



Liberty One Methanol LLC



2018 Annual Report

Based on the notification from the Czech National Bank dated 4 October 2019 requesting Liberty One Methanol LLC to correct and amend the Annual Report, Liberty One Methanol LLC amends the annual report by providing information regarding:

- Company's activities for the past accounting period
- Company Objectives
- Internal supervision of accounting
- Group Structure
- Corporate Governance procedures of the Company

There were no changes to originally submitted Financial statements including Auditor's Report. This amended Annual Report supersedes the original document in all instances.



Liberty One Methanol LLC

Index

2018 Annual Report

| | |
|--|----------|
| 1. General Information | 1 |
| 2. Corporate Governance | 2 |
| 3. Information on Equity | 3 |
| 4. Financial Situation | 3 |
| 5. Financial Statements Including Auditor's Report | 5 |
| 6. Statutory Declaration | 5 |
| Exhibit I: Financial Statements Including Auditor's Report..... | 7 |

1. General Information

a. Corporate Information

Business name: Liberty One Methanol, LLC

Registered office: 400 Capitol Street, Suite 200

Charleston, WV 25301

Jurisdiction of formation: Delaware, as recorded in the Companies Register maintained by the Delaware Secretary of State located at 401 Federal St, Dover, DE 19901.

LEI: 5299004WYVYO44GF8W32

Tax ID No: 32-0521898

Date of formation: January 10, 2017

Legal form: Limited Liability Company

Internet address: www.libertyonemethanol.com

E-mail: info@usmeoh.com

Phone: +1 681 205 8511

Liberty One Methanol, LLC ("Liberty One" or the "Company") is a Limited Liability Company ("LLC") formed according to Delaware and United States law. As an LLC, Liberty One has elected to be taxed as a Partnership.

Under the laws of Delaware, the Company, as a limited liability company does not issue share capital. The ownership interest in the Company is held solely by US Methanol, LLC (the "Sole Member").

b. Ownership and Control

KKCG Group holds indirectly all interests in the Company's capital. Liberty One Methanol LLC is a project company of the KKCG Group that will focus on the production of methanol. Liberty One Methanol LLC does not have any subsidiaries. The Sole Member is wholly owned by KKCG Methanol Holdings (formerly known as KKCG US LLC), which is wholly owned by KKCG AG, which covers the activities of KKCG Group. KKCG Group is ultimately owned and controlled by the Valea Foundation. The Company is a project company and except for the control executed over the Company, the Company is not dependent on the business of any other companies in

the KKCG Group. The Company is governed by a Board of Managers and does not use any specific instruments against the misuse of the control by the shareholder.

c. 2018 Events

During 2018 the Company continued plant construction with capital expenditures of \$45.2 million with \$38.9 million paid in cash.

The Company negotiated a Base Contract for the Sale and Purchase of Natural Gas as published by the North American Energy Standards Board, Inc. ("NAESB Contract") with a major natural gas supplier, under which future purchases of natural gas may be affected, conditioned upon agreement to the price and the volume of the supplied gas.

The Company concluded a contract for the transportation of natural gas with Mountaineer Gas Corporation.

The Company entered into a contract to purchase certain services and utilities from Union Carbide Corporation ("UCC").

The Company entered into an agreement with Praxair Inc. for supply of oxygen.

The Company entered into an agreement with MPW Industrial Water Services, Inc. for future water demineralization service.

d. Change in Control

There are no known arrangements, known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.

e. Principal Markets

Liberty One has purchased an existing methanol plant (the "Plant") and is currently in the process of refurbishing and upgrading the Plant. Once the Plant is operational Liberty One's operations will consist of the production and sale of methanol, a commodity chemical.

Methanol is the simplest alcohol compound that may take a gas or liquid form. It is a petrochemical that is an essential building block for numerous industrial

and chemical applications. Methanol is a clear, colourless liquid primarily obtained from natural gas. Its main application is in the production of formaldehyde, acetic acid and a variety of other chemical additives which form the foundations of a large number of secondary derivatives that are then widely used for production of polymers forming parts of daily-used products. Methanol is also used in the fuel industry in the production of unleaded gasoline, gasoline additives, hydrocarbons, olefins and other chemicals.

The Company will primarily serve methanol customers in the mid-Atlantic region of the United States of America. Currently methanol supply for these customers comes from the Gulf Coast region of the United States, located hundreds of miles away. Since Liberty One will be the only major methanol producer in the mid-Atlantic region the Company will have a significant logistical advantage over its Gulf Coast competition. Moreover, Liberty One is able to access natural gas feedstock from regional markets that offer a price advantage as compared to the Gulf Coast.

f. Legal and Arbitration Proceedings

As at December 31, 2018, there were no current or pending legal actions or arbitration proceedings against the Company. As such, no provisions have been recorded. The Company is not, and during the past 12 months was not, involved in any judicial, administrative or arbitration proceedings which, in the Company's opinion, could have, or in the past 12 months had, a material impact on the Company's financial situation or profitability.

g. Business Objectives

The Company was formed as a limited liability company under the Delaware Limited Liability Company Act on 10 January 2017. It operates in Charleston, West Virginia having as its business purpose to conduct any or all lawful business for which limited liability companies may be formed in West Virginia. This is evidenced in the West Virginia Application for Certificate of Authority of Limited Liability Company that is a basis for the issued Certificate of Authority of a Foreign Limited Liability Company by the Secretary of State authorizing the Company to transact business in West Virginia.

The Company was established exclusively as a special purpose entity to purchase and own assets necessary for relocating, assembling and refurbishing the Plant and for its future operations. After commissioning is complete, the Company's core business will be to operate the Plant for the production of methanol.

h. Major future investments

During 2019 Liberty One will continue making investments related to the refurbishment and upgrading of its methanol plant. Expenditures in the amount of US \$113 million are planned for 2019. As of December 31, 2018, of the \$113 million expected in 2019, the Company had contractually agreed \$73 million of capital expenditures. During 2019 the Company plans to use these funds to complete civil work, purchase new equipment (including a new syngas compressor), erect a new tank farm, complete the steam reformer, erect pipe racks, and set equipment.

The Company plans to use combination of proceeds from the 2018 bond issuance and equity financing to fund these investments.

2. Corporate Governance

This part includes information which Section 118 (4) (j) of Act No. 256/2004 Coll., Capital Markets Act, as amended, requires to be in a separate part of an annual report.

2.1 Corporate Structure

a. Statutory bodies

The Company is governed by a Board of Managers (the “Board”).

b. Relations between statutory bodies

The Company does not have a supervisory body or audit committee, so supervisory functions are performed by the Management Board.

The Board consists of five individuals appointed by the Sole Member. Any of these Managers may be removed from the Board with or without cause by the Sole Member.

The Company is part of the KKCG Group of companies (the “Group”).

c. Mechanism for appointing and removing statutory bodies

Statutory bodies can only be appointed or removed by a decision of the Sole Member.

d. Scope of powers of statutory bodies

The Board of Managers has the full power and authority to do all things on such terms as they may deem necessary or appropriate to conduct, or cause to be conducted, the business and affairs of the Company, including but not limited to: making expenditures, lending, borrowing, tax filings, mergers and acquisitions, liquidation, authorizing use of Company assets, negotiation and execution of contracts, distributions of Company property, selection, engagement and dismissal of officers, employees, contractors, and other agents, maintenance of insurance.

e. Decision making processes conducted by statutory bodies

The Company’s management and decisions are exercised by a Board of Managers by majority vote.

2.2 Board of Managers

a. Names, business addresses and functions

The Board of Managers is the statutory body of the Company, and as at December 31, 2018 it had five members. Members are selected by KKCG Group with no term limits.

As at December 31, 2018 the Board of Managers consisted of the following individuals:

Karel Komárek – Manager

Founder of KKCG Group, ultimate owner under Czech AML rules and Chairman since inception.

Katarina Kohlmayer – Manager

Chief Financial Officer of KKCG.

Natalie Miller – Manager

Investment Manager for KKCG.

Frank Bakker – Manager

Chief Executive Officer of the Sole Member and Liberty One Methanol, LLC.

Ronald Hatala – Manager

Contracts Administrator to the Sole Member and Liberty One Methanol, LLC.

Members of the Board of Managers do not perform other principal activities that are significant with respect to the Company.

All Board Members can be reached at the following address:

400 Capitol Street, Suite 200
Charleston, WV 25301

Changes to the Board of Managers in 2018

Richard Wolfli resigned from the Board as at April 30, 2018 and on May 15, 2018 Ronald Hatala was appointed to the Board.

Planned changes to the Board of Managers in 2019

On April 1, 2019 Hynek Jicinsky will replace Ronald Hatala on the Board of Directors.

b. Monetary and non-monetary income for all members in total

The Company made no payments to the Managers during 2018 as the Company does not pay any

remuneration to its Managers. Such remuneration policy may be changed by a decision of the Board of Managers.

c. Shares and other securities held by the members of the Board

The ownership interest in the Company is held solely by the Sole Member and no shares in the Company are held by the people with managerial authority in the Company.

2.3 Conflicts of interest

The Company is not aware of any possible conflicts of interest between the duties to the Company of the aforementioned persons and their private interests or other duties. The Company has a prepared an ethics code that stipulates how to proceed in case of a conflict of interest.

2.4 Sole Member

The ownership interest in the Company is held solely by the Sole member, therefore no shareholders meeting is being held. All decision made by the Sole Member are adopted by the Board of Managers of the Sole Member.

2.5 Corporate governance code

The Company complies with the statutory corporate governance requirements. The Company does not apply any corporate governance code as there are not obligatory corporate governance codes applicable for it. The Company uses the codes of ethics as described above.

2.6 Internal supervision of accounting

The Company does not have a supervisory body or audit committee, so supervisory functions are performed by the Board of Managers. The supervisory function is fulfilled by the Board of Managers, which manages all matters regarding the Company.

The Board of Managers is responsible for approving the selection of the Company's auditors and also for the overview of the Company's system of internal controls and the process of compiling the Company's financial statements.

The Company follows IFRS standards for accounting. All processes with a direct or indirect influence on the Company's financial reporting are recorded in the Company's written policies and procedures along with the risks associated with these processes. Controls with varying periodicity have been set-up in order to eliminate these risks. Compliance with IFRS accounting methods is ensured by US Methanol's Policies and Procedures.

The Company has a system for review and approval of transactions which requires multiple levels of approval. The Company utilizes segregation of duties, periodic reconciliations, and the "four-eyes" principle to ensure individual general ledger accounts are correctly stated and reduce the risk of fraud and abuse.

3. Information on Equity

Under the laws of Delaware, the Company, as a limited liability company, does not issue any share capital shares or similar securities. The ownership interest in the Company is held solely by the Sole member.

4. Financial Situation

a. Risk and uncertainties

The Company is exposed to various risks as a result of its activities, primarily market risk, credit risk, liquidity risk and risks related to the Company's business.

| Risk | Exposure arising from | Measurement | Management |
|--------------------------------|---|---|---|
| Market risk – foreign exchange | Future commercial transactions Recognized financial assets and liabilities not denominated in US dollars (USD) | Cash flow forecasting Sensitivity analysis | Cash pooling agreement portion denominated in foreign currency |
| Credit risk | Cash and cash equivalents, other receivables, and related party receivables | Aging analysis Credit ratings | Diversification of bank deposits and credit limits |
| Liquidity risk | Borrowings and lease liabilities | Rolling cash flow forecasts | Capital contributions and parent support |

Market risk

Capital expenditures needed to complete the Plant will be made primarily in US dollars. Adverse changes in the exchange rate between the US dollar and the Czech crown could negatively impact the ability of the Company to pay for needed capital expenditures.

The Czech crown denominated bonds are expected to be repaid from US dollar denominated sales. Adverse changes in the exchange rate between the US dollar and the Czech crown could negatively impact the ability of the Company to repay the borrowings.

- Risk management
 - The Company manages this risk by holding funds at financial institutions both directly and through a cash pooling arrangement, in accounts denominated in CZK.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers and related parties, including outstanding receivables.

- Risk management
 - Credit risk is managed by dealing with only independently rated financial institutions with a minimum "A" rating.
- Impairment of financial assets
 - The group has two types of financial assets that are subject to the expected credit loss model:
 - other receivables from the sale of assets and
 - related-party receivables.
 - The Company applies the IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for other receivables and related-party receivables. To measure the expected credit losses, other receivables and related-party receivables have been grouped based on shared credit risk characteristics and the days past due. As a result of applying this methodology the Company believes an expected loss provision is immaterial as of December 31, 2018 or 2017.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Company held deposits at call of \$10,820,761 and \$94,107,419 in cash pooling arrangements that are expected to readily generate cash inflows for managing liquidity risk.

Management monitors rolling forecasts of the Company's liquidity reserve (comprising the undrawn cash pooling arrangement) and cash and cash equivalents on the basis of expected cash flows. In addition, the Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these,

monitoring balance sheet liquidity ratios against bond covenant requirements.

Currently the Company is in its infancy and, as such, is not currently generating operating revenue to support its operations or the cost to finalize plant construction. The Company has liquid resources and has the ability to obtain capital contributions under the Company's limited liability company agreement with KKCG AG, the Company's ultimate parent, to meet operating costs and plant construction costs through September 2019. The Company's borrowings are also fully guaranteed by KKCG AG. Based on current cash flow projections, it is probable that the Company will require additional capital contributions from KKCG AG to finalize plant construction as well as to remain in compliance with financial debt covenants through May 2020. As such, the Company has obtained a parent support letter which confirms KKCG AG's financial support in such amounts deemed necessary to meet their financial obligations and operating and cash flow needs now and, in the future, to enable the Company to continue as a going concern through May 2020.

Risks related to the Company's business

The risks related to the Company's business are the risks arising from a wide variety of causes associated with the Company's resources, processes, personnel, infrastructure and those arising from legal and regulatory requirements and methanol industry in general and include the risk of

- commodity price volatility and supply and demand uncertainty;
- competition from other methanol producers;
- adverse regulatory development;
- increasing capital expenditures;
- insurance risk, i.e. that insurance premiums may not be sufficient to cover future losses and expenses on insurance contracts.

b. Solvency

Since the publishing date of the audited financial statements for the year ended December 31, 2018, no significant change has occurred in the financial situation of the Company and no event (other than as

provided in this Annual Report) affecting the Company's solvency has occurred.

c. Significant change in financial position

The Company is still pre-revenue and is dependent upon its ultimate parent KKCG AG for funding. Additional operating losses through June 30, 2019 totaled \$5.2M USD.

d. Material contracts

1. Land Lease Agreement

The Company has entered into the UCC Lease Agreement with UCC for the site of the Plant. The UCC Lease Agreement is for a term of 25 years with an option for one 5-year extension. At the termination of the UCC Lease Agreement, the Company must remove or demolish the Plant and all improvements to the site of the Plant.

2. Site Services Agreement

The Company has entered into the Site Services Agreement ("SSA") with UCC. The term of the SSA is for 25 years with an option for one 5-year extension and coincides with the UCC Lease Agreement. The SSA may be terminated if the UCC Lease Agreement is terminated, if the Company does not pay invoices on time or due to other standard defaults. A company commercial failure is defined as the state when the Company, among others, is not operating the Plant according to good industry practice, laws and regulations, the site requirements of UCC or when it is installing load shedding equipment.

3. Natural gas transport agreement

The Company has entered into a gas transport agreement with MGC for the transport of natural gas to the Plant. The agreement sets out conditions on the basis of which will the Company source natural gas from this supplier. This MGC Agreement is for an initial term of 10 years with an evergreen option to extend after its termination.

4. Oxygen supply agreement

The Company entered into an agreement with Praxair for oxygen supply. The agreement is for 15 years from the first delivery date.

e. Oversight of risk management framework

The Board of Managers is responsible for the oversight of the Company's risk management framework

4.2 Audit fees

The total fees invoiced by auditors in conjunction with the 2018 audit were \$246,335. There were no other fees paid to auditor in 2018.

5. Financial Statements Including Auditor's Report

See attached for financial statements and auditor's report that forms a part of this Annual Report.

6. Statutory Declaration

With the use of all reasonable care and to the best of our knowledge, the Annual Report 2018 provides a true and fair view of the financial situation, business activities, and results of operations of the Company for year ended 31 December 2018, and of the outlook for the future development of the financial situation, business activities, and results of operations of the Company. No facts have been omitted that could change the meaning of this Annual Report.

In Charleston, WV, USA on 26 November 2019

On behalf of the Board of Managers of
Liberty One Methanol, LLC



Frank Bakker
Chief Executive Officer

Exhibit I: Financial Statements Including Auditor's Report



Liberty One Methanol LLC

(a wholly owned subsidiary of US Methanol, LLC)

Financial Statements

For the year ended December 31, 2018 and for the period from

January 10, 2017 to December 31, 2017



Liberty One Methanol LLC

(a wholly owned subsidiary of US Methanol, LLC)

Index

For the year ended December 31, 2018 and for the period from

January 10, 2017 to December 31, 2017

| | |
|---|----------|
| Report of Independent Auditors | 1 |
| Financial Statements | |
| Statements of Profit or Loss | 2 |
| Balance Sheets | 3 |
| Statements of Changes in Member's Equity..... | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6 |



Report of Independent Auditors

To the Management of Liberty One Methanol, LLC

We have audited the accompanying financial statements of Liberty One Methanol, LLC, a subsidiary of US Methanol, LLC, which comprise the balance sheet as of December 31, 2018, and the related statements of profit or loss, changes in member's equity and cash flows for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 our 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, we consider internal control relevant to the Company'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 Company'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Liberty One Methanol, LLC, a subsidiary of US Methanol, LLC, as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

The financial statements of the Company as of December 31, 2017 and for the period from January 10, 2017 to December 31, 2017 were audited by other auditors whose report, dated June 6, 2018, except for the effects of the restatement discussed in Note 3 to the financial statements (the restatement in Note 3 to the 2017 financial statements is not presented herein), as to which the date is April 19, 2019, expressed an unmodified opinion on those statements.

PricewaterhouseCoopers LLP

April 26, 2019

Liberty One Methanol, LLC
(a wholly owned subsidiary of US Methanol, LLC)

Statements of Profit or Loss

| | Notes | For the year ended December 31, 2018 | For the period from January 10, 2017 to December 31, 2017 |
|---------------------------------------|-------|---|--|
| Continuing Operations: | | | |
| Revenue from contracts with customers | | \$ - | \$ - |
| Cost of sales of goods | 12 | (5,351,515) | - |
| Gross deficit | | (5,351,515) | - |
| Administrative expenses | 11 | (3,039,003) | (650,878) |
| Operating loss | | (8,390,518) | (650,878) |
| Finance costs | 10 | (968,068) | (58,658) |
| Loss for the period | | \$ (9,358,586) | \$ (709,536) |

The above statements of profit or loss should be read in conjunction with the accompanying notes.

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Balance Sheets

| As of December 31 | Notes | 2018 | 2017 |
|--|-------|-----------------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | \$ 82,023,004 | \$ 37,043,447 |
| Right-of-use assets, net | 6 | 14,604,393 | 3,326,296 |
| Deposits | 6 | 2,980,000 | - |
| Total non-current assets | | 99,607,397 | 40,369,743 |
| Current assets | | | |
| Other current assets | | 9,381 | 261,663 |
| Other receivables | 3 | - | 174,025 |
| Related-party receivables | 4 | 94,113,759 | - |
| Cash and cash equivalents | | 10,820,761 | 397,256 |
| Total current assets | | 104,943,901 | 832,944 |
| Total assets | | \$ 204,551,298 | \$ 41,202,687 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 7 | \$ 90,852,144 | \$ - |
| Provisions | 8 | 3,658,682 | 720,029 |
| Lease liabilities | 6 | 10,864,280 | 2,304,230 |
| Total non-current liabilities | | 105,375,106 | 3,024,259 |
| Current liabilities | | | |
| Trade and other payables | | 12,494,885 | 5,401,043 |
| Lease liabilities | 6 | 239,637 | 175,695 |
| Related-party payables | 4 | 2,586,540 | - |
| Total current liabilities | | 15,321,062 | 5,576,738 |
| Total liabilities | | 120,696,168 | 8,600,997 |
| Net assets | | 83,855,130 | 32,601,690 |
| MEMBER'S EQUITY | | | |
| Contributed capital | | 93,923,252 | 33,311,226 |
| Retained deficit | | (10,068,122) | (709,536) |
| Total member's equity | | \$ 83,855,130 | \$ 32,601,690 |
| Total liabilities and member's equity | | \$ 204,551,298 | \$ 41,202,687 |

The above balance sheets should be read in conjunction with the accompanying notes.

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Statements of Changes in Member's Equity

| | Notes | Contributed capital | Retained deficit | Total |
|--|-------|------------------------|------------------------|----------------------|
| Balance at January 10, 2017 (date of inception) | | \$ - | \$ - | \$ - |
| Loss for the period | | - | (709,536) | (709,536) |
| Contributions of equity | 4 | 33,311,226 | - | 33,311,226 |
| Balance at December 31, 2017 | | 33,311,226 | (709,536) | 32,601,690 |
| Loss for the year | | - | (9,358,586) | (9,358,586) |
| Contributions of equity | | 60,612,026 | - | 60,612,026 |
| Balance at December 31, 2018 | | \$ 93,923,252 | \$ (10,068,122) | \$ 83,855,130 |

The above statements of changes in member's equity should be read in conjunction with the accompanying notes

Liberty One Methanol, LLC
(a wholly owned subsidiary of US Methanol, LLC)
Statements of Cash Flows

| | Notes | For the year ended December 31, 2018 | For the period from January 10, 2017 to December 31, 2017 |
|---|-------|--|--|
| Cash flows from operating activities | | | |
| Net loss | | \$ (9,358,586) | \$ (709,536) |
| Adjustments for: | | | |
| Depreciation | 6 | 489,308 | - |
| Net foreign exchange gain/loss | 10 | 371,888 | - |
| Net change in operating assets and liabilities: | | | |
| Other receivables | | (6,340) | (174,025) |
| Other current assets | | (9,381) | (261,663) |
| Trade and other payables | | 1,063,659 | 35,896 |
| Finance costs, net | 6 | 596,180 | 58,658 |
| Related party payables | 4 | 2,586,540 | - |
| Cash generated from operations | | (4,266,732) | (1,050,670) |
| Interest paid, net of amounts capitalized | 6 | (518,923) | - |
| Net cash (outflow) from operating activities | | (4,785,655) | (1,050,670) |
| Cash flows from investing activities | | | |
| Loan to related party | 4 | (93,967,565) | - |
| Payments for property, plant and equipment | 5 | (38,896,546) | (22,327,634) |
| Payments for surety bonds | 6 | (250,000) | - |
| Proceeds from sale of property, plant and equipment | 5 | 392,176 | 174,025 |
| Net cash (outflow) from investing activities | | (132,721,935) | (22,153,609) |
| Cash flows from financing activities | | | |
| Proceeds from member contributions | | 60,612,026 | 23,786,535 |
| Principal elements of finance lease payments | 6 | (221,315) | (185,000) |
| Lease prepayments | 6 | (2,730,000) | - |
| Proceeds from borrowings | 7 | 92,728,258 | - |
| Payments for debt issue costs | 7 | (2,457,874) | - |
| Net cash inflow from investing activities | | 147,931,095 | 23,601,535 |
| Net increase in cash and cash equivalents | | 10,423,505 | 397,256 |
| Cash and cash equivalents at beginning of the year | | 397,256 | - |
| Cash and cash equivalents at the end of the year | | \$ 10,820,761 | \$ 397,256 |
| Non-cash financing and investing activities | | | |
| Net assets transfer from US Methanol, LLC | 4 | \$ - | \$ 9,524,691 |
| Property, plant and equipment additions in trade and other payables | | 11,334,628 | 5,365,147 |
| Finance leases, net of remeasurement | 6 | 8,845,307 | 2,664,925 |
| Asset retirement obligation | 8 | 2,938,653 | 720,029 |

The above statements of cash flows should be read with the accompanying notes

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017

to December 31, 2017

1. Nature of operations

Liberty One Methanol, LLC (the “Company”) is a Delaware limited liability company with corporate offices in Charleston, West Virginia, USA. The Company has purchased a methanol plant and is currently the process of refurbishing and upgrading the plant. Once the plant is operational the Company’s operations will consist of the production and sale of methanol, a commodity chemical. The Company is wholly owned subsidiary of US Methanol, LLC, a Delaware limited liability company, domiciled in the United States of America. The Company was established on January 10, 2017 by US Methanol, LLC and the 2017 financial statements have been prepared for the period from January 10, 2017 (date of inception) through December 31, 2017.

2. Summary of significant accounting policies

a) Compliance with IFRS

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretation issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

b) Historical cost convention

The financial statements have been prepared on a historical cost basis.

c) Foreign currency translation

- Functional and presentation currency
 - Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The financial statements are presented in US dollars (USD), which is the Company’s functional and presentation currency.
- Transactions and balances
 - Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.
 - Foreign exchange gains and losses that relate to borrowings and related-party receivables are presented in the statement of profit or loss within finance costs.

d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, or other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017

to December 31, 2017

are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

e) Other receivables

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less loss allowance. See note 3 for further information about the Company's accounting for other receivables and note 13 for a description of the Company's impairment policies.

f) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Abnormal costs are not included in the cost of the asset. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the group are disclosed in note 5.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Company policy to transfer any amounts included in other reserves in respect of those assets to retained deficit.

g) Leases

The Company adopted IFRS 16 Leases at inception. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017

to December 31, 2017

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The Company elected the practical expedient to not separate non-lease components from the lease components and instead account for the arrangement as a single component. Additionally, payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Some leases contain variable payment terms that are linked to quantities used by the Company. These variable lease payments are recognized in profit or loss in the period in which the quantities are used.

h) Provisions

Provisions for legal claims, asset retirement obligations, and others are recognized when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

The asset retirement obligation is measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense. Other provisions are not discounted.

i) Income taxes

The Company is a wholly owned subsidiary of US Methanol, LLC, and is taxed as a partnership under the applicable provisions of the United States of America Internal Revenue Code and West Virginia Department of Revenue Code. Accordingly, no provision for income taxes has been reported as of December 31, 2018 or 2017 because the results of the Company's operations are passed through to its member for income tax purposes.

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017

to December 31, 2017

j) Going concern assumption

Management has prepared these financial statements under the assumption that the Company will continue as a going concern. Currently the Company is in its infancy and, as such, is not currently generating operating revenue to support its operations or the cost to finalize plant construction. The Company has liquid resources and has the ability to obtain capital contributions under the Company's limited liability company agreement with KKCG AG, the Company's ultimate parent, to meet operating costs and plant construction costs through September 2019. The Company's borrowings are also fully guaranteed by KKCG AG. Based on current cash flow projections, it is probable that the Company will require additional capital contributions from KKCG AG to finalize plant construction as well as to remain in compliance with financial debt covenants through May 2020. As such, the Company has obtained a parent support letter which confirms KKCG AG's financial support in such amounts deemed necessary to meet their financial obligations and operating and cash flow needs now and, in the future, to enable the Company to continue as a going concern through May 2020.

k) Employee benefits

Short-term obligations for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as trade and other payables in the balance sheet.

l) Impairment of assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017

to December 31, 2017

n) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

o) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

p) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2018:

- *IFRS 9 Financial Instruments*
- *Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2*
- *Annual Improvements 2014-2016 cycle*
- *Interpretation 22 Foreign Currency Transactions and Advance Consideration*

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017 to December 31, 2017

q) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2018 reporting periods and have not been early adopted by the Company. The Company is currently evaluating the impact on its financial statements.

| Title | Key requirements | Effective Date |
|---|--|-----------------|
| Interpretation 23 <i>Uncertainty over Income Tax Treatments</i> | The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses: <ul style="list-style-type: none">• How to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty• That the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored• That the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment• that the impact of the uncertainty should be | January 1, 2019 |

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017 to December 31, 2017

| | | |
|---|---|------------------------|
| | <p>measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and</p> <ul style="list-style-type: none"> that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements. <p>While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.</p> | |
| <p><i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i></p> | <p>The following improvements were finalized in December 2017:</p> <ul style="list-style-type: none"> IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation. | <p>January 1, 2019</p> |

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017 to December 31, 2017

| | | |
|--|---|--|
| | <ul style="list-style-type: none">• IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized.• IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. | |
|--|---|--|

3. Other receivables

| Current assets | | 2018 | 2017 |
|-----------------------|----|------|------------|
| Other receivables (i) | \$ | - | \$ 174,025 |
| Loss allowance | | - | - |
| | \$ | - | \$ 174,025 |

(i) Classification as other receivables

Other receivables are amounts due from asset sales performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Company holds the other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017 to December 31, 2017

4. Related-party transactions

(i) Parent entities

The Company is controlled by the following entities:

| Name | Type | Place of incorporation | Ownership interest | |
|------------------|----------------------------|------------------------|--------------------|------|
| | | | 2018 | 2017 |
| US Methanol, LLC | Immediate parent entity | USA | 100% | 100% |
| KKCG US LLC | Intermediate parent entity | USA | 100% | 100% |
| KKCG AG | Ultimate parent entity | Switzerland | 100% | 100% |

(ii) Transactions with other related-parties

In order to optimize the management of its liquidity the Company has entered into a cash pooling agreement with a subsidiary of KKCG AG, whereby the Company from time to time, in return for obligations from the related-party, makes payments into a cash pool. The related-party has authority to manage these funds in accordance with the written agreement between the parties. At December 31, 2018 and 2017 the balances subject to the cash pooling agreement were \$94,107,419 and \$0, respectively. Amounts outstanding under the cash pooling agreement have been classified as related-party receivables on the accompanying balance sheets. A portion of the funds subject to the cash pooling agreement are denominated in Czech crowns, see the Market risk note 13 for further details.

On January 1, 2018, the Company signed a management agreement with US Methanol, LLC related to services including project management, construction management, engineering management, procurement and corporate administrative services. The nature of these services primarily relate to the employee costs and other administrative expenses of US Methanol, LLC which are directly attributable to the Company. The Company incurred \$2,552,408 of management services from US Methanol, LLC during 2018. During 2017, the Company was not charged for such services by US Methanol, LLC.

During the years ended December 31, 2018 and 2017 the Company paid for expenses on behalf of a sister company of \$6,340 and \$0. These amounts were classified as related-party receivables.

(iii) Asset transfer from parent

The Company was formed through a \$9,524,691 transfer of assets from its immediate parent US Methanol, LLC on January 10, 2017. This transaction was accounted for using the predecessor values method.

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017 to December 31, 2017

5. Property, plant and equipment

| Non-current | Assets under construction | | Total |
|--|----------------------------------|------|--------------|
| For the period from January 10, 2017 to December 31, 2017 | | | |
| Opening net book amount | \$ - | \$ - | - |
| Additions | 37,391,496 | | 37,391,496 |
| Disposals | (348,049) | | (348,049) |
| Depreciation charge | - | | - |
| Closing net book amount | 37,043,447 | | 37,043,447 |
| At December 31, 2017 | | | |
| Cost | 37,043,447 | | 37,043,447 |
| Accumulated depreciation | - | | - |
| Net book amount | 37,043,447 | | 37,043,447 |
| Year ended December 31, 2018 | | | |
| Opening net book amount | 37,043,447 | | 37,043,447 |
| Additions | 45,197,708 | | 45,197,708 |
| Disposals | (218,151) | | (218,151) |
| Depreciation charge | - | | - |
| Closing net book amount | 82,023,004 | | 82,023,004 |
| At December 31, 2018 | | | |
| Cost | 82,023,004 | | 82,023,004 |
| Accumulated depreciation | - | | - |
| Net book amount | \$ 82,023,004 | \$ | 82,023,004 |

(i) Depreciation methods and useful lives

Property, plant and equipment is recognized at historical cost less depreciation.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values once placed into service, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Buildings 25-40 years
- Machinery 10-25 years
- Vehicles 5 years
- Furniture, fittings and equipment 5 years
- Leased plant and equipment 10-25 years

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017

to December 31, 2017

As of December 31, 2018, and 2017 all property, plant and equipment is under construction and has not been placed into service.

(ii) Contractual obligations

Refer to note 9 for disclosure of contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

6. Right-of-use assets and lease liabilities

(i) Amounts recognized in the balance sheets

The balance sheet shows the following amounts relating to leases:

| | December 31, 2018 | December 31, 2017 |
|----------------------------|----------------------|----------------------|
| Right-of-use assets | | |
| Properties (ii) | \$ 14,604,393 | \$ 3,326,296 |
| Deposits | | |
| Lease prepayments (iv) | \$ 2,730,000 | \$ - |
| Other deposits (v) | 250,000 | - |
| | \$ 2,980,000 | \$ - |
| Lease liability | | |
| Current | \$ (239,637) | \$ (175,695) |
| Non-current | (10,864,280) | (2,304,230) |
| | \$ (11,103,917) | \$ (2,479,925) |

(ii) Properties

The Company entered into a lease with Union Carbide Corporation (“Lessor”) for the leased premises in July 2017. The Company currently constructing a methanol production facility on the leased premises. The Company pays annual lease payment for the ground lease. The terms of the ground lease call for annual base rental payments of \$179,700 for a period of 25 years adjusted annually to reflect increases in the consumer price index. The lessee also has an option to renew the end of the original lease term for a period of five years. In conjunction with the ground lease, the Company also entered into a Site Services Agreement (the “SSA”) with the lessor contemporaneously with the execution of the lease as of January 1, 2018. Compensation for SSA is largely variable with the exception of a monthly \$53,591 infrastructure services fee. The Company elected the practical expedient not to separate associated non-lease components from lease components and instead, account for the arrangement as a single lease component. As such, the infrastructure fee has been included with the ground lease as a single lease component.

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017 to December 31, 2017

(iii) Amounts recognized in the statements of profit or loss

The statements of profit or loss show the following amount relating to leases:

| | For the year ended December 31, 2018 | For the period from January 10, 2017 to December 31, 2017 |
|--|---|--|
| Depreciation charge of right-of-use assets | | |
| Properties (included in cost of sales of goods) | \$ 489,308 | \$ - |
| Interest expense (included in finance cost) | \$ 596,180 | \$ 58,658 |
| Expense relating to variable lease payments not included in lease liabilities (included in cost of sales of goods) | \$ 540,489 | \$ - |

The total cash outflow for leases in 2018 and 2017 was \$1,124,911 and \$185,000, respectively.

The contractual maturities of lease liabilities as at December 31, 2018 is as follows:

| | Lease payments | Interest component | Lease liability |
|------------|---------------------------|-------------------------------|----------------------------|
| 2019 | \$ 822,795 | \$ 583,158 | \$ 239,637 |
| 2020 | 822,795 | 570,144 | 252,651 |
| 2021 | 822,795 | 556,424 | 266,371 |
| 2022 | 822,795 | 541,958 | 280,837 |
| 2023 | 822,795 | 526,707 | 296,088 |
| Thereafter | 15,453,412 | 5,685,079 | 9,768,333 |
| | \$ 19,567,387 | \$ 8,463,470 | \$ 11,103,917 |

(iv) Oxygen supply agreement

During 2018 the Company entered into an oxygen supply agreement that meets the definition of a lease. Although the lease has not yet commenced, the Company was required to provide upfront payments totaling \$2,730,000 as of December 31, 2018.

(v) Surety bonds

During 2018 the Company entered into a refundable surety bond of \$250,000 related to a natural gas transportation agreement which will expire in 2029.

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017

to December 31, 2017

7. Borrowings

| | December 31, 2018 | | | December 31, 2017 | | |
|------------------------------------|-------------------|----------------------|----------------------|-------------------|-------------|-------------|
| | Current | Non-current | Total | Current | Non-current | Total |
| <i>Unsecured</i> | | | | | | |
| Bonds, 5.30% fixed rate | \$ - | \$ 93,240,000 | \$ 93,240,000 | \$ - | \$ - | \$ - |
| Less: Unamortized debt issue costs | - | \$ 2,387,856 | \$ 2,387,856 | - | - | - |
| Total borrowings | \$ - | \$ 90,852,144 | \$ 90,852,144 | \$ - | \$ - | \$ - |

During the year ended December 31, 2018, the Company issued 2,100,000,000 Czech crown (CZK) in bonds publicly traded through the Prague stock exchange. These bonds bear interest at a fixed 5.30% with interest payments due semi-annually. Principal payment is due in 2023. The proceeds of these bonds are being used for the construction of the Company's methanol plant. The bonds are unsecured and guaranteed by KKCG AG. The bonds are to be repaid in CZK from US dollar denominated sales. See the market risk note 13 for additional detail.

The minimum principal payments for borrowings in aggregate for each of the five succeeding years are as follows as of December 31, 2018:

| | Bonds |
|------------|----------------------|
| 2019 | \$ - |
| 2020 | - |
| 2021 | - |
| 2022 | - |
| 2023 | 93,240,000 |
| Thereafter | - |
| | \$ 93,240,000 |

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017 to December 31, 2017

Significant financial covenants and default provisions under this facility include:

General financial covenants

A general financial covenant applicable on an ongoing basis is following.

- i.) The obligation to maintain a debt-to-equity ratio of no less than 1 to 1.
 - a. As of December 31, 2018 the Company's debt-to-equity ratio was 1.02, i.e. not exceeding the permitted level of set out in the bonds terms and conditions. The detailed calculation of the debt-to-equity ratio is presented in the table below:

| <u>Debt-to-Equity Ratio</u> | |
|-------------------------------|---------------|
| 1 Adjusted Equity | |
| a Total member's equity | \$ 83,855,130 |
| 2 Net Indebtedness Components | |
| a Bonds, 5.30% fixed rate | \$ 93,240,000 |
| b Cash and cash equivalents | \$ 10,820,761 |
| 3 Net Indebtedness | |
| a Line 2a less line 2b | \$ 82,419,239 |
| 4 Ratio of Line 1a to Line 3a | 1.02 to 1 |

Conditional financial covenants relevant for distributions and applicability of financial guarantee

- i.) Net indebtedness ratio no more than 4 to 1, if distributions are to be proposed or made.
 - a. As of December 31, 2018 the Company's net indebtedness ratio was -9.29 to 1, i.e. exceeding the permitted level to allow proposing or making distributions as set out in the bonds terms and conditions. The detailed calculation of the Company's net indebtedness ratio is presented in table below:

| <u>Net Indebtedness Ratio</u> | |
|---|----------------|
| 1 Adjusted EBITDA Components | |
| a Loss for the period | \$ (9,358,586) |
| b Depreciation expense | \$ 489,308 |
| 2 Adjusted EBITDA | |
| a Line 1a plus line 1b | \$ (8,869,278) |
| 3 Net Indebtedness (from line 3a of the Debt-to-Equity Ratio Above) | \$ 82,419,239 |
| 4 Ratio of Line 3 to Line 2a | -9.29 to 1 |

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017

to December 31, 2017

ii.) Distributions are limited to 90% of free cash flows, provided the distribution will not cause a covenant violation.

a. At December 31, 2018 the Company's free cash was negative \$148,433,619 calculated as follows:

| Free Cash | |
|--|------------------|
| 1 Adjusted EBITDA (from line 2a of the Net Indebtedness Ratio above) | \$ (8,869,278) |
| 2 CAPEX | |
| a 2018 Additions | \$ 45,197,708 |
| 3 Working capital - 2018 | |
| a Total current assets - 2018 | \$ 104,943,901 |
| b Total current liabilities - 2018 | \$ 15,321,062 |
| c Line 3a less line 3b | \$ 89,622,839 |
| 4 Working capital - 2017 | |
| a Total current assets - 2017 | \$ 832,944 |
| b Total current liabilities - 2017 | \$ 5,576,738 |
| c Line 4a less line 4b | \$ (4,743,794) |
| 5 Net change in working capital | \$ 94,366,633 |
| 6 Line 1 less lines 2a and 5 | \$ (148,433,619) |

Only applicable items for computing the debt-to-equity ratio, net indebtedness ratio, and free cash flow were included in the above computations. All interest associated with the bonds during 2018 was capitalized and is included in the CAPEX adjustments in the free cash calculation.

Failure to comply with general financial covenant debt-to-equity ratio or other default provisions of the bonds could result, among others, in an acceleration of the due date of the principal payment.

As of December 31, 2018, the Company was in compliance with all terms and default provisions related to its bonds. As of December 31, 2018, Net Indebtedness Ratio and Free Cash are not applicable as there was no distributions made by the Company in 2018.

8. Provisions

| | December 31, 2018 | December 31, 2017 |
|---|------------------------------|----------------------|
| Asset retirement obligation(<i>i</i>) | \$ 3,658,682 | \$ 720,029 |
| Less current maturities | - | - |
| | \$ 3,658,682 | \$ 720,029 |

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017

to December 31, 2017

(i) Asset retirement obligation

The Company has an asset retirement obligation related to the decommissioning and reclamation of its plant site in accordance with its lease agreement. Because of uncertainties in estimating the amount and timing of the expenditures related to the site, actual results could differ from the amounts estimated. As of December 31, 2018 and 2017 the total undiscounted cash flows required to settle the liabilities was \$4.7 million and \$1 million, respectively. The movement in the provision during the year is explained as follows:

| | For the year ended December 31, 2018 | For the period from January 10, 2017 to December 31, 2017 |
|------------------------|---|--|
| Balance at January 1 | \$ 720,029 | \$ - |
| New provisions | 2,938,653 | 720,029 |
| Balance at December 31 | \$ 3,658,682 | \$ 720,029 |

9. Commitments

(i) Capital and lease commitments

Significant capital expenditure contracted and leases at the end of the reporting period but not recognized as liabilities is as follows:

| | 2018 | 2017 |
|-------------------------------|---------------|---------------|
| Property, plant and equipment | \$ 73,156,836 | \$ 35,818,410 |
| Leases | 14,012,854 | - |
| | \$ 87,169,690 | \$ 35,818,410 |

10. Finance costs by nature

| | For the year ended December 31, 2018 | For the period from January 10, 2017 to December 31, 2017 |
|-------------------------------------|---|--|
| Net foreign exchange gains/(losses) | \$ 371,888 | \$ - |
| Borrowings, interest expense (i) | - | - |
| Finance lease interest expense | 596,180 | 58,658 |
| Total finance costs | \$ 968,068 | \$ 58,658 |

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017 to December 31, 2017

(i) Bond interest

The Company capitalized all interest on the bonds during 2018 as the plant construction will continue until completion. The capitalized interest rate was 5.3%.

11. Administrative expenses by nature

| | For the year ended December 31, 2018 | For the period from January 10, 2017 to December 31, 2017 |
|--------------------------------------|---|--|
| Professional fees | \$ 105,798 | \$ 45,461 |
| Office expense | 4,632 | 6,025 |
| Legal | 241,941 | 426,763 |
| Travel | 43,298 | 36,955 |
| Management fees (note 4) | 2,552,408 | - |
| Miscellaneous | 90,926 | 135,674 |
| Total administrative expenses | \$ 3,039,003 | \$ 650,878 |

12. Cost of sales of goods by nature

| | For the year ended December 31, 2018 | For the period from January 10, 2017 to December 31, 2017 |
|---|---|--|
| Warehouse building rent | \$ 10,000 | \$ - |
| Utilities | 1,712 | - |
| Insurance | 151,430 | - |
| Variable leases | 540,489 | - |
| Construction expenses not capitalized (i) | 4,158,576 | - |
| Depreciation expense | 489,308 | - |
| Total administrative expenses | \$ 5,351,515 | \$ - |

(i) Construction expenses not capitalized

The cost of abnormal amounts of wasted material, labor or other resources incurred during construction are not included in the cost of the assets. These costs have been recognized as expenses in the period in which they occurred.

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017 to December 31, 2017

13. Financial risk management

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance. Current year profit and loss information has been included where relevant to add further context.

| Risk | Exposure arising from | Measurement | Management |
|--------------------------------|---|---|--|
| Market risk – foreign exchange | Future commercial transactions Recognized financial assets and liabilities not denominated in US dollars (USD) | Cash flow forecasting Sensitivity analysis | Cash pooling agreement portion denominated in foreign currency |
| Credit risk | Cash and cash equivalents, other receivables, and related party receivables | Aging analysis Credit ratings | Diversification of bank deposits and credit limits |
| Liquidity risk | Borrowings and lease liabilities | Rolling cash flow forecasts | Capital contributions and parent support |

(a) Market risk

The Company's exposure to foreign currency risk at the end of the reporting period is as follows:

| | December 31, 2018 | | December 31, 2017 | |
|--------------------|-------------------|------------------------|-------------------|-----|
| | USD | CZK | USD | CZK |
| Cash held at banks | - | 41,509,492 | - | - |
| Cash pooling | - | 1,440,838,055 | - | - |
| Borrowings | - | (2,100,000,000) | - | - |

Capital expenditures needed to complete the plant will be made primarily in US dollars. Adverse changes in the exchange rate between the US dollar and the Czech crown could negatively impact the ability of the Company to pay for needed capital expenditures.

The Czech crown denominated bonds are expected to be repaid from US dollar denominated sales. Adverse changes in the exchange rate between the US dollar and the Czech crown could negatively impact the ability of the Company to repay the borrowings.

- Risk management
 - The Company manages this risk by holding funds at financial institutions both directly and through the cash pooling arrangement (note 4), in accounts denominated in CZK.

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017

to December 31, 2017

Sensitivity

AS shown in the table below, the Company is primarily exposed to changes in USD/CZK exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from CZK denominated assets and liabilities.

| | Impact on profits | |
|------------------------------------|-------------------|------|
| | 2018 | 2017 |
| US/CZK exchange rate - increase 9% | \$ 2,468,139 | \$ - |
| US/CZK exchange rate - decrease 9% | (2,468,139) | - |

(b) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers and related parties, including outstanding receivables.

- Risk management
 - Credit risk is managed by dealing with only independently rated financial institutions with a minimum "A" rating.
- Impairment of financial assets
 - The group has two types of financial assets that are subject to the expected credit loss model:
 - other receivables from the sale of assets and
 - related-party receivables.
 - The Company applies the IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for other receivables and related-party receivables. To measure the expected credit losses, other receivables and related-party receivables have been grouped based on shared credit risk characteristics and the days past due. As a result of applying this methodology the Company believes an expected loss provision is immaterial as of December 31, 2018 or 2017.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Company held deposits at call of \$10,820,761 and \$94,107,419 in cash pooling arrangements that are expected to readily generate cash inflows for managing liquidity risk.

Management monitors rolling forecasts of the Company's liquidity reserve (comprising the undrawn cash pooling arrangement, note 4 ii) and cash and cash equivalents on the basis of expected cash flows. In addition, the Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against bond covenant requirements.

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017 to December 31, 2017

See Going Concern note 2 j) for further discussion.

14. Contingent liabilities and contingent assets

The Company is subjected to lawsuits and claims arising out of the conduct of its business. While the ultimate results of legal actions or other proceedings against the Company cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial statements of the Company. As such, no provisions have been recorded as of December 31, 2018 or December 31, 2017.

| Contractual maturities of financial liabilities at December 31, 2018 | Less than 6 month | 6 - 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount liabilities |
|---|--------------------------|----------------------|------------------------------|------------------------------|---------------------|-------------------------------------|------------------------------------|
| Trade and other payables | \$12,494,885 | \$ - | \$ - | \$ - | \$ - | \$ 12,494,885 | \$ 12,494,885 |
| Related party payables | 2,586,540 | - | - | - | - | 2,586,540 | 2,586,540 |
| Borrowings | - | - | - | 93,240,000 | - | 93,240,000 | 93,240,000 |
| Provisions | - | - | - | - | 7,076,996 | 7,076,996 | 3,658,682 |
| Leases | 411,398 | 411,397 | 822,795 | 2,468,385 | 15,453,412 | 19,567,387 | 11,103,917 |
| | \$15,492,823 | \$411,397 | \$822,795 | \$95,708,385 | \$22,530,408 | \$134,965,808 | \$123,084,024 |

15. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving estimates or judgements are:

- Abnormal costs associated with self-constructed assets note 12 and
- Estimation of site restoration costs note 8.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Financial Statements

Year ended December 31, 2018 and for the period from January 10, 2017
to December 31, 2017

16. Events occurring after the reporting period

Management of the Company has evaluated the effect subsequent events would have on the financial statements through April 26, 2019, which was the date the financial statements were available to be issued.