

*Consolidated Financial Statements*

**NOVA AUSTRAL S.A. AND SUBSIDIARIES**

*Puerto Montt, Chile*

*As of December 31, 2017 and 2016*



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## **Report of the Independent Auditor**

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

To

Shareholders and Directors  
Nova Austral S.A.

We have audited the accompanying financial statements of Nova Austral S.A. and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the consolidated comprehensive income statements, consolidated statements of changes in equity and consolidated statement of cash flows for the years then ended and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

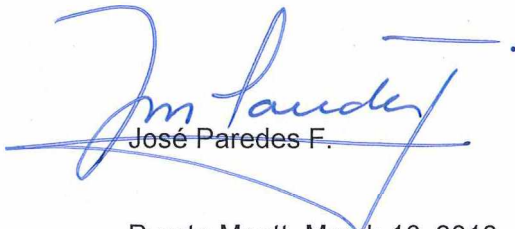
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink, which appears to read 'José Paredes F.', is written over a horizontal line. The signature is stylized and cursive.

José Paredes F.

Puerto Montt, March 16, 2018

EY Audit SpA.

Consolidated Financial Statements  
**NOVA AUSTRAL S.A. AND SUBSIDIARIES**

As of December 31, 2017 and 2016

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

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\$	:	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, 2017 and 2016

(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, 2017 and 2016

(In thousands of US dollars)

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

	Note	12-31-2017 ThUS\$	12-31-2016 ThUS\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	(4)	29,606	22,404
Other non-financial assets, current	(9)	33,092	28,248
Trade receivables and other accounts receivable, current	(5)	28,341	17,309
Accounts receivable from related companies, current	(6)	836	159
Inventory	(7)	28,199	21,087
Biological assets, current	(8)	66,238	103,120
Tax assets, current	(12)	1,288	2,454
Total current assets		187,600	194,781
<b>Non-Current Assets</b>			
Other non-financial assets, non-current	(9)	4,754	1,744
Intangible assets other than goodwill	(10)	7,106	6,522
Property, plant and equipment	(11)	63,717	58,143
Accounts receivable from related companies, non-current	(6)	212,608	-
Biological assets, non-current	(8)	7,304	11,273
Deferred tax assets	(12)	514	69
Total non-current assets		296,003	77,751
Total Assets		483,603	272,532

The accompanying notes from 1 to 25 are an integral part of the consolidated financial statements

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Consolidated Statements of Financial Position

As of December 31, 2017 and 2016

(In thousands of US dollars)

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

LIABILITIES AND EQUITY	Note	12-31-2017 ThUS\$	12-31-2016 ThUS\$
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities, current	(13)	2,444	24,238
Trade accounts payable and other accounts payable, current	(14)	65,948	18,960
Accounts payable to related entities, current	(6)	-	37,400
Employee benefit provisions, current		1,186	912
Total current liabilities		69,578	81,510
<b>Non-Current Liabilities</b>			
Other financial liabilities, non-current	(13)	300,000	99,000
Accounts payable to related entities, non-current	(6)	-	3,947
Total non-current liabilities		300,000	102,947
Total liabilities		369,578	184,457
<b>Equity</b>			
Issued capital	(15)	118,900	115,255
Cumulative deficit	(15)	(7,311)	(27,183)
Equity attributable to the owners of the parent		111,589	88,072
Non-controlling interests	(15)	2,436	3
Total equity		114,025	88,075
Total Liabilities and Equity		483,603	272,532

The accompanying notes from 1 to 25 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, 2017 and 2016

(In thousands of US dollars)

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

<b>Statements of Income by Function</b>	<b>Note</b>	<b>2017 ThUS\$</b>	<b>2016 ThUS\$</b>
Revenue from operating activities	16	178,991	172,253
Cost of sales	17	(119,003)	(134,968)
Gross profit before Fair Value		59,988	37,285
Biological asset growth of the period fair value credited to income	8	11,994	42,317
Harvested and sold biological asset fair value credited to income		(40,624)	6,619
Gross profit after Fair Value		31,358	86,221
Other gains	20	33,788	29,007
Other expenses by function	18	(12,182)	(3,242)
Distribution costs	19	(10,225)	(11,936)
Administrative expenses	19	(8,895)	(8,356)
Finance expenses	21	(23,403)	(10,726)
Finance income	21	7,614	-
Foreign currency translation	22	2,906	419
Profit before tax		20,961	81,387
Income tax	12	(1,093)	(364)
Profit for the year		19,868	81,023
<b>Profit Attributable to:</b>			
Profit attributable to the parent		19,872	81,036
Profit attributable to non-controlling interests		(4)	(13)
Profit for the year		19,868	81,023
<b>Statements of Comprehensive Income</b>			
Profit		19,868	81,023
Other comprehensive income		-	-
Total comprehensive income		19,868	81,023
Comprehensive Income attributable to the parent		19,872	81,036
Comprehensive Income attributable to non-controlling interests		(4)	(13)
Total Comprehensive Income		19,868	81,023

The accompanying notes from 1 to 25 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, 2016 and 2015

(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 01/01/2017	115,255	-	(27,183)	88,072	3	88,075
<u>Changes in equity</u>						
Profit for the year	-	-	19,872	19,872	(4)	19,868
<b>Comprehensive Income</b>	-	-	<b>19,872</b>	<b>19,872</b>	<b>(4)</b>	<b>19,868</b>
Issue of equity	3,645	-	-	3,645	-	3,645
Transfers and other changes increase (decrease), new subsidiary	-	(63)	-	-	2,437	2,437
<b>Total changes in equity</b>	<b>3,645</b>	<b>(63)</b>	<b>19,872</b>	<b>23,517</b>	<b>2,433</b>	<b>25,950</b>
<b>Current year ending balance 12/31/2017</b>	<b>118,900</b>	<b>(63)</b>	<b>(7,311)</b>	<b>111,589</b>	<b>2,436</b>	<b>114,025</b>

	Issued capital	Retained Earnings (Losses)	Equity attributable to the owners of the parent	Non-controlling interests	Total equity
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Current year beginning balance 01/01/2016	101,250	(108,221)	(6,971)	16	(6,955)
<u>Changes in equity</u>					
Profit for the year	-	81,036	81,036	(13)	81,023
<b>Comprehensive Income</b>	-	<b>81,036</b>	<b>81,036</b>	<b>(13)</b>	<b>81,023</b>
Issue of equity	14,005	-	14,005	-	14,005
Transfers and other changes increase (decrease)	-	2	2	-	2
<b>Total changes in equity</b>	<b>14,005</b>	<b>81,038</b>	<b>95,043</b>	<b>(13)</b>	<b>95,030</b>
<b>Current year ending balance 12/31/2016</b>	<b>115,255</b>	<b>(27,183)</b>	<b>88,072</b>	<b>3</b>	<b>88,075</b>

The accompanying notes from 1 to 25 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, 2017 and 2016

(In thousands of US dollars)

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

	<b>2017</b>	<b>2016</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
<b>Flows provided by Operating Activities</b>		
Profit for the year	19,868	81,023
<b>Profit reconciliation adjustments</b>		
Depreciation and amortization expense adjustments	5,974	5,538
Income tax expense adjustments	1,093	364
Currency translation adjustment	(2,906)	(419)
Shrinkage and write-off adjustment	11,370	2,006
Fair Value adjustment	28,630	(48,936)
Other profit reconciliation adjustments	(5,047)	1,712
<b>Reconciled profit</b>	<b>58,982</b>	<b>41,288</b>
<b>Cash flows provided by (used in) operating activities</b>		
Changes in trade receivables and other accounts receivable	(14,749)	(4,603)
Changes in inventory and biological assets	72,936	20,187
Changes in other current assets	(4,778)	(7,679)
Changes in trade payables and other accounts payable	(51,381)	(23,959)
<b>Net cash flows used in operating activities</b>	<b>61,010</b>	<b>25,234</b>
<b>Cash flows provided by (used in) financing activities</b>		
Payment of bank obligations	(122,000)	-
Bond Issuance	300,000	-
Interest paid	(15,313)	-
<b>Net cash flows used in financing activities</b>	<b>162,687</b>	<b>-</b>
<b>Cash flows provided by (used in) investing activities</b>		
Intercompany loans granted	(205,000)	-
Additions to property, plant and equipment and acquisition of intangibles	(11,495)	(6,613)
<b>Net cash flows used in investing activities</b>	<b>(216,495)</b>	<b>(6,613)</b>
<b>Cash and Cash Equivalents Net Increase</b>	<b>7,202</b>	<b>18,621</b>
<b>Cash and Cash Equivalents at the beginning of the period</b>	<b>22,404</b>	<b>3,783</b>
<b>Cash and Cash Equivalents at the end of the period</b>	<b>29,606</b>	<b>22,404</b>

The accompanying notes from 1 to 25 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, 2017 and 2016

(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, 2017 granted at the Office of the Notary Public Mr. Roberto Antonio Cifuentes Allel.

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, 2017, 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, 2017, and as of December 31, 2016.
- Consolidated Statements of Comprehensive Income for the years ended December 31, 2017 and 2016.
- Consolidated Statements of Changes in Equity as of December 31, 2017, and as of December 31, 2016.
- Consolidated Statements of Cash Flows for the years ended December 31, 2017 and 2016.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
(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, 2017, were approved by the Board at meeting held on March 15, 2018.

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.

##### **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, 2017 and 2016

(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:

- Biological assets
- Estimates of property, plant and equipment useful life
- Deferred taxes

##### 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	% of Interests					
	2017			2016		
	Direct	Indirect	Total	Direct	Indirect	Total
Comercial Austral S.A.	99.54	-	99.54	99.54	-	99.54
Piscicultura Tierra del Fuego S.A.	76.19	-	76.19	-	-	-

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. 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.

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 will be recognized directly in the statement of comprehensive income.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016

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

#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### f) Basis of consolidation (continued)

###### 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.

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.

###### 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.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
(Translation of Financial Statements originally issued in Spanish – See note 2b))

#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### f) Basis of consolidation (continued)

###### 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.

##### 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, other than the US dollar, 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, other than the US dollar, 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.

Non-monetary assets and liabilities in foreign currencies, other than the US dollar, 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>12-31-2017</u>	<u>12-31-2016</u>
	<u>US\$</u>	<u>US\$</u>
Chilean peso	0.001627	0.001494
Euro	0.831699	0.948795
Unidad de fomento	43.591932	39.356476

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
(Translation of Financial Statements originally issued in Spanish – See note 2b))

#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### 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

###### i) Recognition

The Company initially recognizes accounts receivable and other financial assets and financial liabilities as of the date they originated. Acquisitions and sales of financial assets are normally recognized as of negotiation date when the Company commits to acquire or sell the asset. All other assets and liabilities (including assets and liabilities at fair value through profit and loss) are recognized initially as of negotiation date when the Company becomes part of the instrument contractual provisions.

A financial asset or liability is initially valued at fair value plus, in the case of an item not subsequently valued at fair value through profit and loss, transaction costs attributable directly to its acquisition or issue.

###### ii) Derecognition

Nova Austral S.A. and Subsidiaries derecognize a financial asset in the statement of financial position when the contractual rights on cash flows from the financial asset expire or when the financial asset is transferred in a transaction where substantially all risks and benefits of the financial asset ownership are transferred or where the corporate model does neither transfer nor retain substantially all risks and benefits of ownership and control on the financial asset is not retained.



## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016

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

#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### i) Financial instruments (continued)

##### ii) Derecognition (continued)

All interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability in the statement of financial position. When a financial asset is derecognized, the difference between the carrying amount of the asset (or the carrying amount assigned to the portion of the transferred asset) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any retained earnings or cumulative losses that have been recognized in the other statement of comprehensive income, is recognized in income.

In transactions where the Company does neither retain nor transfer substantially all risks and benefits of a financial asset ownership and retains control on it, the Company continues to recognize the asset to the extent it continuous to be part of it, which is determined as long as it is exposed to changes in the value of the transferred asset.

Nova Austral S.A. and Subsidiaries eliminate a financial asset when their contractual obligations are settled or expired.

##### iii) Offsetting

Financial assets and liabilities may be offset so the net amount thereof is presented in the balance sheet when and only when the Company has the legal right to offset the amounts recognized and has the intention to liquidate the net amount or realize the asset and settle the liability at the same time.

Revenue and expenses are presented net only if allowed by the accounting standards or in case gains and losses arise out of a group of similar transactions to the negotiation activity of the Company.

##### iv) Valuation at amortized cost

The amortized cost of a financial asset or a financial liability is the initial measurement of such asset or liability less the reimbursements of principal plus or less the cumulative amortization calculated using the effective interest rate method of any difference between the initial amount and the reimbursement value as of expiration date and less any reduction due to impairment.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016

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

#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### i) Financial instruments (continued)

###### v) Fair value measurement

Fair value is the amount at which an asset may be exchanged or a liability settled by a willing and duly informed buyer and a seller in an arm's length transaction.

When available, Nova Austral S.A. and Subsidiaries estimate the fair value of an instrument using prices quoted in an active market for that instrument. A market is deemed active if prices quoted are easily and regularly available and represent real transactions that are performed regularly at arm's length.

If the market of a financial asset market is not active, Nova Austral S.A. and Subsidiaries will determine the fair value using a valuation technique. Valuation techniques include the use of recent market transactions between interested and duly informed parties acting in arm's length conditions, if available, as well as benchmarks such as, the fair value of another substantially similar financial asset, cash flow discounts, and option pricing models.

The best evidence of a financial asset fair value upon initial recognition is the transaction price, that is to say, the fair value of the consideration given or received, unless the fair value of that instrument may be better revealed by comparing it with other real market transactions involving the same instrument.

The Company has the following non-derivative financial assets: loans and receivables:

- Trade receivables and other accounts receivable

Trade receivables are the amounts owed by clients in relation to the sale of frozen and fresh finished products and are recognized at nominal value since average maturity terms are not greater than 90 days. Trade receivables are initially recognized at fair value and subsequently, estimates are made with respect to doubtful recovery accounts on the basis of an objective review of all outstanding amounts at the end of each period. Impairment losses relating to doubtful recovery credits are recorded in the statement of comprehensive income during the period they occur.

Other accounts receivable are comprised mainly of advances granted for the purchase of inputs with advance payment, portfolio checks and other receivables.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
(Translation of Financial Statements originally issued in Spanish – See note 2b))

#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### i) Financial instruments (continued)

###### v) Fair value measurement (continued)

- Trade receivables and other accounts receivable (continued)

Specifically for trade receivables, other receivables and other accounts receivable, the nominal value was used, taking into consideration the short collection terms the Company manages.

###### vi) Impairment identification and measurement

Nova Austral S.A. and Subsidiaries evaluate any indication that financial assets not at fair value through profit and loss might be impaired as of each balance sheet date. Financial assets are impaired if there is objective evidence that an event triggering a loss has occurred after the asset initial recognition and such event has an impact on the future estimated cash flows of the financial asset that may be estimated reliably.

Objective evidence that a financial asset is impaired includes the significant financial difficulty of the borrower or issuer, lack of payment or default on the part of the borrower, loan restructuring or advance on the part of the Company in conditions that the Company would otherwise not consider, indications that a borrower or issuer is bankrupt, that an active market has disappeared for an instrument, or any other observable data related to the group of assets such as, adverse changes in the status of borrower's or issuer's payments included in the Company or the economic conditions that correlate to defaults on the assets of the Company.

The Company considers loan impairment evidence at the level of both a specific asset and a group of assets. All significant individual loans are tested for specific impairment and those not recognized as specifically impaired are subsequently tested for any indication of impairment that has occurred but not yet been identified. Loans that are not significant individually are tested together for impairment and grouped according to similar risk characteristics.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016

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

#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### i) Financial instruments (continued)

###### vi) Impairment identification and measurement (continued)

In assessing collective impairment, the Company uses the probability of default historic trend statistical models, the time of recoveries and the amount of the loss incurred adjusted to the Management's judgment in relation to whether the current economic and credit conditions are such that real losses might be greater or lower than those suggested by historic models. The default rate, the loss rate and the expected future recovery schedule are normally compared with actual results to ensure they continue to be appropriate.

The Company writes-off certain loans when they are deemed bad loans.

###### vii) Fair value through profit and loss

Nova Austral S.A. and Subsidiaries have not designated assets at fair value through profit and loss that are managed, evaluated and reported internally on a fair value basis.

###### viii) Obligations with banks and financial institutions

Obligations with banks and financial institutions are accounted for based on the amortized cost using the effective rate method. In relation to such loans, it has been determined that there are no significant costs directly attributable to each loan that are incorporated to the effective rate, therefore no adjustments have been made in this category and the effective rate and the contract rate are the same.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016

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#### 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.

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, 2017 and 2016

(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)

##### iii) 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.

Land is not depreciated.

The estimated useful lives 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
Other PPE	2	10

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
(Translation of Financial Statements originally issued in Spanish – See note 2b))

#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### k) Intangible assets

Definite-lived intangible assets are recorded at cost less cumulative amortization and the impairment cumulative amount of items. 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.

##### i) Computer program acquisition and development costs

Acquisition and development costs of computer programs relevant 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. Those concessions and water rights have an indefinite useful life since they have no maturity date and the useful life thereof is not foreseeable, therefore they are not amortized. 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 useful life of concessions granted after April 2010 is 25 years, renewable; therefore, they are amortized over that period. Concessions and water rights are annually tested for impairment.

##### iii) Amortizations

Amortization of intangible assets with definite useful lives are 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

##### 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, 2017 and 2016  
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#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### l) Leased assets

Leases where the Company assumes substantially all risks and benefits of ownership are classified as financial leases in Property, Plant and Equipment. From the initial recognition, the leased asset is valued at the difference between the fair value and the present value of minimum lease payments, whichever is lower. The relevant lease obligations, net of deferred charges, are presented in other financial liabilities. After initial recognition, the asset is accounted for according to the applicable accounting principles. As of December 31, 2017 and 2016, the Company does not have assets under a financial lease agreement.

##### m) Biological assets

Biological assets include the following concepts:

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, at fair value less the estimated costs in the point of sales, except when the fair value may not be determined reliably pursuant to the definitions of IAS 41. To that end, consideration shall be first given to the existence of an active market for these assets.

In consideration to the fact that there is no active market for live fish at all stages, the Company has considered the cumulative cost as of closing date less any associated impairment to value fish in fresh water (spawning fish, eggs, fry and smolts).

For fish at fattening stage, the valuation criteria is the fair value, which is the market fair value less the estimated transformation and sales costs.

This methodology consists in valuing fish over 1 kilogram, setting a price on the basis of the market price of the Company and then carrying it to the wfe basis. Mortality and costs to be incurred until harvest time estimates are made and the margin that will be obtained after discounting all relevant costs is determined based on such estimates. Subsequently, a percentage of that margin to be recognized is determined as of each period closing in proportion to the average weight of the biomass for each center in relation to the estimated harvest weight.

Fish under the weight indicated above are valued at cost less any associated impairment.



## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### m) Biological assets (continued)

Changes in fair value of biological assets are reflected in the statement of income for the period.

Biological assets maintained 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 fish at fattening stage to be harvested after twelve months, are classified as non-current biological assets.

The profit or loss derived from the sale of these assets may vary with respect to the calculation at fair value at year end.

##### n) 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. Therefore, taxes reflected in the financial statements correspond to those affecting its subsidiaries, Comercial Austral S.A. and Piscicultura Tierra del Fuego S.A.

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 2017 and 2016 closing, with a first category tax rate of 25.5% and 24%, respectively.

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.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
(Translation of Financial Statements originally issued in Spanish – See note 2b))

#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### n) Income tax and deferred taxes (continued)

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% rate under the attributed taxation system and 27% rate under the semi-integrated taxation system for 2018 thereafter. The Company selected to be taxed under the semi-integrated taxation system.

##### ñ) 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, 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.

##### o) 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.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### p) Financial information by operating segment

As of December 31, 2017 and 2016, the Company has only one operating segment, that is, Salmon farming, processing and marketing.

##### q) Employee benefits

Short term benefits: The obligation is recognized for the amount expected to be paid in the short term if the Company has a current legal or constructive obligation to pay this amount as a result of a service provided by the employee in the past and the obligation may be estimated reliably. These benefits mainly correspond to the vacation accrual.

Short term employee benefit obligations are measured on a discounted basis and recognized as expenses as the related service is provided.

##### r) Recognition of revenue and costs

Revenue includes the fair value of considerations received or to be received for the sale of goods and services in the regular course of the Company's business. Revenue is presented net of sales tax, returns, reductions and discounts, if any, and after eliminating intercompany sales, if any.

Nova Austral S.A. and Subsidiaries recognize revenue when its value may be valued reliably, it is probable that future economic benefits will flow to the entity and the specific conditions for each and every activity of the Company are fulfilled, as described below:

###### i) Sale of goods

Sales revenue is recognized when the Company has transferred to a buyer the risks and benefits of the products of those goods and retains no right to dispose of them or effective control over them; normally, this means that sales are recorded when risks and benefits are transferred to clients in accordance with the terms stipulated in the commercial agreements.

###### ii) Revenue from interest

Revenue from interest is recognized at nominal value.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### r) Recognition of revenue and costs (continued)

###### iii) Sale of services

Revenue from the sale of services is recorded when services have been provided. A service is deemed provided upon receipt and accepted by the client.

###### iv) Costs and expenses

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.

##### s) 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, 2017 and 2016

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#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### t) New accounting pronouncements

The standards and interpretations as well as improvements and amendments to IFRS that have been issued and entered into force as of the date of these financial statements are detailed as follows. Nova Austral and Subsidiaries have applied these standards and concluded they will not have a significant impact on the consolidated financial statements.

	<b>Amendments and/or Modifications</b>	<b>Mandatory Effective Date</b>
<b>IFRS 12</b>	Disclosure of Interests in Other Entities	January 1, 2017
<b>IAS 7</b>	Statement of Cash flows	January 1, 2017
<b>IAS 12</b>	Income Taxes	January 1, 2017

The standards and interpretations as well as improvements and amendments to IFRS that have been issued, but not yet entered into force as of the date of these financial statements are detailed as follows. Nova Austral and Subsidiaries have not early applied these standards.

	<b>New Standards</b>	<b>Mandatory Effective Date</b>
<b>IFRS 9</b>	Financial Instruments	January 1, 2018
<b>IFRS 15</b>	Revenue from Contracts with Customers	January 1, 2018
	Foreign Currency Transactions and Advance	
<b>IFRIC 22</b>	Consideration	January 1, 2018
<b>IFRS 16</b>	Leases	January 1, 2019
<b>IFRIC 23</b>	Uncertainty over Income Tax Treatments	January 1, 2019
<b>IFRS 17</b>	Insurance Contracts	January 1, 2021

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### t) New accounting pronouncements (continued)

- ***IFRS 9 “Financial Instruments”***

The final version of IFRS 9 Financial Instruments was issued in July 2014, completing all phases of IASB project to replace IAS 39 Financial instruments: Recognition and Measurement. This standard includes new requirements based on principles for classification and measurement, introducing a “more prospective” model of expected credit losses for the accounting for impairment and a substantially new approach for hedge accounting. Entities have the option to early adopt the fair value change profit and loss accounting related to the “inherent credit risk” for financial liabilities at fair value through profit or loss, not applying the other two requirements established in IFRS 9. The standard is mandatorily effective for annual periods beginning on January 1, 2018. Early application is permitted.

The Management of Nova Austral S.A. and Subsidiaries analyzed IFRS 9 from a quantitative and qualitative perspective and concluded that adoption of the new standard will have not have a significant impact on the consolidated financial statements the year this standard is first applied.

- ***IFRS 15 “Revenue from Contracts with Customers”***

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014. This is a new standard applicable to all contracts with customers, save for leases, financial instruments and insurance contracts. It is a joint project with FASB to eliminate differences in revenue recognition between IFRS and US GAAP. This new standard is intended to improve inconsistencies and weaknesses of IAS 18 and provide a model that will make comparability of companies in different industries and regions easier. It provides a new revenue recognition model and more detailed requirements applicable to multiple element contracts. In addition, it requires more detailed information. The standard is mandatorily effective for annual periods beginning on January 1, 2018. Early application is permitted.

The Management of Nova Austral S.A. and Subsidiaries performed a quantitative and qualitative analysis of the possible effects the application of IFRS 15 might have on the consolidated financial statements and concluded that in consideration to the sales mechanism of the industry, the application of the new standard will not have a significant impact on the consolidated financial statements the year this standard is first applied.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### t) New accounting pronouncements (continued)

- ***IFRIC 22 “Foreign Currency Transactions and Advance Consideration”***

IFRIC 22 addresses the mechanism to determine the transaction date in order to establish the exchange rate to be used upon the initial recognition of an asset, expense or related revenue (or the appropriate portion thereof), in the derecognition of a non-monetary asset or non-monetary liability that results from the advance consideration payment or collection in foreign currency; for these purposes the transaction date corresponds to the initial recognition by the entity of such non-monetary asset or non-monetary liability that results from the advance consideration payment or collection. For multiple payments or receipts of advance considerations, the entity will determine a transaction date for each payment or receipt of each advance consideration.

This interpretation applies to annual periods beginning on January 1, 2018. Early application is permitted. If an entity applies this Interpretation to previous periods, it shall disclose it.

The Management of Nova Austral S.A. and Subsidiaries analyzed this interpretation from a qualitative and quantitative perspective and concluded that adoption of the new interpretation will not have a significant impact on the consolidated financial statements the year it is first applied.

- ***IFRS 16 “Leases”***

In January 2016, the IASB issued IFRS 16 Leases. IFRS 16 provides for the definition of lease agreement and specifies the accounting treatment of assets and liabilities arising out of these agreements from the perspective of the lessor and the lessee. The new standard is not significantly different than the previous one, IAS 17 Leases with respect to the accounting treatment from the perspective of the lessor. However, from the perspective of the lessee this new standard requires recognition of assets and liabilities regarding most lease agreements. IFRS 16 is mandatorily effective for annual periods beginning on January 1, 2019. Early application is permitted if adopted along with IFRS 15 Revenue from Contracts with Customers.

The Management of Nova Austral S.A. and Subsidiaries is evaluating the impact the application of this new standard might have on the consolidated financial statements the year it is first applied.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

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As of December 31, 2017 and 2016  
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#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### t) New accounting pronouncements (continued)

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

In June 2017, the IASB issued IFRIC 23 that clarifies the application of recognition and measurement criteria required by IAS 12 Income Taxes when there is uncertainty over tax treatments. This Interpretation applies to annual periods beginning on January 1, 2019.

Nova Austral and Subsidiaries are evaluating the impact that might be triggered by the application of this interpretation.

- ***IFRS 17 Insurance Contracts***

In May 2017, the IASB issued IFRS 17 Insurance Contracts. This is a new comprehensive accounting standard for insurance contracts that covers the recognition, measurement, presentation and disclosure. After its entry into force, it will replace IFRS 4 Insurance Contracts issued in 2005. The new standard applies to all kinds of insurance contracts, regardless of the type of entity issuing them.

IFRS 17 is effective for periods beginning on or after January 1, 2021 and requires comparative figures. Early application is permitted if the entity also applies IFRS 9 and IFRS 5.

Nova Austral and Subsidiaries are evaluating the impact the application of this new standard might have on the financial statements.



## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### t) New accounting pronouncements (continued)

Improvements and Amendments		Mandatory Effective Date
<b>IFRS 1</b>	First-time Adoption of International Financial Reporting Standards	January 1, 2018
<b>IFRS 2</b>	Share-based Payment	January 1, 2018
<b>IFRS 4</b>	Insurance Contracts	January 1, 2018
<b>IAS 28</b>	Investments in Associates and Joint Ventures	January 1, 2018
<b>IAS 40</b>	Investment Property	January 1, 2018
<b>IFRS 3</b>	Business Combinations	January 1, 2019
<b>IFRS 9</b>	Financial Instruments	January 1, 2019
<b>IFRS 11</b>	Joint Arrangements	January 1, 2019
<b>IAS 12</b>	Income Taxes	January 1, 2019
<b>IAS 23</b>	Borrowing Costs	January 1, 2019
<b>IAS 28</b>	Investments in Associates	January 1, 2019
<b>IFRS 10</b>	Consolidated Financial Statements	To be determined

- ***IFRS 1 First-time Adoption of International Financial Reporting Standards***

Amendment to IFRS 1 eliminates the transitory exceptions included in Appendix E (E3 – E7)

The amendment/improvement does not have a significant impact on the financial statements of Nova Austral and Subsidiaries since the consolidated financial statements are prepared in accordance with IFRS.

- ***IFRS 2 “Share-based payment”***

In June 2016, the IASB issued amendments to IFRS 2 Share-based payment. These amendments address the following matters:

- Compliance conditions when share-based payments are settled in cash.
- Classification of share-based payment transactions, net of income tax withholding.
- Accounting for amendments to the agreement terms that change the classification of payments settled in cash or in equity instruments.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### t) New accounting pronouncements (continued)

- ***IFRS 2 “Share-based payment”, continued***

Upon the entry into force of this amendment, restructuring of financial statements from prior periods is not mandatory; however, retrospective application is permitted.

The Management of Nova Austral S.A. and Subsidiaries evaluated these amendments and believes that adoption of this new standard will not have a significant impact on the consolidated financial statements the year it is first applied.

- ***IFRS 4 “Insurance Contracts”***

These amendments address concerns arising out of the application of new standards included in IFRS 9 before implementing new insurance contracts. The amendments introduce the following two options available to entities issuing insurance contracts:

- The temporary and optional exemption from applying IFRS 9 for entities whose activities predominantly relate to insurance. The exemption will allow entities to continue to apply IAS 39 Financial Instruments, Recognition and Measurement until January 1, 2021.
- The overlay approach, which is an option for entities adopting IFRS 9 and issuing insurance contracts, to adjust profits or losses for specific financial assets; the adjustment eliminates volatility associated with the valuation of financial instruments that may result from applying IFRS 9, thus allowing these effects to be reclassified from profit or loss to other comprehensive income.

The Management of Nova Austral S.A. and Subsidiaries evaluated these amendments and believes that adoption of this new standard will not have a significant impact on the consolidated financial statements the year it is first applied.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### t) New accounting pronouncements (continued)

- ***IAS 28 “Investments in Associates and Joint Ventures”***

This amendment clarifies that an entity that is a venture capital organization or any other qualifying entity, may decide upon initial recognition to value its investments in associates and joint ventures at fair value through profit or loss. If a non-investment entity has interests in an associate or joint venture that is an investment entity, it may decide to maintain the fair value measurement of its associate. Amendments must be applied retrospectively and they are effective on January 1, 2018. Early application is permitted.

The Management of Nova Austral S.A. and Subsidiaries evaluated these amendments and believes that adoption of this new standard will not have a significant impact on the consolidated financial statements the year it is first applied.

- ***IAS 40 “Investment Property”***

These amendments clarify when an entity must reclassify property, including property under construction or development of investment property, indicating that property must be reclassified when it meets or ceases to meet the definition of investment property and there is evidence of a change in use of the property. A change in Management’s intended use of property does not constitute evidence of a change in use. Amendments must be applied prospectively and are effective on January 1, 2018. Early application is permitted.

The Management of Nova Austral S.A. and Subsidiaries evaluated these amendments and believes that adoption of this new standard will not have a significant impact on the consolidated financial statements the year it is first applied.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### t) New accounting pronouncements (continued)

- ***IFRS 3 “Business Combinations”***

These amendments clarify that when an entity obtains control of an entity that is a joint venture, the requirements for a business combination in stages shall apply, including prior interest on assets and liabilities in a joint venture presented at fair value. Amendments apply to business combinations performed after January 1, 2019. Early application is permitted.

Nova Austral and Subsidiaries will evaluate the impact of this amendment after it enters into force.

- ***IFRS 9 “Financial Instruments – Prepayment Features with Negative Compensation”***

A debt instrument may be measured at amortized cost, cost or fair value through other comprehensive income, provided that contractual cash flows are principal and interest payments on the outstanding principal and the instrument is measured using the business model for this classification. Amendments to IFRS 9 intend to clarify that a financial asset meets the only-principal-payments-plus-interest criteria, regardless of the event or circumstances causing the early termination of the contract or of the party paying or receiving the reasonable compensations for the contract early termination.

Amendments to IFRS 9 will apply when prepayment is close to the principal unpaid amounts and interest so as to reflect the change in the referential interest rate. This means that prepayments at fair value or for an amount including the fair value of an associated hedge instrument cost, will normally satisfy the only-principal-payments-plus-interest criteria only if other elements of the change in fair value such as, the effects of credit risk or liquidity risk are not significant. The amendments must be applied retrospectively for fiscal years beginning on January 1, 2019 and early application is permitted.

Nova Austral and Subsidiaries will evaluate the impact of this amendment after it enters into force.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
(Translation of Financial Statements originally issued in Spanish – See note 2b))

#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### t) New accounting pronouncements (continued)

- ***IFRS 11 “Joint Arrangements”***

This amendment affects joint arrangements on interest previously held in a joint operation. A party to a joint arrangement that has no joint control of a joint operation might obtain control if the activity of the joint operation is a business according to the definition of IFRS 3. Amendments clarify that interest previously held in that joint operation is not remeasured upon the operation. Amendments apply to transactions where joint control is acquired that are performed after January 1, 2019. Early application is permitted.

Nova Austral and Subsidiaries will evaluate the impact of this amendment after it enters into force.

- ***IAS 12 Income Taxes***

The amendments clarify that income tax on dividends triggered by financial instruments classified as equity are more closely related to past transactions or events that triggered distributable gains than to distributions to the owners. Therefore, an entity recognizes the income tax on dividends in profit or loss, other comprehensive income or equity depending on where the entity originally recognized these past transactions or events. These amendments will apply to dividends recognized after January 1, 2019.

Nova Austral and Subsidiaries will evaluate the impact of this amendment after it enters into force.

- ***IAS 23 Borrowing Costs***

The amendments clarify that an entity treats borrowings originally intended to develop a qualified asset as general borrowings when substantially all activities necessary to get the asset ready for use or sale are complete. Amendments are effective for periods beginning on January 1, 2019.

Nova Austral and Subsidiaries will evaluate the impact of this amendment after it enters into force.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
(Translation of Financial Statements originally issued in Spanish – See note 2b))

#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### t) New accounting pronouncements (continued)

- ***IAS 28 Investments in Associates***

The amendments clarify that an entity applies IFRS 9 Financial Instruments to long term investments in associates or joint ventures with regard to those investments not applying the equity method but that are in substance part of the net investment in the associate or joint venture. This clarification is relevant as it means the expected credit loss model described in IFRS 9 applies to this long term interest. Entities must apply the amendments retrospectively, with some exceptions. They are effective on January 1, 2018. Early application is permitted.

Nova Austral and Subsidiaries will evaluate the impact of this amendment after it enters into force.

- ***IAS 28 “Investments in Associates and Joint Ventures” and IFRS 10 “Consolidated Financial Statements”***

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address an inconsistency between IFRS 10 and IAS 28 requirements in connection with the treatment applicable to the sale and contribution of goods between an investor and its associate or joint venture. As established in the amendments issued in September 2014, when a transaction involves a business (in a subsidiary or not) a total 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 assets are situated in a subsidiary. The mandatory effective date of these amendments is to be determined since the IASB is planning to perform a thorough investigation that may result in a simplification of the accounting for associates and joint ventures. Immediate adoption is permitted.

Nova Austral and Subsidiaries will evaluate the impact of this amendment after it enters into force.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 2 - Summary of Significant Accounting Principles (Continued)

##### u) Accounting changes

For the period between January 1 and December 31, 2017, the accounting standards have been applied uniformly in relation to prior periods presented and there are no changes that may have a significant effect on the interpretation of these consolidated financial statements.

#### Note 3 - 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) 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 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 account 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, 2017 and 2016

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

#### Note 3 - 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.

###### ii) Interest rate risk

The financial debt of the Company is in US dollars and has been 100% structured in the long term (non-current liabilities) save for accrued interest that corresponds to short term (current liabilities). Non-current debt 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 a LIBOR increase. We do not see implicit rate risk in the current liability structure.



## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016

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

#### Note 3 - 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 seeks 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, 2017, the Company had a total of 10,286 Tons (live weight of fish) as biological assets subject to Fair Value.

The table below presents the sales price sensitivity analysis:

	Negative	Base	Positive
Effects of Price Adjustment US\$ x Kg	4.27	4.77	5.27
Biomass Fair Value ThUS\$	6,881	11,994	17,906
Effect on Income ThUS\$	(5,113)	-	5,113

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 4 – Cash and Cash equivalents

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

As of December 31, 2017 and 2016, cash and cash equivalents are detailed as follows:

Classes of cash and cash equivalents	12-31-2017	12-31-2016
	ThUS\$	ThUS\$
Cash in hand	3	1
Bank balances	29,603	22,403
<b>Total</b>	<b>29,606</b>	<b>22,404</b>

As of December 31, 2017 and 2016, balances by type of currency included in cash and cash equivalents are detailed as follows:

By type of currency	Currency	12-31-2017	12-31-2016
		ThUS\$	ThUS\$
Cash and cash equivalents in	US dollar	21,359	15,088
Cash and cash equivalents in	Chilean peso	5,536	3,175
Cash and cash equivalents in	Euros	2,711	4,141
<b>Total</b>		<b>29,606</b>	<b>22,404</b>

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 5 – Trade Receivables and Other Accounts Receivable

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

<b>Trade receivables and other accounts receivable</b>	<b>12-31-2017 ThUS\$</b>	<b>12-31-2016 ThUS\$</b>
<b>Trade Receivables:</b>		
Domestic	1,973	665
Foreign	23,860	14,497
Allowance for doubtful accounts	(534)	(246)
<b>Trade Receivables (net)</b>	<b>25,299</b>	<b>14,916</b>
<b>Other Accounts Receivable:</b>		
Advances to suppliers	1,282	268
Advances to employees	23	41
Recoverable insurance	275	860
Account receivable from Novatec	1,356	1,325
Other receivables	381	366
Allowance for doubtful accounts	(275)	(467)
<b>Total Other Accounts Receivable</b>	<b>3,042</b>	<b>2,393</b>
<b>Total</b>	<b>28,341</b>	<b>17,309</b>

b) Accounts receivable aging is detailed as follows:

<b>Classification according to maturity</b>	<b>12-31-2017 ThUS\$</b>	<b>12-31-2016 ThUS\$</b>
From 0 to 30 Days	22,294	12,023
From 31 to 60 Days	2,424	2,344
From 61 to 90 Days	1,080	1,277
From 91 days and more	3,352	2,378
<b>Total</b>	<b>29,150</b>	<b>18,022</b>

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 5 – Trade Receivables and Other Accounts Receivable (Continued)

- c) As of December 31, 2017 and 2016, balances by currency included in trade receivables and other accounts receivable, are detailed as follows:

Classification by type of Currency	12-31-2017	12-31-2016
	ThUS\$	ThUS\$
US dollars	18,188	14,497
Euro	7,655	-
Chilean pesos	2,498	2,812
<b>Total</b>	<b>28,341</b>	<b>17,309</b>

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.

#### Note 6 – Balance and Transactions with Related Entities

Transactions with related companies are operations performed in the regular course of business in accordance with the laws and regulations and at arm's length.

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

Entity	Relation	12-31-2017		12-31-2016	
		Current	Non-current	Current	Non-current
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Global Polaris S.L.U.	Parent	667	-	-	-
Albain Holdco SARL	Related to parent	-	201,548	-	-
Nova Austral Management Invest AS	Related to parent	169	11,060	159	-
<b>Total</b>		<b>836</b>	<b>212,608</b>	<b>159</b>	<b>-</b>

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 6 – Balance and Transactions with Related Entities (Continued)

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

Entity	Relation	12-31-2017		12-31-2016	
		Current	Non-current	Current	Non-current
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Global Polaris S.L.U.	Parent	-	-	37,400	-
Global Malbec S.L.U. (Ex-Ewos Invest AS) (*)	Parent (**)	-	-	-	3,947
<b>Total</b>		-	-	<b>37,400</b>	<b>3,947</b>

(\*) In January 2016, a portion of the debt amounting to ThUS\$14,005 was capitalized, See Note 15. From the balance amounting to ThUS\$3,947, the amount of ThUS\$3,645 was capitalized in February 2017, as explained in Note 15.

(\*\*) Parent until December 22, 2017.

c) Transactions between related parties

In 2017 and 2016, 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	
			2017	2016	2017	2016
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
Global Malbec S.L.U (*)	Parent	Checking account loan	-	2,267	-	139
		Debt capitalization	3,645	14,005	-	-
Global Polaris S.L.U (*)	Parent	Purchase of feed	-	52,142	-	-
		Transfer of funds	-	667	-	-
		Feed debt novation	37,400	-	-	-
Nova Austral Management Invest As	Related to Parent	Transfer of funds	10,664	158	-	-
		Interest	395	-	395	-
		Payment of invoices	11	-	-	-
Albain Holdco SARL	Related to Parent	Transfer of funds	194,336	-	-	-
		Interest	7,212	-	7,212	-

(\*) In 2017, the shareholders of Global Polaris and Global Malbec made the decision to merge both holding companies of Nova Austral Group (Global Polaris and Global Malbec), with Global Polaris being the absorbing entity and Global Malbec the absorbed entity. As a result, Global Polaris became the owner of 100% Global Malbec's shares upon completion of the merger process, that is, December 22, 2017, as explained in Note 15. Novation of the feed debt was recorded in Suppliers. See Note 14.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 6 – Balance and Transactions with Related Entities (Continued)

d) Remunerations paid to key personnel of the Company in 2017 and 2016 are detailed as follows:

Details	2017 ThUS\$	2016 ThUS\$
Confidential payroll remunerations	2,156	1,673
<b>Total</b>	<b>2,156</b>	<b>1,673</b>

e) As of December 31, 2017 and 2016, there are no balances payable to or receivable from directors and/or executives of the Company.

#### Note 7 – Inventory

a) As of December 31, 2017 and 2016, inventory is detailed as follows:

	12-31-2017 ThUS\$	12-31-2016 ThUS\$
Finished products	12,961	7,393
Materials and inputs	6,462	5,923
Fish feed	2,955	3,599
Inventory in process	29	73
Fair value of finished products	5,792	4,099
<b>Total</b>	<b>28,199</b>	<b>21,087</b>

b) Inventory measurement policy:

The Company values its inventory as follows:

- i) The production cost of produced inventory includes direct and indirect costs related to produced units such as, manpower, variable and fixed costs 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) The carrying amount of inventory does not exceed the current realization prices discounting the sales expenses (net realization value). Inventory has not been pledged as collateral.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 7 – Inventory (Continued)

- c) As of December 31, 2017 and 2016, finished products net of impairment allowance, are detailed as follows:

Details	12-31-2017		12-31-2016	
	Tons	ThUS\$	Tons	ThUS\$
Whole fish	698	4,033	228	1,124
Fillet	467	4,157	549	4,733
HG	9	39	24	121
Portions	375	4,635	99	1,146
By-product	100	97	86	269
<b>Total</b>	<b>1,649</b>	<b>12,961</b>	<b>986</b>	<b>7,393</b>

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

Details	2017	2016
	ThUS\$	ThUS\$
Cost of sales	(118,961)	(134,968)
<b>Total</b>	<b>(118,961)</b>	<b>(134,968)</b>

#### Note 8 – 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) 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		Non-Current	
	12-31-2017 ThUS\$	12-31-2016 ThUS\$	12-31-2017 ThUS\$	12-31-2016 ThUS\$
Salar salmon	66,238	103,120	-	-
Eggs, fry and smolts	-	-	7,304	11,273
<b>Total</b>	<b>66,238</b>	<b>103,120</b>	<b>7,304</b>	<b>11,273</b>

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### Note 8 – Biological Assets (Continued)

b) For 2017 and 2016, movements in biological assets are detailed as follows:

	2017 ThUS\$	2016 ThUS\$
Biological Assets at the beginning	114,393	71,104
Fattening and production increases	95,522	89,857
Sales and harvest decreases	(138,094)	(88,885)
Extraordinary mortality and other write-offs (*)	(10,273)	-
Biological Asset Fair Value	11,994	42,317
<b>Balance at the end of the year</b>	<b>73,542</b>	<b>114,393</b>

c) As of December 31, 2017 and 2016, biological assets are detailed as follows:

	12-31-2017		12-31-2016		
	Amount	ThUS\$	Amount	ThUS\$	
Salar salmon	Units	5,789,202	66,238	6,203,487	103,120
Eggs, fry and smolts	Units	9,444,100	7,304	10,995,750	11,273
<b>Total</b>		<b>15,233,302</b>	<b>73,542</b>	<b>17,199,237</b>	<b>114,393</b>

(\*) In 2017, significant delays in scheduled seeding occurred due to a change in the criteria of the Regulatory Entity (Sernapesca), which amended the environmental methodology and value to grant fish farms authorization to carry out the seeding process. Given the foregoing, our smolt breeding was seriously affected in terms of the biological process with extraordinary mortality and costs. This extraordinary non-recurrent event led us to make an adjustment amounting to ten million, two hundred and seventy three thousand dollars in current and non-current biological assets charged to other expenses by function.

#### Note 9 - Other Non-financial Assets, Current and Non-Current

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

##### Current:

	12-31-2017 ThUS\$	12-31-2016 ThUS\$
Advance insurance	1,100	367
Center implementation expenses	1,294	1,565
Deferred expenses	1,840	951
Recoverable taxes	812	737
Navarino Law 20% Bonus	25,474	21,179
VAT credit	2,101	2,752
DL 889 refund	468	569
Expenses paid in advance	3	128
<b>Total</b>	<b>33,092</b>	<b>28,248</b>



## NOVA AUSTRAL S.A. AND SUBSIDIARIES

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#### Note 9 - Other Non-financial Assets, Current and Non-Current (Continued)

##### Non-Current:

	12-31-2017 ThUS\$	12-31-2016 ThUS\$
Deferred expenses	4,754	1,744
<b>Total</b>	<b>4,754</b>	<b>1,744</b>

#### Note 10 – Intangible Assets other than Goodwill

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

	12-31-2017 ThUS\$	12-31-2016 ThUS\$
Aquaculture concessions	5,863	5,863
Concessions in process	945	475
Water rights	55	55
Software	548	143
Licenses	113	101
Amortization	(418)	(115)
<b>Total</b>	<b>7,106</b>	<b>6,522</b>

b) For the years ended December 31, 2017 and 2016, movements are detailed as follows:

	Aquaculture Concessions		Concession in process		Water Rights		Software		Licenses	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Beginning balance	5,863	5,863	475	475	55	55	143	143	101	101
Additions	-	-	470	-	-	-	405	-	12	-
Divestitures	-	-	-	-	-	-	-	-	-	-
Amortizations	(159)	-	-	-	-	-	(219)	(115)	(40)	-
<b>Ending balance</b>	<b>5,704</b>	<b>5,863</b>	<b>945</b>	<b>475</b>	<b>55</b>	<b>55</b>	<b>329</b>	<b>28</b>	<b>73</b>	<b>101</b>

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### Note 10 – Intangible Assets other than Goodwill (Continued)

- c) As of December 31, 2017, sea concessions are detailed as follows. From the 28 concessions of the Company, 23 are indefinite and have no maturity date, while 5 concessions have a useful life of 25 renewable years.

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

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.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### Note 11 – Property, Plant and Equipment

- a) As of December 31, 2017 and 2016, the items of property, plant and equipment are detailed as follows:

Property, plant and equipment as of 12-31-2017	Gross value ThUS\$	Cumulative Depreciation ThUS\$	Net Value ThUS\$
Land	3,823	-	3,823
Buildings and constructions	13,167	(2,788)	10,379
Plant machinery and equipment	8,441	(2,736)	5,705
Fixed installations and accessories	63,718	(32,207)	31,511
Other PPE	1,936	(1,323)	613
Works in progress	11,686	-	11,686
<b>Total</b>	<b>102,771</b>	<b>(39,054)</b>	<b>63,717</b>

Property, plant and equipment as of 12-31-2016	Gross value ThUS\$	Cumulative Depreciation ThUS\$	Net Value ThUS\$
Land	3,823	-	3,823
Buildings and constructions	14,852	(2,994)	11,858
Plant machinery and equipment	10,734	(5,213)	5,521
Fixed installations and accessories	55,933	(24,121)	31,812
Other PPE	1,339	(939)	400
Works in progress	4,729	-	4,729
<b>Total</b>	<b>91,410</b>	<b>(33,267)</b>	<b>58,143</b>

- b) For the years ended December 31, 2017 and 2016, movements of property, plant and equipment are detailed as follows:

Year 2017	Beginning balance		Contribution to subsidiary					Depreciation	Ending balance 12-31-2017
	01-01-2017	Additions	Transfers	Contribution	Reduction	Unrealized	Derecognition		
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		
Land	3,823	-	-	1,027	(114)	-	-	-	4,736
Unrealized profit in contribution to subsidiary	-	-	-	-	-	(913)	-	-	(913)
Buildings and constructions	11,858	-	(1,224)	-	-	-	-	(255)	10,379
Machinery and equipment	5,521	20	486	-	-	-	-	(322)	5,705
Fixed installations and accessories	31,812	-	5,922	-	-	-	(1,344)	(4879)	31,511
Other PPE	400	52	493	-	-	-	-	(332)	613
Works in progress (*)	4,729	12,751	(5,677)	2,401	(2,401)	-	(117)	-	11,686
<b>Total</b>	<b>58,143</b>	<b>12,823</b>	<b>-</b>	<b>3,428</b>	<b>(2,515)</b>	<b>(913)</b>	<b>(1,461)</b>	<b>(5,788)</b>	<b>63,717</b>

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016

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

#### Note 11 – Property, Plant and Equipment (Continued)

b) For the years ended December 31, 2017 and 2016, movements of property, plant and equipment are detailed as follows, continued:

(\*) In 2017, the environmental permit was obtained and construction of Project Piscicultura Tierra del Fuego began. Nova Austral has 76.19% interests in the project to which it contributed tangible and intangible assets amounting to four million, five hundred thousand dollars and a contribution in cash or additions and/or additional contributions that amounted to three million five hundred thousand dollars.

Year 2016	Beginning balance		Derecognition and		Ending balance
	01-01-2016	Additions	Other	Depreciation	12-31-2016
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Land	3,823	-	-	-	3,823
Buildings and constructions	12,169	-	-	(311)	11,858
Machinery and equipment	5,889	145	-	(513)	5,521
Fixed installations and accessories	34,876	1,515	-	(4,579)	31,812
Other PPE	395	115	-	(110)	400
Works in progress	641	4,088	-	-	4,729
<b>Total</b>	<b>57,793</b>	<b>5,863</b>	<b>-</b>	<b>(5,513)</b>	<b>58,143</b>

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.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

#### Note 12 – 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. Its subsidiary Comercial Austral S.A. recorded an income tax provision for the amount of ThUS\$1,044 in 2017 and determined a tax loss amounting to ThUS\$2,811 in 2016. In turn, its subsidiary Piscicultura Tierra del Fuego S.A. did not record an income tax provision as it is exempt from this tax according to Tierra del Fuego Law No. 19149.

b) Current tax assets (liabilities)

Item	2017 ThUS\$	2016 ThUS\$
Training expenses	14	35
Monthly provisional payments	2,114	1,960
Recoverable taxes (APPP)	-	470
Recoverable taxes	217	-
Art.21 provision	(13)	(11)
Income tax provision	(1,044)	-
<b>Total</b>	<b>1,288</b>	<b>2,454</b>

c) Deferred taxes

As of December 31, 2017 and 2016, deferred tax assets are detailed as follows:

Deferred taxes relating to:	2017		2016	
	Assets ThUS\$	Liabilities ThUS\$	Assets ThUS\$	Liabilities ThUS\$
Vacation accrual	4	-	3	-
Allowance for doubtful accounts	120	-	51	-
Advance revenue	390	-	15	-
<b>Deferred tax assets (liabilities), net</b>	<b>514</b>	<b>-</b>	<b>69</b>	<b>-</b>

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, 2017 and 2016  
(Translation of Financial Statements originally issued in Spanish – See note 2b))

#### Note 12 – Current Income Tax and Deferred Taxes (Continued)

d) In 2017 and 2016, the movements of deferred tax assets and liabilities are detailed as follows:

Deferred tax classification	12-31-2017		12-31-2016	
	Deferred Tax Assets ThUS\$	Deferred Tax Liabilities ThUS\$	Deferred Tax Assets ThUS\$	Deferred Tax Liabilities ThUS\$
<b>Beginning balance</b>	69	-	529	-
Movements of the period				
Vacation accrual	1	-	3	-
Allowance for doubtful accounts	70	-	9	-
Other provisions	374	-	15	-
Inventory valuation	-	-	(487)	-
Sub-total	445	-	(460)	-
<b>Ending balance</b>	<b>514</b>	<b>-</b>	<b>69</b>	<b>-</b>

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	
	2017 ThUS\$	2016 ThUS\$
Deferred tax of the year effect	445	(460)
APPP	-	470
Additional tax	(481)	(363)
Article 21 sole tax expense	(13)	(11)
Income tax provision	(1,044)	-
<b>Income tax (expense) income</b>	<b>(1,093)</b>	<b>(364)</b>

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
(Translation of Financial Statements originally issued in Spanish – See note 2b))

#### Note 12 – 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 %	Tax as of 12-31-2017 ThUS\$	Rate %	Tax as of 12-31-2016 ThUS\$
Profit for the year		20,961		81,387
Total tax at legal rate income (expense)	25.5	(5,345)	24.00	(19,533)
Adjustment to income (expense) for application of Navarino Law No. 18392	20.62	4,322	23.98	19,513
Change in deferred tax rate	0.33	(70)	0.42	(344)
Total adjustment to income (expense) used at legal rate		<u>4,252</u>		<u>19,169</u>
Total tax income (expense) at effective rate	5.21	<u>(1,093)</u>	0.45	<u>(364)</u>

#### Note 13 - Other Financial Liabilities, Current and Non-Current

As of December 31, 2017 and 2016, loans received by Nova Austral S.A. and Subsidiaries from financial institutions are detailed as follows:

- a) Current

Interest bearing loans	Currency	12-31-2017 ThUS\$	12-31-2016 ThUS\$
Maturing in less than 12 months	Dollar	-	12,000
Short term portion of maturity in more than 12 months	Dollar	-	11,000
Interest	Dollar	2,444	1,238
<b>Total</b>		<b><u>2,444</u></b>	<b><u>24,238</u></b>

- b) Non-Current

Interest bearing loans	Currency	12-31-2017 ThUS\$	12-31-2016 ThUS\$
Maturing in more than 12 months	Dollar	300,000	99,000
<b>Total</b>		<b><u>300,000</u></b>	<b><u>99,000</u></b>

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
(Translation of Financial Statements originally issued in Spanish – See note 2b))

#### Note 13 - Other Financial Liabilities, Current and Non-Current (Continued)

- c) As of December 31, 2017 and 2016, the loans received by Nova Austral S.A. and Subsidiaries are detailed as follows:

##### As of December 31, 2017

Institution	Type	Currency	Current	Non-Current	Total
			ThUS\$	ThUS\$	ThUS\$
Nordic Trustee	Bond	USD	-	300,000	300,000
	Interest payable	USD	2,444	-	2,444
<b>Total</b>			<b>2,444</b>	<b>300,000</b>	<b>302,444</b>

##### As of December 31, 2016

Institution	Type	Currency	Current	Non-Current	Total
			ThUS\$	ThUS\$	ThUS\$
Do Brasil	Interest bearing loans	USD	750	6,750	7,500
DNB Norbank	Interest bearing loans	USD	13,400	63,000	76,400
Rabobank	Interest bearing loans	USD	8,850	29,250	38,100
	Interest payable	USD	1,238	-	1,238
<b>Total</b>			<b>24,238</b>	<b>99,000</b>	<b>123,238</b>

- d) As of December 31, 2017, maturity dates of Other financial liabilities, non-current, are detailed as follows:

Institution	Currency	Average rate	Maturity	Non-Current			Total as of
				1 - 2 years	2 - 3 years	3 - 4 years	12-31-2017
				ThUS\$	ThUS\$	ThUS\$	ThUS\$
Nordic Trustee	USD	8.25%	05-26-2021	-	-	300,000	300,000
<b>Total</b>				<b>-</b>	<b>-</b>	<b>300,000</b>	<b>300,000</b>

Non-current debt consists of a bond maturing in May 2021, with 100% of the principal payable upon bond maturity and biannual interest payments at a fixed 8.25% rate. This debt is not subject to a 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.



## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 13 - Other Financial Liabilities, Current and Non-Current (Continued)

e) As of December 31, 2016, Other financial liabilities, non-current, are detailed as follows:

Bank	Currency	Average rate	Maturity	Non-Current			Total as of 12-31-2016 ThUS\$
				1 - 2 years ThUS\$	2 - 3 years ThUS\$	3 - 4 years ThUS\$	
DO BRASIL	USD	Libor + 4.5%	10-22-2019	1,875	4,875	-	6,750
RABOBANK	USD	Libor + 4.5%	10-22-2019	8,125	21,125	-	29,250
DNB NORBANK	USD	Libor + 4.5%	10-22-2019	17,500	45,500	-	63,000
<b>Total</b>				<b>27,500</b>	<b>71,500</b>	<b>-</b>	<b>99,000</b>

As of December 31, 2016, the average interest rate of financial liabilities is Libor + 4.5%.

#### Note 14 – Trade Payables and Other Accounts Payable

The items included in this category are detailed as follows:

	12-31-2017 ThUS\$	12-31-2016 ThUS\$
<b>Trade accounts payable and other accounts payable, current</b>		
Suppliers (*)	43,636	3,029
Invoices to be received	10,149	4,586
Personnel withholdings	439	310
Withholdings payable	1,293	1,497
Factoring obligations	10,055	9,306
Other accounts payable	376	232
<b>Total</b>	<b>65,948</b>	<b>18,960</b>

(\*) As of December 31, 2017, the balance includes the amounts associated with feed suppliers that in 2016 corresponded to intercompany balances as feed was acquired through the parent Global Polaris S.L.U., as explained in Note 6.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 15 - 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

To date, the issued and paid capital of the Company amounts to ThUS\$118,900, divided in 44,734 subscribed and paid shares of stock.

The shareholders are detailed as follows:

2017	Shareholding			
	Subscribed Shares	Paid Shares	Subscribed Shares %	Paid Shares %
<b>Company</b>				
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
<b>Total</b>	<b>44,734</b>	<b>44,734</b>	<b>100.00</b>	<b>100.00</b>

2016	Shareholding			
	Subscribed Shares	Paid Shares	Subscribed Shares %	Paid Shares %
<b>Company</b>				
Global Malbec S.L.U.(Ex Ewos Invest AS)	43,362	43,362	99.998	99.998
Albain Holdco S.A.R.L.	1	1	0.002	0.002
<b>Total</b>	<b>43,363</b>	<b>43,363</b>	<b>100.00</b>	<b>100.00</b>

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
(Translation of Financial Statements originally issued in Spanish – See note 2b))

#### Note 15 – Equity (Continued)

a) Issued and paid capital, continued.

As of December 31, 2017 and 2016, the subscribed and paid capital is detailed as follows:

Description	12-31-2017 ThUS\$	12-31-2016 ThUS\$
Subscribed and paid capital	118,900	115,255
<b>Total</b>	<b>118,900</b>	<b>115,255</b>

In 2017 and 2016, the following capital increases and reductions have been materialized:

In 2017, the shareholders of Global Polaris S.I.U. and Global Malbec S.L.U. made the decision to merge the holding companies of Nova Austral Group (Global Polaris and Global Malbec), with Global Polaris being the absorbing entity and Global Malbec the absorbed entity. As a result, Global Polaris became the owner of 100% Global Malbec's shares upon completion of the merger process, that is, December 22, 2017.

As of December 31, 2017, the nominal subscribed and paid capital of Nova Austral S.A. amounts to ThUS\$118,900, represented by 44,734 nominative non-par value shares of the same and single series.

On February 21, 2017, the Company made a capital increase amounting to US\$3,645 million, resulting in a total of 44,734 shares. The foregoing was accomplished through the capitalization of the related debt with its Parent.

On January 27, 2016, the Company made a capital increase amounting to ThUS\$14,005 through a debt capitalization for the amount of US\$14,004,861.25 and 5,269 new shares were issued for approximately US\$2,657.92.

On October 2, 2015, the Company made a capital increase amounting to ThUS\$40,006, which resulted in a total of 38,094 shares.

b) Retained earnings

In 2017 and 2016, movements in the retained earnings account are detailed as follows:

Description	2017 ThUS\$	2016 ThUS\$
Beginning balance	(27,183)	(108,221)
Gains for the year	19,872	81,036
Other	-	2
<b>Ending balance</b>	<b>(7,311)</b>	<b>(27,183)</b>

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016

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#### Note 15 – Equity (Continued)

##### c) Non-controlling interests

They represent the interests of minority investors in the equity of Comercial Austral S.A. equivalent to 0.46% in 2017 and 2016 and in the equity of Piscicultura Tierra del Fuego S.A. equivalent to 23.81% in 2017. Non-controlling interests are detailed as follows:

Company	Non-controlling Interests		Equity		Non-controlling Interests		Income	
	12-31-2017	12-31-2016	12-31-2017	12-31-2016	12-31-2017	12-31-2016	12-31-2017	12-31-2016
	%	%	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Comercial Austral S.A.	0.46	0.46	9	3	6	(13)		
Piscicultura Tierra del Fuego S.A.	23.81	-	2,427	-	(10)	-		
<b>Total</b>			<b>2,436</b>	<b>3</b>	<b>(4)</b>	<b>(13)</b>		

#### Note 16 – Income from Operating Activities

Income from operating activities is detailed as follows:

Income	2017	2016
	ThUS\$	ThUS\$
Atlantic salmon	177,237	172,128
Waste	1,754	125
<b>Total</b>	<b>178,991</b>	<b>172,253</b>

#### Note 17 – Cost of Sales

This category is detailed as follows:

Costs of sales	2017	2016
	ThUS\$	ThUS\$
Atlantic salmon	119,003	134,968
<b>Total</b>	<b>119,003</b>	<b>134,968</b>

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### Note 18 – Other Expenses by Function

This category is detailed as follows:

Other Expenses by Function	2017 ThUS\$	2016 ThUS\$
Fines	20	59
Extraordinary mortality and other	10,390	-
Damage, shrinkage and other expenses	-	1,819
PPE adjustment	1,344	-
Other non-sales expenses	428	1,364
<b>Total expenses</b>	<b>12,182</b>	<b>3,242</b>

#### Note 19 – Administrative and Distribution Expenses

These categories are detailed as follows:

1.- Distribution expenses	2017 ThUS\$	2016 ThUS\$
Export freights	3,946	7,283
Shipping expenses	686	811
Cold storage services	3,159	3,164
Other expenses	2,434	678
<b>Total</b>	<b>10,225</b>	<b>11,936</b>

2.- Administrative expenses	2017 ThUS\$	2016 ThUS\$
Personnel expenses	5,742	3,554
Lease and patents	1,088	607
Outsourced services	1,662	2,345
Other administrative expenses	403	1,850
<b>Total</b>	<b>8,895</b>	<b>8,356</b>

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### Note 20 – Other Gains

This category is detailed as follows:

Item	2017 ThUS\$	2016 ThUS\$
Navarino Law 20% Bonus	33,037	28,744
Other Sales	302	263
Other Income	449	-
<b>Total</b>	<b>33,788</b>	<b>29,007</b>

#### Note 21 – Finance Expenses and Finance Income

This category is detailed as follows:

##### a) Finance Expenses

	2017 ThUS\$	2016 ThUS\$
Interest expense, bank loans	5,482	6,895
Factoring interest	699	857
Bond interest	12,238	-
Suppliers interest	961	-
Related company interest	-	1,385
Finance cost amortization	3,462	938
Other finance expenses	561	651
<b>Total</b>	<b>23,403</b>	<b>10,726</b>

##### b) Finance Income

	2017 ThUS\$	2016 ThUS\$
Related company interest	7,607	-
Other	7	-
<b>Total</b>	<b>7,614</b>	<b>-</b>

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### Note 22 – Foreign Currency Translation

This category is detailed as follows:

	<b>(Charge) / Credit</b>	
	<b>2017</b>	<b>2016</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
<b>(Charges)/credits to assets</b>		
Accounts receivable	3,040	(3,278)
Other assets	(28)	9,078
Total assets	<u>3,012</u>	<u>5,800</u>
<b>(Charges)/credits to liabilities</b>		
Suppliers	(1,616)	2,593
Other liabilities	1,510	(7,974)
Total liabilities	<u>(106)</u>	<u>(5,381)</u>
<b>Total foreign currency translation</b>	<b><u>2,906</u></b>	<b><u>419</u></b>

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016  
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#### Note 23 - 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:

<b>Concession</b>	<b>Type of Lien</b>
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

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#### Note 23 - 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

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#### Note 23 - 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:**

<b>Marine Equipment</b>	<b>Type of lien</b>
“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

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#### Note 23 - 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:

<b>Assets</b>	<b>Type of lien</b>
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.	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:

<b>Biomass</b>	<b>Type of lien</b>
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.	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

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#### Note 23 - 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.

###### 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.

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

###### Shares

2,162 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.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### Note 23 - Contingencies and Liens (Continued)

a) Current Liens (continued)

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

<b>Money</b>	<b>Type of lien</b>
Cash deposited in checking accounts in Banco BCI, Banco Santander and Banco Estado.	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 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.

b) Current trials

Judicial or extra-judicial formalities or proceedings: Currently, the Company is a party to the following judicial and arbitral proceedings:

Case: Nova Austral S.A and Diver Chile Ltda, as joint defendant with Mauricio Iván Sanhueza Hernández, RIT N°M-117-2017

Court: Labor Court in Punta Arenas

Subject Matter: Unjustified dismissal, claim for employment benefits and indemnities.

Procedural Status: The single response and evidence submission hearing has not been held, since to date no notice has been received by the Company informing of the principal claim.

Contingency: The Company might be obliged to pay US\$4,003.25 plus interest and legal costs.

Case: Nova Austral S.A. vs. Consejo de Defensa del Estado (State Defense Council), Case No.1817-2017

Court: First Civil Court in Punta Arenas

Subject Matter: Fine amounting to MTU 70 applied by Secretaría Ministerial de Salud XII Región (Ministerial Secretariat of Health of the 12<sup>th</sup> Region), in relation to Health Inquiry No. 1612EXP257.

Procedural Status: By means of Exempt Resolution No. 253, the Ministerial Secretariat of Health of the 12<sup>th</sup> Region annulled the Health Inquiry of January 29, 2018, and the Company discontinued the action, which was accepted by the State Defense Council.

## NOVA AUSTRAL S.A. AND SUBSIDIARIES

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#### **Note 24 - 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 directly to the profit and loss account amount to ThUS\$84 (ThUS\$48 in 2016) 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 25 – Subsequent Events**

Between December 31, 2017 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.