

Deutsche Rohstoff



ANNUAL REPORT 2018



ANNUAL REPORT 2018

COMMODITIES ARE **THE FUTURE**

CORPORATE **BODIES** (AS OF 31/12/2018)



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)

↗ 109,052

Sales Revenue

↗ 97,933

EBITDA

↗ 17,945

Net profit

↗ 68,674

Operating Cash Flow

↗ 59,989

Liquidity

↗ 32.84

Equity ratio in %

HIGHLIGHTS 2018 DEUTSCHE ROHSTOFF GROUP

February/March 2018

Elster significantly increases its share in new oil and gas wells by 55% /
New wells commence production

23 March 2018

Deutsche Rohstoff AG successfully issues a convertible bond in the amount of EUR 11 million

26 April 2018

Salt Creek sells most of its acreage in the Williston Basin, North Dakota

11 June 2018

Tin International sells Sadisdorf and Hegelshöhe licenses to Joint Venture partner Lithium Australia

18 July 2018

Deutsche Rohstoff founded new US Oil and Gas company called Bright Rock Energy in Denver

17 September 2018

Bright Rock Energy acquires first acreage in the Uinta-Basin in Utah

19 November 2018

Deutsche Rohstoff AG raises full year guidance for the second time

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Ladies and Gentlemen

The financial year 2018 was a very successful year for Deutsche Rohstoff. In the oil & gas sector, we increased our daily production by almost 80 %, compared to 2017, to over 9,000 BOE. Our now four subsidiaries in the US produced around 3.5 million barrels of oil equivalent (BOE) last year, a new record. By way of comparison, the figure for the previous year was 1.87 million BOE. Cub Creek and Elster contributed 1.7 million and 1.6 million BOE, respectively, almost exactly the same amount to this result. The combined value of oil and gas reserves at year-end was approximately USD 186 million.

The increase in sales and earnings is even more impressive than the increase in production. Group sales rose to EUR 109.1 million in 2018. Compared to 2017 it has more than doubled, compared to 2016 it has increased twelvefold. EBITDA (earnings before interest, taxes, depreciation and amortization) rose similarly to EUR 97.9 million, up from EUR 36.1 million in the previous year and EUR 6.4 million in 2016. Consolidated net income also rose sharply to EUR 17.9 million, up from EUR 7.7 million in the previous year and EUR 0.075 million in 2016. These are impressive growth rates attributable to our high investments in 2017 and 2018, in which we invested around USD 145 million. We



DR THOMAS GUTSCHLAG
CEO DEUTSCHE ROHSTOFF AG

also benefited from rising oil prices last year. On average, and despite the sharp decline in the fourth quarter, we were able to sell our oil for USD 62.83 per barrel.

Last year, the US oil price of WTI rose to a multi-year high of USD 75.51 /barrel in the beginning of October 2018. Prices then fell sharply in the fourth quarter, so that WTI ended the year at USD 44.92 per barrel. Prices caught up again at the beginning of 2019 and closed at around USD 63 per barrel at the end of April. We expect prices to fluctuate between USD 55 and USD 65 per barrel this year.

The metals division also continued their upward trend. Almonty Industries generated net income of CAD 7.3 million in the first quarter of its fiscal 2018/2019. In the fiscal year 2017/2018, which ended September 30, 2018, the company reported a loss of CAD 10.7 million despite a 67 % increase in sales over the prior year. The loss mainly resulted from the write-down of the residual book value of Wolfram Camp Mine, which amounted to CAD 12.8 million. In December 2018, Wolfram Camp was liquidated. That concludes this chapter for Almonty. The focus of further development is on the Sangdong Mine in South Korea.

Further progress was also made in the sale of smaller projects and investments. Tin International sold both the Sadisdorf license and the Gottesberg license at the beginning of the year. The total proceeds in shares and cash amounted to almost EUR 3 million. Tin International therefore no longer holds any licenses of its own. In the medium term, we plan to sell the shares held by the company and distribute the proceeds to the shareholders. Deutsche Rohstoff AG now holds almost 75 % of Tin International.

The Group's balance sheet remains healthy. Our equity rose significantly to almost EUR 74 million. With total assets

of EUR 225 million, the equity ratio climbed back to 33 % after falling to 27 % in the previous year. With around EUR 60 million, cash and cash equivalents at the end of the year were twice as high as at the end of 2017. We were able to reduce liabilities slightly to EUR 116 million at the end of the year (end of 2017: EUR 122 million).

This year, too, we plan high investments in our oil and gas production. We had initially postponed the decision for a further drilling program at Cub Creek due to the sharp drop in prices in the 4th quarter of 2018. In April, however, we gave the go-ahead for eleven wells with

an investment volume of around USD 60 million. Together with investments at the other companies, we expect to invest up to USD 75 million again this year in setting up additional production facilities. We therefore expect production to grow at a high rate again in 2020.

The shareholders will be pleased with the fact that we will be proposing a further increased dividend of EUR 0.70 to the Annual General Meeting. The distribution of a reliable and possible rising dividend will continue to be a key objective of the Executive Board in the future. For the first time this year, we are offering the option of a so-called stock dividend. Shareholders can have the dividend paid out in the form of Deutsche Rohstoff AG shares instead of cash. These shares are issued with a discount to the current share price. We believe that this is an attractive offer. We hope that many shareholders will accept it and remain loyal to our company.

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



Thomas Gutschlag
CEO

Jan-Philipp Weitz
CFO



JAN-PHILIPP WEITZ
CFO DEUTSCHE ROHSTOFF AG

SHARE AND BONDS

SHARE PRICE PERFORMANCE AND DIVIDEND

Deutsche Rohstoff AG share opened 2018 at a price of EUR 20.60 and rose rapidly to around EUR 25.00 in January. After a brief setback, the share reached its yearly high in May at EUR 26.35, before falling significantly in the second half of the year to EUR 13.52 at the end of December. The fourth quarter was characterized in particular by the weak oil price. The performance in the year under review was -29%. Market capitalization at the end of the year was EUR 71 million.

The average trading volume at the four exchanges with the highest turnover (XETRA, Tradegate, Stuttgart, Frankfurt) was slightly lower compared to the previous year and averaged at 16,421

shares per day. Approximately 230,000 shares were traded on the day with the highest turnover. At 60%, XETRA is the most liquid exchange ahead of Tradegate (33%).

The dividend of EUR 0.65 proposed by the Management Board and approved at the Annual General Meeting on 10 July 2018 was paid out on 11 July. The dividend thus rose for the fourth time in succession.

SHAREHOLDER STRUCTURE

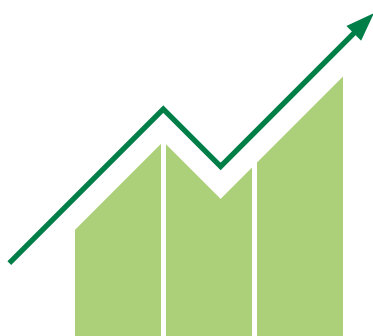
The share capital of Deutsche Rohstoff AG amounts to EUR 5,063,072 and is divided into the same number of registered shares. The Management Board and Supervisory Board held around 10% of the shares at the end of the year. After two share buyback

programs in 2014 and 2015, the company itself continues to hold 2.5% of the shares. The remaining 87.5% are distributed among more than 6,300 shareholders. 24% of the shares were held by institutional investors as of 31 December 2018.

BONDS

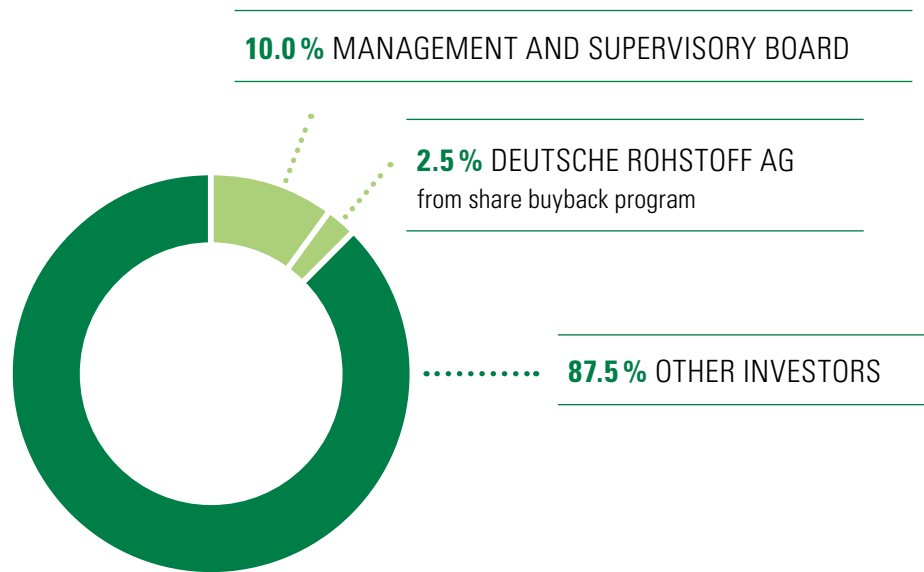
At the beginning of the reporting year 2018, Deutsche Rohstoff AG had two non-convertible bonds outstanding with a total volume of EUR 82.3 million. When the bond 2013/2018 (A1R07G) matured on 11 July 2018, the remaining EUR 15.7 million were repaid. The second, non-convertible bond 2016/2021 (A2AA05) matures on 20 July 2021 and carries an annual interest rate of 5.625%. The 2016/2021 bond was always quoted above par between 100.6% and 106.5%

SHARE DETAILS (AS OF 31 / 12 / 2018)



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

SHAREHOLDER STRUCTURE



ANNUAL **GENERAL MEETING** ON 7 JULY 2018 AT ROSENGARTEN MANNHEIM

SHARE AND BONDS

in the year under review. The outstanding volume as of 31 December 2018 amounted to EUR 66.6 million.

In March 2018, for the first time Deutsche Rohstoff AG issued a convertible bond (A2LQF2) with a coupon of 3.625 % and an initial conversion price of EUR 28. The issue took place under exclusion of subscription rights and is initially convertible into 357,143 shares of Deutsche Rohstoff AG.

CAPITAL MARKET COMMUNICATION

The Management Board spent more than 14 days travelling in Europe and the USA,

presenting the company both in one-on-one meetings and in presentations to investors. In addition, the Company held three analyst calls, each after publication of the quarterly/half-year figures. In this context, the Management Board presented the company's current results and business performance to the institutional group of participants.

The Annual General Meeting 2018 was held on 10 July for the second time at the Congress Center Rosengarten in Mannheim. Approximately 180 shareholders were present, representing 29 % of the share capital. The administration's proposals were approved by a clear majority.

ANALYST COVERAGE

In the year under review, the shares of Deutsche Rohstoff AG were regularly examined by the independent research companies First Berlin and Kepler Chevreux. Both companies publish their own earnings estimates, as well as a price target and a recommendation for the share. This takes into account not only assessments of the company, but also the overall market environment.

As part of the Scale Segment Listing, Edison Research also publishes a qualitative report twice a year and Morningstar publishes a daily quantitative report.

FINANCIAL CALENDAR 2019

06/05/2019

Publication of the individual and consolidated financial statements for 2018

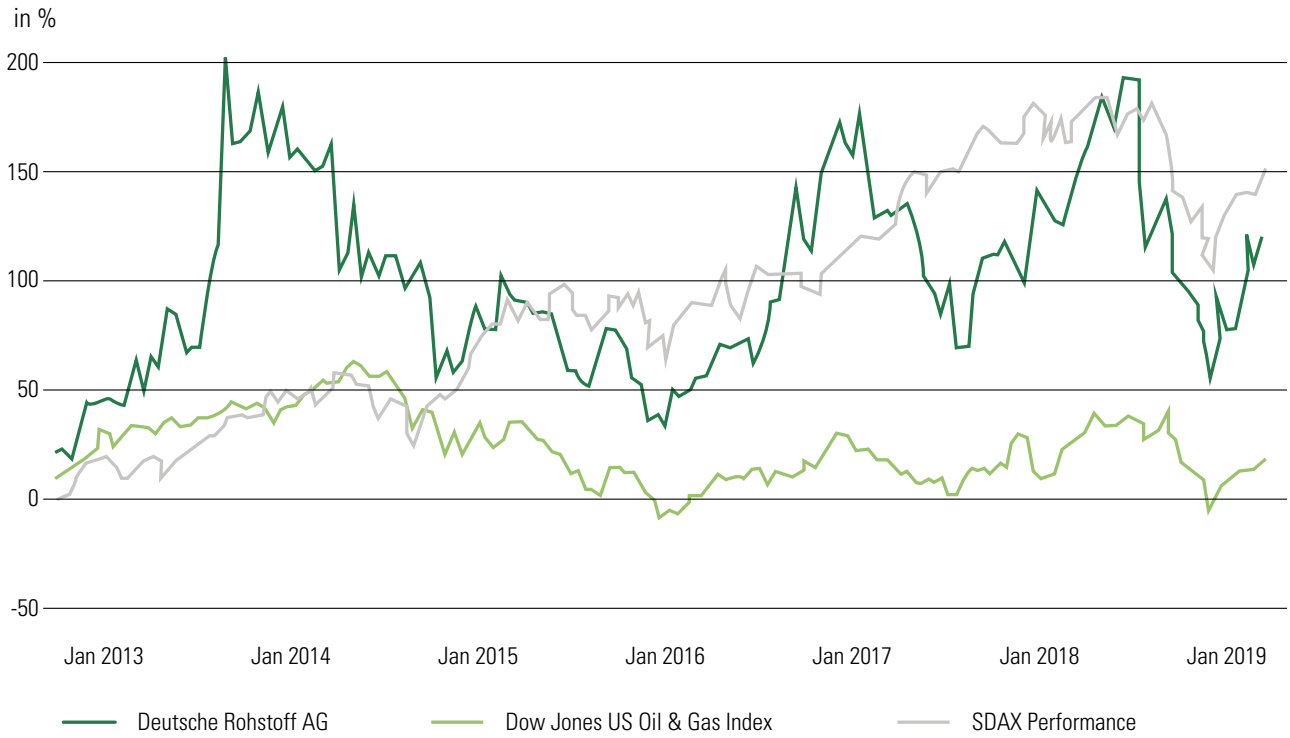
09/05/2019

Publication of 1st quarter report

04/07/2019

Annual General Meeting 2019

STOCK PRICE DEUTSCHE ROHSTOFF



27/09/2019

Publication of
Half-Year Report 2019

27/09/2019

Analyst conference

November 2019

Publication of
3rd quarter report

KNOW-HOW: CERITECH

Rare Earth experienced a spectacular price rally in the years 2011 and 2012. At that time, China accounted for about 95 % of the world's production. In 2010, China significantly reduced its export quotas for Rare Earth. In the industry, this led to supply fears and the prices for Rare Earth multiplied.

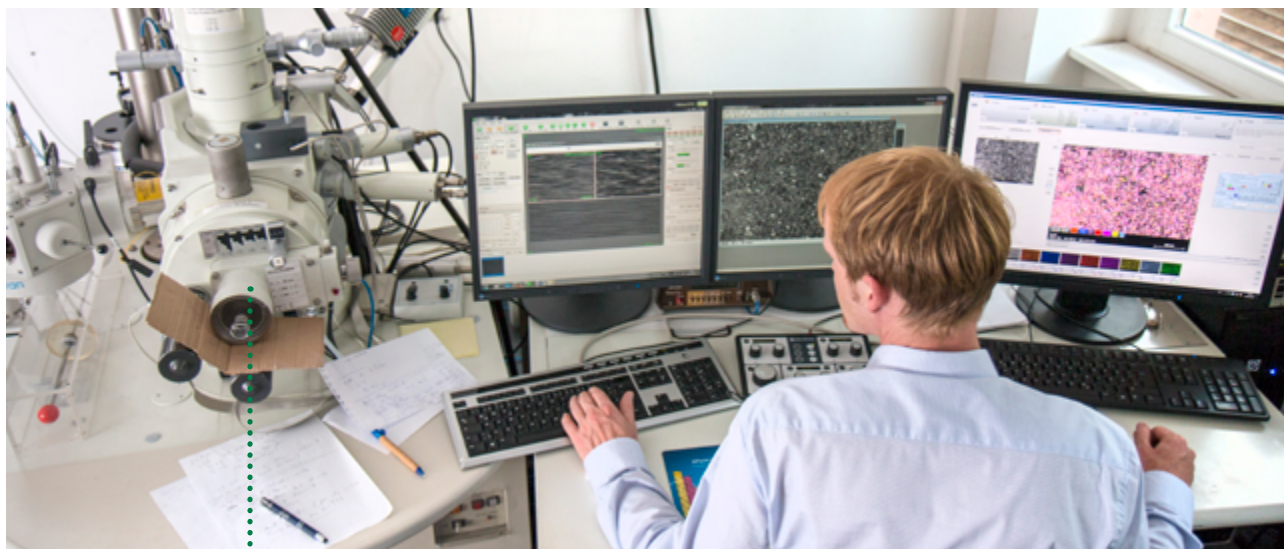
The subsequent regulation by the WTO and China's insight that excessively high market prices create competition from new producers quickly led to a significant ease of tensions. Rare Earth prices fell sharply again. As a result of the declining market, the US producer Molycorp filed for

insolvency in 2015 after only 5 years of production. The Australian company Lynas, which currently contributes about 18 % to the Rare Earth supply, remained the only notable manufacturer outside China.

In recent years, Ceritech has developed a process for extracting Rare Earth from gypsum. The gypsum accumulates in large quantities during the production of phosphorus fertilizers as waste materials. The process is planned to be so robust that it still pays off even under difficult market conditions. A comparison with conventional mining projects clearly shows the advantages of the process.

HOW DOES THE DEVELOPMENT OF CONVENTIONAL RARE EARTH PROJECTS WORK?

The development of new Rare Earth projects is associated with high development costs and risks. The deposits have to be explored at great expense with numerous drillings. Even at this stage, the default risk is very high. In addition, there is the development of a tailored beneficiation process, protracted legal processes for obtaining mining licenses and approval for the necessary stockpiles. Last but not least, the development



• SCANNING ELECTRON MICROSCOPE

of a suitable infrastructure is also part of this. Almost every one of these steps involves a high project risk and sometimes high costs.

HOW DOES CERITECH'S PROCESS DIFFER?

The extraction of Rare Earth from so-called phosphogypsum has many advantages over classical mining projects. The phosphogypsum is produced in high and continuous flows. The associated fertilizer projects have an already defined ore reserve. The projected lifetime is known, as well as the composition of the gypsum and its Rare Earth content. After all, depending on the location, up to 3 million tons of gypsum can be produced each year. The best requirements for reliable long-term planning.

An expensive and risky exploration is therefore not necessary for Ceritech. Furthermore, an operating mine with the associated industrial and social infrastructure already exists. Ceritech receives the gypsum (or comparable material flows) continuously from the current production, extracts the contained Rare Earth minerals and then

returns the remaining gypsum, which accounts for about 96 % of the total mass, to the fertilizer producer. Ceritech therefore does not incur any costs for actual mining, ore preparation/crushing or largescale stockpiling.

The Rare Earth mineral concentrate obtained from the gypsum is further processed and chemically enriched by Ceritech. As a product, a Rare Earth mixed oxide is produced that can be marketed. Although gypsums have lower Rare Earth contents than classical ores, the process promises to be very worthwhile due to all the cost advantages mentioned.

Of course, Ceritech also generates waste from processing. These are however very small in their quantity and compared with a mine operation.

HOW LARGE IS THE ECOLOGICAL FOOTPRINT?

Since it is not necessary to have an own mining operation for the extraction of Rare Earth, but rather the extraction is carried out in a sort of tandem operation with an already existing mining operation and the associated infrastructure, the

consumption of resources is low and, immediately after recycling, occurs with the lowest possible consumption of resources.

Of course, Ceritech must ensure that the gypsum will continue to contain sufficient Rare Earth in the future. However, no new drillings are necessary for this. Instead, existing drill cores from phosphate producers are reevaluated. This is an effective and comparatively fast and inexpensive process.

WHICH PRODUCT WILL CERITECH MANUFACTURE?

Ceritech aims to produce a mixed Rare Earth oxide. However, the mixed oxide cannot yet be used directly in the manufacturing of end products and magnets. Instead, it is sold to customers who carry out the refining and separation of Rare Earth into individual elements.

The reason why Ceritech leaves this final step to other processors is that the separation of Rare Earth, at least according to the established solvent extraction method, is very complex and time-consuming. The cost-benefit ratio is not attractive for Ceritech.

KNOW-HOW: CERITECH

However, Ceritech keeps a back door open and has partnered with companies that develop new, innovative separation technologies. If these prove their suitability, the implementation of such a plant in Ceritech's process is definitely an option.

WHERE CAN YOU FIND RARE EARTH IN PHOSPHOGYPSUM?

The gypsum differs depending on the fertilizer producer. There is phosphogypsum that contains almost no recoverable Rare Earth and there are locations that have good and very good concentrations of the coveted raw materials in the phosphogypsum. The actual gypsum makes up about 96 % of the total mass. The remainder is distributed among the ancillary components important for Ceritech. Depending on the location, they are contained in variable compositions and can manifest themselves in different

gypsum colors and particle sizes. And it is precisely these secondary components that contain the Rare Earth which Ceritech attempts to extract specifically in its process.

The gypsum as such remains unaffected in the process and is continuously returned to the fertilizer producer for stockpiling or further use. Although the actual gypsum crystals still contain Rare Earth in low concentrations, it would not be worth extracting them from the gypsum.

RARE EARTH PHOSPHATES AND RARE EARTH SULFATES AS RAW MATERIAL CARRIERS

In the preconcentrate made from the secondary components of phosphogypsum, the Rare Earth appear as phosphate and sulfate compounds in the form of tiny crystals whose size ranges from 10 to 70

micrometers. The preconcentrate is chemically dissolved in the further process steps, cleaned and a mixed Rare Earth oxide is produced. The purity of the saleable mixed oxide is over 98 %. It's a white powder that is sold to customers.

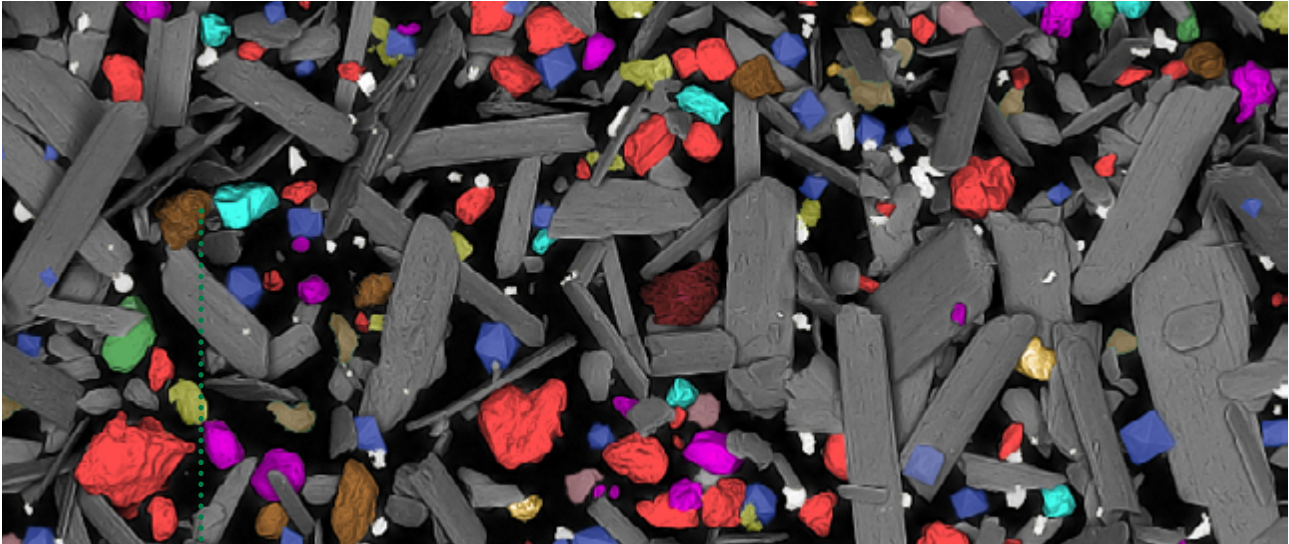
Among the secondary components, which also occur during gypsum processing, are fluorite, barite, magnetite, various iron compounds and ilmenite. Due to the small quantities of these minerals, they are unlikely to be of economic interest.

CERITECH'S FURTHER PROJECT DEVELOPMENT AND THE MARKET OUTLOOK

Ceritech is currently in final contract negotiations with China Molybdenum. The project located in Brazil will be the first to be intensively further developed and implemented on an industrial scale.

A CERITECH'S PROCESS CHAIN COMPARED TO A CONVENTIONAL MINING PROJECT





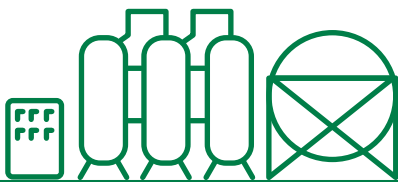
RARE EARTH MINERALS AND GYPSUM VIEWED THROUGH SCANNING ELECTRON MICROSCOPE

As many aspects of classical project and mine development are omitted, the planned development time and associated costs are comparatively low. Ceritech plans to be able to start erecting the plants after about 3 years from the date of conclusion of the contract. In addition,

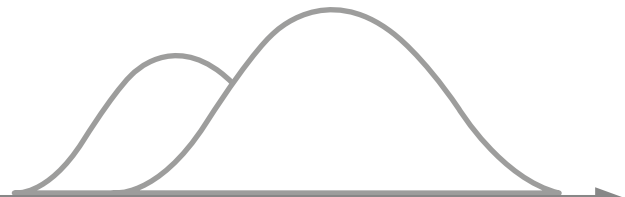
Ceritech is also in contact with other fertilizer producers and is investigating the respective locations.

From Ceritech's point of view, this is the perfect timing for the anticipated market entry. Market analyses show, that with the

progressive development of electromobility, demand for Rare Earth and thus prices will also rise. Rare Earth are used in particular in electric motors where maximum efficiency and low weight are required, such as in pedelecs, electric scooter motors and, of course, e-automobiles.



Ceritech



Fertilizer Producer

PORTFOLIO AS OF 31 DECEMBER 2018



CUB CREEK ENERGY

ELSTER OIL & GAS

SALT CREEK OIL & GAS

BRIGHT ROCK ENERGY

ALMONTY INDUSTRIES

LOS SANTOS/PANASQUEIRA/
VALTREIXAL

CERITECH

RHEIN PETROLEUM

TIN INTERNATIONAL



ALMONTY INDUSTRIES

SANGDONG

ANNUAL FINANCIALS

CONSOLIDATED BALANCE SHEET

ASSETS	31/12/2018	31/12/2017
	EUR	EUR
A. FIXED ASSETS		
I. Intangible assets		
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	15,229,295	30,565,937
2. Goodwill	1,702,959	3,271,324
	16,932,254	33,837,261
II. Property, plant and equipment		
1. Petroleum extraction equipment	107,877,586	73,760,295
2. Exploration and evaluation	2,048,170	40,556,515
3. Plant and machinery	36,014	98,978
4. Other equipment, furniture and fixtures	91,266	107,825
	110,053,036	114,523,613
III. Financial assets		
1. Equity investments	14,385,151	15,568,634
2. Loans to other investees and investors	1,724,138	1,724,138
3. Securities classified as fixed assets	5,891,338	5,417,574
	22,000,627	22,710,346
B. CURRENT ASSETS		
I. Inventories		
Finished goods and merchandise	155,519	170,142
	155,519	170,142
II. Receivables and other assets		
1. Trade receivables	11,646,063	8,832,330
2. Receivables from other investees and investors	1,796,881	258,122
3. Other assets	336,929	1,324,443
	13,779,873	10,414,895
III. Securities classified as current assets	14,343,704	1,331,301
IV. Bank balances	45,645,522	28,367,692
C. PREPAID EXPENSES	710,549	832,599
D. DEFERRED TAX ASSETS	1,223,470	1,385,861
TOTAL ASSETS	224,844,554	213,573,710

EQUITY AND LIABILITIES		31/12/2018	31/12/2017
		EUR	EUR
A. EQUITY			
I.	Subscribed capital	5,063,072	
	./. less nominal value of treasury shares	-127,810	4,935,262
	Conditional capital EUR 2,200,000 (prior year: EUR 2,000,000)		4,935,262
II.	Capital reserves	29,741,076	29,827,395
III.	Equity differences from currency translation	2,417,573	-3,507,363
IV.	Consolidated net retained profit	28,656,568	17,992,523
V.	Non-controlling interests	8,086,685	7,426,885
		73,837,164	56,674,702
B. DIFFERENCE FROM CAPITAL CONSOLIDATION		0	195,748
C. PROVISIONS			
1.	Tax provisions	0	42,524
2.	Other provisions	19,311,678	27,954,071
		19,311,678	27,996,595
D. LIABILITIES			
1.	Bonds, thereof convertible EUR 10.700.000 (prior year: EUR 0)	77,299,000	82,340,000
2.	Liabilities to banks	16,085,646	24,235,641
3.	Trade payables	6,839,639	5,236,367
4.	Other liabilities	15,986,459	10,089,004
		116,210,744	121,901,012
E. DEFFERED TAX LIABILITIES		15,484,968	6,805,654
TOTAL EQUITY AND LIABILITIES		224,844,554	213,573,710

CONSOLIDATED INCOME STATEMENT

	01/01/–31/12/2018	01/01/–31/12/2017
	EUR	EUR
1. REVENUE	109,052,362	53,746,053
2. INCREASE OR DECREASE IN FINISHED GOODS AND WORK IN PROCESS	-14,623	12,066
3. OTHER OWN WORK CAPITALIZED	1,231,237	2,432,262
4. OTHER OPERATING INCOME	19,060,335	1,123,594
5. COST OF MATERIALS	19,019,289	8,068,758
Cost of purchased services	19,019,289	8,068,758
6. PERSONNEL EXPENSES	3,918,520	4,710,596
a) Wages and salaries	3,569,660	4,364,576
b) Social security, pensions and other benefit costs	348,860	346,020
– thereof for old-age pensions EUR 4,409 (prior year: EUR 4,737)		
7. AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	58,036,928	30,000,951
a) of intangible assets and property, plant and equipment	58,036,928	29,907,681
b) of current assets	0	93,270
8. OTHER OPERATING EXPENSES	8,458,536	8,397,022
9. OTHER INTEREST AND SIMILAR INCOME	458,300	1,037,776
10. AMORTIZATION OF FINANCIAL ASSETS AND SECURITIES CLASSIFIED AS CURRENT ASSETS	7,205,167	830,716
11. INTEREST AND SIMILAR EXPENSES	6,685,233	5,049,436
12. INCOME TAXES	8,519,169	-6,378,593
– thereof expenses from changes in recognized deferred taxes: EUR 8,523,862 (prior year: EUR 6,378,630)		
13. EARNINGS AFTER TAXES	17,944,769	7,672,865
14. OTHER TAXES	761	575
15. NET INCOME FOR THE GROUP FOR THE YEAR	17,944,009	7,672,292
16. PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (-)	-4,072,044	-2,123,772
17. PROFIT CARRYFORWARD	14,784,603	12,444,003
18. TRANSFER TO REVENUE RESERVES	0	0
19. CONSOLIDATED NET RETAINED PROFIT	28,656,568	17,992,523

CONSOLIDATED CASH FLOW STATEMENT

IN EUR	2018	2017
NET INCOME FOR THE PERIOD (INCLUDING NON-CONTROLLING INTERESTS)	17,944,009	7,672,292
+/- Write-downs/write-ups of fixed assets	59,636,825	30,499,782
+/- Increase/decrease in provisions	7,315,909	-107,286
+/- Other non-cash expenses/income	-15,165,294	-6,586,824
-/+ Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	-2,197,363	10,569,943
+/- Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	1,307,677	-13,147,215
-/+ Gains/losses from the disposal of fixed assets	-15,132,040	-2,839
+/- Interest expenses/income	6,226,932	4,011,661
+/- Income taxes paid/received	8,519,169	-6,378,630
-/+ Income tax payments	218,097	11,317,071
CASHFLOW FROM OPERATING ACTIVITIES	68,673,920	37,847,955
+ Cash received from disposals of intangible assets	7,917,980	0
- Cash paid for investments in intangible assets	-2,454,333	-2,041,938
+ Proceeds from disposals of intangible assets	30,473,267	56,671
- Cash paid for investments in property, plant and equipment	-63,753,712	-49,733,226
+ Cash received from disposals of fixed financial assets	213,750	0
- Cash paid for investments in fixed financial assets	-64,932	-2,019,456
+ Cash received in connection with short-term financial management of cash investments	1,640,104	3,838,448
- Cash paid in connection with short-term financial management of cash investments	-2,449,373	-2,168,526
+ Interest received	208,916	443,386
CASHFLOW FROM INVESTING ACTIVITIES	-28,268,333	-51,624,641
+ Cash received from equity contributions by other shareholders	518,238	94,144
- Cash from decrease in equity	-1,011,432	-833,819
+ Cash received from the issue of bonds and from loans	15,241,485	33,072,078
- Cash repayments of bonds and loans	-30,238,817	-146
- Interest paid	-6,925,243	-4,636,369
- Dividends paid to shareholders of the parent company	-3,207,920	-2,961,157
- Dividends paid to other shareholders	-3,001,932	0
CASHFLOW FROM FINANCING ACTIVITIES	-28,625,621	24,734,731
Change in cash and cash equivalents	11,779,966	10,958,045
+/- Changes in cash and cash equivalents due to exchange rates and valuation	5,136,345	-7,224,800
+ Cash and cash equivalents at the beginning of the period	28,367,692	24,634,447
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	45,284,003	28,367,692

GROUP MANAGEMENT REPORT

I. FUNDAMENTAL INFORMATION ABOUT THE GROUP

1. BUSINESS MODEL

Deutsche Rohstoff Group is primarily involved in the production of oil and gas. It also participates in mining projects and develops its own metal deposits with a focus on precious and special metals. Its activities are limited to countries with a stable political and legal system. In 2018, all activities were located in the US, Australia, Western Europe, Canada and Brazil. The Group is present in these countries through subsidiaries, equity investments or cooperation agreements. As the parent company, Deutsche Rohstoff AG, Mannheim, manages the Group, initiates new projects, establishes subsidiaries and invests in companies. It also finances activities and procures financing partners, decides on new investments and disinvestments and conducts public relations work. The local operating business is the responsibility of experienced managers, mainly specialized engineers and geologists with extensive industry experience.

As of 31 December 2018, Deutsche Rohstoff group comprised of the following group companies and equity investments. Only subsidiaries and investments are shown, that are to be held permanently and have a book value of at least EUR 1.0 million.

In comparison to the previous year, there were some changes in the legal structure of the Group and in the level of equity investments:

- At Salt Creek Oil & Gas, the Group's shareholding increased to 100 % due to the withdrawal of the co-shareholders.
- At Tin International, the share rose from 61.55 % to 73.98 % due to the purchase of minority interests.
- Due to a capital increase, the shareholding in Ceritech decreased from 66.15 % to 63.71 %.
- Bright Rock Energy was founded in June 2018.
- At Almonty Industries, the Group's share decreased slightly to 12.80 %.
- Due to the above definition of materiality, the subsidiary Jutland Petroleum and the investments in Hammer Metals and Devonian Metals have been removed from the chart.

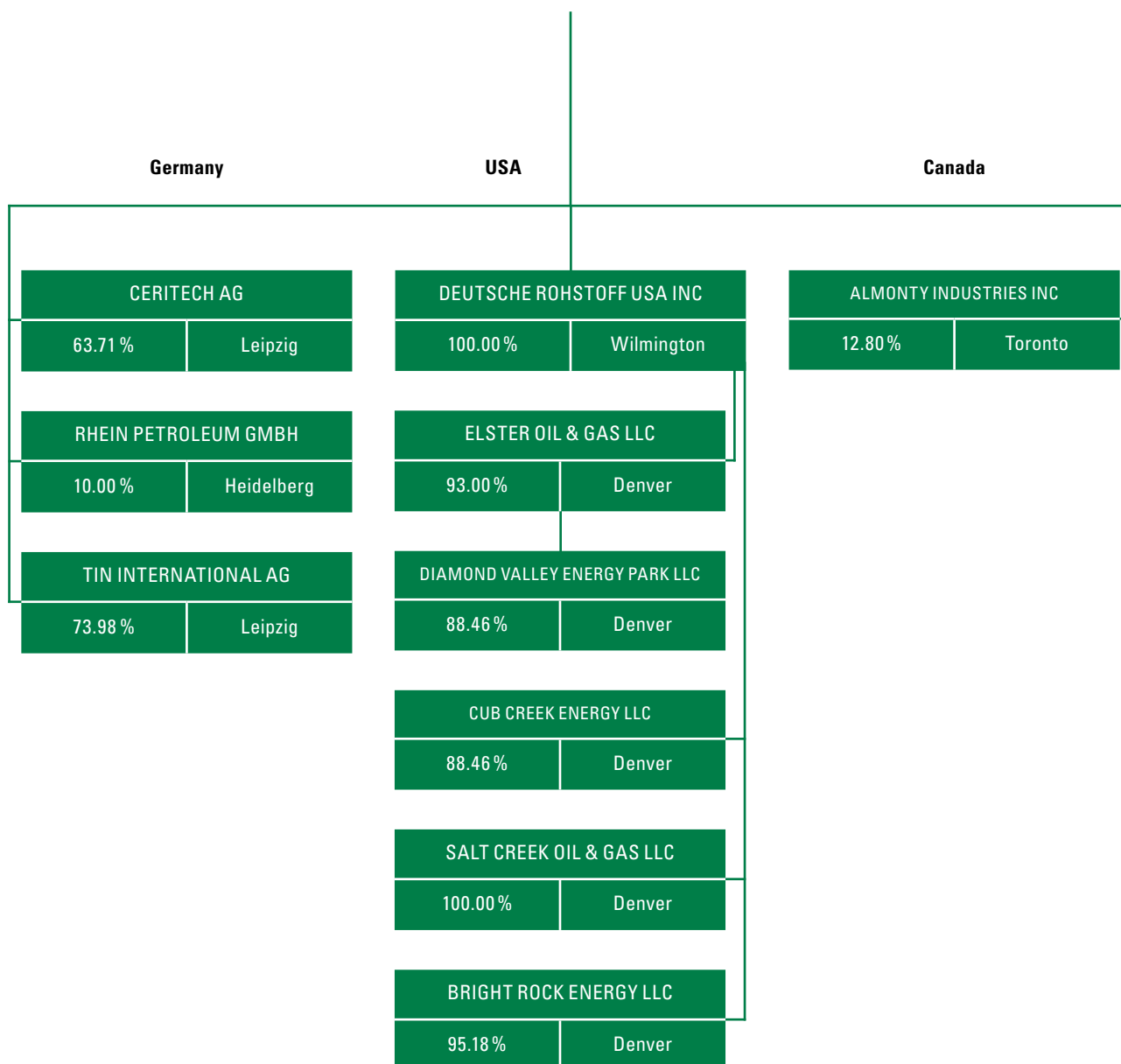


· OPEN PIT MINE IN EASTERN EUROPE

STRUCTURE OF THE CORPORATION AS OF 31 DECEMBER 2018

Deutsche Rohstoff AG

Mannheim



GROUP MANAGEMENT REPORT

At the end of 2018, the companies Almonty Industries and Rhein Petroleum shown in the chart were listed as investments. All other companies were fully consolidated.

The companies Cub Creek Energy and Elster Oil & Gas continued to operate exclusively in the production of crude oil in the Wattenberg oil field in Colorado in 2018. Cub Creek Energy plans and operates oil wells independently as operator. Elster Oil & Gas, as a non-operator, is only involved with minority interests in wells drilled by other companies.

Salt Creek Oil & Gas is active exclusively in the Williston Basin in North Dakota and also participates as a non-operator in oil wells of other companies. Bright Rock Energy acquired its first acreage in the Uinta Basin in Utah, USA, in 2018 and is currently involved in oil wells produced by other companies as a non-operator.

All companies in the US operate as subsidiaries of the US holding company Deutsche Rohstoff USA Inc, a 100% subsidiary of Deutsche Rohstoff AG.

Ceritech AG is active in the field of rare earths and is currently working with partners in Brazil and Lithuania on developing projects for the construction of a production plant for the extraction of rare earths.

Tin International AG holds shares in companies that explore tin and lithium deposits in Saxony.

Deutsche Rohstoff AG's equity investments are also active in the oil & gas and mining sectors. Rhein Petroleum is responsible for oil exploration and production in Germany.

Almonty Industries, a subsidiary specializing in tungsten mining, operated the mines Los Santos (Spain) and Panasqueira (Portugal) in 2018 and is developing further tungsten projects in Spain and South Korea.

In the fiscal year 2018, the Group generated almost all of its sales revenue from the production of crude oil and natural gas in the USA. In addition to the proceeds from raw material production and related rights, e.g. royalties, the business model also consists of the favorable acquisition, development and sale of raw material projects.

For all exchange-traded commodities (gold, silver, oil, tin, copper, etc.), pricing is not a problem, as a buyer pays the current exchange price if the delivered product meets the usual specifications. In these cases, the competitive position also plays a subordinate role, as the buyers usually buy almost any quantity.

Purchasers for the oil produced are oil trading companies. Gas supply companies that maintain pipeline networks buy the pro-



• WELLHEAD AT LITZENBERGER PAD

duced natural gas. The price for oil or natural gas is based on the American grades WTI and Henry Hub. The price actually paid depends almost exclusively on the utilization of the transport infrastructure and on the quality of the oil produced. Customers also receive a marketing fee.

Deutsche Rohstoff AG shares have been traded on the Frankfurt Stock Exchange since May 2010. They have been included in the "Scale" trading segment since March 2017. As of December 31, 2018, market capitalization amounted to approximately EUR 70.1 million (previous year: EUR 101.0 million). The share price thus fell by around 31.0 % in the course of the year. From 31 December 2018 to the end of April the share price rose to over EUR 19.00.

2. OBJECTIVES AND STRATEGIES

In the Group Management Report for 2015, the Company had stated as its key goal for 2016/2017 for a 12-month period to increase market capitalization to EUR 150.0 - 200.0 million. This target was again clearly missed at the end of 2018. The Executive Board assumes that this market capitalization can be achieved by the end of 2020. Requirements for this are the achievement of the planned production in the USA, a stable or rising oil price and the continuing recovery of the market for metals and mining products.

Activities continue to focus on oil and gas production in the US. In the year under review, the company pursued the goal of expanding the production of oil and gas after the acquisition of land and the development of an inventory of wells had been in the foreground since mid-2014. At the end of 2018, the Group held interests in a total of 44 independently operated horizontal wells in the US Wattenberg oil field as part of the Denver Julesberg Basin, Colorado, and 55 partner-operated wells, also in the Wattenberg oilfield (39) and in the Williston Basin in North Dakota (16). In total, this corresponds to approximately 58 one mile net wells, i.e. wells operated by the Group with one mile horizontal distance and a share of 100 %.

In the metals business segment, the Group has two subsidiaries and three equity investments with a share ownership of over 10 %. In recent years, the focus has been on securing their financing and developing them further with as little financial commitment as possible. Due to the significant fall in metal prices since the end of 2011, the Management Board decided to make only small funds available for these companies. Rather, partners should be sought for financing and possibly individual holdings such as Devonian Metals should be sold.

In the course of 2018, metal prices initially continued to rise, but declined significantly towards the end of the year. Investor interest in the sector remains strong. The Executive Board therefore sees opportunities to put the strategy into practice and to find partners and buyers. An initial success was achieved with Tin International, which initially announced a joint venture with Lithium Australia in May 2017 and completed the sale of 100 % of the Sadisdorf license in September 2018. The sale of the Gottesberg license followed in February 2019. The Management Board's objective remains to increase the value of the existing assets in the Metals division and to sell them in the medium term. In addition, it selectively examines new investments in metals that are considered promising on the basis of fundamental analysis. At the moment these are mainly 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 help to define and optimize the extraction process. However, these processes are not fundamentally new. Instead, they involve a combination of existing and proven technologies tailored to the specific case.

GROUP MANAGEMENT REPORT

II. REPORT ON ECONOMIC POSITION

1. MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

The global economy grew by 3.7 % in 2018 (source: OECD), accelerating its growth compared to previous years.

Commodity prices initially rose again significantly in 2018. WTI (Western Texas Intermediate) crude oil rose to USD 75/barrel in early October, but fell to USD 45/barrel by the end of the year. The relevant US gas price (Henry Hub) rose significantly by the end of the year and reached USD 4.35. The industrial metals traded weaker in the course of the year: copper dropped by 11.0 %, zinc by 23.0 %. Gold traded relatively stable in the range between 1,200 and 1,300 USD/ounce. At the end of 2018, tungsten APT was paid at USD 277/mtu, slightly lower than at the end of the previous year, after a peak of USD 350/mtu had been reached during the year.

The reason for the rise in the oil price until October was both news from the supply side and robust demand. In particular, the US government announced in May that it intended to introduce new sanctions against Iran. As a result, the market was supposed to fall short by up to 2 million barrels. For this reason, OPEC increased its production by around one million barrels in the summer. In October, the US government announced that some countries would be exempt from sanctions until May 2019. This news caused oil prices to plummet in the fourth quarter.

Due to the cuts by OPEC, supply growth is expected to be below demand growth in 2019. According to the EIA (U.S. Energy Information Administration), demand is expected to grow by 1.5 million barrels per day in 2019 and 2020. Demand is expected to be slightly below supply and above 100 million barrels, with the future increase in demand mainly attributable to non-OECD countries excluding China, India and the Middle East. (Source: EIA March 2019, STEO (Short Term Energy Outlook))

In the case of special metals that are decisive for Deutsche Rohstoff Group, prices moved sideways in the course of 2018

after having risen significantly in previous years. Tungsten APT (ammonium paratungstate, an intermediate product for the processing industry) fell slightly from around USD 312/mtu (metric ton unit, equivalent to approximately 10 kilograms) at the beginning of the year to USD 277.5/mtu at the end of the year.

The year 2018 began with a marked recovery in the prices for rare earths, especially neodymium. In April, the competent authority MIIT in China reported an increase in rare earths mining quotas of up to 40 %, which contributed to a general easing of the overall market. In 2018, Lynas continued to successfully drive forward the efficiency of its own production and was able to increase production from around 4,300 tonnes per quarter in 2017 to up to 5,200 tonnes per quarter at times in 2018. This also contributed to falling prices. As a consequence, rare earth prices have fallen steadily since the second quarter of 2018, although China reduced its rare earth mining quotas again in the second half of the year. In December 2018, rare-earth prices began to stabilize to this day. The prices of neodymium, praseodymium, lanthanum and cerium are currently about 15 % lower than at the beginning of 2018.

Currency changes have a significant impact on the Group's business performance. The exchange rate between the Euro and the US Dollar is of particular importance. All important raw materials are accounted for in US Dollars. A stronger US Dollar means that resources outside the USA will become more expensive. As the dollar rises, demand therefore tends to fall, as does the price level of raw materials.

During the year, the Euro relinquished some of the gains it had made against the Dollar in the previous year. After a year-end figure of 1.19 at the end of 2017, only 1.135 USD were paid for one Euro at the end of 2018. The interest rate difference between the USA and the Euro zone widened again last year as a result of the interest rate hike by the Federal Reserve from 1.5 % to 2.25 to 2.50 %. The ECB, on the other hand, did not hold out the prospect of interest rate hikes until the end of 2019. In addition, economic data in the euro zone deteriorated in the second half of the year.

2. CORPORATE DEVELOPMENT

In line with its corporate strategy, the Group focused on the Oil & Gas segment in fiscal 2018, again primarily on its activities in the USA. In the metal division, the focus of investments was on Ceritech AG. Deutsche Rohstoff AG, the parent company, distributed a dividend for the fifth time in the company's history.

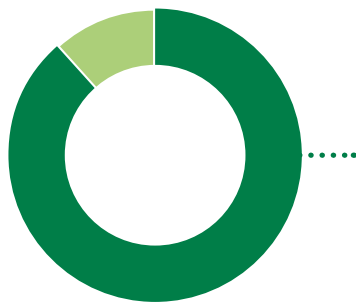
OIL & GAS DIVISION

During 2018, all oil and gas companies in the United States made significant progress:

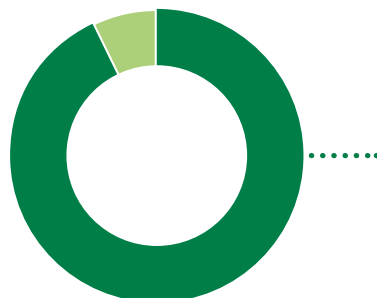
Cub Creek Energy started production from the Litzenberger pad in April 2018. The company drilled 16 horizontal wells in the third quarter of 2017 and completed them in the first quarter of 2018. Together with the 28 wells already in production from the three other pads Vail, Markham and Haley, Cub Creek thus had 45 wells in production from April 2018. Since September 2018, Cub Creek has also held a minority interest of around 30 % in a well from

the Hergenrieder pad. In 2018, Cub Creek produced a total of 1,707,443 barrels of oil equivalent (BOE) (previous year: 1,392,875 BOE), of which 781,425 barrels were oil (BO) (previous year: 837,191 BO). For BOE, the amount of crude oil is added to natural gas. Natural gas is converted into BOE by a factor of 6,000 in accordance with industry standards.

In 2017, **Elster Oil & Gas** was able to lay the foundation for massive growth in 2018 by increasing the interest in wells. The number of net wells quadrupled from 5.5 to 22 in 2018. Since mid-2017, the Company had participated in 20 additional wells in the so-called "Magpie Project Area". These were fourteen wells of two miles horizontal length and six wells of two and a half miles length. The operator commissioned these wells in February and March 2018. Elster's average share for these wells originally amounted to approximately 24.0 %. In early February 2018, Elster announced that it had acquired an additional approximately 11.0 % interest in these wells. These was so-called non-consent interest where other owners had decided not to



SHARE DEUTSCHE ROHSTOFF
as of 31 December 2018: 88.46 %



SHARE DEUTSCHE ROHSTOFF
as of 31 December 2018: 93.00 %

ELSTER
OIL+GAS

GROUP MANAGEMENT REPORT

participate in the wells. In addition, Elster was able to acquire a stake of approximately 22.0% in five one-and-a-half mile wells. From February to April 2018, all wells were put into operation. The project proved to be very profitable and significantly better than expected. In 2018, Elster accounted for 1,600,180 BOE (previous year: 166,361 BOE), of which 937,531 were oil (previous year: 62,746 BO).

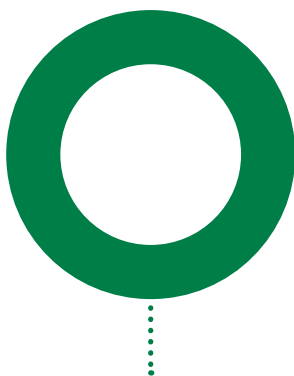
The subsidiary **Salt Creek Oil & Gas**, founded in June 2015, announced in November 2016 that it had successfully bid for a package of minority interests in the Williston Basin in North Dakota. The purchase price for the approximately 60 producing wells and approximately 90 expected future wells amounted to USD 38.1 million. The purchase was completed in mid-December 2016.

In April 2018, Salt Creek Oil & Gas announced that it had signed a sale agreement with Northern Oil and Gas (Northern) for most of its acreage in the Williston Basin, North Dakota. The sales price amounted to USD 59.6 million. It consisted of USD 40.0 million in cash, 6 million Northern shares and approximately USD 7.6 million in investment refunds. The transaction was completed in June 2018. The originally published selling price of USD 59.6

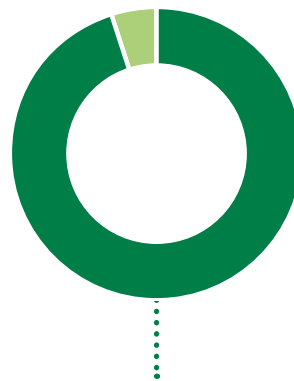
million increased by approximately USD 4.0 million due to the increase in Northern's share price. As part of the purchase price, Salt Creek received 6 million shares of the buyer, which were subject to a staged 6-month lock-up.

Following the completion of the transaction, the previous co-shareholders of Deutsche Rohstoff left the company. The Company's CEO, Tim Sulser, resigned. Since September 2018 Salt Creek has been managed by Chris Kiesel, who has been with the company since 2016. He manages the remaining acreage and has the mandate to acquire new acreage in North Dakota. In February 2019, the company announced the purchase of royalties for USD 5.4 million. This purchase initially increased production to around 200 barrels per day.

In July 2018, Deutsche Rohstoff founded **Bright Rock Energy** together with geologist Chris Sutton. The Company maintains an office in Denver. The focus of business activities is on the acquisition of land and its development in the Uinta Basin, Utah. The Company's management has gained extensive experience in this Basin from its previous activities. Based on very good drilling results in recent years, Bright Rock expects an increase in prices



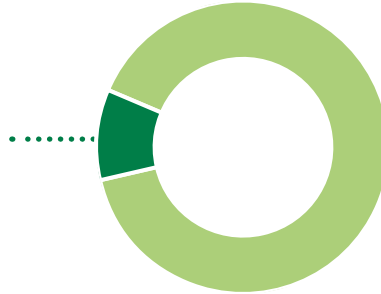
SHARE DEUTSCHE ROHSTOFF
as of 31 December 2018: 100.00 %



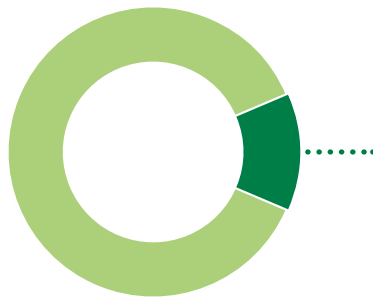
SHARE DEUTSCHE ROHSTOFF
as of 31 December 2018: 95.18 %



SHARE DEUTSCHE ROHSTOFF
as of 31 December 2018: 10.00 %



SHARE DEUTSCHE ROHSTOFF
as of 31 December 2018: 12.80 %



for attractive acreage and increasing interest from other oil companies. As early as August 2018, the company succeeded in acquiring a package of royalties and leases. In total, these amounted to around 4,600 net acres. Production at the end of the year amounted to around 80 BOE per day.

In the course of 2018, **Rhein Petroleum** extracted oil from the wells in Schwarzbach and Lauben. Rhein Petroleum's production share amounted to around 22,000 barrels of oil. No new wells were drilled. However, the Company has received permits for the Untergrombach and Weinheim wells to be drilled in 2019.

In February 2019, Deutsche Rohstoff published the results of a recalculation of the reserves of the US subsidiaries. The volume

of barrel oil equivalent (BOE) of the companies' proven reserves rose from 17.5 million BOE in the previous year to 29.4 million BOE. The present value of the proven reserves rose slightly from USD 169.8 million to USD 177.4 million. The value of probable reserves decreased from around USD 28.0 million to USD 8.9 million. Despite the higher available reserve of BOE, the value of the reserves increased only slightly, which is attributable not only to production but also to a lower price level.

The average oil prices of the NYMEX forward curve over the next 10 years used to calculate the present value were 51.44 on 31 December 2018, around 3.0 % lower than on 31 December 2017. An increase in prices should therefore also lead to a significant increase in the present value of reserves.

GROUP MANAGEMENT REPORT

METALS DIVISION

The investment in **Almonty Industries** continued to develop positively in the course of 2018. In the first half of the year, the positive price trend of the previous year for tungsten APT continued. At the end of June, 350 USD/mtu were paid on the spot market. In the second half of the year, the APT price relinquished part of its profits.

Almonty benefited from higher prices and improved production in their fiscal year 2017/2018 (September 30, 2018). Sales for the year as a whole rose to CAD 65.2 million (2016/2017: CAD 39.0 million). Nevertheless, the net loss for the year deteriorated from CAD -9.4 million in 2016/2017 to CAD -11.1 million in 2017/2018. The reason for the higher loss was mainly the high write-offs for the Wolfram Camp mine (CAD -12.8 million), for which a voluntary liquidation application was filed in December 2018. In the first quarter of 2018/2019 (October to December 2018), the Company generated net income of CAD 7.2 million.

In the fiscal year 2017/2018, Almonty succeeded in significantly reducing its long-term debt. It fell by around CAD 8.7 million to CAD 24.5 million.

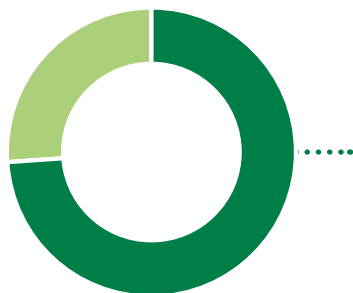
In order to become more independent of price developments, Almonty had already concluded fixed-price contracts at the end of 2016 and beginning of 2017, covering around 80.0% of 2017 production. They were around 25.0% above the level of the spot market. For the year 2018 it was again possible to agree fixed

prices for part of the expected production well above the market price level. Production at the Panasqueira mine in Portugal was sold at a price of approximately USD 280/mtu for the concentrate, which corresponds to an APT price of approximately USD 350/mtu. In March 2018, Almonty announced another milestone with an off-take agreement for the Sangdong mine in Korea. The contract secures the sale of concentrate for ten years after the start of production (planned for 2020) with a price floor.

Almonty's share price improved from CAD 0.55 at the end of 2017 to CAD 0.65 at the end of 2018, having reached a high of CAD 0.96 during the year. In June 2018, Almonty moved from the TSX Venture Exchange to the TSX Main Market. In July 2018, the Company also began listing its shares on the OTC market OTCQX in New York. US investors thus have the opportunity to trade the share in the USA.

In June 2017, **Ceritech AG** signed a letter of intent with one of its partners in Brazil, Copebrás Indústria Ltda. Copebrás belongs to the international resource group China Molybdenum. With the letter of intent, both sides agreed to carry out further processing tests as well as an initial economic feasibility study, the results of which were to be available by the second quarter of 2018, which was also the case on schedule. Since both, the economic feasibility study and the results of the processing tests produced good results, the partners decided to conclude a long-term cooperation agreement. However, the contract had not yet been signed by the end of 2018.





TIN INTERNATIONAL

SHARE DEUTSCHE ROHSTOFF
as of 31 December 2018: 73.98 %

In September 2018, Tin International AG (TIN) announced the sale of the Hegelshöhe and Sadisdorf licenses to its former joint venture partner Lithium Australia NL. The responsible Saxony mining authority agreed that the licenses could be transferred from TIN to Trilithium Erzgebirge GmbH, a 100 % subsidiary of Lithium Australia NL.

TIN received EUR 0,5 million in cash from Lithium Australia NL and approximately 21,3 million LIT shares worth EUR 1,5 million as a selling price. The LIT shares are subject to a staggered sales restriction of 6, 12 and 18 months. Together with the approx. 1.72 million LIT shares resulting from the joint venture agreement concluded in May 2017, TIN holds a total of approx. 23 million LIT shares after the sale, which corresponds to a 5 % share in Lithium Australia NL.

In February 2019 TIN completed the sale of the Gottesberg licence in the Saxonian Vogtland. The buyer, the British company

ASM, paid EUR 50,000 in cash and 2 million ASM shares. This corresponds to a share of around 3.5 % in ASM. TIN therefore no longer holds any mining licenses. The Company's only assets are its investments in Lithium Australia and ASM and its cash position.

In March 2018, Deutsche Rohstoff AG placed its first convertible bond. The volume placed amounted to around EUR 11.0 million. The bond matures in March 2023 and bears interest at 3.625 %. The exercise price is EUR 28. Throughout the year, the bond traded at around 100 %.

In July 2018, Deutsche Rohstoff AG distributed a dividend of EUR 0.65 per share or around EUR 3.21 million.

Also in July 2018, **Deutsche Rohstoff AG** redeemed the entire 2013 / 2018 bond at maturity. The outstanding volume amounted to EUR 15.7 million.

GROUP MANAGEMENT REPORT

3. FINANCIAL PERFORMANCE, FINANCIAL POSITION AND ASSETS AND LIABILITIES

FINANCIAL PERFORMANCE

Selected data from the income statement

Fiscal year ended 31 December 2018

IN EUR MILLION	2018	2017
Revenue	109.1	53.7
Total operating performance ¹	129.3	57.3
Gross profit ²	110.3	49.2
EBITDA ³	97.9	36.1
Operating result (EBIT) ⁴	32.7	5.3
Earnings before taxes	26.5	1.3
Net income for the year	17.9	7.7

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 17.9 million (previous year: EUR 7.7 million) with a total operating performance of EUR 129.3 million (previous year: EUR 57.3 million). The total operating performance includes sales revenues of EUR 109.1 million from the significantly increased oil and gas production of the US subsidiaries, other operating income of EUR 19.0 million (previous year: EUR 1.1 million) and own work capitalized of EUR 1.2 million (previous year: EUR 2.4 million).

The main component of other operating income is income in connection with the sale of the assets of Salt Creek Oil & Gas and the shares received in connection with the sale, totaling EUR 13.6 million. Further significant income resulted from the sale of the

Sadisdorf deposit at Tin International (EUR 1.7 million) and currency gains of EUR 2.9 million.

Own work capitalized mainly relates to management services at the US companies.

The cost of materials rose sharply in 2018 to EUR 19.0 million (previous year: EUR 8.1 million). Since January 2017, this item has included the operating costs of oil and gas wells, which have risen significantly due to the start of production of numerous wells. The operating costs of the oil and gas wells amounted to EUR 19.0 million (previous year: EUR 8.1 million). The total gross profit amounted to EUR 110.3 million (previous year: EUR 49.2 million).

Personnel expenses fell to EUR 3.9 million (previous year: EUR 4.7 million). This was due to lower personnel costs at the subsidiary Salt Creek and general savings in both the USA and Germany. At the level of Deutsche Rohstoff AG, personnel expenses amounted to EUR 1.3 million. No further personnel expenses had to be accrued for the stock option program. Other operating expenses increased slightly to EUR 8.5 million (previous year: EUR 8.4 million). This includes currency losses of EUR 4.1 million. The currency losses are offset by currency gains of EUR 2.9 million as part of other operating income.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose sharply to EUR 97.9 million (previous year: EUR 36.1 million).

Depreciation and amortization amounting to EUR 58.0 million (previous year: EUR 30.0 million) was almost exclusively attributable to depreciation and amortization of the fixed assets of the producing oil and gas wells in the USA. As planned, Elster Oil & Gas accounted for EUR 18.9 million and Salt Creek for EUR 4.3 million. Cub Creek Energy accounted for EUR 21.6 million of scheduled depletion and EUR 13.2 million of impairment losses. The depletion of the individual companies is calculated on the basis of the difference between the BOE reserves reported at the beginning and end of the year for the producing oil and gas wells. In the case of Cub Creek Energy and Elster Oil & Gas, the reserves reported at the end of the year for wells already in production were higher than expected in the course of the year. The reason for this at Elster was a flattening of the production profile in the fourth quarter, which remained below expectations and had a clearly positive effect on the reserve. At Cub Creek, a sta-

bilization of production in the fourth quarter and the successful completion of drilling revisions led to a higher than expected reserve estimate and a significant reduction in scheduled depletion.

Despite the higher reserves, Deutsche Rohstoff group recorded an impairment of EUR 13.2 million on the existing wells of Cub Creek, as the Company believes that the value of the production reserves at the balance sheet date was lower than the value resulting from scheduled depletion.

The depletion per BOE was thus 23.4 USD/BOE for Cub Creek in 2018 and 12.2 USD/BOE for Elster Oil & Gas.

Further write-downs were made on the investments in Devonian Metals (EUR 0.4 million) and Hammer Metals (EUR 0.8 million).

Earnings before interest and taxes (EBIT) amounted to EUR 32.7 million (previous year: EUR 5.3 million).

The financial result of EUR -13.4 million (previous year: EUR -4.8 million) includes interest payments for outstanding bonds at Deutsche Rohstoff AG and interest payments to US banks in connection with the lending of reserves totaling EUR 6.7 million (previous year: EUR -5.0 million). Expenses were offset by interest income and investment income of EUR 0.5 million. The financial result also included EUR 7.2 million in write-downs on securities held as non-current and current assets, in particular the Northern Oil & Gas shares.

The tax expense of EUR 8.5 million mainly results from the formation of deferred tax liabilities.

The previous year's forecast, which was based on an oil price of USD 65 and an exchange rate of EUR/USD 1.22 and Group revenues of EUR 75.0 to 85.0 million and EBITDA of EUR 65.0 to 70.0 million, was significantly exceeded. This is due to a combination of higher than expected production, a lower EUR/USD exchange rate, higher oil prices in Q2 and Q3 and the proceeds from the sale of Salt Creek's assets. The oil price averaged USD 65.56 for the year. The forecast made in the context of the report on the third quarter of 2018, which assumed an EBITDA of around EUR 90.0 million and sales of around EUR 100.0 to 110.0 million, was achieved or even exceeded for EBITDA.

FINANCIAL POSITION

Selected notes to the cash flow statement

Fiscal year ended 31 December 2018

IN EUR MIO.	2018	2017
Cash flow from operating activities	68.7	37.8
Net cash used in investing activities	-28.3	- 51.6
Cash flow from financing activities	-28.6	24.7
Increase/decrease in cash and cash equivalents	16.9	3.8
Cash and cash equivalents at the beginning of the fiscal year	28.4	24.6
Cash and cash equivalents at the end of the fiscal year	45.3	28.4

The cash flow from operating activities amounted to EUR 68.7 million in 2018 (previous year:

EUR 37.8 million). This positive cash flow resulted primarily from sales revenues of the US subsidiaries Cub Creek Energy (EUR 47.5 million), Elster Oil & Gas (EUR 54.4 million) and Salt Creek Oil & Gas (EUR 6.7 million). Cash income was offset by cash expenses from operating activities, in particular for the operating costs of the wells (EUR 19.0 million), personnel expenses (EUR 3.9 million) and other operating expenses (EUR 8.5 million).

The cash flow from investing activities in 2018 was mainly affected by investments in the U.S. oil and gas activities and the sale of the assets of Salt Creek Oil & Gas. Investments at Cub Creek Energy amounted to EUR 35.6 million, at Bright Rock Energy to EUR 3.3 million and at Elster Oil & Gas to EUR 26.5 million. As part of the sale of the assets of Salt Creek Oil & Gas, the company received cash of EUR 37.9 million and shares of EUR 12.9 million.

The cash flow from financing activities amounted to EUR -28.6 million (EUR 24.7 million) and is mainly characterized by the repayment of the corporate bond 13/18 in the amount of EUR 15.7 million, the repayment of loans at Salt Creek Oil & Gas in the amount of EUR 11.7 million and the raising and repayment of a USD credit line at Elster Oil & Gas in the amount of EUR 2.8 mil-

GROUP MANAGEMENT REPORT

lion. In March 2018, Deutsche Rohstoff AG also issued a convertible bond with a volume of EUR 10.7 million at the reporting date.

In addition, a dividend of EUR 3.2 million was paid to the shareholders and interest of EUR 6.9 million was paid to the bondholders of Deutsche Rohstoff AG.

As of December 31, 2018, the Group's cash and cash equivalents including marketable securities amounted to EUR 59.9 million (previous year: EUR 29.7 million). Cash and cash equivalents correspond to bank balances less current bank liabilities.

According to the Executive Board's assessment, Deutsche Rohstoff Group will be able to meet its future obligations and make investments at all times, based on a very good equity and liquidity position.

ASSETS AND LIABILITIES

Selected balance sheet data

Fiscal year ended 31 December 2018

IN EUR MIO.	2018	2017
Fixed assets	149.0	171.1
Current assets	73.9	40.3
Equity	73.8	56.7
Liabilities	116.2	121.9
Provisions	19.3	28.0
Total assets	224.8	213.6

Total assets grew slightly to EUR 224.8 million in the year under review (previous year: EUR 213.6 million). This is due to the sharp increase in current assets to EUR 73.9 million (previous year EUR 40.3 million). Both receivables and the portfolio of securities and cash in hand grew significantly. By contrast, fixed assets decreased by EUR 22.1 million to EUR 149.0 million, which is attributable to the high depreciation of EUR 51.9 million on the oil production facilities in the USA. Depreciation was offset by investments in fixed assets amounting to EUR 68.2 million.

Intangible assets decreased again significantly to EUR 16.9 million (previous year: EUR 33.8 million). As of December 31, 2018, they consist of extraction rights of EUR 15.2 million (previous year: EUR 30.6 million) and goodwill of EUR 1.7 million (previous year: EUR 3.3 million).

At EUR 22.0 million (previous year: EUR 22.7 million), financial assets remained virtually unchanged in the year under review. Investments in financial assets amounted to EUR 14.4 million on the reporting date (previous year: EUR 15.6 million). The slight decrease is mainly due to the depreciation of Hammer Metals (EUR 0.8 million) and Devonian Metals (EUR 0.4 million). The main components of financial assets are the shares of Almonty Industries with a valuation of EUR 11.0 million and the 10% stake in Rhein Petroleum, which is valued at amortized cost of EUR 3.0 million (previous year: EUR 3.0 million).

Loans to companies in which equity investments are held amounted to EUR 1.8 million and were granted to Almonty Industries.

Long-term securities reported under financial assets increased slightly to EUR 5.9 million (previous year: EUR 5.4 million). This item includes convertible bonds of Almonty Industries with a value of EUR 4.2 million and shares of Lithium Australia with a value of EUR 1.3 million.

Receivables with a term of up to one year and other assets amounted to EUR 13.8 million as of December 31, 2018 (previous year: EUR 10.4 million). As of December 31, 2018, this item consisted primarily of trade receivables (EUR 11.6 million) and receivables from companies in which investments are held (EUR 1.8 million). Securities held as current assets amounted to EUR 14.3 million (previous year: EUR 1.3 million). The increase is due to a position of 6.1 million shares in Northern Oil & Gas arising from the sale of the assets of Salt Creek Oil & Gas.

At EUR 45.6 million, bank balances were well above the previous year's level of EUR 28.4 million. The main reason for the increase was the sale of the assets of Salt Creek and the high level of recoveries at Elster Oil & Gas.

Deferred taxes break down as follows:

Deferred tax assets (esp. loss carryforwards)	1,223 TEUR
Deferred tax liabilities	21,663 TEUR
less	
Deferred tax assets from temporary differences	-971 TEUR
less	
Deferred tax assets on loss carryforwards (total)	-5,207 TEUR
Net deferred tax liabilities	15,485 TEUR

The deferred tax liabilities result from the tax treatment of oil and gas wells in the USA, for which US tax law permits early depreciation in some cases, which is associated with the formation of deferred tax liabilities.

The economic situation of the Group continues to be characterized by a good equity base. Equity amounted to EUR 73.8 million as of December 31, 2018 (previous year: EUR 56.7 million). On one hand, the increase is attributable to the significant positive change in the item equity differences from currency translation, which rose from EUR -3.5 million in the previous year to EUR 2.4 million in the year under review. This was due to the EUR/USD exchange rate, which was significantly lower at the end of the year than a year earlier. On the other hand, the increase in retained earnings from EUR 18.0 million to EUR 28.7 million led to an increase in equity. The equity ratio increased accordingly from 26.5 % to 32.8 %.

Provisions amounted to EUR 19.3 million as of December 31, 2018 (previous year: EUR 28.0 million). They mainly relate to local taxes not yet due for US oil & gas companies, services not yet invoiced by oilfield service companies, and provisions for deconstruction obligations of US subsidiaries. El-

ster Oil & Gas accounted for EUR 9.5 million, Cub Creek Energy for EUR 9.5 million, and other consolidated companies for EUR 0.3 million.

In addition to the two bonds (EUR 77.3 million), liabilities of EUR 116.2 million (previous year: EUR 121.9 million) mainly consisted of bank loans from Cub Creek Energy (EUR 15.7 million), interest liabilities from bonds (EUR 1.9 million), trade payables (EUR 6.8 million) and other liabilities to Cub Creek Energy (EUR 8.3 million) and Elster Oil & Gas (EUR 5.2 million).

The bonds, with a volume of EUR 77.3 million, consist of a non-convertible bond with a volume of EUR 66.6 million, a maturity date of July 20, 2021 and an interest rate of 5.625 % and a convertible bond with an outstanding volume of EUR 10.7 million, an interest rate of 3.625 %, a conversion price of EUR 28 and a maturity date of 2023.

In the US, the Group last year borrowed funds against the reserves of Cub Creek Energy and Salt Creek Oil & Gas under an industry-standard "Reserved Based Lending Facility" (RBL). Salt Creek fully repaid the loan following the successful sale of its assets in June 2018. In the case of Cub Creek, the interest rates are variable and range between LIBOR +2.750 % and LIBOR +3.75 %. The loan amounted to USD 18.0 million (EUR 15.7 million) as of December 31, 2018 and will be repaid with monthly payments until the end of 2019.

Other liabilities mainly result from outstanding payments at Elster Oil & Gas and Cub Creek Energy, which are still due to royalty owners and partner companies that are also involved in the drilling projects.

In the following, the Company provides an overview of further indicators which are of particular importance for assessing the ability to service debt. This is based on the reporting date as of December 31, 2018.

GROUP MANAGEMENT REPORT

ADDITIONAL SELECTED FINANCIAL INFORMATION

Fiscal year ended 31 December 2018

	2018	2017
EBIT Interest Coverage Ratio ¹	4.9	1.1
EBITDA Interest Coverage Ratio ²	14.6	7.2
Total DEBT/EBITDA ³	1.0	3.0
Total net Debt/EBITDA ⁴	0.3	2.0
Risk Bearing Capital ⁵	0.3	0.3
Total Debt/Capital ⁶	0.6	0.7

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 Executive Board's point of view, the Group's economic and financial situation is excellent. All in all, business development was good, especially in the important US market. The price for WTI, which is of particular importance to the Group, rose significantly to a multi-year high by October. In the fourth quarter, however, there was a sharp slump. The planned wells were largely completed within the budget. Production amounted to 3,508,001 BOE (previous year 1,871,694 BOE), which corresponds to a daily average of 9,611 BOE. Drilling of new wells is expected to commence in the second quarter of 2019 and contribute to production towards the end of the year, but especially in the coming year.

In the Metals division, Almonty Industries, by far the most important subsidiary, continued to make good progress. Although an-

other loss was reported for the 2017/18 financial year due to unplanned write-downs, in the first quarter of the 2018/19 financial year the company generated a net profit of CAD 7.2 million or CAD 0.04 per share. Tin International sold its last two licenses in the Erzgebirge region of Germany. For 2019 and 2020, the Management Board is confident that the division will make a positive contribution to the Group's performance.

The Group is solidly financed due to the high returns from the US and the placement of the convertible bond in March 2018 and is in a position to further invest. Two of the four US companies have credit agreements with US banks that allow them to finance themselves flexibly. The very stable price development of the two bonds in the past year documents the confidence that the capital market has in the further development of the Group.

4. NON-FINANCIAL PERFORMANCE INDICATORS

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 beginning of May 2019:

In February 2019, Tin International sold the Gottesberg license in the Vogtland, Saxony/Germany, for EUR 50,000 in cash and 2 million shares of the buyer Anglo Saxony Mining (ASM). Tin doesn't hold any more licenses now.

Salt Creek announced that it had acquired approximately 300 royalty acres in the Williston Basin in North Dakota for USD 5.4 million. Salt Creek's production thus rose to around 200 barrels of oil per day in March.

Also in February 2019, Deutsche Rohstoff AG published the results of the preparation of new reserve reports for the US subsidiaries Cub Creek Energy, Elster Oil & Gas, Bright Rock Energy and Salt Creek Oil & Gas. The total value of the proven, probable and possible reserves amounts to USD 186.3 million.

In April, Deutsche Rohstoff AG announced that an extensive drilling program on Cub Creek Energy's acreage is planned for June. The investment volume will amount to around USD 60.0 million and lead to a strong increase in production at the beginning of 2020. Elster Oil & Gas is expected to invest approximately USD 10.0 million in new wells.

Also in April, Bright Rock Energy announced the successful expansion of its acreage position in the Uinta Basin in Utah. The company acquired a further 300 acres for USD 2.0 million and now holds more than 1,000 net acres.

IV. FORECAST, OPPORTUNITIES AND RISK REPORT

1. FORECAST

The Group's business activities focus on oil and gas production in the USA. At the end of 2018, 44 wells, which the Group operates as an operator, and around 48 wells, in which the Group holds a minority interest, were in production. For 2019, substantial investments of around USD 70.0 million are planned in the US subsidiaries. The focus will be on a drilling program by Cub Creek Energy with investments of around USD 60.0 million. The wells are expected to start production at the beginning of 2020 and to increase sales sharply in 2020.

The 2019 forecast is based solely on the wells currently in production. Additional new production may result from acquisitions and participation in new wells. However, such acquisitions are not included in the forecast. In addition to the wells currently producing, the 2020 forecast is based primarily on the sales expected from the additional investments at Cub Creek Energy.

In the Metals division, the Group currently has no ongoing production facilities. In this respect, income can only be generated through the sale of assets or investments. As such earnings are naturally difficult to predict, they are not included in the forecast. The same applies to unplanned depreciation.

Assuming an annual average US oil price of USD 58/barrel, a Henry Hub gas price of USD 2.75 and an EUR/USD exchange rate of 1.14, the Executive Board expects the following results for the current year:

- Group sales in 2019 in a range of EUR 40.0 to 50.0 million.
- Group sales in 2020 in a range from EUR 75.0 to 85.0 million.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) of around EUR 25.0 to 35.0 million in 2019
- Earnings before interest, taxes, depreciation and amortization (EBITDA) 2020 of around EUR 55.0 to 65.0 million

The Executive Board assumes that it will be able to achieve a positive consolidated result in both years.

2. RISKS AND OPPORTUNITIES

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 supervi-

GROUP MANAGEMENT REPORT

sory 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.
- The Chairman of the Supervisory Board of Deutsche Rohstoff AG is a member of the boards of all of the major US subsidiaries. Thus, he is involved in all important decisions for the Supervisory Board at an early stage.

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 manage-

ment 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.

Within Deutsche Rohstoff Group, the price risk currently exists mainly for crude oil and natural gas. For oil/natural gas, Cub Creek Energy, Elster Oil & Gas, Bright Rock Energy and Salt Creek Oil & Gas regularly use sensitivity analyses to calculate how earnings and cash flow change at different prices. Should the price of WTI crude oil fall below USD 40/barrel on a sustained basis, new horizontal wells would no longer amortize as quickly as management believes makes sense from an opportunity/risk perspective. In this respect, no new wells would probably be drilled if the price level were below this threshold. Such a decision not to drill new wells would have an impact on the earnings, financial and asset situation, but would in no case jeopardize the continued existence of the company. As of the balance sheet date, prices were above this threshold. The Group anticipates a long-term oil price of between USD 55 and 65 per barrel.

One of the main risks in the production of shale oil is that the expected production rates will not be achieved. If such a case occurs, the result is a lower cash flow for the same oil price and a lower than expected return on investment. A well that no longer recoups the investment will result in a loss. In such a case, it may be necessary to recognize impairment losses on the capitalized value with the corresponding effect on the earnings and asset situation. Conversely, production rates may exceed expectations, which represents an opportunity.

In 2018, the Group exercised the option under Section 254 of the German Commercial Code (HGB) to hedge the WTI oil price and



• CUB CREEK ENERGY'S PRODUCTION FACILITIES

the Henry Hub gas price by forming a valuation unit. The effective part of the valuation unit formed is represented using the net method. The hedging transactions are derivative financial transactions (portfolio hedges) to hedge the price risk of natural gas and crude oil.

The period covered by the hedges relates to oil and gas production of approximately 55,000 barrels of oil equivalent (BOE) per month in 2019.

The derivative financial instruments hedge a total production volume (underlying transaction) of 672,083 BOE. The risk management objective is to hedge against a fall in oil prices below around USD 45 and gas prices below USD 2.5. In return, participation in prices above around USD 3.5 for natural gas and USD 52 for crude oil will be abandoned. The corresponding forward transactions generate income if the price of the raw material is below this corridor at the respective maturity date. If the price is higher, the individual valuation of the unrealized forward transaction at market prices results in a loss. As of the reporting date, oil prices were below the average value of the hedged corridor and accordingly resulted in unrealized income of EUR 1.3 million as of 31 December 2018.

The production of crude oil from existing production sites already takes place at the time of hedging, so that the effective-

ness of the hedging method is guaranteed and anticipatory valuation units have been formed in view of the reliably plannable scope and timing of the occurrence. It is therefore highly probable that the opposing effects of the hedged item and the hedging instrument will balance each other out during the hedging period. The volume hedged by the hedging transaction is offset by at least the same volume of crude oil and natural gas produced. The loss from derivative financial instruments is thus offset by income from the extraction of resources, as production can also be operated profitably at the hedged price level. The loss therefore has the effect of reducing sales. The risk that the derivative hedged volume will not be matched by corresponding production of crude oil and natural gas is therefore considered to be extremely low.

Similar to oil and gas production, the production of tungsten concentrates also involves a price risk. Should the price of the concentrates fall permanently below the production costs, this could pose a risk to the continued existence of Almonty Industries. In contrast to oil production, the company has to cover relatively high operating costs, most of which are fixed and can only be reduced with a certain amount of lead time. In the first half of the reporting year, prices initially rose significantly to up to 350 USD/mtu, before falling again in the second half of the year to end the year at 277.50 USD/mtu.

GROUP MANAGEMENT REPORT

Almonty reported a 67 % increase in sales to CAD 65.2 million for the fiscal year ended September 30, 2018. Adjusted for these special effects, gross profit rose to CAD 17.3 million. At the same time, the company reported a loss of CAD 10.7 million (previous year: CAD 8.1 million). The loss mainly resulted from the write-down of the remaining book value of Wolfram Camp Mine in the amount of CAD 12.8 million and an impairment loss of CAD 2.8 million on Los Santos Mine in Spain. Wolfram Camp Mine was put into voluntary liquidation in December 2018 after the end of the fiscal year. In the first quarter of 2018/2019, Almonty reported net income of CAD 7.3 million, continuing the strong operating performance of previous quarters.

The main risks arising from Almonty's business model are the development of tungsten prices and exchange rates and costs in the countries in which Almonty operates. In addition, there is a risk that Almonty will not be able to finance, build or operate the Sangdong and Valtreixal mines as planned. Furthermore, there is a risk that the Los Santos and Panasqueira mines may not operate profitably due to operational problems or price changes.

Overall, the Executive Board of Deutsche Rohstoff believes that the investment in Almonty Industries is still on the right track. The significant reduction in operating costs, the significant increase in prices for tungsten APT compared to 2016 and 2017, the reduction in balance sheet risks and the promising new mines Sangdong and Valtreixal, which Almonty is developing, all point to continued good development in the opinion of the Management Board. The share price continued to improve in 2018. The market value of the investment thus approaches the book value of Deutsche Rohstoff. The current value of the company's investment in Almonty Industries is approximately EUR 18.8 million. In extreme cases, a large majority or the entire investment could become worthless if numerous of the risks mentioned occur. However, the Management Board currently considers the risk of a permanent impairment of the shareholding or the convertible bonds to be low. Conversely, a rising price has a positive effect on the earnings, financial and asset situation of all Group companies and investments. It thus represents an essential opportunity. The Executive Board expects that in the further course of 2019 there will be moderate price increases for crude oil and the met-

als that are important for the Group. The value of the Group's assets increases disproportionately when prices rise, as rising prices can be fully attributed to the profit margin when production is already profitable.

The company's investments are mainly made in US Dollars, and to a much lesser extent in Australian and Canadian Dollars. The associated currency risk is considerable and is reflected both in the income statement and in the consolidated financial statements. In the opinion of the Management Board, one of the biggest risks for the Group on the currency side exists on an ongoing basis. The development of the EUR/USD in the past year led to a currency loss of EUR 1.2 million. If the euro continues to appreciate, there is a risk of further losses.

Management constantly examines the possibilities of hedging or reducing the currency risk. For this purpose, forward exchange transactions are regularly concluded in order to hedge a certain exchange rate for foreign currency positions whose return flow has already been terminated. In addition, Deutsche Rohstoff has started to take future positions on EUR/USD.

Rhein Petroleum and Hammer Metals are both active in the exploration of oil & gas and metals, respectively. Exploration in the resources sector involves high risks to the extent that the capital invested in carrying out exploration drilling can be completely lost in the event of uneconomical results and the investment values can therefore be worthless.

Industry opportunities and risks

Since raw material deposits are bound to a specific location, there is a high degree of dependence on the political and legal framework conditions. Deutsche Rohstoff Group therefore only operates in countries where a stable and reliable framework can be assumed. Nevertheless, regulatory changes may also occur in these countries, which will have a significant impact on the profitability of the projects. Such influence could become effective if the use of fracking technology was restricted in Colorado or other states. However, management currently considers this risk to be low.



• DOWNTOWN DENVER WITH ITS TYPICAL RED ROCKS

Performance-related opportunities and risks

In the area of service provision, the following significant risks exist for the extracting companies, which can occur individually or in combination and each have a significant influence on the Group's earnings, assets and finances, especially if they occur in combination:

Extraction rates: The economic success of the oil companies' wells depends on the production rates or the total possible production that can be achieved. In general, costs per well have fallen in recent years, while production rates have risen due in particular to improved fracking methods. In combination, these two effects lead to a decreasing break-even of the wells and thus to a decreasing risk.

The management of the US companies is constantly reviewing its assumptions regarding potential production rates on the basis

of new results achieved by themselves or by competitors operating in the vicinity. This is to avoid poor drilling results and production rates. Of course, better than expected production rates represent an opportunity that will have a positive impact on earnings.

Exploration results are naturally only predictable to a limited extent. Therefore, there is a risk that the Group's exploration activities may not be as successful as hoped in drilling or other types of exploration. As a result, the value of capitalized exploration expenses could fall or become completely worthless. However, due to the relatively low capitalized balance sheet values for exploration, the impact on the Group as a whole does not pose a threat to the continued existence of the Group. Conversely, exploration results that are better than expected can have a significant positive impact on the asset situation in particular.

GROUP MANAGEMENT REPORT

Financial opportunities and risks

The ability to finance project development is one of the key success factors in the extraction of resources. At the end of 2018, Deutsche Rohstoff had a very good equity base and sufficient cash reserves to service all financial obligations and finance the ongoing operations of all Group companies. Nevertheless, the parent company may need to raise additional funding to carry out future horizontal wells in the US or to acquire new projects. Financial requirements may also be higher than planned due to delays or cost increases in the projects. Whether it is possible to raise additional funds depends on the success of current and future project activities, capital market conditions and other factors. If it is not possible to raise funds on favorable terms or at all, management may be forced to reduce operating expenses by delaying, restricting or discontinuing project development.

Deutsche Rohstoff Group generally tries to counter the financing risk with a very conservative financing policy. The range of available cash is calculated continuously. By means of ongoing discus-

sions with potential equity or debt capital providers, attempts are made to create further financing options that can also be used independently of the capital market.

Some Group companies have significant tax loss carryforwards or 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 or tax offsetting possibilities can be carried forward and used to offset future or prior profits in accordance with the tax framework (e.g. minimum taxation). Should it not be possible to utilize the tax loss carryforwards in full or in part, e.g. because it is not possible to operate resource projects at a profit on a long-term basis, due to short-term changes in legislation, changes in capital resources or ownership structures, as well as other events, the expected income tax payments would accrue in the future on the successful development of the respective subsidiaries if they were to



• CERITECH GEOLOGISTS ROCKSAMPLING AT SURFACE

develop successfully. These tax payments would burden liquidity and deferred tax assets might be impaired in value. The Management Board therefore regularly reviews the recoverability of deferred tax assets on loss carryforwards. Local tax advisors in all countries in which the consolidated group has its registered office are commissioned to identify and eliminate tax risks at an early stage.

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, 6 May 2019

The Board of Directors

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 01/01/2017	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
Transfer to the revenue reserves	0	0	0	0
Acquisition of treasury shares	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
AS OF 01/01/2017	4,935,262	29,827,395	0	-3,507,363
Capital increase through sale of shares to minority interests	0	-86,319	0	0
Capital repayment and distribution to minority interests	0	0	0	0
Transfer to the revenue reserves	0	0	0	0
Acquisition of treasury shares	0	0	0	0
Foreign currency translation	0	0	0	5,924,936
Reclassifications	0	0	0	0
Dividend	0	0	0	0
Net income / net loss for the year	0	0	0	0
AS OF 31/12/2018	4,935,262	29,741,076	0	2,417,573

PROFIT/LOSS CARRYFORWARD	PROFIT/LOSS FOR THE PERIOD	EQUITY OF THE DRAG GROUP	NON-CONTROLLING INTERESTS	CONSOLIDATED EQUITY
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	0	0	0
0	0	0	0	0
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
12,444,003	5,548,520	49,247,817	7,426,885	56,674,702
0	0	-86,319	518,238	431,919
0	0	0	-3,927,046	-3,927,046
0	0	0	0	0
0	0	0	0	0
0	0	5,924,936	-3,436	5,921,500
5,548,520	-5,548,520	0	0	0
-3,207,920	0	-3,207,920	0	-3,207,920
0	13,871,965	13,871,965	4,072,044	17,944,009
14,784,603	13,871,965	65,750,479	8,086,685	73,837,164

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

ACQUISITION AND PRODUCTION COST

IN EUR	01/01/2018	ADDITIONS	DISPOSALS
I. INTANGIBLE ASSETS			
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	32,621,193	2,454,333	-12,259,151
2. Goodwill	5,416,566	0	-1,475,334
	38,037,759	2,454,333	-13,734,485
II. PROPERTY, PLANT AND EQUIPMENT			
1. Petroleum extraction equipment	106,228,067	3,172,175	-29,617,942
2. Exploration and evaluation	43,396,395	60,554,377	-424,130
3. Plant and machinery	470,630	0	0
4. Other equipment, furniture and fixtures	280,073	27,160	-6,146
	150,375,165	63,753,712	-30,048,218
III. FINANCIAL ASSETS			
1. Equity investments	16,791,098	64,932	-12,737
2. Loans to other investees and investors	1,852,197	0	0
3. Securities classified as fixed assets	5,468,345	1,970,499	-1,132,517
	24,111,640	2,035,431	-1,145,254
	212,524,564	68,243,476	-44,927,957

CHANGES IN BASIN OF CONSOLIDATION	RECLASSIFICATIONS	FOREIGN CURRENCY TRANSLATION	31 / 12 / 2018
0	-2,328,738	1,127,823	21,615,460
0	0	198,408	4,139,640
0	-2,328,738	1,326,231	25,755,100
0	99,917,675	11,096,948	190,796,923
0	-97,588,937	-1,049,655	4,888,050
0		49,586	520,216
0	0	7,011	308,098
0	2,328,738	10,103,890	196,513,287
0	0	0	16,843,293
0	0	0	1,852,197
0	0	0	6,306,327
0	0	0	25,001,817
0	0	11,430,121	247,270,204

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

ACCUMULATED AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

IN EUR	01/01/2018	ADDITIONS	DISPOSALS
I. INTANGIBLE ASSETS			
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	2,055,256	4,254,229	-37,258
2. Goodwill	2,145,242	1,761,966	-1,475,334
	4,200,498	6,016,195	-1,512,592
II. INTANGIBLE ASSETS			
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	32,467,772	51,913,367	-4,606,587
2. Goodwill	2,839,880	0	0
3. technische Anlagen und Maschinen	371,652	67,806	0
4. andere Anlagen, Betriebs- und Geschäftsausstattung	172,248	39,560	0
	35,851,552	52,020,733	-4,606,587
III. FINANCIAL ASSETS			
1. Equity investments	1,222,464	1,235,678	0
2. Loans to other investees and investors	128,059	0	0
3. Securities classified as fixed assets	50,771	364,218	0
	1,401,294	1,599,896	0
	41,453,344	59,636,824	-6,119,179

CHANGES IN BASIN OF CONSOLIDATION	RECLASSI- FICATIONS	FOREIGN CURRENCY TRANSLATION	NET BOOK VALUES		
			31/12/2018	31/12/2018	31/12/2017
0	0	113,938	6,386,165	15,229,295	30,565,937
0	0	4,807	2,436,681	1,702,959	3,271,324
0	0	118,745	8,822,846	16,932,254	33,837,261
0	0	3,144,785	82,919,337	107,877,586	73,760,295
0	0	0	2,839,880	2,048,170	40,556,515
0	0	44,744	484,202	36,014	98,978
0	0	5,024	216,832	91,266	107,825
0	0	3,194,553	86,460,251	110,053,036	114,523,613
0	0	0	2,458,142	14,385,151	15,568,634
0	0	0	128,059	1,724,138	1,724,138
0	0	0	414,989	5,891,338	5,417,574
0	0	0	3,001,190	22,000,627	22,710,346
0	0	3,313,298	98,284,287	148,985,917	171,071,220

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 and six foreign subsidiaries. In the previous year, the consolidated financial statements comprised three German and five foreign subsidiaries. Please also refer to 5.2. Information on shareholdings.

In July 2018, the newly established U.S. subsidiary Bright Rock Energy LLC was included in the scope of consolidation with a 95.18 % shareholding.

The acquisition of all minority interests increased the stake in the U.S. company Salt Creek Oil & Gas from 90.18 % to 100 %.

Due to a capital increase at Ceritech AG, the shareholding decreased from 66.15 % to 63.71 %.

Furthermore, the shareholding in Tin International AG increased from 61.55 % to 73.98 % as a result of share purchases from coshareholders.

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 straightline 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 straightline 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 straightline method. There is one exception regarding the straightline 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 selfconstructed 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). Furthermore, systems operated by Bright Rock Energy LLC in the Uinta Basin in Utah (USA) are taken into account.

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 straightline 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 straightline depreciation method for petroleum extraction equipment, which is depreciated accord-

ing 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 busi-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ness 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 Rück-AbzinsV [“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 companyspecific 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 firsttime 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 2018, Bright Rock Energy acquired TEUR 1,728 in production rights for the development of oil and gas wells. Due to the sale of the main assets of Salt Creek Oil & Gas, the position production rights in connection with possible and producing oil and gas wells decreased by TEUR 15,337.

The item “Purchased franchises, industrial rights and similar rights and assets, and licenses in such rights and assets” breaks down as shown in figure 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.

The capital consolidation of Cub Creek Energy in 2016 resulted in a gap of EUR 4.2 million capitalized as goodwill. Due to the exit of a minority shareholder in 2017 and the resulting capital consolidation, this amount was reduced to EUR 1.7 million as of December 31, 2017. The useful life was estimated on the basis of the average production periods of Cub Creek Energy’s oil wells.

Similarly, the capital consolidation of Salt Creek Oil & Gas in 2016 resulted in a gap of EUR 1.5 million capitalized as goodwill. This goodwill was also amortized on a straightline basis over a useful life of 15 years, so that in June 2018 there was still a residual

carrying amount of TEUR 1,321. Due to the sale of the main operating assets at Salt Creek Oil & Gas in June 2018, this residual book value was written off in full.

For Cub Creek Energy, investments for the preparation of new wells amounting to TEUR 1,056 are reported. Elster Oil & Gas brought all 20 wells that were drilled in 2017 into production in 2018. New investments are not reported as of December 31, 2018. The German company Tin International sold the Sadisdorf license in 2018.

The item "Exploration and evaluation" breaks down as shown in figure 5.1.2.

The item "Producing oil production equipment" breaks down as shown in figure 5.1.3.

Elster Oil & Gas's producing oil production facilities relate to 39 wells in the Wattenberg Field in Colorado/USA, an average of 35.4% of which are economically attributable to Elster Oil & Gas.

Cub Creek Energy's producing oil production facilities comprise of 45 wells in the Wattenberg Field in Colorado/USA, 82.0% of which are economically attributable to Cub Creek Energy. An impairment loss of TEUR 13,161 was recognized on the production oil production facilities of Cub Creek Energy so that the carrying amount reflects the fair value (see further details in Note 6.5. Impairment losses).

Due to the sale of the main assets of Salt Creek Oil & Gas, the value of the producing oil production facilities fell to TEUR 1,596.

5.2. INFORMATION ON SHAREHOLDINGS

Exercising the valuation option allowed under ec. 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.

The carrying amount of the investment as of December 31, 2018 is therefore based on an average market value of CAD 0.68 (EUR 0.48) per share at the time of acquisition.

The share price as of December 31, 2018 was CAD 0.65 per share (EUR 0.43 per share), ranging between CAD 0.58 per share (EUR 0.38 per share) and CAD 1.00 per share (EUR 0.65 per share) in the

first four months of 2019. Most recently, at 1.00 CAD, it was quoted at around 47% above the average CAD acquisition value. The risk of a permanent impairment below the book value of the shareholding or the convertible bonds is therefore currently considered by the Management Board to be low as shown in figure 5.2.

5.3. INVENTORIES

Inventories relate to gold carried under finished goods.

5.4. RECEIVABLES AND OTHER ASSETS

The remaining terms of receivables and other assets break down as shown in figure 5.4 and 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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

PROJECT/COMPANY	RESOURCE	2018	2017
Elster Oil & Gas LLC	Oil and Gas	10,282,721	13,314,025
Salt Creek Oil & Gas LLC	Oil and Gas	493,905	14,603,324
Cub Creek Energy LLC	Oil and Gas	2,718,576	2,642,395
Bright Rock Energy LLC	Oil and Gas	1,727,500	0
Other	Various	6,593	6,193
		15,229,295	30,565,937

FIG. 5.1.2, EXPLORATION AND EVALUATION

PROJECT/COMPANY	RESOURCE	2018	2017
Cub Creek Energy LLC	Oil and Gas	1,055,673	16,363,604
Elster Oil & Gas LLC	Oil and Gas	0	23,105,507
Bright Rock Energy LLC	Oil and Gas	18,326	0
Tin International AG	Tin and Lithium	30,401	343,592
Ceritech AG	Rare earths	943,770	743,812
		2,048,170	40,556,515

FIG. 5.1.3, PRODUCING OIL PRODUCTION EQUIPMENT

PROJECT/COMPANY	RESOURCE	2018	2017
Elster Oil & Gas LLC	Oil and Gas	42,931,041	6,091,770
Cub Creek Energy LLC	Oil and Gas	61,791,637	41,577,496
Salt Creek Oil & Gas LLC	Oil and Gas	1,595,842	26,091,029
Bright Rock Energy LLC	Oil and Gas	1,559,066	0
		107,877,586	73,760,295

FIG. 5.2. INFORMATION ON SHAREHOLDINGS

REGISTERED OFFICE		INCL. SHARES IN ACC. WITH SEC. 16 AKTG ["AKTIENGESETZ": GERMAN STOCK CORPORATION ACT]			FISCAL YEAR	EQUITY IN LC	NET INCOME/ LOSS FOR THE YEAR IN LC
		DIRECT %	INDIRECT %	TOTAL %			
CONSOLIDATED AFFILIATES							
Deutsche Rohstoff AG	Mannheim, Germany						
Deutsche Rohstoff USA Inc	Wilmington, USA	100.00		100.00	2018		
Elster Oil & Gas LLC	Denver, USA		93.00	93.00	2018		
Diamond Valley Energy Park LLC	Denver, USA		93.00	93.00	2018		
Cub Creek Energy LLC	Denver, USA		88.46	88.46	2018		
Bright Rock Energy LLC	Denver, USA		95.18	95.18	2018		
Salt Creek Oil & Gas LLC	Denver, USA		100.00	100.00	2018		
Tin International AG	Leipzig, Germany	73.98		73.98	2018		
Ceritech AG	Leipzig, Germany	63.71		63.71	2018		
Jutland Petroleum GmbH	Heidelberg, Germany	100.00		100.00	2018		
OTHER EQUITY INVESTMENTS							
Devonian Metals Inc. *	New Westminster, Canada	47.00			2016 / 17 ¹	5,376,398	-69,654
Almonty Industries Inc.*	Toronto, Canada	12.80			2017 / 18 ²	40,863,000	-10,689,000
Hammer Metals Ltd.	Mount Lawley, Australia	12.63			2017 / 18 ³	12,152,774	-673,062
Rhein Petroleum GmbH	Heidelberg, Germany	10.00			2017 ⁴	-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 (current figures not yet available at balance sheet date)

² Balance sheet date 30 September 2018

³ Balance sheet date 30 June 2018

⁴ Balance sheet date 31 December 2017 (current figures not yet available at balance sheet date)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.6. PREPAID EXPENSES

Prepaid expenses primarily relate to prepaid insurance and rent.

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 rate of 30 % / 24.66 %. The theoretical group tax rate stands at 24.95 %. 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. Please see figure 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 2018, the subscribed capital of EUR 5,063,072 (prior year: TEUR 5,063) corresponds to the balance sheet item recognized at the parent company.

The capital reserve of the current year is EUR 86,319 lower than the capital reserve of the previous year (TEUR 29,827). The change results from disproportionate payments by minority shareholders in connection with capital increases at the subsidiary Ceritech AG.

As of 31 December 2018, 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 2018 there is a restriction on dividend distribution of EUR 957,225.16 (prior

year: EUR 1,375,190.48) 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. This negative goodwill and the related hidden reserves were written off in full in the 2018 financial year.

5.10. PROVISIONS

Other provisions developed as shown in figure 5.10.

Other provisions mainly relate to outstanding invoices and production taxes incurred by the US companies Cub Creek Energy and Elster Oil & Gas.

5.11. LIABILITIES

Liabilities are listed in figure 5.11.

The item "Bonds, non-convertible" contains liabilities from the issue of a corporate bond amounting to EUR 66,599,000.00.

The non-convertible bond was issued on 20 July 2016, has a final maturity and a term until 20 July 2021 and bears interest at a rate of 5.625 % per annum.

The bond issued on 11 July 2013 was repaid in full in due time on 11 July 2018.

The item "Bonds, convertible" contains liabilities from the issue of a convertible bond on 29 March 2018 amounting to EUR 10,700,000.00. The convertible bond has a five-year term until 29 March 2023, bears interest at 3.625 % p.a. and is initially convertible into 357,143 new or registered ordinary shares of Deutsche Rohstoff AG. Shareholders' subscription rights were excluded.

The liabilities as of 31 December 2018 with a term of up to one year include a loan to banks amounting to EUR 15,720,524 relating to Cub Creek Energy. The loan is intended to finance ongoing oil and gas drilling and was contracted with Wells Fargo Bank N.A. The credit line amounted to USD 18.0 million as of December

FIG. 5.4. RECEIVABLES AND OTHER ASSETS

			31/12/2018
IN EUR	< 1 YEAR	> 1 YEAR	TOTAL
Trade receivables	11,646,063	0	11,646,063
Receivables from other investees and investors	1,796,881	0	1,796,881
Other assets	200,847	136,082	336,929
			13,779,873

			31/12/2017
IN EUR	< 1 YEAR	> 1 YEAR	TOTAL
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

FIG. 5.4.1. OTHER ASSETS

IN EUR	2018	2017
Receivables from German and foreign tax offices	77,193	253,824
Collateral provided for forward exchange contracts	0	742,473
Deposits	111,626	121,829
VAT receivables	24,024	26,216
Interest income cap	0	9,224
Loan receivables	24,457	62,536
Other	99,629	108,341
	336,929	1,324,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FIG. 5.7. DEFERRED TAXES

IN EUR	31/12/2018	31/12/2017
DEFERRED TAX ASSETS ON DIFFERENCES IN CARRYING AMOUNTS FOR		
Property, plant and equipment	963,940	1,214,369
Receivables and other assets	0	140,161
Securities classified as current assets	0	122,353
Bank balances	0	147,486
Other provisions	246,003	215,609
Liabilities	0	4,839
TOTAL	1,209,943	1,844,817
Deferred taxes on loss carryforwards	6,191,907	10,622,906
TOTAL DEFERRED TAX ASSETS	7,401,850	12,467,723
DEFERRED TAX LIABILITIES ON DIFFERENCES IN CARRYING AMOUNTS FOR		
Intangible assets	1,355,460	1,836,880
Property, plant and equipment	20,280,062	16,050,636
Receivables and other assets	1,097	0
Securities classified as current assets*	25,522	0
Bank balances*	1,207	0
TOTAL DEFERRED TAX LIABILITIES	21,663,348	17,887,516
TOTAL DEFERRED TAXES, NET	-14,261,498	-5,419,793

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

FIG. 5.10. PROVISIONS

IN EUR	1/1/2018	UTILIZATION	CLOSING	ALLOCATION	CURRENCY	31/12/2018
Tax provisions	42,524	-37,831	-4,693	456	0	456
Other provisions	27,954,071	-27,525,842	-58,708	18,189,190	752,511	19,311,222
TOTAL	27,996,595	-27,563,673	-63,401	18,189,646	752,511	19,311,678

31, 2018, of which USD 18.0 million or EUR 15,720,524 had been drawn down. The interest rate is variable, whereby the weighted average interest rate as of December 31, 2018 was 6.32 %. The loan will be repaid in monthly instalments of USD 1.5 million each and will mature on 31 December 2019.

The loan from Salt Creek Oil & Gas existing as of December 31, 2017 was repaid in full in 2018 as a result of the sale of the main assets.

Other liabilities amount to EUR 15,986,459 and consist primarily of license obligations to landowners of Cub Creek Energy and Elster Oil & Gas 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 BitRUG provisions. Production tax of EUR 13,6 million incurred in the fiscal year 2018.

Revenue by segment and region breaks down as follows:

IN EUR	2018	2017
Gold	37,705	2,034
Oil	84,691,044	42,778,870
Gas	24,323,613	10,939,040
Other	0	26,109
	109,052,362	53,746,053

IN EUR	2018	2017
Germany	37,705	28,143
USA	109,014,657	53,717,910
	109,052,362	53,746,053

6.2. OTHER OPERATING INCOME

Other operating income breaks down as shown in figure 6.2.

Income from the disposal of property, plant and equipment includes the capital gain of EUR 13,562,952 from the sale of the main assets of Salt Creek Oil & Gas as well as the proceeds from the sale of the Sadisdorf license at Tin International in the amount of EUR 1,658,412 million.

6.3. COST OF MATERIAL

As of December 31, 2018, expenses for purchased services amounting to EUR 19.0 million were reported. They mainly relate to ongoing operating costs incurred for the 39 wells at Elster Oil & Gas and the 45 wells at Cub Creek Energy in 2018.

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

Unplanned depreciation of TEUR 13,161 was recognized on the producing oil and gas wells of Cub Creek Energy. The calculation was based on the principle of prudence insofar as the Company believes that the fair value of Cub Creek's producing oil and gas plants does not correspond to the book value as of the balance sheet date. In order to calculate the amount of unplanned depreciation on the basis of this finding, internal and, in the result, more conservative reserve calculations were used for the already producing oil wells. The durability of the depreciation carried out is subject to an annual review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FIG. 5.11. LIABILITIES

DUE (IN YEARS)		31/12/2018			
IN EUR	< 1 YEAR	1–5 YEARS	> 5 YEARS	TOTAL	THEREOF SECURED
Bonds, not convertible	0	66,599,000	0	66,599,000	0
Bonds, convertible	0	10,700,000		10,700,000	0
Liabilities to banks	16,085,646	0	0	16,085,646	15,720,524
Trade payables	6,839,639	0	0	6,839,639	0
Other liabilities	15,986,459	0	0	15,986,459	0
– thereof for social security	11,264	0	0	11,264	0
– thereof for taxes	444,423	0	0	444,423	0

DUE (IN YEARS)		31/12/2017			
IN 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

FIG. 6.2. OTHER OPERATING INCOME

IN EUR	2018	2017
Income from the disposal of property, plant and equipment	15,221,364	0
Exchange rate gains	2,853,530	781,143
Sundry other income	985,441	342,451
	19,060,335	1,123,594

Unplanned amortization of EUR 387,262.73 has been made to the Devonian Metals' shares for permanent impairment so that the carrying amount represents the attributable value.

In addition, an impairment loss of EUR 848,415.61 was applied to the shares of Hammer Metals in order to present the carrying amount at fair value.

Securities held as current assets were depreciated for the shares of Northern Oil & Gas in the amount of EUR 5.3 million in order to account for the fair value as at 31 December 2018.

Depreciation on Devonian Metals, Hammer Metals and Northern Oil & Gas are reported under "Depreciation and amortization of financial assets and marketable securities". The total amount of this position amounts to EUR 7.2 million and relates to write-downs on financial assets of EUR 1.6 million and depreciation on marketable securities of EUR 5.6 million.

6.6. OTHER OPERATING EXPENSES

Other operating expenses break down as shown in figure 6.6.

The item "Expenses for exchange rate losses" mainly comprises expenses from exchange rate losses incurred at the level of Deutsche Rohstoff AG. These mainly relate to expenses in connection with hedging the currency risk in the EUR/USD as well as currency losses incurred in connection with the repayment of loans from US subsidiaries.

6.7. INCOME TAXES

The item "Income taxes" breaks down as shown in figure 6.7.

7. OTHER NOTES

7.1. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents consist of the balance sheet item bank balances. In the 2018 financial year, cash returns were generated by the sale of the significant operating bases of Salt Creek Oil & Gas and the sale of the Sadisdorf license to Tin International totaling EUR 38.4 million.

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

As shown in figure 7.3.1.

OTHER FINANCIAL OBLIGATIONS

There are other financial obligations in addition to the contingent liabilities as shown in figure 7.3.2.

STOCK OPTION PROGRAM

Based on the resolution of the Annual General Meeting of Deutsche Rohstoff AG on 10 July 2018, the Board of Management is authorized to launch stock option programs until 9 July 2021 and to issue up to 200,000 shares in one or several tranches. The stock options with subscription rights for new no-par value registered shares of the Company with a pro rata amount of the share capital of EUR 1.00 per share attributable to each share with a term of up to seven years to members of the Management Board and members of the management of affiliated companies, selected employees of the Company and affiliated companies, with the provision that each stock option grants the right to subscribe to one new share of the Company.

By resolution of 2 October 2018, the Board of Management made use of this authorization for the first time and issued 34,500 stock options to employees of Deutsche Rohstoff AG.

The Company will only grant subscription shares to option holders if the conditions of the Stock Option Program 2018 are met, in which context cash settlement was expressly excluded. The stock option program had no effect on these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FIG. 6.6. OTHER OPERATING EXPENSES

IN EUR	2018	2017
Exploration and evaluation expenses not eligible for capitalization	132,372	500,906
Administrative expenses	2,906,303	2,230,878
Selling expenses	138,770	192,097
Other expenses	5,281,091	5,473,141
	8,458,536	8,397,022
ADMINISTRATIVE EXPENSES		
Legal and consulting fees	503,541	324,346
Bookkeeping costs	175,942	182,666
Insurance premiums	252,133	182,020
Costs incurred by the supervisory board and similar bodies	333,565	341,052
Rent and leases	261,980	285,220
Cost of preparing and auditing the financial statements	193,352	143,442
IT expenses (rent, maintenance, consulting, etc.)	223,224	183,410
Contributions	23,178	52,601
Office supplies	34,527	38,831
Post and telephone expenses, data transfer	33,988	32,351
Bank charges and fees	107,111	48,485
Costs issuance of new bonds	0	119,173
Costs issuance of convertible bond	378,049	0
Cost of stock exchange listing	272,445	239,822
Other administrative expenses	113,268	57,459
	2,906,303	2,230,878

IN EUR	2018	2017
SELLING EXPENSE		
Travel expenses	137,088	190,787
Cost of sales promotion	1,682	1,310
	138,770	192,097
OTHER EXPENSES		
Exchange rate losses	4,058,907	4,743,028
Incidental personnel expenses / training	2,298	0
vehicle expenses	35,585	34,164
Losses from the disposal of intangible assets	2,474	0
Losses from the disposal of property, plant and equipment	370	70,775
Allocation to other provisions	602,955	415,711
Sundry other operating expenses	578,502	209,463
	5,281,091	5,473,141

FIG. 6.7. INCOME TAXES

IN EUR	2018	2017
Current tax	4,693	37
Income (-)/expense (+) from changes in deferred taxes	-8,523,862	-6,378,630
	8,519,169	-6,378,593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At the grant date, the stock options had a value of TEUR 0. As of the balance sheet date, this value amounted to EUR 0.

By resolution of the Annual General Meeting of Deutsche Rohstoff AG on 22 July 2011, the Board of Management was authorized to issue up to 225,000 stock options with subscription rights to new registered shares of the Company up to 31 December 2013, either once or in several tranches, with each share representing a proportionate amount of the share capital of EUR 1.00 per share with a term of up to seven years. The beneficiaries were members of the management of the companies affiliated with the Company in Germany and abroad as well as employees of the Company and its domestic and foreign affiliated companies. Each stock option grants the right to subscribe to one new share of the Company.

By resolution of 13 September 2011, the Management Board made use of this authorization for the first time and issued 90,000 stock options to members of the management of affiliated companies in Germany and abroad and 28,000 stock options to employees of the Company and its affiliated companies in Germany and abroad. In a resolution dated January 3, 2012, the Executive Board once again made use of this authorization and issued 50,000 stock options to members of the management of affiliated companies in Germany and abroad and 49,000 stock options to employees of the Company and its affiliated companies in Germany and abroad.

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

On 14 June 2013, the Management Board made use of the authorization granted by the Annual General Meeting and issued 32,000 stock options to employees of the Company in a third tranche.

In 2014, 42,500 stock options issued to members of the management of the companies affiliated with the Company in Germany and abroad expired from the second tranche. Furthermore, one employee of a German affiliated company left the company in

2014, so that a further 5,000 stock options were returned from the third tranche.

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

On September 13, 2015, the Executive Board, with the consent of the Supervisory Board dated September 18, 2015, resolved in accordance with § 1 (5) of the Stock Option Program 2011 and with the consent of the Supervisory Board dated September 18, 2015, to pay in cash all subscription rights exercised or to be exercised in accordance with § 7 (2) of the Stock Option Program 2011 in exchange for the difference between the exercise price in accordance with § 5 of the Stock Option Program and the relevant reference price in accordance with § 6 (2) of the Stock Option Program, instead of granting subscription shares.

In 2016, 25,000 stock options issued to members of the management of the companies affiliated with the Company in Germany and abroad expired from the second tranche.

By the end of 2017, a total of 67,769 stock options had been exercised.

In 2018, 64,693 stock options were exercised. As of December 31, 2018, 11,416 unexercised stock options remained.

7.4. EMPLOYEES

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

NUMBER OF EMPLOYEES	2018	2017
Wage earners	0	0
Salaried employees	22	23
Trainees	0	0
TOTAL	22	23

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.

FIG. 7.3.1. AUSSERBILANZIELLE GESCHÄFTE

	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.

FIG. 7.3.2. OTHER FINANCIAL OBLIGATIONS

IN EUR	DUE IN < 1 YEAR	DUE IN > 1 YEAR	2018	DUE IN < 1 YEAR	DUE IN > 1 YEAR	2017
Rent for office space	215,339	536,377	751,716	268,722	898,605	1,167,327
Vehicle leasing	17,306	10,860	28,166	22,929	39,954	62,883
Other	2,171	2,351	4,522	2,171	4,522	6,693
			784,404			1,236,903

7.5. CORPORATE BODIES

EXECUTIVE BOARD

Dr. Thomas Gutschlag · Mannheim

Jan-Philipp Weitz · Mannheim

SUPERVISORY BOARD

Martin Billhardt (Vorsitzender) · Pfäffikon (SZ)/Schweiz
Geschäftsführer 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 665,000 (prior year: EUR 610,000)..

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 118,000 (prior year: EUR 115,000).

7.8. AUDITOR'S FEE

The auditor's fees recorded in the fiscal year amounted to EUR 75,000 for audit services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 beginning of May 2019:

In February 2019, Tin International sold the Gottesberg license in Vogtland, Saxony, for EUR 50,000 in cash and 2 million shares of the buyer Anglo Saxony Mining (ASM). Tin International therefore no longer holds any licenses.

Salt Creek Oil & Gas announced that it has acquired approximately 300 royalty acres in the Williston Basin in North Dakota for approximately USD 5.4 million. The production of Salt Creek Oil & Gas thus rose to around 200 barrels of oil per day in March.

Also in February 2019, Deutsche Rohstoff AG published the results of the preparation of new reserve reports for the US subsidiaries Cub Creek Energy, Elster Oil & Gas, Bright Rock Energy and Salt Creek Oil & Gas. The total value of the proven, probable and possible reserves amounts to USD 186.3 million.

In April, Deutsche Rohstoff AG announced that an extensive drilling program on Cub Creek Energy's acreage is planned for

June. The investment volume will amount to around USD 60 million and lead to a strong increase in production at the beginning of 2020. Elster Oil & Gas is expected to invest around USD 10 million.

Also in April, Bright Rock Energy announced the successful expansion of its acreage position in the Uinta Basin in Utah. The company was able to acquire a further 300 acres for USD 2 million and now holds more than 1,000 net acres.

7.10. PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The Executive Board proposes to the Supervisory Board to distribute a dividend of EUR 0.70 for each of the 4,935,262 dividend-bearing no-par value shares (EUR 3,454,683.40), of the net retained profit for fiscal year 2017 of Deutsche Rohstoff AG of EUR 5,623,994.74 and carry forward the remaining net retained profit to new account.

Mannheim, 6 May 2019

The Board of Directors

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 Management 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 Management 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 Management Board, which are subject to approval by law, the articles of incorporation and the rules of procedure of the Management Board, as well other decisions of fundamental importance.

Regarding the reports of the Management Board, I continuously maintained contact to the Management 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 development of oil and gas production in the USA, the sale of the portfolio of producing and potential wells of the subsidiary Salt Creek Oil & Gas in North Dakota and the financing of the Group.

MEETINGS OF THE SUPERVISORY BOARD AND KEY POINTS OF DELIBERATION

A total of six Supervisory Board meetings were held in the 2018. All members of the Supervisory Board attended all meetings. No committees were formed. The meetings of the Supervisory Board in the fiscal year 2018 focused in particular on the following topics:

- the sale of the main assets of the subsidiary Salt Creek Oil & Gas LLC;
- the acquisition of additional working interest in wells in which Elster Oil & Gas LLC participated;
- the development of production at the subsidiaries Cub Creek Energy LLC and Elster Oil & Gas LLC;

- the founding of the subsidiary Bright Rock Energy LLC;
- the issuance of a convertible bond by Deutsche Rohstoff AG;
- the approval of the annual financial statements and the consolidated financial statements of Deutsche Rohstoff AG for fiscal year 2017 in the annual accounts meeting on 7 May 2018, after extensive discussion with the external auditor for fiscal year 2017
- the sale of the Sadisdorf license by the subsidiary Tin International AG;
- the business development and financial situation of Almonty Industries and the subscription of a new convertible bond by Deutsche Rohstoff AG;
- the results of the Company’s interim financial statements as of June 30, 2018 and the quarterly report for the first nine months of 2018;
- Investment of liquid funds of the company;
- the development of raw material prices, in particular the oil price in the US 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 the 2019 financial year;
- the new versions of the Management Board contracts for the Management Board members Dr. Thomas Gutschlag and Jan-Philipp Weitz.

The budget planning for fiscal year 2018 prepared by the Management 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 Management Board and discussed it with them. There was a special focus on the risk exposure and risk management.

The Management 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 Management Board. These included, in particular:

- the authorization of the Management Board to determine the final terms of the convertible bond dated March 22, 2018;
- the reappointment of the Management Board members Dr. Thomas Gutschlag and Jan-Philipp Weitz from 1 January 2019 to 31 December 2023 and
- the authorization of the Chairman of the Supervisory Board to conclude new Management Board contracts with the Management Board members Dr. Thomas Gutschlag and Jan-Philipp Weitz, both dated October 8, 2018.

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

The audit firm FALK GmbH & Co KG Wirtschaftsprüfungsgesellschaft, headquartered in Heidelberg, Im Breitspiel 21, 69126 Heidelberg, Germany ("FALK"), was appointed as auditor and group auditor for fiscal year 2018 by the Annual General Meeting on 10 July 2018 and subsequently engaged by the Supervisory Board to audit the financial statements of Deutsche Rohstoff AG and the consolidated financial statements of the group. FALK audited the financial statements of Deutsche Rohstoff AG and the group consolidated financial statements prepared by the Management Board (including the group management report) for fiscal year 2018 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 FALK as well as the proposal of the Management Board on the appropriation of net retained profit in a timely manner, prior to the annual accounts meeting on 6 May 2019. 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 Management 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 Management Board, as well as the proposal of the Management Board for the appropriation of net retained profit for legality, compliance, expediency and economic viability. The engagement partner of FALK as well as the audit manager also attended the annual accounts meeting on 6 May 2019. 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 2018, as well as of the proposal of the Management Board for the appropriation of net retained profit, there were no objections by the Supervisory Board. The Supervisory Board accepted the audit result of FALK 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 Management Board and all the employees for their commitment and achievements in fiscal year 2018.

Mannheim, May 2019

On behalf of the Supervisory Board

Martin Billhardt

Chairman

AUDITOR'S REPORT

TO DEUTSCHE ROHSTOFF AG, MANNHEIM

AUDIT OPINIONS

We have audited the consolidated financial statements of Deutsche Rohstoff AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2018 to 31 December 2018, and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of Deutsche Rohstoff AG for the financial year from 1 January 2018 to 31 December 2018.

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 at 31 December 2018, and of its financial performance for the financial year from 1 January 2018 to 31 December 2018 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 § 322 paragraph 3 sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], 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 AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 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 audit 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 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 consolidated financial statements, in compliance with German Legally Required Accounting Principles, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. 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 audit 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 § 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 audit 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 controls.

AUDITOR'S REPORT

- 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 audit 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 [audit] 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 audit 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 [audit] 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.

Heidelberg, 6 May 2019

FALK GmbH & Co KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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Wirtschaftsprüfer
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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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