

Deutsche Rohstoff



1ST QUARTER 2018

OVERVIEW FIRST QUARTER 2018

DEAR SHAREHOLDER OF DEUTSCHE ROHSTOFF AG, LADIES AND GENTLEMAN,

with this quarterly report we provide information on the results of the first quarter of Deutsche Rohstoff Group. This interim report contains the consolidated income statement, the consolidated balance sheet and explanations on important positions. The figures presented in this report are unaudited and prepared in accordance with HGB.

Revenues in the first three months amounted to EUR 15.6 million (previous year: EUR 20.9 million) and the EBITDA amounted to EUR 10.6 million (previous year: EUR 17.2 million). The Group generated a net income of EUR 1.1 million (previous year: EUR 5.0 million). In the previous year, a total of 21 wells at Cub Creek had commenced production at the beginning of the quarter or a few weeks earlier, making the first quarter the strongest quarter of 2017. This year, the second and third quarters are expected to be the strongest quarters, as a large number of wells at Cub Creek and Elster started to produce between February and April.

ELSTER OIL & GAS COMMENTARIES PRODUCTION

In the Oil & Gas Business Segment, the first quarter was marked by Elster's production start of 25 wells on four pads. Elster had invested around USD 50 million in these wells last year and in the first quarter. Elster's share of the economic ownership of these wells is around 35%. Elster is in the position of „non-operator“, which means it finances the drilling. Planning, execution and operation of these wells are the res-

ponsibility of the operator, in this case a major listed company.

Two of the well pads started production in mid-February, the other two in mid-March. Elster's share of production in the first 30 days of stable production amounted to a very good 7,493 barrels of oil equivalent (BOE), of which 6,055 barrels were oil (BO). Due to the different start of production of these wells, the 30-day figures refer to a part of the production which also occurred in April and thus in the second quarter.

Total production for all three US companies amounted to 491,074 BOE/275,909 BO in the first quarter. Cub Creek's share accounted for 269,349 BOE (110,713 BO), Elster's share for 115,428 BOE (77,537 BO) and Salt Creek's share for 106,296 BOE (87,659 BO). Total revenues of the three companies before production taxes of 10% were USD 19.9 million, of which USD 15.8 million was oil and USD 4.1 million was natural gas and condensates. Revenue on the consolidated income statement is stated after deducting production taxes and in Euro.

Shortly after the end of the quarter, Cub Creek Energy brought a further 16 horizontal wells with a working interest of around 86% into production (Litzenberger pad).

The for us relevant WTI oil price rose from USD 60.37/barrel to USD 64.87/barrel in the first quarter. The average price was USD 62.91/barrel. The oil price continued to rise in April and May, trading at around USD 70/barrel last. However, the forward curve continued to show lower prices for

future months (so-called backwardation). The EUR/USD exchange rate averaged at 1.229 in the first quarter.

HEDGING

In general, we do not secure new production until production has actually started and the produced volumes are calculable. In this respect, we are currently fully benefiting from the increased prices for the new wells from Elster and Cub Creek. The rate of hedged production fell accordingly in the group to around 30%.

METAL SECTOR

The first quarter also brought continued good news in the metal sector.

Almonty Industries reported an operating income of nearly CAD 3 million for their first quarter of the fiscal year 2017/2018. In addition, the company closed on a 10-year purchase agreement for the developing Sangdong Mine. The contract provides Almonty with a lowest price limit for the supplied tungsten concentrate, but without limiting the price to the top. Such a contract is very unusual and in our view shows the good market position that Almonty has established.

In January, Ceritech AG received a shared funding commitment for EUR 1.2 million as part of the BMBF „Client II“ project, which supports the further development of Ceritech's project for the environmentally friendly and efficient extraction of rare earths from gypsum, which accumulate in the

phosphate fertilizer production in large amounts as waste.

Prices for key metals, especially tungsten APT, are still on an uptrend. At the beginning of May, APT traded on the spot market for around USD 330/mtu.

ISSUANCE OF A CONVERTIBLE BOND

In March, Deutsche Rohstoff AG issued convertible bonds with a volume of EUR 10 million for the first time. With two smaller secondary placements, the sum increased to EUR 10.5 million by the end of March. The bonds have a term of 5 years and a coupon of 3.625% and can be con-

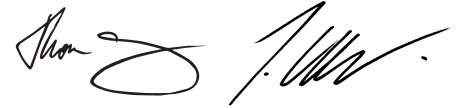
verted into shares of Deutsche Rohstoff AG starting at a share price of EUR 28. The volume issued corresponds to around 7% of the share capital.

OUTLOOK

In the current quarter, we expect a significant increase in oil and gas production in the US compared to the first quarter. In addition, the US oil price WTI continued to grow. On the currency side, the Euro's "roll", which rose to almost 1.25 EUR/USD in February, initially ended. At the time of preparation of this report, the currency pair traded below 1.20 EUR/USD. Given the recent rise in US interest rates, many ana-

lysts expect the US dollar to continue to grow, which would benefit us.

Glückauf from Mannheim



Thomas Gutschlag
CEO

Jan-Philipp Weitz
CFO



WELLHEADS AT CUB CREEK'S HALEY PAD

CONSOLIDATED INCOME STATEMENT AS OF 31 MARCH 2018 (HGB, UNAUDITED)

	Q1 2018	Q1 2017	2017
	EUR	EUR	EUR
REVENUE	15,661,224	20,928,165	53,746,053
Increase/Decrease in finished goods and work in process	-20,000	0	12,066
Other own work capitalized	0	0	2,432,262
Other operating income	524,374	3,059,479	1,123,594
TOTAL OPERATING PERFORMANCE	16,165,598	23,987,644	57,313,975
Cost of materials	-3,131,115	0	-8,068,758
GROSS PROFIT	13,034,483	23,987,644	49,245,217
Wages and salaries	-718,871	-728,050	-4,710,596
Other operating expenses	-1,680,045	-6,013,537	-8,397,022
EBITDA	10,635,567	17,246,057	36,137,599
Amortization, depreciation and write-downs	-7,773,021	-8,725,197	-30,831,667
EBIT	2,862,546	8,520,860	5,305,932
Net financial income	-1,572,994	-865,420	-4,011,660
Income taxes	-228,246	-2,601,747	6,378,593
EARNINGS AFTER TAXES	1,061,306	5,053,693	7,672,865
Other taxes	0	0	-574
NET INCOME FOR THE GROUP	1,061,306	5,053,693	7,672,292
Profit(-)/loss(+) attributable to non-controlling interests	-330,081	-1,935,433	-2,123,772
Profit carryforward (+)	17,992,523	15,404,493	12,444,003
Transfer to revenue reserves	0	0	0
CONSOLIDATED NET RETAINED PROFIT	18,723,748	18,522,753	17,992,523

CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2018 (HGB, UNAUDITED)

ASSETS		Q1 2018	Q1 2017	2017
		EUR	EUR	EUR
A	FIXED ASSETS			
I	Intangible assets	33,002,199	40,481,829	33,837,261
II	Property, plant and equipment	147,796,226	74,701,222	114,523,613
III	Financial assets	22,450,007	21,982,113	22,710,346
		203,248,432	137,165,164	171,071,220
B	CURRENT ASSETS			
I	Inventories	150,142	137,090	170,142
II	Receivables and other assets	14,142,854	25,857,728	10,414,895
III	Securities classified as current assets	21,396,556	20,337,897	29,698,993
		35,689,552	46,332,715	40,284,030
C	PREPAID EXPENSES	684,015	801,317	832,599
D	DEFERRED TAX ASSETS	1,383,324	192,684	1,385,861
		241,005,323	184,491,880	213,573,710

EQUITY AND LIABILITIES		Q1 2018	Q1 2017	2017
		EUR	EUR	EUR
A	EQUITY			
I	Subscribed capital <i>therefore share buyback</i>	5,063,072 -127,810	5,063,072 -127,810	5,063,072 -127,810
II	Capital reserves	29,827,395	29,757,159	29,827,395
III	Revenue reserves	0	0	0
IV	Equity differences from currency translation	-5,720,929	5,955,395	-3,507,363
V	Consolidated net retained profit	18,723,748	18,523,283	17,992,523
VI	Non-controlling interests	8,102,086	11,633,428	7,426,885
		55,867,562	70,804,527	56,674,702
B	PASSIVE DIFFERENCE	190,537	0	195,747
C	PROVISIONS	22,656,615	5,596,779	27,996,595
D	LIABILITIES	155,487,170	92,796,619	121,901,012
E	DEFERRED TAX LIABILITIES	6,803,439	15,293,955	6,805,654
		241,005,323	184,491,880	213,573,710

NOTES TO THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED INCOME STATEMENT

The following is a list of significant changes in the current period. For all other information please refer to the detailed remarks in the annual report 2017.

1. RESULT OF OPERATIONS

REVENUES

Revenues are primarily related to the US subsidiaries Cub Creek Energy, Elster Oil & Gas, Salt Creek Oil & Gas. The sales in the amount of EUR 15.6 million result from oil sales in the amount of EUR 12.4 million and gas sales of EUR 3.2 million. Total first quarter production amounted to 491.074 barrel of oil equivalent (boe). Before production tax the companies realized revenues of 31.1 USD per boe for oil and 8.1 USD per boe for gas. Revenues are shown after production taxes and in Euro.

Sales of 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 0.3 million) offset by currency losses in other operating expenses (EUR 0.9 million).

MATERIAL COST

As of 31 March 2018, expenses for purchased services in the amount of EUR 3.1 million have been incurred, 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 1.6 million. In addition to the currency losses (EUR 0.9 million), other operating expenses are other general administrative expenses (EUR 0.8 million) within the group.

DEPRECIATION & DEPLETION

Depletion of oil production equipment and facilities totaled EUR 7.7 million. Depletion is derived from the total number of produced barrel of oil equivalents. No irregular depreciation was

recognized in the first quarter of 2018, nonetheless depletion was increased by 10% to account for the continuously weak performance of some oil and gas wells at Cub Creek Energy.

TAX EXPENSES

Tax expenses (EUR 0.2 million) are composed of tax expenses of Deutsche Rohstoff AG and expenses attributable to the income generated by the operating US companies.

2. FINANCIAL POSITION AND ASSETS

RECEIVABLES AND ASSETS

The increase in receivables to EUR 14.1 million primarily results from the increase of trade accounts and receivables from oil and gas revenues.

LIABILITIES & EQUITY

Liabilities increased due to the issue of a convertible bond (EUR 10.5 million) and the increase of current liabilities resulting from the capital associated with oil and gas wells that were placed into production during the first quarter at Cub Creek Energy's Litzenberger Pad and Elster Oil & Gas. Accruals were reduced from 28.0 million EUR to 22.6 million EUR and liabilities increased from 5.2 million EUR to 22.9 million EUR.

Due to the increased liabilities the equity ratio declined from 26.5% to 23.1%. Management expects that the equity ratio will significantly improve during the course of the year. In July the company will redeem the remaining EUR 15.8 million of the corporate bond 13/18 and during the second quarter after the expected close of the sale of most of Salt Creek Oil & Gas assets, the company will redeem USD 13 million of debt at Salt Creek. Furthermore the accruals and liabilities will be significantly reduced.

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 annual report 2017.

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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 the report shall take precedence over the English version.

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