Draslovka

2023 Annual Report

Draslovka a.s.

Draslovka

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Letter from CEO

Pavel Brůžek Jr.

Chairman of the Board
Chief Executive Officer

As we reflect on the year 2023, it is clear our journey has been one of resilience, adaptation, and innovation. Despite the challenges we faced, we have remained steadfast in our commitment to our mission and vision. I am proud to share with you the progress we have made.

The year 2023 was marked by significant changes in our earnings composition, with a strong focus on our core Mining Process Solutions business and technology licensing, including our proprietary and innovative Glycine Leaching Technology (GLT), which will both revolutionise the mining industry and Draslovka. GLT comprises two forms, GlyCat™ (GlyCat) for gold and GlyLeach™ (GlyLeach) for copper, nickel and cobalt.

Draslovka's business has reached an important inflection point with the execution of a number of commercial license agreements to GLT technology. License partnerships present remarkable opportunity for us to expand our offering as a technology provider. GlyCat is truly a revolutionary technology, reducing sodium cyanide (NaCN) consumption at mining sites by up to 80%. It presents remarkable economic and environmental benefits to our customers, local communities and the gold industry as a whole.

Highlights of our technology and licensing activities include commercial heap leach use of GlyCat at Bayan Airag's gold mine in Mongolia and a partnership with Jubilee Metals to use GlyLeach at its copper tailings in Zambia. We also began a global testing and implementation programme with

Barrick Gold to study GlyCat. This has since led to Barrick announcing in February 2024 that it will commence commercial use of GlyCat at its Buylanhulu operation in Tanzania and Draslovka and Barrick's strategic partnership will now include a broader testing programme in 2024 that will span multiple mining sites.

Our Agricultural Solutions division, demonstrated resilience by maintaining a positive EBITDA despite lower sales volumes while making solid progress on commercialization of new environmentally sustainable alternatives to legacy products.

Our Specialty Chemicals division based in Europe maintained stable sales volumes and achieved higher margins on its key products by volume. Despite the challenges, we were able to improve our EBITDA.

However, let us not forget that 2023 was not without its trials. Market pricing of caustic soda in the North American market and volatility of other key raw materials impacted our profitability. In response, we initiated contract renegotiations with suppliers and some of our customers, demonstrating our adaptability in the face of adversity.

We continued to face volatile geopolitical situation in Ukraine and the Middle East and manage the reverberations of the energy market disruption in our EU operations throughout 2023.

Looking ahead, we continue to see immense potential in our licensing business. We anticipate that our Glycine Leaching Technology (GLT) licensing represents a future growth opportunity that could surpass our current core business EBITDA performance in the medium to long term. This technology, and its commercial application exclusive to Draslovka, not only improves margins on a per-mine basis but also allows us to monetise into previously untapped markets, particularly around application of GlyLeach.

In response to the disconnect between the North American Caustic Soda market and global market changes, we have initiated discussions with potential technology-driven strategic partners to extend the Memphis facility to establish Caustic Soda production. This strategic move aims to secure a long-term, reliable, and cost-efficient supply of caustic soda for our core products.

Our commitment to our strategic and traditional markets remains unwavering. Despite the decline of imported volumes of sodium cyanide, we continue to be a stable supplier to the largest mines in Mexico. We are confident that any potential further declines can be compensated through the acquisition of new customers primarily in North America.

In conclusion, 2023 was a testament to our resilience, adaptability, and commitment to innovation. I am filled with gratitude for the hard work and dedication of each and every one of our employees and partners. Their dedication to our company's vision is an inspiration to me and I believe also to each other. As we look to the future, we remain committed to our mission: to develop and scale solutions vital to sustainable growth, applying our expertise to deliver at a pace that sets us apart.

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How Draslovka performed in 2023

Revenue

2023:

USD 462.9 mil.

2022:

USD 468.0 mil.

Total Equity

2023:

USD 352.1 mil.

2022:

USD 342.4 mil.

Adjusted Pro Forma EBITDA for the year*

2023:

USD 74.8 mil.

2022:

USD 77.3 mil.

Total Liabilities

2023:

USD 486.8 mil.

2022:

USD 507.7 mil.

Total Assets

2023:

USD 838.9 mil.

2022:

USD 850.2 mil.

Free Cash Flows

2023:

USD 7.2 mil.

2022:

USD 7.9 mil.

***Adjusted Pro Forma EBITDA is calculated as Net income 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 Blue Cube (Intreso) business
- pro forma adjustment related to implementation of costs saving initiatives
- other pro forma adjustments

04

Draslovka profile

4.1 Company profile

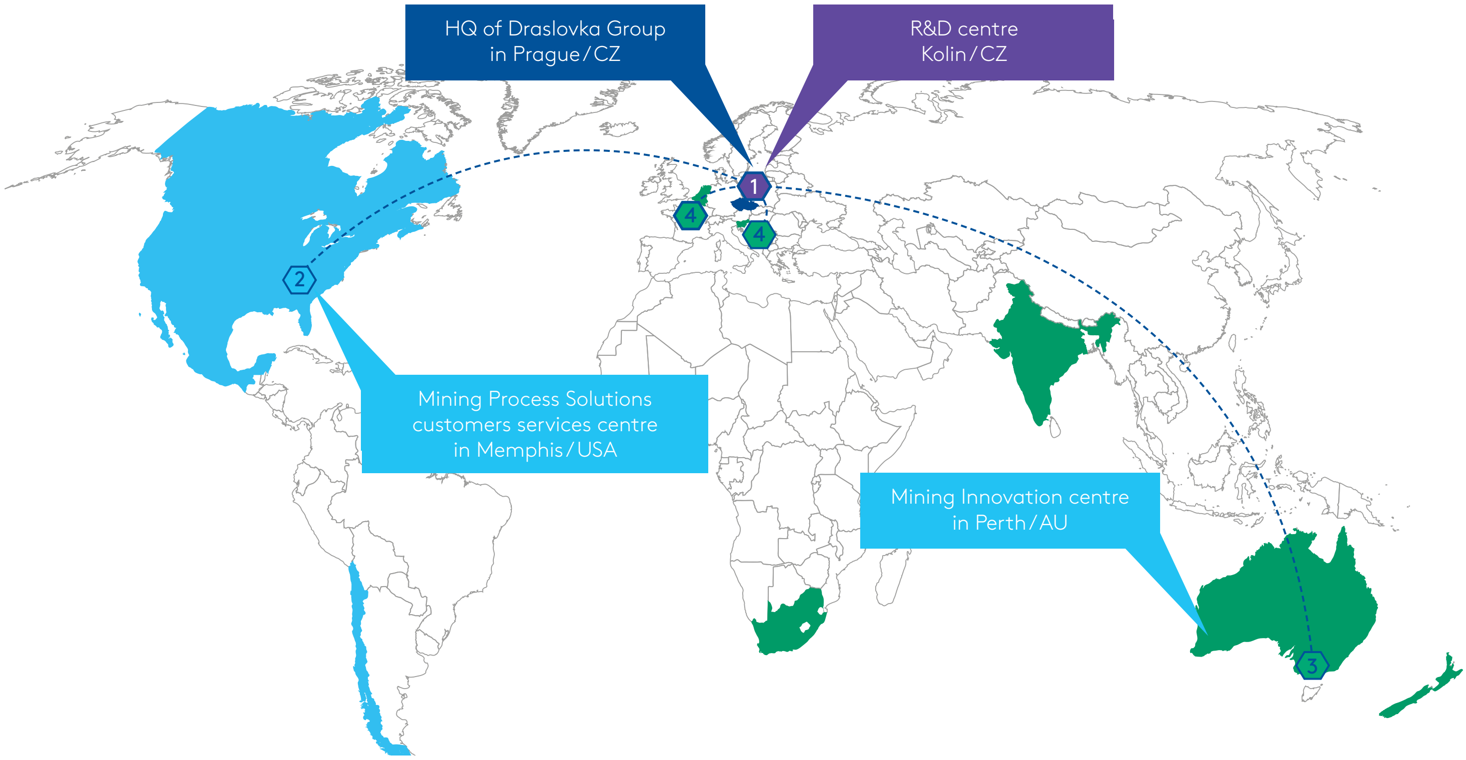
Draslovka is a chemical technologies, products and services company creating value and improving sustainability in several industries, including mining, agriculture and manufacturing. Utilizing Draslovka's significant technical expertise, the company develops and scales solutions which are vital for delivering sustainable growth at a faster pace. A private holding company based in the Czech Republic, it is owned by four Czech families and is building on fundaments of more than 110 years of unparalleled experience in hydrogen cyanide (HCN) production and HCN chemistry in the region. Draslovka specializes in the production of fully synthetic and high-quality liquid HCN, which undergoes further processing for application in a variety of downstream products ranging from mining through to agriculture and manufacturing sectors.

Draslovka is made up of three business units: Mining Process Solutions, Agricultural Solutions, and Specialty Chemicals. Each of these businesses is headquartered in a different region of the world, creating an unparalleled worldwide presence and integrated business verticals offering innovative solutions, the highest standards of safety, and excellence in customer service. Across our business, we offer world-leading alternative products and solutions which offer environmental benefits.

Today, Draslovka is best known as one of the world's largest producers of sodium cyanide, a chemical vital for gold mining. However, its most important contribution to the sector is its Glycine Leaching Technology (GLT), the company's proprietary technology that leaches metals (including gold, copper, nickel and cobalt) in a more sustainable and economic manner. Draslovka also manufactures other specialist chemicals and reagents and provides class-leading chemical application services to the mining and pest control industries as well as AI-enabled support services.

4.2
Global presence and diversified product offering

Draslovka comprises three distinct business units, namely Specialty Chemicals, Agricultural Solutions, and Mining Process Solutions. These individual units are strategically headquartered across different regions of the world, thereby facilitating a truly unmatched global reach and the seamless integration of business verticals.



1 Kolin CZ

2 Memphis USA

3 Melbourne AU

4 European fumigation services centre: Belgium, Holland, Slovenia

Specialty Chemicals

Kolín, Czech Republic
c. 310

Revenue breakdown by product
NaCN, DPG, Sam+Sambo, KCN, Retacel, Syntron

Revenue breakdown by region
South America, North America, Asia, Africa, Europe

Mining Process Solutions

Memphis Tennessee, USA
c. 269

Revenue breakdown by product
HCN, NaCN

Revenue breakdown by region
North America, Central America, South America

Agricultural Solutions

Melbourne, Australia
c. 102

Revenue breakdown by product
Bluefume, Efume, Fumigation

Revenue breakdown by region
Africa, Asia, North America, Australia

# 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, Generála Píky 430/26, 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 2023, 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.	**33 373/133 373**
» NP Finance s.r.o.	**90 000/133 373**
» Cheval Finance s.r.o.	**10 000/133 373**

Shareholders' seats:

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

4.4 Corporate Bodies

In 2023, the Company had a dualistic system of internal structure and its organs were composed as follows:

Statutory body - Board of Directors

Petr Pudil
Chairman of the Board

Pavel Brůžek Jr.
Chairman of the Board

Jonas Mitzschke
Member of the Board of Directors

Anita Orbán
Member of the Board of Directors

Gregory Ronald Warren
Member of the Board of Directors

Supervisory Board

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

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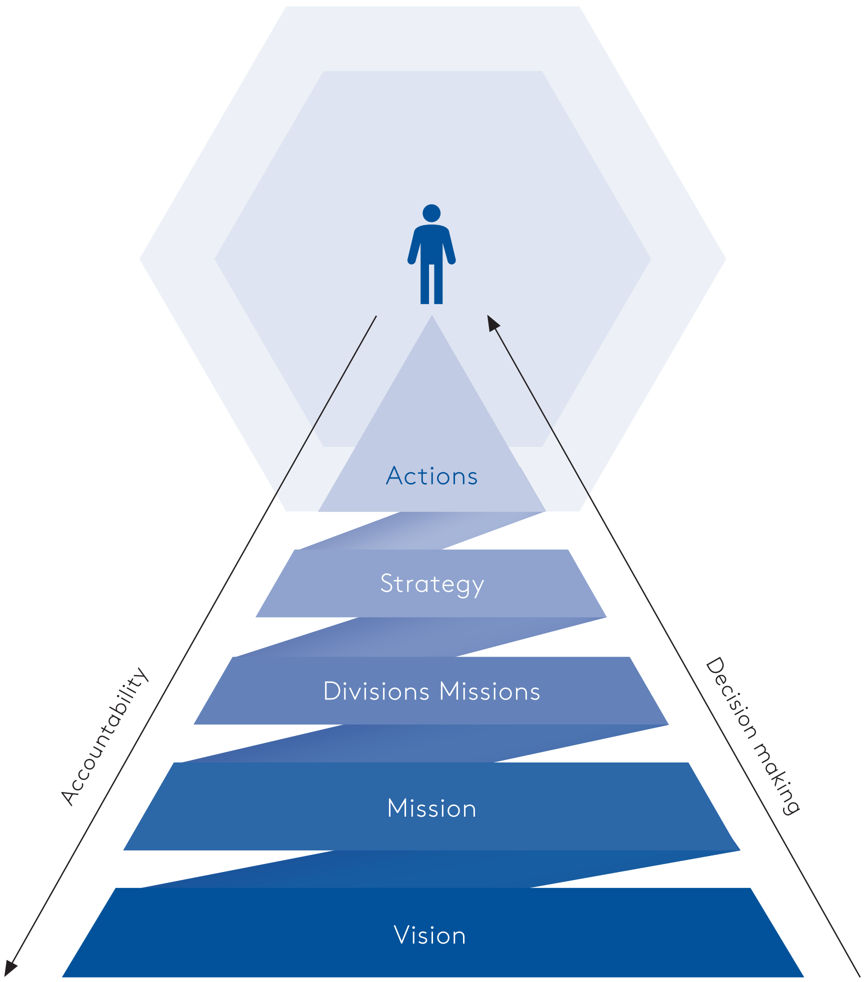
Our Vision and Mission

Our vision

Draslovka develops and scales solutions vital to sustainable growth, applying our expertise to deliver at a pace that sets us apart. Put simply, we get there sooner.

Our mission

Our dual objective is to unlock transformation through alternative chemistry-based solutions that are scalable while being the leader in our respective global product and geographic markets. Safety and environmental sustainability are at the heart of everything we do.



Our Values

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 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

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

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Sustainability & Responsibility

This year, we follow our inaugural ESG report from last year with a full Sustainability Report for 2023 which details the material progress made in our sustainability journey over the reporting period.

Draslovka's ESG vision and strategy reflect the importance we place on our employees, communities, and environment. The core of our business is our market-leading portfolio of environmentally sustainable solutions for the mining, specialty chemicals and agricultural sectors, which are a vehicle for our customers to become more sustainable.

We prepared an in-depth materiality assessment which underpins our 2022 Sustainability Report and the four pillars of our sustainability strategy – Innovating for Sustainability, Protecting and Developing our People, Preserving the Environment and Operating Responsibly – guide Draslovka's strategic approach to sustainability and inform our priorities. Our Board of Directors is ultimately responsible for the implementation of our sustainability goals therefore the agenda for Board meetings now include a standing item on sustainability to provide oversight of performance against our strategy.

We have made progress towards the four pillars of our strategy this year and are able to start reporting on several priority key performance indicators (KPIs).

Innovating for Sustainability

Our innovative solutions for the mining and agriculture sectors, which offer environmentally sustainable alternatives to existing products that have a higher emissions profile, continue to be successful. Partnerships with global leaders in mining, including Bayan Airag, Jubilee Metals, Barrick Gold and BHP, have demonstrated the opportunity for commercialisation of glycine leaching technology. We have also successfully obtained new registrations for our solutions for use in fumigation, including for EDN™ in Uruguay and BLUEFUME™ in South Africa and Australia.

Our solutions offer Draslovka competitive advantage in the markets in which we are present and therefore, protection of our intellectual property (IP) is essential. As such, we have developed a Group IP Protection Policy to ensure high standards are set and achieved throughout Draslovka and our supply chain.

Protecting and Developing our People

We maintain high standards in protecting the health and safety of our staff, supply chain and communities. Through our strong safety culture, regular employee briefings and up to 50 audits per year at our production facilities in Kolin and Memphis, we have a strong track record.

Both our Kolin and Memphis sites have certifications in areas such as health and safety and chemical management. Our Memphis Plant is a three-time recipient of the Tennessee Occupational Safety & Health Administration's Workplace Safety and Health Award and is certified under the International Cyanide Management Code and the American Chemistry Council's RC14001 Responsible Care standard. Our Kolin facility is certified against the following International Standard Organization (ISO) numbers: ISO 50001 – Energy management; ISO 45001 – Health and safety management standard; ISO 9001 – Quality management system; ISO 14 001 – Environmental management. All three of the businesses which make up the INTRESO group, Descroes (Belgium), Fumico (Netherlands) and DDD (Slovenia) are also ISO 9001 certified.

In October 2023, we launched our first all-employee engagement survey, the results of which indicated positive attitudes towards values and culture. It also identified a greater need for information and transparency in decision-making as priority area for our future work.

Draslovka is committed to Diversity, Equity, and Inclusion (DEI) and maintains zero-tolerance for discrimination and harassment, reflected in the new Diversity, Equity & Inclusion, Non-Discrimination and Anti-Harassment policy published in August 2023.

Preserving the Environment

Draslovka has had longstanding controls and policies in place to ensure safe handling of the hazardous material with which we work and protect the natural environment. We recognize the need to continually improve our environmental impact over time through minimizing our use of, and our impact on, natural resources.

In 2023, the Memphis plant and INTRESO operations had no environmental permit violations, and we undertook pilot testing of several projects to explore how we can further reduce our environmental impact. Additionally, in 2023, our Kolin plant received an EcoVadis silver rating based on its environmental performance, placing us in the top 15% of all companies surveyed.

We will report on environmental data annually through our Sustainability Report. This year, we are disclosing Scope 1 GHG emissions for the first time and will work toward the disclosure of Scope 2 and 3 emissions in the coming years. In the absence of European registration for Draslovka's Agricultural Solutions, we also actively seek alternatives to the use of legacy products with a higher emissions profile.

Further, this year's sustainability report includes, for the first time, a comprehensive assessment of the climate-related risks and opportunities facing Draslovka. Consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), this report aligns our reporting and sustainability strategy with globally recognised best practice for climate reporting to stakeholders, including regulators and investors.

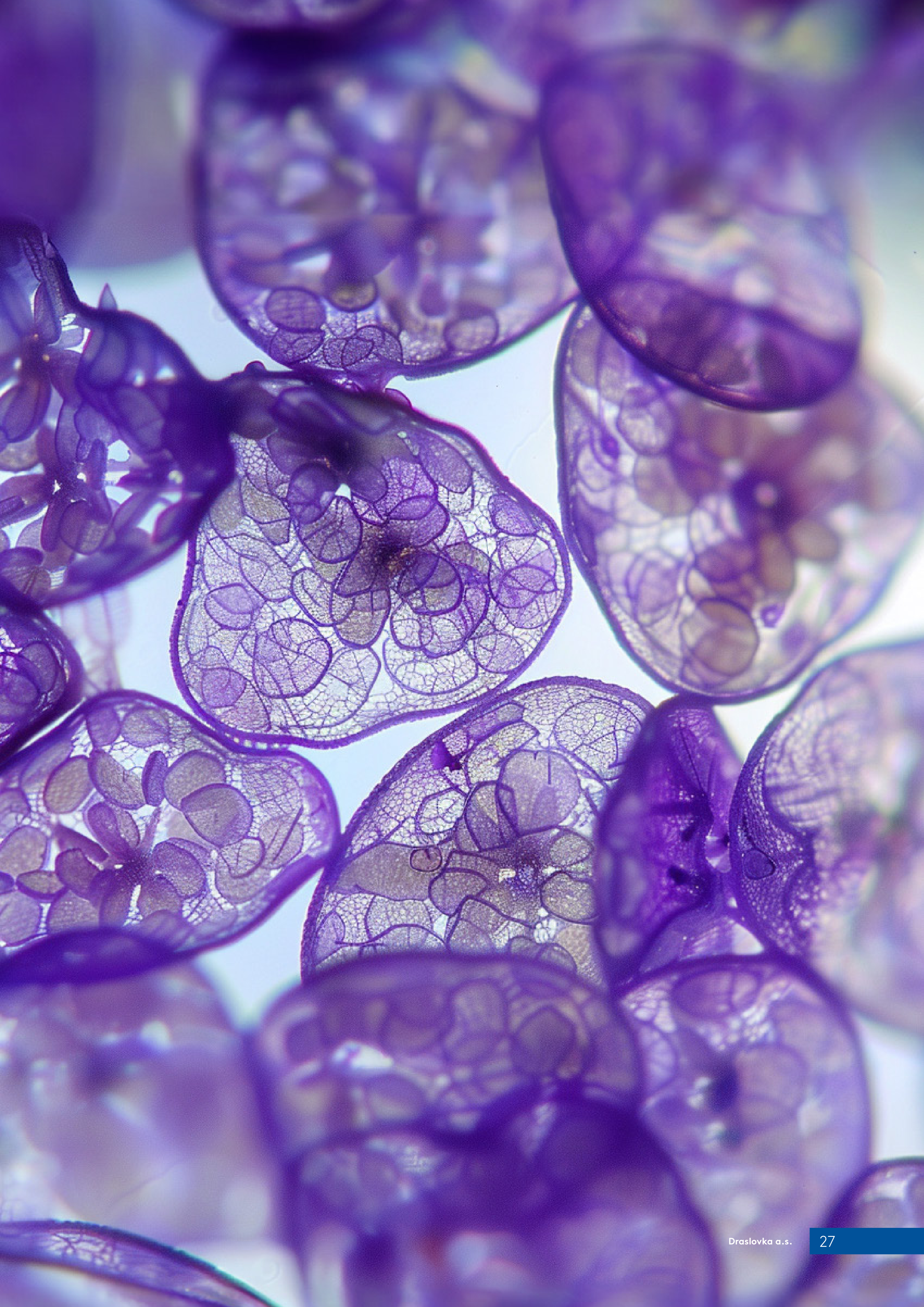
Operating Responsibly

We have developed and launched a suite of new groupwide policies, based on the values in our Code of Conduct. This includes our Group ESG Policy, which outlines roles and responsibilities for data collection and reporting across our business. The implementation of these policies is enabled by clear governance frameworks, including the formation of a new ESG Committee with responsibility for reporting on progress to our Board.

To support adoption of our Code of Conduct and other policies, we have introduced an anonymous reporting Hotline in place for potential ethics violations, which is available 24/7 and administered by a third party. This Hotline is also supported by the Group Whistleblowing and Internal Investigation Guidelines which provides a framework for fair investigation and reflects a zero-tolerance approach to retaliation.

This year we established an Ethics Committee in each business unit, with each adopting a Terms of Reference and responsibility to raise awareness, ensure consistency and support any investigations. Also launched in 2023, Draslovka has introduced a Business Ethics Certification for selected managers which is focused on key areas such as our Code of Conduct, conflicts of interest, and interactions with public officials.

A full summary of our progress this year is included in our Sustainability Report 2023, which accompanies this Annual Report. It provides further information on the initiatives outlined above, including case studies, and the detail of our TCFD report.



07

Our performance

Our performance

The Board of Directors of Draslovka a.s., ID No.: 11786728, with registered office at Prague 6, Generála Píky 430/26, 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 2023 consists of the Company as the consolidating entity and the following subsidiaries and joint ventures:

in USD thousand	Place of establishment and operations	Percentage of voting rights
Draslovka Holdings South Africa Proprietary Limited	South Africa	100%
Draslovka South Africa Proprietary Limited	South Africa	100%
Draslovka Holding Alpha a.s.	Czech Republic	100%
Draslovka Holding a.s.	Czech Republic	100%
Mining and Process Solutions Pty Ltd	Australia	100%
ENCORE MINERALS PTY LTD	Australia	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 AFRICA (Pty) Ltd	South Africa	100%
DRASLOVKA SERVICES NZ LIMITED	New Zealand	100%
Draslovka Services India Private Limited	India	89.57%
Intreso Group B.V.	Belgium	100%
Fumico Holding B.V.	Netherlands	100%
Fumico Fumigations B.V.	Netherlands	100%
Fumico Bio & QPS Services B.V.	Netherlands	100%
Descroes B.V.	Belgium	100%
Dezinfekcija, dezinsekcija, deratizacija, d.o.o.	Slovenia	100%
Blue Cube Systems (Pty) Ltd	South Africa	100%
Blue Cube Technology (Pty) Ltd	South Africa	100%
BCS RSA Holdings (Pty) Ltd	South Africa	100%
BCS RSA (Pty) Ltd	South Africa	85%
BCS (EU) Holdings B.V.	Netherlands	100%
BCS (EU) B.V.	Netherlands	55%
BCS (AU) Holdings (Pty) Ltd	Australia	100%
BCS (AU) Pty Ltd	Australia	100%
BCS (NA) Holdings Ltd	Canada	100%
BCS (NA) Ltd	Canada	55%
Joint ventures		
DRASLOVKA SERVICES RSA (PTY) LTD	South Africa	42.5%

(hereinafter referred to as the "Draslovka").

The Company did not acquire own shares in year 2023.

The Group does not have a branch abroad.

7.1 Economic results

Draslovka generated a revenue of USD 463 million in 2023 with an EBITDA of USD 74.8 million. The year on year drop of consolidated revenues is largely attributed to lower prices of many raw materials which have been passed on to our customers. The financial performance of the Group has been positively affected by a strong sales growth in core mining solutions business; however, the profitability has been largely impacted negatively by market pricing of caustic soda in the North American market. Volatility of other key raw material impacted some of the long-term contracts due to inflexible pricing formulas to which Draslovka responded with contract renegotiations with suppliers and some of our customers. The total revenues of Mining Process Solutions operations have remained stable year on year at USD 359 million, whereas over 10% was coming from technology licensing.

In 2023, the specialty chemicals operation based in Europe has seen a similar sales volumes compared to the previous year but with higher margins on its key products by volume. Specialty Chemicals revenue was USD 80.1 million, a decrease of more than 20% year on year but there was a slight EBITDA improvement on an unadjusted basis year on year on absolute terms. Changes in raw material prices in the recent quarters had an influence its operations.

A)
Operating result:
(USD 17 mil.)

B)
Financial result:
(USD 48 mil.)

C)
Income tax:
(USD 9 mil.)

The agricultural business suffered lower volumes of fumigation containers due to the reshaping of the European log transport market. As log volumes in ports operated by Intreso Group decrease, the division is negatively impacted. Sales volumes are down year on year by almost 30% to USD 20.1 million. The Agricultural Solutions division has maintained a positive EBITDA due to its refocus on its most profitable activities and active cost management.

Key Operational Highlights

7.1.1 Licensing business

The year 2023 has been significant from the perspective of the changing structure of the Company's earnings composition. Draslovka successfully executed numerous technology license sales including the first sale of GlyCat™ technology. At its US and European entities, Draslovka owns rights to production technologies based on HCN chemistry which it can license to third parties around the world. These licenses have high EBITDA and cash conversions and have always played an important role in the revenue composition of Draslovka. These licenses have, however, been difficult to predict on a long-term basis as the demand for these tends to follow wider industry developments as well as economic cyclicality.

Licensing income from the Glycine Leaching Technology family (GLT) has equally high EBITDA and cash conversion rates, however, is a more predictable and stable business. Unlike technology licenses for HCN-based production lines, GLT licensing presents a future growth opportunity that is expected to considerably surpass Draslovka's current core business EBITDA performance in the medium term to long term.

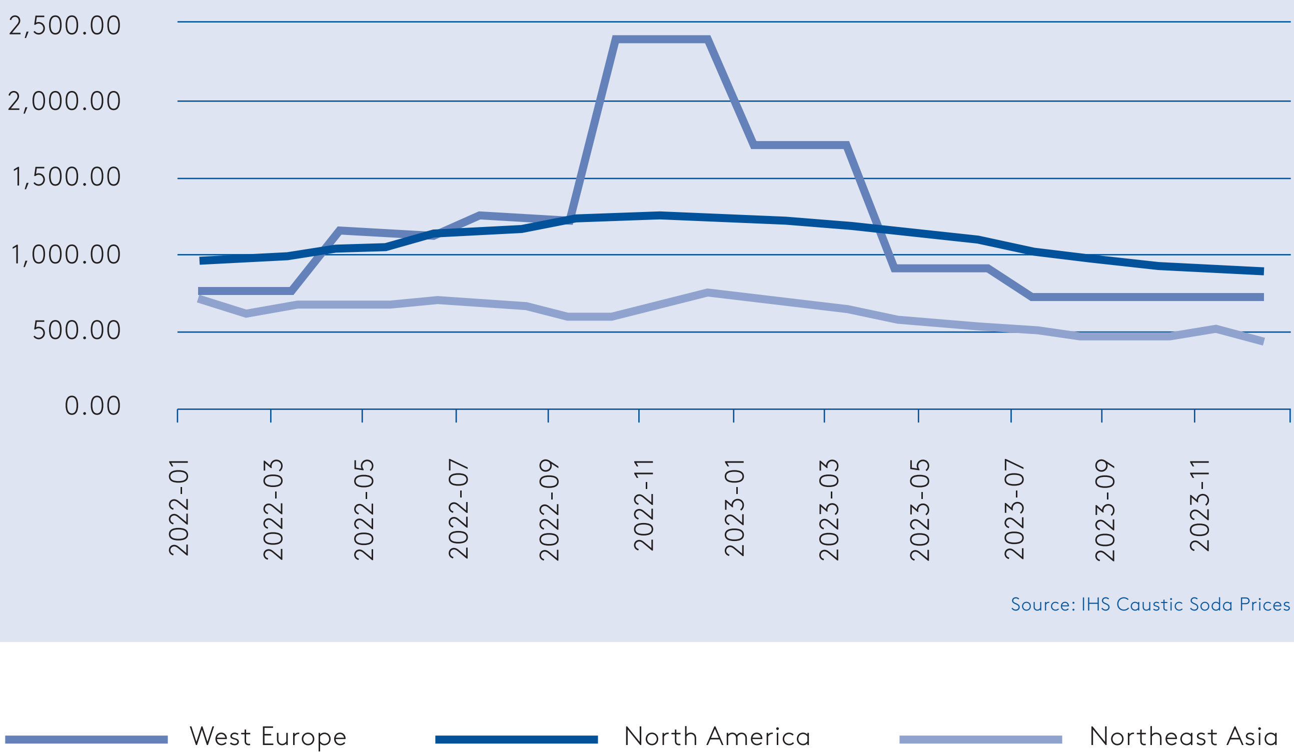
One of the key benefits of GlyCat™ technology is the reduction of up to 80% of NaCN consumption at mining sites. This presents a remarkable economic and environmental benefit to the customer and the local communities, while reducing costs on detoxification.

This could represent a reduction of NaCN volumes sales in certain instances but the net impact on Draslovka's performance will be positive through improved margins on a per mine basis. Draslovka is also confident that through this technology it will be able to access previously untapped markets, where it was difficult to deliver larger quantities of NaCN from either European or US operations.

7.1.2 Caustic soda market of 2023

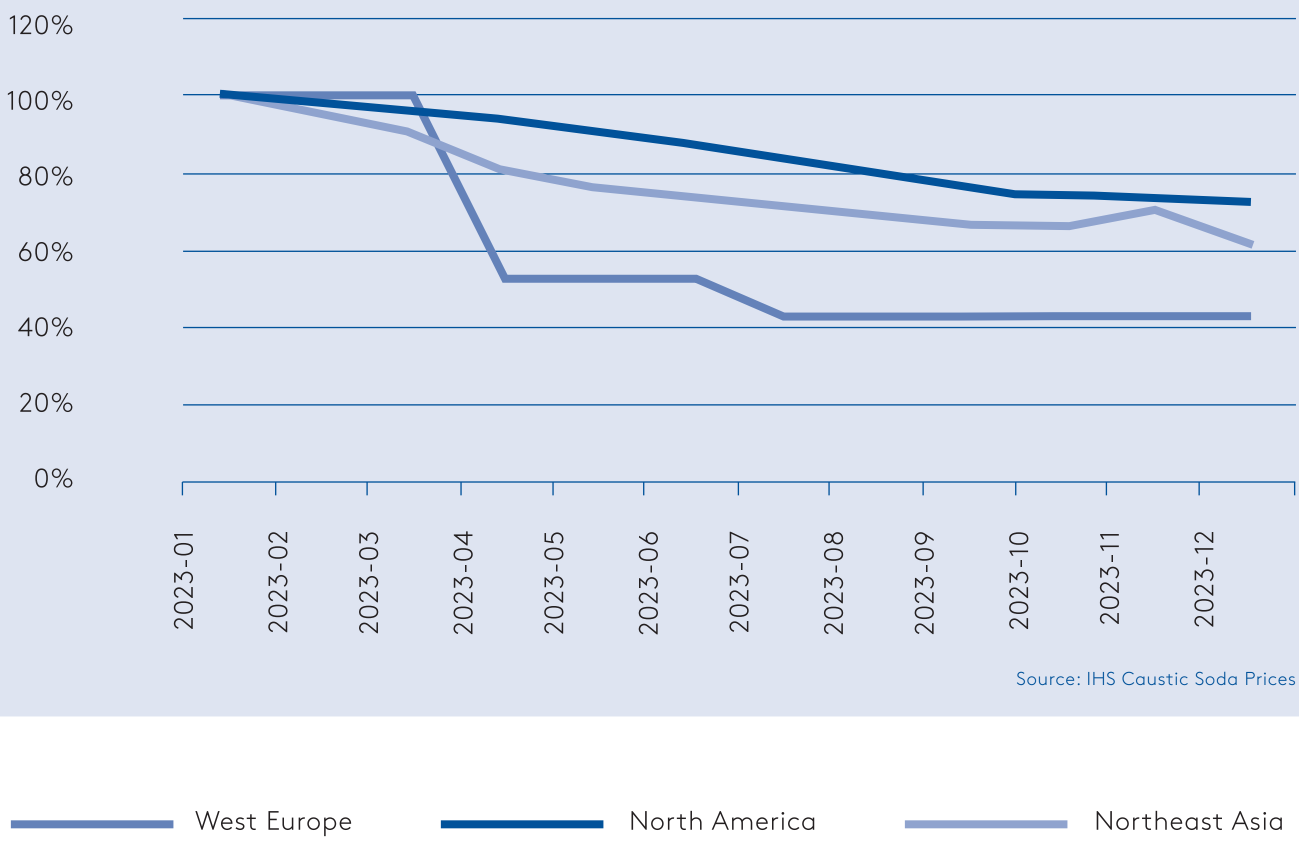
Draslovka's 2023 performance has been negatively impacted by the caustic soda (NaOH) pricing dynamics in North America. Draslovka's core product's profitability is subject to raw material pricing, which has historically respected regional conditions. Caustic soda has high-cost conversion into the final product of NaCN. After a very turbulent year of 2022 globally and continued to do so in 2023. However, the North American caustic soda market of 2023 has retained relatively high prices compared to the rest of the regional markets. Competitors, specifically from Asia, have been enjoying more favourable caustic soda pricing throughout most of 2023 which has negatively impacted the product gross margin from Draslovka's Memphis site particularly in spot markets where Draslovka was not able to pass the extra costs onto customers.

Prices of Caustic Soda USD/Tonne for North America and Northeast Asia, EUR/tonne for West Europe



This was more significant for NaCN that has been targeting spot markets, but it also hindered Draslovka in agreeing to new long-term contracts that could prove disadvantageous once there is a change in price.

Caustic Soda by region price change in 2023



Source: IHS Caustic Soda Prices

As a result of the disconnect between the North American Caustic Soda market and the rest of the market, Draslovka launched active discussions with potential technology-driven strategic partners to establish a new Caustic soda production facility on Draslovka's Memphis, Tennessee property. This would secure a long-term, reliable and cost efficient supply of caustic soda to the plant for its core products. These efforts are being evaluated and no final decision has yet been made.

7.1.3 Mexico market

One of Draslovka Group's key markets for NaCN is Mexico. Once sanctions were imposed on Russia in 2022, a significant portion of NaCN volumes produced in Asia, have been redirected to Mexico to be sold. The Mexican market, however, has experienced a decline of imported volumes of NaCN over the last four years, partially attributed to domestic regulatory changes.

Draslovka has been a traditional supplier to the largest mines in Mexico historically and retains its market position despite gradual decline of volumes imported. During 2023 one of Draslovka key customers in Mexico experienced a temporary closure of its operations due to industrial action at site. This event caused a drop of planned sales, which subsequently had a negative impact on Draslovka's revenue and EBITDA. The operations have since resumed and Draslovka continues deliveries of its produce to the site.

Draslovka considers Mexico to be one of its strategic and traditional NaCN markets and we expect to remain a supplier to the country's largest mines. In the event of any further declines in imported goods to Mexico would be compensated through acquisition of new customers primarily in North America. To expand its market access, Draslovka's competitive pricing is supported by added technology services including GlyCat™, mining processing optimization tools based on artificial intelligence and hardware solutions for miners which Draslovka acquired through the acquisition of Blue Cube Systems South Africa.

7.2 Environmental protection

7.2.1 Kolin Site Improvements

The Kolin sites main activities with a positive impact on the environment in 2023 were projects to reduce the energy consumption of individual production facilities. An absorption chiller was put into permanent operation, which enabled the Company to reduce the amount of stored ammonia and thus reduce the risk under the Act on Prevention of Major Accidents.

The Company's attention was also focused on the production of industrial waste, where the change in the sorption material used in the production of DPG and Syntron production resulted in a decrease in waste production despite the increase in production capacity. The Company perceives the need to implement improvement measures in other segments of its business.

One of the main objectives of the Company is to operate production activities in accordance with sustainable development and to continue to be a stable and promising Company that continuously reduces the negative impact of its activities on the environment and improves the safety and health protection of its employees.

This is evidenced by the highly positive rating in the EcoVadis system, which has resulted in the Company moving from bronze to silver medals and being ranked among the top 15% of companies in the European Union.

7.2.2 Memphis Site Improvements

In 2023, the Memphis Site HCN production unit completed a technology transformation of its HCN storage facilities that modernized the electrical and process control infrastructure, simplify the piping systems to reduce the potential for human error, and upgrade the metallurgy of the storage tanks to the inherently safest technology. Most importantly, full implementation of this project significantly reduced the HCN storage footprint.

In summary, it is Draslovka's objective to operate its production activities in line with sustainable development by continuing improvement programs that reduce the potential negative impact of its activities on the environment and that protect the safety and health of its employees. The improvement programs above highlight Draslovka's commitment to this objective.

7.3 Research and development and technical development

7.3.1 Kolin Site

In 2023, Research continued to pursue its programme of using hydrogen cyanide, perchlorate and EDN to develop new molecules and completed its precious metal cyanide technology. Significant progress has been made in sodium glycinate research so that a semi-commercial proposal can be prepared as early as Q1 2024. Development of sodium ferrocyanide for battery systems has also been initiated. Another part of the missing equipment for the production of specialty chemicals has been specified. Research continued to collaborate with universities, research institutes and academic institutions.

The company also continued to address technology development, production status and registration processes for EDN and BLUEFUME.

7.3.2 Memphis Site

In 2023, Memphis site was actively evaluating technical and business options to support the projected growth in glycine demand as part of the GlyCat and GlyLeach technologies acquired with the MPS acquisition in 2022. This program will evolve as the scale-up activities at mining customer sites continues in 2024.

7.4 Consequential events

7.4.1 Gas quality in Europe

The Czech Republic has historically relied heavily on Russian gas, which possesses qualities that are optimal for reprocessing in HCN chemistry. Since the invasion of Ukraine, European gas sources and supply routes have been substantially rebalanced to reflect the new geopolitical situation. The gas the Czech Republic imports today and used at our Kolin facility for production of HCN does not often bear the same chemical properties as the Russian-originated gas due to higher concentration of ethane and propane. As the Kolin facility has been ramping up capacity utilization towards the end of 2023, the quality of gas has negatively impacted the throughput of HCN which became apparent at full capacity utilization. As a result, with positive outlook for demand in 2024, this issue could cause a drop in planned HCN output in 2024 by mid-single digit percent at optimal capacity utilization compared to periods when our gas sources had better chemical properties.

7.4.2 Na-Ion batteries

In March 2024, Draslovka entered into contractual agreement with certain battery producers to supply NaCN for production of anodes and cathodes used in the Na-Ion battery industry. This represents another major event for Draslovka in strengthening its position as a critical material supplier to the energy transformation and decarbonization effort. Na-Ion battery technology requires specific purity of NaCN, which Draslovka can deliver through its owned processes and quality control. The agreement represents a potential new customer and industry universe for NaCN outside of the mining sector.

Draslovka has committed itself to supply NaCN volumes to a strategic customer in North America based on its current production capabilities and redirecting HCN and NaCN volumes that previously were purchased by some of its lower-margin customer segments. As a result, Draslovka expects to be able to improve its profitability in the medium term on NaCN product and decrease its reliance on gold industry.

Draslovka believes that once its existing and new customers adapt to GlyCat^{TM}, the growth of NaCN new capacity will slow down and therefore this is an opportunity to improve Draslovka's long-term financial stability in its core business.

7.4.3
Equity injection

On 23 January 2024, the sole shareholder increased the Company's other capital funds by USD 18,000 thousand.

7.4.4
Covoro Mining Solutions Canada Holding Company

The amalgamation of Covoro Mining Solutions Canada Company and Covoro Mining Solutions Canada Holding Company is effective from 1 January 2024. The company Covoro Mining Solutions Canada Holding Company ceased to exist as of 1 January 2024.

Prague, 28 May 2024

For Draslovka a.s.

Pavel Brůžek
Member A of the Board of Directors

08

Consolidated Financial Statements

Consolidated Statement of Financial Position

as at 31 December 2023

In thousands of US dollars	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Property, plant and equipment	4	352,557	368,974
Right-of-use assets	4	22,250	17,847
Goodwill	5	115,689	113,900
Other intangible assets	4	114,755	123,423
Investments in joint ventures	6	801	861
Restricted cash	7	--	2,400
Other non-current financial assets	8	6,728	3,786
Deferred income tax assets	32	13,864	20,298
Total non-current assets		**626,644**	**651,489**
Inventories	8	45,681	64,907
Trade receivables	10	86,328	58,444
Other current financial assets	11	4,461	7,468
Current assets at fair value through profit or loss	12	1,254	1,909
Other current non-financial assets	13	14,568	14,884
Current income tax receivables	32	7,664	6,572
Cash and cash equivalents	14	50,944	43,789
Total current assets		**210,900**	**197,973**
Assets classified as held for sale	15	1,310	694
Total current assets incl. assets held for sale		**212,210**	**198,667**
TOTAL ASSETS		**838,854**	**850,156**

In thousands of US dollars	Note	31 Dec 2023	31 Dec 2022
LIABILITIES AND EQUITY			
Share capital	16	315,630	315,630
Share premium	16	168,726	168,726
Other capital funds	16	431,864	353,864
Share-base arrangements	16	4,852	--
Accumulated losses	16	(149,031)	(73,789)
Capital reorganisation reserve/(deficit)	16	(419,333)	(419,333)
Currency translation reserve	16	(751)	(2,017)
Hedging reserve	16	(47)	(679)
Equity attributable to owners of the Company		**351,910**	**342,402**
Non-controlling interest	35	171	5
Total equity		**352,081**	**342,407**
Non-current financial liabilities	17	364,555	374,277
Deferred income tax liability	32	8,241	9,505
Total non-current liabilities		**372,796**	**383,782**
Trade payables	19	52,428	69,428
Other current financial liabilities	20	38,990	23,691
Current liabilities at fair value through profit or loss	21	8,964	9,856
Other current non-financial liabilities	22	10,555	20,264
Current income tax payables	32	2,947	654
Provisions	23	93	74
Total current liabilities		**113,997**	**123,967**
TOTAL LIABILITIES AND EQUITY		**838,854**	**850,156**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

In thousands of US dollars	Note	2023	2022
Revenue	25	462,854	468,031
Cost of sales	26	(427,917)	(463,343)
- Out of which depreciation and amortisation	26	(79,690)	(74,143)
Gross profit		**34,937**	**4,688**
Administrative expenses	27	(52,185)	(41,184)
Other operating income	28	2,258	868
Other operating expenses	29	(2,431)	(3,059)
Operating loss		**(17,421)**	**(38,687)**
Finance income	31	2,032	202
Finance cost	31	(50,467)	(36,214)
Net finance costs		**(48,435)**	**(36,012)**
Loss before income tax		**(65,856)**	**(74,699)**
Income tax benefit/(expense)	32	(9,281)	14,008
Loss for the year		**(75,137)**	**(60,691)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation of financial statements of foreign operations to presentation currency	16	1,266	(1,971)
Effective portion of changes in fair value cash flow hedge	16	839	(891)
Income tax on other comprehensive income	32	(207)	212
Other comprehensive income/(loss) for the year		**1,898**	**(2,650)**
Total comprehensive loss for the year		**(73,239)**	**(63,341)**
Loss for the year attributable to:			
Owners of the Company		(75,138)	(60,681)
Non-controlling interest		1	(10)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(73,240)	(63,331)
Non-controlling interest		1	(10)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

In thousands of US dollars	Share capital	Share premium	Other capital funds	Share-based arrange-ments	Capital reorga-nisation reserve/ (deficit)	Currency trans-lation reserve	Hedging reserve	Accu-mulated losses	Equity attribu-table to owners of the Company	Non-con-trolling interest	Total equity
As at 1 January 2022	**315,630**	**168,726**	**252,030**	**--**	**(419,333)**	**(46)**	**--**	**(17,275)**	**299,732**	**1**	**299,733**
Loss for the year	--	--	--	--	--	--	--	(60,681)	(60,681)	(10)	(60,691)
Other comprehensive loss for the year	--	--	--	--	--	(1,971)	(679)	--	(2,650)	--	(2,650)
Total comprehensive loss for the year	**--**	**--**	**--**	**--**	**--**	**(1,971)**	**(679)**	**(60,681)**	**(63,331)**	**(10)**	**(63,341)**
Transactions with owners:											
Contribution to other capital funds (Note 16)	--	--	101,834	--	--	--	--	--	101,834	--	101,834
Non-controlling interest increase (Note 35)	--	--	--	--	--	--	--	--	--	14	14
Difference between initial fair value and proceeds received from interest free loans (Note 17)	--	--	--	--	--	--	--	5,144	5,144	--	5,144
Deferred tax from difference between initial fair value and proceeds received from interest free loans (Note 17)	--	--	--	--	--	--	--	(977)	(977)	--	(977)
As at 31 December 2022	**315,630**	**168,726**	**353,864**	**--**	**(419,333)**	**(2,017)**	**(679)**	**(73,789)**	**342,402**	**5**	**342,407**
As at 1 January 2023	**315,630**	**168,726**	**353,864**	**--**	**(419,333)**	**(2,017)**	**(679)**	**(73,789)**	**342,402**	**5**	**342,407**
Loss for the year	--	--	--	--	--	--	--	(75,138)	(75,138)	1	(75,137)
Other comprehensive income for the year	--	--	--	--	--	1,266	632	--	1,898	--	1,898
Total comprehensive income /(loss) for the year	**--**	**--**	**--**	**--**	**--**	**1,266**	**632**	**(75,138)**	**(73,240)**	**1**	**(73,239)**
Transactions with owners:											
Contribution to other capital funds (Note 16)	--	--	78,000	--	--	--	--	--	78,000	--	78,000
Non-controlling interest increase (Note 35)	--	--	--	--	--	--	--	--	--	39	39
Deferred tax from difference between initial fair value and proceeds received from interest free loans	--	--	--	--	--	--	--	(104)	(104)	--	(104)
Acquisition on non-controlling interest (Note 35)	--	--	--	--	--	--	--	--	--	126	126
Share-based payments	--	--	--	4,852	--	--	--	--	4,852	--	4,852
As at 31 December 2023	**315,630**	**168,726**	**431,864**	**4,852**	**(419,333)**	**(751)**	**(47)**	**(149,031)**	**351,910**	**171**	**352,081**

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

In thousands of US dollars	Note	2023	2022
Cash flow from operating activities			
Loss before income tax		(65,856)	(74,699)
Adjustments for:			
Depreciation and impairment of property, plant and equipment, right of use assets and amortization of intangible assets	26	79,590	74,294
Goodwill write off	5	--	554
Loss from sale and disposal of property, plant and equipment	29	958	234
Net interest expenses	31	49,839	33,753
Impairment of inventories and financial assets	23,26	(497)	1,948
Unrealized foreign exchange differences	33	41	892
Revaluation of financial liabilities at fair value through profit or loss	31	(803)	905
Revaluation of derivates	16	--	959
Share of net profit of joint ventures accounted for using the equity method	29	60	45
Share-base arrangements	24	4,852	--
Deferred tax restatement	33	--	(89)
Net cash inflow from operating activities before changes in net working capital		**68,184**	**38,796**
Changes in working capital, net of effects from acquisition and disposal of subsidiaries:			
Changes in trade and other receivables	10,11	(27,163)	(13,565)
Changes in inventories	9	20,706	(21,304)
Changes in trade and other liabilities	19,20	(27,678)	946
Income taxes paid	32	(1,364)	(8,385)
Net cash inflow/ (outflow) from operating activities		**32,685**	**(3,512)**

In thousands of US dollars	Note	2023	2022
Cash flow from investing activities			
Payments for the acquisition of property, plant and equipment	4	(38,041)	(47,881)
Proceeds from sales of property, plant and equipment	4, 26, 27	621	--
Payments for the acquisition of intangible assets	4	(11,118)	(3,743)
(Loans provided to) / repaid by related parties	11	40	2
Payment for acquisition of subsidiary, net of cash acquired	35	(2,804)	(46,409)
Interest income received	31	274	--
Change in restricted cash	7	2,400	93,622
Net cash outflow from investing activities		**(48,628)**	**(4,409)**
Cash flow from financing activities			
Contribution to other capital funds	16	78,000	74,500
Acquisition of non-controlling interest	35	--	(15)
Non-controlling interest contribution	35	39	--
Proceeds from borrowings	17	41	40,806
Repayment of borrowings	17	(6,015)	(67,868)
Repayment of principal of lease liabilities	17	(5,142)	(738)
Acquisition of interest rate hedge	17	--	(2,800)
Interest paid	31	(43,818)	(28,039)
Net cash inflow from financing activities		**23,105**	**15,846**
Net increase in cash and cash equivalents		7,162	7,925
Cash and cash equivalents at the beginning of the year	**14**	**43,767**	**36,046**
Foreign exchange gain / (loss) on cash and cash equivalents		--	(204)
Cash and cash equivalents at the end of the year	**14**	**50,929**	**43,767**

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 IFRS Accounting Standards as adopted by the European Union (IFRS).

The Company is seated in the Czech Republic, Prague, Dejvice, Generála Píky 430/26. The Company was registered in the Commercial Register on 27 August 2021.

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

Ultimate parent entity of Draslovka a.s. is Draslovka Invest a.s. Ultimate parent entity produces consolidated financial statements that are available for public use and comply with IFRS.

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%). These three companies form ultimate controlling party of the Company.

Group activities

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

Blue Cube acquisition

On 3 April 2023, the Group acquired Blue Cube Systems Proprietary Limited and Blue Cube Technology Proprietary Limited with its subsidiaries ("Blue Cube"). Closing date of the transaction was on 25 April 2023. The total purchase consideration for the Sale Shares totalled USD 3,133 thousand. The Group also refinanced loan in total amount of USD 251 thousand (refer to Note 35).

Blue Cube is a South-Africa based firm that develops, builds and sells fast in-line mineral analyzers for application in mineral beneficiation processes. The Blue Cube MQi technology is based on reflective spectroscopy for slurry and dry applications and absorption spectroscopy for solutions.

Licensing business

The year 2023 has been significant from the perspective of changing structure of earnings composition. The Group has successfully executed numerous technology license sales including first sale of GlyCat technology, patented gold leaching technology which combines glycine (a non-toxic chemical), with sodium cyanide for the recovery of gold. The Group owns rights to production technologies based on HCN chemistry which it can license to third parties across the world.

Caustic soda market of 2023

Group´s 2023 performance has been negatively impacted by the caustic soda (NaOH) pricing dynamics in North America. Our core product's profitability is subject to raw material pricing, which have historically respected regional conditions. Caustic soda has high-cost conversion into the final product of NaCN. After a very turbulent year of 2022, the prices of this key feedstock have started recovering towards the end of 2022 globally and continued to do so in 2023. However, the North American caustic soda market of 2023 has retained relatively high prices compared to the rest of the regional markets. Competitors, specifically from Asia, have been enjoying more favourable caustic soda pricing throughout most of 2023 which has negatively impacted the product gross margin from Draslovka Memphis site particularly in spot markets where Draslovka was not able to pass the extra costs onto customers.

Gas quality in Europe

Czech Republic has been historically heavily relying on Russian gas which possessed qualities optimal for reprocessing in HCN chemistry. Since the invasion of Ukraine the European gas sources and supply routes have been substantially rebalanced to reflect on the new geopolitical situation. The gas that Czech Republic imports and is also being supplied to our Kolin facility for production of HCN does not often bear the same chemical properties as the Russian originated gas due to higher concentration of ethane and propane. As Kolin facility has been ramping up capacity utilization towards the end of 2023, the quality of gas negatively impacted the throughput of HCN which became obvious at full capacity utilization. As a result, with positive outlook for demand in 2024, this issue could cause a drop of planned HCN output in 2024 by mid-single digit percent at optimal capacity utilization compared to periods when gas sourced had better chemical properties.

ESG reporting

This year, we follow our inaugural ESG reporting from last year with the full Sustainability Report 2023 which details the material progress made in our sustainability journey over the reporting period.

ESG vision and strategy reflects the importance we place on our employees, our communities, and the environment. The core of our business is our market-leading portfolio of environmentally sustainable solutions for the mining, specialty chemicals and agricultural sectors, which are a vehicle for our customers to become more sustainable.

Determined following the in-depth materiality assessment which underpins our 2022 Sustainability Report, the four pillars of our sustainability strategy – Innovating for Sustainability, Protecting and Developing our People, Preserving the Environment, and Operating Responsibly – guide Draslovka's strategic approach to sustainability, informing our priorities. Ultimately responsible for the implementation of our sustainability goals, the agenda for meetings of our Board now includes a standing item on sustainability to provide oversight of performance against our strategy.

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

The following amendments became effective as at 1 January 2023:

- IAS 1 – Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting policies
- IAS 8 – Amendments to IAS 8 – Definition of Accounting Estimates
- IAS 12 – Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IAS 12 – Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules
- IFRS 17 – Insurance contracts and Amendments to IFRS 17 and IFRS 4

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

With respect to "IAS 1 – Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting policies", the Group now describes material accounting policies instead of significant ones, which led to a reduction in the volume of descriptions of accounting policies.

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, but have not yet been put into effect and the Group has not early adopted them.

Standards and interpretations effective for periods beginning on or after 1 January 2024:

- IAS 1 – Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- IAS 1 – Amendments to IAS 1 – Non-current liabilities with Covenants
- IAS 7 - Amendments to IAS 7 – Supplier Finance Arrangements - EU endorsement not expected before the effective date
- IFRS 16 – Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

Standards and interpretations effective for periods beginning on or after 1 January 2025:

- IAS 21 – Amendments to IAS 21 – Lack of Exchangeability

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.

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 2023 to 31 December 2023.

8.2.2
Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the entities controlled by the Group.

Acquisitions of businesses are accounted for using the acquisition method.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire 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.

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.

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.

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 the presentation currency.

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.

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, plant and equipment	Useful life
Buildings and constructions	30 – 50 years
Plant, equipment and motor vehicles	4 – 25 years
Leasehold improvements	Shorter of useful life and the term of the underlying lease

8.2.5 Precious metals equipment accounting

The Group accounts for portable laboratory equipment, catalysts made of precious metals, major overhaul and other precious metals as 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 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 Group 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 be separately identified and depreciated when the item is 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.

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 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.

Right-of-use assets	**Useful life**
Buildings and constructions	4 – 10 years
Plant, equipment, and motor vehicles	2 - 10 years

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 an asset with an acquisition price of USD 5 thousand. Refer to the Note 26 – Cost of sales detail table.

8.2.7 Intangible assets

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	15 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 Major capitalized overhaul

The production line is regularly refurbished (subject to overhaul). The costs of refurbishment 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-recognised once the cost of the new overhaul has been capitalised, 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 future similar inspection can be used as a proxy for the carrying value that needs to be de-recognised if this was not separately identified previously.

The costs of major capitalized overhaul include contract labour, contract services, contractor overhead, internal labour, overhead, purchased material and stock material.

8.2.9 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 and intention of completing the intangible asset so that the asset will be available for use or sale
- The ability to measure reliably the expenditure during development
- How the asset will generate future economic benefits

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 activities in each of the relevant countries and are allocated to a given country/ product or it 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 a straight-line basis over the duration of the licence. If the licence 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, thus impacting the company's earnings. This decision can be based on 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 carrying value of the respective registration is also expensed to profit or loss. This decision is either based on the management decision or based on the time at which the activities in the country are terminated.

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

8.2.10 Financial assets

Impairment of financial assets

The Group has implemented an impairment model reflecting the expected credit losses (ECL) of financial assets. 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.

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 (e.g., 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.

8.2.11 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

The Group makes lease payments linked to the price of the precious metal. The Group has determined that the lease liability contains an embedded derivative and has designated the liability as at fair value through profit or loss on initial recognition and as such the embedded derivative is not separated.

The component of fair value changes relating to the Group's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss.

The Group determines the amount of fair value changes, which are attributable to credit risk, by first determining the changes due to factors other than credit risk, and then deducting those changes from the total change in fair value of the liability.

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.

8.2.12 Financial derivatives

The Group uses financial derivatives to manage its exposure to foreign exchange rate risks and interest 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.

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, currency swaps and interest rate derivatives are determined as the present value of future cash flows determined on the basis of market interest rates as at the balance sheet date.

Trading derivatives

Derivative financial instruments, including interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year.

Certain derivative instruments embedded in financial liabilities and other non-financial contracts are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract. However, when a derivative is embedded in a contract that is not in scope of IFRS 9, such as a lease liability, the Group may designate the whole lease liability as a financial liability through profit or loss as described above in Note 2.11. In that case the embedded derivative is not separated.

Cash-flow hedge

The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash-flow hedge).

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance income/cost' at the same time as the interest expense on the hedged borrowings within the same financial statement line item as the hedged item.

When the hedging instrument in a cash flow hedge is an option, the Group separates the intrinsic value and the time value of the option and designates as the hedging instrument only the change in the intrinsic value of the option. Changes in the time value of the option are recognized in the cost of hedging reserve. The Group considers the time value of the option to be time-period related as the hedging derivative mitigates the risk exposure during the hedged period and the amount representing the time value of the option at the start of the hedge relationship is amortized to profit and loss over the hedged period on a systematic basis.

8.2.13 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 are recorded at the lower of cost and net realisable value.

The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

8.2.14
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.

8.2.15
Share-based payments

The fair value of agreements on equity-settled share-based payments granted to an entity's own employees is usually recognised as a payroll expense as at the grant date with a corresponding increase in equity over the vesting period.

The amount recognised as an expense is adjusted to correspond with the number of cases which are expected to meet the relevant condition of employment term/function term and the non-market performance condition so that the amount finally recognised is based on the number of cases meeting the condition of the employment term/function term and the non-market performance condition on the vesting date.

8.2.16
Current and deferred income tax

Deferred tax

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

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.

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.

8.2.17
Revenue and expense recognition

Revenue recognition

Revenues from sale of chemical products

The Group manufactures and sells a large portfolio of chemical products to customers all over the world (mostly in the USA, Mexico, EU and Australia). Sales are recognised when the control of the products is transferred, being when the products are delivered to a customer to a specific location as defined in 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 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 sales of products.

Product sales to customers are made under purchase orders ("PO"), or in certain cases, in accordance with terms of a master agreement ("MA") or similar arrangement, which documents the rights and obligations of each party to the contract. When a customer submits a PO for a product or requests product under an MA, a contract for a specific quantity of distinct goods at a specified price is created, and the Group´s performance obligation under the contract is satisfied when control of the product is transferred to the customer, which is indicated by a shipment of the product and the transfer of the title and the risk of loss to the customer. The transaction price for the 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 a calendar yearly basis. The Group does not 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.

Description of main products

NaCN

Sodium cyanide represents more than half of total sales. NaCN is most frequently used in precious metals mining and recovery and it has historically replaced the older method of mining with toxic 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 of the metal. 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.

HCN

Hydrogen cyanide is a highly versatile and essential chemical compound that finds widespread use in various downstream industries. HCN is utilized in a multitude of applications, including as a critical component in the production of synthetic fibers, plastics, and resins. Additionally, HCN is widely employed in the pharmaceutical and chemical manufacturing sectors as a key component in the synthesis of a diverse range of organic compounds, including pharmaceutical intermediates, agrochemicals, and specialty chemicals. Its unique properties and reactivity make it a crucial ingredient in numerous industrial processes, where it serves as a valuable building block for the production of a wide array of products that are integral to modern life.

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.

Aminonitriles

Aminonitriles serve as essential raw materials for the synthesis of amino acids, including N-substituted glycines, which find wide applications in the pharmaceutical, food, and feed industries. For instance, N,N-dimethylglycine is utilized as a dietary supplement and as an intermediate by pharmaceutical companies for the synthesis of novel active ingredients. Sodium N,N-dimethylglycinate is used as a feed additive for livestock. N-phenylglycine, on the other hand, acts as an intermediate in the production of synthetic indigo for textile dyeing.

KCN

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.

Syntron

Chelating agent, EthyleneDiamineTetraacetic Acid (EDTA) and its salts, are commonly used in the pulp and paper industries, as well as in water hardness reduction, textiles, medicines, and cosmetics. With its metal ion sequestering properties, EDTA is highly effective in dissolving limescale and for various cleaning applications in industrial factories, kitchens, and bathrooms.

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.

Retacel

Retacel product line is a cutting-edge growth regulator formulated with Chlormequat, also known as ChlorCholineChloride (CCC). It helps to control plant height and promote optimal growth and reducing the risk of lodging. Designed for use in agriculture, horticulture, and turf management, Retacel effectively inhibits excessive plant growth by reducing internode elongation, resulting in more compact and sturdy plants and therefore higher crop yields.

Other

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 - fumigations

The Group is also the fully vertically integrated fumigation company in the agricultural space with a multi-product portfolio. The Group currently offers services in the areas 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 Europe. The Group assesses fumigation as one performance obligation recognised over time.

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 and Other Comprehensive Income. Licence income is generally based on a fixed fee agreed upon by the Group and a customer.

The Group maintains several licensing agreements. US and European entities own rights and know-how to production technologies based on HCN chemistry (NaCN, acrylonitrile), US entity maintains also Glycat licences.

Sale of license involves the delivery of package of materials with trade secret and patent protected information, the know-how, data, documentation, drawings including confidential information. Package is prepared by group engineers and production specialists.

Revenue from providing a licence is recognized over time, using the input method measure of progress.

The package is transferred to client at the beginning of the sale, based on a signed contract. This results in significant part of the revenue being recognised at the time of signing the licence agreement and the package is being delivered to a customer. Contracts on sale of licences are for an unlimited period of time, provided that the customer complies with the terms of the licence agreement.

Up-front fee paid by the customer is non-refundable and non-returnable.

If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such revenue.

If the transferred package provided to the customer contains some additional adjustments that would need to be made, management selects the method of measuring progress that best depicts the delivery of goods or services to the customer. It uses the guidance in form of the percentage of work completed and additional work that is needed to be completed. The preparation of the technology package is split into individual steps and these are evaluated to determine whether or not they have been achieved and what the percentage of the work completed is.

If the contract includes any additional services to be provided by the Group, analysis is being prepared if the services represent separate performance obligation. Performance obligation from the services is recognised over time.

Other revenues

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 and Other Comprehensive Income. Revenues are recognized at the time the service is provided, or on a linear basis over a given period if the services are provided through an indefinite number of operations during a given period of time. Other services provided by the Group include services connected with rent, transportation and sale of electricity.

Payment terms

The payment terms for sales of products manufactured by the Group commonly range from 30 to 90 days. The Group does not have any customer contracts from sale of chemical products 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. Consequently, the Group does not adjust the transaction prices for the time value of money.

Only in the case of revenues from the sale of licences, may part of the sales have also include part of the revenue with the payment terms exceeding one year. In this case, the transaction prices are adjusted for the time value of money.

8.2.18 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.

8.2.19 Sale and leaseback transactions

The Group might enter into a sale and leaseback transaction as a seller/lessee.

For every sale and leaseback transaction, the Group considers if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale of the assett.

If the transfer of the asset is a sale, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group shall recognise only the amount of any gain or loss that relates to the rights transferred to the buyer/lessor.

If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the following adjustments to measure the sale proceeds at fair value:

- any below-market terms are accounted for as a prepayment of lease payments; and
- any above-market terms are accounted for as additional financing provided by the buyer/lessor to the Group.

If the transfer of the asset is not a sale, the Group continues to recognise the transferred asset and shall recognise a financial liability equal to the transfer proceeds. The financial liability is accounted for by applying IFRS 9. The liability is described in Note 21.

8.2.20 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. The cost and the grant income are offset in financial statements.

Tax investment incentives are described in Note 2.17.

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 which have different functional currency from the currency of the state of their establishment are as follows:

Company	Functional currency
Draslovka a.s.	USD
Draslovka Holding a.s.	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

Estimated goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2023 and 2022 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

The Group's budget includes both the Group's activities aimed at stabilising the Group after the acquisition of the US entity, optimising the cost structure and internal processes, their adaptability to changing market conditions, and increasing revenues both in terms of finding new customers and increasing prices.

In the fumigants business, sales of environmentally friendly fumigants are expected to increase once registration processes are completed and less environmentally friendly fumigants are reduced.

For more information refer to Note 5.

Input method of measuring of progress on performance obligation of license sale contracts

The Group measures progress on performance obligation of license sale contract based on percentage of expected inputs that are needed to satisfy the performance obligation. The performance obligation is split into the individual steps that need to be completed to recognise the whole performance obligation.

The documentation that is to be delivered to the customer is split into individual parts, chapters. Each step has its own weight based on workload required to complete it or whether it involves any special knowledge. The revenue to be recognised follows the steps completed. However, no revenue is recognised until the customer has access to and can benefit from the licence.

8.4 Property, Plant and Equipment, Right-of-use assets and Other intangible assets

8.4.1 Property, Plant and Equipment

in USD thousand	2023	2022
Property, plant and equipment	352,369	368,974
Advances for non-current assets	188	--
Total property, plan and equipment	**352,557**	**368,974**

Details for Property, plant and equipment:

in USD thousand	Land	Buildings	Plant and equipment	Other	Precious metal value catalyst	Assets under construc-tion	Total
Cost as at 1 January 2022	15,022	66,529	294,477	60	13,185	52,568	441,841
Accumulated depreciation and impairment	--	(22,867)	(44,712)	(3)	(44)	--	(67,626)
Carrying amount as at 1 January 2022	**15,022**	**43,662**	**249,765**	**57**	**13,141**	**52,568**	**374,215**
Additions	--	--	84	11,697	1,835	33,261	46,877
Acquisitions through business combinations (see Note 35)	--	67	2,326	--	--	--	2,393
Government grant	--	--	--	--	--	(802)	(802)
Transfers	--	668	10,102	--	--	(10,770)	--
Carrying amount of disposals	--	--	(653)	(5)	(1,642)	--	(2,300)
Accumulated depreciation of disposed assets	--	--	396	--	1,642	--	2,038
Assets classified as held for sale	--	--	--	--	--	(694)	(694)
Depreciation (see Note 26)	--	(4,397)	(39,347)	(5,077)	(1,604)	--	(50,425)
Impairment (see Note 26)	--	--	(151)	--	--	--	(151)
Impact of exchange rate differences (net)	(131)	(855)	(1,043)	(2)	(43)	(103)	(2,177)
Final Carrying amount as at 31 December 2022	**14,891**	**39,145**	**221,479**	**6,670**	**13,329**	**73,460**	**368,974**
Cost as at 1 January 2023	14,891	65,806	304,095	11,750	13,353	73,460	483,355
Accumulated depreciation and impairment	--	(26,661)	(82,616)	(5,080)	(24)	--	(114,381)

in USD thousand	Land	Buildings	Plant and equipment	Other	Precious metal value catalyst	Assets under construc-tion	Total
Carrying amount as at 1 January 2023	**14,891**	**39,145**	**221,479**	**6,670**	**13,329**	**73,460**	**368,974**
Additions	--	39	710	8,814	1,629	27,486	38,678
Acquisitions through business combinations (see Note 35)	--	--	71	3	--	--	74
Transfers	52	1,662	60,794	--	--	(62,508)	--
Carrying amount of disposals	--	(5)	(1,336)	(10,800)	(1,698)	(450)	(14,289)
Accumulated depreciation of disposed assets	--	5	630	10,550	1,583	--	12,768
Assets classified as held for sale	--	--	--	--	--	(1,310)	(1,310)
Depreciation (see Note 26)	--	(3,459)	(41,335)	(7,028)	(1,614)	--	(53,436)
Impairment (see Note 26)	--	--	100	--	--	--	100
Impact of exchange rate differences (net)	47	275	447	--	27	14	810
Final Carrying amount as at 31 December 2023	**14,990**	**37,662**	**241,560**	**8,209**	**13,256**	**36,692**	**352,369**
Cost	14,990	68,029	365,308	9,769	13,311	36,692	508,099
Accumulated depreciation and impairment	--	(30,367)	(123,748)	(1,560)	(55)	--	(155,730)
Final Carrying amount as at 31 December 2023	**14,990**	**37,662**	**241,560**	**8,209**	**13,256**	**36,692**	**352,369**

Most significant additions in property, plant and equipment under construction during 2023 relate to finalizing of HCN storage tank projects in Covoro Mining Solutions, LLC in the total amount of USD 19,197 thousand (2022: USD 22,843 thousand).

Property, plant and equipment pledged by the Group as collateral for bank loans is described in Note 17.

Other property, plant and equipment consists of capitalized costs of refurbishment and major repairs and maintenance in Covoro Mining Solutions, LLC. This inspection/overhaul cost is then depreciated over the period to the next inspection/overhaul. Current overhaul period in 2023 was 12 months (2022: 18 months).

8.4.2 Right-of-use assets

in USD thousand	Land and building	Means of Transport	Property, Plant and Equipment	Total
Cost as at 1 January 2022	1,130	--	--	1,130
Accumulated depreciation and impairment	(385)	--	--	(385)
Carrying amount as at 1 January 2022	**745**	**--**	**--**	**745**
Additions	--	17,069	29	17,098
Acquisition through business combinations (see Note 35)	1,585	584	--	2,169
Disposals	(160)	--	--	(160)
Depreciation (see Note 26)	(207)	(1,835)	(6)	(2,048)
Impact of exchange rate differences (net)	(31)	74	--	43
Final Carrying amount as at 31 December 2022	**1,932**	**15,892**	**23**	**17,847**
Cost as at 1 January 2023	2,445	17,729	29	20,203
Accumulated depreciation and impairment	(513)	(1,837)	(6)	(2,356)
Carrying amount as at 1 January 2023	**1,932**	**15,892**	**23**	**17,847**
Additions	9,717	2,292	752	12,761
Disposals	(11)	(2,160)	--	(2,171)
Depreciation (see Note 26)	(2,818)	(3,073)	(359)	(6,250)
Impact of exchange rate differences (net)	48	14	1	63
Final Carrying amount as at 31 December 2023	**8,868**	**12,965**	**417**	**22,250**
Cost	11,832	17,544	782	30,158
Accumulated depreciation and impairment	(2,964)	(4,579)	(365)	(7,908)
Carrying amount as at 31 December 2023	**8,868**	**12,965**	**417**	**22,250**

Lease liabilities:

in USD thousand	31 Dec 2023	31 Dec 2022
Non-current lease liabilities	18,119	15,552
Current lease liabilities	5,544	2,639
Total lease liabilities	**23,663**	**18,191**

The statement of profit or loss shows the following amounts relating to leases:

in USD thousand	2023	2022
Depreciation charge of right of use assets	(6,250)	(2,048)
Interest expense	(2,878)	(883)
Total	**(9,128)**	**(2,931)**

The Group mostly leases non-residential premises and means of transport. The Group used a discount rate of 6.5% - 11.1% to determine the value of lease liabilities. 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.

For majority of means of transport, the Group has contractual options to extend the leases beyond the initial period. Also, the early termination of the leases with buy back options is allowed by majority of means of transport lease contracts.

Significant additions in 2023 relate to lease agreements in the Covoro Mining Solutions, LLC, mainly warehouse and terminal rent and flat cars, new rent agreements for rent in other Group entities were also concluded in 2023 (2022: lease agreements in Covoro Mining Solutions, LLC for hopper cars, rail box cars and other equipment).

Right-of-use assets pledged by the Group as collateral for bank loans are described in Note 17.

8.4.3 Other intangible assets

in USD thousand	Software	Int. generated IA put into use	Customer relationships	Licensed technology	Other IA	Costs for registrations - not yet ready for use	Other IA not yet ready for use	Total
Cost as at 1 January 2022	270	--	72,490	27,550	3,671	8,524	--	112,505
Accumulated amortisation and impairment	(108)	--	(1,208)	(153)	(2,062)	--	--	(3,531)
Carrying amount as at 1 January 2022	**162**	**--**	**71,282**	**27,397**	**1,609**	**8,524**	**--**	**108,974**
Additions	--	--	--	--	--	2,375	3,318	5,693
Acquisitions through business combinations (see Note 35)	320	--	18,585	11,695	316	--	--	30,916
Disposals	--	--	--	--	--	(249)	--	(249)
Transfers	2,311	1,939	--	--	67	(1,939)	(2,378)	--
Amortisation (see Note 26)	(59)	(94)	(18,275)	(2,965)	(277)	--	--	(21,670)
Impact of exchange rate differences (net)	(8)	(3)	444	(220)	(86)	(368)	--	(241)
Final carrying amount as at 31 December 2022	**2,726**	**1,842**	**72,036**	**35,907**	**1,629**	**8,343**	**940**	**123,423**
Cost as at 1 January 2023	2,893	1,939	91,574	39,025	4,172	8,343	940	148,886
Accumulated amortisation and impairment	(167)	(97)	(19,538)	(3,118)	(2,543)	--	--	(25,463)
Carrying amount as at 1 January 2023	**2,726**	**1,842**	**72,036**	**35,907**	**1,629**	**8,343**	**940**	**123,423**
Additions	141	106	--	--	228	1,710	7,335	9,520
Acquisitions through business combinations (see Note 35)	--	--	843	--	123	--	477	1,443
Disposals	--	--	--	--	(57)	--	--	(57)
Transfers	22	848	--	--	(602)	(202)	(66)	--
Amortisation (see Note 26)	(347)	(200)	(16,536)	(2,770)	(364)	--	--	(20,217)
Impact of exchange rate differences (net)	17	22	474	105	(12)	54	(17)	643
Final carrying amount as at 31 December 2023	**2,559**	**2,618**	**56,817**	**33,242**	**945**	**9,905**	**8,669**	**114,755**
Cost	3,054	3,208	93,070	39,171	3,586	9,905	8,669	160,663
Accumulated amortization and impairment	(495)	(590)	(36,253)	(5,929)	(2,641)	--	--	(45,908)
Final carrying amount as at 31 December 2023	**2,559**	**2,618**	**56,817**	**33,242**	**945**	**9,905**	**8,669**	**114,755**

The Group's licensed technology consists mainly of the leading practices covering the production of hydrogen cyanide, sodium cyanide and acrylonitrile and also technology related to fumigation in Intreso group.

The increase in 2022 of USD 7,876 thousand relates to acquisition of MPS. MPS possess technology for glycine leaching, environmentally sustainable solution for the extraction of a number of precious metals, as well as copper, nickel, and cobalt.

Costs for registrations intangible asset 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 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 files, it can be used for registrations in other countries. Amortisation of the asset begins with the approval of the product registration in the respective country. In the event that the registration is not expected to be successful, the related costs are expensed in profit or loss.

The Group discloses as other intangible asset not yet ready for use also the development of software technology. This software tool is an advanced analytics suite supporting and complementing metallurgists offering actionable insights for optimization across process areas in gold mines. This intangible asset totalled to USD 8,125 thousand as at 31 December 2023 (31 December 2022: USD 940 thousand).

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

Intangible assets pledged by the Group as collateral for bank loans are described in Note 17.

8.5 Goodwill

Goodwill from acquisitions through business combinations:

in USD thousand	2023	2022
Goodwill as at January 1	113,900	95,534
Additions (Note 35)	1,399	18,961
Goodwill write off	--	(554)
Impact of exchange rate differences	390	(41)
Goodwill as at 31 December	**115,689**	**113,900**

Impairment test

in USD thousand	2023	2022
CGU 1	94,980	94,980
CGU 2	11,423	11,023
CGU 3	1,398	--
CGU 4	7,888	7,897
Total carrying amount of goodwill as at 31 December	**115,689**	**113,900**

Goodwill in the amount of USD 94,980 thousand is allocated to the cash-generating unit Covoro Mining Solution Business (further "CGU 1") acquired in 2021.

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 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 the consolidated budget of Covoro group.

Goodwill in the amount of USD 11,423 thousand is allocated to cash-generating unit Intreso Group (further "CGU 2") that was acquired in 2022. The group provides end-to-end fumigation services. Intreso Group consists of five companies in three European countries (Belgium, The Netherlands and Slovenia) with a unique set of expertise and operations in the most critical European ports.

Intreso is considered as one cash generating unit. The entities' operations are managed as one cash generating unit, its performance is monitored and budgeted as one operational group.

In 2023, the Group acquired Blue Cube Group. Blue Cube Systems Proprietary Limited and Blue Cube Technology Proprietary Limited with its subsidiaries are considered as one cash-generating unit. Goodwill related to cash-generating unit Blue Cube (further "CGU 3") totals to USD 1,398 thousand.

In USD thousand	**2023**
Goodwill on acquisition	1,399
Impact of exchange rate differences	(1)
Total carrying amount of goodwill as at 31 December	**1,398**

Goodwill in the amount of USD 7,888 thousand is allocated to cash-generating unit MPS (further "CGU 4") that was acquired in 2022. MPS holds an exclusive licensing agreement for the glycine leaching process, allowing ongoing support and access to the latest research being progressed.

Goodwill in the amount of USD 554 thousand allocated to the cash-generating unit Lučební závody Draslovka a.s. Kolín (further "CGU 5") was fully written off in the first part of the year 2022. After considering external factors, extremely high prices of raw materials and war in Ukraine impact, the Group carried out goodwill impairment testing and as of 30 June 2022 wrote the goodwill for CGU 5 off.

The recoverable amount of the CGUs 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 cash flows over more than five years were determined using values for the fifth year multiplied by growth rate. The growth rate for the period longer than five years is in line with the average growth rate used for the period of five years and does not exceed estimated growth rate for the same industry sector and Group's future operation plans.

Discount rate is determined based on actual market indicators, assessment of time value of money and the risk specific to the CGU. The higher margin for CGU 3 reflects the new acquisition risk assessment, country risk assessment and start-up stage of the CGU. 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 in line with a growth rate for the given industry and Group's plans.

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

	2023	2022
CGU 1		
Pre-tax discount rate	12.4%	15.7%
Growth rate beyond five years	1.5%	1.5%
Gross margin	27.9%	25.4%
CGU 2		
Pre-tax discount rate	14.7%	25.7%
Growth rate beyond five years	2.0%	2.0%
Gross margin	27.3%	33.2%
CGU 3		
Pre-tax discount rate	31.8%	--
Growth rate beyond five years	1.5%	--
Gross margin	28.9%	--
CGU 4		
Pre-tax discount rate	36.1%	24.8%
Growth rate beyond five years	1.5%	1.5%
Gross margin	27.8%	28.4%

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

in USD thousand	2023	2022
CGU 1	65,719	64,827
CGU 2	5,660	1,072
CGU 3	247	--
CGU 4	25,412	4,267

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

	2023 value actual	2022 value actual	2023 value increased	2022 value increased
Pre-tax discount rate				
CGU 1	12.4%	15.7%	13.9%	17.3%
CGU 2	14.7%	25.7%	16.3%	26.5%
CGU 3	31.8%	--	33.6%	--
CGU 4	36.1%	24.8%	99.8%	28.7%

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

	2023 value actual	2022 value actual	2023 value decreased	2022 value decreased
Growth rate beyond five years				
CGU 1	1.5%	1.5%	(0.8)%	(1.2) %
CGU 2	2.0%	2.0%	(0.5)%	(0.2) %
CGU 3	1.5%	--	0%	--
CGU 4	1.5%	1.5%	(64.2)%	(7.3)%

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

	2023 value actual	2022 value actual	2023 value decreased	2022 value decreased
Gross margin				
CGU 1	27.9%	25.4%	23.7%	21.6%
CGU 2	27.3%	33.2%	22.6%	30.6%
CGU 3	28.9%	--	24.9%	--
CGU 4	27.8%	28.4%	9.6%	19.8%

8.6 Investments in joint ventures

31 December 2023

Name and main subject of business	Acquisition costs in USD thousand	Carrying amount in USD thousand	Share (%)	Total company	
				Equity in USD thousand	Share capital in USD thousand
DRASLOVKA SERVICES RSA (PTY) LTD (agriculture industry through the provision of specialised fumigation services)	930	801	42.5	679	1,634

31 December 2022

Name and main subject of business	Acquisition costs in USD thousand	Carrying amount in USD thousand	Share (%)	Total company	
				Equity in USD thousand	Share capital in USD thousand
DRASLOVKA SERVICES RSA (PTY) LTD (agriculture industry through the provision of specialised fumigation services)	930	861	42.5	892	1,634
ENCORE MINERALS PTY LTD (technology for mining industry)	--	--	50	2	2

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

8.7 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 was to be released to the seller on the closing date of the acquisition.

Following the Competition Commission's decision in November 2021, which prohibited the transaction, and which was then appealed by the parties, the Group concluded on 4 February 2022 an amendment to an agreement with Sasol and received the balance of USD 93,622 thousand of its deposit on the escrow account in ČSOB bank back. The Group used the proceeds to repay the related party loan and related interest during January to April 2022.

In December 2023 the remaining amount of USD 2,400 thousand was released from the Escrow account.

Since the Group didn't have a right to use the money on the escrow account for other purposes, the Group did not classify the escrow account as cash and cash equivalents. Instead, the Group presented 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).

8.8 Other non-current financial assets

in USD thousand	31 Dec 2023	31 Dec 2022
Loans provided - related parties (see Note 39)	1,496	1,546
Cash deposit	2,306	2,240
Long-term receivables from licence sales	2,926	--
Total other non-current financial assets	**6,728**	**3,786**

Other non-current loans of USD 1,496 thousand (31 December 2022: USD 1,546 thousand) provided to related party represent a loan provided to DRASLOVKA SERVICES RSA (PTY) LTD, an entity jointly controlled by the Group and a third party, in 2019. The loan is repayable in 2028.

Non-current cash deposits are deposits paid in connection with leasing of vehicles.

Long-term receivables from licence sales are receivables from sales of licences receivable by December 2025 in amount of USD 1,690 thousand and by December 2026 in amount of USD 1,236 thousand.

Pledged other financial and non-financial assets are described in Note 17.

8.9 Inventories

in USD thousand	31 Dec 2023	31 Dec 2022
Raw material	12,691	18,709
Work in progress	6,484	4,739
Finished products and goods	26,506	41,459
Total inventories	**45,681**	**64,907**

Inventories pledged by the Group as collateral for bank loans are described in Note 17.

Carrying amount of inventory as at 31 December 2023 was lower by USD 146 thousand compared to its net realizable value (31 December 2022: USD 704 thousand). Impairment to inventory was recognized in profit or loss.

Inventories recognized as an expense during 2023 reached the amount of USD 418,268 thousand (2022: USD 367,878 thousand).

8.10 Trade receivables

in USD thousand	31 Dec 2023	31 Dec 2022
Trade receivables - third parties	87,730	59,821
Trade receivables – related parties (see Note 39)	28	10
Less allowance for expected credit losses (see Note 36)	(1,430)	(1,387)
Total trade receivables	**86,328**	**58,444**

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 45 thousand in 2023 (2022: USD 1 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 10,585 thousand of receivables was insured as at 31 December 2023 (out of USD 86,300 thousand) (31 December 2022: USD 15,860 thousand out of USD 58,434 thousand).

The expected credit loss (ECL) measurement and the Group's exposure to credit and currency risk are described in Note 36.

Trade receivables pledged by the Group as collateral for bank loans are described in Note 17.

8.11 Other current financial assets

in USD thousand	31 Dec 2023	31 Dec 2022
Receivables from rentals and recharge of rental related expenses	2,375	3,621
Other receivables – related parties (see Note 39)	1,753	951
Accrued income	219	26
Government subsidy for high energy prices	--	1,990
Loans provided – related parties (see Note 39)	3	44
Other financial current receivables	111	836
Total other current financial assets	**4,461**	**7,468**

Other current financial assets are classified as financial assets at amortized cost.

Other receivables from related parties (Note 39) in the amount of USD 1,753 thousand (31 December 2022: USD 951 thousand) relates to reinvoicing of expenses connected with financing of Group activities to related party companies.

Pledged other financial and non-financial assets are described in Note 17.

In 2022, the Group received government subsidy in the amount of USD 1,990 thousand from the Czech government in the scope of its Program of support for the increased costs of natural gas and electricity due to the exceptionally sharp increase in their prices. As the Group met all the requirements and conditions required by this Program as at 31 December 2022 and had an indisputable entitlement to this compensation, the Group recognized a receivable of USD 1,990 thousand as at 31 December 2022.

8.12 Current assets at fair value through profit or loss

in USD thousand	31 Dec 2023	31 Dec 2022
Financial derivatives with positive fair value – hedge (Note 36)	1,221	1,909
Financial derivatives with positive fair value – non-hedge	33	--
Total current assets at fair value through profit or loss	**1,254**	**1,909**

Table with financial derivatives:

	Fair value liability (-) / receivable (+)		Nominal value	
in USD thousand	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Currency forwards (financial asset at fair value through profit or loss)	33	--	920	--
Interest rate cap (financial derivative - hedge) (Note 36)	1,221	1,909	170,520	172,260

Interest rate cap will be settled in December 2024.

8.13 Other current non-financial assets

in USD thousand	31 Dec 2023	31 Dec 2022
Tax receivables from value added taxes	9,962	11,285
Prepaid services	570	1,841
Advances provided	3,806	1,570
Other tax receivables excluding income taxes	230	188
Total other current non-financial assets	**14,568**	**14,884**

For VAT receivables arising on acquisition of Covoro Mining Solutions Business, refer to Note 20.

Advances provided include mainly deposits to suppliers in the USA and Mexico as at 31 December 2023 and 2022.

Pledged other financial and non-financial assets are described in Note 17.

8.14 Cash and cash equivalents

in USD thousand	31 Dec 2023	31 Dec 2022
Cash on hand	9	2
Cash in bank accounts	50,935	43,787
Total cash and cash equivalents	**50,944**	**43,789**

The Group cooperates with banks with an external rating at the investment level, see Note 36. In 2023 and 2022 the Group cooperated with low-risk banks.

Pledged cash and cash equivalents are described in Note 17.

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

in USD thousand	31 Dec 2023	31 Dec 2022
AA1	260	--
AA2	1,831	741
AA3	15,415	22,382
A1	16,906	14,092
A2	10,952	2,785
A3	632	612
BAA1	4,237	3,086
BAA3	147	45
BA1	128	--
BA2	95	44
BBB	62	--
Not rated	270	--
Total cash in bank accounts	**50,935**	**43,787**

Cash and cash equivalents in the cash flow statement:

in USD thousand	31 Dec 2023	31 Dec 2022
Cash and cash equivalents	50,944	43,789
Bank overdraft	(15)	(22)
Total cash and cash equivalents	**50,929**	**43,767**

For the purpose of cash flow statements, the Group considers overdraft from Raiffeisenbank (refer to Note 17) part of financial operations, not part of cash and cash equivalents.

Other bank overdrafts are considered part of cash and cash equivalents in the cash flow statement.

8.15
Assets classified as held for sale

in USD thousand	31 Dec 2023	31 Dec 2022
Assets classified as held for sale - property, plant and equipment	1,310	694
Total Assets held for sale	**1,310**	**694**

Part of assets located at the Laguna site owned by the company Covoro Mining Solutions Mexicana, S. de R.L. de C.V. were classified as assets held for sale as at 31 December 2023 and 2022. This plant was built to produce HCN and NaCN. Construction on the Laguna site was stopped by previous owner, the Chemours Company, years prior to the sale of Covoro Mining Solution Business to the Group due to legal challenges and protestors. It is the Group intention of not to complete the site but dismantle it. As of 31 December 2023, assets identified for immediate sale in 2024 were reclassified as assets held for sale with the carrying value of USD 1,310 thousand (31 December 2022: USD 694 thousand).

Total assets related to Laguna site disclosed as assets under construction as at 31 December 2023 amounted to USD 21,884 thousand (31 December 2022: USD 24,007 thousand).

The assets of Laguna site were tested for impairment as at the balance sheet date. Independent assessment of fair values of equipment and land was carried out by external consultant. The Group estimates that fair value of the assets exceed their carrying value as at 31 December 2023 (31 December 2022).

8.16 Equity and profit distribution

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 CZK 7 million). The subscribed capital was fully paid in.

Share capital is divided into 3,351 shares "A type" with a nominal value of USD 89 thousand (CZK 2 million) each and 298,000,000 shares "B type" with a nominal value of USD 0.04 (CZK 1) each. The shares are issued as securities.

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

The shares ensure the right to vote at the General Meeting of the Company. After the dissolution of the Company in liquidation, the 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 approves for distribution according to the financial result and in accordance with the relevant statements of the 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 the approval of the General Meeting of the Company. All shareholders have the pre-emption rights to shares of other holders. The shareholder shall, if it intends to transfer all or part of its registered shares, offer them for purchase to the other shareholders of the Company.

Loss for 2022 was transferred to the accumulated losses.

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 on 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 as of 1 December 2021 among MANCHESTER ACQUISITION SUB LLC, as a borrower and JPMORGAN CHASE BANK, N.A. as a lender.

Other capital funds

In 2023, the sole shareholder Draslovka Beta S.à.r.l. decided to increase the Company's other capital funds by USD 78,000 thousand (2022: increase by USD 101,834 thousand).

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 losses.

Capital reorganisation reserve / (deficit)

Accumulated losses of Draslovka Holding a.s. that occurred before the capital reorganisation in 2021 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 in 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.

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 35.

Contributions to capital funds might be distributed to the shareholder only in the amount that the funds exceed the accumulated losses.

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.

Hedging reserve

in USD thousand	31 Dec 2023	31 Dec 2022
Intrinsic value	1,673	1,170
Cost of hedging reserve	(1,725)	(2,061)
Deferred tax from hedging reserve	5	212
Hedging reserve	**(47)**	**(679)**

The hedging reserve represents the effective portion of changes in the fair value of hedging derivatives that qualify as such and meet the criteria for cash flow hedges. The gain or loss relating to the ineffective portion is recognised directly in profit or loss.

The change of hedging reserve including change of deferred tax of USD 632 thousand is recognised in other comprehensive income (2022: USD (679) thousand).

The change in fair value of the hedged item used to determine the hedge effectiveness is a loss of USD 503 thousand (31 December 2022: loss of USD 1,170 thousand). The Group has not recognized any ineffectiveness in the current period as the hedge relationship was fully effective.

in USD thousand	31 Dec 2023	31 Dec 2022
Opening balance 1 January 2023	**892**	**--**
Effective portion of changes in fair value of hedging derivatives	503	1,170
Change in deferred tax	(126)	(278)
Closing balance 31 December 2023	**1,269**	**892**

The hedging instrument in the cash flow hedge is an interest rate cap. The Group separates the intrinsic value and the time value of the cap and designates as the hedging instrument only the change in the intrinsic value of the cap. Changes in the time value of the cap are recognized in the cost of hedging reserve presented in Effective portion of changes in fair value of cash flow hedge in the statement of other comprehensive income. The Group considers the time value of the option to be time-period related as the hedging derivative mitigates the risk exposure during the hedged period. Therefore, the amount representing the time value of the option at the start of the hedge relationship is amortized to profit and loss over the hedged period on a linear basis. The amount amortized for the current accounting period has been recognized in the financial statements line item Other financial expenses in profit or loss.

in USD thousand	31 Dec 2023	31 Dec 2022
Opening balance 1 January 2023	**(1,571)**	**--**
Change in time value of option	(1,064)	(2,178)
Amortization of the initial time value to profit or loss	1,400	117
Change in deferred tax	(81)	490
Closing balance 31 December 2023	**(1,316)**	**(1,571)**

8.17 Non-current financial liabilities

Non-current financial liabilities:

in USD thousand	31 Dec 2023	31 Dec 2022
Non-current loans and borrowings	341,403	354,063
Non-current loans – related parties	4,700	4,372
Non-current other third-party liabilities	333	290
Non-current lease liabilities	18,119	15,552
Total non-current financial liabilities	**364,555**	**374,277**

Received loans and borrowings:

in USD thousand	31 Dec 2023	31 Dec 2022
Bank loans	357,524	356,227
Non-current part	*341,403*	*354,063*
Current part (Note 20)	*16,121*	*2,164*
Bank overdrafts (Note 20)	7,945	10,377
Related party loans (see Note 39)	4,700	4,372
Non-current part	*4,700*	*4,372*
Current part	--	--
Current loans received	121	--
Total loans and borrowings	**370,290**	**370,976**
Of which:		
Non-current loans and borrowings	346,103	358,435
Current loans and borrowings (Note 20)	24,187	12,541

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 Loan 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 Secured Overnight Financing Rate ("SOFR").

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 28,000 thousand as of 31 December 2023 (31 December 2022: USD 28,000 thousand). The loan is due in December 2026. Interest rate for the Initial Term loan is margin plus adjusted SOFR rate.

The Group has a revolving bank loan with Raiffeisenbank with credit limit up to USD 11,050 thousand, with the amount drawn as at 31 December 2023 of USD 7,930 thousand (31 December 2022: USD 10,355 thousand).

As a result of new lease contracts described in Note 4.2, the non-current lease liability increased to USD 18,118 thousand as at 31 December 2023 (31 December 2022: USD 15,552 thousand).

In October 2022, the Group concluded interest rate cap for 50 % of the remaining principal of Term Loan B under the Credit Agreement with JPMORGAN CHASE BANK, N.A. facility. The interest rate cap is entered into for a 2 years period, keeping the cap for SOFR rate on 4.25% level.

Financial covenants relating to the Credit Agreement are described in Note 34 (Contingencies and Commitments).

In 2022, the Group received interest-free loans from related parties in the total amount of USD 9,340 thousand. Loans are due on 30 June 2033. The difference of USD 5,144 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 4,700 as at 31 December 2022 is the fair value of the loan received at its date, plus interest expense for 2022 and 2023 (31 December 2022: USD 4,372 thousand).

The fair value of loans and borrowings is disclosed in Note 38.

The following table shows the assets that were provided by the Group as a collateral for bank loans as at 31 December 2023 and as at 31 December 2022.

2023 in USD thousand	**Carrying amount**	**Amount provided as collateral**	**Amount not provided as collateral**
Property, plant and equipment	352,557	(349,868)	2,689
Right-of-use assets	22,250	(21,802)	448
Intangible assets	114,755	(101,293)	13,462
Inventories	45,681	(38,848)	6,833
Trade receivables	86,328	(82,292)	4,036
Other financial and non-financial assets	27,011	(26,294)	717
Cash and cash equivalents	50,944	(34,593)	16,351
Assets classified as held for sale	1,310	(1,310)	--
Total	**700,836**	**(656,300)**	**44,536**

2022 in USD thousand	**Carrying amount**	**Amount provided as collateral**	**Amount not provided as collateral**
Property, plant and equipment	368,974	(367,730)	1,244
Right-of-use assets	17,847	(17,681)	166
Intangible assets	123,423	(108,643)	14,780
Inventories	64,907	(57,932)	6,975
Trade receivables	58,444	(52,135)	6,309
Other financial and non-financial assets	28,047	(24,318)	3,729
Cash and cash equivalents	43,789	(38,510)	5,279
Assets classified as held for sale	694	(694)	--
Total	**706,125**	**(667,643)**	**38,482**

The Group has bank accounts for some of its entities following the banking covenants requirements. These companies can operate with the cash without further restrictions.

Reconciliation of liabilities from financing activities:

in USD thousand	Loans and borrowings	Liabilities from leases	Hedging derivates	Other financial liabilities at fair value through profit or loss	Total liabilities from financing activities	Restricted cash	Total
Liabilities from financing as at 1 January 2022	**432,721**	**755**	**--**	**--**	**433,476**	**(96,022)**	**337,454**
Cash transactions	**(62,948)**	**(2,203)**	**(2,800)**	**8,951**	**(59,000)**	**--**	**(59,000)**
Drawing of loans	18,000	--	--	--	18,000	--	18,000
Drawing of loans -related party (Note 39)	3,500	--	--	--	3,500	--	3,500
Increase of overdrafts	10,352	--	--	--	10,352	--	10,352
Repayment of loans	(3,480)	--	--	--	(3,480)	--	(3,480)
Repayment of loans – related party (Note 39)	(64,388)	--	--	--	(64,388)	--	(64,388)
Leasing repayment	--	(1,471)	--	--	(1,471)	--	(1,471)
Interest paid	(26,932)	(732)	--	--	(27,664)	--	(27,664)
Drawing of financial liabilities at fair value through profit or loss	--	--	--	8,951	8,951	--	8,951
Hedging derivative changes	--	--	(2,800)	--	(2,800)	--	(2,800)
Non-cash transactions	**1,203**	**19,639**	**891**	**905**	**22,638**	**93,622**	**116,260**
Change in restricted cash	--	--	--	--	--	93,622	93,622
Foreign exchange translation	--	(223)	--	--	(223)	--	(223)
Effective portion of changes in fair value of cash flow hedge	--	--	891	--	891	--	891
New leases	--	17,831	--	--	17,831	--	17,831
Accrued interest – bank loans	32,676	--	--	--	32,676	--	32,676
Acquired in business combination	--	2,169	--	--	2,169	--	2,169
Leasing modifications/ reassessments	--	(138)	--	--	(138)	--	(138)
Revaluation of interest-free loans	(5,144)	--	--	--	(5,144)	--	(5,144)
Non-cash other capital funds increase	(26,329)	--	--	--	(26,329)	--	(26,329)
Revaluation of financial liabilities at fair value through profit or loss	--	--	--	905	905	--	905
Liabilities from financing as at 31 December 2022	**370,976**	**18,191**	**(1,909)**	**9,856**	**397,114**	**(2,400)**	**394,714**

in USD thousand	Loans and borrowings	Liabilities from leases	Hedging derivates	Other financial liabilities at fair value through profit or loss	Total liabilities from financing activities	Restricted cash	Total
Liabilities from financing as at 1 January 2023							
Cash transactions	**(45,980)**	**(7,844)**	**--**	**(992)**	**(54,816)**	**2,400**	**(52,416)**
Change in restricted cash	--	--	--	--	--	2,400	2,400
Repayment of loans	(3,480)	--	--	--	(3,480)	--	(3,480)
Decrease of overdrafts	(2,535)	--	--	--	(2,535)	--	(2,535)
Leasing repayment	--	(5,142)	--	--	(5,142)	--	(5,142)
Interest paid	(39,965)	(2,702)	--	(992)	(43,659)	--	(43,659)
Non-cash transactions	**45,294**	**13,316**	**688**	**100**	**59,398**	**--**	**59,398**
Foreign exchange translation	111	30	--	--	141	--	141
Effective portion of changes in fair value of cash flow hedge	--	--	(839)	--	(839)	--	(839)
New leases	--	12,246	--	--	12,246	--	12,246
Disposal of lease agreements	--	(2,078)	--	--	(2,078)	--	(2,078)
Acquired in business combination	112	--	--	--	112	--	112
Accrued interest	45,071	2,861	1,339	903	50,174	--	50,174
Leasing modifications/ reassessments	--	257	--	--	257	--	257
Revaluation of financial liabilities at fair value through profit or loss	--	--	188	(803)	(615)	--	(615)
Liabilities from financing as at 31 December 2023	**370,290**	**23,663**	**(1,221)**	**8,964**	**401,696**	**--**	**401,696**

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 39 for more details) and deposited the proceeds raised to an escrow account in ČSOB bank. The money was to 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.

On 4 February 2022 the Group received the balance of USD 93,622 thousand of its restricted cash deposit (refer to Note 7).

The Group repaid the related party loans in total amount of USD 96,000 thousand and related interest during January to April 2022. The amount of USD 26,329 thousand together with non-current other liabilities – related parties of USD 1,005 thousand was settled against other capital funds increased on 14 January 2022. From the remaining amount, USD 64,160 thousand was repaid in cash, USD 6,000 thousand was replaced by interest-free loan from related party.

8.18 Offsetting on the balance sheet

The Group has entered 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 of 31 December 2023 and 31 December 2022. The column 'net amount' shows the impact on the Group's statement of financial position if all set-off rights were exercised.

	Effects of offsetting on the balance sheet				
2023 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	86,328	--	86,328	(82,292)	4,036
Cash and cash equivalents	50,944	--	50,944	(34,593)	16,351
Total	**137,272**	**--**	**137,272**	**(116,885)**	**20,387**
Financial liabilities					
Bank loans	(357,524)	--	(357,524)	116,885	(240,639)
Total	**(357,524)**	**--**	**(357,524)**	**116,885**	**(240,639)**

	Effects of offsetting on the balance sheet				
2022 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	58,444	--	58,444	(52,135)	6,309
Cash and cash equivalents	43,789	--	43,789	(38,510)	5,279
Total	**102,233**	**--**	**102,233**	**(90,645)**	**11,588**
Financial liabilities					
Bank loans	(356,227)	--	(356,227)	90,645	(265,582)
Total	**(356,227)**	**--**	**(356,227)**	**90,645**	**(265,582)**

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.

8.19 Trade payables

Trade payables

in USD thousand	31 Dec 2023	31 Dec 2022
Trade payables – third parties	52,395	69,401
Trade payables – related parties (see Note 39)	33	27
Total trade payables	**52,428**	**69,428**

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.

8.20 Other current financial liabilities

Other current financial liabilities:

in USD thousand	31 Dec 2023	31 Dec 2022
Current loans and borrowings (see Note 20)	24,187	12,541
Other financial liabilities measured at amortized cost	9,259	8,330
Other financial liabilities measured at amortized cost – related parties (see Note 39)	--	181
Current lease liabilities	5,544	2,639
Total other current financial liabilities	**38,990**	**23,691**

Other financial liabilities measured at amortized cost in amount of USD 8,383 thousand (31 December 2022: USD 6,793 thousand) relates to payable for VAT reinvoicing arising on the acquisition of Covoro Mining Solutions Business. Covoro Mining Solutions Mexicana, S. de R.L. de C.V. has VAT receivable from Mexican financial authority in connection with the asset transfer to this entity by the Seller before the acquisition by the Group. The amount is due to The Chemours Company TT, LLC upon receipt from the Mexican VAT authority.

8.21 Current liabilities at fair value through profit or loss

Other current financial liabilities:

in USD thousand	31 Dec 2023	31 Dec 2022
Current liabilities at fair value through profit or loss	8,964	9,856
Total current liabilities at fair value through profit or loss	**8,964**	**9,856**

Current financial liabilities in the amount of USD 8,964 thousand (31 December 2022: USD 9,856 thousand) represent precious metal lease from third party. Based on the fact, that the lease payments are linked to the price of the precious metal, the Group has determined that the lease liability contains an embedded derivative. The Group has elected the option to designate the entire financial liability as at fair value through profit or loss on initial recognition. The embedded derivative has not been separated.

In 2023 the Group has not recognized any changes in fair value relating to the Group's own credit risk (2022: no changes in fair value recognised).

in USD thousand	31 Dec 2023	31 Dec 2022
Carrying amount	8,964	9,856
Cumulative change in fair value due to changes in credit risk recognized in equity	--	--
Amount the Group is contractually obligated to pay to the counterparty	8, 573	8,951
Difference between carrying amount and the amount the Group is contractually obligated to pay to the counterparty	391	905
Net gains recognized in profit or loss for the current period	(803)	905
Net gains recognized in other comprehensive income for the current period	--	--

8.22 Other current non-financial liabilities

Other current non-financial liabilities:

in USD thousand	31 Dec 2023	31 Dec 2022
Other tax liabilities excluding income taxes	2,094	2,555
Contract liabilities	2,768	13,022
Payables to employees	5,693	4,687
Total other current non-financial liabilities	**10,555**	**20,264**

Deliveries where the Group has not yet satisfied its performance obligation as at 31 December 2023 represent USD 2,496 thousand from contract liabilities (31 December 2022: USD 5,736 thousand). These revenues were therefore not recognized in revenue from contracts in 2023 but are recognized in revenues of the following year (contract liabilities as at 31 December 2022 in the amount of USD 5,736 thousand were recognized in revenue from contracts with customers in 2023).

Advances received from customers for future deliveries, disclosed in contract liabilities, totalled to USD 296 thousand (31 December 2022: USD 6,767 thousand).

From contract liabilities measured at amortized costs customer prepayments amounts USD 316 thousand (31 December 2022: USD 6,642 thousand).

8.23 Provisions

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 2023	**74**
Additions - charged to profit or loss	94
Release of provision	(75)
Effect of translation to presentation currency	--
Carrying amount as at 31 December 2023	**93**

8.24 Share-based payment arrangements

The Group provides an equity-settled share-based payment arrangement, stock option plan (the "Share Program"), to its employees. The Share Program entitles the Group's key executives and employees (option holders) to purchase the Company's shares. The plan is currently only available to executives and senior employees based on contracts with individual employees. The basic principles of the Share Program are as follows:

– to the extent, at the times and subject to the conditions of the Share Program, the participant will acquire the following options by way of vesting.

a) 22% of the allocated stock options on the first anniversary of the vesting start date

b) 21% of the allocated stock options on the second anniversary of the vesting start date

c) 20% of the allocated stock options on the third anniversary of the vesting start date

d) 19% of the allocated stock options on the fourth anniversary of the vesting start date

e) 18% of the allocated stock options on the fifth anniversary of the vesting start date

Shares designated for the Share Program are 298 million of shares B of Draslovka a.s.

The participants in share-based payment arrangements can't sell or transfer the options without written consent by both parties.

Employees terminating their employment are divided into two groups:

– Leaving on good terms (over the entire term): unexercised options granted are not forfeited;
– Leaving on bad terms (over the entire term): the unexercised options granted are forfeited.

Granted options	Number of instruments (thousands)	Vesting conditions	Contractual maturity of the option
Tranche 1	232,411	employment term/function term from the grant date to 1 January 2027	The option may be exercised until 6 years of the date of the contract
Tranche 2	14,870	employment term/function term from the grant date to 1 January 2028	The option may be exercised until 6 years of the date of the contract

Fair value measurement

To determine the fair values of equity-settled share-based payments (stock option plans settled with equity instruments), the following input information was used:

Stock option plan (equity-settled)

Key executives	Tranche 1	Tranche 2
Fair value (in thousand USD) (average)	4,586	266
Exercise price of the option (in USD)	0.01793	0.01793
Expected maturity of the option (weighted average) in years	3	3
Dividend income	--	--
Risk-free interest rate	3.14%	3.14%

Expenses recognized in the statement of profit and loss

In connection with the Share Program, the Group recognized expenses of USD 4,852 thousand in Personal expenses. This amount represents personnel expenses related to key management personnel.

The fair value of employee stock options was determined using an adjusted form of binomial model that considers the term of the vesting, the share price at grant date and risk-free interest rate. The model inputs for the year ended 31 December 2023 included Group expectation of the cash redemption in 2026 year. Model inputs were based on best management estimate.

The table below summarises the impact of increases/decreases of the variables on the fair value of the stock option plan. The analysis considers a reasonably possible change of an unobservable input with all other variables held constant.

in USD thousand	Assumptions	Change	Fair value / increase (decrease)	Change	Fair value / increase (decrease)
Variable					
Term option – option exercise date	2026 year	1 year sooner	152	1 year later	(151)
Exercise price	Binomial model	20% increase	970	20% decrease	(970)
Risk-free interest rate	3.14%	1% increase	(119)	1% decrease	123

8.25 Revenue

in USD thousand	2023	2022
Timing of revenue recognition		
At a point in time:		
Sales of chemical products	394,292	453,546
Revenues from contractual liabilities from minimum off-take	--	2,536
Over time:		
Revenues from sale of licences – third party	40,118	531
Fumigation services	18,044	6,972
Services provided to related parties (see Note 39)	27	--
Other revenue	10,373	4,446
Total revenue from contracts with customers	**462,854**	**468,031**

The Group has technology innovations related to the production of hydrogen cyanide, sodium cyanide, acrylonitrile and glycat that are being sold to third parties. The revenue from sale of licences primarily consists of engineering designs, equipment configurations and blueprints.

The customer pays the transaction price in several instalments. The first instalment is paid upon delivery of the license documentation package, after signing the contract, the other payments are split between the beginning of the contractual relationship and the date when the plant subject to license is built or when the technology is implemented by the customer.

The package is transferred to client shortly after the license sale contract is effective. This results in significant part of the revenue measured by input method of progress is being recognised at the beginning of the contractual relationship.

Payment terms for some of the instalments exceed one year. There is a significant financing component for those contracts where the customer payments are deferred in time.

Majority of license sale contracts include variable consideration. The variable consideration is constrained until the conditions are reasonably expected to be met, increased production by the client using the licensed technology exceeding certain threshold, specified in the contract, are fulfilled.

Warranties in the contracts concluded in 2023 were assessed by management and no warranty provision need was identified.

Fumigation services represent fumigation of wood, plant, fields using the chemical fumigants either produced by the group or purchased externally. The performance obligation is fulfilled as services are rendered. Payment is typically due within 30 – 90 days, without significant financing component. The consideration is not variable. Contract balances and the related disclosures have been included in the following places in the notes to the Group's accounts:

Receivables	Balance described as Trade receivables – Note 10
Contract liabilities	Note 22

Other revenue represents mostly rental income from leases and revenues from resale of electricity.

Sales of chemical products divided by customer's location:

in USD thousand	2023	2022
Sales in North America	137,407	191,356
Sales in South America	181,187	162,580
Sales in Europe	47,885	80,715
Sales in Africa	18,281	13,094
Sales in Asia	8,908	5,325
Sales in Australia and New Zealand	624	476
Total revenue from sales of chemical products	**394,292**	**453,546**

Sales by chemical products:

in USD thousand	2023	2022
NaCN	307,058	295,182
Mining solutions	**307,058**	**295,182**
HCN	41,700	84,465
DPG	19,295	21,989
Aminonitriles	5,100	7,866
KCN	6,029	6,858
Syntron	1,434	6,621
Specialty chemicals products	**73,558**	**127,799**
SAM + SAMBO	6,348	17,506
Retacel	4,189	5,023
Other fumigants	1,296	6,619
Agricultural solutions	**11,833**	**29,148**
Other products	1,843	1,417
Total revenue from sales of chemical products	**394,292**	**453,546**

If there is a time delay between the realisation of sales from contracts with customers and its cash inflows, this is usually the case for sales to more distant foreign countries where the cash receipts may be tied to the transportation of goods even though the sales are realised and the risk passes to the customer earlier. The delay does not exceed 12 months and does not represent significant financing component.

8.26
Cost of sales

in USD thousand	2023	2022
Consumption of raw materials	(192,404)	(254,386)
Depreciation and amortization (see Note 4)	(79,690)	(74,143)
Transportation	(37,326)	(41,609)
Employee benefits	(42,802)	(35,066)
Energy consumption	(15,963)	(22,182)
Repairs and maintenance	(18,590)	(15,306)
Packaging and terminals	(13,134)	(9,126)
Equipment and supplies	(2,051)	(1,855)
Change in impairment to trade receivables	(43)	(1,306)
Trade receivables write off	(45)	--
Short-term and low-value asset lease	(1,258)	(509)
(Creation)/Release of a provision for inventory	544	(656)
Changes in inventories of finished goods and work in progress	(14,891)	12,570
Other	(10,364)	(19,064)
(Creation)/Release of impairment to property, plant and equipment	100	(151)
Goodwill write off	--	(554)
Total costs of sales	**(427,917)**	**(463,343)**

* Other costs include other costs related to production and operations

Other cost of sales represents other costs not specifically included in the described categories; e.g.,other contracted services related to production.

The Group had a total of 681 employees in 2023 (2022: 624 employees). Total personnel expenses amounted to USD 42,802 thousand in 2023 (2022: USD 35,066 thousand). Most of the increase in the number of employees as well as in personal expenses is related to the acquisition of Blue Cube group entities and termination of Transition Service Agreement in Covoro Mining Solution Business during 2022.

The Group contributes to defined contribution plans which receive fixed contributions from group companies. The Group's legal or constructive obligation of these plans is limited to the contributions. During 2023, the expenses recognized in relation to the contributions amounted to USD 2,129 thousand (2022: USD 2,896 thousand).

Research costs and part of the development costs that do not fulfil the conditions for capitalization to intangible assets amounted to USD 226 thousand in 2023 (2022: USD 159 thousand).

8.27 Administrative costs

in USD thousand	2023	2022
Employee benefits	(15,125)	(10,641)
Employee share plans (long-term incentives)	(4,852)	--
IT expenses	(7,743)	(3,488)
Consulting costs	(4,971)	(2,273)
Insurance	(5,808)	(5,344)
Terminal services	(2,579)	(2,647)
Legal services	(2,501)	(1,004)
Travel expenses	(1,473)	(420)
Marketing and representation costs	(741)	(622)
Audit services	(460)	(804)
Feasibility studies	(472)	(326)
Accounting and tax services	(1,045)	(278)
Ratings	(143)	(149)
Administrative services provided by related party (see Note 39)	(108)	(150)
Acquisition-related transaction costs (see Note 35)	(5)	(2,380)
Transition Service Agreement (TSA)	--	(6,672)
Other administrative expenses (services and other administrative expenses)	(4,159)	(3,986)
Total administrative costs	**(52,185)**	**(41,184)**

IT expenses contain purchased software licences and licence subscription fees, accounting and other software implementation costs and IT equipment in 2023 and 2022. In 2023, the Group introduced SAP S4/HANA for Covoro entities.

Consulting costs contain of strategic management, business, economic and other consultancy services. Terminal services includes packaging services of sodium and potassium cyanide products in Woodstock terminal.

Transaction costs contain significant costs for advisory, legal and other services in connection with acquisitions made in 2022 and 2023 (refer to Note 35).

The Group concluded the Transition Service Agreement (TSA) with The Chemours Company. 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 and accounting etc.). This Agreement was terminated in July 2022.

8.28 Other operating income

in USD thousand	2023	2022
Other income from operations	2,258	868
Total other operating income	**2,258**	**868**

Financial authority reimbursed the Group for VAT penalty from prior years. In 2023, the Group received back from financial authorities USD 1,799 thousand (2022: USD 0 thousand).

8.29 Other operating expenses

in USD thousand	2023	2022
Taxes and fees	(1,244)	(1,193)
Loss on sale of non-current assets	(574)	(234)
Other expenses from operations	(553)	(1,587)
Share of net profit of joint venture accounted for using the equity method	(60)	(45)
Total other operating expenses	**(2,431)**	**(3,059)**

8.30 Nature of expenses

in USD thousand	2023	2022
Consumption of raw materials	(192,404)	(254,386)
Depreciation and amortization (see Note 4)	(79,690)	(74,143)
Employee benefits	(62,509)	(45,707)
Transportation	(37,326)	(41,609)
Energy consumption	(15,963)	(22,182)
Repairs and maintenance	(18,590)	(15,306)
Packaging and terminals	(15,713)	(11,773)
Equipment and supplies	(2,051)	(1,855)
Change in impairment to trade receivables and receivables write off	(88)	(1,306)
Current and low-value asset lease	(1,258)	(509)
(Creation)/Release of a provision for inventory	544	(656)
Changes in inventories of finished goods and work in progress	(14,891)	12,570
Other services related to manufacturing	(10,364)	(19,064)
Creation of impairment to property, plant and equipment	100	(151)
Goodwill write off	--	(554)
Legal services	(2,501)	(961)
IT expenses	(7,743)	(3,488)
Insurance	(5,808)	(5,344)
Consulting costs	(4,971)	(2,273)
Travel expenses	(1,473)	(420)
Marketing and representation costs	(741)	(622)
Audit services	(460)	(804)
Feasibility studies	(472)	(326)
Accounting and tax services	(1,045)	(278)
Ratings	(143)	(149)
Other operating expenses	(6,972)	(16,245)
Total expense	**(482,533)**	**(507,541)**

8.31 Net finance costs

in USD thousand	2023	2022
Interest income – bank accounts	282	101
Interest income – related parties (see Note 39)	70	80
Foreign exchange gains from borrowings – net	859	--
Revaluation of financial liabilities at fair value through profit or loss	803	--
Other financial income	18	21
Total finance income	**2,032**	**202**
Interest expenses – bank loans	(46,082)	(32,346)
Interest expenses – related parties (see Note 39)	(328)	(451)
Interest expenses – leases	(2,878)	(883)
Interest expenses – precious metals	(903)	(73)
Bank charges	(240)	(156)
Other financial costs – related parties (see Note 39)	--	(181)
Revaluation of financial liabilities at fair value through profit or loss	--	(905)
Other financial costs	(36)	(243)
Foreign exchange losses from borrowings - net	--	(976)
Total finance costs	**(50,467)**	**(36,214)**
Net finance costs	**(48,435)**	**(36,012)**

8.32 Income tax

Income tax (expense) / benefit includes:

in USD thousand	2023	2022
Current tax expense (-)	(4,362)	(3,190)
Deferred tax benefit (+) / expense (-)	(4,919)	17,198
Total income tax benefit / (expense)	**(9,281)**	**14,008**

The income tax rate in the Czech Republic for the 2023 tax period was 19% (2022: 19%). As at 31 December 2023, deferred income tax was calculated at a tax rate of 21% - 30 % (2022: 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. Income tax rate in the USA for the calculation of deferred tax amounted to 25% (2022: 25%). As at 31 December 2023, deferred income taxes attributable to the Czech tax jurisdiction were measured at a tax rate of 21% (2022: 19%). This rate corresponds to the statutory tax rates enacted for the future periods when realisation of deferred tax asset and liabilities is expected.

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

in USD thousand	2023	2022
Loss before tax	**(65,856)**	**(74,699)**
Theoretical tax benefit at the parent's statutory tax rate of 19% (2022: 19%)	12,513	14,192
The tax effect of:		
- different tax rates of subsidiaries operating in other jurisdictions	3,139	711
- income exempt from taxation	513	264
- non-deductible expenses	(1,725)	(1,334)
- income tax adjustment for prior years	--	(246)
- current year tax losses that were not recognized as a deferred tax asset	(15,751)	(554)
- recognition of tax loss carry-forwards from prior years	1,919	230
- tax credits - goodwill tax depreciation	1,329	--
- tax credits - other	613	745
- derecognition of deferred tax asset	(11,831)	--
Total income tax benefit / (expense)	**(9,281)**	**14,008**

As at 31 December 2023 the Group has cumulative tax losses from its US operations in the amount of USD 240,713 (as at 31 December 2022: USD 213,802 thousand). It is attributable mainly to the tax bonus depreciation of the acquired assets in 2021 and tax losses from 2022 and 2023.

Under the US tax regulation, bonus depreciation is an accelerated business tax deduction that allows a business to immediately deduct a large percentage of the purchase price of eligible assets, such as machinery, rather than depreciate the assets over the useful life of that asset. The Group recognised deferred tax asset from US tax losses to the extent of the related deferred tax liability on the difference between tax base and carrying value of Property, plant and equipment and Intangible assets.

The US operations is an entity founded in 2021 in connection with the acquisition by the Group. Due to history of tax losses in the US, and short-term history of this entity, the Group decided not to recognise any deferred tax asset for US operations from its tax losses, apart from above described part related to bonus depreciation. The Group believes that there will be sufficient taxable profit in the future to recognise this deferred tax asset after the entity has history of taxable profits. The tax loss can be carried forward with no time limitation (there is no expiration period for US tax losses set by the US tax regulation).

Potential deferred tax assets from unused tax loss carry forwards, arising also in other countries, mainly in Australia of USD 2,350 thousand as at 31 December 2023 (31 December 2022: USD 1,770 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	2023	2022
The tax loss carry-forwards		
- 31 December 2028	464	--
- unlimited	115,578	6,094
Total tax losses	**116,042**	**6,094**
Potential deferred tax asset (27% - 30%)	29,414	1,770

The tax loss carry-forwards from which deferred tax asset was not recognised roll:

in USD thousand	2023
Tax loss carry-forward 1 January 2023	**1,770**
Current year tax losses that were not recognized as a deferred tax asset in 2023	15,751
Derecognition of deferred tax asset	11,831
Impact of exchange rate differences	62
Tax loss carry-forward 31 December 2023	**29,414**

The utilization of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

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 9,577 thousand.

The amount of the tax credit is affected by the minimum tax obligation that the Company is required to pay (specifically, the tax obligation for the 2015 tax year).

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

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 13,369 thousand.

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 was not recognized based on the accounting policy described in Note 2.17.

Deferred taxes analysed by type of temporary difference:

2023 in USD thousand	1 Jan 2023	Cost (-) / income (+) recognized in profit or loss	Impact of exchange rate differences	Acquired in business combinations (see Note 34)	Recorded in Other comprehensive Income	31 Dec 2023
Deferred tax asset (+)/ liability (-) relating to:						
Difference between tax base and carrying value of Property, plant and equipment	(52,987)	50,163	(35)	--	--	(2,859)
Difference between tax base and carrying value of Right-of-use assets	(3,893)	331	(177)	--	--	(3,739)
Difference between tax base and carrying value of Intangible assets	(1,236)	5,578	(1)	(228)	--	4,113
Difference between tax base and carrying value of Goodwill	(1,438)	1,438	--	--	--	--
Difference between tax base and carrying value of Inventory	2,891	(2,398)	1	--	--	494
Difference between tax base and carrying value of financial and non-financial assets	6,393	(1,665)	(5)	--	(207)	4,516
Difference between tax base and carrying value of financial and non-financial liabilities	(1,387)	1,289	186	4	(103)	(11)
Tax losses	54,939	(52,342)	21	293	--	2,911
Tax losses from interest expenses of US operations	7,324	(7,324)	--	--	--	--
Other	187	11	--	--	--	198
Total deferred tax asset/ (liability)	**10,793**	**(4,919)**	**(10)**	**69**	**(310)**	**5,623**
Deferred tax asset	**20,298**					**13,864**
Deferred tax liability	**(9,505)**					**(8,241)**

Deferred taxes analysed by type of temporary difference:

2022 in USD thousand	**1 Jan 2022 as restated**	**Cost (-) / income (+) recognized in profit or loss**	**Impact of exchange rate differences**	**Acquired in business combina-tions (see Note 35)**	**Recorded in Other compre-hensive Income**	**Cost (-) / Revenue (+) recognised in equity**	**31 Dec 2022**
Deferred tax asset (+)/ liability (-) relating to:							
Difference between tax base and carrying value of Property, plant and equipment and Right-of-use assets	(48,204)	(8,698)	22	--	--	--	(56,880)
Difference between tax base and carrying value of Intangible assets	1,914	4,827	(3)	(7,974)	--	--	(1,236)
Difference between tax base and carrying value of Goodwill	--	(1,438)	--	--	--	--	(1,438)
Difference between tax base and carrying value of Inventory	(100)	2,899	92	--	--	--	2,891
Difference between tax base and carrying value of non-financial assets	5,620	563	(2)	--	212	--	6,393
Difference between tax base and carrying value of financial and non-financial liabilities	(2,874)	2,477	(9)	(4)	--	(977)	(1,387)
Tax losses	45,683	9,210	46	--	--	--	54,939
Tax losses from interest expenses of US operations	342	6,982	--	--	--	--	7,324
Other	53	376	(242)	--	--	--	187
Total deferred tax asset/(liability)	**2,434**	**17,198**	**(96)**	**(7,978)**	**212**	**(977)**	**10,793**
Deferred tax asset	**5,354**						**20,298**
Deferred tax liability	**(2,920)**						**(9,505)**

The Group's management expects that deferred tax liabilities in the amount of USD 7,251 thousand and deferred tax asset in the amount of USD 12,133 thousand are recoverable after more than 12 months after the reporting period (31 December 2022: USD 8,406 thousand, resp. USD 16,391 thousand).

8.33
Significant non-cash transactions

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

in USD thousand **((+) increase cash inflow in current period / (-) decrease of cash outflow in current period)**	**2023**	**2022**
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)	257	(1,806)
Intangible assets purchase in the current period but paid in the following period	(1,621)	1,950
Unpaid interest / (interest from prior period paid)	5,106	5,744
Unrealized foreign exchange differences	41	892
Deferred tax restatement	--	(89)
Non-cash increase of other capital funds	--	27,334

8.34 Contingencies and Commitments

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.

As of 31 December 2023, the guarantee was reduced by a letter of credit arranged by the Company in favour of the third-party lessor in the amount of USD 5,000 thousand. As of 31 December 2022, the guarantee was reduced by a letter of credit arranged by NP Finance s.r.o. in favor of the third-party lessor in total amount of USD 6,000 thousand. The Group paid a fee to NP Finance s.r.o. for the arrangement.

Bank borrowing 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 2023 and 31 December 2022.

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 books and records, compliance with laws, environmental covenants, limits in terms of guarantee obligations.

The failure to comply with the financial covenants would result in the event of default. In case of non-compliance with the covenants, the Group is in default and the bank loan principal and accrued interest may become due. Event of default could be cured by the Group via financial repayment of part of the loan.

8.35 Subsidiaries and joint ventures

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 2023	Percentage of voting rights held by the Group 2022
Subsidiaries			
Draslovka Holdings South Africa Proprietary Limited	South Africa	100%	100%
Draslovka South Africa Proprietary Limited	South Africa	100%	100%
Draslovka Holding Alpha a.s.	Czech Republic	100%	100%
Draslovka Holding a.s.	Czech Republic	100%	100%
Mining and Process Solutions Pty Ltd	Australia	100%	100%
ENCORE MINERALS PTY LTD (2)	Australia	100%	50%
Lučební závody Draslovka a.s. Kolín	Czech Republic	100%	100%
Manchester Acquisition Sub LLC	USA	100%	100%
Covoro Mining Solutions, LLC	USA	100%	100%
Draslovka Holding Mexico, S. de R.L. de C.V.	United Mexican States	100%	100%
Covoro Mining Solutions Mexicana, S. de R.L. de C.V.	United Mexican States	100%	100%
Covoro Mining Solutions Canada Holding Company	Canada	100%	100%
Covoro Mining Solutions Canada Company	Canada	100%	100%
Draslovka Chile Limitada	Republic of Chile	100%	100%
DRASLOVKA SERVICES Pty	Australia	100%	100%
DRASLOVKA SERVICES AFRICA (Pty) Ltd	South Africa	100%	100%
DRASLOVKA SERVICES NZ LIMITED	New Zealand	100%	100%
Draslovka Services India Private Limited	India	89.57%	89.57%
Intreso Group B.V.	Belgium	100%	100%
Fumico Holding B.V.	Netherlands	100%	100%
Fumico Fumigations B.V.	Netherlands	100%	100%
Fumico Bio & QPS Services B.V.	Netherlands	100%	100%
Descroes B.V.	Belgium	100%	100%
Dezinfekcija, dezinsekcija, deratizacija, d.o.o.	Slovenia	100%	100%
Blue Cube Systems (Pty) Ltd (1)	South Africa	100%	--
Blue Cube Technology (Pty) Ltd (1)	South Africa	100%	--
BCS RSA Holdings (Pty) Ltd (1)	South Africa	100%	--
BCS RSA (Pty) Ltd (1)	South Africa	85%	--
BCS (EU) Holdings B.V. (1)	Netherlands	100%	--
BCS (EU) B.V. (1)	Netherlands	55%	--
BCS (AU) Holdings (Pty) Ltd (1)	Australia	100%	--
BCS (AU) Pty Ltd (1)	Australia	100%	--
BCS (NA) Holdings Ltd (1)	Canada	100%	--
BCS (NA) Ltd (1)	Canada	55%	--
Joint ventures			
DRASLOVKA SERVICES RSA (PTY) LTD	South Africa	42,5%	42,5%

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

(1) On 25 April 2023, Draslovka Holding a.s. closed an acquisition of the Blue Cube Systems Proprietary Limited and Blue Cube Technology Proprietary Limited with its subsidiaries BCS RSA Holdings (Pty) Ltd, BCS RSA (Pty) Ltd, BCS (EU) Holdings B.V., BCS (EU) B.V., BCS (AU) Holdings Pty Ltd, BCS (AU) Pty Ltd, BCS (NA) Holdings Ltd, BCS (NA) Ltd.

(2) ENCORE MINERALS PTY LTD – the Group acquired the 50% share in the entity in September 2023.

8.35.1 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 2023 and 2022.

The remaining non-controlling interest is insignificant.

8.35.2 Group changes in 2023

Blue Cube acquisition

On 3 April 2023, Sale of Shares Agreement was signed between Draslovka Holding a.s., Blue Cube Systems Proprietary Limited and Blue Cube Technology Proprietary Limited with its subsidiaries. Draslovka Holding is becoming 100% owner the "Blue Cube group entities". Closing date of the transaction was on 25 April 2023. The total purchase consideration for the Sale Shares totalled USD 3,133 thousand. The Group also refinanced a loan in total amount of USD 251 thousand.

Blue Cube is a South-Africa based firm that develops, builds and sells fast in-line mineral analyzers for application in mineral beneficiation processes. The Blue Cube Mqi technology is based on reflective spectroscopy for slurry and dry applications and absorption spectroscopy for solutions.

The acquisition of Blue Cube allows Draslovka to bring added value to our existing customers and target markets, with improved data collection and quality that will allow them to optimize their leaching processes. As the mining industry continues wider adoption of data analytics and artificial intelligence, products like Blue Cube's will be the foundation of process improvement. Additionally, Blue Cube has a product portfolio with broad application across segments of the mining industry, increasing Group's access to important new segments.

If the acquisition had taken place at the beginning of the year, the Group´s revenue would have been USD 1,041 thousand higher and the loss before tax of the Group would have been USD 194 thousand lower. Deferred tax liability arising on the acquisition date was not discounted.

List of companies acquired:

Blue Cube Technology (Pty) Ltd
The company Draslovka Holding a.s. acquired 100% of Blue Cube Technology (Pty) Ltd.

Blue Cube Systems (Pty) Ltd
The company Draslovka Holding a.s. acquired 100% of Blue Cube Systems (Pty) Ltd.

BCS RSA Holdings (Pty) Ltd
The Group acquired 100% of BCS RSA Holdings (Pty) Ltd as a subsidiary of Blue Cube Systems (Pty) Ltd.

BCS RSA (Pty) Ltd
The Group acquired 85% of BCS RSA (Pty) Ltd as a subsidiary of BSC RSA Holdings (Pty) Ltd.

BCS (EU) Holdings B.V.
The Group acquired 100% of BCS (EU) Holdings B.V. Ltd as a subsidiary of Blue Cube Systems (Pty) Ltd.

BCS (EU) B.V.
The Group acquired 55% of BCS (EU) B.V. as a subsidiary of BSC (EU) Holdings B.V.

BCS (AU) Holdings Pty Ltd
The Group acquired 100% of BCS AU Holdings Pty Ltd as a subsidiary of Blue Cube Systems (Pty) Ltd.

BCS (AU) Pty Ltd
The Group acquired 100% of BCS (AU) Pty Ltd as a subsidiary of BCS (AU) Holdings Pty Ltd.

BCS (NA) Holdings Ltd.
The Group acquired 100% of BCS (NA) Holdings Ltd. As a subsidiary of Blue Cube Systems (Pty) Ltd

BCS (NA) Ltd
The Group acquired 55% of BCS (NA) Ltd as a subsidiary of BSC (NA) Holdings Ltd.

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

in USD thousand	
Property, plant and equipment	71
Intangible assets - customer relationship	843
Intangible assets - other	609
Inventory	922
Trade receivables	473
Other financial and non-financial assets	63
Cash and cash equivalents	328
Deferred tax asset	69
Trade payables	(465)
Other financial liabilities	(1,053)
Net identifiable assets acquired	**1,860**
Goodwill arising from a business combination	1,399
Subtotal	**3,259**
Purchase price	3,133
Non-controlling interest on acquisition	126
Subtotal	**3,259**
Consideration transferred, paid in cash and cash equivalents and refinanced loan	**3,133**
Less: cash and cash equivalents	328
Net cash outflow from acquisition	**2,805**

Non-controlling interest on acquisition was recognised as proportional share of the recognized amounts of the acquiree’s identifiable net assets.

8.35.3. Acquisition of business in South Africa

DRASLOVKA HOLDING SOUTH AFRICA (Pty) Ltd – planned acquisition, 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. This should have been Group’s first major investment into the African continent and formed part of its international expansion plans.

The transaction was subject to various regulatory approvals. The Competition Commission of South Africa decided on 26 November 2021 to prohibit Group's acquisition of Sasol South Africa Limited's Sodium Cyanide business. The Group was reviewing its legal options with respect to the decision and seek to engage with the Competition Commission to find resolution for it to secure regulatory approval.

Despite Group's effort, the South African Competition Commission Authority has not permitted the transaction to be completed. As a result, the Group is no longer pursuing the acquisition of Sasol actively and explores options how to supply the South African market from its existing production sites in combination with its proprietary GlyCat technology.

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 debited on an escrow account in ČSOB bank. The escrow account was used as the bank account for depositing money corresponding to the expected purchase price. 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. Draslovka a.s. is the parent company of Draslovka Holding Alpha a.s., parent company of Draslovka Holding a.s. (refer also to Note 16). The escrow account, investment in Draslovka Holding South Africa (Pty) Ltd. and the intercompany loan was assigned from Draslovka Holding a.s. to Draslovka a.s. in 2021. Interests charged on the loan until the assignment date were expensed in the statement of profit or loss of the Group in the amount of USD 1,005 thousand. This expense was recharged to Draslovka a.s. Income in the amount of USD 1,041 thousand was recognized as finance income in profit or loss in 2021 of the Group. No additional cash consideration was assigned between Draslovka Holding a.s. and Draslovka a.s.

8.35.4. Group changes in 2022

In 2022, the Group acquired Intreso Group, five companies in three European countries (Belgium, The Netherlands and Slovenia). The group provides end-to-end specialized handling solutions for logs, soft commodities and general cargo by fumigations, heat treatments, low oxygen biotreatment methods, quarantine and pre-shipment services, gas measurements and pest control services customization.

No adjustment has been carried out to the acquisition accounting recorded as at 31 December 2022.

On 28 April 2022, the Company closed an acquisition of the company Mining and Process Solutions Pty Ltd in Australia. The acquisition offers 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. Mining and Process Solutions Pty Ltd holds an exclusive licensing agreement for the glycine leaching process. Glycine is a non-toxic chemical that is fully bio-degradable.

No adjustment has been carried out to the acquisition accounting recorded as at 31 December 2022.

8.36 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.).

Customer credit risk is managed by each cash generating unit. Outstanding customer receivables and contract assets are regularly monitored. The acceptance of new business partners is reliant on standard approval procedures. The Group's involvement with counterparties is managed by means of credit limits that are monitored and reassessed on a regular basis. A utilization of these limits is monitored and evaluated on a regular basis.

Counterparties to derivative contracts and financial investments are limited to credit institutions with high credit rating.

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 credit quality of bank accounts according to Moody's rating is disclosed in Note 14. For internal credit risk customer's assessment of trade receivables refer to Note 10. Receivables from the three largest customers as at 31 December 2023 amounted to 41% of Trade receivables (31 December 2022: 23%).

The concentration of credit risk related to the individual customers is monitored. The Group also considers whether the customer has receivables that are proportionate to its purchases and whether receivables remain unpaid or past due.

The credit risk of trade receivables for selected customers is also managed through insurance of trade receivables (refer to Note 10).

The Group has cash and cash equivalents deposited with 16 banks, of which 35% is deposited with one bank (31 December 2022: 11 banks of which 51% 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 a provision matrix.

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

For the countries with a 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's 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 allowance to trade receivables and contract assets was recognised as at the balance sheet date.

The allowance calculated in accordance with the described policy amounted to USD 125 thousand as of 31 December 2023 (31 December 2022: USD 189 thousand).

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

Analysis of credit risk of financial assets at amortised 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 Dec 2023
Risk level 1, of which:	**54,196**	**--**	**--**	**54,196**
Cash and cash equivalents	50,944	--	--	50,944
Other current financial assets	1,753	--	--	1,753
Loans issued	3	--	--	3
Other non-current financial assets	1,496	--	--	1,496
Risk level 2, of which:	**7,937**	**--**	**--**	**7,937**
Other current financial assets	2,705	--	--	2,705
Other non-current financial assets	5,232	--	--	5,232
Total	**62,133**	**--**	**--**	**62,133**

** 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 Dec 2022
Risk level 1, of which:	**46,330**	**--**	**--**	**46,330**
Cash and cash equivalents	43,789	--	--	43,789
Other current financial assets	951	--	--	951
Loans issued	44	--	--	44
Other non-current financial assets	1,546	--	--	1,546
Risk level 2, of which:	**8,713**	**--**	**--**	**8,713**
Other current financial assets	6,473	--	--	6,473
Other non-current financial assets	2,240	--	--	2,240
Total	**55,043**	**--**	**--**	**55,043**

Impairment of financial assets

Lifetime ECL by provision matrix:

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

in USD thousand	2023	2022
Net trade receivables from countries with increased credit risk (with history of default)	24,791	34,173
Trade receivables from countries with no history of default	62,977	25,658
Total Trade receivables	**87,768**	**59,831**

in USD thousand	Current	Overdue less than 1 month	From 1 to 3 months	Over 91 days	Total
31 December 2023					
Historical credit loss rate (in%)	0.36%	0.81%	1.03%	0.82%	
Estimated total gross carrying amount at default	17,321	1,193	266	6,011	24,791
Expected credit loss	(63)	(10)	(3)	(49)	(125)
31 December 2022					
Historical credit loss rate (in%)	0.29%	1.05%	2.41%	5.15%	
Estimated total gross carrying amount at default	29,270	2,550	1,644	709	34,173
Expected credit loss	(85)	(27)	(40)	(37)	(189)

in USD thousand	2023	2022
Impairment by provision matrix	125	189
Individual impairment	1,308	1,198
Total Trade receivables impairment	**1,433**	**1,387**

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 movements represent 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 that identified risk is assessed as significant, the Group uses currency derivatives 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 Group is regularly updated on the current status of currency risks.

Currency risk is measured against the functional currency of individual group entities 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 Dec 2023 Monetary financial assets	31 Dec 2023 Monetary financial liabilities	31 Dec 2023 Net position	31 Dec 2022 Monetary financial assets	31 Dec 2022 Monetary financial liabilities	31 Dec 2022 Net position
Euros						
- Trade receivables and Other current financial assets	3,733	--	3,733	11,554	--	11,554
- Cash and cash equivalents	432	--	432	650	--	650
- Trade payable and Other financial liabilities	--	(17,354)	(17,354)	--	(21,594)	(21,594)
Euros total	**4,165**	**(17,354)**	**(13,189)**	**12,204**	**(21,594)**	**(9,390)**
US dollars						
- Trade receivables and Other current financial assets	7,690	--	7,690	2,563	--	2,563
- Cash and cash equivalents	16,211	--	16,211	2,392	--	2,392
- Trade payable and Other financial liabilities	--	(134)	(134)	--	(121)	(121)
US dollars total	**23,901**	**(134)**	**23,767**	**4,955**	**(121)**	**4,834**
Mexican pesos						
- Trade receivables and Other current financial assets	--	--	--	60	--	60
- Cash and cash equivalents	512	--	512	880	--	880
- Trade payable and Other financial liabilities	--	(18,468)	(18,468)	--	(6,920)	(6,920)
Mexican pesos total	**512**	**(18,468)**	**(17,956)**	**940**	**(6,920)**	**(5,980)**
Czech crown						
- Trade receivables and Other current financial assets	32	--	32	44	--	44
- Cash and cash equivalents	1,449	--	1,449	162	--	162
- Trade payable and Other financial liabilities	--	(339)	(339)	--	(207)	(207)
Czech crown total	**1,481**	**(339)**	**1,142**	**206**	**(207)**	**(1)**
South African Rands						
- Other non-current financial assets	1,496	--	1,496	1,544	--	1,544
- Trade payables and Other current financial liabilities	--	--	--	--	(113)	(113)
South African Rands total	**1,496**	**--**	**1,496**	**1,544**	**(113)**	**1,432**
Canadian dollars						
- Trade receivables and Other current financial assets	41	--	41	--	--	--
- Cash and cash equivalents	43	--	43	252	--	252
- Trade payables	--	(554)	(554)	--	(581)	(581)
Canadian dollars total	**84**	**(554)**	**(470)**	**252**	**(581)**	**(329)**
Australian dollars						
- Cash and cash equivalents	7	--	7	252	--	252
Australian dollars totall	**7**	**--**	**7**	**252**	**--**	**252**

Financial assets and liabilities denominated in Mexican pesos are held by a subsidiary having US dollar as a functional currency. Financial assets and liabilities denominated in US dollar and euros as a foreign currency are held mainly by a subsidiary having Czech crown as a functional currency.

The following table details the Group's sensitivity to a reasonably possible change in MXN and EUR exchange rates against US dollar, with all other variables held constant. The impact on the Group's loss after tax is due to changes in the fair value of monetary assets and liabilities. The Group does not use any currency hedges as of 31 December 2023 and 31 December 2022. There is no effect on other equity components.

As at 31 December 2023, 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 2022: +/- 10%).

The Group's exposure to foreign currency changes for all other currencies is not material.

	31 Dec 2023		31 Dec 2022	
in USD thousand	**MXN**	**EUR**	**MXN**	**EUR**
Effect on loss after tax				
+10% change in USD exchange rate against currency	1,257	1,068	668	761
-10% change in USD exchange rate against currency	(1,257)	(1,068)	(668)	(761)

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

in USD thousand	**2023**	**2022**
Net foreign exchange gain/(loss) included in other gains/(losses)	(247)	(697)
Net foreign exchange gain/(loss) on foreign currency borrowing included in finance income/(cost)	859	(976)
Total net foreign exchange gains/(losses) recognised in loss before income tax for the period	**612**	**(1,673)**

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 Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group entered into long-term borrowings at floating rates and partly cap them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. The Group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

in USD thousand	2023	% of total loans	2022	% of total loans
Variable rate borrowings	357,409	98%	359,192	98%
Fixed rate borrowings – repricing or maturity dates	8,061	2%	7,412	2%
Less than 1 year	8,061	2%	1,082	--
1 – 5 years	--	--	6,330	2%
Total	**365,470**	**100%**	**366,604**	**100 %**

If interest rates as at 31 December 2023 were 100 basis points higher/lower (31 December 2022: 100 basis points higher/lower) with all other variables constant, loss after tax for the year would be USD 1,489 thousand (31 December 2022: USD 1,303 thousand) higher/ USD 1,489 lower (31 December 2022: USD 2,794 thousand), other comprehensive loss after tax for the year would be USD 1,172 thousand lower / USD 1,172 thousand higher (31 December 2022: USD 191 thousand lower / USD 0 thousand higher). This impact is affected by interest rate cap described below.

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 manages interest rate risk via hedging derivates and regular assessment of forward looking to future development of Group interest expense, although the objectives, policies and procedures for interest rate risk assessment are not fully formalized, except for hedging documentation for interest rate cap.

Cash flow hedge of variable interest payments

In order to reduce the Group's exposure to interest rate risk arising from variable rate financing, the Group has concluded in October 2022 an interest rate cap with notional equal to 50% of the remaining principal of Term Loan B under the Credit Agreement with JPMORGAN CHASE BANK, N.A. facility (details on the credit agreement are provided in Note 17). The variable interest payments on the facility are derived from 3-month USD SOFR.

The interest rate cap has been entered into for a 2 years period with maturity in December 2024. The underlying interest rate benchmark is the USD SOFR and the strike rate is 4.25%. The Group has designated the derivative as a hedging instrument in a cash flow hedge from October 2022. The notional amount of the derivative is amortized from the initial amount of USD 172,260 thousand to the final amount of USD 163,995 thousand at maturity.

The notional amount of the interest rate cap was determined so as to correspond to the principal repayments on the Term Loan B in order to achieve perfect match of notional amounts between the hedged item and hedging instrument per each quarter. The hedge ratio was therefore established at 1:1.

The Group separates the intrinsic value and the time value of the interest rate cap and designates as the hedging instrument only the change in the intrinsic value. Changes in the time value are recognized in the cost of hedging reserve. The Group considers the time value to be time-period related as the hedging derivative mitigates the risk exposure during the hedged period and the amount representing the time value at the start of the hedge relationship is amortized to profit or loss over the hedged period on a linear basis.

At inception of the hedging relationship the whole fair value of the derivative in the amount of USD 2,800 thousand represented time value. The subsequent changes in time value are recorded in the cost of hedging reserve and the effective changes in the intrinsic value are recorded in the hedging reserve. The cost of hedging reserve has also been adjusted for the amount reclassified to profit representing the amortization of the initial time value. (For quantitative information on the movements in the hedge reserve and the cost of hedging reserve refer to Note 16.)

The Group assesses the economic relationship based on comparing the critical parameters of the hedging instrument and the hedged item (most importantly the underlying interest rate, notional of the hedged item and the hedging instrument, payment dates). Based on the match in the critical terms, the Group has concluded that a sufficient economic relationship exists between the hedging instrument and the hedged item.

The Group has identified the following potential sources of ineffectiveness:

1. Potential reduction or modification in the hedged loan facility (e.g. prepayment). In this respect, the Group does not intend to make any prepayment or additional repayment of the Term Loan B, beyond what's required by the loan agreement, hence the hedged cash flows are considered to be highly probable for the entire hedged period.

2. Unexpected change in the credit risk of the counterparty of the hedging derivative. In this respect as the counterparty is a reputable banking institution, the Group does not expect the credit risk of the counterparty to change.

The hedging relationship was fully effective as at 31 December 2023 and 31 December 2022.

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 2023 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 national bank as at 31 December 2023 (31 December 2022).

31 Dec 2023 in USD thousand	On request, within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Carrying value
Bank loans	8,028	14,502	478,980	--	501,510	357,524
Bank overdrafts	15	7,930	--	--	7,945	7,945
Loans received	125	8	--	9,340	9,473	4,821
Lease liabilities	1,501	4,366	16,692	5,288	27,847	23,663
Trade payables	52,428	--	--	--	52,428	52,428
Other liabilities at amortised costs	853	8,405	334	--	9,592	9,592
Other liabilities at fair value through profit or loss	9,157	--	--	--	9,157	8,964
Total liabilities	**72,107**	**35,211**	**496,006**	**14,628**	**617,952**	**464,937**

31 Dec 2022 in USD thousand	On request, within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Carrying value
Bank loans	4,168	2,875	535,221	--	542,264	356,227
Bank overdrafts	21	10,356	--	--	10,377	10,377
Loans received	--	--	--	9,340	9,340	4,372
Lease liabilities	668	2,084	13,019	5,854	21,625	18,191
Trade payables	69,428	--	--	--	69,428	69,428
Other liabilities at amortised costs	1,591	6,920	290	--	8,801	8,801
Other liabilities at fair value through profit or loss	2,164	8,250	--	--	10,414	9,856
Total liabilities	**78,040**	**30,485**	**548,530**	**15,194**	**672,249**	**477,252**

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.

8.37 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 352,081 thousand (31 December 2022: USD 342,407 thousand).

In the area of capital management, the Group's objectives depend on the covenants set out in the bank loan agreements. During both 2023 and 2022, 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.

8.38 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 valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. 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 assets and liabilities measured at fair value in the Consolidated Statement of Financial Position of the Group as at 31 December 2023:

in USD thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Financial derivatives with positive fair value – hedge	--	1,221	--	1,221
Financial derivatives with positive fair value – non-hedge	--	33	--	33
Financial liabilities				
Current liabilities at fair value through profit or loss (Note 21)	--	(8,964)	--	(8,964)

Financial assets and liabilities at fair value in the Consolidated Statement of Financial Position of the Group as at 31 December 2022:

in USD thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Financial derivatives with positive fair value - hedge	--	1,909	--	1,909
Financial liabilities				
Current liabilities at fair value through profit or loss (Note 21)	--	(9,856)	--	(9,856)

Financial derivatives with positive fair value - hedge of USD 1,221 thousand (31 December 2022: USD 1,909 thousand) relate to interest rate cap. To set the fair value of these derivatives the Group uses the expected discounted cash flows from financial derivates to their maturity. This derivative is classified at level 2.

Current liabilities at fair value through profit or loss relate to precious metal lease from third party. To set the fair value of financial liabilities at fair value through profit or loss the Group uses the expected forward prices of precious metals at the maturity date of the financial liability and the nominal amount of the liability.

Financial 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 financial assets and liabilities not measured at fair value are as follows:

	31 Dec 2023		31 Dec 2022	
in USD thousand	**Level 3 Fair value**	**Carrying value**	**Level 3 Fair value**	**Carrying value**
Related party loans - provided	1,420	1,496	1,470	1,545
Related party loans - received	(4,700)	(4,700)	(4,372)	(4,372)
Bank loans	(371,132)	(357,524)	(370,173)	(356,227)

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.

8.39 Related party transactions

in USD thousand	31 Dec 2023 Joint venture	31 Dec 2023 Other related party under common control	31 Dec 2022 Joint venture	31 Dec 2022 Other related party under common control
Non-current loans provided	1,496	--	1,546	--
Current loans provided	--	3	--	44
Trade receivables	1	27	10	--
Other receivables	--	1,753	--	951
Trade payables	(2)	(31)	--	(27)
Non-current loans received	--	(4,700)	--	(4,372)
Other current financial liabilities	--	--	--	(181)

in USD thousand	2023 Joint venture	2023 Other related party	2022 Joint venture	2022 Other related party
Revenue	--	27	--	--
General and administrative expenses	(5)	(103)	--	(150)
Interest income	70	--	80	--
Interest expenses	--	(328)	--	(451)
Other financial costs	--	--	--	(181)

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. All transactions with related parties were at arm´s length.

Non-current loan is provided to Draslovka Services RSA (PTY) LTD in amount of USD 1,496 thousand (31 December 2022: USD 1,546 thousand), the company Draslovka Services RSA (PTY) LTD is the Group´s joint venture.

Loans to the members of the Company's Board of Directors and to their related parties as at 31 December 2023 amounted to USD 0 thousand (31 December 2022: USD 44 thousand) (Note 8).

Other receivables in the amount of USD 1,753 thousand (31 December 2022: USD 951 thousand) relates to reinvoicing of expenses connected with financing of Group activities to related party companies.

The Group received interest-free loans from related parties in the amount of USD 4,700 as at 31 December 2023 (31 December 2022: USD 4,372 thousand) (Note 18).

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 19 (2022: 23 key management). Key management personnel includes persons who can act for the company and senior executives within the entity.

Key management compensation in 2023 amounted to USD 5,403 thousand (2022: USD 4,884 thousand), out of which USD 610 thousand represented contributions to pension plans (2022: USD 462 thousand) and USD 278 thousand represented contributions to health insurance plans (2022: USD 198 thousand)and share based payment arrangement of USD 4,852 thousand (2022: USD 0 thousand) (Note 24).

Except for the share-based payment arrangements, short-term compensations are fully payable within 12 months from the end of the reporting period in which the related services were provided.

8.40 Subsequent events

On 23 January 2024, the sole shareholder increased the Company's other capital funds by USD 18,500 thousand.

License sales receivable of USD 13,815 thousand remains outstanding at the date of the issuance of the financial statements, the payment calendar was not kept due to changes of circumstances in target market which might impact the collectability of receivable from the particular contractual party. Management proactively seeks the solution and still considers the receivable at the date of issuance as collectible.

The amalgamation of Covoro Mining Solutions Canada Company and Covoro Mining Solutions Canada Holding Company is effective from 1 January 2024. The company Covoro Mining Solutions Canada Holding Company ceased to exist as of 1 January 2024.

Approval

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

28 May 2024

Pavel Brůžek
Member A of the Board of Directors


E03 - ODPAŘOVACÍ KONDENZÁTOR
BAC

09

Lead Auditor's Independence Report

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 Generála Píky 430/26, Praha (the "Company") and its subsidiaries (together the "Group") as at 31 December 2023, and of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2023 in accordance with IFRS Accounting 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 2023,
- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023,
- the consolidated statement of changes in equity for the year ended 31 December 2023,
- the consolidated statement of cash flows for the year ended 31 December 2023, and
- the notes to the consolidated financial statements, comprising material accounting policy information 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 the 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 our 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 a true and fair view in accordance with IFRS Accounting 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 control.

- Obtain an understanding of internal control 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 control.
- 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 disclosures, 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.

28 May 2024

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

Jiří Zouhar
Statutory Auditor, Licence No. 2542

Draslovka

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