OCEANA, INC. - CHILE

REPORT OF AUDITED FINANCIAL STATEMENTS
For the year ended on
December 31, 2019

INDEX

INDEPENDENT AUDITOR'S REPORT

To the Directors
Oceana, Inc. - Chile

Report on the financial statements

We have audited the accompanying financial statements of Oceana, Inc - Chile, comprising the statement of financial position as of December 31, 2019 and the corresponding statement of comprehensive income, changes in equity and cash flow statements for the year then ended and the corresponding notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles in the United States (US GAAP). This responsibility includes designing, implementing and maintaining relevant internal control for the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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 significant 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 preparation and fair presentation of the financial statements of the entity 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 internal control of the entity. Consequently, we do not express such an opinion. An audit also includes assessing the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as an evaluation of the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oceana, Inc - Chile, as of December 31, 2019 and the results of its operations and its cash flows for the year then ended, according to Generally Accepted Accounting Principles in the United States (US GAAP).

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Other matters

The 2018 financial statements were not within the scope of our audit, nor have we received any report from other independent auditors which would give us reasonable assurance as to the reasonableness of the financial statements.

MARCOS GUERRA GODOY **BAKER TILLY CHILE LTDA.**

Santiago, January 31, 2020

Baker Tilly Chile trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

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OCEANA, INC - CHILE
CLASSIFIED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019

ASSETS	**Note N°**	**2019 $**
Current assets		
Cash and cash equivalent	**4**	91.645.387
Accounts receivable	**5**	700.000
Prepaid expenses and other	**6**	4.845.906
Total current asset		**97.191.293**
Non-current asset		
Property and equipment, net	**7**	32.811.100
Intangible asset, net	**8**	593.014
Total non-current asset		**33.404.114**
TOTAL ASSET		**130.595.407**

LIABILITIES AND EQUITY	**Note N°**	**2019 $**
Current liabilities		
Accounts payable and provision	**9**	48.609.240
Other current liabilities	**10**	7.420.263
Total current liabilities		**56.029.503**
Equity		
Net asset	**11**	86.205.371
Retained earnings	**11**	(11.639.467)
Total equity		**74.565.904**
TOTAL LIABILITIES AND EQUITY		**130.595.407**

The accompanying notes form an integral part of these financial statements.

OCEANA, INC - CHILE
INCOME STATEMENT
FOR THE PERIOD ENDED IN DECEMBER 31, 2019

INCOME STATEMENT	Note N°	2019 $
Income and support	**12**	909.742.974
Total income		**909.742.974**
Salaries	**13**	(458.911.153)
Administrative expenses	**14**	(429.080.660)
Gains (loss) on Exchange rate		(4.368.843)
Total expenses		**(892.360.656)**
NET INCOME		**17.382.318**

The accompanying notes form an integral part of these financial statements.

OCEANA, INC - CHILE
CASH FLOW STATEMENT
FOR THE PERIOD ENDED IN DECEMBER 31, 2019

Cash flow statement	**2019** **$**
Cash flow from (used in) operating activities	
Gains (loss)	**17.382.318**
Adjustments for decreases (increases) in trade receivables	1.983.274
Adjustments for increases (decreases) in trade payables	35.080.728
Adjustment per depreciation and amortization	19.418.450
Net Cash flow from (used in) operating activities	**73.864.770**
Cash flow from (used in) investment activities	
Purchase of property, plant, and equipment	(8.578.175)
Net Cash flow from (used in) investment activities	**(8.578.175)**
Net increase (decrease) in cash and cash equivalents, before the effect of exchange rate changes	**65.487.836**
Effects of exchange rate variation on cash and cash equivalents	
Net increase (decrease) in cash and cash equivalent	**65.286.595**
Cash and cash equivalent at the beginning of the period	26.358.792
Cash and cash equivalent at the end of the period	**91.645.387**

The accompanying notes form an integral part of these financial statements.

NOTE 1 GENERAL INFORMATION OF THE ENTITY

Oceana Chile is the subsidiary of Oceana, Inc. in Chile and one of Oceana's office for operations in South America. The Santiago de Chile office was opened in 2003. Oceana Chile is considered a subsidiary of Oceana Inc. in Chile.

NOTE 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CRITERIA APPLIED

The main accounting policies adopted in the preparation of these financial statements are described below.

a) Basis of preparation and presentation

Oceana, Inc. - Chile prepares its financial statements in accordance with Generally Accepted Accounting Principles in the United States (US GAAP).

b) Responsibility for the information and estimates made

The information contained in these financial statements is the responsibility of management, which expressly states that all principles and criteria have been applied in accordance with US GAAP.

In preparing the financial statements, certain estimates made by Oceana, Inc - Chile's management have been used to quantify certain assets, liabilities, income, expenses and commitments reported therein.

c) Functional and presentation currency

Oceana, Inc. - Chile prepares its financial statements in accordance with the currency of the main economic environment in which it operates, which is the Chilean peso (CLP).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. In the case of dollar balances, the closing exchange rate reported by the Parent Company is used. Foreign currency gains and losses resulting from the settlement of these transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Assets and liabilities in foreign currencies and those agreed in unidades de fomento* are presented at the closing exchange rates and values.

*Unidad de fomento: is a Unit of account that is used in Chile. The exchange rate between the UF and the Chilean peso is constantly adjusted for inflation.

	12-31-2019 $	12-31-2018 $
Unidad de fomento	28.309,94	27.565,79
Parent -USD	750,75	692,52

d) Use of judgements and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Relevant estimates and assumptions are reviewed on a regular basis. Accounting estimates are recognized in the period in which they are revised and in any future periods affected.

In particular, the main estimates of critical uncertainties and judgments in the application of accounting policies that have a significant effect on the amounts recognized in the financial statements are as follows:

- Estimates of provisions and contingencies.
- Estimates of the useful life of property, plant, and equipment.

These estimates are made based on the most recent reliable information available on the events analyzed. In any case, it is possible that in the future certain events may lead to the need to revise them as a result of new information and oblige the modification of these in the coming years.

e) Cash and cash equivalents

Cash and cash equivalents recognized in the financial statements comprise cash on hand and at bank.

f) Trade and other receivables

Accounts, trade receivables and other receivables are initially recognized at fair value (nominal value including implicit interest), less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all the outstanding amounts in accordance with the original terms of the receivables. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

Trade receivables are reduced through the impairment account for uncollectible accounts and the amount of losses is recognized with a charge to income.

g) Current tax assets

It’s made up of the balances held for tax prepayments or taxes to be offset, at the end of the respective financial year. They are expressed at their fair value (nominal value).

h) Prepaid expenses and others

These are assets like prepaid expenses that are being deferred and/or amortized over time. Deposits given in guarantee are also recognized.

i) Property, plant and equipment and intangible assets

- *Recognition and measurement*

Property, plant, and equipment items are recognized at historical cost less related accumulated depreciation and impairment losses.

The costs of an asset include its acquisition price and all costs directly related to the placement of the asset in the conditions necessary for it to operate as intended by management.

- *Subsequent costs*

Subsequent costs are included in the value of the initial asset or recognized as a separate asset only when it is likely that the future economic benefits associated with the items of plant and equipment will flow to the company and the cost of the item can be reliably determined. The value of the replaced component is written-off.

Repairs and maintenance are charged to income in the period in which they are incurred.

- *Depreciation and useful lives*

Depreciation of assets is calculated using the straight-line method, considering the cost less the residual value over their estimated technical useful lives.

The residual value and the useful life of the assets are reviewed and adjusted, if necessary, at each closing date in order to have a remaining useful life in accordance with the expectations of use of the assets.

The estimated useful lives by type of asset are as follows:

Asset	Useful life
Computers, software, and related equipment	5 years
Office furniture	5 years

When the value of an asset exceeds its estimated recoverable amount, its value is immediately reduced to its recoverable amount through recognition of impairment losses. Gains and losses on the sale of property, plant. and equipment are calculated by comparing the revenue obtained with the carrying amount and are included in the income statement.

j) Impairment

The policy established by the Company in relation to impairment is applied as follows:

- *Financial assets*

Financial assets, other than those measured at fair value through profit or loss, are assessed at the date of each statement of position to establish the presence of impairment indicators. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows of the investment have been impacted.

In the case of financial assets carried at amortized cost, the impairment loss corresponds to the differences between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

- *Non-financial assets*

Assets subject to depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the excess of the asset's carrying amount over its recoverable amount.

The recoverable amount is the lower of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that have suffered an impairment loss are reviewed at each balance sheet date for events that may justify reversing the loss.

k) Other current financial liabilities

Other financial liabilities, including leasing, are initially measured at the amount of cash received, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized based on the effective yield.

The effective interest rate method corresponds to the method of calculating the amortized cost of a financial liability and the allocation of interest expense over the entire corresponding period. The effective interest rate corresponds to the rate that exactly discounts the estimated future cash flows payable over the expected life of the financial liability or, when appropriate, a shorter period when the associated liability has a prepayment option that is expected to be exercised.

l) Trade payables and other payables

Trade and other payables are initially recognized at nominal value. Included in this item are invoices payable, fees payable and social security contributions outstanding at the closing date. These items are not affected by interest.

m) Current tax liabilities

It consists of the amounts due for second category tax withholding and tax, at the end of the respective fiscal year.

n) Current provisions

Provisions correspond to liabilities where there is uncertainty about their amount or maturity. A provision should be recognized when, and only when, the following circumstances exist:

- ❖ The entity has a present obligation (whether legal or constructive) as a result of a past event;
- ❖ It is likely that resources embodying economic benefits will be required to settle the obligation; and
- ❖ The amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using the Company's best estimate. The discount rate used to determine the present value reflects current market assessments, at the date of the statement of financial position, of the time value of money and the specific risk associated with the particular liability. The increase in the provision is recognized in the results of the year in which it occurs.

o) Employee benefits

- *Short-term employee benefits.*

The company records short-term employee benefits, such as salary, vacation, bonuses, and others, on an accrual basis.

- *Severance indemnities.*

The Company has not agreed with its personnel to a severance payment for all events, for which reason no provision has been recorded for this concept.

p) Classification of current and non-current balances

Balances are classified according to their maturity, with balances maturing within twelve months from the balance sheet date being classified as current and balances maturing over twelve months as non-current.

q) Revenue recognition

Revenue is recognized in the income statement on an accrual basis, that is, to the extent that the services have been rendered and it is likely that the economic benefits will flow to the Company and can be reliably measured regardless of when the cash or financing derived therefrom is produced.

r) Expense recognition

Expenses are recognized in income when there is a decrease in future economic benefits related to a reduction of an asset, or an increase in a liability, that can be measured reliably. This implies that the recognition of an expense is made simultaneously to the recognition of the increase in the liability or the reduction of the asset.

An expense shall be recognized immediately when a disbursement does not give rise to future economic benefits or when it does not qualify for recognition as an asset.

s) Deferred taxes and income taxes

The entity, being a branch of Oceana, Inc., does not have an initiation of activities before the IRS and is not required to file an income tax return.

t) Cash flow statement

The cash flow statement shall show the cash movements made during the period, determined by the direct method. The following expressions will be used in these cash flow statements with the meanings given below:

- *Cash and cash equivalent*

The Company considers cash equivalents to be financial assets, deposits or financial investments that are readily convertible to cash within three months and whose risk of changes in value is insignificant.

- *Operating activities*

These are the activities that constitute the main source of ordinary income of the Company, as well as other activities that cannot be classified as investment or financing activities.

- *Investment activities*

These are activities related to the acquisition, sale, or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.

- *Financing activities*

These are the activities that produce changes in the composition of equity and financial liabilities.

NOTE 3 SUMMARY OF ACCOUNTING POLICIES

a) ASU 2016-02 (ASC 842) application

ASU 2016-02 (ASC 842) issued in February 2016 by the FASB establishes principles for the recognition, measurement and presentation of leases and associated disclosures.

The standard is effective for fiscal years beginning after December 15, 2018 and is applicable as of 2021 for Non-profit organizations. Concerning the accounting treatment of lessees, the new standard states the following:

- *Tenant accounting*

Under FASB ASC 842, a lessee may classify a lease as either an Operating or Financing lease. A Financing Lease is accounted for in a manner similar to a capital lease under ASC 840 where a right-to-use asset and a lease liability are recorded equal to the net present value of the lease payments. In an operating lease, a right-of-use asset and a lease liability are recorded at the beginning of the lease, but the associated costs are recognized consistently over the term of the lease.

In the case of leases with a term of 12 months or less, the lessee is permitted to choose an accounting policy by type of underlying asset not to recognize lease assets and liabilities. If a lessee makes this choice, the lessee must recognize the lease expense on a straight-line basis over the lease term.

For financing leases, the lessee should do the following:

Recognize in the statement of financial position a right-to-use asset and a lease liability initially measured at the present value of the lease payments.

Recognize interest on the lease liability separately from the amortization of the right-to-use asset in the income statement.

Classify payments of the main portion of the lease obligation within financing activities, and interest payments on the lease obligation and variable lease payments within operating activities in the statement of cash flows.

For operating leases, the lessee must do the following:

Recognize in the statement of financial position an asset for right of use and a liability for lease, initially measured at the present value of the lease payments.

Recognize a one-off lease expense, calculated so that this expense is allocated over the lease term on a straight-line basis.

Classify all payments made within operating activities in the cash flow statement.

At the date of adoption of the new standard, the company has classified its leases as operating activities, given the low materiality of the lease obligation payment flows, with respect to its results.

NOTE 4 CASH AND CASH EQUIVALENT

The detail of cash and cash equivalent in shown in the chart below:

Cash and cash equivalent	**2019** **$**
Cash	271.690
Banks	91.373.697
Total cash and cash equivalent	**91.645.387**

NOTE 5 ACCOUNTS RECEIVABLE

The composition of the net balance of accounts receivable is as follows:

Accounts receivable	2019 $
Employee prepayment	700.000
Total accounts receivable	**700.000**

NOTE 6 PREPAID EXPENSES AND OTHERS

The composition of the net balance of this item is as follows:

Prepaid expenses and other	2019 $
Taxes receivable	351.972
Prepaid expenses	4.493.934
Total prepaid expenses and other	**4.845.906**

NOTE 7 PROPERTY, PLANT, AND EQUIPMENT

The detail of property, plant, and equipment at 12.31 2019, is as follows:

Property, plant, and equipment	Gross value $	Accumulated depreciation $	Net Value $
Equipment	154.569.724	(125.708.092)	28.861.632
Furniture and office equipment	112.311.360	(112.170.819)	140.541
Marine vehicles	70.305.280	(66.496.353)	3.808.927
Total property, plant, and equipment	**337.186.364**	**(304.375.264)**	**32.811.100**

a) The movement of the period is detailed below:

Movement of Property, Plant, and Equipment during the period	Value $
Net opening balance at 01.01.2019:	**43.651.374**
Asset additions for the period:	8.578.176
Asset write-offs for the period:	-
Depreciation of the period:	(19.418.450)
Net property, plant, and equipment as of 12.31.2019:	**32.811.100**

NOTE 8 INTANGIBLE

The detail of intangible assets as at 12.31.2019 is as follows

Intangible	Gross value $	Accumulated Amortization $	Net value $
Software licenses	2.741.492	(2.741.492)	-
Website Licenses	639.923	(639.923)	-
Others	3.049.788	(2.456.774)	593.014
Total Intangible	**6.431.203**	**(5.838.189)**	**593.014**

NOTE 9 ACCOUNTS PAYABLE AND PROVISIONS

The composition of the Accounts Payable as of 12.31.2019, is as follows

Accounts payable and provision	2019 $
Credit card	8.483.756
Accounts payable	8.117.037
Provision	32.008.447
Total Accounts payable and provision	**48.609.240**

NOTE 10 OTHER CURRENT LIABILITIES

The composition of other current liabilities at December 31, 2019 is as follows:

Other current liabilities	**2019 $**
Retirement fund payable	3.938.552
Withholding of single tax of workers	1.245.829
Health insurance payable	2.235.882
Total other current liabilities	**7.420.263**

NOTE 11 EQUITY

The table of changes in equity at 12.31.2019 is as follows

	Net Assets	**Accumulated Result**	**Total Equity**
Opening balance at 01.01.2019	**86.205.371**	**94.203.179**	**180.408.550**
Profit or loss for the year:	-	17.382.318	17.382.318
Audit adjustments	-	(123.224.964)	(123.224.964)
Closing balance at 12.31.2019	**86.205.371**	**(11.639.467)**	**74.565.904**

NOTE 12 INCOME

Income for the period is mainly composed of remittances received from Oceana, Inc, the parent company:

Income and support	**2019 $**
Inter-company contributions	909.742.974
Total Income	**909.742.974**

NOTE 13 EMPLOYEE BENEFITS AND PERSONNEL EXPENSES

The expense for the period for salaries and social security benefits is as follows:

Salaries	**2019** **$**
Remuneration	(440.022.937)
Social security benefits	(18.888.216)
Total personnel expenses	**(458.911.153)**

NOTE 14 ADMINISTRATIVE EXPENSES

The detail of administrative expenses incurred during the period is as follows:

Administrative expenses	**2019** **$**
Insurance premiums	(9.975.668)
Professional services	(143.709.329)
Travel expenses	(83.671.567)
Events	(68.510.591)
Production and communications	(27.686.828)
Advertising and Marketing	(502.365)
Phone and Internet	(11.500.508)
Correspondence and shipping costs	(347.725)
Publications and subscriptions	(418.657)
Equipment and computer maintenance	(378.194)
Other miscellaneous expenses	(1.284.837)
Office expenses	(60.162.495)
Bank and credit charges	(1.513.446)
Depreciation and amortization	(19.418.450)
Total administrative expenses	**(429.080.660)**

NOTE 15 ENVIRONMENT

Due to the nature of its operations, all the expenses and disbursements of Oceana, Inc. Chile, are related to the protection and research of the oceans and the environment.

NOTE 16 CONTINGENCIES

The entity has no contingencies to disclose as of the date of the Financial Statements.

NOTE 17 SUBSEQUENT EVENTS

Between the closing date of these financial statements and their issuance, no significant events have occurred that alter their presentation and/or results.