

# Liberty One Methanol LLC



## Semi-annual Report

For the six months ended June 30, 2021

(Unaudited)

# 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 and controlled by the Valea Foundation. The Company is a project company and except for the control executed over the Company, the Company is not dependent on the business of any other companies in

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

## c. Events in the first half-year of 2021

During the first half of 2021 the Company spent approximately \$73M related to construction of its methanol plant in West Virginia. During this time period the company made significant progress on purchasing free-issued materials and completing the piping, equipment and electrical and instrumentation installation.

## d. Outlooks for second half-year of 2021

During the second half of 2021 the Company's contractors are scheduled to complete all mechanical, electrical and instrumentation installation and place the plant into service.

## 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 is currently completing the construction of its methanol production plant (the "Plant"). Once the Plant is placed in service 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 many 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**

The Company's financial results are driven 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 the

completion of construction. 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 2022. 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 2022.

#### **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**

In March 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. Construction resumed in September of 2020. Planning, engineering, procurement and other construction preparation activities continued during the suspension period.

During the first half of 2021 the Company continues to follow recommended West Virginia state and federal Center for Disease Control (CDC) 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. There were a few, limited, isolated positive COVID-19 cases among the Company's employees during the first half of the year, but these did not result in any impact on the Company's operations, financial situation or construction project schedule or costs.

In April 2020, USM applied for and was granted a Borrower's Paycheck Protection Program (PPP) loan in the amount of \$830K. The PPP loan program was created to help businesses during the COVID-19 crisis and was backed by the U.S. Small Business Administration. In August 2021, the total amount of this loan was forgiven.

## 3. Financial performance

The Company spent \$73M on capital assets and plant construction during the first half of 2020, which is \$33M more than the \$40M in CapEx spent in the first half of 2020.

## 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 at June 30, 2021 it had seven members. Members are selected by KKCG Group with no term limits.

As at June 30, 2021, 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.

**Karel Komárek, Jr – Manager**

Director for KKCG

**Katarina Kohlmayer – Manager**

Chief Financial Officer of KKCG.

**Natalie Miller – Manager**

Investment Manager for KKCG.

**Mike Walsh – Manager**

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

**Mark Joensen – Manager**

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

**Hynek Jicinsky – Manager**

Project Director 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 1 March 2021 Mike Walsh was named Chief Executive Officer. Mr. Walsh's primary focus will be on operating organization and preparing the company for commercial production. Mr. Jicinsky continues to serve the company in Project Director overseeing the remaining construction.

On 1 March 2021 Karel Komárek, Jr. was elected to the Board of Managers as a Manager.

Planned changes to the Board of Managers in 2021

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 2021 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 2021, 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 29 September 2021

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



Mike Walsh  
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, 2021

(Unaudited)



# Liberty One Methanol LLC

(a wholly owned subsidiary of US Methanol, LLC)

## Index

For the six months ended June 30, 2021

### Interim Report

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# 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, 2021	For the six months ended June 30, 2020
<b>Continuing Operations:</b>			
Revenue from contracts with customers		\$ -	\$ -
Cost of sales of goods	13	(3,299,823)	(2,013,974)
<b>Gross deficit</b>		<b>(3,299,823)</b>	<b>(2,013,974)</b>
Administrative expenses	12	(2,668,209)	(2,382,368)
<b>Operating loss</b>		<b>(5,968,032)</b>	<b>(4,396,342)</b>
Finance income and costs, net	11	854,056	1,648,106
<b>Net loss</b>		<b>\$ (5,113,976)</b>	<b>\$ (2,748,236)</b>
<b>Comprehensive loss for the period</b>		<b>\$ (5,113,976)</b>	<b>\$ (2,748,236)</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 2021	Dec 31 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	\$ 338,461,910	\$ 265,839,548
Right-of-use assets, net	4	25,090,404	21,835,822
Contract assets	5	103,157	102,334
Deposits	4	7,232,522	7,084,026
Total non-current assets		370,887,993	294,861,730
<b>Current assets</b>			
Other current assets		226,586	233,873
Related-party receivables	2	1,561,340	36,581,901
Derivative financial instruments		1,636,196	1,832,827
Cash and cash equivalents		8,215,477	23,487,589
Total current assets		11,639,599	62,136,190
<b>Total assets</b>		<b>\$ 382,527,592</b>	<b>\$ 356,997,920</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	8	\$ 96,708,882	\$ 96,674,253
Provisions	9	13,063,679	9,110,114
Lease liabilities	4 & 8	13,727,826	14,176,677
Total non-current liabilities		123,500,387	119,961,044
<b>Current liabilities</b>			
Trade and other payables	8	28,607,086	21,372,605
Lease liabilities	4 & 8	608,399	561,781
Derivative financial instruments	6	104,487	-
Related-party payables	8	4,345,880	3,627,161
Total current liabilities		33,665,852	25,561,547
<b>Total liabilities</b>		<b>157,166,239</b>	<b>145,522,591</b>
<b>MEMBER'S EQUITY</b>			
Contributed capital		262,011,243	243,011,243
Accumulated deficit		(36,649,890)	(31,535,914)
<b>Total member's equity</b>		<b>\$ 225,361,353</b>	<b>\$ 211,475,329</b>
<b>Total liabilities and member's equity</b>		<b>\$ 382,527,592</b>	<b>\$ 356,997,920</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	Accumulated deficit	Total
<b>Balance at December 31, 2019</b>	\$ 114,923,252	\$ (18,874,893)	\$ 96,048,359
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>
Loss for the period	-	(9,912,785)	(9,912,785)
Contributions of equity	84,500,000	-	84,500,000
<b>Balance at December 31, 2020</b>	<b>243,011,243</b>	<b>(31,535,914)</b>	<b>211,475,329</b>
Loss for the period	-	(5,113,976)	(5,113,976)
Contributions of equity	19,000,000	-	19,000,000
<b>Balance at June 30, 2021</b>	<b>\$ 262,011,243</b>	<b>\$ (36,649,890)</b>	<b>\$ 225,361,353</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, 2021	For the six months ended June 30, 2020
<b>Cash flows from operating activities</b>		
<b>Net loss</b>	\$ (5,113,976)	\$ (2,748,236)
Adjustments for:		
Depreciation	607,881	613,568
Related party receivables	-	(45,000)
Other current assets	7,287	43,573
Trade and other payables	(150,465)	744,399
Finance lease interest and interest accretion	11 202,452	508,845
Related party payables	2 1,162,369	616,798
Cash used in operations	(3,284,452)	(266,053)
Interest paid	(111,351)	(410,770)
<b>Net cash outflow from operating activities</b>	<b>(3,395,803)</b>	<b>(676,823)</b>
<b>Cash flows from investing activities</b>		
Loans to related party	2 35,020,561	(13,648)
Payments for property, plant and equipment	3 (65,466,795)	(44,022,597)
Lease prepayments	4 (148,496)	(781,140)
Proceeds from sale of property, plant and equipment	3 29,536	93,157
<b>Net cash outflow from investing activities</b>	<b>(30,565,195)</b>	<b>(44,724,228)</b>
<b>Cash flows from financing activities</b>		
Proceeds from member contributions	19,000,000	43,587,991
Principal elements of finance lease payments	(402,232)	(132,920)
<b>Net cash inflow from financing activities</b>	<b>18,597,768</b>	<b>43,455,071</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(15,272,111)</b>	<b>(4,291,431)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>23,487,589</b>	<b>10,938,538</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>91,118</b>	<b>(2,345,451)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 8,215,478</b>	<b>\$ 6,647,107</b>
<b>Non-cash financing and investing activities</b>		
Property, plant and equipment additions in trade and other payables	\$ 28,122,438	\$ 20,446,581
Finance leases, net of remeasurement	-	90,219
Asset retirement obligation	3,953,565	1,250,622

*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, 2021 (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 is currently in the process of constructing a methanol production plant in Nitro, West Virginia, which is expected to go in to service in Q4 2021. 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, 2020 and any public announcements made by the Company during the interim reporting period. These condensed interim financial statements were available and authorized to be issued by the Company’s management on September 30, 2021. Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

## 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 KKCG Structured Finance, 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, 2021 and December 31, 2020, the balances subject to the cash pooling agreement were \$0 and \$35,020,561, 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 relates to the employee costs and other administrative expenses of US Methanol, LLC which are directly attributable to the Company. The Company incurred \$2,013,708 and \$1,708,440 of management services from US Methanol, LLC during the six months ended June 30, 2021 and 2020 respectively.

# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Condensed Financial Statements

For the six months ended June 30, 2021 (Unaudited)

During the six months ended June 30, 2021 and 2020 the Company paid for expenses on behalf of Liberty Two Methanol, LLC, a sister company of \$0 and \$45,000 respectively. These amounts were classified as related-party receivables.

## 3. Property, plant and equipment

<b>Non-current</b>	<b>Assets under construction</b>	<b>Total</b>
<b>For the period from January 1, 2020 to December 31, 2020</b>		
Opening net book amount	\$ 196,010,859	\$ 196,010,859
Additions	69,922,379	69,922,379
Disposals	(93,690)	(93,690)
Depreciation charge	-	-
Closing net book amount	265,839,548	265,839,548
<b>At December 31, 2020</b>		
Cost	265,839,548	265,839,548
Accumulated depreciation	-	-
Net book amount	265,839,548	265,839,548
<b>Period ended June 30, 2021</b>		
Opening net book amount	265,839,548	265,839,548
Additions	72,651,898	72,651,898
Disposals	(29,536)	(29,536)
Depreciation charge	-	-
Closing net book amount	338,461,910	338,461,910
<b>At June 30, 2021</b>		
Cost	338,461,910	338,461,910
Accumulated depreciation	-	-
Net book amount	\$ 338,461,910	\$ 338,461,910

# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Condensed Financial Statements

For the six months ended June 30, 2021 (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, 2021	December 31, 2020
<b>Right-of-use assets</b>		
Properties	\$ 25,090,404	\$ 21,835,822
<b>Deposits</b>		
Lease prepayments	\$ 6,982,522	\$ 6,834,026
Other deposits	250,000	250,000
	\$ 7,232,522	\$ 7,084,026
<b>Lease liability</b>		
Current	\$ (608,399)	\$ (561,781)
Non-current	(13,727,826)	(14,176,677)
	\$ (14,336,225)	\$ (14,738,458)

The contractual maturities of lease liabilities at June 30, 2021 is as follows:

Period ending June 30,	Lease payments	Interest component	Lease liability
2022	\$ 1,351,586	\$ 743,187	\$ 608,399
2023	1,351,586	710,147	641,439
2024	1,351,586	675,313	676,273
2025	1,351,586	638,587	712,999
2026	1,351,586	599,866	751,720
Thereafter	15,691,674	4,746,279	10,945,395
	\$ 22,449,604	\$ 8,113,378	\$ 14,336,225

## 5. Contract assets

During the six months ended June 30, 2021, the Company incurred \$824 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 2021 or 2020.

# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Condensed Financial Statements

For the six months ended June 30, 2021 (Unaudited)

## 6. Derivative financial instruments

During 2021 and 2020 the Company entered into currency swap agreements with a notional amount of \$90 million and \$50 million respectively 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:

As of	June 30, 2021	December 31, 2020
<b>Current assets</b>		
Hedging derivatives - foreign currency options	\$ 1,636,196	\$ 1,832,827
<b>Current liabilities</b>		
Hedging derivatives - foreign currency options	\$ (104,487)	\$ -

### (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:

For the periods ended June 30	2021	2020
Fair value losses on hedging derivatives recognized in unrealized foreign exchange losses in finance costs	\$ (301,118)	\$ (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.



# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Condensed Financial Statements

For the six months ended June 30, 2021 (Unaudited)

<b><i>Recurring fair value measurements</i></b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>At June 30, 2021</b>				
<b>Current assets</b>				
Hedging derivatives - foreign currency options	\$ -	\$ 1,636,196	\$ -	\$ 1,636,196
<b>Current liabilities</b>				
Hedging derivatives - foreign currency options	-	(104,487)	-	(104,487)
<b>Total financial assets</b>	<b>\$ -</b>	<b>\$ 1,531,709</b>	<b>\$ -</b>	<b>\$ 1,531,709</b>

There were no transfers between levels for recurring fair value measurements during the period ended June 30, 2021.

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.

# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Condensed Financial Statements

For the six months ended June 30, 2021 (Unaudited)

## 8. Borrowings

At June 30, 2021 the contractual maturities of the Company's financial liabilities were as follows:

Contractual maturities of financial liabilities at June 30, 2021	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	\$ 28,607,086	\$ -	\$ -	\$ -	\$ -	\$ 28,607,086	\$ 28,607,086
Derivative instruments	104,487	-	-	-	-	104,487	104,487
Related party payables	4,345,880	-	-	-	-	4,345,880	4,345,880
Borrowings (including interest)	2,591,497	2,591,497	5,182,995	100,451,497	-	110,817,486	96,708,882
Leases (including interest)	675,793	675,793	1,351,586	4,054,758	15,691,674	22,449,604	14,336,225
	\$ 36,324,743	\$ 3,267,290	\$ 6,534,580	\$ 104,506,255	\$ 15,691,674	\$ 166,324,543	\$ 144,102,560

Contractual maturities of financial liabilities at December 31, 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	\$ 21,372,605	\$ -	\$ -	\$ -	\$ -	\$ 21,372,605	\$ 21,372,605
Related party payables	3,627,161	-	-	-	-	3,627,161	3,627,161
Borrowings (including interest)	2,598,855	2,598,855	5,197,710	108,465,420	-	118,860,840	96,674,253
Leases (including interest)	785,286	539,973	1,357,512	4,068,124	16,507,974	23,258,869	14,738,458
	\$ 28,383,907	\$ 3,138,828	\$ 6,555,222	\$ 112,533,544	\$ 16,507,974	\$ 167,119,475	\$ 136,412,477

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. 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, 2021, the Company's debt-to-equity ratio was 2.55 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, 2021, the Company's net indebtedness ratio was -6.39 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, 2021 the Company's free cash was negative \$112,324,371.

# Liberty One Methanol, LLC

(a wholly owned subsidiary of US Methanol, LLC)

Notes to Condensed Financial Statements

For the six months ended June 30, 2021 (Unaudited)

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 2021 was capitalized and is included in the CAPEX adjustments in the free cash calculation.

As of June 30, 2021, the Company was in compliance with all terms and default provisions related to its bonds. As of June 30, 2021, Net Indebtedness Ratio and Free Cash are not applicable as there were no distributions made by the Company during the period ended June 30, 2021.

## 9. Provisions

	<b>June 30, 2021</b>	December 31, 2020
Asset retirement obligation	\$ 13,063,679	\$ 9,110,114
Less current maturities	-	-
	<b>\$ 13,063,679</b>	<b>\$ 9,110,114</b>

### *(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, 2021 and December 31, 2020 the total undiscounted cash flows required to settle the liabilities (including inflation) were \$19.5 million and \$12.4 million, respectively. The movement in the provision during the year is explained as follows:

	<b>For the six months ended June 30, 2021</b>	For the year ended December 31, 2020
Balance at January 1	\$ 9,110,114	\$ 8,610,560
New provisions	3,862,464	367,315
Interest accretion	91,101	132,239
Balance at end of period	<b>\$ 13,063,679</b>	<b>\$ 9,110,114</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, 2021 (Unaudited)

## 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, 2021	December 31, 2020
Property, plant and equipment	\$ 26,269,796	\$ 57,177,035
Leases	8,171,678	9,017,214
	<b>\$ 34,441,474</b>	<b>\$ 66,194,249</b>

## 11. Finance income and costs by nature

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Net foreign exchange gains	\$ (1,056,508)	\$ (2,156,951)
Interest accretion on asset retirement obligation	91,101	98,075
Finance lease interest expense	111,351	410,770
Finance income and costs, net	<b>\$ (854,056)</b>	<b>\$ (1,648,106)</b>

## 12. Administrative expenses by nature

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Professional fees	\$ 171,626	\$ 256,323
Office expense	42,474	4,395
Legal	337,757	385,716
Travel	53,324	112
Management fees	2,013,708	1,708,440
Miscellaneous	49,320	27,383
Total administrative expenses	<b>\$ 2,668,209</b>	<b>\$ 2,382,368</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, 2021 (Unaudited)

## 13. Cost of sales of goods by nature

	<b>For the six months ended June 30, 2021</b>	For the six months ended June 30, 2020
Warehouse building rent	\$ 52,919	\$ 83,372
Utilities	1,504,939	705,632
Insurance	422,423	242,985
Variable leases	711,661	368,417
Depreciation expense	607,881	613,568
Total cost of sales of goods	\$ 3,299,823	\$ 2,013,974

## 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, 2021 or December 31, 2020.

## 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 at June 30, 2021.