



Project Midgard Q1 2026 update

Welcome to the Project Midgard's latest newsletter where we share updates on the project's development.

Highlights include continued progress in planting activities; the commissioning of a certified airstrip; the execution of emergency preparedness drills; ongoing aquatic fauna monitoring; the achievement of a pBBB Sylvera pre-issuance rating for the project's carbon credits; and new insights into Project Alfheim's partnership with Cula.

FLS Project Midgard

Q1 2026
Newsletter

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Midgard milestones

Planting progress on first property

As at the end of Q1 2026, a total of 1,288 hectares have been planted, equivalent to approximately 1.5 million trees. Some parcels are dedicated to sawn lumber and others are planted for fuelwood for biomass energy (including high-grade bio-coal), or pulpwood.

In addition to supporting commercial diversification, the mix of sawn lumber and fuelwood/pulpwood provides varied employment opportunities. Fuelwood/pulpwood has a shorter harvesting and replanting cycle, whereas sawn lumber follows a longer rotation but requires regular manual pruning and intermediate thinning.

During the quarter, planting activities were concentrated in the western block of the farm, on the alluvial plain bordering the Yhaguy River.

1.5 million

trees
planted

7 meters

height of tallest trees
after a year of growth

Airstrip

certified and
operational



First evidence of exceptional biological growth rates

The oldest plantations are now approaching one year of age, and in some cases, the dominant trees have already reached heights of up to 7 meters.



Certified and operational airstrip

As part of the property's development, a disused, overgrown aircraft landing strip has been recommissioned. Certification by the Paraguayan Civil Aviation Authority (Dirección Nacional de Aeronáutica Civil (Paraguay DINAC)) for operations of aircraft up to medium size was received in November 2025, with the airstrip signage and markings completed in March 2026.

The airstrip enables the property to act as a central hub for future developments of Project Midgard's forestry activities, ensuring convenient access for auditors, clients, service providers, technical partners, and investors. It will also enhance the mobility of our teams and specialist contractors, enabling technical work, inspections, and certification processes to be carried out more efficiently.

In addition, the facility delivers logistical advantages by enabling the delivery of timecritical spare parts, helping to minimize downtime and maintain continuity of operations.

Safety and asset protection were central considerations throughout the project. The airstrip strengthens emergency preparedness by enabling aerial firefighting, improving response times and supporting aerial monitoring for pest control, surveillance, and damage assessment. In critical situations, it also provides a reliable option for medical evacuation or the rapid deployment of specialized personnel.

Overall, the completion of the airstrip represents not just an infrastructure upgrade, but a meaningful improvement of operational capability, safety, and long-term development potential.



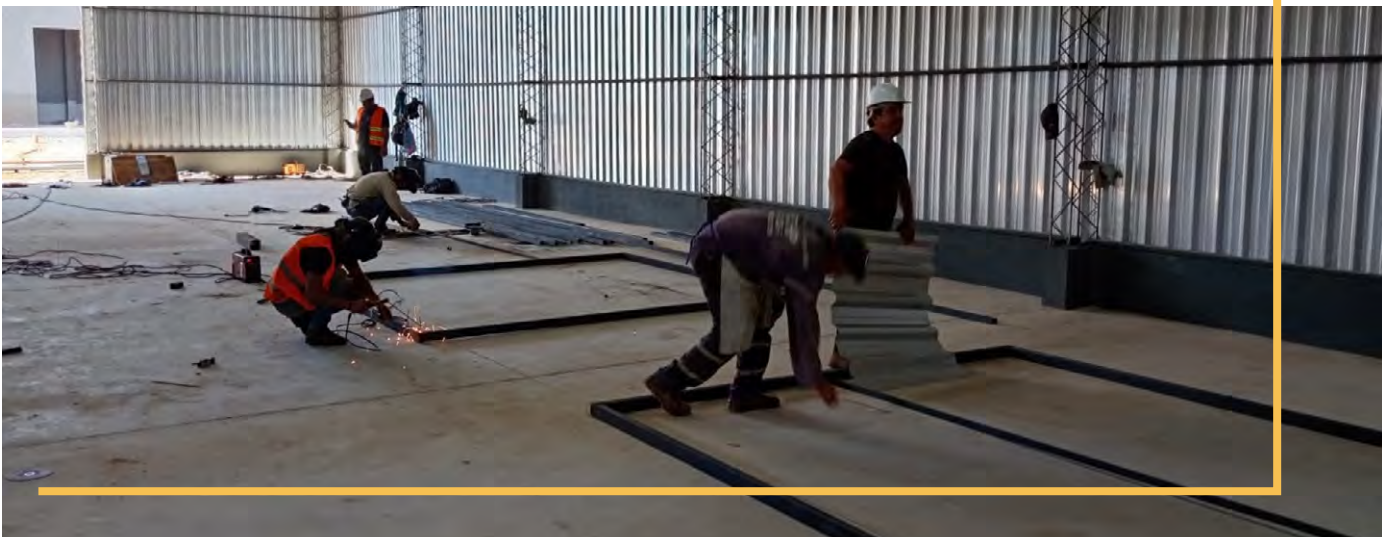
Progress on the operational headquarters

Construction of the operational headquarters progressed strongly throughout Q1 2026, with visible advances bringing the project into its final phase. While weather conditions modestly impacted the original schedule, completion and formal handover are now expected at the end of April.

In parallel with these developments, FLS maintained a strong focus on two key priorities: maintaining a safe and fully compliant worksite, and operating a temporary base camp that

enabled soil preparation and plantation activities to advance without interruption. Both operations were carried out in line with national regulations and FSC standards.

The headquarters remains on track for completion and handover at the end of April 2026, marking a key step forward in the project's overall development.





Emergency fire brigade wearing full protective equipment, mobilizing with hand tools and a blower

Emergency Preparedness Drills

In line with FLS's Emergency Preparedness and Response Plan under its ESMS, FLS successfully carried out its first emergency fire drill of 2026 in March. The exercise, designed for regular repetition, simulated a medium-scale grassland fire.

The drill tested key response procedures, including rapid incident reporting, brigade mobilization, deployment of firefighting resources, and on-site command coordination. Seven personnel took part in the exercise, achieving an initial response time of 25 minutes. Total duration was 1 hour and 19 minutes. A command post was established to coordinate communications, assign responsibilities, and oversee response actions.

As part of FLS's approach to continuous improvement, the post-drill review identified opportunities to further strengthen preparedness, including additional communication equipment, improved water supply capability, enhanced wildfire personal protective equipment (PPE), and tighter equipment controls. Lessons learned will be integrated into future drills, training programs, and emergency preparedness planning across the project.



Emergency fire brigade with Occupational Health & Safety (SySO) and members of the FLS Team following completion of the drill



Refilling the mounted water supply pump

Aquatic Fauna Monitoring Program

The Aquatic Fauna Monitoring Program, part of the Project's Biodiversity Action Plan, is being implemented to track potential impacts on potentially affected waterways during land preparation and construction. Activities such as canalization and road development run the risk of increasing turbidity and altering hydrological conditions, making early detection of ecological changes essential.

Field sampling was conducted at the end of March, focusing on three key bioindicator groups:

- phytoplankton
- benthic (bottom-dwelling) organisms
- fish

Monitoring is conducted twice a year, during dry and wet seasons, and the results will be compared against the 2025 baseline.



Consultant using a hand net to search for smaller fish in microhabitats



Biologists carrying out the monitoring programme



Sylvera: Pre-Issuance Carbon Credit Rating

We are pleased to announce that Project Saladillo (first phase of Project Midgard) has been assigned a Sylvera¹ Pre-Issuance Rating of pBBB² as of March 2026.

This rating represents an independent, forward looking evaluation of the project's expected carbon credit quality prior to issuance. It reflects a rigorous review of key factors including project design, delivery confidence, additionality, permanence, and anticipated environmental impact.

Achieving a pBBB rating is an important milestone for FLS and reinforces our commitment to transparency, integrity, and high standards in the voluntary carbon market. Independent validation provides added assurance to investors, buyers, and partners seeking credible climate solutions backed by robust project fundamentals.

The rating ranks Saladillo amongst the highest rated ARR projects globally, when considering projects with commercial forestry

¹ Sylvera is an end-to-end carbon data platform offering actionable insights to help buyers and investors discover, evaluate, and connect with high-quality projects. With a live database of 20,000 projects, including 2,000 pre-issuance and pre-registry projects, Sylvera equips companies with the confidence to set robust carbon credit

² A Sylvera Pre-Issuance Rating assesses the likelihood that the expected carbon impact of a project is a true representation of its real impact and is based on a combination of three core scoring pillars: Carbon Score, Additionality, and Permanence. A Provisional Rating, shown as, for example, pBBB, is assigned where essential data is missing or incomplete. Provisional Ratings are issued based on the best available information, with reassessment possible when new data emerges.



Project Alfheim



Partnership with Cula: Strengthening trust in biochar carbon removal

A new partnership between FLS and Cula is tackling one of the most overlooked risks in carbon removal, namely the integrity of the MRV process.

As part of Project Alfheim, the two companies are introducing a more robust approach to monitoring, reporting, and verification (MRV) in biochar projects, focusing on a critical weak point in today's system.

Current Vulnerability

Biochar carbon removal relies on laboratory analysis of a physical “anchor sample”, which determines key factors such as:

- Carbon content (how much CO₂ can be credited)
- Durability (how long the carbon will stay stored)
- Environmental safety (e.g., possible contaminants like heavy metals or PAHs)

While laboratory testing itself is rigorous, the integrity of the entire process depends on which sample gets tested.

Today, project developers often control the selection of that sample. Even when done in good faith, this creates an inherent conflict of interest and exposes the entire category to reputational risk.

Closing the MRV Gap

FLS and Cula are addressing this issue by introducing independent oversight at the sampling stage. Their new protocol includes:

- Third-party sample collection at defined intervals
- Unannounced, randomized site visits (with ~3 hours' notice)
- End-to-end digital traceability, capturing:
 - Who collected the sample
 - When it was collected
 - A signed declaration
 - A direct link to the lab results

This creates a verifiable, audit-ready chain from production site to laboratory analysis, strengthening confidence in the data behind carbon credits.

Project Alfheim

The first initiative under the partnership, Project Alfheim, will focus on converting approximately 32,000 tons of dried waste biomass per year into around 12,000 tons of high-quality, WBC-certified biochar, intended for use in nearby agricultural plantations. The project is expected to sequester approximately 25,000 tons of CO₂ annually, while

simultaneously generating clean, renewable energy to support local industrial partners.

By strengthening one of the weakest links in the MRV chain, FLS and Cula are not just improving a process, they're seeking to safeguard the future of carbon removal as a whole.

FLS out and about Paraguay Carbon Forum 2026

Held in Asunción on 25-26 March, the Paraguay Carbon Forum 2026 marked an important step in the country's effort to position itself as a regional leader in carbon markets and climate finance. Organized by Carbon Market Coalition and MÉXICO₂ (Plataforma Mexicana de Carbono), with support from the Government of Paraguay and MADES (Ministry of Environment and Sustainable Development), the forum combined private-sector expertise with public-sector backing, an important signal for investors assessing market credibility and long-term commitment.



The forum brought together policymakers, investors, and developers to explore opportunities across forestry, regenerative agriculture, renewable energy, and industrial decarbonization. Discussions emphasized Paraguay's competitive advantages, including abundant hydroelectric power and a low-emissions energy matrix, while also highlighting its intention to engage in international mechanisms such as Article 6 of the Paris Agreement. Although challenges remain, the country is increasingly positioned as an emerging, high-potential market for carbon investment in Latin America.

