

FORESTAL TREGUALEMU SpA.

Financial statements

December 31, 2021

CONTENTS

Independent auditor´s report
Statements of financial position
Statements of comprehensive income
Statements of changes in equity
Statements of cash flows
Notes to the financial statements

\$/CLP - Chilean pesos
Th\$ - Thousands of Chilean pesos
UF - A Chilean government inflation-indexed peso-denominated monetary unit set
daily in advance based on the previous month's inflation rate
€/EUR - Euros
US\$ - US dollars





INDEPENDENT AUDITOR 'S REPORT

Concepción, March 11, 2022

To the Shareholder
Forestal Tregualemu SpA.

We have audited the accompanying financial statements of Forestal Tregualemu SpA., which comprise the statements of financial position as of December 31, 2021 y 2020 and the related statements of comprehensive income, changes in equity and cash flows for the year ended at December 31, 2021 and the period between June 24 and December 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 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.



Concepción, March 11, 2022
Forestal Tregualemu SpA.
2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forestal Tregualemu SpA. as of December 31, 2021 and 2020, and the results of its operations and cash flows for the year ended at December 31, 2021 and the period between June 24 and December 31, 2020 in accordance with International Financial Reporting Standards.

FORESTAL TREGUALEMU SPA

INDEX

Financial Statements

Statement of Financial Position	1
Statements of Comprehensive Income.....	3
Statements of Changes in Equity.....	4
Statements of Cash Flows.....	5
Notes to the Financial Statements.....	6
NOTE 1 - CORPORATE INFORMATION.....	6
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	6
2.1) Basis of preparation.....	6
2.2) Periods covered.....	7
2.3) Significant accounting judgments, estimates and assumptions	7
2.4) Functional currency and presentation currency of the financial statements	7
2.5) Property, plant and equipment.....	7
2.6) Depreciation.....	7
2.7) Biological assets.....	8
2.8) Income Tax	8
2.9) Financial assets.....	8
2.10) Accounts receivable	9
2.11) Trade payables	10
2.12) Cash and cash equivalents	10
2.13) Revenue recognition.....	10
2.14) Statement of cash flows.....	10
2.15) Dividends	11
2.16) Use of estimates.....	11
2.17) Balances classified as current and non-current.....	11
2.18) New accounting standards.....	11
NOTE 3 - CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES	13
NOTE 4 - FINANCIAL RISK MANAGEMENT	13
NOTE 5 - CASH AND CASH EQUIVALENTS.....	14
NOTE 6 - TRADE AND OTHER RECEIVABLES.....	14
NOTE 7 - BIOLOGICAL ASSETS	14
NOTE 8 - PROPERTY, PLANT AND EQUIPMENT	15
NOTE 9 - TRADE AND OTHER PAYABLES.....	16
NOTE 10 - RELATED PARTY DISCLOSURES	16
NOTE 11 - INCOME TAX.....	18
NOTE 12 - EQUITY	19
NOTE 13 - REVENUE AND EXPENSES	20
NOTE 14 - FORESTRY MANAGEMENT AGREEMENT.....	21
NOTE 15- SUBSEQUENT EVENTS	21

FORESTAL TREGUALEMU SPA

Statements of Financial Position

As of December 31, 2021 and 2020

(expressed in thousands of US dollars)

ASSETS	Note	<u>2021</u> ThUS\$	<u>2020</u> ThUS\$
Current assets			
Cash and cash equivalents	(5)	3,961	759
Trade and other receivables	(6)	1,123	1,007
Accounts receivable to related parties	(10)	560	-
Inventories		577	641
Biological assets, current	(7)	13,276	-
Other non-financial assets, current		745	811
Total current assets		<u>20,242</u>	<u>3,218</u>
Non-current assets			
Biological assets, non-current	(7)	302,424	204,769
Property, plant and equipment	(8)	146,365	146,178
Deferred tax assets	(11)	-	17,027
Other assets, no current		119	120
Total non-current assets		<u>448,908</u>	<u>368,094</u>
Total assets		<u>469,150</u>	<u>371,312</u>

The accompanying notes 1 to 15 form an integral part of these financial statements

FORESTAL TREGUALEMU SPA

Statements of Financial Position

As of December 31, 2021 and 2020

(expressed in thousands of US dollars)

LIABILITIES AND EQUITY	Note	<u>2021</u> ThUS\$	<u>2020</u> ThUS\$
Current liabilities			
Other financial liabilities		-	1,700
Trade and other payables	(9)	<u>954</u>	<u>964</u>
Total current liabilities		<u>954</u>	<u>2,664</u>
Non-Current liabilities			
Accounts payable to related parties	(10)	224,574	219,419
Deferred tax liability	(11)	<u>13,281</u>	<u>-</u>
Total non-current liabilities		<u>237,855</u>	<u>219,419</u>
Equity			
Issued capital	(12)	139,640	139,640
Retained earnings		<u>90,701</u>	<u>9,589</u>
Total equity		<u>230,341</u>	<u>149,229</u>
Total Liabilities and Equity		<u>469,150</u>	<u>371,312</u>

The accompanying notes 1 to 15 form an integral part of these financial statements

FORESTAL TREGUALUMU SPA

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(expressed in thousands of US dollars)

PROFIT	Note	<u>2021</u> ThUS\$	<u>2020</u> ThUS\$
Sales	(13)	20,804	689
Cost of sales	(13)	<u>(13,744)</u>	<u>(506)</u>
Gross profit		7,060	183
Administrative expenses	(13)	(4,753)	(2,298)
Other income	(13)	124,758	59
Other loss	(13)	(4,837)	(42)
Finance income		27	-
Finance costs		(10,536)	(5,310)
Net foreign exchange differences		<u>(299)</u>	<u>(30)</u>
Net profit (loss) before income tax		111,420	(7,438)
Income tax credit (expense)	(11)	<u>(30,308)</u>	<u>17,027</u>
Net profit (loss) for the year		<u>81,112</u>	<u>9,589</u>
Comprehensive Income (loss)			
Net profit (loss) for the year		81,112	9,589
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income (loss) for the year, net of tax		<u>81,112</u>	<u>9,589</u>

The accompanying notes 1 to 15 form an integral part of these financial statements

FORESTAL TREGUALEMU SPA

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(expressed in thousands of US dollars)

	Issued Capital	Retained Earnings	Total Equity
	ThUS\$	ThUS\$	ThUS\$
As of January 1, 2021	139,640	9,589	149,229
Profit for the year	-	81,112	81,112
Changes in equity	-	81,112	81,112
As of December 31, 2021	139,640	90,701	230,341

	Issued Capital	Retained Earnings	Total Equity
	ThUS\$	ThUS\$	ThUS\$
As of June 24, 2020 (Capital contribution)	139,640	-	139,640
Profit for the year	-	9,589	9,589
Changes in equity	139,640	9,589	149,229
As of December 31, 2020	139,640	9,589	149,229

The accompanying notes 1 to 15 form an integral part of these financial statements

FORESTAL TREGUALEMU SPA

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(expressed in thousands of US dollars)

	Note	<u>2021</u> ThUS\$	<u>2020</u> ThUS\$
Cash flows from operating activities			
Collections from customers		20,697	510
Payments to suppliers		(9,459)	(5,189)
Other income		211	-
Income tax credit (expense)		5	(7)
Net cash flows from (used in) operating activities		<u>11,454</u>	<u>(4,686)</u>
Cash flows used in investing activities			
Loans to related companies	9	(550)	-
Other fixed asset dispositions		19	-
Purchase of property, plant and equipment and plantations	8	<u>(219)</u>	<u>(350,014)</u>
Net cash flows from (used in) investing activities		<u>(750)</u>	<u>(350,014)</u>
Cash flows used in financing activities			
Proceeds from loans		-	1,700
Loans payments		(1,700)	-
Interests paid		(32)	-
Capital contribution received		-	139,640
Loans from related companies	9	<u>(5,332)</u>	<u>214,109</u>
Net cash flows from (used in) financing activities		<u>(7,064)</u>	<u>355,449</u>
Increase (Decrease) in cash and cash equivalents		3,640	749
Net foreign exchange difference		<u>(438)</u>	<u>10</u>
Net Increase (Decrease) in cash and cash equivalents		3,202	759
Cash and cash equivalents, beginning of year		759	-
Cash and cash equivalents, end of year	(5)	<u>3,961</u>	<u>759</u>

The accompanying notes 1 to 15 form an integral part of these financial statements

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 1 – CORPORATE INFORMATION

Description

By a public deed dated October 25, 2019 Forestal Tregualemu SpA was formed. The company's purpose shall be the agricultural and/or forestry exploitation of its own or leased agricultural lands, or of those that the company has in mediation, and the exploitation, sale and commercialization of the products obtained therefrom. The company may also carry out all activities related or leading to the aforementioned objectives, other businesses that are directly related to its line of business, including the execution and performance of all kinds of acts and contracts, as well as the formation of all kinds of companies or their incorporation into existing companies.

The Capital contribution from the shareholders was made on June 24, 2020.

The registered legal address of Forestal Tregualemu SpA is Avenida Bernardo O´Higgins 940, 7th floor, Concepción, Chile.

Certain geographic areas continue to experience outbreaks of COVID-19, the disease caused by a novel coronavirus, which the World Health Organization declared a pandemic in March 2020. To date, the impact of the pandemic on the operations of Forestal Tregualemu SpA and its investments has been limited, Only in some smaller field operations did they have a slight temporary impact due to the suspension of operations as a result of quarantines imposed on some workers, which in no case had a significant impact on operation 2021, however the general economic effect of the virus has been far-reaching as governments and communities globally have taken urgent steps to contain its spread. As these efforts continue, and until the pandemic is brought under control, government mandated restrictions may from time to time give rise to reductions in consumer demand, supply chain disruptions, disruptions to sales/acquisition processes, foreign exchange volatility, market impacts generally, and other operational challenges. The full impact of these outcomes on the operations of Forestal Tregualemu SpA and its investments cannot be predicted at this time.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Below, we describe the significant accounting policies used to prepare these financial statements. As required by International Financial Reporting Standards (IFRS 1), these policies have been designed under the IFRS requirements and applied consistently for the periods covered by these financial statements.

2.1) Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), which have been adopted explicitly and in full in Chile. The amounts included in these financial statements are expressed in thousands of dollars of the United States of America, as the US dollar is the functional currency of the Company.

The financial statements have been prepared on a historical cost basis, except for "biological assets", which have been measured at fair value.

The Company's Board of Directors is responsible for the information contained in these financial statements and as such, the Board expresses that all IFRS principles and criteria have been expressly applied.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The financial statements of Forestal Tregualemu SpA for the year ended 31 December 2021 were authorized for its issuance on March 11, 2022.

2.2) Periods covered

The financial statements cover the following periods:

- Statements of financial position as of December 31, 2021 and 2020
- Statements of comprehensive income, changes in equity and cash flows as December 31, 2021 and for the period June 24, 2020 to December 30, 2020.

2.3) Significant accounting judgments, estimates and assumptions

The estimates made in these financial statements have been calculated on the basis of the best information available as of the date of issuance of these financial statements. However, such estimates might change in future periods due to events that might occur in the future (increasing or decreasing these estimates), which would be made prospectively, recognizing the effects of the estimate changes in the relevant future financial statements.

2.4) Functional currency and presentation currency of the financial statements

The functional currency of these financial statements selected by the Company is the US dollar of United States of America.

2.5) Property, plant and equipment

The land owned by the Company is initially recognized at cost. The subsequent measurement thereof is made under IAS 16 using the cost less accumulated impairment losses, if any.

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment items includes the acquisition price plus all such costs directly related to bringing the assets to the location and leaving it in an operating condition as forecasted by the management.

2.6) Depreciation

The Company depreciates property, plant and equipment when they are ready for use. The items of property, plant and equipment are depreciated using the straight line method, and calculation is based on the cost of goods less the residual value, distributed according to the straight line method over the useful lives thereof. The residual value and useful lives of the items of property, plant and equipment are annually reviewed. The estimated useful lives are summarized as follows:

Assets	Range of Years
Nursery	8
Machinery and Equipment's	<u>2-3</u>

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7) Biological assets

IAS 41 requires that biological assets, such as standing forests, are presented in the statement of financial position at their fair values. Forests must be recorded at fair value less the sales cost estimated at harvest point, considering that the fair value of these assets can be measured reliably.

The Company engaged Margules Groome to conduct an independent market valuation of the Forestal Tregualemu SpA forest assets as of December 31, 2021.

During 2020, the valuation of new plantations that were established or acquired during the year were carried at cost, which was assumed similar to the fair value at that date. After 12 months, these plantations are included in the valuation according to the methodology explained in the Note 2.16.

Forest plantations that are presented in current assets and are those that are estimated to be harvested and sold in the short term.

Biological growth and changes in fair value are recognized in the income statement in the line “Other income (expenses) by function.

2.8) Income Tax

The income tax expense includes both the income tax and deferred taxes.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. The Chilean corporate tax rate amounts to 27%.

Deferred tax is provided, using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized for all differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits.

Under Chilean tax regulations, tax losses from prior years may be used in the future as a tax benefit without any tax limit. Normally, temporary differences become taxable or deductible when the related asset is recovered or the related liability is liquidated. A deferred tax asset or liability represents the amount of tax payable or reimbursable in future years under the present tax rates, as a result of temporary differences at the end of the current period.

Deferred tax assets and liabilities are not discounted at their present value and they are classified as non-current.

2.9) Financial assets

2.9.1) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Entity's business model for managing them. With the exception of trade /receivables that do not contain a significant financing component or for which the Entity has applied the practical expedient, the Entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Entity has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

2.9.2) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

2.9.3) Impairment of financial assets

The Entity recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Entity applies a simplified approach in calculating ECLs.

Therefore, the Entity does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Entity has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.10) Accounts receivable

These are financial assets with fixed and determinable payments not traded in an active market. Commercial accounts receivable is recognized for the amount stated in the invoice, recording the relevant adjustment if there is objective evidence of payment risk by the client.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11) Trade payables

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into the US dollar, using the exchange rate at the reporting date.

2.12) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

2.13) Revenue recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Company analyzes and takes into consideration all relevant facts and circumstances when applying each step of the model established by IFRS 15 to the contracts (formal and informal) with its clients:

- i. Identification of the contract,
- ii. Identify performance obligations,
- iii. Determine the price of the transaction,
- iv. Assign the price, and
- v. Recognize the income.

2.14) Statement of cash flows

For the purpose of preparing the Statement of cash flows, the Company has defined the following considerations:

- Operating activities

Activities that constitute the main source of operating revenue for the Company, as well as other activities that may not be classified as investment or financing.

- Investing activities

Activities relating to the acquisition transfer or disposal by other means of long term assets and other investments not included in cash and cash equivalents.

- Financing activities

Activities that produce changes in the size and structure of net equity and financial liabilities.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15) Dividends

The Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws of Forestal Tregualemu SpA., a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

2.16) Use of estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Biological assets

IAS 41 requires that biological assets, such as standing forests, are presented in the statement of financial position at fair values. Forest are recorded at fair value less the sale cost estimated at harvest point, considering that the fair value of these assets can be measured reliably.

In considering investors' expectations of a return on capital, one common basis for the discount rate to be applied to the expected cash flows is the Weighted Average Cost of Capital (WACC). The pre-tax discount rate estimated is 7.75% for the year 2021.

2.17) Balances classified as current and non-current

Balances in the statement of financial position are classified according to their maturity. That is to say, balances maturing in twelve months or less are classified as current and those maturing in over twelve months are classified as non-current.

2.18) New Accounting Standards

(a) Accounting pronouncements with implementation effective from January 1, 2021:

(i) Standards and amendments	Date of issue	Effective Date:
Amendment to IFRS 9: Financial instruments; IAS 39: Financial Instruments: Recognition and Measurement; IFRS 7: Financial Instruments: Disclosure; IFRS 4: Insurance contracts; and IFRS 16: Leases.	August 2020	01/01/2021

The application of these accounting pronouncements as of January 1, 2021, had no significant effect on the Company's financial statements.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Accounting pronouncements not in force for the financial years beginning on January 1, 2021:

(i) Standards and amendments	Date of issue	Effective Date:
Amendment to IAS 12: Income taxes.	May 2021	01/01/2023
Amendment to IAS 8: Accounting policies, changes in accounting estimates and error.	February 2021	01/01/2023
Amendment to IAS 1: Presentation of financial statements and IFRS practice statements 2	February 2021	01/01/2023
Amendment to IFRS 4: Insurance contracts.	June 2020	01/01/2023
Amendment to IFRS 17: Insurance contracts.	June 2020	01/01/2023
Amendment to IFRS 3: Business combinations.	May 2020	01/01/2022
Amendment to IAS 37: Provisions, contingent liabilities and contingent assets.	May 2020	01/01/2022
Amendment to IAS 16: Property, plant and equipment.	May 2020	01/01/2022
Amendment to IAS 1: Presentation of financial statements.	January 2020	01/01/2024
IFRS 17: Insurance contracts	May 2017	01/01/2023
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)	December 2021	An entity that elects to apply the amendment applies it when it first applies IFRS 17
Amendment to IFRS 10: Consolidated financial statements and IAS 28: Investments in associates and joint ventures.	September 2014	Not determined
(ii) Improvements Improvements to International Information Standards Financial (2018-2020 cycle) IFRS 1: First-time adoption of international financial reporting standards, IFRS 9: Financial Instruments, illustrative examples accompanying IFRS 16: Leases, IAS 41: Agriculture	May 2020	01/01/2022

The Company's management estimates that the adoption of the standards, amendments and interpretations described above will not have a significant impact on the Company's financial statements in the exercise of their first application.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 3 – CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

During 2021 there are no changes in accounting policies in comparison those used in 2020.

NOTE 4 – FINANCIAL RISK MANAGEMENT

The Company's principal financial assets, comprise trade and other receivables and cash and short-term deposits that arise directly from its operations.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

4.1) Market risk

Market risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

Market risk refers to the potential loss the Company would have to recognize in the presence of adverse variations in market variables, such as:

- Commodity price risk

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the products. The Company's policy is to manage these risks through the use of contract-based prices with customers.

- Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to the risk of changes in market interest rates, because the Company's policy is to not request bank loans.

- Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has transactional currency exposures that arise from sales or purchases in currencies other than the respective functional currencies. The company manages this risk by monitoring movements in exchange rates.

4.2) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

4.3) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The Company trades only with recognized creditworthy third parties.

The existence for an impairment is analyzed at each reporting date on an individual basis for major clients.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 5 – CASH AND CASH EQUIVALENTS

- a) Cash and cash equivalent balances in the Statement of Financial Position are the same as those in the Statement of Cash Flows. This category is detailed as follows:

	2021 ThUS\$	2020 ThUS\$
Cash at banks	113	759
Mutual funds (b)	3,848	-
Total	<u>3,961</u>	<u>759</u>

- b) The temporary cash surplus has been invested in a highly liquid instruments. This category is detailed as follows:

Entity	Instrument	2021 ThUS\$	2020 ThUS\$
Banco de Chile	Mutual fund	2,891	-
Banco Bice	Mutual fund	957	-
Total		<u>3,848</u>	<u>-</u>

NOTE 6 – TRADE AND OTHER RECEIVABLES

Trade and other receivables as of December 31, 2021 and 2020 are detailed as follows:

	2021 ThUS\$	2020 ThUS\$
Taxes receivable	352	909
Sundry debtors	95	23
Sale debtors	676	75
Total	<u>1,123</u>	<u>1,007</u>

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

NOTE 7 – BIOLOGICAL ASSETS

The collective net stocked area of Forestal Tregualemu SpA is 50,266.16 hectares (ha) as of December 31, 2021 (50,096.2 ha in 2020). A further 4,646.97 (5,107.7 ha in 2020) are awaiting re-stocking, totaling 54,913.13 ha of plantable area (55,203.9 ha in 2020). The predominant species is “radiata pine”, which occupies 99% of the total planted area and it is located in the central – south zone of the country, in the Maule, Ñuble, Bio Bío and Araucania regions. All of these resources are within a radius no higher than 240 km from Concepcion city.

The main driver of the 2021 fair value adjustment is the change in valuation process as the sale price was booked in 2020 and this was changed to obtaining a third-party independent appraisal in 2021. The main driver of value in the income approach was the current crop value. Current crop value is influenced mainly by new stumpage prices signaled by the market and a revised version of woodflows for the asset.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 7 – BIOLOGICAL ASSETS (CONTINUED)

- a) As of December 31, 2021, the biological assets that include forest plantations and forest cover are detailed as follows:

	2021 ThUS\$	2020 ThUS\$
Current	13,276	-
Non – current	302,424	204,769
Total	315,700	204,769

- b) Movements biological assets:

	2021 ThUS\$	2020 ThUS\$
Initial balance	204,769	202,919
Additions	3,857	1,893
Net profit from fair value adjustment	124,539	-
Harvest decrease	(12,628)	(32)
Fire Losses	(4,837)	-
Other	-	(11)
Final balance	315,700	204,769

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

- 8.1) The items of property, plant and equipment (PPE) as of December 31, 2021, and the appropriate accumulative depreciation thereof are detailed as follows:

	2021			
	Items of Property, Plant and Equipment			
	Lands ThUS\$	Construct. and Infraestructure. ThUS\$	Machinery and Equipment ThUS\$	PPE Net ThUS\$
Property, Plant and Equipment, Gross	146,024	151	234	146,409
Accumulative Depreciation	-	(29)	(15)	(44)
Property, Plant and Equipment, Net	146,024	122	219	146,365

	2020			
	Items of Property, Plant and Equipment			
	Lands ThUS\$	Construct. and Infraestructure. ThUS\$	Machinery and Equipment ThUS\$	PPE Net ThUS\$
Property, Plant and Equipment, Gross	146,024	151	15	146,190
Accumulative Depreciation	-	(10)	(2)	(12)
Property, Plant and Equipment, Net	146,024	141	13	146,178

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

8.2) The movements during the period 2021 and 2020 of the items included in property, plant and equipment are detailed as follows:

Movements	2021			
	Lands ThUS\$	Construct. and Infrastruct. ThUS\$	Machinery and Equipment ThUS\$	PPE Net ThUS\$
Initial balance as of January 1, 2021	146,024	141	13	146,178
Additions	-	-	219	219
Depreciation charge for the year	-	(19)	(13)	(32)
Net balance as of December 31, 2021	146,024	122	219	146,365

Movements	2020			
	Lands ThUS\$	Construct. and Infrastruct. ThUS\$	Machinery and Equipment ThUS\$	PPE Net ThUS\$
Initial balance as of January 1, 2020	-	-	-	-
Additions	146,024	151	15	146,190
Depreciation charge for the year	-	(10)	(2)	(12)
Net balance as of December 31, 2020	146,024	141	13	146,178

NOTE 9 – TRADE AND OTHER PAYABLES

The trade and other payables (current) balance in the statement of financial position is detailed as follows:

	2021	2020
	ThUS\$	ThUS\$
Trade and other payables	914	937
Insurance payable	16	-
Other accounts payable	24	27
Total	<u>954</u>	<u>964</u>

NOTE 10 – RELATED PARTY DISCLOSURES

10.1) The Accounts Receivable from and Accounts Payable to, as well as Transactions with related parties, are defined in IAS 24.9

For balances in current accounts with related companies derived from commercial current transactions, no interest is paid and/ or charged and no collateral is required for such operations. For balances arising out of financing operations, agreed-upon interest equivalent to average bank interest is paid.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 10 – RELATED PARTY DISCLOSURES (CONTINUED)

10.2) Accounts receivable to related parties

Entity	Country of Origin	2021 ThUS\$	2020 ThUS\$
GFP Chile THFI	Chile	560	-
Total		560	-

10.3) Accounts payable to related parties

Entity	Country of Origin	2021 ThUS\$	2020 ThUS\$
PSP Finco Latam Inc.	Canada	222,123	217,665
Global Forest Partners CT 1 LLC	USA	2,451	1,754
Total		224,574	219,419

10.4) Transactions

The most relevant transactions with related parties carried out within the period ended December 2021 detailed as follows:

Entity	Transaction	Amount		Effect on Income (Charge) Credit	
		2021 ThUS\$	2020	2021 ThUS\$	2020
GFP Chile THFI	Loan borrowed	550	-	-	-
GFP Chile THFI	Interest	10	-	10	-
PSP Finco Latam Inc	Loan obtained	-	212,398	-	-
PSP Finco Latam Inc	Interest	10,403	5,267	(10,403)	(5,267)
PSP Finco Latam Inc	Payment of interest	5,332	-	-	-
Global Forest Partners	Loan obtained	-	1,712	-	-
Global Forest Partners	Interest	84	43	(84)	(43)

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 11 – INCOME TAX

11.1) General information

The Company presents tax losses and therefore has not established a provision for income tax.

11.2) Deferred taxes

IAS 12 – Income Taxes, of the IFRS, requires that deferred tax assets and liabilities are measured, using the tax rates expected to apply in the periods in which they will reverse the related temporary differences. As of December 31, 2021 and 2020, the corporate tax rate prevailing in Chile has been applied, equivalent to 27%.

Deferred tax is detailed as follows:

	<u>2021</u> ThUS\$	<u>2020</u> ThUS\$
Property, plant and equipment	6,315	6,335
Biological assets	(23,440)	8,814
Tax loss	878	302
Intercompany loans	2,966	1,576
Total	<u>(13,281)</u>	<u>17,027</u>

In the statement of financial position, this item is detailed as follows:

	<u>Assets (Liabilities)</u>	
	<u>2021</u> ThUS\$	<u>2020</u> ThUS\$
Deferred tax assets	10,160	17,027
Deferred tax liabilities:	(23,441)	-
Net deferred tax assets (liabilities)	<u>(13,281)</u>	<u>17,027</u>

11.3) Income tax expense

The components of income tax expense for the years ended December 31, 2021, are detailed as follows:

	<u>2021</u> ThUS\$	<u>2020</u> ThUS\$
Effect of deferred taxes	(30,308)	17,027
Income tax expense recognized in profit	<u>(30,308)</u>	<u>17,027</u>

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 11 – INCOME TAX (CONTINUED)

11.4) Reconciliation

A reconciliation between the tax expense and the accounting profit, multiplied by the Company's domestic tax rate for the period ended December 31, 2021, is detailed as follows:

	2021	2020
	ThUS\$	ThUS\$
Profit (loss) before income tax	111,420	(7,438)
At the Company's statutory income tax rate of 27%	(30,083)	2,008
Permanent differences	(225)	9,347
Differences due to currency translation	-	5,672
At the effective income tax rate of 43%	<u>(30,308)</u>	<u>17,027</u>

NOTE 12 – EQUITY

12.1) The Company's shareholders as of December 31, 2021, are detailed as follows:

Entity	2021			2020		
	N° of Shares	ThUS\$	%	N° of Shares	ThUS\$	%
GFP Chile Timberland Holdings						
Fondo de Inversión	1,000,000	139,640	100	1,000,000	139,640	100
Total	1,000,000	139,640	100	1,000,000	139,640	100

On June 24, 2020, GFP Chile Timberland Holdings contributed ThUS\$ 139,640 to Forestal Tregualemu SpA in equity.

On December 30, 2020, Public Sector Pension Investment Board redeemed its Member's Equity in the Company in the form of its pro-rata interest in Forestal Tregualemu SpA and contribute it to GFP Chile Timberland Holdings Fondo de Inversión, a Chilean public investment fund (the "PIF"). On December 30, GFP CT Partners 1 LLC via the Company, also contributed its pro-rata interest in Forestal Tregualemu SpA to the PIF.

12.2) Capital Management

The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company's policy is to not request bank loans. The Company includes within net debt, interest bearing loans of entity related trade and other payables, less cash and short-term deposits.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 13 – REVENUE AND EXPENSES

13.1) Revenue

Sales revenue as of the period listed below is detailed as follows:

	<u>2021</u> ThUS\$	<u>2020</u> ThUS\$
Tree nursery	1,160	655
Standing forest sales	16,017	-
Domestic (*)	3,627	34
Total	<u>20,804</u>	<u>689</u>

(*) This corresponds to sales transactions in which the trees were harvested, measured, and removed from the property dispatch using guides.

13.3) Administrative expenses

	<u>2021</u> ThUS\$	<u>2020</u> ThUS\$
Administrative expenses (Note 13)	1,260	860
Forestry indirect	1,198	507
Management fee (Note 13)	2,295	931
Total	<u>4,753</u>	<u>2,298</u>

13.4) Other income, by function

	<u>2021</u> ThUS\$	<u>2020</u> ThUS\$
Fair value adjustment biological assets (Note 7.b)	124,539	-
Other	219	59
Total	<u>124,758</u>	<u>59</u>

13.5) Other (expenses), by function

	<u>2021</u> ThUS\$	<u>2020</u> ThUS\$
Fire losses (Note 7.b)	4,837	-
Other	-	42
Total	<u>4,837</u>	<u>42</u>

During 2021, fires affected with a total of 685 hectares of plantations, with an appraised value of the biological asset of ThUS\$ 4,837.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2021 and 2020

NOTE 14 - FORESTRY MANAGEMENT AGREEMENT

On May 16, 2020, Forestal Tregualemu SpA and Cambium S.A. signed a Forestry Management Agreement by which Forestal Tregualemu SpA contracted management services from Cambium S.A., under the specific conditions established in the agreement. During the year ended December 31, 2021, the entity paid to Cambium S.A. ThUS\$ 2,276 (ThUS\$ 95 in 2020) for forestry management services.

On June 26, 2020, Forestal Tregualemu SpA and Masisa S.A. signed a Forest administration services Agreement, for a transitional period of 6 months, under the specific conditions established in the agreement. During the year ended December 31, 2020, the entity paid to Masisa S.A ThUS\$ 836 for forestry management services.

NOTE 15 - SUBSEQUENT EVENTS

During 2022, there have been fires that affected Tregualemu plantations. The impact of these fires is currently being measured, therefore a related financial damage cannot be estimated at the time of the issuance of the financial statements.

Between December 31, 2021 and March 11, 2022 there are no other facts or issues that significantly affect the interpretation and situation expressed in these financial statements.