2021

Annual Report

Draslovka a.s.

Draslovka

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Pavel Brůžek Jr.
Member of the Board

Letter from CEO

The year 2021 was a year of transformation for Draslovka. Against the backdrop of global challenges associated with the ongoing COVID-19 pandemic, the supply chain crisis, and the onset of the energy crisis in Europe, our team managed to bring two unusually ambitious and geographically unprecedented acquisitions over the finish line. After more than 100 years of organic growth of Draslovka, the group is now entering a completely new chapter and further strengthening our position as a leader in cyanide-based specialty chemicals, agricultural chemicals, and solutions for sustainable mining.

Unfortunately, even in 2021, we had to adapt our lives to the persistent pandemic of COVID-19. At Draslovka, we have implemented more than 50 systemic measures to eliminate the risk of infection, and these measures have been operationally modified and applied in relation to the turbulent evolution of the pandemic situation. Despite the unfavorable situation caused by COVID-19, Draslovka managed to ensure sufficient staffing and provided a safe working environment for all our employees and co-workers.

Our proprietary industry-leading technology in our European plant has given us a significant competitive advantage in the past decades. However, this does not change the fact that to create and execute a sound and most importantly sustainable global expansion strategy, it was necessary to expand production to other regions, and more importantly closer to our customers in high growth regions. This way can improve the environmental footprint of our supply chain while meeting the growing demand for our products and services. The Sasol Cyanide Business in South Africa, our first acquisition of the year 2021, proved to be the right first step towards this strategic expansion.

We believe the South African market offers significant long-term opportunities and the investment, both strategically as well as culturally, fits in well with the company's family business structure. Although our business units have long operated in South Africa, having our manufacturing facility locally will allow Draslovka to not only better serve the South African mining and associated industries but in the longer term, enhance South Africa's exports and provide greater access to Draslovka's leading agricultural materials and mining processes & solutions. As part of Draslovka's commitment to address the economic transformation objectives of South Africa, we have partnered with Navuka Investment Holdings as its broad-based black economic empowerment (B-BBEE) partner. Navuka will own 25% plus one share of the SA operations, Draslovka a.s. will own 75% minus one share and we will keep providing supporting services and licenses through Draslovka a.s.

and it's affiliates. Despite all the investment, innovation, technologies, and environmental benefits that we were intending to bring to South Africa through the acquisition of Sasol Sodium Cyanide business, in November 2021, the Competition Commission decided to prohibit the merger.

Draslovka is committed to its proposed investment, which includes the transfer of the Company's leading, state-of-the-art technology to the plant in Free State, Sasolburg, in order to increase production creating new jobs, improve the efficiency, stability, and reliability of the plant while also significantly reducing its carbon footprint. In addition to that, we strongly believe that our innovations in mining products & processes and agricultural products, services and technologies can significantly benefit South African industry and local communities.

These are the main reasons why we remain positive about our chances to receive consent from local authorities and be able to successfully close the acquisition of Sasol Sodium Cyanide Business. Therefore, we have appealed the decision at the Competition Tribunal and we will continue to actively engage with the Competition Tribunal to resolve all issues and concerns in 2022, so we can close the transaction in the year 2022 or 2023.

Another major milestone for our company was "carved into stone" on December 1st, as we completed an acquisition of Chemours Mining Solutions Business. For a long time, we watched with admiration not only for a stable and growing business with solid margins and a roster of strong customer relationships including a number of the world's top global mining companies. We admired the skills and dedication of the Chemours Mining Solutions team and I believe that the advanced manufacturing, packaging, and service capabilities and its end-to-end operational excellence, will benefit Draslovka's existing global portfolio. With this step, we welcomed more than 200 new employees to the Draslovka family and are now operating the biggest solid sodium cyanide manufacturing plant in the world.

I fully acknowledge that such fast growth through acquisition requires tremendous effort and dedication from our team and our partners. I would like to take this opportunity to thank them for all that they have done in 2021 and what they continue to do and sacrifice, in order to shape our future with the background of the COVID-19 pandemic and global conflicts. Change, cultural integration, learning, and innovation can be unpleasant sometimes and that is why not everyone is capable of doing so. And that is why I am so proud of our team, partners, and all the other stakeholders as they were not only restlessly working on the execution of our global growth strategy, but they were actively seeking innovation and growth opportunities themselves this year.

And that is the main reason why our trajectory of growth does not stop in the year 2021 and will continue going forward and as of 31st December 2021, we were working on another transformative acquisition, which we expect to close in 1st half of 2022, that is aimed to significantly expand our intelectual property and our capabilities in mining and leaching precious and essential base metals. We are excited that together with our new talents, we can focus on integrating our businesses, sharing the knowledge across the team as well as on the next strategic bolt-on M&As and on really bringing our leading R&D expertise and sustainable mindset into every corner of all five continents we operate on.

How Draslovka performed in 2021

Revenue

2021: **USD 121.3 mil.**

2020: **USD 75.1 mil.**

Adjusted Pro Forma EBITDA for the year*

2021: **USD 89.3 mil.**

3

Total Assets

2021: **USD 823.4 mil.**

2020: **USD 114.1 mil.**

Total Equity

2021: **USD 299.7 mil.**

2020: **USD 58.1 mil.**

Total Liabilities

2021: **USD 523.6 mil.**

2020: **USD 55.9 mil.**

Free Cash Flows

2021: **USD 24.6 mil.**

2020: **USD 4.1 mil.**

*Adjusted Pro Forma EBITDA is calculated as accounting profit or loss for the year adjusted mainly by:

- interest expense and income
- taxes, including income taxes and other tax or authority charges
- depreciation and amortization
- non-cash expense and income, including impairment and foreign exchange differences
- extraordinary charge and income determined by management
- costs incurred in connection with acquisition of the Mining Solutions business
- pro forma adjustment related to implementation of costs savings initiatives
- other pro forma adjustments

Adjusted Pro Forma EBITDA for the year 2021 is calculated as if the Mining Solutions business of The Chemours Company TT, LLC was acquired on 1 January 2021 and therefore it is an approximation that cannot be directly reconciled to the accompanying consolidated financial statements of Draslovka a.s.

4

Draslovka profile

4.1

Draslovka at a glance

For more than 100 years in Draslovka, the art of CN chemistry has been passed on from generation to generation. In its early days, the focus of the company lay in the research and development (R&D) and production of hydrogen cyanide, but an extensive line of next-generation CN-based products and services has since emerged. Today, Draslovka is recognized as a global leader in the R&D and production of CN-based chemicals. The chemicals Draslovka produces are used in a wide range of sectors, including agriculture, mining, automotive, and pharmaceuticals. Our products are also essential in the production of many items we use in our daily lives such as smartphones or vitamins.

We believe that the only right way forward is to develop products and practices that leave our planet better than it was yesterday. That is why we are committed to safely and efficiently producing the highest quality products. We never stop reinventing them. All this, however, would not be possible without the right team. We support every person in our organization to help them realize their full potential and lead our company forward to ensure the next 100 years of our history.

Draslovka really is a global company, with a family business approach. With more than 600 employees, business units in 7 territories and sales teams in more than 80 countries, we are providing our clients with the largest and most robust network of expert support.

“Reimagining
the CN family of chemicals”

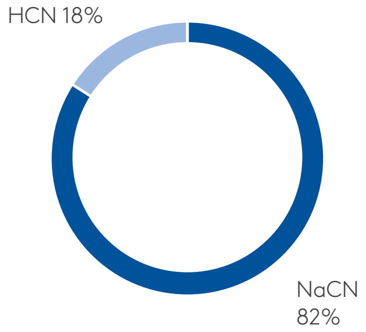
Global presence and diversified product offering

Memphis

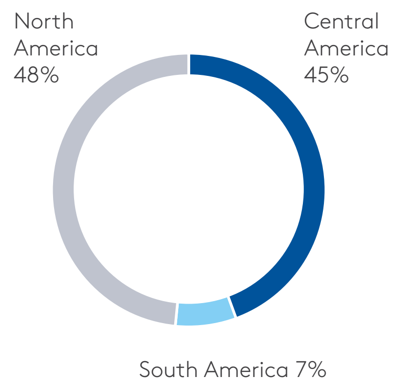
165

c.209

Revenue breakdown by product

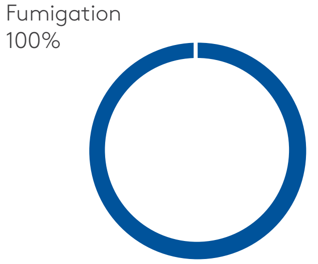


Revenue breakdown by region

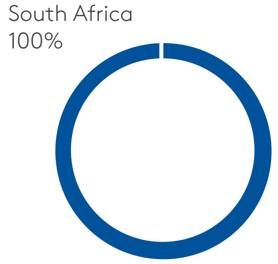


Draslovka RSA South Africa

c.59



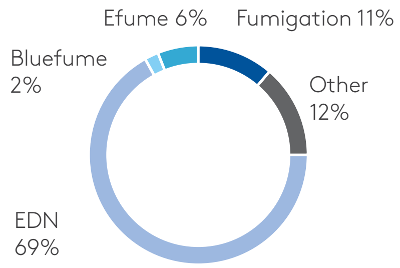
Revenue breakdown by product



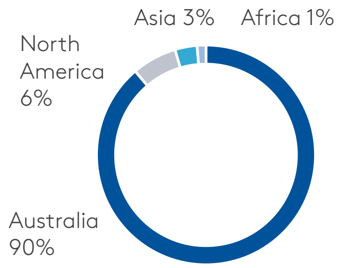
Revenue breakdown by region

Australia

c.11



Revenue breakdown by product



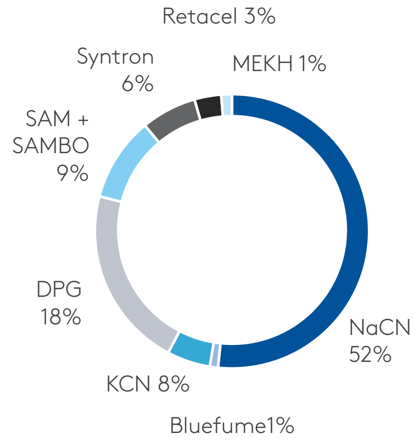
Revenue breakdown by region

Kolín

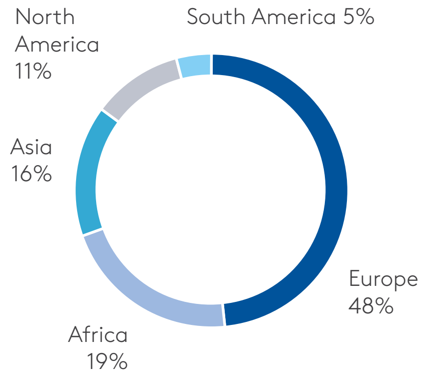
27

c.320

Revenue breakdown by product



Revenue breakdown by region



Capacity, ktpa (NaCN + HCN)

# of employees

4.3

Legal details of the Company and its shareholder structure

The company Draslovka a.s. has its registered office at Prague 6, Evropská 2758/11, Postal Code: 160 00. It is registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 26599, ID No.: 11786728 (hereinafter referred to as the "Company").

The Company was registered in the Commercial Register on 27 August 2021.

As at 31 December 2021, the company Draslovka Beta S.à r.l. is the sole shareholder of Draslovka a.s. and is under joint control of:	**Share (%)**
B3 Holding, s.r.o.	**500,595/2,000,595**
NP Finance s.r.o.	**1,350,000/2,000,595**
Cheval Finance s.r.o.	**150,000/2,000,595**

Shareholders' seats:

Draslovka Beta S.à r.l.
8-10 avenue de la Gare
L-1610
Luxembourg

B3 Holding, s.r.o.
Bílkova 862/16
Old Town
110 00 Prague 1
Czech Republic

Cheval Finance s.r.o.
Evropská 2758/11
Dejvice
160 00 Prague 6
Czech Republic

NP Finance s.r.o.
Evropská 2758/11
Dejvice
160 00 Prague 6
Czech Republic

Corporate Bodies

4.4

On 31 December 2021, the Company had a monistic system of internal structure and its organ was composed as follows:

Statutory body – Administrative Board

Pavel Brůžek Jr.
Chairman of the Board

Petr Pudil
Member of the Board

5

Values & Identity

Our Values

5.1

We constantly reimagine what is possible

- Creativity
- Problem-solving
- R&D focus
- Leading our industries forward
- Crossing traditional boundaries

We act like business owners

- Founder-led
- Personal approach
- Accountability
- Excellence
- Sustainability
- Long-term focus
- Rewarding performance
- Ambitious financial and business goals
- Importance of reputation for management

We put safety first

- Manufacturing
- Product delivery
- Environmental care with the “Leave no trace” ideal
- Lifecycle risk mitigation
- Full compliance with all national regulations and leaders in international best practices

We build strong relationships

- Customers
- Employees
- Suppliers
- Local communities
- Industry stakeholders
- We always do the right thing
- Transparency
- Ethical behavior
- Personal integrity
- Leveraging diversity
- Cultural tolerance and understanding

Draslovka's Identity

5.2

1

Focused on the future of our planet

Developing products and practices that leave our planet better than it was yesterday

2

A global supplier with a family business approach

Providing dedicated, personal service to our customers around the world

3

An international team driven by a shared vision

Working across geographies with a conscious ambition to be the best at what we do

4

Experts and innovators in chemistry

Reimagining what's possible with the CN family of chemicals providing our clients with the largest and most robust network of expert support

5

World leaders in manufacturing excellence

Committed to safely and efficiently producing quality products

6

Empowering our people

Supporting every person in our organization to help them realize their full potential and lead our company forward

6

Sustainability & Responsibility

At Draslovka, we acknowledge our responsibility to the environment and the people. That is the reason we are dedicated to continuously developing products and practices that leave our planet better than it was yesterday.

New generation of sustainable chemistry

"Drop-in replacement for archaic chemicals"

Imagine the perfect product for the agricultural and timber industry: It would not be a greenhouse gas or deplete the ozone layer. It would dilute very quickly and easily in the environment degrading to form non-harmful breakdown products. It would not remain as a residue in the environment nor would it accumulate in either the soil or in plants or animals. Imagine it being highly effective to a wide range of pest species spanning phytophthora, fungi, nematodes, and insects. This product would be an alternative to archaic and harmful substances, like Methyl Bromide.

These are exactly the properties of our next-generation fumigation and agricultural product: the EDN™

EDN™ was awarded the Solar Impulse Efficient Solution Award in 2020, as the independent experts found EDN™ to fully satisfy the Eligibility Criteria including the economic and environmental sustainability.

Health & Safety

"We put safety first"

Our original European production plant was set up in an isolated field outside the industrial city of Kolín, but as the city grew in the last decades, the plant found itself no longer in isolation, but as part of the inner city. These properties were driving Draslovka to implement the strictest and most up-to-date safety measures, in line with European regulations and international standards, to ensure the safety of both its employees and the residents of the area. And all these experiences are now reflected across geographies at all locations Draslovka is present.

Only complying with all regulations is not enough for us. We are always a step ahead in safety practices and actively contributing to the industry standards worldwide. That is why we were founding members of the International Cyanide Management Code - a voluntary initiative by members of the gold industry, including producers and transporters of cyanides used for gold mining purposes. We are also actively involved in the European Chemical Industry Council (CEFIC) and hold their certificate "Responsible Care – responsible chemical business".

Transparency & Ethics

"Conduct beyond reproach"

To enhance the trust of public and state safety organizations and as a demonstration of confidence in our internal safety mechanisms, we have developed a unique system SUPREMA that allows these organizations to access our safety and monitoring system, at any point in time.

Communities & Individuals

"We always do the right thing"

We build strong relationships with local communities. And when it is needed, we act quickly. An example is December 2020, when the municipal heating plant exploded in the city of Kolín, where our manufacturing plant in the Czech Republic is located.

Draslovka reduced its consumption to an operational minimum, shut down several appliances, and immediately began to supply all surplus steam in the volume of approximately 5-7 t/hour to the Kolín city heating system. This series of procedures covered the needs of households and other essential consumers including the Kolín Hospital during the COVID-19 emergency. Simultaneously our dedicated fire brigade unit was then on standby and ensured the safety of the city and the wider surroundings within the integrated rescue system while other fire brigade units were fighting the fire of the heating plant.

Education & Legacy

"Educating the next generation"

For more than 100 years in Draslovka, the art of chemistry has been passed on from generation to generation. Today more than ever, the focus of every responsible company should be to help our children, our next generation, to access the best possible education in science, to overcome the challenges of the future.

Draslovka has a long history of supporting the programs, that help young chemists to get hands-on experiences in our facilities, to help them learn all necessary practical skills. Apart from partnering with chemical engineering programs and schools in our communities, we actively contribute to the competitions that are seeking the most talented individuals and help them reach their full potential. That is the only way to continue the legacy of innovation in chemistry.

7

Our performance

Our performance

The Board of Directors of Draslovka a.s., ID No.: 11786728, with registered office at Prague 6, Evropská 2758/11, Postal Code: 160 00, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 26599 (hereinafter referred to as the "Company"), has prepared the following report on the business activities of the consolidation unit, which as at 31 December 2021 consists of the Company as the consolidating entity and the following subsidiaries and joint ventures:

(in USD thousand)	Place of establishment and place of business	Equity interest in voting rights
Draslovka Holding South Africa Proprietary Limited	South Africa	100 %
Draslovka South Africa Proprietary Limited	South Africa	74.9%
Draslovka Holding Alpha a.s.	Czech Republic	100 %
Draslovka Holding a.s.	Czech Republic	100 %
Lučební závody Draslovka a.s. Kolín	Czech Republic	100 %
Manchester Acquisition Sub LLC	USA	100 %
Covoro Mining Solutions LLC	USA	100 %
Draslovka Holding Mexico, S. de R.L. de C.V.	United Mexican States	100 %
Covoro Mining Solutions Mexicana, S. de R.L. de C.V.	United Mexican States	100 %
Covoro Mining Solutions Canada Holding Company	Canada	100 %
Covoro Mining Solutions Canada Company	Canada	100 %
Draslovka Chile Limitada	Republic of Chile	100 %
DRASLOVKA SERVICES Pty	Australia	100 %
DRASLOVKA SERVICES RSA (PTY) LTD	South Africa	42.5 %
DRASLOVKA SERVICES AFRICA (Pty) Ltd	South Africa	100 %
DRASLOVKA SERVICES NZ LIMITED	New Zealand	100 %
Draslovka Services India Private Limited	India	85 %
Manchester Acquisition Corp.	USA	100 %

(hereinafter referred to as the **"Draslovka"**).

7.1

Economic results

For the financial year ended 31 December 2021, Draslovka generated a loss of USD 8.6 mil.
Of which:

1 **operating loss: USD 6.4 mil.,**

2 **financial loss: USD 2.9 mil.,**

3 **Income tax benefit: USD 0.8 mil.**

The operating loss is mainly determined by sales of products and services in the amount of USD 121.3 mil., cost of sales in the amount of USD 106.9 mil., administrative expenses being USD 22.1 mil., operating income USD 2.7 mil. and operating expenses USD 1.5 mil.

Consolidated Adjusted Pro forma EBITDA of Draslovka for 2021 amounted to USD 89.3 mil.

7.2

Information on the condition of assets

Total assets amounted to USD 823.4 mil. Of the total assets as at 31 December 2021, USD 675.5 mil. were non-current assets and USD 147.9 mil. were current assets. Of the total non-current assets, USD 374.9 mil. were property, plant and equipment, USD 86.0 mil. was goodwill, USD 109.0 mil. were other intangible assets, USD 96.0 mil. was restricted cash and USD 9.6 mil. other non-current assets. Of the total current assets, USD 45.2 mil. were inventories, USD 47 mil. were trade receivables, USD 13.6 mil. were other current non-financial assets, cash and cash equivalents totaled to USD 36 million, USD 6.1 mil. were other current financial assets.

The equity of Draslovka of USD 299.7 mil. was increased in 2021 by contribution to other capital funds made by sole shareholder in the amount of USD 252.0 mil.

Non-current liabilities increased by USD 402.2 mil. to USD 431.9 mil. as at 31 December 2021 mainly due to the new long term bank financing.

Trade payables increased by USD 60.6 mil. compared to the previous financial year.

The Company has not acquired its own shares.

Other than the information set out in this Annual Report, the Company has no other information to disclose as required by law.

7.3 Business activity

Draslovka is primarily engaged in chemical manufacturing and distribution. Its production is located in Kolín, Czech Republic, EU and Memphis, TN, United States of America. Draslovka expects to continue these activities in the future.

7.4 Labor relations

Draslovka had a total of 542 employees as at 31 December 2021.

7.5 Environmental protection

Draslovka's guiding principles include protecting the environment for future generations and conducting business with this priority in mind. All development activities are designed and implemented to minimize the impact of Draslovka's production and operations on the surrounding environment.

An integral part of reducing Draslovka's impact and environmental footprint is energy management and in particular a new way of using surplus steam to generate electricity. The implementation of an energy efficiency plan has benefited both the environment and enabled Draslovka to actively manage its energy use while improving its reputation with business partners and government authorities.

In 2021, Draslovka successfully passed two large-scale inspections by government authorities to check compliance with the conditions of the integrated permit and an integrated inspection for the prevention of major accidents. None of the inspection bodies (the Czech Environmental Inspectorate, the Regional Authority of the Central Bohemian Region, the Regional Labour Inspectorate, the Fire Brigade, and the Regional Hygiene Station) found any breaches of legislative requirements.

In December 2021, an update of the safety report was submitted to the Central Bohemian Regional Authority, prepared by 224/2015 Coll., as amended, on the prevention of major accidents caused by selected hazardous chemical substances or chemical mixtures.

The protection of the environment, the creation of safe and healthy working conditions for employees and their continuous improvement, including the prevention of serious accidents, are among the highest priorities of Draslovka. The principles of environmental behavior are set out in the Integrated Management System Policy. The Major Accident Prevention Policy is part of the approved safety documentation. All of Draslovka's manufacturing and non-manufacturing activities are conducted in such a way as to ensure that there are no breaches of the legal requirements and other commitments to which Draslovka subscribes under the Cyanide Management Code and the Responsible Care programme, which is implemented through the Chemical Industry Association of the Czech Republic.

7.6 Research and development and technical development

The main task of technical development was to collaborate on HCN, cyanide and energy modernisation, intensification and optimisation programmes.

Consolidation management also pursued the optimization of EDN technology and capacity. Based on the development of the specialty chemical programs and the limited production capacity for their production, a gradual capital increase was planned for 2021.

The project is scheduled for completion in the first half of 2022. The research continued with the development of HCN and EDN-based molecules and electroplating agents. Some products have already been semi-operatively tested. The management of Draslovka regularly assessed the status of registration and labelling of products of Lučební závody Draslovka a. s. Kolín, including upcoming legislative changes in REACH registrations or safety data sheets. Studies on the effect of CN group on reproductive toxicity and endocrine disruption were also evaluated. The results will be used for fumigant or REACH registration.

The management of Draslovka reviewed the development of fumigant registration in each country on a monthly basis. The pending registration decision for New Zealand were not completed in 2021 due to COVID-19 and were postponed to 2022.

7.7

Subsequent events

COVID-19

7.7.1

The existence of the novel coronavirus causing the COVID-19 disease was confirmed in early 2020 and has spread globally. The pandemic and especially the restrictive measures taken in order to mitigate the health impacts have caused disruptions to businesses and economic activities and have affected Draslovka's operations in the years ending 31 December 2020 and 2021.

Companies in the Czech Republic, United States, Australia, South Africa and other countries were not endangered equally by the 2021 pandemic. Biggest impact has been seen Draslovka Services Pty Ltd in Australia (DSAU).

7.7.1.1
Australia (hereinafter referred to as the "DSAU")

The first wave of the COVID epidemic (Q1 of 2020) had relatively little impact on the sales, but unlike in Europe, the second wave started earlier (June-July 2020) and had noticeable effects at the end of the first half of the year as individual states were closed. Lockdowns followed in the autumn months and the whole market was de facto paralyzed.

The year 2021 was absolutely critical in this context, as repeated lockdowns both within the Australian states (Victoria, New South Wales, Western Australia) continued and the closure of interstate borders occurred. Therefore, for example, it was not possible to carry out contracts nor in Western Australia neither in New South Wales (the whole realization team is originally located in Victoria).

DSAU received financial support from the Australian government in the form of an interest-free loan (so-called Cash Flow Boost) in the total amount of USD 0.1 mil. This loan was provided gradually during 2020 and was repaid in December 2021.

7.7.1.2
Czech Republic (Lučební závody Draslovka a.s. Kolín), EU

In relation to the epidemiological situation of COVID-19, the Lučební závody Draslovka a.s. Kolín (hereinafter referred to as the "LZD") Crisis Team (appointed by order of the Director General (DG)) also met in 2021.

This team was led by the Director General with the participation of all professional directors and staff representatives from key areas such as Health & Safety, Operations and Maintanance, economic administration, maintenance implementation and Human resources.

In 2021, a total of 29 meetings of this crisis team were held to continuously monitor and assess the potential risks related to the coronavirus epidemic, including subsequent proposals and implementation of immediate measures towards key areas on which the continuity of the LZD operations usually depended, in particular the personnel and supplier-customer relations areas.

The procedures and responsibilities for dealing with the COVID-19 crisis situation at the LZD were progressively formulated in "ODG (Order of Director General) 11-20 Dealing with the COVID-19 crisis situation at the LZD." This order of the General Manager is binding for all employees at Draslovka Lučební závody a.s. Kolín and all external persons entering the company premises. The scope of the measures is operatively updated in relation to the development of the epidemiological situation and the situation in LZD. All employees and external contractors are demonstrably familiar with the document. In this context, the company has ensured that employees are informed about the issue in the form of information on reception notice boards, in the premises, on TV screens and by e-mail messages.

The crisis team has progressively implemented more than 50 systemic measures to eliminate the risk of COVID-19 infection in LZD. These measures were operationally modified and applied in relation to the evolution of the epidemiological situation.

Among the most important ones, we briefly mention the following:

- restriction of personal contacts inside and outside the company
- limiting the number of people in common areas (reception, canteen, cloakrooms, etc.)
- increased security at peak times
- escorting trucks on the premises, including assistance with administration
- disinfection of areas with increased movement of people or suspected contamination
- purchase and installation of germicidal lamps
- distribution of protective equipment, vitamins, disinfection
- free antigen testing
- internal tracing of employees in relation to possible infection
- home office support where this is not possible employer barriers
- seating arrangements and mechanical barriers in the common dining room
- arrangements for returning from a holiday or business trip abroad
- and other ...

The company, and in particular the production department, has developed four-stage scenarios to ensure the continuous operation of all production facilities in the event of an outbreak and temporary quarantine of managers or their representatives or a large number of operators. During 2021, a maximum of two scenario stages were activated, with a maximum of 4 workers absent from each plant at the same time. During the quarantine period, managers or their deputies were able to provide partial management of the operations in home office mode.

By implementing several measures, the impact of COVID-19 on the company's operations was minimized. Staffing was maintained in relatively good health and all processes were not significantly disrupted by the epidemic. Absenteeism caused by the incapacity of quarantined or isolated employees was covered by other employees in such a way that the process of operations was not compromised, but necessarily at the cost of an increase in overtime, especially in the production part of the company.

Despite the unfavorable epidemiological situation, the company has managed to ensure sufficient staffing levels. The staffing situation was stable in 2021. As a result of the quarantine measures, there was a significant increase in sick leave for LZD employees.

Also in 2021, the company benefited from the possibility of Antivirus support, which consists of partial compensation of the employer's wage costs in connection with the ordering of quarantine measures for an employee. The contribution was provided at 80% of the cost, including deductions. The company drew an amount of USD 20.9 thousand for the period 2021.

War in Ukraine

7.7.2

In February 2022, ongoing political tensions between Russia and Ukraine escalated into conflict with Russia's military invasion of Ukraine. The global response to Russia's violations of international law and aggression against Ukraine was the imposition of extensive sanctions and restrictions on business activity. We consider these facts to be disingenuous subsequent events. The overall impact of recent developments has been manifested in increased volatility in financial and commodity markets and other consequences for the economy. Business risks including the adverse impact of economic sanctions imposed on Russia, business disruption (including to supply chains), increased incidence of cyber-attacks, the risk of legal and regulatory breaches and many others are difficult to assess and their overall impact and potential effects are unknown at this time.

Negligible impact on Operations

Following the invasion, Draslovka immediately issued force majeure notices to all of its clients and distributors in the Russian Federation and discontinued any product supplies to the country. Draslovka does not buy any raw materials from Russian suppliers. Due to the escalating conflict, Draslovka took the difficult but safety-driven decision to pause supply to the small number of Ukraine-based clients. Expected sales to Russia were about USD 1.0 mil., roughly 1% of European operations, and nothing from US operations. Overall, this means Draslovka has less than 0.3% revenue exposure to Russia and Ukraine region.

Draslovka does not import any raw materials from the region.

Minimal EBITDA impact

While we do not allocate EBITDA specifically, the products that are normally sold in the Russian market are agricultural products. The EBITDA for these products tends to be average or below average EBITDA margin levels. So we expect there to be an impact of no more than 0.3% of EBITDA.

Draslovka assets

Draslovka has no physical assets in Russia or in Ukraine. Draslovka has intangible assets in Russia, such as product registrations. These are held at book value of at around USD 0.56 mil., and so are negligible. We do not expect these to be affected as these are investments into the product registrations and the service, documentation and data connected to the registration process. Under current predictions, the registration is not expected to not be threatened/adjusted in case there will be ongoing conflict between Russia and EU/US. In terms of exposure ratio, this is roughly 0.9% in Draslovka EU and around 0.1% as a whole Draslovka's.

Draslovka has no local production in Russia or Ukraine neither any local facilities from Russian banks. Draslovka has traditionally avoided exposure to Russia and there is no acquisition planned in the future there as well.

7.7.3

Energy crisis in Europe

In March 2022, the management of LZD had to response to the significant growth in input costs experienced following the invasion of Ukraine by the Russian Federation and had to temporarily reduce production of sodium cyanide (NaCN) to a minimum level. NaCN production costs in Europe have almost trebled in 2022 due to the impact that the invasion and subsequent global trade sanctions had on the prices of the energy and materials used. LZD are re-focusing on other products that are less affected by the recent energy volatility or whose prices have increased proportionally to this unprecedented increase in production cost. The products include KCN, DPG, Chelates and other chemical specialties. The seamless supply of NaCN to the customers remains stable. Draslovka Mining Solutions plant in the United States of America is unaffected by this decision and will be fully utilized to ensure the ongoing supply to Draslovka's customers. Due to the flexibility of Draslovka's European production portfolio, Draslovka expects a relatively small financial impact of the decision on the business as a whole.

New acquisitions

7.7.4

7.7.4.1.

Sasol South Africa Limited

On 26 November 2021, South African Competition Commission published a decision to prohibit Draslovka's acquisition of Sasol South Africa Limited's ("Sasol") Sodium Cyanide business.

Draslovka is committed to its proposed investment, which includes the transfer of the Company's leading, state-of-the-art technology to the plant in Free State, Sasolbourg,
in order to increase production,
improve the efficiency,
stability,

and reliability of the plant while also significantly reducing its carbon footprint. In the longer-term, Draslovka also aims to add to its end markets in the South African mining industry by exporting across Africa to meet the growing demand for various CN-based chemical products and services. The Company is committed to improving the environmental and social responsibility credentials of all its businesses.

The planned USD 50 million investment into the plant would create new jobs in Sasolbourg and improve the Republic of South Africa's balance of trade by both establishing the local manufacturing of specialty chemicals products which are currently imported and through the exporting of Draslovka's broader portfolio of products and services from South Africa to a range of markets around the world.

As previously indicated, Draslovka will address the economic transformation objectives of South Africa, it has partnered with Navuka Investment Holdings as its broad-based black economic empowerment (B-BBEE) partner. Navuka Investment Holdings will own 25% plus one share of Draslovka South Africa Proprietary Limited.

In 2021, the Company deposited USD 96,022 thousand on escrow account in ČSOB bank in relation to Sasol acquisition. On 4 February 2022, USD 93,622 thousand from this amount was released back to Draslovka.

The Company also repaid the related party loan of USD 96,000 thousand and related interest during January to April 2022.

7.7.4.2. Mining and Process Solutions Pty Ltd

In April 2022, Draslovka acquired Mining and Process Solutions Pty Ltd (further "MPS") in Australia for USD 15,038 thousand. The acquisition of MPS adds an environmentally sustainable solution for the extraction of a number of precious metals, as well as copper, nickel, and cobalt, to Draslovka offering. MPS holds an exclusive licensing agreement with Curtin University for the glycine leaching process, allowing ongoing support and access to the latest research being progressed.

The acquisition will allow Draslovka to supply a highly competitive and environmentally sustainable offering to the global market for the metals utilized in the digitalisation of the economy and the transition to electromobility.

As glycine leaching provides a viable solution in sensitive environmental locations where other forms of leaching are not appropriate, the acquisition will add significantly to Draslovka's diverse mining solutions product portfolio and allow the business to service customers in a broad range of regulatory situations.

Glycine is a non-toxic chemical that is fully bio-degradable. Glycine is a readily available chemical that is manufactured in large quantities in the USA, Germany, Japan, China, and India. Among the common manufacturing processes to obtain glycine is combining formaldehyde and ammonia along with hydrogen cyanide (HCN), a key product of Draslovka.

7.7.5

Changes in the Commercial register

On 2 May 2022, the Company changed its system of internal structure from monistic to dualistic system and the following persons were appointed as members of Board of Directors:

Petr Pudil
Chairman of the Board of Directors

Pavel Brůžek Jr.
Member of Board of Directors

Jonas Mitzschke
Member of Board of Directors

Anita Orbán
Member of Board of Directors

Gregory Ronald Warren
Member of Board of Directors

Supervisory Board consists from 2 May 2022 of the following members:

Pavel Brůžek Sr.
Chairman of the Supervisory Board

Jan Dobrovský
Member of the Supervisory Board

Vasil Bobela
Member of the Supervisory Board

Petr Brůžek
Member of the Supervisory Board

On 2 May 2022, the Articles of Association of the Company were changed to reflect future issue of 3,351 A Shares in the nominal value of USD 91 thousand (CZK 2 million) each and 298,000,000 B Shares in the nominal value of USD 0.0455 (CZK 1) each. The transferability of Shares A is restricted by the consent of the General Meeting and the pre-emptive rights of shareholders holding Shares A. There are no voting rights attached to Shares B, except to the extent that they acquire voting rights in the cases specified in the Corporations Act (90/2012 Coll.). The transferability of Shares B is restricted by the approval of the Board of Directors and the pre-emptive rights of the shareholders holding Shares A and Shares B.

Prague, 20 June 2022
For Draslovka a.s.

Pavel Brůžek
Member of the Board

Petr Pudil
Chairman of the Board

8

Consolidated Financial Statements

Consolidated Statement of Financial Position

as of 31 December 2021

in USD thousand	Note	31 Dec 2021	31 Dec 2020	1 Jan 2020
ASSETS				
Property, plant and equipment	4	374,868	70,370	59,944
Right-of-use assets	4	745	702	531
Goodwill	5	85,992	795	796
Other intangible assets	4	108,974	9,914	7,957
Investments in joint ventures	6	906	47	44
Restricted cash	7	96,022	--	--
Other non-current financial assets	7	2,598	47	--
Deferred income tax asset	25	5,354	--	--
Total non-current assets		**675,459**	**81,875**	**69,272**
Inventories	8	45,219	10,986	10,256
Trade receivables	9	46,921	8,650	8,620
Other current financial assets	10	5,695	234	265
Other current non-financial assets	11	13,606	1,777	1,194
Current income tax prepayments	25	379	--	--
Cash and cash equivalents	12	36,071	10,567	7,825
Total current assets		**147,891**	**32,214**	**28,160**
TOTAL ASSETS		**823,350**	**114,089**	**97,432**

in USD thousand	Note	31 Dec 2021	31 Dec 2020	1 Jan 2020
LIABILITIES AND EQUITY				
Share capital	13	315,630	--	--
Share premium	13	168,726	--	--
Other capital funds	13	252,030	--	--
Accumulated losses	13	(17,275)	(8,728)	(16,409)
Capital reorganisation reserve/(deficit)	13	(419,333)	64,931	70,444
Currency translation reserve	13	(46)	2,079	(1,007)
Equity attributable to owners of the Company		**299,732**	**58,282**	**53,028**
Non-controlling interest	28	1	(116)	(157)
Total equity		**299,733**	**58,166**	**52,871**
Non-current financial liabilities	14	429,090	27,166	21,131
Deferred income tax liability	25	2,831	2,525	2,431
Total non-current liabilities		**431,921**	**29,691**	**23,562**
Trade payable	15	72,985	12,391	9,947
Other current financial liabilities	16	7,706	8,884	7,648
Other current non-financial liabilities	17	9,804	4,442	2,343
Current income tax payable	25	1,113	421	1,017
Provisions	18	88	94	44
Total current liabilities		**91,696**	**26,232**	**20,999**
TOTAL LIABILITIES AND EQUITY		**823,350**	**114,089**	**97,432**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

in USD thousand	Note	2021	2020
Revenue	19	121,344	75,142
Cost of sales	20	(106,876)	(62,122)
Gross profit		**14,468**	**13,020**
Administrative expenses	21	(22,074)	(2,975)
Other operating income	22	2,650	474
Other operating expenses	23	(1,483)	(689)
Operating profit / (loss)		**(6,439)**	**9,830**
Finance income	24	1,433	129
Finance costs	24	(4,333)	(948)
Net finance costs		**(2,900)**	**(819)**
Profit / (loss) before income tax		(9,339)	9,011
Income tax (expense) / benefit	25	784	(1,423)
Profit / (loss) for the year		**(8,555)**	**7,588**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation of financial statements of foreign operations to presentation currency	13	(2,125)	3,086
Other comprehensive income / (loss) for the year		(2,125)	3,086
Total comprehensive income / (loss) for the year		**(10,680)**	**10,674**
Profit / (loss) for the year attributable to:			
Owners of the Company		(8,547)	7,588
Non-controlling interest		(8)	--
Total comprehensive income / (loss) for the year attributable to:			
Owners of the Company		(10,672)	10,674
Non-controlling interest		(8)	--

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

in USD thousand	Share capital	Share premium	Other capital funds	Capital reorganisation reserve/ (deficit)	Currency translation reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interest	Total equity
As at 1 January 2020	**--**	**--**	**--**	**70,444**	**(1,007)**	**(16,409)**	**53,028**	**(157)**	**52,871**
Profit for the year	--	--	--	--	--	7,588	7,588	--	7,588
Other comprehensive income for the year	--	--	--	--	3,086	--	3,086	--	3,086
Total comprehensive income for the year	**--**	**--**	**--**	**--**	**3,086**	**7,588**	**10,674**	**--**	**10,674**
Transactions with owners:									
Distribution from other capital funds (Note 13)	--	--	--	(5,318)	--	--	(5,318)	--	(5,318)
Non-controlling interest acquisition (Note 13)	--	--	--	(195)	--	--	(195)	41	(154)
Difference between initial fair value and proceeds received from interest free loans (Note 14)	--	--	--	--	--	140	140	--	140
Deferred tax from difference between initial fair value and proceeds received from interest free loans (Note 25)	--	--	--	--	--	(47)	(47)	--	(47)
As at 31 December 2020	**--**	**--**	**--**	**64,931**	**2,079**	**(8,728)**	**58,282**	**(116)**	**58,166**
As at 1 January 2021	**--**	**--**	**--**	**64,931**	**2,079**	**(8,728)**	**58,282**	**(116)**	**58,166**
Loss for the year	--	--	--	--	--	(8,547)	(8,547)	(8)	(8,555)
Other comprehensive loss for the year	--	--	--	--	(2,125)	--	(2,125)	--	(2,125)
Total comprehensive loss for the year	**--**	**--**	**--**	**--**	**(2,125)**	**(8,547)**	**(10,672)**	**(8)**	**(10,680)**
Transactions with owners:									
Contribution in cash (Note 13)	92	--	252,030	--	--	--	252,122	--	252,122
Capital reorganisation (Note 13)	315,538	168,726	--	(484,264)	--	--	--	--	--
Non-controlling interest increase (Note 28)	--	--	--	--	--	--	--	5	5
Disposal of subsidiary (Note 28)	--	--	--	--	--	--	--	120	120
As at 31 December 2021	**315,630**	**168,726**	**252,030**	**(419,333)**	**(46)**	**(17,275)**	**299,732**	**1**	**299,733**

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

in USD thousand Cash flow from operating activities	Note	2021	2020
Profit / (loss) before income tax		(9,339)	9,011
Adjustments for:			
Depreciation of property, plant and equipment, right of use assets and amortization of intangible assets	20	14,107	8,924
(Gain) / loss from sale of property, plant and equipment	22, 23	145	(43)
Net interest expenses	24	4,152	259
Impairment of inventories and financial assets	20, 22	(21)	29
Revaluation of derivatives	10	223	(140)
Net gain from disposal of subsidiary	23	(484)	--
Unrealized foreign exchange differences	26	(1,900)	803
Other non-cash transaction	26	(22)	--
Changes in working capital, net of effects from acquisition and disposal of subsidiaries:			
Changes in trade and other receivables	9,10	(26,433)	116
Changes in inventories	8	(1,545)	(95)
Changes in trade and other liabilities	15,16	28,935	2,292
Income taxes paid	25	(2,011)	(2,164)
Net cash inflow / (outflow) from operating activities		**5,807**	**18,992**

in USD thousand Cash flow from investing activities	Note	2021	2020
Payments for the acquisition of property, plant and equipment	4	(23,202)	(14,955)
Proceeds from sales of property, plant and equipment	4, 22, 23	13	86
Payments for the acquisition of intangible assets	4	(1,371)	(1,118)
Loans provided to related parties	7	--	(47)
Payment for acquisition of subsidiary, net of cash acquired	28	(508,048)	--
Proceeds from disposal of subsidiary on loss of control	28	39	--
Net cash outflow on sale of interest in subsidiary resulting in loss of control	28	(181)	--
Interest income received	24	2	43
Net cash (outflow) from investing activities		**(532,748)**	**(15,991)**
Cash flow from financing activities			
Contribution to other capital funds	13	252,122	545
Distribution of other capital funds	13	--	(5,863)
Acquisition of non-controlling interest	28	--	(154)
Non-controlling interest contribution	28	5	--
Proceeds from borrowings	14	350,870	15,898
Repayment of borrowings	14	(50,800)	(8,837)
Repayment of principal of lease liabilities	14	(147)	(187)
Interest paid	14	(483)	(302)
Net cash inflow from financing activities		**551,567**	**1,100**
Net increase in cash and cash equivalents		24,626	4,101
Cash and cash equivalents at the beginning of the year	**12**	**10,520**	**5,968**
Foreign exchange gain / (loss) on cash and cash equivalents		900	451
Cash and cash equivalents at the end of the year	**12**	**36,046**	**10,520**

8.1

General information

These consolidated financial statements of Draslovka a.s. (further "the Company") and its subsidiaries (further "the Group") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

The Company is seated in the Czech Republic, Prague, Dejvice, Evropská 2758/11. The Company was registered in the Commercial Register on 27 August 2021.

The Company is joint-stock company and its tax domicile is in Czech Republic.

The Company's incorporation

In 2021, the Group underwent a capital reorganisation. The following companies were newly incorporated: Draslovka Holding Alpha a.s., Draslovka a.s., Draslovka Beta S.à.r.l., Draslovka Alpha S.à.r.l., Draslovka Global Holding a.s. and Draslovka Invest a.s. Draslovka Invest a.s. is under joint control of B3 Holding, s.r.o. (25.0%), NP Finance s.r.o. (67.5%) and Cheval Finance s.r.o. (7.5%) (refer to Note 13).

Draslovka Invest a.s. was established on 18 August 2021. Draslovka Invest a.s. as the sole shareholder incorporated Draslovka a.s. 23 August 2021. Draslovka a.s. as the sole shareholder incorporated Draslovka Holding Alpha a.s. 30 August 2021.

Draslovka Invest a.s. became a parent company of Draslovka Holding a.s. on the basis of the Agreement on the terms of granting voluntary non-cash contribution concluded 12 October 2021 with B3 Holding, s.r.o., NP Finance s.r.o. and Cheval Finance s.r.o., the subject of which were the shares of Draslovka Holding a.s. Subsequently Draslovka Invest a.s. contributed the shares of Draslovka Holding a.s. to Draslovka a.s. 20 October 2021. Draslovka a.s. then contributed the shares of Draslovka Holding a.s. to its subsidiary Draslovka Holding Alpha a.s. 25 October 2021.

On 21 December 2021, Draslovka Invest a.s. contributed shares in Draslovka a.s. to Draslovka Global Holding a.s. On 31 December 2021, Draslovka Global Holding a.s. contributed shares in Draslovka a.s. to Draslovka Alpha S.à.r.l. On 31 December 2021, Draslovka Alpha S.à.r.l. contributed shares in Draslovka a.s. to Draslovka Beta S.à.r.l.

Group activities

The Group is primarily engaged in chemical production and distribution. Its production is located in the United States and the Czech Republic.

On 26 July 2021, the Group has acquired the Mining Solutions business of The Chemours Company. Chemours Mining Solutions operates the largest solid sodium cyanide plant in the world in Memphis, Tennessee, with a market presence in Mexico, Canada and South America. The transaction was effective as of December 1, 2021. The acquisition was funded by USD 348 million syndicated Term Loan B in November 2021 via sole bookrunner J.P. Morgan and equity contribution from existing shareholders (refer to Note 28).

During 2021, the Group has stable cash flows with secured financing for its operating and investment needs.

The existence of the novel coronavirus causing the COVID-19 disease was confirmed in early 2020 and has spread globally. The pandemic and especially the restrictive measures taken in order to mitigate the health impacts have caused disruptions to businesses and economic activities and have affected the Company's operations in the years ending 31 December 2020 and 2021.

Companies in the Czech Republic, the United States, Australia, South Africa and other countries were not equally impacted by the pandemic. The biggest impact has been seen on Draslovka Services Pty Ltd in Australia.

Draslovka Services Australia

The first wave of the COVID-19 epidemic (the first quarter of 2020) had relatively little impact on the sales, but unlike in Europe, the second wave started earlier (June-July 2020) and had noticeable effects at the end of the first half of the year 2020 as individual states were closed. Lockdowns followed in the autumn months and the whole market was de facto paralysed.

The year 2021 was absolutely critical in this context, as repeated lockdowns both within the Australian states (Victoria, New South Wales, Western Australia) continued and the closure of interstate borders occurred. Therefore, for example, it was not possible to carry out contracts in Western Australia or in New South Wales (the whole Draslovka realization team is originally located in Victoria).

Draslovka Services Pty Ltd received financial support from the Australian government in the form of an interest-free loan (so-called Cash Flow Boost) in the total amount of USD 100 thousand. This loan was provided gradually during 2020 and was repaid in December 2021.

Lučební závody Draslovka Kolín

By implementing several measures, the impact of COVID-19 on the company's operations was minimized. Staff was maintained in relatively good health and all processes were not significantly disrupted by the epidemic. Absenteeism caused by the incapacity of quarantined or isolated employees was covered by other employees in such a way that the process of operations was not compromised, but necessarily at the cost of an increase in overtime (especially in the production part of the company). As a result of the quarantine measures, there was a significant increase in sick leave for employees.

Also in 2021, the company benefited from the possibility of government Antivirus support, which consists of partial compensation of the employer's wage costs in connection with the ordering of quarantine measures for an employee. The contribution was provided at 80% of the cost, including deductions. The Company drew an amount of USD 21 thousand for the period 2021.

8.1.1 Adoption of new standards, novels, amendments and interpretations of existing standards

The standards and interpretations listed below have become effective since 1 July 2020 for annual periods beginning on or after 1 January 2021.

The following amendments became effective as at 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- COVID-19-Related Rent Concessions beyond 30 June 2021 Amendment to IFRS 16

The adoption of the above standards, amendments and interpretations during the period did not have a material impact on the disclosures or amounts reported in these financial statements. The Group does not have any arrangements which would be materially influenced by the Interest Rate Reform. Loans are not based on IBOR discount rate.

The Company has not adopted any standard or interpretation prior to their effective date.

As at the date of preparation of the financial statements, the following standards and interpretations have been issued, which have not yet been put into effect and which the Group has not early adopted.

Standards and interpretations effective for periods beginning on or after 1 January 2022:

- IFRS 3 – Amendments to IFRS 3 – Reference to the Conceptual Framework for Financial Reporting
- IAS 16 – Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- IAS 37 – Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

Standards and interpretations effective for periods beginning on or after 1 January 2023:

- IAS 1 – Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

For IFRS 10, IAS 28 – Amendments of IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, the effective date will be set.

The Group's management anticipates that the adoption of these standards, novels and interpretations in the following periods will not have a significant impact on the Group.

IFRS first-time adoption

The Group including its parent prepares its first IFRS financial statements and adopts IFRS by including an explicit and unreserved statement of compliance with all IFRSs.

The Group became a first-time adopter later than its subsidiary Draslovka Holding a.s. (and the subgroup under control of Draslovka Holding a.s.). The Group in its consolidated financial statements measures the assets and liabilities of the subsidiary Draslovka Holding a.s. (and the subgroup beneath it) at the same carrying amounts as in the consolidated financial statements of the subgroup. No adjustments to the carryover carrying amounts have been made, because under the capital reorganisation accounting no fair value or other business combination uplifts should be recognised. The Company didn't apply any other voluntary exemptions from IFRS 1 except for this one described.

The Group didn't prepare consolidated financial statements under other GAAP than IFRS, therefore no reconciliations from previous GAAP is disclosed.

8.2 Accounting policies

8.2.1 Basis of preparation of the financial statements

The consolidated financial statements, including the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes, are prepared in accordance with IFRS based on historical cost, except for financial instruments measured at fair value.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise its judgment in the process of applying the Group's accounting policies. Amounts in the consolidated financial statements, including the notes, are stated in thousands of US dollars (in USD thousand), unless otherwise stated.

The consolidated financial statements are prepared on a going-concern basis. The consolidated financial statements have been prepared for the period from 1 January 2021 to 31 December 2021.

Company reorganisation

Purchases of subsidiaries under capital reorganisation are accounted for using the retrospective predecessor values method.

The Group was under the joint control of B3 Holding, s.r.o. (25.0%), NP Finance s.r.o. (67.5%) and Cheval Finance s.r.o. (7.5%), which was based on a contractual arrangement between the companies as at 31 December 2020.

The capital reorganisation of the Group occurred in 2021 and following changes in the Group structure have been made:

- entities Draslovka Invest a.s., Draslovka Global Holding a.s., Draslovka Aplha S.à.r.l. and Draslovka Beta S.à.r.l. (intermediate parent companies of the Company) were newly established in 2021 and are under joint control of B3 Holding, s.r.o. (25.0%), NP Finance s.r.o. (67.5%) and Cheval Finance s.r.o.(7.5%).
- Draslovka a.s. was newly established on 23 August 2021 by its sole shareholder Draslovka Invest a.s.
- on 21 December 2021 Draslovka Invest a.s. contributed its share in the Company to Draslovka Global Holding a.s.
- on 31 December 2021 Draslovka Global Holding a.s. contributed its share in the Company to Draslovka Alpha S.à.r.l.
- on 31 December 2021 Draslovka Alpha S.à.r.l. contributed its share in the Company to Draslovka Beta S.à.r.l.

8.2.2

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the entities controlled by the Group (including structured entities and their subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has the right, to variable revenues from its involvement with the investee; and
- has the ability to use its power over the investees to affect the amount of the investor's returns.

The Company reassesses whether or not the Group controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group holds less than a majority of the voting rights of an investee, it has control over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to gain the control, including:

- The size of the Group's holding of voting rights relative to the size and distribution of the holdings of the other vote holders;
- Potential voting rights held by the Group, by other vote holders or by other parties;
- Rights arising from other contractual arrangements;
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group gains control over a subsidiary and ends when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group loses to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owner of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owner of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intracompany assets and liabilities, equity, income, expenses, and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Changes in the Group's Ownership Interests in Subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's controlling interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owner of the Group.

When the Group loses control over a subsidiary, a gain or a loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in the other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., are reclassified to the profit or loss or transferred directly to other category of equity if required by relevant IFRS).

Business Combinations using the acquisition method

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

Acquisition-related costs are recognized in profit or loss as incurred.

Identifiable assets acquired and liabilities assumed are stated at fair value.

Contingent liabilities are measured as the best estimate of the present value of the probable outflow of resources embodying economic benefits. No contingent liabilities were identified as part of the 2021 business combinations.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and equity interests held so far (if any), and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed at the acquisition date. If, after reassessment, the Group's interest on the fair value of net identifiable assets acquired exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportional share of the entity's net assets in the event of liquidation can be at initial recognition measured at either fair value or at the non-controlling interests' proportional share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

If the Group does not also acquire significant processes related to these acquired assets during the acquisition, this acquisition is accounted for as an asset acquisition, not as a business combination.

Purchases of subsidiaries as a result of capital reorganisations

In its consolidated financial statements, the Company incorporates assets and liabilities of the existing entity, Draslovka Holding a.s., at their pre-reorganisation carrying amounts without fair value uplift. The pre-reorganisation carrying amounts are not those from the highest level of common control, but they reflect the carrying values in the books of Draslovka Holding a.s. as this reorganisation doesn't represent substantive economic change.

Purchases of subsidiaries under capital reorganisations are accounted for using the retrospective predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the combining entities had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under the common control with the reorganised Group. The assets and liabilities of the business transferred (subgroup) under a capital reorganisation are at the predecessor entity's (subgroup) carrying amounts.

The Group's consolidated financial statements include the predecessor business' full-year results (and comparatives), regardless of when, during the reporting period, the capital reorganisation occurs. Any consideration paid by the legal acquirer outside of the Group is accounted for as a reduction of equity (Capital reorganisation reserve/(deficit)).

Goodwill

Goodwill arising on the acquisition of an entity is carried at cost as determined at the date of acquisition, less any accumulated impairment losses.

Goodwill represents the positive difference between the acquisition cost and the fair value of the assets and liabilities assumed at the time of their acquisition.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units, further "CGU") that are expected to benefit from the synergies of the business combination. Cash-generating units with allocated goodwill are tested for impairment annually, or more frequently if there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment is recognized immediately as an expense and is not subsequently reversed.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in profit or loss as a part of the gain or loss on disposal.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets covered by this joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The gains or losses, assets and liabilities of joint ventures are accounted for using the equity method within these consolidated financial statements. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses in an associate or in a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

8.2.3

Foreign currencies

Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). Refer to Note 3 for functional currency determination for individual group companies and for the change in presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the official exchange rate of the Czech National Bank as at the date of the transaction. Foreign exchange gains or losses resulting from these transactions and from the translation of monetary assets and liabilities into the functional currency at year-end official exchange rates of the Czech National Bank are recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, as part of financial income or financial costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within Other operating income or Other operating expenses.

Foreign exchange differences arising on the translation of the functional currency of the subsidiary into the presentation currency are recognized in other comprehensive income and accumulated in Currency translation reserve within equity. If a subsidiary is excluded from the Group, the aggregate amount of exchange differences is recognized in the profit or loss statement.

Loans between the Group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where a loan is provided between companies in the Group that have different functional currencies, the foreign exchange gain or loss cannot be fully eliminated and is recognized in profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of the net investment in foreign operation. In such a case, the foreign exchange gain or loss is recognized in other comprehensive income.

When control over a subsidiary with a functional currency other than the functional or presentation currency of the Group is lost, the exchange differences recognized previously in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the official exchange rates of the Czech National Bank as at the balance sheet date. Exchange differences arising are recognized in other comprehensive income.

8.2.4

Property, plant and equipment

All property, plant and equipment are stated at costs less accumulated depreciation and impairment, where required. Costs include all costs that are directly attributable to the acquisition of the asset.

Costs of repairs and maintenance are expensed when incurred. 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 Group and the cost of the item can be measured reliably.

General and specific borrowing costs directly attributable to the acquisition of property, plant and equipment that necessarily take a substantial time longer than 1 year to get ready for intended use or sale (qualifying assets) are capitalized as part of the costs of those assets. Capitalization of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Useful lives are stated as follows:

Property, land and equipment	Useful life
Buildings and contrtuctions	30 – 50 years
Plant, equipment and motor vehicles	4 – 25 years
Leasehold improvemnts	Shorter of useful life and the term of the underlying lease

The estimated useful lives and the depreciation method are reviewed, and prospectively adjusted if appropriate, at the end of each reporting period. Property, plant and equipment is derecognized upon disposal or when no economic benefits are expected from its use. Gains and losses on disposals are determined by comparing the proceeds from the sale with the carrying amount and are recognized in profit or loss for the year.

Depreciation, repair or maintenance costs are expensed when incurred.
Technical improvements of tangible fixed assets are capitalized.

8.2.5

Precious metals equipment accounting

The Group accounts portable laboratory equipment, catalysts from precious metals, cost of underlying asset, major overhaul and other precious metals to property, plant and equipment.

The precious metals equipment is depreciated over its useful life. The residual value of the asset is calculated as the amount of the remaining precious metal in the asset multiplied by the market value of the precious metal at the year-end decreased by the deduction of related sales and transaction costs.

The residual value of an asset could increase to an amount that is equal to or greater than the asset's carrying amount. If it does, the depreciation charge on the asset is zero, unless the residual value of the asset subsequently falls below the carrying amount of the asset. If the residual value of the precious metals is lower than its carrying value, the difference is depreciated over 50 years.

The catalysts from precious metals used in the production are regularly refurbished (subject to overhaul). The costs of refurbishment, including the replacement of loss of precious metals in the catalyst and major repairs and maintenance, are capitalized, provided that it is probable that future economic benefits will flow to the entity and the cost can be measured reliably. This inspection/overhaul cost is then depreciated over the period to the next inspection/overhaul.

The cost and depreciation originally attributed to the overhaul is de-recognized once the cost of the new overhaul has been capitalized, to avoid double counting. The cost of the previous inspection does not need to have been separately identified and depreciated when the item was acquired or constructed.
The estimated cost of a similar future inspection can be used as a proxy for the carrying value that needs to be de-recognized if this was not separately identified beforehand.

Cost of acquiring the underlying asset for catalyst is amortized over its useful life and the above paragraphs on precious metals equipment depreciation are applied.

8.2.6

Right-of-use assets

At inception of a contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. In the case of a leasing contract, the leased property is presented by the lessee as the right-of-use assets.

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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The carrying amount of the right-of-use asset is reduced by impairment (if needed) and adjusted for any revaluation of the lease liability.

The Group applies the recognition exemption to short-term leases and to leases for which the underlying asset is of low value. Short-term leases, leases with a lease term of less than 12 months without the possibility of renewal, and leases for which the underlying asset is of low value are recognized as an expense on a straight-line basis over the lease term. The Company considers as low-value asset an asset with an acquisition price of USD 5 thousand.
Refer to the Note 20 – Cost of sales detail table.

8.2.7

Other intangible assets

Other intangible assets are initially recorded at cost, which includes all costs related to their acquisition and are amortized applying the straight-line method over their estimated useful lives.

Useful lives are set as follows:

Other intangible assets	Useful life
Software	3 years
Other intangible assets	3 - 15 years
Customer relationships	5 years
Licensed technology	10 years

Impairment of assets

Assets that are subject to depreciation and amortization are reviewed 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 largely independent cash inflows (cash-generating units).

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortization and are tested at least annually for impairment and whenever there is any indication that the intangible asset may be impaired.

8.2.8

Research and development

Research costs are expensed as incurred.
Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use.
It is amortized over the period of expected future benefit on a straight-line basis.

The Group incurs development costs for registration of newly developed products, especially EDN and Bluefume. To obtain registration, the Group must meet the legal requirements in the respective country. Once registered, this registration will be used to sell products in that country. The process of obtaining registration is a long-term procedure, which varies from country to country (several years).

Directly attributable costs to these development activities are allocated to the ongoing or planned registration in relevant country. These costs are allocated directly to a given country and product or is apportioned among several registrations.

Development costs for registration of newly developed products are put into use at the time of successful completion of registration in a given market and are amortised on straight-line basis over the duration of the license. If the license is without time limitation, development costs are amortised over the period from five to ten years.

If there is an indication that the registration cannot be completed, it is expensed to profit or loss. The moment of derecognition can be an adverse study result indicating a negative decision, a negative opinion issued by the State authority on the registration of the product in the country concerned or management decision to terminate the application process in the country concerned.

If the Group decides to cease trading on the market in the country covered by the registration, the value of the respective registration is expensed to profit or loss. The moment of derecognition is either based on the management decision or based on the time at which the activities in the country are terminated.

Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

8.2.9

Financial assets

Classification and measurement of financial assets

The Group classifies financial assets at the initial recognition depending on the business model that the Group uses to manage the financial asset and depending on whether its contractual cash flows represent only payments of principal and interest ("SPPI" – solely payments of principal and interest).

As part of the business model test and the SPPI test, the Group verifies whether the objective of holding a financial asset is to collect all contractual cash flows arising from it ("hold to collect" model), whether the objective is to hold contractual cash flows and sell a financial asset ("hold to collect-and-sell" model), or whether the Group has other objective ("other" model). Further, the Group examines and determines whether the contractual cash flows have a character of principal and interest, i.e., whether the instrument corresponds to a „basic lending arrangement".

The Group classifies financial assets in the following measurement categories: (a) financial assets subsequently measured at amortized cost using the effective interest rate method (financial assets at amortized cost), (b) financial assets subsequently measured at fair value with change in fair value included in other comprehensive income (financial assets at fair value through other comprehensive income), (c) financial assets subsequently measured at fair value through profit or loss (financial assets at fair value through profit or loss).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets at amortized cost (AC portfolio)

Amortized cost ("AC") is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

Financial assets at fair value through other comprehensive income (FVOCI portfolio)

In this category, the Group recognizes financial assets if they meet both of the following conditions: a) they are held under a business model that aims at both collecting contractual cash flows and selling the financial asset, and b) they have contractual cash flows representing solely payments of principal and interest on the outstanding value of the principal. They are measured at fair value through other comprehensive income.

Financial assets at fair value through profit or loss (FVPL portfolio)

Within this category, the Group classifies all other financial assets that cannot be classified into the above-mentioned categories. These financial assets are either held for trading or their contractual cash flows do not represent solely payments of principal and interest on the outstanding value of the principal. They are subsequently measured at fair value through profit or loss.

Derivatives are classified in the FVPL category.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Group has implemented an impairment model reflecting the expected credit losses of financial assets (ECL). Except for trade receivables, the Group applies the "general approach" to impairment of financial assets.

For trade receivables, the Group applies a "simplified approach" using the provision matrix.

General approach to impairment of financial assets

Under the general approach, the Group recognizes an allowance for a lifetime ECL if there is a significant increase in credit risk (measured by the probability of default) since the initial recognition of the financial asset. To assess the probability of a default, the Group assess the historical experience and also forward-looking information. As a forward looking information the Group uses the expected gross domestic product development in relevant countries as presented in publicly available resources. If, at the balance sheet date, the credit risk associated with a financial asset has not increased significantly since initial recognition, the Group recognizes an allowance for the 12-month ECL.

The lifetime ECL represents the expected credit losses that arise as a result of all potential defaults over the expected duration of the financial asset. The 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the balance sheet date.

The Group uses a three-stage ECL model. On initial recognition of a financial asset, unless there is evidence of default, the Group classifies the financial asset in Stage 1 and recognizes an allowance for the 12-month ECL. If the credit risk associated with a financial instrument has not increased significantly since the date of initial recognition, the financial asset remains in Stage 1 and the allowance is measured at the 12-month ECL at the balance sheet date. If there has been a significant increase in credit risk since the date of initial recognition, the Group classifies a financial asset in Stage 2 and recognizes an allowance for the lifetime expected credit losses at the balance sheet date. The Group assumes that there is a significant increase in the credit risk if the financial asset becomes 30 days overdue. In the event of default, the Group classifies it to Stage 3 and recognizes the allowance for lifetime expected credit losses at the balance sheet date. The Group includes the credit-impaired financial asset in Stage 3.

The Group considers the event of default to be situation in which the Group will not be able to collect its financial assets according to the originally agreed conditions. The Group considers default indicators to be significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial restructuring or non-compliance or delay with contractual payments for more than 90 days.

The Group calculates the expected credit losses using the following formula:

Expected credit losses (ECL) = probability of default (PD) x loss given default (LGD) x exposure at default (EAD), see Note 29.

Potential defaults for cash and cash equivalents are considered by the Group based on the rating of the bank in which the cash and cash equivalents are deposited.

Simplified approach to impairment of trade receivables

The simplified approach allows the Group to report expected credit losses of trade receivables that do not contain a significant financing element over their lifetime without the need to identify a significant increase in credit risk.

Application of a simplified approach using a provision matrix

For trade receivables without a significant financing element, the Group determines the ECL allowance using the provision matrix. The provision matrix is based on the application of the expected loss rate to outstanding trade receivables balances (i.e., aging analysis of receivables).

In determining the ECL allowance using the simplified approach, the Group proceeds using the following steps. The Group firstly divides its individual trade receivables into groups of receivables with similar credit risk characteristics by identifying the most significant factors that affect the credit risk of each group. In the second step, the Group determines the historical loss rate for each group with a similar credit risk characteristic. This rate is set for 5 consecutive accounting periods. In the next step, the Group determines the expected loss rate for each receivables group, which is further divided into subcategories according to the number of days past due (e.g., loss rate for non-overdue receivables, loss rate for receivables 1-30 days overdue, loss rate for receivables 31-60 days past due, etc.). In determining the expected loss rate, the Group considers whether the historical loss rates arose under economic conditions that correspond to the expected conditions during the exposure period of the portfolio of receivables as at the balance sheet date. To set the expected loss rate the Group also consider expected GDP and management assessment in the country of debtor. In the last step, the Group calculates the amount of the allowance based on the current gross carrying amount of receivables multiplied by the expected loss rate.

If a trade receivable qualifies as uncollectible, it is fully impaired.

Impairment of financial assets is reported in the consolidated statement of profit or loss in the line Other operating expenses. In cases where receivables can no longer be enforced (e.g., the receivable has expired, based on the results of the schedule resolution due to lack of assets of the bankrupt, the debtor has lapsed without a legal successor, etc.), receivables are written off to profit or loss against the allowance.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group’s consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

8.2.10

Financial liabilities

Classification

The classification of financial liabilities depends on the purpose for which the financial liabilities were entered. The Group's management determines the appropriate classification of financial liabilities at initial recognition. The Group classifies financial liabilities into the following categories:

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss are financial liabilities held for trading or designated as such by the Group's management. Gains and losses from change in fair value of such liabilities are presented in profit or loss.

FINANCIAL LIABILITIES AT AMORTIZED COST

The Group classifies all other financial liabilities at amortized cost. At initial recognition, these are measured at fair value less transaction costs. In subsequent periods, they are carried at amortized cost using the effective interest rate method.

Derecognition

The Group derecognizes financial liabilities when, and only when, the Group's obligations are fulfilled, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or liability is recognized in profit or loss.

8.2.11

Financial derivatives

The Group uses financial derivatives to manage its exposure to foreign exchange rate risks. Financial derivatives are initially recognized at fair value at the date of conclusion of a contract and are subsequently remeasured to their fair value. The method of recognizing gains or losses from revaluation to fair value depends on its classification to either hedging derivative or to a trading derivative. The Group does not use hedge accounting.

Valuation techniques, such as the present value of expected future cash flows, are used to determine the fair values of financial instruments that are not traded on an active market. The fair value of currency forwards and swaps is determined as the present value of future cash flows determined on the basis of market interest rates as at the balance sheet date.

Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The legal right must be enforceable not only in the ordinary course of business, but also in the event that one of the contracting parties fails to fulfil its obligations or bankruptcy and insolvency proceedings are instituted against it.

8.2.12

Value added tax

The Group reports receivables or liabilities from value added tax. In the case of impairment of a receivable from value added tax, the impairment is charged to profit or loss.

8.2.13

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets and goods are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit or loss for the year.

8.2.14

Inventories

Purchased inventories, e.g., raw material, auxiliary and operating materials and goods are stated at the lower of cost and net realisable value. Cost includes all acquisition costs (e.g., transport costs).

Inventories generated from own production, e.g., work-in-progress and finished goods, are stated at the lower of production cost and estimated net realisable value. Production cost includes direct materials, direct wages and production overheads.

Administrative overhead is not included in the valuation of work-in-progress and finished goods.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Net realizable value considers all risks related to useless or excessive inventories.

The weighted average cost method is applied for all disposals.

8.2.15

Cash and cash equivalents and the statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand and bank current deposits with a maturity of less than three months.

Cash flows are recognized in the consolidated statement of cash flows and are divided into cash flows from operating, investing and financing activities. Cash flows from operating activities are derived indirectly from profit before tax. Subsequently, the profit/loss before tax is adjusted for non-cash transactions (mainly depreciation) and changes in working capital.

8.2.16

Equity

Ordinary shares are classified as share capital. Dividends are recognized as a liability and reduce the value of equity in the period in which they are approved. Dividend payments approved after the balance sheet date are presented as a subsequent event.

8.2.17

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. All provisions are reported in liabilities.

The creation of provisions is recognized in profit or loss. Usage of provision is recognized in profit or loss together with the expenses or losses for which they were created.

Provisions are calculated in the currency in which the obligation is expected to be settled.

8.2.18

Current and deferred income tax

The income tax expense for the period comprises current tax and deferred tax and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

Current tax

Current tax liabilities (receivable) for the current and previous periods are accounted in the amount of the expected payment to (or the claim from) the tax authorities using the tax rates (and tax laws) applicable for the relevant period. Current and prior period tax liability is recognized as a liability in the outstanding amount. If the amount already paid in the current and previous periods exceeds the amount related to these periods, this difference is accounted for as a receivable (receivable from income taxes due). Situations in which the amount of the expected payment to (or the claim from) the tax authorities depend on the interpretation of the tax rules are reassessed on a regular basis, or the expected payments to (or the claim from) the tax authorities are adjusted to reflect the best possible estimate of the amount to be paid to (or received from) the tax authorities under legislation adopted or substantially enacted as at the balance sheet date.

Deferred tax

Deferred tax is provided for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using the full liability method. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred income tax is calculated, using tax rates and tax laws that have been enacted by the balance sheet date, for the period in which the related tax assets or the liabilities are settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the related temporary differences can be utilized.

In accordance with IAS 12, deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The Group did not recognise deferred tax liability/asset arising from the translation of the financial statements of the group's subsidiaries as this tax liability/asset will only crystallise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

The Group uses the option under IAS 12, paragraph 39, and does not recognize the deferred tax assets from potential future dividend income from subsidiaries.

Deferred tax relating to items recognized directly in other comprehensive income (i.e. changes in the fair value of financial derivatives that meet the criteria for effective cash flow hedging) is also recognized in other comprehensive income.

Investment incentive means a tax rebate provided on the basis of a decision of the Ministry of Industry and Trade of the Czech Republic, which was provided for the purpose of expanding production (e.g. for the purpose of acquisition of fixed assets reported in the consolidated statement of financial position). The investment incentive reduces the current tax expense that exceed the set limit in the year in which it is drawn. The Group uses the option under IAS 12, paragraph 15 not to account for deferred tax on investment incentives. The deferred tax receivable is thus not reported at the time of obtaining the investment incentive but is recognized in the form of tax reduction in the years in which this tax reduction really occurs.

8.2.19

Revenue and expense recognition

Revenue recognition

In the first stage, all contracts with customers are analysed in order to identify all performance obligations towards the customer. Subsequently, the transaction price is determined, which is allocated according to the relevant key to identified performance obligations. Further, the revenue is recognized for individual performance obligation in the appropriate amount either at a certain point in time or recognized continuously over a certain period of time. If a cash consideration has already occurred, a liability from contracts with customers is recognized. Revenue from the sale of products and goods is recognized when the control is transferred to the customer, depending on the specific contractual terms and conditions, the amount of revenue is agreed or reliably measured, and the receipt of payment is probable.

Revenues from sale of chemical products

The Group manufactures and sales large portfolio of chemical products to the customers all over the world (mostly in the USA, EU and Australia). Sales are recognised when the control of the products is transferred, being when the products are delivered to the customer to the specific location as defined in the sales agreements within the INCOTERMS. Based on the Group assessment these customer contracts consist just of a single performance obligation. Transportation costs are included directly in product price calculation and creates the part of the delivery of goods. As the control over the goods is transferred to the customer after its delivery to specified destination as agreed in the customer contract, the Group considers these services as a single performance obligation together with the sale of products.

Product sales to customers are made under a purchase order (“PO”), or in certain cases, in accordance with the terms of a master services agreement (“MSA”) or similar arrangement, which documents the rights and obligations of each party to the contract. When a customer submits a PO for product or requests product under an MSA, a contract for a specific quantity of distinct goods at a specified price is created, and the Group performance obligation under the contract is satisfied when control of the product is transferred to the customer, which is indicated by shipment of the product and the transfer of title and the risk of loss to the customer. The transaction price for product sales is generally the amount specified in the PO or in the request under an MSA. The Group regularly assesses its customers’ creditworthiness, and product sales are made based on established credit limits.

In some cases the Group may provide volume discounts to its customers. Volume discounts are set on calendar yearly basis. The Group does n0t offer longer warranty for goods. The claims and complaints for the deliveries are not significant. The Group does not conclude contracts with significant financing components with customers.

The Group's product focus is on high-quality cyanide products derived from hydrogen cyanide as a key building block. The Group's value chain coverage is focused on the development, production, and distribution of its products.

Products by revenue split:

Sodium cyanide (NaCN) – more than half of total sales. Sodium cyanide is most frequently used in precious metals mining and recovery. NaCN has historically replaced the older method of mining with toxic and stable mercury. Today it is the gentlest chemical substance involved in gold mining. Cyanide compounds in liquid form can extract gold from ore that contains even only a few milligrams. Draslovka is the world’s largest producer of solid sodium cyanide and our plant in Memphis, Tennessee, which was started in 1952, is the largest solid sodium cyanide plant in the world.

DPG – DiPhenylGuanidine is a vulcanization agent that increases the rigidity of natural rubber. This chemical sees the greatest use in the tyre industry, where high-performance rubber is essential. Our proprietary manufacturing process makes DPG accessible to tyre makers across the globe, and it is a vulcanization agent of choice for almost every tyre company that produces high-end quality tyres.

SAM – A liquid nitrogen fertilizer with significant sulphur content, suitable for enriching the soil. The presence of sulphur increases nitrogen utilization in plants, improving product quality and increasing overall crop yield. It is the fertilizer of choice for basic fertilization, fertilization during the vegetation period, and an acceleration of the decomposition of straw.

Potassium cyanide – Potassium cyanide is the chemical of choice in surface treatment, electroplating, and gilding. Potassium cyanide is more reactive than the alternative sodium cyanide, a quality beneficial in pharmaceutical intermediates and chemical specialities use.

CCC – Chlormequat, also known as ChlorCholineChloride (CCC), serves as a major agricultural growth regulator in several countries. It promotes sturdier growth, by inhibiting cell elongation, and reduces the risk of lodging, resulting in increased yield per hectare, especially for cereal crops and rapeseed.

Others – Other products include innovative sustainable fumigation products EDN and BLUEFUME that are being rolled on to the market as the number of new registrations across the globe increases.

Revenues from sale of services

The Group also sells services to customers under specified terms and conditions in certain arrangements, which is recognized as a component of Revenues in the Consolidated Statements of Profit or Loss. Revenues are recognized at the time the service is provided, or on a linear basis over a given period of time if the services are provided through an indefinite number of operations during a given period of time.

Revenues from sale of services - fumigations

The Group is also the only fully vertically integrated fumigation company in the agricultural space with a multi-product portfolio. The Group currently offers services in the area of soil, timber and log, and empty warehouse fumigation. The firm is directly engaged in the application phase through the Draslovka Services Group, currently primarily in Australia, New Zealand, South Africa and the Czech Republic. The Group assess fumigation as one performance obligation.

Revenues from sale of licences

The Group also sells technology innovations, including engineering designs, equipment configurations, and blueprints, to customers under specified terms and conditions in certain arrangements, which is recognized as a component of Revenue in the Consolidated Statement of Profit or Loss. License income is generally based on a fixed fee agreed upon by the Group and the customer. Revenues from providing of a license is recognized as income at a point in time when the license is provided to a customer. Contracts on sale of licenses are for unlimited period of time (recognized at the point in time) without change over time.

Being recognized as a technology champion with proprietary and highly effective production technology, the Group shows leading margins and maintains several licensing agreements. The majority of this licensing income is linked to Acrylonitriles (ACN), which the Group is comfortable licensing as it prefers to focus on NaCN. the Group has a licensing agreement with the company AnQore and has sold licenses to India and Korea in the past. Draslovka Mining Solutions has several HCN, NaCN, and ACN licenses.

The payment terms for the Group are 30 – 90 days. The Group does not expect to have any customer contracts from sale of chemical product or sale of services where the period between the transfer of the goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust the transaction prices for the time value of money. Only in case of revenues from sale of licences, there may be a small portion of the sales with the payment terms exceeding one year. In this case, the transaction prices are adjusted for the time value of money.

Related parties

8.2.20

The Group has defined its related parties in accordance with IAS 24 Related Party Disclosures as follows:

The party is related to the entity when the following conditions are met:

A The party:
- (i) controls the entity, is controlled by the entity or is under joint control with the entity (these are parent companies, subsidiaries and sister companies);
- (ii) has an interest in the entity that gives it significant influence; or
- (iii) has joint control over the entity;

B the party is an associate of the entity;

C the party is a joint venture in which the entity is a venturer;

D the party is a member of the key management personnel of the entity or its parent;

E the party is a close member of the family of an individual who falls under letter A or D;

F a party is an entity that is controlled, jointly controlled or significantly influenced directly or indirectly by any individual under D or E or has significant voting rights in that party, directly or indirectly; or

G a party is a post-employment benefit plan for the benefit of employees of the entity or any other entity that is a related party of such an entity.

8.2.21

Lease – The Group as a Lessor

Rental income from leases is recognized on a straight-line basis over the duration of the relevant lease. Initial direct costs incurred during the negotiating and arranging of a lease are capitalized to the carrying amount of the leased asset and released on a straight-line basis over the lease term.

The Group provides temporary leases of small non-residential premises to third parties (doctor, rental of advertising space, etc.) within its premises. Rentals are payable monthly.

8.2.22

Lease – The Group as a Lessee

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 payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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.

8.2.23

Subsidies and grants

Government subsidies are not recognized until there is reasonable assurance that the subsidy/grant will be received and that the Group will comply with all attached conditions.

Government subsidies relating to the acquisition of property, plant and equipment reduce the purchase price of this property. The government subsidy is recognized in profit or loss in the form of a reduction in the depreciation of property, plant and equipment. Operating government subsidies are systematically recognized in profit or loss in the periods in which the Group recognizes the related costs to be offset by the subsidy.

8.2.24

Employment benefits

The Group pays regular contributions to the state budget to finance the state pension plan using rates valid during the period based on gross salaries. The Group has no additional costs with this insurance after performing the payment. Related expenses are recognized in profit or loss in the same period with the payment of wages and salaries to which they relate. The Group also provides its employees with supplementary pension contributions. These costs are charged to profit or loss in the period to which they relate. The Group has no additional costs with this insurance after payment.

8.2.25

Dividend distribution

The payment of dividends to the Company's shareholders is recognized in the Group's financial statements as a liability and deducted from equity at the moment the payment of dividends is approved by the General Meeting of the Company.

8.2.26

Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the consolidated financial statements, are recognized in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the consolidated financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are quantified and disclosed but are not themselves recognized in the consolidated financial statements.

8.3

Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Functional currency

The functional currency is the currency of the primary economic environment in which an entity operates. The Group performed the assessment of the functional currency for each company within the Group.

The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash. An entity considers the following factors in determining its functional currency: (a) the currency (i) that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled); and (ii) of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services (b) the currency that mainly influences labour, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).

The following factors may also provide evidence of an entity's functional currency: the currency in which funds from financing activities are generated and the currency in which receipts from operating activities are usually retained.

The functional currencies of the individual group companies are as follows:

Company	Functional currency
Draslovka a.s.	CZK (from 1 January 2022 USD)
Draslovka Holding Aplha a.s.	CZK (from 1 January 2022 USD)
Draslovka Holdings South Africa (Pty) Ltd	ZAR
Draslovka South Africa (Pty) Ltd	ZAR
Draslovka Holding a.s.	CZK (from 1 January 2022 USD)
Lučební závody Draslovka a.s. Kolín	CZK
Manchester Acquisition Sub LLC	USD
Covoro Mining Solutions LLC	USD
Draslovka Holding Mexico, S. de R.L. de C.V.	USD
Covoro Mining Solutions Mexicana, S. de R.L. de C.V.	USD
Covoro Mining Solutions Canada Holding Company	USD
Covoro Mining Solutions Canada Company	USD
Draslovka Chile Limitada	USD
DRASLOVKA SERVICES PTY LTD	AUD
DRASLOVKA SERVICES RSA (PTY) LTD	ZAR
DRASLOVKA SERVICES AFRICA (Pty) Ltd	ZAR
DRASLOVKA SERVICES NZ LIMITED	NZD
Draslovka Services India Private Limited	INR
DRASLOVKA LIMITED	HKD

Following the acquisition of Covoro Mining Solution business (refer to Note 28), the Company has assessed in accordance with IAS 21 whether this transaction leads to a significant change in the underlying events and conditions that would determine the functional currency of the Company. The Company re-assessed the primary and secondary indicators as a consequence of the acquisition and concluded that the functional currency of the Company has changed to USD.

For practical purposes, the Company has determined that the date of change in the functional currency will be 1 January 2022, being the beginning of the next reporting period, given that the changes in the underlying events and conditions as a consequence of the acquisition are expected to occur gradually from the acquisition date, being 1 December 2021.

The presentation currency was changed already as at the 31 December 2021 and therefore differs from functional currency of the Company as the Group needs to present its Consolidated Financial Statements in USD due to requirements from investors.

Impairment of intangible assets not yet available for use

The Group performs annual impairment assessments of intangible assets not yet available for use. The recoverable amount of these intangible assets is determined based on a value in use that is calculated based on projected future discounted cash flows over the expected useful life of the asset. Determining the expected period of return of the asset requires use of a judgment.

The Group assesses the useful lives of depreciable assets and the expected pattern of consumption of the future economic benefits embodied in the depreciable assets. The Group also reviews the method, depreciation period and residual value of depreciated assets and makes any adjustments if needed. The effect of any changes in estimates is accounted for prospectively.

Depreciation periods, expected future economic benefits of depreciated assets

At the date of preparation of these consolidated financial statements the Group reviews the method, the depreciation periods and the net book value of depreciated assets and perform adjustments if needed. Impact of the changes is recognized prospectively.

Property, plant and equipment, the right-of-use assets and other intangible assets

8.4

8.4.1

Property, plant and equipment

in USD thousand	Dec 2021	Dec 2020	Jan 2020
Property, plant and equipment	374,868	70,276	59,590
Advances for non-current assets	--	94	354
Total Property, plant and equipment	**374,868**	**70,370**	**59,944**

Details for Property, plant and equipment

in USD thousand	Land	Buildings	Plant and equipment	Other	Precious metal value catalyst	Construction in progress	Total
Cost as at 1 January 2020	3,846	40,405	60,696	1	1,821	2,431	109,200
Accumulated depreciation and impairment	--	(17,860)	(31,740)	--	(10)	--	(49,610)
Carrying amount as at 1 January 2020	**3,846**	**22,545**	**28,956**	**1**	**1,811**	**2,431**	**59,590**
Additions	--	--	608	--	327	15,523	16,458
Transfers	--	2,992	10,240	--	--	(13,232)	--
Disposals	--	--	(43)	--	--	--	(43)
Depreciation (see Note 20)	--	(2,069)	(5,863)	--	(129)	--	(8,061)
Impairment (see Note 20)	--	--	(345)	--	--	--	(345)
Impact of exchange rate differences (net)	222	1,126	1,094	--	94	141	2,677
Final Carrying amount as at 31 December 2020	**4,068**	**24,594**	**34,647**	**1**	**2,103**	**4,863**	**70,276**
Cost	4,068	45,261	73,456	1	2,103	4,863	129,752
Accumulated depreciation and impairment	--	(20,667)	(38,809)	--	--	--	(59,476)
Carrying amount as at 1 January 2021	**4,068**	**24,594**	**34,647**	**1**	**2,103**	**4,863**	**70,276**
Additions	--	--	244	13	9,620	12,241	22,118
Acquisitions through business combinations (see Note 28)	10,564	16,970	219,406	--	2,310	48,037	297,287
Disposals through business combinations (see Note 28)	(70)	(116)	(711)	--	--	--	(897)
Transfers	571	5,728	5,499	13	648	(12,459)	--
Disposals	--	--	(35)	--	--	--	(35)
Depreciation (see Note 20)	--	(2,249)	(9,582)	(2)	(857)	--	(12,690)
Impairment (see Note 20)	--	--	476	--	--	--	476
Impact of exchange rate differences (net)	(111)	(1,265)	(179)	32	(30)	(114)	(1,667)
Final Carrying amount as at 31 December 2021	**15,022**	**43,662**	**249,765**	**57**	**13,794**	**52,568**	**374,868**
Cost	15,022	66,529	294,477	60	13,838	52,568	442,494
Accumulated depreciation and impairment	--	(22,867)	(44,712)	(3)	(44)	--	(67,626)
Final Carrying amount as at 31 December 2021	**15,022**	**43,662**	**249,765**	**57**	**13,794**	**52,568**	**374,868**

Acquisition through business combinations in the amount of USD 297,287 thousand relates to the acquisition of Covoro Mining Solutions business as of 1 December 2021 (refer to Note 28).

Part of the land in the Memphis site in total amount of USD 240 thousand is rented to third parties.

As at 31 December 2021, property, plant and equipment worth USD 374,530 thousand were pledged by the Group as collateral for bank loans (31 December 2020: USD 21,415 thousand).

8.4.2 Right-of-use assets

in USD thousand	2021	2020
Cost as at 1 January	935	619
Accumulated depreciation and impairment as at 1 January	(233)	(88)
Carrying amount as at 1 January	**702**	**531**
Additions	377	281
Disposals	(123)	--
Depreciation (see Note 20)	(188)	(130)
Impact of exchange rate differences (net)	(23)	20
Final carrying amount as at 31 December	**745**	**702**
Cost as at 31 December	1,130	935
Accumulated depreciation and impairment as at 31 December	(385)	(233)
Final carrying amount as at 31 December	**745**	**702**

The Group leases non-residential premises. The Group used a discount rate of 0.47% - 6.5% to determine the value of the right-of-use assets. In determining the expected lease term and duration of the lease, the Group considered the contractual lease period and the Group's prospected leased period.

The right to use the asset:

in USD thousand	2021	2020
Non-residential premises	745	702
In total	**745**	**702**

8.4.3 Other intangible assets

in USD thousand	Software	Other intangible assets	Customer relationships	Licensed technology	Internally generated intangible assets not yet ready for use	Intangible assets not yet ready for use	Total
Cost as at 1 January 2020	87	2,936	821	--	1,547	4,465	9,856
Amortisation and impairment	(87)	(1,429)	(383)	--	--	--	(1,899)
Carrying amount as at 1 January 2020	**--**	**1,507**	**438**	**--**	**1,547**	**4,465**	**7,957**
Additions	--	--	--	--	776	948	1,724
Transfers	101	43	--	--	--	(129)	15
Amortisation (see Note 20)	--	(322)	(66)	--	--	--	(388)
Impact of exchange rate differences (net)	(7)	135	(98)	--	249	327	606
Final carrying amount as at 31 December 2020	**94**	**1,363**	**274**	**--**	**2,572**	**5,611**	**9,914**
Cost as at 1 January 2020	188	3,205	723	--	2,572	5,611	12,299
Amortisation and impairment	(94)	(1,842)	(449)	--	--	--	(2,385)
Carrying amount as at 1 January 2021	**94**	**1,363**	**274**	**--**	**2,572**	**5,611**	**9,914**
Additions	--	--	--	--	1,046	325	1,371
Acquisitions through business combinations (see Note 28)	--	--	72,490	27,550	--	--	100,040
Disposals through business combinations (see Note 28)	--	(33)	(274)	--	--	--	(307)
Transfers	82	667	--	--	--	(749)	--
Amortisation (see Note 20)	(14)	(330)	(1,208)	(153)	--	--	(1,705)
Impact of exchange rate differences (net)	--	(58)	--	--	(152)	(129)	(339)
Final carrying amount as at 31 December 2021	**162**	**1,609**	**71,282**	**27,397**	**3,466**	**5,058**	**108,974**
Cost	270	3,671	72,490	27,550	3,466	5,058	112,505
Amortization and impairment	(108)	(2,062)	(1,208)	(153)	--	--	(3,531)
Final carrying amount as at 31 December 2021	**162**	**1,609**	**71,282**	**27,397**	**3,466**	**5,058**	**108,974**

Other intangible assets consist mostly of acquired licenses.

As part of the acquired assets in business combinations, Group also identified Customer relationships and Licenced technology (Note 28).

Customer relationships with pre-existing customers that are expected to continue in the future and represent an acquired intangible asset of USD 71,282 thousand as at 31 December 2021.

The Group's licensed technology consist of the leading practices covering the production of hydrogen cyanide, sodium cyanide and acrylonitrile. The Company has demonstrated the ability to out-license its know-how given its longstanding position as a leader in the industry. Licenced technology was identified as an intangible asset at the acquisition date totalling to USD 27,397 thousand at 31 December 2021.

Intangible assets not yet ready for use and internally generated intangible assets not yet ready for use represent mainly directly attributable costs for registration of newly developed products to foreign markets e.g., to New Zealand, to the USA, or to the European Union that meet the definition of development cost based on IAS 38. These costs are represented mostly by expert studies (toxicological studies, efficacy studies, evaluation of biological samples, chemical stability tests, etc.), registration fees paid to authorities at targeted markets, advisory and consultation services for intermediation of registration services and attributable internal costs. These studies and other costs represent mostly the cost related to fumigant products.

To submit an application for registration of a specific fumigant in a given country, a complete set of documents, studies of the impact of the use of a given product, etc. is required. After creating these documentation units, they can be used for registrations in other countries. Amortisation of the asset begins with the approval of the product registration in that country. In the event that the registration is not expected to be successful, the related costs are recognized in the income statement.

Intangible assets not yet ready for use and internally generated intangible assets not yet ready for use were tested for impairment at the balance sheet date. Based on this assessment no impairment has been identified.

As at 31 December 2021, intangible assets worth USD 108,919 thousand were pledged by the Group as collateral for bank loans (31 December 2020: USD 0 thousand) (Note 14).

8.5

Goodwill

Goodwill from acquisitions through business combinations:

in USD thousand	2021	2020
Goodwill as at January 1	795	796
Additions (see Note 28)	85,438	--
Disposals in business combinations (see Note 28)	(234)	--
Impact of exchange rate differences	(7)	(1)
Goodwill as at 31 December	**85,992**	**795**

Impairment test

Goodwill in the amount of USD 554 thousand (31 December 2020: USD 561 thousand) was allocated to the cash-generating unit Lučební závody Draslovka a.s. Kolín (further "CGU 1").

Goodwill in the amount of USD 85,438 thousand (31 December 2020: USD 0 thousand) was allocated to the cash-generating unit Covoro Mining Solution Business (further "CGU 2") acquired in 2021 (Note 28).

Covoro Mining Solution Business (CMS) is considered as one cash generating unit. The entities are located in the US, Mexico, Canada and Chile. There is one operating chemical plant located in Memphis, Tennessee. Covoro Mining Solutions Mexicana, S. de R.L. de C.V., Covoro Mining Solution Canada Company and Draslovka Chile Limitada represent just a distribution channels. The companies purchase goods only from Covoro Mining Solutions LLC in the US. They hold the distribution licences required in the local market.

Operations of these entities are fully dependent on the operations of Covoro Mining Solutions LLC. Management monitors operations based on consolidated budget of CMS group.

Goodwill in the amount of USD 234 thousand as at 31 December 2020 was allocated to the cash-generating unit DRASLOVKA SERVICES RSA (PTY) (further "CGU 3") acquired in 2019. The share was partially sold in 2021 and the related goodwill was derecognized.

in USD thousand	2021	2020
CGU 1	554	561
CGU 2	85,438	--
CGU 3	--	234
Total carrying amount of goodwill at 31 December	**85,992**	**795**

The recoverable amount of CGU's was determined based on a value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The value of cash flows covering a period longer than five years was derived using a growth rate. The growth rate for the period longer than five years is in line with the growth rate used for the fifth year and Group's future operation plans.

Discount rate is determined based on actual market indicators.

Management estimates gross margin based on the CGUs' financial results and the expected market development. Both the discount rate and the expected growth rate are in line with the discount rates and the growth rate in the industry. Gross margin used for the projected period longer than five years is in line with the gross margin for the fifth year and Group's plans.

Assumptions used for value in use calculations to which the recoverable amount is most sensitive were:

	2021	2020
CGU 1		
Pre-tax discount rate	12.6%	11.46%
Growth rate beyond five years	1.1%	0.3%
Gross margin	17.4%	25.5%
CGU 2		
Pre-tax discount rate	17.0%	--
Growth rate beyond five years	1.5%	--
Gross margin	29.7%	--
CGU 3		
Pre-tax discount rate	--	14.7%
Growth rate beyond five years	--	4.6%
Gross margin	--	26%

The recoverable amount of CGUs' exceeds their carrying amount by:

	2021	2020
CGU 1	2,129	34,132
CGU 2	1,792	--
CGU 3	--	6,190

The recoverable amount for CGU 1 decrease in 2021 compared to 2020 is attributable mainly to the higher input prices projection.

Pre-tax discount rate increase that would indicate recording of the impairment to goodwill:

Pre-tax discount rate	2021 value actual	2020 value actual	2021 value increased	2020 Increased
CGU 1	12.6%	11.46%	12.9%	15.5%
CGU 2	17.0%	--	17.04%	--
CGU 3	--	14.7%	--	44.0%

Growth rate beyond five years decrease that would indicate recording of the impairment to goodwill:

Growth rate beyond five years	2021 value actual	2020 value actual	2021 value decreased	2020 decreased
CGU 1	1.1%	0.3%	0.6%	(0.8)%
CGU 2	1.5%	--	1.4%	--
CGU 3	--	4.6%	--	0%

For CGU 3, the projected sales within five years cover the goodwill without any impairment being recorded.

Gross margin decrease that would indicate recording of the impairment to goodwill:

Gross margin	2021 value actual	2020 value actual	2021 value decreased	2020 decreased
CGU 1	17.4%	25.5%	17.1%	19.1%
CGU 2	29.7%	--	29.5%	--
CGU 3	--	26%	--	3.1%

8.6

Investments in joint ventures

31 December 2021

Name and main subject of business	Acquisition cost in USD thousand	Nominal value in USD thousand	Share (%)	Total company: Equity in USD thousand	Total company: Share capital in USD thousand
DRASLOVKA SERVICES RSA (PTY) LTD	930	906	42.5	1,060	1,634

Sale of the interest in Draslovka Services RSA (Pty) Ltd of 42.5 % was finalized on 9 March 2021 (in 2020 consolidated as subsidiary). The entity became joint venture as Company's share decreased to 42.5%. Voting rights correspond to the ownership share.

DRASLOVKA SERVICES RSA (PTY) LTD is jointly controlled by the Group and third party. The joint control is based on the Shareholders agreement concluded between the Company's owners.

The investment in joint venture was recognized in its fair value at the date of recognition.

The lower nominal value than acquisition cost is attributable to foreign exchange recalculation.

31 December 2020

Name and main subject of business	Acquisition cost in USD thousand	Nominal value in USD thousand	Share (%)	Total company: Equity in USD thousand	Total company: Share capital in USD thousand
DRASLOVKA LIMITED	47	47	50	94	94

The company Draslovka Limited ended its operation in Hong Kong and was liquidated on 2 July 2021.

8.7

Restricted cash and other non-current financial assets

8.7.1

Restricted cash

On 9 July 2021 the Group has signed an agreement with Sasol South Africa Limited ("Sasol") to acquire its Sodium Cyanide business, located in Sasolburg for ZAR 1,462,000 thousand (USD 96,022 thousand).

To fund this acquisition, the Group drew loans from a related party in the total amount of USD 96,000 thousand and deposited the proceeds raised to an escrow account in ČSOB bank. The money will be released to the seller on the closing date of the acquisition.

Since the Group doesn't have a right to use the money on the escrow account for other purposes, the Group does not classify the escrow account as cash and cash equivalents. Instead, the Group presents it as a restricted cash.

Therefore, the drawing of the loans and depositing the money to the escrow account are reported as non-cash transactions in the consolidated financial statements (refer to Note 28 for further information).

8.7.2

Other non-current financial assets

Other non-current financial assets:

in USD thousand	31 December 2021	31 December 2020
Loans provided - related parties (see Note 32)	1,561	47
Non-current trade receivables	472	--
Cash deposit	565	--
Total other non-current financial assets	**2,598**	**47**

Other non-current loans of USD 1,561 thousand (31 December 2020: USD 0 thousand) provided to related party represent a loan provided to DRASLOVKA SERVICES RSA (PTY) LTD in 2019. As DRASLOVKA SERVICES RSA (PTY) LTD is a joint venture as at 31 December 2021, the loan is presented as due to related party. The loan is repayable in 2028. The increase is attributable to the change of consolidation of DRASLOVKA SERVICES RSA (PTY) LZD from subsidiary to joint venture, being non-cash transaction.

The provided loan as at 31 December 2020 of USD 47 thousand represented the loan provided to the member of the Company's Board of Directors.

8.8

Inventories

in USD thousand	31 December 2021	31 December 2020
Raw material	14,282	3,741
Work in progress	4,337	608
Finished products and goods	26,600	6,637
Total inventories	**45,219**	**10,986**

Inventories as at 31 December 2021 in the amount of USD 42,431 thousand have been pledged as collateral for borrowings (31 December 2020: USD 7,949 thousand). The significant increase is caused by inventories pledged in Covoro Mining Solutions, LLC in the amount of USD 25,550 thousand.

Carrying amount of inventory as at 31 December 2021 was lower by USD 48 thousand compared to its net realizable value (31 December 2020: USD 94 thousand). Impairment to inventory was recognized in profit or loss.

Inventories recognized as an expense during 2021 reached the amount of USD 81,570 thousand (31 December 2020: USD 49,793 thousand).

8.9

Trade receivables

Trade receivables:

in USD thousand	31 December 2021	31 December 2020
Trade receivables - third parties	46,886	8,697
Trade receivables – related parties (see Note 32)	116	--
Less allowance for expected credit losses	(81)	(47)
Total trade receivables	**46,921**	**8,650**

The significant increase in trade receivables is directly attributable to acquisition of new entities – Covoro Mining Solutions, LLC in the United States and Covoro Mining Solutions Mexicana S. de R.L. de C.V. in Mexico.

Trade receivables are classified as financial assets at amortized cost.

Due to the current nature of these receivables, their carrying amount approximates their fair value after any reduction for impairment.

The Group wrote off receivables in amount of USD 104 thousand as at 31 December 2021 (31 December 2020: USD 0 thousand).

The Group's trade receivables mostly consist of receivables to a large portfolio of customers without the Moody's rating. The Group performs internal credit risk customer’s assessment based on the customer payment moral history. Advance payment is required when the Group supplies to new customers with no trading history. For customers where the Group perceives higher risk of default the insurance of the receivables is used. USD 7,342 thousand of receivables was insured as at 31 December 2021 (out of USD 46,921 thousand).

The expected credit loss (ECL) measurement and the Group’s exposure to credit and currency risk are described in Note 29.

Trade receivables in the amount of USD 42,994 thousand have been pledged as at 31 December 2021 as collateral for borrowings (31 December 2020: USD 8,557 thousand).

Other current financial assets

8.10

Other current financial assets:

in USD thousand	31 December 2021	31 December 2020
Other receivables – related parties (see Note 32)	408	--
Loans provided – related parties (see Note 32)	46	47
Other receivables – third parties	1,994	--
Receivable from acquisition	3,133	--
Financial derivatives with positive fair value	114	187
Total other current financial assets	**5,695**	**234**

Other current financial assets are classified as financial assets at amortized cost, except for financial derivatives, which are classified as financial assets at fair value through profit or loss.

Other receivables to third parties represent mostly receivables from rentals and from recharge of rental related services.

The Group has receivable from The Chemours Company related to the acquisition of the Chemours Mining Solution business (refer to Note 28). Based on the Purchase and Sales Agreement the Group paid the consideration in the amount of USD 521,456 thousand. After the Closing date, the Group has submitted its proposal for the revised purchase price totalling to USD 518,323 thousand. The difference between the consideration paid and the revised purchase price as stated in the Post Closing Statement by the Group is recorded as Receivable from acquisition. The revised purchase price is currently subject to negotiations between the parties of the transaction.

All derivatives recognized at fair value through profit or loss are current.

Table with currency forwards:

	Fair value liability (-) / receivable (+)		Nominal value	
in USD thousand	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Currency forwards	114	187	5,901	2,759
Currency forwards	(46)	--	2,720	--

Currency contracts were realised in 2022.

Other current non-financial assets

8.11

Other current non-financial assets:

in USD thousand	31 December 2021	31 December 2020
Other tax receivables excluding income taxes	9,308	1,122
Prepaid services	4,286	561
Prepaid services – related parties (see Note 32)	2	--
Advances provided	10	94
Total other current non-financial assets	**13,606**	**1,777**

Other tax receivables are represented by VAT receivables from state authorities.

As at 31 December 2021 USD 3,733 thousand from the prepaid services is represented by prepaid insurance in the USA.

Cash and cash equivalents

8.12

in USD thousand	31 December 2021	31 December 2020
Cash on hand	6	11
Cash in bank accounts	36,065	10,556
Total cash and cash equivalents	**36,071**	**10,567**

The Group cooperates with banks with an external rating at the investment level, see Note 29. As at 31 December 2021, the Group cooperates with low-risk banks.

Pledged cash and cash equivalents are described in Note 14.

The credit quality of cash in bank accounts may be summarised based on Moody's ratings as follows:

in USD thousand	31 December 2021	31 December 2020
AA3	25,318	94
A1	6,396	4,769
A2	4,237	--
A3	--	4,572
BA2	--	1,121
BA3	99	--
BAA3	15	--
Total cash in bank accounts	**36,065**	**10,556**

Cash and cash equivalents in the cash flow statement:

in USD thousand	31 December 2021	31 December 2020
Cash and cash equivalents	36,071	10,567
Bank overdraft	(25)	(47)
Total cash and cash equivalents	**36,046**	**10,520**

Equity and profit distribution

8.13

Share capital and share premium

Share capital of the Company is in the amount of USD 315,630 thousand (the nominal value registered in the Commercial register is CZK 7,000 million). The share capital is divided into 3,500 shares with a nominal value of USD 92 thousand (CZK 2 million) each. The shares are issued as securities.

The share premium of the Company is in the amount of USD 168,726 thousand.

The subscribed capital was fully paid in as follows:

- on 24 August 2021 Draslovka Invest a.s. contributed cash USD 92 thousand (CZK 2 million) to the Company's share capital.
- on 12 October 2021 Draslovka Invest a.s. contributed its shares of Draslovka Holding a.s. to the Company valued at USD 484,264 thousand (CZK 10,740 million) being classified as share capital increase of USD 315,538 thousand (CZK 6,998 million) and share premium increase of USD 168,726 thousand (CZK 3,742 million). The transaction formed part of capital reorganization and the corresponding amount of USD (484,264) thousand was posted to Capital reorganisation reserve/(deficit).

The shares ensure the right to vote at the General Meeting of the Company. After the dissolution of the Company in liquidation, a shareholder is entitled to a share on the liquidation balance. The liquidation balance is divided among the shareholders in proportion of the nominal value of their shares.

A shareholder is entitled to a share of profit (dividend), which a general meeting determines for distribution according to the financial result and in accordance with the relevant provisions of Commercial Corporate Act.

For the duration of the Company, even in the event of its dissolution, a shareholder is not entitled to demand the return of his payments for share capital. The transferability of shares is limited by an approval of a general meeting of the Company. All shareholders have the pre-emption rights to shares of other holders. A shareholder shall, if he intends to transfer all or part of his registered shares, offer them for purchase to the other shareholders of the Company.

Other capital funds

As a result of the capital reorganisation of the Group in 2021 the Company's other capital funds increased by USD 252,030 thousand as stated below.

- on 27 August 2021 Draslovka Invest a.s. contributed cash USD 5 thousand (CZK 100 thousand) to the Company's other capital fund.
- on 22 November 2021 Draslovka Invest a.s. contributed cash to the Company's other capital funds of USD 27,554 thousand (provided in CZK in the amount of CZK 620 million) and USD 222,448 thousand.
- on 23 November 2021 Draslovka Invest a.s. contributed USD 2,018 thousand (provided in CZK in the amount of CZK 45,600 thousand) into the Company's other capital funds.
- on 29 December 2021 Draslovka Global Holding a.s contributed cash of USD 5 thousand (provided in CZK in the amount of CZK 120 thousand) to other capital funds.

Other capital funds are used to finance the Group's activities by its shareholders.

Contribution to other capital funds can be returned to shareholders only to the extent that they exceed the Company's accumulated losses.

Capital reorganisation reserve / (deficit)

Accumulated losses of Draslovka Holding a.s. that occurred before the capital reorganisation were recorded to Accumulated losses of Draslovka a.s. in total amount of USD (16,409) thousand.

Currency translation reserve of Draslovka Holding a.s. that occurred before the capital reorganisation was recorded to Currency translation reserve of Draslovka a.s. in total amount of USD (1,007) thousand.

Non-controlling interest of Draslovka Holding a.s. before the capital reorganisation was recorded to non-controlling interest of Draslovka a.s. in total amount of USD (157) thousand.

The remaining elements of equity of Draslovka Holding a.s. before the capital reorganisation were recorded in Capital reorganisation reserve/(deficit) within equity in total amount of USD 70,444 thousand.

The Company recorded USD (484,264) thousand to Capital reorganisation reserve/(deficit) on contribution the shares of Draslovka Holding a.s. by Draslovka Invest a.s. to the Company's share capital and share premium.

The table showing reconciliation of equity of Draslovka Holding a.s. per consolidated financial statements as at 31 December 2019 and the comparative information as at 1 January 2020 of the equity in the consolidated financial statements of Draslovka a.s.

in USD thousand	Equity of Draslovka Holding a.s	Adjustments made due to capital reorganisation	Equity of Draslovka a.s. after capital reorganisation
Share capital	18,215	(18,215)	--
Other capital funds	46,976	(46,976)	--
Additional paid in capital	5,253	(5 253)	--
Capital reorganisation reserve/(deficit)	--	70,444	70,444
Currency translation reserve	(1,007)	--	(1,007)
Accumulated losses	(16,409)	--	(16,409)
Equity attributable to owners of the Company	**53,028**	**--**	**53,028**
Non-controlling interest	(157)	--	(157)
Total equity	**52,871**	**--**	**52,871**

In 2020, the sole shareholder decided to decrease the other capital funds of Draslovka Holdings a.s. by USD 5,318 thousand. The payment of capital funds was made to individual shareholders in proportion to their shares in the company's share capital).

Contributions to additional paid in capital are used to finance the Group's activities by shareholders.

Currency translation reserve

Currency translation reserve arises on translation of the consolidated entities denominated in a different presentation currency from the Group´s functional currency.

Other funds and foreign currency translation funds are funds that arise from accounting operations in the Group's consolidated financial statements and are therefore not intended for distribution to shareholders.

Non-controlling interest

Non-controlling interest is described in Note 28.

Non-current financial liabilities

8.14

Non-current financial liabilities:

in USD thousand	Note	31 December 2021	31 December 2020
Non-current borrowings		330,998	26,231
Non-current loans – related parties	32	96,228	327
Non-current other liabilities – related parties	32	1,005	--
Non-current other third – party liabilities		290	--
Non-current lease liabilities		569	608
Total non-current financial liabilities		**429,090**	**27,166**

Received loans and borrowings:

in USD thousand	31 December 2021	31 December 2020
Bank loans	336,468	33,572
Non-current part	330,998	26,231
Current part	5,470	7,341
Bank overdrafts	25	47
Related party loans (see Note 32)	96,228	1,402
Non-current part	96,228	327
Current-term part	--	1,075
Total loans and borrowings	**432,721**	**35,021**
Of which:		
Non-current loans and borrowings	427,226	26,558
Current loans and borrowings	5,495	8,463

The entity Manchester Acquisition Sub LLC entered on 1 December 2021 into a Credit Agreement with JPMORGAN CHASE BANK, N.A. Based on the Credit Agreement the entity received a non-current Initial Term Loans in total amount of USD 348,000 thousand. The loan is due in December 2026 and will be repaid quarterly in 20 instalments. Interest rate for the Initial Term loan is margin plus adjusted SOFR rate.

The second part of the Credit Agreement is an Initial Revolving Facility in an aggregate available amount thereunder of USD 30,000 thousand. Manchester Acquisition Sub LLC has drawn an amount of USD 10,000 thousand as of 31 December 2021. The loan is due in December 2026. Interest rate for the Initial Term loan is margin plus adjusted SOFR rate.

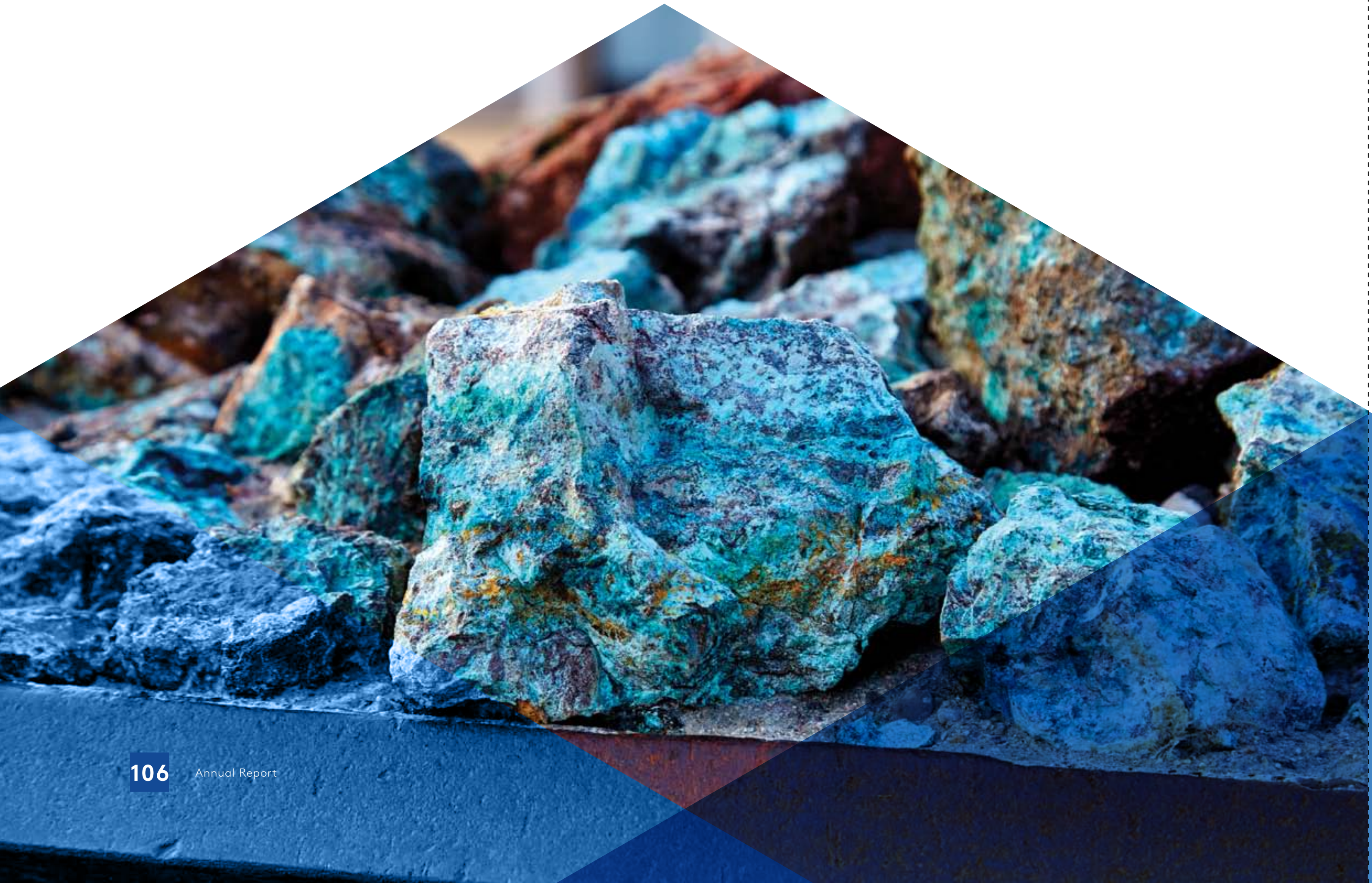
In 2020, the Group received interest-free loans from related parties in the total amount of USD 1,496 thousand. Loans are due on 31 December 2021 and 31 December 2022. The fair value of the loans was estimated at the amount of USD 1,356 thousand. The difference of USD 140 thousand between the gross proceeds and the fair value of the loan represents the benefit arising from the interest-free loan, which was recognized in equity. The value of USD 1,402 thousand as at 31 December 2020 is the fair value of the loan received at its date, plus interest expense for 2020.

The fair value of loans and borrowings is disclosed in Note 31.

The following table shows the assets that were provided by the Group as collateral for bank loans as at 31 December 2021 and as at 31 December 2020.

2021 in USD thousand	Carrying amount	Amount provided as collateral	Amount not provided as collateral
Property, plant and equipment, right-of-use assets	375,613	(374,530)	1,083
Intangible assets	108,974	(108,919)	55
Inventories	45,219	(42,431)	2,788
Trade receivables	46,921	(42,994)	3,927
Other financial and non-financial assets	21,899	(15,671)	6,228
Cash and cash equivalents	36,071	(27,150)	8,921
Total	**634,697**	**(611,695)**	**23,002**

2020 in USD thousand	Carrying amount	Amount provided as collateral	Amount not provided as collateral
Property, plant and equipment, right of use assets	70,978	(21,415)	49,563
Inventories	10,986	(7,949)	3,037
Trade receivables	8,650	(8,557)	93
Total	**90,614**	**(37,921)**	**52,693**



The Group has entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract. The following table presents the recognized financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December 2021 and 31 December 2020. The column 'net amount' shows the impact on the Group's balance sheet if all set-off rights were exercised.

	Effects of offsetting on the balance sheet				
2021 in USD thousand	**Gross carrying amount in the statement of financial position**	**Gross amount set-off in the statement of financial position**	**Net amount in the statement of financial position**	**Financial instrument collateral**	**Net amount**
Financial assets					
Trade receivables	46,921	--	46,921	(42,994)	3,927
Cash and cash equivalents	36,071	--	36,071	(27,150)	8,921
Total	**82,992**	**--**	**82,969**	**(70,144)**	**12,848**
Financial liabilities					
Bank loans	(336,468)	--	(336,468)	70,144	(266,324)
Total	**(336,468)**	**--**	**(336,468)**	**70,144**	**(266,324)**

	Effects of offsetting on the balance sheet			
2020 in USD thousand	**Gross carrying amount in the statement of financial position**	**Gross amount set-off in the statement of financial position**	**Net amount in the statement of financial position**	**Net amount**
Financial assets				
Trade receivables	8,650	--	8,650	8,650
Total	**8,650**	**--**	**8,650**	**8,650**
Financial liabilities				
Bank loans	(33,572)	--	(33,572)	(33,572)
Total	**(33,572)**	**--**	**(33,572)**	**(33,572)**

The conclusion of agreements to pledge the Group's assets as collateral to borrowings is a basic condition to each bank loan agreement. Without the prior consent of the creditor, the debtor, with the exception of permitted collateral, shall not establish another collateral right for the pledged items. In the event of a breach of the terms of the bank loan agreement, the bank loan may become due.

Reconciliation of liabilities from financing activities less restricted cash:

in USD thousand	Loans and borrowings	Liabilities from leases	Total liabilities from financing activities	Restricted cash	Total
Liabilities from financing as at 1 January 2020	**28,115**	**619**	**28,734**	**--**	**28,734**
Cash transactions					
Drawing of loans	15,898	--	15,898	--	15,898
Repayments of loans	(8,837)	--	(8,837)	--	(8,837)
Leases repayments	--	(187)	(187)	--	(187)
Reduction of overdrafts	(1,917)	--	(1,917)	--	(1,917)
Interest paid	(302)	--	(302)	--	(302)
Non-cash transactions					
Difference between initial fair value and proceeds received from interest free loans	(140)	--	(140)	--	(140)
New leases	--	421	421	--	421
Foreign exchange translation	1,897	36	1,933	--	1,933
Accrued interest	5	--	5	--	5
Interest expensed	302	--	302	--	302
Financing liabilities at as 31 December 2020	**35,021**	**889**	**35,910**	**--**	**35,910**
Liabilities from financing as at 1 January 2021	**35,021**	**889**	**35,910**	**--**	**35,910**
Cash transactions					
Drawing of loans	350,870	--	350,870	--	350,870
Reduction of overdrafts	(22)	--	(22)	--	(22)
Repayment of loans	(50,800)	--	(50,800)	--	(50,800)
Leasing repayment	--	(147)	(147)	--	(147)
Interest paid	(459)	(20)	(479)	--	(479)
Non-cash transactions					
Drawing of related party loans (in the form of restricted cash)	96,000	--	96,000	--	96,000
Change in restricted cash	--	--	--	(96,022)	(96,022)
Foreign exchange translation	(957)	(20)	(977)	--	(977)
New leases	--	371	371	--	371
Accrued interest – bank loans	2,840	--	2,840	--	2,840
Accrued interest – related parties	228	--	228	--	228
Leasing modifications/reassessments	--	(210)	(210)	--	(210)
Disposal of subsidiaries	--	(108)	(108)	--	(108)
Liabilities from financing as at 31 December 2021	**432,721**	**755**	**433,476**	**(96,022)**	**337,454**

In 2021, the Group drew loans from a related party in the total amount of USD 96,000 thousand to finance the acquisition of Sasol's Sodium Cyanide business (refer to Note 7 and 28 for more details) and deposited the proceeds raised to an escrow account in ČSOB bank. The money will be released to the seller on the closing date of the acquisition. Since the Group doesn't have a right to use the money on the escrow account for other purposes, the Group classifies the escrow account as a restricted cash. Therefore also the drawing of the loans are reported as non-cash transactions.

The business of Draslovka Holding a.s. is pledged in favour of Wilmington Trust (London) Limited, reg. no. 05650152, on the basis of a lien credit agreement concluded 8 December 2021 between Draslovka Holding a.s. as a pledgee and Wilmington Trust (London) Limited as a collateral agent. This lien credit agreement was concluded in relation to Credit Agreement dated 1 December 2021 among MANCHESTER ACQUISITION SUB LLC, as a borrower and JPMORGAN CHASE BANK, N.A. as a lender.

8.15

Trade payables

Trade payables:

in USD thousand	31 December 2021	31 December 2020
Trade payable – third parties	72,880	12,391
Trade payable – related parties (see Note 32)	105	--
Total trade payable	**72,985**	**12,391**

All trade payables are short-term in nature and are measured at amortized cost. Due to the short-term nature of trade payables, their carrying amount approximates their fair value. None of the trade payables is secured by a lien.

Other current financial liabilities

8.16

Other current financial liabilities:

in USD thousand	31 December 2021	31 December 2020
Current loans and borrowings (see Note 14)	5,495	8,463
Other financial liabilities measured at amortized cost	1,979	140
Current lease liabilities	186	281
Financial derivatives with negative fair value	46	--
Total other current financial liabilities	**7,706**	**8,884**

From other financial liabilities measured at amortized costs, the amount of USD 1,585 thousand relates to insurance.

8.17

Other current non-financial liabilities

Other current non-financial liabilities:

in USD thousand	31 December 2021	31 December 2020
Other tax liabilities excluding income taxes	3,181	421
Contract liabilities	4,582	3,460
Payables to employees	2,041	561
Total other current non-financial liabilities	**9,804**	**4,442**

From the other tax liabilities excluding income taxes USD 2,130 thousand represents liabilities from VAT (31 December 2020: USD 1 thousand).

Contract liabilities as at 31 December 2021 in the amount of USD 2,734 thousand (as at 31 December 2020 in the amount of USD 1,590 thousand) represent deliveries where the Group has not yet satisfied its performance obligation as at the balance sheet date. These revenues were therefore not recognized in revenue from contracts in 2021 but were recognized in revenues of the following year. The value of contract liabilities as at 31 December 2020 in the amount of USD 1,590 thousand were recognized in revenue from contracts with customers in 2021.

Provisions

8.18

The following table analyses the movements in provisions between the beginning and the end of the reporting period:

in USD thousand	Provision for employee benefits
Carrying amount as at 1 January 2021	**94**
Additions - charged to profit or loss	89
Release of provision	(94)
Effect of translation to presentation currency	(1)
Carrying amount as at 31 December 2021	**88**

Revenue

8.19

in USD thousand	2021	2020
Timing of revenue recognition		
At a point in time:		
Sales of chemical products	110,746	70,917
Revenues from sale of licenses	8,281	--
Over time:		
Fumigation	956	2,975
Services provided to related parties (see Note 32)	118	--
Other services	1,243	1,250
Total revenue from contracts with customers	**121,344**	**75,142**

The Group has technology innovations related to the production of hydrogen cyanide, sodium cyanide and acrylonitrile that it sells to third parties. The revenue from sale of licenses primarily consists of engineering designs, equipment configurations and blueprints.

Other services represent mostly revenues from resale of electricity.

Sales of chemical products divided by customer's location:

in USD thousand	2021	2020
Sales in Europe	40,914	31,987
Sales in Africa	16,758	21,512
Sales in Asia	13,466	10,002
Sales in Australia and New Zealand	592	3,629
Sales in North America	33,253	3,540
Sales in South America	5,763	247
Total revenue from sales of chemical products	**110,746**	**70,917**

Sales by chemical products:

in USD thousand	2021	2020
DPG	15,489	11,245
HcN	5,838	1
NaCN	63,807	43,284
KCN	6,467	4,667
Fumigants	534	418
Retacel	2,943	3,038
Syntron	4,702	925
SAM + SAMBO	7,773	5,502
Other products	3,193	1,837
Total revenue from sales of chemical products	**110,746**	**70,917**

If there is a time delay between the realisation of sales from contracts with customers and its cash inflows, the delay is mostly caused by the transport of goods from the production companies to distant foreign countries. The delay does not exceed 12 months and does not represent significant financing component.

Cost of sales

in USD thousand	2021	2020
Changes in inventories of finished goods and work in progress	2,859	(216)
Consumption of raw materials	(68,097)	(33,540)
Creation of a provision for inventory	47	43
Transportation	(6,078)	(3,621)
Energy consumption	(3,988)	(2,199)
Depreciation and amortization (see Note 4)	(14,107)	(8,924)
Repairs and maintenance	(1,739)	(1,638)
Current and low-value asset lease	(400)	(302)
Staff costs	(10,535)	(6,898)
Social security & health insurance costs and other personnel expenses	(2,938)	(2,544)
Supplementary pension insurance costs	(56)	(43)
Other	(1,844)	(2,240)
Total costs of sales	**(106,876)**	**(62,122)**

* Other costs include other costs related to production and operations

The Group had a total of 542 employees as at 31 December 2021 (as at 31 December 2020: 383 employees). Total personal expenses amounted to USD 13,529 thousand (2020: USD 9,485 thousand). Total amount of contribution to pension funds amounted to USD 56 thousand (2020: USD 43 thousand). Most of the increase in number of employees as well in personal expenses is related to acquisition of Covoro group entities.

Research costs and part of the development costs that do not fulfil the conditions for capitalization to intangible assets amounted to USD 159 thousand in 2021 (2020: USD 129 thousand).

Nature of expenses - additional information:

in USD thousand	2021	2020
Changes in inventories of finished goods and work in progress	2,859	(216)
Consumption of raw materials	(68,097)	(33,540)
Creation of a provision for inventory	47	43
Transportation	(6,078)	(3,621)
Energy consumption	(3,988)	(2,199)
Depreciation and amortization	(14,107)	(8,924)
Repairs and maintenance	(1,739)	(1,638)
Current and low-value asset lease	(400)	(302)
Staff costs	(12,036)	(7,889)
Social security & health insurance costs and other personnel expenses	(3,301)	(2,544)
Supplementary pension insurance costs	(453)	(43)
Other services related to manufacturing	(1,844)	(2,240)
Administrative service received	(19,813)	(1,984)
Other operating costs	(1,483)	(689)
Total expense	**(130,433)**	**(65,786)**

8.21

Administrative costs

in USD thousand	2021	2020
Marketing and representation costs	(226)	(216)
Legal services	(698)	(431)
Audit services	(325)	(86)
Accounting and tax services	(87)	(86)
Staff costs	(2,261)	(992)
Acquisition-related transaction costs (see Note 28)	(14,823)	--
Services provided by related party (see Note 32)	(120)	--
Travel expenses	(238)	(134)
Consulting cost	(1,532)	(453)
Other administrative expenses (services and other administrative expenses)	(1,764)	(577)
Total administrative costs	**(22,074)**	**(2,975)**

Transaction costs contains significant costs for advisory, legal and other services in connection with acquisitions made in 2021 (refer to Note 28).

8.22

Other operating income

in USD thousand	2021	2020
Gain on sale of non-current assets	--	43
Foreign exchange gains from operating activities - net	1,055	--
Gain from disposals of subsidiary	484	--
Other income from operations	1,111	431
Total other operating income	**2,650**	**474**

8.23

Other operating expenses

in USD thousand	2021	2020
Taxes and fees	(225)	(129)
Loss on sale of non-current assets	(145)	--
Gifts	--	(86)
Insurance	(677)	(345)
Other expenses from operations	(436)	(129)
Total other operating expenses	**(1,483)**	**(689)**

8.24

Finance costs

in USD thousand	2021	2020
Interest income – bank accounts	2	43
Interest income – related parties (see Note 32)	88	--
Foreign exchange gains from borrowings – net	1,277	--
Other financial income	66	86
Total finance income	**1,433**	**129**
Interest expenses – bank loans	(2,845)	(259)
Interest expenses - related parties (see Note 32)	(1,377)	(43)
Other financial costs	(111)	(42)
Foreign exchange losses from borrowings - net	--	(604)
Total finance costs	**(4,333)**	**(948)**
Net finance costs	**(2,900)**	**(819)**

8.25

Income tax

Income tax (expense) / benefit includes:

in USD thousand	2021	2020
Current tax expense (-)	(2,375)	(1,509)
Deferred tax benefit (+)	3,159	86
Total income tax (expense) / benefit	**784**	**(1,423)**

The income tax rate in the Czech Republic for the 2021 tax period was 19% (2020: 19%).
As at 31 December 2021, deferred income tax was calculated at a tax rate of 19% - 30 % (2020: 19% - 30%), which corresponds to the statutory tax rates determined for the future periods in which the deferred tax assets and liabilities will be realized.

Reconciliation between expected and effective tax (expense) / benefit:

in USD thousand	2021	2020
Profit / (loss) before tax	**(9,339)**	**9,011**
Theoretical tax benefit / (expense) at the parent's statutory tax rate of 19% (2020: 19%)	1,774	(1,712)
The tax effect of:		
different tax rates of subsidiaries operating in other jurisdictions	351	172
income exempt from taxation	8	43
non-deductible expenses	(692)	(228)
current year tax losses that were not recognized as a deferred tax asset	(778)	(560)
recognition of tax loss carry-forwards from prior years	87	--
tax credits - other	37	20
tax credits - investment incentive	(3)	842
Total income tax (expense) / benefit	**784**	**(1,423)**

Potential deferred tax assets from unused tax loss carry forwards of USD 1,621 thousand as at 31 December 2021 (31 December 2020: USD 982 thousand) has not been recognized as it is not probable that future taxable profit will be available against which the unused tax loss carry-forwards can be utilized.

The tax loss carry-forwards from which deferred tax asset was not recognised expire as follows:

in USD thousand	2021	2020
The tax loss carry-forwards		
- up to 2026	1,347	--
- unlimited	4,567	3,413
Total tax losses	**5,914**	**3,413**

Tax losses from financial year 2020 and 2021 are related to subsidiary in Australia where use of tax loss is unlimited. Tax losses that expire in 2026 relates to the Company.

Based on the Decision of the Ministry of Industry and Trade of the Czech Republic on the promise of an investment incentive from 24 June 2014 (further "the Decision"), to company Lučební závody Draslovka a.s. Kolín was promised an investment incentive in the form of tax credit pursuant to Section 35b of Act No. 586/1992 Coll., Act on income taxes.

The use of the investment incentive is conditioned by the fulfilment of the conditions specified in the Decision and of the conditions described in valid legislation (especially Act No. 72/2000 Coll. Act on investment incentives and Act No. 586/1992 Coll. Act on income taxes).

As of 30 April 2017, the company Lučební závody Draslovka a.s. Kolín fulfilled the conditions specified in the Decision and could therefore start drawing the tax rebate for the next 10 years, i.e. in 2017-2026. The total value of the investment incentive may not exceed 50% of eligible investment costs incurred by the company Lučební závody Draslovka a.s. Kolín and cannot exceed the amount of USD 214 thousand.

The final amount of the tax credit from investment incentive is influenced by the minimum tax liability that the company Lučební závody Draslovka a.s. Kolín is obliged to pay (specifically by the tax liability for the 2015 tax period). This tax liability represents maximum tax that the company Lučební závody Draslovka a.s. Kolín may pay in the period the incentive is active.

Due to low tax bases in past years, the company Lučební závody Draslovka a.s. Kolín firstly utilized the investment incentive in 2019.

On 27 November 2019, the company Lučební závody Draslovka a.s. Kolín was promised a second investment incentive in the form of an income tax credit pursuant to Section 35b of Act No. 586/1992 Coll., Act on Taxes, based on the Decision of the Ministry of Industry and Trade of the Czech Republic income.

The maximum intensity of public support cannot exceed 25% of the total value of eligible costs actually incurred by the beneficiary and at the same time cannot exceed the maximum amount of public support, which amounts to USD 13,651 thousand.

The company Lučební závody Draslovka a.s. Kolín aims to meet the conditions specified in the Decision and the conditions arising from the applicable legislation (especially Act No. 72/2000 Coll. Act on Investment Incentives and Act No. 586/1992 Coll. Act on Income Taxes).

The potential deferred tax asset from the investment tax incentive based on the available tax planning as at 31 December 2021 in the amount of USD 0 thousand (as at 31 December 2020: USD 8,416 thousand) was not recognized based on the accounting policy described in Note 2.18.

The Group incurred the tax loss from its US operations in 2021 in the amount of USD 216 578 thousand. It is attributable to the tax bonus depreciation of the assets. Deferred tax asset of US 45 481 thousand was recognised from this tax loss. The Group assessed the recognition of this deferred tax asset based on the prepared tax planning and believes that there will be sufficient taxable profit in future against which the deferred tax asset could be utilised. The corresponding deferred tax liability was recognized on the difference between tax base and carrying value of Property, plant and equipment and Intangible assets. The tax loss can be carried forward with no time limitation (there is no expiration period for US tax losses set by US tax regulation).

Deferred taxes analysed by type of temporary difference:

2021 in USD thousand	1 January 2021	Cost (-)/income (+) recognized in profit or loss	Impact of exchange rate differences	Acquired in business combinations (see Note 28)	Disposed in business combination (see Note 28)	31 December 2021
Deferred tax asset (+)/liability (-) relating to:						
Difference between tax base and carrying value of Property, plant and equipment	(2,665)	(45,657)	118	--	--	(48,204)
Difference between tax base and carrying value of Intangible assets	(94)	(170)	(117)	2,227	68	1,914
Difference between tax base and carrying value of Inventory	--	436	18	(465)	--	(11)
Difference between tax base and carrying value of non-financial assets	--	5,620	(1)	--	1	5,620
Difference between tax base and carrying value of financial and non-financial liabilities	140	(2,714)	42	--	--	(2,532)
Tax losses	--	45,683	--	--	--	45,683
Other	94	(39)	(2)	--	--	53
Total deferred tax asset/(liability)	**(2,525)**	**3,159**	**58**	**1,762**	**69**	**2,523**
Deferred tax asset	**--**					**5,354**
Deferred tax liability	**(2,525)**					**(2,831)**

Deferred taxes analysed by type of temporary difference:

2020 in USD thousand	1 January 2020	Cost (-)/income (+) recognized in profit or loss	Impact of exchange rate differences	Cost (-)/revenue (+) recognized in other comprehensive income	31 December 2020
Deferred tax asset (+)/liability (-) relating to:					
Difference between tax base and carrying value of Property, plant and equipment	(2,343)	(172)	(150)	--	(2,665)
Difference between tax base and carrying value of Intangible assets	(221)	129	(2)	--	(94)
Difference between tax base and carrying value of financial liabilities	44	129	14	(47)	140
Other	89	--	5	--	94
Deferred tax liability	**(2,431)**	**86**	**(133)**	**(47)**	**(2,525)**

The tax loss carry-forwards from which deferred tax asset was recognised expire in more than five years.

The Group's management expects that deferred tax liabilities in the amount of USD 2,621 thousand and deferred tax asset in the amount of USD 2,333 thousand are recoverable after more than 12 months after the reporting period (31 December 2020: USD 1,683 thousand).

8.26

Significant non-cash transactions

Transactions that do not require a cash flow and have been excluded from the Consolidated Statement of Cash Flows:

in USD thousand	2021	2020
Property, plant and equipment purchased in the current period but paid in the following period/ (purchased in the previous period but paid in the current period)	(1,212)	1,777
Unpaid interest	1,005	--
Unrealized foreign exchange differences	(1,900)	803
Other non-cash transactions	(22)	--
- Change in restricted cash	(96,022)	--
- Drawing of related party loans	96,000	--

8.27

Contingencies and Commitments

The Group entered into lease contract for hopper cars in November 2021. The lease commencement date on which hopper cars will be made available for use by the Group will occur in 2022. The total expected future cash outflows from leasing are USD 9,980 thousand.

The Company provided guarantee for the lease of hoppers cars by a subsidiary to a third-party lessor. This intra-group guarantee is not separately recognized in the consolidated financial statements of the Group. In addition, NP Finance s.r.o. provided a letter of credit to the third-party lessor for the lease of hopper cars for which a fee is paid by the Group to NP Finance s.r.o.

The Group concluded the Transition Service Agreement (TSA) with The Chemours Company. The contracted period is from 1 December 2021 to 31 May 2022. The Chemours Company provide, or cause to be provided, services related to operation of the business (such as supplier management, procurement and transactional management, warehousing management, human resources, IT, accounting and taxes etc.). Monthly fee paid depends on extent of the services provided and approximately amounted to USD 890 thousand per month.

Banking covenants

The Group is subject to certain covenants related primarily to its bank borrowings. Non-compliance with such covenants may result in negative consequences for the Group. The Group was in compliance with covenants as at 31 December 2021 and 31 December 2020.

The financial covenant net leverage ratio has to be tested quarterly and it needs to meet the ratio given by the credit agreement contract. The covenant is calculated as the ratio of the total amount of debt net of unrestricted cash and adjusted EBITDA.

The credit agreement sets also non-financial covenants. These include mainly the conditions for liens, maintenance of properties, insurance, inspections, maintenance of accounting book and records, compliance with laws, environmental, covenant to guarantee obligations.

The failure to comply with the financial covenants in the event of default can be cured by the Group via financial cure. In case of non-compliance with the covenants, the Group is in default and the bank loan and accrued interest may become due.

Subsidiaries and joint ventures

8.28

Summary of data of subsidiaries and joint ventures at the end of the reporting period:

in USD thousand	Place of establishment and operations	Percentage of voting right held by the Group 2021	Percentage of voting rights held by the Group 2020
Draslovka Holding South Africa Proprietary Limited (1)	South Africa	100 %	--
Draslovka South Africa Proprietary Limited (2)	South Africa	74.9 %	--
Draslovka Holding Alpha a.s. (3)	Czech Republic	100 %	--
Draslovka Holding a.s. (4)	Czech Republic	100 %	100 %
Lučební závody Draslovka a.s. Kolín	Czech Republic	100 %	100 %
Manchester Acquisition Sub LLC (5)	USA	100 %	--
Covoro Mining Solutions LLC (6)	USA	100 %	--
Draslovka Holding Mexico, S. de R.L. de C.V. (7)	United Mexican States	100 %	--
Covoro Mining Solutions Mexicana, S. de R.L. de C.V. (8)	United Mexican States	100 %	--
Covoro Mining Solutions Canada Holding Company (9)	Canada	100 %	--
Covoro Mining Solutions Canada Company (10)	Canada	100 %	--
Draslovka Chile Limitada (11)	Republic of Chile	100 %	--
DRASLOVKA SERVICES Pty	Australia	100 %	100 %
DRASLOVKA SERVICES RSA (PTY) LTD (12)	South Africa	42.5 %	85 %
DRASLOVKA SERVICES AFRICA (Pty) Ltd	South Africa	100 %	--
DRASLOVKA SERVICES NZ LIMITED	New Zealand	100 %	100 %
Draslovka Services India Private Limited	India	85 %	85 %
Manchester Acquisition Corp. (13)	USA	100 %	--
DRASLOVKA LIMITED (14)	Hong Kong	--	50 %

The capital reorganisation of the Group occurred in 2021 and the Company was newly founded in 2021. The ownership of the shares in 2020 is shown for comparison purposes.

All subsidiaries and joint ventures are engaged in the production or distribution of chemical products.

1 Draslovka Holding South Africa Proprietary Limited was established on 23 June 2021 in the Republic of South Africa.

2 Draslovka South Africa Proprietary Limited was established on 23 June 2021 in the Republic of South Africa.

3 Draslovka Holding Alpha a.s. was established on 31 August 2021 in the Czech Republic.

4 On 25 October 2021 the Company's sole shareholder Draslovka Invest a.s. contributed its shares of Draslovka Holding a.s. to the Company.

5 Manchester Acquisition Sub LLC was established on 8 July 2021.

6 Covoro Mining Solutions LLC was acquired on 1 December 2021.

7 Draslovka Holding Mexico, S. de R.L. de C.V. was established by Manchester Acquisition Sub LLC (99.99%) and Draslovka Holding a.s. (0.01%) on 25 November 2021.

8 On 1 December 2021 was Covoro Mining Solutions Mexicana, S. de R. L. de C.V. acquired by Draslovka Holding a.s. (0.01%) and Draslovka Holding Mexico, S. de R.L. de C.V. (99.99%).

9 Covoro Mining Solutions Canada Holding Company was acquired by Draslovka Holding a.s. on 1 December 2021.

10 Covoro Mining Solutions Canada Company was acquired on 1 December 2021 as a subsidiary of Covoro Mining Solutions Canada Holding Company.

11 Draslovka Chile Limitada was acquired by Draslovka Holding a.s. (99.99%) and Lučební závody Draslovka a.s. (0.01%) on 1 December 2021 .

12 DRASLOVKA SERVICES RSA (PTY) LTD a share of 42,5% was sold in 2021. The company is jointly controlled and accounted for as an investment in a joint venture.

13 DRASLOVKA LIMITED closed its operations in 2021.

14 Manchester Acquisition Corp. was established on 8 July 2021 in USA. The dissolution of the company was submitted on 22 December 2021.

Non-controlling interest

8.28.1

Non-controlling interest in the subsidiary DRASLOVKA SERVICES RSA (PTY) LTD:

in USD thousand	Current assets	Fixed assets	Current liabilities	Non-current liabilities	Sales	Profit / (loss)	Other comprehensive income	Cash flow
2020	2,116	1,438	(584)	(1,722)	2,069	(43)	--	(155)

Reconciliation of non-controlling interest DRASLOVKA SERVICES RSA (PTY) LTD:

in USD thousand	Equity	Proportion of non-controlling interest	Non-controlling interest
31 December 2020	1,247	15 %	(116)

In 2017, the Group made a cash contribution to other capital funds of DRASLOVKA SERVICES RSA (PTY) LTD in the amount of USD 2,047 thousand. Full amount of contribution paid is attributable to the Group based on the contract terms for the contribution, USD 0 thousand is attributable to minority shareholders.
.

In 2020, the Group purchased a 10% minority share in DRASLOVKA SERVICES RSA (PTY) LTD for USD 154 thousand. The company's equity amounted to USD 1,256 thousand at the date of the acquisition. The amount of USD (195) thousand was recognized in the Group's equity as a result of the transaction with a non-controlling interest.

The Group's share of 42.5% in the subsidiary DRASLOVKA SERVICES RSA (PTY) LTD was sold in 2021 and the subsidiary was derecognised as of 9 March 2021. The remaining ownership is 42.5% and was recorded as a joint venture as at 31 December 2021.

Other non-controlling interests are insignificant.

Group changes in 2021

8.28.2

8.28.2.1. COVORO MINING SOLUTION ACQUISITION

On 26 July 2021, Manchester Acquisition Sub LLC has signed a Purchase and Sale Agreement with The Chemours Company TT, LLC to acquire its mining solutions business.

On 1 December 2021, the acquisition of the Mining Solutions business of The Chemours Company was completed. The Closing purchase price was adjusted from the Base purchase price (USD 520,000 thousand) by calculation of the working capital, the cash amounts and the funded debt set at the closing date. The consideration paid totalled to USD 521,456 thousand.

In accordance with the provisions of the Purchase and Sale Agreement, the Post-Closing Statement was prepared by Manchester Acquisition Sub LLC and the revised purchase price according to the Post-Closing Statements totalled to USD 518,323 thousand. The difference between the consideration paid and revised purchase price in amount of USD 3,133 thousand was posted as Receivables from acquisition. Of the total difference, USD 2,750 thousands is receivable that the Group does not consider as part of net working capital that is to be purchased. This receivable was excluded from the net identifiable assets acquired. The revised purchase price reflects the decrease of initial purchase price mostly for this receivable. The difference between the consideration paid and revised purchase price is currently, according to the Purchase and Sale Agreement, subject to independent verification and negotiations. Receivables from acquisition in amount of USD 3,133 thousand are not considered as doubtful or non-collectable.

Manchester Acquisition Sub LLC raised a USD 348 million syndicated Term Loan B in November 2021 via sole bookrunner J.P. Morgan to support the acquisition of Chemours Mining Solutions business. The Term Loan B and equity from NP Finance s.r.o., Cheval Finance s.r.o. and B3 Holding, s.r.o. were used to fund the acquisition.

The acquisition represents the Group's first major investment in the US. Chemours Mining Solutions operates the largest solid sodium cyanide plant in the world in Memphis, Tennessee, with a market presence in Mexico, Canada and South America.

The revenue of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for 2021 totals to USD 25,690 thousand and profit of the acquiree since the acquisition date totals to USD 2,015 thousand.

If the acquisition had taken place at the beginning of the year, the Group´s revenue would have been USD 237,310 thousand higher and the profit before tax of the Group would have been USD 31,985 thousand higher.

The amount of goodwill that is expected to be deductible for tax purposes totals to USD 60,961 thousand.

Acquired assets, liabilities and contingent liabilities at fair value at the acquisition date:

in USD thousand	
Property, plant and equipment	297,287
Intangible assets - licenced technology	27,550
Intangible assets - customer relationship	72,490
Inventory	33,614
Trade receivables	25,040
Other financial receivables	2,650
Cash and cash equivalents	13,408
Deferred tax asset	1,762
Trade liabilities	(39,882)
Other financial liabilities	(1,034)
Net identifiable assets acquired	**432,885**
Goodwill arising from a business combination	85,438
Purchase price	**518,323**
Recorded as Receivable from acquisition	3,133
Consideration transferred, paid in cash and cash equivalents	**521,456**
Less: Cash and cash equivalents of subsidiary acquired	(13,408)
Net cash outflow from acquisition	**508,048**

As a part of this transaction the following entities were acquired or established in 2021:

Manchester Acquisition Sub LLC
Manchester Acquisition Sub LLC was established on 8 July 2021 in the USA.

Covoro Mining Solutions LLC
On 1 December 2021, Manchester Acquisition Sub LLC purchased the entity Covoro Mining Solutions, LLC. The transaction was accounted for as a business combination. Primary business activity of Covoro Mining Solutions LLC is the production of NaCN and HCN.

Covoro Mining Solutions Mexicana, S. de R.L. de C.V.
On 1 December 2021, Draslovka Holding Mexico, S. de R.L. de C.V. purchased 99.99% and Draslovka Holding a.s. purchased 0.01% of Covoro Mining Solutions Mexicana, S. de R.L. de C.V.

The transaction was accounted for as a business combination. Primary business activity of the entity is the distribution of NaCN produced by Covoro Mining Solutions LLC.

Covoro Mining Solutions Canada Holding Company
On 1 December 2021, Draslovka Holding a.s. acquired 100% of Covoro Mining Solutions Canada Holding Company. The entity is a holding entity of Covoro Mining Solutions Canada Company.

Covoro Mining Solutions Canada Company
On 1 December 2021, 100% of Covoro Mining Solutions Canada Company as a subsidiary of Covoro Mining Solutions Canada Holding Company was acquired.

The transaction was accounted for as a business combination. Primary business activity of the entity is the distribution of NaCN produced by Covoro Mining Solutions LLC.

Draslovka Chile Limitada
On 1 December 2021, Draslovka Holding a.s. purchased 99.99% and Lučební závaody Draslovka a.s. Kolín purchased 0,01% of The Chemours Company Chile Limitada, entity incorporated in Chile. The entity was renamed to Draslovka Chile Limitada on 16 December 2021.

The transaction was accounted for as a business combination. Primary business activity of the entity is the distribution of NaCN produced by Covoro Mining Solutions LLC.

Draslovka Holding Mexico, S. de R.L. de C.V.
On 24 November 2021, Manchester Acquisition Sub LLC by share of 99.99% and Draslovka Holding a.s. by share of 0.01% established new entity Draslovka Holding Mexico, S. de R.L. de C.V.

Manchester Acquisition Corp.
Manchester Acquisition Corp. was established on 8 July 2021 in the USA and deregistered on 22 December 2021. The company didn't carry out any activities.

8.28.2.2. SALE OF SHARE IN DRASLOVKA SERVICES RSA (PTY) LTD

DRASLOVKA SERVICES RSA (PTY) LTD share of 42.5% was sold in 2021. The agreement was signed on 4 November 2020, and the sale was completed after all relevant conditions were fulfilled, which happened on 9 March 2021.

Assets of DRASLOVKA SERVICES RSA (PTY) LTD at the date of sale:

in USD thousand	
Property, plant and equipment	897
Intangible assets	307
Goodwill	234
Inventory	735
Non-current loan provided	47
Trade receivables and other financial and non-financial asset	222
Cash and cash equivalents	1,111
Loans received from related party (see Note 32)	(1,607)
Leasing liabilities	(108)
Trade liabilities	(513)
Deferred tax liabilities	(69)
Net assets disposed of	**1,256**
Out of which	
Non-controlling interests (15%)	(120)
Net identifiable assets owned	**1,376**
Gain on loss of control over subsidiary	484
Total proceeds from loss of control over subsidiary (disposal of 85% ownership interest)	**1,860**
Less: Investment in joint venture recognized for the retained 42.5% ownership interest	(930)
Consideration received in cash for transfer of 42.5% ownership interest	930
Less: cash and cash equivalents held by subsidiary disposed of	(1,111)
Proceeds from disposal of subsidiary, net of cash disposed of	**(181)**

8.28.2.3. ACQUISITION OF BUSINESS IN SOUTH AFRICA DRASLOVKA SERVICES AFRICA (Pty) Ltd.

The Group established new entities Draslovka Holding South Africa Proprietary Ltd. and Draslovka South Africa Proprietary Limited. These two entities were established for Sasol project.

Planned acquisition in South Africa – project SASOL

On 9 July 2021 Draslovka Holding a.s. has signed an agreement with Sasol South Africa Limited ("Sasol") to acquire its Sodium Cyanide business, located in Sasolburg for ZAR 1,462,000 thousand (USD 96,022 thousand). This will be the Group's first major investment into the African continent and forms part of its international expansion plans. This acquisition will allow the Group to not only better serve the South African mining and associated industries but in the longer-term, enhance South Africa's exports and provide greater access to leading agricultural materials.

The transaction is subject to various regulatory approvals and is expected to be completed in the calendar year 2022. The Competition Commission's of South Africa decided on 26 November 2021 to prohibit the Group's acquisition of Sasol South Africa Limited's Sodium Cyanide business. The Group is reviewing its legal options with respect to the decision and will seek to engage with the Competition Commission to find resolution for it to secure regulatory approval in the near future.

In connection with project Sasol, shareholders of Draslovka Holding a.s. provided an intercompany loan in amount of USD 96,000 thousand. The amount was deposited on an account in ČSOB bank in the form of a restricted cash.

The structure of the Group changed in 2021 and a new entity Draslovka a.s. was established and all the activities related to project Sasol acquisition were transferred to this entity. The escrow account and the received intercompany loan was assigned from Draslovka Holding a.s. to Draslovka a.s. in 2021. No additional consideration was paid by Draslovka a.s. to Draslovka Holding a.s.

8.28.2.4. DISPOSAL OF DRASLOVKA LIMITED

DRASLOVKA LIMITED closed its operations in Hong Kong in 2021.

Net identifiable assets sold	47
Consideration transferred, paid in cash and cash equivalents	39
Net loss from operations closing	(8)

8.29 Financial risk management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

The Group's management is regularly informed about the current state of financial and other related risks (liquidity, exchange rates, interest rates, commodity prices, invoicing currencies, payment terms, taxes, etc.) through regular management meetings with managers of the divisions. The meetings are formalized, resolutions are documented in the minutes and their implementation is regularly evaluated.

Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Exposure to credit risk arises as a result of the Group's business activities and also from financial market transactions (money market transactions, currency conversions, derivative transactions, etc.).

The Group's maximum exposure to credit risk is reflected in the carrying amount of financial assets in the Consolidated Statement of Financial Position.

The concentration of credit risk according to Moody's rating is described in Note 12. For internal credit risk customer's assessment of trade receivables refer to Note 9. Receivables from the three largest customers as at 31 December 2021 amounted to 25% of Trade receivables (31 December 2020: 24%).

The concentration of credit risk related to the most important customers is regularly monitored and should not exceeded the common, regular portion of gross monetary assets individually during the year. The credit risk concentration of any other counterparty is also regularly reviewed in the relation to its portion on gross monetary assets during the year.

The credit risk of trade receivables is also managed through insurance of trade receivables.

The Group has cash and cash equivalents deposited with 7 banks, of which 69% is deposited with one bank (31 December 2020: 4 banks of which 45% is deposited with one bank).

Credit risk of financial assets

Credit risk of trade receivables and contract assets without significant financing component and of other financial assets is assessed separately.

Other financial assets – credit risk assessment

Other financial assets are divided into risk levels with similar credit risk characteristics. Risk level 1 includes other financial assets for which the Group does not expect any impairment and considers the probability of default to be low. Based on the Group's assessment Risk level 1 includes related party transactions and cash and cash equivalents. Risk level 2 includes other financial assets to third parties that are assessed by the Group as bearing the higher risk.

Trade receivables and contract assets – credit risk assessment

The expected credit loss for each risk level of trade receivables and contract assets without significant financing component is calculated based on provision matrix.

To assess the credit risk of trade receivables and contract assets the Group analysed incurred historical credit losses for last 5 years and identify countries with such a default (countries where in past 5 years some credit losses occurred).

For the countries with history of default the Group calculated the expected credit loss based on the provision matrix. Expected credit loss rates applied in the provision matrix are based on the historical information (history of default) and included also forward-looking information that includes expected Gross Domestic Product growth in the individual country and also management assessment of country specifics and related risks.

For the countries with no history of default the individual assessment of credit risk was made by the Group. Based on this assessment no credit risk loss was identified and no provision to trade receivables and contract assets was recognised as at the balance sheet date.

The provision calculated in accordance with the described policy amounted to USD 81 thousand.

Credit risk and expected credit loss (ECL) measurement of financial assets

Analysis of credit risk of financial assets at amortized cost

Stage model ECL – other financial assets

in USD thousand	Stage 1 12-month ECL *	Stage 2 lifetime ECL * - no individual impairment	Stage 3 lifetime ECL * - individually impaired	31 December 2021
Risk level 1, of which:	**38,086**	**--**	**--**	**38,086**
Cash and cash equivalents	36,071	--	--	36,071
Other current financial assets	408	--	--	408
Loans issued	46	--	--	46
Other non-current financial assets	1,561	--	--	1,561
Risk level 2, of which:	**6,164**	**--**	**--**	**6,164**
Other current financial assets	5,127	--	--	5,127
Other non-current financial assets	1,037	--	--	1,037
Total	**44,250**	**--**	**--**	**44,250**

* ECL - expected credit loss (expected losses from credit risk)

in USD thousand	Stage 1 12-month ECL *	Stage 2 lifetime ECL * - no individual impairment	Stage 3 lifetime ECL * - individually impaired	31 December 2020
Risk level 1, of which:	**10,661**	**--**	**--**	**10,661**
Cash and cash equivalents	10,567	--	--	10,567
Other non-current financial assets	47	--	--	47
Other current financial assets	47	--	--	47
Total	**10,661**	**--**	**--**	**10,661**

Impairment of financial assets

Lifetime ECL by provision matrix

Provision matrix is used for trade receivables from countries with increased credit risk (with history of default). Trade receivables were divided based on historical experience (based on history of default in the country) as follows:

in USD thousand	2021	2020
Net trade receivables from countries with increased credit risk (with history of default)	15,816	311
Trade receivables from countries with no history of default	31,105	8,339
Total Trade receivables	**46,921**	**8,650**

in USD thousand	Current	Overdue less than 1 month	From 1 to 3 months	Over 91 days	Total
31 December 2021					
Historical credit loss rate (in%)	0.49%	2.8%	3.99%	5.15%	
Estimated total gross carrying amount at default	15,796	101	0	0	15,897
Expected credit loss	(78)	(3)	0	0	(81)
31 December 2020					
Historical credit loss rate (in%)	0.05%	0.08%	0.12%	0.15%	
Estimated total gross carrying amount at default	260	0	0	51	311
Expected credit loss	0	0	0	0	0

in USD thousand	2021	2020 as re-presented
Impairment by provision matrix	81	--
Individual impairment	--	47
Total Trade receivables impairment	**81**	**47**

Market risk

Market risk is the risk that future cash flows from financial instruments will fluctuate due to changes in market prices. The Group is exposed to market risks arising from open positions in (a) foreign currencies and (b) interest rates. The Group's management is regularly informed about these risks. In case of significant movements on the market, the Group may incur losses.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange rate development represents a significant risk for the Group as the Group sells its products and purchases raw materials for production and services in foreign currencies. The Group manages currency risk through market analysis. The Group applies natural hedging, i.e. matching of foreign payments with foreign cash proceeds. Where the natural hedging cannot be applied, the Group assess the related foreign currency risk and in case of identified risk exposure the Group uses currency derivative to manage this risk.

The risk exposure based on a foreign currency income and expense structure is reduced by using foreign currency forwards. These forwards are concluded on the basis of the expected cash flows plans which are updated regularly.

The management of the Company is regularly updated on the current status of currency risks.

Currency risk is measured against the functional currency on the individual group entity at the balance sheet date, when financial assets and financial liabilities denominated in foreign currencies are translated at the applicable foreign exchange rate.

The following table summarizes the Group's exposure to currency risk at the end of the year:

in USD thousand	31 December 2021 Monetary financial assets	31 December 2021 Monetary financial liabilities	31 December 2021 Net position	31 December 2020 Monetary financial assets	31 December 2020 Monetary financial liabilities	31 December 2020 Net position
Euros						
Trade receivables and Other current financial assets	10,924	--	10,924	3,893	--	3,893
Cash and cash equivalents	1,277	--	1,277	1,724	--	1,724
Trade payable and Other financial liabilities	--	(8,522)	(8,522)	--	(5,118)	(5,118)
Non-current financial liabilities	--	--	--	--	(25,535)	(25,535)
US dollars						
Restricted cash	96,022	--	96,022	--	--	--
Trade receivables and Other current financial assets	2,153	--	2,153	3,787	--	3,787
Cash and cash equivalents	5,742	--	5,742	7,014	--	7,014
Non-current loans received from related party	--	(96,228)	(96,228)	--	--	--
Trade payables and Other financial liabilities	--	(1,290)	(1,290)	--	(8,136)	(8,136)
Mexican pesos						
Trade receivables and Other current financial assets	58	--	58	--	--	--
Cash and cash equivalents	1,001	--	1,001	--	--	--
Trade payables and Other financial liabilities	--	(295)	(295)	--	--	--
South African rands						
Other non-current financial assets	1,561	--	1,561	--	--	--
Canadian dollars						
Trade receivables and Other current financial assets	157	--	157	--	--	--
Cash and cash equivalents	315	--	315	--	--	--
Trade payables	--	(120)	(120)	--	--	--
Total	**119,210**	**(106,455)**	**12,755**	**16,418**	**(38,789)**	**(22,371)**

As at 31 December 2021, the Group considers that possible exchange rate movements against the US dollar in the following period are 10% (strengthening of the US dollar) and 10% (weakening of the US dollar) (31 December 2020: +/- 10%).

A 10% appreciation of the US dollar against foreign currency would lead to a decrease in profit by USD 2,791 thousand (31 December 2020: a 10% appreciation would lead to an increase in profit by USD 1,522 thousand), provided that other variables remain constant. The change would not have an impact on other components of equity as at 31 December 2021 or 31 December 2020.

The exposure was calculated only for currency balances denominated in currencies other than the functional currency of the particular company.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's main interest rate risk arises from non-current borrowings with variable rates.

The table below summarise the Group's exposure to interest rate risk. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual interest repricing or maturity dates:

in USD thousand	Demand and less than 3 months	From 3 to 12 months	More than 1 year	Total
31 December 2021				
Total financial assets	84,006	4,681	98,620	187,307
Total financial liabilities	(70,858)	(9,833)	(429,090)	(509,781)
Net interest sensitivity gap at 31 December 2021	**13,148**	**(5,152)**	**(330,470)**	**(322,474)**
31 December 2020				
Total financial assets	19,030	421	47	19,498
Total financial liabilities	(14,355)	(6,920)	(27,166)	(48,441)
Net interest sensitivity gap at 31 December 2020	**4,675**	**(6,499)**	**(27,119)**	**(28,943)**

If interest rates as at 31 December 2021 were 100 basis points higher/lower (31 December 2020: 100 basis points higher/lower) with all other variables constant, profit after tax for the year would be USD 3,608 thousand (31 December 2020: USD 130 thousand) lower/higher. The change would not have an impact on other components of equity as at 31 December 2021 or 31 December 2020.

The Group's management regularly monitors and assess the Group's position in relation to interest rate risk. However, the formal criteria for assessing interest rate risk were not internally established. The Group does not have the objectives, policies and procedures for interest rate risk assessment formalized.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The aim of liquidity risk management is to ensure a balance between the financing of operating activities and financial flexibility in order to satisfy the claims of all suppliers and creditors of the Group in a timely manner.

The table below shows liabilities as at 31 December 2021 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Liabilities in foreign currencies are translated using the exchange rate of the Czech National Bank as at 31 December 2021 (31 December 2020).

in USD thousand	On request, within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Carrying value
31 December 2021						
Bank loans	2,906	2,780	447,671	--	453,357	336,468
Bank overdrafts	25	--	--	--	25	25
Non-current loans received - related party	--	--	--	109,926	109,926	96,228
Lease liabilities	46	139	609	--	794	755
Trade payables	67,086	6,001	--	--	73,087	72,985
Derivatives	46	--	--	--	46	46
Other liabilities	922	1,057	290	1,201	3,470	3,274
Total liabilities	**71,031**	**9,977**	**448,570**	**111,127**	**640,750**	**509,781**
31 December 2020						
Bank loans	1,824	5,564	22,864	4,255	34,507	33,572
Bank overdrafts	47	--	--	--	47	47
Lease liabilities	94	187	608	--	889	889
Trade and other payables	12,252	140	--	--	12,392	12,391
Other liabilities	91	1,122	327	--	1,540	1,542
Total liabilities	**14,308**	**7,013**	**23,799**	**4,255**	**49,375**	**48,441**

The Group regularly monitors its liquidity position and uses overdrafts in exceptional cases. The Group also uses the advantages of commercial terms between the Group and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier´s invoices is between 30 to 60 days. Expected cash flow forecast is prepared weekly as follows: (a) expected future cash inflow from main operations of the Group and (b) expected future cash outflows securing operation of the Group and leading to settlement of liabilities of the Group, including tax payables. The cash flow forecast identifies the immediate need for cash and, if funds are available, it enables the Group to make short-term bank deposits.

8.30

Management of Capital

Equity at the level of individual companies of the Group is maintained at a level ensuring the ability of individual entities to continue as a going concern. The Group's management defines capital as the equity presented in these consolidated financial statements in the amount of USD 299,733 thousand (31 December 2020: USD 58,166 thousand).

In the area of capital management, the Group's objectives depend on the covenants set out in the bank loan agreements. During both 2021 and 2020, the Group complied with the covenants stipulated in the bank loan agreements, including the contractual conditions of the equity-to-debt ratio. Apart from the requirements for the equity-to-debt ratio arising from bank agreements, the Group has no other specific objectives in managing its capital.

8.31

Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows:
(i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities; (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and (iii) level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorizing financial instruments using the fair value hierarchy.

If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement.

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. Financial derivatives are reported at fair value. Discounted cash-flow models were used to determine fair value. These assets have been classified as level 2 in the fair value hierarchy.

Financial receivables and liabilities recognized at fair value in the Consolidated Statement of Financial Position of the Group as at 31 December 2021:

in USD thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Financial derivatives with positive fair value	--	114	--	114
Financial liabilities				
Financial derivatives with negative fair value	--	(46)	--	(46)

Fair value of financial derivatives is determined in discounted amount of expected future cash flows. To set the fair value of derivatives the Group uses the expected foreign exchange rate at the maturity date of the derivative transaction and the nominal amount of the derivatives.

Financial receivables and liabilities at fair value in the Consolidated Statement of Financial Position of the Group as at 31 December 2020:

in USD thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Financial derivatives with positive fair value	--	187	--	187

Assets and liabilities not measured at fair value but for which fair value is disclosed

The fair values analysed by the level of the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

	31 December 2021		31 December 2020	
in USD thousand	Level 3 Fair value	Carrying value	Level 3 Fair value	Carrying value
Related party loans– received	(75,535)	(96,228)	(1,402)	(1,402)
Related party loans - provided	1,486	1,561	--	--
Non-current financial asset	472	472	--	--
Bank loans	365,000	336,468	32,917	33,572

Level 3 fair values according to the fair value hierarchy were determined using the discounted cash-flow method. The fair values of floating rate instruments that are not quoted on an active market are estimated based on discounted cash flows where discount rate is derived from an applicable interest margin plus average floating rate projected for the relevant loan period. The fair value of unlisted fixed-rate instruments was estimated based on estimated future cash flows to be paid and which are discounted at the current interest rates applicable to current instruments with similar credit risk and remaining maturity.

The carrying amount of other financial instruments is close to their fair value.

8.32 Related party transactions

	31 December 2021		31 December 2020	
in USD thousand	Immediate shareholder	Other related party	Immediate shareholder	Other related party
Non-current loans provided	--	1,561	--	47
Current loans provided	--	46	--	47
Trade receivables	--	116	--	--
Other receivables	--	408	--	--
Prepaid services	--	2	--	--
Non-current loans received	--	(96,228)	(233)	(94)
Non-current other liabilities	--	(1,005)	--	--
Current loans received	--	--	(794)	(281)
Trade payables	--	(105)	--	--

	2021		2020	
in USD thousand	Immediate shareholder	Other related party	Immediate shareholder	Other related party
Provided services	--	118	--	--
General and administrative expenses	--	(120)	--	--
Interest income from assigned borrowings	--	--	--	--
Interest income – other	--	88	--	--
Interest expenses	--	(1,377)	--	(43)

The parties are generally considered to be related if the parties are under common control, or one party can control the other party or may exercise significant influence over the other party when deciding on financial or operating activities. In assessing each possible related-party relationship, attention is focused on the substance of the relationship, not just on the legal form.

Non-current loan is provided to Draslovka Services RSA (PTY) LTD in amount of USD 1,561 thousand. As at 31 December 2021, the company Draslovka Services RSA (PTY) LTD is consolidated as joint venture, as at 31 December 2020 Draslovka Services RSA (PTY) was consolidated as a subsidiary (Note 7).

In 2020 the Group had loan from shareholders and other related parties in the amount of USD 1,402 thousand. The loan was fully repaid in 2021 as described in Note 14. Interest expenses recognized on these loans before their repayment in 2021 amounted to USD 1,146 thousand (2020: USD 43 thousand).

In 2021, the Group loans and unpaid interest expense were cessed from Draslovka Holding a.s. to Draslovka a.s. Total amount of loans was USD 96,000 thousand and total amount of unpaid interest expense was USD 1,005 thousand (reported under Non-current other payables).

The maturity of the loan is at 30 June 2028. Interest is repayable with the principal at maturity. Total interest accrued as at 31 December 2021 amounted to USD 228 thousand.

Loans to the members of the Company's Board of Directors and to their related parties as at 31 December 2021 amounted to USD 46 thousand (31 December 2020: USD 94 thousand) (Note 7).

Trade receivables, trade payables, provided services and general and administrative expenses relates to daily operations of the Group.

Key management compensation

Key management compensations consist of compensation to key management personnel and members of the Board of Directors. Number of key management personnel is 18 (2020: 6 key management).

Key management compensation in 2021 amounted to USD 1,324 thousand (2020: USD 1,164 thousand), out of which USD 222 thousand represents contributions to pension plans (2020: USD 172 thousand) and USD 895 thousand represents contributions to health insurance plans (2020: USD 82 thousand).

Short-term compensations are fully payable within 12 months from the end of the reporting period in which the related services were provided.

Subsequent events 8.33

In February 2022, ongoing political tensions between Russia and Ukraine escalated into conflict with Russia's military invasion of Ukraine. The global response to Russia's violations of international law and aggression against Ukraine was the imposition of extensive sanctions and restrictions on business activity. We consider these facts to be non-adjusting subsequent events. The overall impact of recent developments has been manifested in increased volatility in financial and commodity markets and other consequences for the economy. Business risks including the adverse impact of economic sanctions imposed on Russia, business disruption (including to supply chains), increased incidence of cyber-attacks, the risk of legal and regulatory breaches and many others are difficult to assess and their overall impact and potential effects are unknown at this time.

Following the invasion, the Group immediately issued force majeure notices to all of its customers and distributors in the Russian Federation, and discontinued any product supplies to the country. Expected sales to Russia were about USD 1,000 thousand, which represents roughly 1% of European operations, and nothing from US operations. Overall, this means the Group has less than 0.3% revenue exposure to Russia and Ukraine region. We expect there to be an impact of no more than 0.3% of EBITDA. The Group has only intangible assets in Russia, such as product registrations with negligible book value.

In March 2022, the management of the Group's subsidiary Lučební závody Draslovka a.s. Kolín (further „LZD") that owns the plant located in Czech Republic had to response to the significant growth in input costs experienced following the invasion of Ukraine by the Russian Federation and had to temporarily reduce production of sodium cyanide (NaCN) to a minimum level. NaCN production costs in Europe have almost trebled in 2022 due to the impact that the invasion and subsequent global trade sanctions had on the prices of the energy and materials used. As LZD has large diversity of products it is able to minimise these negative impacts by re-focusing of production to other products that are less affected by the recent energy volatility or whose prices have increased proportionally to this unprecedented increase in production cost. These products include mainly KCN, DPG, Chelates and other chemical specialties. But the seamless supply of NaCN to its key customers still remain LZD's key priority. Group's Mining Solutions plant located in the United States of America is not affected by this decision and will be fully utilized to ensure the ongoing supply to Group's customers. Due to the flexibility of Group's European production portfolio and based on the Group's detailed assessment, the Group expects not a significant financial impact on the business as a whole.

On 26th November 2021, South African Competition Commission's published a decision to prohibit Group's acquisition of Sasol South Africa Limited's ("Sasol") Sodium Cyanide business.

The Group is committed to its proposed investment, which includes the transfer of the Company's leading, state-of-the-art technology to the plant in Free State, Sasolbourg, in order to increase production, improve the efficiency, stability, and reliability of the plant while also significantly reducing its carbon footprint. In the longer-term, the Group also aims to add to its end markets in the South African mining industry by exporting across Africa to meet the growing demand for various CN-based chemical products and services. The Company is committed to improving the environmental and social responsibility credentials of all its businesses.

The planned USD 50 million investment into the plant would create new jobs in Sasolbourg and improve the Republic of South Africa's balance of trade by both establishing the local manufacturing of specialty chemicals products which are currently imported and through the exporting of the Group broader portfolio of products and services from South Africa to a range of markets around the world.

As previously indicated, the Group will address the economic transformation objectives of South Africa, it has partnered with Navuka Investment Holdings as its broad-based black economic empowerment (B-BBEE) partner. Navuka Investment Holdings will own 25% plus one share of Draslovka South Africa Proprietary Limited.

On 4 February 2022 the Group received the balance of USD 93,622 thousand of its deposit on the escrow account in ČSOB bank. The Group also repaid the related party loan of USD 96,000 thousand and related interest during January to April 2022.

In April 2022, the Group acquired Mining and Process Solutions Pty Ltd (further "MPS") in Australia for USD 15,038 thousand. The acquisition of MPS adds an environmentally sustainable solution for the extraction of a number of precious metals, as well as copper, nickel, and cobalt, to the Group's offering. MPS holds an exclusive licensing agreement with Curtin University for the glycine leaching process, allowing ongoing support and access to the latest research being progressed.

The acquisition will allow the Group to supply a highly competitive and environmentally sustainable offering to the global market for the metals utilised in the digitalisation of the economy and the transition to electromobility.

As glycine leaching provides a viable solution in sensitive environmental locations where other forms of leaching are not appropriate, the acquisition will add significantly to the Group's diverse mining solutions product portfolio and allow the business to service customers in a broad range of regulatory situations.

Glycine is a non-toxic chemical that is fully bio-degradable. Glycine is a readily available chemical that is manufactured in large quantities in the USA, Germany, Japan, China, and India. Among the common manufacturing processes to obtain glycine is combining formaldehyde and ammonia along with hydrogen cyanide (HCN), a key product of the Group.

On 2 May 2022, the Company changed to dualistic system of internal structure and the following persons were appointed as members of Board of Directors – Petr Pudil as chairman of the Board of Directors, Pavel Brůžek, Jonas Mitzschke, Anita Orbán and Gregory Ronald Warren as members of Board of Directors.

Supervisory Board consists of the following members - Pavel Brůžek Sr. , Chairman of the Supervisory Board, Jan Dobrovský, Member of the Supervisory Board, Vasil Bobela, Member of the Supervisory Board and Petr Brůžek, Member of the Supervisory Board.On 2 May 2022, the Articles of Association of the Company were changed to reflect future issue of 3,351 A Shares in the nominal value of USD 91 thousand (CZK 2 million) each and 298,000,000 B Shares in the nominal value of USD 0.0455 (CZK 1) each. The transferability of Shares A is restricted by the consent of the General Meeting and the pre-emptive rights of shareholders holding Shares A. There are no voting rights attached to Shares B, except to the extent that they acquire voting rights in the cases specified in the Corporations Act (90/2012 Coll.). The transferability of Shares B is restricted by the approval of the Board of Directors and the pre-emptive rights of the shareholders holding Shares A and Shares B.

Approval
The consolidated financial statements were approved by the Board of Directors and signed on its behalf.

20 June 2022

Petr Pudil
Chairman of the Board of Directors

Pavel Brůžek
Member of the Board of Directors

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Independent auditor's report

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Independent auditor's report

to the shareholder of Draslovka a.s.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Draslovka a.s., with its registered office at Evropská 2758/11, Dejvice, Praha 6 (the "Company") and its subsidiaries (together the "Group") as at 31 December 2021, of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group´s consolidated financial statements comprise:

- the consolidated Statement of Financial Position as at 31 December 2021,
- the consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021,
- the consolidated statement of Changes in Equity for the year ended 31 December 2021,
- the consolidated statement of Cash Flows for the year ended 31 December 2021, and
- the notes to the consolidated financial statements including significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic and with the Act on Auditors. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and Act on Auditors.

Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the consolidated annual report but does not include the consolidated financial statements and auditor's report thereon.

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Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge about the Group obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- the other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- the other information has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

Responsibilities of the board of directors and supervisory board of the Company for the consolidated financial statements

The board of directors is responsible for the preparation of the consolidated financial statements that give true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The supervisory board of the Company is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors and supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

20 June 2022

PricewaterhouseCoopers Audit, s.r.o.
represented by Partner

Věra Výtvarová
Statutory Auditor, Licence No. 1930

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