

FORESTAL TREGUALEMU SpA.

Financial statements

December 31, 2022

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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 10, 2023

To the Shareholders
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, 2022, and 2021 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.

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 audit 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 10, 2023
Forestal Tregualemu SpA.
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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, 2022 and 2021, and the results of its operations and cash flows for the years then ended in accordance with International Financial Reporting Standards.

DocuSigned by:

Gonzalo Antonio Mercado T. RUT: 11.222.898-5

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FORESTAL TREGUALEMU SPA

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FORESTAL TREGUALEMU SPA

Statements of Financial Position

As of December 31, 2022 and 2021

(expressed in thousands of US dollars)

ASSETS	Note	<u>2022</u> ThUS\$	<u>2021</u> ThUS\$
Current assets			
Cash and cash equivalents	(5)	1,329	3,961
Trade and other receivables	(6)	2,831	1,123
Accounts receivable to related parties	(10)	971	560
Inventories		596	577
Biological assets, current	(7)	20,529	13,276
Other non-financial assets, current		21	745
Total current assets		<u>26,277</u>	<u>20,242</u>
Non-current assets			
Biological assets, non-current	(7)	343,241	302,424
Property, plant, and equipment	(8)	146,425	146,365
Other assets, no current		114	119
Total non-current assets		<u>489,780</u>	<u>448,908</u>
Total assets		<u>516,057</u>	<u>469,150</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, 2022 and 2021

(expressed in thousands of US dollars)

LIABILITIES AND EQUITY	Note	<u>2022</u> ThUS\$	<u>2021</u> ThUS\$
Current liabilities			
Trade and other payables	(9)	<u>1,950</u>	<u>954</u>
Total current liabilities		<u>1,950</u>	<u>954</u>
Non-Current liabilities			
Accounts payable to related parties	(10)	231,840	224,574
Deferred tax liability	(11)	<u>23,926</u>	<u>13,281</u>
Total non-current liabilities		<u>255,766</u>	<u>237,855</u>
Equity			
Issued capital	(12)	139,640	139,640
Retained earnings		<u>118,701</u>	<u>90,701</u>
Total equity		<u>258,341</u>	<u>230,341</u>
Total Liabilities and Equity		<u>516,057</u>	<u>469,150</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, 2022 and 2021

(expressed in thousands of US dollars)

PROFIT	Note	<u>2022</u> ThUS\$	<u>2021</u> ThUS\$
Sales	(13)	12,332	20,804
Cost of sales	(13)	<u>(10,815)</u>	<u>(13,744)</u>
Gross profit		1,517	7,060
Administrative expenses	(13)	(4,792)	(4,753)
Other income	(13)	56,058	124,758
Other loss	(13)	(3,614)	(4,837)
Finance income		153	27
Finance costs		(10,766)	(10,536)
Net foreign exchange differences		90	(299)
Net profit before income tax		<u>38,646</u>	<u>111,420</u>
Income tax expense	(11)	<u>(10,646)</u>	<u>(30,308)</u>
Net profit for the year		<u>28,000</u>	<u>81,112</u>
Comprehensive Income			
Net profit for the year		28,000	81,112
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year, net of tax		<u>28,000</u>	<u>81,112</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, 2022 and 2021

(expressed in thousands of US dollars)

	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

	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

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, 2022 and 2021

(expressed in thousands of US dollars)

	Note	<u>2022</u> ThUS\$	<u>2021</u> ThUS\$
Cash flows from operating activities			
Collections from customers		11,315	20,697
Payments to suppliers		(10,458)	(9,459)
Other income		438	211
Income tax credit		-	5
Net cash flows from operating activities		<u>1,295</u>	<u>11,454</u>
Cash flows used in investing activities			
Loans to related companies	10	(390)	(550)
Other fixed asset dispositions		(45)	19
Purchase of property, plant and equipment and plantations	8	<u>(113)</u>	<u>(219)</u>
Net cash flows used in investing activities		<u>(548)</u>	<u>(750)</u>
Cash flows used in financing activities			
Loans payments		-	(1,700)
Financial income (expenses)		132	(32)
Payment of interests	10	<u>(3,500)</u>	<u>(5,332)</u>
Net cash flows used in financing activities		<u>(3,368)</u>	<u>(7,064)</u>
Increase (Decrease) in cash and cash equivalents		(2,621)	3,640
Net foreign exchange difference		<u>(11)</u>	<u>(438)</u>
Net Increase (Decrease) in cash and cash equivalents		(2,632)	3,202
Cash and cash equivalents, beginning of year		<u>3,961</u>	<u>759</u>
Cash and cash equivalents, end of year	(5)	<u>1,329</u>	<u>3,961</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, 2022 and 2021

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.

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, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The financial statements of Forestal Tregualemu SpA for the year ended 31 December 2022, were authorized for its issuance on March 10, 2023.

2.2) Periods covered

The financial statements cover the following periods:

- Statements of financial position as of December 31, 2022 and 2021.
- Statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021.

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, 2022 and 2021

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 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 Margules Groome to conduct an independent market valuation of the Forestal Tregualemu SpA forest assets as of December 31, 2022.

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, 2022 and 2021

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 (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, 2022 and 2021

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.

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Notes to the Financial Statements

As of December 31, 2022 and 2021

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 7.75% for the year 2022 and 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, amendments, and interpretations

- a) The following standards, amendments, and interpretations are mandatory from the financial year beginning at January 1, 2022:

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2022 and 2021

Amendments and improvements

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Reform of the reference interest rate (IBOR) - Phase 2." Published August 2020. Addresses issues that arise during interest rate benchmark reform, including the replacement of a benchmark rate with an alternative.

Amendment to IFRS 3, "Business Combinations" minor amendments were made to IFRS 3 to update the references to the Conceptual Framework for financial information, without changing the requirements of business combinations.

Amendment to IAS 16, "Property, plant, and equipment" it prohibits companies from deducting from the cost of property, plant, and equipment the income received from the sale of items produced while the company is preparing the asset for its intended use. The Company must recognize such sales income and related costs in profit or loss for the year.

Amendment to IAS 37, "Provisions, contingent liabilities, and contingent assets" clarifies for onerous contracts what unavoidable costs a company must include to assess whether a contract will generate losses.

Annual improvements to IFRS standards 2018–2020.

- IFRS 9 Financial Instruments: clarifies what fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases: modification of illustrative examples included in the standard.
- IFRS 1 First-time Adoption of International Financial Reporting Standards: allows entities that have measured their assets and liabilities at the book values recorded in the books of their parent to also measure the accumulated translation differences using the amounts reported by parent company. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture: eliminates the requirement for entities to exclude cash flows for tax when measuring fair value under IAS 41. This amendment is intended to align with the standard's requirement to discount cash flows after tax.

The adoption of these standards, amendments, and interpretations have no significant impact on the financial statements of the Company.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2022 and 2021

- b) New standards, interpretations, and amendments issued, but not enforced for year 2022 for which have not been made for early adoption.

Standards and interpretations	Obligation for exercises starting from
<p>IFRS 17 "Insurance Contracts" Published in May 2017, it replaces the current IFRS 4. IFRS 17 will mainly change the accounting for all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard applies to annual periods beginning on or after January 1, 2023, allowing early application as long as IFRS 15, "Income from contracts with customers" and IFRS 9, "Financial instruments" are applied.</p>	01/01/2023
<p>Amendments and improvements</p>	
<p>Amendment to IAS 1 "Presentation of financial statements" of the classification of liabilities." This amendment clarifies that liabilities will be 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, receipt of a waiver or breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of a liability The amendment should be applied retrospectively in accordance with IAS 8. Effective date of initial application January 1, 2022; however, such date was deferred to January 1, 2024.</p>	01/01/2024
<p>Amendment to IAS 1 "Non-current liabilities with covenants," the amendment aims to improve the information that an entity provides when the payment terms of its liabilities can be deferred depending on compliance with covenants within twelve months after the date issuance of financial statements.</p>	01/01/2024
<p>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 accounting policy disclosures and help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.</p>	01/01/2023
<p>Modification of IAS 12 - Deferred taxes related to assets and liabilities arising from a single transaction. These amendments require companies to recognize deferred taxes on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.</p>	01/01/2023
<p>Amendments to IFRS 16 "Leases" on sales with leaseback, which explains how an entity must recognize the rights to use the asset and how gains or losses from sale and leaseback must be recognized in the financial statements.</p>	01/01/2024

The Company estimates that the adoption of the new standards, reviews, and amendments will not have a significant impact on the financial statements in the period of its first application.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2022 and 2021

NOTE 3 – CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

During 2022, there are no changes in accounting policies in comparison to those used in 2021.

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.

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.

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Notes to the Financial Statements

As of December 31, 2022 and 2021

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:

	2022 ThUS\$	2021 ThUS\$
Cash at banks	861	113
Mutual funds (b)	468	3,848
Total	<u>1,329</u>	<u>3,961</u>

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

Entity	Instrument	2022 ThUS\$	2021 ThUS\$
Banco de Chile	Mutual fund	-	2,891
Banco Bice	Mutual fund	468	957
Total		<u>468</u>	<u>3,848</u>

NOTE 6 – TRADE AND OTHER RECEIVABLES

Trade and other receivables as of December 31, 2022 and 2021, are detailed as follows:

	2022 ThUS\$	2021 ThUS\$
Taxes receivable	210	352
Sundry debtors	87	95
Sale debtors	2,534	676
Total	<u>2,831</u>	<u>1,123</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 49,939.25 hectares (ha) as of December 31, 2022 (50,266.16 ha in 2021). A further 4,075.39 (4,646.97 ha in 2021) are awaiting re-stocking, totaling 54,014.64 ha of plantable area (54,913.13 ha in 2021). 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 2022 period is an increase to the current crop value. The current crop value is influenced mainly by an increase in log prices signaled by the market, lower production costs due to the inclusion of more stumpage sales, and a revised version of woodflows for the asset.

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2022 and 2021

NOTE 7 – BIOLOGICAL ASSETS (CONTINUED)

- a) As of December 31, 2022 and 2021, the biological assets that include forest plantations and forest cover are detailed as follows:

	2022 ThUS\$	2021 ThUS\$
Current	20,529	13,276
Non – current	343,241	302,424
Total	363,770	315,700

- b) Movements biological assets:

	2022 ThUS\$	2021 ThUS\$
Initial balance	315,700	204,769
Additions	5,426	3,857
Net profit from fair value adjustment	55,610	124,539
Harvest decrease	(9,356)	(12,628)
Fire Losses and damage (1)	(3,610)	(4,837)
Final balance	363,770	315,700

(1) Detail in note 13.5

NOTE 8 – PROPERTY, PLANT, AND EQUIPMENT

- 8.1) The items of property, plant, and equipment (PPE) as of December 31, 2022 and 2021, and the appropriate accumulative depreciation thereof are detailed as follows:

	2022			
	Items of Property, Plant, and Equipment			
	Lands ThUS\$	Construct and Infrastructure ThUS\$	Machinery and Equipment ThUS\$	PPE Net 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

	2021			
	Items of Property, Plant, and Equipment			
	Lands ThUS\$	Construct and Infrastructure 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

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2022 and 2021

NOTE 8 – PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

8.2) The movements during the period 2022 and 2021 of the items included in property, plant and equipment are detailed as follows:

Movements	2022			
	Lands ThUS\$	Construct. and Infrastruct. ThUS\$	Machinery and Equipment ThUS\$	PPE Net 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

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

NOTE 9 – TRADE AND OTHER PAYABLES

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

	2022	2021
	ThUS\$	ThUS\$
Trade and other payables	1,402	914
Insurance payable	16	16
Other accounts payable	532	24
Total	<u>1,950</u>	<u>954</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, 2022 and 2021

NOTE 10 – RELATED PARTY DISCLOSURES (CONTINUED)

10.2) Accounts receivable to related parties

Entity	Country of Origin	2022 ThUS\$	2021 ThUS\$
GFP Chile THFI	Chile	971	560
Total		971	560

10.3) Accounts payable to related parties

Entity	Country of Origin	2022 ThUS\$	2021 ThUS\$
PSP Finco Latam Inc.	Canada	229,986	222,123
Global Forest Partners CT 1 LLC	USA	1,854	2,451
Total		231,840	224,574

10.4) Transactions

The most relevant transactions with related parties carried out within the period ended December 2022 and 2021, detailed as follows:

Entity	Transaction	Amount		Effect on Income (Charge) Credit	
		2022	2021	2022	2021
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
GFP Chile THFI	Loan borrowed	390	550		-
GFP Chile THFI	Interests	21	10	21	10
PSP Finco Latam Inc	Interests	10,623	10,403	(10,623)	(10,403)
PSP Finco Latam Inc	Payment of interests	3,454	5,332		-
Global Forest Partners	Interests	143	84	(143)	(84)
Global Forest Partners	Payment of interests	46	-		

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2022 and 2021

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, 2022 and 2021, the corporate tax rate prevailing in Chile has been applied, equivalent to 27%.

Deferred tax is detailed as follows:

	<u>2022</u> ThUS\$	<u>2021</u> ThUS\$
Property, plant, and equipment	6,316	6,315
Biological assets	(37,168)	(23,440)
Tax loss	1,990	878
Prepayment incomes	7	-
Intercompany loans	4,929	2,966
Total	<u>(23,926)</u>	<u>(13,281)</u>

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

	<u>Assets (Liabilities)</u>	
	<u>2022</u> ThUS\$	<u>2021</u> ThUS\$
Deferred tax assets	13,242	10,159
Deferred tax liabilities:	(37,168)	(23,440)
Net deferred tax assets (liabilities)	<u>(23,926)</u>	<u>(13,281)</u>

11.3) Income tax expense

The components of income tax expense for the years ended December 31, 2022 and 2021, are detailed as follows:

	<u>2022</u> ThUS\$	<u>2021</u> ThUS\$
Effect of deferred taxes	<u>(10,646)</u>	<u>(30,308)</u>
Income tax expense recognized in profit	<u>(10,646)</u>	<u>(30,308)</u>

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2022 and 2021

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, 2022 and 2021, is detailed as follows:

	<u>2022</u>	<u>2021</u>
	ThUS\$	ThUS\$
Profit before income tax	38,646	111,420
At the Company's statutory income tax rate of 27%	(10,434)	(30,083)
Permanent differences	<u>(212)</u>	<u>(225)</u>
At the effective income tax rate of 27,5% (27,2% in 2021)	<u>(10,646)</u>	<u>(30,308)</u>

NOTE 12 – EQUITY

12.1) The Company's shareholders as of December 31, 2022 and 2021, are detailed as follows:

Entity	2022			2021		
	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 Inversion, 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, 2022 and 2021

NOTE 13 – REVENUE AND EXPENSES

13.1) Revenue

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

	<u>2022</u> ThUS\$	<u>2021</u> ThUS\$
Tree nursery	370	1,160
Standing forest sales	-	16,017
Domestic (*)	11,962	3,627
Total	<u>12,332</u>	<u>20,804</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>2022</u> ThUS\$	<u>2021</u> ThUS\$
Depletion	9,356	12,628
Roads	41	14
Harvest	539	251
Transport and loading	269	50
Nursery	610	801
Total	<u>10,815</u>	<u>13,744</u>

13.3) Administrative expenses

	<u>2022</u> ThUS\$	<u>2021</u> ThUS\$
Administrative expenses (Note 14)	1,296	1,260
Forestry indirect	1,061	1,198
Management fee (Note 14)	2,435	2,295
Total	<u>4,792</u>	<u>4,753</u>

13.4) Other income, by function

	<u>2022</u> ThUS\$	<u>2021</u> ThUS\$
Fair value adjustment biological assets (Note 7.b)	55,610	124,539
Other	448	219
Total	<u>56,058</u>	<u>124,758</u>

FORESTAL TREGUALEMU SPA

Notes to the Financial Statements

As of December 31, 2022 and 2021

13.5) Other (expenses), by function

	2022 ThUS\$	2021 ThUS\$
Fire losses and damage (Note 7.b)	3,610	4,837
Other	4	-
Total	<u>3,614</u>	<u>4,837</u>

During 2022, fires and weather damage affected with a total of 975 hectares of plantations, with an appraised value of the biological asset of ThUS\$ 3,610.

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, 2022, the entity paid to Cambium S.A. ThUS\$ 2,435 (ThUS\$ 2,295 in 2021) for forestry management services.

NOTE 15 - SUBSEQUENT EVENTS

During the first week of February 2023, a series of fires ignited in rural sectors of south-central Chile, including the regions of Ñuble, Bio Bío, Maule and La Araucanía. The fires spread rapidly as a result of prevailing weather conditions including unusually high temperatures and strong winds, the ongoing drought, and multiple sources of ignition.

As of the date of issuance of the audited financial statements management continues to work to assess the damage to the Tregualemu forest assets. Publicly available satellite imagery and further analysis indicates that the event impacted approximately 6,200 net hectares of the Tregualemu estate. The estimated potential value impact falls in an approximate range between USD \$30 and \$35 million on the basis of Tregualemu's December 31, 2022 appraised value. These figures do not include any estimate of salvage value. Final loss figures will be calculated and recorded in property and fund financial statements after field visits to impacted farms and a full assessment of fire impacts is completed.

Given the timing and characteristics of this event, no adjustments have been made to the appraised value of forest assets as of December 31, 2022.

Between December 31, 2022 and March 10, 2023, there are no other facts or issues that significantly affect the interpretation and situation expressed in these financial statements.