liberty ONE methanol

Audited Financial Statements

December 31, 2017
(As Restated)

Liberty One Methanol, LLC

AUDITED FINANCIAL STATEMENTS

December 31, 2017

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Liberty One Methanol, LLC
Charleston, West Virginia

We have audited the accompanying financial statements of Liberty One Methanol, LLC (a Delaware limited liability company) which comprise the statement of financial position as of December 31, 2017, and the related statements of profit or loss and changes in equity, and cash flows for the period since inception through December 31, 2017, 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 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 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 of 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.

AUDITOR'S RESPONSIBILITY (CONTINUED)

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 as of December 31, 2017, and the results of its operations and its cash flows for the period since inception through December 31, 2017 in accordance with International Financial Reporting Standards.

EMPHASIS OF MATTER

As discussed Note 3 to the financial statements, the Company has restated its 2017 financial statement to correct a misstatement as a result of an error. Our opinion is not modified with respect to this matter.

Gray, Griffith & Mays, a.c.

June 6, 2018, except for the effects of the restatement discussed in Note 3 to the financial statements, as which the date is April 19, 2019.

Charleston, West Virginia

Liberty One Methanol, LLC

STATEMENT OF PROFIT OR LOSS

For the period since inception through December 31, 2017

	Notes	Restated
Continuing operations:		
Revenue	1	$ -
Administrative expenses	11	(650,878)
Finance charges	9	(58,658)
Total loss from continuing operations		$ (709,536)

See independent auditor’s report.

Liberty One Methanol, LLC

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS	Notes	Restated
Non-current assets:		
Property, plant and equipment, net	4	$ 37,043,447
Right of use asset	9	3,326,296
		40,369,743
Current assets:		
Cash	5	397,256
Trade receivables	6	174,025
Prepaid operating expenses	7	261,663
		832,944
Total assets		$ 41,202,687

EQUITY AND LIABILITIES		
Equity:		
Capital contributions	8	$ 33,311,226
Retained deficit		(709,536)
Total equity		32,601,690
Non-current liabilities:		
Asset retirement obligation	12	720,029
Right of use liability	9	2,304,230
		3,024,259
Current liabilities:		
Trade and other payables	10	5,401,043
Right of use liability	9	175,695
		5,576,738
Total liabilities		8,600,997
Total equity and liabilities		$ 41,202,687

See independent auditor’s report.

Liberty One Methanol, LLC

STATEMENT OF CHANGES IN EQUITY

For the period since inception through December 31, 2017

	Capital contributions (Note 8)	Retained earnings (deficit)	Restated Total Equity
January 1, 2017	$ -	$ -	$ -
Loss for the period	-	(709,536)	(709,536)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(709,536)	(709,536)
Capital contributions (Note 8)	33,311,226	-	33,311,226
December 31, 2017	$ 33,311,226	$ (709,536)	$ 32,601,690

See independent auditor's report.

Liberty One Methanol, LLC

STATEMENT OF CASH FLOWS

For the period since inception through December 31, 2017

	Notes	Restated
Operating activities:		
Loss from continuing operations		$ (709,536)
Non-cash adjustment to reconcile loss to net cash flows		
Finance charge	9	58,658
Working capital adjustments:		
Increase in trade receivables	6	(174,025)
Increase in prepaid operating expenses	7	(261,663)
Increase in trade and other payables	10	35,896
Net cash flows used in operating activities		(1,050,670)
Investing activities:		
Purchase of property, plant and equipment	4	(22,327,634)
Proceeds from disposition of property, plant and equipment	4	174,025
Net cash flows used in investing activities		(22,153,609)
Financing activities:		
Proceeds from capital calls	8	23,786,535
Repayment of obligations under finance lease	9	(185,000)
Net cash flows provided by financing activities		23,601,535
Net increase in cash		397,256
Cash at January 1	1	-
Cash at December 31	5	$ 397,256
Supplemental disclosure of non-cash transactions		
Equity issued through contribution of assets	8	$ 9,524,691
Establishment of asset retirement obligation	12	$ 720,029
Capital expenditures in accounts payable	10	$ 5,365,147
Right of use asset acquired through finance lease	9	$ 2,664,925

See independent auditor’s report.

Liberty One Methanol, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1 – COMPANY INFORMATION

The financial statements of Liberty One Methanol, LLC (the Company) for the period ended December 31, 2017 were authorized for issuance in accordance with a resolution of the directors on April 19, 2019. The Company is a limited liability company organized and domiciled in the United States of America and uses the U.S. dollar as its presentational and functional currency. The Company's principal place of business is 400 Capitol Street, Second Floor, Charleston, WV 25301.

The Company, upon commencement of operations, will be principally engaged in the manufacturing of methanol and is a wholly owned subsidiary of US Methanol, LLC, a Delaware limited liability company domiciled in the United States of America.

2 – SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of presentation</u>

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

<u>First-time adoption of IFRS</u>

These financial statements, for the period ended December 31, 2017, are the first the Company has prepared in accordance with IFRS. As the Company did not exist prior to January 2017, these are the Company's first and only financial statements. Additionally as there were no historical financial statements for the Company, these financial statements are not reported in comparative format, or a 3 year format for the statement of financial position and statement of cash flow in accordance with IFRS.

<u>Current versus non-current classification</u>

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or;
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current versus non-current classification (Continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or;
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Property, plant and equipment

Construction in progress is stated at cost and includes all costs associated with bringing the asset into an operational state.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific assets or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Cash

Cash in the statement of financial position is comprised of cash at banks.

Income taxes

The Company is a wholly owned subsidiary of US Methanol, LLC, and is treated as a disregarded entity under the applicable provisions of the Internal Revenue Code. Accordingly, no provision for income taxes has been reported as of December 31, 2017 because the results of the Company's operations are passed through to its member for income tax purposes.

Liberty One Methanol, LLC

NOTES TO FINANCIAL STATEMENTS
(Continued)

December 31, 2017

2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset retirement obligation

The Company recognizes a liability to dismantle and remove assets or to restore a site upon which the assets are located. The Company estimates the present value of the expenditures required to settle the liability by determining the current market cost required to settle the site restoration costs, adjusts for inflation through to the expected date of the expenditures and then discounts this amount back to the date when the obligation was originally incurred. As the liability is initially recorded on a discounted basis, it is increased each period until the estimated date of settlement. The resulting expense is referred to as accretion expense and is included in finance costs. The Company reviews asset retirement obligations and adjusts the liability and corresponding asset as necessary to reflect changes in the estimated future cash flows, timing, inflation and discount rates underlying the measurement of the obligation.

Significant accounting judgments, estimates and assumptions

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

Judgments

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

Finance lease commitments – as lessee

Finance leases which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalized. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Capitalized leased assets (right of use assets) are depreciated over the shorter of the estimated useful life of the asset and the lease term.

2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost allocation

The Company currently allocates time and expenses amongst capital projects related and administrative activities based on estimates for purposes of capitalization of capital projects. It is at least reasonably possible that these estimates could change within the next year. Actual results could differ from these estimates and those differences could be material.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Going concern assumption

Management has prepared these financial statements under the assumption that they 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 for the period ended December 31, 2017. As of December 31, 2017, the Company has current liquid resources available to meet current operating and start-up needs as well as the ability to make capital calls as defined in its operating agreement. As of December 31, 2017, management has no intentions of liquidating the Company or stopping its start-up activities.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

New accounting pronouncements

During 2017, the Company has elected to early implement IFRS 16, Leases. IFRS 16 recognizes an on balance sheet lease accounting model for leases. The Company has recognized a right of use asset, reporting its right to use the underlying asset and a lease liability reporting its obligation to make lease payments.

As a requirement for early implementing this new IFRS, the Company is also required to early implement the provisions of IFRS 15, Revenue from Contracts with Customers. As the Company is not currently generating revenue from operations as of December 31, 2017, they will implement the provisions of IFRS 15, once operating revenue is generated.

Liberty One Methanol, LLC

NOTES TO FINANCIAL STATEMENTS
(Continued)

December 31, 2017

3 – RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The financial statements of the Company for the year ending December 31, 2017 have been restated to correct errors found subsequent to their original issuance. The effects of this misstatement are summarized as follows:

	(a) Property Plant and Equipment	(b) Right of Use Asset	(b) Right of Use Liability	(c) Asset Retirement Obligation	(a) Net Loss	(a) Total Equity	(d) Cash Flows Used in Operating Activites	(d) Cash Flows Used in Investing Activites	(d) Cash Flows Provided by Financing Activites
As previously reported	$ 37,391,496	$ 3,460,842	$ 3,334,500	$ -	$ (361,487)	$ 32,949,739	$ 4,662,526	$ (4,080,270)	$ (185,000)
Adjustments	(348,049)	(134,546)	(854,575)	720,029	(348,049)	(348,049)	(5,713,196)	(18,073,339)	23,786,535
As restated	$ 37,043,447	$ 3,326,296	$ 2,479,925	$ 720,029	$ (709,536)	$ 32,601,690	$ (1,050,670)	$ (22,153,609)	$ 23,601,535

a) Property, Plant and Equipment was restated by $348,049 to properly classify the effects of a sale of assets.

b) Right of Use Asset and Right of Use Liability were restated to reflect the removal of price indexes used in the calculation of its present value.

c) Asset Retirement Obligation was created to reflect the creation of a future liability to dismantle and remove assets or to restore a site upon which the assets are located.

d) Statement of Cash Flow categories were restated to account for the items noted above and to more accurately report the cash flows provided by/used in the operations of the Company.

Liberty One Methanol, LLC

NOTES TO FINANCIAL STATEMENTS
(Continued)

December 31, 2017

4 – PROPERTY, PLANT AND EQUIPMENT

	Restated	
	Construction in progress	Total
Cost		
At January 1, 2017	$ -	$ -
Additions	37,391,496	37,391,496
Disposals	(348,049)	(348,049)
At December 31, 2017	37,043,447	37,043,447
Depreciation		
At January 1, 2017	-	-
Depreciation charge for the period	-	-
At December 31, 2017	-	-
Net book value		
At December 31, 2017	$37,043,447	$37,043,447

Included in property, plant and equipment at December 31, 2017 was $37,043,447 relating to expenditures for a plant in the course of construction. Facilities under construction will be recognized in property and equipment after completion.

5 – CASH

Cash consists of cash held at a financial institution for operating purposes. Cash balances as of December 31, 2017, are comprised of the following:

Cash at bank	$ 397,256

At times during the period ended December 31, 2017, the Company had cash on deposit with a financial institution that exceeded Federal Depository Insurance Limits. However management believes that the financial institution is financially sound and does not present a significant risk to the Company.

6 – TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 30 days' terms. They are recognized at their original invoice amounts which represent their fair value on initial recognition.

Liberty One Methanol, LLC

NOTES TO FINANCIAL STATEMENTS
(Continued)

December 31, 2017

6 – TRADE RECEIVABLES (Continued)

As of December 31, 2017, trade receivables arising from the sale of assets was $174,025. Management believes the amount to be fully collectible and has not recorded an allowance for doubtful accounts.

7 – PREPAID OPERATING EXPENSES

Prepaid operating expenses are cash expenditures paid prior to receiving the associated benefit.

8 – CAPITAL CONTRIBUTIONS

In accordance with the Company's Operating Agreement (the Agreement), the Company's parent company contributed cash, provided services to the Company and paid for services on behalf of the Company totaling $33,311,226.

9 – LEASES

During 2017, the Company entered into a leasing arrangement for land, which has been accounted for as a financing lease. The terms of the lease call for annual base rental payments of $185,000 for a period of twenty-five years, adjusted annually to reflect increases in the consumer price index, beginning in 2019. The lease also has an option to renew at the end of the original lease term for a period of five years. Future minimum lease payments are as follows:

	Restated	
	Minimum lease payments:	Present value of payments:
Not later than one year	$ 185,000	$ 175,695
Later than one year but not later than five years	925,000	754,393
Later than five years	3,330,000	1,549,837
	4,440,000	2,479,925
Less finance charges	(58,658)	-
	4,381,342	2,479,925
Less unamortized discount	(1,901,417)	-
	$ 2,479,925	$ 2,479,925

Liberty One Methanol, LLC

NOTES TO FINANCIAL STATEMENTS
(Continued)

December 31, 2017

10 – TRADE AND OTHER PAYABLES

Trade payables consist of the following as of December 31, 2017:

Trade payables	$ 5,370,470
Other payables	30,573
	$ 5,401,043

Trade and other payables are non-interest bearing and are normally settled on 30 day terms.

11 – ADMINISTRATIVE EXPENSES

Insurance	$ 27,754
Professional fees	45,461
Office expense	6,025
Legal	426,763
Travel	36,955
Utilities	4,416
Miscellaneous	103,504
Total administrative expenses	$ 650,878

12 –ASSET RETIREMENT OBLIGATION

	Restated
Site restoration costs	$ 720,029
Less current maturities	-
	$ 720,029

Liberty One Methanol, LLC

NOTES TO FINANCIAL STATEMENTS
(Continued)

December 31, 2017

12 –ASSET RETIREMENT OBLIGATION (Continued)

The Company has accrued liabilities related to the decommissioning and reclamation of its leased plant site. Because of uncertainties in estimating the amount and timing of the expenditures related to the site, actual results could differ from the amounts estimated and those differences could be significant. As at December 31, 2017 the total undiscounted cash flows required to settle the liabilities was $1 million. The movement in the provision during the year is explained as follows:

Balance at January 1	$	-
New or revised provisions		720,029
Balance at December 31	$	720,029

13 – SUBSEQUENT EVENTS

Management of the Company has evaluated the effect subsequent events would have on the financial statement through June 6, 2018, which is the date of the financial statement were available to be issued.

Events subsequent to original issuance of financial statements (unaudited)

In connection with the reissuance of the financial statement, the Company has evaluated subsequent events through April 19, 2019, the date of the financial statement were available to be reissued. As a result of such evaluation, the following events occurred after the reporting date:

1. Subsequent to the year ended December 31, 2017, 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.

2. Subsequent to the year ending December 31, 2017, the Company entered into two long term supply agreements with vendors. Under the terms of the agreements, the Company has made upfront payments totaling $2,730,000 and has entered into a surety bond, which required the Company to make an initial collateral deposit of $250,000. Additionally, the Company has commitments totaling approximately $900,000 related to non-fulfilled purchase orders.

3. Subsequent to the year ending December 31, 2017, the Company incurred abnormal costs totaling approximately $4,000,000 associated with the development of its plant site.