Deutsche Rohstoff

ANNUAL REPORT 2017

ANNUAL REPORT 2017

COMMODITIES ARE **THE FUTURE**

CORPORATE **BODIES** (AS OF 31 / 12 / 2017)

EXECUTIVE BOARD

DR. THOMAS GUTSCHLAG
JAN-PHILIPP WEITZ

SUPERVISORY BOARD

MARTIN BILLHARDT (Head of Supervisory Board)
PROF. DR. GREGOR BORG
WOLFGANG SEYBOLD

DEUTSCHE ROHSTOFF GROUP **AT A GLANCE** (IN EUR K)

↗ 53,746 **Sales Revenue**	↗ 36,126 **EBITDA**	↗ 7,672 **Company result**
↗ 37,848 **Operativer Cash Flow**	↘ 28,367 **Cash**	↘ 26.54 **Equity ratio in %**

HIGHLIGHTS 2017 DEUTSCHE ROHSTOFF GROUP

February 2017

Net oil production in the group rose to 8,700 BOE per day in January

May 2017

Tin International signs Joint Venture Agreement with Lithium Australia to explore the tin-lithium deposit in Sadisdorf

June 2017

Ceritech signs Letter Of Intent with Copebrás for rare earth project development

July 2017

Elster takes part in a drilling program with 43 one-mile equivalent holes

August 2017

Almonty announces USD 5 million private placement. CEO Lewis Black as only subscriber.

September/October 2017

Salt Creek increases production by 61 % and Cub Creek brings another 7 wells into production

December 2017

First lithium resource estimate of the Tin International / Lithium Australia joint venture published / Drilling program started in Sadisdorf

CONTENTS

Ladies and Gentlemen,

In fiscal year 2017, we made good progress in many areas. In the oil and gas division, we established ourselves as producer in the US with a daily production of 5,123 BOE (barrels of oil equivalent) on annual average. We invested around USD 84 million in this area, thus laying the foundation for our growth in the current year. For the first time we had credit facilities from US banks in order to finance these investments. At year-end these amounted to almost USD 60 million. Our mining subsidiaries benefited from rising prices and operational improvements.

Revenues in the Group increased to EUR 53.7 million (previous year: EUR 9.2 million), EBITDA to EUR 36.6 million (previous year: EUR 6.4 million) and net profit to EUR 7.7 million (previous year: EUR 0.1 million). Cash flow from operating activities amounted to around EUR 36.9 million.

Our three US subsidiaries produced around 1.87 million BOE in the past year, more than ever before in the history of the company. All three subsidiaries contributed to this result. Combined value of oil and gas reserves at year-end amounted to nearly USD 280 million.

The upward trend was clearly discernible in the metals division as well. For the first time in several years, Almonty Industries generated positive EBITDA for three consecutive quarters, reduced the level of debt and placed numerous capital increases. In March 2018, Almonty signed a 10-year contract that ensures minimum price for Sangdong. Such a contract is very unusual and shows that Almonty has established an excellent market position.

Our subsidiary Ceritech AG signed a preliminary contract in the previous year with CMOC, a Chinese company, that had acquired the fertilizer division of Anglo American in Brazil in 2016. In the second half of 2017, Ceritech engaged a renowned Canadian engineering consultancy to conduct a study to review the internally developed process for the extraction of rare earths from gypsum waste of the fertilizer industry and to provide a preliminary estimate of provisional investment and running costs of production. The study confirmed all our internal assumptions and results.

Tin International concluded a joint venture with the Australian company Lithium Australia, which has its own technology for preparation of lithium ores. For the first time, a Lithium resources in the Sadisdorf license area, were published in the past fiscal year. Drilling commenced towards the end of the year with the objective to increase the lithium resource and to allocate them to a higher category.

DR. THOMAS GUTSCHLAG
CEO DEUTSCHE ROHSTOFF AG

Commodity prices, which are significant for us, increased during the course of the year. The US oil price WTI ended the year at USD 60 per barrel, which translated into an increase of 15 % compared to year-end 2016. In June 2017, however, it hit the annual low of USD 42 per barrel. The futures curve fell into backwardation over the year, i.e., forward prices for oil will be lower in the coming years. On average of the coming 10 years, the price compared to year-end 2016 fell by around 6 %. The US gas price stagnated as the year progressed and eased in the second half of the year. However, the futures curve for gas show that market participants expect the prices to increase.

After the prices for the base metals copper and zinc increased in 2016, special metals also rallied significantly in 2017. Our subsidiary Almonty benefited from the 55 % jump in the price for Wolfram APT over the year. The prices for key metals from the rare earths group also rallied after they had been trading in a strong downward trend since 2012. Battery metals lithium and cobalt rose sharply since the forecast says that the demand will rise in the years to come. With our rare earth and tin lithium projects, we are active in two groups of metals and expect to gain particularly from the trend towards electro mobility.

JAN-PHILIPP WEITZ
CFO DEUTSCHE ROHSTOFF AG

Most of our shareholders will certainly be pleased with the fact that we will again propose an increased dividend of EUR 0.65 to the Annual General Meeting.

The distribution of a reliable and if possible increasing dividend will remain an important goal of the Management Board in the future.

In terms of the balance sheet, the group remains on solid ground. The balance sheet total has risen to EUR 214 million. Due to our high level of investments in the USA, property, plant and equipment rose again to 41 % of the balance sheet total. Liquid assets were very comfortable at around EUR 28 million as at the year-end.

The business tax reform that came into force as of 1 January 2018 in the USA only had positive effects for us. Due to the lower tax rates, we already recognized tax income of around EUR 4 million for 2017. Due to this reform the tax burden in the current fiscal year and in the next few years will decrease by around 33 % or the tax rate will decrease from the current 38 % to 25 %. This presents a significant improvement that enables us to make further investments in new wells.

Around 30 net wells already went into production in the first quarter.

Therefore, the foundation for a significant increase in production has been laid for the year as a whole. Accordingly, we expect an increase in revenue of around EUR 75 to 85 million and an EBITDA in the range of EUR 65 to 70 million. The fiscal year 2018 is projected to be a strong year for us. We look forward to your continuous support as shareholders.

"Glückauf" – as the German miners' greeting goes – from Mannheim

Thomas Gutschlag
CEO

Jan-Philipp Weitz
CFO

SHARE PRICE DEVELOPMENT AND DIVIDENDS

The Deutsche Rohstoff AG share started into 2017 at a price of EUR 26.50. Following the excellent performance in the previous year, the share lost ground in the first half of the reporting period, listing at a low of EUR 16.00 in August. Towards the end of the year, in line with the oil price, the share again gained some momentum and eventually closed at EUR 19.88. Based on the closing price, the performance in the reporting period was down 24 %. The market capitalization as at year-end was just over EUR 100 million.

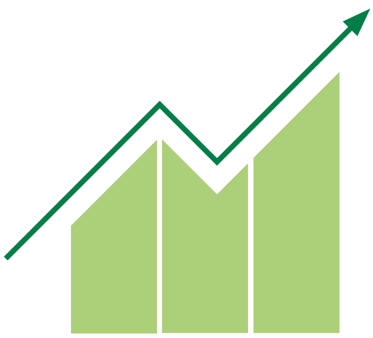
The trading volume on the three trading platforms with the highest turnover (XETRA, Frankfurt and Tradegate) increased significantly during the year and came to an average daily volume of 17,648 shares. This corresponds to an average turnover of approximately EUR 370,000. Up to 186,000 shares were traded during peak times. XETRA with around 70 % of the trading volume is the most liquid trading platform.

The dividend of EUR 0.60 proposed by the Management Board and approved at the Annual General Meeting on 7 July 2017 was paid out on 10 July. The dividend thus increased for the second time in a row by more than 9 % after the first distribution in 2015.

SHAREHOLDER STRUCTURE

Deutsche Rohstoff AG has a share capital of EUR 5,063,072, which is divided into the same amount of registered shares. The Management Board and the Supervisory Board held around 10 % of the shares at year-end. The company itself holds 2.5 % of the shares following the two share-buyback programs in 2014 and 2015. The remaining 87.5 % are spread over 5,600 shareholders.

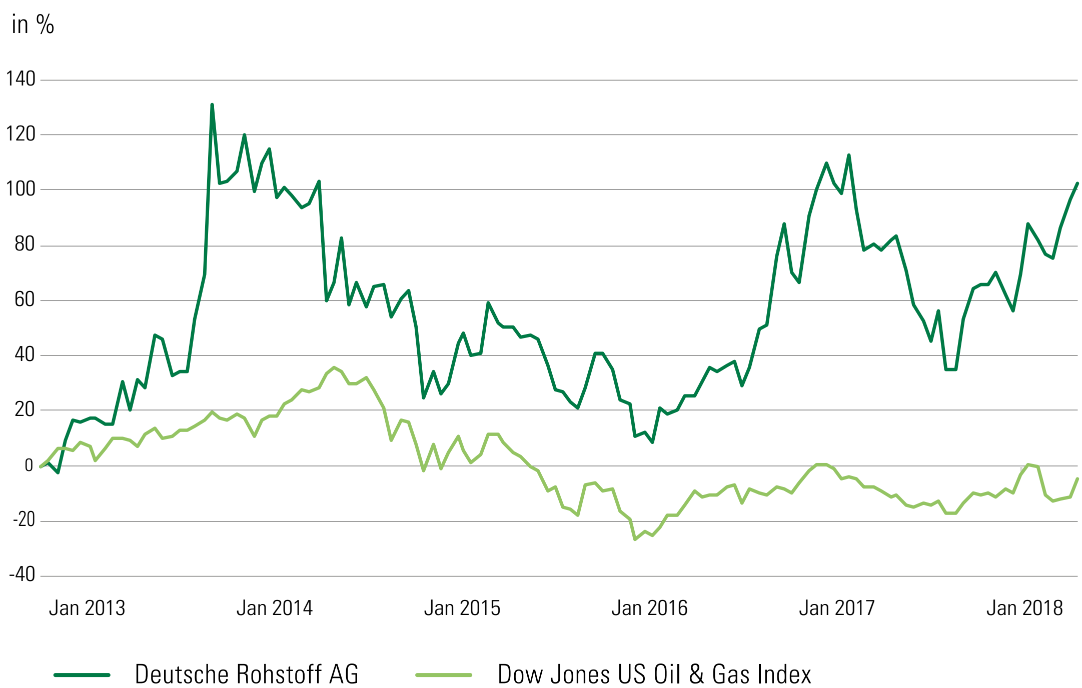
SHARE DETAILS (AS OF 31 / 12 / 2017)



Total number of shares	5,063,072
Amount of share capital	EUR 5,063,072.00
Stock exchange	XETRA , Tradegate, Frankfurt, Berlin, Düsseldorf, Stuttgart
ISIN / WKN	DE000A0XYG76 / A0XYG7
Stock exchange segment	Scale Standard (since 1 March 2017), Member of Scale 30,
Designated Sponsor	ICF Bank AG

ANNUAL **GENERAL MEETING** ON 7 JULY 2017 AT ROSENGARTEN MANNHEIM

SHARE DEUTSCHE ROHSTOFF



SHARE AND BONDS

BONDS

In the reporting period 2017, Deutsche Rohstoff AG had two bonds outstanding with a total volume of EUR 82.8 million. The bond 2016/2021 (WKN: A2AA05) was successfully placed last year again, increasing the volume outstanding by EUR 15,5 million to a total of EUR 67.0 million. Issued with a coupon of 5.625 % and half-yearly interest payments, the bond was listed in a very stable range between 100.0 % and 108.5 %. The bond 2013/2018 (WKN: A1R07G) with a coupon of 8.000 %, which matures in 2018, was also listed in a stable range between 101,9 % and 108,0 %.

The rating issued by Creditreform for Deutsche Rohstoff AG was updated in May 2017 with the rating BB and a stable outlook. Due to the switch of the 16/21 bond from Scale to the Basic Board as of 13 July 2018, the corporate rating will not be applicable in the future. The decision to no longer list the bond in the Scale segment was made due to the cost factor.

At the end of March 2018, Deutsche Rohstoff AG placed a convertible bond for the first time. It carries a coupon of 3.625 % and a conversion price of EUR 28. It is an issue under exclusion of subscription rights. The associated ICF BANK AG placed EUR 10 million for the emission and Deutsche Rohstoff AG will use these funds to finance further growth in the USA.

CAPITAL MARKET COMMUNICATION

The Management Board again campaigned for the company last year in discussions with existing and new potential investors. The Management Board attended 13 roadshows in Germany and Europe and presented the company.

Deutsche Rohstoff AG arranged for an analyst conference to present its semi-annual report via webcast, which saved time and resources. In this conference, the Management Board presented the Interim Report 2017 to the participating institutions.

The Annual General Meeting 2017 for the first time took place at the Congress Center Rosengarten in the city of Mannheim, our new corporate headquarters. Around 190 shareholders who attended the AGM represented approximately 36 % of the share capital and approved the resolutions of the Board by a large majority (>97 %).

The Annual General Meeting 2018 will again take place at the Rosengarten in Mannheim on 10 July 2018.

Since the start of the Scale segment of the German stock exchange in March 2017, the share has been listed in this new segment. The share is also represented in the Scale30 Index, which includes the 30 most liquid Scale shares.

ANALYST COVERAGE

In 2017, the share of Deutsche Rohstoff AG was monitored by four institutions. The analyst reports include estimates of the organization and the market environment. The independent research provider First Berlin as well as Kepler Chevreux publish their own estimates and share price targets. Besides, due to the listing on the Scale segment, Edison Research publishes a qualitative report and Morningstar publishes a daily quantitative report.

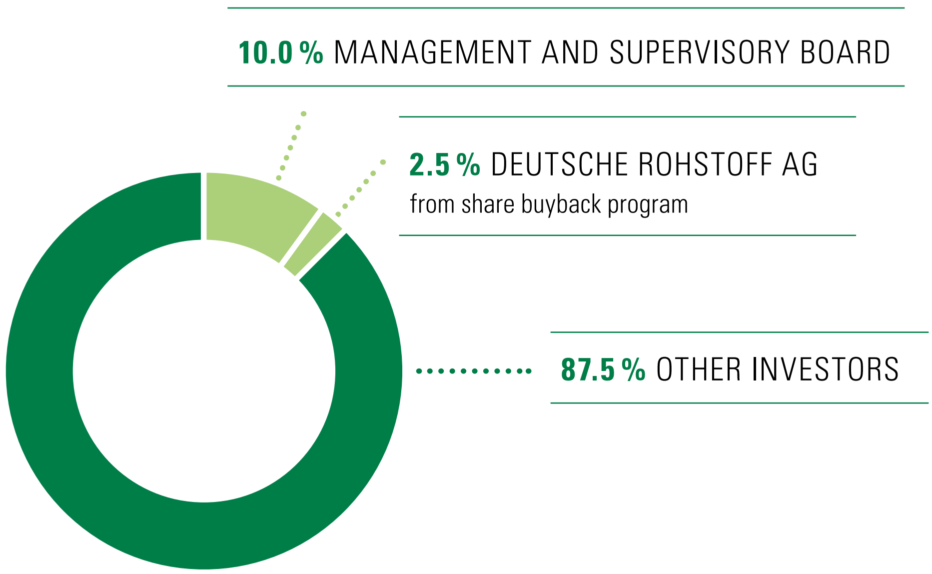
FINANCIAL CALENDAR 2018

7 May 2018
Publication of the individual and consolidated financial statements 2017

May 2018
1st Quarter Report

10 July 2018
Annual General Meeting 2018

SHAREHOLDER STRUCTURE



WORTH KNOWING: **HEDGING**

Our portfolio entities regularly use derivative financial instruments to hedge against oil price risks. Hedging is required by us as well as by the banks that have provided a reserve based lending facility.

Oil price hedging enables better planning and protects the running production against price risks. Hedging transactions are generally entered into only after commencement of production to ensure the quality of the well and to avoid the danger of hedging production that does not exist, if there are delays in start of production. Usually, 60 % to 80 % of the expected production is hedged for up to 24 months to come. Due to the growing importance of hedges, we would like to take this year's Annual Report as an opportunity to provide a brief overview of the use of these instruments.

The foundation for hedging transactions are so-called futures and options. For oil future contracts, the future purchase or selling price of oil is defined at the time of concluding the transaction, whereas the actual exchange of oil takes place only at the defined date in the future, i.e., in the month of delivery.

The difference between futures and options lies in the rights and obligations of the two contracting parties.

For futures, the buyer is obliged to receive the underlying and pay the seller the agreed price. The seller is in turn obliged to deliver the goods at the agreed price.

By contrast, options give the buyer the right to exercise the option or to let the option expire. Futures – just like shares – are traded as standardized contracts on the stock exchanges.

A **PLANT FOR THE SEPARATION OF OIL, GAS AND WATER** IN COLORADO

For Deutsche Rohstoff AG, particularly relevant are the Light Sweet Crude Oil Futures (WTI Crude Oil Futures) traded on the New York Mercantile Exchange.

WTI Crude Oil Futures are traded for the next nine years on a monthly basis. After the end of the delivery month, every future comprises delivery of 1,000 barrels oil (bbl) of the WTI type into a pipeline or a tank in Cushing, Oklahoma. Figure 1 shows the prices of individual future contracts for year end 2017 and for year end 2016 for comparison. This price curve, called the NYMEX Strip, is also the basis for the valuation of oil reserves.

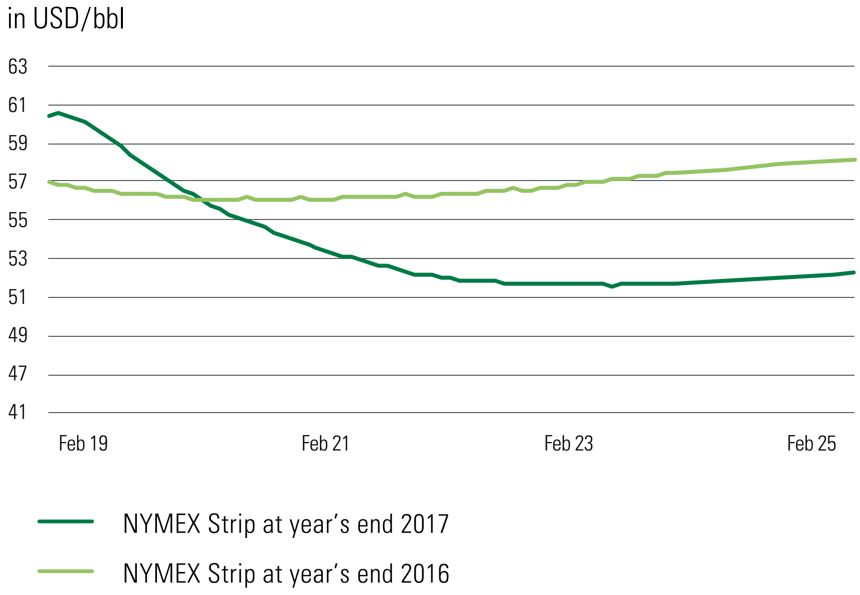
Options are divided into "call options" and "put options". Call options give the right to buy the underlying at an agreed price while put options give the right to sell the underlying at an agreed price. The agreed price is referred to as the "strike". Like futures, options also have an expiry date by which the seller must exercise the option. The price of the option, referred to as option premium, depends on the price of the underlying, the strike price, the maturity, and the currently applicable interest rate as well as the volatility. Call and put options with the diverse strikes prices are also traded on the stock exchanges mentioned above.

Our subsidiaries use these call and put options to construct costless collars or zero cost collars. A costless collar comprises selling a call option and buying a put option, where the option premiums offset each other to make it "costless".

As seller of a call option with a strike price above the spot price, our entities receive an option premium, however, at the same time, they also relinquish a participation in an oil price above the strike price. This option premium received is used to buy a put option, which gives the right to sell oil at a fixed price. The entities have thus hedged against a decrease in the oil price, however, they also forego a possible further price increase above the call strike price.

Therefore, the strike price of the call option is the upper limit, while the strike price of the put option is the lower limit of the hedge.

FIGURE 1 **PRICE FUTURE CONTRACT**



It is, of course, also possible to exit the hedge, that, depending on the price development of the underlying, can lead to losses or gains. Hedging only against falling oil prices is possible, however, it is very capital-intensive. Therefore, costless collars are generally the preferred instruments.

Figure 2 shows our hedge position as of 31 December 2017. Around 70 % of the existing production is hedged until September 2019. Wells that will go into production in the future have not been included in this analysis and will change the situation accordingly. We assume that with the start of production of the new Elster wells in March 2018 and the Litzenberger wells in April 2018, the quota will drop to 30 %.

The collar is between approximately USD 45 and USD 52/bbl. This means that we will not benefit from the hedged position

FIGURE 2 **HEDGE POSITION**

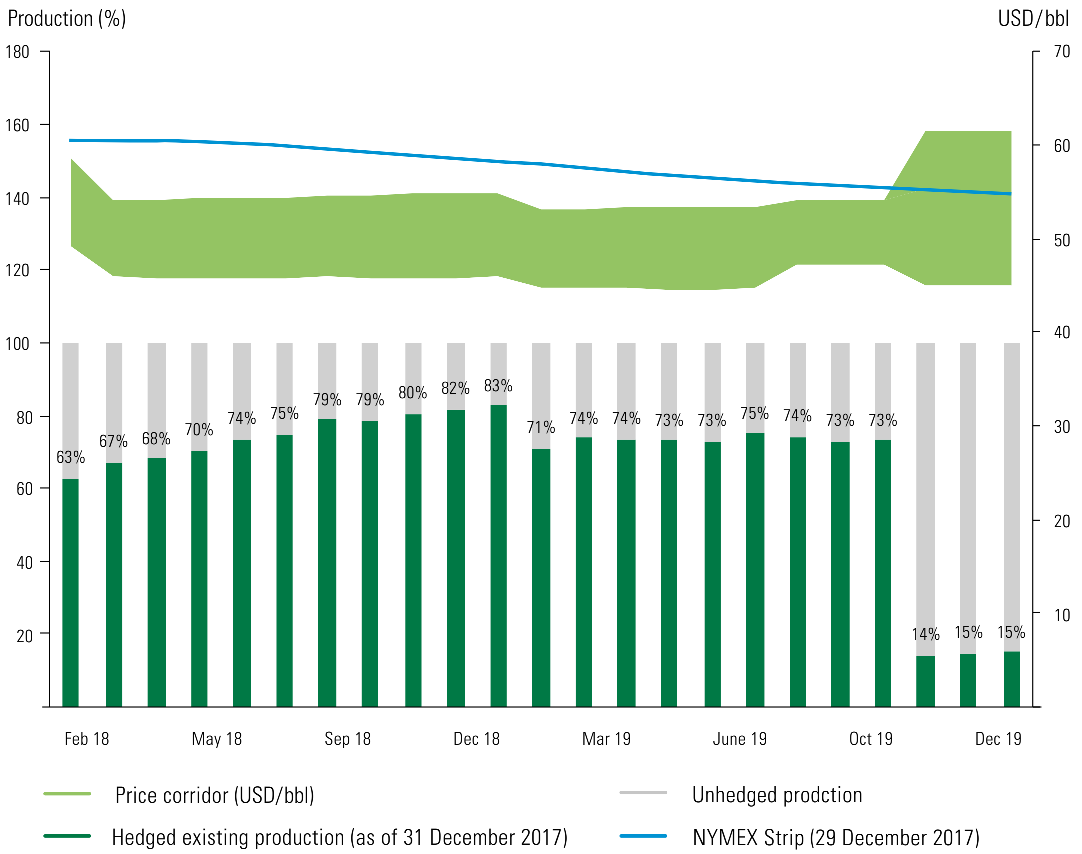
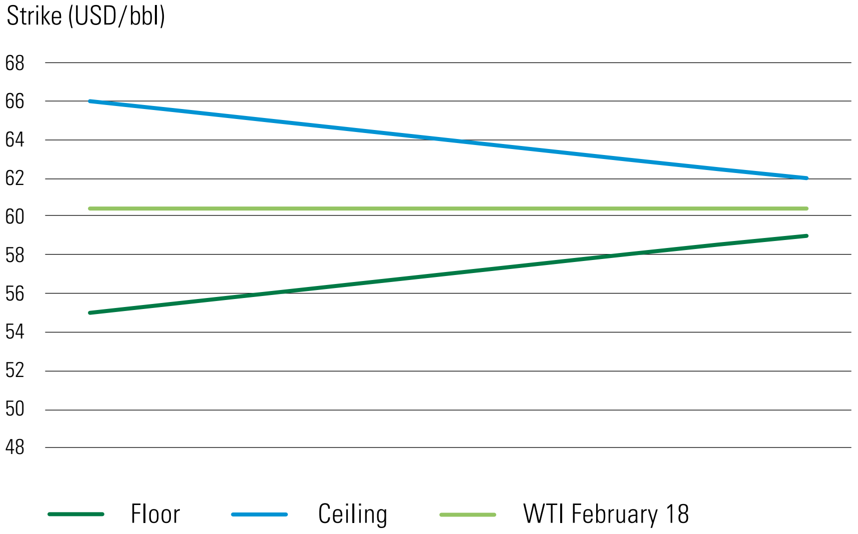


FIGURE 3 **ABSICHERUNG MIT COSTLESS-COLLARS**



from oil prices above around USD 52/bbl. Conversely, this implies that we also won't receive less than 45 USD/bbl.

Costless collars can be constructed in diverse ranges. The higher the willingness not to participate in rising oil prices, the higher the hedging level for falling oil prices.

Figure 3 presents an example of hedging with costless collars for the February production for a future price of USD 60.42/bbl. The example clearly demonstrates how narrow downward hedging can quickly cap the oil price.

Hedging for oil production is performed by the local subsidiaries in close cooperation with the DRAG management. However, hedging as a rule does not take place directly on the futures exchange, but bilaterally through banks or commodity traders.

PORTFOLIO AS OF 31 DECEMBER 2017


CERITECH
RHEIN PETROLEUM
TIN INTERNATIONAL
ALMONTY INDUSTRIES
SANGDONG
ALMONTY INDUSTRIES
WOLRAM CAMP
HAMMER METALS

ANNUAL
FINANCIALS

CONSOLIDATED **BALANCE SHEET**

ASSETS		31/12/2017	31/12/2016
		EUR	EUR
A.	FIXED ASSETS		
I.	Intangible assets		
1.	Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	30,565,937	33,853,665
2.	Goodwill	3,271,324	6,760,778
		33,837,261	40,614,443
II.	Property, plant and equipment		
1.	Petroleum extraction equipment	73,760,295	76,171,842
2.	Exploration and evaluation	40,556,515	3,492,765
3.	Plant and machinery	98,978	173,317
4.	Other equipment, furniture and fixtures	107,825	103,456
		114,523,613	79,941,380
III.	Financial assets		
1.	Equity investments	15,568,634	12,542,190
2.	Loans to other investees and investors	1,724,138	913,075
3.	Securities classified as fixed assets	5,417,574	7,587,726
		22,710,346	21,042,991
B.	CURRENT ASSETS		
I.	Inventories		
	Finished goods and merchandise	170,142	137,090
		170,142	137,090
II.	Receivables and other assets		
1.	Trade receivables	8,832,330	7,298,295
2.	Receivables from other investees and investors	258,122	495,339
3.	Other assets	1,324,443	15,105,259
		10,414,895	**22,898,893**
III.	Securities classified as current assets	1,331,301	3,456,446
IV.	Bank balances	28,367,692	24,634,447
C.	PREPAID EXPENSES	832,599	495,301
D.	DEFERRED TAX ASSETS	1,385,861	250,721
	TOTAL ASSETS	**213,573,710**	193,471,712

EQUITY AND LIABILITIES			31/12/2017		31/12/2016
			EUR		EUR
A.	EQUITY				
I.	Subscribed capital	5,063,072		5,063,072	
	./. less nominal value of treasury shares	-127,810	4,935,262	-127,810	4,935,262
	Conditional capital: EUR 2,000,000 (prior year: EUR 2,000,000)				
II.	Capital reserves		29,827,395		29,757,158
III.	Equity differences from currency translation		-3,507,363		6,325,657
IV.	Consolidated net retained profit		17,992,523		15,405,160
V.	Non-controlling interests		7,426,885		9,697,858
			56,674,702		66,121,095
B.	**DIFFERENCE FROM CAPITAL CONSOLIDATION**		**195,747**		**0**
C.	PROVISIONS				
1.	Tax provisions		42,524		330,517
2.	Other provisions		27,954,071		4,977,616
			27,996,595		5,308,133
D.	LIABILITIES				
1.	Bonds, thereof convertible: EUR 0		82,340,000		66,705,000
2.	Liabilities to banks		24,235,641		8,538,236
3.	Trade payables		5,236,367		29,914,719
4.	Other liabilities		10,089,004		3,988,686
			121,901,012		109,146,641
E.	DEFFERED TAX LIABILITIES		6,805,654		12,895,843
	TOTAL EQUITY AND LIABILITIES		**213,573,710**		193,471,712

CONSOLIDATED **INCOME STATEMENT**

		01/01/–31/12/2017	01/01/–31/12/2016
		EUR	EUR
1.	REVENUE	53,746,053	9,170,296
2.	INCREASE OR DECREASE IN FINISHED GOODS AND WORK IN PROCESS	12,066	9,542
3.	OTHER OWN WORK CAPITALIZED	2,432,262	1,724,710
4.	OTHER OPERATING INCOME	1,123,594	10,496,891
5.	COST OF MATERIALS	8,068,758	4,257
	Cost of purchased services	8,068,758	4,257
6.	PERSONNEL EXPENSES	4,710,596	3,457,384
	a) Wages and salaries	4,364,576	3,357,574
	b) Social security, pensions and other benefit costs	346,020	99,810
	– thereof for old-age pensions EUR 4.737 (prior year: EUR 11.077)		
7.	AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	30,000,951	6,873,537
	a) of intangible assets and property, plant and equipment	29,907,681	6,873,537
	b) of current assets	93,270	0
8.	OTHER OPERATING EXPENSES	8,397,022	11,565,953
9.	OTHER INTEREST AND SIMILAR INCOME	1,037,776	2,685,120
10.	AMORTIZATION OF FINANCIAL ASSETS AND SECURITIES CLASSIFIED AS CURRENT ASSETS	830,716	40,998
11.	INTEREST AND SIMILAR EXPENSES	5,049,436	4,097,743
12.	INCOME TAXES	-6,378,593	-2,028,183
	– thereof expenses from changes in recognized deferred taxes: EUR 6.378.630 (prior year: EUR 9.992.507)		
13.	EARNINGS AFTER TAXES	7,672,865	74,870
14.	OTHER TAXES	574	584
15.	NET INCOME FOR THE GROUP FOR THE YEAR	7,672,292	74,286
16.	PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (-) OR LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (+)	-2,123,772	27,916
17.	PROFIT CARRYFORWARD	12,444,003	15,409,753
18.	TRANSFER TO REVENUE RESERVES	0	-106,795
19.	CONSOLIDATED NET RETAINED PROFIT	17,992,523	15,405,160

CONSOLIDATED **CASH FLOW STATEMENT**

	in EUR	2017	2016
	NET INCOME FOR THE PERIOD (INCLUDING NON-CONTROLLING INTERESTS)	**7,672,292**	**74,286**
+/-	Write-downs / write-ups of fixed assets	30,499,782	6,873,537
+/-	Increase / decrease in provisions	-107,286	4,232,095
-/+	Gains / losses from the disposal of TIN International Pty. Ltd. and Strategic Resources Development	0	196,000
+/-	Other non-cash expenses / income	-6,586,824	-4,479,687
-/+	Increase / decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	10,569,943	-5,863,564
+/-	Increase / decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	-13,147,215	54,543
-/+	Gains / losses from the disposal of fixed assets	-2,839	-1,310,042
+/-	Interest expenses / income	4,011,661	1,412,624
+/-	Income taxes paid / received	-6,378,630	-2,028,183
-/+	Income tax payments	11,317,071	3,752,426
	CASHFLOW FROM OPERATING ACTIVITIES	**37,847,955**	**2,914,035**
+	Cash received from disposals of intangible assets	0	2,877,887
-	Cash paid for investments in intangible assets	-2,041,938	-18,915,930
+	Proceeds from disposals of intangible assets	56,671	0
-	Cash paid for investments in property, plant and equipment	-49,733,226	-47,181,510
+	Cash received from disposals of fixed financial assets	0	5,143,703
-	Cash paid for investments in fixed financial assets	-2,019,456	-2,068,487
+	Cash received in connection with short-term financial management of cash investments	3,838,448	21,385,708
-	Cash paid in connection with short-term financial management of cash investments	-2,168,526	-2,245,437
+	Interest received	443,386	2,213,494
	CASHFLOW FROM INVESTING ACTIVITIES	**-51,624,641**	**-38,790,572**
+	Cash received from equity contributions by other shareholders	94,144	1,241,338
-	Cash paid from equity reductions to shareholders of the parent company	0	-114,595
-	Cash from decrease in equity	-833,819	0
+	Cash received from the issue of bonds and from loans	33,072,078	39,232,744
-	Cash repayments of bonds and loans	-146	-22,147,622
-	Interest paid	-4,636,369	-3,980,999
-	Dividends paid to shareholders of the parent company	-2,961,157	-2,714,394
	CASHFLOW FROM FINANCING ACTIVITIES	**24,734,731**	**11,516,472**
	Change in cash and cash equivalents	10,958,045	-24,360,065
+/-	Changes in cash and cash equivalents due to exchange rates and valuation	-7,224,800	584,984
+/-	Changes in cash and cash equivalents due to changes in the basis of consolidation	0	-35,156
+	Cash and cash equivalents at the beginning of the period	24,634,447	48,444,684
	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**28,367,692**	**24,634,447**

GROUP **MANAGEMENT REPORT**

I. FUNDAMENTAL INFORMATION ABOUT THE GROUP

1. BUSINESS MODEL

The Deutsche Rohstoff group is involved in the production of oil and gas. It also participates in mining projects and develops its own metal resource projects with a focus on noble and special metals. It confines its activities to countries with a stable political and legal system. In fiscal year 2017, all activities were located in the USA, Australia, Western Europe, Canada and Brazil. The groups is represented in these countries with subsidiaries, equity investments or cooperation agreements. Deutsche Rohstoff AG, Mannheim, as the parent company, manages the group, initiates new projects, establishes subsidiaries and invests in companies. Moreover, it finances activities or finds financing partners, takes decisions on new investments as well as divestitures and handles public relations. The local operating business is the responsibility of experienced managers, mainly specialized engineers and geologists with extensive industry experience.

As of 31 December 2017, the Deutsche Rohstoff group comprised the following group companies and equity investments:

Compared to the prior year, there were only minor changes in the legal structure of the group and in the level of equity investments:

- On 7 July 2017, the Annual General Meeting of Deutsche Rohstoff AG approved the relocation of the company headquarters from Heidelberg to Mannheim.

- Due to the exit of the former CEO, the group's stake in Cub Creek Energy increased to around 88.5 %.

- The stake in Ceritech AG decreased from 67.9 % to 66.2 % due to the sale of shares.

- The stake in Salt Creek Oil & Gas decreased from 90.5 % to 90.2 % due to the exercise of options. Mountain States Reserve Company was sold during the course of 2017 and subsequently deconsolidated in May 2017.

The Australian company Hammer Metals Ltd., the Canadian companies Almonty Industries Inc. and Devonian Metals Inc. as well as the German company Rhein Petroleum GmbH, as shown in the diagram, were carried as equity investments as of year-end 2017. All other companies were fully consolidated.

Again in 2017, the entities Cub Creek Energy and Elster Oil & Gas were involved exclusively in the production of crude oil in the Wattenberg oil field in Colorado. As operator, Cub Creek Energy plans and operates oil wells independently. Elster Oil & Gas is not the operator, it only participates in oil wells of other companies.

DRILLING PAD IN COLORADO

STRUCTURE OF THE CORPORATION AS OF 31 DECEMBER 2017

Deutsche Rohstoff AG

Mannheim

Germany

- CERITECH AG — 66.15 % — Leipzig
- RHEIN PETROLEUM GMBH — 10.00 % — Heidelberg
- JUTLAND PETROLEUM GMBH — 100.00 % — Heidelberg
- TIN INTERNATIONAL AG — 61.55 % — Leipzig

Australia

- HAMMER METALS LTD — 13.07 % — Perth

USA

- DEUTSCHE ROHSTOFF USA INC — 100.00 % — Wilmington
  - ELSTER OIL & GAS — 93.00 % — Denver
    - DIAMOND VALLEY ENERGY PARK LLC — 100.00 % — Denver
  - CUB CREEK ENERGY LLC — 88.46 % — Denver
  - SALT CREEK OIL & GAS LLC — 90.18 % — Denver

Canada

- DEVONIAN METALS INC — 47.00 % — New Westminster
- ALMONTY INDUSTRIES INC — 13.29 % — Toronto

Salt Creek Oil & Gas is active exclusively in the Williston Basin and also participates in oil wells of other companies as non-operator. All entities in the USA act as subsidiaries of the US holding company and wholly-owned subsidiary of Deutsche Rohstoff AG, Deutsche Rohstoff USA Inc.

Ceritech AG operates in the field of rare earths and is currently working with partners in Brazil and Lithuania on development projects for setting up a production plant for the extraction of rare earths.

Tin International AG is involved in the exploration of tin and lithium reserves in Saxony.

The equity investments of Deutsche Rohstoff AG also operate in the field of oil and gas and mining. Rhein Petroleum operates the oil exploration and extraction in Germany. Hammer Metals and Devonian Metals are involved in the exploration of copper and gold in Australia and zinc and lead in Canada respectively.

The equity investment Almonty Industries, which is specialized in tungsten mining, operated the Los Santos (Spain), Panasqueira (Portugal) and Wolfram Camp (Australia) mines and furthermore, develops tungsten projects in Spain and South Korea.

In fiscal year 2017, the group generated revenue almost exclusively from the extraction of oil and gas in the USA. In addition to the income from producing resources and associated rights e.g., royalties, the business model also includes acquiring resource projects at favorable conditions, as well as developing and divesting such projects.

Pricing is straightforward for all commodities traded on the stock exchange (gold, silver, oil, tin, copper, etc.), as the buyer pays the current market price if the product supplied meets the usual specifications. In these cases, the competitive position is of little relevance, as purchasers will generally purchase almost any quantity.

Customers for the oil produced are oil-trading companies. Gas supply companies that operate pipeline grids purchase the extracted natural gas. The price for the oil and natural gas delivered is based on the US-American WTI and Henry Hub. The price actually paid depends almost exclusively on the capacity utilization of the transport infrastructure and on the quality of the oil extracted. In addition, the customers receive a marketing allowance.

The shares of Deutsche Rohstoff AG have been traded on the Frankfurt Stock Exchange since May 2010. Since March 2017, they have been included in the Scale segment. As of 31 December 2017, market capitalization was around EUR 101.0m (prior year: EUR 133.0m). The share price thus fell by around 24.0 % during the year, following the increase of around 77.0 % in 2016. Between 31 December 2017 and the end of April, the price rose to approximately EUR 24.0.

2. OBJECTIVES AND STRATEGIES

In the group management report for 2015, the company set itself the overarching objective of increasing its market capitalization to between EUR 150.0m and EUR 200.0m in a 12-month period for 2017. This objective was not achieved at year-end 2017. The Executive Board expects that by the end of the year, market capitalization will reach this range and the related share price of around EUR 30.0. The reasons include rising production in the USA, the increase in the price of oil and the continuing recovery in the market for metals and mining products.

Activities still focus on oil and gas extraction in the USA. In the reporting period, the company aimed to expand the production of oil and gas, having focused on acquiring sites and developing an inventory of wells since mid-2014. At the end of 2017, the group held stakes in a total of 28 independently operated horizontal wells in the US Wattenberg oil field, in Denver-Julesberg Basin, Colorado and 88 wells operated by partners, also in the Wattenberg oil field (11), as well as in Williston Basin in North Dakota (77). Overall this corresponds to around 35 one-mile net wells, i.e., wells operated by the group with one mile horizontal distance and a stake of 100 %. This number increased to 60 at the beginning of 2018. For the future development, there is an inventory of around 52 net wells in the subsidiaries of Deutsche Rohstoff AG. Another objective is to strengthen the acquisition of new areas.

In the Metals division, the group has five subsidiaries and equity investments. The focus in the past was on securing financing and continuing to develop them while keeping costs to a minimum. Following the significant drop in metal prices since the end of 2011, the Executive Board had decided to only provide these companies with minimal funds. Instead, the aim was to find financing partners and potentially sell individual equity investments such as Devonian Metals.

Metal prices increased significantly over the course of 2017. Investors became increasingly interested in this sector again. The Executive Board therefore sees better opportunities to implement the strategy and find partners or buyers. Tin International recorded a first success as it concluded a joint venture with Lithium Australia in May 2017. The Executive Board is still pursuing the objective of raising the value of the existing assets in the Metals division and selling these in the medium term. It is also reviewing selected new ventures with metals that based on analyses are fundamentally considered to have good prospects. Currently this mainly relates to gold and copper.

3. RESEARCH AND DEVELOPMENT

The group conducts very little research and development. Its R&D activities are aimed at supporting or optimizing existing projects. As a rule, oil and gas extraction and ore mining apply to existing, freely accessible procedures. The group makes use of service providers that perform the work using state-of-the-art technology. Within the scope of its gypsum project, Ceritech is working together with service providers that to help define and optimize the preparation process. However, these processes are not fundamentally new. Instead, they involve a combination of existing and proven technologies tailored to the specific case.

II. REPORT ON ECONOMIC POSITION

1. MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

The world economy grew by 3.6 % in 2017 (source: IMF), thus accelerating its growth compared to the prior years.

Commodity prices recorded a significant increase in 2017. WTI (Western Texas Intermediate) crude oil increased by 14.0 % over the course of 2017. The relevant US gas price (Henry Hub) remained stable at around USD 3.0 in the same period. Industrial metals also recorded significant increases: copper rallied, increasing by 28.0 %, zinc by 31.0 % and gold by 13.0 %. Only tin decreased by 7.0 %. As of year-end 2017, tungsten APT was sold at 55.0 % higher than in the prior year.

The reasons for the increase in the price of oil included news from the supply side as well as a robust demand. In November, the Organization of Petroleum Exporting Countries (OPEC) resolved to extend the cut in production by 1.2m barrels per day, which has been in place since November 2016, until end of 2018. Several non-OPEC countries, e.g., Russia, followed this lead.

Demand increased by around 1.6m barrels per day in 2017 (Source: EIA (Energy Information Administration)). For 2018, the US EIA forecasts a further increase by around 1.8m barrels to over 100.0m barrels per day for the first time.

Prices for the special metals that are relevant for the Deutsche Rohstoff group increased significantly in 2017, having fallen considerably in the last few years. In Europe, the price of tungsten APT (ammonium paratungstate, a primary product for the processing industry) increased dramatically. Prices rose from around USD 192.5/mtu (metric ton unit, equivalent to approximately 10 kg) at the beginning of the year to USD 297.5/mtu as of the end of the year. Growing scarcity in supply became evident both in and outside China during the year, while demand began to recover at the same time, for example in the automotive and oil and gas industry. Market observers anticipate that prices will increase further in 2018 because demand from various areas is rising dramatically thanks to good economic situation worldwide and, at the same time, virtually no new supply is expected on the market.

The price development of tin was relatively stable in 2017, down around 7.0 % compared to the end of 2016. Market observers expect the price of tin to stabilize further in the current year.

After recovering in 2016, the price of rare earths continued rising in 2017. Prices rallied until the middle of the year, increasing by around 50.0 % in some cases. In the second half of the year, prices lost ground again, only to stabilize again from mid-December and some of the rare earths, such as neodymium and praseodymium, recovered. In January, the prices were moving around the level of July 2017. Currently, they are around 20.0 % above the prior-year figures.

Currency changes have a significant impact on the group's business development. The EUR/USD exchange rate plays a particularly important role. All important commodities are settled in US dollars. A stronger US dollar means that commodities outside the USA are becoming more expensive. With a rising dollar, demand tends to decrease and thus the price level of commodities as well.

According to most market observers, the further development of the euro/US dollar will depend heavily on the interest rate trend in the USA and the euro zone. The interest spread was expanded again in the past year due to the increase in key interest rate by the Federal Reserve from 0.8 % to 1.5 %. The European Central Bank (EZB), by contrast, did not increase the interest rates initially and extended its bond-buying program beyond 2017. Despite this increase in the interest spread, the euro strengthened further against the US dollar in the reporting period, resulting in a year-end increase by 14.0 % in the EUR/USD exchange rate. The strong economy in Europe as well as reduced political uncertainty after the elections in France contributed towards this appreciation of the euro.

2. BUSINESS DEVELOPMENT

In line with the corporate strategy, the group focused on the Oil and Gas division in fiscal year 2017, specifically on activities in the USA. In the Metals division, the focus was on investments at Ceritech AG. Deutsche Rohstoff AG, as the parent company, distributed a dividend for the fourth time in its corporate history.

OIL & GAS DIVISION

All three oil and gas companies in the USA recorded significant progress during 2017:

Cub Creek Energy commenced production from the Markham wells in January 2017. In the third and fourth quarters of 2016, the entity drilled and completed 12 horizontal wells at this location. Together with the nine producing wells at the Vail pad, Cub Creek thus will have 21 producing wells starting January 2017. Another seven wells were added in September with the connection of the Haley pad. In addition, in the third quarter, 16 wells were drilled from the Litzenberger pad, completed in March and put into production in April 2018. In 2017, Cub Creek extracted a total of 1,392,875m barrels of oil equivalent (BOE), thereof

TANK TRUCK AT THE MCGIRR WELL PAD OF ELSTER OIL & GAS IN COLORADO

837,191m barrels of oil (BO). BOE is the sum of crude oil and natural gas. In line with the industry standard, natural gas is converted to BOE with the factor 6,000.

In June 2017, Cub Creek signed a credit agreement with a leading US bank that enabled the company to call a flexible credit facility of up to USD 25.0m. This reserve based lending related to the oil and gas reserves of Cub Creek can be drawn on to finance drilling activity. The payment of interest is variable and averaged 4.5 % in 2017. The maximum value of the loan is determined regularly on the basis of the value of Cub Creek's oil and gas reserves. In September 2017, the bank raised the credit facility to USD 40.0m. As of year-end 2017, Cub Creek had drawn USD 16.0m of the loan.

In March 2018, Cub Creek and Elster Oil & Gas published the findings of a report by Ryder Scott, a well-known consulting firm, to recalculate its reserves. The quantity and barrels of oil equivalent (BOE) of proven reserves of the companies increased from 12.1m BOE to 17.5m BOE compared to the prior year. The present value of proven reserves fell from USD 169.8m to USD 162.0m. The probable reserves decreased from around USD 91.0m in 2016 to USD 28.0m. The lower value of the reserves despite higher existing reserves of BOE is attributable to the production accrued as well as partly to lower assumed profitability of individual wells and a lower price level. Cub Creek also reported that the recent production of the Vail and Markham wells, which was lower than expected, will also affect the reserves recognized for these wells and will, therefore, lead to slightly higher amortization, depreciation and write-downs in the consolidated financial statements for investments that were made for these two wells.

The average prices of oil of the NYMEX futures curve for the next 10 years that are used for calculating the present value were around 5.5 % lower as of 31 December 2017 compared to 31 December 2016. An increase in prices should, therefore, also lead to a significant increase in the present value of the reserves.

In 2017, **Elster Oil & Gas** laid the foundation for massive growth in 2018 by increasing the share of wells in the "Magpie project area". The number of net wells quadrupled from 5.5 to 22 in 2018. Since mid-2017, the company has participated in 20 wells in the "Magpie project area". This includes 14 two-mile horizontal wells and 6 wells of two-and-a-half-miles in length. The operator put these wells into operation in February and March 2018. Elster's original average share in the wells was around 24.0 %. At the beginning of February 2018, Elster announced that it had acquired a further share of around 11.0 % in these wells. This includes "non-consent shares", where other owners had decided not to participate in wells. In addition, Elster acquired a share of around 22.0 % in five-and-a-half-mile wells. Elster produced 166,361 BOE (62,746 barrels of oil) in 2017.

The new subsidiary **Salt Creek Oil & Gas**, founded in June 2015, announced in November 2016 that it had made a successful bid

CUB·CREEK·ENERGY

SHARE DEUTSCHE ROHSTOFF
as of 31 December 2017: 88.46 %

for a package of non-controlling interests in sites in the Williston Basin in North Dakota. The purchase price for the roughly 60 producing wells and roughly 90 future wells came to USD 38.1m. The purchase was concluded in mid-December 2016.

During 2017, Salt Creek received around 35 suggestions for wells from various operators, significantly more than the 20 suggestions expected originally. Numerous wells were connected to production over the course of 2017. Salt Creek produced more than 1,000 BOE per day for the first time in October. In the year 2017 as a whole, the company accounted for 312,458 barrels of oil equivalent (197,243 barrels of oil). Salt Creek continues to have a financing facility with a large US bank to cover the ongoing suggestions for wells. As of year-end 2017, the facility amounted to USD 17.0m, of which USD 13.0m had already been drawn. The average interest rate over 2017 was 4.9 %.

The investment Rhein Petroleum extracted from the wells in Schwarzbach and Lauben in 2017. Rhein Petroleum's share amounted to around 25,000 barrels of oil. New wells were not sunk. However, the company received approval for the wells in Untergrombach and Weinheim, which are planned to be sunk in 2018 and 2019.

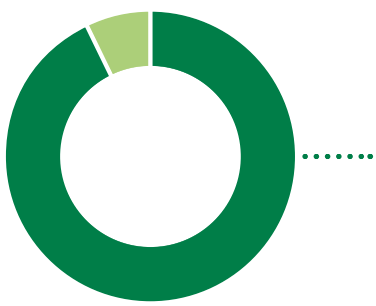
METALS DIVISION

The equity investment **Almonty Industries** developed very positively in 2017. In the first half of the year it was confronted with low tungsten prices and accordingly with low cash flow and high indebtedness. However, the scenario changed in the second half of the year. Prices for tungsten APT increased by around 55.0 %. Demand rallied due to the good economic situation worldwide, while hardly any concentrate was available on the market. This positive development continued at the beginning of 2018. As of end-March 2018, the price was around USD 330.0/mtu.

Almonty benefited from higher prices in the fourth quarter of its fiscal year 2016/2017. Revenue in the year as a whole increased to CAD 39.0m (2015/2016: CAD 37.3m). The net income for the year improved from CAD -20.8m in 2015/2016 to CAD -9.4m in 2016/2017. For the first time in several years, the company generated a positive net result of CAD 0.7m for the first time in the fourth quarter of 2016/2017.

Furthermore, in the second half of the year, Almonty was able to significantly reduce its current liabilities and strengthen its equity. Current liabilities decreased by around CAD 8.5m to CAD 47.4m. Equity increased from CAD 67.4m as of 30 September 2016 to CAD 86.4m as of 30 September 2017. This is attributable to numerous capital increases as well as to conversion of debt into equity.

In order to become more independent of the price development, Almonty entered into fixed price agreements already in late 2016 and early 2017 covering around 80.0 % of production in 2017. These were approximately 25.0 % above the spot market level. For a portion of the expected production, fixed prices significantly above the market level were successfully agreed for 2018. Production of the Panasqueira mine in Portugal was sold at a price of around USD 280.0/mtu for the concentrate, which translates into an APT price of around USD 350.0/mtu. Another milestone was announced in March 2018 in the form of the purchase agreement for the Sangdong mine in Korea, which was concluded after lengthy negotiations in 2017. The agreement guarantees, after the commencement of production (planned for 2020), a purchase of material over 10 years with a lower limit for the price.



ELSTER OIL+GAS

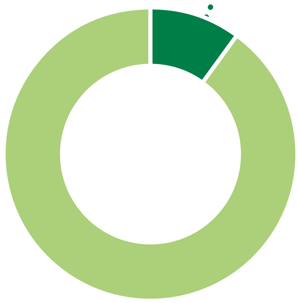
SHARE DEUTSCHE ROHSTOFF
as of 31 December 2017: 93.00 %

SALT CREEK OIL+GAS

SHARE DEUTSCHE ROHSTOFF
as of 31 December 2017: 90.18 %

rhein petroleum

SHARE DEUTSCHE ROHSTOFF
as of 31 December 2017: 10.00 %



ALMONTY INDUSTRIES

SHARE DEUTSCHE ROHSTOFF
as of 31 December 2017: 13.29 %

The share price of Almonty doubled from CAD 0.27 at year-end 2016 to CAD 0.55 at year-end 2017. At the end of the year, the market cap of Almonty shares held by Deutsche Rohstoff was still around 20.0 % below the book value. The Executive Board still does not consider it necessary to recognize a write-down on the market cap. The positive estimate was rather confirmed in the past year. Due to its good market position, the concluded fixed price agreements, the high reserves, the significantly improved prices and accounting situation, Almonty is in an excellent position to benefit from the boom in the tungsten market. The Executive Board expects that over the course of 2018, the market value of the shares held by Deutsche Rohstoff will reach or even exceed the carrying amount.

In June 2017, **Ceritech AG** signed a letter of intent with a partner in Brazil, Copebrás Indústria Ltda. Copebrás belongs to the international commodities group China Molybdenum. With the letter of intent, both parties agreed to conduct further preparation and processing tests as well as a first scientific study and present the findings by the second quarter of 2018. This should culminate in a binding long-term cooperation agreement.

At **TIN International AG** (Tin), the focus in 2017 was again on the Sadisdorf licensed territory. The license was granted to the company at the beginning of 2013. In September 2014, Tin for the first time received an estimate of resources for Sadisdorf by an independent appraiser in accordance with the Australian JORC standard. The report confirmed the historical data. Among other things, the company carried out mapping work in 2016. For the Gottesberg licensed territory, Tin again performed only work requiring minor financial resources in the reporting period. The company returned the Geyer license in February 2017.

In May 2017, Tin signed a joint venture agreement with Lithium Australia (LA), a listed company in Australia. LA has technology that makes it possible to process a certain quality of lithium-containing ore in a cost-effective way. Tin has these types of ore in the Sadisdorf licensed site. The lithium content in Sadisdorf has been known for a long time. However, management had not attached any value to the lithium because there was no way to process it. The joint venture agreement provides that LA will invest EUR 2.0m in exploration of Sadisdorf. EUR 750.0k is planned for 2017, giving LA 15.0 % of the license. A further EUR 1.3m will then follow in the next three years to increase the stake to 50.0 %. Upon conclusion of the joint venture agreement, Tin also received EUR 50k in cash as well as EUR 200k worth of shares in LA.

In December 2017, Tin for the first time reported an estimate of resources in accordance with the Australian JORC standard. 25.0m tons with a content of 0.4 % Li_2O were proven based on historical data. In December 2017, Tin also started a drilling program with two core drillings with a total of length of 460.0m, which should confirm the historical data and also enable an upgrade of the resource to the "indicated" category.

During 2017, Hammer Metals continued exploration in its licensed territories in the Mount Isa Region in Queensland, Australia. The company published exploration findings from various drilling campaigns. Particularly the Mount Frosty joint venture wells, which are operated jointly with Glencore, offered some very positive results. The results on the Kalman deposit, by contrast, were below expectations.

In July 2017, **Deutsche Rohstoff AG** distributed a dividend of EUR 0.6 per share or around EUR 3.0m.

In July and December 2017, Deutsche Rohstoff AG issued further bonds of the 2016/2021 bond of around EUR 15.5m. As of year-end 2017, around EUR 67.0m was outstanding. The 2013/2018 bond still had EUR 15.8m outstanding as of year-end 2017.

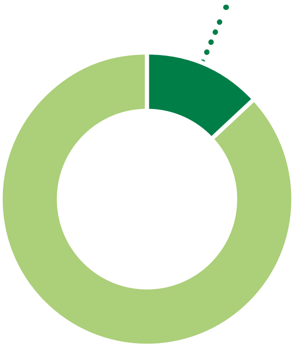
CERITECH

SHARE DEUTSCHE ROHSTOFF
as of 31 December 2017: 66.15 %

TIN INTERNATIONAL

SHARE DEUTSCHE ROHSTOFF
as of 31 December 2017: 61.55 %

SHARE DEUTSCHE ROHSTOFF
as of 31 December 2017: 13.07 %



3. FINANCIAL PERFORMANCE, FINANCIAL POSITION AND ASSETS AND LIABILITIES

FINANCIAL PERFORMANCE

Selected data from the income statement

Fiscal year ended 31 December 2017

IN EUR M	2017	2016
Revenue	53.7	9.2
Total operating performance[1]	57.3	21.4
Gross profit[2]	49.2	21.4
EBITDA[3]	36.1	6.4
Operating result (EBIT)[4]	5.3	-0.5
Earnings before taxes	1.3	-1.9
Net income for the year	7.7	0.1

[1] Total operating performance is defined as revenue plus increase or decrease in finished goods and work in process plus own work capitalized plus other operating income plus income from sale/deconsolidation.

[2] Gross profit is defined as total operating performance less cost of materials.

[3] EBITDA is defined as earnings for the period before interest, taxes, depreciation and amortization on property, plant and equipment and intangible assets.

[4] EBIT is defined as earnings for the period before interest and taxes.

In the past fiscal year, the consolidated net income for the year amounted to EUR 7.7m (prior year: EUR 0.1m) with total operating performance of EUR 57.3m (prior year: EUR 21.4m). Total operating performance comprises revenue of EUR 53.8m from significantly higher oil and gas production of the three US subsidiaries, other operating income of EUR 1.1m as well as own work capitalized of EUR 2.4m (prior year: EUR 1.7m). This mainly relates to management services at the US companies that are not consolidated. Cost of materials increased strongly in 2017 to EUR 8.1m (prior year: EUR 0.0m). Since January 2017, this item includes operating expenses of oil and gas wells of EUR 8.1m that have increased significantly due to the start of production of numerous wells. In the prior year, operating expenses of oil and gas wells came to EUR 1.5m and were recognized under other operating expenses. In total, gross profit amounted to EUR 49.2m (prior year: EUR 21.4m).

Due to the increase in salaries at the operative US subsidiaries as well as new hires and the allocation to provisions from the stock option program, personnel expenses increased further to EUR 4.7m (prior year: EUR 3.5m). At the level of Deutsche Rohstoff AG, personnel expenses less allocation to provisions for the stock option program decreased from EUR 1.4m to EUR 1.1m. Other operating expenses decreased to EUR 8.4m (prior year: EUR 11.6m). This includes exchange rate losses of EUR 4.7m. The decrease in other operating expenses is mainly attributable to the reclassification of operating expenses for oil and gas wells and to the one-time expense incurred in 2016 for the issue of the 2016/2021 bond.

Earnings before interest, taxes, depreciation and amortization (EBITDA) came to EUR 36.1m (prior year: EUR 6.4m).

Amortization, depreciation and write-downs of EUR 30.0m are almost solely attributable to amortization and depreciation of fixed assets of crude oil and natural gas producing facilities in the USA. As expected, EUR 2.9m thereof is attributable to Elster Oil & Gas and EUR 2.0m to Salt Creek. Club Creek Energy accounted for EUR 24.1m. Amortization, depreciation and write-downs of individual companies are measured on the basis of the difference between the BOE reserves at the beginning and at the end of the year for the crude oil and natural gas production facilities. The reserves recognized for Cub Creek Energy at the end of the year for the wells of the Markham and Vail sites was slightly lower. As a result the amortization, depreciation and write-downs for Cub Creek Energy exceeded those assumed at the beginning of the year by EUR 4.3m.

Extraordinary depreciation was charged on the equity investments Devonian Metals (EUR 0.2m) and Hammer Metals (EUR 0.4m).

Earnings before interest and taxes (EBIT) came to EUR 5.3m (prior year: EUR -0.5m).

The financial result of EUR -4.0m (prior year: EUR -1.5m) mainly includes interest payments on the two bonds of EUR 4.3m (prior year: EUR -4.1m). Furthermore, bank interest of EUR 0.4m and EUR 0.2m was due for the subsidiaries Salt Creek and Cub Creek, respectively. The expense was countered by interest income and income from capital investments of EUR 1.0m.

Tax income of EUR 6.4m mainly comprises the reversal of deferred tax liabilities. At the level of Deutsche Rohstoff AG, deferred tax liabilities that were accounted for in connection with unrealized currency gains were reversed due to the strong appreciation of the euro in 2017. In addition in the USA and at the group level, due to the approved reduction of corporate tax rate from around 35.0 % to 21.0 % by the US government at the end of 2017, deferred tax liabilities of EUR 4.0m were reversed.

The prior-year forecast, which on the basis of an oil price of USD 50.0 and EUR/USD exchange rate of 1.1 projected consolidated revenue of EUR 55.0m to EUR 65.0m and EBITDA of a minimum of EUR 40.0m, was not quite reached. The main reason is the significantly weaker EUR/USD exchange rate. The oil price on annual average was USD 51.0. The updated forecast contained in the report for the third quarter of 2017, which projected EBITDA of EUR 35.0m to EUR 37.0m and revenue of around EUR 50.0m, was achieved.

FINANCIAL POSITION

Selected notes to the cash flow statement

Fiscal year ended 31 December 2017

IN EUR M	2017	2016
Cash flow from operating activities	37.8	2.9
Cash flow from investing activities	51.6	-38.8
Cash flow from financing activities	24.7	11.5
Increase/decrease in cash and cash equivalents	3.8	-23.8
Cash and cash equivalents at the beginning of the fiscal year	24.6	48.4
Cash and cash equivalents at the end of the fiscal year	28.4	24.6

The cash flow from operating activities in 2017 came to EUR 37.8m (prior year: EUR 2.9m). This positive cash flow primarily stems from revenue of the US subsidiaries Cub Creek Energy (EUR 41.0m) and Elster Oil & Gas (EUR 4.7m) as well as Salt Creek Oil & Gas (EUR 7.9m). Cash income was countered by cash expenses from operating activities for the operating expenses of wells, personnel expenses and other operating expenses.

The cash flow from investing activities in 2017 is dominated by investments in US oil and gas activities. The investments at Cub Creek Energy amounted to EUR 39.2m, at Salt Creek Oil & Gas to EUR 10.8m and at Elster Oil & Gas to EUR 23.4m. Thereof EUR 51.6m affected cash in 2017. EUR 22.0m will not affect cash until 2018 and therefore resulted in an increase in provisions as of the reporting date. Additions to fixed financial assets resulted in payments of EUR 2.0m in 2017.

Cash flow from financing activities came to EUR 24.7m (EUR 11.5m) and is mainly attributable to the further placement of the corporate bond (EUR 15.6m) with maturity in 2021 and the further lending of reserves of the US subsidiaries with bank loans of around EUR 17.4m. Interest paid for the issue of corporate bonds of EUR 4.6m had the opposite effect.

In addition, a dividend of EUR 3.0m and interest of EUR 5.0m were paid to the shareholders of Deutsche Rohstoff AG.

As of 31 December 2017, cash and cash equivalents including securities classified as fixed and current assets in the group came to EUR 35.1m (prior year: EUR 35.7m). Cash and cash equivalents correspond to bank balances plus short-term liabilities to banks.

The Executive Board currently takes the view that the Deutsche Rohstoff group will at all times continue to be in a position to meet its future obligations and to carry out investments on the basis of very good equity and liquidity.

ASSETS AND LIABILITIES

Selected balance sheet data

Fiscal year ended 31 December 2017

IN EUR M	2017	2016
Fixed assets	171.1	141.6
Current assets	40.3	51.1
Equity	56.7	66.1
Liabilities	121.9	109.1
Provisions	28.0	5.3
Total assets	213.6	193.5

Total assets of the group grew by 10.4 % to EUR 213.6m in the reporting period (prior year: EUR 193.5m). This is due to the high investments in the USA and the related increase in fixed assets by EUR 29.5m to EUR 171.1m (prior year: EUR 141.6m), due to the decrease in current assets to EUR 40.3m (prior year: EUR 51.1m) and the increase in liabilities to EUR 121.9m (prior year: EUR 109.1m), which was required for financing. In connection with the financing of investments in 2017 and the upcoming investments in the first quarter of 2018, liabilities increased due to the issue of further bonds with a volume of EUR 15.6m. The utilization of reserve based lending facilities from the US banks also increased by EUR 15.6m.

Intangible assets decreased significantly at EUR 33.8m (prior year: EUR 40.6m). As of 31 December 2017, they comprise extraction rights of EUR 30.6m (prior year: EUR 33.9m) as well as goodwill of EUR 3.3m (prior year: EUR 6.8m).

At EUR 22.7m, fixed financial assets increased slightly in the reporting year (prior year: EUR 21.0m). Equity investments in fixed financial assets increase to EUR 15.6m (prior year: EUR 12.5m). The increase mainly results from the acquisition of further shares of Almonty Industries (EUR 0.2m) as well as from 6,646,667 shares received from Almonty Industries in exchange for the CAD 4.0m convertible debt of EUR 2.7m issued by Almonty to DRAG and from 2,573,655 shares received for accrued interest of EUR 0.6m. Securities classified as fixed assets in fixed financial assets reduced from EUR 7.6m to EUR 5.4m due to the disposal of the convertible debt of Almonty.

In connection with the 47 % equity investment in Devonian Metals, a receivable of EUR 0.1m was written-down and the recognition of the equity investment was depreciated by EUR 0.1m to EUR 0.4m (prior year: EUR 0.5m).

The 10 % equity investment in Rhein Petroleum is carried at amortized cost of EUR 3.0m (prior year: EUR 3.0m).

As of 31 December 2017, there were receivables with a term of less than one year and other assets of EUR 10.4m (prior year: EUR 22.9m). The decrease is mainly attributable to the repayment of a receivable due to a tax refund in the USA (EUR 11.6m), which was paid out to Deutsche Rohstoff AG in May 2017. As of 31 December 2017, the item mainly comprised trade receivables (EUR 8.8m) as well as other assets (EUR 1.4m). Securities classified as current assets amounted to EUR 1.3m (prior year: EUR 3.5m). The disposal is attributable to the divestiture of securities in connection with liquidity management.

At EUR 28.4m, bank balances were slightly above the prior-year level of EUR 24.6m. Bank balances stood at EUR 10m or USD 22.0m.

Deferred taxes break down as follows:

Deferred tax liabilities	EUR 17,887 K
less	
Deferred tax assets from temporary differences	EUR -1,844 K
Remaining deferred tax liabilities	EUR 16,043 K
less	
Deferred tax assets on loss carryforwards (total)	EUR -10,623 K
Net deferred tax liabilities	EUR 5,420 K

The net deferred tax liabilities after netting deferred tax assets and liabilities results from the tax treatment of oil and gas wells in the USA, where US tax law permits early amortization in some cases, which is associated with the recognition of deferred tax liabilities.

The group's economic situation continues to be characterized by its strong equity position. As of 31 December 2017, equity stood at EUR 56.7m (prior year: EUR 66.1m). The decrease is mainly attributable to the significant change in the equity difference from currency translation item, which has a clear effect due to the strong rise in the EUR/USD exchange rate as of 31 December 2017 to 1.1993. The equity ratio decreased from 34.2 % to 26.5 % due to the increase in liabilities and the decrease in equity. The Executive Board expects the equity ratio to increase again in the course of the year because liabilities will decrease by EUR 15.6m due to the redemption of the 2013/2018 bond in July 2018 and the high provisions (EUR 28m) for the drilling projects continuing beyond the reporting date.

As of 31 December 2017, provisions amounted to EUR 28.0m (prior year: EUR 5.3m). The provisions are mainly attributable to unbilled services from the drilling programs at Elster Oil & Gas and Cub Creek Energy.

In addition to the two bonds (EUR 82.3m), liabilities of EUR 121.9m (prior year: EUR 110.0m) comprise bank loans of Salt Creek Oil & Gas (EUR 10.8m) and Cub Creek Energy (EUR 13.3m), interest liabilities from the bond (EUR 2.2m), trade payables (EUR 5.2m) and other liabilities at Cub Creek Energy (EUR 6.9m). Bonds with a volume of EUR 82.3m comprise two bonds. A non-convertible bond due upon maturity with a volume of EUR 66.6m, which was issued on 20 July 2016, has a residual term until 20 July 2021 and carries an interest rate of 5.625 % as well as the remaining volume of EUR 15.7m of a previous non-convertible bond due upon maturity, carrying an interest rate of 8 % which has a residual term until 11 July 2018.

Using a customary reserve based lending facility (RBL), the group borrowed against the reserves of Cub Creek Energy and Salt Creek Oil & Gas in the USA. The average interest rate was 4.46 % for Cub Creek Energy and 4.88 % for Salt Creek Oil & Gas. The interest rates are variable and are in the range of LIBOR + 2.50 % and LIBOR + 3.75 %. The loans are due on maturity and have a residual term until 21 June 2022 (Cub Creek Energy) and 19 December 2021 (Salt Creek Oil & Gas). The volume and maturity of the loan may be adjusted according to semi-annual valuations of the oil and gas reserves. Other liabilities at Cub Creek Energy (EUR 6.9m) result from revenue-based payments, which are still to be paid to royalty owners. Compared to the prior-year figure of EUR 29.9m, trade payables at the end of the year fell sharply to EUR 5.2m, because of the small scale of payments due at year-end. At the same time, provisions as of 31 December 2017 increased significantly to EUR 28.0m (prior year: EUR 5.3m). The increase in this item mainly results from outstanding invoices for services of drilling companies and operating partners for the development of oil and gas fields. Thereof EUR 15.9m is attributable to Elster Oil & Gas, EUR 7.4m to Cub Creek Energy and EUR 3.4m to Salt Creek Oil & Gas.

In the table below, the company provides an overview of further indicators that are of particular importance for assessing its ability to service debt. This is based on the perspective prevailing on the reporting date of 31 December 2017.

ADDITIONAL SELECTED FINANCIAL INFORMATION

Fiscal year ended 31 December 2017

	2017	2016
EBIT Interest Coverage Ratio[1]	1.1	-0.1
EBITDA Interest Coverage Ratio[2]	7.2	1.6
Total DEBT / EBITDA[3]	3.0	11.8
Total net Debt / EBITDA[4]	2.0	6.2
Risk Bearing Capital[5]	0.3	0.3
Total Debt / Capital[6]	0.7	0.5

1 Ratio of EBIT (EBIT is defined as revenue plus changes in inventories plus other own work capitalized plus other operating income less cost of materials less personnel expenses less depreciation and amortization less other operating expenses less other taxes plus income from equity investments) to interest expenses and similar expenses.

2 Ratio of EBITDA (EBITDA is defined as EBIT plus depreciation and amortization) to interest expenses and similar expenses.

3 Ratio of financial liabilities (financial liabilities are defined as liabilities to banks plus liabilities from bonds plus other interest-bearing liabilities) to EBITDA.

4 Ratio of net financial liabilities (net financial liabilities are defined as total debt less cash and cash equivalents) to EBITDA. Cash and cash equivalents are defined as securities classified as fixed and current assets plus any bank balances.

5 Ratio of liability capital (liability capital is defined as equity) to total assets.

6 Ratio of financial liabilities (total debt) to financial liabilities plus equity.

OVERALL CONCLUSION

From the point of view of the Executive Board, the economic and financial position of the group remains excellent. Business development was good, especially in the key US market. The price for WTI, which is of particular significance for the group, increased significantly over the course of the year. To a great extent, the planned wells were realized within the projected budget and around 1,871,694 BOE were produced, which translates into a daily average of 5,128 BOE. New wells will lead to a further significant increase in production already in the first quarter of 2018. Revenue and earnings at the US entities and in the group will probably rise dramatically in 2018.

In the past year, the Metals division continued to benefit from tailwind caused by rising commodity prices. There were positive developments at virtually all subsidiaries and equity investments and interest in their projects from third parties. Almonty concluded fixed price agreements at 25 % above the spot market price. Tin International successfully entered the booming lithium market through the agreement with Lithium Australia. Ceritech signed a letter of intent with a Brazilian partner. The Executive Board is confident that this division will make a positive contribution to the development of the group's value in 2018 and 2019.

The group has a solid financing foundation thanks to further bond placements in July and November 2017 and is in a position to cover the high investments in the USA. Furthermore, all three US entities have meanwhile concluded credit agreements with US banks that enable them flexible financing. Currently, an overall credit facility of USD 60.0m is available from these agreements. This gives the US entities significantly more financial headroom. The very positive development of the two bonds in the past year is evidence of the trust the capital market places in the group's further development.

4. NON-FINANCIAL PERFORMANCE INDICATORS

The management strives to completely avoid incidents in the area of HSE (Health, Safety, Environment). There are clearly defined, detailed rules that employees and visitors alike must observe. The number of incidents in this area is the major non-financial performance indicator. There were no events of this kind in the group in the past year. The objective was therefore achieved.

III. SUBSEQUENT EVENTS

The following events had a significant impact on the development of business after the balance sheet date and prior to the end of April 2018:

Cub Creek Energy reported further production results at the beginning of January. At this point, the wells from the Haley site had been producing for around three months. They extracted 2,746 boepd (barrel equivalent per day, thereof 1,992 barrels oil) and were thus still above the expected production. The wells of Markham and Vail sites stabilized in the meantime. The production of both sites at the end of April came to 2,668 boepd (1,060 barrels oil).

Ceritech AG reported in January 2018 that it had received subsidies of EUR 1.2m from the German Federal Ministry of Education and Research for its gypsum project in Brazil.

In January 2018, the Sächsisches Oberbergamt (Upper Mining Authority of Saxony) granted Tin International the exploration rights in accordance with Sec. 7 Bundesberggesetz ["Bundesberggesetz: Federal Mining Act"] for a new license territory near Hegelshöhe ("Hegelshöhe") in the Osterzgebirge (East Ore Mountains) in Saxony. The approximately 15 km2 territory is located around 5 km south-east of the Sadisdorf license territory and is being explored by Tin together with the Australian company Lithium Australia NL (ASX: LIT).

In March 2018, the three subsidiaries Cub Creek Energy, Salt Creek Energy and Elster Oil & Gas published the results of the preparation of new reserve appraisals. The total value of proven, probable and possible reserves amounts to USD 281.0m.

On 23 March 2018, Deutsche Rohstoff AG announced the issue of convertible loans of EUR 10.0m with an interest rate of 3.625 % and a conversion price of EUR 28.0.

The start of production of 16 horizontal wells of the Litzenberger site was announced on 20 April 2018.

On 26 April 2018, Salt Creek announced that the company will sell its land in North Dakota for around USD 59.6m to Northern Oil & Gas. The agreement included payment of cash funds of USD 47.6m as well as receiving of shares with a value or USD 12m. The land was acquired in December 2016 for USD 38.1m, therefore, the group expects a profit before taxes of USD 12m.

The prices for oil and tungsten remained positive until the end of April. WTI has increased from around USD 58.0 to USD 68.0 per barrel since the beginning of the year. Tungsten APT was traded at USD 334/mtu at the end of March and thus continued its upward trend. The EUR/USD exchange rate performed poorly, trading at 1.22 EUR/USD at the end of April.

IV. FORECAST, OPPORTUNITIES AND RISK REPORT

1. FORECAST

The focus of the group's business activities is on producing oil and gas in the USA. At the end of 2017, the group operated 28 producing wells and around 88 wells in which it holds non-controlling interests. 16 other sources that are operated by the group itself were added in April 2018. Since March 2018, Elster Oil & Gas has around 28 producing wells in which the group holds a stake of around 35.0 %. It is planned to implement further self-operated wells at Cub Creek Energy. However, a fixed schedule for the drilling program for 2018 is not yet available. Therefore, revenue from potential further wells of Cub Creek Energy are not included in the forecast. At the end of April 2018, the subsidiary Salt Creek reported the sale of almost 100 % of its land. The forecast considers that Salt Creek Oil & Gas will make a contribution to the consolidated net income for the year as a whole from this transaction, however, will not generate further revenue and income after the conclusion of this transaction (expected at the beginning of June 2018).

In the Metals division, the group currently has no ongoing production activities. This means that contribution to income would only be related to asset transactions. As such income is difficult to forecast by nature, it has not been included in the forecast. The same applies to extraordinary write-downs.

Assuming an average annual US oil price of USD 65.0 per barrel, Henry Hub gas price of USD 2.8 and a EUR/USD exchange rate of 1.22, the Executive Board projects the following results for the current year:

- Consolidated revenue in a range of EUR 75.0m to EUR 85.0m.

- Earnings before interest, taxes, depreciation and amortization (EBITDA) in the range of EUR 65.0m – EUR 70.0m.

2. RISIKEN UND CHANCEN

MANAGING OPPORTUNITIES AND RISKS

The operations of Deutsche Rohstoff AG itself are limited. All major activities take place at the subsidiaries and equity investments, each of which has its own management. The activities in the mining and oil and gas sectors are subject to a large number of risks and opportunities, both within and beyond the company. We seek to identify and leverage opportunities at an early stage without neglecting or underestimating the associated risks. The management of Deutsche Rohstoff AG and the management of the group companies attaches particular importance to identifying risks in good time, estimating the consequences of the respective risks occurring, evaluating and, if possible, quantifying the likelihood of occurrence on an ongoing basis.

The Executive Board of the holding company in Mannheim uses a range of tools to identify opportunities and recognize risks at an early stage and counteract them:

· The annual financial planning is prepared for the holding company as well as for the subsidiaries on a monthly basis and is subject to constant variance analysis. Larger variances are taken as an opportunity to examine the corresponding costs directly or to adjust the planning, if necessary.

· The credit and cash management of the subsidiaries is coordinated in a timely manner with the parent company. No larger transactions take place without the parent company's approval.

· Deutsche Rohstoff AG, as the parent company, is represented on all supervisory committees of the group companies and also of the equity investments. There are regular board and supervisory board meetings at which the business policy is discussed in detail. In the majority of cases, the Deutsche Rohstoff representative is the chair of the supervisory body. Group representatives hold the majority of the voting rights at the companies owned by the group.

· Two to three times a month, or more frequently if necessary, extensive conference calls are held with the management of the subsidiaries. The Executive Board is informed about all current developments and discusses upcoming measures during these conference calls.

· Once or twice a year, the CEO of the key US subsidiaries attends the supervisory board meeting in Mannheim and personally reports current developments and the planning for the coming months to the supervisory board.

In addition, personal visits on site or by the management of subsidiaries in Mannheim provide an opportunity to discuss the respective situation comprehensively and to plan the next months and years from an operational perspective. These visits take place at least four times a year. There is also a regular exchange at management level with the investees in the form of on-site visits as well as telephone calls and correspondence during the year.

RISKS AND OPPORTUNITIES

The opportunities and risks are divided into five categories:

Systemic opportunities and risks
Industry opportunities and risks
Performance-related opportunities and risks
Financial opportunities and risks
Other opportunities and risks

The management of the individual companies focuses on the significant opportunities and risks. Such significant opportunities and risks are discussed with the group's Executive Board on an ongoing basis. They are the subject of regular telephone calls, reports, minutes and discussions during on-site visits. It is generally the responsibility of the highest management level of each subsidiary to anticipate opportunities and risks and regularly report to the management of the group. The management of the group works together with those responsible to specify measures aimed at mitigating risks.

Systemic opportunities and risks

This category includes one of the main risks that arises in the resources business, namely the risk of a decrease in prices of the resources produced. Decreasing prices have substantial effects on the profitability of extraction and on the liquidity requirements of the respective group company. If the prices that can be achieved per unit produced drop below the costs incurred for producing such a unit for a protracted period, the company's ability to continue as a going concern may be jeopardized.

In the Deutsche Rohstoff group, the price risk mostly relates to oil and gas at present. Cub Creek Energy, Elster Oil & Gas and Salt Creek regularly use sensitivity analyses to calculate how earnings and cash flow change with various prices for oil and gas. If there were to be a long-term drop in the price for WTI oil to below USD 40/barrel, new horizontal wells would no longer pay for themselves as quickly as management considers appropriate from an opportunities and risk perspective. If the price level were below this threshold, presumably no new wells would be sunk. Deciding not to drill would affect the financial performance, financial position and assets and liabilities but would under no circumstance jeopardize the company as a going concern. As of the balance sheet date, prices were above this threshold. Cub Creek Energy and Elster Oil & Gas expect a long-term oil price of between USD 50.0 and USD 60.0/barrel.

In 2017, the group exercised the option pursuant to Sec. 254 HGB to account for the economic hedge within the scope of transactions to hedge the WTI oil price and the Henry Hub gas price by forming a valuation unit. The net method is applied for the presentation of the effective part of the hedge. The hedging transactions include derivative financial transactions (portfolio hedges) for hedging the price risk from the commodities natural gas and crude oil. The hedging transactions relate to the period of oil and gas production of around 30,000 barrels of oil equivalent (BOE) per month in 2018 and 2019.

The derivative financial instruments hedge a production quantity (underlying transaction) of a total of 778,667 BOE. The objective of risk management is to hedge against an oil price below around USD 45.0 and a gas price below around USD 2.5. On the other hand, the company does not participate in prices above around USD 3.5 for gas and USD 52.0 for oil. This results in a gain for the corresponding forward contracts, provided the commodity price on the date of maturity is below this corridor. If the price is higher, the individual valuation of the unrealized future contract at the market price results in a loss. As of the reporting date, the oil prices were above the hedged corridor and accordingly resulted in an unrealized loss of EUR 2.0m as of 31 December 2017.

Oil is already produced from the existing production plants at the time of hedging in order to ensure the effectiveness of the hedging method and formation of anticipatory hedges taking into account the reliable scope and timely accrual. The opposite effects of the underlying transaction and the hedge will, therefore, most probably offset each other over the term of the hedge. The volume hedged is balanced by the volume of oil and gas produced at least to the same level. The loss from derivative financial instruments is countered by income from the extraction of commodities, because profitable extraction is possible even at the hedged price level. Thus the loss results in a reduction in revenue. The risk of volume hedged by derivative instruments which is not balanced by a corresponding production of oil and gas is, therefore, deemed to be extremely low.

The hedging transactions include less than 50.0 % of crude oil and natural gas production in 2018 and 2019 and comprise around 60.0 % to 80.0 % of the expected production from producing wells as of the reporting date.

As with oil and gas production, there is also a price risk in the production of tungsten concentrates. If the price for the concentrates were to fall below the production cost for a protracted period, Almonty Industries could face risks to its ability to continue as a going concern. Unlike in oil production, the company has to cover relatively high operating costs, which are also largely fixed and can be reduced only with a certain lead time. Since September 2014, there has been a significant fall in the European APT price, which is authoritative for Almonty. In fiscal year 2016/2017, the average annual price was USD 184.0/mtu (2014/2015: USD 264.0). In February 2016, the price had fallen to its lowest level for many years of USD 165.0/mtu. In fiscal year 2016/2017, the price recovered again to average USD 220.0/mtu or USD 267.0/mtu at the end of September 2017.

Due to the lower average annual prices for the fiscal year ended 30 September 2017, Almonty recorded a loss of CAD 8.1m (2015/2016: CAD 21.2m). However, it is clearly evident from the quarterly results that the company achieved a successful turnaround in the second half of the fiscal year. Whereas net losses of CAD 4.5m and CAD 3.5m were recorded in the first two quarters, the company reduced the loss in the third quarter to CAD 0.9m and for the first time in two years, generated a quarterly profit of CAD 0.7m in the fourth quarter.

In addition to the improvement of the operating business, management of Almonty was also successful in reducing accounting risks. In August 2017, the company successfully performed a capital increase of CAD 6.4m. The subscriber was Lewis Black, CEO of the company. In October 2017, just after the fiscal year ended, a further capital increase of CAD 2.7m was announced, which was taken over by J.P. Morgan Asset Management from London. Furthermore, management was successful in converting loans or convertible loans totaling CAD 13.4m into equity during the year. This resulted in a decrease in long-term debt from CAD 56.4m to CAD 44.6m. These measures increased the equity ratio to 28.4 % at the end of fiscal year 2016/2017 (2015/2016: 21.2 %).

The significant risks arising from Almonty's business model include, in addition to the risk from the development of tungsten prices, risks from the development of exchange rates and costs in countries where Almonty operates. Furthermore, there is a risk that Almonty will not be able to implement the planned financing, installation or the economically successful operation of the Sangdong and Valtreixal mines. Moreover, there is the risk that the Los Santos and Panasqueira mines may not be operated in a profitable manner due to operational problems or price changes.

Overall, the Executive Board of Deutsche Rohstoff considers the equity investment Almonty to be on the right track. They believe that significantly decreased operating costs, the strongly increased prices for tungsten APT, the reduction of accounting risks and the promising new Sangdong and Valtereixal mines that Almonty develops suggest further good development. The share price more than doubled since July 2017. The market cap of the equity investment is thus nearing the book value of Deutsche Rohstoff. Currently the value of investment of the company at Almonty Industries is around EUR 17.0m. In an extreme situation, if many of the risks mentioned above occur, the whole investment may be rendered worthless. Currently, the risk of permanent impairment or the risk from convertible debts, however, is deemed to be low by the Executive Board. Conversely, a rising price would have a positive effect on the financial performance, financial position and assets and liabilities at all group companies and equity investments. This therefore presents a significant opportunity. The Executive Board anticipates that prices for oil and the metals significant to the group will increase moderately during the remainder of 2018. The value of the group's assets increases disproportionately with increases in price because if production is already profitable, rising prices can be attributed fully to the earnings margin.

The company's investments are mainly in US dollars and, to a much lesser extent, in Australian or Canadian dollars. The related currency risk is significant and is reflected in the consolidated financial statements, both with and without affecting income. In the Executive Board's opinion, currently the biggest risk to the group exists with regard to currency. The development of EUR/USD in the past year led to a currency loss of EUR 3.0m. Further appreciation of the euro poses the risk of further losses.

The management constantly reviews the options for hedging or mitigating the currency risk. To this end, forward exchange contracts are concluded regularly in order to secure a certain exchange rate for foreign currency items that will be paid back on a specified date. Moreover, Deutsche Rohstoff has started entering into future positions in EUR/USD.

Both the equity investments Rhein Petroleum and Hammer Metals are involved in the exploration of oil & gas or metals. Exploration for resources carries high risks in this respect, because the capital employed for the execution of exploration wells may be lost if the results are unprofitable and thus may render equity investments worthless.

Industry opportunities and risks

As deposits of resources are bound to a particular location, they generally depend to a large extent on the political and legal environment. The Deutsche Rohstoff group therefore operates only

OIL TANKS AT MARKHAM PAD, COLORADO

in countries where a stable and reliable environment is to be expected. Nevertheless, there may be regulatory changes that significantly influence the profitability of projects even in these countries. Such an effect could arise if the use of fracking technology were to be restricted in Colorado or other federal states. However, management currently regards this risk as low.

Due to the weak commodities markets, there was no shortage in the availability of suitable personnel and service providers in the past years, particularly in the USA. However, there is currently a risk that personnel expenses and costs for service providers will increase again. There are hundreds more active wells in the USA compared to the low in mid-2016. Oil and gas companies are hiring more and more employees. In order to limit this risk, the Deutsche Rohstoff group secured reasonable prices for the drilling equipment and fracking services by entering into long-term agreements as early as mid-2016. To a large extent, the conditions agreed back then still apply to the first half of 2018. New agreements must be negotiated for later wells.

Performance-related opportunities and risks

In the area of service provision, there are the following significant risks relating to extraction companies. These risks can arise either individually or in combination, with each having a significant influence on the group's financial performance, assets and liabilities and financial position, but particularly if they occur in combination:

Extraction rates: the commercial success of the wells of the oil companies depends on the extraction rates or the total amount that it is possible to extract. In general, the costs per well have decreased over the past years, while extraction rates have increased, particularly on account of improved fracking methods. The combination of these two effects has resulted in a decreasing break-even point for wells and thus also a lower risk.

The management at Cub Creek Energy and Elster Oil & Gas constantly reviews its assumptions relating to the possible extraction rates on the basis of new findings generated by the companies themselves or by competitors operating in the vicinity. This is intended to avoid poor drilling results and extraction rates. Of course, better-than-expected extraction rates present an opportunity with a positive effect on the financial performance.

Exploration results are, by their nature, predictable only to a limited extent. The exploration activities within the group therefore carry the risk of wells or other types of exploration not being as successful as hoped. As a consequence, the value of the capitalized exploration expenses could decrease or these expenses could become completely worthless. However, due to the relatively low values recognized for exploration on the balance sheet, the influence on the group as a whole in no way jeopardizes its continued existence. By contrast, better-than-expected exploration results can have a considerable positive influence, particularly on assets and liabilities.

Financial opportunities and risks

The ability to finance project development is one of the key success factors in the extraction of resources. As of the end of 2017, Deutsche Rohstoff had very good equity reserves and sufficient cash reserves to cover all financial obligations and to finance current operations of all companies of the group. Nevertheless, the parent company could have to borrow additional funding to complete future horizontal drilling programs in the USA or to acquire new projects. Funding requirements may also be higher than planned on account of delays or cost increases for the projects. Whether or not additional funding can be procured going forward hinges on the success of the current and future project activities, the conditions on the capital market and other factors. If it is not possible to borrow funds at favorable conditions or indeed at any conditions, the management could possibly be forced to reduce the operating expenses by delaying, limiting or discontinuing project development.

In general, the Deutsche Rohstoff group endeavors to counter the financing risk with a very conservative financing policy. The range of the cash available is constantly calculated. Ongoing discussions are held with potential providers of equity and borrowed capital in an attempt to create further funding opportunities that can also be used independently of the capital market.

Some group companies carry substantial amounts of unused tax losses or have the ability to offset future investments against profits. This applies in particular to Deutsche Rohstoff USA and Deutsche Rohstoff AG. The Executive Board assumes that, based on current tax legislation, these loss carryforwards and other deductions can be carried forward and used for offsetting against future or past profits in accordance with the tax regulations (e.g., minimum taxation). If changes in the law at short notice, a change in the capital or ownership structures or other events mean that it is not possible to use the tax loss carryforwards in full or in part, or because it is not possible to yield long-term profits with resource projects, income tax payments would then be incurred on the profits expected to be recorded in the future if the respective subsidiaries develop successfully. These tax payments would burden liquidity, and capitalized deferred taxes could be impaired in value. The Executive Board therefore regularly reviews the recoverability of deferred tax assets recognized on loss carryforwards. Local tax advisors have been engaged to recognize and remedy tax risks at an early stage in all countries where the group has a domicile.

SADISDORF **DRILLING CORE**

HAMMER WITH MINERALIZED ROCKS

Other opportunities and risks

In the area of other risks, the risk of accidents affecting employees or third parties and the natural environment should be mentioned. Accidents of this kind can result in damages claims and additionally tarnish the company's reputation. Both can negatively impact financial performance and assets and liabilities, and in extreme cases even jeopardize the company ability as a going concern.

Overall picture of the risk situation

The most significant risks at present are the oil price, the tungsten price, the currency risk, the recoverability of the other equity investments and the risks pertaining to the further development of the exploration companies. However, the Executive Board believes that all of these risks are manageable and even in the most unfavorable case would not jeopardize the company's ability as a going concern. The Executive Board therefore believes that the overall business risk is low. The main risks are also countered by opportunities arising from upward moving commodity prices, a favorable exchange rate or successful development of projects by the exploration companies. In addition, thanks to its stable liquidity situation and strong reputation on the capital market, the company has the opportunity to invest in promising new activities.

Mannheim, 7 May 2018

The Executive Board

Dr. Thomas Gutschlag Jan-Philipp Weitz

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

IN EUR	SUBSCRIBED CAPITAL	CAPITAL RESERVES	REVENUE RESERVES	EQUITY DIFFERENCES FROM CURRENCY TRANSLATION
AS OF 01/01/2016	4,943,062	29,740,580	0	6,466,537
Capital increase through sale of shares to minority interests	0	16,578	0	0
Capital repayment and distribution to minority interests	0	0	0	0
Transfer to the revenue reserves	0	0	106,795	0
Acquisition of treasury shares	-7,800	0	-106,795	0
Foreign currency translation	0	0	0	-140,880
Reclassifications	0	0	0	0
Dividend	0	0	0	0
Net income / net loss for the year	0	0	0	0
AS OF 31/12/2016	4,935,262	29,757,158	0	6,325,657
AS OF 01/01/2017	**4,935,262**	**29,757,158**	**0**	**6,325,657**
Capital increase through sale of shares to minority interests	0	70,237	0	0
Capital repayment and distribution to minority interests	0	0	0	0
Foreign currency translation	0	0	0	-9,833,020
Reclassifications	0	0	0	0
Dividend	0	0	0	0
Net income / net loss for the year	0	0	0	0
AS OF 31/12/2017	**4,935,262**	**29,827,395**	**0**	**-3,507,363**

PROFIT/LOSS CARRYFORWARD	PROFIT/LOSS FOR THE PERIOD	EQUITY OF THE DRAG GROUP	NON-CONTROLLING INTERESTS	CONSOLIDATED EQUITY
18,720,626	-596,479	59,274,326	2,566,102	61,840,428
0	0	16,578	6,966,983	6,983,561
0	0	0	-107,091	-107,091
0	-106,795	0	0	0
0	0	-114,595	0	-114,595
0	0	-140,880	299,780	158,900
-596,479	596,479	0	0	0
-2,714,394	0	-2,714,394	0	-2,714,394
0	102,202	102,202	-27,916	74,286
15,409,753	-4,593	56,423,237	9,697,858	66,121,095
15,409,753	**-4,593**	**56,423,237**	**9,697,858**	**66,121,095**
0	0	70,237	118,144	188,381
0	0	0	-4,019,540	-4,019,540
0	0	-9,833,020	-493,349	-10,326,369
-4,593	4,593	0	0	0
-2,961,157	0	-2,961,157	0	-2,961,157
0	5,548,520	5,548,520	2,123,772	7,672,292
12,444,003	**5,548,520**	**49,247,817**	**7,426,885**	**56,674,702**

CONSOLIDATED **STATEMENT OF CHANGES IN FIXED ASSETS**

ACQUISITION AND PRODUCTION COST

IN EUR	01/01/2017	ADDITIONS	DISPOSALS
I. INTANGIBLE ASSETS			
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	**35,313,253**	2,041,938	0
2. Goodwill	**8,480,510**	0	-2,548,982
	43,793,763	**2,041,938**	**-2,548,982**
II. PROPERTY, PLANT AND EQUIPMENT			
1. Petroleum extraction equipment	**82,645,257**	12,119,800	0
2. Exploration and evaluation	**6,332,645**	61,448,671	0
3. Plant and machinery	**678,291**	0	-56,671
4. Other equipment, furniture and fixtures	**236,128**	59,461	-1
	89,892,322	**73,627,932**	**-56,672**
III. FINANCIAL ASSETS			
1. Equity investments	**13,300,611**	3,490,487	0
2. Loans to other investees and investors	**913,075**	939,122	0
3. Securities classified as fixed assets	**7,638,497**	544,289	-2,714,441
	21,852,183	4,973,898	-2,714,441
	155,538,268	**80,643,768**	**-5,320,095**

CHANGES IN BASIN OF CONSOLIDATION	RECLASSIFICATIONS	FOREIGN CURRENCY TRANSLATION	31/12/2017
0	0	-4,733,998	32,621,193
0	0	-514,962	5,416,566
0	**0**	**-5,248,960**	**38,037,759**
0	22,547,213	-11,084,203	106,228,067
0	-22,547,213	-1,837,708	43,396,395
0		-150,990	470,630
0	0	-15,515	280,073
0	**0**	**-13,088,416**	**150,375,165**
0	0	0	16,791,098
0	0	0	1,852,197
0	0	0	5,468,345
0	0	0	24,111,640
0	**0**	**-18,337,376**	**212,524,564**

CONSOLIDATED **STATEMENT OF CHANGES IN FIXED ASSETS**

ACCUMULATED AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

IN EUR	01/01/2017	ADDITIONS	DISPOSALS
I. INTANGIBLE ASSETS			
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	1,459,588	655,110	0
2. Goodwill	1,719,733	676,539	-251,030
	3,179,321	**1,331,649**	**-251,030**
II. PROPERTY, PLANT AND EQUIPMENT			
1. Petroleum extraction equipment	6,473,415	28,511,244	0
2. Exploration and evaluation	2,839,880	0	0
3. Plant and machinery	504,974	15,948	-17,506
4. Other equipment, furniture and fixtures	132,672	48,840	0
	9,950,941	**28,576,032**	**-17,506**
III. FINANCIAL ASSETS			
1. Equity investments	758,421	464,043	0
2. Loans to other investees and investors	0	128,059	0
3. Securities classified as fixed assets	50,771	0	0
	809,192	**592,102**	**0**
	13,939,454	**30,499,783**	**-268,536**

CHANGES IN BASIN OF CONSOLIDATION	RECLASSI-FICATIONS	FOREIGN CURRENCY TRANSLATION	31/12/2017	NET BOOK VALUES 31/12/2017	31/12/2016
0	0	-59,442	2,055,256	30,565,937	33,853,665
0	0	0	2,145,242	3,271,324	6,760,778
0	**0**	**-59,442**	**4,200,498**	**33,837,261**	**40,614,443**
0	0	-2,516,887	32,467,772	73,760,295	76,171,842
0	0	0	2,839,880	40,556,515	3,492,765
0	0	-131,764	371,652	98,978	173,317
0	0	-9,264	172,248	107,825	103,456
0	**0**	**-2,657,915**	**35,851,552**	**114,523,613**	**79,941,380**
0	0	0	1,222,464	15,568,634	12,542,190
0	0	0	128,059	1,724,138	913,075
0	0	0	50,771	5,417,574	7,587,726
0	**0**	**0**	**1,401,294**	**22,710,346**	**21,042,991**
0	**0**	**-2,717,357**	**41,453,344**	**171,071,220**	**141,598,814**

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

1. GENERAL

The consolidated financial statements of Deutsche Rohstoff AG were prepared in accordance with the accounting provisions of Secs. 290 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as the supplementary provisions of the AktG ["Aktiengesetz": German Stock Corporation Act].

The consolidated income statement is classified using the nature of expense method.

To improve clarity, we summarize individual consolidated balance sheet and income statement items and present and comment on them separately in these notes to the consolidated financial statements. For the same reason, we also indicate in the notes whether individual items are related to other items and "thereof" items.

The consolidated financial statements are presented in euro (EUR). Unless otherwise indicated, all figures are rounded up or down to the nearest euro in accordance with commercial rounding practice. Please note that differences can result from the use of rounded amounts and percentages.

The parent company Deutsche Rohstoff AG has its registered offices in Mannheim. The company is registered with the commercial register of Mannheim local court under HRB 702881.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include Deutsche Rohstoff AG as well as three German subsidiaries and five foreign subsidiaries. In the prior year, the consolidated financial statements included three German subsidiaries and six foreign subsidiaries. Please also refer to 5.2. Information on shareholdings.

The US company Mountain States Reserve Company LLC was dissolved in fiscal year 2017 and was thus deconsolidated.

As a result of the option exercised by a non-controlling interest, the share in the US company Salt Creek Oil & Gas LLC decreased from 90.52 % to 90.18 %.

As a result of the exit of a shareholder, the share in the US subsidiary Cub Creek Energy LLC increased from von 79.93 % to 88.46 %.

The share in Ceritech AG decreased from 67.86 % to 66.15 % as a result of the sale of shares.

3. CONSOLIDATION PRINCIPLES

Companies which were consolidated for the first time due to an acquisition were accounted for using the purchase method as of the date on which the companies became a subsidiary.

The carrying amount of the shares belonging to the parent company is offset against the equity of the subsidiary attributable to those shares. Equity is stated at the fair value of the assets, liabilities, prepaid expenses and deferred income to be included in the consolidated financial statements at the time of consolidation. Any remaining asset difference is disclosed as goodwill; any difference on the liabilities side is disclosed separately under equity as a "Negative consolidation difference".

The fair value of the assets, liabilities, prepaid expenses and deferred income is determined as of the date on which the company became a subsidiary; this is also the date of acquisition accounting.

Intercompany receivables and liabilities, revenue, income and expenses and any intercompany profits and losses were eliminated.

4. RECOGNITION AND MEASUREMENT POLICIES

The following recognition and measurement policies were used to prepare the financial statements.

The financial statements of the companies included in the consolidated financial statements were prepared in accordance with uniform recognition and measurement policies.

Purchased intangible assets are recognized at acquisition or production cost and are amortized over their useful lives using the straight-line method if they have a limited life. The useful life ranges from three to five years. Intangible assets primarily comprise extraction rights as well as exploration and extraction licenses. Exploration licenses are amortized using the straight-line method over the anticipated total exploration period as of the date of acquisition. By contrast, extraction licenses are amortized over the expected remaining useful life of the deposit using the straight-line method. There is one exception regarding the straight-line amortization method for extraction rights, which are amortized according to the degree of utilization. The degree of utilization reflects the economic rate of depreciation.

Extraordinary write-downs are recognized if the impairment is expected to be permanent.

Goodwill from acquisition accounting before 1 January 2016 of shares is amortized pro rata temporis over a period of five years. For goodwill arising after 31 December 2015, explanations on determining the relevant useful life are given pursuant to the BilRUG ["Bilanzrichtlinie-Umsetzungsgesetz": German Act to Implement the EU Accounting Directive] provisions in the context of fixed assets. The estimated useful lives are based on the expected extraction periods and volumes, the appropriateness of which is evaluated on a regular basis and adjusted downwards as necessary.

Property, plant and equipment are recognized at acquisition or production cost and are depreciated if they have a limited life. The cost of self-constructed assets includes direct costs as well as a proportionate share of overheads.

Property, plant and equipment contains the category "Petroleum extraction equipment" on account of the specific features of an extractive company. The petroleum extraction equipment relates to extraction equipment operated by Elster Oil & Gas LLC and Cub Creek Energy LLC in the "Wattenberg" field in Colorado (USA), as well as by Salt Creek Oil & Gas LLC in the "Williston Basin - Bakken" oil field in North Dakota (USA).

Classification of property, plant and equipment also contains a classification item "Exploration and evaluation". The item contains expenses incurred during the exploration and evaluation phase in direct connection with the discovery of minable material and which directly serve the procurement of raw materials more likely than not to generate future cash flows. Direct costs and a proportionate share of overheads are recognized.

As of the date of commercial production, these items are reclassified to the respective fixed asset items. Should it emerge that, due to events or changes in circumstances, the estimated raw materials available are not sustainable or fall significantly short of expectations or the yield is not sufficient for viable extraction, the assets affected are written off through profit or loss.

Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method. The useful life for plant and machinery ranges between 8 and 25 years, for other equipment, furniture and fixtures between 3 and 13 years. There is one exception regarding the straight-line depreciation method for petroleum extraction equipment, which is depreciated according to the degree of utilization. The degree of utilization reflects the economic rate of depreciation.

Extraordinary write-downs are recognized if the impairment is expected to be permanent.

Financial assets are recognized at the lower of cost or market.

Inventories are recognized at the lower of cost or market.

Finished goods and merchandise are valued at production cost. In addition to the direct cost of materials, direct labor and other special direct costs, production costs include production and materials overheads as well as depreciation. Borrowing costs were not included in production cost. General and administrative expenses were also not capitalized.

In all cases, valuation was at net realizable value, i.e., the cost to complete was deducted from the expected sales prices.

Receivables and other assets were stated at their nominal value less allowances for specific risks.

As pending transactions, derivative financial instruments are generally not recognized. Gains on hedging instruments that cannot be designated to corresponding hedged items are only realized upon maturity. Unrealized losses from derivative financial instruments are recognized with an effect on income if they are not included in a hedge and the unrealized losses are not compensated for by offsetting changes in the value of the hedged item. The company exercised the option pursuant to Sec. 254 HGB to account for the economic hedge within the scope of transactions to hedge the WTI oil price and the Henry Hub gas price by forming a hedge. The net method is applied here. Any positive and negative changes in value are offset against each other and not recognized in the income statement.

Other securities classified as current assets are recognized at acquisition cost or, if applicable, at the lower listed or market prices on the balance sheet date.

Prepaid expenses include payments made prior to the balance sheet date that relate to expenses for a particular period after this date.

Other provisions account for all uncertain liabilities and potential losses from pending transactions. They are recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases). Provisions with a residual term of more than one year were discounted. Recultivation provisions were primarily recognized for field clearance and well plugging. This involves recognizing a pro rata addition, taking into account expected future price and cost increases as well as discounts in line with the respective remaining term.

Provisions are discounted using an interest rate suitable for instruments of an equivalent term in accordance with the RückAbzinsV ["Rückstellungsabzinsungsverordnung": German Ordinance on the Discounting of Provisions].

Liabilities were recorded at the settlement value.

To determine deferred taxes arising due to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, the resulting tax burden and relief are valued using the company-specific tax rates at the time the differences reverse; these amounts are not discounted. Differences due to consolidation procedures in accordance with Secs. 300 to 307 HGB are taken into account; differences arising on the first-time recognition of goodwill or a negative consolidation difference are not included. Deferred tax assets were recognized on tax loss carryforwards if expected to be offset within the next five years. Where permissible, deferred tax assets and deferred tax liabilities are netted.

CURRENCY TRANSLATION

Foreign currency assets and liabilities were translated using the mean spot rate on the balance sheet date. If they had residual terms of more than one year, the realization principle and the historical cost principle were applied.

Except for equity, assets and liabilities in the financial statements prepared in foreign currency were translated into euro at the mean spot rate on the balance sheet date. Equity is translated at historical exchange rates. The items of the income statement are translated into euros at the average exchange rate. The resulting translation difference is recognized in consolidated equity under the item "Equity difference from currency translation".

5. NOTES TO THE CONSOLIDATED BALANCE SHEET

5.1. FIXED ASSETS

The development of fixed assets, including amortization, depreciation and write-downs for the fiscal year, is shown in the statement of changes in fixed assets.

In the fiscal years 2013 and 2014, shares in Elster Oil & Gas LLC were acquired by non-controlling interests. As a result of these capital increases, hidden reserves of EUR 8,569k in total were capitalized in the item "Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets".

In addition, extraction rights in connection with potential and productive oil and gas wells were capitalized under this item.

In 2017, Cub Creek Energy LLC acquired further extraction rights for the development of oil and gas wells of EUR 1,704k.

The item "Purchased franchises, industrial rights and similar rights and assets, and licenses in such rights and assets" breaks down as follows, see table 5.1.1.

Under exploration and evaluation in the area of mining, for Tin International AG and Ceritech AG, carrying amounts for licenses to explore for raw materials or development projects are disclosed. In the oil and gas division, drilling projects that are in the development stage at the corresponding time but that have not yet commenced production are disclosed under the item.

Acquisition accounting of Cub Creek Energy in 2016 resulted in goodwill of EUR 4.2m. Due to the exit of a non-controlling interest in 2017 and the resulting capital consolidation, this amount decreased to EUR 1.7m as of 31 December 2017. This goodwill is amortized over a useful life of 15 years using the straight-line method. The useful life was estimated on the basis of the average extraction periods of the oil wells of Cub Creek Energy.

The acquisition accounting of Salt Creek Oil & Gas in 2016 also led to goodwill of EUR 1.5m. This goodwill is also amortized over a useful life of 15 years using the straight-line method. The useful life was estimated on the basis of the average extraction periods of the oil wells of Salt Creek Oil & Gas.

For Cub Creek Energy LLC, investments for the drilling of 16 wells at the "Litzenberger" pad of EUR 16,063k is disclosed. These wells were completed in the first quarter of 2018. The wells commenced production at the end of April. In connection with the 20 wells in the "Magpie" project, Elster Oil & Gas LLC records investments made to date of EUR 23,106k. The wells commenced production in the first quarter of 2018.

The item "Exploration and evaluation" breaks down as follows, see table 5.1.2.

The petroleum extraction equipment breaks down as follows, see table 5.1.3.

The petroleum extraction equipment of Elster Oil & Gas LLC relates to eleven wells in the "Wattenberg" field in Colorado, USA, an average of 45.3 % of which is allocable for economic purposes to the company Elster Oil & Gas LLC.

The petroleum extraction equipment of Cub Creek Energy LLC relates to 28 wells in the "Wattenberg" field in Colorado, USA, an average of 85.3 % of which is allocable for economic purposes to the company Cub Creek Energy LLC. Twenty-one of the wells were commissioned in 2016 and a further seven wells in September 2017. For the wells that commenced production in 2017 and the final investments in the wells from 2016, a total of EUR 24,146k was capitalized.

The petroleum extraction equipment of Salt Creek Oil & Gas LLC relates to 77 producing wells in the "Williston Basin - Bakken" oil field in North Dakota, USA, an average of 7.9 % of which is allocable for economic purposes to the company Salt Creek Oil & Gas LLC. These wells were acquired for EUR 20m in connection with the acquisition in fiscal year 2016. Further wells with a total reported investment volume of EUR 10,660k commenced production in the course of 2017.

5.2. INFORMATION ON SHAREHOLDINGS

Exercising the valuation option allowed under Sec. 253 (3) Sentence 6 HGB, the equity investment in Almonty Industries Inc. was disclosed at a carrying amount of EUR 11,052,085.66, as in the prior year. This carrying amount is based on a market value of CAD 0.68 (EUR 0.48) per share on acquisition. The market value as of 31 December 2017 came to CAD 0.55/share (EUR 0.37/share), with the price moving within a range of CAD 0.48/share (EUR 0.30/share) and CAD 0.59/share (EUR 0.41/share) in the first four months of 2018. However, the carrying amount has not been written down to fair value, as the net value per share – based on price forecasts from independent research companies and planning by the company – is higher than the historical acquisition cost, and the Executive Board does not expect permanent impairment. We refer to our explanations under IV.2 in the management report, see table 5.2.

5.3. INVENTORIES

Inventories relate to gold carried under finished goods.

5.4. 5.4.RECEIVABLES AND OTHER ASSETS

The remaining terms of receivables and other assets break down as follows, see table 5.4. und Tabelle 5.4.1.

5.5. DERIVATIVE FINANCIAL INSTRUMENTS

Transactions of a derivative nature do exist. These transactions include derivative financial instruments in the form of costless collars comprising put and call options as well as swaps concluded to hedge oil and gas price-related risks in the USA. In addition, currency futures are concluded to hedge the EUR-USD currency risk. There were no forward exchange contracts as of the balance sheet date.

Derivative financial instruments are measured at fair value on the basis of published market prices. If there is no price listed on an active market, other suitable valuation methods are used. The market values of the hedging instruments for oil prices were provided by the relevant contractual partners (financial service providers) with which the hedging transactions were concluded.

To determine the market value of the put and call options (costless collars) as of the balance sheet date, the values prepared by the relevant contractual partner were also used. The market valuation for the put and call options (costless collars) is carried out on the basis of a mark-to-market valuation. The value of a currency future is determined and made available on the futures exchange on an ongoing basis.

The company exercised the option pursuant to Sec. 254 HGB to account for the economic hedge within the scope of transactions to hedge the WTI oil price and the Henry Hub gas price by forming a hedge. The disclosures required under Sec. 314 (1) No. 15 HGB are made in section "2. Systemic opportunities and risks".

5.6. PREPAID EXPENSES

Prepaid expenses primarily relate to prepaid insurance and rent as well as a debt discount in connection with loan liabilities. With respect to the disclosure of a debt discount, the option set forth in Sec. 250 (3) HGB was exercised.

5.7. DEFERRED TAXES

A tax rate of between 24 % and 30 % depending on the local tax regulations was used for calculating deferred taxes. Deferred tax assets were recognized on tax loss carryforwards at the local tax

TAB 5.1.1. PURCHASED FRANCHISES, INDUSTRIAL RIGHTS AND SIMILAR RIGHTS AND ASSETS, AND LICENSES IN SUCH RIGHTS AND ASSETS

PROJECT/COMPANY	RAW MATERIAL	2017	2016
Elster Oil & Gas LLC	Oil and gas	**13,314,025**	16,133,680
Salt Creek Oil & Gas LLC	Oil and gas	**14,603,324**	16,622,743
Cub Creek Energy LLC	Oil and gas	**2,642,395**	1,078,355
Other	Various	**6,193**	18,887
		30,565,937	**33,853,665**

TAB 5.1.2. EXPLORATION AND EVALUATION

PROJECT/COMPANY	RAW MATERIAL	2017	2016
Cub Creek Energy LLC	Oil and gas	**16,363,604**	2,583,985
Elster Oil & Gas LLC	Oil and gas	**23,105,507**	0
Tin International AG	Tin and copper	**343,592**	311,455
Ceritech AG	Rare earths	**743,812**	597,325
		40,556,515	**3,492,765**

TAB 5.1.3. PETROLEUM EXTRACTION EQUIPMENT

PROJECT/COMPANY	RAW MATERIAL	2017	2016
Elster Oil & Gas LLC	Oil and gas	**6,091,770**	9,876,728
Cub Creek Energy LLC	Oil and gas	**41,577,496**	46,249,864
Salt Creek Oil & Gas LLC	Oil and gas	**26,091,029**	20,045,250
		73,760,295	**76,171,842**

TAB. 5.2. INFORMATION ON SHAREHOLDINGS

	REGISTERED OFFICE	INCL. SHARES IN ACC. WITH SEC. 16 AKTG ["AKTIENGESETZ": GERMAN STOCK CORPORATION ACT] DIRECT %	INDIRECT %	TOTAL %	FISCAL YEAR	EQUITY IN LC	NET INCOME/ LOSS FOR THE YEAR IN LC
CONSOLIDATED AFFILIATES							
Deutsche Rohstoff AG	Mannheim, Germany						
Deutsche Rohstoff USA Inc	Wilmington, USA	100.00		**100.00**	2017		
Elster Oil & Gas LLC	Denver, USA		93.00	**93.00**	2017		
Diamond Valley Energy Park LLC	Denver, USA		93.00	**93.00**	2017		
Cub Creek Energy LLC	Denver, USA		88.46	**88.46**	2017		
Salt Creek Oil & Gas LLC	Denver, USA		90.18	**90.18**	2017		
Tin International AG	Leipzig, Germany	61.55		**61.55**	2017		
Ceritech AG	Leipzig, Germany	66.15		**66.15**	2017		
Jutland Petroleum GmbH	Heidelberg, Germany	100.00		**100.00**	2017		
OTHER EQUITY INVESTMENTS							
Devonian Metals Inc.*	New Westminster, Canada	47.00			2016/17[1]	5,376,398	-69,654
Almonty Industries Inc.*	Toronto, Canada	13.29			2016/17[2]	45,625,000	-8,242,0000
Hammer Metals Ltd.*	Mount Lawley, Australia	13.07			2016/17[3]	10,508,874	539,578
Rhein Petroleum GmbH	Heidelberg, Germany	10,00			2017	-3.701.435	-8.536.996

* Measured at consolidated amortized cost, as Deutsche Rohstoff AG cannot exert significant influence on the business or financial policies of these companies.

1 Balance sheet date 30 April 2017

2 Balance sheet date 30 September 2017

3 Balance sheet date 30 June 2017

rate of 30 %. The theoretical group tax rate stands at 25.8 %. The recognition of the deferred tax assets is based only on tax loss carryforwards that are expected to be offset within the next five years. The determined deferred tax assets and liabilities separated at country level were offset against each other in the balance sheet, see table 5.7.

5.8. EQUITY

The development of equity is shown in the statement of changes in equity (attachment to the notes).

As of 31 December 2017, the subscribed capital of EUR 5,063,072 (prior year: EUR 5,063k) corresponds to the balance sheet item recognized at the parent company.

As of 31 December 2017, the company's treasury shares acquired in 2015 and 2016 remained unchanged at 127,810 shares with an imputed value of share capital of EUR 127,810 (2.52 %).

Treasury shares were acquired for the purpose of flexibly managing the company's cash requirements and on account of their inappropriate valuation according to the Executive Board at the time of the resolution.

The nominal value of treasury shares is deducted from subscribed capital on the face of the balance sheet in accordance with Sec. 272 (1a) HGB (EUR 127,810.00).

Pursuant to Sec. 268 (8) HGB, for the separate financial statements of Deutsche Rohstoff AG as of 31 December 2017 there is a restriction on distribution of EUR 1,375,190.48 (prior year: EUR 112,536.84) due to the recognition of deferred tax assets and deferred tax liabilities, because the deferred tax assets exceed the deferred tax liabilities.

5.9. NEGATIVE CONSOLIDATION DIFFERENCE

A negative consolidation difference of EUR 195,747 was recognized due to the exit of a non-controlling interest in 2017 and the resulting capital consolidation. The negative consolidation difference is amortized over a useful life of ten years in line with the identified hidden reserves.

5.10. PROVISIONS

Other provisions developed as follows, see table 5.10.

Other provisions are primarily attributable to outstanding invoices at the US companies Cub Creek Energy LLC, Elster Oil & Gas LLC and Salt Creek Oil & Gas LLC as well as personnel expenses.

5.11. LIABILITIES

Liabilities are listed in the table below, see table 5.11.

The item "Bonds" includes liabilities from two corporate bonds of EUR 82,340k in total.

A new bond has been issued as of 20 July 2016. This non-convertible bond falls due upon maturity, has a residual term until 20 July 2021 and carries an interest rate of 5.625 % p.a. In the course of 2017, this bond with an additional volume of EUR 15,635k was issued, bringing the placement of bonds as of 31 December 2017 to EUR 66,599k (prior year: EUR 50,964k). The new placement served to finance further oil and gas wells processed by the US subsidiaries.

The bond issued in 2013, which is also non-convertible, falls due upon maturity as well, has a residual term until 11 July 2018 and carries an interest rate of 8 % p.a. As of 31 December 2017, the volume outstanding remains unchanged at EUR 15,741k.

A loan from banks of EUR 10,839,656 is recognized under liabilities as of 31 December 2017 due in more than one year, which relates to Salt Creek Oil & Gas LLC. A credit line with the Bank of Oklahoma, N.A., was agreed for the partial funding of the acquisition of oil and gas production in North Dakota. This credit line amounts to USD 17m as of 31 December 2017, of which USD 13m (EUR 10,839,656) had been drawn. The interest rate is variable; the weighted average interest rate as of 31 December 2017 is 4.88 %. The loan is repayable on maturity and due on 19 December 2021. The volume and maturity of the loan may be adjusted according to semi-annual valuations of the oil and gas reserves of Salt Creek Oil & Gas LLC by the Bank of Oklahoma.

In addition, a loan from banks of EUR 13,341,116 is recognized under liabilities as of 31 December 2017 due in more than one year, which relates to Cub Creek Energy LLC. The loan serves to finance the current oil and gas wells and was concluded with Wells Fargo Bank N.A. The credit line amounts to USD 40m as of 31 December 2017, of which USD 16m (EUR 13,341,116) had been drawn. The interest rate for this loan is also variable, but the weighted average interest rate as of 31 December 2017 is 4.46 %. The loan is repayable on maturity and due on 21 June 2022. The volume and maturity of the loan may be adjusted according to

TAB 5.4. RECEIVABLES AND OTHER ASSETS

IN EUR	< 1 JAHR	> 1 JAHR	31/12/2017 GESAMT
Trade receivables	8,832,330	0	**8,832,330**
Receivables from other investees and investors	258,122	0	**258,122**
Other assets	1,129,929	194,514	**1,324,443**
			10,414,895

IN EUR	< 1 JAHR	> 1 JAHR	31/12/2016 GESAMT
Trade receivables	7,298,295	0	**7,298,295**
Receivables from other investees and investors	495,339	0	**495,339**
Other assets	14,920,383	184,876	**15,105,259**
			22,898,893

TAB 5.4.1. OTHER ASSETS

IN EUR	2017	2016
Receivables from German and foreign tax offices	**253,824**	12,881,259
Collateral provided for forward exchange contracts	**742,473**	1,861,415
Deposits	**121,829**	92,891
VAT receivables	**26,216**	55,320
Interest income cap	**9,224**	90,881
Loan receivables	**62,536**	91,985
Other	**108,341**	31,508
	1,324,443	**15,105,259**

TAB. 5.7. DEFERRED TAXES

EUR	31/12/2017	31/12/2016
DEFERRED TAX ASSETS ON DIFFERENCES IN CARRYING AMOUNTS FOR		
Property, plant and equipment	1,214,369	2,651,592
Receivables and other assets	140,161	138,185
Securities classified as current assets	122,353	0
Bank balances	147,486	55
Other provisions	215,609	180,000
Liabilities	4,839	0
TOTAL	1,844,817	2,969,832
Deferred taxes on loss carryforwards	10,622,906	2,469,958
TOTAL DEFERRED TAX ASSETS	12,467,723	5,439,789
DEFERRED TAX LIABILITIES ON DIFFERENCES IN CARRYING AMOUNTS FOR		
Intangible assets	1,836,880	2,629,101
Property, plant and equipment	16,050,636	14,403,241
Receivables and other assets	0	1,040,785
Securities classified as current assets*	0	11,784
Bank balances*	0	0
TOTAL DEFERRED TAX LIABILITIES	17,887,516	18,084,911
TOTAL DEFERRED TAXES, NET	-5,419,793	-12,645,122

* Recognition of these deferred tax liabilities was based on the valuation as of the balance sheet datepursuant to Sec. 256a HGB.

TAB. 5.10. OTHER PROVISIONS

EUR	01/01/2017	UTILIZATION	ALLOCATION	CURRENCY	31/12/2017
Tax provisions	330,517	-293,450	5,735	-278	42,524
Other provisions	4,977,616	-4,525,255	28,620,053	-1,118,343	27,954,071
TOTAL	5,308,133	-4,818,705	28,625,788	-1,118,621	27,996,595

TAB. 5.11. LIABILITIES

DUE IN (YEARS)			31/12/2017		
EUR	< 1 YEAR	1–5 YEARS	> 5 YEARS	TOTAL	THEREOF SECURED
Bonds, non-convertible	15,741,000	66,599,000	0	82,340,000	0
Liabilities to banks	54,869	24,180,772	0	24,235,641	24,180,772
Trade payables	5,236,367	0	0	5,236,367	0
Other liabilities	10,089,004	0	0	10,089,004	0
– thereof for social security	9,027	0	0	9,027	0
– thereof for taxes	142,434	0	0	142,434	0

DUE IN (YEARS)			31/12/2016		
EUR	< 1 YEAR	1–5 YEARS	> 5 YEARS	TOTAL	THEREOF SECURED
Bonds, non-convertible	0	66,705,000	0	66,705,000	0
Liabilities to banks	146	8,538,089	0	8,538,236	8,538,089
Trade payables	29,914,719	0	0	29,914,719	0
Other liabilities	3,988,686	0	0	3,988,686	0
thereof for social security	13,881	0	0	13,881	0
thereof for taxes	195,582	0	0	195,582	0

TAB. 6.2. OTHER OPERATING INCOME

EUR	2017	2016
Income from the disposal of fixed financial assets	0	494,569
Income from the disposal of intangible assets	0	1,638,025
Exchange rate gains	781,143	8,105,572
Sundry other income	342,451	258,725
	1,123,594	10,496,891

semi-annual valuations of the oil and gas reserves of Cub Creek Energy LLC by Wells Fargo Bank N.A.

The item “Other liabilities” amounts to EUR 10,089,004 and mainly comprises license obligations of Cub Creek Energy LLC as well as interest liabilities in connection with the corporate bond.

6. NOTES TO THE CONSOLIDATED INCOME STATEMENT

6.1. REVENUE

Revenue primarily relates to the US entities Elster Oil & Gas LLC, Creek Energy LLC as well as Salt Creek Oil & Gas LLC and their participation in producing oil wells. Revenue from oil wells is subject to production tax that is to be deducted directly from revenue according to the BilRUG provisions. Production tax of EUR 3.3m was incurred in fiscal year 2017.

Revenue by segment and region breaks down as follows:

EUR	2017	2016
Gold	2,034	14,402
Oil	42,778,870	7,447,465
Gas	10,939,040	1,697,591
Other	26,109	10,838
	53,746,053	9,170,296

EUR	2017	2016
Germany	28,143	14,402
USA	53,717,910	9,155,894
	53,746,053	9,170,296

6.2. OTHER OPERATING INCOME

Other operating income comprises the following, see table 6.2.

6.3. COST OF MATERIALS

As of 31 December 2017, cost of purchased services of EUR 8.1m is recognized and primarily relates to the ongoing operating expenses that were incurred for the 28 wells at Cub Creek Energy LLC in 2017. In the prior year, these costs came to EUR 1.5m and were disclosed under “Other operating expenses”.

6.4. AMORTIZATION AND DEPRECIATION

Depreciation mainly relates to the petroleum extraction equipment in the USA. Depreciation is carried out according to the degree of utilization, which reflects the economic rate of depreciation. The calculation of depreciation is based on the proved reserves per oil well as of the respective reporting date, calculated in barrels of oil equivalent. These are calculated as a proportion of the total costs capitalized per well and multiplied by the volume extracted. A new calculation of the reserves of each oil well is done on an annual basis.

6.5. EXTRAORDINARY WRITE-DOWNS

An extraordinary write-down of EUR 100,000 was recognized on the shares of Devonian Metals Inc. due to permanent impairment in order to present the carrying amount at fair value. Furthermore, an extraordinary write-down of EUR 364,043 was recognized on the shares in Hammer Metals Ltd. in order to measure the carrying amount at fair value.

The write-downs are recognized under the item “Amortization of financial assets and securities classified as current assets”. The total amount of this item comes to EUR 830,716, of which EUR 464,043 relates to financial assets and EUR 366,673 to “Amortization of securities classified as current assets”.

6.6. OTHER OPERATING EXPENSES

Other operating expenses break down as follows, see table 6.6.

Die Position Aufwendungen für Kursverluste umfasst im Wesentlichen Aufwendungen aus Währungskursverlusten, die auf Ebene der Deutsche Rohstoff AG angefallen sind. Aufgrund des gesunkenen US-Dollarkurses im Vergleich zum 31. Dezember 2016 entstanden diese Währungsverluste hauptsächlich aufgrund der Stichtagsbewertung der in US-Dollar valutierten kurzfristigen Forderungen sowie der unterjährig durchgeführten Transaktionen auf den US-Dollar geführten Bankkonten.

6.7. INCOME TAXES

The US tax reform entered into force with effect from 1 January 2018. As a result of the reduction of the corporate tax rate from 35 % to 21 %, the deferred taxes recognized in the past had to be recalculated. The new calculation resulted in a reversal of deferred tax liabilities of EUR 4.87m affecting income. The item “Income taxes” breaks down as follows, see table 6.7.

7. OTHER NOTES

7.1. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents comprise the "Bank balances" balance sheet item. Other non-cash income primarily results from the reversal of deferred tax liabilities.

7.2. RELATED PARTY TRANSACTIONS

In the fiscal year, there were no significant transactions with related parties that were not conducted at arm's length.

7.3. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

There are contingent liabilities from guarantees of EUR 805k. The guarantees are secured by real rights and a counterguarantee; the Executive Board considers the occurrence of liability from guarantees to be most unlikely on account of the existing collateral.

OFF-BALANCE-SHEET TRANSACTIONS

See table 7.3.1.

OTHER FINANCIAL OBLIGATIONS

There are other financial obligations in addition to the contingent liabilities, see table 7.3.2.

STOCK OPTION PROGRAM

In accordance with the resolution approved at the annual general meeting of Deutsche Rohstoff AG on 22 July 2011, the executive board was authorized until 31 December 2013 to issue, once or in several tranches, up to 225,000 stock options with subscription rights to new registered no-par value shares in the company representing a pro-rata amount of EUR 1.00 of the share capital per share with a term of up to seven years. Those entitled were members of management of the company's affiliates in Germany and abroad as well as employees at the company and at the affiliates in Germany or abroad. Each share option grants the right to subscribe a new share in the company.

By resolution dated 13 September 2011, the Executive Board made use of the authorization for the first time and issued 90,000 stock options to members of management of the company's affiliates in Germany and abroad as well as 28,000 stock options to the company's employees and its affiliates in Germany and abroad. By resolution dated 3 January 2012, the Executive Board once again made use of the authorization and issued 50,000 stock options to members of management of the company's affiliates in Germany and abroad as well as 49,000 stock options to the company's employees and its affiliates in Germany and abroad.

Following the issue of these stock options, there remain 8,000 options for employees and no further options for members of management. In the meantime, three employees to whom the options had been issued have left Deutsche Rohstoff AG or affiliates. A total of 28,000 options were returned to the company. Together with the 8,000 options that had not been issued under the first two tranches, a total of 36,000 options were available for reissue.

On 14 June 2013, the Executive Board made use of the authorization by the annual general meeting and, in a third tranche, issued 32,000 stock options to employees of the company.

In 2014, 42,500 stock options were returned from the second tranche, which had been granted to members of management of the company's affiliates in Germany and abroad. Furthermore, an employee left a German affiliate in 2014, as a result of which an additional 5,000 stock options were returned from the third tranche.

The vesting period for the first tranche of the stock option program expired on 13 September 2015.

On 13 September 2015, the Executive Board, with the approval of the supervisory board dated 18 September 2015, resolved in accordance with Art. 1 (5) of the 2011 stock option program to provide a cash settlement for all options exercised or to be exercised pursuant to Art. 7 (2) of the 2011 stock option program in exchange for payment of the difference between the exercise price pursuant to Art. 5 of the stock option program and the authoritative reference price pursuant to Art. 6 (2) of the stock option program, instead of granting subscription shares.

In 2016, 25,000 stock options were returned from the second tranche, which had been granted to members of management of the company's affiliates in Germany and abroad.

A total of 67,769 stock options were exercised as of the end of 2017.

TAB. 6.6. OTHER OPERATING EXPENSES

IN EUR	2017	2016
Operating expenses	0	1,517,796
Non-recognizable exploration and evaluation expenses	500,906	362,605
Administrative expenses	2,230,878	4,694,320
Selling expenses	192,097	209,472
Other expenses	5,473,141	4,781,760
	8,397,022	11,565,953
OPERATING EXPENSES		
Operating costs oil wells	0	1,517,796
	0	1,517,796*
ADMINISTRATIVE EXPENSES		
Legal and consulting fees	324,346	947,769
Bookkeeping costs	182,666	77,522
Insurance premiums	182,020	165,879
Costs incurred by the supervisory board and similar bodies	341,052	354,266
Rent and leases	285,220	304,272
Cost of preparing and auditing the financial statements	143,442	139,505
IT expenses (rent, maintenance, consulting, etc.)	183,410	174,269
Contributions	52,601	38,913
Office supplies	38,831	22,851
Post and telephone expenses, data transfer	32,351	28,753
Bank charges and fees	48,485	35,727
Costs issuance of new bonds	119,173	900,915
Costs of the bond swap	0	1,273,345
Cost of stock exchange listing	239,822	190,605
Other administrative expenses	57,459	39,729
	2,230,878	4,694,320

IN EUR	2017	2016
SELLING EXPENSES		
Travel expenses	190,787	193,627
Cost of sales promotion	1,310	15,845
	192,097	209,472
OTHER EXPENSES		
Deconsolidation costs	0	196,000
Exchange rate losses	4,743,028	4,216,612
Incidental personnel expenses/training	0	4,247
Vehicle expenses	34,164	30,848
Losses from the disposal of fixed assets	0	61,608
Losses from the disposal of property, plant and equipment	70,775	139,925
Allocation to other provisions	415,711	44,350
Donations	0	300
Sundry other operating expenses	209,463	87,869
	5,473,141	4,781,760

* Recognized as cost of materials in the prior year.

TAB. 6.7. INCOME TAXES

IN EUR	2017	2016
Current tax	37	-12,020,689
Income (-)/expense (+) from changes in deferred taxes	-6,378,630	9,346,474
	-6,378,593	-2,028,183

TAB. 7.3.1. OFF-BALANCE-SHEET TRANSACTIONS

	PURPOSE	RISKS	REWARDS
Operating leases	Safeguard the liquidity situation and improve the equity ratio	Risks arise from the non-cancelable minimum lease term as well as higher refinancing costs.	Short-term contractual obligations, allowing leased items to be upgraded to keep up with technical progress.

TAB. 7.3.2. OTHER FINANCIAL OBLIGATIONS

IN EUR	DUE IN < 1 YEAR	DUE IN > 1 YEAR	2017	DUE IN < 1 YEAR	DUE IN > 1 YEAR	2016
Rent for office space	268,722	898,605	**1,167,327**	307,874	1,037,365	1,345,239
Vehicle leasing	22,929	39,954	**62,883**	25,836	82,058	107,894
Other	2,171	4,522	**6,693**	1,233	4,932	6,166
			1,236,903			**1,459,299**

As of the date they were granted, the stock options had a value of EUR 0k. As of the balance sheet date, this figure stood at EUR 543k (prior year: EUR 785k). The decrease is attributable to the decline of the share price of Deutsche Rohstoff AG since the last balance sheet date.

7.4. EMPLOYEES

The average number of employees during the fiscal year is presented below:

TAB. 7.4. EMPLOYEES

NUMBER OF EMPLOYEES	2017	2016
Wage earners	**0**	0
Salaried employees	**23**	17
Trainees	**0**	0
TOTAL	**23**	**14**

The average number of employees is a quarter of the total numbers of employees as of 31 March, 30 June, 30 September and 31 December.

7.5. CORPORATE BODIES

EXECUTIVE BOARD

Dr. Thomas Gutschlag · Mannheim
Jan-Philipp Weitz · Mannheim

SUPERVISORY BOARD

Martin Billhardt (Chairman) · Pfäffikon (SZ) / Switzerland
General Manager of Sidlaw GmbH

Prof. Dr. Gregor Borg · Halle
Head of the working group on petrology and economic geology (Fachgruppe für Petrologie und Lagerstättenforschung) at the University of Halle-Wittenberg

Wolfgang Seybold · Esslingen am Neckar
Banking professional, general manager of AXINO Investment GmbH

7.6. TOTAL REMUNERATION OF THE EXECUTIVE BOARD

Remuneration of the Executive Board of Deutsche Rohstoff AG for performing its functions at the parent company and the subsidiaries amounted to EUR 610k (prior year: EUR 639k).

7.7. TOTAL REMUNERATION OF THE SUPERVISORY BOARD

Compensation of the Supervisory Board of Deutsche Rohstoff AG for performing its functions at the parent company and the subsidiaries amounted to EUR 115k (prior year: EUR 121k).

7.8. AUDITOR'S FEES

The auditor's fees recorded in the fiscal year amounted to EUR 93k for audit services and EUR 6k for other services.

7.9. SUBSEQUENT EVENTS

The following events had a significant impact on the development of business after the balance sheet date and prior to the end of April 2018:

Cub Creek Energy also reported further production results at the beginning of January. At this point, the wells from the Haley site were producing for around three months. They extracted 2,746 boepd (barrel equivalent per day, thereof 1,992 barrels oil) and were thus still above the expected production. The wells of Markham and Vail sites stabilized in the meanwhile. The recent production of both sites came to 2,668 boepd (1,060 barrels oil).

Ceritech AG reported in January 2018 that it has received subsidies of EUR 1.2m from the German Federal Ministry of Education and Research for its gypsum project in Brazil.

In January 2018, the Sächsisches Oberbergamt (Upper Mining Authority of Saxony) granted Tin International the exploration rights in accordance with Sec. 7 Bundesberggesetz ["Bundesberggesetz: Federal Mining Act"] for a new license territory near Hegelshöhe ("Hegelshöhe") in the Osterzgebirge (East Ore Mountains) in Saxony. The approximately 15 km^2 areas is located around 5 km south-east of the Sadisdorf site and is being explored by Tin together with the Australian company Lithium Australia NL (ASX: LIT).

In March 2018, the three subsidiaries Cub Creek Energy, Salt Creek Energy and Elster Oil & Gas published the results of the preparation of new reserve appraisals. The total value of proven, probable and possible reserves amounts to USD 281.0m.

On 23 March 2018, Deutsche Rohstoff AG announced the issue of convertible loans of EUR 10.0m with an interest rate of 3.625 % and a conversion price of EUR 28.0.

The start of production of 16 horizontal wells of the Litzenberger site was announced on 20 April 2018.

On 26 April 2018, Salt Creek published that the company will sell its land in North Dakota for around USD 59.6m to Northern Oil & Gas. The agreement included payment of cash funds of USD 47.6m as well as receiving of shares with a value or USD 12m. The land was acquired in December 2016 for USD 38.1m, therefore, the group expects profit before taxes of USD 12m.

The prices for oil and tungsten remained positive until the end of April. WTI has increased from around USD 58.0 to USD 68.0 per barrel since the beginning of the year. Tungsten APT was traded at USD 334/mtu at the end of March 2018 and thus continued its upward trend. The EUR/USD exchange rate showed a weak development and traded at 1.22 EUR/USD at the end of April.

7.10. PROPOSAL FOR THE APPROPRIATION OF PROFIT

The Executive Board proposes to the Supervisory Board to distribute a dividend of EUR 0.65 for each of the 4,935,262 dividend-bearing no-par value shares (EUR 3,207,920.30), of the net retained profit for fiscal year 2017 of Deutsche Rohstoff AG of EUR 4,939,282.58 and carry forward the remaining net retained profit to new account.

Mannheim, 7 May 2018

The Executive Board

Dr. Thomas Gutschlag Jan-Philipp Weitz

REPORT OF THE **SUPERVISORY BOARD**

DEAR SHAREHOLDERS,

Over the past fiscal year, the Supervisory Board of Deutsche Rohstoff AG (hereinafter also referred to as "company") performed its duties in accordance with law, the articles of incorporation and rules of procedure, and intensively supervised the Executive Board's business conduct, thus fulfilling its advisory and regulatory role. In all decisions that were of fundamental importance to the company, the Supervisory Board was directly involved. Within the scope of fulfilling its duties, the Executive Board reported to the Supervisory Board regularly, promptly and comprehensively, both in writing and orally and/or by telephone, on matters of corporate planning, the position and development of the company and its subsidiaries and affiliates, as well as all significant transactions. The Supervisory Board voted, after careful consideration and consultation, on the decisions or actions of the Executive Board, which are subject to approval by law, the articles of incorporation and the rules of procedure of the Executive Board, as well other decisions of fundamental importance.

Regarding the reports of the Management Board, I continuously maintained contact to the Executive Board in my capacity as chairman of the Supervisory Board. I kept abreast of the latest business development within the corporate network, in particular about the acquisition of land for the development of oil and gas production in the United States, the drilling of a total of 23 horizontal wells in Colorado over the course of the year, the participation in the drilling of 20 wells by the company's subsidiary Elster Oil & Gas LLC as well the development of a portfolio of producing and potentially producing wells of the subsidiary Salt Creek Energy LLC in North Dakota.

MEETINGS OF THE SUPERVISORY BOARD AND KEY POINTS OF DELIBERATION

A total of five Supervisory Board meetings were held in 2017. All board members participated in all sessions. No committees have been formed. The meetings of the Supervisory Board in fiscal year 2017 mainly focused on the following topics:

· the development of production and wells by the subsidiary Salt Creek Energy LLC

· the development of production of the subsidiary Cub Creek Energy LLC

· the drilling program for 2017 of Cub Creek Energy LLC with a total of 23 horizontal wells

· the issue of a guarantee in favor of Rhein Petroleum GmbH to the Hessiches Bergamt (mining authority of Hesse)

· the approval of the annual financial statements and the consolidated financial statements of Deutsche Rohstoff AG for fiscal year 2016 in the annual accounts meeting on 8 May 2017, after extensive discussion with the external auditor for fiscal year 2016

· the subsequent placement of the 2016/2021 bond with a volume of around EUR 15m in the middle and towards the end of 2017

· the conclusion of a letter of intent between Ceritech AG and Copebràs Indústria Ltda. in Brazil

· the conclusion of a joint venture agreement between Tin International AG and Lithium Australia

· the business development and financial situation of Almonty Industries and the related restructuring of the existing receivables of Deutsche Rohstoff AG from Almonty Industries

· the election of the Supervisory Board on the Annual General Meeting 2017 as well as the appointment of Mr Martin Billhardt as chairman of the Supervisory Board and Dr Gregor Borg as deputy chairman

· the results of the interim financial statements of the company as of 30 June 2017 as well as the quarterly report for the first nine months of 2017

· the exit of Robert Gardner as CEO of the subsidiary Cub Creek Energy LLC

· the investment of liquid funds of the company

· the development of commodity prices, particularly the price of oil in the United States and the European tungsten APT (Ammonium Paratungstate)

· the assessment of the currency development in particular of EUR/USD

· the investment and budget planning of the company and the group for fiscal year 2018

The budget planning for fiscal year 2017 prepared by the Executive Board was examined and approved by the Supervisory Board. The strategic direction of the company and the group was discussed, reviewed and adjusted on the basis of medium-term and long-term business plans and scenarios. The Supervisory Board thoroughly analyzed and reviewed the information obtained from the Executive Board and discussed it with them. There was a special focus on the risk exposure and risk management.

The Executive Board informed the Supervisory Board regularly on the status of assets and liabilities, financial position and financial performance of the company and its subsidiaries and affiliates.

In numerous meetings and by means of resolutions outside of meetings, the Supervisory Board gave its consent for transactions that are subject to approval in accordance with the law, the articles of incorporation of the company or of the rules of procedure for the Executive Board. These included, in particular:

· the approval for granting a loan of USD 1m to Almonty Industries dated 23 January 2017, as well as

· the authorization of the Executive Board dated 20 March 2017 to issue a guarantee in favor Rhein Petroleum GmbH to the Hessiches Bergamt (mining authority of Hesse).

ANNUAL FINANCIAL STATEMENTS, CONSOLIDATED FINANCIAL STATEMENTS, GROUP MANAGEMENT REPORT AND PROPOSAL FOR THE APPROPRIATION OF NET RETAINED PROFIT

The audit firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft with its headquarters in Stuttgart, branch office Mannheim, Theodor-Heuss-Anlage 2, 68165 Mannheim ("EY") was appointed as auditor and group auditor for fiscal year 2017 by the Annual General Meeting on 7 July 2017 and subsequently engaged by the Supervisory Board to audit the separate and the consolidated financial statements of the company. EY audited the separate and the consolidated financial statements prepared by the Executive Board (including the group management report) for fiscal year 2017 and issued an unqualified auditor's report in each case.

All members of the Supervisory Board received the documentation relevant for the financial statements, in particular the annual financial statements and the consolidated financial statements, the related auditor's report from EY as well as the proposal of the Executive Board on the appropriation of net retained profit in a timely manner, prior to the annual accounts meeting on 7 May 2018. All members of the Supervisory Board thoroughly reviewed the documents in preparation for this meeting. The annual financial statements, the consolidated financial statements, the group management report and the proposal for the appropriation of net retained profit were discussed in detail with the Executive Board in this meeting. The Supervisory Board has independently reviewed the annual financial statements, the consolidated financial statements and the group management report prepared by the Executive Board, as well as the proposal of the Executive Board for the appropriation of net retained profit for legality, compliance, expediency and economic viability. The engagement partner of EY as well as the audit manager also attended the annual accounts meeting on 7 May 2018. They reported on the audit, commented on the key audit matters and supported the Supervisory Board with additional information.

After a thorough review of the annual financial statements, the consolidated financial statements and the group management report for fiscal year 2017, as well as of the proposal of the Executive Board for the appropriation of net retained profit, there were no objections by the Supervisory Board. The Supervisory Board accepted the audit result of EY and approved the annual financial statements and the consolidated financial statements of Deutsche Rohstoff AG. The annual financial statements of Deutsche Rohstoff AG are thus ratified.

The Supervisory Board would like to thank the members of the Executive Board and all the employees for their commitment and achievements in fiscal year 2017.

Mannheim, May 2018

On behalf of the Supervisory Board

Martin Billhardt

Chairman

AUDITOR'S REPORT

TO DEUTSCHE ROHSTOFF AG

OPINIONS

We have audited the consolidated financial statements of Deutsche Rohstoff AG, Mannheim, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2017, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year from 1 January 2017 to 31 December 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Deutsche Rohstoff AG for the fiscal year from 1 January 2017 to 31 December 2017.

In our opinion, on the basis of the knowledge obtained in the audit,

· the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as of 31 December 2017 and of its financial performance for the fiscal year from 1 January 2017 to 31 December 2017 in compliance with German legally required accounting principles, and

· the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

OTHER INFORMATION

The Supervisory Board is responsible for the Supervisory Board report. In all other respects, the executive directors are responsible for the other information. The other information comprises:

· Letter to the shareholders

· Comments on the share and the bond in the annual report

· Comments on hedging in the annual report

· Report by the Supervisory Board

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

· is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

· otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined 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 executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

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 whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

· Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, 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 opinions. 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 of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.

· Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

· Conclude on the appropriateness of the executive 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 the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. 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 be able 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 present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance 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.

Mannheim, 7 May 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kaschub	Hällmeyer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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DISCLAIMER

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that reflect the management's current views in respect of future developments. Such statements are subject to risks and uncertainties that are beyond the ability of Deutsche Rohstoff AG (DRAG) to control or estimate precisely. Such statements may include future market conditions and economic environment, the behaviour of other market participants, the successful acquisition or sale of group companies or interests and the actions of government bodies. Should any of the above stated risks or other risks and uncertainties occur, or should the assumptions underlying any of these statements prove incorrect, then the actual results may differ significantly from those expressed or implied by such statements. DRAG neither intends nor assumes any obligation to update any forward-looking statements to reflect events or developments that take place after the date of this report.

DEVIATIONS RESULTING FROM TECHNICAL GROUNDS

For technical reasons (e.g. resulting from the conversion of electronic formats) deviations may arise between the accounting documents contained in this Annual Report and those submitted to the electronic Federal Gazette in Germany. In this case the version submitted to the electronic Federal Gazette shall be considered the binding version.

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

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