



Deutsche Rohstoff



1<sup>ST</sup> QUARTER 2017



# OVERVIEW FIRST QUARTER 2017

## DEAR SHAREHOLDER OF DEUTSCHE ROHSTOFF AG, LADIES AND GENTLEMAN,

For the first quarter 2017, we are presenting a consolidated Deutsche Rohstoff quarterly report for the first time. This is a condensed version of the interim report, which we will publish after the first half of the year. It comprises the consolidated income statement, consolidated balance sheet and notes on central matters. In this way, we want to document the group's financial development at shorter intervals than before. In the first half of November, we also plan to publish a voluntary report for the third quarter respectively the first nine months of the financial year. The figures presented in this report are unaudited.

The first quarter of 2017 was dominated by the very well-established production of the two pads „Vail“ and „Markham“ by our subsidiary Cub Creek Energy. The pads already generated around 30% of the annual revenue, which we expect according to our forecast. At the end of the first quarter, further drilling from the Haley pad of Cub Creek began.

### DOUBLE DIGIT REVENUE AND A HIGH EBITDA

Compared to the first quarter of 2016, sales in the first quarter of 2017, which has already been adjusted for local taxes and royalties, have multiplied to EUR 20.9 million. It was thus more than twice as high as in the whole of 2016. Earnings before interest, taxes, depreciation and amortization (EBITDA) rose to

EUR 17.2 million, while earnings before interest and taxes (EBIT) rose to EUR 8.5 million, resulting in a group result to EUR 5.0 million.

### PRODUCTION FIGURES ABOVE EXPECTATIONS

The three US oil & gas subsidiaries Cub Creek Energy, Salt Creek Oil & Gas and Elster Oil & Gas together produced 582,994 barrels of oil equivalent (435,885 barrels of oil) in the past quarter. This reflects only the net production attributable to Deutsche Rohstoff's subsidiaries.

Cub Creek Energy as an operator, had a gross production of around 6,818 barrels of oil equivalent per day (BOEPD) in March and 7,598 BOEPD in the quarterly average. The production figures of the wells are still above managements expectations and therefore contribute to the strong group figures.

### DRILLING ACTIVITIES CONTINUE

In addition to the 7 wells from the Haley pad, up to 22 wells are planned for 2017. This scheduling is a slight reduction from the originally 31 wells expected for 2017, as the management of Cub Creek Energy assumes to be able to achieve only slightly lower production while at the same time significantly decreasing the invested capital. Therefore increasing the individual return per well.

Furthermore, the development of Salt Creek Oil & Gas, which is active in North Dakota, also picked up. Since January, the company has already received 10 well proposals with an average working interest of around 8%. This shows the continuing activity of operators reflecting that wells in the Bakken are economically attractive in the current low oil price environment.

### POSITIVE NEWSFLOW FROM THE METALS AND MINING DIVISION

In the last three months our metals and mining division was also able to report positive developments. Almonty published increased reserves for the Portuguese Panasqueira Mine and conclude another fixed price contract for tungsten concentrate at the price of APT USD 240 per MTU. Further positive news came from Tin International AG, which signed a binding Memorandum of Understanding with the Australian listed Lithium Australia, regarding a joint venture, which is going to be finally signed by the end of May.

Glückauf - as the German miners' good luck call goes - from Mannheim



Thomas Gutschlag  
Vorstand, CEO

Jan-Philipp Weitz  
Vorstand, CFO

# CONSOLIDATED INCOME STATEMENT AS OF 31 MARCH 2017 (HGB, UNAUDITED)

	31.03.2017	31.03.2016	2016
	EUR	EUR	EUR
<b>REVENUE</b>	<b>20,928,165</b>	<b>344,787</b>	<b>9,170,296</b>
Increase/Decrease in finished goods and work in process	0	0	9,542
Other own work capitalized	0	0	1,724,710
Other operating income	3,059,479	2,154,705	10,496,891
<b>TOTAL OPERATING PERFORMANCE</b>	<b>23,987,644</b>	<b>2,499,492</b>	<b>21,401,439</b>
Cost of materials	0	-662	-4,257
<b>GROSS PROFIT</b>	<b>23,987,644</b>	<b>2,498,830</b>	<b>21,397,182</b>
Wages and salaries	-728,050	-589,626	-3,457,384
Other operating expenses	-6,013,537	-4,788,345	-11,565,953
<b>EBITDA</b>	<b>17,246,057</b>	<b>-2,879,141</b>	<b>6,373,845</b>
Amortization, depreciation and write-downs	-8,725,197	-591,130	-6,914,535
<b>EBIT</b>	<b>8,520,860</b>	<b>-3,470,271</b>	<b>-540,690</b>
Net financial income	-865,420	-548,561	-1,412,623
Income taxes	-2,601,747	403,899	2,028,183
<b>EARNINGS AFTER TAXES</b>	<b>5,053,693</b>	<b>-3,614,933</b>	<b>74,870</b>
Other taxes	0	0	-584
<b>NET INCOME FOR THE GROUP</b>	<b>5,053,693</b>	<b>-3,614,933</b>	<b>74,286</b>

# CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2017 (HGB, UNAUDITED)

ASSETS		31.03.2017	31.03.2016	2016
		EUR	EUR	EUR
A	FIXED ASSETS			
I	Intangible assets	40,481,829	17,735,890	40,614,443
II	Property, plant and equipment	74,701,222	6,869,841	79,941,380
III	Financial assets	21,982,113	24,221,182	21,042,991
		<b>137,165,164</b>	<b>48,826,913</b>	<b>141,598,814</b>
B	CURRENT ASSETS			
I	Inventories	137,090	69,302	137,090
II	Receivables and other assets	25,857,728	5,963,095	22,898,893
III	Securities classified as current assets	20,337,897	65,035,662	28,090,893
		<b>46,332,715</b>	<b>71,068,059</b>	<b>51,126,876</b>
C	PREPAID EXPENSES	<b>801,317</b>	<b>298,702</b>	<b>495,301</b>
D	DEFERRED TAX ASSETS	<b>192,684</b>	<b>1,682,872</b>	<b>250,721</b>
		<b>184,491,880</b>	<b>121,876,546</b>	<b>193,471,712</b>

EQUITY AND LIABILITIES		31.03.2017	31.03.2016	2016
		EUR	EUR	EUR
A	EQUITY			
I	Subscribed capital <i>therefore share buyback</i>	5,063,072 -127,810	5,063,072 -127,810	5,063,072 -127,810
II	Capital reserves	29,757,159	29,740,580	29,757,158
III	Revenue reserves	0	0	0
IV	Equity differences from currency translation	5,955,395	5,439,006	6,325,657
V	Consolidated net retained profit	18,523,283	14,805,618	15,405,160
VI	Non-controlling interests	11,633,428	2,388,840	9,697,858
		<b>70,804,527</b>	<b>57,309,306</b>	<b>66,121,095</b>
B	PROVISIONS	<b>5,596,779</b>	<b>785,840</b>	<b>5,308,133</b>
C	LIABILITIES	<b>92,796,619</b>	<b>59,677,483</b>	<b>109,146,641</b>
D	DEFERRED TAX LIABILITIES	<b>15,293,955</b>	<b>4,103,917</b>	<b>12,895,843</b>
		<b>184,491,880</b>	<b>121,876,546</b>	<b>193,471,712</b>

# NOTES TO THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED INCOME STATEMENT

The following is a list of items with significant changes in the quarter from 1 January to 31 March 2017 compared to the 2016 financial statements. Please refer to the remarks in the annual report.

## 1. RESULTS OF OPERATIONS

### REVENUES

Revenues are primarily related to the US subsidiaries Cub Creek Energy, Elster Oil & Gas, Salt Creek Oil & Gas and their oil and gas production. The sales result by EUR 18.29 million from oil and EUR 2.64 million from gas. Sales of Elster Oil & Gas and Salt Creek Oil & Gas are partially based on estimates, as the final sales figures are reported by the operators of the wells with a few weeks time delay to the non-operator.

### OTHER COMPANY INCOME

Other operating income mainly consists of income from currency gains (EUR 3.05 million) offset by currency losses in other operating expenses (EUR 3.79 million).

### OTHER OPERATING EXPENSES

In addition to the currency losses (EUR 3.79 million), other operating expenses (EUR 0.81 million) is related to the operation of the oil and gas wells, exploration and evaluation costs incurred in the US (EUR 0.45 million) as well other general administrative expenses (EUR 0.96 million) within the group.

### DEPRECIATION

Depreciation mainly consists of depletion (EUR 8.54 million) of oil production equipment and facilities. No impairment losses were recognized in the first quarter of 2017.

### TAX EXPENSE

The tax expense (EUR 2.60 million) essentially reflects taxes related to the US oil and gas activities.

## 2. NET ASSETS

### RECEIVABLES AND OTHER ASSETS

Trade receivables from sales of oil and gas increased to EUR 11.71 million. In addition, the item includes tax assets of EUR 12.33 million.

### SECURITIES AND DEPOSITS WITH CREDIT INSTITUTIONS

Securities and deposits with credit institutions decreased from EUR 28.01 million to EUR 20.34 million, mainly due to the reduction of current liabilities of Cub Creek Energy.

### EQUITY

The equity ratio increased from 34.2% to 38.4% compared to 31.12.2016.

### LIABILITIES

Liabilities were reduced from EUR 109.15 million to EUR 92.80 million at the end of the year. The reduction is primarily due to the reduction in trade accounts payable at Cub Creek Energy from EUR 29.91 million to EUR 11.39 million.

## 3. SUBSEQUENT EVENTS

After the balance sheet date, no unscheduled events have had a material impact on the course of business. Please refer to the remarks in the annual report.

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This English version of the report is a translation of the original German version; in the event of any deviation, the German version of the report shall take precedence over the English version.

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