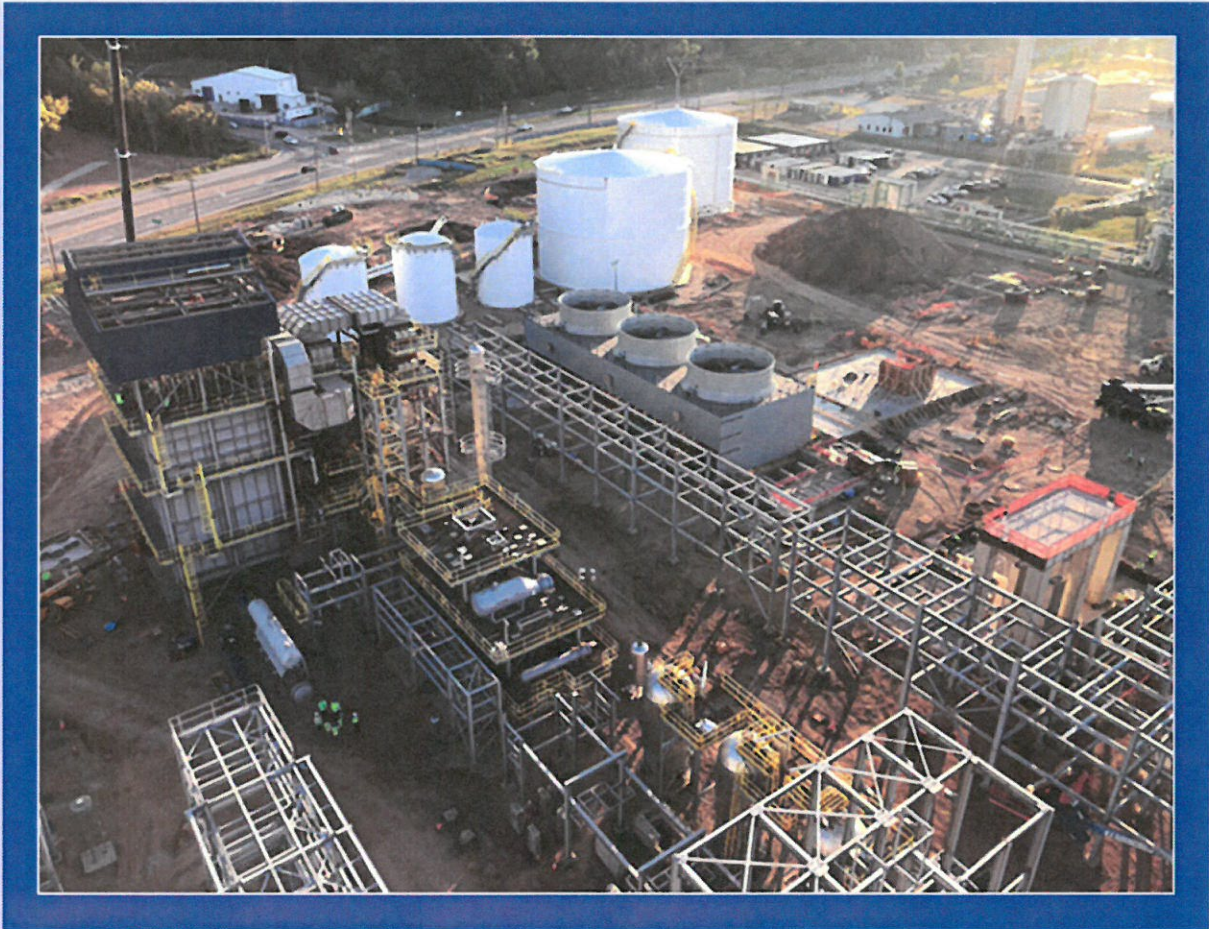


# Liberty One Methanol LLC



## Semi-annual Report

For the six months ended June 30, 2020

(Unaudited)



# **Liberty One Methanol LLC**

## **Index**

Semi-annual Report for the first half of 2020

# 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](http://www.libertyonemethanol.com)

E-mail: [info@usmeoh.com](mailto: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, LLC (formerly known as KKCG US LLC), which is wholly owned by KKCG AG, which oversees the activities of the KKCG Group. KKCG Group is ultimately owned 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. Events in the first half-year of 2020

During the first half of 2020 the Company spent approximately \$44M related to construction of its methanol plant in West Virginia. During this time period the company made significant progress on civil works, the steam reformer, and began work on the tank farm. The Company also entered into fabrication contracts for structural steel and piping.

Due to concerns over the COVID-19 and out of an abundance of caution to protect its employees and business partners the Company temporarily paused most construction activity from mid-March through July.

## d. Outlooks for second half-year of 2020

During the second half of 2020 the Company will restart major construction activities and forecasts spending \$67M on engineering, construction and procurement to achieve construction milestones related to: completion of civil works, installation of structural steel, piping, electrical and instrumentation. The company also plans to continue purchasing free issued materials for construction.

The Company plans to award the contract for pipe installation and during the second half of 2020.

## e. 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.

## f. 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, colorless 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.

#### **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.

## **2. Company's financial situation and financial results**

### **a. Financial results**

Construction progressed at a slightly slower pace during the first half of 2020 compared to 2019 due to the impact of the COVID-19 pandemic.

Finance income was significantly higher in first half of 2020 due to favorable changes in foreign exchange rates and a strengthening dollar versus other currencies caused by the COVID-19 pandemic.

The financial results are influenced by the fact that the Company is currently in the development phase 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 November 2021. 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 2021. 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 2021.

### **b. Risks related to the Company's financial situation, activities and financial results**

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;
- Global COVID-19 pandemic
- insurance risk, i.e. that insurance proceeds may not be sufficient to cover future losses and carriers may stop writing business for our business segment.

**c. COVID-19 Impact**

During the first half of 2020 COVID-19 began to significantly impact businesses in the United States. The specific impacts to Liberty One Methanol, LLC are as follows:

**1. Strategy and objectives**

COVID-19 has not impacted the Company’s overall strategy and objectives. Liberty One Methanol, LLC remains committed to reliably producing and delivering the highest quality methanol at the lowest delivered price to its industrial customers.

**2. Operations**

Out of an abundance of caution and following guidelines set out by federal, state and local governments, the Company temporarily suspend construction activities on its methanol plant from late March through July 2020, when the risk of infection to the Company’s employees and contractors had been reduced. During the suspension period, only essential workers required to maintain and preserve the Company’s assets were allowed onsite. All other employees were required to work remotely. The Company continues to follow recommended safety guidelines including but not limited to; requiring face masks, social distancing, limiting in-person meetings and limiting the number of persons in those meetings as well as other precautions.

**3. Financial performance**

Due to the temporary suspension of construction activities the Company spent \$40M less than forecasted on capital assets and plant construction during the first half of 2020. Which had a positive impact on short-term cash flows. However, the suspension of construction activities also delayed the start-up date for the plant by 4 months which is projected to reduce gross revenues in 2021 by an

estimated \$16M (based on production capacity of 580 tons per day).

## 3. Corporate Governance

### 3.1 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.

### 3.2 Board of Managers

The Board of Managers is the statutory body of the Company, and as at June 30, 2019 it had five members. Members are selected by KKCG Group with no term limits.

As at June 30, 2020, 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.

**Mark A. Joensen – Manager**

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

**Hynek Jicinsky – Manager**

Chief Executive Officer 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 first half-year of 2020

On April 20, 2020 Mark Joensen replaced Frank Bakker on the Board of Directors.

Planned changes to the Board of Managers in 2020

There are no planned changes to the Board of Manager.

### 3.3 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.

## 4. Interim Financial Statements (Unaudited)

See attached for unaudited interim financial statements that form a part of this Semi-annual Report.

**The reported data are not audited or verified by an auditor.**

## 5. Statutory Declaration

With the use of all reasonable care and to the best of our knowledge, the Semi-annual Report for the first half-year of 2020 provides a true and fair view of the financial situation, business activities, and results of operations of the Company for half-year ended 30 June 2020, 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 Semi-annual Report.

In Charleston, West Virginia on September 29, 2020

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



Hynek Jicinsky  
Chief Executive Officer

# **Exhibit I: Interim Financial Statements (Unaudited)**



# Liberty One Methanol LLC

(a wholly owned subsidiary of US Methanol, LLC)

## Interim Report

For the six months ended June 30, 2020

(Unaudited)





# Liberty One Methanol LLC

(a wholly owned subsidiary of US Methanol, LLC)

## Index

For the six months ended June 30, 2020

### Interim Report

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Condensed Balance Sheets (unaudited).....	2
Condensed Statements of Changes in Member’s Equity (unaudited) ..	3
Condensed Statements of Cash Flows (unaudited).....	4
<b>Notes to Condensed Financial Statements (unaudited) .....</b>	<b>5</b>

# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

## Condensed Statements of Profit or Loss and Comprehensive Loss (Unaudited)

	Notes	For the six months ended June 30, 2020	For the six months ended June 30, 2019
<b>Continuing Operations:</b>			
Revenue from contracts with customers		\$ -	\$ -
Cost of sales of goods	13	(2,013,974)	(1,813,339)
<b>Gross deficit</b>		<b>(2,013,974)</b>	<b>(1,813,339)</b>
Administrative expenses	12	(2,382,368)	(2,370,129)
<b>Operating loss</b>		<b>(4,396,342)</b>	<b>(4,183,468)</b>
Finance income and costs, net	11	1,648,106	(1,050,076)
<b>Net loss</b>		<b>\$ (2,748,236)</b>	<b>\$ (5,233,544)</b>
<b>Comprehensive loss for the period</b>		<b>\$ (2,748,236)</b>	<b>\$ (5,233,544)</b>

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

**Liberty One Methanol, LLC**  
(a wholly owned subsidiary of US Methanol, LLC)  
Condensed Balance Sheets (Unaudited)

As at	Notes	Jun 30 2020	Dec 31 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	\$ 236,136,787	\$ 196,010,859
Right-of-use assets, net	4	23,840,800	23,301,821
Contract assets	5	59,977	59,977
Deposits	4	6,531,039	5,749,899
<b>Total non-current assets</b>		<b>266,568,603</b>	<b>225,122,556</b>
<b>Current assets</b>			
Other current assets		143,054	186,627
Other receivables		125,309	287,099
Related-party receivables	2	1,387,452	1,328,804
Derivative financial instruments		-	518,092
Cash and cash equivalents		6,647,107	10,938,538
<b>Total current assets</b>		<b>8,302,922</b>	<b>13,259,160</b>
<b>Total assets</b>		<b>\$ 274,871,525</b>	<b>\$ 238,381,716</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	8	\$ 86,555,547	\$ 90,814,344
Provisions	9	9,861,182	8,610,560
Lease liabilities	4 & 8	15,078,733	15,271,893
<b>Total non-current liabilities</b>		<b>111,495,462</b>	<b>114,696,797</b>
<b>Current liabilities</b>			
Trade and other payables	8	21,996,605	25,464,856
Lease liabilities	4 & 8	368,592	308,352
Derivative financial instruments	6	2,027,921	385,319
Related-party payables	8	2,094,831	1,478,033
<b>Total current liabilities</b>		<b>26,487,949</b>	<b>27,636,560</b>
<b>Total liabilities</b>		<b>137,983,411</b>	<b>142,333,357</b>
<b>MEMBER'S EQUITY</b>			
Contributed capital		158,511,243	114,923,252
Retained deficit		(21,623,129)	(18,874,893)
<b>Total member's equity</b>		<b>\$ 136,888,114</b>	<b>\$ 96,048,359</b>
<b>Total liabilities and member's equity</b>		<b>\$ 274,871,525</b>	<b>\$ 238,381,716</b>

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

# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

## Condensed Statements of Changes in Member's Equity (Unaudited)

	Contributed capital	Retained deficit	Total
<b>Balance at December 31, 2018</b>	\$ 93,923,252	\$ (10,068,122)	\$ 83,855,130
Loss for the period	-	(5,233,544)	(5,233,544)
Contributions of equity	-	-	-
<b>Balance at June 30, 2019</b>	<b>93,923,252</b>	<b>(15,301,666)</b>	<b>78,621,586</b>
Loss for the period	-	(3,573,227)	(3,573,227)
Contributions of equity	21,000,000	-	21,000,000
<b>Balance at December 31, 2019</b>	<b>114,923,252</b>	<b>(18,874,893)</b>	<b>96,048,359</b>
Loss for the period	-	(2,748,236)	(2,748,236)
Contributions of equity	43,587,991	-	43,587,991
<b>Balance at June 30, 2020</b>	<b>\$ 158,511,243</b>	<b>\$ (21,623,129)</b>	<b>\$ 136,888,114</b>

*The above condensed 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)  
Condensed Statements of Cash Flows (Unaudited)

	Notes	For the six months ended June 30, 2020		For the six months ended June 30, 2019
<b>Cash flows from operating activities</b>				
<b>Net loss</b>		\$ (2,748,236)	\$	(5,233,544)
Adjustments for:				
Depreciation		613,568		559,629
Unrealized foreign exchange (gain)/loss	11	(2,345,451)		724,478
Adjustments for investing and financing activities recognized in net loss:				
Foreign exchange losses on derivatives		580,755		-
Foreign exchange gains		(391,561)		-
Net change in operating assets and liabilities:				
Related party receivables		(45,000)		(10,000)
Other current assets		43,573		9,381
Trade and other payables		744,399		(310,802)
Finance lease interest and interest accretion	11	508,845		325,598
Related party payables	2	616,798		(2,253,406)
Cash used in operations		(2,422,310)		(6,188,666)
Interest paid		(410,770)		(230,170)
<b>Net cash (outflow) from operating activities</b>		<b>(2,833,080)</b>		<b>(6,418,836)</b>
<b>Cash flows from investing activities</b>				
Repayment of loan from related party	2	-		65,533,121
Loans to related party	2	(13,648)		(214,782)
Payments for property, plant and equipment	3	(44,022,597)		(49,696,968)
Payments for surety bonds		-		(90,000)
Lease prepayments	4	(781,140)		(1,320,000)
Proceeds from sale of property, plant and equipment	3	93,157		142,624
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(44,724,228)</b>		<b>14,353,995</b>
<b>Cash flows from financing activities</b>				
Proceeds from member contributions		43,587,991		-
Foreign exchange losses on derivatives		(580,755)		-
Foreign exchange gains		391,561		-
Principal elements of finance lease payments		(132,920)		(91,378)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>43,265,877</b>		<b>(91,378)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(4,291,431)</b>		<b>7,843,781</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>10,938,538</b>		<b>10,820,761</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>\$ 6,647,107</b>	<b>\$</b>	<b>18,664,542</b>
<b>Non-cash financing and investing activities</b>				
Property, plant and equipment additions in trade and other payables		\$ 20,446,581	\$	21,665,862
Finance leases, net of remeasurement		90,219		63,780
Asset retirement obligation		1,250,622		31,648

*The above condensed 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 Condensed Financial Statements

For the six months ended June 30, 2020 (Unaudited)

## 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 in 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 a wholly owned subsidiary of US Methanol, LLC, a Delaware limited liability company, domiciled in the United States of America.

These condensed interim financial statements are prepared in accordance with *International Accounting Standards (IAS) 34, Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) on a basis consistent with those followed in the most recent annual financial statements.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended December 31, 2019 and any public announcements made by the Company during the interim reporting period. These condensed interim financial statements were approved for issue on September 29, 2020.

## 2. Related-party transactions

### *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 June 30, 2020 and December 31, 2019 the balances subject to the cash pooling agreement were \$1,326,112 and \$1,312,464, respectively. Amounts outstanding under the cash pooling agreement have been classified as related-party receivables on the accompanying balance sheets.

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 \$1,708,440 and \$2,135,826 of management services from US Methanol, LLC during the six months ended June 30, 2020 and 2019.

During the six months ended June 30, 2020, and 2019 the Company paid for expenses on behalf of a sister company of \$45,000 and \$10,000. These amounts were classified as related-party receivables.

# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Condensed Financial Statements

For the six months ended June 30, 2020 (Unaudited)

## 3. Property, plant and equipment

<b>Non-current</b>	<b>Assets under construction</b>	<b>Total</b>
<b>For the period from January 1, 2019 to December 31, 2019</b>		
Opening net book amount	\$ 82,023,004	\$ 82,023,004
Additions	114,141,612	114,141,612
Disposals	(153,757)	(153,757)
Depreciation charge	-	-
Closing net book amount	196,010,859	196,010,859
<b>At December 31, 2019</b>		
Cost	196,010,859	196,010,859
Accumulated depreciation	-	-
Net book amount	196,010,859	196,010,859
<b>Period ended June 30, 2020</b>		
Opening net book amount	196,010,859	196,010,859
Additions	40,219,085	40,219,085
Disposals	(93,157)	(93,157)
Depreciation charge	-	-
Closing net book amount	236,136,787	236,136,787
<b>At June 30, 2020</b>		
Cost	236,136,787	236,136,787
Accumulated depreciation	-	-
Net book amount	\$ 236,136,787	\$ 236,136,787

# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Condensed Financial Statements

For the six months ended June 30, 2020 (Unaudited)

## 4. Right-of-use assets and lease liabilities

### Amounts recognized in the balance sheets

The balance sheet shows the following amounts relating to leases:

	June 30, 2020	December 31, 2019
<b>Right-of-use assets</b>		
Properties	\$ 23,840,800	\$ 23,301,821
<b>Deposits</b>		
Lease prepayments	\$ 6,281,039	\$ 5,499,899
Other deposits	250,000	250,000
	\$ 6,531,039	\$ 5,749,899
<b>Lease liability</b>		
Current	\$ (368,592)	\$ (308,352)
Non-current	(15,078,733)	(15,271,893)
	\$ (15,447,325)	\$ (15,580,245)

The contractual maturities of lease liabilities as at June 30, 2020 is as follows:

Period ending June 30,	Lease payments	Interest component	Lease liability
2021	\$ 1,176,858	\$ 808,266	\$ 368,592
2022	1,409,356	782,019	627,337
2023	1,409,356	747,950	661,406
2024	1,409,356	712,032	697,324
2025	1,409,356	674,162	735,194
Thereafter	19,335,744	6,978,272	12,357,472
	\$ 26,150,026	\$ 10,702,701	\$ 15,447,325

## 5. Contract assets

During 2019, the Company incurred \$59,977 of incremental legal fees associated with a 3-year offtake revenue agreement. These costs have been capitalized and will be amortized over the life of the contract, which will begin once the plant construction is complete. No amounts were amortized during 2020 or 2019.



# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Condensed Financial Statements

For the six months ended June 30, 2020 (Unaudited)

## 6. Derivative financial instruments

During 2020 and 2019 the Company entered into currency swap agreements with a notional amount of \$50 million as a means to partially hedge its exposure to exchange rate fluctuation related to bonds denominated in Czech crowns. The Company has the following derivative financial instruments in the following line items in the balance sheet:

<b>As of</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Current assets</b>		
Hedging derivatives - foreign currency options	\$ -	\$ 518,092
<b>Current liabilities</b>		
Hedging derivatives - foreign currency options	\$ (2,027,921)	\$ (385,319)

### (i) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives refer to note 7.

### (ii) Amounts recognized in profit or loss

The following amounts were recognized in profit or loss in relation to the derivatives:

<b>For the periods ended June 30</b>	<b>2020</b>	<b>2019</b>
Fair value losses on hedging derivatives recognized in unrealized foreign exchange losses in finance costs	\$ (2,160,694)	\$ -

## 7. Recognized fair value measurements

### (i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

<b>Recurring fair value measurements</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>At June 30, 2020</b>				
<b>Current assets</b>				
Hedging derivatives - foreign currency options	\$ -	\$ -	\$ -	\$ -
<b>Current liabilities</b>				
Hedging derivatives - foreign currency options	-	(2,027,921)	-	(2,027,921)
<b>Total financial liabilities</b>	\$ -	\$ (2,027,921)	\$ -	\$ (2,027,921)

# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Condensed Financial Statements

For the six months ended June 30, 2020 (Unaudited)

There were no transfers between levels for recurring fair value measurements during the period ended June 30, 2020.

The Company's policy is to recognize transfers into and out of fair value hierarchy levels as at the end of the reporting period.

## (ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Foreign currency forwards – the present value of future cash flows based on the forward exchange rates at the balance sheet date

All of the resulting fair value estimates are included in level 2.

## 8. Borrowings

At June 30, 2020 the contractual maturities of the Company's financial liabilities were as follows:

Contractual maturities of financial liabilities at June 30, 2020	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	\$ 21,996,605	\$ -	\$ -	\$ -	\$ -	\$ 21,996,605	\$ 21,996,605
Derivative instruments	1,547,217	480,704	-	-	-	2,027,921	2,027,921
Related party payables	2,094,831	-	-	-	-	2,094,831	2,094,831
Borrowings (including interest)	2,337,300	2,337,300	4,674,600	8,656,353	-	18,005,553	86,555,547
Leases	588,429	588,429	1,409,356	4,228,068	19,335,744	26,150,026	15,447,325
	\$ 28,564,382	\$ 3,406,433	\$ 6,083,956	\$ 12,884,421	\$ 19,335,744	\$ 70,274,936	\$ 128,122,229

Contractual maturities of financial liabilities at December 31, 2019	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	\$ 25,464,856	\$ -	\$ -	\$ -	\$ -	\$ 25,464,856	\$ 25,464,856
Derivative instruments	229,217	156,102	-	-	-	385,319	385,319
Related party payables	1,478,033	-	-	-	-	1,478,033	1,478,033
Borrowings (including interest)	2,456,715	2,456,715	4,913,430	102,533,005	-	112,359,865	90,814,344
Leases	561,191	562,700	1,159,356	4,228,068	18,902,363	25,413,678	15,580,245
	\$ 30,190,012	\$ 3,175,517	\$ 6,072,786	\$ 106,761,073	\$ 18,902,363	\$ 165,101,751	\$ 133,722,797

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 are presented in the line "Borrowings" and 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.

# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Condensed Financial Statements

For the six months ended June 30, 2020 (Unaudited)

The bonds are unsecured and guaranteed by KKCG AG. The bonds are to be repaid in CZK from US dollar denominated sales.

Significant financial covenants and default provisions under this facility include:

## General financial covenants

A general financial covenant applicable on an ongoing basis is the following:

- i.) The obligation to maintain a debt-to-equity ratio of no less than 1 to 1.
  - a. As of June 30, 2020, the Company's debt-to-equity ratio was 1.68 to 1 (i.e. not exceeding the permitted level of set out in the bonds terms and conditions).

## 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 June 30, 2020, the Company's net indebtedness ratio was -13.73 to 1, exceeding the permitted level to allow proposing or making distributions as set out in the bond terms and conditions.
- ii.) Distributions are limited to 90% of free cash flows, provided the distribution will not cause a covenant violation.
  - a. At June 30, 2020 the Company's free cash was negative \$57,613,413.

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 2020 was capitalized and is included in the CAPEX adjustments in the free cash calculation.

As of June 30, 2020, the Company was in compliance with all terms and default provisions related to its bonds. As of June 30, 2020, Net Indebtedness Ratio and Free Cash are not applicable as there were no distributions made by the Company during the period ended June 30, 2020.

## 9. Provisions

	June 30, 2020	December 31, 2019
Asset retirement obligation	\$ 9,861,182	\$ 8,610,560
Less current maturities	-	-
	<b>\$ 9,861,182</b>	<b>\$ 8,610,560</b>

# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Condensed Financial Statements

For the six months ended June 30, 2020 (Unaudited)

## (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 June 30, 2020 and December 31, 2019 the total undiscounted cash flows required to settle the liabilities was \$12.8 million and \$14.1 million, respectively. The movement in the provision during the year is explained as follows:

	For the six months ended June 30, 2020	For the year ended December 31, 2019
Balance at January 1	\$ 8,610,560	\$ 3,658,682
New provisions	1,152,547	4,885,575
Interest accretion	98,075	66,303
Balance at end of period	\$ 9,861,182	\$ 8,610,560

## 10. Commitments

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

	June 30, 2020	December 31, 2019
Property, plant and equipment	\$ 44,986,226	\$ 49,994,610
Leases	8,873,161	10,173,730
	\$ 53,859,387	\$ 60,168,340

## 11. Finance income and costs by nature

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Net foreign exchange (gains)/losses	\$ (2,156,951)	\$ 724,478
Interest accretion on asset retirement obligation	98,075	-
Finance lease interest expense	410,770	325,598
Total finance (income)/costs	\$ (1,648,106)	\$ 1,050,076

# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Condensed Financial Statements

For the six months ended June 30, 2020 (Unaudited)

## 12. Administrative expenses by nature

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Professional fees	\$ 256,323	\$ 195,462
Office expense	4,395	4,362
Legal	385,716	34,479
Management fees	1,708,440	2,135,826
Miscellaneous	27,494	-
<b>Total administrative expenses</b>	<b>\$ 2,382,368</b>	<b>\$ 2,370,129</b>

## 13. Cost of sales of goods by nature

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Warehouse building rent	\$ 83,372	\$ 16,250
Utilities	705,632	577,179
Insurance	242,985	-
Variable leases	368,417	281,150
Construction expenses not capitalized	-	379,131
Depreciation expense	613,568	559,629
<b>Total cost of sales of goods</b>	<b>\$ 2,013,974</b>	<b>\$ 1,813,339</b>

## 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 June 30, 2020 or December 31, 2019.

## 15. Events occurring after the reporting period

Management of the Company is not aware of any subsequent events that would have material impact on the financial statements as at June 30, 2020.