

FORESTAL TREGUALEMU SpA.

Financial statements

December 31, 2023

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\$/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 1, 2024

To the Shareholder
Forestal Tregualemu SpA.

Opinion

We have audited the financial statements of Forestal Tregualemu SpA., which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Forestal Tregualemu SpA. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Generally Accepted Auditing Standards in Chile. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Forestal Tregualemu SpA. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Forestal Tregualemu SpA.'s ability to continue as a going concern for a foreseeable future.



Concepción, March 1, 2024
Forestal Tregualemu SpA.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with **Generally Accepted Auditing Standards** in Chile will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.


In performing an audit in accordance with **Generally Accepted Auditing Standards** in Chile, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Forestal Tregualemu SpA. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Forestal Tregualemu SpA. ability to continue as a going concern for a reasonable period of time.



Concepción, March 1, 2024
Forestal Tregualemu SpA.
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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and any internal control significant deficiency and material weakness that we identified during the audit.

DocuSigned by:

C5A625081D20445...
Roberto Ortíz G.
RUT: 14.025.362-6

PricewaterhouseCoopers

FORESTAL TREGUALEMU SPA

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FORESTAL TREGUALEMU SPA

Statements of Financial Position

As of December 31, 2023 and 2022

(expressed in thousands of US dollars)

ASSETS	Note	<u>2023</u> ThUS\$	<u>2022</u> ThUS\$
Current assets			
Cash and cash equivalents	(5)	4,631	1,329
Trade and other receivables	(6)	3,416	2,831
Accounts receivable to related parties	(10)	1,457	971
Inventories		726	596
Biological assets, current	(7)	47,279	20,529
Other non-financial assets, current		21	21
Total current assets		<u>57,530</u>	<u>26,277</u>
Non-current assets			
Biological assets, non-current	(7)	303,498	343,241
Property, plant and equipment	(8)	146,687	146,425
Other assets, no current		114	114
Total non-current assets		<u>450,299</u>	<u>489,780</u>
Total assets		<u>507,829</u>	<u>516,057</u>

The accompanying notes 1 to 16 form an integral part of these financial statements.

FORESTAL TREGUALEMU SPA

Statements of Financial Position

As of December 31, 2023 and 2022

(expressed in thousands of US dollars)

LIABILITIES AND EQUITY	Note	<u>2023</u> ThUS\$	<u>2022</u> ThUS\$
Current liabilities			
Trade and other payables	(9)	<u>2,505</u>	<u>1,950</u>
Total current liabilities		<u>2,505</u>	<u>1,950</u>
Non-Current liabilities			
Accounts payable to related parties	(10)	242,954	231,840
Deferred tax liability	(11)	<u>18,919</u>	<u>23,926</u>
Total non-current liabilities		<u>261,873</u>	<u>255,766</u>
Equity			
Issued capital	(12)	139,640	139,640
Retained earnings		<u>103,811</u>	<u>118,701</u>
Total equity		<u>243,451</u>	<u>258,341</u>
Total Liabilities and Equity		<u>507,829</u>	<u>516,057</u>

The accompanying notes 1 to 16 form an integral part of these financial statements.

FORESTAL TREGUALUMU SPA

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(expressed in thousands of US dollars)

PROFIT	Note	<u>2023</u> ThUS\$	<u>2022</u> ThUS\$
Sales	(13)	20,008	12,332
Cost of sales	(13)	(12,825)	(10,815)
Gross profit		<u>7,183</u>	<u>1,517</u>
Administrative expenses	(13)	(5,605)	(4,792)
Other income	(13)	21,352	56,058
Other loss	(13)	(31,818)	(3,614)
Finance income		122	153
Finance costs	(14)	(11,126)	(10,766)
Net foreign exchange differences		<u>(5)</u>	<u>90</u>
Net profit (loss) before income tax expense		(19,897)	38,646
Income tax expense	(11)	<u>5,007</u>	<u>(10,646)</u>
Net profit (loss) for the year		<u>(14,890)</u>	<u>28,000</u>
Comprehensive Income (Loss)			
Net profit (loss) for the year		(14,890)	28,000
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year, net of tax		<u>(14,890)</u>	<u>28,000</u>

The accompanying notes 1 to 16 form an integral part of these financial statements.

FORESTAL TREGUALEMU SPA

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(expressed in thousands of US dollars)

	Issued Capital	Retained Earnings	Total Equity
	ThUS\$	ThUS\$	ThUS\$
As of January 1, 2023	139,640	118,701	258,341
Loss for the year	-	(14,890)	(14,890)
Changes in equity	-	(14,890)	(14,890)
As of December 31, 2023	139,640	103,811	243,451

	Issued Capital	Retained Earnings	Total Equity
	ThUS\$	ThUS\$	ThUS\$
As of January 1, 2022	139,640	90,701	230,341
Profit for the year	-	28,000	28,000
Changes in equity	-	28,000	28,000
As of December 31, 2022	139,640	118,701	258,341

The accompanying notes 1 to 16 form an integral part of these financial statements.

FORESTAL TREGUALEMU SPA

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(expressed in thousands of US dollars)

	Note	<u>2023</u> ThUS\$	<u>2022</u> ThUS\$
Cash flows from operating activities			
Collections from customers		19,895	11,315
Payments to suppliers		(16,656)	(10,458)
Other income		641	438
Net cash flows provided by operating activities		<u>3,880</u>	<u>1,295</u>
Cash flows from investing activities			
Loans to related companies	10	(440)	(390)
Other fixed asset dispositions		-	(45)
Purchase of property, plant and equipment and plantations		<u>(267)</u>	<u>(113)</u>
Net cash flows used in investing activities		<u>(707)</u>	<u>(548)</u>
Cash flows from financing activities			
Financial income (expenses)		43	132
Payment of interests	10	-	<u>(3,500)</u>
Net cash flows provided by (used in) financing activities		<u>43</u>	<u>(3,368)</u>
Increase (Decrease) in cash and cash equivalents		3,216	(2,621)
Net foreign exchange difference		86	(11)
Net Increase (Decrease) in cash and cash equivalents		<u>3,302</u>	<u>(2,632)</u>
Cash and cash equivalents, beginning of year		<u>1,329</u>	<u>3,961</u>
Cash and cash equivalents, end of year	(5)	<u>4,631</u>	<u>1,329</u>

The accompanying notes 1 to 16 form an integral part of these financial statements.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2023 and 2022

NOTE 1 – CORPORATE INFORMATION

Description

By a public deed dated October 25, 2019, Forestal Tregualemu SpA Company 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.

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 items included in the company's financial statements are valued using the currency of the main economic environment in which the entity operates (functional currency).

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, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The financial statements of Forestal Tregualemu SpA for the year ended 31 December 2023, were authorized for its issuance on March 1, 2024.

2.2) Periods covered

The financial statements cover the following periods:

- Statements of financial position as of December 31, 2023 and 2022.
- Statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022.

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 <u>Years</u>
Nursery	8
Machinery and Equipment	<u>2-3</u>

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2023 and 2022

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 statements of financial position at their fair value. 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 Indufor Asia Pacific Limited to conduct an independent market valuation of the Forestal Tregualemu SpA forest assets as of December 31, 2023.

During 2020, the valuation of new plantations that were established or acquired during the year was 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” 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, 2023 and 2022

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 into 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 (ECL's) 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, 2023 and 2022

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) Statements 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, 2023 and 2022

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 value. Forests 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 7.5% for the year 2023 and 7.75% for the year 2022.

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 12 months or less are classified as current and those maturing in over twelve months are classified as non-current.

2.18) New accounting standards, amendments, and interpretations

a) Standards, interpretations and amendments mandatory for the first time for financial years beginning on January 1, 2023.

IFRS 17 "Insurance Contracts". Published in May 2017, it replaces the current IFRS 4. IFRS 17 will primarily change accounting for all entities issuing insurance contracts and investment contracts with discretionary participation features. The rule applies to annual periods beginning on or after January 1, 2023.

Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", published in February 2021. The amendments are intended to improve the disclosures of accounting policies and help users of financial statements to distinguish between changes in accounting estimates and changes in accounting policies. This standard must be applied to annual periods beginning on or after January 1, 2023.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2023 and 2022

Amendment to IAS 12 - Deferred taxes related to assets and liabilities arising from a single transaction. Published in May 2021, this amendment requires companies to recognize deferred taxes on transactions that, upon initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This standard must be applied to annual periods beginning on or after January 1, 2023.

Amendment to IAS 12 "Income taxes" on *international tax reform – pillar two model rules* . Published in May 2023, this amendment provides companies with a temporary exemption from accounting for deferred taxes arising from the international tax reform of the Organization for Economic Cooperation and Development (OECD). The amendments also introduce specific disclosure requirements for affected companies. This standard must be applied to annual periods beginning on or after January 1, 2023.

Amendment to IAS 1 "Presentation of financial statements" on classification of liabilities ". This amendment clarifies that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the reporting date (for example, the receipt of a resignation or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the "liquidation" of a liability. The amendment should be applied retrospectively in accordance with IAS 8. Effective date of initial application January 1, 2023.

Amendment to IFRS 17 - Initial application of IFRS 17 and IFRS 9 Comparative information. This amendment is a limited scope amendment to the transition requirements of IFRS 17, Insurance Contracts, which provides insurers with an option to improve the usefulness of information to investors on the initial application of the new Standard. The modification relates only to the transition of insurers to the new Standard, it does not affect any other requirements of IFRS 17.

The adoption of the standards, amendments and interpretations described above do not have a significant impact on the Company's financial statements.

b) Standards, interpretations and amendments issued, the application of which is not yet mandatory, for which no early adoption has been made.

Standards and interpretations	Mandatory for exercises started from
Amendment to IAS 1 "Non-current liabilities with covenants". Published in January 2022, the amendment aims to improve the information that an entity provides when the payment terms of its liabilities may be deferred depending on compliance with covenants within twelve months following the date of issuance of the financial statements.	01/01/2024
Amendment to IFRS 16 "Leases" on sales and leaseback. Published in September 2022, this amendment explains how an entity should recognize the rights to use the asset and how gains or losses from the sale and leaseback should be recognized in the financial statements.	01/01/2024
Amendments to IAS 7 "Statement of cash flows" and IFRS 7 "Financial Instruments: Disclosures" on supplier financing agreements. Published in May 2023, these amendments require disclosures to improve the transparency of suppliers' financial arrangements and their effects on a company's liabilities, cash flows, and liquidity risk exposure.	01/01/2024

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2023 and 2022

Modifications to IAS 21 – Absence of convertibility. Published in August 2023, this 01/01/2025 amendment affects an entity that has a transaction or operation in a foreign currency that is not convertible into another currency for a specific purpose as of the measurement date. One currency is convertible into another when there is a possibility of obtaining the other currency (with a normal administrative delay), and the transaction is carried out through a market or convertibility mechanism that creates enforceable rights and obligations. This modification establishes the guidelines to follow to determine the exchange rate to be used in situations of lack of convertibility such as the one mentioned. Early adoption is allowed.

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

NOTE 3 – CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

During 2023, there are no changes in accounting policies in comparison to those used in 2022.

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 risks:

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.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2023 and 2022

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.

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:

	2023 ThUS\$	2022 ThUS\$
Cash at banks	177	861
Mutual fund (b)	4,454	468
Total	<u>4,631</u>	<u>1,329</u>

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

Entity	Instrument	2023 ThUS\$	2022 ThUS\$
Banco Bice	Mutual fund	4,454	468
Total		<u>4,454</u>	<u>468</u>

NOTE 6 – TRADE AND OTHER RECEIVABLES

Trade and other receivables as of December 31, 2023 and 2022, are detailed as follows:

	2023 ThUS\$	2022 ThUS\$
Taxes receivable	312	210
Sundry debtors	286	87
Sale debtors	2,818	2,534
Total	<u>3,416</u>	<u>2,831</u>

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

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Notes to the Financial Statements

As of December 31, 2023 and 2022

NOTE 7 – BIOLOGICAL ASSETS

The collective net stocked area of Forestal Tregualemu SpA is 47,454.53 hectares (ha) as of December 31, 2023 (49,939.25 ha in 2022). A further 6,480.40 (4,075.39 ha in 2022) are awaiting re-stocking, totaling 53,934.93 ha of plantable area (54,014.64 ha in 2022). The predominant species is “radiata pine”, which occupies 96% 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 cause of the adjustment in the fair value for the 2023 period is a very light increase to the current crop value. The current crop value is influenced mainly by an increase in log prices signaled by the market and a revised version of woodflows for the asset, completely offset by the area lost in the 2023 fires and 2023 rains, higher silviculture costs and higher operation costs in the Araucania region.

a) As of December 31, 2023 and 2022, the biological assets that include forest plantations and forest cover are detailed as follows:

	<u>2023</u>	<u>2022</u>
	ThUS\$	ThUS\$
Current (a)	47,279	20,529
Non – current	<u>303,498</u>	<u>343,241</u>
Total	<u>350,777</u>	<u>363,770</u>

(a) Budgeted cost of wood for the year 2024

b) Movements biological assets:

	<u>2023</u>	<u>2022</u>
	ThUS\$	ThUS\$
Initial balance	363,770	315,700
Additions	8,973	5,426
Net profit from fair value adjustment	20,423	55,610
Depletion (1)	(10,571)	(9,356)
Fire Losses and damage (1)	<u>(31,818)</u>	<u>(3,610)</u>
Final balance	<u>350,777</u>	<u>363,770</u>

(1) Detail in note 13.5

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2023 and 2022

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

8.1) The items of property, plant and equipment (PPE) as of December 31, 2023 and 2022, and the appropriate accumulative depreciation thereof are detailed as follows:

	2023			
	Items of Property, Plant and Equipment			
	Lands	Construct and Infrastructure	Machinery and Equipment	PPE Net
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Property, Plant and Equipment, Gross	146,024	267	576	146,867
Accumulative Depreciation	-	(76)	(104)	(180)
Property, Plant and Equipment, Net	146,024	191	472	146,687

	2022			
	Items of Property, Plant and Equipment			
	Lands	Construct and Infrastructure	Machinery and Equipment	PPE Net
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Property, Plant and Equipment, Gross	146,024	155	344	146,523
Accumulative Depreciation	-	(48)	(50)	(98)
Property, Plant and Equipment, Net	146,024	107	294	146,425

8.2) The movements during the period 2023 and 2022 of the items included in property, plant and equipment are detailed as follows:

Movements	2023			
	Lands	Construct. and Infrastruct.	Machinery and Equipment	PPE Net
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Initial balance as of January 1, 2023	146,024	106	295	146,425
Additions	-	112	232	344 (a)
Depreciation charge for the year	-	(28)	(54)	(82)
Net balance as of December 31, 2023	146,024	190	473	146,687

(a) As of December 31 of 2023, ThUS \$267 has been paid of the total of purchases of Property, plant and equipments.

Movements	2022			
	Lands	Construct. and Infrastruct.	Machinery and Equipment	PPE Net
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Initial balance as of January 1, 2022	146,024	122	219	146,365
Additions	-	3	110	113
Depreciation charge for the year	-	(19)	(34)	(53)
Net balance as of December 31, 2022	146,024	106	295	146,425

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Notes to the Financial Statements

As of December 31, 2023 and 2022

NOTE 9 – TRADE AND OTHER PAYABLES

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

	<u>2023</u>	<u>2022</u>
	ThUS\$	ThUS\$
Trade and other payables	2,132	1,402
Insurance payable	17	16
Other accounts payable	<u>356</u>	<u>532</u>
Total	<u>2,505</u>	<u>1,950</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.

10.2) Accounts receivable to related parties

Entity	Country of Origin	2023	2022
		ThUS\$	ThUS\$
GFP Chile THFI	Chile	1,457	971
Total		<u>1,457</u>	<u>971</u>

10.3) Accounts payable to related parties

Entity	Country of Origin	2023	2022
		ThUS\$	ThUS\$
PSP Finco Latam Inc.	Canada	239,310	229,986
Global Forest Partners CT 1 LLC	USA	3,644	1,854
Total		<u>242,954</u>	<u>231,840</u>

Corresponds to loans received that accrue interest of 4,71% per annum.

During 2023, the total balance of the loan granted by PSP Finco Latam Inc. to Forestal Tregualemu SpA for an amount of ThUS\$ 1,500 was transferred to GFP CT Partners 1 LLC along with all rights, in accordance with the loan assignment agreement signed in July 2022.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2023 and 2022

10.4) Transactions

The most relevant transactions with related parties carried out within the period ended December 2023 and 2022, detailed as follows:

Entity	Transaction	Amount		Effect on Income (Charge) Credit	
		2023	2022	2023	2022
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
GFP Chile THFI	Loan borrowed	440	390	-	-
GFP Chile THFI	Accrued Interests	45	21	45	21
PSP Finco Latam Inc	Accrued Interests	9,324	10,623	(9,324)	(10,623)
PSP Finco Latam Inc	Payment of interests	-	3,454	-	-
Global Forest Partners	Accrued Interests	1,790	143	(1,790)	(143)
Global Forest Partners	Payment of interests	-	46	-	-

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, 2023 and 2022, the corporate tax rate prevailing in Chile has been applied, equivalent to 27%.

Deferred tax is detailed as follows:

	<u>2023</u>	<u>2022</u>
	ThUS\$	ThUS\$
Property, Plant and Equipment	6,313	6,316
Biological assets	(39,164)	(37,168)
Tax loss	5,985	1,990
Prepayment incomes	17	7
Intercompany loans	7,930	4,929
Total	<u>(18,919)</u>	<u>(23,926)</u>

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

	<u>Assets (Liabilities)</u>	
	2023	2022
	ThUS\$	ThUS\$
Deferred tax assets	20,245	13,242
Deferred tax liabilities:	(39,164)	(37,168)
Net deferred tax assets (liabilities)	<u>(18,919)</u>	<u>(23,926)</u>

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Notes to the Financial Statements

As of December 31, 2023 and 2022

11.3) Income tax expense

The components of income tax expense for the years ended December 31, 2023 and 2022, are detailed as follows:

	<u>2023</u>	<u>2022</u>
	ThUS\$	ThUS\$
Effect of deferred taxes	5,007	(10,646)
Income tax expense recognized in profit (loss)	<u>5,007</u>	<u>(10,646)</u>

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, 2023 and 2022, is detailed as follows:

	<u>2023</u>	<u>2022</u>
	ThUS\$	ThUS\$
Profit before income tax expense	(19,897)	38,646
At the Company's statutory income tax rate of 27%	5,372	(10,434)
Permanent differences	<u>(365)</u>	<u>(212)</u>
At the effective income tax rate of 25,1 % (27,5 % in 2022)	<u>5,007</u>	<u>(10,646)</u>

NOTE 12 – EQUITY

12.1) The Company's shareholders as of December 31, 2023 and 2022, are detailed as follows:

Entity	2023			2022		
	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.

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Notes to the Financial Statements

As of December 31, 2023 and 2022

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.

NOTE 13 – REVENUE AND EXPENSES

13.1) Revenue

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

	<u>2023</u>	<u>2022</u>
	ThUS\$	ThUS\$
Tree nursery	818	370
Domestic (*)	<u>19,190</u>	<u>11,962</u>
Total	<u><u>20,008</u></u>	<u><u>12,332</u></u>

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

13.2) Cost of sales

	<u>2023</u>	<u>2022</u>
	ThUS\$	ThUS\$
Depletion	(10,571)	(9,356)
Roads	(150)	(41)
Harvest	(1,047)	(539)
Transport and loading	(445)	(269)
Nursery	(575)	(610)
Safety	(37)	-
Total	<u><u>(12,825)</u></u>	<u><u>(10,815)</u></u>

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Notes to the Financial Statements

As of December 31, 2023 and 2022

13.3) Administrative expenses

	<u>2023</u> ThUS\$	<u>2022</u> ThUS\$
Administrative expenses	(2,004)	(1,296)
Forestry indirect	(564)	(1,061)
Management fee (Note 15)	(3,037)	(2,435)
Total	<u>(5,605)</u>	<u>(4,792)</u>

13.4) Other income, by function

	<u>2023</u> ThUS\$	<u>2022</u> ThUS\$
Fair value adjustment biological assets (Note 7.b)	20,423	55,610
Other	929	448
Total	<u>21,352</u>	<u>56,058</u>

13.5) Other (expenses), by function

	<u>2023</u> ThUS\$	<u>2022</u> ThUS\$
Fire losses and damage (Note 7.b)	(31,818)	(3,610)
Other	-	(4)
Total	<u>(31,818)</u>	<u>(3,614)</u>

During 2023, fires and weather damage affected with a total of 6,009 hectares of plantations, with an appraised value of the biological asset of ThUS\$ 31,818.

NOTE 14 – FINANCE COSTS

	<u>2023</u> ThUS\$	<u>2022</u> ThUS\$
Interest related parties	(11,114)	(10,766)
Other	(12)	-
Total	<u>(11,126)</u>	<u>(10,766)</u>

NOTE 15 - 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, 2023, the entity paid to Cambium S.A. ThUS\$ 3,037 (ThUS\$ 2,435 in 2022) for forestry management services.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2023 and 2022

NOTE 16 - SUBSEQUENT EVENTS

Between December 31, 2023 and March 1, 2024, there are no facts or issues that significantly affect the interpretation and situation expressed in these financial statements.