goodwill (Continued)

- c) As of December 31, 2019 and 2018, sea concessions are detailed as follows. From the 28 concessions the Company has in the 12th Region, 23 are indefinite and have no maturity date, while 5 concessions have a useful life of 25 renewable years for another 25 year-period.

Name	Center Code	Concession Cluster (Neighborhood)	Useful life	Sector- Project Name
Pto. Prat	120008	44	Indefinite	Estero Eherhardt, northeast of Punta Prat
Riquelme	120023	45	Indefinite	Golfo Almirante Montt-Puerto Riquelme
Spiteful	120029	45	Indefinite	Golfo Almirante Montt-Bahia Sin Nombre Delano
Pto Bories	120036	45	Indefinite	Canal Señoret, Puerto Bories
Pta. Cuervo	120043	45	Indefinite	Canal Señoret- Al Sur de Punta Cuervo
Consuelo	120054	44	Indefinite	Estero Eberhardt- Punta Cajón
Escondida	120061	45	Indefinite	Golfo Almirante Montt, northwest of bahia humberto.
Demaistre	120062	45	Indefinite	Península Antonio Varas, Canal Señoret, Pto. Demaistre
Mercedes	120063	45	Indefinite	Estancia Mercedes, Golfo Almirante Montt
Aracena 1	120067	56	Indefinite	Estero Staples, north of Caleta Hawkins, Isla Capitán Aracena
Aracena 4	120068	56	Indefinite	Estero sin nombre, north of Bahía Inman, Isla Capitán Aracena
Aracena 2	120069	56	Indefinite	Estero Staples, south of Isla Harrison.
Aracena 5	120070	56	Indefinite	Bahía Inmán, Isla Capitán Aracena
Aracena 3	120071	56	Indefinite	Estero Staples, south of Isla Harrison.
Aracena 8	120085	54A	Indefinite	Ensenada Petite, Isla Capitán Aracena
Aracena 6	120087	55	Indefinite	Canal sin nombre, Península Greenough, Isla Capitán Aracena
Aracena 10	120088	54B	Indefinite	Seno Lyell, northeast of Bahía Kempe, Isla Capitán Aracena
Aracena 9	120089	54A	Indefinite	Seno Petite, Bahía Mazarredo, Isla Capitán Aracena
Aracena 11	120090	55	Indefinite	Estero Staples, northeast of Caleta Sholl, Isla Capitán Aracena
Aracena 12	120091	54A	Indefinite	Caleta Cascada, Isla Capitán Aracena, Seno Petite.
Aracena 13	120092	56	Indefinite	Estero sin nombre, southeast of Isla Peak, Isla Capitan Aracena
Aracena 14	120096	55	Indefinite	Canal sin nombre, north of Caleta Sholl, Isla Capitán Aracena
Aracena 15	120097	54B	Indefinite	Seno Lyell, Caleta Stokes, Isla Capitán Aracena
Cockburn 23	120123	58	Definite	Seno Brujo, Sur Península Rolando
Cockburn 14	120124	57	Definite	Seno Chasco, Norte Península Brecknock
Cockburn 3	120126	57	Definite	Noroeste Península Brecknock, Canal Cockburn.
Cockburn 13	120127	57	Definite	Puerto Consuelo, Seno Chasco
Aracena 19	120128	54B	Definite	Isla Capitán Aracena-Seno Lyell

Some concessions of Nova Austral are currently situated in a national park; nevertheless, the Company operates normally and complies with the applicable laws and regulations.

The 28 concessions have been granted as Mortgage as explained in Note 29.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 13 - Intangible Assets other than Goodwill (Continued)

- d) Additionally, the subsidiary Pesquera Cabo Pilar S.A. It has 4 concessions that the company has located in the XII region, which have a useful life of 40 years)

Name	Center code	HAS	Vida útil	Sector- Project Name
PICTON 1	120035	3.13	Finite	Paso Picton
PICTON 2	120039	3.05	Finite	Paso Picton
PICTON 3	120040	3.16	Finite	Paso Picton
PICTON 4	120057	3.10	Finite	Canal Beagle

Note 14 - Property, Plant and Equipment

- a) As of December 31, 2019 and 2018, the items of property, plant and equipment are detailed as follows:

Property, plant and equipment as of 12-31-2019	Gross value ThUS\$	Cumulative Depreciation ThUS\$	Net Value ThUS\$
Land	3,823	-	3,823
Buildings and constructions	30,357	(3,499)	26,858
Plant machinery and equipment	20,589	(4,489)	16,100
Fixed installations and accessories	71,155	(43,165)	27,990
Other PPE	2,347	(1,681)	666
Use rights	1,493	(485)	1,008
Works in progress	37,272	-	37,272
Total	167,036	(53,319)	113,717

Property, plant and equipment as of 12-31-2018	Gross Value ThUS\$	Cumulative Depreciation ThUS\$	Net Value ThUS\$
Land	3,823	-	3,823
Buildings and constructions	15,632	(3,041)	12,591
Plant machinery and equipment	10,545	(3,295)	7,250
Fixed installations and accessories	67,887	(37,168)	30,719
Other PPE	2,317	(1,482)	835
Works in progress	39,991	-	39,991
Total	140,195	(44,986)	95,209

(*) As of January 1, 2019, the category "Use Rights" generated by the entry into force of IFRS 16, which is composed mainly of property under lease, is created.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 14 - Property, Plant and Equipment (Continued)

- b) For the years ended December 31, 2019 and 2018, movements of property, plant and equipment are detailed as follows:

Year 2019	Beginning balance		Transfers	Other increases (decreases)	Derecognition	Depreciation	Ending balance
	01-01-2019	Additions					12-31-2019
	ThUS\$	ThUS\$					ThUS\$
Land	3,823	-	-	-	-	-	3,823
Buildings and constructions	12,591	-	14,725	-	-	(458)	26,858
Machinery and equipment	7,250	-	10,047	(3)	-	(1,194)	16,100
Fixed installations and accessories	30,719	-	3,270	-	(2)	(5,997)	27,990
Other PPE	835	-	127	-	(56)	(240)	666
Use rights	-	1,493	-	-	-	(485)	1,008
Works in progress	39,991	25,659	(28,169)	(166)	(43)	-	37,272
Total	95,209	27,152	-	(169)	(101)	(8,374)	113,717

Year 208	Beginning balance		Transfers	Other increases (decreases)	Derecognition	Depreciation	Ending balance
	01-01-2018	Additions					12-31-2019
	ThUS\$	ThUS\$					ThUS\$
Land	3,823	-	-	-	-	-	3,823
Buildings and constructions	10,379	-	2,465	-	-	(253)	12,591
Machinery and equipment	5,705	-	2,031	73	-	(559)	7,250
Fixed installations and accessories	31,511	3	4,198	86	(2)	(5,077)	30,719
Other PPE	613	14	451	17	(32)	(228)	835
Works in progress	11,686	37,522	(9,145)	(72)	-	-	39,991
Total	63,717	37,539	-	104	(34)	(6,117)	95,209

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 14 - Property, Plant and Equipment (Continued)

c) Insurance:

The Company and its Subsidiaries have taken out insurance policies to cover the risks to which goods are exposed in the processing facilities (building and machinery) and sea water farming centers (pontoons, cages, nets and floating structures) and also insurance policies for sea biomass, inventory of finished products, rolling equipment and transport of merchandise. Nova Austral S.A. and Subsidiaries consider that these insurance policies adequately cover the risks normally associated with their activity.

d) PPE subject to guarantee or restrictions:

The assets in this category have been granted as mortgage and pledged by the Company and subsidiaries, as explained in Note 29.

No items of property, plant and equipment have been retired from active use and not classified as held for sale according to IFRS 5.

e) Capitalization of interest

The subsidiary Piscicultura Tierra del Fuego S.A. in accordance with IAS 23, it has capitalized interests in property, plant and equipment:

	12-31-2019	12-31-2018
	ThUS\$	ThUS\$
Activated financial cost	2,148	500
Average capitalized interest rate	8.59%	1.99%

Note 15 - Current Income Tax and Deferred Taxes

a) Income tax

As of December 31 of each year, Nova Austral S.A. does not record an income tax provision as it is exempt from this tax according to Decree Law No. 18392, as well as its subsidiary Piscicultura Tierra del Fuego S.A. according to Tierra del Fuego Law No. 19149.

The subsidiary Comercial Austral S.A. did not constitute a provision for income tax for the year 2019 for obtaining a tax loss and in 2018 it constituted a provision of ThUS\$64. The subsidiary Pesquera Cabo Pilar S.A. has presented tax loss in 2019 and 2018.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 15 - Current Income Tax and Deferred Taxes (Continued)

b) Current tax assets (liabilities)

Item	2019 ThUS\$	2018 ThUS\$
Training expenses	-	55
Monthly provisional payments (PPM)	127	1,143
Art.21 provision	(5)	(74)
Income tax provision	-	(64)
Total	122	1,060

c) Deferred taxes

As of December 31, 2019 and 2018, deferred tax assets are detailed as follows:

Deferred taxes relating to:	2019		2018	
	Assets ThUS\$	Liabilities ThUS\$	Assets ThUS\$	Liabilities ThUS\$
Vacation accrual	5	-	5	-
Allowance for doubtful accounts	152	-	156	-
Advance revenue	6	-	10	-
Tax Loss	407	-	-	-
Value concessions		213	-	-
Deferred tax assets (liabilities), net	357	-	171	-

Deferred taxes correspond to the amount of tax on gains to be paid (liabilities) or recovered (assets) by Nova Austral S.A. and Subsidiaries in future periods and that relate to temporary differences between the fiscal or tax base and the carrying amount of some assets and liabilities.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 15 - Current Income Tax and Deferred Taxes (Continued)

d) In 2019 and 2018, the movements of deferred tax assets and liabilities are detailed as follows

Deferred tax classification	12-31-2019		12-31-2018	
	Deferred Tax Assets ThUS\$	Deferred Tax Liabilities ThUS\$	Deferred Tax Assets ThUS\$	Deferred Tax Liabilities ThUS\$
Beginning balance	171	-	514	-
Movements of the period				
Vacation accrual	-		1	-
Allowance for doubtful accounts	(4)		36	-
Other provisions	(4)		(380)	-
Inventory valuation			-	-
Tax loss	407		-	-
Value concessions		213	-	-
Sub-total	399	213	(343)	-
Ending balance	357	-	171	-

Tax losses likely to be imputed to future profits are not subject to the statute of limitations, as stated in the Chilean laws and regulations.

e) Income tax expenses are detailed as follows:

	(Charge) credit	
	2019 ThUS\$	2018 ThUS\$
Deferred tax of the year effect	407	(343)
Prior year income regularization	42	343
Additional tax	(186)	(167)
Art. 21 sole tax expense	(48)	(74)
Income tax provision	-	(64)
Income tax (expense) income	215	(305)

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 15 - Current Income Tax and Deferred Taxes (Continued)

- f) Reconciliation of income tax expense using the legal rate and income tax expense using the effective rate is detailed as follows:

Details	Rate %	Taxes as of 12-31-2019 ThUS\$	Rate %	Taxes as of 12-31-2018 ThUS\$
Profit (loss) before tax		(2,108)		8,958
Total tax at legal rate income	27.00	569	27.0	(2,419)
Adjustment to reconcile the effective rate				
Adjustment to income (expense) for application of Navarino Law No. 18392		-	23.6	2,114
Other adjustments to taxes	16.79	(354)		-
Total adjustments to tax income to reconcile the effective rate		(354)		2,114
Total tax income (expense) at effective rate	10.21	215	3.4	(305)

Note 16 - Other Financial Liabilities, Current and Non-Current

As of December 31, 2019 and 2018, the borrowings of Nova Austral S.A. and Subsidiaries involving financial institutions and the public (Bonds) are detailed as follows:

- a) Current

	Currency	12-31-2019 ThUS\$	12-31-2018 ThUS\$
Interest bearing loans			
Maturing in less than 12 months	USD	44,790	11,806
Interest	USD	3,419	2,796
Deferred expense by effective rate	USD	(1,969)	(1,966)
Total		46,240	12,636

- b) Non-Current

	Currency	12-31-2019 ThUS\$	12-31-2018 ThUS\$
Interest bearing loans			
Maturing in more than 12 months	USD	319,643	323,214
Deferred expense by effective rate	USD	(1,765)	(3,719)
Total		317,878	319,495

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 16 - Other Financial Liabilities, Current and Non-Current (Continued)

- c) As of December 31, 2019 and 2018, the loans of Nova Austral S.A. and Subsidiaries are detailed as follows:

As of December 31, 2019

Institution	Type	Debtor	Currency	Current ThUS\$	Non- current ThUS\$	Total ThUS\$
Nordic Trustee	Bond	Nova Austral S.A.	USD	-	300,000	300,000
	Interest payable	Nova Austral S.A.	USD	2,406	-	2,406
	Deferred expense by effective rate	Nova Austral S.A.	USD	(1,841)	(1,074)	(2,915)
DNB Bank ASA	Credit line	Nova Austral S.A.		33,000	-	33,000
	Interest payable	Piscicultura Tierra del Fuego S.A.	USD	810	-	810
	Loan	Piscicultura Tierra del Fuego S.A.	USD	3,571	19,643	23,214
	Interest payable	Piscicultura Tierra del Fuego S.A.	USD	203	-	203
	Deferred expense by effective rate	Piscicultura Tierra del Fuego S.A.	USD	(128)	(691)	(819)
CHL Renta Total FIP	Factoring loan	Comercial Austral S.A.	USD	8,219	-	8,219
Total				46,240	317,878	364,118

As of December 31, 2018

Institution	Type	Debtor	Currency	Current ThUS\$	Non- current ThUS\$	Total ThUS\$
Nordic Trustee	Bond	Nova Austral S.A.	USD	-	300,000	300,000
	Interest payable	Nova Austral S.A.	USD	2,406	-	2,406
	Deferred expense by effective rate	Nova Austral S.A.	USD	(1,840)	(2,914)	(4,754)
DNB Bank ASA	Loan	Piscicultura Tierra del Fuego S.A.	USD	1,786	23,214	25,000
	Interest payable	Piscicultura Tierra del Fuego S.A.	USD	390	-	390
	Deferred expense by effective rate	Piscicultura Tierra del Fuego S.A.	USD	(126)	(805)	(931)
CHL Renta Total FIP	Factoring loan	Comercial Austral S.A.	USD	10,020	-	8,219
Total				12,636	319,495	332,131

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 16 - Other Financial Liabilities, Current and Non-Current (Continued)

d) Maturity dates of Other financial liabilities, non-current, are detailed as follows:

As of December 31, 2019

Institution	Currency	Average rate	Maturity	Non-Current			Total as of 12-31-2019
				1 to 2 years	2 to 3 years	3 to 4 years	
				ThUS\$	ThUS\$	ThUS\$	ThUS\$
Nordic Trustee	USD	8.25%	05-26-2021	298,926	-	-	298,926
DNB Bank ASA	USD	8.62%	05-25-2026	6,452	7,143	5,357	18,952
Total				305,378	7,143	5,357	317,878

As of December 31, 2018

Institution	Currency	Average rate	Maturity	Non-Current			Total as of 12-31-2018
				1 to 2 years	2 to 3 years	3 to 4 years	
				ThUS\$	ThUS\$	ThUS\$	ThUS\$
Nordic Trustee	USD	8.25%	05-26-2021	-	297,086	-	297,086
DNB Bank ASA	USD	8.62%	05-25-2026	6,891	6,590	8,928	22,409
Total				6,891	303,676	8,928	319,495

e) Nova Austral S.A. has mortgages and non-possessory pledges in favor of Nordic Trustee ASA with respect to the public bond it has in Norway, while its Subsidiary Piscicultura Tierra del Fuego S.A. has mortgages and non-possessory pledges in favor of DNB Bank SAS with respect to the loan received in 2018. See both in Note 29.

f) The loan with the DNB bank held by the subsidiary Piscicultura Tierra del Fuego S.A. it is subject to compliance covenants which is detailed as follows:

Covenants name	Demands	Obtained	State
Stockholders' equity ratio	It is greater than 25% at any time.	22.75%	non-compliance (*)
Debt service coverage ratio	It is higher than 1,.25 times from the first quarter of 2020 to 2022 and 1,10 times thereafter.	It does not apply to date	It does not apply to date
Labour capital	Positive at all times.	(ThUS\$ 463,360)	non-compliance (*)
Leverage ratio	Minor by 4.5 times always, as of December 31, 2020.	It does not apply to date	It does not apply to date

(*) Piscicultura Tierra del Fuego S.A., has obtained a waiver with DNB bank for December 31, 2019 to remedy the breach of the covenants.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 16 - Other Financial Liabilities, Current and Non-Current (Continued)

A significant portion of the non-current long-term debt consists of a bond maturing in May 2021, with 100% payments of the principal at bond maturity and biannual interest payments at a fixed 8.25% rate. This debt is not subject to any covenant but only to a restriction on the distribution of dividends subject to 3.5 leverage as of 2017 closing, which then drops to 2.5 until the bond maturity in May 2021.

f) The movement of current and non-current financial liabilities is as follows:

	As of December 31, 2018	Cash flow	Accrued interest	Other non- monetary movements	As of December 31, 2019
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Loans and credits	319,315	31,214	1,951	-	352,480
Interest	2,796	(26,995)	27,618	-	3,419
Total	322,111	4,219	29,569	-	355,899

	As of December 31, 2017	Cash flow	Accrued interest	Other non- monetary movements	As of December 31, 2018
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Loans and credits	293,406	25,000	909	-	319,315
Interest	2,444	(25,007)	25,359	-	2,796
Total	295,850	(7)	26,268	-	322,111

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 17 - Trade Payables and Other Accounts Payable, Current and Non-Current

The items included in this category are detailed as follows:

Trade payables and other accounts payable, current and non-current	Corriente		No Corriente	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Suppliers	50,636	47,001	-	-
Invoices to be received	7,245	9,939	-	-
Personnel withholdings	1,502	394	-	-
Withholdings payable	1,911	72	-	-
Lease contract obligations	502	-	547	-
Other accounts payable	2,119	15	-	-
Total	63,915	57,421	547	-

Note 18 - Employee benefits provision

The balance of employee benefits provision that was classified as current and corresponds to the vacation accrual, is detailed as follows:

a) The items included in this category are detailed as follows:

Employee benefits provision	12-31-2019	12-31-2018
	ThUS\$	ThUS\$
Vacation	1,298	1,225
Total	1,298	1,225

b) The movements of employee benefits provision are detailed as follows:

Movements	12-31-2019	12-31-2018
	ThUS\$	ThUS\$
Beginning balance	1,225	1,186
Vacation days used	(996)	(1,086)
Cost of service, current	1,069	1,125
Total	1,298	1,225

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Nota 19 - Other non-financial liabilities, current

The items included in this category are detailed as follows:

Item	12-31-2019	12--31-2018
	ThUS\$	ThUS\$
Deferred revenue from smolt sales	1,200	-
Total	1,200	-

Note 20 - Equity

The objective of Nova Austral S.A. and Subsidiaries in managing equity is to safeguard the ability to continue as a going concern in order to generate returns to the shareholders, benefits to other stakeholders and keep an optimal structure to reduce capital cost.

The Company makes investments according to the growth plans and optimization of its operations.

The object of the Company is to efficiently manage the working capital by adequately managing the accounts receivable, focusing on the implementation of effective controls on credit granting and collection management.

In relation to suppliers, the Company seeks to establish long term relations, especially with strategic suppliers such as, feed, fuel suppliers, effectively managing the agreed payment terms.

a) Issued and paid capital

As of December 31, 2019 and 2018, the issued and paid capital of the Company amounting to ThUS\$1,000 divided in subscribed and paid shares of stock, is detailed as follows:

The shareholders are detailed as follows:

2019	Shareholding			
	Subscribed Shares	Paid Shares	Subscribed Shares %	Paid Shares %
Company				
Nova Austral Spain S.L (Ex -Global Polaris S.L.U.)	44,733	44,733	99.998	99.998
Albain Holdco S.A.R.L.	1	1	0.002	0.002
Total	44,734	44,734	100.00	100.00

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 20 - Equity (Continued)

a) Issued and paid capital (continued)

As of December 31, 2019 and 2018, the subscribed and paid capital is detailed as follows:

Description	12-31-2019 ThUS\$	12-31-2018 ThUS\$
Subscribed and paid capital	1,000	1,000
Total	1,000	1,000

In 2019 and 2018, the following capital increases and reductions have been materialized:

- i. On February 7, 2019, Nova Austral S.A. acquires 199 shares of the company Pesquera Cabo Pilar S.A. for a price of ThUS\$5,871, at a rate of US\$29,500 per share. The foregoing represents 99.5% of the total shares of the purchased company. By the same legal instrument Comercial Austral S.A. acquired 1 share of Sociedad Pesquera Cabo Pilar S.A. for the value of US\$29,500 obtaining 0.5% of the company. The transaction was recorded as an acquisition of assets in accordance with IFRS 3, since the acquired assets consisted exclusively of concessions not authorized for commercial exploitation that were recorded as Intangibles other than Goodwill (see Note 12 b).
- ii. On August 21, 2018 the shareholders approved a capital reduction in the amount of US\$117,900 million and agreed to pay such reduction to the shareholders via the assignment and transfer of a portion of the claim against Albain Holdco S.á.r.l. for the amount of ThUS\$194,335 and a portion of the claim against Nova Austral Management Investment AS for the amount of ThUS\$10,664, thus resulting in a capital for the amount of ThUS\$1,000 divided in 44,734 shares.
- iii. On March 14, 2018, the partners of Global Polaris S.L.U. agreed to change the legal name of the company to Nova Austral Spain S.L.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 20 - Equity (Continued)

b) Retained earnings

In 2019 and 2018, movements in the retained earnings account are detailed as follows:

Description	12-31-2019 ThUS\$	12-31-2018 ThUS\$
Beginning balance	1,208	(7,311)
Gains for the year	(1,844)	8,738
First IFRS 9 adoption	-	(219)
Other comprehensive income loss of subsidiary interest	(389)	-
Ending balance	(1,025)	1,208

c) Other reserves

The movement during the years 2019 and 2018 is as follows:

Description	12-31-2019 ThUS\$	12-31-2018 ThUS\$
Beginning balance	-	-
Foreign Currency Translation subsidiary Pesquera Cabo Pilar S.A.	(70)	-
Saldo final	(70)	-

d) Non-controlling interests

They represent the interests of minority investors in the equity of Comercial Austral S.A. equivalent to 0.46% in 2019 and 2018 and in the equity of Piscicultura Tierra del Fuego S.A. equivalent to 28,93% in 2019 and 23.81% in 2018 and to Pesquera Cabo Pilar S.A. equivalent to 0.5% in 2019. Non-controlling interests are detailed as follows:

Company	Non-controlling Interests					
	Non-controlling Interests		Equity		Income	
	12-31-2019 %	12-31-2018 %	12-31-2019 ThUS\$	12-31-2018 ThUS\$	12-31-2019 ThUS\$	12-31-2018 ThUS\$
Comercial Austral S.A.	0.46	0.46	4	10	(5)	1
Piscicultura Tierra del Fuego S.A.	28.93	23.81	3,799	2,389	(357)	(37)
Pesquera Cabo Pilar S.A.	0.50	-	4	-	(1)	-
Total			3,807	2,399	(363)	(36)

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 21 - Income from Operating Activities

Income from operating activities is detailed as follows:

Income	2019	2018
	ThUS\$	ThUS\$
Atlantic salmon	121,939	131,328
Smolt	4,512	-
Maquila service	1,956	-
Waste	851	1,135
Total	129,258	132,463

Note 22 - Cost of Sales

This category is detailed as follows:

Costs of sales	2019	2018
	ThUS\$	ThUS\$
Atlantic salmon	106,664	113,310
Smolt	10,574	-
Maquila service	1,517	-
Total	118,755	113,310

Note 23 - Other Gains

This category is detailed as follows:

Other Gains	2019	2018
	ThUS\$	ThUS\$
Navarino Law 20% Bonus	23,627	23,958
Insurance recovery	616	403
Other Sales	66	104
Other Income	76	227
Total	24,385	24,692

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 24 - Other Expenses by Function

This category is detailed as follows:

Other Expenses by Function	2019 ThUS\$	2018 ThUS\$
Fines	-	1
Extraordinary mortality and other	1,270	1,286
Damage, shrinkage and other expenses	636	114
Novatec's contingent asset write-off and accounts receivable	-	1,138
PPE write-off	87	104
Provision for obsolescence of materials and equipment	23	-
Other non-sales expenses	483	386
Total expenses	2,499	3,029

Note 25 - Administrative and Distribution Expenses

These categories are detailed as follows:

1.- Distribution expenses	2019 ThUS\$	2018 ThUS\$
Export freights	6,745	5,977
Shipping expenses	229	75
Cold storage services	1,420	1,411
Commissions	230	273
Other expenses	5	238
Total	8,629	7,974

2.- Administrative expenses	2019 ThUS\$	2018 ThUS\$
Personnel expenses	4,348	4,064
Lease and patents	728	776
Outsourced services	5,357	2,484
Client impairment	(8)	198
Other administrative expenses	3,506	2,940
Total	13,931	10,462

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 26 - Finance Expenses and Finance Income

This category is detailed as follows:

1. Finance Expenses

	2019	2018
	ThUS\$	ThUS\$
Interest expense, bank loans	1,230	271
Factoring interest	810	456
Bond interest	26,590	26,590
Suppliers interest	881	1,085
Expenses for lease obligations	526	-
Other finance expenses	1,305	544
Total	31,342	28,946

2. Finance Income

	2019	2018
	ThUS\$	ThUS\$
Loan interest to related company	8,952	14,293
Other	109	22
Total	9,061	14,315

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 27 - Foreign Currency Translation

This category is detailed as follows:

	(Charge) / Credit	
	2019	2018
	ThUS\$	ThUS\$
(Charges)/credits to assets		
Accounts receivable	(1,650)	(5,143)
Other assets	-	3
Total assets	<u>(1,650)</u>	<u>(5,140)</u>
(Charges)/credits to liabilities		
Suppliers	1,128	1,828
Other liabilities	23	358
Total liabilities	<u>1,151</u>	<u>2,186</u>
Total foreign currency translation	<u>(499)</u>	<u>(2,954)</u>

Note 28 - Presentation of expenses by Nature

The composition of these expenses is as follows:

	2019	2018
	ThUS\$	ThUS\$
Salaries	17,176	16,086
Depreciation	7,870	6,049
Amortization	268	147
Total	<u>25,314</u>	<u>22,282</u>

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 29 - Contingencies and Liens

a) Current Liens

To date, guarantees given by the Company in favor of the persons indicated below are detailed as follows:

- Mortgage on Aquaculture Concessions:

Concession	Type of Lien
Aracena 1	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Aracena 2	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Aracena 3	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Aracena 4	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Aracena 5	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Aracena 6	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Aracena 7-11	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Aracena 8	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Aracena 9	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Aracena 10	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Aracena 12	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Aracena 13	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 29 - Contingencies and Liens (Continued)

a) Current Liens (continued)

- Mortgage on Aquaculture Concessions:

Aracena 14	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Aracena 15	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Aracena 19	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Bahía Escondida	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Cockburn 3	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Cockburn 13	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Cockburn 14	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Cockburn 23	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Mercedes	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Puerto Bories	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Puerto Consuelo	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Puerto Demaistre	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.
Puerto Prat	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 29 - Contingencies and Liens (Continued)

a) Current Liens (continued)

- Mortgage on Aquaculture Concessions:

Puerto Riquelme	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017
Punta Cuervos	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017
Spiteful	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.034-2017

- Mortgage on Marine Equipment:

Marine Equipment	Type of Lien
"Alimentador Magallanes I"	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.036-2017.
"Alimentador Magallanes II"	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.036-2017.
"Alimentador Magallanes III"	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.036-2017.
"Alimentador Magallanes IV"	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.036-2017.
"Alimentador Magallanes V"	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.036-2017.
"Alimentador Magallanes VI"	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.036-2017.
"Magallanes Siete"	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.036-2017.
"Magallanes Ocho"	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.036-2017.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 29 - Contingencies and Liens (Continued)

a) Current Liens (continued)

“Magallanes Nueve”	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.036-2017.
“Magallanes Diez”	Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.036-2017.

- Non-possessory pledge pursuant to Law No. 20.190, on Assets:

Assets

All assets that correspond to Machinery and Equipment situated in the Processing Plant in the city of Porvenir, domiciled in Avenida Santa María sin número.

Type of lien

Non-possessory pledge in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.032-2017.

- Non-possessory pledge pursuant to Law No. 20.190, on Biomass:

Biomass

Divisible group of property comprised of the biomass situated in Aracena 10, Aracena 1, Aracena 12, Aracena 14, Aracena 15, Aracena 19, Aracena 4, Aracena 5, Aracena 6, Cockburn 13, Cockburn 14 and Cockburn 23 breeding centers.

Type of lien

Non-possessory pledge in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.037-2017.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 29 - Contingencies and Liens (Continued)

a) Current Liens (continued)

- Mortgage on Real Estate:

Real Property

Porvenir Processing Plant domiciled at Avenida Santa María sin número, with a surface area of 891,50 square meters.

Property located at Alberto Fuentes c/Avenida Santa María, city of Porvenir, with a surface of 9.820 square meters.

Property called Lote Uno, with a surface of 20,050.20 square meters.

Property called Lote Dos, with a surface of 20,050.20 square meters.

Real Property

Property called Lote 24 D, located in Porvenir, in the Region of Magallanes and Chilean Antarctic kilometer 42, route Y-65 with a Surface of 39.15 hectares approximately, recorded on page 258, number 413 of the Property Register of the Real Estate Commission Administrator of year 2018 in Tierra del Fuego.

Type of lien

Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.035-2017.

Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.035-2017.

Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.035-2017.

Mortgage in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.035-2017.

Type of lien

Mortgage in favor of DNB Bank ASA, as the Guarantee Agent, executed by means of a public deed of May 23, 2018, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 15.553-2018.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 29 - Contingencies and Liens (Continued)

a) Current Liens (continued)

- Mortgage on Real Estate (continued):

Water use rights

Consumptive right of use of surface and flowing waters that may be exercised on a permanent and continuous basis, i.e., 150 liters of water per second from Chorrillo or Rogers Rivers in Tierra del Fuego Province. Such right is recorded on page 7, number 8, of the Water Rights Register of the Real Estate Commission Administrator of year 2018 in Tierra del Fuego.

Type of lien

Mortgage in favor of DNB Bank ASA, as the Guarantee Agent, executed by means of a public deed of May 23, 2018, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 15.553-2018.

- Non-possessory pledge pursuant to Law No. 20.190, on Shares:

Shares

22,162 shares issued by Comercial Austral S.A. and owned by the Company.

Type of lien

Non-possessory pledge in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.031-2017.

- Non-possessory pledge pursuant to Law No. 20.190, on Money:

Money

Cash deposited in checking accounts in Banco BCI, Banco Santander and Banco Estado.

Type of lien

Non-possessory pledge in favor of Nordic Trustee ASA executed by means of a public deed of July 24, 2017, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 25.038-2017. Notwithstanding the prohibition to encumber and alienate stated in this Clause, if Secured Obligations are not declared due and enforceable in advance in accordance with the Agreement between Creditors and all other Financing Documents, the Parties Nova Austral S.A. and Comercial Austral S.A. are expressly authorized to operate the Bank Accounts and freely use the Pledged Money in the regular course of their business without the need to inform, send notice or request authorization whatsoever from the Guarantee Agent.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 29 - Contingencies and Liens (Continued)

a) Current Liens (continued)

- Non-possessory pledge pursuant to Law No. 20.190, on Money (continued):

Money

Cash deposited in the Piscicultura Tierra del Fuego S.A. Company's checking accounts in DNB bank.

Type of lien

Non-possessory pledge in favor of DNB Bank ASA, as the Guarantee Agent, executed by means of a public deed of May 23, 2018, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 15.556-2018.

Future PPE

Property and equipment intended to be part of an aquaculture system for water recirculation to be acquired by the Company under a contract dated March 16, 2019, executed with a foreign company called Billund Aquakulturservice A/S Property.

Type of lien

Non-possessory pledge in favor of DNB Bank ASA, as the Guarantee Agent, executed by means of a public deed of May 23, 2018, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 15.557-2018.

Future Biomass

All future biomass (eggs, fry and smolts) of salmon species that will be sown, developed and bred at the Farming Plant owned by the Company.

Type of lien

Non-possessory pledge in favor of DNB Bank ASA, as the Guarantee Agent, executed by means of a public deed of May 23, 2018, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 15.559-2018.

Rights in contract

Rights in an Atlantic salmon smolt supply and production agreement, the *Smolt Production and Supply Master Agreement*, executed by the Company and Nova Austral S.A.

Type of lien

Non-possessory pledge in favor of DNB Bank ASA, as the Guarantee Agent, executed by means of a public deed of May 23, 2018, granted at the Office of the Notary Public in Santiago Mr. Eduardo Avello Concha, registration number 15.571-2018.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 29 - Contingencies and Liens (Continued)

b) Current trials

As part of the normal course of business, the Company is involved in certain litigation and legal matters. Among others, the Company has been notified and/or is part of:

(i) A proceeding before the Juzgado de Letras y Garantías de Porvenir (Rol C-25-2019) and a proceeding before the 1er Juzgado de Letras de Punta Arenas (Rol C-1371-2019), which arise from complaints made by the Servicio Nacional de Pesca y Acuicultura associated with alleged violations of the General Fisheries and Aquaculture Law, and which they are still pending resolution; and

(ii) a procedure before the Corte de Apelaciones de Santiago (Rol 66716-2019) where an appeal for protection filed by Pesquera Cabo Pilar S.A. is processed against the Undersecretariat for the Armed Forces for the illegal and arbitrary declaration of expiration of four aquaculture concessions, which it is pending judged.

Likewise, the Company is a party to four environmental proceedings initiated by the Superintendency of the Environment (D-100-2019, D-091-2019, D-093-2019 and D-094-2019) where violations of environmental regulations are alleged in four farming centers owned by it. The Company presented Compliance Programs regarding those non-compliances in which no harm is attributed to the environment and it presented its defense regarding the others, pending the decision of the Superintendency in this regard.

Due to the procedural status of these cases, according to our legal advisors it is not possible currently to estimate the probability of an adverse result.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 30 - Environment

An operation intended to minimize the environmental impact and protect and improve the environment is deemed an environmental activity.

The Group is aware of the importance of the environment, the safety of people, the satisfaction of its clients and ensuring the quality and safety of its products. Therefore, it defines and promotes the performance of its activities in accordance with good processing practices, commitment to food safety, occupational health and safety of our employees and identification of significant environmental aspects attributable to our processes with the purpose of establishing control measures to prevent pollution as a result of the associated activities and services and preserve biodiversity.

Expenses incurred to comply with the environmental laws and regulations imputed as part of the cost of the biological asset necessary for its normal operation, which they are then income through the sale cost amount to ThUS\$255 (ThUS\$257 in 2018) and basically relate to expenses triggered by the preparation of Environmental Reports (INFA), current, depth, oxygenation and algae content studies in the centers.

Similarly, no other expenses have been incurred to cover environmental matters or contingencies occurred in relation to the environment protection and improvement.

Note 31 - Subsequent Events

On February 13, 2020, Nova Austral S.A. together with Trusal S.A. form a new company named Salmones Porvenir SpA., in which both have a 50% interest, with a capital of US\$1,000 divided into one thousand registered shares of equal value and without par value. But with the control by Nova Austral S.A. in making strategic and operational decisions.

COVID19

On January 30, 2020, the World Health Organization designated the COVID-19 disease outbreak as a public health emergency of international importance. In Chile, on March 16, 2020, the Ministry of Health declared COVID-19 in stage 4, which implies a series of measures to contain its spread, and on March 18, 2020, a State of Constitutional Exception of Catastrophe has been decreed throughout the national territory. As part of the sanitary measures that have been adopted to face this situation, both locally and internationally, it includes, among others, the restriction of movement of people and the closing of borders, which it is expected to significantly affect the economic activity and markets in general.

To face this pandemic, Nova Austral S.A. and its Subsidiaries have implemented a series of operational reinforcement measures to ensure the safety of their workers, collaborators and clients and, likewise, to safeguard the continuity of the service in the face of the expansion of this pandemic.

NOVA AUSTRAL S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018

(Translation of Financial Statements originally issued in Spanish - See note 2b)

Note 31 - Subsequent Events (Continued)

In this sense, the company has put into practice its operational and personnel protocols and procedures, following the recommendations given by the Authority and competent bodies.

Within the business continuity plans that the Company has implemented, in coordination with the authority, the identification of the critical supplies and suppliers necessary to develop its processes are mentioned, in addition to defining action strategies in case of contagion.

It is not yet possible to accurately identify the economic impacts that this pandemic will have on the Company's income.

On April 8, 2020, the company's Board of Directors appointed Nicolas Larco Davila as the new Chief Executive Officer. He will remain in his position as Chief Financial Officer until further notice. Also, Anton Felmer, who has been working in the salmon industry for more than 8 years, has been appointed Operations Manager. Ricardo Ferrari, former Associate Manager of M&A and Investments at Cencosud, will assume the role of Development Manager and will lead the development of new businesses and projects related to corporate finance.

As mentioned above, between December 31, 2019 and the date of these Consolidated Financial Statements, no significant subsequent events that might affect the financial position and results of the Company have occurred.