Deutsche Rohstoff

3RD QUARTER 2017

OVERVIEW THIRD QUARTER 2017

DEAR SHAREHOLDER OF DEUTSCHE ROHSTOFF AG, LADIES AND GENTLEMEN,

This quarterly report provides information on the results of the third quarter of Deutsche Rohstoff Group. It is a shorter version of the interim report, which we published for the half year. It contains the consolidated income statement, the consolidated balance sheet and explanations on important positions. The numbers of this quarterly report are unaudited.

Sales in the first nine months amounted to EUR 39.5 million, of which EUR 7.4 million were attributable to the third quarter. EBITDA increased to EUR 29.1 million in the first nine months, of which EUR 5.6 million were generated between July and September. EBIT, as of 30 September, amounts to EUR 8.9 million. The consolidated net income increased to EUR 5.2 million in the third quarter.

HALEY PAD STARTS PRODUCTION

The third quarter of our oil and gas division was marked by the completion of the Cub Creek Energy's Haley pad and the work on the Markham and Vail pads, which have been in production since late 2016. The Haley wells start production slightly delayed in mid-September and were able to reach their expected level by the end of September. Since then, they have produced an average of 2,723 BOE (barrels of oil equivalent) per day, most recently over 3,000 BOE per day. Production continued to rise in November. Overall, production at Cub Creek Energy will increase significantly in the fourth quarter. As a result, Deutsche Rohstoff AG also expects increased revenue and earnings in the fourth quarter compared to the third quarter.

The Group's net production of oil and gas amounted to 345,961 BOE in the third quarter, a daily average of 3,844 BOE. For the year as a whole, Deutsche Rohstoff produced 1,346,726 BOE or 4,933 BOE per day so far. The relevant WTI oil price fell sharply to USD 42/barrel in June, but recovered to around USD 49 during the third quarter, averaging around USD 46. In October and November, the oil price continued to rise and traded at around USD 55. However, the Terminkurve showed lower prices for future months (so-called backwardation). The EUR/USD exchange rate averaged at around 1.175 in the third quarter.

PERFORMANCE OF OIL AND GAS WELLS

While the Haley wells are currently delivering very good results, drilling rates from the Markham pad have missed the expected level of production in the third quarter. The Vail wells have also recorded a stronger decline in production since October than expected. One of the main causes is the high pressure in the local gas network, with the result that parts of the gas production had to be flared at the Markham pad. The Markham pad temporarily fell to a production of 1,400 BOE, but was able to be stabilized in October back to 1,770 BOE. A new gas line was added to the well site, which helped reduce the pressure. Meanwhile, the gas can almost completely be divested. Similar measures are also planned for the Vail pad

At Salt Creek production decreased some during the months of July and August, but during September six new wells were put online by the operator Hess Oil, increasing production to around 800 BOE.

Production at Elster Oil & Gas remained at around 500 BOE per day. As part of the ongoing work on the 20 wells of Extraction Oil & Gas, in which Elster is also involved, scheduled production interruptions may occur in the fourth quarter.

NEW PRODUCTION

Production at all three US oil companies is expected to increase significantly in the coming months. Cub Creek Energy is preparing to complete 16 wells from the Litzenberger pad, with production expected to commence in the first quarter of 2018. Elster is currently participating in 20 two- and two-and-a-half mile wells, which are expected to go into production during the first quarter of 2018. And at Salt Creek, several new wells will commence production in the coming months. We expect the number of 1 mile equivalent net producing wells to more than double from 28 at the end of the first half of 2017 to 59 by the end of the first quarter of 2018.

HEDGING

Cub Creek Energy closed additional hedges in the third quarter as part of signing a credit line with US bank Wells Fargo. Together with the existing hedges, the US subsidiaries have so far secured 292,000 barrels of oil in an average costless collar range of 44 and 54 USD for 2018.

METAL SECTOR

In the metals business, there were encouraging developments in the third quarter.

Almonty Industries was able to improve its operating profit during the current financial year 2016/2017 from – 0.4 million CAD in the first quarter to + 3.3 million CAD in the third quarter. This turnaround was achieved above all by high cost discipline in the producing mines and fixed-price contracts, which were concluded well above the spot price at the beginning of the year. Starting in July, Tungsten-APT had a strong price increase, peaking at 50% over the first half of the year. As a result, Almonty was able to close 43% of production for 2018 fixed-price contracts, which are 20-25% above the (significantly higher) spot price.

In the third quarter, Almonty also significantly improved its liquidity and balance sheet structure. The company received equity capital of 9 million CAD, and in addition, various creditors converted around 16 million CAD debt into equity. Deutsche Rohstoff AG also converted a bond in the amount of 4 million CAD into shares, in addition to outstanding interest. The conversion price of the bond and the interest together amounted to 54 cents, which is exactly the same price at which other shareholders acquired new shares, including J. P. Morgan Asset Management, which invested 2.7 million CAD and now again hold a share of around 9.5%.

The share price of Almonty responded to this positive development. From the low of around 0.20 CAD at the end of July, the share price rose to 0.67 CAD in mid-September. Deutsche Rohstoff also bought additional shares during this period. The average acquisition cost of Deutsche Rohstoff shareholding is now around 0.68 CAD. Due to the positive operating performance, the debt reduction carried out by the company andthe pleasing price trend for Tungsten, we assume that the stock has further potential.

Ceritech and Tin International have also been able to report good progress in recent months. Tin International had already entered into a joint venture with Lithium Australia in May. In the third quarter, geologists from the JV partners prepared drilling and sampling for the Sadisdorf license, which will take place in the fourth quarter. The goal is it to identify a lithium resource for the first time and to further expand it with the geological work.

Ceritech, which aims to build a significant global rare earth production in the long run, signed a preliminary contract with China Molybdenum (CMOG) in June for the use of the waste stream generated by CMOG's fertilizer production in Brazil. In the third quarter, Ceritech reviewed and expanded the results of its own waste treatment trials with a specialist service provider in Canada. This Canadian company will also deliver initial calculations for the economics of the project. On the basis of the results of these tests and the econmics, the partners Ceritech and CMOG plan to conclude a long-term cooperation agreement.

Both Ceritech and Tin International are benefiting from the trend towards electro mobility, as rare earths and lithium are among the raw materials for which demand is predicted to increase significantly due to the spread of electric vehicles. Deutsche Rohstoff AG, the majority shareholder of both companies, plans to take advantage of this trend and establish itself as a reliable producer of important source materials in the medium term.

OUTLOOK

The Executive Board expects not to be able to achieve the forecast for the full year due to the lower than expected production of the Markham wells in recent months and weaker Vail production since the end of September. Full-year sales are expected to be around EUR 50 million (forecast: EUR 55 - 65 million) and EBITDA at EUR 35 - 37 million (forecast: EUR 40 million). For the coming year we expect an increase in production as well as in sales and earnings. As things are now, the Executive Board expects to be able to propose another dividend for the current financial year, at least in the amount of the previous year.

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

Thomas Gutschlag	Jan-Philipp Weitz
CEO	CFO

CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2017 (HGB, UNAUDITED)

	ASSETS	30.09.2017	30.09.2016	31.12.2016
		EUR	**EUR**	**EUR**
A	FIXED ASSETS			
I	Intangible assets	38,055,652	23,208,173	40,614,443
II	Property, plant and equipment	94,526,547	39,899,206	79,941,380
III	Financial assets	22,922,067	22,211,396	21,042,991
		155,504,266	**85,318,775**	**141,598,814**
B	CURRENT ASSETS			
I	Inventories	165,668	85,772	137,090
II	Receivables and other assets	8,382,143	17,931,710	22,898,893
III	Securities classified as current assets	28,364,393	47,485,758	28,090,893
		36,912,204	**65,503,240**	**51,126,876**
C	PREPAID EXPENSES	**704,745**	**388,757**	**495,301**
D	DEFERRED TAX ASSETS	**1,305,129**	**0**	**250,721**
		194,426,344	**151,210,772**	**193,471,712**

	EQUITY AND LIABILITIES	30.09.2017	30.09.2016	31.12.2016
		EUR	**EUR**	**EUR**
A	EQUITY			
I	Subscribed capital *therefore share buyback*	5,063,072 -127,810	5,063,072 -127,810	5,063,072 -127,810
II	Capital reserves	29,757,158	29,757,158	29,757,158
III	Revenue reserves	0	0	0
IV	Equity differences from currency translation	119,116	6,569,690	6,325,657
V	Consolidated net retained profit	14,886,951	9,300,378	15,405,160
VI	Non-controlling interests	12,051,428	7,714,094	9,697,858
		61,749,915	**58,276,582**	**66,121,095**
B	PROVISIONS	**8,321,764**	**7,267,247**	**5,308,133**
C	LIABILITIES	**110,862,258**	**75,149,054**	**109,146,641**
D	DEFERRED TAX LIABILITIES	**13,492,407**	**10,517,889**	**12,895,843**
		194,426,344	**151,210,772**	**193,471,712**

CONSOLIDATED INCOME STATEMENT AS OF 30 SEPTEMBER 2017 (HGB, UNAUDITED)

	30.09.2017	30.09.2016	31.12.2016
	EUR	**EUR**	**EUR**
REVENUE	**39,458,596**	**3,276,949**	**9,170,296**
Increase/Decrease in finished goods and work in process	11,924	1,110	9,542
Other own work capitalized	1,906,988	791,720	1,724,710
Other operating income	3,354,614	3,559,602	10,496,891
TOTAL OPERATING PERFORMANCE	**44,732,122**	**7,629,382**	**21,401,439**
Cost of materials	-4,051,573	-4,127	-4,257
GROSS PROFIT	**40,680,549**	**7,625,255**	**21,397,182**
Wages and salaries	-3,278,239	-2,315,240	-3,457,384
Other operating expenses	-8,281,136	-8,856,547	-11,565,953
EBITDA	**29,121,174**	**-3,546,532**	**6,373,845**
Amortization, depreciation and write-downs	-20,201,378	-2,015,497	-6,914,535
EBIT	**8,919,796**	**-5,562,029**	**-540,690**
Net financial income	-2,819,469	-2,748,749	-1,412,623
EBT	6,100,327	**-8,310,778**	**-1,953,313**
Income taxes	-9,021	-90,601	2,028,183
Other taxes	-281	-584	-584
Deferred taxes	-906,280	1,696,906	0
EARNINGS AFTER TAXES	**5,185,026**	**-6,704,473**	**74,870**
NET INCOME FOR THE GROUP	**5,184,745**	**-6,705,057**	**74,286**
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (-) OR LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (+)	**-2,741,797**	**519,646**	**27,916**
PROFIT CARRY FORWARD (+)	**12,444,003**	**15,592,584**	**15,409,753**
TRANSFER TO REVENUE RESERVES	**0**	**-106,795**	**-106,795**
CONSOLIDATED NET RETAINED PROFIT	**14,886,951**	**9,300,378**	**15.405.160**

NOTES TO THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED INCOME STATEMENT

The following is a list of items with only significant changes in the current period. Please refer to the detailed remarks in the semi-annual report 2017 or the annual report 2016.

1. RESULTS OF OPERATIONS

REVENUES

Revenues are primarily related to the US subsidiaries Cub Creek Energy, Elster Oil & Gas, Salt Creek Oil & Gas and their participation in producing oil and gas wells. The sales in the amount of EUR 32,5 million result from oil and EUR 7,0 million from gas. Sales of Elster Oil & Gas and Salt Creek Oil & Gas are partially based on estimates, as the final sales figures are reported by the operators of the wells with a few weeks time delay to the non-operators.

OTHER OPERATING INCOME

Other operating income mainly consists of income from currency gains (EUR 2.2 million) offset by currency losses in other operating expenses (EUR 5.5 million).

MATERIAL COST

As of 30 September 2017, expenses for purchased services in the amount of EUR 4.1 million are listed, relating to the ongoing production costs and work on the producing and new wells in the US.

OTHER OPERATING EXPENSES

Other operating expenses occurred in the amount of EUR 8.3 million. In addition to the currency losses (EUR 5.5 million), other operating expenses are related to the operation of the oil and gas wells, exploration and evaluation costs incurred in the US (EUR 0.6 million) as well other general administrative expenses (EUR 2.2 million) within the group.

DEPRECIATION

Depreciation in the amount of EUR 20.2 million mainly consist of depreciation of oil production equipment and facilities in the tangible fixed assets, which were written off according to the produced volume of barrels of oil equivalents. No irregular depreciation was recognized in the third quarter of 2017.

TAX EXPENSES

Tax expenses (EUR 0.9 million) are composed of income from the revenue of deferred tax liabilities in the amount of EUR 1.1 million and tax expenses in the amount of EUR 2.0 million, which are attributable to the income generated by the operating US companies.

2. NET ASSETS

RECEIVABLES AND OTHER ASSETS

The receivables mainly consist of trade accounts receivables in the amount of EUR 6.3 million.

EQUITY

The equity ratio decreased from 34.2 % to 31.8% compared to 31 December 2016.

3. SUBSEQUENT EVENTS

After the balance sheet date, no unscheduled events have had a material impact on the course of business. Please refer to the detailed remarks in the semi-annual report 2017 and the annual report 2016. are primarily related to the

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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.

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

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