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

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

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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

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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

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

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.

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.

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.

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.

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 *Uncertainty over Income Tax Treatments*	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: • 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

	measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and • that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements. 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.	
Annual Improvements to IFRS Standards 2015-2017 Cycle	The following improvements were finalized in December 2017: • 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.	January 1, 2019

	• 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.

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.

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

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:

Right-of-use assets	**December 31, 2018**	December 31, 2017
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.

(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.

7. Borrowings

	December 31, 2018			December 31, 2017		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Unsecured						
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

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:

Debt-to-Equity Ratio		
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:

Net Indebtedness Ratio		
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

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*)	**$ 3,658,682**	$ 720,029
Less current maturities	-	-
	$ 3,658,682	$ 720,029

(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

(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.

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.

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.

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.

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.